



## BUDGET GUIDE

The goal of your budget is to comprehensively incorporate strategic goals, management priorities and your financial needs.

A budget is the organizational plan for a stated period of time, expressed in dollars. It is the road map of your organization and represents all of the work you want to accomplish. It helps the organization allocate resources, set and clarify goals and monitor progress.

Your budget shows the Revenue, Expenses and the resulting Surplus/Deficit.

<b>Revenue</b>
Earned Revenue (contracts, fee for service) Contributed Revenue (grants, donations)
<b>Expenses</b>
Personnel (salary & benefits) Consultants/professional fees Occupancy (rent, utilities) Support (travel, office & program supplies) Depreciation In-Kind
<b>Surplus / Deficit</b>

### What to use to help inform your budget:

- Prior year financials: if you've done the work before, that's a useful starting point
- Your staff and team: they can speak to what it takes to deliver your work and know the market
- Funding that is committed: what work have you already promised to deliver?
- Your strategic goals: what else do you want to accomplish? Are you trying to grow or sustain?
- Project budgets should be proportional and realistic to the organization's capacity to deliver the services, not based on the minimum/maximum available on a grant.
- Let your ambition lead the process: don't limit your goals by what you "think" your revenue will be

### A well-developed budget will answer the following questions:

- Is there sufficient revenue to cover expenses?
- Can you separate what revenue is unrestricted and available for this year from what revenue is restricted for future years? (Could be multiyear funding or restricted funding for a specific project.)



- What are the regular and recurring revenues and expenses? What are one-time, special, or episodic revenues and expenses?
- What are the organization’s balance sheet needs, and how is the organization addressing those needs?

A guide to determining expenses:

- When developing your budget, start with the expenses first. Consider what expenses are needed to deliver on your organizational goals and mission. A good starting place is to look at your workplan and all the activities you’ve outlined.
- Your budget should include ALL of the expenses to equitably deliver your service. Don’t eliminate expenses to make your program “look” more desirable.
- Consider your balance sheet needs, too. Are you paying debt principal repayments? Does your program require a large one-off purchase of equipment?
- Generally, you cannot amend your expenses after you receive your grant. If you go over your stated expense, you will not be compensated for the extra amount. Do your research, get estimates on how much it will cost, and plan out your activities!

Your application may request your expense budget in 3 categories: Personnel, Direct, and Indirect Expenses:

## ARPA Expenses

Personnel	Direct Expenses	Indirect Expenses
<ul style="list-style-type: none"> <li>•Typically, the largest expense</li> <li>•Includes contractors</li> <li>•Includes payroll taxes &amp; fringe benefits</li> <li>•Allocation of Administrative and Executive staff</li> <li>•List employee, pay rate and portion of time dedicated:</li> </ul> <p style="margin-top: 10px;">Example: Executive Director (\$80,000 x 10%) = \$8,000 Community Artist (\$75/hour x 50 hours) = \$3,750</p>	<ul style="list-style-type: none"> <li>•Non-personnel expenses directly tied to your program</li> <li>•Include program supplies, taxi vouchers, marketing and printing, equipment rental, insurance, travel, food, meeting expenses</li> <li>•May include occupancy if you rent specific space for your activity</li> </ul>	<ul style="list-style-type: none"> <li>•Expenses not directly tied to your program, but are incurred by the organization</li> <li>•Requires a portion of office rent, utilities, maintenance of space, total administrative costs (phone, internet, office supplies , computer equipment)</li> </ul> <p style="margin-top: 10px;">Example: 5 Employees at organization, 2 will provide services for ARPA. Therefore, 40% of office space will be “occupied” by the project.</p>

### Personnel Expenses

Expenses for all of the people who work on the project. This is typically the largest expense. For many organizations, personnel and independent contractors may be 60-80% of total expenses. Contractors may include temporary staff, consultants, lawyers, engineers, artists, or freelancers. If you are using employees, include all payroll taxes and fringe benefits (FICA, Medicare, unemployment, workers comp). Remember,



administrative/executive staff may still be contributing to the project (either through direct service delivery or by helping with reporting, supervision, or evaluation).

