Increasing the Strength of the Undercapitalized in the Arts and Culture Sector

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COMMUNITY
PARTNERSHIP
FOR ARTS AND CULTURE

Executive Summary

This briefing paper has been prepared by the Community Partnership for Arts and Culture in conjunction with the Cleveland Foundation and the George Gund Foundation. Our aim is to provide initial research on best practices for supporting traditionally undercapitalized arts and culture groups – individual artists, small arts and culture businesses and emerging arts and culture nonprofits. Two specific strategies are examined for increasing the sustainability of these groups: financial models and operational models.

Financial Support

Traditionally, foundations and other funders of arts and culture have limited their contributions to 501(c)3 organizations. While this strategy has facilitated some accountability and assurance that projects have a charitable mission, it has also created funding barriers for non-incorporated arts and culture projects, which are typically already financially vulnerable.

In recent years, foundations have responded by employing a number of new funding mechanisms, including artist fellowships and grants to individual artists; venture philanthropy models; and fiscal sponsorship relationships. This paper presents the strengths and weaknesses of each method and provides examples of how funders have applied the concepts to their giving strategies.

Operational Support

Collaborative methods have been employed to strengthen and advance the operational capacity of for-profit and non-profit organizations alike. Benefits often include growth, economies of scale and scope, access to capital, increased political and economic clout and improved strategic position. These benefits

can be particularly important to undercapitalized artists and arts and culture organizations.

Collaborations take a number of different forms, including alliances; incubators; shared services; and mergers. This paper presents the strengths and weaknesses of each method and provides examples of how individuals and organizations have used to them to improve their operations.

Conclusion

The paper closes with considerations for funders and service organizations interested in strengthening the finances and operations of undercapitalized arts and culture projects. First, individuals involved should realize that each of the methods described is only a model; elements from one model can be merged with elements of another, or the sponsoring organization can develop a new model tailored to their goals and to the needs of their constituents. Second, before engaging in such a support program, the organization must have an understanding of what they hope to accomplish, including who they hope to reach, what their goals are and what specific outcomes are anticipated. Third, it is important to actively engage constituents in the design of any program meant to support them. This initial briefing paper should be supplemented with research on how constituents operate their businesses or nonprofits, and for whom. They should also advise on what *they* perceive their needs to be, as well as what resources they are willing to expend in support of the project.

Funding the Underfunded

Introduction – Funding the Underfunded

Individual artists, small arts businesses and emerging arts and culture nonprofits often face limited revenue streams that inhibit their ability to sustain long-term operations. Traditionally, foundations and other funders of arts and culture have limited contributions to 501(c)3 organizations. While this strategy has facilitated some accountability and assurance that projects have a charitable mission, it has also created funding barriers to arts and culture projects that are already financially vulnerable.

In recent years, foundations have responded by employing a number of funding mechanisms beyond their traditional grantmaking programs. These include artist fellowships, grants to individual artists, venture philanthropy models and fiscal sponsorship relationships.

Artist Fellowships & Individual Artist Grants

Artist fellowships and individual artist grants provide financial support for individual artists to carry out their work over a specified period of time and sometimes for a specified project. Fellowships typically acknowledge established artists for their contributions to the arts and culture sector, while grants are generally open to a wider pool of emerging *and* established artists. A related strategy is residencies, which require artists to live in a certain location or to work with a particular group of individuals.

Selected artists typically retain all rights to their work and any subsequent profits, although foundations can still impact the type of work created through their application process and their discretion over which projects to fund.

In general, this can be described as a limited strategy – it focuses on establishing a semi-autonomous relationship between artists and funders and allows a funder to distribute money to a large number of individuals. Such programs rarely require artists to advance a particular charitable cause, to benchmark project impact (i.e. to measure the specific outcomes of the project), to pay a fee (although some programs require an application fee) or to engage in support services. Artists are required to manage their own finances and to report the award as taxable income.

Such grants are perhaps most appropriate when a foundation wishes to stimulate for-profit development of art by individual artists, or to retain and/or recruit established or emerging artists to a particular region.

Strengths & Weaknesses

Strengths of artist fellowships and individual grants include:

■ **Simple process:** Both the application process and reporting process are generally easy for artists to navigate and for funders to administer.

- **Low administration costs:** The simple grantmaking process for fellowships and individual grants, coupled with the fact that few support services are typically offered, means that the costs of administering these programs remain low. As a result, a larger portion of the funds goes directly to the artists.
- **Autonomy for artists:** Low reporting requirements allow artists more flexibility in how they plan and adapt their projects. Artists often favor this type of model because it allows them to carry out their work with minimal oversight.
- **More attention toward artistic product:** Theoretically, if artists do not have to justify the social, economic or educational impact of their work, these individuals will be able to dedicate more time to the artistic quality of their project.
- **Little legal liability:** In contrast to fiscal sponsorship, funders have very low legal risks. Instead, artists assume most risks associated with carrying out their projects.
- **Retention and recruitment tool:** Awards can aid a region in recognizing local artistic talent, or in bringing new talent into the area through fellowships and residencies.

Weaknesses of artist fellowships and individual grants include:

- **Subjective application process:** Because fellowships are often tied more to artistic achievement than to the anticipated impact of projects, the process to select artists can be viewed as more subjective. Some applicants could believe that awards are given out of favoritism. Moreover, awards could fluctuate based on panelists' point-of-view.
- **Low accountability:** Measurements of project success are often more focused on project completion than on specific benchmarks. As a result, the system can be manipulated by meeting only the very minimum requirements for funding.
- **Limited impact:** The lack of detailed benchmarking also prevents funders from comparing the effectiveness of projects in achieving social, economic or educational aims. Theoretically, this means that a number of funded projects will fail to meet high-quality expectations.
- **Few support services:** Grant programs for individual artists tend to offer very few support services. These programs are sometimes criticized for failing to truly advance artists or their work, beyond the monetary awards they provide.
- **Isolated funding:** It is rare that grant recipients are aided in managing their funds or in securing new funding streams at the end of their grant period. This reduces the long-term sustainability of arts and culture projects, as well as the financial stability of the artists involved.
- **Little interaction with artist:** Loose relationships between artists and funders result when there is low interaction. As a result, misunderstandings or disputes are more likely to occur.

Examples

McKnight Foundation, Minneapolis

Mission: Information not available.

Background: The McKnight Foundation is one of the largest foundations in the country. It provides grant opportunities in seven categories: Arts; Children & Families; Environment; Greater Minnesota; International; Region & Community; and Research. McKnight has invested in the arts since **1981**.

Budget: Total Revenue, $101.81 million; Total Expenses, $73.33 million (2003). Approximately 10% of McKnight's grant funding is aimed toward the arts. The foundation awards roughly $1.7 million in artist fellowships annually.

