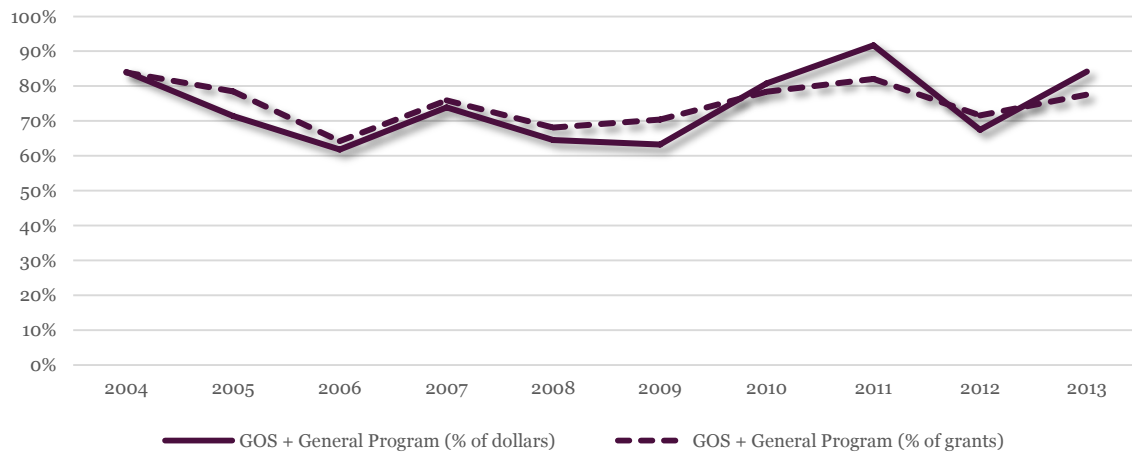


# Performing Arts

**Date:** July 1, 2014  
**To:** Hewlett Foundation Board of Directors  
**From:** John E. McGuirk  
**Subject:** Performing Arts Program Grant Trends Analysis 2004-2014

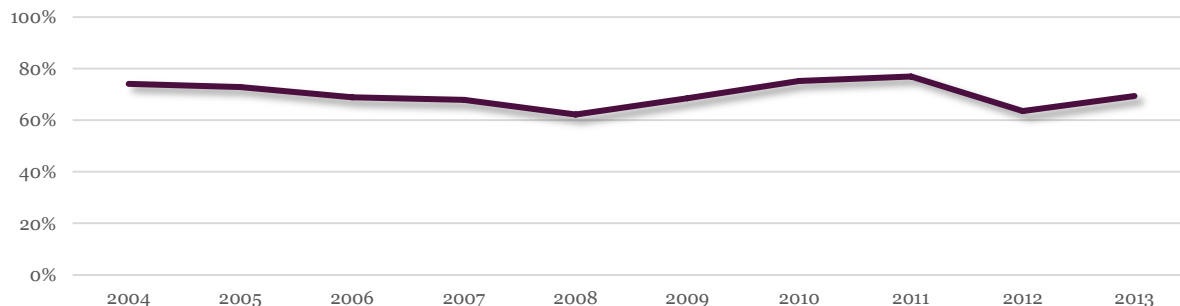
## I. Introduction

For many decades, the Performing Arts Program has held a value for multiyear general operating support as a primary means for helping nonprofit organizations achieve long-term impact. We have a presumption that a grant will be multiyear GOS, as long as the organization's mission closely aligns with Program's strategic framework. Multiyear GOS is especially important for arts grantees, because it provides reliable and flexible financial capital that is essential for taking artistic risks. In any given year 70 to 85 percent of Performing Arts grants are GOS and General Program Support:



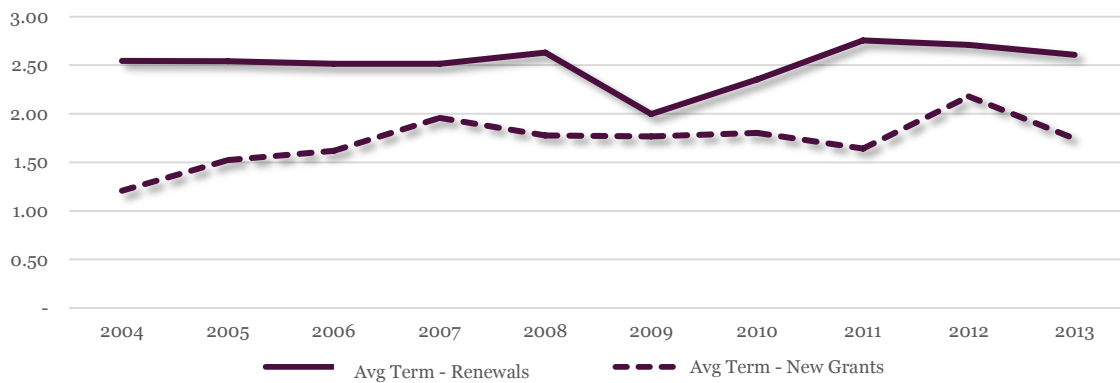
We also take a long time horizon when investing in arts organizations, and tend to have deep ongoing relationships with grantees. For example, in any given year, renewals of existing grants range from 65 to 75 percent of our total budget. This demonstrates our continuing commitment to a broad constellation of performing arts organizations throughout the Bay Area.

