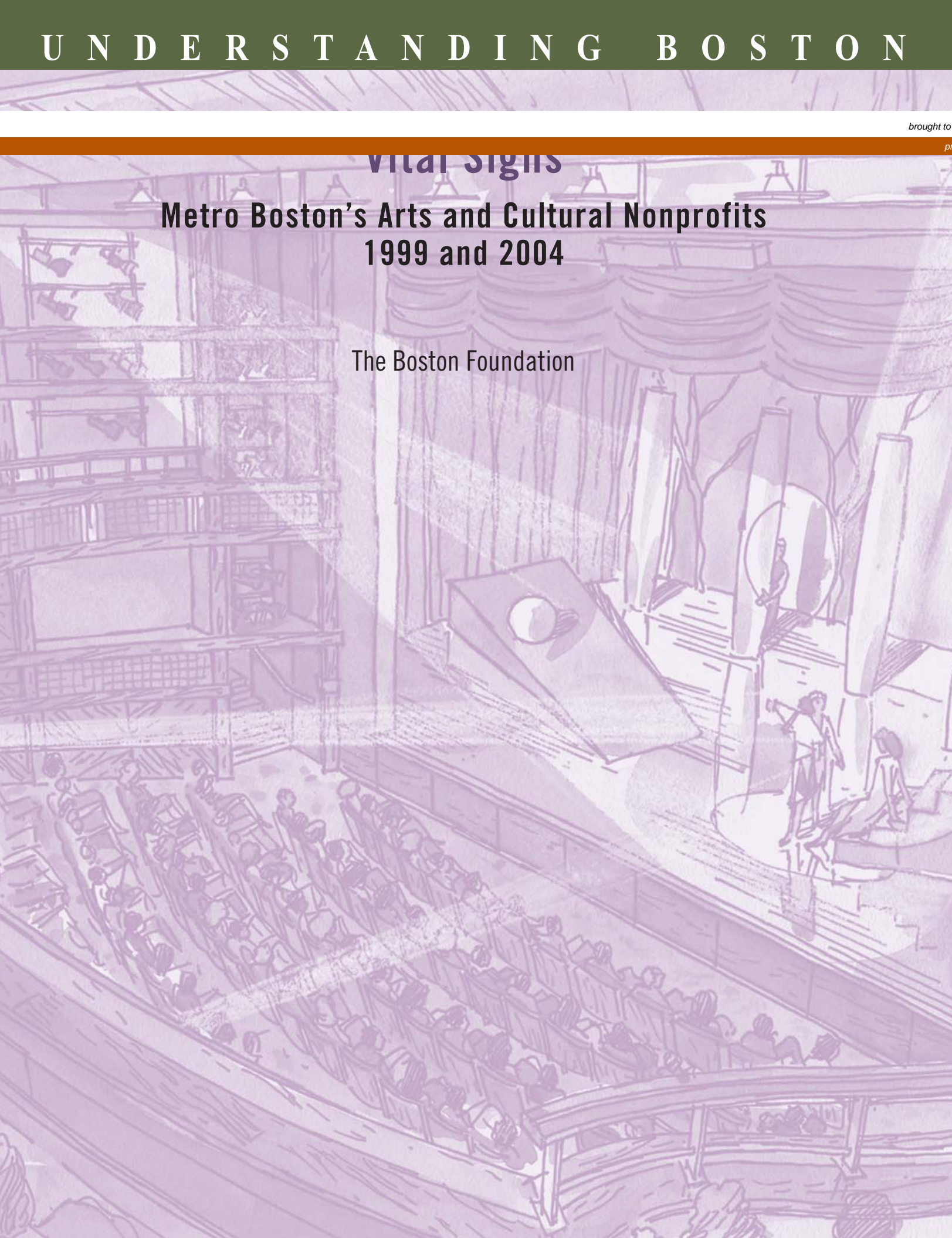


Vital Signs

**Metro Boston's Arts and Cultural Nonprofits
1999 and 2004**

The Boston Foundation



The Boston Foundation

The Boston Foundation, Greater Boston's community foundation, is one of the oldest and largest community foundations in the nation, with assets of almost \$900 million. In 2007, the Foundation and its donors made more than \$92 million in grants to nonprofit organizations and received gifts of \$90 million. The Foundation is made up of some 900 separate charitable funds established by donors either for the general benefit of the community or for special purposes. The Boston Foundation also serves as a major civic leader, provider of information, convener, and sponsor of special initiatives designed to address the community's and region's most pressing challenges. For more information about the Boston Foundation, visit www.tbf.org or call 617-338-1700.

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Preface

Simply put, a thriving arts and culture sector is essential to our social fabric, civic identity, and economic well-being. We all rely on Boston's vibrant cultural life to attract people who contribute to the economy and to our culture of innovation. World-class museums and theaters, film festivals and opera, dance and literary events enliven neighborhoods and inspire our students. They make us think. They provoke and challenge. They help us recall the past and imagine the future.

For all these reasons, the nonprofit arts and culture sector is an important focus for the Boston Foundation. Knowing that these organizations operate in a complex and challenging environment, we use all the Foundation's resources to serve their needs, including grantmaking, convenings, research, reports, task forces and public policy work. Bringing this all together, we are proud to have served as partners in a broad coalition called the Campaign for Cultural Facilities that resulted in the passage last year of the state's historic new Cultural Facilities Fund, which provided grants of nearly \$17 million to 62 cultural organizations across the Commonwealth this fall.

But even as the Cultural Facilities legislation moved from campaign to reality, civic leaders continued to ask about the overall health of Boston's nonprofit arts and culture sector. What does a healthy arts and culture marketplace look like? What are the signs of resilient organizations? And what must Greater Boston do, as a community, to sustain our arts and culture infrastructure?

This report was designed to address those questions. It articulates a vision of a healthy arts and culture sector, and measures how closely Greater Boston comes to that ideal. There are many positive findings, but we see warning signs as well. Metro Boston's arts and cultural groups across all budget categories face intense and increasing fiscal stress. But there is much that the sector's volunteer and executive leadership can do in response—shape compelling visions, understand their audiences, scale operations appropriately, and adopt best management practices.

Donors and supporters must also rise to the challenge. If Boston is to continue as a cultural capital and succeed as a creative economy, our community needs to invest far more generously in our extraordinary arts and culture sector. Increased support from foundations, individuals, audiences, and corporations is one of the most strategic investments we can make in Greater Boston's future.

At the Boston Foundation, the findings of this report only deepened our admiration and gratitude for metro Boston's arts and culture nonprofit leaders. They navigate an ever-changing and intensely competitive marketplace, and, with limited resources, bring brilliance, wonder, and humanity into our lives. We believe this report will serve them well as they develop even better strategies for surviving and thriving. Equally, we believe that *Vital Signs* will serve as inspiration and a call to the larger community—from major donors to audiences—to participate more fully and invest more generously in the nonprofit arts and cultural organizations that so distinguish our region.



Paul S. Grogan
President and CEO
The Boston Foundation

Executive Summary

What does a vital nonprofit arts and culture sector look like? What signs of health should we look for? An earlier Boston Foundation publication, *Funding for Cultural Organizations in Boston and Nine Other Metropolitan Areas*, reported on the sector's fiscal health in 1999, when the country's market indicators were at a high point. The years since have been turbulent. What changed for the sector between 1999 and 2004? Did it continue to grow? Are metro Boston's arts and cultural nonprofits getting the support they need to deliver the programs audiences want?

This report answers these questions by imagining an ideal, then positing and examining four vital signs—four interrelated categories of data—to gauge the sector's state of health.

The supportive environment includes the individuals and institutions that value the sector's contributions to the social and economic fabric of the region and provide financial resources. The supportive environment generates demand while its financial support enables supply. Five indicators were examined: the population's demographics and giving attitudes, the number of organizations per capita, tourism trends, and contributed revenue patterns.

The innovative marketplace is dynamic and has a variety of arts and cultural organizations producing diverse and compelling programming. It allows innovation to flourish and creates space for organizations to reach a scale that enables them to realize their artistic vision. Many organizations remain small, operating for as long as the founders wish to carry out their vision and mission, and then close up shop with a New Orleans-style funeral. Others institutionalize their operations and mission for the next generation, some growing to a larger scale in the process. Institutions with a long history remain dynamic and relevant. Here researchers used data from 534 nonprofits in 1999 and 624 in 2004 to look at sector and subsector growth, change in revenue share, and foundings, foldings, and mergers.

Engaged audiences are drawn to high quality programs that reflect their needs, interests and values. In turn, strong ticket revenue helps nonprofits experiment

with new ideas, artists and programming. Available data included national and local audience statistics, tourism data, program service revenue, and the number of culturally specific organizations. Unfortunately, limited data doesn't allow conclusions about the state of audience engagement in metro Boston; it does highlight warning signs.

Each of these interrelated categories—the innovative marketplace, engaged audience and supportive environment—contribute to the **right-sized organization**. Such an organization has a viable balance sheet, investments appropriate for its activities and scale, and the ability to recruit and retain talent. It has attained a size that enables it to realize its artistic vision and attract audiences and donors. Data available from IRS 990 forms—revenue and expenses, changes in assets, investments in facilities, and total and executive payroll—yields rich information to gauge an organization's financial health as well as sector-wide trends.

The Diagnosis is Mixed

This examination of metro Boston's arts and culture sector reveals areas of good health, along with warning signs of financial stress and questions that call for more data.

The innovative marketplace: The arts and culture sector is dense and varied. In the lower budget range, evidence of churn (organizations entering and exiting the market) suggests there is room for innovation. Several organizations increased in scale over the period of this study—a good sign. Subsectors—performing arts, museums, multi-media—are growing at uneven rates. But we don't know enough about the appropriate level of sector dynamism and change to determine if the churn is adequate, if uneven growth is acceptable, or even if there is enough room for organizations to go to scale. On balance, this vital sign is positive.

The supportive environment: Some indicators suggest that the region has a positive and supportive environment. Boston has an arts-inclined demographic with favorable attitudes towards giving and a strong state

cultural council; the growth of the sector indicates that arts and cultural nonprofits have tapped into these resources.

But, population is static, while contributed income, especially from corporations and foundations, has declined, and lack of home-rule constrains municipal funding. Can institutional support keep up with sector growth? Will individuals, corporations and foundations contribute more generously? We are cautious and watchful.

Engaged audiences: What little data exists for this vital sign shows worrisome trends. Average program service revenue, including ticket sales and program fees, decreased in every budget category when adjusted for inflation. This suggests that audience growth is not keeping pace with the increasing number of organizations. Data for museums and dance organizations also seems to show declining attendance. While Boston's leisure tourism has increased, travelers tend to visit only the largest, most visible institutions.

National data suggests that individual consumption of arts and culture is holding steady as a percentage of income. Assuming this is true locally, where the number of offerings is increasing and population is holding steady, the result is that the same number of people are choosing from more offerings, reducing average attendance. But since consumption may be holding steady as costs of programming rise, it may be that the same number of people are choosing fewer activities from more options, producing even lower average attendance. Data also suggests that arts and culture offerings may not adequately reflect the needs and values of the region's growing minority population; culturally specific organizations are a negligible share of the sector.

These downward trends, combined with the absence of key information, highlight the need for high quality data. They also raise questions about diversity, affordability and competition.

Right-sized organizations: The warnings raised by other vital signs lead to serious concerns about the health of the arts and culture sector. An increasing number of organizations seem to be competing for resources that may not be expanding to match increasing needs. Organizations may not be calibrating their investments in facilities and staff in response

to these market forces, leading to financial stress and an inability to right-size.

It appears that payroll is driving the growth of organizations' expenses and may be crowding out funding for programs. Between 1999 and 2004, the salaries of marketing and development executives rose significantly, outpacing inflation. Given the environment in which these nonprofits operate—a growing number of organizations against a static population with a fixed leisure budget—investments in marketing and development are more important than ever. The issue is not the investments themselves, but the apparent inability of many organizations to afford the expense. This payroll trend, combined with national studies that show an impending leadership deficit for the nonprofit sector as a whole, suggest that arts and culture nonprofits may face difficulties in recruiting and retaining talent.

Of course, there are exceptional organizations that have developed successful strategies to secure the infrastructure and resources they need to thrive. But overall, the right-sized vital sign indicates that the region's average arts and cultural nonprofit faces financial stress and competition for talent.

While this stress is present across the sector, the budget size of an organization affects its flexibility and fiscal vulnerability.

The smallest organizations, with budgets up to \$1.5 million, experienced weakening health. Because this part of the sector experiences the most churn, these nonprofits are fragile by nature. Between 1999 and 2004, operations declined as average revenues decreased faster than expenses. Organizations with negative net assets increased. Increased investments in facilities masked a decline in liquidity. Although staff may be attracted by the innovative nature of the work, because payroll costs capture an increasing share of budgets, these organizations may have difficulty compensating professional talent.

Organizations within the middle budget range, of \$5 to \$20 million, also appear vulnerable. These organizations faced the same decline in operations and drop in liquidity as smaller organizations. Organizations that invested in facilities experienced a decline in unrestricted net assets, while those that refrained from investment saw their liquidity increase. Finally,

mid-sized organizations have difficulty competing with larger organizations for talent.

The largest organizations, with budgets of \$20 million or more, seem to be the healthiest. While they also saw a decline in operations, no organization in this category has negative unrestricted net assets. Their liquidity increased, especially when facility investments, which decreased slightly for this group, are removed from the measure.

These findings call for thoughtful strategies for sustainability and growth that consider an organization's budget size, capacity, and artistic vision. They also point to the need to reframe the debate on compensation for nonprofit executives. Instead of insisting that administrative costs be low, funders and donors should consider the real costs to recruit and retain the high-quality staff needed to run an organization well.

Looking Ahead

We believe that nonprofit boards, executive leadership, and funders should consider the following issues and questions:

■ **Recognize the need for a clear and singular vision.**

Each successful organization demonstrates that a unique and compelling vision will attract audiences and resources in a competitive marketplace. Organizations that have lost their relevance should consider reframing their vision, merging any valuable assets with another institution, or exiting the sector.

■ **Understand audience.** Do the nonprofits in this sector understand the profile, interests and needs of their audiences? Are they creating high quality programs to engage them? If so, what is the appropriate price point, given the abundance of offerings and restrictions on leisure spending? What is the role of minority organizations in reaching diverse audiences, and what should the sector do to support these organizations' growth?

■ **Think about scale.** Given that the average organization faces financial stress, apparently driven by payroll pressure and over-investment in facilities, how should organizations calibrate investments in these areas?

■ **Strengthen current capacity.** Nonprofits that have reached a scale that fits their vision and mission need to ask how to best manage current operations. Smaller organizations may have to think creatively about staffing, especially in marketing and development, and weigh the level of return they can expect from these investments. Larger, more established organizations may want to ask how facilities investments might impact their financial position and if they have the right management team and board leadership to carry out their mission.

■ **Scale up.** Does the nonprofit have a bigger vision than its current scale and capacity allows? Can this vision attract larger audiences and philanthropic support? If so, what level of staffing is required to achieve an appropriate scale, given that any nonprofit will have to increase spending on compensation annually just to maintain current activities? What size of facility investment will help an organization expand, but not over-extend, its reach?

■ **Consider exit strategies.** If a nonprofit lacks a clear vision, struggles to attract audiences and donors, and cannot grow to a larger scale, it should consider exiting the market or merging. The dynamic of organizations leaving the marketplace in the for-profit sector is not replicated in the nonprofit sector. Instead, boards of directors and staff leadership struggle to survive even though the vision has dissipated or lost its resonance. Exiting the market is a difficult issue, particularly because boards may view it as their fiduciary responsibility to sustain an organization regardless of circumstances. However, because a healthy sector must allow nonprofits to enter and exit the marketplace so that innovation can flourish, nonprofit boards and institutional funders need to ask if an organization has run its course.

Metro Boston's marketplace is complex, difficult and often treacherous, but it also holds tremendous opportunity. We hope that this report helps the leaders of arts and cultural nonprofits and their supporters develop strategies that ensure a vibrant arts and culture sector well into the future.

Introduction

What does a vital nonprofit arts and culture sector look like? How do we know that an arts or cultural organization is robust and resilient? What signs of health and well-being should we look for? The goal of this report is to answer these questions and to measure how close metropolitan Boston's nonprofit arts and culture sector comes to an ideal of health and strength.

We began our study with a group of related questions, some prompted by our earlier research into the health of the region's arts and culture sector and others framed by concerns raised by the sector's leaders and supporters.

Individual donors from high net-worth households—people who direct a greater portion of their gifts to the arts than the general population—report that they would give even more if nonprofits spent less on administrative and fundraising expenses.¹ Is this a realistic expectation? What does it cost to run an effective nonprofit and to produce the kind of artistic programming that donors enjoy?

Business leaders, concerned that there are too many nonprofits and not enough corporate donors, call for mergers.² Is the number of nonprofits the real problem and if so, are mergers the answer? Is the significant growth in the nonprofit arts sector a good thing or a management challenge? What does it mean?

Is there too much competition in the struggle for recognition and resources? Has the foundation funding picture changed? What kind of resource development and spending decisions are nonprofit leaders making? What are the implications for the future?

What of the audiences? Is the appetite for arts and cultural experiences declining or simply changing? Do current programs meet the needs and interests of today's audiences?

What about the cultural nonprofit organizations? What is the state of their fiscal health? Are they getting the support they need to deliver the programs that audiences want and that donors want to support? Are they nurturing today's emerging artists, tomorrow's art stars?

What does a strong, dynamic arts or cultural organization look like? What does a healthy, vital nonprofit arts and culture sector look like? What is our vision for the future, and what vital signs should we look for?

Context

Many of these questions were raised by the Boston Foundation's 2003 report, *Funding for Cultural Organizations in Boston and Nine Other Metropolitan Areas*³

That report explored the funding resources available to arts and cultural groups in ten cities:

Boston, Charlotte, Chicago, Cleveland, Dallas, Minneapolis-St. Paul, New York, Pittsburgh, San Francisco and Seattle.

Where did the money come from and how was it distributed in each market?

Examining 1992 and 1999 data, researchers from the nonprofit consulting firm TDC showed how differences in funding impacted the arts and cultural communities in each metro area and how various sized organizations were affected. The data was clear—metro Boston lacked the depth and breadth of funding that cities with more thriving cultural sectors enjoyed. Boston's local foundation funding did not match that of Pittsburgh, Chicago or Minneapolis-St. Paul. The lack of a dedicated tax or other local revenue source put Boston-based organizations at a comparative disadvantage to their peers in Pittsburgh, San Francisco and Seattle. Simply put, in Boston there was not enough money in the arts and culture sector.

The 2003 report also revealed that Boston's metro area had more cultural organizations per capita than any other city in the study. In 1999, in absolute numbers, Boston was clearly a large market—third in the total number of arts and cultural organizations. This put Boston just behind New York and San Francisco, nearly level with the much larger city of Chicago, and ahead of Seattle and Pittsburgh, cities with a comparable population and greater foundation and public resources.

What does a vital nonprofit arts and culture sector look like? What is our vision for the future, and what vital signs should we look for?

Readers learned that from 1992 to 1999, the number of Boston area arts nonprofits grew 70%, outpacing all other cities in the sample, a growth rate that was echoed by metro Boston's total nonprofit sector. The report uncovered one of the key questions we take up here: Is this growth a sign of health, vitality and innovation, or are there simply too many arts and culture groups?

In 1999, in what proved to be boom times, the metro Boston arts and culture market was showing signs of financial stress. Mid-sized organizations were particularly hard pressed—23% of organizations with annual budgets of between \$1.5 million and \$5 million showed negative net worth. Whatever the other data points might have suggested, having more liabilities than assets is not a sign of health.

As early drafts of the report were previewed to advisors and key informants, Funding for Cultural Organizations sparked an intense and often anxious conversation about how the data could and should be used. This led the cultural community to ask the Boston Foundation to help it use the body of new information to create lasting, positive change.

In response, when the report was released in February 2003, the Boston Foundation announced the convening of the Cultural Task Force, a broadly representative group of 64 leaders from the nonprofit, philanthropic, civic and corporate sectors. Their charge: to develop strategies to enhance the revenues and resources available to Massachusetts' nonprofit cultural organizations.

After a year of work, the Task Force released its findings in a publication entitled *Culture is Our Common Wealth: An Action Agenda to Enhance Revenues and Resources for Massachusetts Cultural Organizations*. Early in their conversation, the Task Force members had concluded that when discussing policy, their focus was best held at the state, rather than the metro, level. As the report noted, "when cities and towns don't have local taxing authority, when county government doesn't drive the agenda as it does in other parts of the country, the borders that make a difference are state boundaries."⁴

After a nail-biting veto and an override vote, the state's 2007 budget, including \$13 million for the first Cultural Facilities Fund, was passed. A year later, an additional \$5 million was added to the pool as part of the FY08 General Appropriation.

By the end of the Task Force process — at least twenty committee meetings, many off-line conversations and two state-wide listening sessions later — an action agenda had emerged. To quote from the report:

"The highest priority of the Cultural Task Force and, indeed, the entire cultural community, is a significant, sustained state investment in cultural facilities."⁵

Next, a campaign committee was brought together by the Boston Foundation, the Massachusetts Cultural Council and MAASH (Massachusetts Advocates for the Arts, Sciences and Humanities) to take up the Task Force's charge. It was a propitious moment, as a leadership shift at the State House seemed to foretell greater change. After a nail-biting veto and an override vote, the state's 2007 budget, including \$13 million for the first Cultural Facilities Fund, was passed. A year later, an additional \$5 million was added to the pool as part of the FY08 General Appropriation.⁶

In September 2007, Mass Development and the Massachusetts Cultural Council announced the \$16.7 million in grants from the Cultural Facilities Fund. Forty-five organizations received \$16.2 million in capital grants and seventeen were awarded \$478,688 for planning and feasibility studies. A number of recipients are based in the metro Boston area. Though ongoing advocacy will be crucial for sustained and increased support from the state, the award recipients make a strong case for their positive impact on the tourist economy. (For a list of recipients see Appendix C.)

The Questions

Even as the Cultural Facilities legislation moved from campaign to reality, the Boston Foundation and others began to ask how local arts and cultural organizations had fared in the years since 1999, when the market was at a high point. The years since then have been turbulent. The US economy took a nosedive in early 2001, and while nonprofits were still coming to grips with the implications of the stock market plunge for their endowments and donor giving patterns, September 11th closed airports and theaters alike.

By early 2003, when the first financial and funding analysis was released, the market had hit its low. A year later, there were signs of economic recovery. Looking back in 2006, we wondered—what had changed for the arts and culture sector? What was the fiscal health of these nonprofits?

We knew that the broader media and entertainment marketplace had become increasingly crowded and competitive. For example, in 1980 the country's residents had 28 cable channels to choose from; in 2002, this had increased to 280 cable channels.⁷ Nonprofit arts and cultural offerings represent only a small share of the choices facing consumers as they decide how to spend their free time and discretionary income, while Americans' leisure budgets have not grown.⁸ How does this impact local arts and cultural nonprofits?

