Week 5

June 30, 2021

Course Schedule

Week	Date	Course Title	Presenters
5	June 30	Grant Budget Basics – Managing Your Award Like A Pro	Jaron Kuppers, Amala Consulting
6	July 7	Forming and Structuring Your Company Like A Boss	Rich Honen, Phillips Lytle
7	July 14	Selling and Telling Your Story	Sue Hayes, Labsim
8	July 21	Commercialization 101 – Positioning Your Go-To-Market Strategy	Mark Sperry, Sperry Energy
9	July 28	Follow-On Capital Sources – What Early-Stage Investors Want	David Cruikshank, ARCH Venture Partners
10	August 2-6	1:1 Meetings With SUNY Venture Advisors	
11	August 11	Demo Day and Graduation	

Course Schedule & Announcements

1. August 2-6: **30-minute dry run** of your pitch. More info on scheduling **next week**.

2. Mark your calendars: August 11 **3-5 PM Demo Day**: S4 culminates with a Demo Day celebration and graduation where participants pitch their technology or venture for one or more $10k Technology Accelerator Fund Catalyst Investments.

3. At the end of each live session, please answer a 1 question **Zoom poll** about this week's topic. Your feedback helps us improve the program.

4. **S4 Directory** was released last week in the weekly email.

5. Join the SUNY Innovation and Entrepreneurship Network LinkedIn Group

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Leaderboard

Leaderboard Top 21

	First Name	Last Name	Points
1	Christopher	Badurek	10
2	David	Liu	10
3	Michael	Coyle	10
4	Carol	Beckley	7
5	Christopher	Williams	7
6	Adam	Graczyk	5
7	Alba	García-Rodríguez	5
8	Brennan	Overhoff	5
9	Douglas	Ling	5
10	Ezra Mel	Pasikatan	5
11	Hai	Lin	5
12	Janet	Paluh	5
13	Jill	Lee	5
14	Michael	Walters	5
15	Nicholas	Mattern	5
16	Noa	Eshkar	5
17	Tatyana	Tarasevich	5
18	Weilan	Zhang	5
19	Zuby	Onwuta	5

Leaderboard By Campus

#	Campus	Points	
1	Albany	38	
2	Downstate	36	
3	Polytechnic Institute	33	
4	Buffalo	30	
5	Binghamton	27	
6	Stony Brook	26	
7	Cortland	10	
8	Upstate	10	
9	Buffalo State College	8	
10	Brockport	7	
11	Oswego	6	
12	Plattsburgh	5	
13	Potsdam	4	
14	Morrisville	3	
15	Herkimer County Commu	2	
16	Empire State College	1	
17	ESF	1	
18	Farmingdale State Colleg	1	
19	Fredonia	1	
20	Cobleskill	0	
21	New Paltz	0	
22	Old Westbury	0	

Questions about S4?

Email us at S4@rfsuny.org

Let's jump into today's topic!

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Grant Budget Basics – Managing Your Award Like A Pro

Meet your presenter!

Jaron Kuppers

Amala Consulting

Grant writing, technical writing, mechanical engineering, report writing, product design, business development, & graphic design

Overview

▶ Budget Basics

▶ Overview of Typical Budget Elements

▶ Detailed Review of Budget and Budget Justification Elements

▶ Indirect Cost Rates

▶ How to scope the project/budget and common breakdown

▶ Company Financials and Accounting, and Audits

▶ Uploading and Submitting

▶ Common Pitfalls

▶ Questions

Budget Basics

▶ Phase 1: ~$100,000 to $256,000

    ▶ To "establish the technical merit, feasibility, and commercial potential"

    ▶ 6 -12 months (depends on agency)

▶ Phase II: ~$400,000 to $1,500,000

    ▶ To "continue the R/R&D efforts initiated in Phase I"

    ▶ 2 year limit

▶ HHS/NIH FastTrack: ~$1,150,000

    ▶ Combined Phase I & II application

    ▶ To "bypass a Phase I award if they have already proved the feasibility of their technology"

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Budget Basics

▶ Develop budget as soon as possible – Funding limits can affect your written Proposal (personnel, scope of work, consultants, etc.)

▶ Division of funds between small business, university partner, and outside contractors

  ▶ SBIR: small business must spend 67%

  ▶ STTR: small business must spend 40%, university must spend 30%

▶ Allowable Deviations from Budget (e.g. NIH)

  ▶ Exceeding the budget cap for specific topics. List of approved topics is available for each application round. Contact program manager for approval.

  ▶ Deviations from budget guidelines are acceptable, but must be justified and discussed with program manager prior to submission

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Overview of Typical Budget Elements

▶ Senior Personnel

▶ Other Personnel

▶ Fringe Benefits

▶ Equipment

▶ Travel Expenses

▶ Foreign Travel Expenses

▶ Participant Support Costs

▶ Materials and Supplies

▶ Publication / Documentation Costs

▶ Consultant Services

▶ Computer Services

▶ Subawards

▶ Other

▶ Indirect Costs

▶ Fee

▶ Each agency has its own particular budget elements and associated rules, so always check the solicitation and guide!

