

## Enterprise Finance for Artistic Vibrancy in Changing Times

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Keynote Presentation

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# Nonprofit Finance Fund: Where Money Meets Mission



## Served thousands of npos and funders since 1980

- \$280 million loans; \$60 million in New Market Tax Credit deals; over \$1 billion in capital leveraged
- Over 1,000 consultancies/workshops over past five yrs
- Multiple strategic partnerships to place capital

## Nationwide network of experts in nonprofit finance

- Debt, PRI management, New Market Tax Credits
- Financial advisors and educators
- Assistance in structured “equity like” finance for change
- Serve All Subsectors, Mainly Mid-sized, \$2-\$50MM
- Arts & Culture, Media
- Traditionals: Ys, Boys and Girls Clubs, Social Services
- Social Enterprise, Social Entrepreneurs

**“[NFF is]... arguably the most influential voice in the ongoing effort to reshape thinking and practice about nonprofit capitalization.”**

*—The Nonprofit Times*

# Financial survey hot off the laptop... Cautious Optimism & True Grit!

## **We survived**

Increased enrollment by 25% through addition of new programs

We broke even for the first quarter of fiscal year 2009-2010 for the first time in at least 5 years.

Developing more creative and expansive ways of engaging with our audience and outreaching to new potential audience via more social networking, adding in more post-play discussions...

While restructuring our revenue model, we discovered opportunities for revision and development of our programs to increase revenues, increase access and increase capacity. What started as an attempt to cut costs... became a mission-fulfilling program development campaign that now promises to bring our services to more people in a way that is more viable on both the earned and contributed side of our income statement.

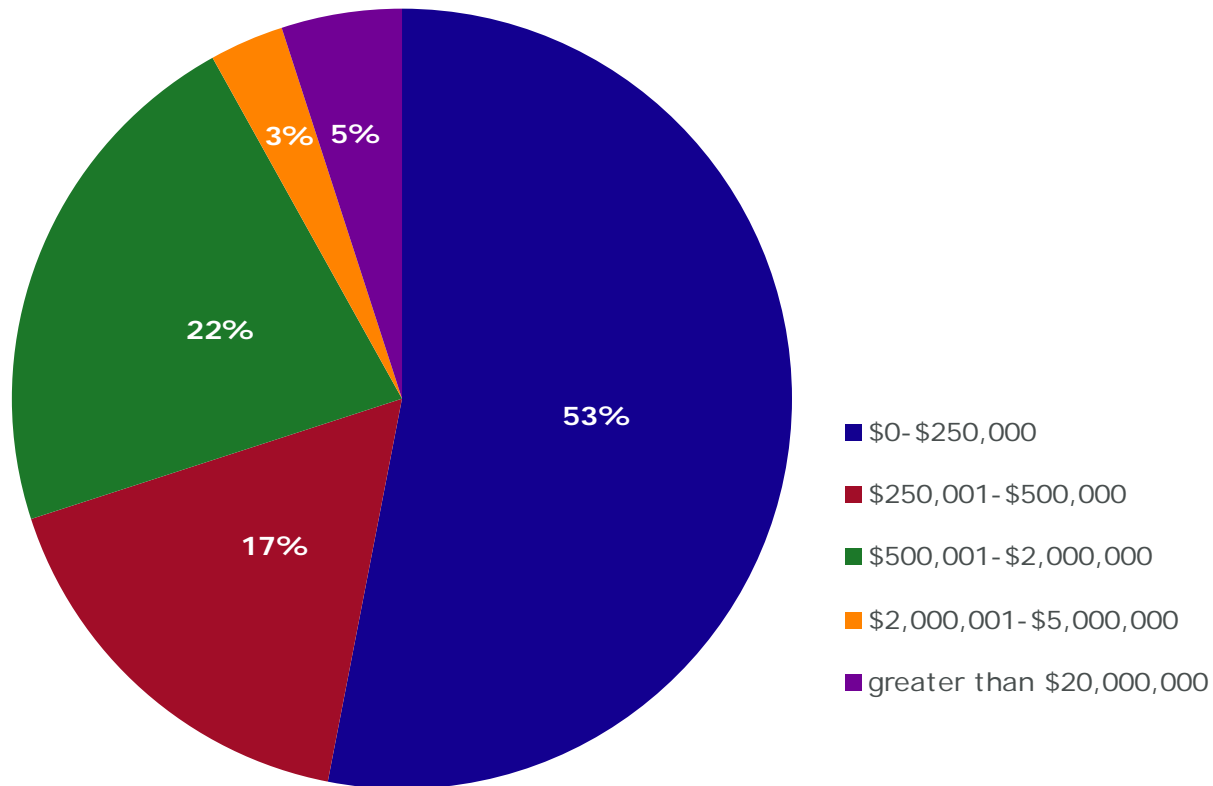
**We are getting more scrappy about funding and finding additional audiences to share our story with, resulting in several, but small, additional funding opportunities.**