With this background, the Boston Foundation commissioned the nonprofit research firm TDC to take a second, deeper look at the financial data. What had changed between 1999 and 2004? Did the sector continue to grow? If so, what does that growth mean? Has the philanthropic environment changed? How did organizations respond to a changing economy? Earlier research showed that the fiscal environment impacted small, mid-size and large nonprofits very differently—how did the recent economic shifts play out across

organizations of different budget sizes? What about the audience? How does metro Boston differ from other cities or regions? And finally, what does the changing economy mean for the future? How should individual donors, foundations, nonprofit managers and board leadership respond? What does the ideal, healthy and vital nonprofit arts and culture sector look like?

The Data

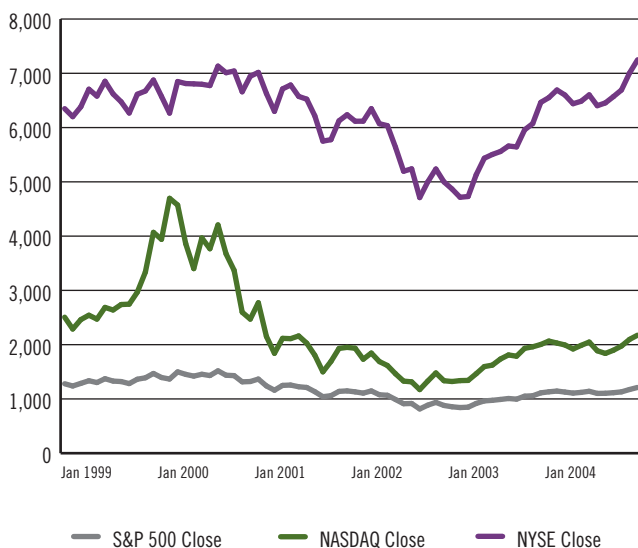
To explore these questions, researchers focused on a particular segment of the arts economy. Like Funding for Cultural Organizations, this report looks at arts and cultural nonprofits within the Boston Primary Metropolitan Statistical Area, or Boston PMSA. This encompasses, roughly, the eastern third of the state.

Similarly, this report looks at nonprofits that classify themselves as arts and cultural organizations.⁹ This excludes a significant part of metro Boston's cultural delivery system. For-profit companies like the Blue Man Group, Broadway in Boston and Scullers Jazz Club are an important part of the broader cultural market, but are not part of this study. Many art galleries, dance studios and music venues are also incorporated as for-profit businesses. This report also excludes arts-related enterprises such as architecture firms and design studios that are a part of many comprehensive economic impact studies.

Nonprofits with a core mission that is not arts-related may also be an important source of arts and cultural experiences—but they are not part of the data collected for this study. Examples include a Boys and Girls Club that offers dance training as part of its youth development work, a community development corporation that invests in a neighborhood theater as part of its economic development program, and a refugee agency that preserves and promotes traditional music to help immigrants adapt to their new country while maintaining links to home.

Even as the Cultural Facilities legislation moved from campaign to reality, the Boston Foundation and others began to ask how local arts and cultural organizations had fared in the years since 1999.

FIGURE 1
Changing Economic Indicators



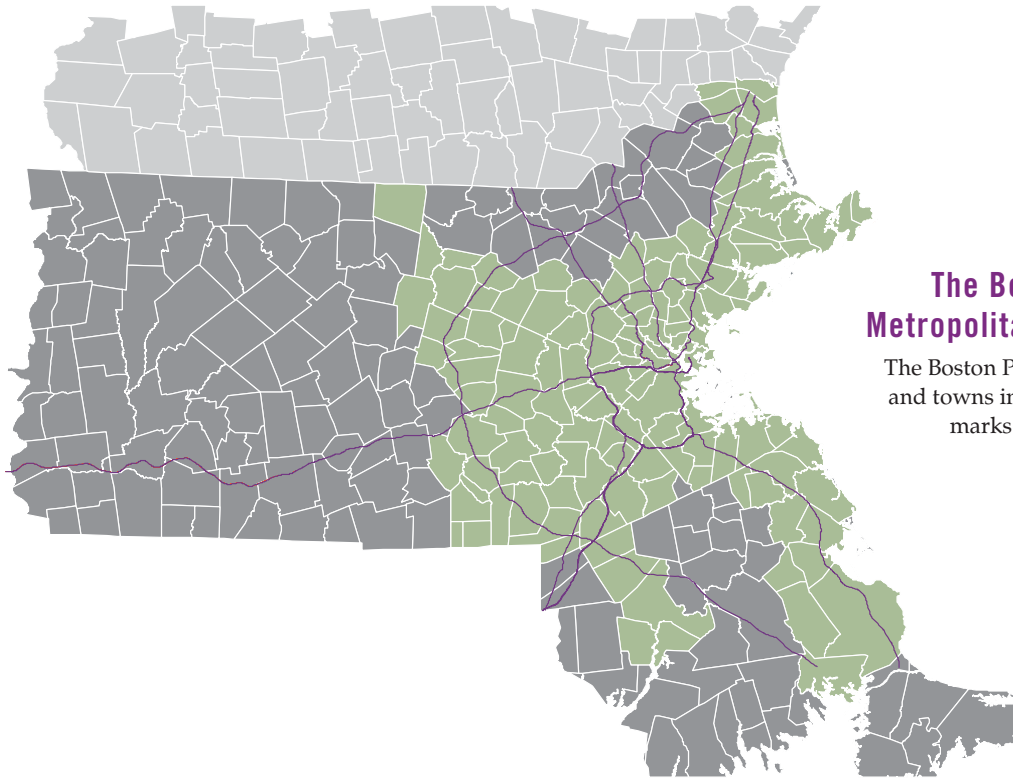


FIGURE 2
**The Boston Primary
 Metropolitan Statistical Area**

The Boston PMSA includes the cities and towns in green. The purple line marks major highways.

Of course, the arts and culture experiences provided by for-profit businesses and non-arts nonprofit organizations add significant value to our communities and the lives of their audience members. But this report focuses only on nonprofit arts and cultural organizations. These include nonprofits devoted to the visual, performing and folk arts—museums, orchestras, art centers and studios—and organizations working in film, video, publishing, journalism, radio and television. Historic and preservation agencies as well as groups that provide services to artists or other arts/cultural nonprofits are also part of the data set.

The reason for this focus is two-fold. First, by using a commonly understood geographic area coupled with clearly defined IRS data, the research is replicable and comparable to other studies. Second, the Boston Foundation uses research such as this to guide its investments in nonprofit organizations within metro Boston, inform its public policy agenda, and help others—donors, public officials, and nonprofit leaders—better understand the assets and challenges of the region.

The Healthy Sector

In this study, we attempt to understand and describe what a healthy arts and culture sector looks like and, with the vital signs clearly called out, to measure how close metro Boston comes to that ideal.

Imagine the ideal. Imagine an innovative sector that welcomes new ideas, new art, new organizations. A sector that preserves the treasures of the past while cultivating young and emerging artists, and encouraging new expression. An arts and culture marketplace where organizations can grow, or end operations gracefully with a celebration of past successes.

Imagine audiences that are excited, engaged and eager to participate. Programs that attract those audiences by reflecting their needs, interests and cultures.

Imagine strong, resilient arts and cultural organizations that have the resources, financial and human, to invest in new ideas, excite audiences and be part of a vibrant cultural sector.

What needs to be measured to gauge just how close metro Boston is to achieving that ideal? As the research advanced, and our vision of an ideal nonprofit culture sector became clearer, four broad, interrelated categories of information—four vital signs—emerged:

- Innovative marketplace,
- Supportive environment,
- Engaged audiences, and
- Right-sized organizations.

The **innovative marketplace** is dynamic, offering a wide variety of arts and cultural organizations producing diverse and compelling programming. It is an environment that allows innovation to flourish and creates a space for organizations to reach a scale that enables them to realize their artistic vision. Many organizations start off and remain relatively small, operating for as long as the founders wish to carry out their vision and mission, and then close up shop with a New Orleans funeral. Other nonprofits institutionalize their operations and mission for the next generation, some of them growing to a larger scale in the process. Institutions with a long history remain dynamic and relevant.

The **supportive environment** includes the individuals and institutions that value the sector’s contributions to the social and economic fabric of the region and that provide the arts and culture market with financial resources. The supportive environment generates a

Imagine the ideal. An innovative sector that welcomes new ideas, new art, and organizations, and preserves the treasures of the past; a sector where organizations can grow, or end operations gracefully; a sector of resilient organizations with the resources to invest in ideas and programs that excite audiences and donors.

demand for arts and culture while its financial support enables the supply.

In the ideal system, **engaged audiences** are drawn to high-quality programs that reflect their needs, interests, and values, and that also have the ability to provoke them to experience another point of view or culture.

In turn, strong ticket revenue helps nonprofits experiment with new ideas, new artists and new programming. The engaged audience actively participates in

programming, fueling ongoing support of the arts and cultural nonprofits that produce the work it loves.

Each of these categories—the innovative marketplace, engaged audience and supportive environment—contribute to the right-sized organization. These organizations have a viable balance sheet, investments appropriate for their activities and scale, and the ability to recruit and retain talent; they have attained an appropriate size that supports their capacity to realize their artistic vision to the fullest extent, and to attract audiences and donors who support their visions.

Together, positive indicators in each of these four areas represent a healthy sector that can generate high quality, engaging art and cultural offerings. A healthy sector generates and sustains organizations that execute unique and compelling artistic visions to the delight of supportive audiences and donors.

FIGURE 3

Each Vital Sign is Grounded in Multiple Data Sets

Innovative Marketplace	Supportive Environment	Engaged Audience	Right-Sized Organization
<ul style="list-style-type: none"> • Sector growth • Change in revenue share • Foldings, foundings, and mergers • Subsector growth 	<ul style="list-style-type: none"> • Population demographics • Giving attitudes and practices • Organizations per capita • Trends in government, corporate and foundation support • Contributed revenue 	<ul style="list-style-type: none"> • Various audience data • Local and national audience size • Tourism data • Program service revenue • Number and size of minority organizations 	<ul style="list-style-type: none"> • Financial trends by budget category: <ul style="list-style-type: none"> • Revenues and expenses • Changes in assets • Facility costs • Payroll and staff size

FIGURE 4

Each Vital Sign has Positive and Negative Indicators

	Innovative Marketplace	Supportive Environment	Engaged Audience	Right-Sized Organization
POSITIVE INDICATORS	<ul style="list-style-type: none"> • Growth continues • Churn demonstrates innovation • Broad and stable distribution of subsectors 	<ul style="list-style-type: none"> • Dense cultural market • Arts inclined demographic • Favorable giving attitudes • Mid-size organizations receive increasing share of foundation funding • Strong state cultural council 	<ul style="list-style-type: none"> • Increasing leisure tourism • Lack of data makes analysis difficult 	<ul style="list-style-type: none"> • Increasing URNA (Unrestricted Net Assets) for largest organizations
NEGATIVE INDICATORS	<ul style="list-style-type: none"> • Larger organizations losing revenue share • Average revenue decreasing or static for subsectors, excluding visual arts 	<ul style="list-style-type: none"> • Static population • Decreasing contributed income • Declining corporate and foundation support • Lack of home-rule 	<ul style="list-style-type: none"> • Declining attendance (limited data) • Decreasing program service revenue • Share of minority organizations does not reflect population 	<ul style="list-style-type: none"> • Negative URNA increasing • Revenue decline outpacing expense cuts • Payroll growth driving total expenses • Marketing and development salaries growing rapidly

Vital Signs

That’s the ideal — our vision for the future. How close does metro Boston come to this vision of a healthy, generative arts and culture sector? To find the answer, this report looks at and analyzes data—quantifiable measures or indicators—in each of the four vital sign categories. Considered together, these vital signs provide a gauge of the sector’s state of health and well-being.

Our study found many positive indications of health in the arts and culture sector. As the reader will discover, the data shows that the number of arts nonprofits continues to grow, particularly in the lower budget ranges where some of the most cutting-edge, experimental work takes place. It appears that metro Boston may continue to support more cultural organizations per capita than other major U.S. cities. These trends suggest an innovative marketplace and a supportive environment.

The abundance of opportunities to participate in arts and cultural activities should translate into engaged audiences. Indeed, many organizations have attracted an enthusiastic audience with high-quality, provocative programming. However, limited audience partici-

pation data demonstrate an overall downward trend. In addition, metro Boston is increasingly ethnically diverse, but its arts and cultural offerings, as measured by the number of minority organizations, do not reflect this change. However, more information and research is required to provide a deep assessment of the state of audience participation and attendance.

Each of the three categories—the innovative marketplace, the engaged audience, and the supportive environment— affects the resiliency and scale of individual organizations. But other data points reveal a growing number of arts and cultural nonprofits that are experiencing continuing, even increasing, signs of financial stress. As before¹⁰, those in the middle budget ranges are particularly pressed.

This report examines each category of vital signs in turn to reveal the complex environment that the region’s cultural leadership confronts. In the process, it reveals positive indicators of health as well as some weaknesses that need to be addressed if metro Boston is to realize the potential of its cultural organizations and create a truly great arts and culture sector.

CHAPTER ONE

The Sector in Context

National and State Trends

To provide context for this study of the local nonprofit arts and culture sector, we looked at what changed in the broader nonprofit sector at the national and state levels between 1999 and 2004. Three key trends emerged:

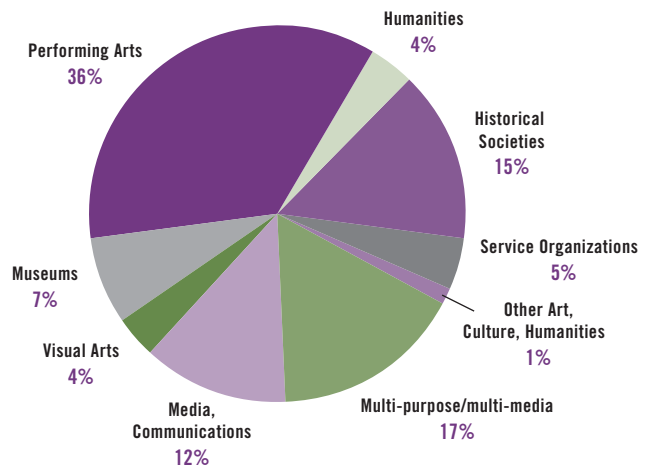
- **Growth and Density.** The national nonprofit sector is growing at an unprecedented rate, with the number of nonprofits tripling in the last 20 years.¹¹ A forthcoming Boston Foundation report shows similar rates of growth; nonprofits in Massachusetts more than doubled from 1989 to 2003. Massachusetts has more nonprofits per capita than the national average. Arts and cultural organizations account for a large share of the state's nonprofit sector, ranking fourth out of ten different nonprofit sectors in total number of organizations.¹²
- **Leadership Deficits.** A growing body of national research shows an increasing need for nonprofit managers just as many baby boomers intend to retire. At the same time, younger workers express ambivalence about assuming leadership positions and there is a lack of training and professional development resources to develop new leadership. A recent study also indicated that there is also growing shortfall of nonprofit board members.¹³ At the state level, the high per capita number of nonprofits, the transient professional population, and the high cost of living suggest that Massachusetts will be a prime candidate for leadership shortages.
- **Rising Compensation and Scrutiny.** Nationally, nonprofit salaries are growing. Sixty-nine percent of respondents to a national online nonprofit compensation survey had salary increases in the previous six months.¹⁴ A survey targeting nonprofits in San Francisco revealed that 40% of these organizations had raised salaries beyond the standard cost of living increase between 2000 and 2001.¹⁵ These salary increases are occurring in tandem with heightened scrutiny of nonprofit executive salaries by the media and government officials at the national and state level.¹⁶

The Arts and Culture Sector in Metro Boston

What does the arts and culture sector look like at the local level? Performing arts organizations comprise the largest share, at 36%, of the metro area's nonprofit arts and culture sector. Multi-purpose and multi-media organizations—organizations with multi-faceted purposes and programming—constitute the second largest subsector, comprising 16% of all arts and cultural organizations. This subsector includes arts education organizations, organizations that are dedicated to generating cultural or ethnic awareness, as well as local arts councils and agencies. Historical societies and media/communications nonprofits round out the list of subsectors with a greater than 10% share of all nonprofit arts and cultural organizations.¹⁷

Boston Foundation research suggests that trends within this robust and diverse local arts and culture sector reflect the trends identified in the state and national nonprofit sector. In recent years, the national nonprofit sector has experienced tremendous growth. Similarly, we see the same growth, upward pressure on salaries and competition for leadership at both the state and the local level.

FIGURE 5
Components of the Arts/Cultural Sector
in Metro Boston in 2004



CHAPTER TWO

The Innovative Marketplace

A healthy arts and culture sector requires an innovative marketplace—a marketplace with a broad cross-section of arts and cultural organizations of different sizes, types, and missions generating diverse and compelling programming. This innovative marketplace is dynamic: many organizations start off small and operate for as long as the founders wish to carry out their vision and mission, while other organizations institutionalize and reach greater scale.

To see how metro Boston’s arts and culture sector compares to this ideal, we looked at sector and subsector growth, change in revenue share, and foundings, foldings, and mergers.

The number of organizations continues to grow, driven by a growth in the number of small organizations.

The indicators used for the innovative marketplace point to many positive trends. Boston continues to support a very high number of organizations per capita. In fact, the number of organizations per 10,000 people increased from 1.6 to 1.9 from 1999 to 2004.

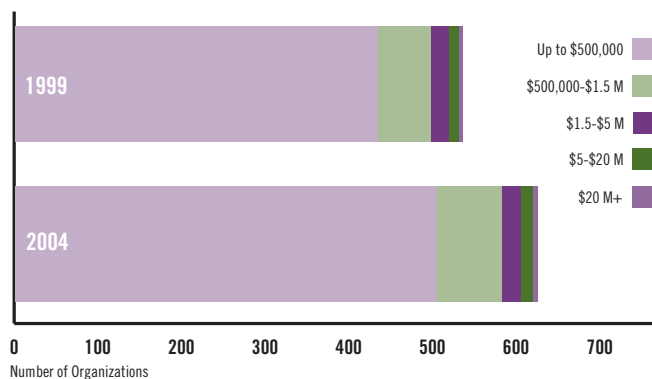
The number of organizations continues to grow overall, driving this increased density; from 1999 to 2004, the number of arts and cultural organizations in metro Boston grew by 17%. The majority of this growth took

FIGURE 6
**Indicators and Trends:
The Innovative Marketplace**

The Innovative Marketplace	
Indicators	Trends
<ul style="list-style-type: none"> • Sector growth 	<ul style="list-style-type: none"> + Growth continues + Broad and stable distribution of subsectors
<ul style="list-style-type: none"> • Change in revenue share 	<ul style="list-style-type: none"> + Churn demonstrates innovation - Larger organizations lose revenue share
<ul style="list-style-type: none"> • Foldings, foundings and mergers 	<ul style="list-style-type: none"> + Churn demonstrates innovation
<ul style="list-style-type: none"> • Subsector growth 	<ul style="list-style-type: none"> ? Average revenue decreasing or static for subsectors, excluding visual arts

place in the lower budget ranges where we believe some of the most cutting-edge, experimental work takes place. Even with the more rapid growth of small organizations the distribution of organizations across budget ranges remained static.

FIGURE 7
Growth in the Arts and Culture Sector



	1999	2004	% Change	% Share Change
Up to \$500,000	433	503	16%	-4.9%
\$500,000-\$1.5 M	63	78	24%	0.1%
\$1.5-\$5 M	22	23	5%	-0.7%
\$5-\$20 M	12	14	17%	-0.1%
\$20 M+	4	6	50%	0.2%
TOTAL	534	624	17%	N/A

Are Mergers the Answer?

Are mergers the answer? Will the quandary of limited resources for seemingly unlimited cultural nonprofits be solved by mimicking the commercial sector?

Money is the prime motivator in the for-profit world. Mergers and acquisitions reduce competition and cut costs, often by reducing staffs in addition to merging systems. Procter & Gamble's 2005 merger/acquisition of Gillette turned a competitor into a brand and made P&G the world's largest consumer goods company. Similarly, Bank of America's purchase of FleetBoston created the nation's second largest banking company and launched a restructuring process that resulted in layoffs.

Mission, not money, is the driver for nonprofits, even when economic insecurity or the need to right-size is the impetus for exploring merger options. Nonprofits can establish a competitive advantage by advancing a unique and compelling mission that attracts enthusiastic audiences and philanthropic support. This emphasis on mission can be an asset in the change process, or, when proponents cling too tightly, mission can be a shield. Smaller nonprofits, especially those that are founder-led, may be particularly prone to using mission as a defense against change even when declining audiences and the inability to attract financial resources signal that the mission may no longer be relevant.

In many cases, there is little or no money to be saved by merging. Nonprofit hospitals and large social service agencies with big staffs and a revenue mix that includes third-party reimbursements, may see net savings in combined operations, but the equation for the cultural sector is considerably different.

Most small and mid-sized cultural organizations are already operating with such minimal staffs that layoffs would not be possible without reducing or eliminating the program or activity that embodies the mission. Occupancy costs might figure into the cost saving calculations, but smaller organizations often work out of office space that is donated or discounted. Production space—studios, rehearsal halls, theaters—fill very specific needs and represent leases that are unlikely to be dropped after a merger. In fact, nonprofit mergers are sometimes a strategy for growth, requiring significant and sustained investment based on detailed business planning and analysis. Cost savings aside, a nonprofit merger can also address operational effectiveness and programmatic quality and quantity. And, as in the commercial sector, nonprofit mergers can increase constituencies (audiences or customers), eliminate or absorb a competitor for resources (earned or contributed income), and increase visibility and clout.

Any consideration of nonprofit mergers needs to take into account the complexities, time and opportunity costs involved in planning and executing these transitions. Getting buy-in for a merger necessitates many rounds of dialogue with multiple parties including board and staff leadership of the organizations considering the merger as well as donors, funders and other stakeholders. This consensus building process may take years to complete.

Organizational mergers, strategic alliances, and even the sharing of back office systems are important tools for managing, growing and changing nonprofit organizations. They are tools that should be in every manager and board's toolbox. But mergers are not a cure-all for the growth of the nonprofit marketplace.

FIGURE 8

Growth in Market and Change in Revenue by Subsector

Subsector	# Orgs 1999	# Orgs 2004	% Growth	Change in share	% Change Average Revenue
Multipurpose Arts/Cultural	86	103	20%	0.4%	-1%
Media/Communications	66	77	17%	0.0%	-39%
Visual Arts	17	23	35%	0.5%	23%
Museums	44	46	5%	-0.9%	1%
Performing Arts	189	223	18%	0.3%	-4%
Humanities	21	23	10%	-0.2%	-16%
Historical Societies & Related	82	93	13%	-0.5%	-6%
Arts Service Organizations	26	29	12%	-0.2%	-7%
TOTAL	534	624	17%	—	-16%

The marketplace continues to support a wide variety of subsectors, but these are growing at uneven rates.