Fellowship overview: According to the foundation's website, the fellowship program is a "cornerstone" of the organization's arts funding (2005). Each year, McKnight distributes a **Distinguished Artist Award**, **39 fellowships** in 12 disciplines and **10 additional monetary awards** to artists. Fellows who are composers or musicians are also eligible for an additional $5,000 to support an optional community project. In response to a 2000 study of the needs of local individual artists, the foundation has also increased the average amount of fellowships (from $10,000 to $25,000).

Application process: The McKnight Foundation commissions twelve Minnesota arts service organizations (one representing each discipline) to administer the fellowships. As a result, each application process is different.

Visual artists, for instance, apply for one of four $25,000 fellowships through the Minneapolis College of Art and Design. Applicants must have six years of exhibition history and must submit slides for review. Three jurors then select a group of semi-finalists for interviews in the artists' studios.

Composers, meanwhile, apply to the American Composers Forum for one of four $25,000 McKnight fellowships. Applicants must submit an artist's statement, a résumé, recordings of their compositions, original scores and support materials. A panel of three music professionals chooses finalists based on these materials.

Artists are prohibited from applying for grants in multiple disciplines. If they do so, they forfeit their eligibility in *all* categories.

Services: Ancillary services for fellows are limited. Each participates in meetings, audience talks, critical review and an exhibition of their work.

Ohio Arts Council (OAC), Columbus

Mission: To foster and encourage the development of the arts and assist the preservation of Ohio's cultural heritage.

Background: The OAC is a state agency, founded in **1961** and specifically designed to support arts activities in Ohio. The council achieves this primarily through the distribution of theme-oriented grants to artists and arts and culture organizations (e.g. increasing access to the arts, building organizational capacity, etc). Individual artists are eligible for a number of additional fellowships and residency grants. The organization also maintains a series of directories of Ohio-based artists in various disciplines, as well as a gallery space.

Budget: Total Revenue: $23.23 million ($758,300 from the National Endowment for the Arts, 2006; $22.48 million from the state of Ohio, 2006-2007, biennial appropriation)

Fellowship overview: The Individual Excellence Awards program recognizes the past accomplishments of Ohio artists. Awards of $5,000 and $10,000 are given to approximately 10% of applicants. Artists can use these funds for any activity, except for a degree program. The Artists and Communities awards support projects that link artists and their projects directly to neighborhoods and communities. Funding is restricted toward certain activities that advance the project. A third program supports Traditional Arts Apprenticeships. In an effort to preserve traditional arts, the state offers grants to "master artists" who are teaching their craft to an apprentice. Examples of eligible activities include woodcarving, Irish step dancing and embroidery. There are no apparent funding restrictions on the program. A final program, the Ohio Heritage Fellowship, provides $1,500 awards in recognition of outstanding Ohio folk artists.

In addition to its individual artist grant programs, the council also provides residencies for artists to engage in arts education projects. Artist residencies, however, must be applied for by the hosting organization, rather than the artist; funding is tied to the project, rather than to a particular artist.

Application process: Each fellowship's application process is carried out separately by panels of experts. Panelists score the applicants on a number of criteria, which also differ between the fellowships. Ultimately, panelist recommendations are forwarded to the OAC Board, 15 individuals appointed by the governor of Ohio. This group is responsible for deciding which individuals and organizations will receive funding in all of the council's grant programs, including the fellowships.

Services: Support services for fellows and residents are limited. As previously mentioned, the council maintains a number of artist directories and an exhibit space, but these services are not targeted toward, or exclusive to, the OAC's fellows.

Venture Philanthropy

The venture philanthropy strategy is based on venture capital methods in the for-profit sector. The distinguishing characteristics of such models include rigorous application processes, intensive support services from the funder, attention to the social impacts and outcomes of projects and the opportunity for additional grant awards over a number of years, based on projects' performance. Venture philanthropy awards are often made to projects that have clearly measurable results, projects that are anticipated to create new jobs, to increase tax revenues, stimulate economic activity or to improve educational and workforce outcomes.

To date, this model has been used primarily to support human services, education, environmental and economic development projects, rather than arts and culture activities. Theories as to why venture philanthropists are less likely to fund arts and culture projects include: a lack of interest in the sector among young donors, who are typically the most

likely to be engaged in venture philanthropy; an interest in advancing "basic human needs" rather than arts and culture, which can be perceived as elitist; and (the most frequent explanation) the difficulty in measuring the specific impact of arts and culture projects (Culbert 2001, 2-3).

One of the frequently discussed benefits of the model is that it is so adaptable. Funders can choose to lend money rather than grant it, require certain actions from grantees in order for them to retain their award (e.g. operating their business within a certain geographic area for a specified number of years, meeting certain performance thresholds) or limit funding to certain kinds of organizations (nonprofits, projects with a minimum number of staff members, etc.).

Many programs that fund arts and culture are increasingly adapting elements of venture philanthropy into their programs. Specifically, a number of funders are now encouraging or requiring arts and culture applicants to explain the specific anticipated impact of their projects. Local examples include the Civic Innovation Lab and, in some respects, the Cuyahoga County Arts and Culture as Economic Development Grant Awards program.

Venture philanthropy can be described as a "deep" strategy. Funders tend to work with a small group of grantees and to provide this group with ongoing, intensive support services. Funders also typically establish an "exit strategy" early in the process, so that projects can strategize about survival after the grant period.

This strategy is most suitable when donors wish to use arts and culture to address a tangible social problem, when they want to have considerable involvement with such projects or when they prefer to make a large impact on a small number of high-return arts and culture projects.

Strengths & Weaknesses

Strengths of venture philanthropy include:

- **High level of accountability:** Venture philanthropy models hold artists, arts and culture groups and arts and culture projects to a high standard of achievement. Artists and project leaders that fail to meet output requirements may be ineligible to receive additional funding. Ideally, this encourages funding of those projects with the highest impact.
- **Intensive services:** Artists and project leaders can benefit from the intensive services that are often associated with venture philanthropy. Frequent interaction with donors allows projects to tap into high-expertise volunteer assistance that arts and culture projects could not likely afford on their own.
- **Multiple networking opportunities:** Because of the unusually frequent interaction between donors and the arts and culture projects they support, opportunities for networking outside of donors' and grant recipients' traditional circles is perhaps greater than with other grantmaking strategies.
- **Incentive for individual donors:** Features of venture philanthropy (high accountability, attention to outcomes, interaction and advice from the philanthropist)

are believed to be more attractive to many individual donors than is traditional philanthropy. In particular, the model seems to be attractive to young donors.

