



GATEWAY *to* GRANTS

GRANT PROPOSAL FINANCES



INTRODUCTION

Welcome to Grant Proposal Finances. This document was put together to help organizations understand basic practices in financial management, so they can build the systems needed to win grant funding. The following pages include important information on nonprofit budgets and narratives, a glossary of commonly used financial terms, and interview with Gina Nocera, Program Officer of the Jared Polis Gift Fund, along with sample program budgets and operating budgets.

Gateway to Grants is a grants management firm, featuring services that meet the needs of growing nonprofit organizations. These include industry leading prospect research packages, grant writing and reporting, grants management services, project management and training. We will help you gain confidence in your fundraising strategy and build a legacy for the future of your organization. Work with Gateway to Grants and stop missing important opportunities for funding today.

GRANT PROPOSAL FINANCES

NONPROFIT BUDGETS

The budgets and financial documents included with a grant proposal are some of the most important components of the entire application. In fact, many grants committees will look through this section before even reading the actual proposal. This is because your budgets and financial statements provide significant insight into the overall health of your nonprofit. They can indicate to a funder how effective your group is at managing funds, projecting revenues and expenses, and creating sustainability for your organization's mission.

Typically, there are two types of budgets that grant-makers want with a proposal – *the operating budget and the project, or program budget.*

The operating budget is the financial statement that is submitted annually for approval by the nonprofit's board of directors. It is a projection of total income and expenses for the organization's fiscal year. The program budget itemizes the resources required to carry out the specific program for which funding is being requested. This budget should include committed support and anticipated earned revenues.

Although budgets can be presented in a variety of formats, there are several common elements to consider including on both the revenue and expense sides:

Revenues

- Fundraising Events
- Grants
- Earned Income
- Individual Donations
- Corporate Contributions

Expenses

- Administration
- Facilities
- Equipment
- Salaries and Benefits
- Marketing

You should always specify the time period covered by the budget at the top of the page (example: Fiscal Year 2015 (January 1st – December 31st)). We recommend that you double-check all of your cost estimates to ensure that they are credible and realistic. Finally, if possible, avoid using the line item name, “miscellaneous”, to capture uncategorized expenses. If you must, be sure to explain the “miscellaneous” grey area using a budget narrative.

BUDGET NARRATIVE

You want to use your financial information to communicate to the reviewing team that their grant award would be in responsible hands. Therefore, you should aim to proactively answer any questions that your financials may leave unanswered. Here are some example line items that you should qualify or address:

- *Any significant excess or deficit in net income*
- *“Miscellaneous” expenses*
- *\$0 in revenue from one of the major fundraising sources (e.g. government grants, individual donations, events, etc.)*

In determining which line items to explain in your budget narrative, try stepping into the mind of the reviewers, by anticipating what he or she might want explained. Budget narratives will differ from organization to organization so it is important that you understand how to present yours in a way that leaves no doubt in grant reviewers about your capacity to responsibly and effectively manage a grant award. This is especially true if you are approaching a funder for the first time.

One of our consultants, Amanda, heard similar advice from Gina Nocera, Program Officer of the Jared Polis Gift Fund. Gina had four specific recommendations:

- 1) Use budget narratives to address amounts that fall outside of a reasonable range, both above and below.
- 2) Budget narratives can address entire sections or very specific line items. Use whichever method you need to explain how and why certain line items do not add up.

3) Given the option, apply for program funding as a first-time applicant, and highlight how it would be applied towards the budget. General operating funding is harder for a grant-maker to award because it requires a lot of trust that the nonprofit will use the money well.

4) Do not ask for full support of a program. Instead, show that you have other financial supporters backing your activities. Including information about your network of support in the budget narrative can earn the confidence of a new grant maker.

KEEP IN MIND!

It is important to remember that many grant-makers have hundreds of applications to consider during any given grant period. Most do not have the time and/or resources to reach out to every nonprofit for which they have budget questions. Instead, these applications get brushed aside for later review. You do not want this to happen to yours! Your narrative deserves to be considered at the top of the pack, supported by strong financials and a clear budget narrative.

GLOSSARY OF COMMONLY USED FINANCIAL TERMS FOR NONPROFITS

BALANCE SHEET

A financial document that presents the difference between the total assets and total liabilities held by the organization. The net assets section should be divided into the following: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets (see definitions below). Liabilities are financial obligations owed by the organization. These can take many forms such as accounts payable, salaries payable, payroll taxes payable, deferred revenue for work not yet performed, or any other service or money owed to another party.

