

GREATER PHILADELPHIA CULTURAL ALLIANCE 2006

pôrtfō'liō



greater
philadelphia cultural
ALLIANCE

pôrtfō'liō

n. **1.** A portable case for holding material, such as loose papers, photographs, or drawings.

2. The materials collected in such a case, especially when representative of a person's work.

3. A group of investments held by an investor, investment company, or financial institution.

Source: The American Heritage® Dictionary of the English Language, Fourth Edition. Copyright © 2000 by Houghton Mifflin Company.

Citizens, policy makers, civic leaders, economists, social scientists, and planners throughout the world understand that the creative sector of a region is vital to its competitiveness and quality of life. In an increasingly mobile society, where individuals and businesses can choose freely where to live, visit or locate a business, arts and culture is a defining difference among cities and regions. A healthy cultural sector is a sign of an engaged and vibrant community—a community with a rich and secure future.

This report sets out to document the breadth, diversity, and well-being of Southeastern Pennsylvania's nonprofit cultural resources. The process of examining this sector began five years ago with the formation of the Pennsylvania Cultural Data Project (PACDP), a partnership of grantmakers and service organizations interested in creating a series of common and reliable measures for cultural organizations. With those measures now in place, and the support of 218 participating organizations, we are proud to provide this document, the Greater Philadelphia Cultural Alliance 2006 *Portfolio*.

The term "portfolio" was chosen for all of its definitions. First, the report handily brings together in one place a diversity of data about a wide range of nonprofit cultural organizations throughout the region's five counties. The analysis and interpretation of this information provides a comprehensive and useful picture for planning the future of arts and culture in the region.

Second, just as an artist's portfolio contains varied work examples that, when viewed collectively, reveal a distinct aesthetic perspective, this portfolio contains representative data of many cultural organizations that, seen together, help us to understand their shared viewpoint, common concerns, and collective impact on our region. As an artist's portfolio changes over time, so too will this *Portfolio*, to be produced regularly by the Greater Philadelphia Cultural Alliance.

A portfolio is also defined as a group of investments. Southeastern Pennsylvania's nonprofit cultural organizations are investments held by the entire community. These organizations define our region's image and provide a multiplicity of community services and activities for residents as well as visitors. It is the responsibility of the entire community to recognize and understand both the value and unique nature of these investments so that they may be carefully managed for future generations.

Preface

The Greater Philadelphia Cultural Alliance 2006 *Portfolio* delivers the most reliable, consistent set of data available on non-profit cultural organizations. In preparing this report, particular emphasis was placed on obtaining data from a representative sample, including the very largest cultural organizations, to ensure that overall totals for financial information include the major economic engines of the sector. As a result, only a handful of Large or Very Large organizations are missing from the data set. Given this understanding, we are confident that the *Portfolio* reflects a majority of the nonprofit cultural sector's overall economic activity in Southeastern Pennsylvania¹⁰.

About one quarter of the organizations in this report are located in the four suburban counties of Southeastern Pennsylvania. Eleven of these organizations have annual expenditures over \$1 million. Philadelphia organizations account for 92% of spending in this report. All of the Very Large organizations in the *Portfolio* are located in Philadelphia. As our data on suburban cultural organizations are not as robust, we do not report on them separately. Our goal is to expand this data in future years so that we are better able to provide an analysis of the financial contributions and activities of suburban cultural organizations.

Information on all 218 organizations included in this report is taken from the Pennsylvania Cultural Data Project.

Throughout the *Portfolio*, organizations are classified according to four budget categories based on their annual expenses:

Small organizations have budgets of up to \$250,000 per year.

Medium organizations have budgets between \$250,000 and \$1,000,000 per year.

Large organizations have budgets between \$1,000,000 and \$10,000,000 per year.

Very large organizations have budgets greater than \$10,000,000 per year.



