

# The User's Guide to Strategic Financial AudiGraphics

Hyperlinks embedded throughout this Guide take you directly to the information you seek. You can also print the Guide for off-line reading and reference.

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# What Is Strategic Financial AudiGraphics?

## NEW ACCOUNTING IN A NEW ECONOMY

Public radio's economy has shifted remarkably over the years. Once fueled by tax-based and licensee subsidies, it now runs on the voluntary support of the public it serves.

In this new economy, programming creates the public service that development converts into public support. Programming and development – public service and public support – these are the invisible hands now guiding public radio's "public service economy".

This new economy requires a new means of accounting – one that incorporates public service into its calculations. Strategic Financial AudiGraphics offers service-based accounting for public radio's service-based economy.

- It extends traditional financial accounting by **incorporating public service** into its financial calculations.
- It shows that programming is an investment that yields public service, thereby allowing managers to compare programming options on the **cost per unit of public service** each generates – not merely on their absolute cost.
- It also allows managers to compare development options based on their **net returns** – what they yield to the company after expenses – not merely on what they cost or what they return in gross dollars.

- It also determines the efficiency of development activities – **the cost of raising a dollar**.
- It extends this calculus to include **the potential for raising a dollar** – a direct function of the public service that programming provides.

## A NEW MANAGEMENT PLANNING SYSTEM

More than just an accounting tool, Strategic Financial AudiGraphics gives managers a new **strategic financial planning system**.

- It provides a central place to store and readily retrieve actual historic financials and current working budgets.
- It puts financial data in a form that makes sense for strategic planning.
- It encourages you and your colleagues to create and debate planning scenarios and explore "what if" possibilities – both individually and as a team.
- It creates a powerful, detailed analysis within seconds using AudiGraphics' full-color, easy-to-read graphics.

Your AudiGraphics website puts this information and this power at your fingertips from any computer connected to the Internet – whenever you want – without the delay or intervention of any third party.

## The Ledger, the Control Panel, and the Analysis

Strategic Financial AudiGraphics uses an onscreen **ledger** in which you and your colleagues enter, store, and share the financial numbers for your station.

You access your ledger through the **control panel** – the screen that appears when you first click on the Financial option under the Strategic section of your AudiGraphics site.

The ultimate goal is to analyze the numbers entered into a ledger. You can request an **analysis** for any ledger for which you know the password via the control panel.

Click the hyperlinks on this page to learn more about these three components.

## The Ledger

Strategic Financial AudiGraphics uses an onscreen **ledger** in which you and your colleagues enter, store, and share the financial numbers for your station.

There are two kinds of ledgers.

The **Master Ledger** is maintained by your station's Master Ledger Keeper and is protected by a special password. These are the numbers of record upon which all other ledgers are based. [Click here](#) if you are the station's Master Ledger Keeper and would like help in setting up the Master Ledger.

Any other ledger is a **Scenario Ledger**. Anyone at your station with access to your AudiGraphics site can create a Scenario Ledger. Every Scenario Ledger is protected by a password of the creator's choosing. [Click here](#) if you would like help in setting up a Scenario Ledger.

# The Master Ledger

The Master Ledger is key to Strategic Financial AudiGraphics, as its numbers are the foundation on which all subsequent planning is based. They are, in fact, the “numbers of record” for the broadcast service.

The Master Ledger is maintained by the station’s Master Ledger Keeper. The Master Ledger Keeper must be familiar with the broadcast service’s financial numbers, able to consistently and accurately aggregate them into the required definitions, and willing to maintain a running history of both actual and working numbers.

Having one Master Ledger – and one Master Ledger Keeper – ensures the consistency and integrity of your strategic financial data.

As the past is the best predictor of the future, the more time and care invested in your Master Ledger, the more dependable all subsequent planning will be.

It takes only three years of numbers to generate a Strategic Financial Analysis, but each additional year’s entry will increase the reliability of your analysis.

## POPULATING THE MASTER LEDGER

1. First, read “Gathering Your Thoughts and Numbers” and “Organizing Your Information.” Definitions of line items are simple yet crucial to the proper interpretation of your Strategic Financial Analysis.

2. Use the worksheets to collect 12 numbers for at least three consecutive fiscal years.

3. After familiarizing yourself with the Control Panel, open the Master Ledger for the first time.

4. The password is “master\*sheet”. Change it immediately to a password that only you and a senior manager or trusted colleague

know and that you will not forget.