UNRESTRICTED CONTRIBUTIONS

Contributions received that haven't no donor-imposed restrictions. These contributions are often referred to as general or operating support.

TEMPORARILY RESTRICTED

Contributions are those which have restrictions placed on their use by the donor. These restrictions can be satisfied by the passage of specified amount of time or fulfillment of a specified purpose.

PERMANENTLY RESTRICTED

Contributions are created with restrictions so that the principal balance of the gift may not be invaded. Examples could include: endowed funds whose principal is allowed to accrue interest or income for the use of the organization, or a gift of a building for permanent use by the nonprofit.

FINANCIAL AUDIT

The terms "audit" or "audited financial statements" refer to the financial analysis work performed by a licensed certified public accountant or auditing firm. During an independent audit, the CPA reviews the financial records, accounts, business transactions, accounting practices, and internal controls of a charitable nonprofit. The CPA should not be an employee of the nonprofits but instead is retained through a contract for services, and hence is "independent." During the independent audit, the auditor will review the organization's financial statements to determine whether they adhere to "generally accepted accounting principles" (commonly referred to as "GAAP"). Nonprofit organizations with an annual operating budget of \$500,000 or greater are advised to have an annual

PROFIT AND LOSS

A Profit and Loss (P&L) statement is one of the key financial statements organizations routinely use to give stakeholders a snapshot of their fiscal health. For nonprofits, showing donors that they are financially sound and using their money wisely is a way to keep the contributions coming in. Profit and loss statements compare actual expenses for a given period to the budget for that same period. The actual expense column of this report is basically the same as the "unrestricted" column on the balance sheet.

INTERVIEW WITH GINA NOCERA, PROGRAM OFFICER OF THE JARED POLIS GIFT FUND.

Gina shares how important the budget narrative for developing a strong grant proposal. Gina's insights will add great value to your nonprofit's overall financial section. We suggest comparing Gina's recommendations to how your organization currently presents its budgets.

Amanda: It sounds like you have some experts from different areas that can look at the proposals with different eyes to see where the strengths are, can you tell me a little bit about...what are some of the biggest problem areas that you see or what's the most common reason that a proposal would get turned down?

Gina: Well, I think a couple of the things are when they actually get to the proposal point, if they made it through the LOI process, I always tell organizations it's still competitive where we have a finite amount of money to donate every cycle. And, some of the things that stand out are their evaluation section. And we want to see that they actually evaluate their programs, how they evaluate the programs, and the data that they collect from those programs. Often times, organizations will say in the evaluation section, "we will do this," you know, "we will pass out surveys to our clients...like satisfaction surveys," or, "we will collect data on the outcomes of this program." Ok. What have you collected in the past? Because one thing we don't do, is very rare, we almost never do it, is fund a brand new program. Because we want to see that it is somewhat established and that there is some data behind it and then how they use that data - to tweak a program, or to strengthen a program...whatever it is. So that's a big part of it for us...is the evaluation and the data piece and that they are taking that seriously and informing themselves of their own success or not. And then secondly, of course, we look at the budget and financial health. So we're going to look at your financials and we're going to look at your governance structure...very closely. We're going to say, "is the organization financially healthy? Are there any outstanding questions that we have after reviewing their current operating budget?" And sometimes, there are. That's why I highly recommend that a budget narrative is attached to a budget. Because, often times, they don't add up. Whatever is going on in a budget, or even in a program, like, and if you're asking for program funding, attach a program budget. And another thing we want to see that I always tell organizations is, "if you're asking us for support for a program, don't ask us for the full support for the program. Show us that you have other supporters. So if we're funding twenty percent of the program, who is funding the other seventy-five percent? Is it pending? Do you have an idea who is funding it? We hope so, because we are not going to fund you otherwise."

Amanda: So these are things that can go into a budget narrative?

Gina: Absolutely.

Amanda: For someone who has never done a budget narrative before, can you just describe that?

