GIA 2006 Conference: Beantown Remix

Session transcription

Funding for Cultural Organizations in Metro Boston

Organized by Ann McQueen, senior program officer, The Boston Foundation

Presented by Anne Freeh Engel, associate; Technical Development Corporation (TDC); Susan Nelson, principal, TDC; and Ann McQueen

McQueen: Good morning. I'm Ann McQueen, I am program officer at the Boston Foundation. And what we're going to do today is preview some research that we are sort of in the middle of conducting. And then we would really like to discuss with you what you think it means, and if you could help us puzzle it out together.

This is Susan Nelson from TDC, she is the principal of the nonprofit consulting firm and the chief researcher.

Rebecca Ginns is an associate, also helping on the research.

And Sean Buffington, associate provost at Harvard University, is on our advisory committee and will help us sort of moderate the discussion.

When we do research at the Boston Foundation we always have an advisory committee, and in this case we have a mixed committee of both funders and practitioners, the heads of arts organizations, and an academic such as Sean. So it's an interesting conversation that we are, as I said, just in the midst of.

The Boston Foundation does research for a number of reasons, largely I believe to identify the strategic needs and opportunities in any given sector. It helps inform our grantmaking and provides the basis for bringing people together, and often leads to advocacy efforts.

We started this in 2002 with research into how cultural organizations in Boston are funded. We compared the Boston organizations with nine other metropolitan areas, and published the research in 2003 that PDC, again, was the lead researcher on. And it was a very eye-opening report for us in Boston, nobody had ever quantified how much money was coming into the system, where it was coming from, and what it looked like compared to other major markets.

We showed a deficit situation, we showed a lot of organizations, and not a lot of money.

And the group that we had convened, at that time we had convened two separate advisory groups, one of funders and one of cultural organizations. And when we completed the research the cultural organizations sort of turned to us and said, well okay, you've really identified the problems, now how are you going to help us? How are you going to solve the problem?

And we basically said, well we, the Boston Foundation, are not going to solve the problem, but let's get together and talk about it and figure out together what we might do to make this a little bit better.

The result was a 64-member taskforce, broken into five committees that studied various aspects of the issue. We conducted a little bit of extra research, not a lot.

We did a survey into individual giving attitudes. We did a survey, statewide, of capital spending needs, who was in a capital campaign, how old was their building, what did they need going forward.

And we also looked a little more closely at the economic impact. Basically the salaries and the spending of cultural organizations across the state.

That was really interesting because we quantified it by county, which is roughly equivalent to legislative districts. And so the legislature could really clearly see how many jobs, how much income went into their districts from the cultural sector.

And so we were showing… the funding for cultural organizations report, focused a little bit more on the deficit funding situation. The cultures, our commonwealth, focused a good deal on the impact. And ultimately made the case that these organizations had a very, very strong impact, but were lacking the kind of investment they needed to have a significant impact to really help the economy of the state.

We prioritized needs for the organizations, and the highest priority became a pulse of state funding for cultural facility. Most of our cultural facilities, as we discovered, were nearly a hundred years old. They had been built in the last wave of cultural investment and needed new roofs, needed new air-conditioning, had inadequate bathrooms, not enough classrooms. There was a huge pent-up demand for capital investment.

So the Boston Foundation, the Massachusetts Cultural Council and MAASH, Massachusetts Advocates for the Arts, Sciences and Humanities, got together and convened a campaign committee.

We convened about, I don't know, 25 people. And we did it a little differently, instead of making the bulk of the people from the cultural organization – I think we have a small handful of cultural leaders – but we really went out of our way to engage business leaders, civic leaders, we had publishers from the Springfield newspapers, folks like that who because they were not directly interested in the problems, could really be strong advocates. And certainly were the kind of people that the legislature would listen to when they got them on the phone.

We had actually a remarkably quick success. Largely because this was an issue that we had been puzzling over as a cultural community and trying to get

legislation for, I don't know, the last 10 or 15 years. It was not a new idea. We approached it a little differently. We caught a wave of new legislative leadership.
And this last fiscal budget included $13 million in funding for a cultural facilities fund that will be distributed throughout the state.

We of course realize we've got to do it again next year. But we're looking forward to launching the problem, you know, keeping our tabs on that.

