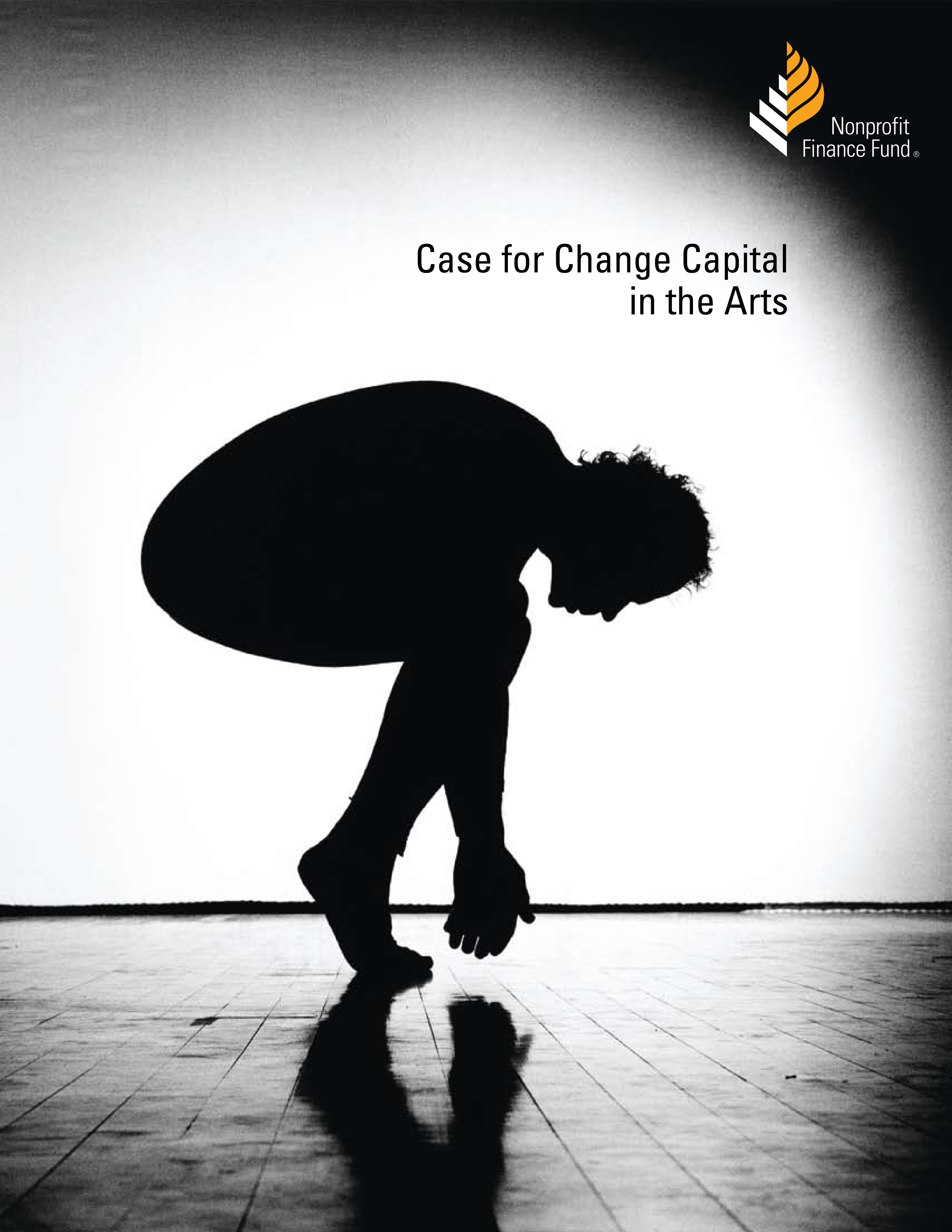
Nonprofit Finance Fund®

Case for Change Capital in the Arts



National Black Arts Festival. ASO Concert,
Photo credit William Herriott.

If arts organizations and the sector are to thrive, donors must change their funding and financing practices to support strategies that enable experimentation, build audiences, and cultivate artists.

Case for Change Capital in the Arts

Building Vibrant and Viable Cultural Organizations

By Rebecca Thomas and Rodney Christopher
with Holly Sidford, Helicon Collaborative

Leading for the Future

Arts organizations excite and inspire audiences across the country with their creative and dynamic artistic programs. Through their imaginative and stirring works, these organizations shape community identity, lift the spirit, connect people and help us make meaning of our individual experiences and the times in which we live. Yet behind the stages, the exhibit halls, the literary publications and the websites, most nonprofit arts organizations are in a constant financial struggle. A major contributing factor is that the vast majority of them are "mis-capitalized" – financially structured in ways that stymie their ability to propel and sustain their aspirations.

If individual arts organizations and the sector are to thrive in the future, donors must change their funding and financing practices, aligning money to strategies and plans that build audience demand, cultivate new contributors, and adapt out-dated cost structures. Likewise, cultural nonprofits must take action to establish stronger business models that redress mis-capitalization and ensure their artistic relevance and excellence.

