

1



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WELCOME & OVERVIEW

Ground Rules and Group Parameters

Share the
Floor with
Respect

Equal
Parts
Teacher &
Learner

Stories
Stay;
Lessons
Leave

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WHAT ARE WE DOING?

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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.

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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.

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A BUDGET IS NOT...

A list of paid expenses.

An arithmetic exercise.

An exercise in delusional optimism.

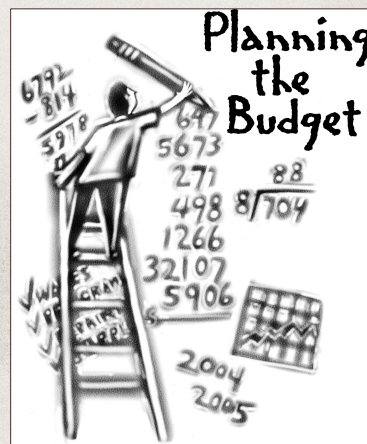


Photo credit: Budgeting and Why People Hate it So Much
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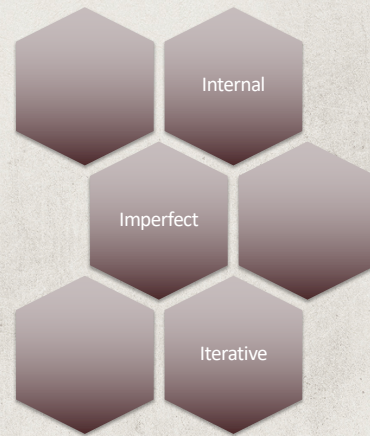
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A BUDGET Is...

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

It is internal, imperfect, and iterative.

It helps us achieve our goals.



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BUDGETING STEPS

1. Define the parameters. *Internal!*

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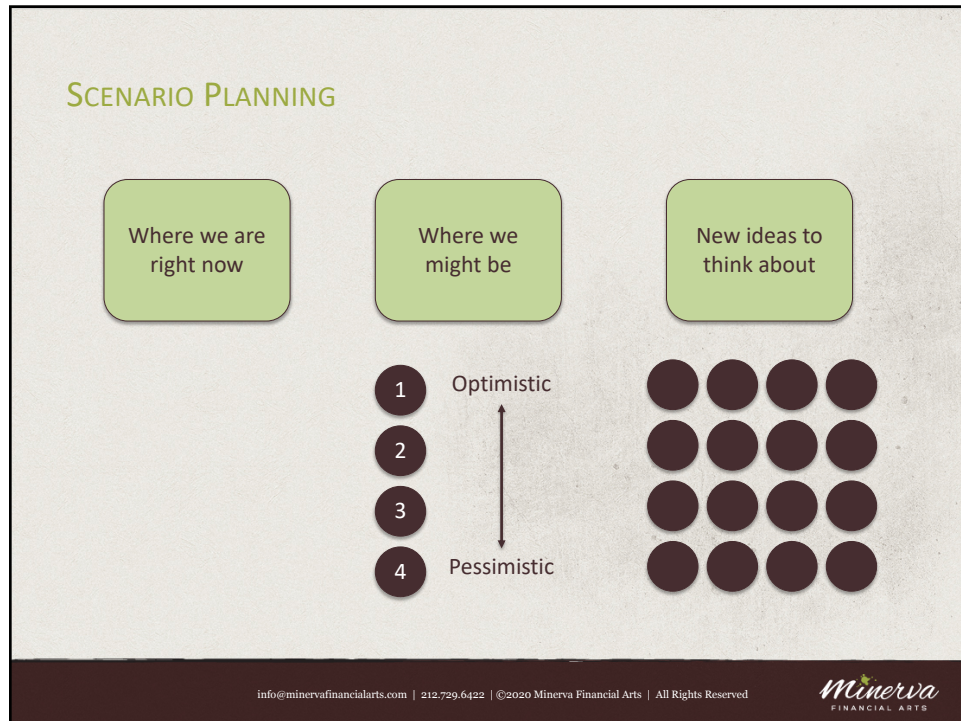
DEFINE THE PARAMETERS

Parameters Chart			
State the Goal	Specific	Measurable	Time-Bound
Timing	Short-term <i>(3 – 6 months)</i>	Medium-term <i>(1 – 2 years)</i>	Long-term <i>(3+ years)</i>
Frequency	One-time <i>(once only)</i>	Ongoing <i>(regularly)</i>	Periodic <i>(more than once)</i>
Nature	Personal <i>(just for me)</i>	Professional <i>(related to work)</i>	Creative <i>(related to creativity)</i>

