

Funding Challenges for Community-Based, Social Justice-Oriented Arts Organizations

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Introduction

Small in size but far-reaching in impact, community-based, social justice-oriented arts organizations make up a vital part of the United States' cultural ecosystem. By preserving, promoting and opening up access to different forms of artistic expression, these organizations are redefining the artistic canon to benefit diverse populations and working towards broader social justice outcomes by promoting cultural equity. The nonprofit sector has seen a proliferation of these grassroots, direct-service cultural organizations in recent years, likely in response to our society's shifting demographics and widening income gaps. Their work benefits both arts and cultural sectors and those working in the social change field, and their value is gaining recognition. However, there is still a disparity of funding resources available to support their work, and these organizations face a daily struggle to stay afloat in a sea of nonprofits. Due to the nature of their work, they rely more heavily on contributed income from grants than other arts organizations do, yet, paradoxically, they face the greatest barriers to securing this funding.

The term "community-based" encompasses a wide range of organizations, including neighborhood choirs, community theatre, small museums and folk and cultural heritage organizations. Not all small arts nonprofits identify social justice as their core mission, and for many, their small size suits their scope of work and allows them to be self-sustaining. Organizations that do use the arts to promote social justice, however, tend to fall into the category of "small" and "community-based" as a consequence of the difficulties they have securing funding.

This paper will examine the funding challenges faced by small, community-based, social justice-oriented arts organizations (CBSJAOs), and strategies they have used to sustain their

work. Data from the National Center for Charitable Statistics (NCCS) shows that nearly three quarters of registered public charities operate with budgets of less than \$100,000.¹ By looking at three community-based arts education nonprofits that began with budgets of this size and grew to become larger, sustaining organizations, this paper will offer insight into how similar organizations might best approach fundraising and resource development towards the greatest long-term impact.

Needs Addressed by Community-Based, Social-Justice Arts Organizations (CBSJAOs)

The concept of using the arts to address social and economic issues is not new. Policymakers and politicians have sought to use the arts to spur economic development and unite diverse populations as far back as the 1930s, creating programs such as the Works Progress Administration as a relief strategy during the Great Depression, or using the arts as a tool for diplomacy during the Cold War. It is more recently, however, that our society has begun to acknowledge that cultural inequity, or lack of access to artistic opportunities and cultural resources among certain socio-economic classes, is a significant social problem.

CBSJAOs seek to rectify this issue by bringing the arts to underserved and culturally diverse populations, targeting their services to each group's needs. Unlike the large cultural institutions that anchor major urban areas, these organizations operate directly in the neighborhoods they serve. They provide programming that encourages active engagement in the arts and helps diverse groups sustain and celebrate their cultural life and traditions. They use the arts to empower low-income, at-risk youth to realize their own potential and break cycles of

¹ IRS, Exempt Organizations Business Master File, 2014, Sep. The Urban Institute.

poverty. As a consequence, these organizations often incorporate social justice into their missions along with promoting the arts for their intrinsic value, embodying the concept of “arts for social change.” These organizations also tend to be small due to the grassroots nature of their work and challenges of securing funding, operating on shoestring budgets with minimal staff and no dedicated space.

Yet as the nonprofit sector grows, the number of small arts organizations is growing as well. The nonprofit arts sector has increased more than 400% since the establishment of the National Endowment for the Arts (NEA), from 7,700 organizations in 1965 to over 40,000 in 2005.² Discouragingly, as former NEA chair Bill Ivey notes in his 2005 essay *America Needs a New System for Funding the Arts*: “... the sector has grown bigger without getting richer. Between 1982 and 1997, the number of arts organizations expanded by 80 percent ... however, average revenue per nonprofit organization declined.”³ This sector growth continues today. Small nonprofits already make up the vast majority of the nonprofit sector, and this trend is more pronounced among arts organizations. As Table 1 illustrates, in 2014, 70% of registered public charities reported revenues under \$100,000, and 90% under \$1 million. For nonprofits classified as “Arts and Culture” 75% of nonprofits reported revenues of under \$100,000, and 95% under \$1 million.⁴ NCCS data shows that the number of registered public charities with revenues under \$100,000 in the “Arts and Culture” category has grown 55% since 2004.⁵ As the growth in number of organizations outpaces growth in funding, CBSJAOs face serious disadvantages in the