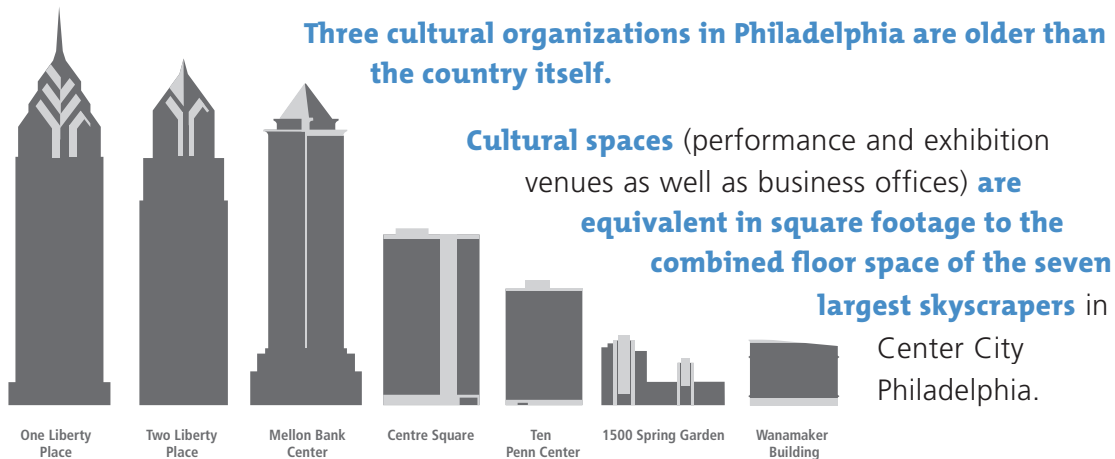
Key Findings

Nonprofit arts and cultural organizations are a vibrant force in Southeastern Pennsylvania, contributing to the economy, giving us a distinct civic identity, celebrating our history and culture, providing creative and educational opportunities for people of all ages, and delivering a wealth of cultural experiences for residents and visitors to enjoy.

Culture in the Community

ARTS AND CULTURE IS A PROMINENT FEATURE OF LIFE IN SOUTHEASTERN PENNSYLVANIA.

There are **more than 150 cultural events per day** in Southeastern Pennsylvania, almost **56,000 in one year**. Each year, the public is able to enjoy more than 2,600 productions¹, 3,700 exhibitions, 6,600 films², and 1,100 lectures. The most numerous of these events are public classes, at more than 22,000³.



RESIDENTS AND VISITORS ARE THOROUGHLY ENGAGED IN ARTS AND CULTURE IN SOUTHEASTERN PENNSYLVANIA.

Arts and cultural organizations report **12 million visits per year**, the equivalent of **3 visits annually for every man, woman, and child** in Southeastern Pennsylvania.

One in 5 people in Southeastern Pennsylvania have memberships or subscriptions to arts and cultural organizations, for a total of 732,000.



Annually, more than **17,000 volunteer positions are filled at cultural organizations**, a strong showing of community support.

Individuals make nearly 270,000 contributions above and beyond admission and ticket fees to cultural organizations. The average contribution (for individuals who do not sit on the boards of those organizations) is \$300.



ARTS AND CULTURAL EXPERIENCES ARE HIGHLY ACCESSIBLE.

Half of all visits to cultural organizations are free of charge.

The average ticket price for paid attendance

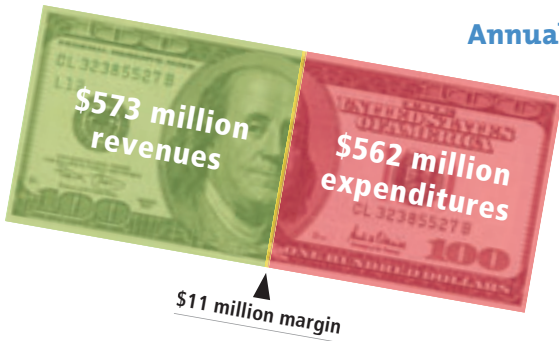
is \$20, a figure that is significantly more affordable than tickets to most professional sporting or commercial entertainment events.

Two out of every 5 visits to cultural organizations are from school children.



Arts and Culture as an Industry

ARTS AND CULTURAL ORGANIZATIONS ARE SIGNIFICANT ECONOMIC ASSETS TO THE PHILADELPHIA REGION.

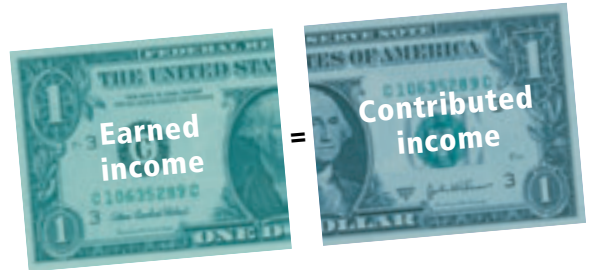


Annual expenditures by the 218 participating cultural organizations in this report **total about \$562 million; unrestricted revenues total about \$573 million.**

