

TORONTO DANCE THEATRE
July 30, 1998
Deficit Reduction Plan and
Strategies for Re-balancing Revenue Base

Introduction

Toronto Dance Theatre has made a strong commitment to the reduction and eventual elimination of its accumulated deficit.

Over the past six years we have been successful in reducing the company's deficit by over 89%, by instituting strict financial controls and increasing our earned and contributed income base.

The result has been an operating surplus in each of the years between 1992/93 and 1997/98, with 1998/99 also budgeted at a surplus. Toronto Dance Theatre's \$90,000 Investment in the Arts fund, set aside for five years in a restricted account according to the guidelines of this provincial program, also matured over the period - providing a significant and stabilizing input of funds into fiscal years 1995/96 and 1996/97.

Fiscal Year	(Deficit)/ Surplus	Accumulated Deficit
		\$ X.XX
1992/93	\$ X.XX	\$ X.XX
1993/94	\$ X.XX	\$ X.XX
1994/95	\$ X.XX	\$ X.XX
Investment in the Arts	\$ X.XX	\$ X.XX
1995/96	\$ X.XX	\$ X.XX
Investment in the Arts	\$ X.XX	\$ X.XX
1996/97	\$ X.XX	\$ X.XX
projected 1997/98	\$ X.XX	\$ X.XX
budgeted 1998/99	\$ X.XX	\$ X.XX

Board and staff are committed to continuing the policy of fiscal responsibility that has resulted in six years of continuous deficit reduction, the achievement of a healthy financial position - and the establishment of a modest endowment fund. Toronto Dance Theatre has set aside \$15,500, following the receipt of an unexpected bequest, in a special reserve fund "to provide for the long-term stability and artistic development of Toronto Dance Theatre."

Having established a firm financial base, the board of directors has recently recommitted itself to retiring the remaining deficit within the shortest timeframe possible. We have agreed to undertake a special fundraising campaign in conjunction with the School of Toronto Dance Theatre to fund necessary capital improvements to our home at 80 Winchester, and build an endowment fund large enough to ensure a stable financial future. The campaign will be launched during Toronto Dance Theatre's upcoming 30th anniversary year.

Notes on achieving deficit reduction from 1992/93 through 1997/98

The purchase of 80 Winchester Street in 1978 began a period of financial difficulty for Toronto Dance Theatre; the company has carried a deficit ever since then. Increased costs incurred in running the building caused the deficit to skyrocket to a high of over \$306,000 in 1986.

While Toronto Dance Theatre has been fortunate enough to receive relatively stable government funding over the years (although grants at the federal and provincial levels have both declined from their high point in 1989) we have also worked very hard to achieve positive financial results. In recent years we have made lasting changes to the way the company manages its finances, including:

- putting significantly more resources into revenue generation, hiring dedicated marketing and fundraising staff who have taken a more professional and long-range approach to these areas, and
- instituting significant financial management controls, maintaining a close watch on expenditures and revenues and adjusting programming when necessary to ensure year-end surpluses

We also made significant efforts towards the company's long-term stability, in particular:

- taking over management of 80 Winchester Street, vastly improving its finances by reducing debt and making improvements which have resulted in increased income, thus reducing Toronto Dance Theatre's annual rent, and
- creating an endowment fund and undertaking a capital/stabilization campaign in order to ensure the company's stable financial future

The result of our success is that Toronto Dance Theatre's accumulated deficit has become easily manageable. At \$63, 037 on a \$1,029,435 budget it now creates virtually no cash flow problems, and its reduction was achieved without resort to emergency methods such as cuts to programming, creation or staffing. The board's approach – a slow and steady balancing of revenues against expenses – has yielded positive results of which we are very proud.