List each employee title, the annual pay rate and the portion of their time dedicated to the project. For contractors, list their hourly fee or the flat rate negotiated. For example:

- Outreach Worker ( $\$40,000 \times 100\%$ ) = \$40,000
- Executive Director ( $\$80,000 \times 10\%$ ) = \$8,000
- Community Artist ( $\$75/\text{hour} \times 50 \text{ hours}$ ) = \$3,750

### Direct Project Expenses

These are non-personnel expenses that are directly tied to your program. This means if your program didn't exist, the expense would not be incurred. These expenses are anything *except* personnel. They include program supplies, taxi vouchers, marketing and printing, equipment rental, insurance, travel, food and meeting expenses. This may include occupancy expenses if you rent a specific space to deliver your activities (for example, a counselling office or classroom).

### Administrative and Indirect Expenses

These are expenses that are not directly attributable to a specific program. The expense will be incurred by the organization regardless of your program. For example, your organization may pay rent of \$1,000 monthly for their office space of 5 employees. They will continue to rent the office even if your program doesn't happen. But if the project does happen, one-fifth of the office space will be "occupied" by the project director. Therefore, you can charge one-fifth of the office rent, utilities, maintenance of space and total administrative costs (phone, internet, office supplies, computer equipment). The RFP may allow you to charge a percentage of all other administrative costs as indirect, or overhead.

### Other expense considerations

- **In-kind expenses:** this is an accounting recognition of donated goods or volunteer services. If you include in-kind, there is an equal amount of revenue and expenses – resulting in \$0 in terms of overall financial impact. Volunteers are important aspects of a program as in their absence, there could be a negative impact both in operations and financials.
- **Pass-through dollars:** these are funds that are either spent on behalf of, or passed through to, a secondary recipient. If you plan on using grant dollars to "pass-through" to other organizations, there is a cost to manage the process. Ensure you add this expense in your budget.
- **Depreciation:** used as a proxy, this non-cash "expense" reflects fixed assets losing their value over time. Fixed assets are "capitalized" and not listed as an expense on the income statement but appear on the balance sheet. An approximation of dollars is set aside for replacements. Consider adding the depreciation expense to your program budget if you are contributing to the "wear and tear" of a physical asset.
- **Capital expenses:** you may request funds for a building project. Consider the ongoing operating expenses when purchasing new property (or equipment).



## Program vs Operating Budget

- Some grant applications request both a project budget and your total organizational budget.
- List the direct expenses related to your project and include footnotes/an explanation of how the numbers were derived.
- It's important to determine and allocate your indirect costs to ensure you are asking for the full cost of your program expenses. Find out more information on Cost Allocation on this 2 minute video from [Propel Nonprofits](#) or this Strategic Cost Allocation worksheet from [Nonprofit Finance Fund](#)

### Example Project and Organizational Budget

	Total Project Budget	% of Total Budget	Total Organizational Budget	
<b>Revenue</b>				
<b>Contributed</b>				
Foundations		0%	95,000	
Government grants	151,050	60%	250,000	
Corporations		0%	12,500	
Individual giving		0%	15,000	
<b>Earned</b>				
Program fees		0%	27,500	
Special events		0%	16,000	
Government contracts		0%	30,000	
<b>Total Revenue</b>	<b>\$ 151,050</b>	<b>34%</b>	<b>\$ 446,000</b>	
<b>Expenses</b>				
<b>Personnel+ Consultants</b>				
<i>Executive Director</i>	11,250			15% @ \$75,000/year
<i>Program Director</i>	55,000			100% @ \$55,000/year
<i>Administrative Assistant</i>	27,750			75% @ \$37,000/year
<i>Program Evaluator</i>	3,000			\$75/hr x40 hrs
Total Personnel + Consultants	97,000	30%	325,000	
<b>Nonpersonnel</b>				
program space/rent	4,500	30%	15,000	
internet	500	25%	2,000	
phone	850	17%	5,000	
supplies/materials	18,000	45%	40,000	
travel	1,000	33%	3,000	
insurance	3,000	40%	7,500	
bank fees	100	10%	1,000	
software	3,000	60%	5,000	
program equipment	3,000	40%	7,500	
food and beverage	500	25%	2,000	
Depreciation	1,000	20%	5,000	
Total Nonpersonnel	35,450	38%	93,000	
Total Indirect Expenses	18,600		-	*a percentage of the administrative expenses that are necessary to run the program.
<b>Total Expenses</b>	<b>151,050</b>	<b>36%</b>	<b>418,000</b>	
<b>Surplus/Deficit</b>	-		28,000	