**Developing Your Budgets**

HYPOTHETICAL PROJECT

Heartland Organic Grain Cooperative is examining avenues for adding value to its raw product. A potential business venture for the Cooperative is the processing and freezing of organically-grown sweet corn.

Potential Source of Funds:

Value Added Producer Grant program (VAPG), USDA Rural Business Cooperative Service

Steps in Developing the Proposed Budget (assumes a team is involved in developing both proposal and budget)

1. Review grant program guidelines

- Dollar limit

- Possible duration of grants (and implications for per-year funding)

- Matching requirements (e.g., amounts required, kind of match permissible, etc.)

- Unallowable costs, e.g., repair or construct a building, purchase equipment, pay for the

 Preparation of the grant proposal, pay for costs incurred prior to receiving grant, etc.)

- Format and required forms (e.g., SF424, SF424A)

2. Outline project goal and objectives.

What will be the end results of the project? Make a list of work tasks.

3. Identify and list all cost items to accomplish the project goals and objectives.

All cost items should be identified in the work tasks.

The budget should tell the same story as the proposal.

Under personnel, separate fringe benefits from salary

4. Put cost items into a multi-column table; use Excel if possible.

Cost Category Federal Non-Federal Match Total

5. Prepare a Budget Narrative.

Describe and justify each expense in the budget.

List sources of match. (Include letters of commitment for all sources of match.)

Explain anything in the budget that you think might not be obvious to the reviewer.

6. Check for accuracy (check and re-check); to make sure budget tells same story as proposal narrative; explains how figures were calculated if unclear; includes no unexplained amounts such as “miscellaneous”); shows all items paid for by other sources; includes details for subcontracts, including approvals; refers to attached letters of commitment for match

\*This handout based on one prepared in 2002 by Linda Wilson,

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Page 2 **Budget Sample #1**

Non-Federal Match\*\*

Project Objectives Federal Cash In-Kind TOTAL

Conduct fact-finding $7,100 $4,350 $7,200 $18,650

 Project director and project team

 will visit 3 Cooperative-owned

 processing plants to study their

 history of development and current

 operations

Examine costs and markets $16,164 $11,500 $3,600 $31,264

 Contract with team of university

 specialists to develop a cost analysis

 of the processing plans and analyze

 market opportunities.

Develop a business operations plan $12,500 $6,500 $3,600 $22,600

 Project team to work with rural

 development firm to develop

 business operations plan and

 timeline.

Evaluation and reporting $2,986 $2,000 - $4,986

 Prepare recommendations and

 present to the Board.

 Write final project record and

 submit to USDA

Total Direct Costs $38,750 $24,350 $14,400 $77,500

\*\* Sources of Match: See attached letters of commitment.

 Applicant (Cooperative) @ $6,500

 Board members’ time @ $14,400

 Local Development Fund @ $7,850 Total Match: $38,750

 XX University @ $10,000

Project results will have direct impact on approximately 100 organic sweet corn producers. The cost per producer is estimated at $775.

Page 3 **Budget Sample #2**

 Non-Federal Match\*\*

 Federal Cash In-Kind TOTAL

a.Personnel (Salary/wages)

Cooperative manager to serve as project

 Coordinator, 300 hours @ $25/hr $2,500 $5,000 - $7,500

Project development team (3 Bd members)

 24 days each @ $200/day - - $14,400 $14,400

Hourly project staff to assist manager with

 project development, trip schedule and

 grant management, 520 hours @$15/hr $7,800 - - $7,800

b. Fringe Benefit

Cooperative manager @20% $500 $1,000 - $1,500

Board members, N/A - - - -

Hourly@12% $936 - - $936

c. Travel

3 out-of-state trips by project team of 4 to

 visit cooperative-owned processing plants

 with costs per trip estimated at: daily rate

 & gas for van @$110/day for 4 days;

 hotel @$80 ea for 3 nights, meals 4 days

 @$30/day; parking @$20 $2,850 $2850 - $5,700

d. Equipment - - - -

e. Supplies

Educational resources (list) $1,000 - - $1,000

f. Contractual (attach detailed & approved budget)

Subcontract to XX University for cost

 and market analysis study $10,000 $10,000 - $20,000

Subcontract to XX firm for development

 of business plan $10,000 $5,000 - $15,000

Other

Subscription for marketing service $2,664 - - $2,664

Printing and postage for report $500 $500 - $1,000

Total Direct Costs $38,750 $24,350 $14,400 $77,500

\*\*Sources of Match (see attached letters of commitment)