So that's kind of the trajectory that research has taken us in, in the past. We are now revisiting the original research that was published in 2003 that was based on 1999, 990 IRS data. Now we have available to us 2004 data.

Last time we compared ourselves to nine other metropolitan areas which was very, very helpful. This time we're putting those cities aside for the most part and focusing a little more deeply on Boston. And basically following the numbers. I would not dare to predict where this might end up.

But now I'm going to turn it over to Susan to talk about the research, and then we'll have a larger conversation.

Susan: So as Ann said, we are now looking at 2004 data, and we're going at it in the ugliest way you can possibly think about it. We are looking at all the 990 tax forms again from 1999 to 2004. We are doing them as ones that are self-classified as arts and culture, which of course has its own unique moment in time. Unusual interesting organizations sometimes classify themselves that way, so we had to take a good look to see if they really were those things.

The caveats to the data that we will give you all the time, are that they're inconsistent levels of accuracy, some people do them perfectly, some people do not. Sometimes they look like tissue-paper. Sometimes organizations are missing data for a year, you don't know why. You know that you do a call-around, they're actually here, they just didn't file their taxes for some reason.

And now the portal to 990 information is GuideStar, and GuideStar is inconsistent in how it scrubs the standards to give it back out to the community. So there's no clean dataset. For this study we self-scrubbed the data, which means we took the 990s ourselves and re-entered them all and reconfirmed them as much as we could. So we tried to get it as clean as possible, but with all that being said, there are still data problems.

We're in the midpoint of our study, so we've collected that baseline data, we've done all the ugly 990 work, we are testing now for the implications of what that means.

We are interviewing key organizations to see what the data really means. We've gotten some original findings that we're going to talk to you about that feel not particularly like maybe some of the folks' experience in the field. We want to see what the different between people's experience is, and what the data is saying, to see what that really means.

We also just want to see if some of the hypotheses that we are seeing as trends have any validity for some people in the field as well.

We're also trying to figure out if there are additional needs for data in different subsets. As you'll see, we're looking at the organizations in budget categories. So we want to know that if there are certain things that we could isolate in certain budget categories, could we pull people's audits, for example and get cleaner information, better information to make the conversation a little more healthy. That's where we are.

So we want to remind you, because you probably haven't read it, what the first study told us.

In our very first study we learned that Boston has a broad and deep arts community. This was fascinating to us. If you look at the cities involved, we had the highest number of organizations per capita when compared to the sample. That was quite stunning to our city, and it means we are rich with arts organizations.

And our sector group, by about 70%, most of the organizations lived below $500,000. On a per capital basis we ranked *(someone coughing)* __________ income in our sample base. But on a per organization basis because we're so dense, we ranked 5th. Distribution of income resided at the top end of the sector, so all the income in the sector was really living with people with budgets over 20 million, although 80% of the people had budgets less than 500.

And organizations with less than 5 million dollars was an indication of poor financial health.

? *(inaudible)*

Susan: Number of organizations.

So those are the kind of big things that we walked away with from the first study. There were a whole bunch of other things we talked about around organizations, which were where the income came from and how it got here. But those are the big kind of top-end findings.

So what are we learning now? Our sector continues to grow and the majority of organizations continue to be less than 500,000.

And financial help is really a mixed indicator. The revenue is decreasing, despite growth, so total revenue in the sector is decreasing. Expenses, however, are continuing to grow. Unrespected net assets which is some people's net worth, is decreased with the organizations for budgets between a million and a half and 20 million.

And while the sector as a whole's total equities grew, a significant portion has come from investment in buildings. So people's equity is coming from their building, not from having actual cash in their hand.

And we've learned that so far the fiscal portion of growth in payroll costs, may have some implications for program delivery. What we've learned is, payroll costs have grown much faster than almost anything else. And that has got some real impacts that we think are worth discovering.

So here's the sector growth. Number of the organizations grew by 17%, and you can see as much as 534 to 624, it looks pretty much the same in that context.

We grew on a per capita basis. We care about this number. This idea of on a per capital basis our population shrunk a little, and we continued to grow. So if you think about that, that has implications for the base of support, the base of attendance, how many choices people have for what they want to go to, how that audience may be distributed, being asked to go to more and more things. How more arts education programs are spread among fewer people. This per capita number is very interesting.

