1. What to Consider

* You must provide the Grantor with a project-specific budget that will show the full costs of the proposed project, including what you are asking the grantor to contribute to the project (grant funds), what your organization will pay (in-kind and/or direct), and other resources (if any) that will support the full costs of the project.
* Consider ALL expenses related to the project for the full term of the project period. This may include salary + fringe, work space + utilities, insurance, training, licensing, background checks, copying, mileage, etc. These costs may or may not be eligible for expensing to the grant, but the project budget must show how all expenses will be paid and by whom.
* The project budget as presented must directly relate to the goals, objectives and methodologies written in the proposal and ONLY those items. Do not include other organizational expenses in the project budget unless they have a direct bearing on the project.
* The budget submitted with the proposal applies only to the project period allowed by the grantor. You may need to explain continuing costs and/or how you will account for outcomes beyond the grant period, but it is unlikely that direct expenditure of grant funds will occur outside the grant period.
* Generally, grant funds may not supplant ordinary expenses. This means that you may not redirect continuing expenses for which the organization has budgeted (i.e., salaried employees) to be paid through grant funds. Check with your grantor if you are unclear on allowable expenses; your grant may be declined on technical grounds if you include ineligible budget expenses.
* Do not leave money on the table. If the grantor allows a maximum of “$X” in grant requests, use that parameter to develop a project budget and work as close to that number as your project will reasonably support.
* Remember that your proposal justifies your budget request. Your budget can be set-up based on expenses outlined by the narrative; these expenses typically highlight significant line items. Then review those line items to determine what additional agency costs will be needed to support the main expenses (as noted above).
* Expenses that cannot be directly related to the project budget line items and directly expensed, become the project’s “indirect costs.” Indirect is typically charged (when allowed) as a percentage of the overall project budget. If the grant guidance is not clear, check with the grantor to determine if indirect is allowed and at what percentage.
* No grant project budget should be completed without the input and final approval of the organization’s chief financial officer and any other staff person with budget responsibilities who will be impacted by the project if funded. Fiscal personnel within your organization should be involved in the project to the extent they choose, starting with the initial conversations about the grant project.

1. How to Calculate Expenses

* How you derived expenses is typically shown in the “budget narrative” or “budget justification.”
* Calculations must be shown for all expenses and should indicate the full cost of each expense over the project period. If that period covers more than one year, be sure to calculate costs for the out-years, including any applicable adjustments such as salary increases.
* Breakdown cost calculations into the most reasonable and understandable equations. You cannot be too simplistic in conveying your intent to the grantor. For instance, if the Project Manager, a salaried employee earning $80,000 per annum, will spend 20% of her overall time on the project, and this time will be an in-kind contribution from the organization, the calculation might look like this:

$80,000 X .20 = $**1600**, which will be contributed as in-kind.

Assuming the organization will also contribute FICA and Fringe, the calculation might look like this:

$80,000 X .20 = $**1600** X .0765 FICA = $**122** + $1600 = $**1722** X .30 Fringe = $**517**

$1722 + $517 = $**2239** Total in-kind contribution

* A sentence or two added to your calculations will explain why you are including this expense in the budget and will indicate whether this is a direct, indirect, or in-kind contribution. Continuing with the above scenario:

“*Suzy Sunshine will serve as Project Director for this grant and will contribute 20% of her overall time managing grant activities, reporting on grant results, monitoring and adjusting the budget as appropriate, and reporting to the Dean of Faculty, Department Chair, partners and other interested organizations on grant activities. H-SC will provide Ms. Sunshine’s time as an in-kind contribution to the project*.” (Insert your calculations here.)

* Move the sum of these individual calculations to the corresponding line item on the budget form provided by the grantor. In some cases, the grantor will request a summary of “salaries.” More typically, you will see a line item such as this:

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Insert staff with name, title and project role | Grant Expense | In-kind Expense | Other | Total |
| 1.Suzy Sunshine, Associate Professor and **Project Director (20%).** Includes salary + FICA + Fringe @33% |  | 2290 |  | 2290 |
| (Other staff listed individually) |  |  |  |  |
| Total Salaries: |  | 2290 |  | 2290 |

* Indirect expenses are calculated at a percentage allowed by the grantor; that amount will be indicated in the grant guidance or on the budget form/instructions. If a rate is not provided and the grantor indicates that indirect IS allowed at your organization’s “normal rate,” that is 50% for Hampden-Sydney. The percentage is generally calculated based on the full budget amount of the grant request. For example:

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Budget Line Items | Grant Expense | In-Kind  Expense | Other Contributions | Total |
| Salaries (includes FICA) | 64590 | 43060 |  | 107650 |
| Fringe (at 30%) | 19377 | 12918 |  | 32295 |
| Supplies | 2500 | 2500 | 5000 | 10000 |
| Mileage | 3000 |  |  | 3000 |
| Sub-total Project Costs | 89467 | 58478 | 5000 | 152945 |
| Indirect Costs (at 50%) | 44734 |  |  | 44734 |
| Total Project = | 134201 | 58478 | 5000 | 197679 |

Note that, in this example, the true cost of this project is $197,679 of which the grant will support $134,201. Also note that the indirect is ONLY calculated on the total amount of the “Grant Expense” line; it does not include the “In-Kind” or “Other” amounts that are a part of the total project because the indirect will be provided to the applicant as grant funds.

The applicant for this grant will provide a total of $58,478 in-kind, which is an appealing amount to the grantor since it is better than 50% of the grant request. The “Other” amount of $5,000 provides an example of a partner or partner(s) support for the project and may be contributions that are direct, in-kind or a combination of the two.

* Tote, tote, and re-tote. Every time you adjust the budget or the narrative regarding expenses, re-total the budget in full and review the narrative for consistency with the budget. Grantors often complain because the narrative does not match the budget and the budget does not correctly total. Remember to carry all calculations and adjustments throughout the proposal, no matter how much time it takes to make this review – it can make the difference between funding and no funding from the grantor.

Use the “generic budget form” in this folder as a worksheet to help you think through all of the costs of your proposed project.

(PJT 02.08.2016)