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Review of Budget Elements (1)

▶ **Senior Personnel** – Individuals with critical expertise who are employed at the proposing company. Broad range of $. Calculate using person-months

    ▶ *Justification example*: Dr. Jane Smith, Chief Technical Officer, will work two person-months on the project at an hourly rate of $48/hr. 2 months × 173.33hrs/month × $48/hr = $16,640

▶ **Other Personnel** – Employed at proposing company

▶ Use Bureau of Labor Statistics (BLS) Code in your region for hourly rate. State/Metro area https://www.bls.gov/bls/blswage.htm

▶ **Fringe Benefits** – Only allot funds here if you have established accounting practices. Otherwise, should be included as part of indirect costs.

Review of Budget Elements (2)

▶ **Equipment** – Item of property more than $5,000 and an expected service life of more than 1 yr. (NSF - May not be purchased in a Phase I; NIH – May purchase in Phase I – NIH also has a line item for facility rental/user fees)

  ▶ If buying equipment you must include at least three quotes

  ▶ Ownership (aka title to equipment) vests in the Fed Government. The Government *may* transfer title awardee if the transfer would be more cost-effective than recovery of the property

  ▶ Equipment should be US made

▶ **Travel** - Must be directly attributable to the project

  ▶ You may not go to general scientific meetings (e.g. conferences)

  ▶ For lodging, food and incidentals, use GSA per diem rates. https://www.gsa.gov/travel-resources

▶ **Foreign Travel Expenses** – Not permitted generally

▶ **Participant Support Costs** – Not permitted in NSF Phase I. Not permitted for NIH.

Review of Budget Elements (3)

▶ **Materials and Supplies** – Tangible personal property costing less than $5,000. Justification should include quantity, unit cost, and total cost

▶ **Publication Costs/Documentation Costs** – Not permitted for NSF Phase I proposal. Ok for NIH.

▶ **Consultant Services** – Work by professionals not employed by the company. For NSF, Need letter of collaboration (stating rate, cost and activities to performed) and biosketch. For NIH, need details in justification. May not be greater than 33% of budget.

  ▶ *Justification example*: Dr. Irene Snow will be our consultant. She will work for a total of ten days (80 hours/8 hours per day) at the maximum consultant rate of $600/day. Total requested costs are $6,000. A copy of the signed commitment letter from Dr. Snow is included with this budget justification.

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Review of Budget Elements (4)

▶ **Computer Services**

▶ **Subawards –** Used when a significant portion of work performed by another organization (e.g. university or research lab). Subawardee will need own separate budget and budget justification.

    ▶ *Justification example*: One subaward has been reached with Brown University. A signed letter of commitment from the subaward lead, Dr. Fred Johnson, is included in the proposal package. A full subaward budget and budget justification is also included with the proposal (see below). The total subaward amount is $35,000.

Review of Budget Elements (5)

► **Other**
  ► Hiring a CPA for financial assessments and reports (NSF)
  ► Beat the Odds Boot Camp (NSF)
  ► Patient care and tuition remission (NIH)
  ► Use of single Institutional Review Board (sIRB) for multi-site human subjects research (NIH)
  ► Technical Assistance Program (NIH)

► **Indirect Costs** (more on this in 2 slides)

  ► If you do not have a negotiated indirect cost rate with a federal agency, then use safe rate if possible (50% for NSF; 40% for NIH)

    ► Base of Indirect Costs is Salaries and Wages (not all direct costs) (NSF)

    ► Base of Indirect Costs is Total Direct minus Equipment and other items. Check with sponsored programs office (NIH)

  ► For agencies that do not have a safe rate (or if you choose to not take the safe rate) require that you negotiate an indirect cost rate with that federal agency, and/or Division of Financial Advisory Services (DFAS), Division of Cost Allocation and more

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Review of Budget Elements (6)

▶ **Fee -** Up to 7% of the total indirect and direct project costs may be requested as a fee. Intended to be consistent with normal profit margins provided to profit-making firms for R&D work.

    ▶ For a $225,000 project the max fee is $14,718

    ▶ *Justification example*: The fee is calculated as 4.43% of the total direct plus indirect costs, or $6,370. Taking the maximum allowed fee of 7% would lead to a project budget over the $150,000 limit for Phase I.

