



Financial Principles

Key Financial Principles



Highly Disciplined

No shortcuts.... it's math

Utilize traditional tools

Tools: Balance Sheet

Balance Sheet [USD \$ millions]					
	2014	2015	2016	2017	2018
Assets					
Current assets:					
Cash	167,971	181,210	183,715	211,069	239,550
Accounts Receivable	5,100	5,904	6,567	7,117	7,539
Prepaid expenses	4,806	5,513	5,170	5,998	5,682
Inventory	7,805	9,601	9,825	10,531	11,342
Total current assets	185,682	202,228	205,277	234,715	264,112
Property & Equipment	45,500	42,350	40,145	38,602	37,521
Goodwill	3,580	3,460	3,910	3,870	3,850
Total Assets	234,762	248,038	249,332	277,187	305,483
Liabilities					
Current liabilities:					
Accounts Payable	3,902	4,800	4,912	5,265	5,671
Accrued expenses	1,320	1,541	1,662	1,865	1,899
Unearned revenue	1,540	1,560	1,853	1,952	1,724
Total current liabilities	6,762	7,901	8,427	9,082	9,294
Long-term debt	50,000	50,000	30,000	30,000	30,000
Other long-term liabilities	5,526	5,872	5,565	6,051	5,909
Total Liabilities	62,288	63,773	43,992	45,133	45,203
Shareholder's Equity					
Equity Capital	170,000	170,000	170,000	170,000	170,000
Retained Earnings	2,474	14,265	35,340	62,053	90,280
Shareholder's Equity	172,474	184,265	205,340	232,053	260,280
Total Liabilities & Shareholder's Equity	234,762	248,038	249,332	277,187	305,483
Check	0.000	0.000	0.000	0.000	0.000

Financial snapshot

Inputs: assets, liabilities, equity

Useful for showing health to sponsors

Tools: Cash Flow Statement

**Example Corporation
Statement of Cash Flows
For the Year Ended December 31, 2018**

Cash Flow from Operating Activities

Net income	\$23,000
Add: depreciation expense	4,000
Increase in accounts receivable	(6,000)
Decrease in inventory	9,000
Decrease in accounts payable	<u>(5,000)</u>
Cash provided (used) in operating activities	<u>25,000</u>

Cash Flow from Investing Activities

Capital expenditures	(28,000)
Proceeds from sale of property	7,000
Cash provided (used) by investing activities	<u>(21,000)</u>

Cash Flow from Financing Activities

Borrowings of long-term debt	10,000
Cash dividends	(5,000)
Purchase of treasury stock	<u>(8,000)</u>
Cash provided (used) by financing activities	<u>(3,000)</u>

Net increase in cash	1,000
Cash at the beginning of the year	1,200
Cash at the end of the year	<u>\$ 2,200</u>

Tracks flow of money

Looks at finite period of time

Useful for timing payments

Tools: Income Statement

Income Statement

Acme Web Pros Plus

For the month ended June 30, 2017

	JUN 2017	MAY 2017	APR 2017	MAR 2017	FEB 2017	JAN 2017	TOTAL
Income							
Branding & Design	200.00	400.00	-	3,250.00	-	-	3,850.00
Consulting Fees	300.00	-	-	-	-	-	300.00
Digital Marketing	500.00	-	-	785.00	1,200.00	1,200.00	3,685.00
Sales	-	-	-	285.00	-	-	285.00
Web Design Income	1,100.00	800.00	-	1,950.00	-	-	3,850.00
Total Income	2,100.00	1,200.00	-	6,270.00	1,200.00	1,200.00	11,970.00
Gross Profit	2,100.00	1,200.00	-	6,270.00	1,200.00	1,200.00	11,970.00
Operating Expenses							
Dues and Subscription Fees	775.00	75.00	600.00	200.00	300.00	100.00	2,050.00
Other Expense	-	-	1,000.00	-	-	-	1,000.00
Parking fees	-	100.00	-	-	-	-	100.00
Postage & Shipping Fees	-	-	23.95	-	-	-	23.95
Travel Expenses	870.00	500.00	-	-	-	-	1,370.00
Web Hosting	-	400.00	400.00	40.98	(32.92)	32.92	840.98
Total Operating Expenses	1,645.00	1,075.00	2,023.95	240.98	267.08	132.92	5,384.93
Operating Income	455.00	125.00	(2,023.95)	6,029.02	932.92	1,067.08	6,585.07
Net Income	455.00	125.00	(2,023.95)	6,029.02	932.92	1,067.08	6,585.07

