Five Steps to Build an Exceptional Budget

The Next Festival for Emerging Artists

June 11, 2020

Hello.

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Founder, Minerva Financial Arts

Photo credit: Kim Long Photography
www.kimlongphotography.com
Welcome & Overview

Ground Rules and Group Parameters

- Share the Floor with Respect
- Equal Parts Teacher & Learner
- Stories Stay; Lessons Leave
What Are We Doing?

More Specifically, We Will:

List the five-step budgeting process.
Apply the budgeting process to build a business budget.
Connect the budgets to personal, creative, and professional goals.
DISCLAIMER

This information is for educational purposes only. This information should not be relied upon for tax, legal, or accounting purposes, or to avoid penalties under Section 230.

Tax laws are nuanced and specific and learning about these topics in a group setting is no substitute for consulting with a professional who knows the details of your unique situation.

A BUDGET IS NOT...

A list of paid expenses.

An arithmetic exercise.

An exercise in delusional optimism.

Photo credit: Budgeting and Why People Hate it So Much
www.empower2thrive.com
A Budget Is...

A budget is a **financial plan** for **allocating resources**.

It is **internal**, **imperfect**, and **iterative**.

It helps us achieve our goals.

Budgeting Steps

1. Define the parameters. **Internal!**
Define the Parameters

<table>
<thead>
<tr>
<th>Parameters Chart</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>State the Goal</strong></td>
</tr>
<tr>
<td><strong>Timing</strong></td>
</tr>
<tr>
<td><strong>Frequency</strong></td>
</tr>
<tr>
<td><strong>Nature</strong></td>
</tr>
</tbody>
</table>

This is not normal budgeting

(But you already knew that)
SCENARIO PLANNING

Where we are right now

Where we might be

New ideas to think about

1 Optimistic

2

3

4 Pessimistic

SCENARIO PLANNING

Where we are right now

Where we might be

New ideas to think about

1 Optimistic

2

3

4 Pessimistic
## Key Question

What time frame am I supposed to look at?

That’s a great question. Definitely look closely at the next three months when it comes to managing short-term expenses.

Then look to the end of the year, plus one more year for medium-term projections.
Barrier Alert
Be clear about the parameters. One budget cannot serve every need you have. Create as many budgets as necessary to serve your needs.

And be ready to update and tweak them.

At a minimum, you’ll likely have:
• Personal/household
• Business
• Project

1. Define the parameters. *Internal!*
2. List the expenses (in words). *Iterative!*
**Budgeting Steps**

<table>
<thead>
<tr>
<th>Words</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Personal</strong></td>
<td><strong>Professional</strong></td>
</tr>
<tr>
<td>• Food, clothing, shelter</td>
<td>• Creative expenses</td>
</tr>
<tr>
<td>• Transportation, utilities</td>
<td>• Subscriptions</td>
</tr>
<tr>
<td>• Connectivity, social</td>
<td>• Travel / research</td>
</tr>
<tr>
<td>• Support</td>
<td>• Professional development</td>
</tr>
<tr>
<td>• Insurance, protections</td>
<td>• Insurance, protections</td>
</tr>
</tbody>
</table>

**Barrier Alert**

A budget is not about the numbers. Don’t make it about the numbers.
BUDGETING STEPS

1. Define the parameters. *Internal!*
2. List the expenses (in words). *Iterative!*
3. Quantify the expenses. *Imperfect!*

HOW TO QUANTIFY EXPENSES?

- Personal experience
- Others’ experiences
- Research
BUDGETING STEPS

Barrier Alert
You are not supposed to quantify each expense perfectly. Remember, your budget will be wrong.

You are supposed to make valid, reasonable assumptions (not delusional optimistic ones). Research the numbers so you can defend them with a straight face.

1. Define the parameters. Internal!
2. List the expenses (in words). Iterative!
3. Quantify the expenses. Imperfect!
4. Fund the expenses. Iterative!
INDIVIDUAL

List all your existing income sources

Think about whether this is for your business, your life, or both

<table>
<thead>
<tr>
<th>Category</th>
<th>Scenario 1</th>
<th>Scenario 2</th>
<th>Scenario 3</th>
<th>Scenario 4</th>
</tr>
</thead>
<tbody>
<tr>
<td>Income</td>
<td></td>
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</tr>
<tr>
<td>Sales</td>
<td></td>
<td></td>
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<td></td>
</tr>
<tr>
<td>Grants</td>
<td></td>
<td></td>
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<tr>
<td>Individual support</td>
<td></td>
<td></td>
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<tr>
<td>Related income</td>
<td></td>
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</tr>
<tr>
<td>Unrelated income</td>
<td></td>
<td></td>
<td></td>
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</tr>
<tr>
<td>Emergency funding</td>
<td></td>
<td></td>
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</tr>
<tr>
<td>Expenses</td>
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<td></td>
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<tr>
<td>Creative supplies</td>
<td></td>
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<tr>
<td>Studio rent</td>
<td></td>
<td></td>
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</tr>
<tr>
<td>Website support</td>
<td></td>
<td></td>
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<tr>
<td>Utilities</td>
<td></td>
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<tr>
<td>Marketing / communications</td>
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<tr>
<td>Equipment maintenance</td>
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<tr>
<td>Travel</td>
<td></td>
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<tr>
<td>Research</td>
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</tr>
<tr>
<td>Subscriptions</td>
<td></td>
<td></td>
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<tr>
<td>Miscellaneous</td>
<td></td>
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</tbody>
</table>

Identify key drivers/metrics for each

SCENARIO PLANNING

Think about revenue in each scenario for each income line.