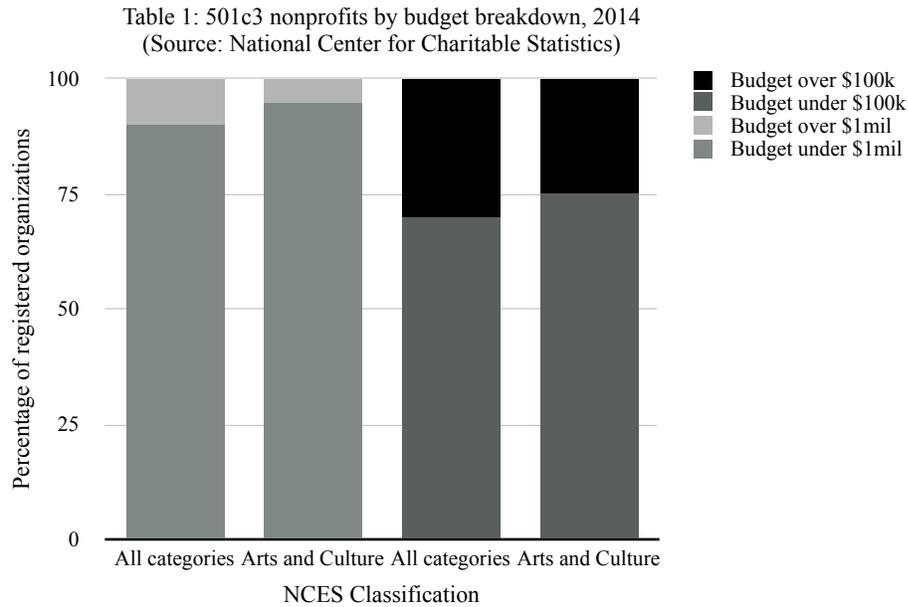
² Ivey, 3

³ Ivey, 4

⁴ IRS, Exempt Organizations Business Master File, 2014, Sep), The Urban Institute

⁵ IRS, Exempt Organizations Business Master File, 2004, Dec), The Urban Institute

competition for resources. It is harder for them to secure the funding they need due to the nature of their work and the challenges they face within the current system of funding for the arts.



Challenges Securing Non-Grant Funding

One benefit of the philanthropic system in the United States is that organizations receive funding from many entities, including individual donors, corporations, government, foundations and earned revenue, making nonprofits more resilient. CBSJAOs, however, lack access to many of these funding streams. Their work often precludes earned income and falls below the radar of corporations and private philanthropists, putting these organizations at an immediate funding disadvantage. Larger institutions such as museums and performing arts centers have the ability to attract corporate funders, who want their name associated with institutions located in major urban areas, visited by thousands of Americans every year. Larger organizations also have large fundraising and development departments, providing them with the human resources needed to identify, secure and steward major gifts. The NEA’s Survey of Public Participation in the Arts

shows that the majority of arts patrons are older, white individuals with higher levels of education and income.⁶ These individuals are more likely to support the institutions they frequent — operas, symphonies, performing arts centers and regional theaters. Small, social justice-focused arts nonprofits serve low-income communities, marginalized populations and at-risk youth. They cannot rely on their target beneficiaries as subscribers and major donors in the same way that theaters and museums can. Their efforts to reach low-income populations who cannot otherwise afford to participate in the arts also means that a smaller percentage of annual revenue comes from earned income. Data from Americans for the Arts shows that, on average, nonprofit arts organizations draw 60% of their revenue from earned income.⁷ Not having this dedicated stream of revenue makes grants even more important for these organizations. Grants are often the only way that these organizations can build a sustainable income base, helping them grow and leverage other sources of funding.

Challenges Securing Grant Funding

A number of factors put CBSJAOs at a disadvantage when it comes to identifying and securing grant funds — factors highlighted in reports by the National Committee for Responsible Philanthropy (NCRP), Grantmakers in the Arts (GIA), Americans for the Arts (AFTA) and others. In the 2011 NCRP report *Fusing Arts, Culture and Social Change*, author Holly Sidford illustrates the inequities in arts funding, specifically the fact that a larger percentage of grant dollars for the arts go to larger organizations. Using information from NCCS and the Foundation Center, Sidford notes that “groups with budgets greater than \$5 million represent less than 2

