



# BUDGETING FOR ARTISTIC PRIORITIES

For: Handbell Musicians of America | January 24, 2026

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## SESSION PURPOSE

- This session will explore budgeting strategies that support artistic excellence and long-term sustainability.
- We'll also analyze funding trends and industry benchmarks and explore how these factors influence financial decision-making.

## LEARNING OBJECTIVES

1. Identify and examine **funding trends and industry benchmarks** impacting arts organizations.
2. Summarize **budgeting best practices** for arts organizations.
3. Explore **budgeting strategies** for balancing artistic priorities with audience and customer demand to achieve mission and sustainability.
4. Recognize **key evaluation methods and signs** that signal when financial adjustments are needed.

# AGENDA

01.



**FUNDING TRENDS AND  
INDUSTRY BENCHMARKS**

02.



**BUDGETING BEST  
PRACTICES**

03.



**BUDGETING STRATEGIES**

04.



**EVALUATION METHODS  
AND SIGNS**

WHO IS JOINING  
US HERE TODAY?



- A. Program or Development staff
- B. Finance staff
- C. Executive Director/CEO
- D. Board Member
- E. Artist
- F. Other

# 01.



## FUNDING TRENDS AND INDUSTRY BENCHMARKS

Examining the current climate impacting arts organizations

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**HOW DO WE ALIGN  
BUDGETS WITH  
WHAT MATTERS  
MOST ARTISTICALLY?**

## **ARTISTIC PRIORITIES:**

- Drive your creative and programmatic decisions
- Determining factors include your:
  - Core values
  - Goals
  - Guiding principles

## **EXAMPLES OF ARTISTIC PRIORITIES IN ACTION:**

- Expand outreach through workshops and community events
- Invest in specialized equipment (e.g., bass bells, studio lighting)
- Provide enhanced accessibility and inclusion across all art forms

# BUDGETING FOR ARTISTIC PRIORITIES



**MISSION**



**ARTISTIC  
PRIORITIES**



**REALITY**



**BUDGET**

## STRATEGIES FOR MANAGING DEMAND RISK:

- Flexible memberships and rolling subscription models
- Bundling access to headliners through subscriptions



## PRICE

- Tariffs could increase the cost of doing business
- Staffing costs continue to rise
- Inflation reduces buying power



## BEHAVIOR

- Luxury spending drops
- Younger patrons buy last-minute and show less loyalty
- Subscriptions driven by access to headliners and discounts

## STRATEGIES FOR MANAGING DEMAND RISK:

- Shift focus from federal grants to corporate and foundation grants



## INFLATION

- Inflation remained high from 2020–2025
- Have your contributions and ticket sales kept pace with inflation?
- Inflation reduces the real value of multi-year grants



## REGULATION

- Canceled or paused government funding
- Budget cuts to federal agencies supporting arts, culture, education, and research
- Pass-through state and local funding and DEIA-related challenges

## STRATEGIES FOR MANAGING DEMAND RISK:

- Use phased rollouts for artistic pivots to minimize exposure
- Leverage audience surveys and focus groups to predict demand
- Build reserve funds to cushion against market fluctuations



## LIMITED DATA

- Lack of historical data for new works
- Uncertain demand for artistic pivots
- Risk of controversy with new themes



## ECONOMIC CLIMATE

- Rising tariffs and cumulative inflation
- Market and funding uncertainty
- Endowment and foundation value fluctuations

## ABC Arts Org Relies More on Contributed Revenue Compared to Industry Average

At ABC, contributed revenue constitutes 69% of our total revenue, significantly higher than the 62% observed in similar organizations. On the other hand, our program service revenue is 21%, which is lower than the industry's average of 33%.

