



EVENTS NOVA SCOTIA

Inspiring times

CHAPTER 5: DOLLARS AND CENTS

Paying careful attention to the organization's money matters earned revenues, fundraising, financial security, financial controls and budgeting – is key to your festival's success.

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Revenue Generation

Festivals are created for a variety of reasons. While many are non-profit, others are created solely to make money. Often, the event is based on someone's vision and passion, and making money is secondary. No matter what, all festivals need to have revenues so they can at least break even.

Gated or Non-Gated Event

A “gated” event charges for entrance and a “non-gated” event does not. Both can earn revenue. A gated event can cover its entertainment and programming costs from admission fees, while a non-gated festival needs to do so by charging admission to particular entertainment programs. This requires a gated system for the entertainment venue itself.

The absence of an admission charge will likely result in more attendance and multiple visits by individuals. This will drive concession revenues higher, allowing the festival to be more aggressive in contract negotiations with concessionaires. It also provides a basis for being more aggressive with sponsors, since the audience size will be larger.

Ticket Sales Plan

Engage a ticket booking company, such as eTixNow, Ticket Atlantic, Ticket Pro, Eventbrite, Brown Paper Ticketing, etc., so people can easily purchase tickets in advance. This gives the responsibility of distributing tickets to the ticket broker. Remember, whatever price you decide to sell your tickets for, these companies will add their fees which will drive up your ticket price. However, this saves you hiring staff and gives you an easy tracking system. You can watch daily

reports to see how well your ticket sales are doing and which of your marketing activities are working the best. This will allow you to make promotional decisions and react quickly.

On-site box office sales are labour intensive and require infrastructure such as booths, cash management, equipment for debit and credit cards, along with managing who is coming and going. Having large sums of cash on hand is also a security risk.

If your event is non-gated (free to attend) but you want to track and limit the number of people who can attend, you can use various online programs (like EventBrite) that will allow people to reserve a seat for an event. Keep in mind, approximately 30 per cent of people who apply for a free event will not attend. Consider providing an overage of available tickets.

Helpful Tip: Ticketing

If you have a festival with assigned seating at one or more venues, you can't sell a “festival pass.” You will need to sell individual tickets, at least for that performance.

If you have multiple venues with assigned seating (like Celtic Colours International), you will have different capacities and seating plans for each venue.

This means you will need to be careful with your ticketing procedures and tracking sales.

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Admissions and Pricing

Doing a comparison of similar events and their pricing schemes is a good start in setting your admission fees. You will see that some events charge a one-size-fits-all admission and others create many levels and categories. Some categories to consider:

- weekday price
- weekend price
- festival pass (access to all programming, any day)
- one-day fee
- adults
- seniors
- child (5–12 years)
- under 5 (generally free)
- university student
- family rate
- school groups
- include or not include concerts and other programming in admissions
- tour group price
- corporate rates for employees
- sponsor rate for employees
- day-only or evening-only rates
- caregiver for handicapped person
- special rate for certain groups (e.g. firefighters)
- VIP area seating

Be careful not to overcharge, or to undercharge. Look at your costs and your estimates of attendance to help with this analysis.

Special Event or Entertainment Surcharges

On top of any other fees, you could also charge visitors an additional fee to see a special entertainer or participate in special programming. Examples would include a concert by a major performer or attending an autograph session with National Hockey League stars.

Parking Fees

Parking fees are usually kept fairly low, particularly for gated events. These are collected either as a set fee or through donations. Sometimes a local service club coordinates the parking and the fees collected will go to that group. Other times, an event is held on municipal or private land and the fees collected for parking are set and kept by the municipality or organization that owns the land.

As mentioned earlier, make sure the signage leading to the parking clearly states there is a fee for parking or that a donation is requested. Drivers will want to make the decision to pay or look for free parking well in advance of the parking gate. No matter how much planning you do, you will still need to have some space for visitors to turn around to look for free parking because they did not notice the signs.

Beer and Alcohol Sales

Making money (or just breaking even) through beer and alcohol sales can be difficult for a festival. The costs have become prohibitive and the list of expenses associated with running a beer tent is extensive. What looks easy and obvious is not. Inventory management is difficult and often the transactions are cash. You also have regulatory and liability issues to consider.

