



OUR FISCAL PERFORMANCE

1.0 Introduction

To understand the impact of the economic downturn on performing arts companies, The Performing Arts Alliance, consisting of the Canadian Dance Assembly, Opera.ca, Orchestras Canada, and the Professional Association of Canadian Theatres, undertook a survey of member organizations across the country. This report is a summary of the findings from a survey conducted in May 2009.

The Performing Arts Alliance designed a short survey that could be completed online. A survey link was distributed via email to all member organizations. Over 300 organizations were invited to participate, of which 89 (about 29% of the total) did so.

Given the size of our sample of 89 organizations, some cautions must be noted. While the sample may appear representative of location and discipline, we do not have comparative information on the size of all member organizations. Further, even if it represents organizations well overall, it may not represent the characteristics of each subgroup as well. Results by subgroups are only suggestive, and any difference in this report is not statistically significant. However, in spite of these cautions, the goal of this research was to provide a snapshot of the immediate effects of the recession on non-profit arts organizations in Canada.

Three follow-up surveys are planned over the next year to track trends and changes to come, the next of which is planned for September 2009.

2.0 Financial forecasts

Although financial year-ends vary among participating arts organizations, most were able to provide an expectation of their financial position for their current year. Almost 7 organizations in 10 report that they are re-projecting their expenses, revenues, or both for the current fiscal year. Most report that they are re-projecting both (63%), but a few are either re-projecting just revenue (6%) or expenses (1%).

Orchestras (85%) appear to be the most likely to be re-projecting expenses, revenue, or both. Theatre (68%), dance (64%), and opera (62%) companies appear slightly less likely to report a re-projection. Regardless of size, organizations are as likely to report re-projecting expenses, revenue, or both.

2.1 Year-end deficit

Many organizations are forecasting a year-end deficit. Almost half of the organizations report that they are forecasting a deficit against the amount budgeted. The other half is almost evenly divided between those who are forecasting to break even or have a surplus. Among those who forecast a surplus, it is most often in the range of 1% to 10%. See figure opposite.

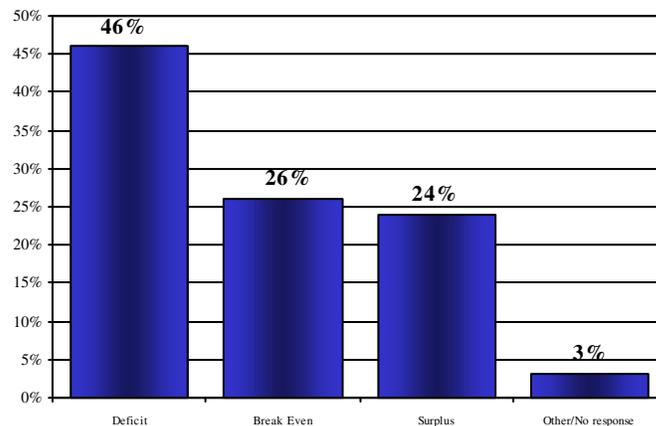
The forecasts as related to their original budgets can be better, worse, or about the same. About half report that their forecast is worse than originally budgeted. Those who say the budget forecast is worse also report that it is at least somewhat the result of the economic downturn. Indeed, 46% of all organizations report that their forecast is worse than originally budgeted, and it is either entirely (16%) or somewhat (30%) the result of the downturn.

Overall results are in the figure opposite.

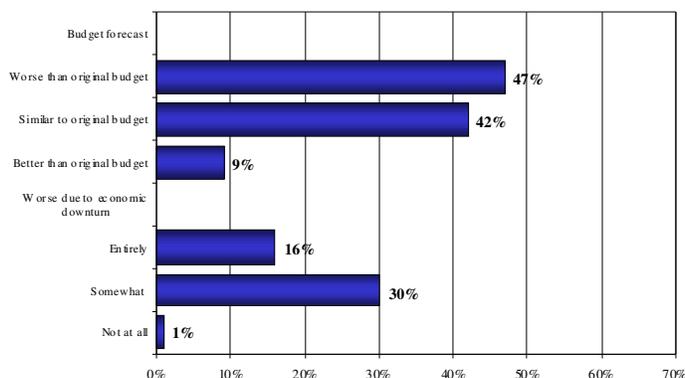
While fewer operas are forecasting a deficit, opera companies (69%) are the most likely to report their budget forecasts are worse than originally budgeted. This compares to 50% of orchestras, 44% of theatres, and 36% of dance companies.