⁶ National Endowment for the Arts, *How a Nation Engages with Art*

⁷ Americans for Arts, *Sources of Revenue for Nonprofit Arts Organizations (Estimated)*

percent of the total populations of arts and culture groups,” yet in 2009, “these organizations received 55 percent of all contributions, gifts and grants.”⁸ This trend is visible with smaller samples, such as NEA grant-making. In 2013, the NEA awarded 55 grants to organizations in Washington, DC under their “Art Works” category, awarding a total of \$1.9 million in grant dollars. Grantmaking distribution itself was somewhat evenly split: 26 grants went to organizations with budgets under \$1 million and 29 grants went to organizations with budgets over \$1 million. However, organizations with budgets over \$1 million received over 75% of grant funds.⁹

Sidford’s study also found that, of the 836 foundations who gave grants between 2007-2009 with the “primary or secondary purpose of arts and culture” only “10 percent of these art and culture grant dollars were classified as benefiting ... underserved populations, and only 4 percent were classified as advancing social justice outcomes.”¹⁰ In 2010, Animating Democracy, a program of Americans for the Arts, released a report entitled *Trend or Tipping Point: Arts and Social Change Grantmaking*. Authors Pam Korza and Barbara Schaffer Bacon used interview and survey data from 228 public and private sector funding entities to examine trends in funding the arts for social justice and offer insight into the funding gaps. Korza and Bacon’s findings indicated that, while “a core of funders with integrated arts and social change missions is emerging”, overall, the field of arts and social change philanthropy is still “very much evolving.”¹¹ While 83% of respondents did indicate that they “fund or plan to fund” art for social change work, they cited several common factors currently limiting their support for this work.

⁸ Sidford, 8

⁹ National Endowment for the Arts. “ArtsWorks Grants Awarded in Washington, DC, 2013.” Data.

¹⁰ Sidford, 9

¹¹ Korza and Bacon, 5

These included fewer overall assets following the economic crisis, with funders being less likely to support a new organization or projects in a lesser-known field like arts for social change. Funders also noted difficulty with quantifying the link between the arts and social change work due to a lack of long-term evaluations or tangible deliverables.¹² Finding effective ways to measure outcomes of this work is an ongoing challenge for small organizations, as impact studies take time, resources and funding that they do not have. Direct-service organizations also cannot illustrate impact using the same benchmarks that arts funders expect from other organizations, such as the quality of the art or audience numbers, since the goal of their programming is to engage communities, not to create the “best” art. Their capacity to reach a certain number of beneficiaries also depends, ironically, on the amount of funding they receive to subsidize this work.

The cross-sector nature of CBSJAO’s work may also be viewed as a weakness. In an Urban Institute paper on folk and noncommercial cultural nonprofits, author Carole Rosenstein notes that “the community orientation that leads cultural heritage organizations to work in highly diverse, cross-sectoral ways is their greatest strength. However, this orientation is also source of a weakness because philanthropy is often highly structured, segregating arts and culture programs from community building, education, social service, and other programs.”¹³

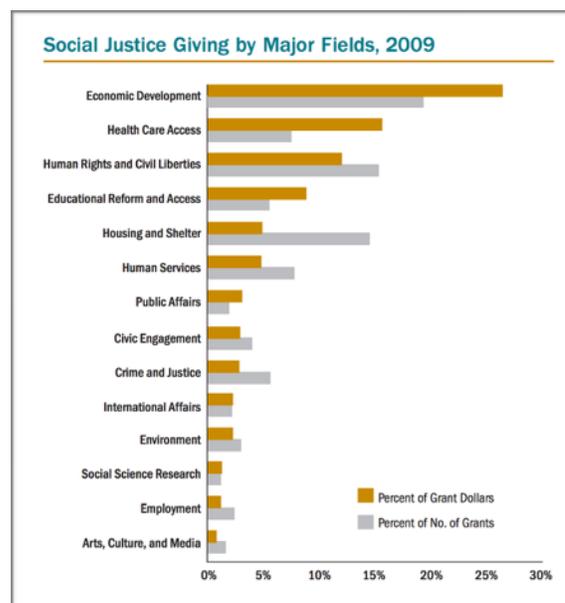
Organizations that straddle the line between the arts and social justice have the ability to apply to a wider range of funders, but may have more difficulty identifying prospective funders due to lack of clarity in grant making guidelines. *Trend or Tipping Point* noted that arts funders “may support [arts for social change] work directly or indirectly but it is not an expressed priority or

¹² Korza and Bacon, 13-20

¹³ Rosenstein, 19

criterion” and funders who do support social justice work may support the arts but “as just one of many strategies to make change.”¹⁴ The Foundation Center showed that in 2009, 11% of grants made by foundations went to social justice causes. Within this subset of grantmaking, less than 5% of grants, and a smaller percentage of grant dollars, were awarded in the “Arts, Culture and Media” field — the lowest percentage among all the fields cited in the report (Table 2).¹⁵

