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Here's How to Get Your Overhead Funded | Funding for Good

Guest Blog by Sandy Rees, Get Fully Funded

Overhead.

Ugh.

You need to get your overhead funded. It's the hardest thing to raise money for, right?

No one wants to pay for salaries. Or to keep the lights on in your building.

Or for the dozen or so other items that must be paid for to keep your nonprofit running.

You've probably looked for grants and found that most foundations don't want to help you get your overhead funded.

Other nonprofits seem to be able to get money to pay for their administrative costs.

So how do you?

Let's start by separating expenses into two categories.

Direct vs indirect expenses

No matter what programs you have, within each program there are direct and indirect costs.

Direct costs are obvious: they're the supplies you need to run the program and anything that directly relates to the program.

Indirect costs are less obvious, but still needed to run your program.

Here's a simple example of direct and indirect costs for an after-school tutoring program:

Direct expense	Indirect expense
	Staff wages to run the program or oversee volunteers
	Payroll taxes & benefits
	Rent for the building/space for the program
	Utilities
Supplies (pencils, paper)	Pest control for the building
Crayons, coloring books	Insurance
Connect-the-dot or activities	Waste management
Snacks & drinks	Registrations/Licenses for child care activities
Paper plates, napkins, & cups	Ongoing training for staff in child care
	Staff wages to market the program (& payroll taxes)
	Printing/copying of fliers advertising the program
	Staff wages to manage the program (& payroll taxes)
	Paper & postage to submit any reports to monitoring agencies

As you can see, there are lots of expenses that are part of the program budget that aren't so obvious.

Allocating costs across programs

The best way to get your overhead funded is to include all possible direct and indirect costs into your program budget so as you're getting grants, sponsorships, and donations for the program, you can fully cover the total cost of the program. When you figure out the true cost for each program, you'll be left with a much smaller amount of true overhead to fund (mostly fundraising and true administrative costs).

The easiest way to create a complete program budget is to look at your overall budget and allocate each line item across all your programs either based on the square footage of the building, the specific staff that work in that program, or something else that makes sense that you can explain to a funder.

In this 11-minute video, I'll explain how to allocate your budget line items so that you have a more complete program budget for each program your nonprofit operates:

YouTube Link: https://youtu.be/VzeJvkwSgRg

See Accompanying file, "Template – How to Cover Your Nonprofit's Overhead Expenses"

As you can see, this exercise can be powerful to help you not only have a clearer picture of your total program costs, but help you get those funded through grants and individual donations.

Square footage, staff, or something else?

You can base your budget line item allocations on square footage of the building, staff, or something else that makes sense. As long as you can explain it to a funder or donor and it makes sense to them, you're in good shape.

For example, in a food bank, the bulk of the space is taken up by food storage. In the video, I mentioned that we called that the Warehouse Program. I estimated (and had that estimation confirmed by coworkers) that the warehouse was about 75% of the total square footage of the building. So, I allocated 75% of the total utilities expense to the Warehouse Program. I also

allocated 75% of the building insurance and pest control to the program. Since this program was the major contributor of trash in the dumpster, I allocated 90% of our waste disposal expense to this program. See how that works?

If you allocate by staff, it can work a little differently. In the case of the Warehouse Program, 4 staff worked directly in that program, so I allocated 100% of their wages to the program, and 100% of their payroll taxes and benefits to the program. I also allocated a portion of our Finance Manager's time to the program since he helped with inventory, reports, and accounting for the program. A portion of our Executive Director's salary was also included in this program budget for the time she spent managing the program and program staff.

You can use the square footage basis for some line items, staff for others, and something else for still other line items. I recommend you make notes somewhere about how you came up with the numbers so you can explain it if you're ever asked.

If your nonprofit or program is new, just project what you think you'll need for your new program and what each item will cost. You can still use the square footage basis or the staff basis to predict what your total program cost will be, depending on what makes sense for your situation.

The bottom line

Once you have a complete program budget that includes direct and indirect costs, it makes it easier get your overhead funded. You can go after grants and sponsorships for programs, and fill your donor base full of people who are happy to give you money that you can use wherever you need it most (like paying for those bits of true administrative costs).

And that's how you fund your overhead.