Webinar Series
OHIO ARTS COUNCIL

Budgeting During a Global Pandemic
WEBINAR BEGINS AT 4 P.M EST
Elaine Grogan Luttrull, CPA-PFS, AFC®
Founder, Minerva Financial Arts

Webinar Series
OHIO ARTS COUNCIL

UPCOMING WEBINARS
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Individual Excellence Awards:
5 Things to Know Before You Apply
Wednesday, May 27 • 4 p.m.

Programs and Resources for
Ohio Folk and Traditional Artists
Wednesday, June 17 • 4 p.m.

Level Up: Best Practices for Today’s Visual Artist
Wednesday, July 8 • 4 p.m.
Hello.

Elaine Grogan Luttrull
CPA-PFS, AFC®
Founder, Minerva Financial Arts

Photo credit: Kim Long Photography
www.kimlongphotography.com

Creative Capital

THE CLARK HULINGS FUND
For Visual Artists

tcg Theatre Communications Group

Financial Therapy Association

Juilliard

OFTN

DEVOS INSTITUTE OF ARTS MANAGEMENT
AT THE UNIVERSITY OF MARYLAND

Kentucky Council on the Arts

Delaware Council on the Arts

Americans for the Arts

Maryland State Arts Council

NEC New England Conservatory

Ohio Arts Council

Indiana Arts Commission

RISD Rhode Island School of Design
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:

IDENTIFY SCENARIOS
DESCRIBE THE IMPACT ON REVENUES
STRATEGIZE TO SOLVE SHORTFALLS

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.
NORMAL BUDGETING...

• Financial plan for allocating resources
• Iterative, imperfect, and internal
• Comes from a place of empowerment

• Five steps:
  – Define the parameters
  – List the expenses (in words)
  – Quantify the expenses
  – Fund the expenses
  – Make it work

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

Optimistic

1
2
3
4

Pessimistic
**STEP 1**

*Define the guiding principles.*

---

**SCENARIO PLANNING**

Step 1: Define the guiding principles.

**Organizations:**

- We will prioritize the health and safety of our people.
- We will maximize the impact of our programs to fulfil our mission.
- We will be transparent about difficult decisions.
- We will consider short- and long-term implications of our choices.
- We will be ethical in our purchasing choices.
- We will evaluate key metrics and adjust plans accordingly.
SCENARIO PLANNING

Step 1: Define the guiding principles.

Individuals:
- I will prioritize the health and safety of myself and those I serve.
- I will create authentic work that fuels me creatively.
- I will be transparent about difficult decisions.
- I will consider short- and long-term implications of my choices.
- I will make choices on purpose.
- I will evaluate key metrics and adjust my plans accordingly.

STEP 2

Define the scenarios.
SCENARIO PLANNING

<table>
<thead>
<tr>
<th>Scenario 1</th>
<th>Scenario 2</th>
<th>Scenario 3</th>
<th>Scenario 4</th>
</tr>
</thead>
<tbody>
<tr>
<td>Late summer / fall programs happen at slightly reduced revenue</td>
<td>No summer revenue</td>
<td>No summer revenue</td>
<td>Assumes no revenue (outside from emergency funding) through summer 2021</td>
</tr>
<tr>
<td>Things are normal-ish by early 2021</td>
<td>Fall programs happen at greatly reduced revenue</td>
<td>Fall programs happen at greatly reduced revenue</td>
<td>Fall 2021 moderately reduced revenue</td>
</tr>
<tr>
<td>Alternate: Fully “normal” year</td>
<td>Spring 2021 programs happen at slightly reduced revenue</td>
<td>Spring 2021 programs happen at greatly reduced revenue</td>
<td>Things are normal-ish by 2022</td>
</tr>
<tr>
<td>Things are normal-ish by summer 2021</td>
<td>Fall 2021 happens with slightly reduced revenue</td>
<td>Things are normal-ish by 2022</td>
<td></td>
</tr>
</tbody>
</table>

Key Point
The scenarios will likely be unique to you or your organization.

STEP 3
Project the numbers.
### Organization

List all the existing income sources

Distinguish expenses by function if that makes sense for your organization

<table>
<thead>
<tr>
<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>
<td></td>
<td></td>
</tr>
<tr>
<td>Sales</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Individual contributions</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Board contributions</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Governmental support</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Foundation support</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Corporate sponsors</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Emergency funding</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Expenses</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Salaries</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Employee expenses</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Programmatic costs</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Facility costs</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fundraising expenses</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Marketing / communications</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Travel and research</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Miscellaneous</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Identify key drivers/metrics for each

### Individual

List all your existing income sources

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

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

Identify key drivers/metrics for each
SCENARIO PLANNING

Revenue assumptions will be key.

<table>
<thead>
<tr>
<th>For Individuals</th>
<th>Impact</th>
</tr>
</thead>
<tbody>
<tr>
<td>Selling at fairs/festivals</td>
<td>40-50%</td>
</tr>
<tr>
<td>Selling mostly online</td>
<td>50-60%</td>
</tr>
<tr>
<td>Selling through a gallery / corporate partners</td>
<td>60-70%</td>
</tr>
<tr>
<td>Teaching in schools or community centers</td>
<td>40-50%</td>
</tr>
<tr>
<td>Funding from city/state sources</td>
<td>20-30%</td>
</tr>
<tr>
<td>Part-time job with not-for-profit</td>
<td>?</td>
</tr>
</tbody>
</table>

