

# **A guide to seeking funding from foundations**

## **The budget component in a funding proposal**

*The following guide applies to fundraising efforts that target foundations. It is based on notes taken by a former SSC staff member attending a course given by the Foundation Center in San Francisco .*

This course was given by the Executive Director of the Foundation Center who, during his past career, had worked both with foundations and organisations raising funds from foundations in the US.

Based on his experience, the first thing foundation officers look at in a proposal is the budget. If this seems realistic, the next thing they look at is the Executive Summary, followed by the covering letter. The covering letter should refer to any previous relationship between grantseeker and the foundation. If any such relationship is not mentioned, doubts may arise about the institutional memory of the grant seeker, and therefore future relationships.

It is often necessary that someone other than the proposal writer prepares the budget. This also needs to be a team effort drawn from all players in proposed project to ensure that all likely costs and expenditure are covered.

Each funder may have its own particular requirements for preparing the budget. Follow these requirements carefully to have your proposal considered. This allows foundations to compare between many applications. Many funders like applicants to use the “New York/New Jersey Common Application Form, Grant Proposal Format” which can be found on the Foundation Center website, under “Foundation Finder”.

## **Definition of a project budget**

“The financial plan for a project, including all project income and project expenses, for a specified period of time.” The narrative must match the budget figures and the time span must be included.

## **Typical elements of a budget**

### **Support and revenue:**

- Government grants
- Foundation grants
- Earned income (this might include membership dues)
- In-kind support, i.e., non-cash support (this can include volunteer time)

## Expenses:

- Salaries and related costs
- Consultants
- Office supplies
- Computer equipment
- Postage
- Printing costs
- Travel
- In-kind expenses (state what they would be without the in-kind support)
- Overhead (should include rent)

While budget elements will vary, there are some common points to be included in all. For example, **rent!** If rent is not covered, this raised concerns in a foundation as to whether the applicant has a space from which to operate.

**Funders have different attitudes towards volunteer support** – some see it as too unreliable. Therefore references to what volunteers have actually contributed in the past may be in order.

**Staff/employee time:** funders expect staff to be spreading their time between projects. Work out the proportion of a staff member's time to be spent on the project, and budget accordingly. Funders also expect that staff spend time on "educational" matters, e.g. producing newsletters, brochures, or presentations about their project and achievements. It was suggested that if applying to a foundation that does not give a general overhead, put this expense in "education". Book-keeper's salary is also part of your project.

**Employee benefits and payroll taxes:** must be included as part of personnel costs. If the Foundation does not see this, it may have concerns about how staff can stay on without such benefits. Therefore, you must show that the organisation pays this. Put in totals, not an individual's costs. You can show that of the total payroll costs, 25% goes to staff benefits.

**Printing, postage, supplies, travel, telephone** can be spelled out, but totalled together as "other". They should be an insignificant proportion of the total budget.

**Estimating costs:** if you don't know the cost, get estimates from relevant sources. Be prepared to say how these figures were obtained.

**The myth of "*Better to estimate high so you don't have to go back and ask for more money later*":** Experienced funding officers are likely to see through this. Conversely, don't ask for too little, or the project may not look viable.

**Overhead: "All costs are either program costs or overhead costs".** Program costs have been covered in the notes above. Overhead is also known as: Indirect

costs, Supporting Services costs, Administrative costs (this may also include the time of a Development Officer.) However, foundations vary as to what “overhead” they will cover. Some see it as an essential element underlying the viability of the applicant organisation and are doubtful if they do not see these elements in a budget. Other funders restrict themselves to program/project funds only. It is probably a good tactic to include all elements in the budget, but make it clear exactly which components of the budget this proposal covers. Indicate how the other elements of the budget are being funded (e.g. IUCN funds office space (?); other foundation(s) covering other elements of the budget; or other income will cover some elements). Providing evidence of other income or support strengthens the perception of a sound, viable organisation.

When applying to funders who do not cover these costs, say in the cover letter that you are not applying for them – state what they are, but say you do not expect the foundation to cover them. Don’t try to “build in” such costs into other budget lines, as this may make those lines seem too expensive to the funder, and your reputation might suffer. Remember, funders talk to each other!

When applying to those who do cover such costs, try and get them to cover *all* the overheads in the project, even if other funders are being asked to cover other sorts of costs.

**Calculation of overhead:** You need to calculate your overhead rate, e.g. is it 20% of the total of the project costs? The funder may limit overheads to a certain percentage of total budget.

### **Summary of budget preparation**

- Know your project – talk to others with experience. Your initial projection may be 10-20% out, until you can refine it.
- List the various components of your project
- Obtain reasonable cost and income estimates for each component
- Be sure you have included everything, including overhead if allowed
- Find out what format the funder prefers, if any
- Prepare a spreadsheet/summary of costs according to the funder's specifications
- Make sure your budget is neat and mathematically accurate
- Consider whether a budget narrative is appropriate, and if so prepare one – footnotes may be all that is necessary, to explain the rationale behind certain items.
- Have your budget and budget narrative reviewed by another person who is familiar with the project, *and* someone who is not.
- Include other funders to this project in the budget

## **Financial information often requested**

- Audited financial statements
- IRS Form 990
- Organisation-wide budgets for recent years

## **Keep the budget alive**

Once the project is funded, or being considered for funding, keep the topic alive. Talk to the foundation. If short of funders for all components, one funder may help you with another funder. Don't get into difficulties without forewarning the funder, they don't want any bad surprises. Guard your reputation, and be sure to submit reports on time.

Finally, don't make the print too small – this puts readers off!