**Reduced expenses without reducing salaries**

Proactive action to ensure a balanced budget for 2009 including extending the duration of museum exhibitions, restructuring staff organization, revising hours to add attract more evening visitors.

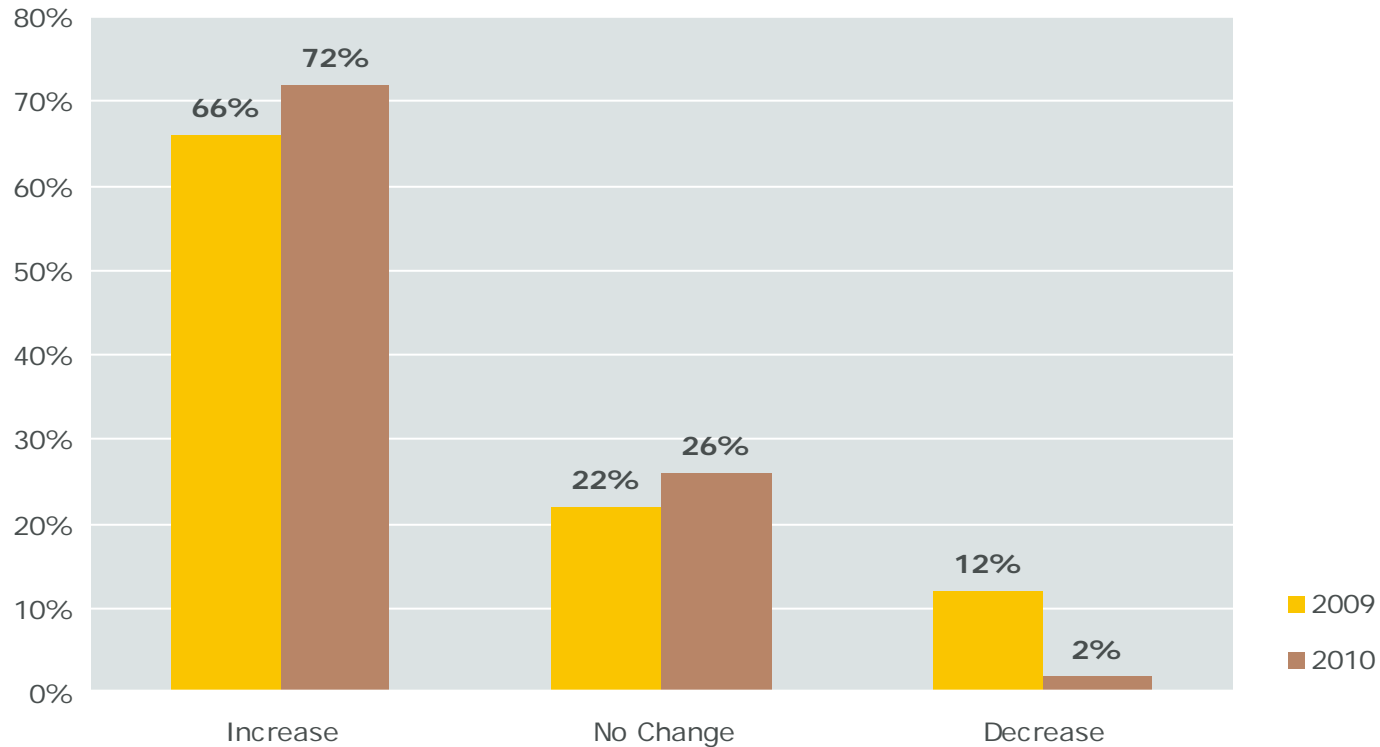
# Sample roughly tracks larger WA arts community on size