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Indirect Cost Rate

▶ **Potential included items:**

- ▶ Facilities
- ▶ Utilities
- ▶ Insurance
- ▶ Legal (Not including patent)
- ▶ Accounting
- ▶ Office Supplies & Fees (e.g. printing)

- ▶ Taxes
- ▶ Telephone/Internet
- ▶ Conferences & Travel
- ▶ Marketing
- ▶ Fringe
- ▶ Maintenance/Equipment Depreciation

▶ **Potential prohibited items:**

- ▶ Independent research and development
- ▶ Patent and patent related expenses (also not direct cost)
- ▶ Sales and marketing expenses
- ▶ Business development
- ▶ Manufacturing and production expenses

Tips: Budget

▶ Take as close to 7% fee as possible

▶ Ask for consultant Letters of Collaboration and quotes way ahead of time

▶ If using a subaward, start work way ahead of time – can take a long time for university turn-around

▶ Use the maximum safe rate for indirect cost (e.g. 40-50%) if possible

▶ Use the budget template to develop your budget! Search for & use a budget justification template. Helpful links:

    ▶ https://grants.nih.gov/grants/ElectronicReceipt/files/Annotated_Forms_SmallBus_FORMS-E.pdf

    ▶ https://seedfund.nsf.gov/fastlane/

▶ Triple check your equations

▶ When in doubt, get your accountant to help

How to scope the project/budget

▶ Start with award amount: $225,000

▶ Subtract fee (7% of total direct and indirect, NOT of award)   -$14,700

▶ Assume $22.5K for PI salary   -$22,500

(3.1 mo × 173.33 hrs/mo × ~$42/hour)

▶ Subtract $50K for estimated indirect   -$50,000

▶ If NSF: Assume $2,000 for travel to
awardee conference, $10,000 for boot
camp, and $5,000 for audit   NSF: -$17,000

▶ This remainder is a good budget starting   NSF: $120,800
point for materials, other senior personnel,   NIH: $137,800
more PI salary, and subcontracts

Common breakdown for Phase I

▶ Personnel   25-30%

▶ Equipment   0%

▶ Travel   <1%

▶ Materials and Supplies   20-40%

▶ Subawards & Consultants   10-30%

▶ Other   NSF 7.6%, NIH 0%

▶ Indirect Costs   13%

▶ Fee   6.54%

How money is disbursed

▶ NSF Phase I: $200K at start, $25K at end

▶ DOD: Varies, but generally you negotiate fixed cost disbursement or monthly reimbursement

▶ Other agencies: Similar schedules/options

▶ Agency disbursement cards: Mostly optional at this point and generally not a good idea. Great if you are cash strapped but otherwise, reimbursement and accounting are more effort and there can be fees!

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Phase I Company Financials and Accounting

▶ Get an accountant and, if necessary, a bookkeeper

▶ Get professional accounting software & track expenses. (If using Quickbooks, track Phase I using classes)

▶ Track overhead rates, as well, using accounting software

▶ Make time sheets (Must adhere to min requirements in applicable cost principles FAR.31)

▶ Prepare for an audit

   ▶ NSF lets you dip into your Phase I budget to pay for some of this. Take that money!

   ▶ You need cash in the bank!

      ▶ Debt to asset ratio > 0.5 (assets are double debt)

      ▶ Liquidity ratio, generally > 1 but ideally 1.5 (cash/cash equivalents/accounts receivable is double current liabilities)

Uploading and Submitting

▶ Budget submittal is rarely in the form of an uploaded Excel sheet. You will enter in the quantities that were input into your budget template into an online form, or a sophisticated PDF.

▶ Budget justification is sometimes a single PDF file which can be a combination of your:

  ▶ written justification

  ▶ consultant letters of collaboration

  ▶ consultant biosketches

  ▶ quotes for items over $5,000

  ▶ subaward written justification

  ▶ and/or more solicitation specific items

▶ Double-check instructions for what should be included.

Common Pitfalls

▶ Budget does not mesh with scope and timeline

▶ Not getting quotes and letters of commitment in time

▶ Not using appropriate government rates for salary and travel

▶ Not getting a separate subawardee budget and budget justification

▶ Inputting items in incorrect line item area

▶ Including items that are not permitted

▶ Materials and supplies over $5,000

▶ Calculating indirect costs incorrectly

▶ Calculating fee incorrectly

▶ Budget and budget justification do not align

▶ Not checking your math!

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Working with Amala

▶ Ready to start writing?

  ▶ Send a one page white paper to your SUNY Startup contact if you have not already

  ▶ Set up an initial meeting to determine feasibility and proper agency

  ▶ Realize you may have to wait a cycle to put together a strong application

  ▶ Realize we will give you a lot of "homework"

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Questions?

Contact us:

Name: Jaron Kuppers

Email: jaron.kuppers@gmail.com

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Thank you!

▶ Please answer the Zoom poll question.

▶ Recording will be sent tomorrow.

▶ Don't forget to connect with us on LinkedIn.

▶ See you next week for

Week 6: July 7

Forming and Structuring Your Company Like A Boss

Rich Honen, Phillips Lytle

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