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B. R. Albritton

Florence Hartsfield

*Trinity University, fhartsfi@trinity.edu*

Amy Foshee Holmes

*Trinity University, aholmes3@trinity.edu*

Charles Kappmeyer

*Trinity University, ckappmey@trinity.edu*

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# Developing Bridges Center Grant Proposal: A Budgeting Case for a Nonprofit Organization

**Bonnie R. Albritton**  
*Texas Wesleyan University*

**Florence Hartsfield**  
**Amy Foshee Holmes**  
**Charles Kappmeyer**  
*Trinity University*

**ABSTRACT:** The case study introduces the challenges and unique accounting needs of nonprofit organizations, particularly in budget preparation and the grant proposal process. The case is designed for courses that focus on not-for-profit accounting or managerial accounting. As students are becoming more interested in social responsibility, this case provides an opportunity for students to develop a deeper understanding of budgeting concepts by introducing a nonprofit perspective into the budgeting material traditionally covered in a managerial accounting course. Students learn about differences in budgeting for a nonprofit organization compared to a business that operates for profit including sources of revenue, mission-driven focus, receipt of in-kind donations, unbalanced budgets, the role of the board, and data availability. Students are required to use problem-solving skills and external resources to estimate amounts to create a budget for a nonprofit organization in a scenario where information is incomplete, much like a real-world situation.

**Keywords:** budgeting; nonprofit accounting; grant proposals; problem solving; written communication.

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We extend our gratitude to Mary Fischer, The University of Texas at Tyler, for implementing the case and providing thoughtful, critical feedback. We also would like to thank the participants at the 2017 AAA Management Accounting Section and IMA Teaching Case Conference for their helpful comments.

The GNP Section's Officers and Members have approved the publication of instructional cases in the pages of *JOGNA* in a special section for this purpose. This is the first such case.

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## THE CASE

**W**hile waiting for a bus into downtown Tucson, Jennifer could not stop thinking about the nonprofit organization she had visited earlier in the week. She thought about how involved she had been in her small community back home, and how this involvement had faded with her recent move to pursue her dreams of becoming a teacher. Jennifer had a passion for children with special needs and wanted to make a difference in their lives. During college, Jennifer had volunteered at the Brighton Center in San Antonio, TX, and she wanted to develop a similar nonprofit organization to help families in her new community.

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### Background Information

The Brighton Center was founded in 1966, and in 1969 the nonprofit began as a part of the Up With Downs organization as a school for children with Down Syndrome.<sup>1</sup> Now with close to 50 years as part of the San Antonio community and a staff of almost 800, the Brighton Center has helped the development of thousands of local children while maintaining the core values of passion with purpose, striving for greatness, honoring relationships, and serving with integrity.

Jennifer was excited to start a nonprofit organization similar to the Brighton Center where she could truly make a difference, and she wanted to get started as soon as possible. After a few weeks of brainstorming, Jennifer decided to name her nonprofit organization the Developing Bridges Center (DBC). She was in the process of developing a grant proposal, and then the next step was to secure the necessary funding. She had drafted the proposal narrative, but she felt overwhelmed at the idea of developing a budget for the organization until she thought back to her university course work. She immediately thought about the managerial accounting class she had taken and her partner for the class project, Steven Johnson. He had been a good partner to work with and she recalled that he was planning to pursue a career in accounting. She smiled as she searched for his name on the websites of accounting firms in the area, and remembered that instructors had told them that someday, classmates might become associates in the business world. She got excited when she thought to herself, “Here I am calling my classmate to work with me in the real world. Let’s hope my professors were right. Who would have ever guessed I would be putting together a real project to help real people?”

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### The Consultant, Steven Johnson

“Steven, you have a call on line one. Jennifer says that she knows you from college,” the familiar voice coming through the phone system interrupted Steven’s thoughts as he was reviewing work on an important consulting engagement. After speaking with Jennifer, he was excited about the opportunity to have an impact on the lives of some very special people. This time, the budgeting project they would develop would be evaluated by funders with real money, ready to support a worthy cause. Steven knew a realistic budget would be required to gain the necessary funding.

