

Funders have direct influence to help Delaware's arts groups thrive

Recent developments in Delaware present a myriad of challenges to all sectors of the arts community. Funders can help address them.

Financial Know-How

Education and information are powerful tools that can lead to positive action. Arts organizations that plan for the future need a full understanding of their business model and its impact on the balance sheet. Workshops, coaching, customized financial consultation and planning tools designed specifically for nonprofit needs can provide a fresh, clear approach to understanding the numbers that underpin mission and capacity.

Facility Planning

For organizations with facilities, planning tools can offer a comprehensive evaluation of long-term maintenance and replacement needs as well as their associated costs. A matching savings program is one approach to help fund long-term facilities planning and avoid potential program disruption due to facility emergencies.

Capitalization

What might it take to fully capitalize the 33 organizations in this study? Nonprofit Finance Fund analyzed 2005 figures, considering operations, facilities, growth and risk reserve needs. The results show that it would take \$42 million to fully capitalize this group of arts organizations. Actual needs will vary and should be considered on a case-by-case basis. Funders can help by talking with their arts grantees about specific needs and opportunities.

State of the Arts is published by Nonprofit Finance Fund with support from the Delaware Division of the Arts and the Welfare Foundation. Nonprofit Finance Fund is a national leader in financing nonprofits, strengthening their financial health and improving their capacity to serve their communities.

Learn more about Nonprofit Finance Fund at www.nonprofitfinancefund.org.

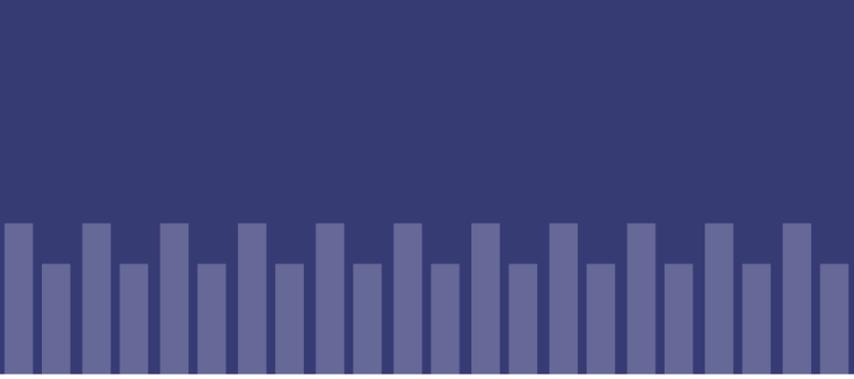
STATE OF THE ARTS:

A CALL TO ACTION for STRENGTHENING the ARTS IN DELAWARE

For additional copies of this summary, or to view the full report,
please contact:

Delaware Division of the Arts
820 N. French Street | Wilmington, Delaware 19801
telephone: 302-577-8278 | www.artsdel.org

Delaware has been blessed historically with strong family and corporate ties to the arts. Now is the time for the arts community and its funders to take action — exploring ways to create long-term sustainability for the benefit of all Delawareans.



Study reflects range of size among arts groups in Delaware

Of the 33 arts groups represented in the study, 25 were classified as small to medium in size, meaning their budgets were under \$1 million annually. The eight largest organizations drove the majority of economic activity, spending more than 75% of the aggregate budget.

Finding answers to critical questions can keep Delaware’s arts groups strong

- What does Delaware want from its arts community?
- Who is willing to pay to keep arts organizations strong and sustainable in order to reap the benefits they can offer?
- How do arts groups compete for funds with those who raise money for other important needs, such as education and human services?
- Are thin margins hampering innovation and creativity?
- Have arts organizations cut back too much on capacity?
- How can potential donors and the organizations themselves be educated to understand the capital needs of the arts world – allowing them to make important financial decisions regarding facility ownership, reserved income, sustainable growth and expanded reach of their services?
- What additional alternatives need to be explored to support sustainability for the arts?
- What underlying structural and operational issues need to be addressed in order to build capacity for the organization and leverage available funding resources?

