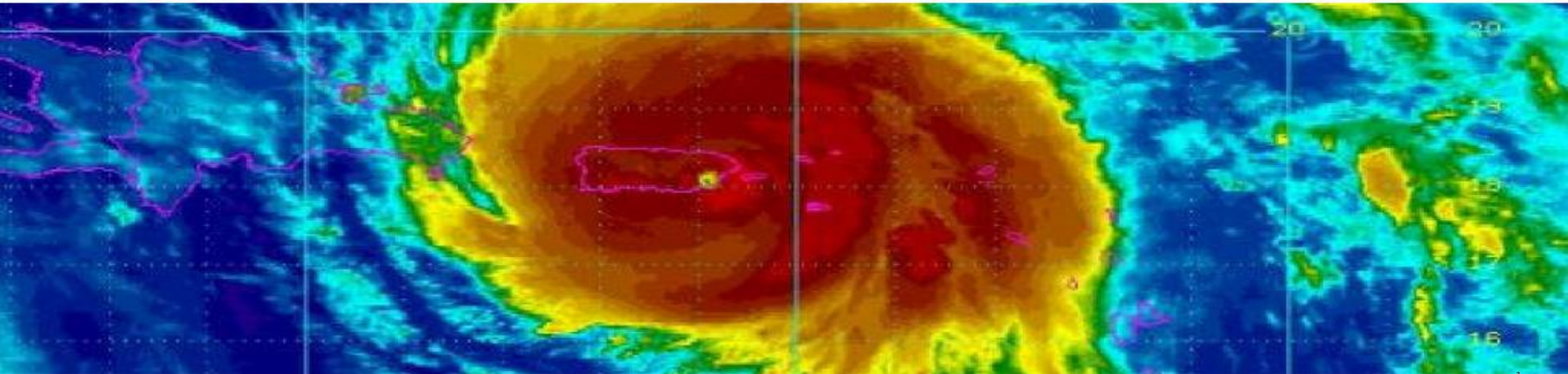


HURRICANE MARIA CAPACITY BUILDING PROGRAM



FEMA





FEMA



Agenda

- A Budget Definition
- Types of costs:
 - Direct
 - Indirect
- Allowable Costs Defined
- List of unallowable costs
- A Closer View of Direct Costs Categories
- Cost Sharing
- Program Income
- Budget Justification

What is a budget?

- A budget is the expression of your proposal project in numbers.
- Tells the funder how much it will cost to fund the activities you are proposing.



How will I know how much to ask?

- You must:
 - Know the project and activities your organization is proposing
 - Get at least three quotes to get a better estimate of costs
 - Collect and document each quote
 - Choose the most reasonable and appropriate estimate
 - **ASK** for help from the organization's finance or accounting person

What else you need to know?

- Is Cost sharing required? Types? Comply with fed regulations?
- Are Indirect costs allowed? Or are limited to certain percent or amount?
- Are certain costs/expenses unallowable or limited?
- Are certain costs required/mandatory?
- Maximum and minimum amounts allowed?
- What is the anticipated budget period?

Types of Costs

Direct Costs

- Costs that can be identified specifically with a particular sponsored project or activity or than can be directly assigned to such activities relatively easily with a high degree of accuracy.*
- e.g. compensation to employees working on the award , fringe benefits, materials, travel, equipment

* As defined by 2 CFR 200.413

Indirect (F&A) Costs

- Costs incurred for common or joint objectives
 - Costs that cannot be identified readily and specifically with a particular sponsored project.
- *typical examples of indirect (F&A) for nonprofit organizations:
- depreciation on buildings and equipment,
 - the costs of operating and maintaining facilities,
 - general administration and general expenses, such as the salaries and expenses of executive officers, personnel administration, and accounting

Allowable Costs are:

- **reasonable** and necessary,
- **allocable** to sponsored projects,
- **consistently treated**,
- and conform to any federal and institutional limitations or exclusions.