Table 2



(Source: The Foundation Center, *Key Facts on Social Justice Grantmaking*)

Even when organizations identify a potential funding source, it is harder for them to submit a competitive proposal. Small organizations may be ineligible due to budget size or inability to provide certain attachments. They may lack a demonstrated track record of programming or grant management. For example, organizations must have a three-year history of programming to apply for the NEA ArtsWorks program.¹⁶ The Cafritz Foundation, a major

¹⁴ Korza and Bacon, 31

¹⁵ The Foundation Center, *Key Facts on Social Justice Grantmaking*

¹⁶ “Art Works: Applicant Eligibility”, The National Endowment for the Arts

arts funder in Washington, DC, requires an outside audit or Form 990, which many organizations do not have in their first few years.¹⁷ Other funders will not consider unsolicited requests at all. The Ford Foundation, one of the foundations who indicated a commitment to supporting the arts for social change in *Trend or Tipping Point*, states on their website: “in a typical year, less than 1 percent of unsolicited inquiries result in a grant.”¹⁸ It is ironic that in order for organizations to grow to the levels that would make them eligible for these grants, they need sustained funding from sources such as these grant makers.

Even the grants themselves do not necessarily guarantee sustainability or foster organizational growth. In *Working with Small Arts Organizations: How and Why It Matters*, from *Grantmakers in the Arts*, authors Ann Markusen and Amy Kitchener note: “many funders set a funding maximum based on budget size ... this practice locks today’s small organizations into relatively small grants, perpetuating systemic inequity.”¹⁹ According to the Social Justice Grantmaking II report cited in Markusen and Kitchener’s report, the median grant amount for grants awarded in the “Arts, Culture and Media” sub-field of social justice grantmaking was \$15,000 lower than the overall median grant award for social justice grantmaking in 2009.²⁰ In 2013, only two organizations in Washington, DC with budgets under \$1 million received a grant larger than the \$35,000 average from the NEA’s ArtsWorks program.²¹ Korza and Bacon also found that “project support is the most common way that arts for change work is currently supported” with fewer resources for general operating support and capacity-building.²² The

¹⁷ “Submitting an Application”, The Morris and Gwendolyn Cafritz Foundation

¹⁸ “Organizations Seeking Grants”, The Ford Foundation

¹⁹ Kitchener and Markusen, 13

²⁰ Kitchener and Markusen, 13

²¹ National Endowment for the Arts. “ArtsWorks Grants Awarded in Washington, DC, 2013.” Data.

²² Korza and Bacon, 44

Foundation Center's "Key Facts on U.S. Foundations" showed that more than half of all grants awarded in 2012 were for program support.²³ Grants that exclusively support programming foster a cycle in which staff members struggle to manage the grants that are supporting their programming, leaving little time to seek out resources for capacity-building.

A clear need exists for CBSJAOs who open up access to cultural resources and promote social justice through the arts. The United States' population is the most diverse it has ever been, and "income disparity in the U.S. is greater than at any time since the 1920s."²⁴ According to the U.S. Census, in 2010, "non-white populations grew by at least 20 percent in every region" and the percentage of people living in poverty in major urban areas "is increasing and exceeds 25 percent in [certain] places."²⁵ Yet the SPPA still shows that the majority of people who participate in the arts are older, whiter and in higher income brackets than the general population. Sidford believes that the "enormous increase in the number of cultural organizations in the past two decades is a testament to the universal desire for arts and culture in every community."²⁶ Small, community-based arts organizations "foster artistic expressions not adequately served by larger organizations."²⁷ Further, by "engaging communities in creative process and social action," organizations that use the arts as tools for social change "broad[en] who has voice and [offer] a connecting point to those who have not felt power in the civic realm before."²⁸

Advocates and policymakers have begun advocating for more resources to support these organizations, but the fact remains that "the vast majority of cultural groups, especially those

²³ The Foundation Center, *Key Facts on U.S. Foundations: 2014 Edition*

²⁴ Sidford, 1

²⁵ Sidford, 1

²⁶ Sidford, 13

²⁷ Kitchener and Markusen, 1

²⁸ Korza and Bacon, 1

serving lower-income neighborhoods, remain small and financially challenged.”²⁹ The statistics, reports and survey data highlight the barriers that CBSJAOs face to securing consistent funding, perpetuating a cycle in which “small arts organizations pop up, flourish, and sometimes flounder, mostly under the philanthropic radar.”³⁰ Considering the countless hours and resources that organizations already devote to fundraising for their day-to-day programming, building long-term sustainability can seem impossible. The field of arts for social change is still new, and significant changes in the funding landscape will not happen overnight. In the meantime, these organizations are responding to the needs of society now. How can we help them, or how can they help themselves secure the resources they need to carry out their work?