Leading for the Future: Innovative Support for Artistic Excellence, designed and administered by Nonprofit Finance Fund (NFF), is the first national initiative to address the issue of mis-capitalization by deploying a specific kind of investment capital – change capital – to help arts organizations adapt their programming, operations and finances in ways that improve their long-term health.

With support from the Doris Duke Charitable Foundation, ten artistically excellent performing arts organizations are working with NFF to develop, implement, monitor and adjust plans for achieving this transformation. Each group's plan is tailored to its own circumstances, but all are guided by similar principles of capitalization. Two years into this five-year initiative, initial results are very promising.

Alvin Ailey American Dance Theater in Robert Battle's *The Hunt*. Photo by Paul Kolnik.

The first part of *Case for Change Capital in the Arts* shares the philosophy governing the Leading for the Future initiative and discusses the broad needs for and uses of capital in the arts. The second part outlines principles and practices that can improve capitalization in the arts but that will require changes in behavior by both nonprofits and funders. We conclude by outlining our ten investment partners' plans for applying change capital to realize their artistic and organizational ambitions. Throughout, we provide definitions for key terms.

While conversations about capitalization and the idea of change capital are relatively new to the field, NFF looks forward to engaging our Leading for the Future partners and the arts sector as a whole in an ongoing dialogue about the associated challenges, opportunities and learnings. This article is offered to stimulate further conversation and encourage funders and arts groups to apply principles of capitalization more consistently, thereby increasing the financial health and artistic vibrancy of organizations that are so important to the vitality of our communities.

"Change capital from Leading for the Future has allowed us to take a great leap forward, rather than make incremental change. It now affects everything we do." Sharon Luckman, Alvin Ailey Dance Foundation

To truly cover the full cost of doing business, arts organizations also need flexible funding and an enterprise-wide approach to capitalization that supports long-term liquidity, adaptability, and durability rather than short-term or narrowly defined goals.

Mis-Capitalization in the Arts

Inappropriate capitalization, or mis-capitalization, is often the consequence of misguided practices perpetuated by cultural organizations and their supporters alike. For example, many arts organizations operate with only enough unrestricted revenue to cover program and operating expenses. This is considered acceptable, when in fact many organizations have annual expenditures that exceed operations alone. Excess cash is often seen as "hoarding," even though savings are usually indicative of long-term planning and risk management. Buildings and endowments are typically the only forms of capital associated with long-term stability, yet often these assets contribute to financial instability, particularly when other more liquid forms of capital aren't built alongside.

Other contributors to mis-capitalization include current nonprofit accounting and reporting practices, which conflate capital with revenue. Capital investments (whether for change or other capital purposes, such as facility projects) are typically not segregated from regular operating revenue and, therefore, distort the revenue reality by making an organization look healthier than it may be. Such practices diminish transparency about how cultural organizations are managing their resources.

As a result of these practices and others, most cultural organizations lack enough of the right kinds of money at the right times to change, grow, innovate, take risk — and ultimately contribute to their own artistic health and the vibrancy of tomorrow's creative economy. Compounding these issues, the cultural landscape is undergoing tectonic shifts in the ways that audiences experience and respond to art in a fundamentally altered economy. In this environment, organizations are challenged to develop business models that establish or affirm the value of their art, align revenue with full costs and position them to be appropriately capitalized.

Consider the case of a theatre company that, despite experiencing steady declines in attendance at its aging facility, continues to receive critical acclaim for its work. The organization cannot afford to maintain its lobby or house, invest in social media and refresh its programming for young audiences. Saddled with a depreciated facility, declining profitability and no reserves, the company lacks the cash to be responsive, innovative and nimble. It is mis-capitalized.

Mis-capitalization

Uneven, inappropriate or inadequate funding and financing. Mis-capitalization includes under-capitalization (insufficient amounts of funding) but goes beyond it. Mis-capitalized organizations have limited adaptive capacity, meaning they lack the flexibility to adjust their programming and operations in response to changes in the environment and demand for their work. Adaptive capacity is evidenced by the strength of the balance sheet and the ability to regularly generate revenue in excess of expenses.

Capitalization

The funding and financing that allows an organization to achieve its mission effectively. Capitalization is revealed on the balance sheet and through the generation of net revenue (i.e., surpluses).

Changing the Way We Think

Reversing the widespread pattern of mis-capitalization requires both arts organizations and arts donors to shift their thinking and practices regarding money.

