

Budget and Financial Planning Workbook Instructions



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Budget and Financial Planning Workbook Instructions

Overview

This workbook is designed to assist your organization with setting up a budget for a specific project, and planning for its financial sustainability. Each worksheet tab in the excel workbook represents a separate year for the project (for a five-year period). There are three main parts to each worksheet:

1. Total Funding Sources
2. Total Expenses
3. Net Surplus/(Deficit)

The workbook is formatted to allow you to enter information into the un-shaded white cells. Shaded cells are locked and will automatically calculate based on your inputs.

The *Total Summary* tab displays the total project cost and funding. The last group of tabs in the workbook is a collection of charts that will automatically generate. You can edit and make changes to these charts for further analysis or presentation. The accompanying [Assumptions](#) document is used to discuss assumptions related to estimating project funding.



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Yearly Tabs

Headings

Enter your Organization Name and Project Name on the *Year (1)* tab. This data will automatically carry over to all other tabs. Project Period (the 12 month time period that your budget will cover, e.g. July 1, 2013 to June 30, 2014) will have to be entered separately on each tab.

Part 1 – Total Funding

This part of the worksheet displays the various potential funding sources to sustain the project. Sections for the five types of potential funding sources are provided. Each section contains the following four columns:

1. Probability of Funding – Enter your estimated percentage of the likelihood of receiving the listed funding.
 - a. Describe assumptions used to determine probability of funding on the Assumptions document. These could include – previous relationships with potential funders and sector partners (service fees), fundraising history for other programs within the organization and history of securing loans.
2. Total Grant/Fundraising/Fees/Loans/Funding – Enter the total dollar amount of the anticipated funding.
3. % Applicable – Enter the percentage of the funding that will be applicable to the project.
4. Most Probable Amount of Funding – This column will calculate automatically by multiplying the previous three columns. This provides a reasonable estimate for the amount of funding that is expected to be received for the project.

Section 1.1 – In-Kind Support

List all sources of in-kind support in this section. In-kind support (gift in kind) is when an organization receives a good or service in lieu of monetary grants (e.g., free rent, free supplies), or, if certain staff expenses are currently already covered through other grants. Be sure to list the expenses related to in-kind support again in the Expense section. This presentation of In-Kind Support may appear different than a typical budget submission. This tool splits up the funding and expense components of in-kind support in order to demonstrate the true full cost of the project. Knowing the true full cost is essential for project replication.



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If the in-kind support is fully guaranteed, then list 100% under the Probability of Funding and % Applicable columns. List an identical total amount under the Expense section. This will in effect zero out the cost of the in-kind supported expense.

The split presentation will also allow you to account for uncertainty with in-kind support. For example, if you are unsure if, for example you will continue receive donated office space, then lower the Probability of Funding. You will then be able to see how critical the in-kind support of office space is to the project and plan ahead for any shortcomings in funding.

Section 1.2 – Grants

List all sources of grants in this section. For multi-year grants, break down the amount by years and list it separately in each yearly worksheet. Potential grant sources include:

- Foundations
- Government Contracts
- Corporations

Most grants awarded by foundations and corporations can be categorized as one of two types:

- Operating Grants – Grants given to support the general expenses of operating your organization. For these grants, you will need to determine the amount that will be applied towards the project and enter that in the % Applicable column.
- Project Specific Grants - Grants given to support a specific, connected set of activities, with a beginning and an end, explicit objectives and a predetermined cost. Typically for these grants, you will enter 100% in the % Applicable column.

When determining the probability of funding there are several factors to consider:

- Understanding of how a potential funder operates, e.g. do they fund in this potential area? What do they fund, core support, services? Do they provide multi-year grants? Do they engage in partnerships and provide fees for services rendered to their population?
- Previous relationship with potential funder.
- Where you can leverage each potential funding source, e.g. can you increase fundraising? Should you increase the potential partners to contract with on a fee for service basis? Is your projected growth in alignment with potential funding, e.g. are you growing too fast?

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Section 1.3 – Service Fees

List any possible funding from service fees in this section. Service fees can include payments from the end users or (fee-for-service) reimbursements from government or corporate organizations (be sure not to double count the latter in the Grants section).

NOTE: This tool is not designed to help determine the best price to charge for services fees. You will have to calculate total service fees separately and enter the result into this tool. For more information and resources on service fees, please review the [Guidance for Setting Fees section](#).

