



Effective Tools for Financial Management of an Event Business

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WILD ASSUMPTION:

Nobody got into
EVENT MANAGEMENT
because they like
FINANCE

REASONS TO CARE ABOUT FINANCE:

1. You spend \$6,000 - \$40,000+ a year on it
2. You can make more money by doing it better
3. The person buying your business cares.... a lot.

THE NEGLECTED TOOL

Financial Statements can be
EASY and INFORMATIVE
with just a little attention

CAR ANALOGY

- You don't need to know how to fix the engine to drive the car, but you have to know how to read the dashboard
 - *Are you going to run OUT OF GAS?*
 - *Are you going TOO FAST?*

TWO IMPORTANT QUESTIONS

1. What is your **AVERAGE ENTRY FEE**?
2. What is your **BREAKEVEN NUMBER** of Participants?

THE INCOME STATEMENT

REVENUE	<u>Amount</u>
Registration	\$ XXX,XXX
Sponsorship	XX,XXX
Merchandise	XX,XXX
Expo Booths	XX,XXX
Other	<u>XX,XXX</u>
TOTAL REVENUE	\$ XXX,XXX

EXPENSES	
Advertising	X,XXX
Announcers	X,XXX
Bibs	X,XXX
Charity	X,XXX
Finishers Medials	X,XXX
:	:
:	:
Warehouse	X,XXX
Website	<u>X,XXX</u>
TOTAL EXPENSES	\$ XXX,XXX

NET INCOME **\$ XXX,XXX**

REVENUES are the OUTPUT of your activities

EXPENSES are the RESOURCES USED to create the event

- MONEY
- PEOPLE
- TIME

alphabetical order ???



COMMON PROBLEMS WITH ACCOUNTANTS AND ACCOUNTING SYSTEMS

Problem with Accountants

- Often Part-Time
- May Not Understand the Business
- No Logic in creating accounts

TOO MANY MEANINGLESS
ACCOUNTS

Problem with Accounting Systems

- Often Built / Designed for Ease of Input or Regulatory Filings
- Limited Consideration for Information Needs
 - Registration = one line?
- Only deals in Dollars (People, Time, Units)
- Little or No Calculations (No Metrics)

Better Measurement

How to Fix These

- FIRST: Pick the right type of system

Three Primary Types of Accounting Systems

Cash
vs.
Accrual
vs.
GAAP

- What's the Difference
- Which should I use?

Cash Accounting

- What is it?
 - Income / Expenses Booked as Received
- Positive: Easy. Direct from Bank Account
- Negatives: Misleading profitability.
 - Expenses lag Revenue = Overstated Profits
 - Assets are Expensed (inventory, trucks, etc)
 - Mixing of Two Events in One Year
- Who Should Use It: Nobody

Accrual Accounting

- What is it?
 - Revenue is Deferred until Event Date.
 - Expenses are accrued.
- Positives: Better Event Profitability Management.
 - This Year's Results in This Year's Income Statement
- Negatives: More talent required
 - Entries & Reconciliations
- Who Should Use It: Everybody.
 - *Especially if you want to sell your business*

GAAP Accounting

- What is it?
 - Follows rules made by public accountants for their continuous debate & employment
- Positives: Banks generally require it.
 - Perception of Better Accuracy
- Negatives: Limited value-add for effort
 - \$\$\$ for Value in Kind. Contract Element Analysis
- Who Should Use It: Only if you're required

Okay “Hybrid”: Project Acctg

- What is it?
 - Separate Income Statement for Each Event / Each Year
 - “Class” in Quickbooks
- Positives: Discreet Event Profitability Management.
- Who Should Use It: Reasonable alternative to Accrual



FIXING MISTAKES & GETTING BETTER INFO

Mistake #1: Registration

- Common Practice: Entry fees on single line as received from Registration provider.
- Mistake: No visibility into >80% of your business
- Result: Can not calculate / track
 - Avg. Registration Fee
 - Discount Usage / Pricing Effectiveness

How to Fix: GOOD

- Single Line for Each Event Type as received
 - Sprint
 - Olympic
 - Relay
 - Kids

How to Fix: BETTER

- Book as:
 - List Price
 - Discounts Used
- Allows tracking of discount usage
- Allows offline calculation of Avg. Reg Fee

How to Fix: BEST

- “Trick” the system to capture # of Entries. Additional set of accounts. Each person is \$1. Total participant is a negative number to zero amounts out and not misstate the P&L.