Current practice tends to apply a compliance mindset to grantmaking. Funders are more concerned with "How did you spend the money?" than with "Did you achieve your long-term goals?" Yet the field would greatly benefit from movement toward an investment approach to funding and financing arts institutions. Arts "investors" would look at the kinds and degrees of financial risk and opportunities an organization faces in order to fulfill its artistic mission. They would seek to understand capitalization across three distinct levels:

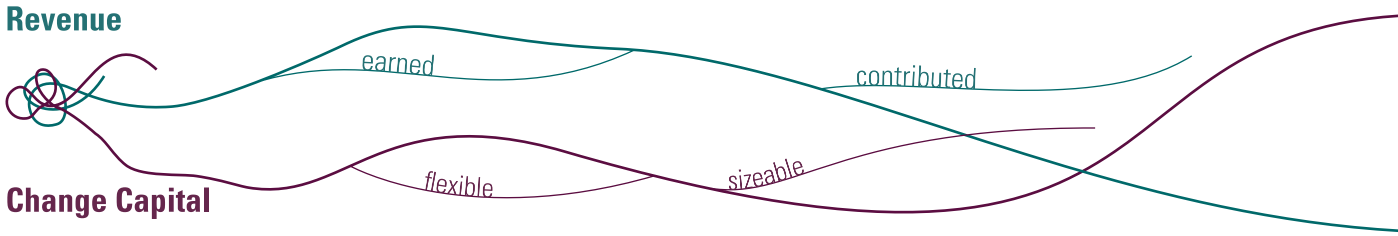
1. **Liquidity**: Does the organization have adequate cash to meet its operating needs?
2. **Adaptability**: Does the organization have flexible funds that allow it to make adjustments as its circumstances change?
3. **Durability**: Does the organization have sufficient resources to address the range of needs that it may face in future years?

Addressing liquidity, while quite difficult for many organizations, requires managing for annual operating surpluses. Funding adaptability and durability, however, is far more complex since surpluses, when they exist and can be set aside as reserves, are rarely sufficient to do the job. Whether the task is to preserve important artistic legacies or re-tool internal operations to attract and keep new audiences and donors, cultural organizations often need periodic infusions of more flexible money to get to a new level of operating effectiveness. This capital serves a different purpose from the typical grant or donation and should not be confused with general operating support.

To advance the capitalization conversation, one necessary change and first step is to make clearer distinctions between two fundamentally distinct kinds of financial resources, each of which serves a different purpose:

1. **Operating revenue**: resources received and deployed to sustain day-to-day activity
2. **Capital**: resources deployed for building or changing the organizational structure, or "platform," from which work is produced and presented

Both revenue and capital are necessary, yet current practice and accounting rules tend to ignore the distinction. The result can be both an insufficiency of recurring revenue to cover ongoing costs and insufficient capital to plan for and achieve a durable future.



Leading for the Future Initiative

NFF's Leading for the Future Initiative is a new approach to funding arts organizations and is defining both theory and action-oriented principles that will help reset financial practices for the field. The program seeks to stop the conflation of revenue and capital, and to apply a specific kind of investment—change capital—to re-balance and more appropriately capitalize a cohort of performing arts organizations. The LFF capital investments are enabling organizations to adapt their programming, operations and finances in ways that position them to affirm the value of their art, increase and align revenue with full costs and re-capitalize in ways that enhance liquidity, adaptability and durability.

Change capital, as applied in this Initiative, has several defining characteristics:

1. The infusion of funds is extraordinary, of limited duration and not meant to function as regular earned or contributed revenue.
2. The capital is flexible; what the organization spends the funds on matters less than what it achieves. The funds are meant to support the errors, risk-taking and "re-dos" that inevitably occur while the organization pursues the desired change. In some cases, it covers planned temporary operating deficits.
3. Once the capital is spent, the organization should be able to more fully cover its cost with reliable sources of revenue, until the next period of change.

Program Goals

The participants in the Initiative – Doris Duke Charitable Foundation, NFF and ten performing arts organizations – are testing and refining this new approach to financing change in nonprofit arts organizations. The program's goal is to demonstrate a way to improve organizations' future artistic and financial viability by:

- Applying capital to change or enhance the ways programs are designed and delivered, or to modify business models
- Linking the application of change capital to increasing reliable net revenue (i.e., surpluses) beyond the term of the investment

Consider the case of Merce Cunningham Dance Foundation, which is applying LFF capital to cease