- **Encourages focus on outcomes:** Venture philanthropists are interested in results. By tying project performance to funding, artists and arts and culture project leaders are encouraged to consider the social impact of their work.
- **Potential for higher and more sustainable impact:** Because most venture philanthropy models offer the opportunity for multiple years of funding, as well as intensive support services, there is potential to sustain the impact of arts and culture projects in the long term.

Weaknesses of venture philanthropy include:

- **High administration cost:** Intensive services require significant time and financial resources.
- **Intensive reporting requirements:** Funded projects are typically required to provide donors with frequent and detailed benchmarks of impact. This necessitates a significant time investment of the project leaders. In addition, it has been noted that social impact may be particularly difficult to prove in arts projects.
- **Less attention toward artistic merit and product:** Venture philanthropists are less likely to judge projects based on the merit of the artist than on the ability of a project to achieve measurable social, economic or educational objectives. Because project leaders must justify their work in terms of social impact, and spend considerable time measuring this impact, they theoretically have less time to devote to the project's artistic quality.
- **Language and jargon barriers:** Artists, traditional philanthropists and venture philanthropists each have their own jargon, which the other two groups may find intimidating. The additional business terminology of venture philanthropy may make it difficult for artists to communicate with those judging their applications or advising their funded projects.
- **Fewer projects funded:** The time and financial resources required of venture philanthropy models often means they can only support a handful of organizations at any time. Using this model, many projects will be left unfounded.
- **Few best practices:** There are relatively few examples of venture philanthropy organizations supporting arts and culture activities. Most prefer to fund social services, education and environmental activities. Venture philanthropy organizations that do offer support for arts and culture projects have few best practice examples from which to model their own operations.

Examples

Creative Capital Foundation, New York City

Mission: To support artists working in the media, performing and visual arts, as well as those engaged in new and emerging fields. In each discipline, the foundation's focus will be on the work that challenges traditional content and form.

Background: The Creative Capital Foundation was founded in **1999** as a national source of funding for individual artists. The organization concentrates on funding those projects that advance innovation in the arts. Creative Capital funds projects in four categories, including emerging art fields, film/video arts, performing arts and visual arts.

Budget: Total Revenue, $1.60 million; Total Expenses, $2.06 million (2002-2003)

Venture overview: Creative Capital is one of the few examples of a venture philanthropy funder catering exclusively to arts and culture projects. In keeping with the model, the foundation couples grant awards with support services. It also concentrates specifically on anticipated outcomes of each project. According to the organization's website it supports work with "the potential for significant artistic and cultural impact" (Creative 2005).

The organization has supported **158 projects in 24 states** (out of **6,626**) and works with each of its funded projects for three to four years. Initial awards average $10,000; organizations are eligible for up to $50,000 in support over four years, with the average project receiving approximately $30,000.

Application process: The foundation uses a three-step application process – an inquiry form, a full proposal (for those invited to submit by the foundation) and a panel review. Panel recommendations are forwarded to Creative Capital's board of directors, who chooses which projects will be accepted.

To be eligible, artists must be permanent residents or citizens of the United States, at least 25 years old and able to demonstrate 5 years of experience (Creative 2005). Collaborative projects are eligible, but a single individual must be designated the project leader. 501(c)3s are ineligible, but individuals from these organizations can apply as individual artists. Applications are judged primarily on evidence that they are innovative.

Services: Creative Capital provides funded projects with a series of professional development workshops and periodic retreats, both of which are designed to advance projects' sustainability and self-sufficiency. In addition, projects are eligible to receive additional funding to address specific problems that arise during the three to four years that Creative Capital works with them.

Social Venture Partners (SVP), Cleveland, Denver, Seattle

Mission: SVP is a dual mission organization. We seek to be both an engaged grantmaker as well as a catalyst for smart giving (flagship program, based in Seattle).

To enable and catalyze a federation of SVPs with a shared mission and principles, support the mission of local SVPs, develop and maintain integrity of Social Venture Partners/SVP model and brand and build a highly effective network for knowledge and best practices sharing (Social Venture Partners International).

Cleveland Social Venture Partners is a philanthropic venture fund that supports nonprofit organizations in Cuyahoga County, Ohio. Using the venture capital approach, our Partners contribute their pooled funds in selected nonprofits and at the same time actively nurture

their financial contribution by offering their time and professional expertise (Cleveland SVP).

To catalyze positive social change by strengthening local nonprofit organizations through targeted investments of our Partners' time, expertise and money; and provide opportunities for our Partners to become better-informed and effective philanthropists (SVP Denver).

Background: SVP was founded in **1997** to serve as a venture philanthropy program for greater Seattle. The organization was viewed as a national best practice in philanthropic investment, and subsequently, 24 affiliates have been established nationwide. In **2001**, SVP International was founded to serve as a support organization for these affiliates. Cleveland SVP was also founded in 2001 (the founding date of SVP Denver was unavailable).

To date, SVPs have secured the participation of **1,611 donors nationwide**, supported **161** projects and distributed over **$16 million** in grant funding. Cleveland SVP has 39 investors, 3 projects and total distributions of $155,000. SVP Denver has 51 investors, 8 projects and $949,650 in distributed grants (Social 2005).

Budget: Social Venture Partners: Total Revenue, $2.67 million; Total Expenses, $1.46 million (2003).

Social Venture Partners International: Total Revenue, $297,755; Total Expenses, $258,970 (2003).

Cleveland Social Venture Partners: Total Revenue, $202,382; Total Expenses, $187,270 (2003).

No financial information available for Social Venture Partners Denver.

Venture overview: SVPs pool relatively small donations (e.g. $1,000, $5,000) from individual donors and collectively fund a small group of local nonprofits. The individual donors are actively involved with developing strategies for advancing funded organizations and providing additional advice and assistance. Many donors take seats on the organizations' boards of directors.

Each SVP chooses different funding areas in which to invest, such as economic development, education and quality of life. No affiliates have chosen arts and culture as their primary focus. To date, SVPs have been much more inclined to fund social service and education initiatives than arts and culture organizations; at least two affiliates, however, have done so. SVP Denver supports the Center for Visual Arts in its efforts to provide "arts enrichment programs for youth in low-income housing communities" (Social Venture Partners Denver 2005). Cleveland SVP supports the West Side Theatre in their capacity building efforts. Both organizations received their funding based in part on their existing service record in youth development. Relationships between SVPs and funded projects typically last several years. In Cleveland, for instance, the SVP plans to work with organizations for three to five years, and up to seven years if they feel the extra time is warranted

Application process: Application processes vary from city to city. SVP Denver uses a similar process that also takes approximately four months. Applicants are judged on evidence of entrepreneurial attitude, ability to collaborate with other organizations and ability to measure results. The organization also requires that applicants meet three of the following seven characteristics: Promote quality time with adults; provide a safe place to learn or socialize; offer activities that teach life skills; encourage youth to contribute back to the community; involve youth in the design, implementation and evaluation of the program; incorporate technology; and provide programs in art, music or reading (2005, Social Venture Partners Denver).