After the brief conversation, Jennifer was relieved at the positive response she received from Steven. He seemed genuinely interested in her organization and was willing to help her develop the budget needed for the grant proposal. Jennifer forwarded a copy of the grant proposal narrative to Steven so he could begin working on the budget. She let out a sigh of relief knowing that the grant proposal would be more complete with Steven’s help.

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<sup>1</sup> See <https://www.youtube.com/watch?reload=9&v=gqXEK3ZqHg>

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## **The Grant Proposal Process**

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Unlike for-profit entities that sell products or services and operate with the intent to generate profits, the purpose of a nonprofit entity is to serve the public or fulfill a specific mission. Since the focus of nonprofit organizations is on spending money necessary to fulfill a mission rather than selling a product or service, these entities must be resourceful in securing funding. Revenues of nonprofit organizations come from a variety of sources. First, individuals may make donations to support nonprofit organizations that have a mission for which the individual is passionate or perhaps simply sparks their interest. Individual support is often a result of fundraising events. A second source of revenue for nonprofit organizations is corporations. Donations from corporations are frequently corporate sponsorships providing community awareness of the corporation's support to the nonprofit organization. Nonprofit organizations can earn revenue through charges in exchange for a service or product. Finally, foundations and governments provide money to nonprofit organizations through grants.

To secure funding through a grant, a review and approval process is required. The grant proposal must include a narrative that describes the program or purpose for which the funds will be used. It must also include a budget that is a financial representation of the narrative. The budget outlines the proposed program in fiscal terms and communicates to the funders how the programs will be conducted. The budget must be complete and address all aspects of spending so that the funder has confidence that the grant proposal will meet the goals of the nonprofit organization. The budget is also useful for analyzing the actual results compared to projections. It is, therefore, a monitoring tool to assess the outcomes related to the grant proposal.

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### **Developing Bridges Center Grant Proposal Narrative**

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Developing Bridges Center aims to enhance the quality of life of children with special needs or developmental delays, as well as the lives of their caretakers. Many families learn how to take care of their children through trial and error. Developing Bridges Center believes that training parents with the essential tools allows them to understand and address their child's developmental delays or disabilities so that the child can reach his or her full potential. Developing Bridges Center also acknowledges the fact that many families are unprepared for what happens after their child ages out of special needs programs, and it strives to be the gateway that gives families information on ways to prepare for the time when their child transitions into adult-based care programs.

The goal of the Developing Bridges program is to reach up to 200 families with special needs children. Developing Bridges has an initial fundraising goal of \$240,000. The Developing Bridges Center already has the support of the community through projected corporate support in the amount of \$40,000, and anticipates individual donations of approximately \$10,000, and support from the United Way of \$5,000. Jennifer has identified a foundation that is seeking proposals for funding nonprofit organizations to improve the health and welfare of families in her local community, and she is also planning to apply for federal grants. This grant proposal is for \$100,000 to help fund Developing Bridges Center, which is broken down into two components, described below.

First, the early childhood development resources component is an eight-week training seminar for parents that focuses on educating parents about early childhood development, special education laws, and how to become their child's best advocate. The weekly training sessions will be one-and-a-half hours long. In order to ensure that parents are able to be attentive, child care services will be provided that can accommodate the various needs of the children whose parents

attend. Each family will receive a handbook that outlines the lessons of the course, as well as additional resources the caregiver might need. The handbooks will also include weekly homework tasks that monitor the progress of the parent and child. Each session will have an overarching theme, in which participants receive a small goodie bag that has additional resources for the family to use at home.

The second component provides resources for children who are aging out of special needs programs. This program consists of 12 monthly workshops beginning with content centered on ways families can prepare to transition into adult-based programs, including how to pick the organization best suited for their child. The latter workshops will bring in outside organizations to present the services they provide. As an incentive, families that participate in all 12 workshops will be given a reduced family package to a local theme park that serves children with special needs. All workshops are offered monthly so that families can begin the seminars at their convenience.

### **Program Services**

In order to fulfill the goals of the organization to enable children to reach their full potential and provide education and support for families, the organization will hire a program director (estimated cost \$38,000), two teachers (\$25,000 each), and two assistants (\$15,000 each). Guest speakers will provide expert instruction at various workshops. The organization anticipates offering \$100 honorariums to five guest speakers monthly.