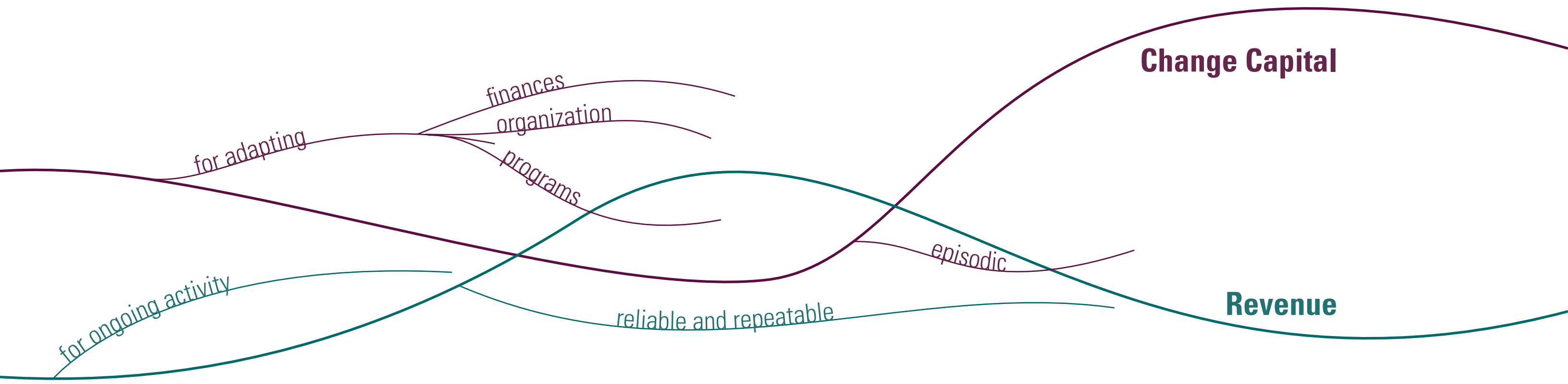
Change capital

Represents an investment in an organization to: 1) support improvements in the efficiency or quality of its programs or operations, or 2) support growth, downsizing or other adjustments to the size and scope of the organization. If successful, change capital enables an organization to better support its costs with reliable, recurring revenue.

Reliable revenue

An estimate of the amounts of earned and contributed revenue with a track record of recurrence (e.g., ticket sales, memberships or tuition income raised consistently over three to five years).

In the case of contributed support, reliable revenue typically requires a fully built development capacity with a history of bringing in institutional and individual support year after year. In estimating future reliable revenue, it may be advisable to apply a



operations in a planned fashion, allocate funds for the career transitions of dancers and staff, and archive many aspects of Merce's work for future generations. Another LFF partner, Jacob's Pillow Dance Festival, is using capital to build a virtual presence and an "e-constituency" by leveraging the organization's new and archived material and investing in the marketing and development capacity to support it.

Over a five year period (2009-2013), all of the LFF participants are addressing key questions:

1 What is our organization's artistic ambition?
2 What is the business model for supporting that artistic ambition today?
3 What business model and capital structure best supports our artistry, as it evolves, in 3-5 years?
4 To achieve the desired future business model and capital structure, what needs to change between now and then?
5 What investments do we need to make to attract recurring revenue that will support our changed cost structure after those investments are expended?
6 How much change capital is required to achieve the shift? How will we raise that capital or adjust our plans if we cannot?
7 How will our organization measure progress and success during the 3-5 years of change, and at the end of the process?
8 How will we make adjustments during the change period when things do not go according to plan?

To begin addressing these questions, NFF provided each LFF participant with a $75,000 grant in 2008 to support a year of planning, including the development of a detailed financial and organizational roadmap. Upon approval of the plan, NFF then awarded each organization up to $1 million in change capital, to be used in different ways and on different schedules, according to its plan. NFF has helped the groups refine their plans and provided ongoing counsel to participants as they learn from experience and early progress against their plans.

Nearly three years into the program, initial results are promising. Some participants are already seeing increases in revenue, while others are making investments in long-term capacity to attract revenue in the future.

discount or take an average of historical performance while making a realistic assessment of the environment going forward. For example, if an organization has brought in $100-$125K of earned revenue from ticket sales over the past three years and anticipates a tough economic year ahead, a "reliable" amount may be $80K.

Business model
Here defined as how an organization delivers and supports its activities through a cost structure and revenue strategy that comprises earned and contributed sources.

Capital structure
The nature, composition and magnitude of the assets, liabilities and net assets comprising the balance sheet. A well-balanced capital structure enables cultural organizations to take risk, innovate, and pursue new opportunities.

Kinds of Capital

Using the right kinds of capital in the right ways helps nonprofits effectively pursue innovation and experimentation, manage risk, respond to the unexpected, and invest in revenue generating activity.

While the Leading for the Future Initiative focuses on deploying capital for artistic and organizational change, capital can be used in multiple ways to improve and maintain health and vitality over the long term. All invested capital, regardless of its specific application, should contribute to a more appropriately aligned capital structure. A healthy capital structure is critical to enabling arts organizations to pursue innovation and experimentation, manage risk, respond to the unexpected, and make critical investments in revenue-generating activity.

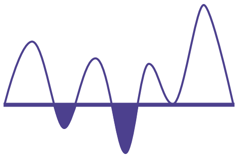
NFF defines capital and its uses in the ways described here, while acknowledging that there may be some fluidity between the types.

These capital funds can be generated in many different ways. Some of the most common include:

- Retained earnings from operating surpluses (i.e., "savings")
- Periodic campaigns for capital (including campaigns for facilities as well as for change capital) and targeted fundraising
- Judicious use of debt, including internal borrowing, bank or other outside debt

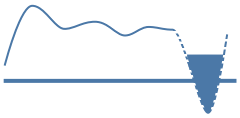
Working Capital

Tides an organization over during predictable lows in its operating cycle, covering costs until revenue comes in.