**Defined 2 CFR 200.403*

Unallowable Costs

- Advertising and public relations
- Alcoholic beverages
- Bad debts
- Charitable contributions, donations
- Commercial air travel in first class
- Development/fundraising costs
- Entertainment costs
- Fines, penalties
- Goods or services for personal use of employees
- Interest
- Lobbying

- Proposal Costs (200.460)

“Proposal costs are the costs of preparing bids, proposals, or applications on potential Federal and non-Federal awards or projects, including the development of data necessary to support the non-Federal entity's bids or proposals. Proposal costs of the current accounting period of both successful and unsuccessful bids and proposals normally should be treated as indirect (F&A) costs and allocated currently to all activities of the non-Federal entity. No proposal costs of past accounting periods will be allocable to the current period.”

Personnel Costs



Non-Personnel Costs



- Personnel
- Fringe Benefits
- Travel
- Equipment
- Supplies
- Contractual
- Construction
- Other

DIRECT Costs
Typical Budget
Categories

Personnel Costs - Salaries

- Anyone in your organization who will be spending time directly on this project.
 - List the individual's name
 - Position in the organization
 - Annual Base salary
 - How much time will dedicate to this project
 - How much is charged to this project as salary
- Example: A project director for this project earns \$12,000 a year and will dedicate 25% of his/her time to this particular project.
 - $\$12,000 \times 25\% = \$3,000$

Personnel Costs – Fringe Benefits

- Obligations you have as an employer
- Common Examples:
 - Social Security 6.2%
 - Medicare 1.45%
 - State Insurance Fund
 - Unemployment Insurance
 - Health plan benefits
 - Retirement
- Fringe benefits are specific for your organization and some of them are mandated by law.

Non-Personnel Costs: Travel

- Travel should be well identified and **justified**. Include explanatory calculations in the justification.

For example:

10 bus trips x \$100 each = \$1,000

Include an explanation as to why these trips are necessary for your project

- Include destination, # travelers, # of trips, duration, etc.
- Travel includes transportation, room, per diem
- Travel must be **directly related** to the project
- Some sponsors do not allow travel costs



Non-Personnel Costs: **Equipment**

- Federal definition:
 - Equipment means tangible personal property (including information technology systems) having a useful life of more than one year and a per-unit acquisition cost which equals or exceeds the lesser of the capitalization level established by the non-Federal entity for financial statement purposes, or \$5,000. (2 CFR 200.33)
- Get Vendor quotes including shipping costs
- Justify need for equipment, and the impact to your project



Non-Personnel Costs: **Supplies**

- Defined by the federal government as:
 - “..materials, supplies and fabricated parts necessary to carry out a federal award” (2 cfr 200.453)
- Get quotes and include any shipping charges if appropriate
- Materials and supplies used for the performance of a Federal award may be charged as direct costs.
- In the specific case of computing devices, charging as direct costs is allowable for devices that are essential and allocable, but not solely dedicated, to the performance of a Federal award.

Participant Support costs

- Allowed only if clearly stated in the Program announcement
- Are stipends or subsistence allowances, travel allowances, and registration fees paid to or on behalf of participants or trainees (but not employees) in connection with sponsored conferences or training projects.
- These costs are allowable with the prior approval of the awarding agency.

Subaward or Contract?

Subaward

- Is a project partner collaborator
- Programmatic involvement identified as a separate scope of work, budget & organizational approval.
- Have responsibility for programmatic decision making.
- Responsible for compliance to sponsoring agency.
- Have right to publish results.

Contract or Procurement

- Not involved in programmatic work of project.
- Provides similar services/goods to many different purchasers.
- Not subject to terms & conditions of the sponsoring agency

Non-Personnel Costs: **Contractual**

- Includes Contracts for services
- Contractor is not directly responsible to the sponsor but is responsible to you.
- Obtaining competitive bids is recommended when the cost is above \$5,000.
- Sole source contracts must be justified at the time of proposal submission.
- Include the name of contractor, method of selection, period of performance, list and describe the tasks, and basis for costs estimate.

Non-Personnel Costs: **Subawards**

- Are used when you collaborate with another organization and share with them the responsibility for project performance.
- Sub-awards are issued to other organizations, not to individuals
- Must be disclosed clearly in the proposal narrative, in the budgets and budget justifications.
- Sub-awardees need to provide: a Statement of Work, a detailed budget & budget justification, authorized organizational Representative (AOR) approval
- Must have an active SAM Registration and be eligible to receive federal funding under the RFP.