Teaching materials, worksheets, and printed brochures will be distributed to families that attend the workshops. The estimated cost of materials per family is \$10. The materials will also be made available on the website to registered participants. In addition, each family will receive a completion certificate (\$1.50 each).

### **Support Services**

A corporate sponsor has agreed to provide facilities that are sufficient to serve the current needs for 200 families. However, the facilities will require a ramp and slight modifications to meet guidelines for the Americans with Disabilities Act of 1990 (ADA). Furnishings to meet the needs of the organization are estimated to cost approximately \$8,100.

Fundraising activities are anticipated to raise awareness of the organization and generate funding to support ongoing program services. The entity secured approval as a tax-exempt 501c(3) nonprofit organization in 2017. As such, Developing Bridges Center anticipates strong support from the community as the organization works to meet the needs of very special families to enhance the quality of life of children with special needs or developmental delays, as well as the lives of their families.

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### **Case Requirements**

1. Using the grant proposal narrative provided by Jennifer, assume the role of Steven to research expenses needed for the nonprofit organization program and estimate amounts based on the expected number of clients to be served. Complete the worksheet provided in Exhibit 1 by identifying expenses, determining whether each expense is variable or fixed, and estimating the amount for each cost item identified. (Hint: Begin by rereading the manuscript narrative and circling all references that indicate a cost will be incurred. Jennifer did not think of everything, so your challenge is to identify any additional costs that are relevant to the budget for Developing Bridges Center.)
2. Using the cost items identified and described in Exhibit 1, prepare a budget that Jennifer will include in the grant proposal using the format provided in Exhibit 2.

**EXHIBIT 1  
Identify Cost Behavior and Estimate Annual Budget Amounts**

Developing Bridges Center Grant Proposal					
<b>Description of the project:</b>					
Developing Bridges Center provides education and support services to children with disabilities or learning differences and to their families. The goal of the organization is to enable the children to realize their full potential and to achieve their highest capability.					
<b>Amount of funds requested</b>	\$	100,000			
<b>Number of clients to be served</b>		200			
		<b>Type of Cost (Variable or Fixed)</b>	<b>Variable Cost Per Client</b>	<b>Estimated Monthly Cost</b>	<b>Estimated Annual Cost</b>
<b>Program expenses:</b>					
<b>Indirect costs:</b>					
<b>Support services:</b>					

3. As a professional consultant, your ability in using professional judgement and problem solving is very beneficial to the client to help her identify additional information that should be considered in the analysis to prepare an accurate budget for the project. Write a memorandum to Jennifer that describes the initial draft of the budget, assumptions used, and additional information needed to finalize the budget for the grant proposal.

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## CASE LEARNING OBJECTIVES AND IMPLEMENTATION GUIDANCE

There is an increasing trend in millennial students' interest in social responsibility (T. McGlone, Spain, and V. McGlone 2011). Educators could take advantage of this interest in corporate citizenship to introduce accounting for nonprofit organizations; however, there are limited published case studies for governmental and nonprofit organizations compared to financial and managerial accounting. This case study was designed to increase student engagement in the classroom and encourage the development of critical thinking skills needed by accounting professionals in a situation where the information is incomplete and professional judgement is used to provide accounting services to a client in a real-world setting.

A primary objective of this case study is to introduce the unique aspects of accounting for nonprofit organizations through a budgeting assignment. The following differences between for-profit and not-for-profit entities are highlighted: nonreciprocal sources of revenue, budget focus on the costs necessary to fulfill a mission, receipt of in-kind donations in the form of facilities and services performed, unbalanced budgets, the governance role of the nonprofit board, and the availability of data for nonprofit organizations. A secondary objective is to engage students in problem solving and encourage experiential learning through utilizing external resources when preparing a budget in a scenario where information is incomplete. Students will be challenged to apply problem-solving skills when reading the grant proposal narrative in order to identify costs described in the program services, engage in brainstorming to consider other potential costs that should be included in the budget, and formulate a memorandum to the "client" for delivery of a draft of the budget and to request additional information.

This case is most appropriate for courses focused on not-for-profit accounting or managerial accounting, specifically courses that cover budgeting in their course materials. For successful completion of the case study, it is important that students have a basic understanding of budgeting concepts and cost behavior, such as variable and fixed costs components.