a.k.a. Profit and Loss Statement

Income v. Expense

Traditionally per month

Tells you profitability



Budget 101



Tools: Budget

Section/Item	Vendor	Description/Notes	Qty	Units	Unit Cost	Dis %	Dis \$	Dis Unit Cost
		TIER 3						
Environment		100-500						
Furniture Pod		seating for 20	1.0	1.0	10000.00	0	0	10,000.00
Story Backdrop		printing / hard build / 15' wide	1.0	3.0	12000.00	0	0	12,000.00
Tables / linen / floral		cocktails	1.0	15.0	90.00	0	0	90.00
Entryway			0.0	1.0	6000.00	0	0	6,000.00
Center Bar		rentals	1.0	1.0	6000.00	0	0	6,000.00
Center bar signature piece		above, floor supported	1.0	1.0	8000.00	0	0	8,000.00
						0	0	0.00
Buffet looks			1.0	4.0	1000.00	0	0	1,000.00
						0	0	0.00
Customizations / imprints			1.0	1.0	2500.00	0	0	2,500.00
						0	0	0.00
Labor			1.0	1.0	3000.00	0	0	3,000.00
						0	0	0.00
Budget Adjustment								
Sub Total		Section Quantity: 1.00						
Technical								
Backdrop video screen/projector			1.0	3.0	6000.00	0	0	6,000.00
Large wall projection		primary projector/back up	1.0	1.0	8000.00	0	0	8,000.00
Projection system			1.0	1.0	10000.00	0	0	10,000.00
						0	0	0.00
Lighting			1.0	1.0	10000.00	0	0	10,000.00
						0	0	0.00
Audio			1.0	1.0	8000.00	0	0	8,000.00
						0	0	0.00
Staging			1.0	1.0	3500.00	0	0	3,500.00
						0	0	0.00
Power			1.0	1.0	1500.00	0	0	1,500.00
						0	0	0.00
Labor etc.			1.0	1.0	20000.00	0	0	20,000.00
						0	0	0.00

Key management and forecasting tool

Gauges performance (initial v. final)

Budget: Uses

Determine Profitability

Management Decisions

Monetary Policy

Expense Control

Future Decisions

Budget : Goals



Profitable

Break even

Loss leader

Budget : Approval



Zero-based

Incremental

Budget : Rules



Who is involved?

Who can change?

When do we update / save?

How many versions?

When is it final?



Budget Build-out



Budget : Build

Section/Item	who	Date	Vendor	Description/Notes	Qty	Units	Unit Cost	Dis %	Dis \$	Dis Unit Cost	Tax %	Tax \$	Svc %	Svc \$	Net Unit Cost	Net Total Cost
Specific Segment																
								0	0	0.00	0.00%	0.00	0	0	0.00	0.00
								0	0	0.00	0.00%	0.00	0	0	0.00	0.00
								0	0	0.00	0.00%	0.00	0	0	0.00	0.00
								0	0	0.00	0.00%	0.00	0	0	0.00	0.00
								0	0	0.00	0.00%	0.00	0	0	0.00	0.00
								0	0	0.00	0.00%	0.00	0	0	0.00	0.00
								0	0	0.00	0.00%	0.00	0	0	0.00	0.00
								0	0	0.00	0.00%	0.00	0	0	0.00	0.00
								0	0	0.00	0.00%	0.00	0	0	0.00	0.00
								0	0	0.00	0.00%	0.00	0	0	0.00	0.00
								0	0	0.00	0.00%	0.00	0	0	0.00	0.00
								0	0	0.00	0.00%	0.00	0	0	0.00	0.00
								0	0	0.00	0.00%	0.00	0	0	0.00	0.00
Budget Adjustment								0	0	0.00	0.00%	0.00	0	0	0.00	0.00
Sub Total				Section Quantity:	0.00										SECTION COST:	0.00