Section 1.4 – Fundraising

List all sources of fundraising in this section. Potential fundraising sources include:

- Individual Donations
- Fundraising Events
- Endowment Income

For more information on fundraising, refer to the following resources:

Foundation Center – The Foundation Center provides interactive online detailed training courses that reinforce lessons with interactivity, assignments, and self-tests.

<http://foundationcenter.org/getstarted/training/online/>

The Fundraising Resource Group - The Fundraising Resource Group helps non-profit organizations with services designed to minimize cost, maximize return and transfer the skills necessary for ongoing benefits to your non-profit organization. Non-profit organizations can benefit from training courses and free webinars no matter where an organization is in their fundraising programs.

<http://www.thefundraisingresource.com/>

The Grassroots Institute for Fundraising Training (GIFT) - GIFT promotes the connection between fundraising, social justice and movement-building and provides training, resources and analysis to strengthen organizations, with an emphasis on those focused on social justice.

<http://www.grassrootsfundraising.org>

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Section 1.5 – Loans

List any potential funding from loans in this section. If loans will be used as a funding source, remember to include *Loan Repayments* as an expense item under Non-Personnel Other Costs. For more information on loans, refer to the following resources:

U.S. Small Business Administration (SBA) – The SBA site provides individualized consulting and training for both new and growing businesses.

<http://www.sba.gov/category/navigation-structure/starting-managing-business/starting-business/explore-loans-grants-fund>

USA.gov- The USA.gov site provides information and services developed for non-profits, including grants, loans, assistance, taxes, management and more.

<http://www.usa.gov/Business/Nonprofit.shtml>

Self Help – The Self-Help site provides lending and industry expertise for both non-profits and businesses.

<http://www.self-help.org/business-and-nonprofit-loans>

Section 1.6 – Other

List any other potential funding sources.

Part 1 – Total Funding

Row 82 represents the grand total of all funding related to the project.

Part 2 – Total Expenses

This part of the worksheet breaks down all the costs of the program.

Section 2.1 – Direct Expenses

Direct Expenses are costs that can be directly attributed or allocated to the project. There are two subsections: Personnel and Non-Personnel.

Section 2.1.1 – Personnel

1. Personnel – List all personnel who will work on the project for the year
2. Annual Salary – Input the full annual salary under the project for each individual
3. % of Effort – Input the percentage of each individual’s time that will be spent on the project



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4. Months per Year – Input the total months of the year that each individual will contribute to the project.
5. Total Project Cost – This column will automatically calculate based on the previous inputs. This represents the total cost for each individual that can be attributed to the project.
6. Fringe Benefits – Input the percentage for your organization’s fringe benefits (Payroll Taxes, Retirement Benefits Health Insurance, etc.) The related cells will automatically populate.
7. Total Personnel – This row will automatically calculate. The totals in this row represent the total project cost for personnel.

If the project has multiple personnel operating in a similar role, you can save time by listing the position once and inputting the total annual salary of all individuals. For example, ten nurses with an average salary of \$70,000 each can be input as “10 Nurses - \$700,000”.

Section 2.1.2 – Non-Personnel

1. Non-Personnel – A list of common non-personnel expenses has been prepopulated. You can amend the list or add other expenses to the space given. If any of the expenses listed will be included under indirect costs, then do not double count them here.

The following columns are designed to help you calculate the amount of each expense line item that can be attributed to the project.

- Total Annual Cost – input the total annual cost for your organization
- % Applicable – input the percentage of the line item that will be applied to this project. This is typically based on the percentage of employees or office space dedicated to the project. See attached [Indirect Cost](#) worksheet for additional guidance.
- Months per Year – input the number of months per calendar year the project will be in operation
- Total Cost – This cell will automatically calculate.

If you already know exactly how much of each line item can be attributed to the project, you can just enter that amount under Total Annual Cost, enter “100%” under % Applicable, and enter “12” under Months per Year.

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2. Total Non-Personnel – This row will automatically calculate. The total in this row represents the total project cost related to non-personnel items.
3. Total Direct Expenses – This cell will automatically calculate. This represents the total of personnel and non-personnel expenses that can be directly attributed to the project.