Mid-size (58%) and large (50%) organizations appear to be slightly more likely than small organizations (36%) to say that their forecast is worse than they originally budgeted. Of those large organizations that report their financial situation is worse than originally budgeted, almost all (80%) say it is entirely the result of the economic downturn. This compares to 28% of mid-size organizations and none of the small organizations.

**Year-end budget forecast
(n=89)**



**Budget forecasts and economic downturn
(n=89)**



2.2 Changes in revenue sources at end of 2008

Organizations were asked to consider various sources of revenue, both in the last four months of 2008 and for their fiscal year. In each scenario, they were asked if revenues were higher, lower, or about the same as budgeted. The next figure below shows the variation in five revenue sources to original budgets in the last four months of 2008 (September 1 to December 31, 2008). Many indicated that these sources did not apply to their organizations and, thus, the results in the figure are based on those who provided a response.

Organizations had mixed experiences with these revenue sources in the last four months of 2008, with many saying they are lower than budgeted, while others say they are higher. Overall, about 2 organizations in 3 report that at least one of these revenue sources was at least somewhat lower than budgeted, which includes about 1 in 4 that report at least one was substantially lower than budgeted.

Of the items tested, year-end fundraising was the most often cited as being lower than expected. Almost 6 organizations in 10 report that year-end fundraising is somewhat or substantially lower than budgeted. About half report that their non-holiday single ticket sales were somewhat or substantially lower than budgeted. About 4 in 10 report that subscriptions were lower than budgeted (although about 1 in 4 reports they were higher). About 1 in 3 report their holiday tickets were lower than budgeted (however, almost as many – 3 in 10 – report holiday single ticket sales were higher than budgeted.)

The most stable source of revenue, with over 6 in 10 reporting it was about the same, was class or tuition income. The remaining were split, with about 1 in 5 saying it was lower than budgeted, and the same saying it was higher.

Lower income from these revenue sources appears to vary by discipline and size of organization. Opera companies are the least likely to report any change in these revenues, still 54% report some lower revenue including 15% who report that at least one was substantially lower than budgeted. About 2 in 3 theatre and dance companies report at least some of these year-end revenues were down. This includes about 35% of theatres reporting that at least one was substantially lower and 18% of dance companies that said the same. About 3 in 4 orchestras companies report some lower revenue from these sources, including 30% that report at least one was substantially lower. The smallest organizations are the least likely to report a lower revenues at the 2008 year-end. Still almost 6 in 10 report some sources were lower, including 28% reporting that at least one was substantially lower. About 8 in 10 mid-size organizations report some lower revenues, including 29% that say that at least one was substantially lower. About 2 in 3 large organizations report some lower revenues, including 25% that say that at least one was substantially lower than budgeted.

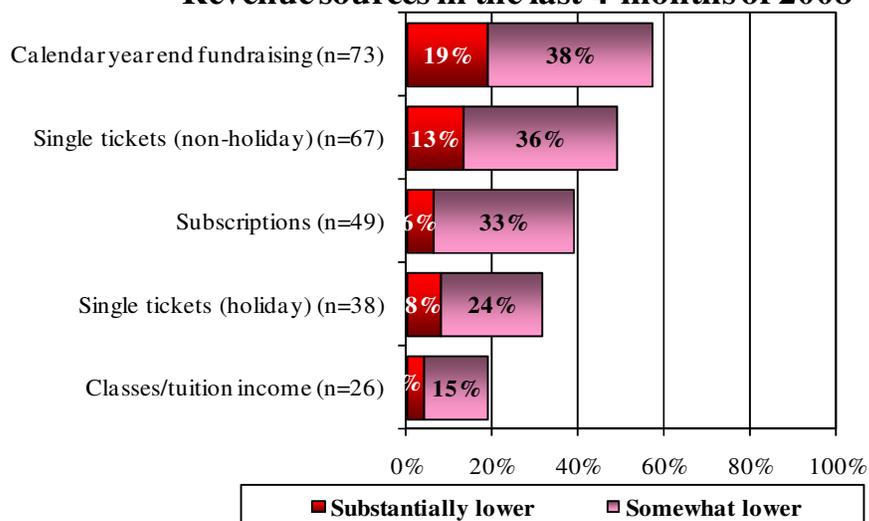
2.3 Changes in revenue sources for fiscal year