Income v. Expense

Income: Sources

Registration / Tickets

Sponsorship

Marketing Opportunities

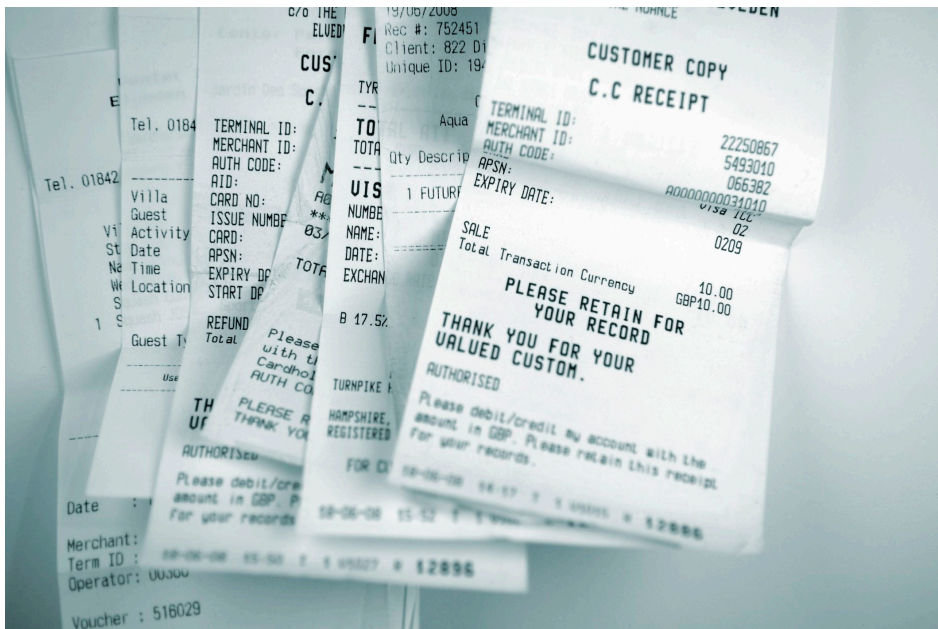
Commissions

Sale of Goods

In-kind Services



Expense: Sources



Venue

Staff time / resources

Event services

Marketing

Logistics

Sponsorship activation

Expendables

Budget: Hidden Items



Taxes (-)

Service Fees (-)

Discounts (+)

Refunds (+)



Venue Costs

All services cost - all negotiable

1. Guest Rooms - greatest profit center

2. Food & Beverage

3. Meeting Space

Ask if they are union labor property

A photograph of a building with a large, white, three-dimensional "HOTEL" sign mounted on its roof. The building is a multi-story structure with several windows visible. The sign is angled upwards, following the slope of the roof.

Costs: Conference Center

Packaged Pricing - all inclusive

Based on per person

Focus on space and/or guest rooms

Costs: Convention Center

All services cost - some negotiable

Exclusive vendors you must use (more expensive)

Union Labor (typically)

Monopoly on venue size

Costs: Event Venue

Widest variety in pricing / costs

Venue rental fee (unless a banquet hall)

Review contract for all services included

Easier to negotiate with (independent)