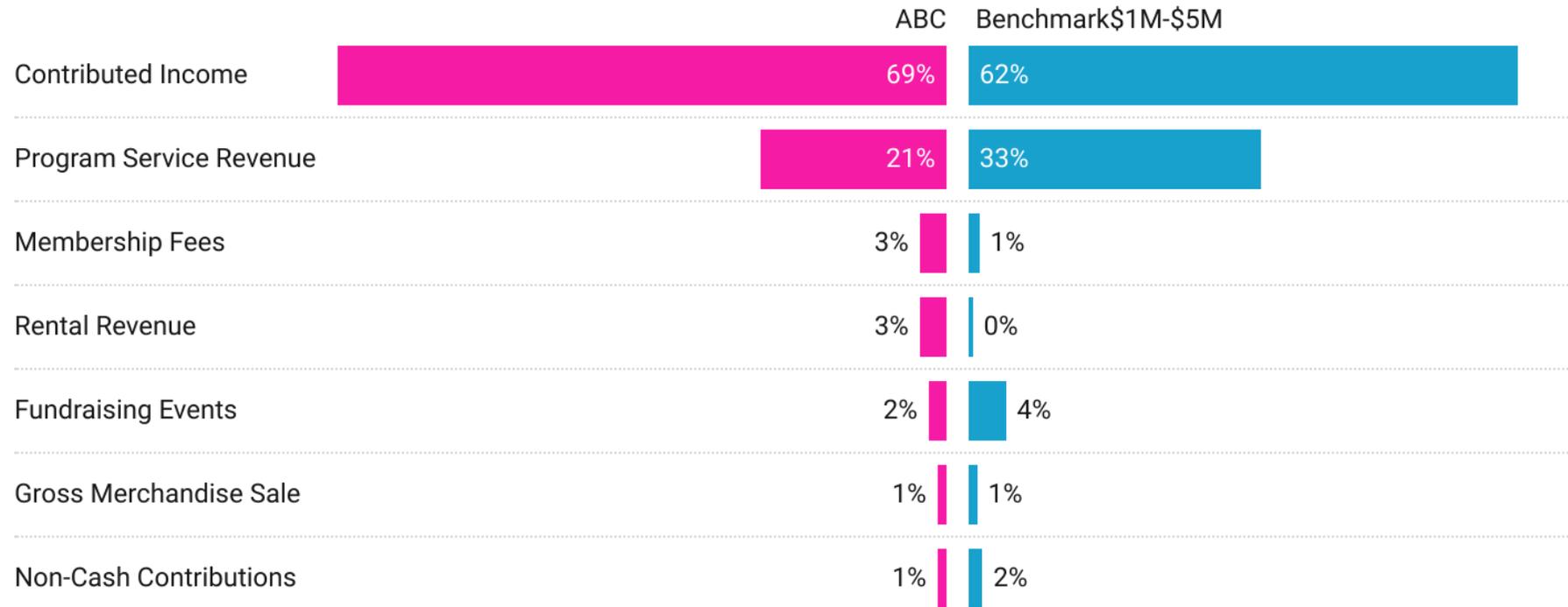


Chart: Molly Yoon / YPTC • Source: ACCOUNTING SOFTWARE & CauseIQ • Created with Datawrapper

### TIP!

**Use graphics** to illustrate the balance between contributed and program service revenue

# 02.



## BUDGETING BEST PRACTICES

Best practices for building a mission-aligned budget



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*“Don’t tell me what you value, show me your budget, and I’ll tell you what you value.”*

**-JOE BIDEN**  
FORMER U.S. PRESIDENT

## WHY BUDGET?

- Assess ability to achieve **mission**
- Establish clear goals and **direction**
- Align the organization toward a **shared vision**
- Build **credibility** with funders and partners
- Compare budget to actual **performance**



## WHAT IS A BUDGET?

- Something with a lot of numbers in it
- An itemized estimate of expected income and expenses for a given period in the future
- A plan of action expressed in monetary terms - a financial plan
- A tool to monitor an organization's financial activities
- Where the rubber meets the road!