5. Enter your numbers. The ledger is a simple spreadsheet that conforms to most basic spreadsheet conventions. (See “Navigating in the Ledger” for more tips.) Press the Save button occasionally so your work is not lost if you lose your Internet connection.

6. Numbers are initially purple, indicating that they are **working** numbers. When you are sure the numbers for a year are correct, you can flag them as **actual** numbers by pressing the purple toggle icon at the top of the column. The numbers in the column turn black, indicating that they are now actuals.

Note: Black numbers (actuals) are the official word on what was actually spent and earned that fiscal year. Working numbers (purple) are the best honest thinking at the station – such as this year’s or next year’s budgeted amounts.

7. Actual (black) numbers cannot be edited. If you need to refine them, first click on the toggle icon at the top of the column to turn them purple; they are now working estimates again. After making your edits, you can click them back to actuals if appropriate.

8. Store the assumptions and techniques that you used in assembling these numbers in the Comments section of the sheet.

9. Press the Exit button to save your work and return to the Ledger Control Panel. Now you and your colleagues can begin to create planning scenarios based on accurate historical and current budget information.

You can change or add information to the Master Ledger at any time. Changes made in the Master Ledger appear automatically in all Scenario Ledgers the next time they are opened.

# The Scenario Ledger

All ledgers except the Master Ledger are **Scenario Ledgers**.

Scenario Ledgers draw upon the strategic accounting information in the Master Ledger. This firmly establishes all scenarios on past and current reality.

Anyone at your station with access to your AudiGraphics site can create a password-protected Scenario Ledger. Here's how.

## POPULATING THE SCENARIO LEDGER

1. Read “Gathering Your Thoughts and Numbers” and “Organizing Your Information.” Definitions of line items are simple yet crucial to the proper interpretation of your Strategic Financial Analysis. Hint: Your Master Ledger Keeper may have kept notes about the assumptions and techniques behind the Master Ledger's numbers. You can see these in the Comments section of the sheet.

2. From the top menu select Create Ledger; select a broadcast service; enter the name and password for your scenario; and punch the Create button.

3. Notice that your Scenario Ledger opens with the best available audience data (from Arbitron and ARA) and your Master Ledger's financial numbers. Black numbers are the official word from your Master Ledger Keeper on what was actually spent and earned. Purple numbers are working estimates – such as budgeted amounts for this or next year.

4. You cannot edit actual (black) or working (purple) numbers. You can, however, create an alternate set of numbers for any fiscal year by clicking on the toggle icon at the top

of the column. This turns the numbers blue; they are now **scenario numbers** over which you have full control. You can toggle at will between your blue numbers and the black or purple numbers in the Master Ledger.

Although listening updates or changes in the Master Ledger are automatically incorporated into your scenario, you are the only one who can change your blue scenario numbers.

5. Enter numbers for as many years into the future as your scenario covers. The ledger is a simple spreadsheet that conforms to most basic spreadsheet conventions. (See “Navigating in the Ledger” for tips.) Press the Save button occasionally so your work is not lost if you lose your Internet connection.

6. You can also change listening estimates, but you should do so with great care. ARA's best estimates, based on Arbitron data, are shown in black; changed listening numbers are shown in blue. ARA does not recommend changing past years, and we caution that audience is not likely to change drastically in future years unless extraordinary programming or coverage area changes are implemented.

7. Store your assumptions or notes in the Comments section of the sheet.

8. Press the Exit button to save your work and return to the Ledger Control Panel. You can return to your Scenario Ledger to change or add information at any time.

9. Run a full Strategic Financial Analysis of your scenario; it takes less than a minute.

10. Share your scenario with colleagues.

# Navigating in the Ledger

In order to work over the Internet, Strategic Financial AudiGraphics uses a browser-based technology that may respond more slowly than your spreadsheet application does. Please be patient – “click carefully and pause” is a good rule.

## ENTERING NUMBERS & MOVING AROUND

Clicking on a cell places your cursor in that cell and opens it for editing. Enter your number in whole dollars – do not use cents. Use commas if you like. The left and right arrows move the cursor across the numbers in a cell; the backspace and delete keys erase numbers to the left and right respectively.

You can leave a cell in several ways:

- Pressing enter saves your changes and moves your cursor down one cell.
- Pressing the up or down arrow saves your changes and moves your cursor in the intended direction.
- Pressing the tab key saves your changes and moves your cursor to the following year.
- The shift-tab key combination saves your changes and moves your cursor to the previous year.
- Pressing the escape key closes the cell without saving your changes.

Note that the ledger calculates several numbers for you. You cannot change these numbers directly.