Case Studies: Project Create, Young Playwrights’ Theater and Sitar Arts Center³¹

Two strategies that organizations can use to specifically address weaknesses common among CBSJAOs are making strategic investments in resources and infrastructure for fundraising and seeking out innovative partnerships to increase earned income or other non-grant revenue. Project Create, Young Playwrights’ Theater (YPT) and Sitar Arts Center are three Washington, DC-based arts nonprofits that used these strategies to grow their budgets and expand their programming. All three organizations work towards social justice outcomes through arts education programming targeting underserved, low-income youth. Project Create provides multi-disciplinary arts programming for youth residing in transitional or long-term housing for homeless families or who participate in after-school programs located in high-poverty

²⁹ Sidford, 13

³⁰ Kitchener and Markusen, 1

³¹ All of the material and information in the following sections is based on personal interviews conducted with the organizational leaders of Project Create, Young Playwrights’ Theater and Sitar Arts Center, institutional knowledge, information from the organizations’ websites and financial data provided by the organizations.

neighborhoods.³² YPT integrates their playwriting programming directly into.. the classrooms of DC's most under-resourced and under-performing public schools.³³ Sitar operates in the Kalorama neighborhood of Ward 1, one of DC's most diverse Wards, and provides students from all eight wards with free or heavily-subsidized extra-curricular arts programming in all disciplines. Approximately 80% of their students come from low-income households.³⁴

Today, these organizations represent a spectrum of the size and scope of nonprofits working in the arts for social change field. Project Create currently has a \$450,000 operating budget and serves 250 youth annually in partnership with several community-based sites in Washington, DC. YPT serves 2,000 students primarily through programming in public schools, and maintains an \$860,000 budget. Sitar's budget is over \$1 million, and they provide all their arts programming at their own state-of-the-art facility. Yet they all began with budgets of less than \$100,000, operating out of basements and cars, and grew to become larger, sustaining organizations in relatively short time periods. YPT and Project Create quadrupled their operating budgets and expanded their programming in less than six years, with more growth projected. Sitar went from a \$100K budget to owning their own space and supporting a budget over \$1 million in 14 years.³⁵ Many factors and a certain degree of luck have contributed to each organization's success. However, throughout their history, they have all prioritized building their development infrastructure and used innovative partnerships to increase non-grant revenue. The stories of Project Create, YPT and Sitar speak to the importance of investing in people, systems

³² "Mission." Project Create, website.

³³ "Mission and Vision." Young Playwrights' Theater, website.

³⁴ "Our History." Sitar Arts Center, website

³⁵ Source: Personal interviews

and resources for fundraising and seeking out funding sources beyond grants to support organizational sustainability and build a foundation for growth.

Development Capacity-Building

Capacity-building work is critical for organizations in their early years, specifically building an organization's fundraising infrastructure. Even today, the leaders of Project Create, YPT and Sitar cite limitations of their fundraising capacity as a significant challenge. However, each organization has made specific investments in development that they credit with helping them get to where they are today.

Christie Walser, the current Executive Director of Project Create, joined the organization in 2011 as the first full-time Executive Director. She noted feeling inexperienced with the process of grant-seeking and grant-writing when she first came on, despite her qualifications as an arts manager. Project Create does not charge for their programming — nearly 100% of their revenue comes from contributed income, with 80% coming from grants — so the ability to secure grants was important if they hoped to grow. In 2011, Project Create's budget was approximately \$100K, and their current operating budget is \$450K — quadrupled in the past five years. A major turning point in their development capacity came from a fortuitous connection with the National Law Center on Ending Homelessness and Poverty (NLC). In 2012, the Development Director at NLC had left her position to attend graduate school, and as an ardent supporter of Project Create, she offered to serve as a temporary Development Director during summer 2012, with minimal compensation. Using her experience with development operations for a much larger organization, she established systems and relationships that

transformed Project Create's fundraising capacity. She created a long-term, strategic development plan, set up a donor database, wrote grants and established systems to streamline grant-seeking, helping them secure new grants and build sustaining relationships with funders and donors, while improving short-term cash flow. According to Christie Walser, her work was a "game-changer. One notable outcome: in FY13, Project Create reported \$19K in government funding on their Form 990, whereas the previous years, they reported no government grants.³⁶