**AN OPERATING  
BUDGET REFLECTS  
BOTH YOUR ENTITY'S  
STRATEGIC AND  
BOARD-LEVEL  
POLICY DECISIONS**

## **STRATEGIC DECISIONS:**

- Activities, collections, and programs that should be kept, expanded, or cut
- Changes in program fees, ticket prices, or number of performances per season
- Hiring decisions / raises / benefits packages
- Investments in new equipment or required maintenance

## **BOARD-LEVEL POLICY DECISIONS:**

- Liquidity policy
- Revenue diversification goals
- Endowment spending policy
- Cost allocation policy

# OPERATING BUDGET PROCESS OVERVIEW





## ALIGNING THE BUDGET WITH ARTISTIC AND FINANCIAL GOALS

### REVIEWING THE BUDGET FOR ARTISTIC PRIORITIES:

- Review and discuss key assumptions for **accuracy** and alignment with **strategic objectives**
- **Never try to “plug” a deficit** by assuming that contributions will cover a shortfall
- Confirm that artistic priorities are **achievable** within financial constraints

### DID YOU KNOW?

- A nonprofit may strategically budget for a deficit when spending down donor-restricted funds from prior periods
- It should be documented and approved as part of a long-term financial plan

## WHAT ARE YOUR TOP ARTISTIC PRIORITIES?



- A. Expand new works and/or commissions
- B. Increase community engagement and accessibility
- C. Attract and retain new audiences and/or customers
- D. Elevate artistic excellence through programming offered
- E. Other

# 03.



## BUDGETING STRATEGIES

Planning to realize your artistic priorities while achieving financial sustainability

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## STRENGTHEN YOUR BUDGET WITH THESE THREE STRATEGIES:

1

### ALIGN ARTISTIC PRIORITIES WITH AUDIENCE AND CUSTOMER DEMAND

- **Goal:** Prioritize programs that advance your mission and have measurable impact

2

### USE ANNUAL PLANNING AS A STRATEGIC TOOL

- **Goal:** Anticipate funding gaps and align resources with strategic goals

3

### BE PREPARED FOR A CRISIS

- **Goal:** Build in flexibility for uncertain times

## 1 ALIGN ARTISTIC PRIORITIES WITH AUDIENCE AND CUSTOMER DEMAND

### **PRIORITIZE PROGRAMS THAT ADVANCE YOUR MISSION AND HAVE MEASURABLE IMPACT**

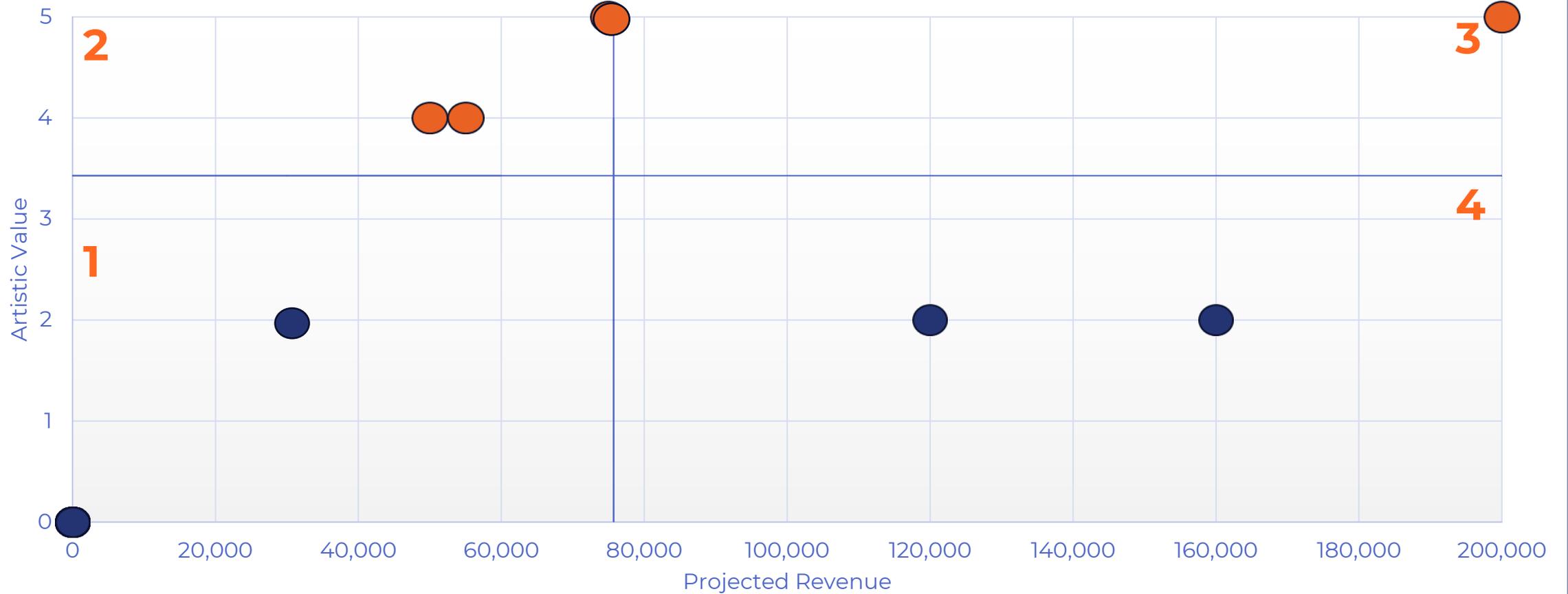
- Evaluate programs based on mission impact and cost
- Use data to identify which programs deliver the greatest value
- Consider audience engagement and revenue potential when prioritizing

