



Co-funded by the
Erasmus+ Programme
of the European Union

BUSINESS DEVELOPMENT & ENTREPRENEURSHIP

module 4

FINANCIAL AND ECONOMIC FUNDAMENTALS

Developed by Mindshift (Portugal)

The logo for 'Stardust Performing Arts Entrepreneurs'. The word 'Stardust' is written in a large, bold, black font. Each letter is filled with a pattern of small, colorful stars in yellow, pink, and blue. Below 'Stardust', the words 'Performing Arts Entrepreneurs' are written in a smaller, black, sans-serif font. The entire logo is set against a background of light green curved lines and a large, faint, light green star with pink-tinted points.

Stardust
Performing Arts Entrepreneurs



Aim

The purpose of this module is to provide performing artists with approaches to find funding options and elaborate and manage a financially sustainable budget for their value-creating activities.



Watch and discuss



Budgeting



Co-funded by the
Erasmus+ Programme
of the European Union

Stardust
Performing Arts Entrepreneurs

By the end of this module, you should be able to...

Knowledge

- explain relevant economic and financial concepts in the development of a value-creating activity.
- identify public and private sources of funding for a value-creating activity.

Skills

- calculate a budget for a value-creating activity considering the cash-flow needs and tax obligations.
- differentiate the forms that a value-creating activity can take and the structures of ownership they can have.

Attitudes

- assess the financial health of a value-creating activity using financial indicators.





Key-concepts

Finances

Finances is a term that describes activities related to banking, debt, credit, capital markets, money, and investments. It represents money management and the process of acquiring needed funds.

The finance field includes three main subcategories: personal, corporate, and public finance.

Funding

Funding is money which a government or organisation allocates for many different specific purposes such as events and projects.

It can be public or private and provided to individuals, businesses or government entities as all of them (can) need funding to operate.





Key-concepts

Budget

A budget is an estimation of revenue and expenses – cash flow – over a specified future period of time. It is usually compiled and re-evaluated on a periodic basis.


Budgets can be made for a person, a group of people, a business, a government, or anything else that makes and spends money. They are usually presented in the format of a table.

Structures of ownership

Businesses can be owned by one person, a small group of people, a large number of shareholders, charitable foundations or trusts or by the state.

A business ownership structure and its legal forms determine many of its legal responsibilities regarding, e. g., paperwork, taxes, and how profits are distributed. They vary from country to country.





**Which private sources of funding
are available for a performing art
activity?**



Co-funded by the
Erasmus+ Programme
of the European Union

Stardust
Performing Arts Entrepreneurs

Private sources of funding

Earned income

It can be either from sold tickets or from bought items, like snacks and drinks in the cafe, postcards from the gift shop, DVDs of a show, etc. The profits, or losses, are usually split between artists, the venue, and the producer of the show or of the item.

Sponsorship and donations

Some art organisations rely on contributions from commercial companies – sponsorship – or private trusts that donate to selected beneficiaries. Many also have membership schemes or individual donors. Donations are often topped up through tax concessions.



Private sources of funding


Collaboration

The potential for collaboration as an artist is huge. Being a small company or an individual performer you can team up with bigger institutions, benefiting from a greater support and extended reach. Co-productions involve finding ways to share and create artistically and also sharing resources and information – e.g., having other people's shows recommended on your website/social media platforms.

Crowdfunding

Crowdfunding is an effective way to pitch a project directly to the people and allow them to fund a production in return for a reward. There are many national and international platforms available, some of them more arts-oriented, such as Indiegogo and Kickstarter.





**Which public sources of funding
are available for a performing art
activity?**



Co-funded by the
Erasmus+ Programme
of the European Union

Stardust
Performing Arts Entrepreneurs

Public sources of funding

National funding

We pay our taxes, and we elect politicians to decide how to spend or invest that money (as well as the money they collect in other ways). Currently they decide to invest a small percentage of that money in the arts: the artists, the performers, the venues and the infrastructure that make it all possible. That money is split up and spent in different ways at central and local levels.

Local funding

Historically many local authorities have run their own festivals, theatres, concert halls, as well as other arts and culture programmes and activities in the communities. Most areas of funding are not 'statutory' so, if facing an own funding crisis, many local authorities can drastically cut funding for local arts provision.



Public sources of funding

International/European funding

- Creative Europe - Programme to support the culture and audiovisual sectors
<https://ec.europa.eu/culture/creative-europe>
- Erasmus+ - Programme to support education, training, youth and sport
<https://ec.europa.eu/programmes/erasmus-plus/>
- Horizon 2020 - Programme for research and innovation
<https://ec.europa.eu/programmes/horizon2020/>
- COSME - Programme for small and medium-sized enterprises
<https://ec.europa.eu/growth/smes/cosme>
- European Regional Development Fund
<https://www.interregeurope.eu/>
- EEA and Norway grants (for cooperation with 15 European countries)
<https://eeagrants.org/>