### Interdisciplinary Approach to the Case Study

This case study was developed at a small, liberal arts university by a graduate accounting student and faculty member that participated in a collaboration between an undergraduate grant writing course in the humanities department and a graduate-level managerial accounting course in the school of business. The students in the grant writing course were required to write a grant proposal for an authentic nonprofit organization that was seeking additional funding or for a startup nonprofit entity seeking initial funding. The humanities instructor had identified a funder and several potential nonprofit organizations and programs for the project. Students were also allowed to work on a grant proposal for a nonprofit organization of their choice. During prior semesters, the grant writing students struggled with the preparation of the budget because the course did not require any prior accounting knowledge or a business course prerequisite. The instructors brought the two interdisciplinary courses together by pairing an accounting student (in a consulting role) with a grant writing student to develop the budget portion of the grant proposal.

It should be noted that the cooperation between students in business and humanities provided an opportunity for students to develop a deeper understanding of the challenges in real-world consulting engagements. The business students were forced to communicate in layman's terms to gather information and prepare the deliverables for the project. The assignment was also beneficial in that it provided an opportunity to coordinate an interdisciplinary approach to education in the



nonprofit arena. Since it may be inconvenient or impossible at many universities to partner business students with humanities students for a joint assignment, this case study was created as a resource for teaching concepts related to nonprofit accounting.

### **Learning Objectives**

Four specific learning objectives were identified as goals for the assignment. Upon the completion of the case, students will be able to:

1. Describe the differences between budgeting for a for-profit entity versus a not-for-profit entity and explain the budgeting process.
2. Identify the relevant information needed to prepare a budget for a nonprofit organization.
3. Prepare a budget for a nonprofit organization.
4. Formulate a memorandum to communicate to the client (a nonaccountant) the draft budget including related assumptions and a request for additional information needed to prepare a more accurate budget.

Feedback from students indicates that the case study was an important contribution to the class and should continue to be used in the future (a 2.31 score from graduate accounting students and a 2.16 score from undergraduate students on a Likert scale of 1 to 7, with 1 being Strongly Agree). Students were given a free response question to provide additional comments on the case study. Two of the comments were as follows:

The last class when we completed the budget I felt was valuable and I got to see some of the costs that actually went into the budget. Even though I am a grad student, I did not know all of the costs I needed to think about until this class.

The project gave us an idea of how budgeting works in the real world and how to make an educated guess because the numbers are not always perfect.

### **Implementation**

The case study was implemented at two universities, other than the liberal arts university where it was developed. The implementation encompassed three types of classes—a graduate governmental and nonprofit class for accounting majors, a graduate managerial class for business majors (M.B.A. students), and an undergraduate managerial accounting class for business majors. The courses involved were delivered in three formats—face-to-face, hybrid, and online.

Depending on the level of the class, the student focus and challenges vary. Undergraduate students are often slower to recognize that the costs mentioned in the case study are not the only costs necessary for the nonprofit organization. These students tend to focus more on numerical calculations, so the challenge is expanding the students' thinking to include other types of costs that would be necessary but that are not mentioned in the case. Our experience is that graduate and upper-level undergraduate students immediately recognize the lack of information in the case study. The challenge for these students is to embrace the lack of information as an opportunity to think critically and engage in problem solving to create an initial budget that encompasses more than just the facts presented in the case. The initial budget can then be used to engage the client in conversations to obtain additional information to further refine the budget. Regardless of the level of the student, the process of working on the case study requirements introduces the student to

different perspectives on the role of accounting in nonprofit organizations, which they may not have previously recognized.

## TEACHING NOTES AND STUDENT VERSION OF THE CASE

Teaching Notes and the Student Version of the Case are available only to non-student-member subscribers to the *Journal of Governmental & Nonprofit Accounting* through the American Accounting Association's electronic publications system at <http://aaapubs.org/>. Non-student-member subscribers should use their usernames and passwords for entry into the system where the Teaching Notes can be reviewed and printed. The "Student Version of the Case" is available as a supplemental file that is posted with the Teaching Notes. Please do not make the Teaching Notes available to students or post them on websites.

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