Section 2.2 – Indirect Expenses

Indirect Expenses are costs incurred for joint objectives or projects that cannot be easily attributed to a specific project. Examples may include:

- Rent
- Utilities
- Audit and legal
- Administrative work
- Office supplies
- Depreciation on equipment
- Insurance
- General management
- Equipment rental
- Fuel
- Maintenance
- Security
- Telephone
- Postage and printing

Some expenses may fall into either direct or indirect cost categories (such as rent). Be careful not to include these expenses in both categories when preparing a budget.

NOTE: Indirect expenses that you include in this tool may be different than the indirect costs that you submit for grant and other funding applications. Funding organizations may limit the amount of indirect expenses that they are willing to fund to a certain percentage or rate of direct costs. This tool intends to show the true full cost of the project, therefore you need to calculate the true indirect costs that are allocated to the project.

See attached [Indirect Cost](#) worksheet for guidance and examples for calculating true indirect expenses.

Input the results from the [Indirect Cost](#) worksheet here. You should attempt to calculate separate indirect expenses for each year.

Part 2 – Total Expenses

Row 45 represents the grand total of all expenses related to the project.

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Part 3 – Net Surplus/(Deficit)

Row 131 shows the net surplus or deficit for the project year. This part of the worksheet will automatically calculate. The Net Surplus/(Deficit) is the difference between Total Funding and Total Expenses. If Total Expenses are less than Total Funding, then there will be a net surplus. If Total Expenses exceed Total Funding, there will be a net deficit, which is signified by parentheses around the number. Ideally the project should have a net surplus greater than zero in order to be sustainable. Annual deficits can be sustainable if surpluses in other years exceed the deficit so that the total for all years' results is a surplus.

Row 133 shows the accumulated net surplus or deficit for the project. This is the rolling total from all previous years. This will show when the project starts to become sustainable.

Two columns are presented here, both of which automatically calculate:

1. Total Possible – This represents the best case scenario for the project. This assumes that all of the potential funding will be received and will be applied to the project.
2. Most Probable – This represents the most likely scenario for the project. It takes into account the probability of funding and applicable amount of funding.



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Total Summary Tab

This entire worksheet will automatically calculate based on the data from the yearly tabs. Each section of the Total Summary tab is summarized by year. This gives an overview of the Total Expenses, Total Funding, and Net Surplus or Deficit of the project.

Analysis

The following table lists the potential results for the net surplus or deficit and the implications of each result.

Total Possible	Most Probable	Analysis
Surplus	Surplus	The project is sustainable. If there is a significant difference between the Total Possible surplus and the Most Probable surplus, then there is room for improvement. Funding sources can be reviewed for ways to improve the probability of funding. Additional expenses can be spent on the project if needed (as long as they don't create a deficit).
Surplus	Deficit	The project may not be sustainable, but has the potential to be. Revisit funding sources for ways to improve the probability of funding. Seek additional funding sources. Review expenses for items that can be reduced or eliminated.
Deficit	Deficit	The project is not sustainable. Seek additional funding sources. Review expenses for items that can be reduced or eliminated.



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Assumptions Document

This document is used for informational purposes to document key assumptions used in the budget. The cells are not protected or locked. Cells can be resized to properly display entries. The data entered here will not affect the other worksheets.

Projection of Program Growth Years 1 - 5

Enter a brief summary of the assumptions used in the budget for program growth.

CPI – Inflation Assumptions

Include an estimate of growth and inflation for multi-year projects. Common practice is to use the Consumer Price Index (CPI) as an estimate for expense increases. Government CPI tables can be found at:

<http://www.bls.gov/cpi/tables.htm>

Probability of Funding

Describe assumptions used to determine probability of funding for each source. These could include – previous relationships with potential funders and sector partners (service fees), fundraising history for other programs within the organization and history of securing loans.

Service Fee Calculations

For initiatives that include the provision of services, an organization should have an estimate of the need in the community they serve and base their assumptions on this. For each year of the 5-year plan, an organization will need to make certain assumptions about the number of persons served, estimated uses of units/service by each person served and how this will increase from year to year. To follow is an example to determine these numbers.

Sample Calculation for a Fictitious Initiative

Door-to-Door Transportation Initiative

This initiative will focus on two communities in Los Angeles City – Highland Park and Eagle Rock.

There are 3,900 people over the age of 65 in Eagle Rock

There are 5,785 people over the age of 65 in Highland Park

Based on income and functional limitation/disability information, it is estimated that 6% of the population over the age of 65 will be eligible for the Door-to-Door Transportation program.