The screen can display four fiscal years at a time. You can move to a past year (or open a past year for the first time) by clicking the arrow icon underneath the leftmost column of numbers. Similarly, you can move to a future year (or open a future year for the

first time) by clicking the arrow icon underneath the rightmost column of numbers.

You can delete a whole year of scenario (blue) numbers by pressing the red delete icon at the top of the column next to the year label. Upon deleting a year, the column reverts to the Master Ledger’s numbers (if any).

## GETTING ON SCREEN HELP

You can get onscreen help by clicking on a year label, a line item label, the dollar sign, or the cent sign. Each will open a help window on the right side of the screen. You can close this help box by clicking on the Close button below it.

The instructions behind the line item labels are of particular importance. Clicking on any line item opens a help box that reminds you what to include or not include in each item. These important instructions are explained in more detail in “Line Items.”

## THE BUTTONS AT THE BOTTOM

- The Comments button opens an electronic Post-It note. Use it to memorialize your assumptions about numbers and line items. These notes will help you maintain consistency across years in your scenarios. Scenario Ledgers are created with the comments saved in the Master Ledger.
- The Save button will preserve your work without closing the ledger.
- The Exit button will save your work as you leave the ledger.
- The Quit button will close the ledger without saving your work.

A ledger will always open as it looked when last saved.

# The Ledger's Graphics

The ledger's graphics are advisory only. For a full color graphic analysis, choose Analyze Ledger from the Ledger Control Panel.

## LISTENING & GIVERS

Your ledger always shows a graph in the upper right corner.

- The graph's red line represents listening.
- When you enter giver numbers, a second (blue) line appears on the graph showing your individual givers.

This graph is a visual cue only, showing a rough linkage between giving and the listening upon which it is based.

## DOLLARS & CENTS

When you have entered at least two years of financial data into your ledger, you can create additional graphs by simply clicking on the graph icon next to a line item.

Two new graphs appear.

- The middle graph, marked with a dollar sign, shows information in real dollars.
- The bottom graph, marked by a cent sign, shows the same information in cents per listener-hour. In other words, you see your financial information in the context of the audience you had, have, and anticipate.

You can graph any combination of line items, up to three at a time. The color of the line on the graph matches the color of the graph icon next to the line item it represents.

## REVENUES & EXPENSES

You can graph revenues and expenses at the same time. When you do, a solid black line divides the middle and bottom graphs. This line represents "zero dollars."

- Revenues are graphed above the line.
- Expenses are graphed **below the line** and are treated as **negative numbers** – the greater the expense, the further down the expense line travels.

## GRAPH CONTROLS & COLORING

Year labels **below** the stack of graphs indicate the beginning and ending years drawn by the graphs. You can control which years appear in ledger graphs by clicking the arrows on either side of either date. You can display up to 20 years at one time.

Note that the background color on the graphics represents the state of the financial numbers: gray for **actual** (black) numbers, violet for **working** (purple) numbers, and blue for the numbers in your **scenario**.

## ADVISORY ONLY

Ledger graphs are not intended for analysis; they simply provide visual feedback as you enter your scenario's numbers. A sharp turn up or down, for instance, warns that you have entered one of your numbers incorrectly – or that you have made an implausible assumption.

**Do not try to interpret these graphs any other way.** That comes later – with great clarity – in the analysis.



# How Scenarios Work

A scenario is a strategic plan for the future. Scenarios are typically used to help establish budgets and set performance goals.

Scenarios prepared with Strategic Financial AudiGraphics have the added benefit of illustrating how **development's potential yield rests squarely on programming's ability to serve the public.**

- Strategic Financial AudiGraphics lets you create scenarios using your best honest thinking.
- It offers the reality checks of actual listening to your station, past and current performance of your station's development efforts, and appropriate comparisons with peers of your choosing.
- It provides a means through which you and other managers at your station can share, refine, and converge upon scenarios.

## REALITY-BASED PLANNING

The best scenarios are based squarely in reality. Your Master Ledger's financial record, your ARA/Arbitron audience history, and the interaction of the two (especially the ability of your development endeavors to convert listening into listener-sensitive revenues) are the realities upon which any viable vision of the future are based.

Scenarios can and should be shared, compared, and refined during your budgeting process. Strategic Financial AudiGraphics allows any authorized user at your station to create, analyze, and share a range of budget scenarios. Here's an example.

## LINDA'S THREE SCENARIOS

Linda is WARA's Underwriting Manager and one of four people selling underwriting at the station. Her station manager keeps bugging her to bring in more money, and Linda is happy to oblige.

