



The Role of an Effective Board During Times of Stress

Part I: February 2, 2021

Claire West Consulting
Claire West and Mollie Quinlan-Hayes



Welcome from
MassCultural Council



Poll

Are you a:

Board Member

Chief Executive

Other



Welcome

Claire West

Mollie Quinlan-Hayes

What We're Going to Cover – Parts I and II


Part I – Tuesday, Feb 2

- The Criticality of Mission and Focus
- The Board's Role in Supporting the Chief Executive
- Methods for Transparent Communication Internally
- The Information Needs of Today's Board Members
- The Meaning of the Current "Numbers"
- Stepping Up Board Participation
- Scenario Planning/Strategic Planning/Contingency Planning
- Enhanced External Communication
- Stress Creates Opportunities
- Emergency Succession Basics

What We're Going to Cover – Parts I and II


Part II – Tuesday, Feb 9

- Supporting the CEO in Making Difficult Decisions
- Determining Mission-Critical Programming
- Approaches to Scenario Planning
- Digging Deeper into the Financials
- Using Tension as a Productive Tool (Embracing the Devil's Advocate)
- How to Handle the Unexpected
- Stories from the Field
- Wrapup



The Role of an Effective Board During Times of Stress Part I

The Criticality of Mission and Focus



The Role of an Effective Board During Times of Stress Part I

The Board's Role in Supporting the Chief Executive

The Role of an Effective Board During Times of Stress Part I

Scenario Planning: Story of Options

Create alternate paths by making informed decisions.

Effective Leadership =

- CEO
- Functional leaders within the organization
- Board Chair
- Board Finance Chair

Conversation = Top Org. Priorities & Non-negotiable Guiding Principles



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Methods for Transparent Communication Internally

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The Information Needs of Today's Board Members

The Role of an Effective Board During Times of Stress Part I

Finance			
	Target	6 months ago	Now
Days of unrestricted cash on hand	45 days	65 days	18 days
Net surplus or deficit YTD compared with YTD budget	Within 25K or better	\$42,500 below budget	\$28,000 below budget-to-date
Government funding year-to-date (52% of budget)	Within 3%	\$39,000 over budget	\$3,200 under budget, 24 days
Days from end of month to financial statements	24 days	67 days	48 days

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2. Program and Impact			
	Target	6 months ago	Now
Number of first-time clients <u>enrolled</u>	300 this year	160	205
GED certificates <u>obtained</u>	90%	70%	82%
E-petition signatures	5,000	Not started yet	6,400
Paid seats per theatre performance	90% of capacity	85%	75%
Presentations to houses of worship, companies, neighborhood groups	15 for year	7 YTD	7 YTD

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3. Board of Directors			
	Target	6 months ago	Now
Attendance at board meetings	75%	75%	85%
Executive Director performance evaluation completed on <u>time</u>	By February 15	Not applicable	Done by February 13!
New board members	4 new board members by Sept 30	2 new board members by June 30	August 15 still the same 2

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The Meaning of the Current “Numbers”

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Board Financial Documents and Information:

- Revised Operating Budget
- Balance Sheet
- Assets and Liabilities
- Cash Flow
- Cash Margins
- Quarterly Operating Budgets
- Unrestricted Net Assets
- Loans Status
- Budgeting with Comparisons to Projections, and Year Over Year
- Current Interest Rates
- Investment Performance
- Lease Agreements