Services: Just as with other elements of the SVPs, services vary from affiliate to affiliate. The core SVP philosophy, however, is that donors have direct and frequent contact with the organization's leadership. Donors often advise funded organizations on how to advance their capacity and to refine their business skills.

Fiscal Sponsorship

While venture capital strategies nurture projects that are likely to have high financial returns, fiscal sponsorship relationships are often designed to nurture projects that are *unlikely* to turn a profit. Sponsorship strategies support projects that have primary aims besides profit. The method is typically used to assist projects and organizations that behave like 501(c)3s but, for whatever reason, have not incorporated as a nonprofit. The fiscal sponsor allows individual artists and emerging organizations to use its 501(c)3 status to access funding sources traditionally reserved for nonprofit organizations (i.e. foundation support, government support and individual donations).

Legally, nonprofits can only sponsor projects that advance their mission. A homeless shelter, for instance, would be unlikely to sponsor a theater project with a largely suburban audience. Funders interested in establishing a fiscal sponsorship program can either carry out the project "in-house" or create a separate umbrella organization that provides this and any ancillary services.

While a foundation can still employ this method as an economic development strategy, the project itself cannot be primarily interested in making revenue. Legally, sponsored projects can later become for-profit entities, but they must have an initial charitable intent. Many documentaries, for instance, are fiscally sponsored because they have an educational mission and do not anticipate generating revenue. If the project later begins generating earned income (from ticket sales, commercial distribution, etc.), it can divert this revenue to a private company.

Because of these legal requirements, funders are most likely to use this mechanism to support emerging organizations or individual artists who are advancing a charitable mission but who are not incorporated as nonprofits. Below, we explain the specifics of the fiscal sponsorship model and how it has been applied to funding of arts and culture.

Strengths & Weaknesses

The primary benefits of fiscal sponsorship include:

- **Access to funding:** Fiscal sponsorship allows non-incorporated arts-based projects to access funding opportunities typically reserved for 501(c)3 organizations.
- **Early support:** Fiscal sponsorship gives projects that intend to eventually incorporate as nonprofits an opportunity to collect funds while they work to establish their organization. Because the IRS's incorporation process can take several months, this strategy gives projects the opportunity to raise start-up funds early in the process.
- **Overcoming mandates:** Laws and statutes can sometimes limit funders' abilities to donate to a non-incorporated project (particularly when the funder is in the public sector). Fiscal sponsorship allows government agencies and other funding organizations to legally fund projects that do not have their own 501(c)3 statuses.
- **Incentive for individual donors:** Fiscal sponsorship allows individual donors to claim tax deductions on their donations to non-incorporated arts projects. In reality, these donors are contributing to the fiscal sponsor rather than the sponsored projects (see explanation below).
- **Expanded mission impact:** Because fiscal sponsors are legally required to support only projects that advance their missions, sponsored projects expand programs and services that advance the sponsor's mission.
- **Revenue source:** Fiscal sponsors typically charge administrative fees to participating organizations. Some sponsors are able to generate so much revenue from for-service fees that they do not have to rely on grant support. This revenue stream allows sponsoring organizations to sustain fiscal sponsorship into the future.

The primary weaknesses of fiscal sponsorship include:

- **Legal liability:** Failure to fulfill legal sponsorship obligations can have serious ramifications. If a project fails to behave like a charitable organization (e.g. if it has private investors or conducts extensive advocacy work), or if a fiscal sponsor fails to maintain proper control and discretion over the projects, donors could lose their tax deduction, projects could lose their funding and be required to remit earlier funding and sponsors could lose their nonprofit status.
- **Limited profit ability:** Sponsored projects cannot seek to make a profit as their primary motive or have private investors who stand to make a monetary gain. While projects can change to a for-profit status fairly easily in the future, fiscal sponsors are prohibited from sponsoring projects that fail to meet these requirements at the project's inception or that breach them while the projects are still receiving charitable donations.
- **Resource requirements:** Administration of a sponsorship relationship requires a great deal of time from both the sponsor and the project administrators. To fulfill legal requirements, a sponsor must also have enough organizational capacity to monitor projects and to maintain discretion over their funds.
- **Conflicts of interest:** The fiscal sponsor may compete directly against its projects for foundation and government funding. This can cause not only awkward work

    relationships but can also result in a direct conflict of interest if the fiscal sponsor is also providing fundraising assistance (e.g. reviewing grant proposals before they are submitted) (Kaderlan 1998).

■ **Limits on project powers:** While fiscal sponsorship does give non-incorporated projects access to new funding streams, it does not give them the full power of nonprofits. For instance, non-incorporated projects still lack "tax exempt purchasing power".

■ **Limits on project activities:** Even though projects do not have the full powers of nonprofits, they are often expected to behave as such (since their activities are linked to the sponsor's 501(c)3 status). Projects cannot be overtly political and organizations cannot sponsor projects that would be rejected for 501(c)3 status because of political themes or goals. This can limit the content of the artistic product.

Examples

Fractured Atlas, New York City

Mission: "Fractured Atlas provides services, resources, and support to liberate a nation of artists. From healthcare to publicity to creative development grants, we supply critical tools for independent artists and arts organizations so they can focus on their creative responsibilities. By nurturing today's vital but underrepresented voices, we hope to play a role in fostering a dynamic and diverse cultural landscape of tomorrow."

Background: Fractured Atlas was founded in **1997** as a national service organization for individual artists. By creating support relationships with artists through the Internet, it has been able to provide base services nationwide and at a much lower cost than other service programs. The organization currently sponsors approximately **250 arts and culture projects**.

Budget: Total Revenue, $347,776; Total Expenses, $312,956 (2002-2003)

Fiscal sponsorship overview: Fractured Atlas provides fiscal sponsorship opportunities for artist-driven projects nationwide. While most fiscal sponsors tend to focus their energies on arts projects in a particular geographic location, Fractured Atlas has tapped the power of the Internet to build relationships with arts projects across the country, although most sponsored projects are located in the greater New York City region. Because sponsored projects interact with the organization primarily via the Internet, project leaders are responsible for primary management of their project's finances (Fractured 2005). To supplement this relationship, Fractured Atlas maintains a detailed online forum regarding fiscal sponsorship, and participants on the forum have noted that staff members respond to posts incredibly quickly (Fractured 2005a).