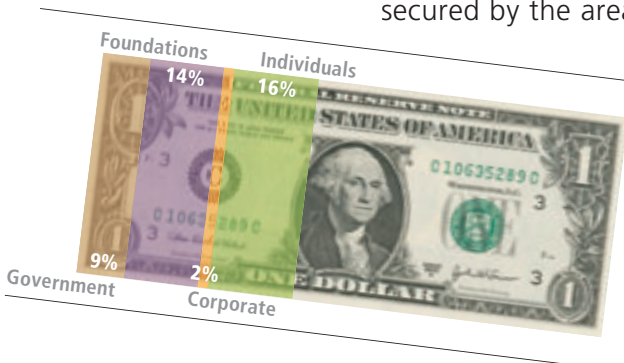
Portfolio organizations provide **over 14,000 full- and part-time jobs**, including over 5,000 jobs for artists. This is roughly equivalent to the number of employees of hotels and motels in Southeastern Pennsylvania, and larger than the number of employees in pharmaceutical and medicine manufacturing, offices of certified public accountants, advertising and related services, and architectural services⁴.

IT TAKES A MIXTURE OF EARNED AND CONTRIBUTED REVENUES TO MAKE CULTURAL PROGRAMS AVAILABLE TO THE PUBLIC.

The ratio of earned to contributed income is fairly uniform across all disciplines, coming **close to 50:50**, with the exception of service organizations, which rely more on contributed income.



Individuals are the single largest source of contributed income. Individual donations totaling \$110 million represent **16% of total revenue** secured by the area's cultural organizations⁵.



Corporate contributions⁶ account for 2% of total revenue. Foundation support accounts for 14% of total revenue.

Total government support⁷ accounts for almost 9% of total cultural organization revenues. **Of that, local government support⁸ accounts for only 3%.**

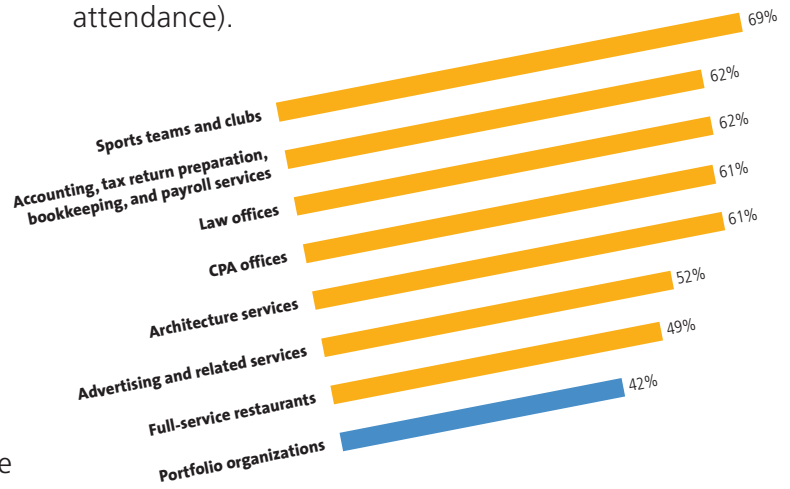
ARTS AND CULTURAL ORGANIZATIONS RUN ON LEAN BUDGETS.

Overall, only **8% of total expenses are dedicated to fundraising activities.**



Of total expenses of \$562 million for all organizations, \$36 million, or **6%, is spent on marketing related expenses.** This is an average of \$3 spent for marketing for each of the 12 million people who attended all free or ticketed events (excluding park attendance).

Overall, **labor costs are the highest expense for the sector, at 42%**, but this is **relatively low compared to other service sectors**, including lawyers (62%), accountants (62%), architects (61%), advertising agencies (52%), and full-service restaurants (49%)⁹.



Arts and cultural organizations pursue their missions with razor-thin budget margins. **Just under half (47%) of organizations in this report operate with some deficit.** One in four participating organizations operates with a significant deficit of more than 10% of their annual budget.

Two-thirds of cultural organizations in this report have under \$1 million in annual revenues.

Ten percent of cultural organizations in this report account for 70% of the spending.

Portfolio's Implications

Long before Richard Florida coined the phrase “creative economy,” the first Philadelphians were creating art, establishing cultural institutions, and preserving our heritage. Ever since, generations of Philadelphians have appreciated art and understood its vital impact on quality of life, education, the economy, and social discourse. In Philadelphia, cultural investment is not the latest economic development fad. It is a legacy.