## Survey Respondents' Total Annual Operating Expense



# Most anticipate more demand...

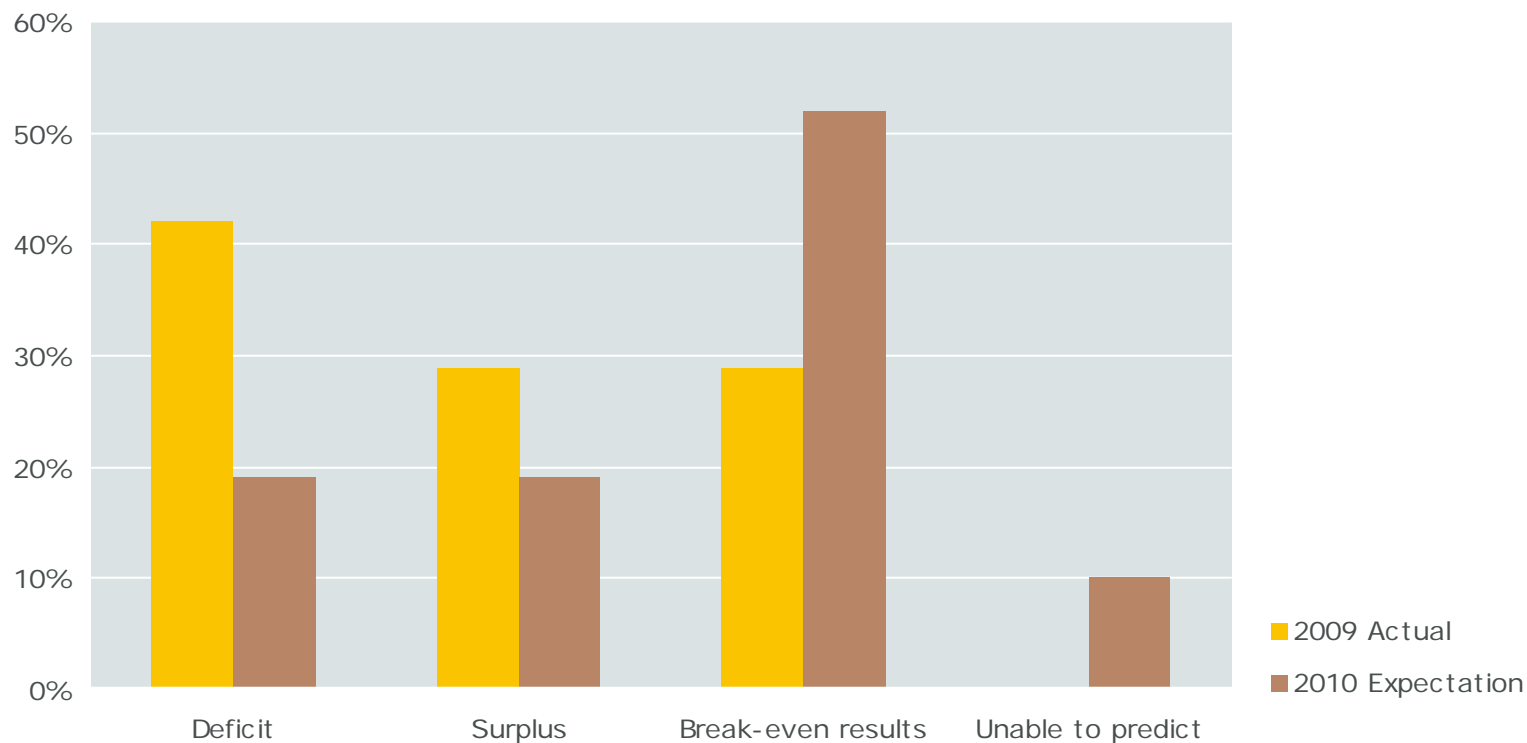
## Service Demand in 2009 & 2010



**If true, this would buck a national trend**

# Yet are cautious about