Organizations were asked to indicate to what degree they anticipate five revenue sources will vary from the original budget by the current fiscal year-end. It is important to remember that while some of these organizations were just coming up to their fiscal year-end, others had just begun a new year.

Overall, about 9 organizations in 10 report that at least one of these five revenue sources is at least somewhat lower than budgeted, including half that report at least one is substantially lower than budgeted.

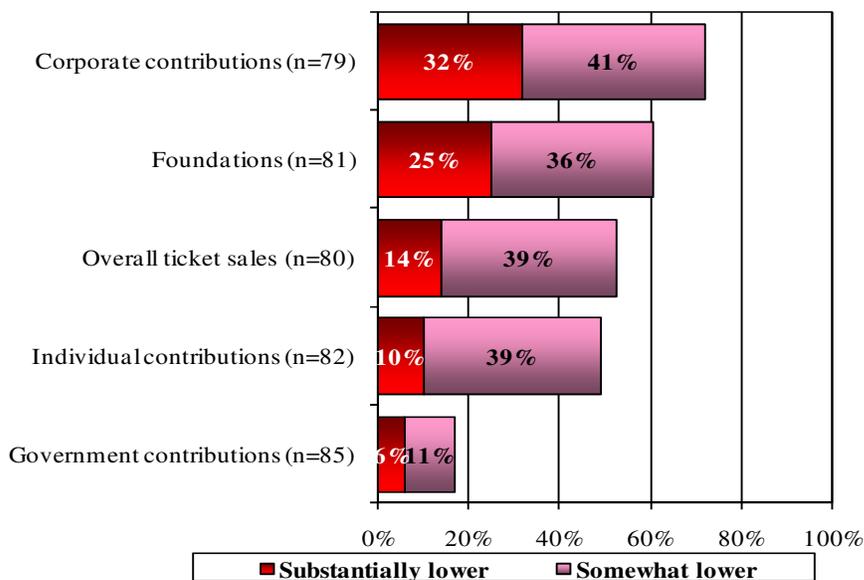
Overall, the largest shift appears to be in corporate contribution. Almost 3 organizations in 4 report that they anticipate corporate contributions will be either somewhat or substantially lower than budgeted.

Revenue sources in the last 4-months of 2008



Revenue sources for fiscal year

About 6 in 10 report that revenue from foundations will be somewhat or substantially lower than budgeted by fiscal year-end. Over half report that revenue from ticket sales (including subscriptions and single ticket sales) will be lower than budgeted. Like ticket sales, about half report that individual contributions will be lower than budgeted. Government contributions appear to be the most stable, with about 2 in 3 saying they will remain about the same. Almost as many say government contributions will be lower (17%) as say they will be higher (18%).



All orchestras anticipate that at least one of these five revenue sources will be somewhat (60%) or substantially (40%) lower than budgeted. Over 9 in 10 theatres expect at least one of these five to be lower, including 60% who expect at least one to be substantially lower. Over 8 in 10 opera companies report that some of these revenue sources will be lower, including 77% that expect at least one to be substantially lower. Almost 3 in 4 dance organizations expect lower revenues from these sources, including 36% that expect at least one will be substantially lower. The larger the organization, the more likely it is to report lower revenues. All large organizations expect that at least some lower revenues, including 75% that report at least one will be substantially lower. The smallest organizations are the least likely to report lower revenues from these sources. Still 3 in 4 expect at least some lower revenue, including 42% who report that at least one will be substantially lower.