But, like art itself, cultural investment is a fragile legacy. To make it a lasting one—to ensure that the working environment continues to nurture creativity and support the cultural sector—we must be vigilant. This report, *Portfolio*, is about vigilance.

Until now, policy makers and cultural managers have had to rely primarily on a subjective understanding of the Greater Philadelphia cultural sector. It was difficult, if not impossible, to speak of arts and culture in quantifiable ways. The publication of *Portfolio* changes that.

We now have objective data to measure the scope and health of our cultural resources and inform our decision-making. Arts managers can now view their individual organization’s role within the context of the total cultural sector. Policy makers can view the cultural sector’s role within the context of the region’s economy. Together, we can apply the same discipline and vigilance used by other, more tangible, industries to manage and improve the arts.

Reflecting on the key findings in this report, we offer these summary conclusions about the current state of Arts and Culture in South-eastern Pennsylvania:

ARTS AND CULTURE IS ACCESSIBLE AND UNIVERSALLY APPEALING

Ticket prices are reasonable. While the old stereotype of tuxedos and evening gowns may persist in some minds, the reality is that today’s arts and culture patron is far more likely to be a school-age child whose ticket was extremely affordable if not free.

There is tremendous variety and choice. The 218 participating organizations present 56,000 events in a single year, making Philadelphia one of the most culturally rich communities in the world. Locals take advantage of this cultural bounty. There were 12 million cultural visits in 2005—the equivalent of 3 visits for every man, woman and child in the region.

ARTS & CULTURE IS A SIGNIFICANT EMPLOYER—BUT COMPENSATION LAGS

Arts and Culture delivers a competitive advantage for Philadelphia in attracting and retaining jobs. The industry itself directly provides 14,000 jobs. However, the unusual nature of these jobs has significant implications for the sustainability of the sector and the people who work within it. Almost half of the jobs are part-time or contract positions. Many positions lack health insurance, pensions, and income predictability. And, while labor is the largest single expense for most cultural organizations, the sector is not keeping pace with comparable service sector employers. Advertising agencies, architects, attorneys, banks, film companies, financial services, hotels, restaurants, and sports teams all spend more of their budgets on employees.

CORPORATE & GOVERNMENT SUPPORT LAGS—COMPETITION FOR PRIVATE FUNDING IS INTENSE

With notably less corporate and local government support compared to other major cities, how have cultural organizations in the Greater Philadelphia region made ends meet?

First, they've generated enough earned income (i.e., ticket/admission sales) to cover half of all expenses. Second, they've relied on widespread individual donor support and contributions from private foundations. Finally, to keep costs down, they have relied heavily on individuals to volunteer their time.

It is unclear whether the intense competition for private funding is healthy or sustainable. As we look at concurrent fundraising campaigns, it appears that today's individual donor base may be overtaxed. Smaller organizations seem particularly vulnerable.

The industry must either expand its base of contributed support or reduce expectations.

For the near term, local public support and corporate sponsorship appear to be most underutilized. For the long term, the sector must continue to engage more of Southeastern Pennsylvania's total population of 3.8 million people, so that the number of donations expands beyond its current level of 270,000 per year.

MANY CULTURAL ORGANIZATIONS ARE OPERATING ON THE BRINK

From a financial perspective, our cultural fabric is fraying. Fully one-quarter of cultural organizations operated with deficits in excess of 10% during the last fiscal year. If this situation continues, they will be operating in a constant state of crisis management.

Only a third of cultural organizations, primarily Large and Very Large organizations, have had the ability to build endowments—a financial bulwark against operating deficits. Medium and Small organizations, with little or no endowment, are more financially vulnerable. A high percentage of organizational assets, including buildings, equipment, and restricted endowments, are illiquid—which limits the organizations' flexibility to respond quickly to financial threats or opportunities.

In a marketplace where a multitude of options compete for consumers' leisure time, money, and attention, one must market to build brand and sales. Ironically, it appears that tight budgets may be squeezing out the very marketing investments that would attract more audiences and earned income for cultural organizations. It is a vicious cycle where lack of marketing perpetuates lack of sustainability.

LOOKING AHEAD...

It is our hope that in reviewing the wealth of information in this report, policy makers, civic leaders and arts managers will elicit insightful data that informs decision-making, leads to candid conversation about the future of the sector, and provokes new questions that the Cultural Alliance can address.

Recognizing that economic impact is a critical measure by which all industries are evaluated, we will continue to work with local and national partners to advance this important element.