Unfortunately, Linda's manager is not convinced that he should spend money to make money. Compounding this problem is the disconcerting lack of audience growth over the last several years.

From the historic data in the station's Master Ledger, Linda learns that over the last five years, underwriting revenues have increased each time she hired a new sales rep. In fact, she learns that her department has actually gotten more efficient with each new hire – and it has done so in the face of no appreciable audience growth.

Armed with this information, Linda creates three scenarios to share with her manager.

**Linda's Baseline Scenario** carries forward the current state of affairs. It shows little to no growth in Underwriting's net in the next two years.

**Linda's Optimistic Scenario** shows how an investment in a fifth sales rep will net the station more money – with no significant increase in audience.

**Linda's Dream Scenario** shows how her new five-person shop can net the station a whole lot more money if the PD could increase listening to the service by a mere ten percent.

# Sharing Your Ledgers

Strategic Financial AudiGraphics makes it possible to share your ledgers with two sets of colleagues: those at your station, and those at other stations.

## SHARING WITH YOUR STATION'S STAFF

Every Scenario Ledger is protected with a password imbued by its creator. The password keeps your scenarios private (this is important when you are contemplating staff reductions, for instance). Unfortunately, the password also gets in the way of sharing your scenario with others at your station.

Of course, you can create a “common” Scenario Ledger where everyone in management knows the password (or a Scenario Ledger with no password at all – that too is allowed).

However, anyone with the password can also change, rename, or delete the ledger – not always a good thing.

A better collaborative practice is to make a copy of your ledger, then pass along its name and password to your management group. Others can read it or clone it as the basis for their own scenarios or revisions. In this way your original copy is maintained.

## SHARING WITH PEERS AT OTHER STATIONS

Your AudiGraphics site offers instant access to other stations' Strategic Financial AudiGraphics through its **Peer-to-Peer** feature.

- Peer relationships are consummated only when both stations agree to share the same type of information. As soon as you both agree, mutual access is instantaneous.
- Only Master Ledgers are shared among peers. (As sharing is done to inform real-world benchmarking, peers require only the most reliable “numbers of record.”)
- Your station's offer to share its Master Ledger is independent of its offer to share other information. In other words, you can share your Programming analyses with one set of peers, and share your Master Ledger's financial information with another (or not).
- As a security measure, only the Super User at your site can establish peer relationships. The Super User is usually the program director and/or station manager who signed the AudiGraphics service agreement.
- Because financial information tends to be more sensitive than other information on your AudiGraphics site, your Super User is the only one who can view or analyze peers' Master Ledgers. Of course, this means that there is only one person who can see *your* Master Ledger at any other station.

Of course, you can share the analysis of any Scenario Ledger with a peer simply by running a Strategic Financial Analysis and e-mailing the resulting PDF file.

# The Control Panel

You open the Ledger Control Panel when you select the Strategic/Financial option from the site's main menu.

Your access to all ledgers begins here, from the top pull-down menu. Choose a function by pressing the arrow on the right of the box and highlighting the function you desire.

- You can open, rename, copy, and delete any ledger for which you know the password.
- You can create new ledgers and change the passwords to old ones.
- You can also analyze your ledger. This is the most powerful function – and the ultimate purpose – of Strategic Financial AudiGraphics.
- If you are the Super User, you can also set peer relationships with other stations.

## CHOOSING A BROADCAST SERVICE

Every ledger is associated with a broadcast service – defined as one or more stations covering a specific geographic area. ARA has pre-defined your broadcast services in consultation with your station's management.

Broadcast services are shown on the control panel in the box below your call letters. If your station has more than one broadcast service, you see additional choices in the drop-down menu when you press the arrow to the right of this box.

Note that each broadcast service has its own Master Ledger – independent of the others. ARA calculates the listening to each broadcast service independently, based on the transmitter(s) and geography that defines each.

## CHOOSING A LEDGER

The third box lists all ledgers for this broadcast service. Choose a ledger from the drop-down menu and enter the password in the space to the right.

You can operate only on ledgers for which you know the password. Only the Master Ledger Keeper can open, change, or analyze the Master Ledger (it cannot be deleted or renamed).

## NAMING LEDGERS & CHOOSING PASSWORDS

- You can give a Scenario ledger any name as long as it is unique. It can be up to 30 characters long and contain any character but an asterisk (\*).
- Passwords protect access to your ledgers. They can be up to 30 characters long, and contain any character but a double quotation mark (") or an asterisk (\*).
- Anyone with whom you share the password can read, change, rename, or delete your ledger, so share with care.