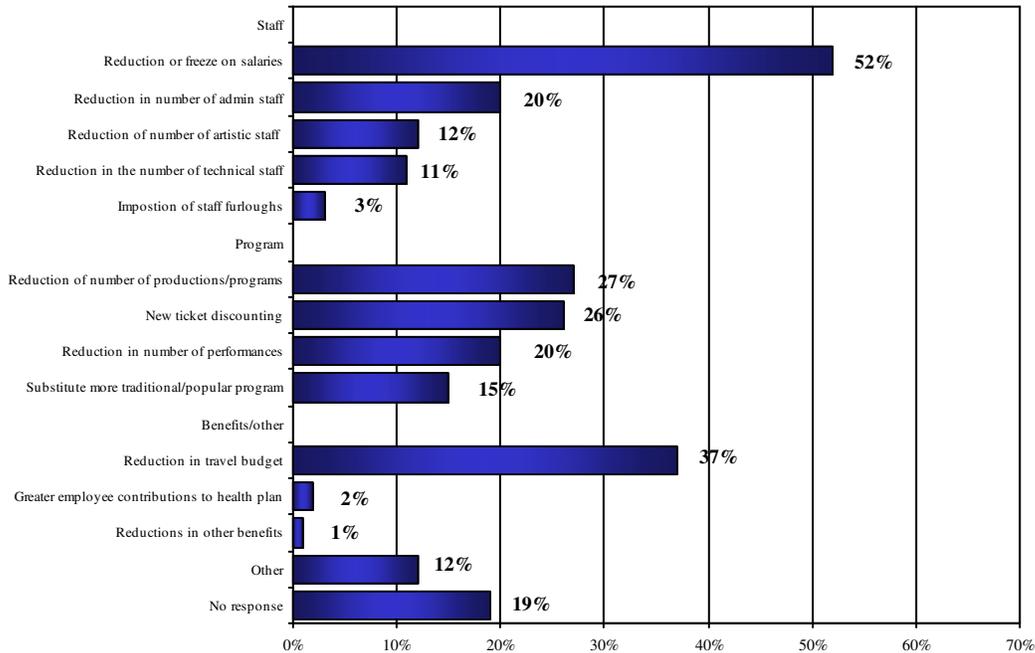
2.4 Plans to address the economic downturn

Organizations were also asked whether, in response to the economic downturn, they have taken or plan to take any of 13 different budgetary actions in either this fiscal year or the next. About 8 organizations in 10 indicate that they are taking or plan to take at least one of these actions. On average, organizations are taking or plan to take two of these actions.

Many are planning to take or have taken actions that affect staff, most commonly reducing or freezing salaries. About half report this action. Many others (29%) plan to or have reduced staff, including administrative, artistic, and/or technical staff. Many organizations (33%) report changes to either the number of programs, performances, or both. Some plan to introduce ticket discounting (26%) as a method to address the economic downturn. Others plan to reduce travel or conference budgets (37%).

Done any of the following budgetary actions, in response to economic downturn

(n=89)



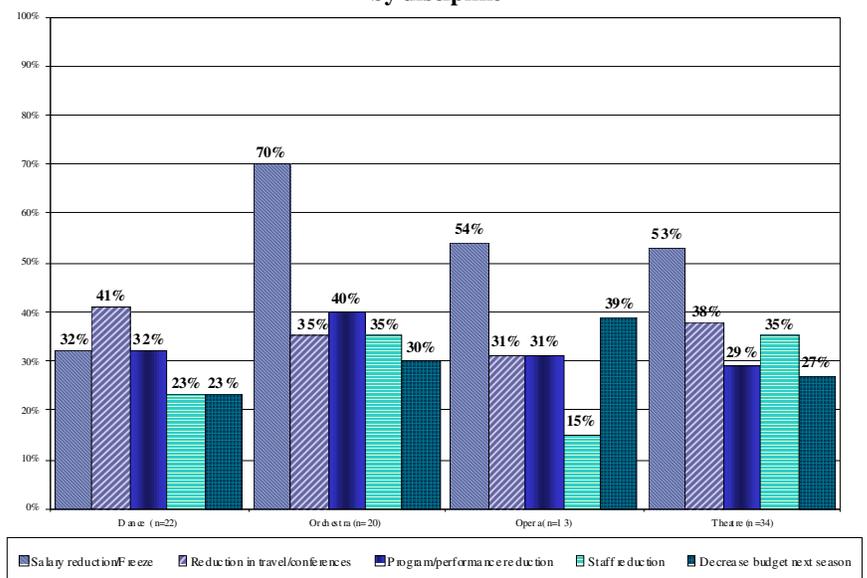
About 1 organization in 5 is taking none of these actions. As one small organization wrote, they “work with the bare minimum administratively and artistically, so cutting anywhere would have a very significant impact on the health of the organization.” This may be reflected in the fact that, at the time of the survey, about half report that, in planning the next season, they are keeping the budget about the same, 1 in 4 are decreasing the budget, while another 1 in 4 are increasing their budget.