As we go forward, we will track trend data, monitor changes in the sector, and report them in our next **Portfolio**. Part of our responsibility as an active partner in the long-range planning for Greater Philadelphia is providing a clear picture of this sector that helps make Philadelphia unique. Ultimately, this picture will allow us to capitalize on our competitive advantages and invest scarce resources strategically to ensure our future.

Like you, we are committed to a vision of Philadelphia as a place where people are passionately involved in and supportive of arts and culture—a place admired throughout the world for its quality of life made possible by diverse cultural experiences and creativity. We believe that this first publication of **Portfolio**, and those that follow, will be an important contribution to our shared long-term success.



About the Greater Philadelphia Cultural Alliance

BACKGROUND & ACCOMPLISHMENTS

The Greater Philadelphia Cultural Alliance is the region's premier leadership and advocacy organization for arts and culture. Our mission is to lead the effort to expand awareness of, participation in and support for arts and culture in the region. The Alliance has a proven track record for pulling groups together—dating back to the 1970s. The Alliance played a key advocacy role in establishing the Philadelphia Cultural Fund, led Mayor Street's transition team for arts and culture, and helped preserve Philadelphia's nationally recognized Percent for Art programs.

Today, 330 member organizations—from museums and dance companies to community art centers, historic sites, music ensembles, and zoos, and the region's cultural sector as a whole—count on the Cultural Alliance to:

- Provide advocacy, research, convening, and planning services that make the case for public funding for arts and culture, respond to threats to cultural programs, encourage arts-based revitalization projects, and chart future directions for the nonprofit culture industry.
- Build audiences and increase income for regional arts and cultural institutions through our collaborative marketing initiative, the Campaign for Culture. Specific programs include PhillyFunGuide.com, the region's most complete online entertainment events calendar; FunSavers, a weekly half-price ticket e-mail service; and the Cultural List Cooperative, a master database of cultural consumers in the region.
- Distribute grants that provide seed money for innovative, community-based arts projects and operating support for small arts groups with a proven track record for artistic excellence, strong community involvement, and sound management practices.
- Provide access to group health insurance and other discounted business services, including directors & officers insurance, payroll services, office supplies, hotel lodging, and fitness centers.

In the past five years, the Cultural Alliance has:

- Emerged as the region's most sought-after voice and advisor on cultural policy issues. The Alliance is engaged in major research projects that promote greater understanding of culture and its impact on communities. Our outreach staff and regional forums support arts-based revitalization efforts in several neighborhoods and towns. We have also led successful advocacy campaigns to preserve city and state funding for arts and culture—including restoration of 80% of Mayor Street's proposed \$4.4 million cut to arts funding in Philadelphia's FY2005 budget.
- Positioned the region as a national leader in collaborative cultural marketing. PhillyFunGuide.com now attracts 1.2 million visits annually and provides calendar content to media partners. FunSavers has a weekly subscription base of 50,000 individuals and returns \$500,000 in revenues annually to 150+ cultural organizations. The Cultural List Co-op has 65 organizations, making it the largest collective of its kind in the country.
- Awarded more than 500 grants and \$1.3 million through the 5-County Arts Fund. In partnership with the Pennsylvania Council on the Arts, the Cultural Alliance has distributed state funds for community-based arts projects equitably throughout Southeastern Pennsylvania. The program has helped educate elected officials about the breadth of cultural activity and impact of cultural programs in their districts.
- Achieved record growth in membership. The Cultural Alliance has 333 member organizations—up 7% from last year's record high, and a 50% increase since 2001.

About the Pennsylvania Cultural Data Project (PACDP)

The Pennsylvania Cultural Data Project is a collaborative project of the Greater Philadelphia Cultural Alliance, the Greater Pittsburgh Arts Council, The Heinz Endowments, the Pennsylvania Council on the Arts, The Pew Charitable Trusts, The Pittsburgh Foundation, and William Penn Foundation. The PACDP, operated by The Pew Charitable Trusts, is a standardized online system created for collecting financial and organizational data of nonprofit cultural organizations. Participating organizations complete an online Data Profile once each fiscal year. Financial data are drawn from each organization's audit, ensuring accurate and reliable information. Participating organizations are also able to use this system to track their own data over time.