Growth in the number of organizations took place across all subsectors. The number of museums grew at the slowest rate, and the number of visual arts, multipurpose, and performing arts organizations, grew at the fastest rate. The growth in performing arts organizations occurred across all budget ranges, while the increase in multipurpose and visual arts organizations took place in the smaller budget ranges.

Despite these varying rates of growth in different subsectors, there was relatively little change in share across the subsector categories. These findings suggest that the marketplace continues to support a broad range of offerings.

Change in the share of average revenue across subsectors, however, did not mirror this growth in the number of organizations. While visual arts organizations saw a significant increase in revenue, other subsectors were static or experienced a decrease in average revenue. Could the standout growth in average revenue for visual arts organizations suggest that this category is doing a better job of meeting market demand?

Evidence of Churn and Innovation in the Marketplace

Looking more deeply at the dynamics of organizations within different budget ranges, data analysis shows little change in the share of population and revenue

in any budget category. However, an examination of the number of organizations entering and exiting the market—the churn—shows that the majority of turnover takes place among organizations in the lowest budget category.

Activity or Institution—What is the Difference?

To differentiate between institutions and activities or projects, the authors define institutions as organizations that have an identity and vision beyond that of their current leadership. Activities are organizations that are primarily driven by the visions of founders and key leaders and are essentially project-based nonprofits. The vision of an institution is entrusted to the board of directors who must plan for long-term sustainability. Activities, on the other hand, may cease operations after the loss of key leadership, the completion of a particular task or goal, or the dissipation of energy. Organizations that are activities or projects may also choose to institutionalize in anticipation of a leadership transition. It is important to note that while nonprofits best defined as activities are typically found in the lower budget ranges, the definition is based on brand and leadership, not budget size. When they are healthy and vital, both activities and institutions have value in the broader nonprofit arts and culture sector.

More Shakespeare? Another Nonprofit?

It is hard to imagine that any survey or feasibility study would conclude that metro Boston's audiences need a wider choice of theater offerings—especially more performances of Shakespeare! Yet, since its first production, ticket-buyers and donors alike have been drawn to the Actors' Shakespeare Project.

When the American Repertory Theater reduced its resident company following the 2002 departure of Robert Brustein, a number of Boston's best known actors lost their artistic home. Among them was actor/director Benjamin Evett whose thoughts turned to his youth and its formative theatrical experience—a bare-bones production of *Macbeth* starring Ian McKellen and Judi Dench. “As soon as the actors began to speak, unimpeded by distance, production tricks, or elaborate concepts, I knew that I was experiencing something very special. It was so simple: gifted actors telling an incredibly powerful story right to me, personally. It changed my life, and I have never forgotten it.”¹⁸

There is a long history of artists, especially actors and dancers, forming their own companies to have independence to do their work as they wanted. Historically, these ensembles operated as commercial entities, touring the country and surviving on ticket sales. Since the mid-20th century, these companies are most often incorporated as nonprofits.¹⁹

This is the path that Ben Evett followed in 2004, gathering some of Boston's best actors, including many former ART colleagues, to found Actors' Shakespeare Project. Together, they created an actor-focused company that centered itself on the text, rather than the trappings, of Shakespeare. Productions, “stripped of all that is extraneous,” would be mounted in smaller venues to “draw viewers into the middle of the action.”

Actors' Shakespeare Project believes Shakespeare's words are urgently relevant to our times and so programs accordingly. After *Hamlet*, *A Winter's Tale* and *Titus Andronicus*—three plays probing the dilemmas of justice and revenge, damnation and redemption—artistic director Ben Evett concluded the company's third season with love and comedy. *Love's Labour's Lost*, a last minute addition, was a decidedly no frills production, with six actors playing 18 roles. Only the role of Spaniard Don Armado's page, Moth, got its own actor, Khalil Flemming (far right). Armado was played by Johnny Lee Davenport.



KIPPY GOLDFARB/CAROLLE PHOTOGRAPHY

In its first season, ASP did three plays on a budget of \$300,000, much of which was raised at several house parties and a fundraiser at the Brattle Theater, each featuring performances of selected scenes. Hooked by Evett's vision and the excellence of the company's resident actors, donors gave generously.

ASP's 2005/06 season opened with Alvin Epstein as King Lear in a production that started out in Boston University's Studio 102 before moving to New York's La MaMa Experimental Theatre. The reviews were ecstatic.

The company now had donated office space, a budget of about \$500,000, and a staff that included an executive producer, a business manager, an associate director and Evett. Most income came from individual donors and ticket sales, supplemented by a few modest grants. The company's management focused on building a working board and solidifying the company's educational programs, including its work with incarcerated youth in collaboration with the Massachusetts Department of Youth Services.

By its third season, 2006/07, ASP's \$800,000 budget included significant grant funding. The Massachusetts Cultural Council's Youth Reach program, Hunt Alternatives Fund, LEF, Massachusetts Foundation for the Humanities, the Boston Foundation and others were drawn by the company's vision and excellence, its reviews, and the obvious passion of its donors and audience members.

Strategic planning—something not usually undertaken so early in an organization's life cycle—confirmed its focus on high-quality, intimate performances with audiences of no more than 150 to 200 people. ASP's leaders decided not to grow their educational programs, but rather to tighten their connection to that season's plays. As it moved into its fourth season with a \$1 million budget, ASP would concentrate on strengthening its management by adding to its staff. Having achieved artistic success, ASP would now build an organizational infrastructure to match.

Thinking about the company's rapid growth and acclaim, executive producer Sara Stackhouse recalls Yo-Yo Ma's advice to young musicians. Don't worry about being famous, he'd tell them. Figure out what you have to offer that is unique. Figure out what the world needs. Match them up. Success will follow.

Evett understood that "Shakespeare needs this kind of direct and honest production. And so does Boston." His passion, bolstered by the excellence of the company's actors and the enthusiasm of its supporters, has launched a successful nonprofit organization. A strictly logical look at the number of nonprofit theaters and an analysis of the support they receive would have short circuited this vision, and Boston would be the poorer for it.

Will Actors' Shakespeare Project become a lasting institution? How much organizational infrastructure will the organization require when it reaches a larger scale of operation? In ten, fifteen or twenty years, will its board and leadership be discussing who will succeed its founding artistic director or laying out the schedule for ASP's final season? Does that matter to today's enthralled audiences? Does it matter to the 13-year-old in the second row, rapt as the actors speak directly to him?

Every budget category added existing organizations that had grown from a smaller category while a few organizations shrank into a lower budget range. Notably, both the Boston Ballet and the Peabody Essex Museum grew into the largest budget range between 1999 and 2004. Taken together, churn and growth trends imply that Boston’s marketplace has room for innovation.

FIGURE 9

The Changing Marketplace

FOLDINGS	76 organizations cease operations between 1999 and 2004
	<ul style="list-style-type: none"> • 5 dissolutions confirmed • 71 organizations missing IRS 990 form for 2004 • 92% are organizations between \$25-\$500K
FOUNDINGS	166 organizations founded from 1999 to 2004
	<ul style="list-style-type: none"> • 17 new incorporations confirmed • 149 organizations missing IRS 990 return for 1999 • 94% are organizations between \$25K-\$500K
MERGERS	3 identified mergers between 1999 and 2004
	<ul style="list-style-type: none"> • Opera New England merged with Boston Lyric Opera • Computer Museum incorporated into the Museum of Science • Wang Center absorbed Commonwealth Shakespeare Company

FIGURE 10

New Entrants by Budget Category

Budget Category	Shrank to Lower Category	Grew to Higher Category
\$25,000 to \$500,000	8	36
\$500,000 to \$1.5 M	3	24
\$1.5 to \$5 M	0	10
\$5 to \$20 M	0	4
\$20 M+	N/A	2

Key Findings

These observations, however, do not tell us if the level of churn in the marketplace is adequate to provide a dynamic space for innovation to take root, or if the marketplace has enough space for promising organizations to reach greater scale.

Barriers to entry into the market remain low—it is relatively easy to incorporate as a nonprofit—and any attempts to change this dynamic would stifle innovation and creativity. On the other hand, to make room for new growth organizations and their supporters must consider exit strategies when appropriate.

Dynamism in the sector requires that organizations not only enter the marketplace and grow to an appropriate, sustainable size, but also exit the marketplace.

Given the dynamics required for an innovative marketplace, the following questions should be explored:

- Does metro Boston’s marketplace allow organizations to grow to an appropriate, sustainable scale?
- When is it appropriate for an organization to exit the market?
- What forces help or hinder an organization going to scale? What forces help or hinder an exit from the market?
- How can organizations, boards, and funders determine if an organization is an activity or project based on the passion of its founders and should run its course, or if it should be scaled to become an enduring institution?

While some of these questions of scale are addressed in the “Right-Sized Organization” section, more in-depth studies on how individual organizations reach scale, merge with other organizations, or exit the marketplace would help organizations and their supporters plan better for the future.

Art, History and Culture Consolidated

“Consolidation” is often preferred over “merger” to indicate the joining of two equals, rather than the absorption or take over of one by the other. And, as the case of the Peabody Essex Museum shows, attention to language is one important element of success.²⁰

Salem sea captains and entrepreneurs founded the East India Marine Society in 1799 as “a museum of natural and artificial curiosities”²¹ to hold their personal collections of art from Asia and the Pacific. Its building, opened to the public in 1824, still stands as the East India Marine Hall at the heart of the new PEM. In 1867, George Peabody, an investment banker who is often cited as the founder of modern philanthropy, gave the institution \$140,000. It was renamed the Peabody Academy of Science.

The Essex Institute was founded in 1821 as the Essex County Museum, taking its most recent name in 1848 with its consolidation with the Essex Natural History Society. Just across Essex Street from the Peabody Academy, the Essex Institute, which focused on local history, was distinguished by its library and collection of historic houses.

In 1833, a few miles down the coast in Milton, Capitan Robert Bennet Forbes built a mansion for his mother. The China trade, which made the family’s fortune, continued to fascinate succeeding generations, including Dr. Crosby Forbes, who founded the China Trade Museum²² in the ancestral home in 1964. Ultimately, however, the collection outgrew the house. Twenty years later, it was transferred to the Peabody, tripling the size of its Asian export collection; Forbes became a Peabody Museum curator.

Two years earlier, in 1982, the Salem Armory next door to the Essex Institute had burned down, leaving a scar on the streetscape that lasted through the end of the decade. Eventually, to deal with the eyesore,



Today’s Peabody Essex Museum, the nation’s oldest museum, integrates multiple institutions, collections and histories by bringing art, architecture, and culture together in new interpretive ways. The East India Marine Hall, to the left, is the original museum building, which opened to the public in 1824. On the right is PEM’s new wing, which opened in June 2003. Designed by Moshe Safdie, the wing connects with the original hall as well as later additions.

the Peabody and the Essex formed the Museum Collaborative of Salem, an independent 501(c)(3), to jointly redevelop the property.

The two institutions were bound by more than proximity. They often shared their collections with each other, both were governed by prominent North Shore families, and each board included trustees whose vision exceeded their institution's capacity. Their work together on the armory would not be easy, but now, after a 150-year conversation, the two organizations had finally established a joint enterprise and a platform for a wider dialogue.

By the early 1990s, the Collaborative had raised sufficient funds to rebuild the armory as collections storage and a National Park Service Visitor Center. Among the contributions was a significant foundation challenge grant that provided the incentive for even deeper change to Salem's cultural landscape.

The Peabody had a modest endowment, but its balance sheet was too lean to allow for investments in exhibition space, marketing or other elements of growth. Still, there was no compelling crisis driving it to change. The Essex was far less stable. Each institution sometimes seemed to be run more for the benefit of their curators than their audiences; both had significant, but unseen collections. The foundation, which stood outside both organizations, knew them well enough to see their long-term potential for synergy. Influential trustees from both institutions shared the foundation's vision of a new museum that was more responsive to the vastly changed world in which it operated.

The foundation already had the trust and attention of the board; there had been earlier, successfully met challenge grants, including one that helped the Peabody Museum open its Asian Export Art Wing in 1988. This new capital and endowment grant came with the condition that the Peabody and Essex agree on a new joint board and governance structure and begin discussions about how certain operating benchmarks would be met.

The outside point of view would be crucial to the consolidation's success. Consultants were brought in to define transition issues, draw up program and business plans, and facilitate the necessary conversations. Ultimately, it would be up to another outsider, PEM's new director, to bring all the elements together. Through it all, everything was on the table; everyone would strive to tell the truth all the time.

Nonprofits are based in social value, not economic value. Thus, mission was the first—and last—big question. Despite any number of similarities between the Essex Institute and the Peabody Museum—collections, governance, location—the mission of the new, consolidated organization was an open question that was purposely left unanswered pending the appointment of a new executive leadership.

Money was also an issue for discussion. Peabody Museum trustees weren't convinced they could afford to keep the Essex Institute's collection of houses, though ultimately they would raise new endowment funds to support their conservation and exhibition.

What about jobs? Many staff members worried about their positions, but ultimately the agreement to combine operations was based on a vision for growth, not on saving money by reducing staff. Once the deal was done, the Peabody's director became its chief curator and then retired. Sadly, the head of the Essex died before the final merger. Senior management would change dramatically between 1993 and 2003, while the curatorial staff was augmented with new hires. Other staff changes were made quietly as the organization evolved. Looking back, one observer recommends talking about potential of lay-offs and changes to job descriptions up front. Another notes that because neither director was throwing his or her

hat into the ring, the key personnel issue was resolved and both directors could participate productively in the discussion.

The business plan was the ultimate money conversation. The consultants analyzed the two nonprofits from top to bottom. Turning the vision of a new museum into dollars and cents, the firm presented the two sets of trustees with a plan that described the new museum from its board and staff to its telephone system. The boards agreed to go forward, provided they could raise the necessary funds. Soon enough, another challenge grant was successfully matched, despite a relatively small local donor base, by long-time supporters of both organizations. On July 1, 1992, the Essex Institute and the Peabody Museum became the Peabody Essex Museum. Each was reflected in the new name; two equal partners had become one.

But it took Dan Monroe, appointed director in 1993, to complete the transformation. Stressing the importance of language, Monroe insisted on using the word “consolidation.” He talked about the “Essex Street campus” and the “Liberty Street campus” and called staff’s attention to any “us” and “them” thinking. But he also valued uncertainty. Board and staff needed to come unstuck from their previous roles if they were to bond in the new institution. A new organizational culture was in the making.

The transition period was characterized by more planning. A facilities plan and a strategic plan were developed, and new programming was put into place. New systems emerged: one organization’s way of doing things would not win out over the other.

By 1995, a new, consolidated mission had emerged. Conceptually integrating its collections and histories, it would become an art museum steeped in world cultures and history. In a fundamental shift, the Peabody Essex Museum would combine world art, culture and history in ways no museum had fully explored. This new paradigm helped the institution retain both Essex and Peabody supporters. But more importantly, it provided the platform for growing the institution and restructuring its programs. Soon, a new facility would embody this mission and make it a reality for new audiences.

When the Peabody Essex Museum reopened in June 2003 with a Moshe Safdie-designed wing that unified its previously disparate parts, it was fundamentally changed. No longer a traditional local history or art and maritime museum, every object had been examined, all the galleries reinstalled to interpret the new vision of art, culture and history. In the center of the new facility, Yin Yu Tang, an early 18th century merchant’s house from southeastern China, made it clear that the institution’s stewardship of historical houses now had a global perspective. In an even clearer statement of the transformation, the Peabody Essex Museum had become PEM, its confidence in its consolidated identity and mission expressed in a new 21st century brand.

More than 375,000 people came through the new museum the year it reopened, a significant increase from the 150,000 visitors of the early 1990s. Today, PEM’s audience is stable at about 250,000 people a year, solid attendance for a museum outside a major city. In an even more dramatic sign of growth, between 1993 and 2003, the museum’s operating budget grew by 600%, placing it among the fastest growing museums in the country.

The stars had aligned. Trustees, consultants, a new director and a major foundation along with other long-standing friends and supporters able to see potential in two musty museums had worked together to create a new institution. PEM, two centuries and many mergers in the making, is one consolidation that worked.

CHAPTER THREE

The Supportive Environment

To be healthy and vital, an arts and culture sector needs a supportive environment that generates demand and enables supply. In a supportive environment, both individuals and institutions value the sector's contributions to the social fabric of the region and provide the market with financial resources, enabling the sector's vitality.

What indicators demonstrate a supportive environment for arts and culture? How do we gauge the extent to which the sector is valued and sustained by the metro Boston community? For the purposes of this study, researchers used four primary indicators to evaluate the level of support provided by individuals and institutions in the region. The demographics of the population, giving attitudes of the population, the

number of organizations per capita, and tourism trends serve as proxies for how individuals support and value arts and culture in the region. Contributed revenue patterns are an additional indicator of individual financial support, and also serve as a proxy for government, foundation and corporate support of the sector.

The demographics of the region's population suggest that the community is highly inclined to value arts and culture.

Studies of multiple data sets identify education and income as two predictors of participation in arts and cultural offerings: those who participate in arts and culture are more likely to be well educated and have higher income levels. A study by the National Endowment of the Arts in 2002 found that the percentage of people who had attended at least one arts and cultural event in the twelve months prior to being surveyed "steadily increases with each additional level of educational attainment. Adults with a graduate school education are ten times as likely to participate in the arts as someone with a grade school education."²³ A study published by the Rand Corporation in 2005 attempts to explain this phenomenon by suggesting that those with higher levels of education have been exposed to art and so have likely developed "skills to interpret the abstract," which may contribute to increased facility in accessing arts and cultural mediums.²⁴

Both the Rand study and a report by the Urban Institute link education to income and participation in the arts. The Rand study suggests that because those with higher levels of education generally have an appetite for the arts, a related predictor of participation is income, which determines a person's ability to satisfy that appetite. The Urban Institute report echoes the finding that "greater resources lead to increased participation."²⁵

Boston, a hub of education and academia, has a high percentage of residents that reflect this highly educated and financially well off arts-inclined demographic. A 2004 comparison of education levels in US cities shows that the City of Boston ranked seventh in

FIGURE 11

Indicators and Trends: The Supportive Environment

The Supportive Environment	
Indicators	Trends
<ul style="list-style-type: none"> • Demographics of the population 	<ul style="list-style-type: none"> + Arts-inclined residents - Static population
<ul style="list-style-type: none"> • Giving attitudes of the population 	<ul style="list-style-type: none"> + Favorable giving attitudes and patterns
<ul style="list-style-type: none"> • Trends in contributed revenue, including government, corporate and foundation support 	<ul style="list-style-type: none"> + Mid-sized organizations receive an increasing share of foundation funding + Strong state cultural council - Lack of home-rule inhibits municipal funding - Declining levels of corporate and foundation support - Contributed income decreasing overall

Metro Boston exhibits signs of being a supportive environment, but research showing declining contributions to a growing number of organizations is a warning sign.

the percent of the population with an advanced degree with 16% of those over the age of 25 having achieved this level of education.²⁶ In a similar 2004 study of census data, Boston ranked 13th among US cities with a median family income of \$45,892.²⁷

The notion that the Greater Boston community is inclined to support arts and culture is supported by research conducted by Mark Schuster for the NEA in 1997, which found that Massachusetts was one of three states in a nine state sample to “stand out” with its generally high levels of participation across different art forms.²⁸ Researchers for this study consider these demographic characteristics of the population to be positive indicators of support for arts and culture in the region; on the most basic level, there appears to be a strong segment of the population that values arts and culture, feeding demand for program offerings.

Despite these positive demographics, recent trends bring into question the volume of support in the region. From 1999 to 2004, the population in Boston declined, albeit minimally, from 3.30 million to 3.27 million.²⁹ This nearly static population may have important implications for the community’s ability to provide sufficient financial support to a continually growing arts and culture sector.

Philanthropic giving patterns for the region suggest that residents are inclined to value arts and cultural organizations, and are likely to support the sector financially.

Giving attitudes of the Greater Boston population relate to the prevalence of well-educated and well-off citizens, and suggest that the population is inclined to support arts and cultural organizations and programming not only through participation, but also through monetary contributions. The “Geography and Giving” report, published by the Boston Foundation in 2007, explains that Massachusetts has “high numbers of highly educated people, who earn high incomes and contribute high percentages of income to charity.” The study found that Massachusetts ranks 11th of all US states in the percentage of income donated to charity.³⁰ The fact that citizens of the state tend to give to secular causes supports the notion that the population is inclined to support art and culture.

The high number of arts and cultural organizations per capita supports the notion that Greater Boston has succeeded in supporting an extremely dense arts and culture marketplace.

Historical examination of the number of organizations per capita also suggests that Boston has, and continues, to support a dense cultural marketplace. As noted in the introduction, the 2003 *Funding for Cultural Organizations* found that in 1999, Boston had an incredibly dense arts and culture sector, with more organizations per capita than cities like San Francisco and New York City that are commonly considered to be cultural hubs.

Despite many positive indicators of a supportive environment, evidence suggests that institutional support from state and local government, foundations and corporations may be not be keeping up with the growth of the sector.

A supportive environment includes government, corporate and foundation support as well as individual support. In the current Boston market, these types of support show mixed levels of strength.

Those in the field widely acknowledge that Massachusetts boasts one of the best cultural councils in the country. In 1999, the Massachusetts Cultural Council (MCC) had an annual budget of more than \$17,329,850. This decreased to \$7,250,000 in 2004; its FY08 budget is over \$12,250,000. Regardless of its budget fluctuations, the agency consistently advances the discussion on how best to support a community’s arts and culture sector. An example of the MCC’s innovation and success is the Cultural Facilities Fund, an initiative that recently awarded \$16.7 million in grants to arts and cultural organizations across the state for facility improvements. (For the full list of recipients, see Appendix C.)

Those in the field widely acknowledge that Massachusetts boasts one of the best cultural councils in the country.

Municipal funding is handicapped by state-imposed restrictions on local “home rule” powers, which limit the ability of Massachusetts’ cities and towns to enact

basic local laws, regulations and taxes. This constrains cities' revenue potential and limits their ability to control their own expenses, including spending that might support cultural organizations.³¹ For example, in 2004 Cleveland voters approved a tax levy to provide an estimated \$10 million a year for the Cuyahoga County arts and cultural community.³²

The region's corporate players have traditionally provided high levels of support for arts and culture. Fidelity Investments, for example, sponsors the Boston Symphony Orchestra's Boston Pops and the Boston Globe provides support to Artists for Humanity³³ and the Boston Landmarks Orchestra.³⁴ Recently, however, Boston has seen a steady decline in local ownership of

what were once some of the region's largest players. Simultaneously, new companies with headquarters in other parts of the nation have entered the Boston area marketplace. The combined impact of these trends is that more corporations are focusing on causes that relate to their national agendas, which appears to benefit only the largest, most visible nonprofits. Local arts and cultural organizations that have benefited from funding or sponsorship from national corporations include the New Rep Theatre, sponsored by the Bank of America,³⁵ the Museum of Fine Arts, which was the recipient of a sizeable donation from State Street, and the Citi Performing Arts Center, formerly the Wang Center, now sponsored by Citigroup.