Sustaining and growing the arts

The arts are an essential element in promoting the health of our communities: economically, socially and educationally. Our state’s cultural diversity brings together the people who live, work and play in Delaware.

Strong Arts = Strong Economies

The arts community generates \$142 million annually for Delaware’s economy, supporting 3,700 full-time jobs. The average attendee at a cultural event spends \$27 per person outside the event – to have dinner, buy merchandise, park the car. The figure is even higher among the 22% of those who attend cultural events in Delaware from out of state, spending an average of \$59 per person.¹

Arts activities build bridges

The arts stimulate communication and build bridges between young and old, those of differing cultures and those of different times. The arts shape the legacy we leave behind, allowing us to celebrate those who have come before and to provide the continuity of showing who we are to future generations.

Involvement improves learning

Studies have shown that children involved in the arts not only do better in school but also score higher in aptitude tests of math and science. Plus, they have fewer extra-curricular problems than those who don’t have access to arts programs.²

Creativity enriches people

The arts help attract and retain talented workers in a community while also providing rich cultural options for children and adults alike.

Presence preserves community

Arts groups help sustain communities. They don’t abandon them in hard times; rather, they are a constant in keeping communities together.

Preserving the value of our community requires action in sustaining our arts

Nationally, many arts organizations have suffered financially due to a general economic downturn, the impact of 9/11 and the reallocation of donor dollars to national and international disasters. In 2006, the Delaware Division of the Arts and the Welfare Foundation commissioned Nonprofit Finance Fund to analyze and assess the financial state of the arts in Delaware from 2001–2005.

Using its proprietary analytic tool, Nonprofit Finance Fund examined five years of IRS Form 990 data, public information available from GuideStar, for 33 Delaware arts groups.³ The information from this study is intended to be used as a tool for funders to open a dialogue with arts groups in order to preserve opportunities that build communities.

“State of the Arts” in Delaware

- Organizations narrowly cover operating expenses on a yearly basis; the largest groups struggle more than the smaller in balancing budgets. Large organizations tend to have more complicated organizational structures, which may create financial challenges. Smaller organizations contemplating growth should be aware of the added financial complexity likely to accompany programmatic or organizational expansion.
- To keep budgets under control, expense growth has been cut to less than the rate of inflation. The most prominent area to be cut was personnel-related expenses, which fell by 16% in a five-year period. These cuts may affect future capacity.
- Arts nonprofits cannot rely on single-source funding and must generate revenue from a combination of sources to cover annual expenses. More than half of total operating expenses must be covered by contributed dollars (or unearned income), requiring a significant investment in fundraising activities.
- While one-half of the sample owned a facility, with few exceptions, there were no new facility investments. This suggests that some organizations are holding assets that will need substantial investment and replacement in the future.
- Facility ownership can endanger financial sustainability. Those who own facilities generated more debt, had less cash on hand and showed more financial volatility than those who leased space.



Balancing needs and growth is challenging

Arts organizations in Delaware operate in an environment and manner that make it increasingly difficult to balance financial capacity with program goals. Many groups have facilities that will require future maintenance, they operate on thin budgets and have a relatively small asset base. These organizations get by on a day-to-day basis. Given changes in the funding community in Delaware, as well as in broader national funding trends, the long-term “state of the arts” in Delaware remains vulnerable to both internal and external forces. All concerned about the future of Delaware communities are encouraged to open dialogues about how best to sustain and grow the arts – for the benefit of all.

¹Americans for the Arts. *Arts & Economic Prosperity III: The Economic Impact of Nonprofit Arts and Culture Organizations and Their Audiences*. Washington, DC: 2007.

²Catterall, James S., Richard Chapleau, and John Iwanaga. “Involvement in the Arts and Human Development: General Involvement and Intensive Involvement in Music and Theater Arts.” *Champions of Change: Studies*. Los Angeles: The Imagination Project, Graduate School of Education & Information Studies, University of California at Los Angeles, 1999.

³While reliable, it is important to note that there are limitations to IRS Form 990 data.