



Finance Basics

The only thing better than doing
what you love, is to do it
AND get PAID for it!

Basic Finance Skills

- Involves simple math and basic concepts
- Enables you to create benchmarks to know how you are doing financially
- It's an asset if you can “talk the talk” with business people
 - Increases their confidence in you
 - Important for raising capital for projects



Terms: Revenue

- What is it?
- Money coming in
 - Ticket sales
 - Grants
 - Donations
 - Interest
- Slang term: “Income (or revenue) stream”



Terms: Expenses

- What is it?
- Money going out
- Types of expenses
 - Fixed Expenses
 - Artist fees, venue, advertising, phone rent, etc.
 - Overhead Expenses
 - Cost of doing business expenses such as office rent, telephone, insurance etc.
 - Variable Expenses
 - Fluctuates depending on another variable
 - Artist fees (if % of door), box office (ticket costs) etc.



Terms: Profit

- What is it?
 - When you make money!
 - Slang term: “operating in the black”
- Two kinds of profit
 - Gross Profit
 - Revenue minus product expenses
 - Ticket sales minus (artists + venue + etc.)
 - Net Profit
 - Incorporates Overhead expenses
 - Gross profit minus (taxes + insurance + office rent + etc.)



Terms: Loss

- What is it?
 - When you lose money!
 - Slang term: “being in the red” or “operating at a loss”
- Is it ever a good thing to lose money?
 - For some people or companies at times, yes
 - Companies increase expenses to reduce profits to lower taxes
 - Seeding the market (free samples to gain market share)
- How could you benefit from this?
 - You become an expense for them, income for you!



Profit/Loss Analysis

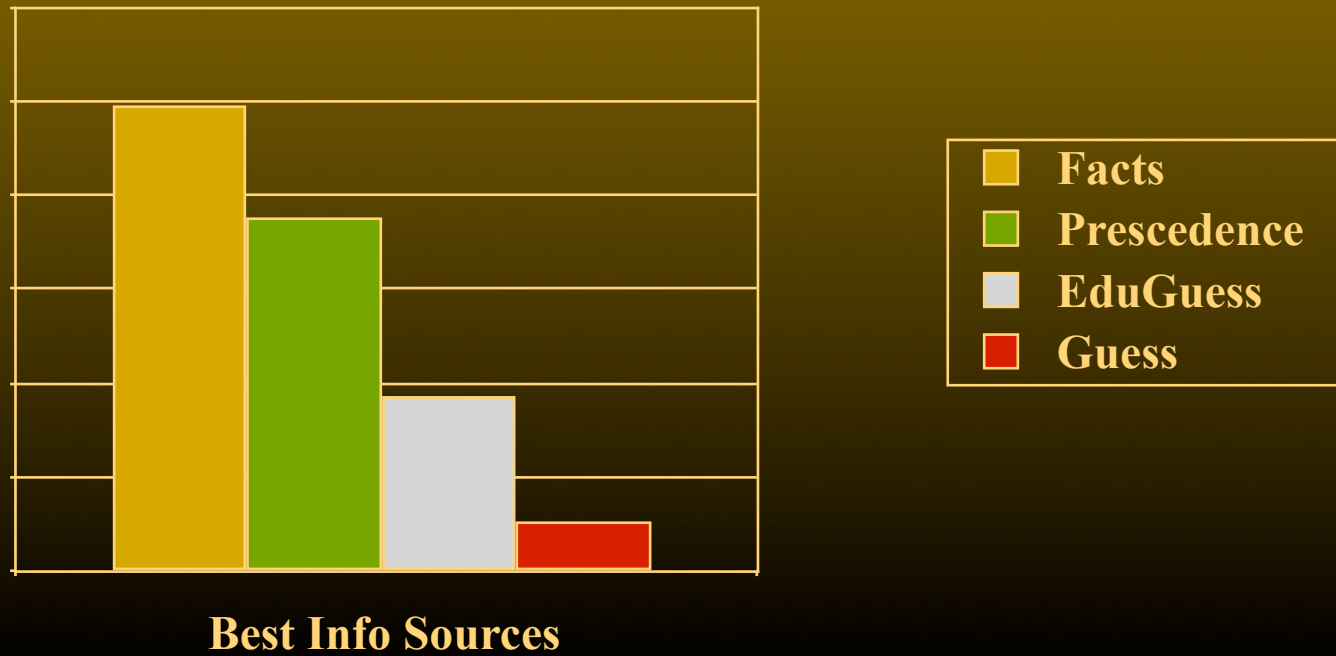
- A standardized form to help analyze a financial condition
- Losses and negative numbers are often shown in red.

Revenues		
	Tickets	\$1800
	Grants	\$550
	Subtotal	\$2350
Expenses		
Artists	\$460	
Venue	\$550	
Promotion	\$325	
Subtotal	\$1335	
	Gross Profit	\$1015



Budgeting

- Calculating income and expenses in advance
 - Accuracy is the key to success!



Cash Flow

- Creating a budget and forecasting revenue and expenses helps you manage “cash flow”.

What is it?

- How money is moving through your company
- Burn rate: how much cash you “burn through” to operate in a given period
- Float: how much cash it takes per period (i.e. per month) to “float” your plan
- The object is to always have enough COH (cash on hand)



Cash Flow Importance

- Proper cash management is arguably the most important aspect of your business.
- Most business are bankrupt several months before they realize it due to poor forecasting and subsequent cash flow problems



Break-Even Analysis

- What is it?
- Break-even means you have not made or lost money
- A tool to determine how many or how much of something to “break even” (BE)
 - Example: $\text{total expenses} \div \text{ticket cost}$ tells you how many tickets to sell to break even.
 - Below the BE loses money, above makes money
- BE is one of the “essential numbers” you should know!



Summary

- The more you know, the less risk and greater potential there is for success
- Analysis helps mitigate the damage from unknown factors that are inevitable
- It's your time and your money!