Here's the distribution again, just so you can see. But just one piece that we think is interesting is, 76 organizations did grow to a larger budget category. 22 shrank to a smaller budget category.

We had a hard time confirming debt in the sector. We had a handful of them that we could confirm, but we had a real hard time confirming that a lot of organizations died. Because some of them seemed to hang out awhile.

Total revenues, as we said earlier, decreased in nominal dollars. So unadjusted for inflation they increased by 2%. And that's even worse when you compare it to inflation.

So if you look for organizations between 1.5 and 5 million all the way up to 20 million +, actual dollars decrease. In the lower end, they increase. Why? We have no idea. But we think that's very interesting.

One of the things we think might be happening in the total revenue decreases at the top end is 1999 was a big area of time for capital campaigns and investments in buildings. And because we're seeing those resulting growths in people's fund balances of being building-rich, we think this is really capital campaign stepping back down. And that's that people at the lower end didn't have that ______.

?: *(inaudible)*

It could definitely be the economy. Because 1999 was a banner year, it couldn't get any better than '99!

?: *(inaudible)*

Susan: Yeah, I agree, it could be. But we thought that was interesting.

Average revenue…so that we just talked about was total revenue, how much was in each budgeting. Average revenue dropped substantially, because remember the number of organizations grew, so we had less income in the whole sector, divided over more organizations. So average revenue really dropped.

And it dropped mostly over 5 million dollars. Again, supporting the theory that whatever was happening at the top end, whether it be the active economy or capital campaigns which are kind of interwoven…

?: *(inaudible)*

Susan: Yeah. Yeah. So that's where it's really kind of seeing the most.

So then we wanted to say, well if we want to talk about revenue, what subset of revenue do we care about the most at this moment? And we decided let's dive into total contributed income.

Total contributed income actually increased in nominal dollars, but didn't keep pace with inflation. So it grew. People gave more, but didn't kind of keep up with inflation. Or it didn't keep up with the growth of organizations, again our kind of…it just didn't happen.

So we thought, are there any portions of this that are better in contributed income than any others? Direct public support? Indirect government? Nope. It's all bad.
So then we looked at expenses. In total, census grew by 16%, but 14% of that was inflation, if you think about what your purchasing power was.

So really, real growth happened at 2%. That's really interesting when you think about the fact that organizations grew by 17%.

Increases occurred at all but the middle range of the budget. Somehow that 1.5 to 5 million dollar group as for expenses, held steady. But everybody else managed to get some growth going.

But the static nature of a 2% growth was really interesting to us. How can we have growth in the sector but have such modest growth in expenses? What does that mean about program delivery?

So then we said, well what does that mean in total about where we are with unrestricted net assets? Increased across the sector, so that means our liquidity in the sector grew by 28%, $161 million.

But, it's not divided nicely amongst all organizations. And as you can see, if it grew at the top end in the purple, it grew in the next level, would be 5-20 million dollars. It decreased in the 1.5 to 5 in an area that seems just to be painful no matter where we look at it. And then at the lower ends it increased modestly.

And this is where we said, okay, so what does that mean? Well, over half of the growth is happening from growth in plant and equipment. So that means the way people grew was they increased their investments in buildings. And of course that really happened in the 20 million +.

And on the average unrestricted net assets, it all declines except over $20 million. So while again, think about what we're saying, we're saying that the growth in the whole sector grew, but because there were more organizations, everybody's financial health declined on average, because there were more organizations sharing the pie. Except over $20 million where they had the ability to increase it.

Then we went through this test to see how many people have negative net worths, and is that changing? And the number of organizations increased by 15% with negative net worth. And this is where they really grew _________ is in the budgets from 500 to 1.5.

Here's where we said in the beginning, we can't see anybody dying, but we see this. So, no one's leaving, but they're hanging out with negative net worth, which means they're robbing Peter to pay Paul, they're living off advances, they're living off borrowing some directors, they're living off people not getting paid. This is how people are living through that moment.

So all those pictures before, I think we thought, well that's something we didn't not expect. We feel here in Boston that organizations are growing, you can see the liveliness of the sector, you can hear people talking about, not as much revenue as in 1999, you can see all the buildings that are going up. There's a lot of things that you can see and feel.

But what we kind of found in this piece that we thought was interesting was around payroll so far.