Application process: The organization's board of directors reviews applications on a monthly basis and approves projects "based more on the project's fit within Fractured Atlas' mission than on its artistic merit" since they do not feel it is their responsibility to "place artistic judgments on [their] members' work" (Gray 2004).

Services: Fractured Atlas assists members with securing health insurance for their project's workers, marketing of those projects, workshops and consultancies.

Project administration and financing: Once accepted into the fiscal sponsorship program, projects are responsible for managing their own finances and reporting twice annually to Fractured Atlas. This allows the organization to focus resources on reaching a larger number of groups, rather than focusing support services on a smaller group. Fractured Atlas releases funds to projects as needs arise (rather than giving them the full amount up front).

The organization also operates a donor-advised fund (which they call the Emerging Artists Fund). This fund allows donors to make sizable contributions to the emerging artists of their choice. As with other fiscal sponsorship funding streams, donor-advised funds can only recommend that their funds be directed toward a sponsored project; Fractured Atlas retains the right to redirect these funds elsewhere. The key advantage of this relationship is the ability to direct sizable contributions from individual donors to non-501(c)3 projects, without requiring the donor-advised fund to behave like a private foundation (e.g. distributing at least 5 percent of their holdings annually).

Fee structure: Fractured Atlas charges members an annual membership fee ranging from $75 to $500, depending on whether the project is headed by an individual artist or emerging organization, the number of staff members involved and whether Fractured Atlas will be assisting project members in obtaining health insurance. The sponsor charges an additional 5 percent administrative fee on all grants (Fractured 2005).

Tides Center, San Francisco, Pittsburgh

Mission: "The Tides Center strengthens the roots of the social change movement by partnering quality management services with creative programmatic endeavors."

Background: The Tides family of organizations is nationally renowned for its success in building the capacity of social justice-oriented projects. The Tides Foundation is one of the largest funding sources for grassroots organizations in the United State; the Thoreau Center for Sustainability provides office space to approximately 50 social justice programs in San Francisco; and Groundspring trains social justice organizations to use the internet to maximize their marketing and fundraising.

The Tides Center, meanwhile, provides comprehensive business skill development and includes a fiscal sponsorship program. It was founded as a project of the Tides Foundation in **1979** before becoming an autonomous organization in **1996**. While not geared solely toward arts projects, the program is being used by a number of arts-based emerging organizations. The Center serves over **350 projects in 40 states and 12 countries**.

Budget: Tides Center – Total Revenue, $56.41 million; Total Expenses: $57.12 million (2002-2003); Tides Center Pennsylvania – Total Revenue, $9.94 million; Total Expenses, $10.07 million (2002-2003).

Fiscal sponsorship overview: The Tides Center uses fiscal sponsorship as a base of many services, acting as an active incubator for emerging organizations. This model has been recognized nationally as a best practice method of serving nonprofits. In 2001, for instance, civic leaders in Pennsylvania convinced the Center to initiate a "sister" center in Pittsburgh. Today, Tides Center (PA) serves over **30 organizations in the Greater Pittsburgh area**.

Application process: The Tides Center chooses projects based on their ability to fall within the Center's mission (toward advancing social progress) and their willingness to make a one-year commitment to working with the Center. Currently, the organization only accepts applications from projects with at least a $100,000 operating budget.

Services: The Tides Center is committed to providing comprehensive services to its projects. The Center offers administrative assistance, a project "extranet", independent auditing, financial training, copyright assistance, bulk mailing, employee benefits, payroll, human resources training, insurance and legal counsel. A number of San Francisco projects also benefit from being co-located at the Thoreau Center, where they have access to shared office space and equipment.

While the Center does not directly assist with fundraising, it does help sponsored projects track their fundraising strategy and reviews grant proposals. Projects are also eligible to apply for funding from the Tides Foundation, although no special preference is given (while the Tides Center and Tides Foundation still work closely as collaborators, they are wholly independent organizations).

The organization provides a great deal of financial services for organizations, but it is also committed to increasing projects' self-sufficiency. It provides services specifically geared toward preparing projects for "closure," a term used to describe projects becoming fully independent from the Tides Center. Some projects work quickly to obtain independent 501(c)3 status and separate from the Center; others remain projects of the Center for years.

Project administration and financing: All individuals working as project staff are considered employees of the Tides Foundation.

The Tides Center retains copyright, trademark and other intellectual property rights associated with projects, but individual projects retain royalties and other generated revenue.

Fee structure: The Center charges a 9 percent administrative fee for the first $1 million in revenue that a project generates annually, 6 percent for funds above $1 million and 15 percent for government grants (the program only accepts projects with operating budgets of at least $100,000).

Collaborating for Success

Introduction – Collaborative Methods for Strengthening Operational Capacity

Many non-profit and for-profit organizations, often spurred by changes in the competitive environment, have discovered the value of collaboration as a means to address issues of common cause. Benefits often include growth, economies of scale and scope, access to capital, increased political and economic clout and improved strategic position (McLaughlin 2003). Collaborative methods can take the form of loosely structured alliances, highly organized shared services programs or outright mergers. Outlined in detail below are four collaborative methods (alliances, incubators, shared services and mergers) that have been employed to strengthen and advance the operational capacity of for-profit and non-profit organizations alike. Each collaborative model includes an introductory overview, analysis of strengths and weaknesses and concrete examples of how the methodology has been employed in the past.

Alliances

An alliance is a close association of groups formed to advance issues of common cause. Alliances often arise out of a need to share information, ideas and best practices or the desire to initiate a project that will have both individual organizational and group-wide benefit (for example, research or joint marketing). They can be loosely or highly structured, with groups communicating solely via the Internet or in person at regularly scheduled meetings and conferences. A clear identity and purpose, as well as understanding of the individual and mutual benefit derived, are critical to the success of an alliance. An alliance involves no change in the individual corporate structures of the participating organizations, but the environment sees these distinct interests acting as one (McLaughlin 2003).

Strengths and Weaknesses

Each collaboration model has its strengths and weaknesses depending upon what the collaborating organizations seek to accomplish. The strengths of the alliance model are:

- **Cross-pollination of ideas:** Allows organizations to learn from one another and increase the knowledge base of the collective as a whole.
- **Economies of scope:** Allows participating organizations to do more with less money.
- **Increased political and economic clout:** Because the environment sees the alliance as many corporate interests acting as one, the group, and therefore the participating organizations, become more powerful.
- **Collective problem solving:** Provides a mechanism for discussing and addressing issues of common cause.
- **Low risk:** Organizations may elect to participate in or abandon the alliance at any time. (This is both strength and weakness, because the success of the alliance depends upon participation).

- **Low investment:** Organizations often pay only a modest fee to participate (if that); the remainder of the investment is primarily human.