converting demand into revenue

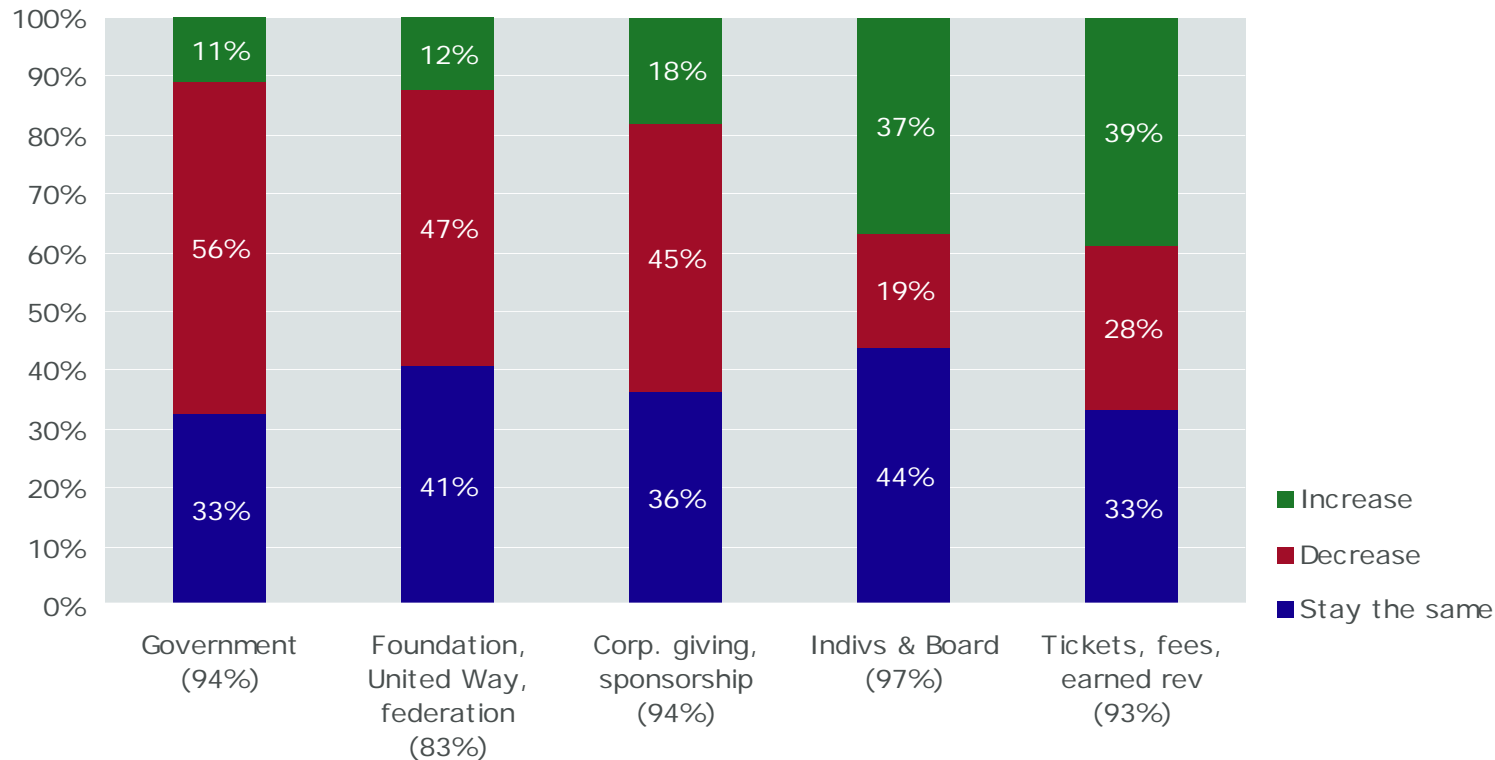
## Fiscal Year Results



**Fewer expect either a surplus or a deficit in 2010 than was actually experienced in 2009—and most are thus predicting a break even year**