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MONTHLY BALANCE SHEET SEPT 15, 2020 - FISCAL YEAR 2021			
	JUN 2020	SEPT 15 2020	CHANGE
			SEPT 2020 - YTD 2020
ASSETS			
- CASH			
- CASH ACCOUNTS	\$ 321,725	\$ 288,375	\$ (33,350)
- PETTY CASH	\$ 250	\$ 250	\$ -
- RESTRICTED ENDOWMENT CASH	\$ 3,000	\$ 3,000	\$ -
TOTAL CASH	\$ 325,975	\$ 291,625	\$ (34,350)
- RECEIVABLES			
GRANTS OUTSTANDING	\$ -	\$ -	\$ -
TRADE / OTHER	\$ 38,480	\$ 93,840	\$ 55,360
ENDOWMENT PLEDGES OUTSTANDING	\$ 5,000	\$ 50,000	\$ 45,000
TOTAL A/R	\$ 43,480	\$ 143,840	\$ 100,360
500 - PREPAID/OTHER	\$ 15,187	\$ 31,235	\$ 16,048
TOTAL CURRENT ASSETS	\$ 384,642	\$ 466,700	\$ 82,058
- FIXED ASSETS NET OF DEPRECIATION	\$ 246,927	\$ 240,554	\$ (6,373)
- GLENBIRD INVESTMENT ACCOUNT	\$ 1,891,828	\$ 1,894,541	\$ 2,713
TOTAL ASSETS	\$ 2,483,397	\$ 2,421,965	\$ (61,432)
LIABILITIES			
- PAYABLES			
TRADE	\$ (2,891)	\$ (3,684)	\$ (793)
CREDIT CARD	\$ 3,457	\$ 2,755	\$ (702)
- OTHER CURRENT			
PAYROLL	\$ 15,942	\$ 1,454	\$ (14,488)
DEFERRED REVENUE	\$ (4,991)	\$ 1,491	\$ 6,482
OTHER	\$ (1,819)	\$ (948)	\$ 871
TOTAL CURR LIAB	\$ 13,988	\$ 9,271	\$ (4,717)
- LONG TERM	\$ 10,338	\$ 10,338	\$ -
TOTAL LIABILITIES	\$ 24,326	\$ 19,609	\$ (4,717)
EQUITY			
- TEMPORARY RESTRICTED FUNDS	\$ 6,805	\$ 6,805	\$ -
- RESTRICTED ENDOWMENT	\$ 1,217,896	\$ 1,217,896	\$ -
- ENDOWMENT FUND BALANCE	\$ 1,064,830	\$ 1,297,828	\$ 232,998
- YTD NET INCOME	\$ 234,576	\$ 580,971	\$ 346,395
TOTAL EQUITY	\$ 2,421,807	\$ 2,403,571	\$ (18,236)
TOTAL LIABILITIES & EQUITY	\$ 2,483,397	\$ 2,421,965	\$ (61,432)
ADDITIONAL			
- WORKING CAPITAL	\$ 475,694	\$ 458,529	\$ (17,165)
- CHANGE IN WC	\$ -	\$ -	\$ -
- CASH	\$ -	\$ -	\$ -
- FREE CASH FLOW	\$ -	\$ -	\$ -
- LIQUIDITY (CURRENT RATIO >2)	30	50	
- PROFITABILITY (NET ASSET GROWTH %)	-	-	
- SOLVENCY (DEBT TO ASSETS)	0.01	0.01	

KEY TAKEAWAYS

- Cash drawdown slowed by offsetting revenues from COVID appeal
- Receivables Up
- Endowment up due to Market conditions
- Liabilities Down
- We are currently Liquid & Solvent

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Results YTD FY 2021 (JUL-AUG & ½ SEP = Roughly Q1)

PROFIT & LOSS FY 2021 SEPTEMBER YTD		
VERSION: 18 September 2020		
	15-Sep	REVISED
	YEAR TO DATE	BUDGET
	ACTUAL	as of 7/22/20
REVENUES		
-EARNED REVENUES		
- THEATRE	\$ -	\$ 367,223
- OTHER	\$ 544	\$ 29,037
TOTAL EARNED REVENUES	\$ 544	\$ 396,260
- SUPPORT		
ANNUAL	\$ 3,600	\$ 194,000
GIFTS INCLUDING COVID APPEAL	\$ 106,895	\$ -
SPONSORS	\$ -	\$ 122,000
GOVERNMENT	\$ 58,304	\$ 85,000
MADE IN WICKENBURG	\$ -	\$ 27,500
OTHER GRANTS	\$ 20,561	\$ -
SPECIAL EVENTS	\$ -	\$ 103,000
- TOTAL DONATIONS	\$ 189,330	\$ 531,500
-OTHER REVENUES		
- ARTS 4 KIDS	\$ -	\$ 5,000
- CAMP IMAGINATION	\$ 826	\$ 132,900
- ADVERTISING	\$ 6,250	\$ 32,000
TOTAL OTHER REVENUES	\$ 7,076	\$ 169,900
TOTAL UNRESTRICTED REVENUES	\$ 196,950	\$ 1,097,660
OPERATING EXPENSES		
- THEATRE PRODUCTIONS	\$ 2,551	\$ 427,166
- WAGES/SALARIES/BENEFITS	\$ 82,722	\$ 525,146
- GENERAL & ADMINISTRATIVE	\$ 30,341	\$ 178,121
- MADE IN WICKENBURG	\$ -	\$ 43,000
- ARTS 4 KIDS	\$ -	\$ -
- CAMP IMAGINATION	\$ -	\$ 53,500
TOTAL OPERATING EXPENSE	\$ 115,614	\$ 1,226,933
OPERATING PROFIT (LOSS)	\$ 81,336	\$ (129,273)
- (DEPRECIATION & AMMORTIZATION)	\$ (6,250)	\$ (40,874)
NET ORDINARY INCOME (LOSS)	\$ 75,086	\$ (170,147)

