



The Budget

Translating Your Story from Words to Numbers

One of the most essential components of a grant proposal is not even written in words. It is the all-important budget. A budget is really nothing more than the translation of your agency's narrative story into another language, the language of numbers. Just as some of us jump to the end of a book to read the ending first, some funders will begin their review of your proposal story by looking at the budget. Eventually, all funders will spend considerable time reviewing the budget, so you need to take care when preparing it.

If you are not an accountant or an MBA, the numbers portion of a proposal can seem especially intimidating, frustrating, and confusing. But like them or not, numbers are a critical part of your agency's story. So don't skip this chapter just because you think numbers are boring, difficult to get a handle on, or too painful to deal with. Your agency's program budget is a necessary and critical element of the proposal story, as are the agency's financial statements, for they complement and strengthen the narrative itself.

WHO TRANSLATES THE NARRATIVE TO NUMBERS?

Although this book's storytelling theme and the translation metaphor apply nicely to this chapter's discussion on budgets, there is one minor wrinkle. When books and stories are translated from English into another language, the author

rarely, if ever, does the actual translation. Publishing houses hire professional translators to do this work. Many grantwriters try to take a similar approach. They leave budget preparation to the accounting and bookkeeping wizards on the agency's staff, sometimes not even reading or reviewing what has been prepared. They're just thankful that the dreadful task of budget preparation is done. This is a mistake. Unlike authors, who do not need to be fluent in every language their works are translated into, grantwriters must be conversant with the language of numbers. At a minimum, they should be comfortable reviewing budgets, and the most versatile should be able to prepare them as well.

When a book is translated, say from English to Spanish, the vast majority of readers won't bother comparing the two versions to ensure that the translation is absolutely accurate. Yet grantmakers do compare the two versions that are submitted in the proposal package, namely the narrative story and the budget story. Funders expect both versions to be consistent. It's the grantwriter's job to make sure that these two versions are identical. The only way to do this is either to actively participate in preparing the budget or to thoroughly review the budget once someone else has prepared it.

This means you'll have to overcome numberphobia if you are afflicted. Take a workshop on understanding and preparing budgets for nonprofit agencies. Read a book on the subject. Reach out to professional colleagues who are willing to mentor you in developing a basic understanding of what a budget is. And by all means, keep reading this chapter.

WHAT THE BUDGET IS

The numbers story of a grant proposal begins with the budget. If grant funding is sought to support a specific program or project (remember that programs have an indefinite duration, whereas projects are short term), then a budget for that particular program or project needs to be prepared and attached to the proposal. Because agencies are likely to operate multiple programs, the budget for a specific program or project represents just a portion of an agency's overall annual budget. Therefore, the agency's annual budget is also attached along with the program budget. When seeking general operating support, however, there's only an annual budget to attach. (I discuss attachments and packing the proposal in greater detail in Chapter Ten.)

So what is a budget? It is a best estimate of how much the program will cost and how your agency plans to fund this cost. Budgets are divided into two

sections: expected revenues and estimated expenses. Separate line items are listed for each source of projected revenue and each type of projected expense. Similar expenses are grouped together. For example, pens, pencils, paper, envelopes, erasers, rulers, and the like can all be bundled together under the category of office supplies. What the expense side of a budget really does is put a price tag on how the agency plans to respond to the story's antagonist (the problem or need) and deliver certain services to its clients. To put it another way, expenses put a price tag on methods.

A budget's length, detail, and complexity are directly related to the underlying narrative story. Large, complex programs necessitate large, complex budgets, whereas small programs require smaller, simpler budgets. Accordingly, the budget for a project costing an estimated \$15,000 probably could be summarized on one page, whereas the budget for a \$20 million program could run several pages.

Table 8.1 shows a sample budget for a small program.

