

**the Business  
of the**

**Arts**

**Professional Development Series**

Entrepreneurial and Technical Training for Artists  
and Small Business Owners

Spring 2019

**LANDSCAPE  
ON ACCESS TO CAPITAL**

Presented by the DC Commission on the Arts and  
Humanities, the Department of Small and Local Business  
Development, and the Office of Cable Television, Film,  
Music, and Entertainment

# WELCOME

Thank you for joining us for the 2019 spring semester of The Business of the Arts. During the six-week program, facilitators from the Department of Small and Local Business Development (DSLBD), Washington Area Lawyers for the Arts, and the DC Commission on the Arts and Humanities (CAH) will provide arts, humanities and creative professionals the knowledge and technical support to improve the sustainability of their business operations. From managing finances to perfecting your brand story, each session guides you through key components of building a successful business and increasing your revenue.

The Business of the Arts Professional Development Series is presented in partnership by CAH, the DSLBD Innovation & Equitable Development Office, and the Office of Cable Television, Film, Music & Entertainment (OCTFME).

## Upcoming classes:

Tax Fundamentals and Strategies, April 10

Copyright and Trademark, April 17

Register online at [dcarts.dc.gov](https://dcarts.dc.gov)

# OVERVIEW

## WHAT IS CAPITAL FOR YOUR BUSINESS?

Capital in a business is money or sometimes assets the business has on hand, in its bank account or through a line of credit that it can spend on costs or purchasing assets such as equipment.

Getting capital into a business is one of the key challenges many new business owners face. That challenge can obscure whether a capitalization strategy and individual options are actually good for the business or the owner.

## START WITH STRATEGIES & WHAT WE KNOW.

Write down at least six options for getting capital into a business, and the pros and cons of that option.

STRATEGY	PROS/CONS
1.	
2.	
3.	
4.	
5.	
6.	

## WHAT DOES IT MEAN TO CAPITALIZE YOUR BUSINESS?

Capitalizing a business is moving beyond a cash flow perspective, and working to grow the balance sheet of the business. Capitalization typically means that the business has debt or equity financing. With a capital infusion into a business, the overall business can be worth more, but sustaining that value is only if the capital is turned into profit-generating activities or materials. Capitalization does not necessarily mean the funds will be spent, but may mean that the business can more readily achieve additional financing at better terms.

### CAN YOUR BUSINESS BE UNDER CAPITALIZED?

Undercapitalization is when a company does not have enough capital for normal business operations and to pay creditors. Undercapitalization may be due to lack of cash flow or an inability to get debt or equity.

### CAN YOUR BUSINESS BE OVER CAPITALIZED?

Yes! Overcapitalization occurs when a company has issued more debt and/or equity than its assets are worth. The sale value of the company is less than the total capitalized value of the company. An overcapitalized company might be paying more in interest and dividend payments than it has the ability to sustain long-term.

### WHAT IS DEBT? WHAT IS EQUITY? WHAT IS CONVERTIBLE DEBT? WHAT IS CONVERTIBLE EQUITY?

Debt is money that is owed back with interest. Equity is selling a share of ownership. Through various legal transactions, some debt can be transformed into equity, and vice versa.

## THE FINANCIAL WORLD OF JARGON

**DON'T LET JARGON GET YOU DOWN, AND DON'T ACCEPT IT.**

**Plain language.** The legal industry underwent a “plain language” movement over the past few decades, whereby lawyers and law schools realized that they could explain the same things they were trying to explain without using jargon. The financial industry has not yet fully undergone a full plain language transformation.

**Don't stop asking until it's clear.** Successful business owners don't necessarily know every financial term, but they ensure that they fully understand what is happening in their finances by demanding that others explain what they mean when discussing financial matters. This is your money and your business: don't take no for an answer.

**Jargon are just lesser used words, so you can always look it up.** Definitions help! When working with financial advisers and institutions, ask them to use plain language and explain what they mean when they use jargon. If they don't, consider new service providers. If you are reading online, use resources like a regular dictionary, or Investopedia or just Google to get to definitions.

**You can take more courses if you like.** You can also access the DC Public Library for specific help. You can access hundreds of resources from anywhere with a valid DC library card, and you can ask the librarians at any branch to help you find resources. One for courses on any topic is Lynda.com, free with your free library membership.