Venue Costs: Common



Room Rental

Minimums

Timing

AV

Specialty Rentals

Sleeping Rooms

Venue Costs: Extras



Room Drops

Porterage

Shipping

Wifi

Power

Signage/messaging



Event Element Costs

Costs: Technology



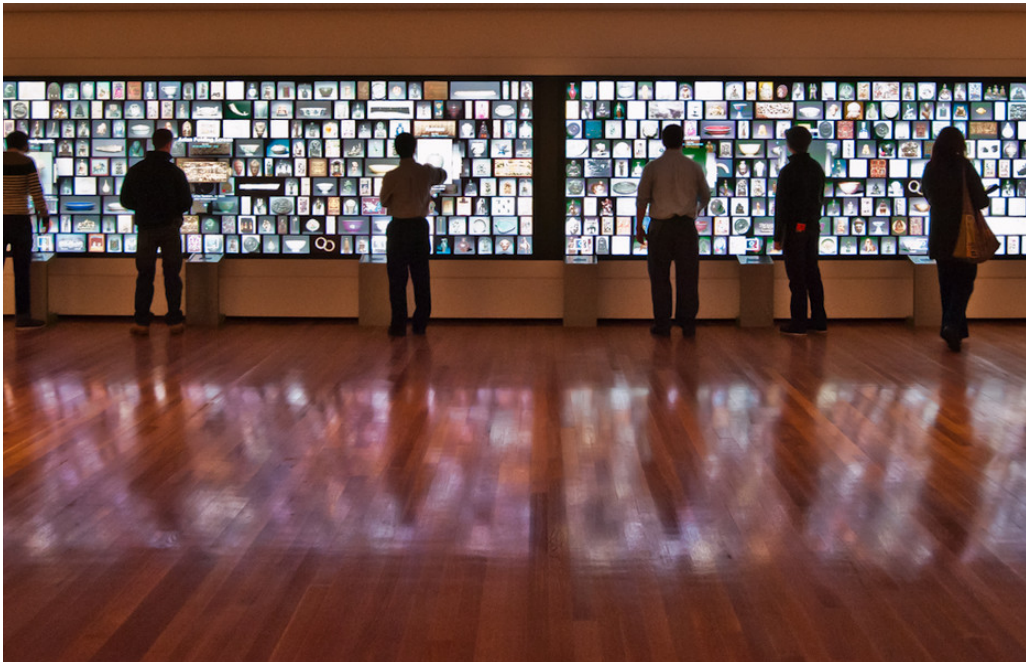
Equipment: daily or weekly

Labor: straight, time/half, double time

Time: set, rehearsal, show, strike

Trucking

Costs: Content



Varies agency to agency

Hourly creative work or package

Content capture (film crews etc.)

Content purchase (licensing rights)

Costs: Food & Beverage



Menu + Rentals + Staffing

Transparency growing

All-inclusive shrinking

F&B: Cost Considerations



Level of Service

Specialty Items

Manned Stations

Off-premise v. On-premise

* Service charge v. Gratuity (evolving)

Costs: Information Systems



Build fee + per user system (subscription)

Registration

Surveys

Housing

Apps

On-Site Equipment

Costs: Printing



Per person items

Savings on volume printing

B&W v. color printing

Level of materials printed on

Shipping / rush fees

Costs: Transportation



Hourly or single-way trip

Size of vehicle

Level of vehicle (luxury etc.)

Staffing



Costs: Fixed v. Variable

Cost Types

Fixed

- Single price
- Output rises, costs per person decreases
- E.g. Space Rental, entertainment, technical

Variable

- Attached directly to output
- Pricing based per unit of output
- E.g. Sleeping room, name badge, food & beverage, certain rentals

Semi-Variable

- Hybrid of Fixed and Variable
- Build or set up fee then per person price
- E.g. Registration services



Determining Cost Per Person

Method 1: $(\text{All Fixed Costs} + \text{Total of all Variable Costs}) / \# \text{ of people} = \$ \text{ per person}$

