MGMT Module Instructors

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Agenda Overview

SCHEDULE

Morning
• Welcome & Housekeeping
• MGMT Module Overview
• Budgeting

Afternoon
• Fiscal Responsibility
• Sustainability & Fundraising
• Wrap-Up & Assignments
• Mentor Group Break-outs

GOALS FOR TODAY

Community
• Coming Together as a Group

Introduction to Content
• Understanding MGMT Module
• Clarity on Next Steps for Your Organization

GROUND RULES
MANAGEMENT MODULE OVERVIEW

Introduction to Management (MGMT)

- Module Schedule
- Management Standards Overview
- Unacceptable Organizational Practices Within This Module

MGMT Module Schedule

**November 26, 2018**
Full-day Workshop | Management: An Introduction

**December 17, 2018**
Half-day Skills Lab | Building a Fundraising Plan

**January 2019 (date to be negotiated with Mentor)**
Mentor Site Visits | Work on Your Individual Projects

**February 25, 2019**
Full-Day Workshop | Managing $$$, People, Things & Activities
MGMT Module Overview

This module covers:
- Fiscal Responsibility & Budgeting
- Sustainability & Fundraising
- Institutional Planning
- Managing People
- Managing Things & Activities
- Safety & Security
- Emergency Planning
- Records Management & Compliance

Refer to page 241 of your StEPs Workbook

HANDS-ON ACTIVITY #1

MANAGEMENT STANDARDS: THE GAME

1) Divide into two teams.
2) Each team will alternate answering 5 questions by providing examples from their museums or their knowledge of “best practices.”
3) 2-minute time limit per question.
4) Answers to final question count double.
5) The team with the most points wins chocolate!

MGMT Standard 1

How can an institution legally, ethically, and responsibly acquire, manage, and allocate its financial resources in a way that advances its mission?
MGMT Standard 2

Give examples of how an institution can operate in a fiscally responsible manner that promotes its long-term sustainability.

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MGMT Standard 3

How can an institution best allocate its space and use its facilities to meet the needs of the collections, audience, and staff?

**HINT:** Do staff and governing authority have a clear understanding of the relationship between facility use and institutional mission?

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MGMT Standard 4

Give examples of appropriate measures an institution can use to ensure the safety and security of people, its collections and/or objects, and the facilities it owns or uses.

**HINT:** Does the institution have policies and procedures to ensure the safety and security of people, collections and facilities?
MGMT Standard 5
What should an institution include in its program for the effective care and long-term maintenance of its facilities?

MGMT Standard 6
How can an institution remain clean and well-maintained, and provide for its visitors’ needs?

MGMT Standard 7
What are appropriate measures – such as internal controls or policies and procedures – that an institution takes to protect itself against potential risk and loss?
MGMT Standard 8
How can an institution ensure it complies with the local, state, and federal laws, codes, and regulations applicable to its facilities, operations, and administration?

MGMT Standard 9
Give examples of how an institution can engage in ongoing and reflective institutional planning that includes involvement of its audiences and community.

MGMT Standard 10
How can an institution establish measures of success and use them to evaluate and adjust its activities?

- **HINT:** Does the institution have a set of criteria it uses to measure success?
- **HINT:** Do staff and governing authority members participate in job performance evaluations?
MGMT Standard 11
How can an institution appropriately manage its records both for current business needs and to maintain a permanent record of its activities?

MGMT Unacceptable Practices
- **Information**
  - Lack of public trust, transparency, confidentiality
- **Leadership**
  - Personal vs. institutional best interest, conflicts of interest
- **Finances**
  - Conflation of personal vs. institutional funds, misuse of $
- **Due Diligence**
  - Inattention to duties and responsibilities, safety, and laws

What THIS Workshop Covers Today
- Budgeting
- Fiscal Responsibility
- Sustainability & Fundraising

*Other Expectations?*
BUDGETING

Stewardship & Maintaining Public Trust

“Stewardship is... being responsible for something valuable on behalf of someone who has entrusted it to our care, and implies a deep level of trust, accountability & responsibility.”

- Museums should strive to maintain transparency in their operations, including financial.
- Sound fiscal management is crucial to upholding the public trust and stewardship role of the museum.