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Total number of potential participants – 581 (= 6% of 9,685 people over 65)

In year 1, the program is estimated to serve 100 participants providing an average of 1 roundtrip ride per week. Total of 5,200 roundtrip rides (units) in year 1 (100 people x 1 ride per week x 52 weeks).

In year 2, the program is estimated to grow by 40% and will serve 140 participants providing an average of 1 roundtrip ride per week. Total of 7,280 roundtrip rides (units) in year 2 (140 people x 1 ride per week x 52 weeks).

In year 3, the program is estimated to grow by 40% and will serve 196 (140 + 56 = 196) participants providing an average of 1 roundtrip ride per week. Total of 10,192 roundtrip rides (units) in year 3 (196 people x 1 ride per week x 52 weeks).

In year 4 the program is estimated to grow by 75% and will serve 343 (196 + 147 = 343) participants providing an average of 1 roundtrip ride per week. Total of 17,836 roundtrip rides (units) in year 4 (343 people x 1 ride per week x 52 weeks).

In year 5 the program is estimated to grow by 75% and will serve 600 (343 + 257 = 600) participants providing an average of 1 roundtrip ride per week. Total of 31,200 roundtrip rides (units) in year 5 (600 people x 1 ride per week x 52 weeks).



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Guidance for Setting Fees

Important factors to consider when determining the price to charge for service fees include:

- The total cost of the service
- Price of competitors or alternatives available for the service
- The end user's and other organization's willingness and ability to pay for the service
- The perceived value of the service to the end user and other organization

Service Fee Example

From the example in the [Assumptions](#) document (See "Projection of Program Growth Years 1 -5") – Door-to-Door Transportation, the following provides a cost per ride (unit) for each year:

Year 1 - \$15.75 (Total annual cost for the program \$81,900 divided by 5,200 annual rides)

Year 2 - \$12.00 (Total annual cost for the program \$87,360 divided by 7,280 annual rides)

Year 3 - \$11.00 (Total annual cost for the program \$112,112 divided by 10,192 annual rides)

Year 4 - \$9.00 (Total annual cost for the program \$160,524 divided by 17,836 annual rides)

Year 5 - \$7.50 (Total annual cost for the program \$234,098 divided by 31,200 annual rides)

An environmental scan of potential payers, who could be contributing partners, should be completed. In these two communities the following organizations types are potential partners:

1. Department of Transportation
2. Access Paratransit
3. Medicare Advantage Plans

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Once potential contributing partners have been identified, the next step is to determine the potential number of participants to be served by each of these partners and the potential for securing a service fee from each. In order to build these partnerships, an organization will need to articulate the return on investment for the partner. This requires understanding the current cost the partner has for providing a service and illustrating that the cost of the organization's program is less.

For example, Access Paratransit's cost per one-way ride in 2009 was \$40.39 and the total roundtrip cost was \$80.78. They provide 2.8 million trips annually in Los Angeles County in 2009.

Assumptions:

- 1% or 28,000 of the rides are provided to residents of Highland Park and Eagle Rock
- 10% of those rides or 2,800 are provided to people over the age of 65
- Door-to-Door Transportation can provide 50% or 1,400 of those rides.

Pricing:

With 1,400 rides X \$15.75 per ride, the total cost to the Door-to Door Transportation program in Year 1 to serve these Access Paratransit riders would be \$22,050.

If Access Paratransit provides the rides, the cost to the Access Paratransit program would be \$56,546 (1,400 rides X \$40.39 per ride).

This would represent a \$34,496 savings for Access Paratransit (\$56,546 - \$22,050).

Service Fee Resources:

Inc., "How to Price Business Services" - Inc. provides advice to small businesses on how to manage pricing strategies by calculating costs, considering different pricing models, and evaluating customer and competitor behavior.

<http://www.inc.com/guides/price-your-services.html>

Nonprofit Services Center (NSC) - The NSC works to strengthen nonprofit organizations and the nonprofit sector as a whole by providing programs, services, and resources that inform, promote, and connect nonprofits as they work to improve people's lives. This site includes a full marketing and communications section with links to additional resources.

<http://www.nonprofitservices.org/KnowledgeCenter/MarketingandCommunications.aspx>

UCLA Anderson School of Management Pricing Strategy Lecture

To follow is an excerpt of a lecture on Pricing Strategy from the UCLA Anderson School of Management.





Pricing Strategy

Andrés Terech

“Pricing is the moment of truth – all of marketing comes to focus in the pricing decision.”