# Re: source, pluck tempered by realism

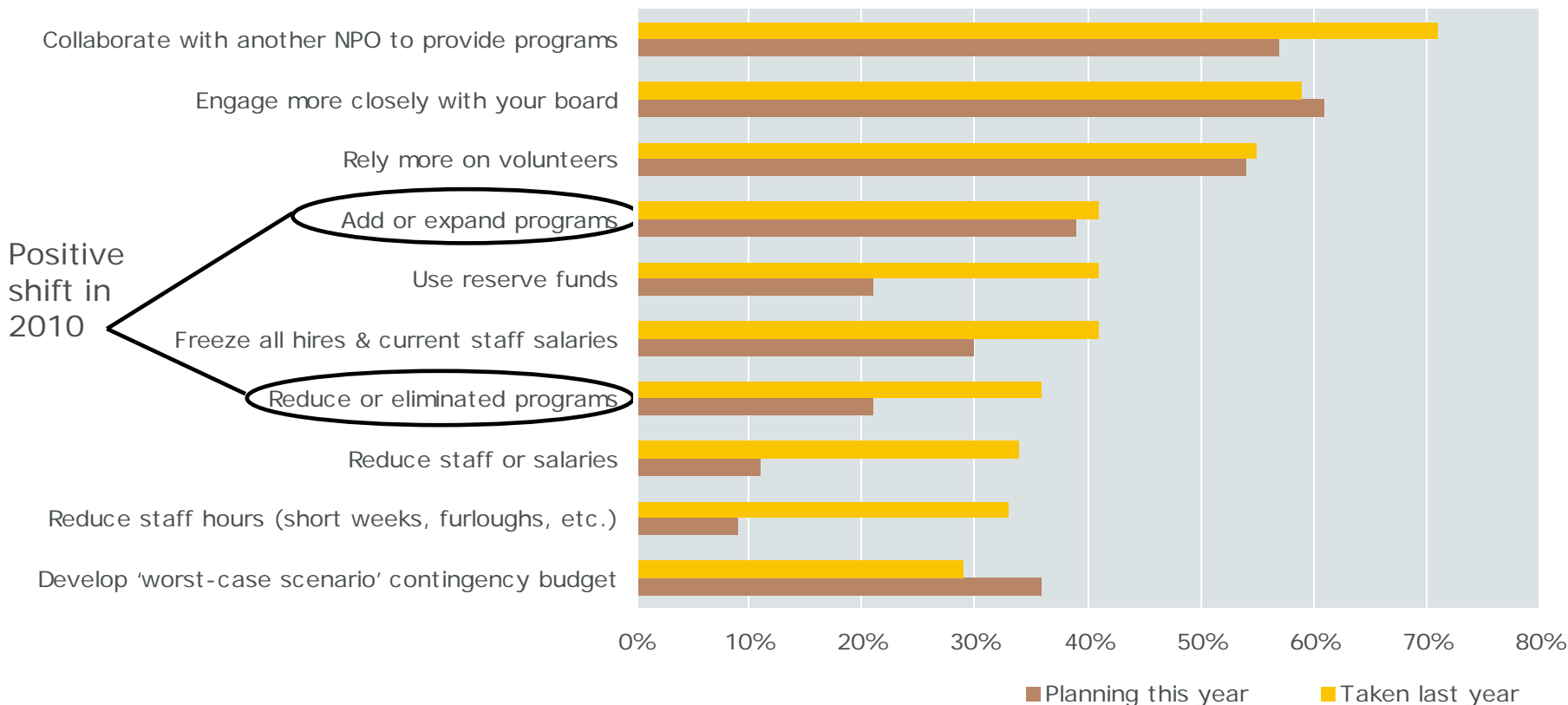
## Revenue Expectations 2010



**Majority expect decline in government; substantial majorities expect decline or no change in all revenue categories**

# Program Collaboration, Board Engagement, Volunteers Key Themes in 2009 and 2010

## Actions taken or planned





- **Nearly 70 % have less than three months' worth of operating expenses in cash**, and 32% don't have enough to cover more than one months' worth
- What is your **financial outlook for your NPO in 2010?**
  - 47% expect it to be more or less the same as 2009
  - **42% think it will be harder than 2009**
  - 10% expect it to be easier
- What is your financial outlook for the **people you serve** in 2010?
  - 51% expect it to be more or less the same as 2009
  - **42% think it will be harder than 2009**
  - 7% expect it to be easier

But what should we be focusing on? has  
the recession *really* changed things?