In addition to creating a streamlined data collection process for hundreds of arts and culture organizations throughout Pennsylvania, this project provides a source of consistent and reliable information on the state's cultural sector. The Data Profile was developed with the assistance of focus groups of nonprofit cultural organization staff working in the areas of development, finance and marketing. It was tested by cultural organizations, and feedback from those participants was used to revise the Data Profile and develop training materials and instructions. After three years of development and testing, the PACDP was launched in September 2004. During the past two years, 1,021 data profiles have been submitted by 423 organizations located throughout the state.

All data submitted by individual organizations are checked for errors in a rigorous process conducted by staff of the PACDP. In addition, data are periodically checked for reliability with organizations' audit records. In the event that data submission errors are found, organizations are notified by the PACDP. Organizations then have the ability to change or correct their submissions.

The data used for this report were provided by the Pennsylvania Cultural Data Project (PACDP), a statewide data collection project for Pennsylvania's cultural organizations. The data are self-reported by the organizations using the PACDP and neither the PACDP nor its Governing Group make any representations or warranties concerning the accuracy, reliability or completeness of the self-reported data. Any interpretation of the data is solely the view of the Greater Philadelphia Cultural Alliance and does not reflect the views of the PACDP or its Governing Group.

Methodology

Due to the careful checks and balances incorporated into the process of submitting data to the PACDP, we believe that this report delivers the most reliable, consistent set of data available regarding nonprofit cultural organizations in Southeastern Pennsylvania. All data on individual organizations are strictly confidential, and no information is presented except in aggregated form. To compile the 2006 *Portfolio*, the Cultural Alliance contracted the Southeastern Division of the Pennsylvania Economy League (PEL) to analyze PACDP data collected before December 2005. The figures presented in this report are for the most recent fiscal year available for each organization, in most cases FY2003 or FY2004.

In compiling data, great care was taken to correctly represent unique instances of numbers related to cultural production. In this report, the term "productions" refers to the number of exhibitions and theatrical, dance, or music presentations in a given fiscal year. Multiple showings or presentations of the same program are not included in the total. The term "performances," on the other hand, refers to the total number including multiple showings and presentations.

Throughout the *Portfolio*, there are sets of data that cannot be compiled as a series of unique items. These most often include instances where organizations are reporting on numbers of individuals involved in or contributing to their work in some way. As the organizations are not required to provide the names of those individuals, it is impossible to calculate aggregate numbers of unique persons in certain categories, such as attendance, members, subscribers, school children, volunteers, artists, board members, individual contributors, and employees. In these cases, we refer to the aggregate totals in terms of the number of happenings, rather than the number of unique individuals involved in those happenings. For example, the term "volunteer positions," as opposed to "volunteers," is used.

Acknowledgments

The Greater Philadelphia Cultural Alliance would like to thank the following individuals and organizations, without whose support this report would not be possible.

Pennsylvania Cultural Data
Project Governing Group

Greater Pittsburgh Arts Council

The Heinz Endowments

Pennsylvania Council on the Arts

The Pew Charitable Trusts

The Pittsburgh Foundation

William Penn Foundation

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Center City District/Central Philadelphia Development Corporation

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Drexel University Graduate Arts Administration Program

Cecelia Fitzgibbon
Leslie Miko
Helen Neely
Ximena Varela

Greater Philadelphia Cultural Alliance

Peggy Amsterdam
Nicholas Crosson
Callie Curran
Nancy DeLucia
Julie Hawkins
Tom Kaiden
Rebecca Lang Staffieri
John McInerney
Hannah Miller
Susan Weiss

Greater Philadelphia Tourism Marketing Corporation

Kristen Ciappa
Deborah Diamond
Meryl Levitz

Joel Katz Design Associates

Joel Katz
William H. Bardel
Mary Torrieri
Kate Fabrizio

Metropolitan Philadelphia Indicators Project

Dr. Carolyn Adams

Montgomery County Commissioners

Steve Nelson

National Assembly of State Arts Agencies

Kelly Barsdate

National Endowment for the Arts

Tom Bradshaw

Pennsylvania Council on the Arts

Heather Doughty
Philip Horn
Brian Rogers

Pennsylvania Economy League

Robert Graff
Chris Lankenau
David Thornburgh
Steve Wray

The Pew Charitable Trusts

Marian Godfrey
Barbara Lippman
Greg Rowe
Neville Vakharia
Julia Wirts

Philadelphia Foundation

Nancy Burd

William Penn Foundation

Leslie Gaines
Olive Mosier
Courtenay Wilson

The Wilma Theater

James Haskins

Your Part-Time Controller

Eric Frait
Joanna Reiner



This publication was made possible by The Pew Charitable Trusts and William Penn Foundation

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