Ray Corey

“It’s magic.”

*Pricing manager,
industrial products*

EVC Analysis and Pricing

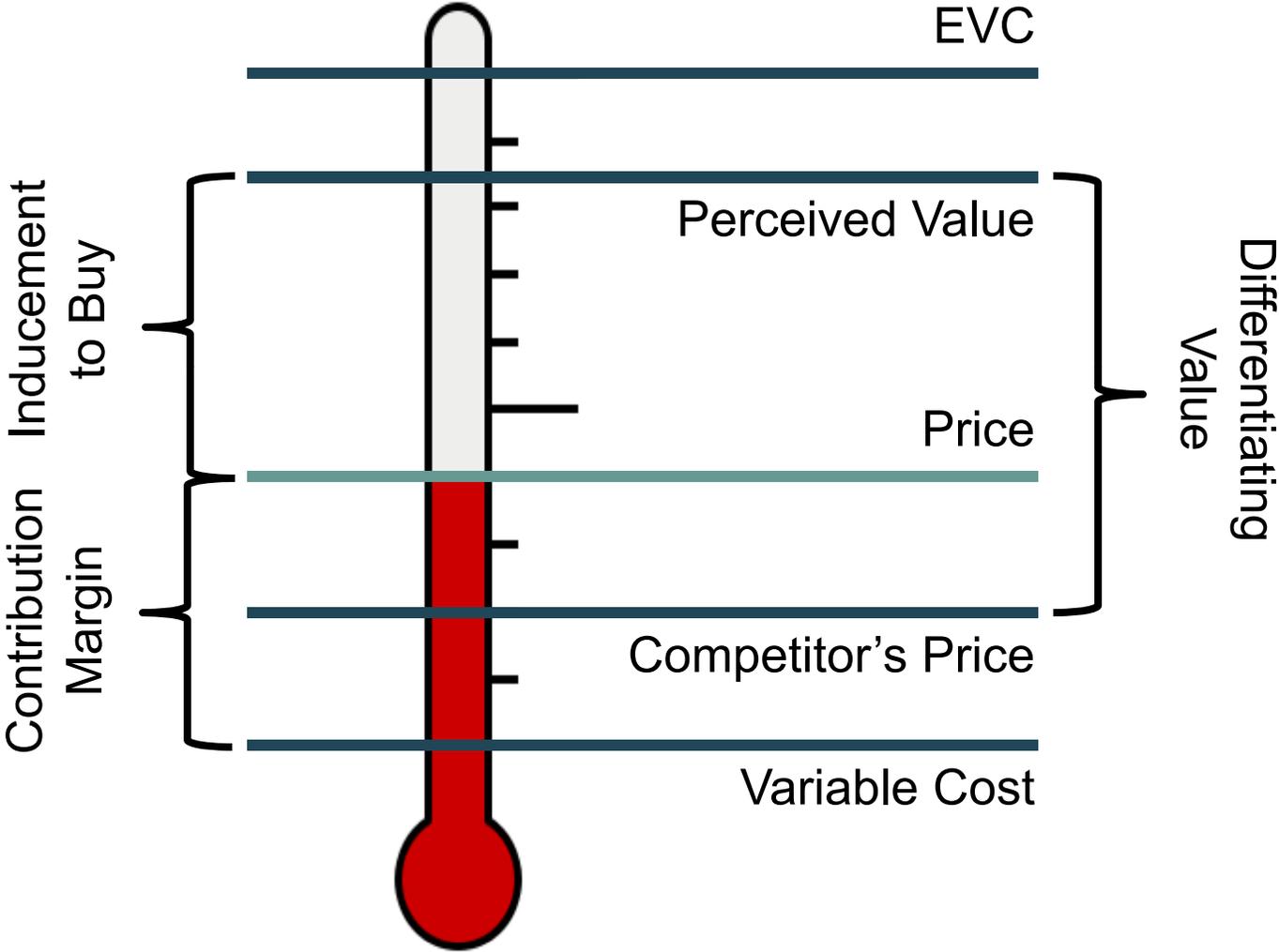
“Economic Value to the Customer” (EVC)

- A good way to get started for new products (avoid relying on cost alone).
- Provides valuable input to the selling process for any product or service.

