



## TAKING THE PULSE 3:

### RESULTS OF A SURVEY OF PERFORMING ARTS ORGANIZATIONS IN CANADA DURING THE ECONOMIC DOWNTURN

#### 1.0 Summary

To understand the impact of the economic downturn on performing arts companies, four groups within Canada's five-member Performing Arts Alliance, (consisting of the Professional Association of Canadian Theatres, Canadian Dance Assembly, Opera.ca, Orchestras Canada and CAPACOA) undertook a survey of member organizations across the country. This survey is the third time members of these organizations have been consulted. Throughout this report, we compare overall findings from the current survey (conducted in March–April 2010, covering the period from September–December 2009) with the results from the previous surveys, focusing primarily on those from a year earlier in May 2009 (covering the period from September–December 2008). (Note that the survey process began before CAPACOA became a member of the Performing Arts Alliance, therefore we do not have comparative data from their members at this time.)

#### 2.0 Note on Methodology

The Performing Arts Alliance designed a short survey that could be completed online. In March 2010, a survey link was distributed via email to all member organizations. Over 300 organizations were invited to participate. Organizations were given about a month to respond, with the survey closing on April 19, 2010. After numerous follow-ups with non-responding organizations, 86 completed the survey. This represents a 28% response rate.

<b>Type of organization</b> <i>Which national arts service organizations are you a member of?</i>				
	<b>Membership</b>		<b>Sample</b>	
	<b>n</b>	<b>%</b>	<b>n</b>	<b>%</b>
<b>Member type</b>				
Professional Association of Canadian Theatres	142	46%	52	61%
Canadian Dance Assembly	107	34%	12	14%

Orchestras Canada	43	14%	15	17%
Opera.ca	19	6%	7	8%

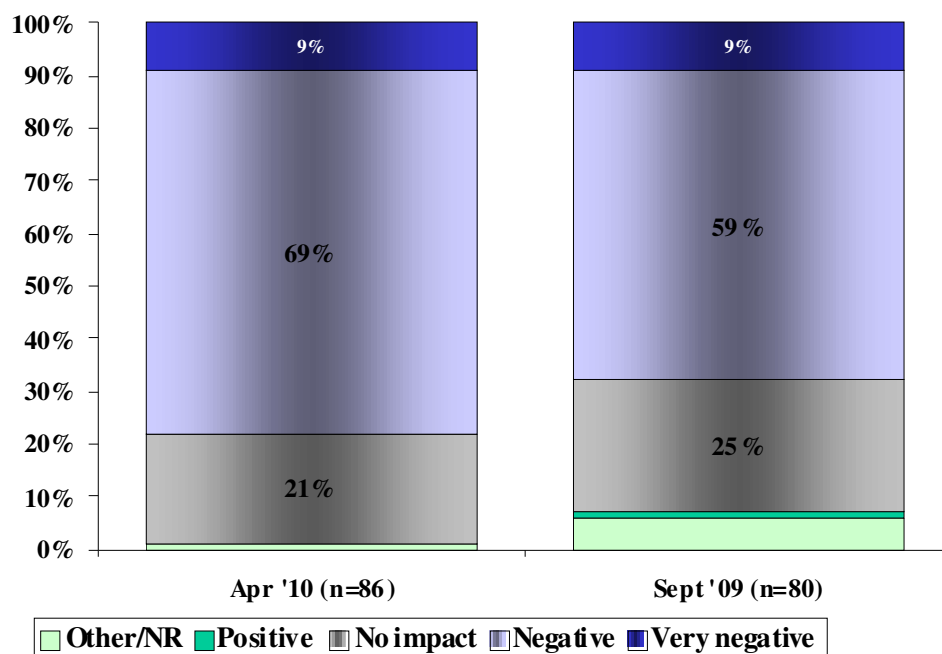
Given our sample size of 86 organizations, some cautions must be noted. While the sample may appear representative of location and type of organization, we do not have comparative information on the size of all member organizations. Further, even if it represents organizations well overall, it may not represent the characteristics of each subgroup as well. When examining the sample by type of organization or size, caution should be used in extrapolating these results to the population of organizations as a whole. Results by subgroups are only suggestive, and any of the differences by type or size are not statistically significant. As well, in comparison across time, differences may be the result of the combination of the organizations responding rather than true differences over time.

### 3.0 Impact of Economic Downturn

Almost 8 organizations in 10 report that the economic downturn has had a negative impact on their organization, including 9% who report it has had a very negative impact. The negative impact appears to have grown since September 2009, when 2 in 3 said the same.