Method 2: $(\text{All Fixed Costs} / \# \text{ of People}) + \text{Each individual Variable Cost} = \$ \text{ per person}$



ROI: Return on Investment

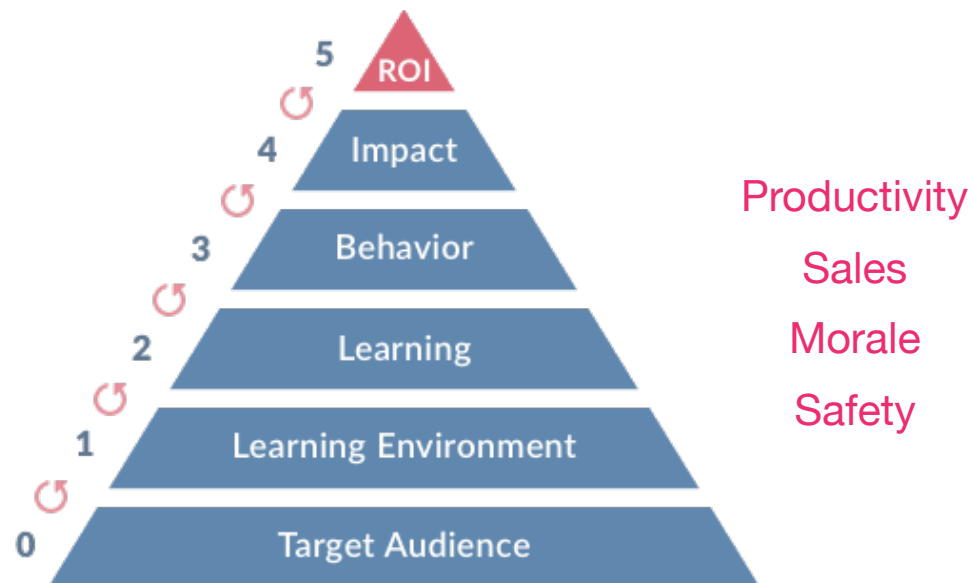
R.O.I. Calculation

$$\frac{\text{Event Benefit} - \text{Event Cost}}{\text{Event Cost}} \times 100 = \% \text{ of ROI}$$

Can you monetize "Benefit"?

Types of Event Return

Human Capital



Types of Event Return

Media Coverage



Impressions
Reputation
Clicks

ROI Calculation

Scenario 1: Positive R.O.I.

$$\frac{\text{Event Media Coverage} - \text{Event Cost}}{\text{Event Cost}} \times 100 = \% \text{ of ROI}$$

ROI Calculation

Scenario 1: Positive R.O.I.

$$\frac{\$1,000,000 - 250,000}{250,000} \times 100 = \% \text{ of ROI}$$

ROI Calculation

Scenario 1: Positive R.O.I.

$$\frac{\$1,000,000 - 250,000}{250,000} \times 100 = \% \text{ of ROI}$$



ROI Calculation

Scenario 1: Positive R.O.I.

$$3 \times 100 = 300 \% \text{ ROI}$$

We got 3x more out of our spend

ROI Calculation

Scenario 2: Neutral R.O.I.

$$\frac{1,000,000 - 1,000,000}{1,000,000} \times 100 = \% \text{ of ROI}$$

Scenario 2: Neutral R.O.I.

$$\frac{0}{1,000,000} \times 100 = 0\%$$

You did not get any return on your investment

ROI Calculation

Scenario 3: Negative R.O.I.

$$\frac{250,000 - 1,000,000}{1,000,000} \times 100 = \% \text{ of ROI}$$

ROI Calculation

Scenario 3: Negative R.O.I.

$$\frac{-750,000}{1,000,000} \times 100 = \% \text{ of ROI}$$



Financial Best Practices

Smart Finance



Who approves on each team?

Conservative on Revenues, liberal on Expenses

Allow for an audit

Minimize access to check book

What is your tracking process?

How do you collect funds? Costs?