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However, if diligently managed, a beer tent can generate some revenues. One way to guarantee revenue is to charge a company a flat fee to operate it as a turnkey. They are then responsible for having the correct licences, staff, insurance, transaction machines, and entertainment costs covered. You merely agree on a fair price and chalk it up to revenue without the worries.

Another route is to engage a group, such as the Rotary Club, for a combination of flat fee and profit sharing.

The situation can be different for an indoor venue. Many venues today manage all liquor sales; you might be able to negotiate with management for a small amount per drink or ounce. At some venues, you could get the licence and run the bar, use volunteers to run the bar (make sure they have the necessary skills and required training), and potentially make a profit.

Retail and Food Vendor Sales

Small festivals often depend on the revenues generated by vendors. The best way to negotiate with local vendors is to agree on a flat fee. Taking a percentage relies too much on trust and the festival knowing the vendors' business. Agree to a fee, support the vendor to make as many sales as possible, and everyone wins along with the promise of the vendor returning the next year, which will save you time in recruiting new vendors. Happy vendors will tell others and your concessions will grow.

Selling souvenir merchandise for revenues/profits is another difficult category that needs to be diligently managed. We recommend under ordering stock during your first years until you know the demand. You will find that all staff, friends of staff, and relatives will suddenly tell you they want a t-shirt or sweatshirt, but are not willing to buy one.

Helpful Tip: Forecasting Revenues

Forecast ticket sales moderately – too low and revenues from this source may result in potential funders thinking the event is not worth hosting; too high can look good on the budget sheet but be unrealistic.

Never overshoot in your revenue estimates; always undershoot so you are never caught with a financial surprise.

Try to cover the costs of your event with your funding and sponsorships, this way ticket sales will be your profit.

Don't forget – your goal is to get the most people at your event and give them the best experience possible. A lower price may bring in more bodies – and you could make up the money in sponsorships or sales. Be creative!

Product Sampling

Product sampling is usually done by a corporate company looking to give out samples to their target markets. Charge them a flat fee. Even large, national companies will have limits to what they will pay in order to be on-site giving out samples, so a good agreement could consist of both a flat fee and a contribution of product if, for example, they are giving out food samples. This could go toward feeding volunteers.

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Keep the number of samplers reasonable and try not to overwhelm your attendees. Be careful that those giving out food or drink samples do not infringe on vendors who paid a fee to sell their product. A free giveaway product near a vendor trying to sell something creates problems.

If wine or other alcohol products are being sampled on-site, you will have to work with the vendors and the venue to ensure the proper licences are in place.

Corporate Functions

Your festival could play host to a corporate function either outside of or during festival hours. Many festivals set up a separate area with a tent, tables, chairs, portable toilets, and hospitality service. Corporations book and pay a fee for this space and then send out special invitations to clients and/or employees for a networking opportunity, or a chance to say thank you. This concept could also be used as a sponsorship benefit.

Budgeting

Having a sound and realistic budget before you get too far along in the process is critical. You will also need financial management tools. The list includes

- capital budget
- operating budget
- working capital, cash flow, and tracking

Capital Budget

For start-up events, you will need a capital budget separate from your operational budget. If you have been operating for several years, you likely have all the capital items already.

The capital budget covers the one-time investment in your organization's long-term structure (e.g. office space, photocopier/printers, office furniture). Many festivals or events operate out of home offices, especially for the first few years. This eliminates most capital costs.

If you do not have an office for your first year or so, you may want to hold off investing in these costs to keep your expenditures low. This may be an opportunity for an in-kind donation from a sponsor, for example for office space and supplies if you require them. In the end, some capital assets will have to be purchased.

Management and the board of directors will need to decide where the money will come from to pay these capital expenses.



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Use worksheet 1 below for your capital budget.

Be sure to include a contingency amount to cover unanticipated costs.

WORKSHEET 1 - SAMPLE CAPITAL BUDGET			
Capital Item	Projected	Actual	Variance
Buildings & Renovations			
Machinery & Equipment			
Furniture & Fixtures			
Transportation equipment			
Other Supplies			
Other Equipment			
Subtotal			
Contingency			
Total Capital Budget			



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Operating Budget

The operating budget is the money you need to produce the event itself.