Risk & Opportunity Capital

Funds to weather the unexpected and support experimentation or course corrections.

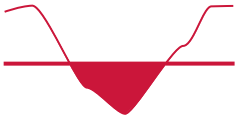


Change capital*

For growth, downsizing and to change the size and scope of the organization.

Recovery capital

Helps recover from damaging financial shortfalls, reduce debt, or fund much-needed repairs to facilities / equipment.



Facilities & Equipment Capital

Organizations can raise funds for specific acquisitions or upgrades, or accumulate reserves to meet future needs as they arise.

Endowments

Raised capital that is often permanently restricted and generates investment income to support the organization. Investment income can be used as revenue or re-directed towards any of the types of capital described above.

*Organizations scaling rapidly may require an enterprise-level infusion of growth capital into a rigorous plan for sustainability. To learn more, visit: nonprofitfinancefund.org/capital-services/portfolio-performance-report

Kinds of Capital: In Depth	In Practice
Working capital is used to cover predictable shortfalls in operating revenue, such as a cash need between the expenses incurred when developing new work and later revenue from the work's presentation.	A foundation provides program related investments (PRI), a form of low-interest loans, to a nonprofit in need of temporary cash due to delays in funding resulting from the economic downturn. Or, a nonprofit uses a line of credit, either bank-financed or generated through operating surpluses, to cover production expenses ahead of the anticipated receipt of ticket income.
Risk & Opportunity capital allows organizations to absorb risk and pursue opportunities, be they artistic or organizational in nature. It can be used to help weather unexpected internal or environmental challenges and to invest in experimentation or course corrections.	A performing arts presenter that has experienced historical challenges in recessionary environments budgets and manages annually for operating surpluses that can be set aside into a board-designated cash reserve to be spent for unanticipated and adverse events.
Change capital funds improvements in efficiency or quality of program or operations and/or adjustments to the size and scope of the organization. It is an investment in the alignment of an organization's fixed costs to its reliable, recurring revenue. It is spent down as needed with the explicit expectation that it will lead to improved recurring net revenue (i.e., surplus) to sustain delivery of programs once the capital is fully spent.	Two dance companies are considering a formal collaboration that would combine their programs in one space. The planning and implementation periods will span three years and require an infusion of several million dollars, to be spent down to cover temporary deficits while the partners make investments in joint development and marketing capacity that will generate future net revenue.
Recovery capital helps restore an impaired capital base by replenishing depleted working capital and facilities capital and by reducing or restructuring debt and other obligations. Some nonprofits require recovery capital before they can effectively use change capital.	An opera company has a poor year at the box office due to a major weather event and posts a sizeable deficit. Future operating surpluses will not likely be sufficient to pay off its vendors. The organization requires a targeted fundraising campaign for recovery capital.
Facilities & Equipment capital represents funds earmarked for investments in new fixed assets, including such items as: real estate, costumes and sets, technology and other major furniture or equipment. The funds may be raised expressly for specific acquisitions or upgrades, as well as accumulated in reserve to meet future needs.	A theatre renting its performance space launches a $5 million capital campaign and secures $2 million in bank financing to purchase and build a permanent home. For long term durability, management incorporates into the campaign fundraising for a facility reserve to pay for future repairs and replacements and a risk reserve to cover anticipated early revenue shortfalls/ expense overruns in the early days of operating in a larger space.
Endowments or Investment reserves typically represent donated capital that is kept intact (and grown) to generate investment income. While the corpus of an endowment is typically permanently restricted, unrestricted investment reserves (sometimes called board-designated endowments) can serve the same function while providing leadership with flexible use. NFF encourages nonprofits to prioritize raising flexible forms of capital since endowments need to be large to generate adequate annual income and may compete with other fundraising efforts.	After building its major donor base over many years, a symphony launches a campaign to raise an unrestricted, but board-designated, endowment. The target amount for the board-designated endowment will yield annual investment income of at least 5% of the symphony's operating budget.

It is difficult to accept the idea that well-intentioned behavior and traditional assumptions about financial "best practices" are having negative impacts on the health of the sector. Yet many of these behaviors and assumptions have created untenable situations for arts organizations and the field as a whole. The theory and practices of NFF's Leading for the Future program represent a first step toward a new and more realistic approach that is putting arts organizations on a firmer financial footing. Improving capitalization will require not only a conceptual shift by arts leaders and funders, but also new practices by both.

Whether you are a nonprofit or funder, the principles below represent a new way of thinking about and deploying money in the cultural sector. While they primarily relate to the use of change capital—deployed in Leading for the Future—most are relevant for all kinds of capital.