A few respondents note that the economic downturn had no or little impact because their organization was already struggling either because of a poor local economy or financial issues that preceded the economic downturn. The perception of the overall impact of the economic downturn on organizations is similar by member type. In all cases, a majority reports the impact of the downturn on their organization has been negative. Keeping in mind the samples are small and that none of the differences are statistically significant, dance companies are less likely to report a negative impact on their organizations. These results by member type are very similar to the last survey, with the exception of orchestras. In September 2009, 55% of responding orchestras reported the impact had been negative compared to 80% in our current survey.

#### Overall impact of economic downturn



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<b>Impact of economic downturn by member type</b>				
<i>Q16. Overall, describe the impact the economic downturn has had on your organization.</i>				
<b>Impact</b>	<b>Dance (n=12)</b>	<b>Orchestra (n=15)</b>	<b>Opera (n=7)</b>	<b>Theatre (n=52)</b>
Negative	58%	80%	86%	81%
No impact	42%	20%	14%	17%
Positive	-	-	-	-
No response	-	-	-	2%
Total	100%	100%	100%	100%
Caution: Small sample. None of the differences are statistically significant.				

Regardless of size, a majority of organizations report the economic downturn has had a negative impact on their organization. This is more common among large organizations, where almost all say the economic downturn has had a negative effect on their organization. Back in September 2009, fewer small (56%) and large (77%) organizations reported a negative impact compared with May 2010.

<b>Impact of economic downturn by size</b>			
<i>Q16. Overall, describe the impact the economic downturn has had on your organization.</i>			
<b>Impact</b>	<b>Small (\$500,000 or less) (n=35)</b>	<b>Mid-size (\$500,000–\$2,500,000) (n=31)</b>	<b>Large (\$2,500,000 or more) (n=20)</b>
Negative	71%	74%	95%
No impact	26%	26%	5%
Positive	-	-	-
No response	3%	-	-
Total	100%	100%	100%
Caution: Small sample. None of the differences are statistically significant.			

### 3.1 Year-end forecast

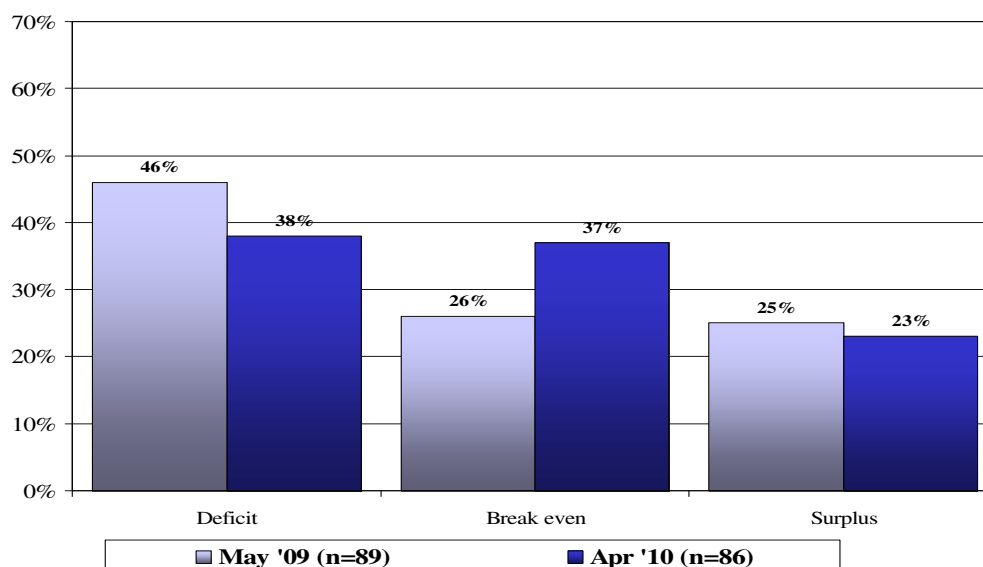
Many organizations are forecasting a year-end deficit. However, many other organizations are expecting to break even or have a surplus. In April 2010:

- ▶ Almost 4 organizations in 10 report that they are forecasting a deficit. While most (30%) anticipate a deficit of 1% to 10%, 8% expect a deficit of 11% or more.
- ▶ Almost 4 organizations in 10 report that they are forecasting to break even.
- ▶ Another 1 in 4 reports they will have a surplus, all of which will be between 1% and 10%.