Symphony Center audience

# The recession is a rubbernecking delay....

In an accelerating drive to economic change





# Weakening of the “pull of place...”

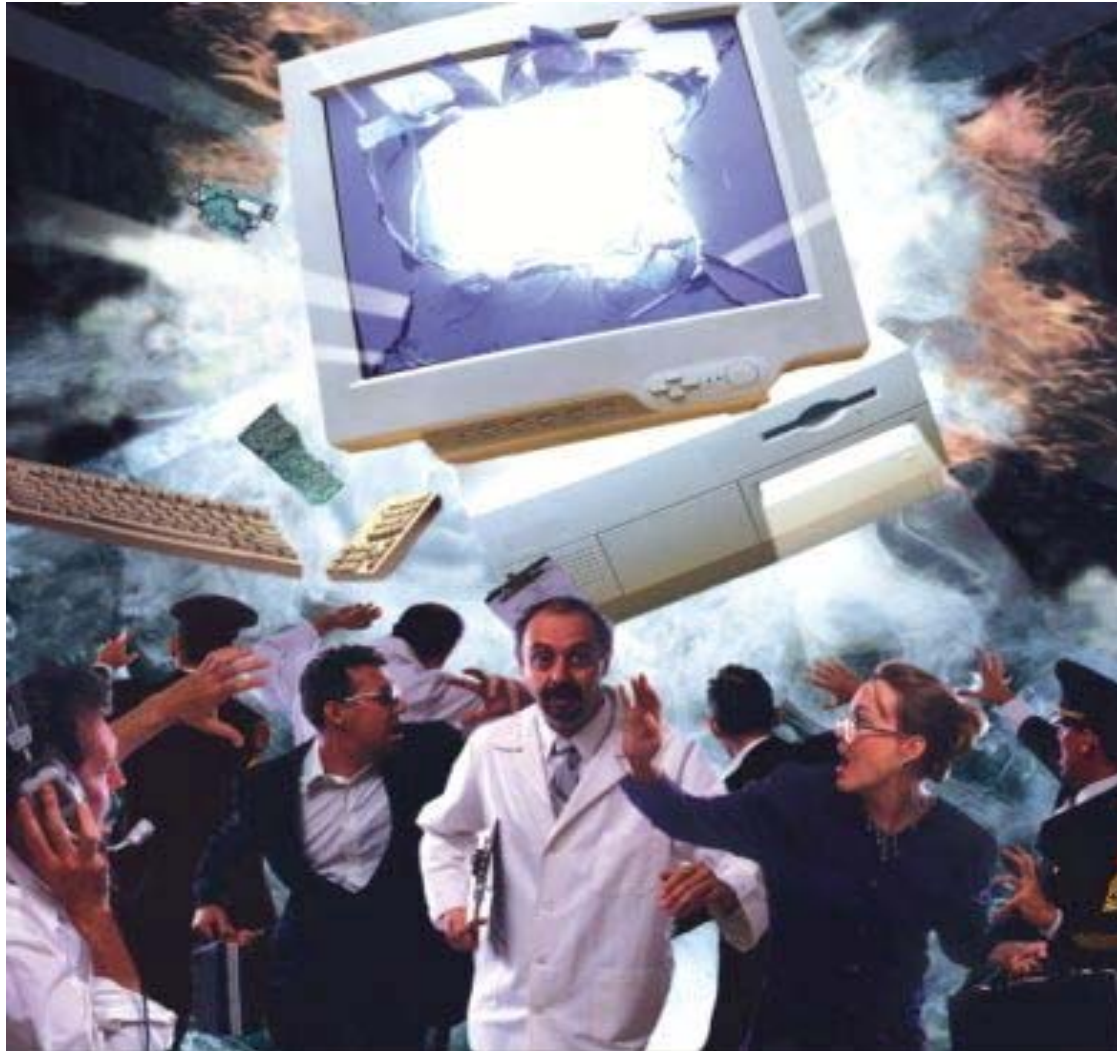




# ...the globalization of labor markets



# ...the explosion of information technology



# ...disintermediation of markets





# What stymies adaptability?





# Horseman #1: Overly Massive Real Estate



# Horseman #2: Too Much Debt



# Requiring a new strategic planning consultant...



# Horseman #3: Torturous Labor Economics

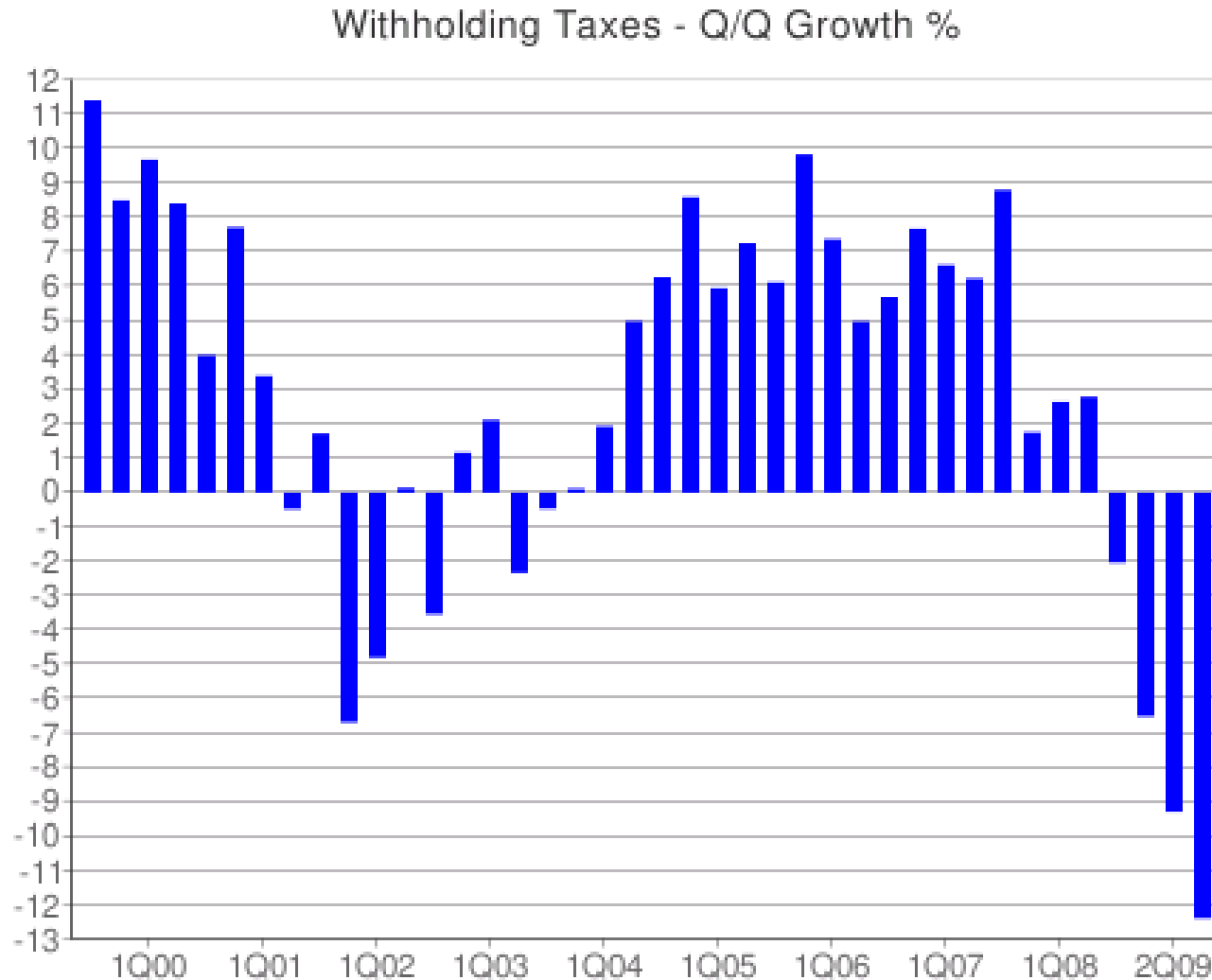




# Horseman #4: Investments “under water” and/or low liquidity...



# Riding toward the inadequate cover of waning and waffling revenue...



# How can we cope ?

*Is a theater the only way to engage audiences?*

**Our average audience age is 59. But they are faithful!**

*Why is it that the more we grow, the harder it gets? What's so great about scale?*