Table 8.1
Sample Small Program Budget

	TOTAL CASH
Expected revenues	
Foundation grants	\$10,000
Corporate grants	<u>3,000</u>
Total expected revenues	<u>\$13,000</u>
Expected expenses	
Workshop trainer	\$2,000
Program development	5,000
Administrative support	2,700
Photocopying	1,200
Postage and telephone	500
Site rental	800
Refreshments	400
Audiovisual equipment rental	<u>400</u>
Total expected expenses	<u>\$13,000</u>

Budgets are forecasts, so funders don't expect applicant agencies to know all the specific costs or precisely where all the funds to cover those expenses will come from, especially if the request is for a brand-new program. However, funders do expect that an agency will make its best effort to determine what the income and expenses are most likely to be.

When working with budgets, it is also important to remember that they are not carved in stone, never to be changed. Budgets are fluid and flexible documents, forecasts that can be adjusted. During the course of the time period covered by a budget (typically your agency's fiscal year), the numbers can—and should—be updated and revised to accurately reflect your agency's story as it evolves.

Because grant proposals are submitted throughout the entire year, make certain that both the narrative story and the budget translation are updated as needed. Several things can happen to your nonprofit agency and its programs during the course of a year. As the months pass, perhaps more revenue is generated than originally anticipated and budgeted—and what a nice surprise that is! Sometimes expenses can come in lower than initially expected. In either of these circumstances, there's a surplus, and your agency has some important decisions to make. It can decide to expand the program, such as by increasing the number of clients served or by providing additional services to existing clients. Alternatively, your agency may conclude that it should hold on to the surplus and apply it to the following year's program expenses. Under either scenario, the initial budget will need to be adjusted to reflect the new financial reality.

Of course, the opposite financial story can occur: either less money comes in or expenses exceed original projections. If either of these situations arise, your nonprofit agency will need to undertake some cost-cutting measures. This could mean reducing program services and possibly serving fewer people. And once again, a new, revised budget must be prepared.

If you have proposals pending with potential funders, you should submit a revised budget whenever significant changes have been made. This keeps the funder fully informed and also provides you with another opportunity to contact and develop a relationship with the funder.

HOW TO BUDGET FOR CONTINUING PROGRAMS

Preparing a budget for a program that is continuing is easier than creating one for a brand-new one. With an ongoing program, you can refer to the program's

prior fiscal history by reviewing the prior year's revenues and expenses. With this information as a base, you can prepare a new budget for the following year.

First, let's focus on the income portion of the budget. Looking at a program's previous funding history, you should be able to make some reasonable estimates about whether such funding will continue and (ideally) increase or whether there are circumstances that may cause financial support to decrease. Consider whether new funding sources have been identified and whether new strategies will be implemented. For example, will your agency be launching a major-donor campaign in the forthcoming year? Will it be increasing the size of its development staff? Or has a government funding program been eliminated? With answers to these types of questions, you can prepare a fairly accurate revenue section of your budget.

A similar analysis takes place when reviewing prior expenses and preparing the expense section of the budget. In determining future costs, take into account two factors. First, factor in inflation. Program costs always seem to go up. Rent skyrockets, insurance and utility rates rise, salaries are adjusted for inflation, and the cost of supplies steadily creeps up. New budgets for continuing programs must reflect these adjustments. Second, consider whether the program objectives and methods will change in the new grant period. If your agency plans to expand the delivery of its program services and reach more clients or if it seeks to enhance the program (even without reaching additional clients), expenses are likely to increase. And the program's new budget should reflect these changes.

HOW TO BUDGET FOR NEW PROGRAMS

When developing a budget for a new program or project, you do not have the advantage of looking to the past in order to forecast the future. What do you do? Throw your hands up in despair? Because this will not get you where you want to go, I recommend that you do something much more productive in building a budget for a new endeavor.

First, if possible, contact colleagues at other nonprofit organizations that have been running similar programs for a few years. Ask these folks what the most significant budgeting decisions were that they had to make in the program's earlier years. Invite them to share with you the budgeting lessons they learned along the way. During my years in the nonprofit field, I have found my colleagues at

other institutions to be most generous with their time and knowledge. Don't be afraid to build collegial relationships and make fact-finding calls when necessary.

