



## Guide to Budget Preparation (Phase 2)

An important element of the Phase 2 implementation grant application process for the Marion County K-12 Schools Initiative is the preparation of the grant budget. Lilly Endowment will review closely the budget provided and analyze what the applicant anticipates the proposed programs or projects will cost.

The Endowment encourages organizations to carefully consider the costs associated with the proposed programs or projects and ensure that the presented budget is clearly connected to what is described in the Proposal Narrative. Budget development should involve from the outset those responsible for accounting procedures and financial policies within the organization.

If the Endowment funds the request, the organization will receive a grant agreement with an attached budget that will be the official budget for the grant. The grant agreement and the attached budget should be shared with those responsible for the organization's finances because it outlines the financial responsibilities for the grant. The grant agreement will also include a schedule for the submission of program and financial reports for the grant.

### Allowable Use of Funds

The Endowment will make Phase 2 implementation grants to applicants who submit high-quality proposals aligned with the initiative's aim, funding up to 80 percent of expenses associated with proposed projects or programs.

As shared in the initiative RFP, grant funds from this initiative may be used for a variety of expenses required to conduct the proposed programs or projects, including but not limited to salary and benefits for key personnel, consultants, technology software or equipment, curriculum or supplies, furniture, professional development, travel, facility construction or renovation, events and meetings, and program evaluation.

Grants awarded through the initiative may not be used for student tuition scholarships of any kind or to provide, for student recruitment purposes, any incentives to prospective students or their families. Additionally, grant funds may not be used to fund endowments or rainy-day funds.

### Budget Preparation

The organization is responsible for submitting a budget that is divided into three parts: 1) a detailed Line-Item Budget, 2) a Summary Budget, and 3) a Budget Narrative that explains how the organization has calculated specific line items. A fuller explanation of each of these is found below.

**Line-Item Budget:** The organization's Line-Item Budget should list all the anticipated costs of the programs or projects in each of the appropriate areas (e.g., personnel, consultants, program activities, etc.) with which they are associated.

To assist the organization in preparing a budget, the Endowment has provided a Line-Item Budget Format. The income lines should detail both the requested funding from the Endowment (up to 80 percent of the total budget) and list other expected funding sources (at least 20 percent of the total budget). Other funding sources may include the organization's own funds, state or federal funds, other grant support or other contributions to the program. Budgets must be balanced with expenses matching income.

The line items included in the provided format indicate items commonly found in budget requests. They do not include all of the types of items the Endowment will consider for funding under the Marion County K-12 School Initiative. If there are items in the projects or programs that aren't captured by the example line items, please add and include those. Please do not include line items from the budget format if they do not apply to the proposed projects and programs.

The amounts for each line item proposed in the Line-Item Budget should reflect a careful calculation of actual anticipated expenses for the organization's projects and programs and should be developed in conformity to the organization's policies.

Please arrange the Line-Item Budget in a calendar-year format even though the organization's own fiscal or academic year may be different. Each column should show the total of each line item for the specific calendar year. The final column should show the total for each line item for the entire grant period.

In addition, please use whole U.S. dollar amounts in creating the budget.

**Summary Budget:** The organization should submit a one-page Summary Budget, in addition to the Line-Item Budget, with the proposal. The summary should include only high-level budget categories by condensing the Line-Item Budget into major and/or consolidated budget lines. If a grant is awarded, this Summary Budget will be attached to the grant agreement and will become the official budget for the program for the purposes of financial reporting to the Endowment.

**Budget Narrative:** Each proposal should include a separate Budget Narrative. This should be a written explanation of no more than two pages that details how the organization calculated each line item in the Line-Item Budget. The narrative should also include a brief description of sources of funding, amounting to at least 20 percent of the proposed program or project expenses, that have been identified, awarded or will otherwise be obtained or provided by the applicant to support the proposed activities, including government funding, philanthropic or other private support. Each line item should have a brief narrative description stating:

- the specific item
- how the specific item relates to the program
- how the amount requested is calculated

Here are a few Budget Narrative guidelines for frequently used items.

**Personnel:**

- **Salaries:** List the position and the amount of salary or wages requested for each person's work in the proposed program. Indicate whether the request is for the Endowment to fund all or only a portion of each person's time and state what percentage of that person's salary the request represents. If not clear from a person's title, state what each person's responsibilities are with regard to the proposed projects and programs.
- **Fringe Benefits:** Indicate the percentages of salaries the organization charges to fringe benefits. If different rates are used for different individuals/positions, please specify.

**Consultants or Contracted Support:** Describe the purpose and expected duration of any consultant's work or contracted support as well as the projected pay. Include information on how pay was determined (hourly rate, project-based fee, etc.).

**Travel:** List projected travel expenses and document the calculations. The applicant's standard travel policies should be used to estimate travel expenses. If a specific per diem amount is used for travel, please indicate the amount and note what the figure includes. For example, some per diem amounts include hotel expenses and others do not.

**Capital Expenses versus Supplies or Materials:** Capital expenses include expenses related to acquiring, upgrading or maintaining long-term assets that will be in use for more than one year (e.g., facility renovations, most curriculum purchases, technology, vehicles etc.). Material purchases that have a shorter-term use (workshop materials, single-use supplies, etc.) should be included elsewhere in the budget, likely under Program Activities.

**Indirect Costs:** Indirect costs are intended to cover grant-related costs that are not itemized above and are not easily identified but may be necessary to conduct the programs or projects. For the Phase 2 of the Marion County K-12 Schools Initiative, organizations may include indirect costs at up to 10 percent of direct costs. For example, if an applicant requests a \$1.25 million grant, the maximum allowable indirect costs would be \$113,636 (approximately 10% of \$1,136,364 in direct costs).

**\* Prior to submitting a Phase 2 Line-Item Budget, Summary Budget and Budget Narrative**, applicants should check calculations carefully and ensure that the figures included on both Line-Item and Summary budgets (income, category subtotals, total expenses, etc.) match and are correctly summed.