The approach bounds the pricing problem:

- Variable costs provide a floor
- EVC provides a ceiling

The Pricing Thermometer



Calculating EVC

- Step 1:** Identify the price of the best competitive product or best available substitute process (i.e., the benchmark or reference value)
- Step 2:** Identify all factors that **differentiate** the new product from the reference product or substitute process (positive and negative)
- Step 3:** Determine the economic **value** to the customer of the **differentiating factors**
- Step 4:** Sum the reference value and the differentiation value to determine the total economic value to the customer

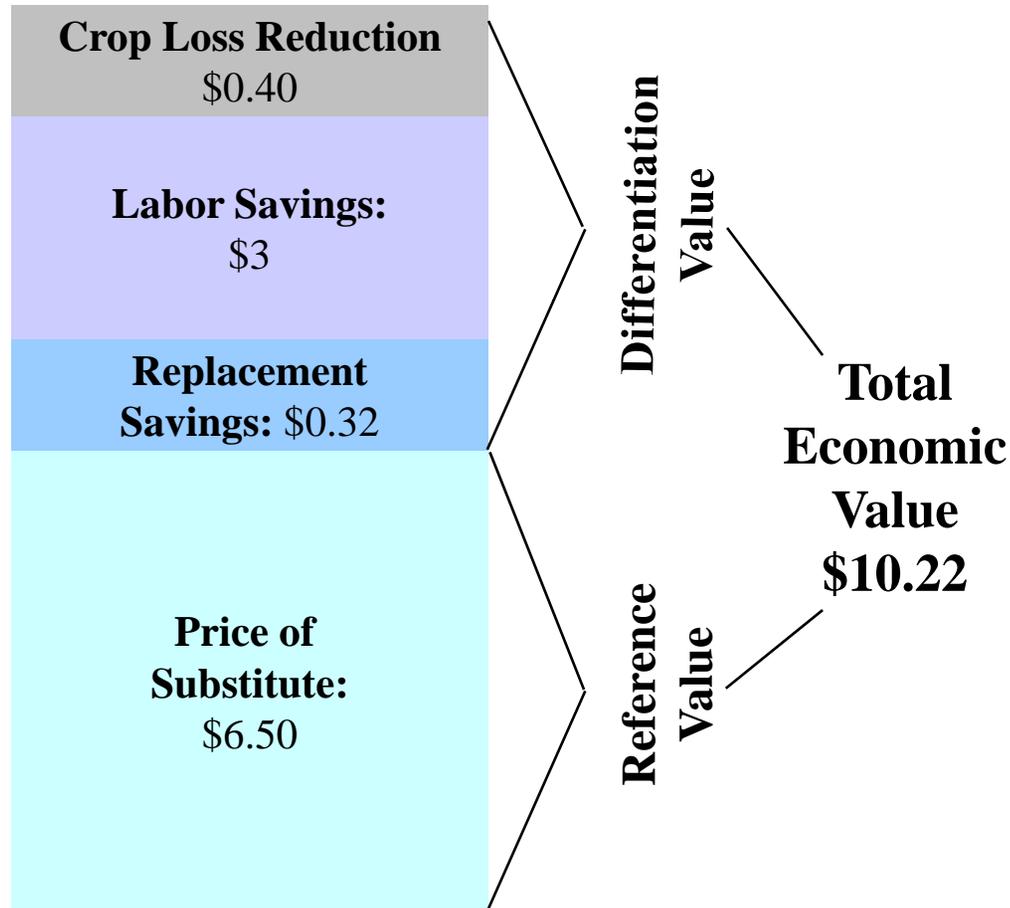
EVC Example: Ground Irrigation

DuPont, Alathon 25 – polyethylene resin used in the manufacture of a flexible pipe

- Nearest competitor costs \$6.50
- Failure rate of 1-3%
- 7-8% failure rate for competition
- Labor cost for replacing a damaged pipe \$60
- Upon failure, crop damage (\$40) happens with probability of 20%

What is the Economic Value to the Customer?

EVC Example: Ground Irrigation



- ❑ Price of substitute = \$6.50
- ❑ Failure rate reduced by 5% (from 8% to 3%)
- ❑ Saving = $0.05 \times \$6.50 = \0.32
- ❑ Labor cost of pipe replacement = \$60
- ❑ Saving = $0.05 \times \$60 = \3
- ❑ Crop damage cost = \$40
- ❑ Probability of crop damage after pipe failure = 0.2
- ❑ Saving = $0.05 \times 0.2 \times \$40 = \0.40