2.5 Actions by discipline

The budgetary actions taken or planned to be taken are similar, regardless of discipline. The most common action is a reduction in or freeze to salaries (although dance companies are slightly more likely to reduce travel and conference budgets).

All responding orchestras report having taken or that they are planning to take at least one of these budgetary actions, either this fiscal year or the next. The most common actions among orchestras are reducing or freezing salaries, reducing the number of staff (especially administrative staff, which 35% of orchestras plan to reduce), and reducing the number of productions or programs. Over 8 in 10 theatre companies plan to take at least one of these budgetary actions, the most common being reducing or freezing salaries, reducing travel

Budgetary actions in response to economic downturn by discipline



or conferences, and reducing staff. Theatre companies are the most likely to report reducing the number of technical and production (21%) or artistic (18%) staff.

About 7 in 10 opera companies plan to take at least one of these budgetary actions. The most common is reducing or freezing salaries. Opera organizations are the least likely to report reduction in artistic, technical, or production staff, or reductions in performances, but they are the most likely to plan for a decrease in budget for the next season.

About 2 in 3 dance companies plan to take at least some budgetary actions, most commonly reducing travel or conference budgets, reducing or freezing salaries, or reducing the number of performances/programs. Dance companies are the most likely to report plans to reduce the number of performances (27%).

Regardless of the size of the organization, the most common budgetary action taken or planned to be taken is a reduction or freeze in salaries. Overall, mid-size organizations are the most likely to reduce staff, although small organizations are slightly more likely to reduce artistic, technical, or production staff. Conversely, small organizations are the least likely to reduce administrative staff. Mid-size organizations are the most likely to reduce the number of performances or programs, although large organizations are the most likely to report reducing the number of performances alone. The largest organizations are more likely to report that they plan on decreasing their budget from this year. About half (45%) of the large organizations are planning such a decrease, compared to 32% of mid-size organizations and just 14% of small organizations.

3.0 Conclusion

In the spring of 2009, many performing arts organizations are reporting negative impacts from the economic downturn. About half of these organizations are reporting forecasts that will see revenues being worse than originally budgeted, and almost all of these say their worsened financial situation is somewhat or entirely the result of the economic downturn.

Although half report their forecasts are worse than budgeted, more report that, in specific revenue areas, they expect to do worse than budgeted. Many of these appear to be directly linked to the performance of the economy; the most telling of which is corporate contribution. Almost 3 organizations in 4 expect corporate contribution to be lower than budgeted in their fiscal year, and 6 in 10 expect foundation contribution to be lower as well. Many organizations appear to be expecting things to get worse on the revenue side before they get better. This is demonstrated in the fact that 8 organizations in 10 report taking budgetary actions to reduce costs in this or the next fiscal year, most commonly freezing or reducing salaries.

While there seem to be some differences depending on discipline and size of organizations, these appear to be differences of degree rather than substance. Looking forward, budgetary actions are planned by the majority of organizations, regardless of discipline or size. Of course, such plans are subject to the need to adapt to the changing economic circumstances. At this point, it is difficult to know the longer-term impacts of the economic downturn, and how performing arts' contributors, clients, and audiences will behave if the downturn persists, or even when the economy begins to recover.