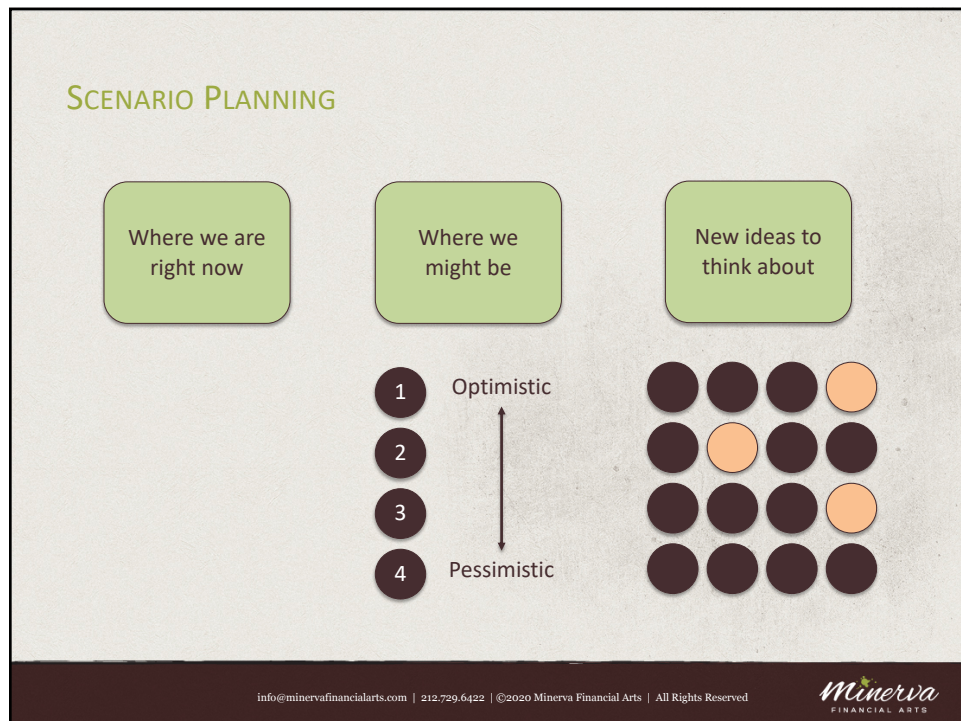
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THIS IS NOT NORMAL BUDGETING
(But you already knew that)

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SCENARIO OPTIONS

Most optimistic ← → Least optimistic

Scenario 1	Scenario 2	Scenario 3	Scenario 4
Late summer / fall programs happen at slightly reduced revenue	No summer revenue	No summer revenue	Assumes no revenue (aside from emergency funding) through summer 2021
Things are normal-ish by early 2021	Fall programs happen at greatly reduced revenue	Fall programs happen at greatly reduced revenue	Fall 2021 moderately reduced revenue
(Alternate: Fully "normal" year)	Spring 2021 programs happen at slightly reduced revenue	Spring 2021 programs happen at greatly reduced revenue	Things are normal-ish by 2022
	Things are normal-ish by summer 2021	Fall 2021 happens with slightly reduced revenue	
		Things are normal-ish by 2022	

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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.

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BUDGETING STEPS

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

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BUDGETING STEPS

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

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BUDGETING STEPS

Words	
Personal	Professional
<ul style="list-style-type: none"> • Food, clothing, shelter • Transportation, utilities • Connectivity, social • Support • Insurance, protections 	<ul style="list-style-type: none"> • Creative expenses • Subscriptions • Travel / research • Professional development • Insurance, protections

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BUDGETING STEPS

Barrier Alert

A budget is not about the numbers. Don't make it about the numbers.

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BUDGETING STEPS

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

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BUDGETING STEPS

HOW TO QUANTIFY EXPENSES?

Personal
experience

Others'
experiences

Research

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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 delusionally optimistic ones). Research the numbers so you can defend them with a straight face.

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BUDGETING STEPS

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

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INDIVIDUAL

List all your
existing income
sources

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

	Scenario 1	Scenario 2	Scenario 3	Scenario 4
Income				
Sales				
Grants				
Individual support				
Related income				
Unrelated income				
Emergency funding				
Expenses				
Creative supplies				
Studio rent				
Website support				
Utilities				
Marketing / communications				
Equipment maintenance				
Travel				
Research				
Subscriptions				
Miscellaneous				

Identify key
drivers/metrics
for each

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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

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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 quick exercise... Take the time to estimate the impact based on what you know about your business.

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BUDGETING STEPS

Barrier Alert

"I just need more money" is not a valid business plan.

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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.

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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.

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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.

Partnership Ideas

Can an in-home experience (concert, talk-back, private performance) include a meal delivered from a partner restaurant?

Can a corporate sponsorship include something creative delivered to employees?

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EVALUATING OPTIONS

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

Idea	Using it Strategically
Digital Care Packages A patron can make a \$25 contribution to have a creative digital care package delivered to someone.	<ul style="list-style-type: none"> • 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.

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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.

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BUDGETING STEPS

How can you make this budget work?

Example Budget – July 2020	
Income	\$ 4,000
Expenses	(5,000)
Net Income	\$ (1,000)

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BUDGETING STEPS

How can you make this budget work?

Example Budget – July 2020	
Income	\$ 4,000
Expenses	(5,000)
Net Income	\$ (1,000)

Spend
Less

Make
More

Change the
Parameters

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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.

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HERE'S HOW THE STEPS BREAK DOWN...

And they even connect with the definition of budgeting.

A Financial Plan	For Allocating	Resources
<ul style="list-style-type: none"> Parameters (1) Goals (1) Vision (1) 	<ul style="list-style-type: none"> Spending (2-3) Expenses (2-3) Priorities (2-3) 	<ul style="list-style-type: none"> Income/earnings (4) Savings/reserve (4) Other funds (4)
<ul style="list-style-type: none"> Prioritize expenses (5) Model various options (5) Help decide and defend course of action (5) 		

Diagram illustrating the flow of budgeting steps:

- Parameters (1) → Goals (1) → Vision (1) → Spending (2-3) → Expenses (2-3) → Priorities (2-3) → Income/earnings (4) → Savings/reserve (4) → Other funds (4)
- Prioritize expenses (5) → Model various options (5) → Help decide and defend course of action (5)

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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.

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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.

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