Compared with a year ago, while more are re-projecting their revenue and/or expenses, fewer organizations are projecting a deficit and more say their organizations will break even. This suggests that, over the past year, organizations have taken steps to manage the impacts of the economic downturn.

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### Year-end budget forecast



Regardless of the type, many organizations are forecasting deficits. This appears to be most common among dance companies (50%) and least common among orchestras (27%). Compared to a year ago, it appears that deficits are more common among opera companies and much less common among orchestras.

<b>Year-end budget forecast of a deficit by member type</b>		
<i>At this point in your fiscal year, are you forecasting a year-end budget result that is...a deficit?</i>		
Type	% reporting a deficit	
	April 2010	May 2009
Dance	50%	55%
Opera	43%	31%
Theatre	39%	44%
Orchestras	27%	50%
Caution: Small samples.		

Again, regardless of size, many organizations are forecasting a deficit. In April 2010, the frequency of deficits is similar across all sizes of organizations (ranging from 34% to 45%). Compared to a year ago, deficits are less common among small and medium organizations and more common among the largest organizations.

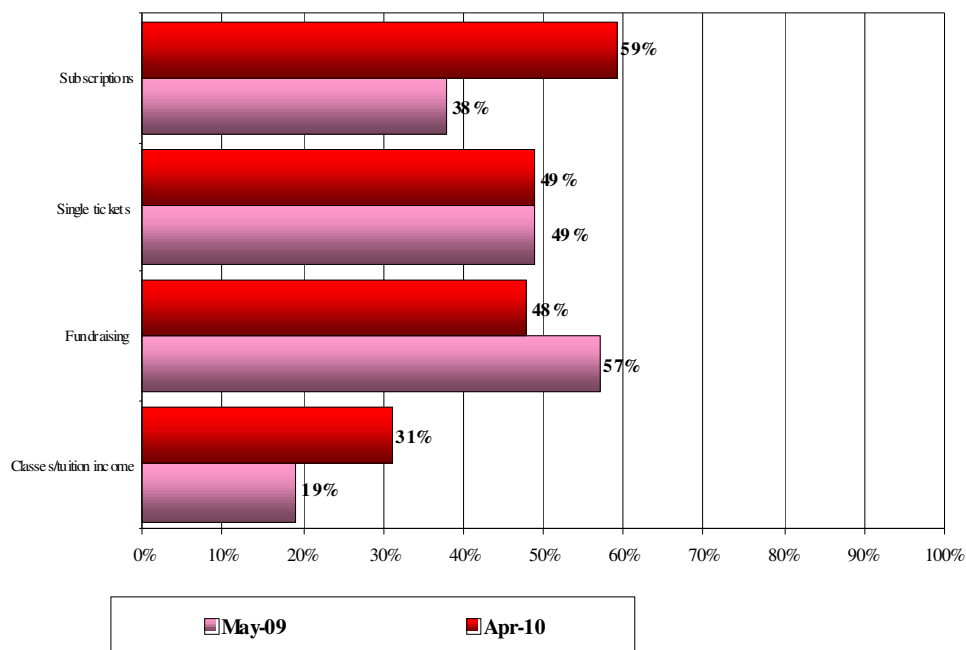
<b>Year-end budget forecast a deficit by size</b>		
<i>At this point in your fiscal year, are you forecasting a year-end budget result that is...a deficit?</i>		
Annual budget	% reporting a deficit	
	April 2010	May 2009
\$500,000 or less	34%	47%
\$500,000 to \$2.5 million	39%	52%
\$2.5 million or more	45%	35%
Caution: Small samples.		

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## 3.2 Revenue Sources

A year ago, organizations were asked to consider the last four months of 2008 and whether revenues from these sources were higher, lower, or about the same. The results are similar to those for the last four months of 2009. However, compared to a year ago, more organizations report that revenues from subscriptions and classes/tuition are lower than originally budgeted. Fundraising, while remaining problematic for many organizations, is less often cited by organizations as being lower now compared to a year ago.

**Lower revenue sources in the last 4 months of 2008 and 2009**



A negative variation in revenue sources

occurs regardless of member type. It would appear dance companies are most likely to report lower revenues from fundraising and touring income (along with theatre companies). Orchestra, opera, and theatre companies are most likely to report lower revenues from subscriptions and single tickets sales.<sup>1</sup>

Calendar year-end revenue source by member type				
Q11. Between September 1 and December 31, 2009, to what degree did the following revenue sources vary from your original budget?				
Revenue source	% reporting somewhat/substantially lower			
	Dance	Orchestra	Opera	Theatre
Subscriptions	-	60%	60%	58%
Fundraising	60%	53%	33%	45%
Touring income	60%	17%	0%	60%
Single tickets	29%	60%	43%	49%
Classes/tuition	33%	100%*	-	27%

Caution: Small sample. None of the differences are statistically significant. \*based on a single response.