Making a Budget = Having a Plan

Budgeting is the process of estimating how much money you will need to pursue your goals and carry out your activities AND how much you expect to collect.
A Budget Is Simply a List

- Estimated **INCOME** = how much you expect to reap in grants, contributions, fees, sales, etc.
- Estimated **EXPENSES** = what you expect to spend on day-to-day items (rent, utilities, office supplies), capital expenses (computers, office furniture), etc.

What’s a Balanced Budget?

*When Income and Expenses Are Equal*

Which Comes First?

*Your Strategic Plan or Your Budget?*
Distinguish Between Expenses

**ADMINISTRATION**
- Fixed Costs / Overhead
- Basic costs that keep museum running
- Exist independently of any programs or activities the museum conducts

**PROGRAM**
- Variable Costs
- Associated with specific activities the museum conducts

Allocation of $$$

Attribute both your Income and Expenses to General Administration and to each of your Programs

**WHY?**

Suggested Budget Layout

- Separate vertical column for administration
- Separate vertical columns for each program
- Horizontal rows for specific income and expenses
- Track restricted income
**80 - 10 - 10 Goal for Expenses**

- 10% = to administration
- 10% = to fundraising
- 80% = to charitable purpose

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**Build Your Budget**

**ESTIMATE YOUR INCOME**

Museum of the Good, the Bad & the Ugly Turkeys

<table>
<thead>
<tr>
<th>Focus</th>
<th>Administration</th>
<th>Adopt a Turkey</th>
<th>Public Programs</th>
<th>Turkey Exhibitions</th>
<th>Annual Turkey Sales</th>
<th>TOTAL</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$0,000</td>
<td>$0,000</td>
<td>$0,000</td>
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<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Total Income</td>
<td>$8,000</td>
<td>$8,000</td>
<td>$8,000</td>
<td>$0</td>
<td>$33,000</td>
<td>$40,000</td>
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</table>

* Anticipated restricted income - mark with an asterisk to easily identify

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**Build Your Budget**

**ESTIMATE PROGRAM EXPENSES**

Museum of the Good, the Bad & the Ugly Turkeys

<table>
<thead>
<tr>
<th>Focus</th>
<th>Administration</th>
<th>Adopt a Turkey</th>
<th>Public Programs</th>
<th>Turkey Exhibitions</th>
<th>Annual Turkey Sales</th>
<th>TOTAL</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$0,000</td>
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<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Program Subtotal</td>
<td>$8,000</td>
<td>$1,400</td>
<td>$1,000</td>
<td>$1,250</td>
<td>$13,625</td>
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</tr>
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</table>
### Build Your Budget

#### ESTIMATE ADMINISTRATION EXPENSES

<table>
<thead>
<tr>
<th>Description</th>
<th>Rent</th>
<th>Salaries</th>
<th>Utilities</th>
<th>Supplies</th>
<th>Insurance</th>
<th>Paper &amp; Printing</th>
<th>Website Hosting</th>
<th>Public Program</th>
<th>Turkey Exhibition</th>
<th>Annual Event Stakes</th>
<th>Totals</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$1,800</td>
<td>$1,350</td>
<td>$100</td>
<td>$800</td>
<td>$500</td>
<td>$1,500</td>
<td>$1,800</td>
<td></td>
<td></td>
<td></td>
<td>$7,480</td>
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</table>

**Total:** $7,480

#### ESTIMATE CAPITAL EXPENSES

**Museum of the Good, the Bad & the Ugly Turkeys**

<table>
<thead>
<tr>
<th>Description</th>
<th>Administration Equipment</th>
<th>Exhibit Public Program</th>
<th>Turkey Exhibition</th>
<th>Annual Event Stakes</th>
<th>Totals</th>
</tr>
</thead>
<tbody>
<tr>
<td>Equipment</td>
<td>$1,000</td>
<td>$750</td>
<td>$50</td>
<td>$9</td>
<td>$1,850</td>
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</table>

**Total:** $1,850

#### ESTIMATE START-UP EXPENSES

**Museum of the Good, the Bad & the Ugly Turkeys**

<table>
<thead>
<tr>
<th>Description</th>
<th>Printing</th>
<th>Telephone</th>
<th>Fees</th>
<th>Totals</th>
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</thead>
<tbody>
<tr>
<td></td>
<td>$800</td>
<td>$75</td>
<td>$35</td>
<td>$910</td>
</tr>
</tbody>
</table>

**Total:** $910
Assemble Your Budget

**INCOME**
- What are your income trends? Continue or change? New competition or opportunities?
- How many of your current grants or income sources may be renewed and at what levels?
- How healthy is the current financial environment? Will it affect your previous donors’ abilities to give?
- Are you likely to increase individual giving or special-events revenue?