The alliance model also has its weaknesses, specifically:

- **Low Risk, Low Investment = Limited Return:** Because the risk of participation and investment are both fairly low, the accompanying return may also be limited if the alliance is not structured thoughtfully.
- **Fails to address issues of capacity:** Alliances are limited in their ability to address issues of capacity in small to mid-sized organizations. Specifically, the alliance model does not address the prevalence of small staff sizes, limited funding for start-ups, and duplication of positions, programs and services among smaller organizations.

Examples

Arts Services Coalition of Boston (ASC):

Mission: The mission of the ASC is to provide leadership, training and resources to strengthen the infrastructure for arts organizations and artists in Greater Boston, in order to sustain a vital and empowered arts and cultural community. To do this, the ASC:

- Identifies shared issues and concerns that face the arts sector across all disciplines;
- Leverages the joint capacities of the membership to offer information and quality programming; and
- Serves as a collective and influential voice for the arts community.

Background: The ASC got its start in June of 2000, when a group of Boston-based arts service organizations came together to learn more about each other's organizations. During the process, participants were struck by their common struggles as small nonprofit arts organizations; specifically, that they were competing for the same limited resources. The group recognized the benefits of collaborating to meet some of their basic needs, including shared space, staffing and fundraising. The result of these discoveries was the ASC, a group committed to excellence in the delivery of arts services for Massachusetts' cultural community.

Budget/Financial Support: No budget information is available. The ASC is supported by membership fees and project-based grants. Volunteer Lawyers for the Arts serves as the fiscal sponsor for the ASC.

Structure: The ASC is comprised of Core Members and Affiliate Members. Core members are organizations whose mission is directly tied to providing services to artists and arts and cultural groups in Boston. Affiliate members are organizations that benefit from association with ASC or seek to support ASC. The ASC is governed by an Executive Committee consisting of leadership from the founding Core Member organizations.

Programs and Services: The five-year goals of the ASC are:

- To provide a well-planned menu of arts services for arts organizations and artists.
- To be an influential voice in the arts sector, based on its collective knowledge of arts service needs.
- To work to stabilize the arts services sector.
- To be a healthy, growing member organization.
- To be a recognized resource for arts organizations and artists of all disciplines.

A specific example of the coalition's programs and services includes development of *The Guide to Arts Services in the Boston Area*, a listing of the services available to individuals and organizations in the arts and cultural sector.

Performing Arts Research Coalition (PARC), Washington, DC

Mission: PARC is a collaborative project designed to improve and coordinate the way performing arts organizations gather information about the sector. The group hopes to offer a more unified and fact-based voice on issues of common concern and develop a national model for research in the performing arts. Through the research, PARC endeavors to help performing arts organizations across the United States significantly improve their management capacity, increase their responsiveness to their communities, and strengthen local and national advocacy efforts on behalf of American arts and culture.

Background: PARC was founded in response to the need for comprehensive, standardized information about performing arts organizations and their patrons that could be compared across cities. The goal was to promote better coordination of research, improved operations and more effective advocacy by the performing arts community.

Budget/Financial Support: PARC is funded by a three-year, $2.7 million grant to Opera America from the Pew Charitable Trusts.

Structure: PARC is a partnership of five national performing arts service agencies: American Symphony Orchestra League, Association of Performing Arts Presenters, DANCE/USA, Opera America and Theatre Communications Group. Opera America serves as fiscal sponsor and facilitator for the initiative.

Programs and Services: PARC is collecting data on administrative expenditures, revenues and staffing characteristics of performing arts organizations, the value of the performing arts as experienced by participants and non-participants in the arts and audience/subscriber satisfaction with performances. To date, PARC has issued four studies: *The Value of the Performing Arts in Five Communities: A Comparison of 2002 Household Survey Data; The Value of the Performing Arts in Five Communities 2: A Comparison of 2002 Household Survey Data; The Finances of Non-Profit Performing Arts Organizations in 2001 and 2002; and The Value of the Performing Arts in Ten Communities: A Summary Report.*

Incubators

An incubator is a method of supporting small or emerging organizations by offering low cost or subsidized space and services. Incubators typically offer shared conference facilities, technology and other equipment. They often offer some administrative support, as well as training and consulting appropriate to emerging organizations. For tenants of an incubator, consulting often involves some strategy/work plan development designed to build the capacity of the organization and prepare them for self-sufficiency. Shared information related to fund development – funders and funding deadlines – is often available in nonprofit incubators. There is usually a monthly membership fee for tenants of the incubator. Some incubators provide memberships to "non-residents", enabling them to access training, vendor discounts and other information resources. The membership fee varies based upon the level of service being provided (Kahn 1995). Though not typically considered a collaboration model, an incubator identifies the common cause issues of emerging organizations and develops shared programs and services to meet the needs of that client base. It specifically centralizes certain functions, many of which would be crippling for an emerging organization to implement in their early stages of development.

Strengths and Weaknesses

As with other collaboration models, incubators have their strengths and weaknesses. The strengths of the incubator model are:

- **Builds operational capacity:** By providing technical assistance and consulting services at a reduced rate, organizations are able to build their operational capacity around key business practices.
- **Offers reduced-rate, shared space:** By being part of an incubator, organizations are able to reduce the cost of space and equipment. They are also relieved of the responsibility of handling space and technology-related matters.
- **Provides centralized information:** Because operation information needs, especially with regard to fundraising, are standardized across many nonprofit organizations, tenants benefit from a centralized source of such information. They do not need to spend time compiling the information individually.
- **Cross pollination of ideas:** Organizations benefit from the opportunity to share challenges, ideas and information with organizations of similar size – which could lead to collective problem solving.

Most of the weaknesses of the incubator model are related to what happens after a tenant "graduates":

- **Does not reduce duplication:** Once an organization leaves an incubator, they have to hire staff or consultants to complete the functions previously provided by the incubator. This results in many small organizations looking for funds for the same types of positions, or in other words, redundancy. The economies of scale and scope are lost.
- **Limited financial capacity reduces quality:** The reality of many emerging organizations, especially in times of competition for scarce resources, is that they do

not have the financial capacity to acquire the quality they could achieve collectively (as with the incubator). Moreover, even though the professional development they receive in the incubator may be substantial, the human and financial capital available to implement best practices is limited, which affects their ability to serve their audience well.

■ **Organizations subject to market rates:** Once an organization graduates from an incubator, they are subject to market rates for space and other key services previously provided by the incubator. These costs can be crippling for a small organization.