**HOW DO FOLKS FEEL WHEN FINANCIAL SERVICES PROVIDERS USE A LOT OF JARGON WHEN EXPLAINING SOMETHING?**

Language and jargon specifically serves as soft barrier to accessing capital for many. Has anyone witnessed or experience this?

# HOW MUCH MONEY DO YOU NEED HOW QUICKLY?

Accessing capital for your business will require strategy, preparation, and planning. But a key question you should be able to answer for yourself, and for anyone who may provide capital for your business, is how you will use it.

## ASKING FRIENDS AND FAMILY. SCENARIOS.

It can be hard to ask anyone for money, but it happens every day. In small groups talk about some of the ways in which you have recently provided money, or purchased services, because someone was a friend or family member. Some examples may be fundraisers for a good cause. Try to list five examples:

1. \_\_\_\_\_

2. \_\_\_\_\_

3. \_\_\_\_\_

4. \_\_\_\_\_

5. \_\_\_\_\_

Why did you say yes when you received a "yes?"

Why did you say no when you received a "no?"

# PURSUE MULTIPLE STRATEGIES TO CAPITALIZE YOUR BUSINESS

Some businesses try new strategies when a preferred strategy fails. Some businesses layer in multiple strategies. Below is the beginning of a list of possible strategies.

- Bootstrapping
- Working at the same time
- Friends and families
- Bartering services
- Freelancing
- Personal savings
- Sales first
- Loans
- Equity investment
- Crowdfunding
- Reducing costs
- Donations
- Pay what you can
- Alternate revenue streams
- Grants

OTHERS?

Each of these strategies takes time. Many of these strategies have rules.

## YOUR FUNDING STRATEGY

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1. What will you do with this funding?

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2. How and when will you pay the funder back?

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3. What happens if you can't pay them back?

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4. Why do you believe they should fund you?

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5. What else do you want besides funding?

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6. What strategies will you pursue in what order?

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7. What would make you feel confident to make an ask?



## NOT ALL FUNDING IS GOOD FUNDING

Sometimes when businesses struggle to pursue funding, they take a bad deal because they are excited to see a deal offered. The best way to judge whether an offer of funding is good is to do research on the funding partner, to ask others in the industry what kind of deals they have seen, and decide whether it is a good fit for your business right now.

Know your bottom line. As a business owner you should know what sort of funding deals you would turn down because ultimately it will not support your growth or may put you under water.

Look at cost savings. One of the strongest ways to increase revenue in the business is through savings, whether personal savings that you invest or by reducing unnecessary costs the business has taken on. Work to negotiate rates to be lower whenever possible.

Avoid scams. Small business owners are often targeted for scams, many of which are financial in nature. Be aware that DC has usury laws – interest rates have legal limits. Also be aware that if you are the victim of a scam or fraud, you can reach out the Federal Trade Commission, Consumer Financial Protection Bureau, or the Attorney General's office in any state.

### STAY ON EQUAL FOOTING WITH YOUR FUNDERS.

Knowing when to walk away from a deal is important, and can be difficult. Know what you won't accept, and come to the table looking for funding knowing that you are on equal footing to reject a deal if it isn't good enough for you. The funder is also seeking to gain something, so you are always looking for a meeting of the minds and a mutually beneficial arrangement.

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This workshop is a pilot workshop by the Department of Small & Local Business Development's Innovation & Equitable Development's Office. Feedback is welcome.

Please feel free to reach out to Kate Mereand at [Katherine.Mereand-Sinha@dc.gov](mailto:Katherine.Mereand-Sinha@dc.gov) with questions or suggestions.

# ABOUT

## CAH

Established in 1968, the DC Commission on the Arts and Humanities supports programs that promote progress in the arts and humanities through grants, professional opportunities, and other services to individuals and nonprofit organizations in all communities within the District of Columbia. CAH is the designated state arts agency for the District of Columbia, and is supported primarily by District government funds and in part by the National Endowment for the Arts.

## DSLBD

The Department of Small and Local Business Development supports the development, economic growth, and retention of District-based businesses, and promotes economic development throughout the District's commercial corridors.

## OCTFME

The mission of the Office of Cable Television, Film, Music, and Entertainment is to produce and broadcast programming for the District of Columbia's public, educational, and government access (PEG) cable channels and digital radio station; regulate the District of Columbia's cable television service providers; provide customer service for cable subscribers; and support a sustainable creative economy and labor market the District of Columbia.