An operating budget is very fluid and detailed. No expense is too small to include. It can be easy to say, “Oh, that’s only \$25, not worth a line item.” But do that a few times over a year and suddenly that \$25 is \$1,000. Some small expenses may not need their own line and can be included under miscellaneous office expenses or miscellaneous travel. Include a contingency in your operating budget as well.

Be sure the person handling the budget is knowledgeable in revenue, expenses, and payroll. Recording incoming revenue and what that revenue is earmarked for is just as important as where the money is spent.

Being open and financially transparent with your board of directors and government funders is imperative. The last thing you want is to have anyone question where the money went when your event is over. Don’t be afraid to pay yourself or your front-line team, just be sure that the board is aware of these salaries before the event begins. Having a clear and detailed proposed budget lets everyone know the scope of the event’s finances.

Today’s computer software makes it easy to develop and track budgets and compare actuals to budgets.

Worksheet #2 in section 5.3 below is a template for a basic operating budget outlining items to be considered when planning your budget, and when tracking where you are with the budget.

Working Capital, Cash Flow and Tracking

Break the capital and operational budget into a schedule of when each purchase needs to take place and when revenues might be expected to be available to cover them. This will tell you if you will have the cash on hand to pay anticipated expenses in a reasonable timeframe, or whether you will need to arrange some financing or working capital.

Partners and/or sponsors may be able to contribute some funds for working capital. Or, you may need to arrange for a line of credit from a bank to supplement the cash you have on hand. Having access to credit cards is helpful as well.

As planning proceeds and the event nears, be sure to regularly update the budgets to keep them realistic and to indicate any looming issues, such as potential shortfalls in cash.



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Procedures and Controls

Have one or two people — and only one or two — in charge of keeping track of the cash flow and handling payments (with monitoring by the board of directors). Having too many people involved can make controlling and tracking expenditures difficult.

The flow of sponsor and government revenues, along with merchant and/or ticket sales, needs to be closely monitored by management. Similarly, operational expenses need to be carefully monitored and tracked against the budgets so as not to run a deficit.

As with a business, the festival will need basic financial administration and control systems in place, as follows:

- Accounting – revenues, receivables, payables, disbursements, general ledger, income statement, balance sheet, and cash flow statement
- Purchasing and approvals
- Inventory control
- Payroll
- Cash control and deposits

Worksheet 2 on next page for event budget.



Key Takeaways

Festivals can earn money from tickets or gate admissions, parking fees, on-site sales of food and beverage, or merchandise. Figuring out how much you can earn requires a little work.

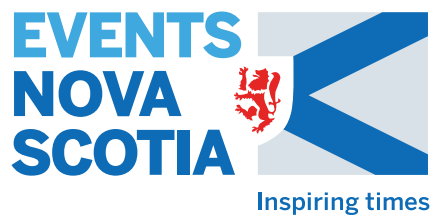
A detailed budget covering all anticipated revenues and costs is critical. Spend the time needed to build a good budget. It's better to be conservative, not optimistic, in your budgeting.

Like any business, a festival needs financial procedures and controls.

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WORKSHEET 2 - PROPOSED EVENT BUDGET – SIMPLE

	Projected	To Date	Variance
Income			
Government Funding			
Grants/Trusts/Foundations			
Sponsorship			
Ticket Sales / Admissions			
Food & Beverage			
Other Income			
Total Income			
Expenses			
Administration			
General Administration			
General Insurance			
Staff Salaries and Fees			
Management Fees (If Applicable)			
Other Administration Expenses			
Subtotal Administration			
Event Costs			
Facility / Venue			
Production			
Insurance and Permits			
Entertainment / Artistic Program (fees, travel, accommodations)			
Other Event Expenses			
Subtotal Event Costs			
Marketing and Promotion Expenses			
Advertising / Design / Print			
Internet and Digital Media			
Media Relations and PR			
Subtotal Marketing and Promotion			
Contingency			
Total Expenses			
Surplus / Deficit			



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