So payroll is a percent of increase from 35% to 42%, so payroll has gotten to be a bigger share of the pie. And it's exceeded the rate of inflation by 3%.

Now, that was <u>really</u> interesting to us, because if you talked to the average person in a nonprofit, they're not going to think that their salaries are growing faster than inflation.

?: (inaudible)

Susan: No, just salaries. Couldn't tease out that other part, just salaries.

?: But it does include health benefits.

Susan: It does include the whole package. So everything that goes into a payroll burden. So really, if you talk to folks I think they'd say…

But so we tried to figure out what that meant with the data, and this gets to little points about how the data is kind of fluky, sometimes. Not all organizations respond around payroll. Now that could mean they don't have payroll. That could mean they just didn't fill out the form, right?

So when you look at it a slightly different way, then the increase does not beat inflation, when people just responded.

But here's what was most interesting. Average dollars paid to the top five wage earners increased. Average dollars paid to other staff decreased in certain budget categories. So the tops got more expensive. And the average dollars paid in certain respects, left.

However, individual staff salaries increased across the board. So then we took that same number and put it out across number of individuals who worked, their salaries increased.

So what do we think might explain this? We think that there is less staff in organizations getting paid more money. And that that really has the potential to have… It's either, we've gotten extremely efficient and we've hit chief efficiencies, we do it farther, faster, better for more money. Or we're doing it with less staff because we have to pay more.

And we think it's driven by development directors.

?: (inaudible)

Susan: That's one of the things we're going to think about going back and looking at, because we do think, we really think…

?: (inaudible)

Susan: We think this little data point has huge implications.

Because we think that the salary structures are changing that quickly, from 1999 to 2004, while revenues are declining and organization are getting bigger. Then you're getting more competition at the top for talented people, there are fewer people in the pool, more people asking, prices are going up.

At the top end they can compete, no problem, because as you saw, the revenues are still living at the top end. But if you keep coming down in the budget ranges, it's got to get harder and harder to compete. So you're going to have to think about how to get there. And we really think it's development directors.

?: (inaudible)

Susan: So here in Boston we think they range from $150 to $275,000.

Sean: That's salary alone?

Susan: That's salary alone. So if you benefit it up, it's way over 200, yeah, on the bottom.

There is a group of HR directors who meet regularly and this is something that we will run by them. But also there are some ways we can get it to data, we haven't had a chance yet to really go under those averages, they're hard to… The way the data is reported you have to go back and pick it all through, but that's one of the things we're thinking about doing.

?: (inaudible)

Susan: I think so too.

?: *(inaudible)*

Susan: Yes. It's fascinating to us.

?: (inaudible)

Susan: Exactly.

?: *(inaudible)*

Susan: And right here in town we are seeing that.

?: (inaudible)

Susan: So the other thing we thought we'd spend a couple minutes telling you about and talking about is, some of the issues and questions that some of our data has brought up so far.

As we started with, you know, data quality is not great. And data in the arts and cultural community is limited. And our subsector efforts are inconsistent.

With all that being said, we find that the sector is over-surveyed. So we have this dearth of good data. But at the same time when you talk to an average director of an arts organization they will tell you about the 27 surveys that they've participated in, and how they, you know, give one more hour to somebody talking to… you know, they're doing it because they're being nice to you, but they've really had it up to here.

And they're doing all that work, and they're getting nothing for it. And that's what they'll tell you, you know, we don't see what we're getting for data?

And because of that, we think it's had a really negative effect on the sector's ability to talk about its trends in data, or even think it's a valuable thing. Because there's not good data to look at, there's not thoughtful data to look at, it doesn't feel good.

And it doesn't feel good for organizations when they participate in their AAM survey and then they participate in their local survey, and then they participate in the Arts in America survey, and none of them align. And none of the data tells them something that's really interesting together.

So there's a lot of conversations around data that could be helpful for the sector, but the sector can't seem to get there because we haven't figured out a way yet to really think about how to use data in a coherent, thoughtful way.

And we think that there's a role for funders to think about that, how does data get more rationalized and more thoughtfully used.

Then, big questions that we think the study poses. So far.

Is overall growth in this sector *(someone clears throat)* _____? Is it an indication of health in the marketplace? You know, we think this is a big question that we're going to keep having to talk about, because we keep seeing growth.

