

NONPROFIT MASTERMIND & GRANT WRITING

Free Deliverable Guide - Grant Financial Strategy

FREE ACTIONABLE RESOURCE

Grant Budgets Demystified

A Practical Guide to Line-Item Categories, Fringe Calculation, Indirect Rates, and Match Requirements

1. Common Budget Categories Explained

Grant budgets break down into standard categories. Understanding each line item ensures no project costs are omitted:

Category	Description & What to Include	Budget Narrative Tip
Personnel (Salaries & Wages)	Staff members directly executing project activities. Include position title, annual salary, and % FTE allocated to grant.	Specify exactly how many hours or FTE percentage each staff member dedicates to the grant.
	Mandatory and voluntary employee benefits (FICA,	State your organization's

Category	Description & What to Include	Budget Narrative Tip
Fringe Benefits	SUTA, workers comp, health insurance, retirement).	calculated fringe rate percentage and what benefits it covers.
Travel	Staff local mileage, airfare, lodging, and per diem directly required for project execution.	Break down calculations (e.g. 500 miles x \$0.67/mile federal rate + 2 hotel nights at \$150/night).
Equipment	Tangible personal property having a useful life of more than one year and unit cost of \$5,000+ (or org threshold).	Explain why equipment purchase is necessary vs leasing options.
Supplies	Consumable items used directly for project activities (office supplies, curriculum workbooks, training kits).	Itemize bulk supplies by unit cost (e.g. 100 training workbooks x \$15/each).
Contractual / Consultants	External professionals, technical experts, evaluators, or specialized service providers.	Specify daily or hourly rate and number of days/hours contracted.
Other Direct Costs	Direct project costs that do not fit above (facility rental, printing, client transportation stipends).	Detail line items clearly to show direct necessity.

2. Direct vs. Indirect Costs

Understanding the distinction between direct and indirect costs is vital for full-cost recovery:

Direct Costs

Costs that can be identified specifically with a particular final cost objective (e.g. project manager salary, program supplies, project travel).

Indirect Costs (Overhead)

Joint or shared costs incurred for common organizational objectives (e.g. executive director salary, general audit, facility rent, central IT, utilities).

De Minimis Rate: Federal uniform guidance permits organizations without a negotiated indirect rate agreement (NICRA) to charge a de minimis rate of up to 10% or 15% (under updated guidelines) of Modified Total Direct Costs (MTDC).

3. How to Calculate Fringe Rates

Fringe benefits represent the non-salary compensation provided to employees. Formula:

$$\text{Fringe Rate (\%)} = (\text{Total Annual Employee Benefits \& Taxes} / \text{Total Base Payroll Salaries}) \times 100$$

Step-by-Step Calculation Example:

- **Total Personnel Salary Base:** \$200,000
- **FICA / Payroll Taxes (7.65%):** \$15,300
- **Health & Dental Insurance:** \$22,000
- **Workers Compensation & Unemployment:** \$4,700
- **Retirement Contribution (3% match):** \$6,000
- **Total Fringe Expenses:** \$48,000
- **Fringe Rate:** $(\$48,000 / \$200,000) = 24.0\%$

If a Project Coordinator earns \$50,000 on the grant, fringe at 24% equals \$12,000, bringing total personnel cost to \$62,000.

4. What "Match" (Cost Sharing) Means

Match is the portion of project costs not paid by the grantmaker. Match types:

- **Cash Match:** Actual dollars contributed by your organization, partner entities, or other non-federal grants.

- **In-Kind Match:** Non-cash contributions provided by third parties (e.g., donated office space, professional pro-bono services, volunteer hours).

Documenting Match: Volunteer general labor should be valued using the Independent Sector national volunteer hourly rate. Professional services (e.g., legal or IT) should be valued at normal market rates with signed valuation letters.

5. Sample Budget Template & Common Mistakes

Sample Project Budget Summary (\$100,000 Grant Request)

Budget Category	Grant Requested	Cost Share / Match	Total Budget
Personnel (Project Director 0.5 FTE)	\$35,000	\$10,000	\$45,000
Fringe Benefits (24%)	\$8,400	\$2,400	\$10,800
Travel (Local outreach mileage)	\$2,000	\$500	\$2,500
Supplies (Participant workbooks)	\$6,600	\$1,000	\$7,600
Contractual (External Evaluator)	\$12,000	\$0	\$12,000
Indirect Costs (10% MTDC)	\$6,000	\$0	\$6,000

Budget Category	Grant Requested	Cost Share / Match	Total Budget
Total Project Budget	\$70,000	\$13,900	\$83,900

Top 4 Budget Mistakes to Avoid:

1. Math errors in column additions across spreadsheet pages.
2. Mismatch between budget line items and activities described in project narrative.
3. Requesting unallowable expenses explicitly prohibited by funder guidelines.
4. Vague budget narratives that fail to explain how unit figures were derived.

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