It would appear that all organizations, regardless of size, had lower subscription revenue than originally budgeted in the last four months of 2009. Mid-size organizations are slightly more likely than others to report lower revenue from subscriptions, single tickets and touring.

<sup>1</sup> None of the participating dance companies reported subscription revenues.  
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<b>Calendar year-end revenue source by budget size</b>			
<i>Q11. Between September 1 and December 31, 2009, to what degree did the following revenue sources vary from your original budget?</i>			
Revenue source	% reporting somewhat/substantially lower		
	Small (\$500,000 or less)	Mid-size (\$500,000–\$2,500,000)	Large (\$2,500,000 or more)
Subscriptions	50%	64%	56%
Fundraising	44%	47%	55%
Single tickets	42%	58%	45%
Touring income	44%	67%	43%
Classes/tuition	31%	14%	50%
Caution: Small sample. None of the differences are statistically significant.			

### 3.3 Budgetary Actions in Response to Economic Downturn

The results in April 2010 are similar to a year ago. However, compared to a year ago, more performing arts organizations have reduced, or plan to reduce, staff.

<b>Budgetary action in response to downturn by type</b>				
<i>Q13. In response to the economic downturn, have you taken or do you plan to take any of the following budgetary actions either this fiscal year or next?</i>				
	Dance (n=12)	Orchestra (n=15)	Opera (n=7)	Theatre (n=52)
<b>Staff</b>				
Reduction or freeze in salaries	33%	73%	57%	58%
Reduction in # of admin staff	25%	20%	29%	27%
Reduction in # of artistic staff	25%	7%	14%	17%
Reduction in # of tech/production staff	17%	7%	14%	23%
Imposition of staff furloughs	-	-	14%	2%
<b>Program</b>				
Reduction in # of productions	50%	20%	29%	25%
Reduction in # of performances	42%	13%	14%	17%
Reduction in touring activities	17%	13%	14%	12%
New ticket discounting	8%	13%	43%	33%
More traditional/popular programs	8%	20%	29%	15%
<b>Other</b>				
Reduction in travelling/conferences	42%	47%	43%	44%
Other	17%	40%	29%	17%
None of the above/No response	33%	7%	14%	10%

Regardless of the size of the organization, the most common budgetary actions taken or planned are salary freezes/reductions or reductions in staff. A freeze on salaries appears more common among larger organizations. Small organizations are the most likely to report reductions in the number of productions or programs. Large organizations are the most likely to consider more traditional or popular programming. Large organizations are also the most likely to take action to reduce the number of administrative staff, reduce travel and conference budgets, and in common with small organizations, reduce technical or production staff.

In addition to the budgetary actions cited above, organizations were asked if they plan to implement (in this or the next fiscal year) or have implemented any of the following practices in

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response to the economic downturn. Almost 9 in 10 report doing at least one of these and, on average, will implement about three.

- ▶ **More use of technology and social networking.** Almost 2 in 3 say their organization is using, or plans to use, more technology and social networking such as Facebook and Twitter. Compared to a year ago, more organizations are now planning to use or are using technology and social networking.
- ▶ **More communications with stakeholders.** About 6 in 10 report that they are having or are planning to have more communications with stakeholders as a response to the economic downturn. Compared to a year ago, this is down slightly, but remains the second most common of the actions tested.
- ▶ **Revised internal planning process.** Over half report that they have either already revised their internal planning process, or plan to do so in this or the next fiscal year. This remains similar to a year ago.
- ▶ **Share services with other organizations.** About 1 in 4 has implemented or plans to implement service sharing with other organizations. Again, this has remained fairly consistent over time.
- ▶ **Narrowing the focus to programs within core of artistic mission.** Over 1 in 5 reports plans to narrow the focus of their program in response to the economic downturn. This has remained fairly consistent over time.
- ▶ **Broadening the focus to programs outside core of artistic mission.** About 1 in 7 reports that they plan to broaden, or have already broadened, the focus of their programs outside their core artistic mission. Again, this is similar to a year ago.