Christie Walser also notes that this experience showed her the importance of overcoming the disconnect that often exists between programming and development to make equal human resource investments. After the departure of the interim Development Director, Project Create brought on a short-term hire to write grants and maintain the relationships established during the tenure of their interim Development Director until Christie felt comfortable fully assuming responsibility for grant-writing. This realization also informed Project Create's strategic planning in 2013, leading them to hire a full-time, permanent Development and Communications Associate in 2014. This position is focused on growing and stewarding individual donors, giving Christie time to focus on grants. Christie Walser affirms that Project Create will continue to build their development capacity alongside programming going forward.³⁷

While Project Create leveraged a serendipitous opportunity to build their grant-seeking capacity, Sitar Arts Center's founder made investments in fundraising from their inception, a decision that Executive Director Maureen Dwyer credits with helping them get to where they are today. Sitar began providing arts programming in 2000 for 50 students in a rent-free basement facility, operating with just a \$120K budget. Today, the organization operates a 10,700 square-

³⁶ IRS, "Return of an Organization Exempt from Income Tax" (Form 990), Project Create

³⁷ Source: Personal interview with Christie Walser

foot state-of-the-art facility and serves over 700 students every year. Maureen Dwyer, who began as a grant-writer in 2000 and now serves as the Executive Director, notes that Sitar has been fortunate in their ability to grow, with “no downs, only ups” throughout their history. She credits this to the fact that the founder’s first hire was herself — a writer and specifically a grant-writer – to tell the organization’s story to potential funders and partners. In Maureen’s words, while it may seem “ignoble to build development staff before program staff,” it is crucial to the sustainability of small, direct-service organizations who do not expect growth in earned income.³⁸ In addition to supporting programming, early grants help build an organization’s reputation, making them more attractive to other funders and leading to a diverse contributed income base. Small organizations often believe that they must devote all resources towards programming; however investing in fundraising capacity is equally important, as it ensures that funders are supporting a viable, sustaining program that is optimally fulfilling the organization’s mission. Even now, Maureen notes she is always focused on maintaining the energy of her development team, since their work is so important to Sitar’s viability. For CBSJAOs just starting up, Maureen recommends: “throw your money into development first.”³⁹

Young Playwrights’ Theater used a capacity-building grant they received in 2007 to bolster their development capacity in a different way -- through investments that made them more competitive as a grant-seeker. By 2007, the 12-year old organization had grown to a \$420K budget, serving 300 students annually, and was recognized as a valuable resource for arts education in DC. Demand from local schools was high, but the organization faced funding struggles similar to Project Create, as they derive no income from their programming and lacked

³⁸ Personal interview with Maureen Dwyer

³⁹ Personal interview with Maureen Dwyer

a large donor base. In FY07, over 90% of their revenue came from contributed income.⁴⁰ YPT needed to build their revenue in all areas, including grants, if they hoped to respond to demand. In 2007, the DC Commission on the Arts and Humanities awarded YPT an \$80,000 capacity-building grant through their UPSTART program. YPT used this grant to make a number of capacity-building investments, including hiring an outside evaluation consultant to design comprehensive assessment tools for their programming. These tools allowed them to capture qualitative and quantitative data to demonstrate concrete academic outcomes of their programming, including improvements in students' writing and literacy skills. Lack of evidence of impact was highlighted in *Trend or Tipping Point* as one of the key barriers to funding the arts for social change. By using capacity-building resources to develop assessment tools with an outside expert, YPT increased their competitiveness as a grant-seeker. Current YPT Executive Director Brigitte Moore, who served as the senior development staff member and primary grant-writer at the time, believes that this annual assessment data elevated YPT's grant proposals to help them to secure new grants and sustain relationships with their funders throughout the economic crisis.⁴¹

Since 2007, YPT has grown their budget more than 100%, and they have secured larger grants from funders such as the DC Commission on the Arts and Humanities (DCCAH) and the NEA. Before 2010, their annual funding from DCCAH averaged \$50K, and YPT now receives on average over \$100K from the agency. In 2013, YPT was the only organization with a budget under \$1 million to receive a grant award above \$50K from the NEA's ArtWorks grant program (\$15K more than the average grant award). In 2014, YPT received a \$60K grant from the DC