#### **TIPS:**

- Start with prior year actuals and peer organization data
- Factor in current economic conditions and forecasts
- Separate contributed and earned income
- Utilize a program evaluation matrix

# PLANNING: PROGRAM EVALUATION MATRIX

Program Evaluation Matrix at a Glance



## 2 USE ANNUAL PLANNING AS A STRATEGIC TOOL

### ANTICIPATE FUNDING GAPS AND ALIGN RESOURCES WITH STRATEGIC GOALS

- Estimate key drivers that will impact your budgeting and planning process
- Use conservative estimates to account for uncertainty
- Document key budget assumptions for transparency

### KEY DRIVERS TO CONSIDER:

- **Time horizon:** short-term needs versus long-term investments
- **Funding options** such as:
  - Replacing lost government funding
  - Engaging new audiences & donors
  - Retaining current audiences & donors
- **Cost cutting measures:** understanding opportunity costs

## 3 BE PREPARED FOR A CRISIS

### BUILD FLEXIBILITY FOR UNCERTAIN TIMES

- Identify essential mission activities and prioritize them
- Negotiate costs and explore cost-cutting measures
- Plan for scenarios where revenue may decline

### QUESTIONS TO CONSIDER:

- What are the sine qua non programs that best support your mission?
- Which budget line items cannot be cut?
- Which budget items have the least impact on your ability to deliver your mission?

# 04.



## EVALUATION METHODS AND SIGNS

Timely analysis to guide decisions and recognize when financial adjustments are needed



## MONITORING BUDGETS AND CASH

### PROACTIVE STEPS:

- Monitor expected amounts through timely comparisons to actual results
- Significant deviations should be reviewed by the Board
- Consider which programs, initiatives, or revenue strategies are effective, and which ones need to be reconsidered

### WHAT IS TIMELY?

- Monitor budget to actual results with 2-3 weeks of month-end
- Evaluate return on investment (ROI) of major programs through weekly assessments
- During a crisis evaluate forecasts on a daily or weekly basis

## FINANCIAL METRICS

Ratios like these are often used to evaluate financial results

### LIQUIDITY

- **Current Ratio:**

*At least 1.0 is desirable*

$$\frac{\text{Current Assets}}{\text{Current Liabilities}}$$

- **Months Cash on Hand:**

*3-6 mos. generally acceptable*

$$\frac{\text{Cash and Cash Equivalents}}{\text{Average Monthly Expenses}} \\ \text{(Excluding Depreciation \& Amortization)}$$

- **Operating Reserves Ratio:**

*25% a good starting point*

$$\frac{\text{Unrestricted Reserves}}{\text{Annual Operating Expenses}} \\ \text{(Excluding Depreciation \& Amortization)}$$

### PROFITABILITY

- **Profit Margin Ratio:**

*Positive preferable, too high may deter donors*

$$\frac{\text{Change in Net Assets Without Donor Restrictions}}{\text{Unrestricted Revenue}}$$

