

Finance Presentation

Board of Trustees

Aug 13, 2020

AGENDA

- FY20 close-out/audit
- Current cash position
- Update on FY21 three-month budget
- Draft presentation of FY21 nine-month budget

FY20 CLOSE OUT

FY20 CLOSE-OUT/AUDIT

- Audit Committee: Paul Stamnes, Chair (Advisory); Joanne Euster, Scotland Glenn, Jerry Gronfein (Advisory), Jay Hereford, Sandy McDade
- Audit Timeline
 - Final GL due to auditors – Mon., Sept 14th
 - Field work – Wed., Sept 23rd through Fri., Oct 2nd
 - Audit draft for management review – Late October
 - Finance Committee presentation – Thurs., Nov 12th
 - Board presentation – Thurs., Nov 19th
- A few areas of focus in the FY20 audit
 - COVID-19 impacts: PPP loan, shortened season, going concern analysis
 - Revenue recognition under new guidance
 - Streamlining presentation of financial statements
- Team is deep in reconciliation and streamlining processes to set us up for success in FY21 and beyond. No surprises/issues so far.
- Will get started on 990 form shortly thereafter

CURRENT CASH FLOW

CURRENT RESOURCES

- **Checking Account** = \$624K
- **LOC Available** = \$0K
- **Endowment** = \$10.9M
 - **LOC Collateralization** = \$7,515M
- **Cash Reserves:**
 - **PPP funds** = \$1.7M (forgiveness application to be submitted in Sept)
 - **MRF Balance** = \$700K

FY21 3-MONTH BUDGET

"PRODUCING" MODEL

- Assumes producing in line with the model Braden described last month:
 - Reconfigured Bagley featuring socially-distanced audience seating
 - Stripped-down productions we can get up and take down quickly
 - Live streaming
 - Ability to sell season packages, memberships, and single tickets

"STANDBY" MODEL

- Assumes no shows in FY21, streamed or live
- Online artistic programming, education activities, arts engagement events
- Maintain Public Works relationships
- "The Other Season" new play development
- Launch new play commissions
- Ready to produce if conditions improve
- Reduce staffing further, adjust fixed and variable costs

FY21 3-MONTH FORECAST

	Forecast - Q1		
Cash in	Standby Model	Q1 Budget-Producing	Variance
Fundraising	700,000	1,100,000	(400,000)
Single Tickets		100,000	(100,000)
Subscriptions			
Service fees			
Endowment			
Total	700,000	1,200,000	(500,000)
Cash Out			
Production and Artistic - Salaries	193,988	198,000	(4,012)
Production and Artistic - Materials and other	136,000	136,000	-
Marketing and Communication - Salaries	239,881	207,000	32,881
Marketing and Communication - other	56,000	75,000	(19,000)
Arts Engagement - salaries	37,623	41,000	(3,377)
Arts Engagement - other	7,000	7,000	-
PATP- Salaries	31,360	30,000	1,360
PATP- other			
PW- Salaries	22,644	30,000	(7,356)
PW- Other	4,000	4,000	
Development - Salaries	166,996	186,000	(19,004)
Development - Other	30,000	30,000	-
Admin - Salaries	273,653	290,000	(16,347)
Admin - Other	280,000	280,000	-
Other costs for capital projects	150,000	150,000	-
Total	1,629,145	1,664,000	34,855
PPP forgiveness - estimated	423,000	423,000	-
Refunds	(275,000)		(275,000)
Clearing old AP			
Ending Cash	(402,096)	(186,000)	(216,096)

Key highlights:

-- Forecast reflects the move to the Standby model budget as of Mon., Aug. 10th.

-- Recall this is a cash budget, reflecting cash-in and cash-out (vs. pledges and accruals).

-- Forecast shows us with \$400K less in the bank on Sept 30th (vs. Producing model, which would have left us with \$186K less in the bank on Sept 30th), a cash variance of -\$216K from 3-month budget approved by the Board in June.

-- Increase in cash outflows is due to ticket refunds and vacation payouts, partially offset by reduced headcount across all departments.

