

Avoid grant budgetary mistakes – think costs through holistically

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You need to think the budget process through holistically so that it accurately represents your program costs and goals.

“The quality of a budget is a clear signal to funders of how your school handles its funding,” said Renee Bourque, president of Bright Star Grant Consultants and instructor of finance, prospect research and grantwriting at the University of Washington.

With 70 percent of all proposals being thrown out immediately because individuals have not followed guidelines, Bourque said, you want to make sure your budget is in top shape when it reaches its destination.

To help you understand where others have made critical errors with their budgets, Bourque gives the following list of complaints from funders:

- **The budget and the narrative don't tell the same story.** Often budgets and narratives are separated when the reviewers receive a proposal, said Bourque. Because of this, you need to think budgets all the way through. Ask yourself “what if” questions, such as “What if we hire two people?” and “What if we offer them benefits?” Use your answers to compare the budget and the narrative – they should say the same thing, she said.
- **The budget is not auditable.** Even if an audit is not in your immediate future, you need to make sure that your staff knows the background of a grant-funded program in case of staff shifts, said Bourque. Keeping good notes on the budget process will also prove beneficial during audits. For example, if you bought a piece of equipment and you received three bids, make sure to keep all the bids, not just the winning one, she said.
- **The budget is not broken down.** Funders are looking for a nutshell budget summary, Bourque said. They want to see how their money is being spent. For example, break

budgets down by cost per participant, cost per contact, cost per outcome, or cost per square foot.

- **Budget lacks plans for sustainability.** Every proposal should include a scenario that shows funders how your organization intends to react to a financial change, said Bourque. An example scenario may answer the following: If we have a 10 percent reduction in income and we have increased costs, what are we going to do?
- **Budget doesn't reflect the program's true cost.** When funders look at narratives, they may see implied costs that may not be reflected in the budget, Bourque said. For example, you are seeking funding for an afterschool program that ends at 6 p.m., but the school's janitor usually leaves at 5 p.m. This implies that the janitor will need to stay late and be paid overtime to clean up. You need to consider these types of costs in your budget, she said.
- **Items in the budget are not allowable costs.** There may be some confusion as to what a direct or indirect expense is and what is allowable by a funder, said Bourque. Overhead is determined by the function of the expense, not the nature. For example, if a janitor uses 15 minutes of a two-hour cleaning period to clean the afterschool program room, you can use grant funds for that 15 minutes only.
- **Budget includes a large miscellaneous category.** This category should not be more than 1 percent, said Bourque. If it is too high, funders wonder what you are hiding.
- **Costs in budget seem out of proportion to costs of similar projects.** If you don't have a reason for high program costs, this may raise a red flag for funders, she said. Make sure you include defining information when creating your budget.

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