For Individuals

- Selling at fairs/festivals
- Selling mostly online
- Selling through a gallery / corporate partners
- Teaching in schools or community centers
- Funding from city/state sources
- Part-time job with not-for-profit
SCENARIO PLANNING

Finding information

– The arts sector may lose $135m in revenue this year (Source: Arts Fund COVID-19 Impact)
– 97% of organizations have canceled programs (Source: Arts Fund COVID-19 Impact)
– Average artist has lost $24k of income (Source: Americans for the Arts, May 4, 2020)
– +30 million weekly unemployment filings (Source: Forbes, 6/9/2020)

Key Point

This will not be a quick exercise... Take the time to estimate the impact based on what you know about your business.

BUDGETING STEPS

Barrier Alert

“I just need more money” is not a valid business plan.
Key Question
What is the best way to approach corporate partners and new funders right now?
Focus on what has changed about your programming/mission and what has not changed.
Target corporations with the ability to support right now.
Look for mutual benefits to a holistic sponsorship.

Key Question
How can I find new income streams?
Go back to what you do really, really well – Your unique value proposition.
Then understand what those you serve need right now to see if there are ways you can fill those needs.
Use each opportunity to build toward the next one.
EVALUATING OPTIONS

The idea must be something those you serve (or a new group) value right now.

- Don’t guess about this. Do some work to make sure you know.
- Think about partnerships you can forge (or tap into) to strengthen this.

<table>
<thead>
<tr>
<th>Partnership Ideas</th>
</tr>
</thead>
<tbody>
<tr>
<td>Can an in-home experience (concert, talk-back, private performance) include a meal delivered from a partner restaurant?</td>
</tr>
<tr>
<td>Can a corporate sponsorship include something creative delivered to employees?</td>
</tr>
</tbody>
</table>

EVALUATING OPTIONS

Plan to use this idea to lead to the next one.

<table>
<thead>
<tr>
<th>Idea</th>
<th>Using it Strategically</th>
</tr>
</thead>
</table>
| Digital Care Packages  
A patron can make a $25 contribution to have a creative digital care package delivered to someone. |  
- Include an ask of the recipient to see if they would like to donate $25 and send a care package to someone else.  
- Use some of the recorded collateral to create a larger marketing campaign around the idea (including press releases).  
- Share the idea with corporate sponsors and/or key business partners. |
**Budgeting Steps**

1. Define the parameters. *Internal!*
2. List the expenses (in words). *Iterative!*
3. Quantify the expenses. *Imperfect!*
4. Fund the expenses. *Iterative!*
5. Make it work.

---

**Example Budget – July 2020**

<table>
<thead>
<tr>
<th>Income</th>
<th>$ 4,000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Expenses</td>
<td>(5,000)</td>
</tr>
<tr>
<td>Net Income</td>
<td>$ (1,000)</td>
</tr>
</tbody>
</table>
**Budgeting Steps**

How can you make this budget work?

<table>
<thead>
<tr>
<th>Example Budget – July 2020</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Income</strong></td>
</tr>
<tr>
<td><strong>Expenses</strong></td>
</tr>
<tr>
<td><strong>Net Income</strong></td>
</tr>
</tbody>
</table>

- Spend Less
- Make More
- Change the Parameters

**Review the Five Budgeting Steps**

1. Define the parameters.
2. List the expenses (in words).
3. Quantify the expenses.
4. Fund the expenses.
5. Make it work.
Here’s How the Steps Break Down...

And they even connect with the definition of budgeting.

<table>
<thead>
<tr>
<th>A Financial Plan</th>
<th>For Allocating</th>
<th>Resources</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Parameters (1)</td>
<td>• Spending (2-3)</td>
<td>• Income/earnings (4)</td>
</tr>
<tr>
<td>• Goals (1)</td>
<td>• Expenses (2-3)</td>
<td>• Savings/reserve (4)</td>
</tr>
<tr>
<td>• Vision (1)</td>
<td>• Priorities (2-3)</td>
<td>• Other funds (4)</td>
</tr>
<tr>
<td>• Prioritize expenses (5)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Model various options (5)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Help decide and defend course of action (5)</td>
<td></td>
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</tr>
</tbody>
</table>

Key Question

I can make this work over the long-run, but what should I do about cash flow right now?

That’s awesome! If you have received some emergency funding, use it judiciously. (That may mean cutting expenses now to make the funding last longer.)

Keep applying for emergency grants if they make sense for you.

Tap your most committed supporters for cash-flow support. (Ideally these will be additional gifts instead of early gifts.)

Ask for released restrictions from funders.

Think about multi-year commitments.
RECAP

LIST THE FIVE-STEP BUDGETING PROCESS.
APPLY THE BUDGETING PROCESS TO BUILD A BUSINESS BUDGET.
CONNECT THE BUDGETS TO PERSONAL, CREATIVE, AND PROFESSIONAL GOALS.