FIGURE 12

Top 20 Foundation Funders to Arts and Cultural Organizations in Massachusetts

Top 20 Funders 1999	Total Arts/ Cultural Dollars Granted	Top 20 Funders 2004	Total Arts/ Cultural Dollars Granted
Fidelity Non-Profit Management Foundation	\$7,023,817	Fidelity Non-Profit Management Foundation	\$29,500,599
Fidelity Foundation	\$6,135,000	Edward C. Johnson Fund	\$13,793,864
The Sherman Fairchild Foundation	\$5,000,000	The Andrew W. Mellon Foundation	\$6,632,000
John S. and James L. Knight Foundation	\$4,579,070	Barr Foundation	\$6,377,840
The Pew Charitable Trusts	\$2,697,000	Fidelity Foundation	\$5,889,157
The Kresge Foundation	\$2,500,000	Jane's Trust	\$2,700,000
Edward C. Johnson Fund	\$2,230,132	The New York Community Trust	\$1,180,000
Doris Duke Charitable Foundation	\$2,100,000	The Boston Foundation	\$1,040,000
Kenneth J. Germeshausen Foundation	\$1,810,000	John D. and Catherine T. MacArthur Foundation	\$1,000,000
Carl and Ruth Shapiro Family Foundation	\$1,723,500	Doris Duke Charitable Foundation	\$700,000
Northwestern Mutual Foundation	\$1,500,000	The Ford Foundation	\$699,000
Amelia Peabody Charitable Fund	\$1,358,466	Richard and Susan Smith Family Foundation	\$670,000
The Boston Foundation	\$1,308,682	Amelia Peabody Charitable Fund	\$639,001
The Henry P. Kendall Foundation	\$1,127,501	State Street Foundation	\$529,931
The Henry Luce Foundation	\$1,050,000	The Nathan Cummings Foundation	\$452,500
The Lowell Institute	\$1,013,500	Joukowsky Family Foundation	\$449,500
The Sosland Foundation	\$1,000,000	Stratford Foundation	\$412,900
John Templeton Foundation	\$965,349	Surdna Foundation	\$410,000
The Andrew W. Mellon Foundation	\$836,200	George D. Smith Fund	\$400,000
Stratford Foundation	\$776,185	Ann and Robert H. Lurie Family Foundation	\$400,000

Only five foundations appear on both lists of foundations making significant grants to arts and cultural organizations in 1999 and 2004, an indication of the unpredictability of foundation funding. The good news is that several new local foundations entered the market.

Our findings indicate that the Boston area may not have enough leaders to fill board seats for the growing number of nonprofits, and that existing board members may feel unprepared to carry out their responsibilities.

This decline in locally owned businesses also suggests that the Boston area may face a more acute shortfall in nonprofit board members than what nonprofit organizations are already experiencing on a national level. A

recent study revealed that “nearly 1.8 million board seats become available each year, adding to a backlog of 1.2 million standing openings.”³⁶ Furthermore, it appears that individuals already serving on boards are unprepared to carry out their responsibilities. A survey of college and university trustees conducted by the *Chronicle of Higher Education* found that “four out of ten board members described themselves as “slightly” or “not at all prepared” for board service.”³⁷ A strong and effective board that contributes donations, connections, and expertise is a critical force in sustaining an organiza-

tion. Our findings suggest that the Boston area may not have enough leaders to fill board seats for the growing number of nonprofits in the sector, and that existing board members may feel unprepared to carry out their responsibilities.

Foundations typically contribute only a small share of the sector’s revenues; in 2004, individual giving and bequests accounted for 83% percent of total giving in the U.S., with foundations at 12% and corporations at 5%.³⁸ However, because foundations are typically leaders in investments for change and innovation the patterns of giving they exhibit are important to consider. Evidence suggests that financial support for arts and culture from foundations is on the decline. Between 1999 and 2004 the dollars contributed to the sector by the top 100 foundations appears to have grown by 28%. However, if a unique, one-time event is removed from the sample for this calculation, the data shows that there was, in fact, a 10% decrease in foundation funding.

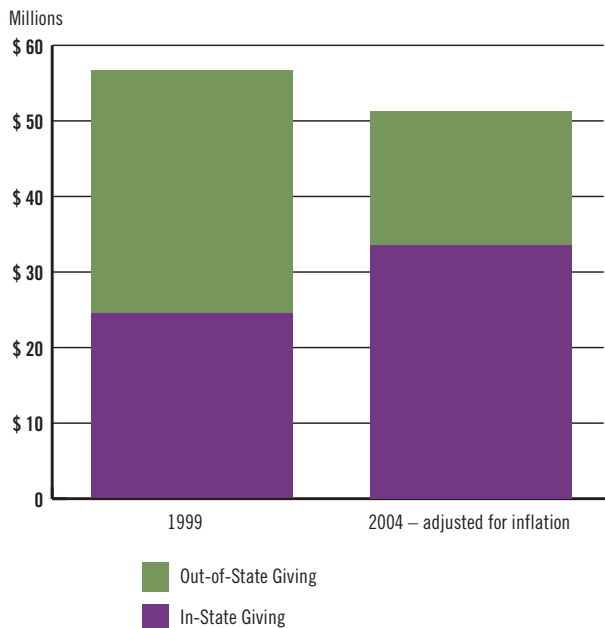
Adjusted for 2004 dollars, the contributed income—the total of individual contributions, government and foundation grants for an arts and cultural organization—decreased 8% between 1999 and 2004.

Growth in the level of financial support from the community is not keeping pace with overall growth of the sector.

Contributed income is the total of all individual contributions, government and foundation grants that an organization receives. Between 1999 and 2004 total contributed income in the sector increased overall by 5%. On a per capita basis, this amounts to growth from \$119 to \$126 per person, a 6% increase. But, comparison with inflation rates for the time period (14%) shows that this growth did not keep pace. When adjusted for 2004 dollars, this apparent growth actually represents an 8% decrease in contributed income.

Not only did contributed income not keep pace with inflation, but it also did not compensate for the effect of a nearly static population combined with the growth in number of organizations. When adjusted for inflation and averaged over the pool of arts and cultural organi-

FIGURE 13
Change in Foundation Funding

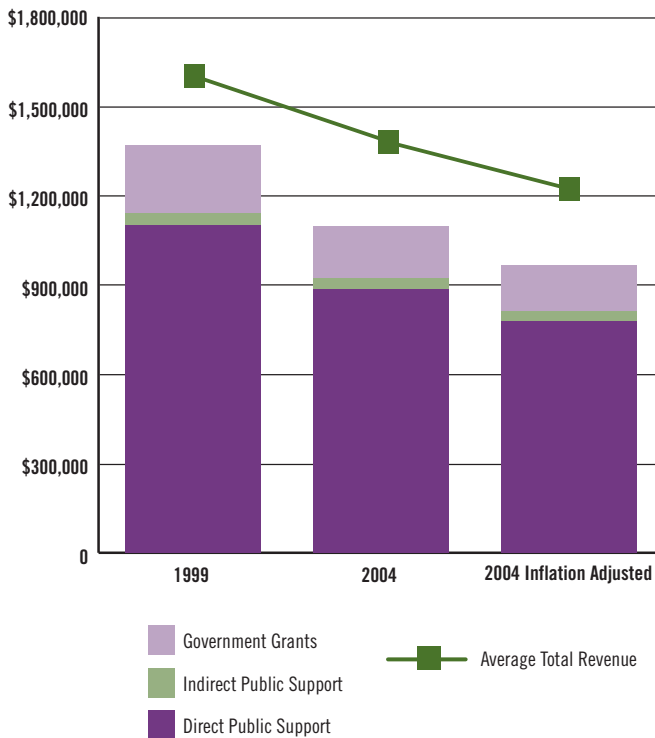


(Excluding One-Time Event; see Appendix B, Figure 23.)

zations in Greater Boston, contributed income declined by 26%. Within the decline in average contributed income, the most notable declines were in direct public support including individual contributions and foundation grants and government grants, which decreased 20% and 22% respectively.

FIGURE 14

Components of Average Contributed Income



The IRS 990 form, the source of financial data for this report, breaks down contributed income into three categories: direct public support (contributions from individuals and grants), indirect public support (federated fundraising and contributions from affiliated organizations), and government contributions (government grants). Given these categories, it is not possible to distinguish trends in grant support from trends in individual giving.

Key Findings

In many respects, the indicators for the supportive environment are positive. Residents of the region are inclined to value arts and culture and see these nonprofits as an important part of the social fabric of the city. It is plausible that this broad level of support helps establish a low barrier to entry into the sector, as individuals encourage new artistic expression and make contributions to artists with compelling visions, supporting innovation and growth in the sector. In fact, the data shows that the region has, indeed, historically supported an extremely dense arts and culture marketplace.

Despite these many positive indications of support, there are warning signs that the growing marketplace is putting stress on the sector's ability to garner required financial support. As the number of organizations grows, are there limits to the support that the community can provide? In other words, will a growing number of organizations have to battle for pieces of a static pie? Or, assuming the sector continues to grow, will the region's population respond by giving more to expand the pool of resources? If increased resources are available, what will it take for organizations to attract them—more compelling programming, more robust marketing and development functions, or a combination of the two?

CHAPTER FOUR

The Engaged Audience

In the ideal healthy sector, the engaged audience is excited about the region’s arts and cultural programs and is drawn to participate. While the supportive environment establishes intellectual demand and financial support for the sector, the engaged audience consumes the high-quality programs that reflect its diverse needs, values and interests and that lead them to see or experience a different point of view or culture.

How do we know if metro Boston’s arts and culture sector has an engaged audience? In answering this question, the first issue we face is that what sparse data is available has significant limitations. Researchers turned to a set of proxy data to gauge the sector’s audience and their participation. This data included national and local audience statistics, tourism data, program service revenue, and the number of culturally specific organizations. While these proxy data points

don’t allow conclusions about the state of audience engagement in metro Boston, they do highlight key warning signs.

There is a lack of available data to accurately quantify audience engagement.

Ideally, audience engagement should be measured by in-depth ticket sales and admission data, and surveys of audience attitudes that can be analyzed in both the aggregate for the sector as well as by subsector disciplines. Unfortunately, while these pieces of data exist for some subsectors, availability and methodology are inconsistent for the sector as a whole. For example, a Pew Charitable Trusts report examines the value of performing arts among citizens of Boston by analyzing participation trends and attitudes towards performing arts.³⁹ This study, however, is only a snapshot in time, and no similar studies exist for other disciplines within the sector. A local coalition of museums, the Museums and Attractions of New England (MANE), gathers data on the region’s museum attendance, but local attendance data for other disciplines is not collected consistently. Many disciplines submit attendance figures to their particular national association, but even here the methodology and categories of data collected differ, making comparisons difficult.

Inconsistencies in data collection may stem from pressure that organizations face to show positive trends in attendance. But the lack of data may also be due to the time and money required to properly track attendance and participation. In other areas of the country comprehensive data collection efforts have been funded by private foundations and state and municipal government. In Pennsylvania, for example, the Pennsylvania Cultural Data Project (PACDP) was established by ten collaborating public and private entities in an effort “to strengthen arts and culture in Pennsylvania by documenting and disseminating information on the sector.”⁴⁰

The high investment required to support a comprehensive data collection initiative is complicated by the fact that many arts and cultural nonprofits and

FIGURE 15

Indicators and Trends: The Engaged Audience

The Engaged Audience	
Indicators	Trends
<ul style="list-style-type: none"> • Consistent availability and use of quality data to evaluate audience engagement 	<ul style="list-style-type: none"> + Some subsector attendance data is available - Insufficient sector-wide data collection and analysis
<ul style="list-style-type: none"> • Local and national audience size 	<ul style="list-style-type: none"> - Attendance declining (though data is limited)
<ul style="list-style-type: none"> • Tourism data 	<ul style="list-style-type: none"> + Leisure tourism increasing
<ul style="list-style-type: none"> • Program service revenue 	<ul style="list-style-type: none"> - Average program service revenue decreasing - foundation support
<ul style="list-style-type: none"> • Minority organizations 	<ul style="list-style-type: none"> - Share of minority organizations does not reflect population

There are warning signs cautioning that the audience may not be engaged.

umbrella organizations consider attendance, visitation and attitudinal data to be risky to discuss. Because an engaged audience is linked so closely to the supportive environment, many fear that any decline in audience engagement may hurt the perceived value and success of arts and cultural organizations. Individual contributors, in particular, are averse to putting money into organizations that seem to have waning popularity. The result is that while the engaged audience is the end towards which the sector is driving, there is a lack of data to accurately evaluate the extent to which the sector is achieving this goal.

National and local audience data suggests that growth in individual consumption of arts and culture is not keeping pace with the growth in number of arts and cultural organizations or the growth of programs.

Many of this study's indicators point to the potential for a highly engaged local audience. As previously noted, the demographics of metro Boston residents suggest that it is an arts-inclined community that, to a certain extent, has succeeded in supporting an extremely dense marketplace. This is supported by research showing that 65% of Boston residents attended between one and eleven performing arts events in the previous twelve months.⁴¹

Despite these indications of a supportive environment and growing sector, recent patterns in participation and attendance raise questions about the sector's ability to attract a broad and diverse audience.

Multiple secondary data sources suggest that growth in arts and cultural attendance has not kept pace with the growth in the number of organizations on either the national or local level. The National Endowment for the Arts 2002 participation study shows that while the number of Americans participating in some arts and cultural disciplines has increased, the proportion of Americans participating in all types of arts has remained flat or declined from 1992 to 2002.⁴²

One example of this can be seen in national attendance trends for museums. An American Association of Museums (AAM) report that uses figures from the

The top barriers to arts and culture participation for Boston residents include cost of tickets, difficulty of parking, and time limitations.

National Conference of State Museum Associations and the Institute of Museum & Library services (IMLS) suggest that the number of museums in the United States has grown by approximately 1,600 organizations between 1998 and 2005.⁴³ Despite this growing number of museums, AAM reports that total museum attendance held steady from 2003 to 2005, suggesting that average attendance is on the decline.⁴⁴

A similar scenario is taking place nationally amongst various types of performing arts organizations, where attendance per performance for Broadway shows, Broadway road tours, nonprofessional theatres, opera and symphony has declined at rates between 2% and 30% between 1999 and 2004.

These findings are consistent with United States Census data that shows that Americans' aggregate recreational expenditures increased 20% from 2000 to 2004, but spending remained steady as a percentage of total personal consumption at 8.6% during the same time period.⁴⁵ This suggests that Americans have a relatively consistent budget for leisure spending, so while population increases may elevate national spending, increased arts and cultural offerings may not necessarily spur additional individual consumption. In metro Boston, where population has held steady at best, this suggests that overall leisure expenditures have remained flat, despite growing numbers of organizations.

The limited local data available for metro Boston reflects these national attendance and leisure spending trends. Attendance decreased for seven out of nine local museums from 1999 to 2004. The most striking decreases within this group were the largest organizations (with budgets of \$20M+), where average attendance declined by 18%. Similarly, within a sampling of three of Boston's top dance organizations, two had declining attendance, resulting in an overall decline in attendance of 40% from the 2000-2001 season to 2005-2006. The Pew Charitable Trust performing arts participation study found that top barriers to participation for Boston residents included cost of tickets, difficulty of parking, and time limitations.⁴⁶

World-renowned American soprano Dawn Upshaw sang the role of actress Margarita Xirgu, Spanish writer Federico Garcia Lorca’s muse, in *Ainadamar* (or *Fountain of Tears*), Opera Boston’s first production of the 2007/08 season. The opera by Brookline-based Osvaldo Golijov, with stage direction by Peter Sellars and music direction by Gil Rose, was described by Boston Globe correspondent David Weininger as “an exceptionally poignant and multifaceted work.”



Against the Odds

No, the numbers don’t lie—audiences are declining and subscriptions are probably a thing of the past. But there are always exceptions. An innovative, high-quality product will draw audiences, sell subscriptions, and attract donors.

Opera Boston⁴⁷ was founded by baritone Richard Conrad in the early 1980s as the Boston Academy of Music (BAM). Its productions of operettas and concert performances, mounted variously at Jordan Hall, Sanders Theatre at Harvard and Emerson’s Majestic Theatre, did modestly well, but the company wasn’t on anyone’s “must see” list. But in 2003, when it adopted a new name, it was clear that the company was moving in a new direction.

As radical as the differences between BAM and Opera Boston appear in retrospect, at first the change was slow and incremental. In 2000, Gil Rose, founding artistic director of Boston Modern Orchestra Project (BMOP),⁴⁸ conducted the company for the first time. And, after a board/staff retreat and much soul-searching, the organization committed to growth based on a more focused program—fully staged work produced only at the Majestic.

A year later, BAM launched a thorough strategic planning process with a lot of questions. Did Boston need two opera companies? Was there enough audience, enough money? How would this opera company be different? In addressing those questions, the extent of the change that would be necessary became evident. Richard Conrad left the company in the hands of executive director Carole Charnow.

The board moved forward with its commitment to move the nonprofit to the next level.

The 2002/03 season was BAM's *annus horribilis*. The Majestic was under renovation, banishing the company to Northeastern University's Blackman Auditorium. Conrad's departure was matched by an exodus of audience members. BAM opened *Tosca* the night the bombing of Baghdad began; no one was in the mood for opera. But Charnow and the board had a vision and the organization had a plan. Gil Rose signed on as music director, and the missing piece fell into place. He would share artistic responsibility with Charnow, now the company's general director. As the summer of 2003 got underway, BAM officially became Opera Boston.

In June, Opera Boston joined with BMOP to launch Opera Unlimited, a ten-day contemporary opera festival featuring two world premieres and 6 sold-out performances. In August, Opera Boston produced 3 free performances of *South Pacific* outdoors at the Charlestown Navy Yard, drawing an audience of more than 20,000 people.

The 2003/04 season opened with Leonard Bernstein's *Candide* in the Cutler Majestic Theatre, moved on to the Boston premiere of John Adams' *Nixon in China*, and concluded with Verdi's rarely performed *Luisa Miller*. Three performances of *Candide* and two each of *Nixon* and *Luisa* announced the company's strong and clear vision for its repertoire.

The company would soon have subscribers to match its ambitions, but first the buzz needed to be a bit louder, the brand a bit stronger. Subscription sales increased modestly from \$81,600 (467 seats) in 2003/04 to \$98,500 in 2004/05 (an 11% increase to 520 seats) and \$113,200 (566 seats, up 9%) in 2005/06. Meanwhile, overall ticket sales at the Cutler Majestic Theatre decreased from \$333,000 in 2003/04 to \$279,000 a year later, reflecting a decrease of in the number of performances. In 2005/06, with more performances, available seats and single ticket sales increased to \$297,000. Bucking national trends in opera attendance, Opera Boston was drawing ever bigger audiences.

In June 2006, Opera Unlimited presented the American premiere of Peter Eötvös' *Angels in America*. Boston found its appetite for contemporary opera. As the 2006/07 season opened, Opera Boston's reputation was secured by solid reviews, word of mouth, and a new marketing and branding campaign; subscription revenue jumped a remarkable 93%.

How? Of course, Opera Boston's programming and quality productions are the key. But solid operations and strong marketing—Will Chapman's responsibility—have been the engine. Each year, do one thing better or earlier, he says.

The 2003/04 subscription brochure was mailed in early September; in 2004/05 a preliminary brochure went out in the spring, followed by more complete cast and production information in August. In 2005, Chapman participated in the American Express sponsored National Arts Marketing Project training, which convinced him of the value of investing in marketing. A small grant supported two audience focus

groups as part of an overall strategic marketing plan. Radio and newspaper advertising was increased substantially. A public relations consultant and a creative director were brought on to support the subscription campaign, which was segmented.

Now, as the artistic teams commits to program and cast increasingly early in the cycle, the subscription renewal campaign begins in February, when patrons are anticipating the season's final production and are looking forward to the next year. A telemarketing campaign follows in June and July to pick up procrastinators. Single tickets go on sale in September. A final measure of success: Opera Boston's subscription revenue for the 2007/08 season was up again by more than 40%.

Such success brings its own set of questions. Will these new subscribers deepen their engagement with the company to become donors? How can the company maintain this momentum? What does "right sized" mean for this nimble, mid-sized nonprofit? Opera Boston moved from two to three performances of each production in 2005/06. When will the organization and its audiences be able to sustain four or more performances? When should it add a fourth production? What is its appropriate scale?

The elusive subscriber can be the lifeblood of a performing arts organization. It is, after all, money in the bank well in advance of the production. But there is something else about subscribers that may hold the key to Opera Boston's long-term prospects: subscribers are apt to be more adventurous than single ticket buyers, who are drawn to offerings that are familiar or have just gotten a good review.

Fast-paced Charnow is fond of quoting her grandmother—I may be tired, but I'll rest in my grave. Now Charnow, Rose and Chapman are cultivating ever younger audiences with their launch of Opera Boston Underground, an informal cabaret for people in their 20s and 30s. The January 2007 event in advance of its production of Kurt Weil's *The Rise and Fall of the City of Mahagonny* sold out the Lizard Lounge, with another 200 plus people waiting in the cold, hoping to get in. Against the odds, Opera Boston is hot.



Gil Rose, Music Director of Opera Boston and conductor of Opera Boston's production of Osvaldo Golijov's *Ainadamar* (left), with Dawn Upshaw (Margarita Xirgu in *Ainadamar*) and Stage Director Peter Sellars.

Positive trends in leisure tourism may translate into increased audience, but only for a small segment of the arts and culture sector.

Examination of tourism data suggests that while tourism may be positively influencing audience participation in arts and culture, the benefits are only reaching organizations at the highest budget ranges. Between 1999 and 2004 the number of visitors to Boston increased 14% from 14.6 million to 16.6 million. In 1999 leisure or non-business visitors comprised 60% of all tourists to the area; in 2004 leisure visitors constituted 63% of travelers to the region.⁴⁹ This suggests that a growing number and proportion of tourists to Boston visit with the intent of engaging in arts, cultural, recreational, or amusement activities. While it is difficult to determine the direct impact of tourism on the arts and culture sector, available data suggests that it may only be the largest and best known organizations that benefit significantly from tourist visitation. Of the top ten tourist destinations in Boston, the Museum of Fine Arts and the Museum of Science were the only members of the arts and culture sector included. Tourism is not impacting the broader arts and culture marketplace.

Declining average program and ticket sales revenue suggests that participation rates are not keeping up with growth in the number of organizations or offerings.

Program service revenue includes income from ticket sales, program fees and other program related earnings, and therefore serves as a proxy for the level of individual participation. Increases in program revenue from 1999 to 2004 might suggest that attendance in the Boston area is following the national trend with overall attendance increasing. However, a decline in average program revenue per organization suggests that the rate of increase is not keeping pace with the growth in number of organizations. Specifically, between 1999 and 2004, total program revenue for the region's arts and culture sector increased 17%, exceeding the rate of inflation by 3%. Average program service revenue, however, decreased in every budget category when adjusted for inflation. When not

It may be only be the largest and best known organizations that benefit significantly from tourist visitation...Tourism is not positively impacting the broader arts and culture marketplace.

adjusted for inflation, only those organizations with budgets between \$1.5M and \$5M experienced an increase in program service revenue.