4001 · Number of Sprint Entries	\$	500
4002 · Number of Olympic Entries	\$	400
4003 · Number of Relay Entries	\$	100
4009 · Offset Total Entries	\$	(1,000)
Total Entries	\$	-

- Benefits:
 - Allows for calculation of Avg. Entry Fees
 - Single historic and permanent database

Mistake #2: Expense Reporting

- Common Practice: Too Many Line Items
 - Most races have between 40 and 100 expense line items.
 - More detail does not mean better information
 - Too many lines to manage
 - No logical grouping of multiple lines
- Result: Too difficult to understand quickly, the Income Statement is ignored

How to Fix: Meaningful, Big Categories

- No line item less than 3% of your total costs. You can get detail as necessary

Police & Security	\$ 35.06
Participant Costs	\$ 28.75
Venue Expense	\$ 23.96
Labor	\$ 20.80
Prizes	\$ 18.40
Food	\$ 10.79
Marketing	\$ 7.82
Rentals	\$ 7.07
Travel	\$ 6.38
All Other Operations	\$ 9.06
Total Expenses	\$ 168.09

Mistake #3: Expense Reporting

- Common Practice: Inconsistent accounts and treatments across multiple events
 - Different account structures for different events.
 - Another symptom of too many accounts
- Result: Cannot consolidate. Can not compare across events

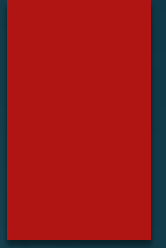
The Other Tool: Balance Sheet

- Cash
 - Real asset or just timing?
 - Compare with Deferred Revenue and Prepared Expenses
- A/R, A/P
 - Write off aged items for correct income
- Owner transactions: Loans in, out, capital contributions, dividends

Advice to Potential Sellers

- Separate Owner Expenses to pro-forma out
 - Salaries, Leases, Building Rent, etc.
- Separate one-time or unusual expenses
 - Capital Equipment (trucks, barricades)
 - Branding expenses (signage)
 - One-time fees, startup expense (maps)

Analysis Tools



Metrics from Downloaded Income Statement

- Average Entry Fee
- Discount % of Total
- Revenue per Participant
- Expenses per Participant
- Profit per Participant



Breakeven Number
Of Participants

Considerations for Tools

- ▶ Timeliness / Accuracy
 - ▶ How long to gather information (for example - Customer Surveys, Sponsorship pipeline)
 - ▶ How accurate (Customers Responses / % of whole)
 - ▶ Cost to gather and make accurate
 - ▶ Format for Delivery: Dashboard, Report, Push / Pull

Comparison Benchmarks

- ▶ Data becomes information when compared with a relevant Benchmark
 - ▶ Potential Achievement (Market Share)
 - ▶ Expectation (vs. Budget, Forecast)
 - ▶ Past Performance (vs. Last Year)
 - ▶ Peers (vs. Industry Group)
- ▶ The Degree of Influence can make more / less relevant
 - ▶ Not Controllable (Market Growth)
 - ▶ Controllable (Spending)

Measurement Periods

- ▶ Measure Time Perspective

- ▶ Looking Forward Sponsorship Backlog
- ▶ Looking now Headcount
- ▶ Looking Back Trend Analysis

- ▶ Period of Measurement

- ▶ Current Month, Quarter, Year to Date
- ▶ Rolling Averages - normalizes seasonality
 - ▶ Particularly useful with Registrations

Advanced Non-Financial Metrics

- Repeat Participant Rate
- Customer Satisfaction
- Reach: Impressions, Likes, Followers

What are Buyers Looking for

- Accurate Reports
- Consistent over Time
- Showing the ongoing earnings of the company. Pro-Forma out
 - Owner Expenses
 - Capital Equipment
 - One time gains / expenses
- Balance Sheet without a lot of aged items