Public sources of funding

International/European funding

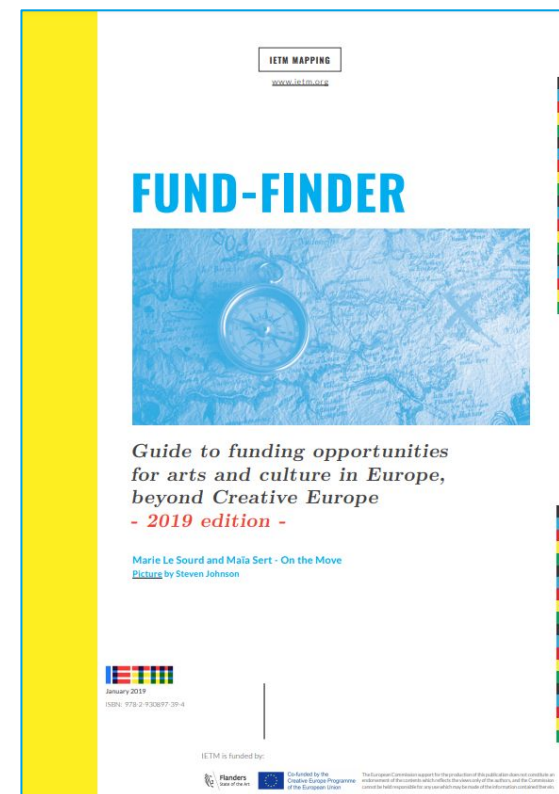
- East European Performing Arts Platform
<http://eepap.culture.pl/>
- European Cultural Foundation
https://culture360.asef.org/opportunities/open_calls/
- Supporting arts in Visegrad countries: Czech Republic, Hungary, Poland and Slovakia
<https://www.visegradfund.org/apply/grants/>
- Supporting arts and culture projects for Swiss cooperation with European partners
<https://prohelvetia.ch/en/>
- Supporting cultural and artistic projects for Nordic countries cooperation with worldwide partners
<https://www.nordiskkulturkontakt.org/en/grants/about-the-grant-programmes/>



Public sources of funding

International/European funding

Get to know more European and worldwide funding programmes in the Fund-Finder 2019, by the International Network for Contemporary Performing Arts.



Co-funded by the
Erasmus+ Programme
of the European Union

Stardust
Performing Arts Entrepreneurs

Sources of income for a musician

COVID-19 lockdown measures impacted many industries, the performing arts included due to venues being closed. Sam Hassan, a musician from London, tells the ways how he – as a freelance artist – has been trying to increase his sources of income.

- | | |
|---|---------------------------------|
| • Funding | • Launching unreleased material |
| • Self employed support schemes | • Selling beat online |
| • Online music selling platforms such as Bandcamp | • Writing for others |
| • Livestream of virtual concerts | • Selling merchandise |
| • Music streaming services | • Teaching music |



Increasing your budget

In the case study shown on slide 15 some ways of increasing a musician budget during the COVID-19 were presented.

- Where you economically affected by this pandemic as an artist?
- If yes, which alternatives did you find to increase your budget?
- If no, which alternatives are you aware of that other artists working in the same area as you find to increase their budgets?
- Research on the internet other examples on learned lessons on how performing artists can rise their income besides selling tickets for their shows. Present your findings to your colleagues.



Budgeting

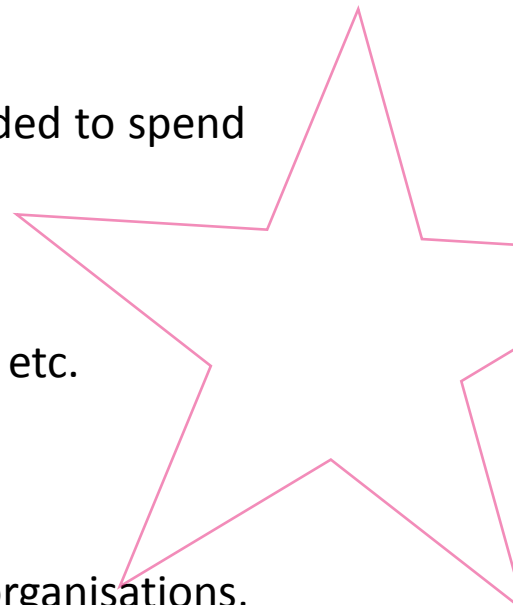
A budget is used to balance the cost of a project, outlining the total amount of money needed to spend and the money the end product is expected to generate.

Expenditures

- People – yourself/others (including VAT)
- Professional and technical fees – licenses, etc.
- Materials and equipment
- Rental – venues, lighting, sound, etc.
- Marketing – photography, video, leaflet printing/distribution, social media ads, merchandising, etc.
- Travel/transportation/installation
- Insurance
- Contingency – 10% of the total cost of the project

Incomes

- Funding – public, crowdfunding, etc.
- Tickets
- Refreshments/snacks
- Merchandising
- Donations – from individuals, organisations, companies, etc.
- Advertising – from selling space in your leaflets/posts
- Any support received in kind



Forms and structures of ownership

It is possible to distinguish between organisations that are owned and run by private owners, by the state or by voluntary organisations. The most common in the performing arts are the following.