Balancing the revenue base against expenses

Toronto Dance Theatre's deficit reduction strategy has been to ensure, within every annual budget, that our expenses are balanced against revenues and that there is sufficient leeway to ensure a surplus. We have succeeded in creating financial balance both by increasing our revenue base and controlling spending:

Increasing revenues

- Earned income has shown a slow but steady rise with greatly increased marketing efforts. The company's marketing plans and strategies are continuously monitored by the board and adjusted when necessary; changes have included an emphasis on data base analysis, a complete redesign of our visual image, the creation of a web-site, and the production of an electronic press kit.
- Audience development has become an increasingly major activity for TDT. We have placed emphasis on audience education and enrichment through programs such as The Process Revealed. We are continuing to develop our schools program, which increasingly includes teacher and student preparation and enrichment - results have been greatly increased sales for our school matinees. Finally, community outreach in the Cabbagetown area has become a major focus of our audience development work, with excellent results.
- Contributed income has maintained a slow by steady rise with increased fundraising efforts and focussed annual individual and corporate campaigns, work on major gifts, and expanded work with foundations. Much-increased donations in kind have garnered, in the past year alone, computers, carpet, audio/visual supplies and equipment and a piano. Special event revenues continue to grow each year.
- Almost all of our tours are revenue generating and are budgeted very carefully with TDT's tour marketing wing, For Dance and Opera - a shared and cost-saving project, with the Danny Grossman Company, Dancemakers, and Opera Atelier.

Controlling expenses

- Our operations have benefited from extensive computerization, allowing us to achieve more with fewer resources.
- Closer budgeting and improved financial management, including detailed budget allocation of expenses to projects, has allowed day to day control of expenses and revenues.
- We have held the line on staff salaries, and have supplemented our human resources by the extensive use of high school, college and university coop and internship programs.
- All but necessary or potentially cost-saving or revenue-generating expenses are deferred until matching revenues are in place.

- Taking over the 80 Winchester Street building has allowed us to reduce our rent, and control and improve the building's financial picture. The role of the building as a future revenue-generator has been reexamined and has become a major objective in our strategic plans. Operational changes and capital improvements have been instituted to ensure increased rental income.
- We have used the building as a way to make changes in production patterns. Having a season each year at the Winchester Street Theatre makes it possible to save on costs and reach new audiences in a way that is artistically satisfying.
- We are rethinking "the company's" size and relationship to repertoire and touring, and have reduced the number of full-time dancers to 12 from 14.

Constraints on earned and contributed income

In the process of making permanent changes to ensure that revenues and expenses stay in balance, Toronto Dance Theatre has identified significant constraints on our ability to increase earned and contributed income. Our original strategic plan for reducing the deficit called for greatly increased corporate fundraising and sponsorship solicitation. Unfortunately, despite considerable efforts, the board of directors has not been successful in making gains as quickly as it had hoped and has identified specific problems encountered in our search for new funding.

Like many performing arts organizations, committed individuals are the bedrock of our support. Our new membership support program is working extremely well and continues to reap excellent results. Both the number of donors and their average gift has increased.

Corporate donations, on the other hand, have not been an area of significant growth. Many of our long-time corporate supporters have moved away from supporting the arts, and are now concentrating on youth, education, health or the environment. Twice as much effort is required to cultivate new donors to replace those who have dropped off our lists. We have been successful in keeping even with previous results – but growth has been slow.

Contemporary dance also continues to be a hard sponsorship sell. Like other modern dance companies, we are aware that our artistic overhead costs are higher and our base audience is smaller than other art forms. The Canadian Arts Consumer Profile confirms that approximately 6% of the population attend modern dance performances – a figure comparable to avant-garde theatre and chamber music and very much lower than for mainstream or musical theatre. Despite carefully planned, well-executed sponsorship efforts, our smaller audiences cannot offer the "bang for the buck" that corporations are looking for in a marketing partnership. And opportunities in this area are shrinking rather than growing.

Because of our relatively small home market base, contemporary dance companies traditionally increase box office revenues through touring. Toronto Dance Theatre has made particular efforts to find sponsors for our tours, to no avail. This year, we worked with the fundraiser who raised over \$2 million for Canada's Year of Asia Pacific; to her disappointment and ours, we were not able to secure a sponsor for Toronto Dance Theatre's unique tour of India as Canadian representatives to that country's 50th anniversary celebrations..

Despite these difficulties, our fundraising efforts will continue to expand, and we will continue to challenge the creativity and best efforts of TDT's board and staff. We will also maintain a determined pursuit of our dedication to the creation and performance of original Canadian choreography. Our strong and consistent artistic achievements have fostered a loyal base of individual supporters who will continue to be the rock upon which our future is built.

**Submitted to the Ontario Arts Council, July 30, 1998
For the Board of Directors of Toronto Dance Theatre
By Jini Stolk, General Manager**