Principles for Nonprofits & Funders

- **Don't confuse revenue with capital.** Revenue—earned, contributed, restricted or unrestricted—pays for regular programming and operating expenses. Ideally, it should cover full costs, including such items as annual depreciation and debt service. Capital—whether generated through surpluses, accessed through debt, or provided as a multi-year contributed investment—builds liquidity, adaptive capacity and/or durability. General operating support is revenue, not capital.
- **Capital is episodic; revenue is forever.** Nonprofits require both revenue and capital to survive and thrive. Most organizations rely on contributed revenue to cover the annual gap between what they spend and what they can charge to audiences and other consumers. Funders and donors subsidize—year in and year out—the finances of organizations they value. Providers of capital ("builders") understand that their support is periodic in nature. Once the capital is invested, no further infusion should be required until the nonprofit arrives at another pivot point. Capital providers often choose, however, to also provide ongoing subsidy and/or to help attract such donors.
- **Change is expensive.** Transformative change requires a well-conceived plan and sizable amounts of change capital that can be used to achieve desired artistic and financial goals. The magnitude of a capital investment should be tailored to the need, ambition and market conditions of the organization.
- **Change takes time.** Change rarely happens in a straight line; it involves trial-and-error and responsiveness to unfolding internal and external circumstances. A three to five year horizon may be appropriate to implement a plan for change at the organizational level.

Steppenwolf Theatre Company. punkplay by Pavement Group. Credit Peter Coombs.

- **Temporary deficits are common en route to an improved business model and balance sheet.** Organizations incur new and one-time expenses as they invest in the capacities, programs and infrastructure appropriate to their desired change strategy. Change capital can cover deficits incurred by a nonprofit until the point when its operations and activities can fully support themselves with reliable revenue. Success requires nonprofits to manage resources and make adjustments to ensure they achieve financial health and artistic vibrancy with the capital funds available.

Principles for Funders

- **Consider pooling resources.** Given the size and duration of investment required, funders may benefit from working collaboratively to ensure organizations obtain the amounts of capital needed to support their plans. Funders can choose to obtain third-party expertise in structuring and monitoring such investments.
- **Support planning.** A smart strategy, backed up by a rigorous financial roadmap with artistic, operational and financial progress indicators, is a critical precondition to undertaking change. Consider providing a planning grant or other consultative support. Then give organizations the time to do their planning and strategy work.
- **Invest in financial readiness for change.** In certain situations, financially challenged arts organizations may require recovery capital (see pp. 10 and 11) as a first investment. This enables the organization to rebuild their working capital, repay their obligations and undertake change from a stronger financial position.
- **Focus on achievement of results, not line-item spending.** Organizations are likely to shift their spending priorities as they implement plans for change and learn from successes and failures. While plans for change may involve specific activities and projects, it is essential that investors consider the impact of these activities on the overall organization. Investors can and should assess continued progress toward a business model that is more fully sustained by regular revenue and that achieves the desired artistic impact.
- **Permit deficits en route to change; embrace surpluses thereafter.** Funders and trustees can promote these healthier approaches to financing by not penalizing organizations that show planned deficits (covered by capital) on their way to transforming their business models. Similarly, funders should not penalize organizations that achieve operating surpluses before or after that change.

Principles for Nonprofits

- **Achieve alignment of costs to reliable revenue**. The most important straightforward way to address mis-capitalization is to implement strategies that increase the ratio of reliable recurring revenue to costs, particularly the revenue that covers fixed costs. For most, achieving such results requires making adjustments to the business model to ensure regular profitability. Such changes can include: adaptations to or elimination of programs, reduction in costs for operations, improved pricing models, new partnerships or new capacity in marketing, fundraising, and technology. Organizations can and do make these adjustments without infusions of change capital, but they tend to be incremental and are often insufficient.
- **Prepare for change**. When it comes to change, the planning process is as important as the implementation phase. Planning will require devoted funds and a meaningful time commitment from staff (including both artistic and management staff) and the board.
- **Develop a financial road-map and monitor progress**. Achieving the transformation of a business model requires arts leaders to rigorously plan and monitor organizational progress and make course corrections based on thoughtfully defined metrics, or indicators, of success. A critical tool in managing this process is careful and realistic annual projections of revenue, expense and capital. These projections, when coupled with annual performance metrics will reveal progress (or lack thereof) toward goals. Financial projections and metrics push an organization and its key stakeholders to describe the desired transformation clearly, enable the organization to see whether it is getting closer to its goal each year, and inform course changes where necessary.
- **Separate capital in financial reporting**. Capital should be kept separate from ongoing revenue in budgets and internal financial reports, at least as a management tool. Using a capital reporting technique that treats capital as a separate line item, "below the line" of regular revenue and expenses, is one way of making capital investments visible and preventing these special infusions from being confused with income that supports ongoing operations.
- **Consider all options**. If an organization's earnest efforts to re-align its cost structure to its revenue capabilities do not succeed, leadership has a responsibility to consider whether the organization's work is valued by its supporters and audience, and whether a graceful exit may be appropriate.

NFF believes understanding the concepts and terminology underlying improved capitalization can lead to greater candor between arts groups and funders about what kinds of financial investments are required to support excellence and the inevitable needs for change. These associated principles, when practiced by nonprofits and funders, create the potential for improved artistic and organizational adaptability that will benefit arts organizations, artists, audiences and communities across the country.

