



Creative Management Project



GOOD PRACTICES STORIES

Tracking the Pennies: An Emphasis on Good Financial Management

A key administrative task for all organizations is financial management. Budget development, ongoing tracking of expenditures and cash flow, and growth and deficit management are the essential elements of financial management in which careful arts administrators engage.

Pauline Thompson, CEO of the **Vancouver Museum**, describes her budget philosophy this way: “if you have the ability to incur an expense, then you have responsibility for managing the budget.” The **Vancouver Museum** works on a zero-based budget, meaning that it “sets the budget by looking at each year in a fresh way.” Staff are encouraged to avoid heightened spending at the end of the year, “because spending this year doesn’t affect the budget for next year; this takes wasteful spending and dumb thinking out of the budget process.” Although most sector organizations are not as large as the Vancouver Museum, the zero-based budget approach could be applied elsewhere. Pauline Thompson recommends giving staff budget responsibility, and maintaining “a combination of being really tight but flexible at the same time.”

At the **Textile Museum** in Toronto, Executive Director Nataley Nagy also involves staff in budget development. She asks “all staff to present their budget needs, with a story of why and what they need.” In doing so, the budget process is enriched with narrative and storytelling. All staff also discuss trade-offs in developing the budget; then the budget – along with the stories – is reviewed and finalized by the finance committee and the Board of Trustees. Nataley Nagy believes that this process of budget development is successful, in part, because they have a small staff (fewer than 10 full-time people). Cherry Karpyschin, General Manager of the **Prairie Theatre Exchange** in Winnipeg, includes a step-by-step description of its budget development process in some grant applications to help juries and other decision-makers understand the realities and constraints the organization faces.

Some larger organizations have developed additional tools to monitor expenditures and cash flow. The **Vancouver Museum** uses 38 profit-and-loss statements, with each department or project having responsibility for its own budget (excluding operational overhead). The mid-sized **School of Contemporary Dancers** in Winnipeg keeps good financial records, including month-end statements and cash flows. Co-Directors Faye Thomson and Odette Heyn-Penner also use their gut feel and intuitive sense in financial management, based on their long experience. In the words of Faye Thomson, “there is nothing extraordinary about our financial management; we keep very attentive to cash flow – what’s in and what’s out – especially near year-end.” Not only that, they are “financially very conservative and prudent, based on the idea of balancing the budget each year.” She feels that the organization has a “strong level of stability when we use a no deficit approach.”

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Michael Jones, General Manager at **The School of Toronto Dance Theatre**, is credited with turning that organization's financial situation around – from a steadily growing deficit to an anticipated surplus this year. He points to several factors in their success:

- Involving the Board and staff in the development and implementation of a structured and specific plan to increase fundraising efforts and targets.
- Involving staff in budget development.
- Improving relationships with current funders, and developing relationships and strategies to reach potential new sources of financial support and earned income.
- More careful management of existing financial resources: “being so conscious about how we spend the budget, right down to the penny.”
- Making long range planning a priority, which provided the necessary information to make them eligible for multi-year funding from a key funder, and allowed staff to have more input into the future directions of the school.
- Recognizing that investing in their human resources – by increasing compensation to all staff, examining job descriptions and distribution of tasks – actually strengthened the ability of the organization to foster financial successes.

Michael Jones cautions that organizations facing deficits need to be careful about “cutting from easy areas like advertising. You may not see how those cuts will affect the organization later.” He urges organizations to look at trade-offs and other solutions. He notes that “you have to be willing to take some considered risks, as you would in any business.”

Hot Docs is in the pleasant position of managing exponential growth over the last five years. Rose Bellosillo, Hot Docs' Director of Development, notes that, “we do get complimented for the fact that we have been able to manage that growth,” and says that Hot Docs is “fiscally very responsible, which is quite key to growth.” Another element of this organization's success is its good reputation. It keeps its partners apprised about its activities, which helps it to be seen as very accountable to and by its funders. As Rose Bellosillo says: “Partners see how we use grants and sponsorships to leverage other support, build quality events, and build an audience for documentary films.”

Day-to-day financial management and bookkeeping may not be the favourite tasks for most managers, and may even put fear into the hearts of some, but they are core administrative chores that must be attended to in all organizations. As well, extensive financial management tools may not be practical in smaller arts, culture and heritage organizations. However, developing habits of regular financial review, keeping Boards and staff engaged and informed about budgets and expenditures, and building good relationships with partners are good practices for any organization.

Resources:

The Voluntary Sector Knowledge Network, a demonstration project of the University of Victoria's School of Public Administration, has published *Financial Management for Non-Profits: A Primer* in electronic format (available in English at: <http://www.vskn.ca/fimgt.htm>). Targeted at smaller non-profit organizations, it provides annotated web links to general financial management information, more details on accounting and budgeting, and recommends a handful of useful books and periodicals.

The Voluntary Sector-only Working Group on Financing, an offshoot of the Capacity Joint Table of the Voluntary Sector Initiative, has prepared an *Inventory of Effective Practices in Financing and Resourcing of Voluntary Sector Organizations in Canada* (can be found at: www.vsi-isbc.ca/eng/funding/best_practices.cfm). The inventory of case studies provides a searchable database, categorized by type of organization, funding source, effective practice, budget, and province or territory. They have also released *Resources For Accountability and Financial Management in the Voluntary Sector*, targeted at mid-sized non-profits, which aims to help organization advance their financial management knowledge and skills and enhance their accountability (see: www.vsi-isbc.ca/eng/funding/financial_guide/index.cfm).

Other resources include:

- Charity Village offers a series of articles on financial and investment management for non-profits (see: www.charityvillage.com/cv/research/rim.html); in particular, Angela Byrne's articles entitled "Not JUST a budget" and "Realistic Budgeting."
- The Volunteer Services Branch of Alberta Community Development has produced a series of workbooks on Board development, including *Financial Responsibilities for Not-for-Profit Boards* (at a cost of \$6.42 including GST; to order, see: www.rcvo.org/finance1.html).

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