And I think it's true in every city, I don't think we're seeing anything in Boston that we're not seeing in a… I mean I do work around the country too, and people talk about it all the time. So we can't imagine that it's not true in other places.

So is it good? Are we having a healthy marketplace? It seems that there are low barriers and entries, that's good? Does that produce good art? We want to have that conversation.

What does it mean that while a number of organizations grew, the expenses stay static? Are there more organizations doing less? Or are they just doing it more efficiently? What does that mean?

When much of the growth in net worth is in building projects, what is the long term impact of that growth? Are we just seeing the tip of the iceberg here? Because if you are investing in buildings today, one of the expense implications of those new buildings is going forward. And have we kind of factored that into our thought patterns.

And what is the increased pressure on payroll needs for the sector, how does it all play itself out?

As you can see through the data, where the horrible place to live seems to be between a half a million and 1.5, what are those systemic issues? Can they be addressed? Does this size represent an artistic vision then that can not get to scale?

We wonder…you know, scale does help a lot of organizations, but for a lot of people in that budget range they may be living an artistic vision that they can't merge into another organization, it doesn't fit what the artist is trying to do. So what does it mean that certain size organizations can't get to scale? Is that something we just want to live with, because that's the way it is? Or is there something we can really do about that?

And this is our big question to Boston. Are we a mature market? What does that mean? And have we achieved efficiency through a more highly niched market run by efficient staff? In other words, it's all this data can do. Are we just letting a marketplace play itself out? Or is this something we really shouldn't interfere in, and help *(someone clears throat)* _____, and you know I think that's a huge question.

And here's something else that we've been learning, painfully. Data is dangerous. Discussion of growth can be very explosive, it leads to this discussion of too many in the market, people get very defensive. They immediately think that you mean <u>they</u> need to go away, that's all they can hear. If we discuss growth does that mean I'm supposed to go away? So it's really explosive.

And discussion of increased payroll costs are even more explosive. Because people really believe at least articles about overpaid NTO leaders, and it does! They're not wrong.

So that dynamic is really ugly. So it puts an elephant in the room, and then doesn't let it be discussed. So data, while it's very powerful, is also extremely dangerous.

So our questions for our group are, you know, given that the sector has this limited experience with data because they had so many frustrations, and given its power, it could be dangerous to them. How do we define the discussions that need to occur, to diagnose the real _____ issues, and how do we determine who needs to be part of these discussions? And how do we conduct them in a manner that is safe?

That's where I would leave it.

And so that's where we are. We have presented this data once to our advisory group, we're about to go back to them again in another couple of weeks.

But in the meantime we would welcome your feedback, and as our advisory committee surrogate, I'll let Sean take over the next part of the conversation.

Sean: I think it's, as Ann said, we had the first meeting, the first series of meetings, the advisor group broke down into smaller groups and got a chance to look at the data. Actually even the much more detailed look at the data than this.

And I think my experience of that discussion was that the group was really struggling to figure out what all of this meant. And it's interesting, because you heard, Susan, in the meeting, a lot of anxiety about the data, and some of that was real anxiety because as Susan mentioned, I think there are real problems with the data. That some of it was sort of generalized anxiety around data, I think, too.

You know, I think one of the questions that was raised that's a legitimate question is, you know, at best we're dealing with two data points here, we're dealing with 1999 and 2004, so it's very hard to sort of say, well here's the trend, here's where it's going.

It's also hard because we don't know what happens sort of in-between or before or after – obviously not after, but not before either. So there are questions there about, you know, how we think about the meaning of this data.

I think a lot of the group that I was in also tended to represent these larger organizations. And that was the other big theme that emerged, was that in a way we have two studies here. Or need to have two studies here.

And one of them is the study of the MFA and the symphony and the ICA and the very large organizations, and then there's everybody else. And there was a real concern that as Ann and Susan mentioned, there have been so many capital campaigns and so many endowment campaigns over the last five to seven years, and those have been clustered, of course, in the largest organizations, that that was tremendously going to skew the data. But I think that was another concern that emerged on the part of the group.

I think the final thing that I would point out, and then I think we'd love to have just an open discussion, is that there also, I think, is, as Susan pointed out, subsector issues here, right?

I mean there are internal issues around art forms. So the performing arts, in particular theater, is something different than classical music presentation is something different than museum institutions.