Examples

Arts and Entertainment Management Project at the Athenaeum Theatre (Formerly Arts Bridge), Chicago

Mission: The mission of the Arts and Entertainment Management Project at the Athenaeum Theatre (Arts Bridge) is to strengthen the economic viability of Chicago's nonprofit arts community by connecting emerging and underserved cultural groups with arts management expertise and a professional business environment, and to provide artistically and culturally diverse groups access to an extensive network of business services, which prepares them for success in the competitive arts market. (Gerl)

Background: Founded in 1987, Arts Bridge is the oldest arts incubator in the United States. The organization, which used to function as independent 501(c)3, operated out of the Athenaeum Theatre until 2003. It has since changed its name to the Arts and Entertainment Management Project at the Athenaeum Theatre, and appears to be operating under the auspices of the Athenaeum Theatre.

Budget/Financial Support: Unavailable

Structure: Operates as a program of the Athenaeum Theatre. The theatre provides rehearsal and performance space, office space and presents Dance Chicago (an annual festival of Chicago dance).

Programs and Services: Provides technical assistance to emerging and established arts organizations. Groups may take advantage of subsidized rent as well as monthly seminars, individual consulting and a quarterly Newsletter. The newsletter contains information about deadlines for grant submissions and legal commentary for the arts community. The project also offers a mediation service designed to provide an efficient, fast and inexpensive dispute resolution service for the arts community. The project is establishing a collective of the tenants at The Athenaeum, with the aim of planning a Festival at the site and fostering cooperation and developing audiences.

Fees: The membership fee is $100, which includes legal consulting, seminars and reduced-rate mediation services. Tenants incur an additional charge for office space rental.

Entergy Arts Business Program, New Orleans

Mission: To create an arts management resource center and a professional business environment that serves the creative and administrative growth of visual and performing artists and arts organizations (Gerl 2000).

Background: The Entergy Arts Business Program was founded in 1991 to provide a centralized source of easy practical business information for individual artists and arts organizations. The idea was to develop a place where individuals and groups could learn, grow their businesses and share ideas.

Budget/Financial Support: $180,000 (2000)

Structure: The Entergy Arts Business Program was founded in 1991 and is operated by the Arts Council of New Orleans.

Programs and Services: Provides furnished and unfurnished office space, office equipment, peer support, technical assistance, monthly workshops and forums, referrals, Louisiana Volunteer Lawyers for the Arts, group health insurance and consultations. Some services are also provided to non-tenants.

Fees: Fees are $150 for organizations or $50 for individuals per year plus reimbursements, rent is $100-$675 per month; workshop and referral fees are $5 - $45. With the exception of rent – which is not a service for non-tenants – the fees for members are the same.

Cultural Arts Council of Houston/Harris County Arts Incubator Program

Mission: To nurture, fund and promote participation in the arts of Houston and Harris County (Gerl 2000).

Background: The Cultural Arts Council of Houston/Harris County established the Arts Incubator Program in 1995 in an effort to develop the emerging arts organizations of Houston.

Budget/Financial Support: $55,000 + Staff Expenses (2000)

Structure: The program is provided by the Cultural Arts Council of Houston/Harris County. Organizations seeking to participate in the program go through a panel review process when openings are available.

Programs and Services: The program provides promising emerging arts organizations with office space, access to shared meeting space and office equipment, administrative assistance, workshops, consulting and mentoring for up to three years.

Fees: $125 per month (includes rent), plus hourly equipment fees and reimbursements; computer use is free and unlimited.

Shared Services

The shared services model is a methodology employed when a group of companies or business units decide to share common, typically transactional services such as accounting, human resources, information technology or marketing. While shared services and alliances share many features and may appear similar, there are distinct differences. Alliances are informal networks. Requirements for entering or exiting an alliance are low. Conversely, shared service arrangements are typically formal. Participants enter into a contractual relationship, with specific rights, responsibilities and legal requirements.

The idea behind shared services is to consolidate and support redundant functions. Factors contributing to the success of a shared services model include, in addition to content experts, a project manager and a clear service level agreement (Frase-Blunt 2004). The project manager should be comfortable with systems, process redesign and large-scale change management. The service level agreement should outline the services to be provided, the unit price of each service, the estimated demand for the service for the service period, dates of the service period, and the contact name of service provider

Strengths and Weaknesses

The shared services model is relatively new to the non-profit sector, although it has been utilized in the for-profit sector for many years, specifically as an alternative to outsourcing. Again, as with other models it has its strengths and weaknesses. The strengths of the shared services model are:

- **Reduces redundant functions:** The shared services model reduces the need for duplication of positions across organizations, which is especially important in times of significant competition for scarce resources.
- **Economies of scale and scope:** The model produces economies of scale and scope on common transactional activities such as accounting, human resources management, information technology, marketing and shared sourcing and purchasing.
- **Provides a higher quality of service:** Opportunity to provide a higher quality of service, at a reduced cost, than could be achieved individually.
- **Preserves institutional memory:** The shared services model preserves institutional memory, which can often be lost as a result of outsourcing.
- **Maintain autonomy:** The shared services model allows organizations to benefit from consolidation of services, while continuing to maintain their autonomy.

The weaknesses of the shared services model are:

- **Requires high level of integration:** Because shared services involve the consolidation of redundant functions, it requires a high level of collaboration among the participant groups. To achieve full value, organizations must commit to purchasing through the shared services model.
- **Success is dependent upon cost reduction, higher quality and added value:** Shared services must be able to achieve savings organizations could not receive on

their own. Organizations must be able to perceive higher quality and added value as well.

- ■ **Concerns over competition:** There may be some sensitivity to sharing services with direct competitors. Organizations must be able to ensure that the value from collaboration with competitors strengthens their capacity instead of detracting from it (especially in terms of fundraising). Organizations will want to know that they are autonomous from one another and that their proprietary information is kept that way.

Examples

Pittsburgh Cultural Trust Shared Services Project

Mission: The Pittsburgh Cultural Trust is a nonprofit organization created to stimulate the economic and cultural development in Pittsburgh through development and promotion of a downtown entertainment district.

Background: The Shared Services project was launched as a pilot project in 2000 as a way to facilitate collaboration amongst the major performing and presenting organizations in Pittsburgh: Pittsburgh Ballet Theatre, Pittsburgh CLO, The Pittsburgh Cultural Trust, Pittsburgh Opera, Pittsburgh Public Theater and the Pittsburgh Symphony Orchestra. These organizations found that their individual efforts to support their activities, from marketing to research to box office operations, were duplicative. Recognizing this, the groups, supported by the Heinz Endowments, began a planning process to identify ways to achieve economies of scale in their operations. Through the planning process, the six groups settled on the following goals that would drive the project's efforts: increasing revenue opportunities, improving customer service and seizing cost-sharing efficiencies.