Second, do your own research, especially for the expense side of the equation. It will take a little time and effort to find out what most budget items will cost—from major pieces of equipment to office supplies to staff and contract personnel. Contact product vendors and compare prices. Price shopping online has made this task easier, and I have found that when merchants think they may have an upcoming sale, they are usually more than happy to provide price quotes.

Third, be conservative when budgeting for a brand-new program. On the income side, this means not overestimating projected revenues; on the expense side, it means not underestimating program costs. Demonstrating such fiscal prudence in a budget sends a strong positive message to potential funders. It says that your nonprofit agency makes sound judgments, is financially responsible, and is likely to deliver on the promises stated in the proposal. These are qualities that well-run agencies possess—and they're the ones that usually get the money!

A NOTE ABOUT BUDGET NOTES

There's one thing budget stories have that most proposal narrative stories do not (and this may be of some comfort to those who are numberphobic): notes in which words are used to explain the numerical tale more fully. In Chapter Five, I stated that footnotes are almost never used in the narrative text of a grant proposal. The budget section is an exception to this "rule." Budget notes can and often should be used, for they help explain and clarify the information contained in the numbers story.

When should you include budget notes? Two situations come to mind. A rule of thumb that I recommend is to consider including a note whenever an expense item represents 5 percent or more of the total estimated costs for the program. For example, assume a program budget of \$100,000. If any individual line item equals or exceeds \$5,000, I think about including a budget note to explain or justify that expense item. Second, you'll want to include a budget note whenever a particular line item might be unclear to the reader or might require additional narrative detail. For example, a line item labeled "miscellaneous" practically begs for a note to explain what is included under this category. (Examples of budget notes are included in the sample budget later in this chapter.)

EXPECTED REVENUES: MORE DETAIL

Whether writing the budget story for a continuing program or for one that is brand new, be certain to include all sources of projected revenues. For example, expected revenues may include one or more of the following:

- *Fee-for-service income.* This is the money paid by clients for the services provided by your nonprofit agency.
- *Unrelated business income.* These are moneys earned from activities operated by the nonprofit agency that are totally unrelated to the core work and mission of the agency. For example, a contemporary theater group operated a highly successful and very profitable business of recording dramatic audio tours used by various tourist sites nationwide. Although the income earned from such profit-making endeavors is taxed at corporate rates, it does help increase overall agency revenues.
- *Grants.* Because grants are awarded by foundations, corporations, and government agencies, you may want to separate anticipated grant revenues by the type of grantmaking entity.
- *Income from special fundraising events.* When projecting revenues from fundraising events, be sure that your calculation is based on net, not gross, income. In other words, make certain that you deduct the costs associated with holding the fundraising event when determining how much money you hope to reap from the event.
- *Contributions.* Individuals represent the largest source of philanthropic giving, accounting for approximately 85 percent of all charitable contributions annually. Your agency may receive donations from individuals through various channels, such as appeal letters, major gifts, and special gifts. Some donations may be earmarked for a particular program rather than being unrestricted. For example, a special mail appeal may be sent to individual donors for support of a specific program. Individual contributions raised or earmarked for a particular program would then be listed as a separate line item in the revenue portion of the budget.
- *Endowment income.* In some circumstances, an endowment fund may have been established to help cover the costs of a particular agency program. Interest income earned on the endowed funds would also be reported as a separate line item.

EXPECTED EXPENSES: MORE DETAIL

Whereas potential revenue sources are relatively few in number, possible expense items can be numerous and quite varied, depending on the type, scope, and size of the program. Some items (such as the cost for musical instruments) may be program specific. Other costs are more universal. The costs most likely to show up on almost every program budget are the following:

- *Salaries.* Personnel costs are frequently the major expense item in any program budget, and often these are underestimated. When a nonprofit agency develops a new program, special attention should be paid to determining what personnel are necessary to do the job and how many hours, days, weeks, or months will be required to get each individual task done.