Performance Metrics

Measurements of progress or indicators of success. They can reveal economic performance, such as how and why revenue or expenses rise or fall; or program and operational achievements, such as changes in the size and composition of audiences. Examples of financial metrics might include number of tickets sold, average ticket price, and number of major donors. Non-financial benchmarks might include email addresses captured, facebook friends, website hits, etc. Organizations set "targets," also known as benchmarks, for each defined metric. For a given year, $200K in ticket sales, 5,000 "friends," or $100K in gifts from major donors might be examples of benchmarks.

NFF's Capital Reporting Technique

A financial management tool for ensuring the segregation of regular revenue from change capital in projections, managerial reporting and the preparation of financial audits. Using this tool helps prevent organizations from confusing the two kinds of money and improves the ability of organizations and their investors to see the impact of change capital on current and prospective recurring revenue.

"It's unusual to have a grantmaker that says that the success of the 'project' is not what they're looking for. This program invests in our whole organization, and gives us the flexibility to experiment and try new things on our way to greater financial and artistic health."

Connie Chin, General Manager,
Jacob's Pillow Dance Festival

Mark Morris Dance Group. Photo by Sharen Bradford; courtesy of Jacob's Pillow Dance Festival.

LFF Works in Progress

Each of the participants in the Leading for the Future Initiative is creatively using change capital to advance its artistic, organizational and financial goals. Here we share the highlights of each organization's plan and early progress to date.

Alvin Ailey Dance Foundation – New York, NY

Alvin Ailey Dance Foundation is using LFF capital to transform its use of technology in engaging and retaining patrons. Ailey has undertaken an institution-wide re-thinking of ways to serve audiences and forge new connections among several of the core businesses of the organization: its two companies, school, boutique, and development operation. Key components of Ailey's LFF initiative include establishing a clear set of measurable objectives; creating a customized central database that supports fundraising, ticketing, education programs and other patron services; launching a new, interactive website that encourages cross-program patronage; and using analytic tools to track website users and incremental revenue metrics. For more about Alvin Ailey Dance Foundation, see www.alvinailey.org

Center Theatre Group – Los Angeles, CA

Center Theatre Group is focusing its LFF capital on experiments in programming and audience engagement at the Kirk Douglas Theatre, one of its three houses. Its goal is to change the financial model for that theater, and mine lessons from this experience that will assist the organization overall. Recognizing that the demographics and expectations of audiences for theater in Los Angeles are shifting, CTG is testing and refining new approaches to boost participation at the Douglas, particularly by young adults and audiences that want more contemporary, riskier theater options. If successful, these strategies will generate more reliable recurring revenue for the Kirk Douglas and may suggest new approaches for CTG's larger theaters – Mark Taper Forum and Ahmanson Theatre. At the Douglas, CTG is testing a number of techniques: more flexible scheduling; varying both the planning horizon for shows and the length of their runs; using new media and electronic communications tools to connect with young audiences; and altering pricing and marketing approaches as well as front-of-house interactions with theater-goers. For more about Center Theatre Group, see www.centertheatregroup.org

Jacob's Pillow Dance Festival – Lee, MA

Jacob's Pillow Dance Festival's LFF initiative is creating Virtual Pillow, a dynamic "parallel universe" to the Pillow's live offerings that will attract new audiences for dance, and extend the Festival's on-site offerings in multiple dimensions. The Pillow is also investing LFF capital to "build a better engine" by strengthening its fundraising and development capacity. Both strategies are intended to broaden the Pillow's base of constituents, increase reliable recurring revenue and advance the Pillow's leadership as one of the nation's most inventive and forward-thinking dance presenters. Key components of the Pillow's LFF initiative include a re-designed and more interactive website, expanded use of materials from the Pillow's archive to engage audiences online, social media strategies with younger audiences, and new approaches to fundraising – online and off. For more about Jacob's Pillow Dance Festival, see www.jacobspillow.org

Cunningham Dance Foundation – New York, NY

LFF is investing in The Legacy Plan, the Cunningham Dance Foundation's innovative plan for celebrating the extraordinary creative work of Merce Cunningham and the Merce Cunningham Dance Company and appropriately closing its operations in the wake of Cunningham's death. CDF is using LFF capital to support comprehensive planning and fundraising for this huge undertaking; implement a final international tour; document Cunningham's seminal works in digital "dance capsules;" provide appropriate transition support for Company dancers; and transfer materials and resources to the Merce Cunningham Trust so that his works will remain accessible to choreographers and other artists, presenters and scholars. For more about Cunningham Dance Foundation, see www.merce.org

Misnomer Dance Theater – New York, NY

Misnomer is a contemporary dance company seeking to establish a new business model to support its artistic and organizational growth. Misnomer's LFF strategy has three components: 1) developing and launching the Audience