Budget/Financial Support: Shared Services is paid for via a 50-cent surcharge on all tickets sold through the Pittsburgh Cultural Trust.

Structure: Shared Services is a division of the Pittsburgh Cultural Trust and it operates with a five person staff, including a Director, Assistant Director, Associate and two Ad Sales Associates. Shared Services reports to an oversight committee composed of the board chair and executive directors of each of the six members as well as representatives from the Heinz Endowments. Each of the six organizations has one vote in all Shared Services decisions.

Programs and Services: The Trust provides three services, through the Shared Services Project, to the six performing arts groups in the theater district. They are (in chronological order of being offered): shared sourcing and purchasing, marketing, and ticketing. Shared Services oversees the purchasing of health insurance and printing, coordinates joint marketing initiatives - including operating the shared marketing database – and manages the implementation of the ticketing system Tessitura.

Fees: The six-member organizations of the trust do not pay a fee for the shared services model. See budget/financial support.

American Cancer Society (ACS), Atlanta

Mission: The mission of the ACS is to eliminate cancer as a major health problem by preventing cancer, saving lives and diminishing suffering from cancer. The organization accomplishes this through research, education, advocacy and service.

Background: The ACS Shared Services Business Unit was launched in 2001. The business unit includes a financial component and a distribution and fulfillment center.

Budget/Financial Support: Information not available.

Structure: The shared services business unit is a separate business unit of the ACS and is governed by a Shared Services Leadership Council. Each of the services provided by the unit is supported by a dedicated team. The business unit provides services to the headquarters and all divisions of the ACS.

Programs and Services: The shared services business unit provides typical transactional activities, such as donations processing, accounts payable and receivable, travel and expense reimbursement, data management, strategic sourcing and purchasing, inventory management and order fulfillment.

Fees: Information not available.

Mergers

A merger is the unification of two or more legal entities into one single entity. This form of collaboration requires the highest level of integration, specifically involving a change in the corporate structure of the merging organizations. Further, a merger involves moving from multiple boards of directors to one board of directors. Unlike in other collaboration models, where the focus is typically on achieving operational efficiencies, the focus of a merger is typically related to strategy. Mergers can regularly take six to nine months to complete and require a significant level of patience and planning. Moreover, critical juncture financing is absolutely necessary to achieve maximum return on investment. Market area overlap, geographic compatibility, service compatibility and the absence of a permanent executive director are all important factors when considering the merger model. It is important to note that financing specifically dedicated to the restructuring process is incredibly important to the success of a merger (McLaughlin 2003).

Strengths and Weaknesses

The merger model of collaboration is the riskiest of all collaboration models described thus far. As such, it has important strengths and weaknesses worth considering. The strengths of a merger are:

- **Improved strategic position:** A merger can improve the strategic position of an organization by consolidating or discontinuing weaker performing units and

strengthening and expanding growth opportunities. It can also facilitate diversification in an organization's portfolio of products and services.

- **Economies of scale and scope:** A merger can enable organizations to acquire products and services at a lesser cost due to the organization's size. A merger can also enable organizations to provide a greater variety of services at a lesser cost.
- **Increased economic and political clout:** A merged organization captures the client bases of the distinct organizations, providing a broader base of support for the organization's activities.
- **Higher quality of service:** A merged organization can provide higher quality service because the infrastructure (staff, space, human and financial resources) is in place to support it.
- **Higher risk = potential for higher returns:** Mergers are very high risk because they involve the joining of two or more organizations that may have very different cultures of operation. This higher risk can translate into substantially higher returns, specifically related to cost savings, product offerings and quality.

The weaknesses of the merger model:

- **Loss of autonomy:** A merger results in each organization relinquishing autonomy in favor of a new organization. In addition, some programs/activities may get lost in the new organizational structure.
- **High-risk proposition:** Mergers can result in loss of staff as a result of their inability to cope with a new organization. They can also generate discontent in their human and financial support base if supporters are unclear about the new organization's mission and purpose.

Examples

Greater Pittsburgh Arts Council

Mission: The mission of the Greater Pittsburgh Arts Council is to empower artists in the region, to serve as the collective voice of the arts community, and to expand the regional influence of the city's arts community.

Background:.The Greater Pittsburgh Arts Council is the result of a merger between two Pittsburgh-based service organizations, the Greater Pittsburgh Arts Alliance and ProArts. Prior to the merger, The Greater Pittsburgh Arts Alliance focused on advocacy at the local, state and national level. ProArts focused on building the capacity of arts organizations by providing a shared ticketing service, educational programming and grants.

Budget/Financial Support: Information not available.

Structure: The merged organization is governed by a board of 30 members, 10 from ProArts, 10 from the Greater Pittsburgh Arts Alliance and 10 new members chosen by the other 20.

Programs and Services: The Greater Pittsburgh Arts Council offers advocacy services, consulting, education and training, grants and a joint ticketing service.

Fees: Membership fees for arts organizations ranges from $100 to $7,500 annually, based upon an organization's budget size. Membership fees for individual artists are $50 annually.

Conclusion

This briefing paper has illustrated two methods with several related examples for assisting the undercapitalized arts and culture sector: increasing the financial strength of artists, small arts and culture businesses and emerging arts and culture nonprofits; and increasing the strength of their operations. Here are some closing considerations for organizations that are considering providing such services.

First, foundations and support organizations should note that each of the methods described in this paper (fellowships, venture philanthropy, fiscal sponsorship, alliances, incubators, shared services and mergers) are meant to serve as models. In real life, the lines are often blurred between one model and the next. Elements from some strategies can be merged with elements of another, or a sponsoring organization could develop a new model tailored to their goals and to the needs of their constituents. Many of the examples cited in this paper have done just that, in order to increase the effectiveness and efficiency of their services.

Second, before launching a support program for undercapitalized arts and culture constituents, an organization must have a clear understanding of what they hope to accomplish through the strategy. An organization that lacks time and financial resources, for instance, might not be suited to administer a venture philanthropy program or to run an arts and culture incubator. Organizations should be able to articulate who they hope to reach with their support services, what their specific goals are and what specific outcomes they anticipate.

Finally, it is important to actively engage constituents in the design of any program meant to support them. This initial briefing paper provides a cursory overview of strategies for supporting undercapitalized projects, but an organization should be prepared to research the specific needs of their particular market. The foundation or support organization should understand how constituents operate their businesses or nonprofits, and for whom. Constituents (artists, arts and culture businesses and/or arts and culture nonprofits) should also be interviewed to determine what *they* perceive their needs to be, as well as what resources they are willing to expend in support of the project. From these discussions, the sponsor of financial and operational support services can gain an understanding of what their constituents collectively need and where the functional gaps exists.

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