## SECURITY AND GOOD PRACTICE

Remember that your password is the only thing keeping unwelcome eyes from your ledgers. So again, always share with care.

Be sure to keep a record of your ledgers' names and passwords.

It is good practice to delete a ledger when you are done with it. This is not an issue of space; it is simply a courtesy to colleagues who may not appreciate sifting through dozens of your partial or discarded scenarios to get to their own.

## Your Broadcast Service(s)

Every Strategic AudiGraphics component works within the context of a specific **broadcast service**.

- A broadcast service is defined by a stream (or streams) of programming, plus the geographic area in which the programming can be heard.

For licensees that operate a single transmitter, the area total reached by their signal typically comprises their broadcast service.

Dual licensees have three natural definitions of service: one for each station (program stream), and a third for the total (combined) service.

Licensees that extend their reach with translators can define services by the geographies they cover.

The following examples show how public stations in the New York market might define their broadcast services. When geography is not stated explicitly, the broadcast service's full coverage area is assumed.

WFUV

WNYC Radio  
WNYC FM  
WNYC AM

WSHU  
WSHU – Connecticut  
WSHU – Long Island

Your station's management and ARA have jointly defined the broadcast services available for your Strategic AudiGraphics analyses.

You can order additional broadcast services by calling ARA at 877-382-9826.

# Gathering Your Thoughts and Numbers

Strategic Financial AudiGraphics requires that you gather only twelve numbers per year. Not many numbers – but they must be the **right** numbers. Understanding how they are used can make your data gathering process quicker, easier, and more accurate.

## BEGIN WITH THE END IN MIND

Strategic Financial AudiGraphics incorporates the ultimate output of your station's endeavor – its public service – into broad financial calculations.

This is important because, in public radio's economy, money pays for public service and public service generates money. Programming and development are self-reinforcing. Indeed, the potential of your station to raise development dollars is determined by its ability to serve listeners.

Strategic Financial AudiGraphics makes these links explicit, and creates a solid basis for strategic planning in public radio's public service economy.

## STRATEGIC ACCOUNTING

Although strategic planning requires solid financial numbers, standard accounting procedures typically yield numbers that are **too detailed** and **too late**.

Strategic Financial AudiGraphics uses a “strategic accounting” method that gathers **just enough** data **just in time** for analysis.

- Strategic accounting requires neither audited nor exact financial data; close estimates suffice.
- Strategic accounting carefully aggregates revenues and expenses into broad lines that make sense from a strategic perspective.

- Strategic accounting lets you characterize revenues and expenses however they make sense in your situation, as long as they are consistent over time.

Indeed, it is more important to categorize items **consistently** from year to year than to categorize them the same as other stations. The most powerful strategic comparison is against your station's historic performance – not another's.

## THE TWELVE NUMBERS

The following sections detail the twelve numbers needed for Strategic Financial AudiGraphics, and offer three worksheets to help you derive these numbers.

- Worksheet 1 defines the **Line Items** in the ledger. It helps you decide what to allocate where.
- Worksheet 2, **Detangling Development**, helps separate underwriting and individual giving expenses at stations where the two functions are under a single department and budget.
- Worksheet 3 may guide your efforts at **Allocating Revenues & Expenses Across Multiple Broadcast Services**.

If you have procedures for handling these situations, **use them**. If you do not, the worksheets will inform your best honest thinking.

Again, consistency across years is key to reliable analysis, and consistency requires documentation – when you return to update these numbers in the future, you will need to revisit the decisions you make today. So save your worksheets for future reference, and record your major assumptions in your ledger's Comments box.

# Organizing Your Information

The strategic accounting ledger differs from a standard financial accounting ledger in two important ways: it puts its totals at the top rather than the bottom, and it includes two non-financial numbers – listener-hours and individual givers.

## THE FOUR SECTIONS

The ledger is organized into four sections: Listening, Givers, Revenues, and Expenses.

- The **LISTENING** line is calculated by ARA from Arbitron data to match your fiscal year. You do not need to gather listening data.
- **GIVERS** – the number of **individual giving accounts**, excluding major donors, at the close of the fiscal year into which gifts were deposited during the fiscal year.
- **REVENUES** – the **total operating revenues** for the broadcast service, comprised of:
  - Development Revenues,
  - The CPB Community Service Grant,
  - Licensee Revenues, and
  - All Other Revenues.
- **EXPENSES** – the **total operating expenses** for the broadcast service, comprised of:
  - Development Expenses,
  - Programming Expenses, and
  - All Other Expenses.