Non-Personnel Costs: **OTHER Direct Costs**

Includes costs that are not appropriate to include in other cost categories, for example:

- Consultants or Evaluators – outside experts
- Space Rental
- Equipment maintenance
- Cost of training
- Support services
- Advertising

Indirect Costs

- Costs incurred for common or joint objectives, and, therefore, **cannot be identified readily and specifically with a particular sponsored project.**
- Indirect Cost Agreement
 - Some organizations can negotiate an Indirect Cost Rate with the federal government
 - Usually cognizant agency is the Federal agency that grants more funds to the organization

De minimis Indirect Cost

- Non-federal Grantees that have never negotiated an indirect cost rate may use the **de minimis rate of 10% of Modified Total Direct Costs (MTDC)** (200.414(f))
- Who cannot charge the *de minimis* rate? A governmental department or agency unit that receives more than \$25 million in direct federal funding

Modified Total Direct Cost (**MTDC**) (200.68)

- MTDC includes:
 - all direct salaries and wages,
 - applicable fringe benefits,
 - materials and supplies,
 - services,
 - travel,
 - and up to the first \$25,000 of each subaward (regardless of the period of performance of the subawards under the award).
- MTDC excludes:
 - equipment,
 - capital expenditures,
 - charges for patient care,
 - rental costs,
 - tuition remission,
 - scholarships and fellowships,
 - participant support costs and
 - the portion of each subaward in excess of \$25,000.

Direct Costs	Amount
Salaries	50,000
Fringe benefits	5,000
Travel	2,000
Equipment	5,000
Supplies	7,000
Services	1,000
Total Direct Costs	\$70,000

Assuming your institution is eligible to use de minimis rate, Please calculate:

- MTDC base
- The indirect costs

Budget Example

MTDC base is:

Indirect cost using the 10% de minimis rate is:

Cost Sharing or Matching

- Defined as a portion of the project costs not borne by the sponsor, and therefore covered by some other source. Could be in-kind or in cash or provided by third parties.
 - **Mandatory Cost Sharing** -- required by a sponsor as a condition for making an award
 - **Voluntary Cost Sharing** – not required by sponsor but reflected on your budget or proposal. If funded becomes committed cost sharing.

- (1) Are verifiable from the non-Federal entity's records;
- (2) Are not included as contributions for any other Federal award;
- (3) Are necessary and reasonable for accomplishment of project or program objectives;
- (4) Are allowable under Subpart E—Cost Principles of this part;
- (5) Are not paid by the Federal government under another Federal award, except where the Federal statute authorizing a program specifically provides that Federal funds made available for such program can be applied to matching or cost sharing requirements of other Federal programs;
- (6) Are provided for in the approved budget when required by the Federal awarding agency;

*(2 CFR 200.306)

Cost Sharing must meet criteria*

- Quantifiable
- Auditable
- Verifiable
- Necessary and reasonable
- Allowable
- Budgeted

*(2 CFR 200.306)

Budget Justification

- Explains how costs were calculated.
- Discloses all personnel effort devoted.
- Identifies costs and explains why they are needed.
- Reflects objectives of project..
- Follows the same order as that in the itemized budget or sponsor's budget form.
- Explains Cost Sharing costs if they are budgeted

SECTION B - BUDGET CATEGORIES

6. Object Class Categories	GRANT PROGRAM, FUNCTION OR ACTIVITY				Total (5)
	(1)	(2)	(3)	(4)	
a. Personnel	\$ <input type="text"/>	\$ <input type="text"/>	\$ <input type="text"/>	\$ <input type="text"/>	\$ <input type="text"/>
b. Fringe Benefits	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
c. Travel	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
d. Equipment	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
e. Supplies	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
f. Contractual	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
g. Construction	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
h. Other	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
i. Total Direct Charges (sum of 6a-6h)	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	\$ <input type="text"/>
j. Indirect Charges	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	\$ <input type="text"/>
k. TOTALS (sum of 6i and 6j)	\$ <input type="text"/>	\$ <input type="text"/>	\$ <input type="text"/>	\$ <input type="text"/>	\$ <input type="text"/>
7. Program Income	\$ <input type="text"/>	\$ <input type="text"/>	\$ <input type="text"/>	\$ <input type="text"/>	\$ <input type="text"/>

Budget categories



SF 424A
Budget Form

Program Income – what?