CASH VARIANCE VS. FORECAST

- Variance from cash budget a result of one-time expenses:
 - Ticket refunds – \$239K (budgeted \$275K)
 - Vacation payout ~ \$30K
 - Cleaned-up A/P ~ \$150K of \$300K in pre-COVID A/P
- Staff furloughs being taken in August
- Expenses stabilizing in Sept at \$420K/month

FULL FY21 BUDGET

FULL FY21 BUDGET CONSIDERATIONS

- Standby budget covers entire 12 months of FY21 (incorporates July – Sept cash budget)
- FY21 budget is on an "accrual" basis, recognizing pledges and accruals, not cash
- FY21 budget will, at a minimum, be balanced, though draft is still slightly out-of-balance
- At \$5M, the FY21 budget is 1/3 the size of the \$15M FY20 budget
- Still work to do to ensure we have the cash we need at the end of FY21 to launch FY22

FULL FY21 DRAFT BUDGET

	FY 21 Budget Standby Model
INCOME	
Ticket Income	
Subscription Revenue	
Single Ticket Revenue	
Donated Ticket Revenue	200,000
Total Ticket Income	200,000
Contributed Income	
Annual Fund	3,263,800
Campaign	220,000
Total Fundraising Revenue	3,483,800
Endowment Support	429,000
TOTAL INCOME	\$ 4,112,800
EXPENSE	
Artistic	153,455
Production	541,462
Royalties	
Marketing & Communications	920,389
Education	322,228
Development	886,780
Admin & Facilities	2,646,532
Campaign Expenses	
TOTAL EXPENSE	\$ 5,470,846
PPP Revenue	\$1,300,000
NET OPERATIONS	\$ (58,046)

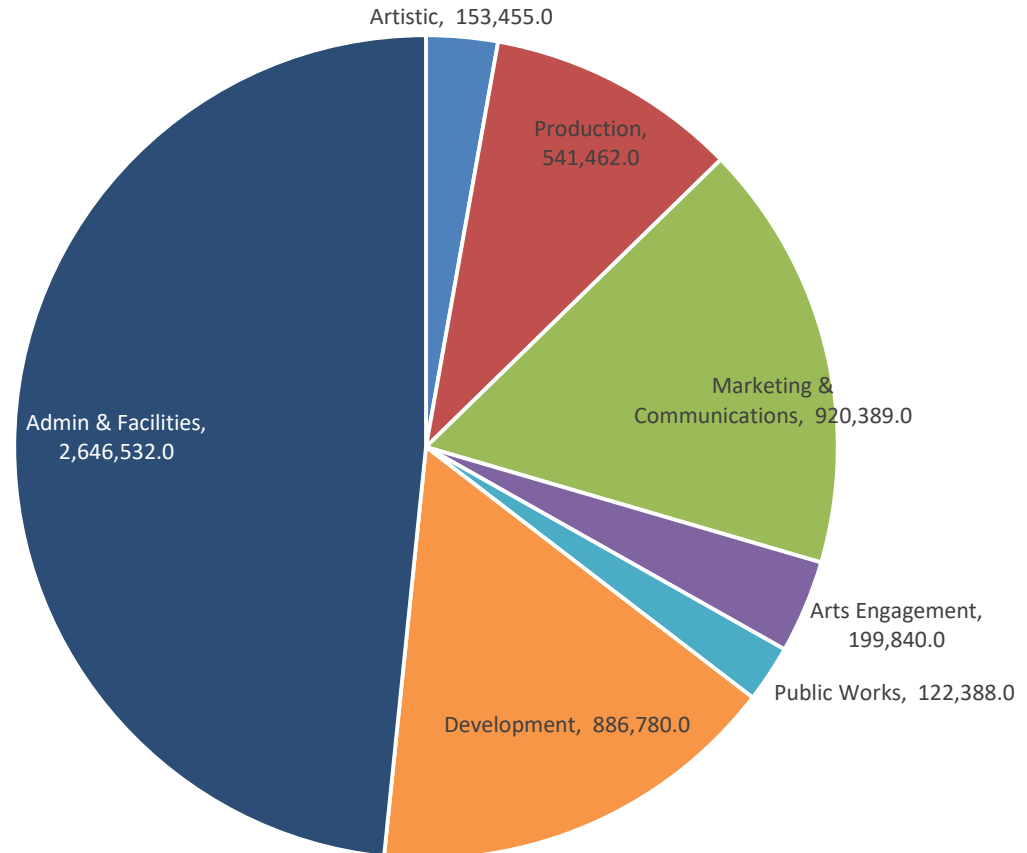
Key Highlights:

- Operating Revenue: \$4.1M, including \$3.5M from fundraising and \$429K from endowment
- Operating Expenses: \$5.5M, including \$3.2M in salaries and \$2.3M in other costs
- Non-recurring revenue: \$1.3M in PPP revenue and \$200K in donated tickets
- Cash expected to decline by \$1.6M over the year due to operating expenses higher than operating revenue (recompensed by already received PPP funds)