**EXPENSES**
- Duration of all employee employment periods? Annual raises? Additional staffing needed?
- Benefits? Don’t forget increases that kick-in after an employee has worked for certain periods (e.g., 6+ months or 5+ years).
- When does your lease obligate you to pay for rent increases or taxes?
- Rate increases for utilities, postage, or other services?
- New technology? Upgraded hardware, software, website?

Completed Budget

Museum of the Good, the Bad & the Ugly Turkeys

MGMT Standard 1(B)

Does the institution have a formally adopted budget?

**BASIC**
- **Staff** compile and recommend an annual budget and the **governing authority** approves it.
- The governing authority and staff review the budget at least **quarterly**.
  - Make sure organization has the resources to carry out its goals
  - Insist on good financial reporting
MGMT Standard 1(B)  Does the institution have a formally adopted budget?

GOOD  
• The annual budget anticipates and covers activities outlined in the institution’s strategic plan.
  ✓ Built around strategic plan and aligns with museum’s policies
  ✓ Maintains integrity of museum
  ✓ Developed by staff & board

• The annual budget adequately funds staff work plans and assignments.
  ✓ Plans for revenue to match expenses
  ✓ Includes ongoing and one-off expenses

GOOD (cont’d)
• Development of the annual budget includes input from all programmatic areas (i.e., collections, education, maintenance, etc.).
• The governing authority approves budget modifications as needs and challenges arise.
  ✓ Monthly review of financial reports in relation to budget
  ✓ Board member(s) with financial expertise should train board how to read financial statements & 990
  ✓ Good communication between museum leadership & board crucial
  ✓ Ongoing monitoring, data gathering, analysis & revision

BETTER
• The governing authority’s Finance Committee and staff work together to develop and maintain a balanced budget.
  ✓ Executive Director usually represents staff in financial discussions
  ✓ Multi-year projections are based on the strategic plan
  ✓ Can be simple but identifies achievable goals
MORNING BREAK – 15 minutes

HANDS-ON ACTIVITY #2

Moving Toward Your “Ideal” Budget

1) Organize three groups:
   - Nonprofit: Ft Douglas, Cache DUP, Alf Engen
   - Municipal: Uintah County, Murray City
   - Municipal: Hyrum City, Union Station

2) Individual museums use template to reorganize existing budget into these new building blocks (20 minutes).

3) In your three groups, discuss your budget and revision issues with instructors and mentors (30 minutes).

4) Three groups report out one major point that arose in discussions (10 minutes).

LUNCH BREAK – 60 minutes
FISCAL RESPONSIBILITY

**MGMT Standard 1(A)**

Does the Institution acquire funds only through legal methods that are in agreement with its mission?

**BASIC**

- The institution is **truthful and follows all laws** in its solicitation of financial donations.
  - Trust and responsibility are essential components of good stewardship, and indispensable to ethical fundraising
  - Gifts are to be held in trust for the public good

**MGMT Standard 1(A)**

Does the Institution acquire funds only through legal methods that are in agreement with its mission?

**BASIC (cont’d)**

- Staff and governing authority members are **aware of the role of ethics** in fundraising and financial accounting and reporting.
  - **HANDOUT | Fiscal Operations Policy Manual** (guidelines for financial controls and procedures) covering areas such as:
    - Governance
    - Internal controls
    - Asset protection
    - Audit
    - Federal/state reporting
    - Reconciliation of accounts
MGMT Standard 1(A)

Does the Institution acquire funds only through legal methods that are in agreement with its mission?

BASIC (cont’d)

- The institution **uses its mission** to guide fundraising efforts and in allocation of financial resources.
  - What is your museum’s mission?
  - What are priorities as defined by mission?
  - What is the cost (monetary, time, other resources)?
  - What are potential funding sources?
  - Fundraising is an intentional, people-focused process built on genuine, personalized relationships.