The price of subscriptions and individual ticket sales also impacts program revenue. While there is no sector-wide data to confirm the theory, it appears that the increased cost of a ticket represents a growing proportion of median income. If this is the case, and if individuals tend to spend a relatively consistent share of their income on leisure activities, then higher costs may be decreasing the quantity of programs audiences consume at the same time they are facing a wider selection of arts and cultural options. This idea is supported anecdotally by data on theaters, which suggests that between 2002 and 2006 the increase in cost of both ticket subscriptions and individual tickets beat inflation, while attendance decreased.⁵⁰

While there is insufficient data to draw conclusions about the health of minority organizations, what is available suggests that local arts and cultural organizations do not reflect the increasingly diverse population of the region.

A healthy sector's audience is not only engaged, but widespread and representative of the area's demographics. Metro Boston's arts and culture sector does not seem to be addressing the diverse needs, preferences and cultures of local residents. But just as there is inadequate data to measure the size of the metro audience, there is virtually no data to measure the size or engagement of minority audiences, a large potential audience.

In 2000, Boston's population was 50% White, 24% African American, 14% Hispanic/Latino, and 7% Asian. The metro region as a whole was less diverse: 79% White, 7% African American, 6% Hispanic/Latino and 5% Asian. But this picture is changing rapidly as both the city and the region experience an influx of immigrants. In 1980, 15.5% of Boston residents were foreign born; by 2005, that had increased to 28%.⁵¹

These new residents speak—and sing—in more than 140 different languages. Immigrants, in combination

By 2005, 28% of Boston residents were foreign born. These new residents speak—and sing—in more than 140 different languages. Immigrants, in combination with longtime residents of color, represent a large arts and culture market.

with longtime residents of color, represent a large market. But, the number and size of nonprofit cultural organizations that principally serve or are led by members of this growing and increasingly diverse population don't correspond to the changing demographics. In 2004, minority cultural organizations⁵² appear to have represented less than 6% of the sector. The number of minority organizations in metro Boston grew more rapidly than the sector as a whole—a 57% increase compared to 17% growth in the total sector—but all of the new organizations had budgets under \$500,000 in 2004. In fact, 60% of all minority cultural organizations, old or new, had budgets of less than \$100,000. Only four of metro Boston's 36 minority arts and cultural organizations had budgets between \$500,000 and \$2.5 million, a number that was unchanged between 1999 and 2004.⁵³

These numbers, however, represent a small slice of the overall picture of minority audience engagement with arts and culture. At the most basic level, we do not know the extent to which minority audiences are engaged with current offerings. Currently, there is no way of knowing the demographics of those individuals that are filling the seats at theatre or dance performances or that are viewing artwork in the region's galleries or attending classes and programming. Furthermore, there is no data to gauge the level of informal art making and presenting, commercial ventures or even nonprofits in other sectors that fill the need for cultural experiences reflecting the interests and ancestry of a diverse region. The mainstream cultural institutions that fill this role and Boston's community-based organizations as well as nonprofits with a core mission that is not arts-related are often a significant source of arts and cultural experiences by and for under-represented racial and ethnic groups but the extent of their service to these communities is unknown.

Key Findings

These findings hold a number of warning signs. There are signs that the audience is not increasing with the growth of the sector. It also appears that the arts and cultural offerings are not truly reflective of the community's increasingly diverse backgrounds.

These warning signs prompt us to raise questions that parallel those asked about the supportive environment. Why doesn't audience engagement seem to be keeping up with sector growth, despite the region's generally positive indicators that it is supportive of arts and culture? Can the sector succeed in expanding the segment of the population that engages in arts and culture? What does this say about the ability of the current programming to capture the attention of a broad audience? What does this say about the ability of the current programming to capture a diverse audience? What does this tell us about price sensitivity and competition in the leisure marketplace?

All of these questions bring to the forefront the importance of having high-quality audience participation data because trends contribute to financial fragility and have implications for reaching scale. Without sufficient data to delve into these questions, the forces that are impacting both the supportive environment and the engaged audience cannot be properly assessed.

Matching Art and Audience—Today and Tomorrow

Do today's arts and cultural offerings reflect the changing face of metro Boston? Though data is limited and exceptions can be cited, the answer is a resounding no.

Two of those exceptions—organizations operating outside the arts/culture nonprofit sector—hint at the potential for a broader audience that reflects metro Boston's current demographics.

ACT Roxbury, launched in 1996, is the cultural economic development program of Madison Park Development Corporation, a community-based developer of affordable housing founded in 1966. ACT's Roxbury Art Series includes a film festival, a theater event, the publication of a literary annual, and Roxbury Open Studios, a two-day visual arts exhibit/sales event. ACT's leadership was a central player in redeveloping the Roxbury Center for the Arts at Hibernian Hall, which opened in January 2005.⁵⁴

Inquilinos Boricuas en Accion—more familiarly known as IBA—is a social service and housing provider concerned with the human, social, and economic development of Villa Victoria residents and Latinos city-wide, as well as with preserving and promoting the Latino culture and artistic heritage. Based in Boston's South End, IBA's La Casa de la Cultura (Center for Latino Arts) includes a 450-seat performance space, and a gallery, dance studio and visual arts studio for IBA's youth and adult cultural programming.⁵⁵

Minority or culturally specific organizations operating within the nonprofit arts and culture sector contribute significantly to the region's cultural vitality and to the enjoyment of audiences from all population groups. Their current scale and reach also point directly to the enormous latent potential in metro Boston's marketplace.

Visual artist Persi Navaez-Machicao, who exhibits his paintings, based on Pre-Columbian images and icons, at IBA's La Casa de la Cultura Gallery, notes that "As modern Latin-Americans, we are very proud to recall our cultural heritage that gives a context to our rich identity. I hope to reinforce my own identity while expressing gratitude to my ancestors."



Among the largest minority organizations, two organizations are led by individuals who are not representative of the constituencies they serve, but nonetheless owe their growth and success to their leaders' deeply empathetic understanding of those populations. World Music/CRASHarts⁵⁶ presents traditional and contemporary performing arts from around the world—more than 70 different countries in its 15 years of presenting—to what is likely the region's most diverse audience.

Artists for Humanity⁵⁷ helps nearly 100 inner-city teens gain arts, entrepreneurship and leadership skills by employing them in apprenticeships with professional artist/mentors. Several hundred more teens are served each year through a Saturday drop-in art program. Over 90% of the youth served are from low- or very low-income families; 33% are African American, 26% Latino, 14% Caucasian, 11% Asian, and about 5% each Cape Verdean, Haitian, and multi-racial; their teaching and administrative staff reflects this mix.

Three of metro Boston's largest minority organizations are founded and/or led by representatives of the racial/ethnic groups they serve. The Museum of African American History⁵⁸ protects and conserves sites in Boston and Nantucket and interprets the lives of African Americans in New England from the colonial period through the 19th century. Its public offerings include a literacy program, historical re-enactments, a themed summer program, and internships for youth from pre-school through high school, and adult programs of exhibits, concerts, and lectures and forums.

The Japan Association of Greater Boston⁵⁹ operates the Japanese Language School of Greater Boston, publishes a directory of members and a newsletter, and sponsors social and cultural events.

Finally, the Tekeyan Cultural Association⁶⁰, which serves the Armenian community, operates in 17 countries; its 14 US and Canadian chapters are based in Watertown. It organizes and sponsors lectures, seminars and cultural projects and supports the translation and publication of Armenian literary and historical works.

Together, the five largest minority organizations employed 157 people in 2004, and engaged many more interns and volunteers. But that begs the question—what about tomorrow's cultural leadership? Will the young minority cultural workers now employed in metro Boston's cultural organizations be sufficient to support a robust, diverse sector serving changing audiences?

The few minority employees in major arts and cultural institutions are not enough to fill the need for strong top-level management in minority and immigrant cultural organizations. Those working in the smallest minority cultural organizations may not be getting sufficient on-the-job training to lead since they are less likely to be exposed to sophisticated technology or be asked to manage projects at a scale or scope that is transferable to bigger institutions. As is true of the sector as a whole, the need to develop the next generation of talented management staff seems likely to be one of the defining challenges of the next decade.

Metro Boston is not unique. Other communities are facing, and beginning to address, the challenges posed by the limited number and size of minority organizations.

The Chicago Community Trust has recently turned its attention to the need for increased ethnic and cultural diversity in the executive ranks of arts and cultural organizations. In June 2007, the Trust introduced the six fellows chosen for its new \$1 million, two-year Fellowship in Arts and Cultural Management Program, which was developed in collaboration with the Art Institute of Chicago, Chicago History Museum, Chicago Children's Museum, Lincoln Park Zoo, Museum of Science and Industry, and John G. Shedd Aquarium.⁶¹ The Trust expects this initiative "will benefit the Chicago community well beyond the actual Fellowship program".

The San Francisco Foundation is focusing on the audience. Its FAITHS Initiative, which seeks to build the capacity of faith-based organizations that deliver services or advocate for their communities, was recently expanded beyond social services to include arts and cultural activities. Recognizing that "faith-based organizations and congregations often serve as a community hub for immigrant, refugee, and grassroots communities, and can serve as a point of cultural and artistic activity and exchange," the FAITHS mini-grant program distributed a total of \$35,300 to 20 faith organizations in 2007. Highlights of the resulting programs included Mayan dance, African American drumming, Tongan Hip Hop, Native American Powwow, Southeast Asian quilting, Hebrew calligraphy, Islamic art, Ethiopian music, and Korean oral histories.⁶²

The Joyce Foundation⁶³, also in Chicago, takes a more comprehensive approach, focusing its cultural funding entirely on "projects that bring diverse audiences together to share common cultural experiences." As a major funder of Chicago's culturally specific and community arts groups, it supports both programs and infrastructure. Joyce funding for Chicago's mid-sized and major cultural institutions is focused on increasing "the participation of people of color in their audiences, boards, and staff." Finally, the Joyce Awards, an annual competition open to large and mid-sized organizations, "support the commissioning and production of new works in dance, music, theater, and visual arts by artists of color."

How will metro Boston meet the challenge of a rapidly changing audience? What new solutions will newcomers and resident communities of color bring to the table?

What new philanthropic paths will the region's foundations and donors discover as they are challenged to provide patient capital to build the capacity of nonprofits reaching people of color? New funding programs are needed to grow organizations and leadership. Guidelines need to be revised to present invitations and openings rather than barriers to these nonprofits. In a further challenge, compelling work often takes place outside the 501(c)(3) structure in individual or commercial enterprises. Support may need to be funneled through fiscal agents. Of course, donors less concerned with tax consequences can give, purchase services or commission work directly.

Metro Boston's minority organizations have access to audiences drawn from both majority and minority populations. What these nonprofits need is the supportive environment required to build infrastructure and strong, stable organizations. This is the challenge to donors and foundations: move beyond funding that is narrowly focused on majority institutions to embrace the region's changed demographics. Support a new cultural landscape that reflects the new face of metro Boston.

CHAPTER FIVE

The Right-Sized Organization

Three vital signs—the innovative marketplace, the engaged audience, and the supportive environment—contribute to right-sized organizations. A right-sized organization has achieved an appropriate and sustainable scale. It has a viable balance sheet, investments appropriate for its activities and scale, and the ability to recruit and retain talent.

Data available from IRS 990 forms yields rich information in this area, including revenue and expenses, changes in assets, investments in facilities, and total and executive payroll—indicators that are a gauge of an organization’s financial health, as well as sector-wide trends.

Most indicators show that arts and cultural organizations in metro Boston area are experiencing financial stress. Operations are in decline, with decreases in

revenue often outpacing decreases in expenses, implying short term fragility. Only the top budget category exhibits substantial growth in unrestricted net assets, a positive indication of long term health.

Facilities appear to have caused stress on organizations in the middle budget ranges. Organizations in the \$1.5-5 million category may have over-invested in facilities, and nonprofits within the \$5-20 million category seem to be struggling to maintain facilities.

Total payroll growth has outstripped total expense growth, implying that programmatic expenses are staying flat or losing ground. Executive salaries in development and marketing are growing rapidly, and, unlike other positions, are exceeding inflation by a large margin.

Financial Health Isn’t One Size Fits All

An examination of organizations by budget categories reveals that arts and cultural nonprofits face different issues depending on their size. The two smallest budget categories analyzed, up to \$500,000 and \$500,000-1.5 million, are the source of innovation and churn in the sector. These organizations reach niche audiences or provide an experimental outlet for the artistic community. They compete with similar sized organizations for funding and larger organizations for audience.

The two next categories, \$1.5-5 million and \$5-20 million, struggle to compete with top organizations for funding and personnel, although the larger group is more successful. Finally, the top category of organizations with budgets over \$20 million contains the six largest nonprofits in the arts and culture marketplace. Although this top category does show some signs of financial stress, it is the only category that has increasing average unrestricted net assets, an indicator of long-term health.

FIGURE 16

Indicators and Trends: The Right-Sized Organization

The Right-Sized Organization	
Indicators	Trends
Financial trends by budget category <ul style="list-style-type: none"> • Revenues and expenses • Changes in assets 	<ul style="list-style-type: none"> - Revenue decline outpacing expense cuts - Negative assets increasing - Facility investments negatively impacting liquidity + Largest organizations have increasing unrestricted net assets
Financial trends by budget category	<ul style="list-style-type: none"> - Payroll growth driving total expenses - Many nonprofits may be unable to afford rapidly growing marketing and development costs

A right-sized organization has a viable balance sheet, appropriate investments in property, plant and equipment, and the ability to attract and retain talent.

FIGURE 17

The Sector by Budget Size

Up to \$500,000	\$500,000 to \$1.5 million	\$1.5 million to \$5 million	\$5 million to \$20 million	Over \$20 million
Arts & Business Council	ArtsBoston	Boston Center for the Arts	Boston Children's Museum	Boston Ballet
Boston Theatre Works	Artists for Humanity	Celebrity Series of Boston	Citi Performing Arts Center	Boston Symphony Orchestra
Lexington Historical Society	Cambridge Multicultural Arts Center	Coolidge Corner Theater	Institute of Contemporary Art	Museum of Fine Arts
Massachusetts Advocates for the Arts, Sciences and Humanities	First Night	Massachusetts Historical Society	Huntington Theatre	Museum of Science
SpeakEasy Stage Company	Freedom Trail Foundation	Museum of African American History	Isabella Stewart Gardner Museum	Peabody Essex Museum
StageSource	José Mateo's Ballet Theatre	New Rep Theatre	Massachusetts Audubon Society	WGBH
The Color of Film	The Theater Offensive	World Music/ CrashARTS		
	Zumix			

Organizations of all sizes contribute to the vibrancy of Metro Boston's arts and culture sector.

The Dynamic Small Nonprofit

It is not surprising that the arts and culture sector nonprofits with budgets up to \$1.5 million show signs of erratic health. By nature, these organizations are in flux. While their small size allows them to be nimble, they also struggle to gain a firm financial footing.

These organizations can rarely invest in a professional management team to help with fundraising and operations. Instead, key leaders, impassioned board members, and employees buy into the organization's vision and mission, using their own "sweat equity" to make the organization run. Because these organizations are often driven by the leadership's vision, when the current leadership decides to move on it becomes more difficult to sustain energy and momentum within the organization. Given this pattern, is complete, long term financial stability possible at this budget level? Or should organizations instead strive for non-deficit spending that balances creative leaps of faith against limited resources? Is the small nonprofit inherently fragile?

Whatever the answers, the data show that these organizations have experienced a decline in health. Average revenue decreased more rapidly than average expenses, suggesting a decline in operations. The number of organizations with negative unrestricted net assets increased; these organizations may have accumulated deficits or high levels of debt. Even where unrestricted net assets grew, there was, on average, only minimal gain. Investments in property, plant, and equipment accounted for more than half of these organizations' unrestricted net assets, growth that masked declines in adjusted unrestricted net assets for the \$500,000 to \$1.5 million category. This implies that organizations have experienced a drop in assets that they can use for general operating expenses.

What are Unrestricted Net Assets?

Unrestricted net assets (URNA) are a key measure of an organization's health. These are assets that have no restrictions on use. URNA includes investments in property, plant, and equipment (PP&E); to get a true picture of what cash an organization can spend, these capital investments should be subtracted.

The Squeezed Middle

Organizations in the middle budget category of \$1.5-\$5 million show similar signs of financial stress. Average revenues fell at a faster rate than average expenses. The number of organizations with negative unrestricted net assets remained static. Average unrestricted net assets decreased, while the share of property, plant and equipment (PP&E) within this class grew, further eroding liquidity. In fact, property, plant and equipment increased by 71%, the most of any budget category, suggesting that this group is aggressively investing in fixed assets such as facilities.

On average, those organizations in the \$1.5-\$5 million budget range that invested in plant saw a decrease in liquidity while organizations that decreased their PP&E investments achieved gains in liquidity. Additional research into data sets other than those used for this report is required to determine the true impact of investments in facilities. However, this finding, based on IRS 990 data, suggests that increased investments in property, plant, and equipment may hamper an organization's fiscal flexibility. Owning a facility is a high-risk proposition, especially for mid-sized organizations, because maintenance of fixed assets increases operational costs, which may leave less money for programming or other organizational expenses.

The financial health for the \$5-20 million budget category is also fragile. Like those in the lower budget ranges, organizations in this category experienced a decline in operations, with average revenue falling more quickly than average expenses. This drop could be at least partially explained, however, by capital campaign cycles.⁶⁵

The long term health of the \$5-\$20 million mid-sized organizations shows signs of weakness. In 1999, no organization in this category had negative unrestricted net assets; two organizations shared this position in 2004. Average unrestricted net assets fell in this category, driven by decreases in property, plant, and equipment; without this measure, average unrestricted net assets increased. Decreases in

property, plant, and equipment could indicate that organizations are deferring investments in facilities. However, further investigation revealed the same trend in plant investment seen in the \$1.5-5 million range. While there are exceptions, on average, those who invested in plant saw a decrease in liquidity whereas organizations with declining plant investments experienced an increase in unrestricted net assets (net of plant investments).

At first glance, the data for organizations in the middle budget categories do not look encouraging. Are these nonprofits too large to be nimble and too small to compete? Comparisons with for-profit growth strategies would suggest that organizations at this level should either scale back their operations and remain focused on a niche market or scale up to become competitive with leading players in the field. The consolidation and scaling up of human service organizations is one example of this pattern in the nonprofit sector.

Can artistic vision be scaled like a consumer product or client service? Many organizations at this level already produce high-quality art that attracts an enthusiastic audience. Scaling a mid-sized arts or cultural organization, especially considering the size and type of audience and level of resources it attracts, may not be possible or desirable.

While the authors believe that a healthy arts and culture sector contains organizations at all budget levels to delight audiences of differing sizes and tastes, we think these findings call for organizations in the

middle budget categories to think carefully about how a facility impacts their financial

Does the facility allow the organization to gain more program service revenue? Have market sizing tests indicated that such demand exists? Will gains from the facility outweigh future expenditures in ongoing maintenance and capital improvements? Facilities investments should enhance an organization's financial position, not limit its flexibility.

health. Does the facility allow the organization to gain more program service revenue? Have market sizing tests indicated that such demand exists? Will gains from the facility outweigh future expenditures in ongoing maintenance and capital improvements? Facilities investments should enhance an organization's financial position, not limit its flexibility.

Building to Scale

In the oft-quoted words of Director Jill Medvedow, the “old” ICA was an institution “striving to be marginal.” In truth, while the museum’s long history included many noteworthy exhibitions, by the 1980s and 90s its exhibits pleased neither critics nor audiences nor donors.

Founded in 1937 as the Boston Museum of Modern Art, it became the Institute of Contemporary Art⁶⁶ in 1948. In the mid-1970s, the ICA purchased and renovated an 1880s police station on Boylston Street into two floors of exhibit space with two lower floors for a video gallery and a small theater. By 1999, the ICA was serving an audience of about 25,000 people. This would grow to about 40,000 just before the ICA left the Back Bay, and it was clear that the ICA’s building and exhibition schedule couldn’t accommodate the audience growth the museum would need to reach an appropriate and sustainable scale.

Medvedow, hired in 1998, was determined to expand visitorship, change locally-held attitudes towards contemporary art and expand the profile of Boston’s contemporary museum. One strategy was *Vita Brevis*—from the Latin phrase *vita brevis est, arts longa*, or “life is short, art is forever”—a series of short-term, site-specific art installations throughout Boston and its parks that would expand the number of people encountering contemporary artwork. Another was a new facility.

Facilities are a seductive, but often dangerous strategy. The capital campaign required to build and/or renovate a new building is often beyond the capacity or experience of staff and volunteer leadership. Many underestimate the difficulty of raising both capital and operating expenses at the same time; most forget about future maintenance and operating costs. Most arts/cultural nonprofits lack the ability to plan or develop real estate projects; outside expertise in financing, legal issues, zoning and code compliance, and construction is available, but expensive.⁶⁷

The Institute of Contemporary Art’s visionary building opened in December 2006, bringing new life to a revitalized waterfront. Under cantilevered galleries at the water’s edge, the 3,500-square-foot Putnam Investments Plaza and its grandstand of public seating merges with Boston’s 47-mile HarborWalk to provide a dramatic space for performances.



JOHN KENNARD

But Medvedow had been hired as a change agent and once in place, she moved quickly. In 1999, as part of millennium legacy project, the City of Boston selected the ICA as the recipient of a site on the waterfront, an award based on the ICA's evident need for more space as well as its potential to draw people to the Fan Pier site and help create a vibrant, year-round neighborhood. By 2001, the ICA had selected Diller Scofidio+Renfro as the architects of the new museum. A year later, the new design was unveiled. In September 2004, the ICA broke ground and commenced a challenging construction process. The new ICA opened in December 2006. *Boston Globe* architectural critic Robert Campbell's comment was particularly apt: "From cramped and awkward quarters in an old police station in the Back Bay, the new Institute of Contemporary Art has emerged into the light like a cave dweller into sunshine."⁶⁸

The institutional planning and growth that preceded the new facility was critical. In 1999, the ICA had 525 members, a budget of about \$1.75 million, a staff of fourteen full-time and three part-time employees, and an endowment of \$1.7 million. It also had a not-so-secret weapon: its ambitious and visionary new director. While the chorus of doubters groaned that this mid-sized organization could never raise the capital, endowment and operating funds it would need, Medvedow led the nonprofit through crucial planning and feasibility studies.

Two key lessons emerged. Based on a clear understanding of the size of the new facility's potential audience, benchmarked against other contemporary museums across the country, the size of the building was limited to 65,000 square feet. This, of course, directly impacted the size of the capital campaign. The goal was ambitious, but achievable. The scale of the project was appropriate. Second, the institution needed to focus significant energy on expanding its staff capacity and increasing its operating budget well before the move. The ICA needed to grow to scale, to be "right-sized," before the building opened and the New ICA was launched.