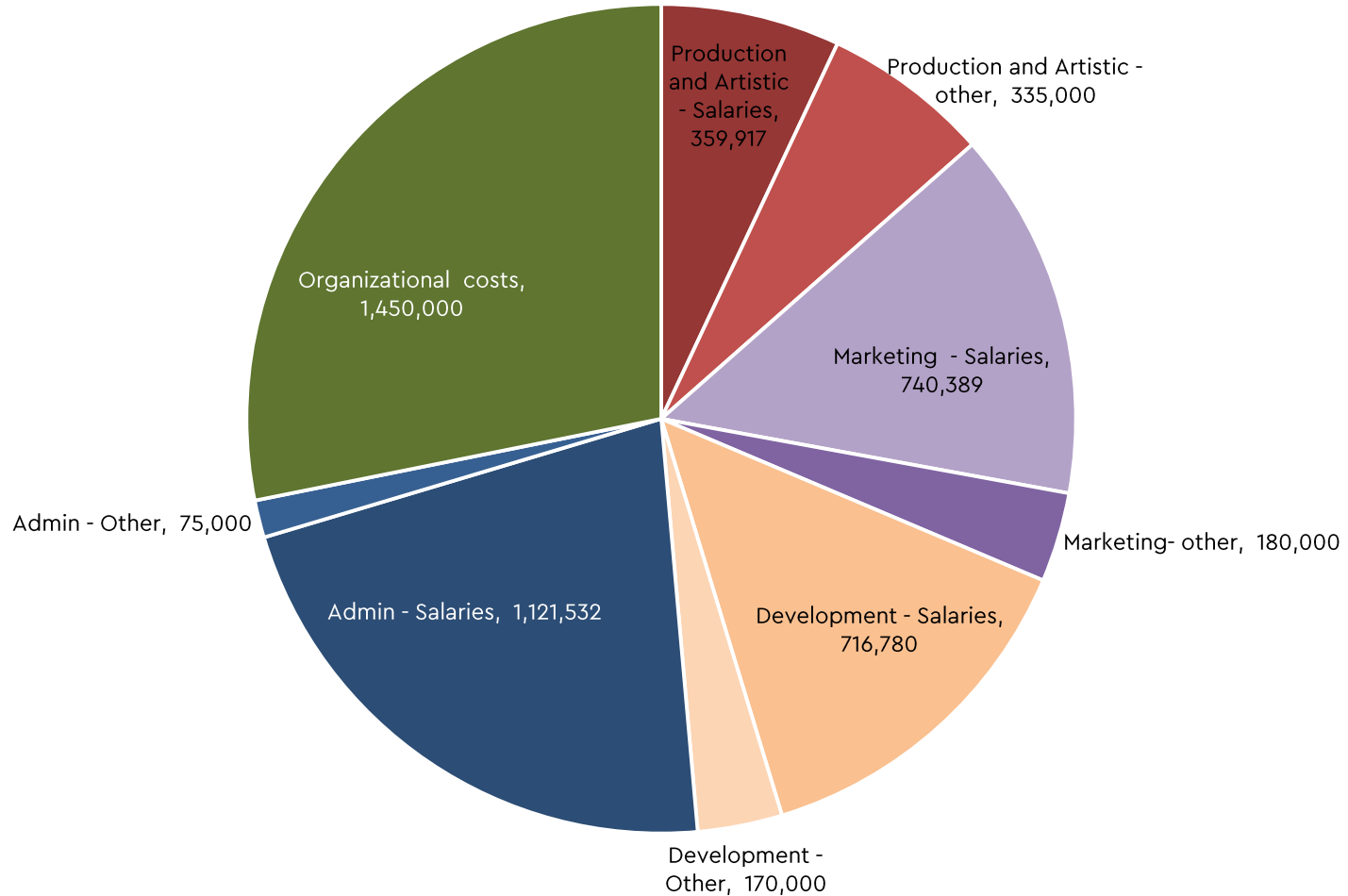
FY21 EXPENSES

- Admin: 48%
- Production/Artistic: 13%
- Marketing: 17%
- Fundraising: 15%
- PW: 2%
- Arts Engagement: 4%