Gina: I think of the budget and then I think of notes that follow the budget, and they could use bullet points that say, "in the revenue section, this particular line item...it connects to..." or, "let me explain this..." Like, literally, just attach notes that talk about whether it's the revenue and expense section, how they add up, how they don't add up, or even very specific line items. We do have three types of grants that we give. One of them is general operating which I know is difficult for many organizations. So, that's not going to have a program budget attach, per se, but your operating budget...it needs to be very clear. We also give programmatic funding and we give challenge matching. Which is probably our least requested - the challenge matching. What we always recommend, is if you're going to be a new grantee, ask for program support. Unless you're a group like Wildlands Restoration Volunteers who could write the most beautiful application in such a genuine way that they literally blow our socks off, and we know that they are who they say they are, and they live it and breathe it every day, and it is clearly jumping out at us, we recommend then that you ask for program support in your first couple years. And then after you are an established grantee, ask for general operating, because, at that point, we have a relationship with you and we know, we totally 100% trust you to use the money...if you need to keep the lights on, you keep the lights on, because we trust your mission. We know who you are. So that's how we sort of recommend it. So, there is a lot around financial organization and health, target population impact, and lastly, there's a subjective piece to it in reading it. There's instinctual sort of gut...questions, feelings about an organization and so we leave the last section for individual recommendation. Would you recommend funding this organization based on its overall application? Do you think it's a good fit for our gift fund? If you do recommend funding it, would you recommend funding the requested grant amount or a different amount? And we kind of attach points to each of these, and so, there are fifteen points total, and so, we do look at the overall score. But, comments have to go hand-in-hand. So we always have sort of succinct comments from each committee member and that's where we start.

We start with the scores, we start with the comments, and on our board when we have our decision-making meeting, we put definite “yes’s,” we put “maybe’s” for discussion, and we put definite “no’s.” And then that’s how we go through our process of figuring out and then we start attaching amounts to it based on what our budget is for that cycle.

Amanda: Thank you. I think that explains it really well. That is a clear idea of how this works...

SAMPLE PROGRAM BUDGET

Fiscal Year 2015 (January 1st – December 31st)

| INCOME | AMOUNT |
|---|------------------|
| Event Fees | \$10,000 |
| Grants | \$33,000 |
| Daniels Fund (\$8,000 awarded) | |
| Gates Foundation (\$15,000 pending) | |
| Community Foundation (\$10,000 pending) | |
| Government Grants | \$80,000 |
| Individual Donors | \$3,500 |
| Board Dues | \$10,000 |
| Corporate Donations | \$55,000 |
| TOTAL INCOME | \$191,500 |

| EXPENSES | AMOUNT |
|--------------------------------------|---------------|
| Salaries | \$53,250 |
| Executive Director (25% of the time) | \$23,750 |
| Finance Director (10% of the time) | \$8,500 |
| Program Director (50% of the time) | \$21,000 |
| Benefits | \$5,100 |
| Taxes | \$3,400 |
| Health Insurance | \$3,500 |
| Building Expenses | \$15,500 |
| Insurance | \$3,500 |
| Rent | \$12,000 |

| | |
|--------------------------|----------|
| Equipment | \$27,500 |
| Insurance | \$13,000 |
| Meals and Refreshments | \$14,000 |
| Marketing | \$14,200 |
| Phone Services | \$7,300 |
| Travel | \$10,600 |
| Signs and Printing Costs | \$13,400 |
| T-shirts | \$8,100 |

| | |
|-----------------------|------------------|
| TOTAL EXPENSES | \$188,850 |
| NET INCOME | \$2,650 |

Please note this is only an example. Program budget line items will vary depending on your organization

SAMPLE ORGANIZATION OPERATING BUDGET

Fiscal Year 2015 (January 1st – December 31st)

| REVENUE | AMOUNT |
|--------------------------|---------------|
| Corporate Donations | \$40,000 |
| Fundraising Events | \$25,000 |
| Individual Contributions | \$8,000 |
| Interest Earned | \$200 |
| Program Fees | \$15,000 |
| Grants | \$175,000 |
| Government Grants | \$250,000 |

| | |
|----------------------|------------------|
| TOTAL REVENUE | \$513,200 |
|----------------------|------------------|

| EXPENSES | AMOUNT |
|------------------------------|---------------|
| Admin. Supplies and Services | \$10,000 |
| Building Expenses | \$27,500 |
| Insurance | \$3,000 |
| Utilities | \$5,500 |
| Rent | \$16,000 |
| Renovations | \$5,000 |

| | |
|------------------------------|------------------|
| Equipment | \$5,000 |
| Insurance | \$10,000 |
| Legal Fees | \$850 |
| Marketing | \$15,700 |
| Salaries and Benefits Admin. | \$419,000 |
| | \$22,000 |
| Benefits | \$31,000 |
| Executive Director | \$95,000 |
| Executive Assistant | \$30,000 |
| Development Director | \$65,000 |
| Program Manager | \$42,000 |
| Finance Director | \$85,000 |
| Taxes | \$14,000 |
| Health Insurance | \$700 |
| | \$4,000 |
| Travel and Conferences | \$8,400 |
| TOTAL EXPENSES | \$501,150 |
| EXCESS OR DEFICIT | \$12,050 |

Please note this is only an example. Program budget line items will vary depending on your organization