2021 Budget Revised in July when decision made to delay live performances until Jan/Feb 2021

KEY CHANGES:

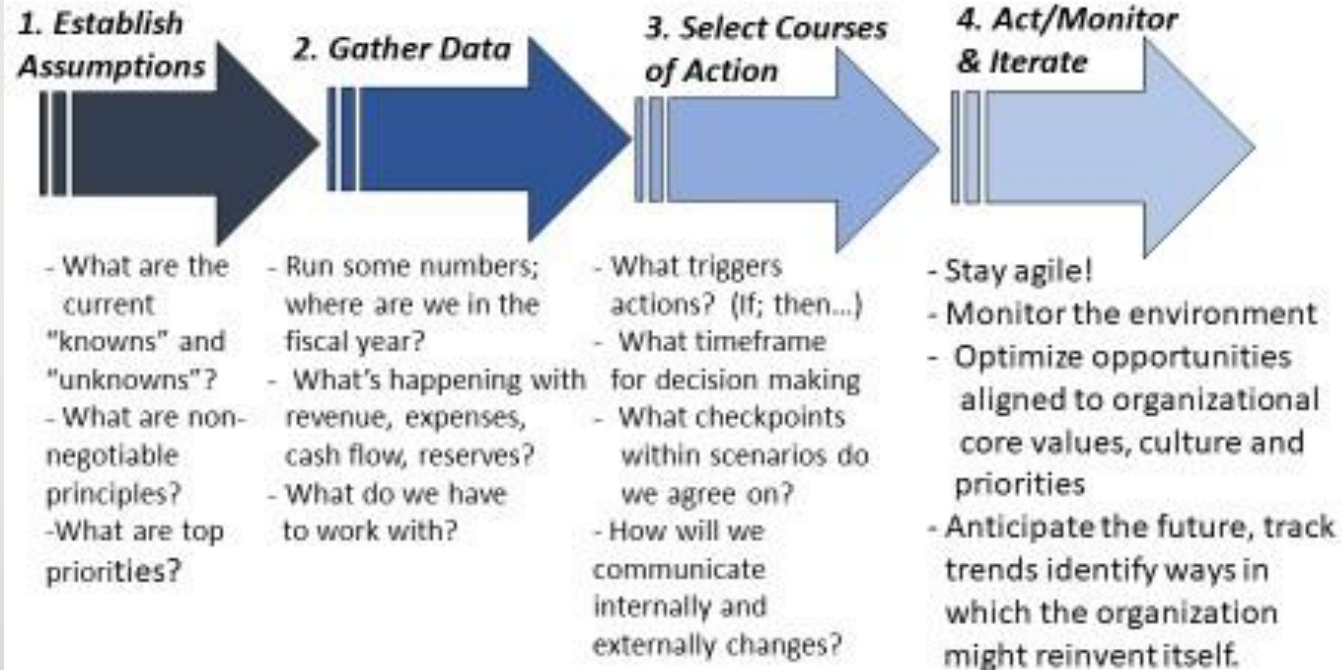
- 33% drop in earned revenues from Board Approved 2021 Budget: 17 Artists, 30 performances
- 11% reduction in total operating expenses
- Operating Loss doubled but cash on hand of \$300K could still cover if able to open in January


KEY TAKEAWAYS

- Initial COVID Appeal reaction positive and partially offsets lagging support in other areas
- AZ & National Endowment for the Arts Grants offset loss of others
- Current Expenses driven by Utilities, W/S/B and G&A to maintain operations
- Despite circumstances, Profitable YTD

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Scenario Planning Process: If This; Then _____





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Stepping Up Board Participation

Scenario Planning
Strategic Planning
Contingency Planning –
What's the Difference?

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Scenario Planning Process: *If This; Then* _____

1. Establish Assumptions



- What are the current "knowns" and "unknowns"?
- What are non-negotiable principles?
- What are top priorities?

2. Gather Data



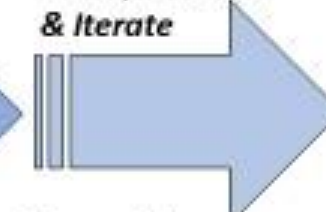
- Run some numbers; where are we in the fiscal year?
- What's happening with revenue, expenses, cash flow, reserves?
- What do we have to work with?

3. Select Courses of Action



- What triggers actions? (If; then...)
- What timeframe for decision making
- What checkpoints within scenarios do we agree on?
- How will we communicate internally and externally changes?


4. Act/Monitor & Iterate



- Stay agile!
- Monitor the environment
- Optimize opportunities aligned to organizational core values, culture and priorities
- Anticipate the future, track trends identify ways in which the organization might reinvent itself.