⁴⁰ Financial data provided by the organization

⁴¹ Personal interview with Brigitte Moore and institutional knowledge

City Fund, a new government program open to all nonprofits, not just arts organizations. YPT was just one of 40 organizations to receive funding in their inaugural round of grants, and one of the smaller organizations to do so. When the Meyer Foundation, one of YPT's largest foundation funders, eliminated their arts category in 2011, YPT continued receiving grants under the education category, helped by their ability to illustrate the concrete academic outcomes of their programming through assessment data. YPT's recent achievements suggest the strength of both their arts education model and fundraising systems, and illustrates the ripple effect that capacity-building can have, provided the organization approaches this work strategically.⁴²

Project Create, Sitar and YPT exemplify how investments in fundraising and development can help organizations in their early years achieve sustainability. Capacity-building grants are less ubiquitous than program support, but more studies and reports are urging funders to incorporate capacity-building support into their funding strategies, particularly for small organizations. In the Fund for Folk Culture's paper *Small Organizations in the Folk and Traditional Arts: Strategies for Support*, author Shalom Staub argues that: "funding will always be a need, but in itself, money is not sufficient to support the vitality of the community-based small organization. Programs should also be designed to address capacity building ..."⁴³ Anne Markusen calls for funders to "offer multiple categories for support ... applicants should be encouraged to ask for what they need most – capital purchase, project expenses, or operating support."⁴⁴ Small, community-based organizations should put energy into identifying and pursuing these capacity-building opportunities when possible.

⁴² Institutional knowledge and financials provided by the organization

⁴³ Staub, 12

⁴⁴ Markusen, 6

Many state and local arts agencies include capacity-building programs as part of their grant-making, such as the DC Commission’s UPSTART program, often with fewer eligibility restrictions. The UPSTART program is open to all organizations with a budget of \$100,000 or more, and organizations with budgets larger than \$1.5 million are ineligible. UPSTART also does not require an outside audit or Form 990, or more than one year of operations as a nonprofit.⁴⁵ Even if an organization does not have a dedicated capacity-building grant, nonprofit resources such as the Foundation Center and Grantmakers in the Arts provide workshops and publications to help nonprofits approach capacity-building strategically, including emphasizing the importance of investing in development. Overall, small, community-based organizations would be wise to invest in fundraising resources, and the earlier the better, if they hope to become viable, sustaining organizations.

Strategic Partnerships to Increase Non-Grant Revenue

Investing in systems and resources for fundraising is an important priority for organizations who rely on grants to support their work. However, diversifying income streams can be equally beneficial for CBSJAOs, fostering financial stability by insulating them from shifts in the funding landscape. Organizations who can show diverse sources of revenue may also be more attractive to funders. Rosenstein states that: “in the cultural sector, dependence on government grants is often viewed as a sign of potential organizational weakness because these resources are regarded as dwindling and erratic.”⁴⁶ One way organizations that do not draw

⁴⁵ DC Commission on the Arts and Humanities “FY15 UPSTART (UPS) Guidelines”

⁴⁶ Rosenstein, 16

revenue from their programming can increase earned income is through strategic partnerships with larger nonprofits or public or private entities.

Both Project Create and YPT have increased their earned income through a “fee for service” partnership model, allowing them to reach more beneficiaries and still provide their programming free of charge for their target population. Last year, Project Create forged a partnership with Sasha Bruce Youthwork, one of the largest service providers for at-risk youth in Washington, DC. Sasha Bruce is a direct-service nonprofit that works to “improve the lives of homeless, runaway, abused and neglected youth and their families in the Washington DC area.” They have been operating for over forty years, and have a \$8.5 million budget, including significant subsidization through restricted government contracts.⁴⁷ Since Sasha Bruce focuses primarily on urgent needs, Project Create saw an opportunity to enhance Sasha Bruce’s services and expand their own programming by integrating into one of Sasha Bruce’s sites. The first year, Project Create piloted the program and absorbed the cost. The program was so successful that Sasha Bruce incorporated the cost into their budget for 2014, and Christie Walser anticipates it will become a long-term partnership.⁴⁸ Project Create recognized that Sasha Bruce worked with their target youth populations and had the ability to pay for the program. They invested funds into the pilot program, leading to mutually beneficial partnership that expanded Project Create’s scope of work in line with their mission and increased their earned income line.