Sole trader

A person who runs a business as an individual, entitled to keep all profits after paying taxes on them but liable for all losses.

Partnership

A business in which two or more individuals agree to share the profits or losses of the business.

Limited company with share capital

A commercial organisation with a limited liability structure and the ability to raise funds from shareholders.

Company limited by guarantee

An organisation with a structure that does not require shareholders, meaning that it can be non-profit distributing and have charitable aims.



Further reading

Getting started: approaching a budget

Getting Started: Approaching a Budget

ARTS
ADMIN.

Legal structures for performing arts organisations



[Home](#) • [Resources](#) • [Company Formation and Charity Status](#) • [Legal Structures for Performing Arts Organisations](#)

Legal Structures for Performing Arts Organisations

How does a formal structure benefit a performing arts organisation?

Provides financial protection for the individuals involved

A formal 'incorporated' structure creates an organisation that is a legal entity in its own right and that enters into contracts in its own name. Incorporated organisations have 'limited liability'. This means that it is rare for individuals involved in the company to be sued personally for the company's debts.

Enables it to raise funds

- A commercially focused company will want investors to provide share capital. It will need a structure that attracts investors with the promise of a return on their money.
- In contrast, a company seeking public funds will generally need a structure that is non-profit distributing. Public funders will not want their money going to a handful of individuals.
- A company that is doing work that is likely to be funded by trusts and foundations will want a structure that can have registered charity status since most donors will want this.
- A company that is doing work that puts social benefit before profit may want to be clearly perceived as a Social Enterprise.

Incorporated structures

Critical steps toward capital health in the cultural sector

Critical steps toward capital health in the cultural sector

By Rebecca Thomas, Nonprofit Finance Fund
& Holly Sidford, Helicon Collaborative

Strong capitalization provides organizations with creative freedom, while weak capitalization compromises artistic dreams.

Too many cultural groups are troubled by unhealthy finances, reflected in uneven cash flow, few or no reserves, aging or under-resourced facilities and insufficient funds for program innovation and improvements in business practice. These widespread conditions impede the ability of cultural organizations of all kinds – from museums and orchestras to community theaters and single-choreographer dance companies – to develop and present programs that inspire people and make community life more vibrant.

FIVE KEY TIPS FOR BOTH CULTURAL ORGANIZATIONS AND FUNDERS

1. Familiarize yourself with the basics of capitalization

- Effective capitalization means having the cash necessary to execute strategy in pursuit of mission over a sustained period of time.
- All organizations require two distinct kinds of money: **revenue** for ongoing operations and **capital** to change programs, operations and/or structure.
- Investing to sustain existing programs requires a different approach than investing to grow or adjust programs and operations.
- Appropriate capitalization supports three basic financial functions: **liquidity** to address regular operating needs, **adaptability** to make necessary artistic and business adjustments; and **durability** to invest in future, long-term needs.

2. Embrace integration of financial planning with organizational and program planning



Co-funded by the
Erasmus+ Programme
of the European Union

Stardust
Performing Arts Entrepreneurs

Action plan

Preparing your project budget

1 – Define your project

Write down a project you would like to implement in your performing area.

Mention all human and non-human resources you would need to carry it out.

2 – Estimate expenditures and incomes

Design a table with two columns: one for the expenditures with the project and another for the expected incomes.

Specify each item in a different row. Be realistic! At the end, add up all the items in each column.

3 – Assess your financial performance

Is your budget balanced between expenditures and incomes? If yes, great work! If not, which changes do you need to do in it so it becomes balanced?

Double check if there are not items overestimated or underestimated.



References

- Kurt, D. (2021). **What is finance?** Investopedia.
<https://www.investopedia.com/ask/answers/what-is-finance/>
- **Ownership structures and legal forms.** OpenLearn.
<https://www.open.edu/openlearn/money-business/business-strategy-studies/different-types-business/content-section-4>
- **What is arts funding?** National Campaign for the Arts.
<https://forthearts.org.uk/what-is-arts-funding/>
- Le Sourd, M. et Sert, M. (2019). **Fund-Finder - Guide to funding opportunities for arts and culture in Europe, beyond Creative Europe.** International network for contemporary performing arts.
https://www.ietm.org/en/system/files/publications/fund-finder_feb2019_03.pdf
- Hassan, S. (2020). **COVID-19's impact on creatives.** Europe & me.
<https://europeandme.eu/covid-19s-impact-on-creatives/>



References

- **Quick guide to budgets.** Paying artists.
<http://www.payingartists.org.uk/project/quick-guide-to-budgets/>
- (2018). **Legal structures for performing arts organisations.** Independent Theatre Council.
<https://culturalgovernancealliance.org/resources/files/ITC-Legal-Structures-for-Performing-Arts-Organisations.pdf>





Stardust

Performing Arts Entrepreneurs



Co-funded by the
Erasmus+ Programme
of the European Union

The European Commission's support for the production of this publication does not constitute an endorsement of the contents, which reflect the views only of the authors, and the Commission cannot be held responsible for any use which may be made of the information contained therein.