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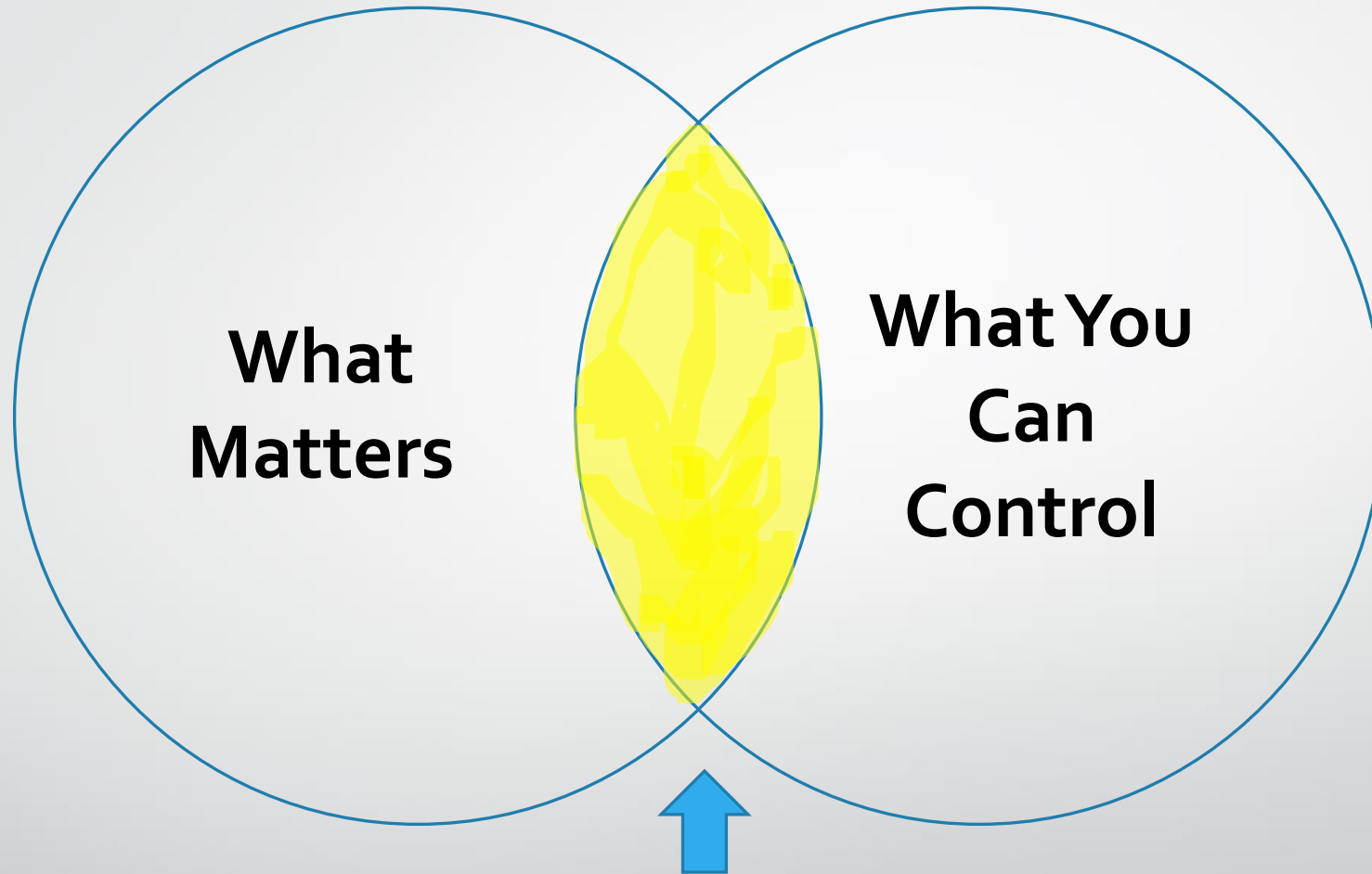
Enhanced External Communication



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Stress Creates Opportunities

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Emergency Succession Basics

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Q&A

Homework Options

- Dashboards
- Scenario Planning
- Developing your emergency succession plan



Thank you!

Please join us for Part II, Tuesday, February 9,
10:00-11:30AM

CLAIRE WEST CONSULTING

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VALUES
I BELIEVE IN THE STRENGTHS OF MY CLIENTS, I WORK ALONGSIDE MY
CLIENTS, I TAILOR THE WORK I DO TO REFLECT THE INTENTIONS OF MY
CLIENTS, AND I BELIEVE THAT THE CLIENT KNOWS BEST.

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