It is not unusual for staff at nonprofit agencies to hope for unpaid volunteer assistance for certain activities. But agencies should consider what will happen if an inadequate number of volunteers sign up or if the volume of work exceeds the number of volunteer workers. Should more paid staff be hired? And if so, what are the budget ramifications?

It is a good practice to use a separate line item for each full- or part-time staff member rather than to lump all personnel costs together. Doing so makes it clear to the funder how salary costs will be allocated among different staff members.

- *Employee benefits.* If you aren't incorporating employee benefits (such as employer-paid taxes, worker's compensation, medical and dental insurance coverage, and retirement plans) into your salary calculations, then you aren't including all personnel costs in your program budget. Given that fringe benefits may equal as much as 25 percent or more of salaries, failing to include this item is a huge budgeting error. It is simply too big a number to omit. And it is probably better practice to list benefits as a separate line item, rather than to include benefits with the salary line item, in all but the simplest, smallest program budgets.

- *Contract personnel.* In today's nonprofit environment, additional professional expertise or temporary staff assistance is often acquired by retaining independent contractors rather than by hiring additional staff. If your agency plans to retain contract personnel, then the cost of doing so should be reflected in the budget. Furthermore, a budget note may be needed in order to describe the type of work being done by any independent contractor. A budget note may also be necessary if more than one independent contractor will be retained for the project.

- *Rent.* Rent is often another large expense item in an agency's overall annual budget. In certain circumstances, a portion of an agency's rental costs may also be included in a program budget. (How to do this will be discussed a little further along in this chapter.)

- *Equipment.* When developing a new program or improving an existing one, don't forget to include any special equipment needs in the budget. These may include the purchase of computers, medical testing devices, a vehicle, or any item that will be used specifically and exclusively for the program at hand. The consequences of not allocating these items in the budget can be serious. It may mean that the program does without or that funding must come out of the agency's general budget, thereby reducing funds earmarked for some other agency purpose.

- *Other expense items.* As previously noted, program costs can be many and varied, depending on the unique features of each program. Among the other nonpersonnel expenses your program may have are costs for telephones, photocopying, printing, insurance, supplies, travel, membership dues, and conferences. Be certain to carefully consider all of these smaller expenses your agency may incur in running its program. Individually, these costs may seem minor, but added together, they can represent a significant portion of a program budget.

OTHER COSTS THAT CAN BE ALLOCATED IN A PROGRAM BUDGET

Executive directors and other nonprofit professionals frequently lament that there simply aren't enough grantmakers willing to fund general operating expenses. Admittedly, it is challenging to secure unrestricted funding, and grant-seekers must be smart when approaching funders for general support. The good news is that certain expenses that might otherwise be considered as agency overhead or general operating costs can be included in a program budget. Shifting overhead costs from the overall agency budget to a program budget provides some financial relief to the agency.

Take an executive director's salary, for instance. It's an administrative expense, right? Not always. That portion of an executive director's time spent supervising a specific program can legitimately be allocated to the program budget. As a

general guideline, I suggest that the allocated time be “significant”; otherwise, doing the calculation is more trouble than it’s worth. It seems to me that “significant” means at least 10 percent or more of the executive director’s time.

For example, an agency that treats injured wild animals and then releases healthy animals back to the wild plans to launch an educational program geared toward school-age children in grades 4 through 8. The agency develops a budget, which includes costs for hiring a full-time education coordinator, developing curriculum materials, and promoting the program to local schools and teachers.

The executive director estimates that he will spend one day each week (that is, 20 percent of his time) supervising the education coordinator and doing other administrative work related to the program. It is legitimate for a portion of the executive director’s salary, in this case 20 percent, to be included in the program budget, for he will spend 20 percent of his time on the program. If the executive director’s annual salary is \$90,000, then it is appropriate to include \$18,000 in the budget. Furthermore, an amount equal to 20 percent of costs for the executive director’s employee benefits may also be allocated to the education program budget.

