

CREATIVE TRUST

Second Year Evaluation Report For the Period January – December 2005

SUMMARY

The second year of the Creative Trust Working Capital for the Arts Program, during which we focused on expanding the program's size, scope and impact, was a year of continuing achievements.

Creative Trust companies more than met the significant challenges of participation in the program.

The companies' progress in financial sustainability, at their 2005 year-ends, included major improvements in their working capital position and financial balance, directly attributable to participation in Creative Trust.

- Companies that entered the program with accumulated deficits increased their revenues by 15.5%.
- Accumulated deficits in first round companies decreased by 38.3% or \$264,000 overall.
- Two round one companies succeeded in completely eliminating their long-term accumulated deficits, while the remaining four are on course to be deficit-free by the end of their 2006 fiscal years.
- Both companies that entered round two with accumulated deficits eliminated their deficits in their first year in the program.

The participating companies' hard work and achievements (including, as a key requirement, a break-even or surplus 2005 fiscal year-end) made them eligible to receive financial contributions from Creative Trust in the amount of \$372,836.

This second year of the program also provided participants with a large number of learning experiences and opportunities for skills development. These were highly valued according to evaluative feedback, and were productively applied throughout the year to the companies' ongoing activities.

Background

Creative Trust initiated its arts sustainability program, Working Capital for the Arts, in January 2003; by 2004 it publicly launched the program and admitted the first eleven companies. Participating companies are eligible to receive working capital awards and, where applicable, matching grants to assist in the elimination of accumulated deficits.

In February of 2005 Creative Trust's Admission Committee considered sixteen applications to join the program's second round. Eleven companies were accepted as fully meeting the

admission criteria, and four were admitted as full participants. (Admission of the remaining seven companies to the financial grants and awards components of the program will depend on the successful completion of Creative Trust's fundraising campaign.)

All fifteen participating companies have developed comprehensive Work Plans, for which appropriate revisions are made as achievements and progress warrant. In addition, each company is working on or has completed revising and clarifying its artistic vision and mission statement, and is establishing continuous financial and strategic planning processes.

The eleven first round companies have now been engaged in this intensive working process for over two years. For them, and for the second round companies that have been engaged in this work for just over one year, results are concrete, positive, and encouraging.

The Outreach initiative

An important addition to the program in its second year was the launching of the **Outreach Initiative**, which offers to 30 smaller creative performing arts organizations the advantages of the program's capacity-building workshops, seminars and roundtables. This initiative offers the benefits of Creative Trust's learning opportunities, without deficit-retirement or working capital grants, to a diverse group of professional performing arts companies in Toronto which do not meet the minimum size of revenues required to apply for the full program but who otherwise meet the program's entry criteria.

Program activities

Our program activities expanded along with the growth in participating companies.

- Creative Trust members attended 13 seminars, workshops and roundtables, on topics including financial management, audience development, and fundraising.
- The program did intensive work with participating companies, providing over 294 individual consultations.
- We initiated the Green Room Speakers' Series, welcoming leading thinkers, communicators, and strategists in management, finance, culture and art.
- We initiated an on-line learning component, in which participating companies share the best of their management tools.

Evaluation process and results

Creative Trust has a comprehensive evaluative process that monitors quantitative financial and other results, as well as qualitative achievements in key aspects of organizational health. Both are measured from a base line established when each company enters the program.

In April of 2005 Creative Trust published its First Year Evaluation Report. Results for the year ending December 2004 showed overall increases in private sector fundraising, decreases of 47% in combined deficits, and impressive progress in strategic planning, financial balance, and governance practices.

This Second Year Evaluation Report continues the review of the progress of the first round of eleven companies during their second year of participation ending December 2005. It also reviews progress during the first year of participation of the second round of four companies.

Quantitative findings

Revenues

While growth in revenue, as such, is not an objective of the Creative Trust program (nor is it a fundamental requirement for stabilization) sustainable earned revenues, particularly from private sector fundraising and ticket sales are essential to long-term viability.

- For the eleven companies admitted in year one, total revenues increased by 6.9% or \$1 million over the first two years.
- Deficit-retirement companies' revenues grew by 15.5% while Working Capital companies' revenues were unchanged. This difference is primarily a result of the special fundraising efforts undertaken to meet the Creative Trust deficit-retirement requirements.
- Total revenues of all fifteen companies in the Creative Trust program were \$20.1 million for the years ending in 2005, a .5% decline from the previous year.

One of Creative Trust's major objectives is to help each participating company find the appropriate financial equation – that is, the balance between expenses required to fulfill its artistic mandate, and achievable revenues. A slight decrease in size may be a sign of improving financial health and balance; this will be monitored in future reports.

Private sector fundraising, which comprises individual and corporate donations and sponsorships and special fundraising events, for the eleven year one companies rose over the two years by an average of 13.6% or \$447,000, to 23.3% of their increased revenues.

Accumulated deficits decreased by 38.3% or \$264,000 overall, in first round companies. For the six companies that entered Creative Trust in year one with accumulated deficits, the result was dramatic: two companies fully eliminated their deficits, and the other four made significant progress on deficit reduction and project their elimination in the next year. Although the total average accumulated deficit was still negative at minus 3.8%, this was a significant improvement from minus 15.5% at entry.

For the eleven companies entering the program in its second year, the working capital of those that had accumulated deficits on entry improved, in only one year of participation, from minus 6.4% to minus .5% of combined revenues.

The ***working capital position*** of round one companies on entry to the program was negative 1.4% of annual revenues. By the end of their second year, their average working capital positions had improved to 1.2% of their increased revenues.

For deficit-retirement companies the working capital result has been more dramatic, and, although still negative at minus 3.8%, has improved from minus 15.5% at entry.

For round two deficit-retirement companies working capital has improved in the first year from minus 6.4% to minus .5% of their combined revenues.

Qualitative Findings

The factors which participating companies identified as having had the greatest improvement over the first two years are the organizational equation and financial balance and contributed income, both of which are supported by improvements shown in the financial analyses.

In the second year, organizations continue to consider professional leadership and the working format / organizational equation, together with internal relationships and the vision, values and mission as the most important factors in their growth and development under the guidance of Creative Trust.

Board leadership continues to be the factor identified as most needing work and improvement for these companies, on average.

Grants and Awards

Creative Trust companies met the significant challenges of participation in the program with achievements that made them eligible to receive financial contributions in the amount of \$372,836 during their 2005 fiscal years. These contributions took the form of matching grants for deficit reduction or elimination and in Working Capital Awards.

Lessons Learned

This second year of the program has provided participants with a large number of learning experiences and opportunities for skills development. It has also opened some doors to new learning on the part of the program and its consultants.

We have learned from the participants and our assessment and evaluation processes that in order for companies to achieve their artistic and community missions:

- It is a fundamental necessity to be relieved of accumulated (and annual) deficits;
- Matching, challenge grants are key to this as they encourage the effort of fundraising and achieving balance: they **do** work;
- Continuing mentorship and attention to companies' individual and collective needs pays dividends in increased management skills and capabilities; improved relationships within companies and between board and artistic and management

staff; increased understanding of appropriate roles and responsibilities; and growth in energy, optimism and achievement of artistic goals.

- Problems in some companies demand long-term solutions and always include constructive and cooperative work on planning, board development and financial balance.