#### 4.0 Conclusion

After a year, the impacts of the economic downturn are still being felt in the performing arts community, which continues to struggle with the consequences. The organizations reporting that they have been negatively affected by the economic downturn have grown, with almost 8 in 10 reporting such an impact in April 2010 (up from less than 7 in 10 a year ago).

Organizations have taken steps to mitigate the impacts of the downturn. Compared with a year ago, fewer organizations are projecting a year-end deficit (38% compared to 48% a year ago). However, about half (48%) continue to report things are worse than originally budgeted, and almost all of these say it is at least in part the result of the economic downturn.

Compared to year ago, improvements to fundraising revenues were offset by declines in subscription revenues. Although there are signs of recovery, year over year, most are still reporting lower than expected contributions from corporations (60%), and many report the same for foundations (49%), overall ticket revenue (44%), and individual contributions (39%).

Faced with uncertainty, most organizations have taken steps or plan to take steps to cut expenditures, most commonly by reducing or freezing salaries, reducing travel and conference budgets, and reducing staff. Many organizations appear to have been working with smaller  
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budgets than previously, and will continue to do so in the coming year. Others seem to report that they still face challenges, and that actions to reduce spending or increase revenues have not resolved their financial difficulties. As one respondent wrote, they have “*already made many of these changes so feel we have not many options left.*” This suggests that more cuts cannot be made without seriously damaging the organization and its program. If it is the case that some organizations are running out of options, then the potential for reductions in government support for the arts is particularly concerning.

## 5.0 Summary by Type

### Theatre

Like most other organizations, the vast majority of theatre companies (81%) report that they have been negatively affected by the economic downturn. About half report that their finances are worse than originally budgeted, although only 39% are projecting a year-end deficit. The revenue sources most commonly cited as lower than expected are corporate contributions (55%), foundations (52%), and overall ticket revenue (45%). Like other types of performing arts organizations, theatres are taking steps to address these financial challenges. Like other organizations, theatre companies are most often planning, or have implemented, freezes or reductions in staff salaries (58%) and reduced travel budgets (44%). Theatre companies also appear more likely than most others to consider reducing staff, especially technical and production staff (23%). Like other types of organizations, most plan a budget similar to this year’s (58%), with the remainder split between those who will increase (25%) and those who will decrease (17%) the coming year’s budget.

### Dance

Dance companies are the least likely (58%) to report that the economic downturn has had a negative impact on their organizations. This is interesting, given that dance organizations are also the most likely to be forecasting a year-end deficit (50%) and to say that their financial situation is worse than originally budgeted (58%). This appears to be the result of corporate (75%) and individual (60%) contributions, which dance organizations are the most likely to report will be lower than budgeted at year-end. However, they appear to have held their own in ticket revenue, and are the least likely to report lower than budgeted revenue from this source (14%). Dance companies are also the most likely to report lower contributions from government (33%). Like other organizations, dance companies are taking steps to address these difficulties. They are the most likely to report reducing (or having plans to reduce) the number of performances (43%) and productions or programs (50%). Conversely, they are least likely to consider salary freezes (33%).

### Orchestras

Although almost all orchestras (80%) report some negative impact as a result of the economic downturn, and many (40%) report their financial situation is worse than budgeted, they are the least likely to be projecting a year-end deficit (27%). Like other organizations, a majority expects corporate contributions to be less than budgeted and many say the same for foundations, individual contributions, and overall ticket revenue. To address the impact of the economic downturn, orchestras are more likely than others (73%) to be reducing or freezing salaries. However, while reducing administrative staff is still fairly common (20%), orchestras are the least likely to report reducing numbers of artistic (7%) or technical and production (7%) staff. In addition, orchestras are the most likely to report that they are taking or have taken other

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actions—in particular, making greater use of technology and social networking (87%), more communication with stakeholders (87%), and revising internal planning procedures (73%).

## **Opera**

Opera companies are the most likely to report a negative impact from the economic downturn (86%). While many are forecasting a deficit (43%), they are the least likely to report that finances will be worse than originally budgeted (29%). This suggests that many of these organizations budgeted for a deficit this year. Opera companies are the most likely to report that the revenues from foundations (50%) and overall ticket revenue (67%) will be lower than expected at year-end. As a result, opera companies are planning to take several of the same steps that others are, including freezing or reducing salaries (57%), and are the most likely to plan the introduction of new ticket discounts (43%). Opera companies are the most likely to report that their budgets will remain the same next year (86%), and none report plans to decrease budgets (possibly because such reductions have already been made).