As illustrated in the preceding example, it is possible for a portion of an executive director’s salary to be allocated to a program budget. Other administrative costs, such as dedicated clerical support for the program and office rent, may be properly allocated as well. The following are key questions to consider:

- Is significant administrative staff time going to be spent on program-specific activities?
- Is a portion of the nonprofit’s office or other facility space going to be dedicated exclusively to serving the interests of the program? If so, is the square footage (or other acceptable measurement of the amount of space) that will be dedicated to the program reasonably easy to calculate?

As noted earlier with the example of the executive director’s salary, I usually rely on the “10 percent rule” to guide me in deciding when to allocate these types of costs. If it is estimated that a staff member will spend at least 10 percent of his or her time working with the program, then I include it in the program budget. The same is true for rental costs. If a specific program occupies 10 percent or more of a nonprofit’s facility, then I include the allocation. The rationale is that if an agency stopped operating the program, it could reduce its space requirements and thereby reduce its rental costs.

TAKE ONLY ONE BITE OF THE APPLE

Now one caveat: you can't take two bites out of the same budget apple. Two methods can be used in allocating what would otherwise be overhead costs to a program. You must choose only one of them. The first is what I have already described: a calculation based on estimates of actual costs (such as the percentage of the executive director's time devoted to a particular program). This method is easiest to use when costs and budgets are relatively small and when you can easily attribute specific costs to a program.

The second method is to use a single percentage for all overhead costs. This method is often selected when programs and their accompanying budgets are large and complex and when it is difficult, if not impossible, to specifically attribute a cost to a program. For example, is it possible to allocate a percentage of audit costs to each agency program? What about a receptionist's salary? Or insurance premiums? Certain expenses are darn near impossible to apportion. To cover these types of expenses, you may decide to include an "overhead" line item and assign a percentage.

What percentage is acceptable to use? Unfortunately, there is no simple answer. With some government grants, the granting agency makes it easy by printing the overhead percentage on the application form itself, and I've seen figures ranging from 7 to 17 percent. In the absence of direction from the potential grantmaker, the guiding principles I use are common sense, fairness, and prudence. I ask what's reasonable given all the circumstances, including the complexity of the program, the difficulties encountered in making actual estimates, and the sensibilities of the potential grantmaker. I've seen calculations range from a low of 5 percent to a high of 30 percent. I've also encountered grantmakers that will not fund the overhead portion of a budget and some that reject budgets entirely if they include overhead. As I've pointed out several times previously, it pays to know the funder's preference and to follow it.

INCLUDING IN-KIND CONTRIBUTIONS

Another consideration in budget preparation involves in-kind contributions. *In-kind contributions* are goods and services—something other than money—donated to an agency. For many nonprofit agencies, in-kind contributions represent a significant and valuable portion of their budgets. Accordingly, to overlook

in-kind contributions when preparing a program or project budget would be a huge oversight. If these are not included, the budget does not accurately reflect the true program costs. Without these in-kind contributions, the agency would have to pay for these goods and services. It is beneficial for a nonprofit agency to secure in-kind contributions whenever possible. First, doing so means that your agency will have more cash to spend on other items in its budget. Second, like donated dollars, in-kind contributions demonstrate that there is strong community support for the agency.

Create an In-Kind column next to the Cash column in your budgets. Place all in-kind contributions, by line item, in this column. As an example, if your agency anticipates spending \$5,000 for printing expenses and expects to receive an additional \$2,500 in donated printing, the relevant portion of your budget would look like this:

Expenses	Cash	In-Kind	Total
Printing	\$5,000	\$2,500	\$7,500

A balanced budget is one in which anticipated revenues equal anticipated expenses. Both key budget numbers—total revenues and total expenses—are the same. When your agency anticipates receiving in-kind contributions, the total amount of such donations must be included in both the revenue and expense portions of your budget. (Revenues are typically listed first, followed by expenses.) Carefully examine the sample large program budget shown in Table 8.2 to see how this is done. (The budget notes are shown at the bottom of the budget page in this example; alternatively, however, they may be attached on a separate piece of paper.)