Engagement Platform (AEP), an innovative online platform that will help performing arts organizations attract and interact with diverse audiences and patrons; 2) expanding its artistic partnerships with corporations and alternative sponsors as a means of reaching nontraditional audiences and expanding revenue; and 3) strengthening the organization's capacity to support new artistic productions. Through these means, Misnomer intends to generate reliable recurring revenue and fashion an innovative approach to managing and growing a dance company. For more about Misnomer Dance Theater, see www.misnomer.org

National Black Arts Festival – Atlanta, GA

NBAF is using its LFF funds to develop its online platform in ways that will attract more audiences, donors and programming partners. Key to NBAF's effort is using state of the art electronic media to enhance all functions of the organization, including commissioning and presenting work, education programs for audiences of all ages, preservation of the arts of the African diaspora, and audience engagement as well as administrative and financial operations. NBAF.org is being built as the portal for global access to the festival's diverse programs and services and its substantial archive and network of artistic partners. It will also serve as an interactive vehicle that will increase involvement in both artistic work and the life of the organization by audiences of all kinds – children, adults, educators, scholars, artists and other presenting organizations as well as donors and patrons. For more about National Black Arts Festival, see www.nbaf.org

Ping Chong/Fiji Company – New York, NY

Ping Chong & Company is investing its LFF capital in generating reliable recurring revenue by expanding its community-based theater program, Undesirable Elements (UE). The company has refined the UE program model as a strategy to engage diverse community and school-based audiences in exploring controversial and uncomfortable topics and to build cross-cultural understanding and tolerance. The company is expanding the number of annual UE projects, diversifying its collaborative partners, and developing a UE training program. These strategies will generate new financial support, and provide new opportunities to work with more artists and communities. Strengthening this program will also give Ping Chong more freedom to explore his larger theater and inter-disciplinary projects. For more information about Ping Chong/Fiji Company, see www.pingchong.org

SITI Company – New York, NY

After 20 years as a peripatetic company, SITI is using its LFF capital to re-balance its core artistic and educational functions and establish a strong artistic presence in New York City. While continuing to partner with presenters around the world on developing and presenting new theater works, SITI will showcase more regularly in New York. The company will also expand its internationally recognized Suzuki and Viewpoints-based artist training programs in New York City and elsewhere. And it will use LFF funds to boost its internal capacity to both support new work development and generate more predictable earned and contributed revenue. For more about SITI Company, see www.siti.org

Steppenwolf Theatre Company – Chicago, IL

Steppenwolf Theatre is using its LFF funds to transform the way it attracts, engages and retains young adult audiences. The company is using a combination of strategies, including sophisticated market research, innovative collaborations with small local theater companies and young theater artists, partnerships with area universities, and new uses of social media. These strategies will help the company determine the kinds of theater that attracts people in their 20s and early 30s, the messaging and marketing techniques that are effective, and the long-term impacts of engaging young adults on the theater's overall artistic program. This multi-dimensional effort is stimulating new kinds of internal collaboration as well as fresh approaches to working with external partners. For more about Steppenwolf Theatre Company, see www.steppenwolf.org

The Wooster Group – New York, NY

The Wooster Group is applying LFF capital to three inter-related initiatives that will increase earned income while strengthening the company's ability to create and present new work and share its unique creative process with audiences around the world. TWG is developing an extended annual residency at the Baryshnikov Arts Center in New York; cultivating long-term relationships with strategic presenting partners outside New York; and digitizing and distributing archival materials for use by educational institutions, scholars, theater artists and others. Metrics of success for all three components are being tracked, and results are being used to modify the strategies as they develop. For more about The Wooster Group, see www.thewoostergroup.org

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About Doris Duke Charitable Foundation

The mission of the Doris Duke Charitable Foundation (DDCF) is to improve the quality of people's lives through grants supporting the performing arts, environmental conservation, medical research and the prevention of child abuse, and preservation of the cultural and environmental legacy of Doris Duke's properties. Learn more at ddcf.org.

About NFF's Leading for the Future Initiative

Funded by DDCF, Leading for the Future is a pilot initiative designed to help 10 outstanding arts organizations take transformative rather than incremental steps to remain artistically relevant, effective and excellent while building and sustaining long-term financial viability.

About Nonprofit Finance Fund

As one of the nation's leading community development financial institutions (CDFI), NFF makes millions of dollars in loans to nonprofits and pushes for improvement in how money is given and used in the sector. Since 1980, we've worked to connect money to mission effectively, so nonprofits can keep doing what they do so well.

We provide a continuum of financing, consulting, and advocacy services to nonprofits and funders nationwide. Our services are designed to help great organizations stay in balance, so that they're able to successfully adapt to changing financial circumstances, and grow and innovate when they're ready. In addition to providing loans and lines of credit, we organize financial training workshops, perform business analyses, and offer customized services. For funders, we provide support with structuring of philanthropic capital and program-related investments, manage capital for guided investment in programs, and provide advice and research to help maximize the impact of grants.

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