- Salaries: 60%
- Other expenses: 40%



FY21 EXPENSES BY DEPT



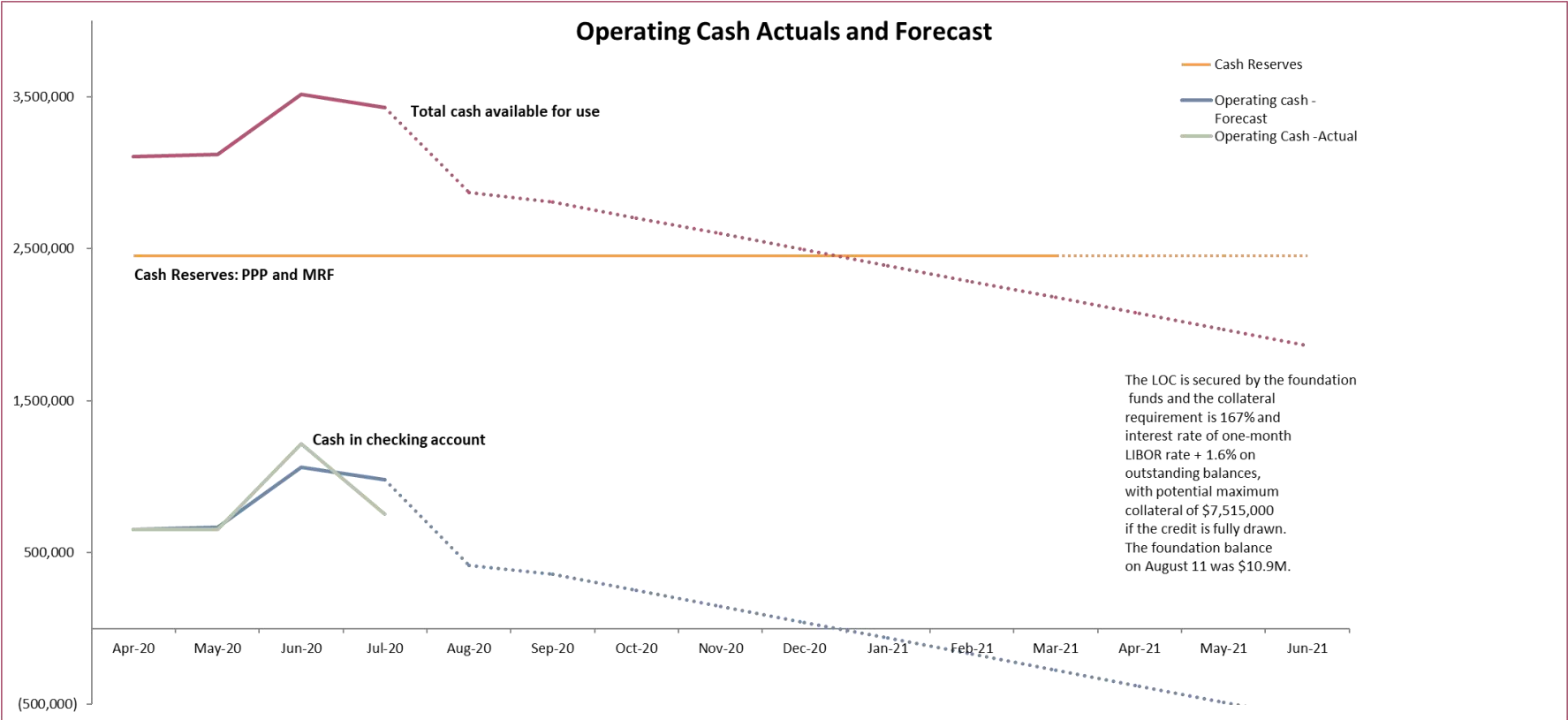
FY21 HEADCOUNT

Departments	Headcount
Arts Eng	2.0
Casting	1.0
Devo	8.4
Executive	3.0
Finance	2.6
HR	1.9
IT	1.0
Marketing	7.1
Marketing - Concessions	-
Marketing - PSO	1.5
Ops	1.0
Production	2.7
PW	1.1
Grand Total	33.3

CASH CONSIDERATIONS

- FY21 budget will balance thanks to PPP funds, which have already been received. By spending down PPP funds in FY21, cash on hand will decline by ~\$1.6M—insufficient to launch FY22.
- We can address this through:
 - Early bird subs campaign for FY22;
 - Fundraising for the campaign (i.e., funding working reserve);
 - Up-front payment from SRT Foundation for FY22;
 - Passing supplemental FY21 budgets for productions;
 - Community or Seattle Rep 'relaunch' fundraising efforts;
 - Line of credit negotiation or partial pay-off
 - Scaling down production ambitions for FY22
- Still working on this and we can further address in Sept, as well as with passage of FY22 budget in January 2021.
- We don't believe answer is shrinking FY21 operations and staff further to produce huge FY21 surplus.

CASH ACTUALS & FORECAST



NEXT STEPS

- Finish balancing FY21 budget
- Establish a better sense from artistic on plans for FY22 as this could impact final choices for FY21 re: cash
- Develop supplemental budgets for streaming and for live producing in FY21 (which we would bring to the Board for approval should conditions improve to improve cash position)
- Start LOC renewal process early

BUDGET CALENDAR

- Thurs., Sept 10th Finance Committee
 - Present Full FY21 Budget
- Thurs., Sept 17th Board meeting
 - Vote Full FY21 budget
- Thurs., Jan 14th Finance Committee
 - Present FY22 budget
- Thurs., Jan. 21st Board meeting
 - Vote FY22 Budget