CASH FLOW ANALYSIS

Preparing a cash flow analysis for your agency's program or project is critical, yet it is frequently overlooked in the scramble to design and launch a new initiative. Yet not preparing one can doom even the most well planned and fully funded program. Why? To understand the answer to that question, one must first understand the function of a cash flow analysis. The purpose of a cash flow analysis is to illustrate the ebb and flow of money coming into and going out of your nonprofit agency for a particular program. A cash flow analysis projects whether or not your agency will have sufficient funds on hand to pay program-related

Table 8.2
Sample Large Program Budget

	Cash	In-Kind	Total
<i>Expected revenues</i>			
Foundation grants	\$100,000	\$—	\$100,000
Corporate grants	55,000	—	55,000
Government grants	25,000	—	25,000
Contributions from individuals ¹	40,000	—	40,000
Income from special events (net) ²	30,000	—	30,000
Fee-for-service income	20,000	—	20,000
In-kind contributions	—	<u>12,500</u>	<u>12,500</u>
Total expected revenues	<u>\$270,000</u>	<u>\$12,500</u>	<u>\$282,500</u>
<i>Personnel expenses</i>			
Program director ³	\$62,500	\$—	\$62,500
Program assistant	40,000	—	40,000
Administrative assistant	28,000	—	28,000
Executive director ⁴	18,000	—	18,000
Consultant ⁵	15,000	—	15,000
Facilitator ⁶	—	7,500	7,500
Employee benefits ⁷	<u>37,125</u>	—	<u>37,125</u>
Total personnel expenses	<u>\$200,625</u>	<u>\$7,500</u>	<u>\$208,125</u>
<i>Nonpersonnel expenses</i>			
Office rent ⁸	\$36,000	\$—	\$36,000
Insurance	3,500	—	3,500
Office equipment ⁹	10,000	2,000	12,000
Printing ¹⁰	6,000	3,000	9,000
Photocopying	2,500	—	2,500
Postage	2,500	—	2,500
Telephone	2,750	—	2,750
Office supplies	1,000	—	1,000

(Continued on page 126)

Table 8.2 (Continued)

Travel	1,200	—	1,200
Professional development	1,500	—	1,500
Membership dues	1,000	—	1,000
Contingency	1,425	—	1,425
Total nonpersonnel expenses	<u>\$69,375</u>	<u>\$5,000</u>	<u>\$74,375</u>
Total expected expenses	<u>\$270,000</u>	<u>\$12,500</u>	<u>\$282,500</u>

¹Our board of directors has pledged \$15,000 for this program.

²Our agency plans to hold a special fundraising event this fall and anticipates net income of \$30,000.

³The program director's salary is based on a countywide salary survey, which shows that full-time comparable positions are paid \$55,000 to \$67,000.

⁴The executive director expects to spend 20 percent of her time supervising this program during its first year ($\$90,000 \times .20 = \$18,000$).

⁵A consultant is needed to develop the training and curriculum materials.

⁶A professional facilitator has agreed to provide pro bono services valued at \$7,500.

⁷Employee benefits (employer-paid taxes, health and dental insurance, and long-term disability insurance) are calculated at 25 percent of salaries.

⁸Office rent is calculated at 30 percent of our agency's annual rent of \$120,000.

⁹Program-specific office equipment needs include two computers, a printer, a fax machine, a digital camera, two workstations, two telephones, and software. One computer and software will be donated by a local merchant.

¹⁰One-third of the program's estimated printing costs will be donated by a local printer.

expenses as they come due. Therefore, it is customary for a cash flow analysis to be done on a month-by-month basis.

If a cash flow analysis reveals that your agency will have less money on hand in any given month than it will need to pay its bills, then the agency must plan for this reality and make whatever fiscal adjustments are necessary. Not having enough available cash is fairly common at the early stages of a program. To get the program up and running, a nonprofit agency often incurs a lot of up-front costs, yet funding—even committed grant funding—may not arrive until later. This means that an agency may have to temporarily dip into its general operating funds in order to pay these program start-up expenses. It's better to know this information sooner rather than later. A cash flow analysis is thus an excellent planning tool.