MGMT Standard 1(A)

Does the Institution acquire funds only through legal methods that are in agreement with its mission?

BASIC (cont’d)

- The institution **never sells collection** items or historic properties in order to raise funds for general operating expenses.
  - Collection is held for **public benefit** – not disposable financial asset.
  - Public trust means certain natural / cultural resources are preserved for public benefit. Public “owns” the collections, and they should be kept available for public study, education, enjoyment.
  - May transfer / sell object to another museum, but **proceeds must be used** to acquire new objects or provide direct care to collection.

MGMT Standard 1(A)

Does the Institution acquire funds only through legal methods that are in agreement with its mission?

GOOD

- The institution has a code of ethics that addresses financial management.
  - Standards may come from outside the profession. Look to:
    - Accounting standards
    - Nonprofit sector (e.g., fundraising with the public)
  - Beyond a code of ethics, must foster a culture of ethical practice and behavior.
  - "Duty of Loyalty"
Does the Institution acquire funds only through legal methods that are in agreement with its mission?

**BETTER**
- The institution publicly demonstrates responsible financial management through its annual independent review or audit.
- Staff and governing authority members are always mindful of the relationship between the institution’s mission and how it acquires, manages, and spends money.

**Financial Health of Organization**

**ASSETS**
- Cash Reserves
- Other
  - Liabilities
  - Sustainability
- Funding Sources
- Cost Control

**Management of Finances**

**BUDGETING & PROJECTING CASH FLOWS**
- Monitoring and managing
- Watching cash reserves
- Decision making for the short and long term
Safekeeping Assets

- What is an asset?
- What needs to be protected and / or controlled?
- What is particularly vulnerable to theft or fraud?
- Internal Controls
  - Segregation of duties
  - Other controls
  - Compensating controls

HANDS-ON ACTIVITY #3
Assess Your Financial Management

1) Look at the questions posted around the room in these categories:
   - Human Resources (Staff & Volunteers)
   - Administrative & Accounting Records
   - Cash Receipts & Disbursements
   - Property & Equipment
   - Budgets & Financial Reporting
2) Put a dot next to each question where you can answer “YES” (15 minutes).
3) Spokesperson for each category briefly summarizes the results (15 minutes).
4) Let’s discuss (15 minutes)!!!
SUSTAINABILITY & FUNDRAISING

MGMT Standard 2(A)  
**Does the Institution have a plan for future financial needs?**

**BASIC**

- The governing authority and staff **discuss future needs** on a regular basis.
  - Do future needs fall within mission?
  - Are needs prioritized?
  - Are resources available to support these needs?
  - If resources not available, how will they be obtained?
  - What will need to be cut or modified in order to meet future needs?

**MGMT Standard 2(A) (cont’d)**

- The governing authority **reviews anticipated cash flow** at every meeting.
  - Governing body and staff review financial statements jointly
  - Establish effective budgeting to create useful cash flow forecasts
  - Essential for day-to-day and long-term fiscal health!
  - Vigilance and flexibility are required – be mindful of current or developing situations and modify plans accordingly
  - Who will review, approve and take corrective action to deal with potential cash flow problems?
**MGMT Standard 2(A)**

Does the Institution have a plan for future financial needs?

**GOOD**

- The annual budget includes **capital planning** (facilities and equipment) and **staff development**.
  - It’s not enough to talk about these issues
  - Write them down
  - Review regularly
  - Prioritize capital needs within fiscal constraints
  - Seek stakeholder input
  - Build a more resilient and vibrant future
  - Don’t neglect staff development

**MGMT Standard 2(A)**

Does the Institution have a plan for future financial needs?

**BETTER**

- The institution has some **cash reserves**.
  - What type of cash reserves are available?
  - Are reserves monitored regularly by governing authority?
  - What is the effect of short or long-term debt on reserves?
  - What is the ratio of assets to liabilities?

- The governing authority has discussed the appropriateness of an **endowment**.
  - Do you have an endowment? Should you?
  - If so, what is the value, and has it changed over time?
  - How much of the interest is used for operating expenses?
  - Is the investment monitored by a financial expert?

**Evaluate the financial stability of your museum over the next five years from a broad perspective**

Does the Institution have an institution-wide commitment to fundraising?

