

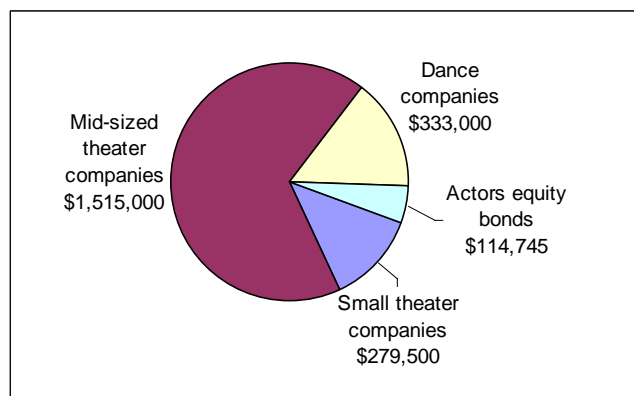
# NONPROFITS ASSISTANCE FUND

Helping Nonprofits Thrive

## Spotlight on Minnesota's Theater and Dance Companies

*A resource article by Nonprofits Assistance Fund*

Nonprofits Assistance Fund recognizes the important role that the arts play in making our community strong and vibrant. We are committed to these community assets and have partnered with theater and dance companies around the state, helping them with cash flow loans, capital campaigns, and union bonding.



From January 2006-December 2007 alone, Nonprofits Assistance Fund approved 37 loans and five Actors' Equity Association bonds to 17 different companies, totaling \$2,242,245.00.

### Economic Impact and Fiscal Health

Theater and dance companies make a measurable economic impact, as well as enhance our quality of life. According to a 2006 fiscal study, *Theatre Facts* by Theatre Communications Group (TCG), theatres contributed nearly \$1.67 billion directly to the US economy in 2006. Minnesota Citizens for the Arts' 2006 economic impact study, *The Arts: A Driving Force in Minnesota's Economy*, found that the arts contributed more than \$838 million to Minnesota's economy in 2006. TCG's study also shows that theaters are in relatively good fiscal health. The majority of US theaters have been in the black since 2004 and in 2006 more theaters saw an increase in their unrestricted net assets (their unrestricted income after taking expenses into account) than in the previous five years. Minnesota Council of Nonprofits' 2007 *Minnesota Nonprofit Economy Report* also found that arts, culture, and humanities organizations in Minnesota had a positive change in net assets. While nonprofit theaters have experienced several years of financial success, TCG's report shows a decline in working capital. As TCG's

Executive Director Teresa Eyring states in the November 2007 issue of *American Theatre* magazine, “A weak working capital profile presents troubling limitations on an organization’s ability to take risks, experiment with new solutions and advance its overall mission.” There are a number of possible reasons for this decline, including the cash flow challenges that are part of the business model for performing arts organizations. Nonprofits Assistance Fund is able to provide flexible financial support and strategic guidance because we understand this model and take into account factors such as production expenses and income sources.

## **Business Model**

Most performing arts organizations will have large variances in their cash flow as a result of the nature of their business, rather than due to financial management practices. Producing a show requires significant upfront costs – performers, directors, designers, stagehands, sets, costumes, lights, sound, etc – which can lead to cash flow struggles. On the other side of the ledger, most theater and dance companies receive income from grants, which arrive sporadically and according to the funder’s calendar, and through subscription and individual ticket sales. Subscription income will come at the beginning of the season, whereas individual ticket sales will occur during the run of a production. Furthermore, many companies have a concentrated production season, even though they have year-round expenses, such as ongoing building maintenance. This means that it is very difficult to match up cash flow with production expenses, even if the total unrestricted income is greater than the expenses. By recognizing what a theater or dance company’s income sources are and identifying the timeline for receiving funds, we are able to provide working capital and bridge loans that help these organizations enhance our community by realizing their artistic visions.

## **Helping Theater and Dance Companies Thrive**

Nonprofits Assistance Fund has made loans to theater and dance companies ranging in size, scope, and mission, including both up and coming and established organizations. We are especially excited to have partnered with nearly every mid-sized theatre company in the Twin Cities metro area, with a particular focus on providing a line of credit for Equity bonds. We agree with Teresa Eyring that “if we succeed in creating replicable and sustainable models and a new sense of engagement among audiences, then this work stands as an investment in adapting the field to a changing environment.” We look forward to continuing these partnerships in the future. For more information on our collaborations with visionary leaders in the performing and visual arts in Minnesota, please visit [www.nonprofitsassistancefund.org](http://www.nonprofitsassistancefund.org).

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This article is authored by Nonprofits Assistance Fund. Nonprofits Assistance Fund helps nonprofits realize their visions. Other resources and articles on nonprofit financial management topics can be found at [www.nonprofitsassistancefund.org](http://www.nonprofitsassistancefund.org). You can contact us at 612.278.7180.