SCENARIO PLANNING

<table>
<thead>
<tr>
<th>For Organizations</th>
<th>Impact</th>
</tr>
</thead>
<tbody>
<tr>
<td>Performance organization</td>
<td>0 – 40 – 70%</td>
</tr>
<tr>
<td>Presenting organization reliant on tours</td>
<td>0 – 40 – 70%</td>
</tr>
<tr>
<td>Educational offerings</td>
<td>65%</td>
</tr>
<tr>
<td>Major December holiday show</td>
<td>40%</td>
</tr>
<tr>
<td>Reliance on tourists</td>
<td>30%</td>
</tr>
<tr>
<td>Reliance on state funding</td>
<td>20-30%</td>
</tr>
<tr>
<td>Strong corporate partnerships</td>
<td>40-60%</td>
</tr>
<tr>
<td>Strong endowment</td>
<td>50-60%</td>
</tr>
</tbody>
</table>
SCENARIO PLANNING

Finding information

– Ohio has cut current year spending by $775 million *(Source: Columbus Dispatch, 5/5/2020)*
– City of Columbus planning no major gatherings until Spring 2021 *(Source: Columbus CEO, 5/1/2020)*
– 36.5 million new unemployment claims as of May 14 *(Source: Washington Post, 5/14/2020)*

**Key Point**

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

**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 your fiscal year, plus one more year for medium-term projections.

Then I’d take the projections one more year out to see what a longer-term impact might look like.
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.

STEP 4
Explore new revenue options.
SCENARIO PLANNING

Step 4: Explore new revenue options.
- What do you do?
- What do those you serve need?
- Which do you choose?

Key Point
There is no shortage of ideas. The trick is to evaluate them effectively.

SCENARIO PLANNING

Decide what criteria to use to evaluate options.

<table>
<thead>
<tr>
<th>Criteria</th>
<th>Score (1-5)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Does it align with our value?</td>
<td></td>
</tr>
<tr>
<td>Is it something those we serve value right now?</td>
<td></td>
</tr>
<tr>
<td>What will it cost?</td>
<td></td>
</tr>
<tr>
<td>What will we earn?</td>
<td></td>
</tr>
<tr>
<td>How will it help us strategically?</td>
<td></td>
</tr>
</tbody>
</table>
SCENARIO PLANNING

Does it align with our value?

<table>
<thead>
<tr>
<th>Unique</th>
<th>Value</th>
<th>Proposition</th>
</tr>
</thead>
<tbody>
<tr>
<td>What makes you different?</td>
<td>What do you do to change the world?</td>
<td>How will you do it?</td>
</tr>
</tbody>
</table>

Strengths | Your What | Your How

SCENARIO PLANNING

Is it something those we 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, event, gala) include a meal delivered from a partner restaurant?
- Can a corporate sponsorship include something creative delivered to employees?
SCENARIO PLANNING

What will it cost?
• What will this cost? Write it down.

What will we earn?
• What will it generate in contributions/revenue? Write this down too.
• How will we generate/earn these funds?

Key Point
Add these numbers to the scenarios.

SCENARIO PLANNING

How will it help us strategically?

<table>
<thead>
<tr>
<th>Idea</th>
<th>Using it Strategically</th>
</tr>
</thead>
<tbody>
<tr>
<td>Digital Care Packages</td>
<td>• Include an ask of the recipient to see if they would like to donate $25 and send a care package to someone.</td>
</tr>
<tr>
<td></td>
<td>• Use some of the recorded collateral to create a larger marketing campaign around the idea (including press releases).</td>
</tr>
<tr>
<td></td>
<td>• Share the idea with corporate sponsors and/or key business partners.</td>
</tr>
</tbody>
</table>
**STEP 5**

*Make hard choices.*

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**SCENARIO PLANNING**

Step 5: Make hard choices about expenses.

– Personnel is often the largest expense item

<table>
<thead>
<tr>
<th>Key Point</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gravity (a payment processing company based in Seattle) faced a 55% decrease in revenues because of COVID-19. The solution was to cut 20% of the payroll to make the numbers work. But CEO Dan Price instead held transparent meetings with employees. Employees favored voluntary pay cuts to keep the company afloat without laying anyone off. Employees met privately with HR to communicate their voluntary cut.</td>
</tr>
</tbody>
</table>


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SCENARIO PLANNING

- Facilities costs are often second largest expense item
- Programmatic costs are the hardest to eliminate

**Key Point**

This is why scenarios are helpful. If you understand the trade-offs, the decisions may be easier to explain.

For example, cutting production costs by 15% and suspending office rent enables a 5% salary cut across the board instead of a 10% salary cut.

**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.
Key Question
There is NO WAY this can work. What should I do? Should we shut down?

I’m sorry. You’re not alone. Lots of groups and individuals are exploring dramatic changes right now.

Zero based budgeting could be a potential option for you, especially if you are open to reimagining everything...

Key Point
Reimagining everything is really tough. Keep the focus on the value you or your organization provides so the conversation remains mission-centric.

STEP 6
Update accordingly.
SCENARIO PLANNING

Step 6: Update accordingly.
- Pay attention to the world around you
- Listen to those you serve
- Keep laser-focused on the value you provide
- Identify key metrics to track

Potential Metrics
- Sales
- Attendees
- Donors (% new, % renewals)
- Engagement (customers showing interest)
- Economic figures

Key Question
What if I need an actual approved budget to apply for a grant?

Ask your board to approve the scenario you think is most likely to use for grant applications.

Note that this may include approving a budget with a deficit. Explain how the organization will handle that.

If it becomes necessary to approve a revised budget mid-year, update your funders.
SCENARIO PLANNING

Where we are right now

Where we might be

New ideas to think about

Decide and monitor

1 Optimistic

2

3

4 Pessimistic

Scenario Planning - Step-by-step

Step 1 Define the guiding principles.
Step 2 Define the scenarios.
Step 3 Project the numbers.
Step 4 Explore new revenue options.
Step 5 Make hard choices.
Step 6 Update accordingly.
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