By 2001, the ICA had grown its budget to about \$2.2 million and added four mid-level positions in education, marketing/communications, administration/planning and external relations. By 2005, as excitement surrounding the new facility attracted 1,600 members, the ICA's budget grew to over \$4 million. That year, it added eight positions including program staff focused on tours, teen and family programs, and technology and new media.

By the time the new building opened in 2006, the ICA's budget had exceeded the \$11 million mark to support a 55-member full- and part-time staff. The endowment had grown to \$9.5 million, including pledges; the board has renewed its commitment to growing this further. At the end of its fiscal year, and just seven months after its new doors opened, the ICA reported 10,600 members and 192,594 visitors.

In less than eight years, the ICA's budget had grown nearly 500%, membership was up 2,000% and visitorship increased 760%. Jill Medvedow and the ICA's volunteer leadership had managed an extraordinary process of growth and change, confronting and conquering the hazards of facility development to grow to scale. The doubters are silent. No longer marginal, the new ICA is now at the center of metro Boston's contemporary art scene.

Organizations in the middle budget range may have the hardest time recruiting and retaining staff. While organizations in the smaller categories also face financial stress, they can more easily change their programming mix and often have staff members who are willing to make big tradeoffs in salary in return for playing a larger role in an organization aligned with their interests. Organizations at the \$1.5-\$5 million level carry the additional costs of facilities maintenance and larger staff, but probably cannot afford to invest heavily in professional management teams unless they plan to scale to an even larger size. To overcome this challenge, mid-sized organizations are challenged to develop creative and affordable ways of boosting their professional capacity. Hiring consultants to assist more junior staff or employing senior staff on a part-time or consultancy basis are two common solutions. The \$5-\$20 million category organizations face similar constraints but are better able to compete for staff with the largest nonprofits in the sector. The middle is, indeed, squeezed.

The Resource Rich Top

The largest organizations appear to enjoy the best health, although they, too, show early warning signs of financial stress. Like all the other budget categories, declines in revenue outpaced declines in expenses. However, this is the only budget range that does not contain organizations with negative unrestricted net assets in 1999 or 2004. Average unrestricted net assets grew, an increase that is even more dramatic when property, plant, and equipment are removed from the equation. Thus, the largest organizations seem healthy in the long term, but show the same decline in operations as the other budget categories.

The largest organizations can afford to invest in top talent to manage their operations effectively and generate earned revenue and contributions through professional marketing and development functions. This picture of good health, however, assumes that these organizations have sized themselves to meet, not exceed, what stakeholders in the supportive environment and members of the engaged audience demand. These organizations also need liquid asset reserves to sustain their multi-faceted operations, pursue new

The largest organizations appear to enjoy the best health, although they, too, show early warning signs of financial stress.

programming and shield them from downturns in the economic and giving cycles. But all things considered, bigger may be better.

Is a Staffing Crisis Looming?

Based on our research, it appears that payroll is driving organizations' expenses and may be crowding out funding for programs. Behind this general payroll dynamic are significant salary increases for marketing and development executives between 1999 and 2004. This suggests that increased competition for audiences and contributions may cause organizations to invest more heavily in marketing and development. These indicators, combined with worrisome studies that show an impending leadership deficit for the nonprofit sector as a whole, suggest that arts and cultural nonprofits may soon face difficulties in recruiting and retaining talent.

Because spending on personnel typically makes up a large share of nonprofits' budgets, researchers looked at payroll costs as a percentage of total expenses to discover what might be driving changes in expenses. This revealed that total payroll costs increased from 35% to 42%, while other expenses remained relatively flat. This suggests that program expenses remained static between 1999 and 2004, and, indeed, there is evidence that program staff salaries are not keeping up with inflation. A comparative look at change in total payroll, average number of staff, and average staff salary shows that while average staff size is decreasing, total payroll expenses and average staff salaries are generally increasing, suggesting that organizations are paying more money to fewer staff members. The \$1.5-\$5 million category stands out as an exception to this observation, with virtually static payroll expenses and salary growth accompanied by a decrease in average number of staff.

What drives the increases in average staff salaries? The rising cost of health care and other benefits contributes to payroll pressure, although these expenses typically represent a small share of total compensation. This study tested for increases in development and marketing salaries, based on anecdotal evidence that these salaries had been rapidly rising, and the hypothesis

that an increasingly crowded marketplace would drive organizations to invest more heavily in fundraising and marketing. This study's researchers identified and categorized the top five most highly paid executives within the study sample, and found that the average salary for executive positions in marketing and development exceeded inflation from 1999 to 2004.⁶⁹ The other categories—chief executive officer, chief operations officer, finance and administration, and program—did not see any gains when adjusted for inflation. Again, while we don't know for certain what is happening at the level of individual organizations, this data leads us to question if the needed investments in marketing and development are displacing critical funds for programming.

Payroll pressures, like other financial measures, impact each of the five budget categories in different ways. The growth in marketing and development executive salaries appeared especially strong for organizations in the middle budget ranges. In addition, a visual inspection of the difference in average development salaries between budget categories revealed wide disparities. For example, the average development salary for organizations with budgets of \$20 million or more is about \$74,000 higher than the average salary for the next largest budget range. This suggests that organizations in the lower budget ranges are at a disadvantage when recruiting development talent. Given the environment in which arts and culture sector nonprofits operate—growth in the number of organizations against a static population and an audience with a fixed leisure budget—investments in marketing and development are more necessary than ever. The issue at hand is not the investments themselves but the apparent inability for many organizations to afford the expense.

Executive pay increases have a minimal effect on larger organizations' total budgets, while organizations in the \$500,000-\$1.5 million and \$1.5 to \$5 million saw a 4% increase in the share of executive salaries as a percent of total expenses.

Arts and cultural nonprofits already struggle to recruit, retain, and fairly compensate talent—challenges are projected to intensify in the future...Nonprofits will have to spend more money on staffing to accomplish the same work.

All of these payroll pressures are taking place within the larger context of a looming leadership deficit and ambivalence of young workers towards the sector. The Bridgespan Group, a nonprofit consulting firm, estimated in a 2006 report that the nonprofit sector will need to attract and develop a total of 640,000 new senior managers over the next ten years—2.4 times the number currently employed.⁷⁰ Those most likely to fill these positions—
younger nonprofit sector workers—feel unprepared for management positions and have a negative view of the executive director role.⁷¹ Moreover, younger workers face an ever increasing amount of educational debt that may make them less willing to pursue a nonprofit career. These nonprofit staffing challenges are magnified in the Boston area because of its high cost of living and its static population.

Taken together, these indicators and trends show that arts and cultural nonprofits already struggle to recruit, retain, and fairly compensate talent, challenges are projected to intensify in the future. Rising marketing and development salaries and the deficit of leadership talent will put upward pressure on organizations' entire salary scales. In short, nonprofits will have to spend more money on staffing to accomplish the same work.

Key Findings

These findings suggest that measures of health vary across the different budget ranges, and that organizations must ask different strategic questions about sustainability and growth depending on their size. Best practices for financial management and human resources also vary across budget categories.

- A smaller and newer organization needs to ask if there are sufficient internal and external resources to support it beyond the tenure of its current leadership. If growth is the answer, it should determine what amount of investments in programs, management, facilities, and fundraising and development it can sustain at the next level.

-
- Organizations in the middle categories must carefully consider spending on facilities and staff so that these investments enhance, rather than erode, their financial health. Plans for facility investments should test for market demand and impact on long term financial health. Creative staffing structures such as the use of consultants to guide more junior employees and high-level part-time staff can help these organizations afford the professional capacity they need.
 - Larger organizations should continue to invest in talent to ensure programming and management excellence, and maintain and upgrade their facilities to hold their position as first-class institutions. These organizations are under constant pressure to raise significant amounts of funds, but they can attract the best leadership and management to do so.

Recent coverage in the mainstream media on executive pay increases at museums, foundations, and other organizations complicates the growth and sustainability discussion. A 2007 IRS investigation targeted abuses in nonprofit executive pay, citing the sector's support of "champagne lifestyles".⁷² High net worth donors are reluctant to support operations (non-program) staff, saying that they would give more to charity if "less money were spent on administration."⁷³ Despite this, it is important to remember that for-profit salaries dwarf nonprofit salaries. The average nonprofit executive salary for the largest budget range was \$249,000, compared to the average small-cap firm executive salary of \$940,000.⁷⁴

Strategies for recruiting and retaining talented staff will be critical to the future success of any nonprofit organization. This raises the following questions:

- What can trustees, funders and nonprofit leaders do to promote honest conversations and decision-making about investing in staff and facility infrastructure?
- What are the implications for small and medium sized organizations? What strategies can these organizations use to compete in the high-priced market for marketing and development personnel?
- How can nonprofits balance increased investments in marketing and development salaries with the need for program staff?
- What strategies can organizations use to recruit and retain new leadership talent given that these investments will require more money than before?
- How can the sector effectively convey the economic and social value of arts and cultural organizations as well as educate the public on the operating practices and needs of healthy nonprofits?



The Boston Youth Symphony Orchestras offer a continuum of orchestral and ensemble training through three full symphonic orchestras, a string training orchestra, a preparatory wind ensemble, four chamber orchestras, a chamber music program, and a nationally recognized string training program for underrepresented youth from inner-city communities. In the front, from left to right, are members of the Boston Youth Symphony and Repertory Orchestras Emily Seidman, Mary Rab and Ifeanyi Chukwujama, with Keith Williams and Alexander Perrone in the back.

Growth in a Competitive Environment

How can a mid-sized organization strengthen its marketing and development capacity when it competes with much larger and better financed organizations for the best staff?

The Boston Youth Symphony Orchestras⁷⁵ experienced remarkable growth between 1999 and 2004 and continues its expansion today. In 1999, the orchestras (then the Greater Boston Youth Symphony Orchestras) had a budget of about \$560,000 and 250 youth performing in three orchestras. By 2004, its operating budget, exclusive of its biannual international tour, had reached \$1,300,000 and it was serving 350 youth. Now, as BYSO enters its 50th year, it serves 450 youth on a budget of \$2,500,000 (again, without touring expenses) and mounts five concerts at Symphony Hall and Sanders Theatre by the top level orchestra as well as eighteen additional concerts by the other orchestras.

Executive Director Catherine Weiskel credits the orchestras' music director, Federico Cortese who joined the organization in 1999, with having the vision that fueled this growth. She is, of course, right. Marketing and fundraising cannot attract support in the absence of a clearly articulated goal and a quality product. But BYSO's growth would have been unlikely unless it also expanded and strengthened its development and marketing operation.

The youth orchestra hired its first development staff person in 1998—a young man with a passion for music, but no fundraising experience. It also retained a seasoned development consultant to coach the new hire and provide strategic advice. A marketing staff person was already in position, handling everything from ticket sales and program design to press releases. In 2003, based on a strategic need to increase individual giving, a position focused on the annual fund was created, freeing the first staff person, now promoted to Director of Development, to focus on foundations and major gifts. By 2007, a second marketing position, a full-time Director of Marketing and Public Relations, was added.

Thus, the organization developed a staffing pattern. Each fundraising position was balanced by an additional marketing employee. Not coincidentally, operations staff expanded at a similar pace. The nonprofit now employs two people each in development, marketing and operations, and continues to engage senior level marketing and development consultants to provide strategic advice and training.

But what may be crucial to this agency's success was its growing understanding of the connection between marketing and development. The two functions are, in fact, intertwined. To increase individual contributions, BYSO needed to communicate better with its current and potential donor pool and provide them with greater recognition and exposure; providing visibility for donors and the orchestras' concerts required increased funding. By 2004, BYSO had created, in effect, an external affairs department assuring that marketing and development work in tandem, a collaboration that may be easier to administer in a smaller, less compartmentalized organization.

A second important element to this success story is the external support the nonprofit was able to muster for this internal growth. In 2003, two local foundations helped BYSO enhance its fundraising capacity by supporting a consultant, the hire of a second staff person and related printing and mailing costs. The investment was made based on an ambitious, but carefully considered set of fundraising goals for alumni, parent, board and foundation giving, all of which were met or exceeded. But more to the point, the foundations invested because of the organization's documented growth, its inclusion and support of inner-city youth, and the high quality of its musical education and concerts. Now, perceptive alumni parents are supporting the organization's development and marketing infrastructure. Excellence attracts support.

Of course, the model isn't perfect. The young, unseasoned staff person grows into a seasoned professional under the tutelage of strong executive leadership and consultants, and then moves on to a higher paying position in a bigger organization. The small or mid-sized organization has fulfilled its role as a training ground for sector leadership, but has to repeat the cycle of hiring and training, albeit from a stronger position. For BYSO, this transition was not difficult: the outgoing development director had trained the second staff person who stepped easily into his position. The orchestra has learned its lesson and doesn't limit its succession planning to senior management: now, all junior hires are evaluated for their ability to grow in their roles.

There is always a larger and better financed nonprofit ready to offer higher salaries to the best marketing and development professionals. No metro area nonprofit, except perhaps Harvard University, is immune from this cycle. But a larger budget doesn't always come with a compelling vision and drive for excellence, the real basis for fundraising and marketing success.

CHAPTER SIX

Conclusion

This examination of metro Boston's arts and culture sector reveals areas of good health: the sector is dense and diverse in its programmatic offerings, members of the community value art and culture and nurture the sector's growth, many citizens engage in multiple genres of programming, and there are organizations in different budget ranges and subsectors that have achieved an appropriate scale and attracted an engaged audience. The examination of the sector's health also revealed warning signs of financial stress and questions that call for more data. Based on our review of four vital signs of a healthy sector, our diagnosis is mixed.

■ **The innovative marketplace** The arts and culture sector is dense, and continues to host a wide variety of organizations in different budget ranges and subsectors. In the lower budget ranges, evidence of churn, or organizations entering and exiting the market, suggests that there is room for innovation. Several organizations have increased in scale over the period of this study—a good sign. Subsectors—performing arts, museum, multi-media—are growing at uneven rates. But we don't know enough about the appropriate level of sector dynamism and change to determine if the level of churn is adequate, if the uneven growth of subsectors is acceptable, or even if there is enough room for organizations to go to scale. But on balance, this vital sign is positive.

■ **The supportive environment** A number of indicators suggest that the region has a positive and supportive environment for a healthy arts and culture sector. Boston has an arts inclined demographic with favorable attitudes towards secular giving and a strong state cultural council. Evidence of a dense and growing sector indicates that arts and cultural nonprofits have tapped into these resources. On the other hand, the population is static, contributed income, especially that from corporations and foundations, has declined, and lack of home-rule constrains municipal funding. Can institutional support keep up with sector growth? Can arts

inclined individuals, corporations and foundations be persuaded to contribute more generously? We are cautious and watchful.

■ **Engaged audience** While there is the least amount of data behind this vital sign, available indicators show some worrisome trends. Average program service revenue, including ticket sales and program fees, decreased in every budget category when adjusted for inflation. This suggests that the audience is not growing in pace with the increasing number of organizations. Data on local audience trends for museums and dance organizations also show that attendance appears to be on the decline. Furthermore, while leisure tourism to Boston has increased, travelers tend to visit only the largest, most visible institutions. These findings relate to national data that suggest that individual consumption of arts and culture is holding steady as a percentage of income. Assuming this trend is true in metro Boston, where the number of offerings is increasing and population is holding steady at best, the result is that the same number of people are choosing from more offerings, which will reduce average attendance. If we consider that consumption may be holding steady as costs of programming rise, it may actually be the case that the same number of people are choosing fewer programming activities from more options, producing an even lower average attendance.

Data also suggests that the art and cultural offerings may not adequately reflect the needs and values of the region's growing minority population; the share of minority organizations appears to be negligible. These downward trends, combined with the absence of key information, highlight the importance of high-quality data to assess the health of individual organizations and the sector as a whole. They also call into question issues of diversity, affordability and competition in a marketplace where the number of offerings is growing, the population is changing, and consumers have static leisure budgets.

■ **Right-sized organizations** The warning signs visible in the supportive environment and engaged audience lead us to raise serious concerns. In the current scenario, an increasing number of organizations seem to be competing for resources that may not be expanding to match increased needs. We also see that organizations may not be calibrating their investments in facilities and staff in response to these market forces, leading to financial stress. Of course, there are exceptions and organizations that have developed successful strategies to secure the infrastructure and resources that they need to thrive. But overall, the right-sized vital sign indicates that the region's average arts and cultural nonprofit faces financial stress and competition for talent. And while we see evidence of financial stress across the sector, the budget size of an organization impacts its flexibility and fiscal vulnerability:

Organizations in the smallest category, those with budgets of up to \$1.5 million, have experienced weakening health. Because this part of the sector experiences the most churn, these nonprofits are fragile by nature. Between 1999 and 2004, operations declined and organizations with negative net assets increased. Increased investments in facilities actually mask a decline in liquidity for organizations with budgets of \$500,000 to \$1.5 million. These organizations have also seen payroll costs capture an increasing share of annual budgets. Although staff may be attracted by the innovative nature of the work, these organizations may have difficulty paying for professional talent.

Organizations that fall within the middle budget ranges of \$5 million to \$20 million also appear vulnerable. These organizations have faced the same decline in operations and drop in liquidity as the smaller organizations. Interestingly, organizations that invested in facilities experienced a decline in unrestricted net assets, while those that refrained from investment have seen their liquidity increase. Finally, mid-sized organizations have difficulty competing with larger organizations for talent.

The largest organizations with budgets of \$20 million or more seem to be the healthiest. While they have also seen a decline in operations, no organizations in this category have negative unrestricted net assets. In fact, their liquidity has increased, especially when facility

investments, which decreased slightly for this group, are removed from the measure.

These findings call for thoughtful strategies for sustainability and growth given an organization's budget size, capacity, and artistic vision. It also points out the need to reframe the debate on compensation for nonprofit executives. Instead of insisting that administrative costs should be low, funders and donors should consider what the real costs are to recruit and retain high-quality staff to run an organization well.

Looking Ahead

Looking ahead, we believe that nonprofit boards, executive leadership, and funders should consider the following key questions and issues:

- **Recognize the need for a clear and singular vision.** The case studies found throughout this study demonstrate that a unique and compelling vision will attract audiences and resources in a competitive marketplace. Organizations that lack this vision may have lost their relevance and should consider reframing their vision, merging with another institution if they have valuable assets, or exiting the sector.
- **Understand audience.** Do the nonprofits in this sector understand the profile and needs of their various audiences? Are they creating high-quality art and cultural offerings that engage and provoke audiences? If so, what is the appropriate price point for these offerings, given the abundance of offerings and restrictions on leisure spending? How can programs be priced to signal value and remain affordable? Finally, what is the role of minority organizations in reaching diverse audiences, and what should the sector do to support these organizations' growth?
- **Think about scale.** Given that the average organization faces financial stress, and that payroll pressures and over-investments in facilities appear to drive this stress, how should organizations calibrate their investments in these areas?
- **Strengthen current capacity.** Nonprofits that have reached a scale that fits their vision and mission need to ask how to best manage current opera-

tions. Smaller organizations may have to think creatively about staffing capacity, especially their level of marketing and development capacity and the level of return they can expect from these investments. Larger, more established organizations may want to ask if they have the right management team and board leadership to carry out their mission. How do current or prospective facilities investments impact their financial position?

- **Scale up.** Does the nonprofit have a more extensive vision than its current scale and capacity allows? Can its vision attract larger audiences and philanthropic support? If so, what level of staffing is required to achieve an appropriate scale? Is this level of staffing realistic given that any nonprofit will have to increase spending on compensation just to maintain current activities? What size investment in facilities will help it to expand, but not overextend, its reach?
- **Consider exit strategies.** If a nonprofit lacks a clear vision, struggles to attract audience, and cannot grow to a larger scale to realize a greater vision and increase support, it should consider exiting the market or merging its remaining assets with another organization. While we see organizations leaving the marketplace in the for-profit sector, the authors of the study have not seen the same dynamic in the nonprofit sector. Instead, we have observed boards of directors and staff leadership struggle to survive even though the organizational vision has either dissipated or lost its resonance with its audiences and supporters. We recognize that exiting the market is a sensitive and difficult issue, particularly because boards of directors may view it as their fiduciary responsibility to figure out how to sustain an organization no matter the circumstance. However, because we believe that a healthy sector must allow nonprofits to enter and exit the marketplace in order for innovation to flourish, we call on nonprofit boards and institutional funders to consider if an organization should continue to operate or if it has run its course.

A Final Word

The region's market place is complex, difficult and often treacherous, but it also holds tremendous opportunity. We hope that this report helps the leaders of arts and cultural nonprofits and their supporters develop strategies that ensure a vibrant arts and culture sector now and in the future.

As the Boston Foundation and TDC team researched, analyzed and wrote, our understanding of the complexity that arts and cultural leaders face every day deepened significantly. Navigating our ever-changing and highly competitive marketplace with limited resources is a very challenging, and often thankless job. We are in awe of the many organizational success stories we found throughout the metro Boston arts and culture sector and regret that we could highlight only a few. These stories of perseverance, vision and success make our analytical work enjoyable and worthwhile. The end result—excellent programs produced with brilliance and grace—make our lives much richer.

Appendices

APPENDIX A

Data Sources

Arts and Cultural Nonprofit Organizations

Data on arts and cultural organizations in the metro Boston area was extracted from Internal Revenue Service 990, 990-EZ and 990-PF forms from the GuideStar database of nonprofit organizations, operated by Philanthropic Research, Inc.⁷⁶ GuideStar's database "includes information on all tax-exempt nonprofits registered with the IRS. Currently, there are more than 1.7 million organizations in the database including information on more than 900,000 public charities, approximately 118,000 private foundations, and nearly half a million other exempt organizations."⁷⁷

Researchers for this study used GuideStar to identify those nonprofits within the Boston Primary Metropolitan Statistical area that had self-classified as an arts and cultural organization (A-code) and had total expenses over \$25,000 in either 1999 or 2004. Researchers then visually inspected the organizations identified by the GuideStar database and removed any organizations that were considered to be falsely classified as arts and cultural organizations. Specifically, organizations were removed from the data sample if they were:

1. *Not self classified as an "arts and cultural" organization:* Researchers inspected the NTEE codes listed by each organization. If there were no A-codes visible, the organization was removed from the analysis sample.
2. *Under the \$25,000 budget threshold:* For the purpose of this study, researchers included only those organizations that had budgets (total expenses) greater than or equal to \$25,000 in either 1999 or 2004. If the budget was under \$25,000 in both years, the organization was removed from the sample.
3. *Out of the geographic sample area:* This study examines organizations in the Greater Boston PMSA (see Figure 2 for a map of the region). Researchers examined zip codes to ensure that they were part of the defined sample area. If an organization was not in the region, it was excluded.
4. *A non-operating foundation:* For those organizations that filed 990-PF IRS forms, researchers inspected the 990 to determine whether they operated programs through the foundation, or served as a funding organization. If the organization did not operate a program, it was removed from the sample.
5. *An arts and cultural school:* Because of their unique roles, operating models and funding sources, schools and conservatories were excluded from the sample. Researchers visually inspected organization names and removed those that were schools.
6. *An organization with no available financial data:* For those organizations that were listed in GuideStar as an arts and cultural organization, but whose 990s were not included in the listing, researchers took a number of steps to verify their existence. First researchers did a Google search using the organization name as the search field. If no results came up, the organization was removed. For those organizations with budgets over \$500,000 as listed by GuideStar, researchers made attempts to call the organization or locate their 990 form at the Attorney general's office. If neither of these attempts were successful, the organization was removed.
7. *Classified by researchers as not an arts and cultural organization:* As a final step in the data-cleaning process, members of the research team with extensive experience in and knowledge of the local arts and culture sector visually inspected the data sample for organizations that did not truly have arts and cultural missions. Decisions were made on an individual basis, and organizations such as Political Research Associates, the Quebec Labrador Association, and the BELL Foundation were removed.