Development's revenues and expenses are itemized into three line items that allow Strategic Financial AudiGraphics to analyze your broadcast service's individual giving and underwriting endeavors.

- Individual Giving
- Underwriting
- Other Development

## WHAT'S IN & WHAT'S OUT

The following worksheets provide more detail on each of the ledger's line items. In general, however, reliable strategic accounting requires that you observe the following:

- Include all revenues and expenses associated with creating, managing, funding, and transmitting each broadcast service's programming.
- Exclude revenues and expenses associated with capital campaigns.
- Exclude revenues and expenses associated with the production, funding, and distribution of nationally distributed programs produced by your station or network.
- Exclude revenues and expenses associated with television if your radio service is part of a joint licensee.
- Exclude revenues and expenses associated with radio reading services.

# Worksheet 1

## Line Items

Strategic Financial AudiGraphics needs **three consecutive years** of information in either a Master or Scenario Ledger before it can create your analysis.

Use this form to record your numbers as you gather them. Details and definitions of each line item follow on the next three pages.

Broadcast Service: \_\_\_\_\_

Prepared By: \_\_\_\_\_

<b>Fiscal Year</b>			
<b>GIVERS</b>			Not including major donors
<b>REVENUES</b>			All cash, trade and in-kind operating revenues
Development Revenues			All revenues from listeners, business, foundations
Individual Giving			All listener contributions, except major gifts
Underwriting			All business support, including trade
Other Development			Major gifts, foundation support, other contributions
CPB CSG			Cash received in this fiscal year
Licensee Revenues			Cash and in-kind from licensee
All Other Revenues			All revenues not from Development, CPB, Licensee
<b>EXPENSES</b>			Operating costs paid with cash, trade, in-kind
Development Expenses			Expenses for listener, business, foundation revenues
Individual Giving			Expenses for listener revenues, except major gifts
Underwriting			Expenses for selling underwriting
Other Development			Expenses for major gifts, foundations, other contributions
Programming Expenses			All direct expenses for national and local programming
All Other Expenses			All expenses not related to Development or Programming

**Notes:** REVENUES is the *sum* of Development Revenues, CPB CSG, Licensee Revenues, and All Other Revenues. These are ALL of you operating revenues for the year.  
 REVENUES should include all cash, trade and in-kind operating revenues. Do not include capital campaign revenues.  
 EXPENSES is the *sum* of Development Expenses, Programming Expenses, and All Other Expenses. These are ALL of you operating expenses for the year.  
 EXPENSES should include all expenses paid with cash, trade and in-kind operating revenues. Do not include major capital expenses.  
 Development Revenues and Expenses are the *sum* of Individual Giving, Underwriting, and All Other Development revenues and expenses.  
 The All Other Revenues line captures major giving, foundation, in-kind, and other forms of revenues.  
 The All Other Expenses line captures expenses related to major giving, foundations, engineering, administration, Internet, and the like.

Assumptions & Comments:

## GIVERS

The number of **individual giving accounts at the close of the fiscal year into which unrestricted financial gifts to this broadcast service were deposited during the year. Do not include major donors.**

“Financial gifts” are cash, stock, or properties that are convertible to cash – not in-kind services or merchandise. “Major donors” are individuals whose contributions(s) for the fiscal year met or exceeded the amount your organization defines as a “major gift.”

Exclude individuals who did not fulfill their pledge; those who made bequests or other planned gifts; and those who made only capital or endowment campaign contributions. Also, exclude purchasers of event or tour tickets, transcripts, cassettes, or other merchandise.

## REVENUES

All cash, trade, and in-kind revenues that support the operation of this broadcast service; in other words, Total Operating Revenues.

Exclude all sources of non-operating revenue (endowment income, capital gifts, etc.). Also exclude revenue from nationally distributed programs produced by this broadcast service (carriage fees and national underwriting income, etc.).

The REVENUES line is comprised of Development Revenues, the CPB Community Service Grant, Licensee Revenues, and All Other Revenues.

## Development Revenues

All revenues derived from listeners, businesses, and foundations. Include unrestricted individual giving of any amount, cash and trade underwriting; foundation grants; employer matching funds; fundraising event income.

Do not include interest from endowment funds; revenue from ticket sales; income from non-fundraising events or tours; transcript, cassette or other merchandise sales; funds raised for capital and endowment campaigns; national underwriting revenue for nationally distributed programs.

This number is the sum of the three revenue lines below it: Individual Giving, Underwriting, and Other Development.