- **Contributions Ratio:**

*Too high indicates over-reliance*

$$\frac{\text{Contributed Revenue}}{\text{Total Revenue}}$$

- **Earned Revenue Ratio:**

*Aim for 50%*

$$\frac{\text{Earned Revenue}}{\text{Total Revenue}}$$

### EFFICIENCY

- **Program Services:**

*65%-75% preferred*

$$\frac{\text{Program Expenses}}{\text{Total Expenses}}$$

- **Administrative Expense:**

*Less than 25-35% preferred*

$$\frac{\text{Administrative Expenses}}{\text{Total Expenses}}$$

- **Cost Per \$1 Raised:**

*A lower ratio preferred*

$$\frac{\text{Fundraising Expenses}}{\text{Total Contributions}}$$



## BALANCING IMPACT AND FINANCIAL PERFORMANCE

### CONSIDERATIONS:

- **ARTISTIC PRIORITIES:** identify activities with the highest mission and artistic value
  - *Ask:* Are there opportunities to improve impact and/or ROI?
- **PROFITABILITY:** confirm overhead and salaries are allocated correctly before performing your evaluation
  - *Ask:* Are revenue and expenses captured in the correct period(s)?
- **OPPORTUNITY COSTS:** Understand trade-offs when choosing one program over another
  - *Ask:* What benefits are we giving up by not choosing the alternative?

# SIGNS OF FINANCIAL TROUBLE

<b>DECLINING SUPPORT</b>	<b>DECLINING FINANCIAL INDEPENDENCE</b>	<b>POSTPONING CURRENT COSTS</b>	<b>INEFFECTIVE GOVERNANCE</b>
Drop in contributions, memberships, or ticket sales	Limited revenue sources	Deferring needed maintenance of venue or other fixed assets	Continuing budget variances
Decline in number of grant awards	Growing debt or recurring annual deficits	Inability to make payroll or other current expenses	Failure of management to act, or to accept financial situation
Negative press or criticism on social media	Inability to raise unrestricted contributions	Selling investments or taking additional endowment distributions	“Borrowing” from restricted funds

WHAT IS YOUR  
HIGHEST PRIORITY  
GOING INTO NEXT  
YEAR?



- A. Increasing revenue
- B. Cash flow management
- C. Reducing expenses
- D. Political environment/economic uncertainty
- E. Audience and/or customer behavior (demand and/or accessibility)



## FUNDING TRENDS AND INDUSTRY BENCHMARKS

1

Analyze risk factors like price, behavior, inflation, regulation, limited data, and the economic climate



## BUDGETING BEST PRACTICES

2

Drive the budgeting approach using your entity's artistic priorities and policy decisions



## BUDGETING STRATEGIES

3

Identify key drivers and document budget assumptions



## EVALUATION METHODS AND SIGNS

4

Evaluate results with both qualitative and quantitative methods

## WEBINARS

- **From Award to Audit: Managing Grants Effectively (Nov 2025):**
  - <https://www.yptc.com/from-award-to-audit-managing-grants-effectively/>
- **More Than Admin: How Overhead Powers Your Mission (June 2025):**
  - <https://www.yptc.com/more-than-admin-how-overhead-powers-your-mission/>
- **Spotting Financial Risks in Nonprofits: A Guide to Red Flags and Best Practices (Feb 2025):**
  - <https://www.yptc.com/spotting-financial-risks-in-nonprofits-a-guide-to-red-flags-and-best-practices/>

## BLOG POSTS

- **Findings from the 2025 State of the Nonprofit Sector Survey (Oct 2025):**
  - <https://www.yptc.com/findings-from-the-2025-state-of-the-nonprofit-sector-survey/>
- **Financial Resilience in Public Broadcasting: Actionable Steps and Critical Planning Tools (Apr 2025):**
  - <https://www.yptc.com/financial-resilience-in-public-broadcasting-actionable-steps-and-critical-planning-tools/>
- **How Foundation and Corporate Grants Can Help Fund Your Nonprofit's Mission (Mar 2025):**
  - <https://www.yptc.com/how-foundations-and-corporate-grants-can-help-fund-your-nonprofits-mission/>

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