And so there are internal dynamics within each of those kinds of organizations that are also important here. So it kind of raises the question, what does it mean to talk about the cultural sector? What kind of nuance do we lose in that discussion, and what do we gain in that discussion by eliminating some of that nuance?

So those would be my kind of three random observations.

I guess the final one I'll throw in there which you mentioned you were from MIT and I'm from Harvard, so this is my little plug for our institutions.

Ann and I met with Paul Grogan who's the head of the Boston Foundation about two weeks ago, and talked about the complexity of the fact that actually a <u>huge</u> chunk of what happens in culture in the Boston area is associated with universities. And that isn't represented here at all.

Something like the Harvard University art museums where we had the reception the other night, isn't in this picture. I suspect the list isn't in this picture because it doesn't submit its own 990.

Boston College, BU, I mean there's a <u>huge</u> number of museums, performing arts organizations, some of them professional performing arts organizations, or sort of quasi professional performing arts organizations, exist in all of those places. So we actually lose a piece of this, particularly in Boston, which is…if we think the culture market is saturated, boy is the higher education market saturated here!

And so Ann and Paul and I actually talked just at the start – we've already got a new project for you, Susan – which would be some way of trying to bring that piece of it into the discussion. I think we all agreed that it's right for it not to be here, because if you think that the MFA and the ICA and the symphony are skewing the numbers, then you know, Harvard and MIT would be a terrible skew.

But it nonetheless is a piece of that cultural market here that I think is important to capture.

So with that I guess I'll invite comments, questions, observations, interpretations.

?: *(inaudible)*

Sean: Well I might disagree a little bit. I think you're right, they're not competing for the kinds of, say, foundation dollars and the state dollars that the smaller organizations are. But at that high end, it's absolutely the same donor base. I mean the people who are being solicited by the MFA and the symphony, all of the people who are on those boards are also on our boards and MIT's board.

So at the high end I think there is, in the individual donor category, there's a lot of competition.

?: *(inaudible)*

Sean: They're also competing for – and this is something we haven't talked about – they're also competing for those development professionals and nonprofit professionals that are problematic here. And unfortunately, Harvard and MIT in particular, have the capacity to drive those prices up. I mean you can make a lot more money as a development director at Harvard than you can at most of these small organizations. And that is, I think, a problem.

?: (*inaudible)*

Susan: So I'm sorry, you're seeing national organizations, like…

?: *(inaudible)*

?: One of the things that we haven't kind of crunched all the way through, but we have started to look at, is earned revenue. And one of the things we think we see is earned revenue is actually up. But because it's being shared amongst so many more organizations, individually it's substantially down. So that speaks to the whole audience saturation piece in a really kind of straightforward way.

You know, it's not that the market isn't spending on arts in Boston, it's spending its little heart out. It's just spending it over a wider variety of organizations. I mean that's going to be real interesting to figure out.

?: *(inaudible)*

Susan: …a different study that we're working on. We were comparing arts and culture to human services around debt and disability, so it's a different study.

But barriers to entry in human services are _____ our control, because human service providers have to get government contracts. And so the government through public policy controls entry. And because of controlling entry and because of a change in public policy, they force mergers and acquisitions. So the small, vulnerable human service organizations that have contracts, not ones that have… now again, _______ because individuals get ________. But because that government has controlled the point of entry, we've seen people forced to get the scale. It's not been particularly pleasant over the last 10 years, but you definitely can see it.

But there's no barrier to entry in arts and culture.

?: *(inaudible)*

Susan: It's our tax return.

?: *(inaudible)*

Susan: This is the only barrier to entry, they have to apply for a 501(c)3 status.

?: *(inaudible)*

Susan: Also…a little bit of heresy here from a member of the Boston Foundation staff, we have a series of publications called *There Is A Beginning*, and we tout our early investments in organizations. And our executive director, our president, talks about sort of entrepreneurial start-ups and the importance of the good idea, we're looking for the good idea.

I also think that our increased visibility gives a somewhat false impression of increased assets. And that's not necessarily true. So I think there's a lot of misperception about what is available in the market.

I wish I thought that this kind of study would have some sort of sobering effect, I don't think that that's necessarily going to be the case.