Readers can review the complete list of organizations removed from the sample, and the reason for removal, at the TBF website.

Subsets of the data sample were analyzed to identify budget range, subsector and payroll trends. The methodology for each of these sub-set analyses is detailed below.

Budget Ranges

Researchers identified five budget ranges based on total organizational expenses. For each year of data analyzed (1999 and 2004), organizations in the sample were placed in a budget category based on their total expenses for that year. As noted above, the minimum threshold for inclusion in the study was expenses over \$25,000 in at least one of the two years analyzed for the study.

In certain instances, an "outlier" organization has been removed from the data sample because a one-time event, usually a spike in funding or audience skews the overall results. This outlier varies.

The full data sample, including a list of organizations and their IRS 990 information, is available on the Boston Foundation’s Indicators website. Please see www.BostonIndicators.org/IndicatorsProject/CulturalLife.

Subsectors

GuideStar asks organizations to self classify using the NTEE (National Taxonomy of Exempt Entities) Classification System developed by The National Center for Charitable Statistics as part of its keyword searching criteria. As noted above, organizations included in the sample for this report self-classified as arts and cultural organizations, represented by an “A” NTEE code. Within the “A” category, there are nine broad categories, or subsectors of arts and cultural organizations. Researchers for this study classified organizations into these subsectors based on the following breakdown:

FIGURE 18

NTEE codes for Arts and Cultural Nonprofits

A — Arts, Culture, and Humanities

A20	Arts, Cultural Organizations – Multipurpose
A23	Cultural/Ethnic Awareness
A25	Arts Education/Schools
A26	Arts Council/Agency
A30	Media, Communications Organizations
A31	Film, Video
A32	Television
A33	Printing, Publishing
A34	Radio
A40	Visual Arts Organizations
A50	Museums & Museum Activities
A51	Art Museums
A52	Children’s Museums
A54	History Museums
A56	Natural History, Natural Science Museums
A57	Science & Technology Museum
A60	Performing Arts
A61	Performing Arts Centers
A62	Dance
A63	Ballet
A65	Theater
A68	Music
A69	Symphony Orchestras
A6A	Opera
A6B	Singing Choral
A6C	Music Groups, Bands, Ensembles
A6E	Performing Arts Schools
A70	Humanities Organizations
A80	Historical Societies and Related Activities
A84	Commemorative Events
A90	Arts Service Activities/ Organizations
A01	Alliance/Advocacy Organizations
A02	Management & Technical Assistance
A03	Professional Societies & Associations
A05	Research Institutes and/or Public Policy Analysis
A99	Other Art, Culture, Humanities Organizations / Services Not Elsewhere Classified

Those organizations that were classified as a Single Organization Support (A11), Fundraising and/or Fund Distribution (A19) or Nonmonetary Support Not Elsewhere Classified were re-categorized by researchers of this study to correlate with the category of the specific organization they support.

Payroll

To conduct a payroll analysis, researchers extracted payroll data from 990 forms for all organizations with a budget of \$500,000 or more in 1999 and 2004. Organizations with no salaried, full-time staff, private foundations, and organizations missing critical 990 salary data were not included in this sub-set analysis. Information extracted included:

- Number of full time employees;
- Salaries and wages paid;
- Benefits paid; and,
- Executive pay (the top 5 most highly paid positions recorded on the 990 form).

Executive pay positions were visually inspected and categorized into thirteen key positions or functions: CEO, COO, program, development, finance/administration, communications/marketing, producer, publisher, editor, visitor/guest services, research and development, and technology. In the report, the salary figures reported are not adjusted for inflation.

Foundation Giving

The primary source of information regarding foundation funding came from The Foundation Center in New York. The Foundation Center produced a list of top 100 foundations giving to arts and cultural nonprofits in the Greater Boston Area. For this data request, “the search set was based on the Foundation Center’s grants sample, which includes grants of \$10,000 or more awarded to organizations by a sample of 1,172 larger foundations. For community foundations, only discretionary and donor-advised grants are included. Grants to individuals are not included in the file.”

The Foundation Center database does not include public charities. Additionally, only those organizations that give a minimum of \$4M annually meet the threshold to be included on the top 100 list. For these reasons, researchers for this study supplemented the list that was generated by the Foundation Center database by adding funders which had a giving history documented in their 990 forms that qualified them as a top giver to the Greater Boston arts and culture sector. One example of such an organization is Jane’s Trust, a public charity. The Boston Foundation grant totals exclude donor advised giving and are for discretionary grantmaking only. It should also be noted that the Foundation Center develops indices for any given year using the most recent 990 forms available. Because of inconsistent 990 availability, an index for 1999 may include 990 data from 1998 or 1999. Likewise, an index for 2004 may include 990 data from 2003 and 2004.

To calculate the share of funding from the top 20 foundations that each budget range captured from the top 20 foundations in 2004, researchers visually inspected grant allocation records of the top 20 foundations and correlated grants to arts and cultural organizations with the organizations in the study data sample.

Demographic Statistics

The geographic area defined for this study was the Boston Primary Metropolitan Statistical Area. Demographics for this region were available from the American Community Survey. The American Community Survey is sent to a small percentage of the US population on a rotating basis, thereby filling in the gaps between each 10 year census.⁷⁸

Demographics statistics for this study are from 2000 and 2004, two years with available comparable data for the Boston PMSA.

Other Sources

Researchers for this study also used secondary sources to provide context to this primary source data. These sources are cited throughout the report and listed together in the bibliography.

APPENDIX B
Supporting Data, 1999 and 2004

Chapter One Data: The Sector in Context

FIGURE 19

Components of the Arts/Culture Sector in Metro Boston in 2004

Subsector	Number of Organizations	% of Market
Multi-purpose / multi-media	103	17%
Media, Communications	77	12%
Visual Arts	23	4%
Museums	46	7%
Performing Arts	223	36%
Humanities	23	4%
Historical Societies	93	15%
Service Organizations	29	5%
Other Art, Culture, Humanities	7	1%

Chapter Two Data: The Innovative Marketplace

FIGURE 20

Organizations Per Capita

	1999	2004	% change
# Organizations	534	624	17%
Population*	3,309,622	3,274,585	-1%
# Organizations Per 10,000 People	1.61	1.90	18%

*Source: www.census.gov

FIGURE 21

Total Number of Organizations by Budget Range

	1999	2004	% Change	% Share Change
Up to \$500,000	433	503	16%	-4.9%
\$500,000-\$1.5 M	63	78	24%	0.1%
\$1.5-\$5 M	22	23	5%	-0.7%
\$5-\$20 M	12	14	17%	-0.1%
\$20 M+	4	6	50%	0.2%
TOTAL	534	624	17%	N/A

FIGURE 22

New Entrants by Budget Category

Budget Category	Shrinking Budgets	Growing Budgets
Up to \$500,000	8	36
\$500,000-\$1.5 M	3	24
\$1.5-\$5 M	0	10
\$5-\$20 M	0	4
\$20 M+	0	2
TOTAL	11	76

Note: Those in the "Shrinking Budgets" category moved down a budget range from 1999 to 2004, those in the "Growing Budgets" category moved up a budget range from 1999 to 2004. Organizations in the "Growing Budget" category for "Up to \$500,000" had budgets under \$25,000 in 1999.

Chapter Three Data: The Supportive Environment

FIGURE 23

Giving to Arts/Cultural Organizations in Metro Boston from 100 Highest Contributing Foundations

	1999	2004	% change	2004 Inflation Adjusted	% Change Inflation Adjusted
Giving from In-State Foundations	\$24,525,680	\$38,110,921	55%	\$33,537,610	36.74%
Giving from Out-of-State Foundations	\$32,130,552	\$20,222,054	-37%	\$17,795,408	-44.62%
Total Giving from Top 100	\$56,656,232	\$58,332,974	3%	\$51,333,018	-9.40%

Note: A unique, one-time event was excluded because it skewed the overall percentage change in giving.

FIGURE 24

Total Contributed Income

	1999	2004	% change	2004 Inflation Adjusted	% Change Inflation Adjusted
Total Contributed Income	\$394,541,997	\$412,414,359	5%	\$362,924,636	-8%
Total Per Capita	\$119	\$126	6%	\$111	-7%

Note: Total per capita contributed income was calculated using the population for the Boston PMSA in 1999 and 2004.

FIGURE 25

Average Contributed Income Per Organization

	1999	2004	% change	2004 Inflation Adjusted	% Change Inflation Adjusted
Indirect Public Support	\$40,265	\$35,415	-12%	\$31,165	-23%
Government Grants	\$226,513	\$175,608	-22%	\$154,535	-32%
Direct Public Support	\$1,100,674	\$884,977	-20%	\$778,780	-29%
Overall Average Contributed Income	\$1,046,530	\$879,348	-16%	\$773,827	-26%

Note: The base used to calculate the averages of the different components varied, resulting in an overall average that does not sum to the average of the three component parts.

Chapter Four Data: The Engaged Audience

FIGURE 26

Performing Arts Attendance

	1999	2004	% Change
Broadway Shows	11,700,000	11,600,000	-1%
Broadway Road Tours	14,600,000	12,900,000	-12%
Nonprofit Professional Theatres	18,000,000	32,100,000	78%
OPERA America Professional	6,600,000	5,100,000	-23%
Symphony Orchestras	30,800,000	27,700,000	-10%

FIGURE 27

Number of Performing Arts Performances

	1999	2004	% Change
Broadway Shows	11,528	11,608	1%
Broadway Road Tours	8,656	8,480	-2%
Nonprofit Professional Theatres	66,123	169,000	156%
OPERA America Professional	2,200	1,946	-12%
Symphony Orchestras	33,154	37,263	12%

FIGURE 28

Number of Attendees per Performance

	1999	2004	% Change
Broadway Shows	1,015	999	-2%
Broadway Road Tours	1,687	1,521	-10%
Nonprofit Professional Theatres	272	190	-30%
OPERA America Professional	3,000	2621	-13%
Symphony Orchestras	929	743	-20%

Note: Number of attendees per performance is an indicator of whether the growth in audience is keeping pace with the growth in number of performing arts performance offerings.

FIGURE 29

Average Metro Boston Museum Attendance by Budget Range

	1999	2004	% Change
\$500,000-\$1.5 M	147,935	136,301	-8%
\$1.5-\$5 M	53,900	53,346	-1%
\$5-\$20 M	294,543	290,492	-1%
\$20 M+	1,586,172	1,296,035	-18%

NOTE: One 'outlier' organization was excluded from the sample of this calculation because its unusually high percentage change in attendance skewed the overall average percentage change in attendance and its atypical number of attendees skewed average attendance numbers.

Source: Museum Association of New England.

FIGURE 30

Total Program Service Revenue by Budget Range

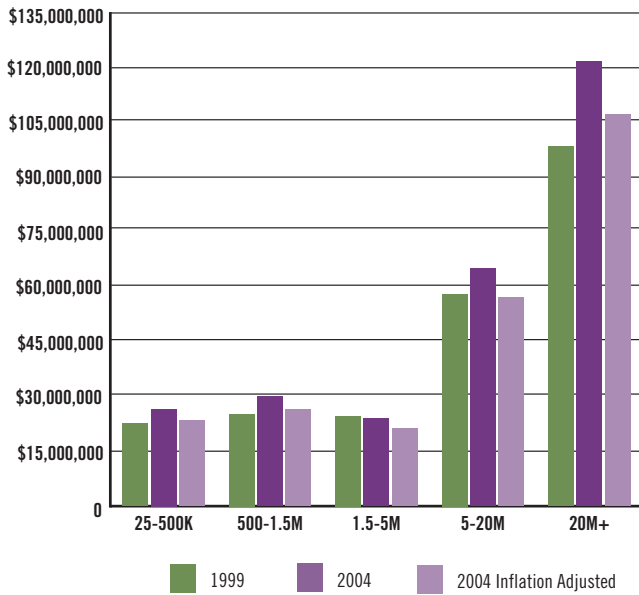


FIGURE 31

Average Program Service Revenue by Budget Range

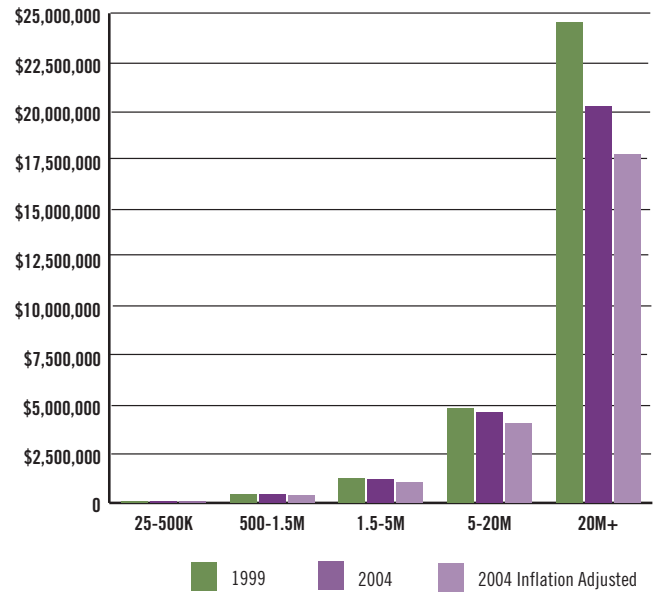


FIGURE 32

Minority Organizations by Budget Size

	1999	2004	% Change
\$0-100K	11	22	100%
\$100-\$500K	8	10	25%
\$500K-2.5M	4	4	0%

FIGURE 33

Minority Organization Growth vs. Overall Sector Growth

	# 1999	# 2004	% Change
Minority Organizations	23	36	57%
All Arts/Cultural	534	624	17%

Growth of number of minority organizations exceeded pace of growth of sector as a whole

FIGURE 34

Minority Organization Share of Sector

	% Share 1999	% Share 2004	Change
Minority Organizations	4.3%	5.8%	+1.5%

Despite the rapid growth of metro Boston’s minority population, minority organizations continue to constitute a small percentage of all arts and cultural organizations

Chapter Five Data: The Right-Sized Organization

FIGURE 35

Summary Data for Organizations with Budgets Under \$500,000

	1999	2004	% Change
Marketshare			
% of Organizations	80%	13%	1%
% of Revenue	7%	10%	2%
% of Expenses	9%	10%	1%
% of Top 10 Foundation \$	2.81%	1.19%	-2%
Financial Health			
Average Revenue	\$164,092	\$166,290	1%
Average Expenses	\$137,677	\$145,575	6%
Average Unrestricted Net Assets	\$312,960	\$350,628	12%
Average PP&E	\$218,750	\$214,118	-2%
Payroll			
Average Staff Salary	\$16,913	\$18,471	9%
Average Executive Salary	N/A	N/A	N/A

NOTE: Executive salaries for this budget category are not available because they were not recorded for the majority of organizations. This is likely because the 990 form requires only those executive salaries over \$50,000 to be recorded, which is higher than the salaries many of these organizations pay. In fact, many personnel may be volunteers at the smallest organizations.

FIGURE 36

Summary Data for Organizations with Budgets Between \$500,000 and \$1.5 Million

	1999	2004	% Change
Marketshare			
% of Organizations	13%	13%	0%
% of Revenue	7%	8%	2%
% of Expenses	8%	9%	1%
% of Top 10 Foundation \$	2.22%	8.61%	6.38%
Financial Health			
Average Revenue	\$940,599	\$918,882	-2%
Average Expenses	\$835,604	\$849,741	2%
Average Unrestricted Net Assets	\$876,316	\$801,920	-8%
Average PP&E	\$786,848	\$857,617	9%
Payroll			
Average Staff Salary	\$16,968	\$22,548	33%
Average Executive Salary	\$56,762	\$66,437	17%

FIGURE 37

Summary Data for Organizations with Budgets Between \$1.5 and \$5 Million

	1999	2004	% Change
Marketshare			
% of Organizations	4%	4%	-1%
% of Revenue	8%	8%	0%
% of Expenses	9%	8%	-1%
% of Top 10 Foundation \$	2.04%	7.56%	5.52%
Financial Health			
Average Revenue	\$3,200,081	\$3,062,211	-4%
Average Expenses	\$2,678,646	\$2,604,187	-3%
Average Unrestricted Net Assets	\$6,011,781	\$5,318,818	-12%
Average PP&E	\$1,626,802	\$2,789,197	71%
Payroll			
Average Staff Salary	\$29,338	\$29,883	2%
Average Executive Salary	\$86,860	\$93,707	8%

FIGURE 38

Summary Data for Organizations with Budgets Between \$5 and \$20 Million

	1999	2004	% Change
Marketshare			
% of Organizations	2%	2%	0%
% of Revenue	20%	17%	-3%
% of Expenses	18%	18%	0%
% of Top 10 Foundation \$	9.38%	16.32%	6.94%
Financial Health			
Average Revenue	\$14,456,823	\$10,419,200	-28%
Average Expenses	\$9,451,068	\$9,543,054	1%
Average Unrestricted Net Assets	\$12,684,533	\$11,642,311	-8%
Average PP&E	\$10,896,588	\$9,694,012	-11%
Payroll			
Average Staff Salary	\$28,010	\$29,328	5%
Average Executive Salary	\$120,113	\$142,275	18%

FIGURE 39

Summary Data for Organizations with Budgets Over \$20 Million

	1999	2004	% Change
Marketshare			
% of Organizations	1%	1%	0%
% of Revenue	58%	57%	-1%
% of Expenses	56%	56%	-1%
% of Top 10 Foundation \$	57.20%	51.35%	-5.85%
Financial Health			
Average Revenue	\$124,778,702	\$80,339,502	-36%
Average Expenses	\$90,601,019	\$69,325,272	-23%
Average Unrestricted Net Assets (with outlier)	\$52,878,479	\$80,602,187	52%
Average Unrestricted Net Assets (outlier excluded)	\$ 57,632,382	\$58,171,733	1%
Average PP&E	\$46,535,078	\$44,744,877	-4%
Payroll			
Average Staff Salary	\$27,284	\$39,242	44%
Average Executive Salary	\$214,205	\$279,450	30%

FIGURE 40

Employer and Employee Health Insurance Premiums, Annual in Massachusetts (single coverage)

	1999	2000	2001	2002	2003	2004	Change
Average Total Premium	\$2,539	\$2,719	\$3,086	\$3,353	\$3,496	\$4,141	63%
Average Employee Contribution	\$568	\$536	\$691	\$708	\$713	\$885	56%
Average Employer Contribution	\$1,971	\$2,183	\$2,395	\$2,645	\$2,783	\$3,256	65%

FIGURE 41

Employer and Employee Single Coverage Health Insurance Premiums in Massachusetts

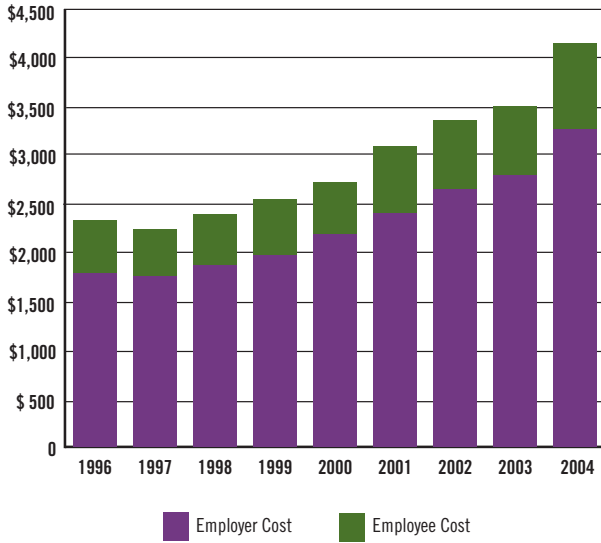


FIGURE 42

Change in Average Salaries by Position

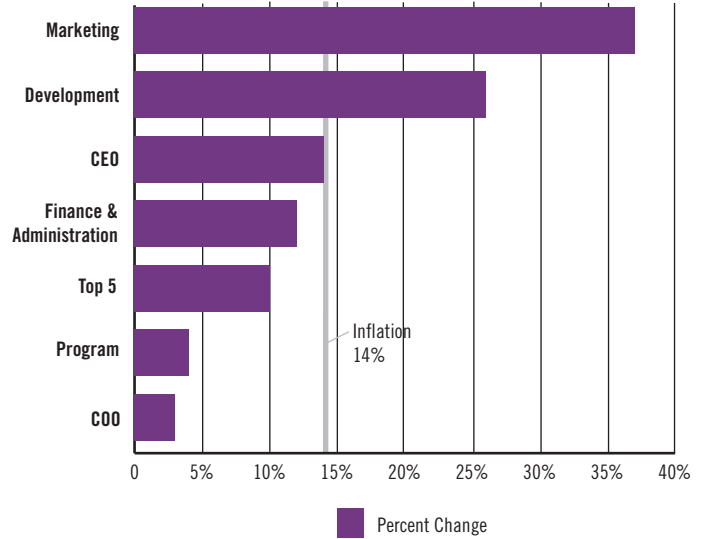


FIGURE 43

Comparison of Metro Boston Arts and Culture Salaries and National Nonprofit Executive Salaries for All Subsectors

	CEO		CFO		COO		Program		Development		Marketing	
	Boston	US	Boston	US	Boston	US	Boston	US	Boston	US	Boston	US
\$500,000-\$1.5M	\$76K	\$70K	\$48K	\$55K	\$57K	\$68K	\$60K	\$60K	\$71K	\$62K	-	\$55K
\$1.5M-\$5M	\$121K	\$101K	\$64K	\$72K	\$72K	\$80K	\$98K	\$70K	\$87K	\$73K	\$84K	\$70K
\$5M-20M	\$238K	\$164K	\$105K	\$98K	\$122K	\$114K	\$135K	\$84K	\$126K	\$93K	\$105K	\$90K
\$20M+	\$374K	\$378K	-	\$204K	-	\$248K	\$229K	\$124K	\$200K	\$151K	-	\$166K

FIGURE 44

Executive Pay as a Share of Total Expenses

Budget Size	Share 1999	Share 2004	Change
\$500,000-\$1.5 M	10%	14%	4%
\$1.5-\$5 M	9%	13%	4%
\$5-\$20 M	6%	7%	1%
\$20 M+	1%	2%	1%

APPENDIX C

Massachusetts Cultural Facilities Fund Grants

Cultural Facility Fund grants support Massachusetts nonprofit cultural organizations with building projects that increase tourism, create new jobs, leverage private funding and expand arts and cultural activities in communities across the state. In September 2007, a total of \$16.7 million in grants was distributed; \$16.2 million support 45 capital projects and \$478,688 funds 17 groups for feasibility and planning studies. The projects chosen for funding represent \$665 million in capital investment. MassDevelopment and the Massachusetts Cultural Council administer the program jointly.