**Individual Giving.** All financial gifts to this broadcast service from individuals who are not major donors.

“Financial gifts” are cash, or stock or other properties that are convertible to cash – not in-kind services or merchandise. “Major donors” are individuals whose contributions(s) for the fiscal year met or exceeded the amount your organization defines as a “major gift.”

Exclude unfulfilled pledges; bequests and other planned gifts; funds contributed for capital or endowment campaigns; interest earned from endowment funds; revenue from ticket sales or from any sort of event or tour; transcript, cassette, or other merchandise sales.

**Underwriting.** Actual income received from underwriting within the fiscal year, including paid public service announcements and spots sold for cash or trade. Do not include foundation grants unless the grant purchased underwriting. Also exclude national underwriting revenue for nationally distributed programs.



**Other Development.** All major giving, foundation, in-kind, and other sources of revenue not from Individual Giving and Underwriting.

Although you should know this number, it is calculated automatically in the ledger by subtracting Individual Giving and Underwriting from all Development Revenues. If the calculated number does not match yours, there is a problem with one of the three numbers on which it depends.

### **CPB Community Service Grant**

The amount of the Corporation for Public Broadcasting's Community Service Grant. Exclude other money received from CPB.

### **Licensee Revenues**

All financial support provided by your licensee, if any. Include cash contributions; in-kind staff compensation (salaries, commissions, bonuses, insurance, and other benefits); in-kind services; in-kind studio, office and other space leases or rentals.

### **All Other Revenues**

All revenues not derived from Development activities, the CSG, or the Licensee.

Although you should know this number, it is calculated automatically by subtracting Development Revenues, the CPB Community Service Grant, and Licensee Revenues from REVENUES. If the calculated number does not match yours, there is a problem with one of the four numbers on which it depends.

## **EXPENSES**

All operating expenses for this broadcast service; in other words, Total Operating Expenses.

Include all expenses paid with cash, trade or in-kind revenues. Exclude all non-operating expenses (e.g., tower construction, studio remodeling, and other capital investments). Also exclude expenses for national program production.

The EXPENSES line is comprised of Development, Programming, and All Other Expenses.

### **Development Expenses**

All **direct** costs for generating Development Revenues – everything spent to raise money from listeners, businesses, and foundations.

Include all expenses associated with individual and major giving, underwriting, foundations, fundraising events, etc. Capture all costs charged directly to a functional or departmental budget responsible for generating development revenue.

Public relations, advertising, marketing, newsletters and program guides are usually not considered direct costs that generate development revenue. Put these under the **non-development** category of All Other Expenses.

This number is the sum of the three expense lines below it: Individual Giving, Underwriting, and Other Development.

**Individual Giving.** **Direct** costs incurred in generating unrestricted cash contributions to this broadcast service from individuals.

Include salaries, bonuses, benefits, and consultant fees. Do not include expenses for major or planned giving, events, or foundation grant writing. Apply the same definition of “major gifts” used for other lines in this ledger.

**Underwriting.** **Direct** costs incurred in generating cash and trade underwriting revenue. This includes salaries, commissions, bonuses, and benefits.

Do not include expenses for foundation grant writing (unless the grant purchased underwriting) or the cost of obtaining national underwriting for locally produced national programming.

**Other Development.** All direct development expenses not directly related to Individual Giving or Underwriting. Includes direct costs incurred in generating major gifts, foundation grants, and other kinds of Development revenues.

Public relations, advertising, marketing, newsletters and program guides are usually not considered direct costs that generate development revenue. Put these under the **non-development** category of All Other Expenses.

Although you should know this number, it is calculated automatically in the ledger by subtracting Individual Giving and Underwriting from Development Expenses. If the calculated number does not match yours, there is a problem with one of the three numbers on which it depends.

## **Programming Expenses**

**Direct** costs associated with acquiring or producing programming for this broadcast service.

Include dues and fees to NPR, PRI, and other national producers. Include salaries, benefits, and other expenses charged to this broadcast service’s programming budget. Also include the news and music department budgets associated with this broadcast service.

Exclude satellite, engineering, or signal transmission costs, and expenses associated with the broadcast service’s public website or Internet audio streaming.

## **All Other Expenses**

All expenses not directly related to generating development revenues or programming. Includes general station management, administration and overhead, public relations, advertising, marketing, newsletters and program guides, engineering and technology, national program production, radio reading services, and Internet activities.

Although you should know this number, it is calculated automatically by subtracting Development and Programming Expenses from EXPENSES. If the calculated number does not match yours, there is a problem with one of the three numbers on which it depends.