**BASIC**
- All governing authority members are encouraged to make a **personal financial contribution** to the institution.
  - The “third rail” of Board development
  - Find potential Board members who understand this role
  - Foster a culture within the organization so all staff are sensitive to potential funding or in-kind sources

**GOOD**
- The institution identifies a **variety of income sources** and **actively pursues** them.
  - What are your museum’s funding sources?
  - Are they sustainable?
  - How could you diversify? What are the pros & cons of doing so?
    - Earned income, grants, donors, sponsorships, special events...
- The governing authority and staff are **all involved** in fundraising efforts.
  - Who is involved? In what ways? Is it working? Sustainable?

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**A Healthy Fundraising Program**

Evaluate fundraising effectiveness to provide a more complete picture of your museum’s fundraising health
**MGMT Standard 2(B)**

Does the Institution have an institution-wide commitment to fundraising?

**BETTER**

- The governing authority and staff understand and accept responsibility for fundraising.
  - One step at a time – fundraising is multi-faceted
  - Donor thank you calls, identify relationships, arrange meetings
- Governing authority members give financial contributions on a regular basis to demonstrate their support for the institution.
  - Establish clear expectations up front
  - Publicly acknowledge to the level of donor comfort

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**HANDS-ON ACTIVITY #4**

*Measuring Fundraising Effectiveness*

1. Review HANDOUT (5 minutes).
2. Follow the instructor as she demonstrates how the excel worksheet functions (5 minutes).
3. In museum teams, fill out the worksheet template. Holler for help from instructors and mentors as needed (10 minutes).
4. Spokesperson from each museum team briefly summarizes their findings (15 minutes).
5. Receive HANDOUT and discuss (5 minutes)

UNDERSTANDING & EVALUATING YOUR FUNDRAISING STRATEGY: A Toolkit & Conversation Guide for Boards and Leadership Teams

Boardsource, Measuring Fundraising Effectiveness

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**FILL IN YOUR OWN BLANK SPREADSHEET**

WE WILL SEND YOU THE LINK
WRAP-UP

Quick Recap

What We Have Covered Today:

- Fiscal Responsibility
- Budgeting
- Fundraising & Sustainability

Recommended MGMT Resources

Council for Nonprofits, Internal Controls for Nonprofits
https://www.councilofnonprofits.org/tool-resources/internal-controls-nonprofits
Greater Washington Society of CPA’s Educational Foundation’s Nonprofit Accounting Basics
https://www.nonprofitaccountingbasics.org/
SafeWise Consulting, Sample Financial Procedures
* HANDOUT | Financial Management Checklist, Jumpstart, Oklahoma Arts Council
https://www.ok.gov/jumpstart/Nonprofits/Chapter_8.html
* HANDOUT | PESTEL Model: Financial Stability of a Museum over the Next Five Years (from Chmelik, 2017)
* HANDOUT | BoardSource, Measuring Fundraising Effectiveness
YOUR ASSIGNMENT

1) Build your Ideal Budget
   ✓ Use the budget template provided to work through your existing budget and revise it toward this new format.

2) Measuring Fundraising Effectiveness
   ✓ Use the toolkit readings and complete the Excel electronic worksheet with your leadership (Jennifer will send link to sheet).

3) Prepare to report out on both these activities in Month 4 (February).

4) Based on your STEPs self-assessment, work with your Mentor to identify and implement at least one additional project for this module.

Possible Projects for MGMT

- Written, board-approved budget
- Annual finance report and balance sheet
- Financial audit conducted by qualified outside professional
- Fundraising plan
- Code of Ethics or Conflict of Interest Policy
- Insurance coverage evaluation
- Security audit (e.g., key audit and policy)
- Personnel manual, staff and volunteer job descriptions, job performance evaluation form, staff training
- Operations manual
- Emergency operations plan
- Technology audit
- Institutional archives and records retention policy
- Building and grounds maintenance review

Wrap-Up

- STEPs-UT is a partnership between the Utah Division of Arts & Museums, Utah Humanities, and Utah Division of State History, and is supported by funding from the Utah Department of Heritage & Arts, the State of Utah, and the National Endowment for the Humanities.
- Questions? Anything else? Nametags to the basket please.
- Mentor & Mentee Break-out Groups until 5pm.

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