YPT’s programming is free of charge to their students, one of their core values. YPT targets schools in low-income neighborhoods without access to arts education as they seek to increase equitable access to arts education. They have historically not charged the schools

⁴⁷ “Mission” and “Finances” Sasha Bruce Youthwork, website.

⁴⁸ Personal interview with Christie Walser

anything, and their program capacity has relied on grant funding and donations. However, occasionally a school that does not align with their target population will cover the full cost of the program, including overhead, to bring it to their students. In 2012, YPT piloted a more systematic approach to this model as a way to increase earned income. Program staff met with all partner schools to ask each school to contribute a portion of the cost. YPT agreed internally that they would not take the program away from any school that was unable to contribute, but they did not have to. Almost every partner school committed to funding at least a portion of the cost. Some schools applied for grants specifically meant for public schools, such as the DC Public School “Proving What’s Possible” program. Other schools designated part of their own budgets, and other schools implemented grassroots fundraising initiatives through parent-teacher groups.⁴⁹ Overall, this strategy has helped YPT increase their earned income by 135%. In 2010, earned income made up less than 10% of YPT’s budget, and in 2014, 21% of their budget came from earned income, in part through these school fees.⁵⁰ It has not negatively impacted their mission delivery. YPT still covers 75% of the cost on average for each school. 95% of their partner schools are Title I, and in FY14, they expanded into new schools in Wards 7 and 8, DC’s most low-income wards.⁵¹ This earned income has, however, played an important role in YPT’s budget growth, and will continue to be an important source of revenue as they seek to grow to a \$1 million budget. As YPT and Project Create demonstrate, even if an organization’s mission is to provide free or subsidized arts programming for underserved populations, there are ways to increase earned income without sacrificing mission delivery.

⁴⁹ Personal interview with Brigitte Moore and institutional knowledge

⁵⁰ Financials provided by organization

⁵¹ Personal interview and institutional knowledge

Partnerships may also support capacity-building investments that grant-making entities will not fund. In 2004, Sitar launched a \$3.2 million dollar “comprehensive campaign” to support the purchase and renovation of a new space and subsequent operating funds for a three year period, allowing them to sustainably build their fundraising capacity while managing the increased expenses of the new space. Sitar received funding from a number of individual and institutional funders to support their campaign, but a key investment came from the Department of Housing and Community Development (DHCD), a government agency, secured through a relationship between the Executive Director and the city. DHCD provided Sitar with a \$400K interest-free, deferred loan to support the initial move, and then another loan in 2006 to help them purchase the space. For many arts organizations, the increased expenses that come with owning their own space can prove detrimental. Sitar, however, was able to leverage a new relationship to secure non-grant funding towards their campaign goal. This made their move sustainable and helped to grow their budget by 275% in the years following this move.⁵²

Even if funding is not a direct component of a relationship, partnerships with other nonprofits may help organizations with small development departments put together a stronger proposal or appeal to funders that would not be interested in the organization on its own. For example, several years ago, YPT lost a grant due to a shift in a foundation's focus to after-school programming. Sitar Arts Center saw a cut in funding from this same funder, due to their focus on middle school youth. Both Executive Directors reached out directly to this funder with a proposal — funding a pilot of YPT’s program at Sitar, targeting to middle school students. The funder was receptive, and YPT secured a grant to support this program, subsidizing the cost for

⁵² Personal interview with Maureen Dwyer

Sitar.⁵³ Organizations should always be thinking of what resources might exist from their current partners, or what funding is available from entities such as other nonprofits or government agencies. Thinking “outside the box” with regards to funding will help CBSJAOs diversify their revenue streams and ultimately promote financial stability.

Conclusion

As arts advocates and policymakers work to change the funding environment and increase the resources available to support the arts for social change, CBSJAOs continue to carry out their work despite the challenges they face. These organizations tend to be resourceful by nature, as they would not have become recognized nonprofits without the hard work, perseverance and vision of their leaders. Recognizing their inherent disadvantage in the philanthropic landscape, these organizations have found innovative ways to sustain their work through alternative funding and strategic, development-focused capacity-building. Project Create, YPT and Sitar are all successful, viable nonprofits within their own sphere. Each organization exemplifies the benefits of investing in development to build a strong organizational infrastructure, as well as openness to exploring other means of support. Other small, community-based organizations with social-justice aligned missions would be wise to consider these strategies and make these investments to ensure that they can continue to carry out their work, helping make the arts an essential part of the lives of all Americans.

⁵³ Institutional knowledge

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