?: *(inaudible)*

Susan: Yes. Yes, we did. And that was also a TDC project. We looked at arts service organizations, only one of which in Boston had a budget of over a million dollars. Most of them were $500,000 and under.

We have since done a funding initiative encouraging merger. And have two clusters of organizations.

There's an arts education and a teachers arts educators group who are now cohabitating, and I expect that to move into a closer alliance there. Both very, very fragile organizations.

There is another group of organizations that have just begun a deeper conversation, so we'll see where it leads. You know, in the meantime, there's always a possibility of other market shifts that could impact this group and other groups. But those are rare and certainly not engineerable.

We did call the question, so… and we've been visibly supportive of mergers in other sectors. So I think it's something that's on the table, perhaps not as highly visibly on the table as it should be or could be.

?: *(inaudible)*

Susan: Not that I know of. At this conference in Cleveland, there was a session on mergers, and actually it was pretty explicitly stated that funders could not or should not try to engineer such things, you know, and we're flying in the fact of that a little bit. But you know, sort of trying to facilitate and push and urge, but so we'll see what happens.

Sean: I guess one of the questions to me is what do we think that success means? I think someone said that, you know, foundations encourage the proliferation of organizations, and that's because we define success in terms of organizational success.

If an organization fails, is that actually a failure? I'm not sure that it is. I mean especially at the lower end of the sector where we may be talking about an organization that's motivated by the particular artistic vision of an individual. That individual may move on, may change, may want to do something different. Or we may find that that individual's vision didn't find an audience.

And so maybe that individual and his or her artistic enterprise put on ten terrific shows, but failed as an organization. Is that a failure? I don't know.

?: *(inaudible)*

Sean: Did they have assets?

?: (*inaudible*)

Susan: Can we cite anything? I know we have the Shakespeare Company joined the Wang Center a few years ago, which preserves free Shakespeare on the Common every summer. Are there other examples that we can cite?

?: *(inaudible)*

Susan: Yeah, well the NORA Theater and the Underground Theater are two very small organizations that come together, they've actually formed a third nonprofit called the Central Square Theater that is conducting the capital campaign.

We'll do the build-out on a nice, small theater. And then we'll form the management company, do all the fundraising and manage the facility, and leave the two artistic directors to program their own seasons separately. But that's how that's going forward. And that's, I think, a very interesting model.

?: *(inaudible)*

Susan: Yes. The third organization.

?: *(inaudible)*

Sean: Another new 990.

Susan: And it will be interesting, they are just now completing a capital campaign of about, I don't know, a million, two million dollars? Not a <u>huge</u> capital campaign but certainly very significant for them. In three or four years time it will be interesting to see where the three organizations are at.

Sean: I don't know if anyone noticed this, this is not in Boston, but the *Times* last week did a piece on whatever the new museum is called that used to be the Gene Autry Museum? Did anyone see that?

Susan: Yes, that was great.

Sean: Yeah. So that, you know, there's the Gene Autry Museum which is sort of the museum of Western memorabilia which purchased or merged with basically a massive collection of Southwestern and Western native art. And has now represented itself as a kind of Museum of the West. And apparently it was incredibly complicated during the merger itself, but I gather the results are quite impressive.

Susan: Well here in Boston, I think some of you are going today, and I was involved in this. The Peabody Essex Museum created a brand new, much bigger organization, and jumped itself into the 20 million dollar category.

And one of them, a million and a half, and the other one is in about five and a half. And in a seven year period, they jumped themselves to a $20 million institution. They're in the data. Greater Boston.

And that alone, that merger is very interesting, in fact you can see it told right through the data as they grow. They are swamping a data point.

?: *(inaudible)*

Susan: When you see it, I think you'll love it! Certainly the museum proved that it worked. They got to scale a different one.

Sean: But you will see…I mean, are you just touring the museum or is there a session there?

?: There will be a conversation as well.

Sean: Okay, because they are facing a challenge now too. I mean they've built this massive new museum. Of course they solved the typical spike in attendance right after the museum opened, and now there has been fall-off, and I think they're having to…

Susan: Although this summer, they beat all records. They're an organization who, by merging genres, which never happened. I mean they came out of the history museum genre, and that was interesting. But it was a merger for something bigger.

McQueen: Thank you, should we conclude the conversation and have an early cup of coffee? Thank you very much for joining us.