Note that a cash flow analysis is not usually included with the proposal submission. This is an internal document for you to use in program planning.

Table 8.3 shows what a cash flow analysis looks like. In this example, the program does not realize a positive cash flow until the fourth month of operation. Funds must therefore be available from other sources (most likely from the agency's general operating fund) to pay program costs during its early months of operation.

FINANCIAL STATEMENTS

A budget translates the proposal's narrative story into numbers, forecasting projected income and expenses. In contrast, a current financial statement is an accounting of your agency's most recent fiscal history. Think of financial statements as historical documents. They inform the reader of what actually happened with the agency's money—where it came from (revenue) and how it was spent (expenses)—and report the total amount of agency assets at the beginning of the fiscal year and their value at the end of that period. A thorough review of a nonprofit agency's recent financial statements reveals trends and can indicate whether an agency is fiscally sound or swimming in a sea of red ink. Depending on what they report, financial statements will either substantiate or detract from your written narrative story.

For instance, there's a problem if a proposal narrative states that a nonprofit agency is well run, financially stable, and growing, yet the financial statements report a deficit (that is, the agency spent more money than it collected during the relevant fiscal period). This discrepancy can cause the funder to question the agency's credibility. How well is an agency being managed if it is operating in the red? How will it be possible for the agency to grow and to launch new programs if it must first cover old debts? Given the agency's fiscal reality, it would be appropriate for the proposal story to address the agency's financial issues head-on by answering the following questions: Does the agency have a sound fiscal plan to reduce its debt? Does management have the experience and financial knowledge to lead the agency going forward? Does the board of directors have a financial committee?

Grantmakers almost always request that an agency's most recent financial statements be attached with the grant proposal narrative, so there's no hiding or escaping from your agency's financial history. It is there for the grantmaking world to see. And although your agency cannot rewrite its history, it has an opportunity—and an obligation—to tell its current story, both in words and numbers, as accurately as possible.

Insurance	300	300	300	300	300	300	300	300
Printing	—	—	—	6,000	—	—	—	—
Photocopying	—	500	500	500	500	500	500	500
Postage	100	100	100	2,000	100	100	100	100
Telephone	225	225	225	225	225	225	225	225
Office supplies	250	250	100	100	100	50	50	50
Travel	1,000	—	—	—	—	—	—	—
Professional development	—	—	—	1,000	—	—	—	—
Membership dues	500	—	—	—	—	—	—	—
Total expenses	<u>\$27,375</u>	<u>\$31,375</u>	<u>\$31,225</u>	<u>\$40,125</u>	<u>\$26,175</u>	<u>\$26,175</u>	<u>\$26,175</u>	<u>\$26,175</u>
Net cash flow	<u>\$(27,375)</u>	<u>\$(26,375)</u>	<u>\$15,775</u>	<u>\$(28,125)</u>	<u>\$35,825</u>	<u>\$15,825</u>	<u>\$15,825</u>	<u>\$15,825</u>

SUMMARY

Stories may be written in one language and then translated into another. When seeking grants, we have narrative proposals and budgets. Budgets translate our story into the language of numbers. You'll need to be conversant with this language if you are to be successful in your grantseeking. Having an understanding of the following key points should help:

- A budget is a forecast of expected revenues and expenses.
- An agency has an overall annual budget detailing all of its anticipated revenues and expenses. It should also have a separate budget for each program for which it plans to seek grant funding.
- Budget notes explain or clarify individual line items when how the number was derived isn't clear.
- Appropriate administrative costs can be incorporated into a program budget. There are two methods for doing so: an estimate of actual costs or a flat percentage. Choose one or the other.
- In-kind contributions should be included in your program budgets.
- A cash flow analysis projects the timing of when expenses must be paid and income can be expected.
- Financial statements reveal an agency's prior financial history.