Amherst Cinema Arts Center, Inc. received \$675,000 to assist with the acquisition of its three-theater facility.

ArtsBoston received \$180,000 to renovate of its Faneuil Hall BosTix booth, which opened in 1979 to provide arts information and sell half-price tickets.

Attleboro Arts Museum was awarded \$39,000 to update its exterior, walkways and entrances to enhance the visibility and functionality of the museum.

Available Potential Enterprises, Northampton, received \$18,750 to study the feasibility of developing an existing building into an arts center.

Berkshire Athenaeum, Pittsfield, was awarded \$84,000 to renovate its facility, which houses Pittsfield's library, and enhance its HVAC and security systems.

The Berkshire Museum, Pittsfield, received \$670,000 to update its climate-control system to adequately store collections.

Boston Symphony Orchestra received \$675,000 to renovate Symphony Hall to improve accessibility and restore its historic appearance.

Thornton W. Burgess Society, East Sandwich, received \$39,000 for the construction of a new building to house its education programs, events and collection storage.

The Children's Museum, Boston, received \$675,000 for the construction of an addition that incorporates a sustainable design and addresses space and layout challenges.

Sterling & Francine Clark Art Institute, Williamstown, received \$353,000 for the construction of a new classroom, exhibition, and conservation space.

Concord Museum received \$98,000 to complete renovations on its climate control systems and bring the 77 year-old building up to professional museum standards.

DeCordova Museum and Sculpture Park, Lincoln, was awarded \$477,000 for a new collections storage and exhibition preparation wing.

The Emily Dickinson Museum, Amherst, received \$28,500 to compile a report detailing the historic structures and landscape on its three-acre property.

The Discovery Museum, Acton, was awarded \$37,500 to complete a master plan and program plan as it expands to a new building.

Dorchester Community Center for Visual Art was funded to assess the feasibility of a new location.

Dorchester Historical Society was awarded \$9,375 to analyze the facilities of historic properties in Dorchester.

Double Edge Theatre, Ashfield, received \$67,000 to update its bathroom facilities and build a new septic system.

Emerson College, Boston, was awarded \$675,000 towards the conversion of the Paramount Theatre into a 560-seat venue.

Town of Falmouth received \$173,000 to redesign and reconstruct its Bandshell, bringing it up to safety and accessibility codes, increasing the stage size and improving lighting systems.

Fine Arts Work Center, Provincetown, received \$205,000 to rebuild a public gallery, improve accessibility and install a sprinkler system throughout its complex.

Fruitlands Museums, Harvard, was awarded \$37,500 to develop a comprehensive master plan that will guide long-term development and operations.

Fuller Craft Museum, Brockton, received \$30,000 for a comprehensive facilities plan to address accessibility and structural issues.

Isabella Stewart Gardner Museum, Boston, received \$274,000 to update its 19th century building's lighting and electrical system.

Gloucester Maritime Heritage Center received \$95,000 for an expansion that will include a gallery, boatbuilding shop, and Marine Education Center.

Hancock Shaker Village, Pittsfield, was awarded a \$37,500 grant to develop a 10-year master plan and fundraising feasibility study.

Heritage Museums & Gardens, Sandwich, received \$288,000 to address fire, ADA, and septic building code issues and to expand its Auto Museum.

The Institute of Contemporary Art, Boston, was awarded \$675,000 to complete construction and cover the remaining costs of its new building, which opened in December 2006.

Jacob's Pillow Dance Festival, Becket, received a \$104,000 capital grant for structural repairs to the Ted Shawn Theatre and expanded parking and a \$33,750 planning grant to develop a master plan.

Lesley University, Cambridge, received a \$37,500 planning grant to conduct community discussions addressing the relocation of the Art Institute of Boston to a facility in Porter Square.

Lowell Parks and Conservation Trust received \$21,000 to restore windows in the 1761 Spalding House, and transform it into a museum and urban environmental education center.

City of Lowell received \$564,000 for the first major renovation of the Lowell Memorial Auditorium since 1983; funds will help repair the HVAC system and stabilize, repair, and renovate the Auditorium's exterior.

Lynn Museum received \$283,000 to substantially renovate the facility it relocated to in 2006 to allow for more exhibit space, the creation of a research facility, and the expansion of storage space.

The Mahaiwe Performing Arts Center, Great Barrington, was awarded \$147,000 for ventilation and infrastructure improvements to its theater.

Massachusetts Audubon Society, Lincoln, received \$184,000 for infrastructure improvements and repairs at its Drumlin Farm sanctuary.

Massachusetts College of Art, Boston, received \$18,750 for a planning and feasibility study for new facilities for two galleries.

Massachusetts Museum of Contemporary Art, North Adams, received \$429,000 to renovate a mill building into a new gallery and to improve visitor circulation around its 27-building campus.

Museum of African American History, Boston, was awarded \$420,000 to restore the African Meeting House, improving access and the building's exterior.

Museum of Fine Arts, Boston, received \$675,000 for its expansion, including a new American Wing, and education and conservation facilities.

Museum of Science, Boston, received \$675,000 for renovations to the Mugar Omni Theater's exterior and lobby, and infrastructure upgrades to the Hayden Planetarium.

The National Yiddish Book Center, Amherst, was awarded \$352,000 for renovations and an expansion to create a book repository, performance hall, galleries, education center, and offices.

New Bedford Whaling Museum received \$617,000 to complete the restoration of the Bourne Building, which houses the Museum's central artifact, the Lagoda ship model.

New England Aquarium, Boston, received \$455,000 to upgrade its Giant Ocean Tank and Penguin Tray, improving water clarity, enhancing the visitor experience, and maintaining the safety of the animals.

New England Conservatory of Music, Boston, received \$357,000 to replace sections of Jordan Hall's climate control system, which will allow for year-round use of the historic, 104 year-old performance space.

Old North Church, Boston, was awarded \$37,500 for phase two of its master planning process assessing its existing building as well as new construction opportunities.

Pilgrim Hall Museum, Plymouth, received \$339,000 for accessibility improvements, including new restrooms, ramps, a new front entry, elevator, and the expansion of its lobby.

Plimoth Plantation, Plymouth, received \$177,000 to connect its restroom facilities to the town's sewer system, allowing the institution to accommodate more visitors.

Plymouth Guild for the Arts received \$370,000 to acquire and renovate two buildings that will add gallery, performance, and gathering space for local arts groups.

Paul Revere House, Boston, received \$37,500 to develop a master plan, assess its fundraising strategies, and review its site's code and zoning.

Riverside Theatre Works, Hyde Park, received \$37,500 for a capital campaign and feasibility study to analyze the potential of a new location.

The Norman Rockwell Museum, Stockbridge, was awarded \$22,000 to rebuild a blue stone terrace making the Museum's entrance more accessible and safe.

Shakespeare & Company, Lenox, received \$395,000 to convert a former sports center into the Center for Arts and Humanities with a multi-use 146-seat theater, rehearsal studios, classrooms and improved production space.

Springfield Museums received \$675,000 to convert a building into a Museum of Springfield History to house a growing collection and host exhibits and programs.

City of Springfield received \$478,000 to renovate the Springfield Symphony Hall, replacing exterior windows and stage lighting, and installing a new boiler system.

Suzuki School of Newton received \$18,750 to study the long-term feasibility of developing a new cultural center.

Truro Center for the Arts at Castle Hill was awarded \$83,000 to restore and preserve a turn of the century windmill and barn, allowing year-round programming.

The Trustees of Reservations, Beverly, received \$200,000 to preserve the historic Naumkeag residence and gardens.

The Walden Woods Project, Lincoln, was awarded a \$31,875 grant to assess the feasibility of infrastructure improvements, maintenance, and historic preservation.

Wistariahurst Museum, Holyoke, received \$414,000 to begin structural improvements on the Wistariahurst Carriage House, creating an exhibit and meeting spaces and archives.

Worcester Center for Performing Arts received \$675,000 to transform the 1904 Poli Palace Theatre into a modern, 2,300-seat performing arts center.

Worcester County Horticultural Society, Boylston, received \$675,000 to complete development of a visitor center, restaurant, and greenhouse at its Tower Hill Botanic Garden.

Zeiterion Theatre, Inc., New Bedford, was awarded a \$22,500 grant to assess its facility needs and plan for systems replacements.

APPENDIX D

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APPENDIX E

Advisors

Advisory Committee:

Co-chairs

Louis Casagrande, Ph.D., *President, Boston Children's Museum*

Ann McQueen, *Senior Program Officer, Boston Foundation*

Jon Abbott, *Executive Vice President, WGBH*

Josh Basseches, *Deputy Director and Chief Operating Officer, Peabody Essex Museum*

Rebecca Blunk, *New England Foundation for the Arts*

Sean Buffington, *President and CEO, University of the Arts*

Julie Burns, *Director, Mayor's Office of Arts, Tourism and Special Events*

Barbara W. Grossman, *Chair, Department of Drama and Dance, Tufts University*

Dan Hunter, *Executive Director, Massachusetts Advocates for the Arts, Sciences and Humanities (MAASH)*

Marty Jones, *Executive Director, Celebrity Series*

Mary Kelley, *Executive Director, retired, Massachusetts Cultural Council*

Mimi LaCamera, *President, Freedom Trail Foundation*

Michael Maso, *Managing Director, Huntington Theatre Company*

Charlie McDermott, *Deputy Director, Massachusetts Cultural Council*

Stella Aguirre McGregor, *Executive Director, Cloud Foundation*

Jill Medvedow, *James Sachs Plaut Director, Institute of Contemporary Art*

Ioannis Miaoulis, *President and Director, Museum of Science*

Beverly Morgan Welch, *Executive Director, Museum of African American History*

Margaret Morton, *Vice President for Program, Fidelity Foundation*

Amanda Northrop, *Senior Officer, State Street Foundation*

Richard Ortner, *President, Boston Conservatory*

Gioia Perugini, *Program Officer, Select Client Services, Hemenway and Barnes*

Jeff Poulos, *Executive Director, StageSource*

Susan Rodgeron, *Executive Director, Artists for Humanity*

Malcom Rogers, *Anne and Graham Gund Director, Museum of Fine Arts, Boston*

Gil Rose, *Artistic Director, Boston Modern Orchestra Project*

Klare Shaw, *Senior Associate, Barr Foundation*

Candelaria Silva-Collins, *Founder, ACT Roxbury Consortium*
Joe Spaulding, *President and CEO, Citi Center for the Performing Arts*
Julia Toulmin, *Managing Director, Philanthropic Advisors LLC*
Jason Weeks, *Executive Director, Cambridge Arts Council*
Valerie Wilder, *Managing Director, Boston Ballet*
Nina Zannieri, *Executive Director, Paul Revere House*

Also consulted:

Peggy Amsterdam, *Executive Director, Greater Philadelphia Cultural Alliance*
Nancy Burd, *Vice President for Grantmaking Services, Philadelphia Foundation*
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Marian Godfrey, *Director, Culture and Civic Life Initiatives, The Pew Charitable Trusts*
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Neville Vakharia, *Project Manager, Cultural Data Project, The Pew Charitable Trusts*
Anita Walker, *Executive Director, Massachusetts Cultural Council*
W. Courtenay Wilson, *Program Officer, William Penn Foundation*

Endnotes

¹ *Bank of America Study of High Net-Worth Philanthropy: Initial Report*, The Center on Philanthropy at Indiana University, October 2006, page 7.

² Phelan, Kevin and Gifford, Chad, "Too many do-gooders?," *Boston Globe*, May 3, 2007.

³ Nelson, Susan, *Funding for Cultural Organizations in Boston and Nine Other Metropolitan Areas*, The Boston Foundation, 2003, page 16.

⁴ Ellis, David W. and McQueen, Ann, Editors, *Culture is Our Common Wealth: An Action Agenda to Enhance Revenues and Resources for Massachusetts Cultural Organizations*, The Boston Foundation, 2004, page 16.

⁵ *Ibid*, page 70.

⁶ In October 2007, the FY08 Supplemental Budget included an additional \$7 million for the Cultural Facilities Fund.

⁷ Touve, David, and Steven Tepper, *Leisure in America: Searching for the Forest Amongst the Trees*, J. Paul Getty Trust, 2007, page 8.

⁸ US Census data, 2000 and 2004.

⁹ These cultural organizations are described by the National Center of Charitable Statistics' (NCCS) National Taxonomy of Exempt Entities as "Major Group A" organizations. See Appendix A for a detailed description of this and other data sources used in this report.

¹⁰ *Funding for Cultural Organizations*, p. 26-31.

¹¹ Tierney, Thomas J. *The Nonprofit Sector's Leadership Deficit*. Bridgespan, 2006.

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¹⁴ *Survey on Compensation Practices*, May, 2004. www.bridgespan.org

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¹⁷ See Appendix A, Figure 18 for definitions of subsector categories.

¹⁸ For more information and the source of Benjamin Evett's quotes, see www.actorsshakespeareproject.org.

¹⁹ For an historical overview of the nonprofit arts sector, see McCarthy, Kevin F., *Arts and Culture in the Metropolis: Strategies for Sustainability, Chapter Two: The Roots of the Challenges Facing the Nonprofit Arts*, RAND Corporation, 2007.

²⁰ For more information, see www.PEM.org.

²¹ "Salem's Spell Goes Beyond Witchcraft," Nancy Harmon Jenkins, *The New York Times*, August 7, 1988.

²² The original site still serves as a museum; see www.ForbesHouseMuseum.org.

²³ 2002 Survey of Public Participation in the Arts. National Endowment for the Arts.

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²⁵ Walker, Chris, et al. *Reggae to Rachmaninoff: How and Why People Participate in Arts and Culture*. The Urban Institute and The Wallace Reader's Digest Fund, 2002.

²⁶ The top six ranked cities include Washington DC (26%), Seattle (21%), San Francisco (20%), Atlanta (17%), Pittsburgh (17%), and Raleigh (16%). American Community Survey. www.census.gov

²⁷ The top 12 ranked cities include San Jose (\$71,800), Anchorage (\$61,600), San Francisco (\$60,000), Virginia Beach (\$55,800), San Diego (\$51,400), Anaheim (\$49,600), Raleigh (\$47,900), Seattle (\$46,700), Washington DC (\$46,600), Honolulu (\$46,500), Oakland (\$46,200), and Charlotte (\$46,100). American Community Survey. www.census.gov.

²⁸ Schuster, Mark J. *The Geography of Participation in the Arts and Culture*. National Endowment for the Arts, 1997.

²⁹ www.census.gov

³⁰ Havens, John J. and Schervish, Paul G., *Geography and Giving: The Culture of Philanthropy in New England and the Nation*, The Boston Foundation, June 2007, page 8.

³¹ For more information on the home rule issue, see Frug, Gerald E. and Barron, David J., Harvard Law School, *Boston Bound: A Comparison of Boston's Legal Powers with those of Six Other Major American Cities*, The Boston Foundation, February 2007.

³² For more information, see www.cacgrants.org.

³³ For more information, see www.afhboston.com.

³⁴ For more information, see www.landmarksorchestra.org.

³⁵ For more information, see www.newrep.org and www.bankofamerica.com/foundation.

³⁶ *Board Recruitment in the Nonprofit Sector [Study Overview Presentation]*. Booz Allen Hamilton, 2002, page 3.

³⁷ Selingo, Jeffrey. "Trustees: More Willing than Ready," *Chronicle of Higher Education*, May 11, 2007.

³⁸ Blum, Debra E. "Giving ticks upward," *Chronicle of Philanthropy*, June 23, 2005.

³⁹ Hager, Mark and Kopczynski, Mary. *The Value of the Performing Arts in Five Communities – 2: A comparison of 2002 Household Survey Data*. The Pew Charitable Trusts, 2004.

⁴⁰ The Pennsylvania Cultural Data Project (PACDP) is a state-wide collaborative project of the Greater Philadelphia Cultural Alliance, the Greater Pittsburgh Arts Council, The Heinz Endowments, Pennsylvania Council on the Arts, The Pew Charitable Trusts, the Pennsylvania Historical and Museum Commission, Philadelphia Cultural Fund, The Pittsburgh Foundation, and William Penn Foundation. PACDP provides a standardized system for reporting organizational data that enables participating nonprofits to benchmark their progress and equips advocates with reliable and comprehensive data to make the case for arts and culture in Pennsylvania. In addition to creating a streamlined data collection process for the hundreds of arts and culture organizations throughout Pennsylvania, this project provides a source of consistent and reliable information on the state's cultural sector. For more information, see www.pacdp.org.

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⁴³ For more information, see www.aam-us.org/aboutmusuems.

⁴⁴ *2006 Museum Financial Information*. www.aam-us.org Researchers were unable to identify the impact of blockbuster shows on this attendance data.

⁴⁵ www.census.gov

⁴⁶ Hager, Mark and Kopczynski, Mary. Op cit.

⁴⁷ For more information, see www.OperaBoston.org.

⁴⁸ For more information, see www.BMOP.org.

⁴⁹ Data from D.K. Shifflet & Associates

⁵⁰ TCG Theatre Facts, 2006.

⁵¹ *A Time Like No Other: Charting the Course of the Next Revolution, A Summary of the Boston Indicators Report, 2004-2006*, The Boston Foundation, June 2007, page 40.

⁵² The authors define minority arts/cultural organizations as either organizations run or led by people of color (i.e., the executive director and/or a majority of the board) or organizations that serve audiences that are predominantly of color. These criteria were applied to the full list of arts and cultural organizations by individuals with extensive knowledge of minority organizations and the results were double checked by examining websites. This subjective methodology was the only means available given the available data.

⁵³ For the full data on minority organizations, please see Appendix B, Figures.

⁵⁴ For more information, see www.ActRoxbury.org and www.Madison-Park.org.

⁵⁵ For more information, see www.iba-etc.org and www.claboston.org.

⁵⁶ For more information, see www.WorldMusic.org.

⁵⁷ For more information, see www.afhboston.org.

⁵⁸ For more information, see www.afroammuseum.org.

⁵⁹ For more information, see www.jagb.org; most of this website is in Japanese, but by scrolling to the bottom of the home page, some English pages can be accessed. The Japan Society of Boston (www.us.japan.org/boston), which also offers cultural activities, is self-coded as international, foreign affairs, and national security organization and so is not represented in the data.

⁶⁰ For more information, see www.tekeyanusca.org.

⁶¹ "Six Chosen for Fellowship in Arts & Culture Management Program," June 27, 2007, The Chicago Community Trust, www.cct.org.

⁶² FAITHS Arts & Culture 2007 Mini-Grant Guidelines, The San Francisco Foundation, www.sff.org.

⁶³ For more information, see www.JoyceFdn.org.

⁶⁴ The Citi Performing Arts Center includes the Wang Center for the Performing Arts, Wang Center Productions, and the Wang Theater. Together, these organizations had a budget of about \$10.5 million in 1999 and about \$15 million in 2004.

⁶⁵ Precise figures for capital campaign earnings are not available from IRS 990 forms. As a proxy, researchers identified those organizations with surpluses greater than \$1 million in a particular year to approximate the percentage of revenues possibly related to capital campaigns. For organizations in the \$5-20M budget category, possible capital campaign revenue defined in this way decreased from approximately \$60M to \$16M from 1999 to 2004.

⁶⁶ For more information, see www.ICABoston.org.

⁶⁷ For a full discussion of cultural facilities issues, see *Culture is Our Common Wealth*, Chapter Two, Cultural Facilities: Building Success by Charlie McDermott, pp.28-41.

⁶⁸ Campbell, Robert, "A vision fulfilled at harbor's edge," *Boston Globe*, December 1, 2006.

⁶⁹ The names, titles and compensation of a nonprofit's five highest paid employees are listed in Schedule A, Part I of IRS Form 990.

⁷⁰ Thomas J. Tierney, "The Nonprofit Sector's Leadership Deficit," The Bridgespan Group, 2006, 2.

⁷¹ Josh Solomon and Yarrow Sandahl, "Stepping Up or Stepping Out," The Young Nonprofit Professionals Network, 2007, 1.

⁷² "Grassley Expresses Alarm at Poor Executive Compensation Disclosure from Top Non-Profits," press release from office of US Senator Grassley, March 1, 2007.

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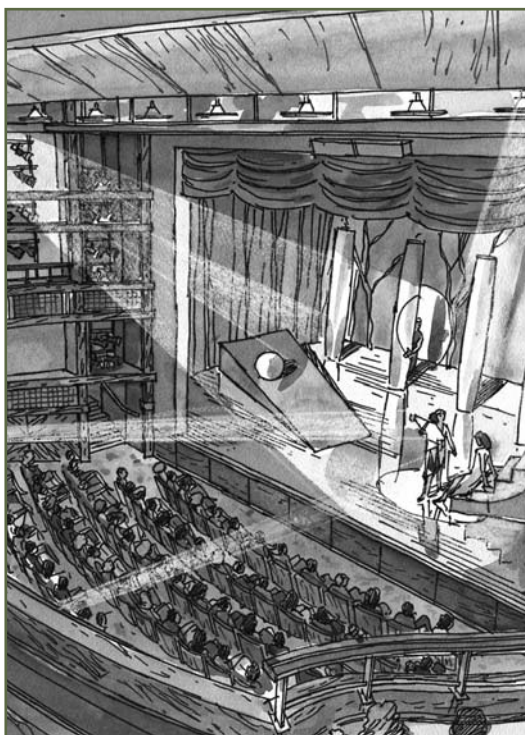
⁷⁴ Bebchuk, Lucian and Yaniv Grinstein, "The Growth of Executive Pay," Harvard John M. Olin Center for Law, Economics, and Business Discussion Paper No. 510, revised June 2005.

⁷⁵ For more information, see www.BYSOweb.org.

⁷⁶ The form 990 is the completed by nonprofit 501(c)(3) organizations with incomes of more than \$100,000 or assets above \$250,000 must file. Form 990-EZ is an abbreviated version of the 990, which exempt nonprofits with incomes of less than \$100,000 and total assets of less than \$250,000 may file. The form 990-PF is the form that all 501(c)(3) private foundations and 4947(a)(1) non-exempt charitable trusts must file; only those types of exempt organizations use Form 990-PF.

⁷⁷ GuideStar website (www.guidestar.org).

⁷⁸ American Community Survey website (<http://www.census.gov/acs>).



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