## Worksheet 2 Detangling Development

In order to calculate the net returns of underwriting and individual giving activities, Strategic Financial AudiGraphics separately tracks the revenues and expenses for each.

If yours is such a station, this worksheet may help you separate direct expenses. The only right way to do this is the way that makes sense to your management.

Their respective revenues are readily apparent; but their respective costs may be hidden at stations where they operate under a single department and budget.

No matter how you allocate these costs, it is critical to remain consistent from year to year – so save your worksheets.

Fiscal Year \_\_\_\_\_ Service \_\_\_\_\_

	<b>Direct Expenses Only</b>			
	<b>Total Development</b>	<b>Individual Giving</b>	<b>Underwriting</b>	<b>Other</b>
<b>Total Development</b>				
<b>Staff compensation, including salaries, wages, commissions, bonuses, insurance, employer retirement contributions, etc.</b>				
<b>Printing; postage; mail house fees</b>				
<b>Telemarketing vendors fees</b>				
<b>Premium purchase, fulfillment, and shipping</b>				
<b>Other</b>				
<b>Other</b>				
<b>Other</b>				

## Worksheet 3

# Allocating Revenues and Expenses Across Multiple Broadcast Services

For an organization with multiple broadcast services to do strategic accounting for each service, it must first allocate its revenues and expenses across each individual service.

A common example is the development department that fundraises for two stations with distinct formats and audiences. On the expense side, there is a question of how to allocate the director's salary across the services. On the revenue side, some gifts support the general – rather than a specific – radio service.

If you have procedures for handling these situations, use them. If you do not, you may allocate revenues and expenses based on the number of listener-hours generated by each broadcast service. ARA highly recommends this method of allocation when you do not have an established procedure.

You can obtain listener-hour numbers for any of your broadcast services simply by creating or opening any ledger for that service on your AudiGraphics website.

Fiscal Year \_\_\_\_\_

Broadcast Service	Listener-Hours	Percent of Total (use for allocation)
<b>All services combined</b>		<i>100%</i>
Service 1		
Service 2		
Service 3		
Service 4		
Service 5		
Service 6		
Service 7		
Service 8		

# Your Strategic Financial Analysis

Once you have entered three years of numbers into any ledger (Master and/or Scenario), you can get a full Strategic Financial Analysis on-line in less than a minute.

- Choose the Analyze Ledger option from the Ledger Control Panel.
- Choose the broadcast service and ledger to analyze; type in the password.
- Specify a range of years to include in your analysis. You can include from three to twenty years in a single analysis.

Note that Strategic Financial AudiGraphics **automatically trims years** from the analysis that do not contain Listener, Giver, REVENUES, or EXPENSES estimates.

Note also that Strategic Financial AudiGraphics **cannot analyze ledgers containing negative numbers**.

- Select to see your analysis in real dollars or constant (inflation-controlled) dollars indexed to the year of your choice.

Strategic Financial AudiGraphics uses the Bureau of Labor Statistics' Consumer Price Index for All Urban Consumers (CPI-U). For future years, this analysis carries the index forward from the last year for which it is certain. ARA calculates constant dollars based on your actual fiscal year.

- Press the blue Analyze button. In a matter of seconds, Adobe Acrobat Reader opens to display your Strategic Financial Analysis.

You can read your Strategic Financial Analysis onscreen or send it to any printer (printing double-sided and in color is best). You can store it on your computer for future reference

(retain the "PDF" extension of the file name). You can e-mail it to a colleague. Or you can close it and create a new one – with or without changes in your ledger – at any future date.

## WHAT THE ANALYSIS TELLS YOU

Strategic Financial Analysis explores the shifting economic foundations of public service.

- It portrays revenues and expenses as the means of supporting public service.
- It places your managerial decisions in the context of their public service ramifications.
- It assesses your strategic financial planning scenarios in the reality of public service.

Strategic Financial Analysis presents a range of metrics detailing both the **efficiency** and **effectiveness** of your efforts, as well as their **productivity, profitability, and potential**.

- The ability of your development efforts to operate both effectively and efficiently determines their net return – their "profit" if you will.
- The ability of your development efforts to earn this "profit" increasingly determines your ability to maintain and improve your station's programming and public service.
- The ability of your development efforts to raise money rests squarely on the number of listeners who are well satisfied with your programming.

Everything is connected, and Strategic Financial AudiGraphics makes these links explicit. It provides a solid, reality based foundation for managerial evaluation and strategic financial planning.