**We're so happy to have a \$1 million endowment But now we're out of cash, the building is costing an arm and a leg, and we have no cash to operate. Plus, the endowment dropped in value.**

*We built it and they didn't come....*

**First—the rental  
Then, a little cash reserve...  
Then, we buy a building  
Then, we get an endowment from a happy, wealthy patron  
Then the heavens open! We never have to fundraise again!**

*This is about artists, and they need to be able to do their work without worrying about the public...*

*I think all this social networking stuff is bunk...a fad. Back to subscriptions, I say.*

**Our strategy was \$2 beer...a line of young people round the block! Back to Basics, I say.**

***We are unique and require a special space...***

**Access to Capital = Access to Debt**

# Dynamic Adaption: Change is different from coping

## Side Street Projects, Pasadena California





# Dynamic Adaptation: Artists without Borders

**Self published**

**Self presented and organized**

**Platform agnostic**

**Direct contact with audiences  
and markets**

**New relationships with  
institutions**



# Dynamic Adaptation: Mash-ups of talent search, social media and professionalism



# “Coping” is not “adaptation”

## ■ Coping and survival

- Leadership, Quality, Market and Luck!
- Strong “enterprise finance” tools and practices
- **Must have? Reliable revenue  $\leq$  fixed costs**

## ■ Adaptation and change

- Leadership, Quality, Market and Luck!
- Emerging practices in capital investment
- **Must have? “change” capital and time**

- **Use the tools of enterprise and face the numbers...or they will undo you!**
- **We serve the public...the risk is to them**
- **We're all in it together...arts managers, artists, patrons, foundations, audiences**

## Serving Nonprofits and Funders Across the Nation

**New England**

**New York**

**Greater Philadelphia, New Jersey & Delaware**

**Washington, DC-MD-VA**

**Detroit**

**San Francisco Bay Area**

**Nationwide**

**To learn more about NFF,  
visit us at [nonprofitfinancefund.org](http://nonprofitfinancefund.org)**

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