- Is gross income earned by a recipient that is directly generated by a sponsored activity or earned as a result of the award (2 CFR 200.307)
- Must be:
 - ❖ Identified
 - ❖ Appropriately documented
 - ❖ Resulting revenue and expenses properly recorded and accounted for
- Examples: Fees earned from services performed under the project, income from sales, registration fees charged to participants attending conference/workshop, income sales

Program Income – Tax Implications

- Tax exempt non profits often make money as a result of their activities and use it to cover expenses.
- As long as the activities are associated/related with the nonprofit's purpose, any profit made from them isn't taxable.
- If the profit is from unrelated activities, generally the first \$1,000 of unrelated income is not taxed, but the remainder is.

Program Income – Tax Implications

- Be careful because too much unrelated program income could jeopardize your non-profit status.
- In some situations, excessive unrelated business activities can also prompt the IRS to reconsider a nonprofit's 501(c)(3) tax-exempt status.
- To avoid this, a nonprofit should never let its unrelated business activities reach the point where it starts to look like a regular commercial business.

Summary – Developing a Budget

- READ the NOFO, RFP, Funding announcement for key information.
- Be consistent – make sure your budget and proposal match
- All budget items should be related to project objectives
- Do your research and get estimates of your projected costs
- Seek help from your organization's accountant or financial person
- Your budget should fit your proposal
- Familiarize yourself with the budget forms required by the sponsor
- Start early and ask questions
- Double check your math

Rules?



- Compliance with Federal and local rules
- Adherence to sponsor terms and conditions
- Consistent with Sponsor policies
- Prudent management of funds
 - Allowable
 - Allocable
 - Reasonable

Links to RESOURCES

- https://www.councilofnonprofits.org/omb-uniform-guidance-nonprofits-know-your-rights#_ftnref14
- <https://www.councilofnonprofits.org/tools-resources/unrelated-business-income-taxation>
- <https://www.councilofnonprofits.org/omb-uniform-guidance>
- <http://www.professionalgrantwriter.org/grant-writers-work-commission>
- <https://www.grantwriters.org/ethics-and-commissions>
- <https://www.irs.gov/pub/irs-pdf/p4221pc.pdf>
- <https://www.nolo.com/legal-encyclopedia/taxes-nonprofit-corporation-earnings-30284.html>
- <https://www.nonprofitrisk.org/resources/articles/how-to-lose-your-501-c3-tax-exempt-status-without-really-trying/>
- <https://www.thebalancesmb.com/how-much-unrelated-earned-income-can-a-nonprofit-receive-2501873>
- <https://osp.finance.harvard.edu/program-income-guidance>

Links to Resources

- <https://grantspace.org/training/courses/introduction-to-project-budgets/>
- http://www.mercadolaboral.pr.gov/Construccion_Tablas/Estadisticas_Empleo/Est_Ocupacion.aspx
- <https://www.grantadviser.com/budget>
- <http://www.dhs.state.il.us/page.aspx?item=22085>
- <https://www.gpo.gov/fdsys/pkg/CFR-2014-title2-vol1/xml/CFR-2014-title2-vol1-sec200-330.xml>
- <https://osr.northwestern.edu/policies/consistent-costs>
- <https://www.gpo.gov/fdsys/pkg/CFR-2014-title2-vol1/xml/CFR-2014-title2-vol1-sec200-306.xml>
- https://policy.nd.edu/assets/185221/determining_allowability_of_costs_2015.pdf
- https://coast.noaa.gov/funding/_pdf/forms/budget-narrative-guidance-for-NOAA-grants.pdf
- http://finance.umich.edu/system/files/Quick_Ref_Guide_012517_.pdf

FOR FURTHER QUESTIONS AND
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