### Renewals (% of grants)



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Finally, we strive for long grant terms when appropriate. Renewals have average grant terms of approximately 2.5 to 3 years, while first-time grantees tend to have shorter terms of approximately 1.5 to 2 years:

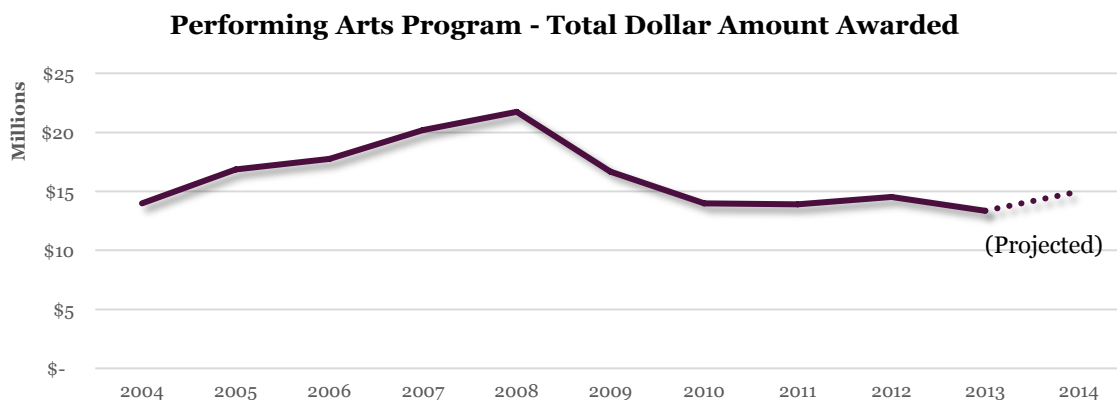


## II. Performing Arts Grantmaking Over the Past Decade

We believe this approach to multiyear GOS and our long-term commitment to grantees are two key factors that produce very high scores on the Grantee Perception Report for our understanding of and impact on the field, our impact on grantees, and the improved ability of our grantees to sustain future work.

### A. Rapid Growth, 2004–2008

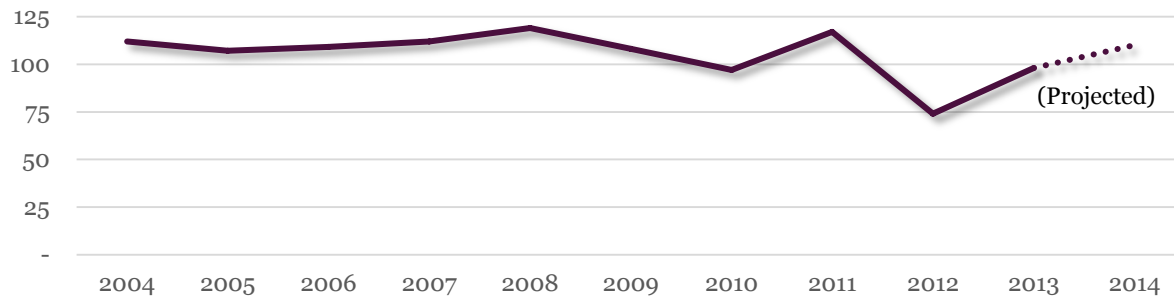
As Foundation assets grew rapidly in these years, so did the Performing Arts grantmaking budget—increasing from approximately \$14 million in 2004 to a peak of \$21 million in 2008.



Correspondingly, the quantity of grants and the grant amounts also increased during this period. The large majority of these grants continue to be multiyear GOS with 3-year terms.

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**Performing Arts Program - Number of Grants Awarded**



Note the spikes in the number of grants in 2011 and 2014. These result from the interplay of our commitment to 3-year grants and the 2008 economic downturn. We made fewer grants in 2009 and 2010 due to budget cuts but tried our best to remain supportive of the 2008 cohort when it came up for renewal in 2011 and 2014. It is also important to note that there were several extraordinary grants during this period that are not included in our overall analysis given their one-time nature:

- Between 2002 and 2008, the Program invested approximately \$8 million in capital and facilities projects to create permanent performing arts venues and to counter the displacement of nonprofit organizations due to a rapidly escalating real estate market.
- In 2006, the Program invested \$25 million in one-time endowment grants to four organizations: \$10 million to the San Francisco Opera, and \$5 million each to the American Conservatory Theater, the San Francisco Ballet, and the San Francisco Symphony.

## **B. Recession Cuts, 2009–2011**

Due to the global recession and declining endowment, grantmaking was reduced 40 percent between 2009 and 2011. We maintained our priority for multiyear GOS, instead reducing the number of grantees and the size of grants. This was a particularly difficult decision, since we had ongoing relationships with many of these organizations, sometimes for decades.

We took several steps to manage the changes. We publicly articulated our selection criteria (quality artistic product, participation and engagement, leadership, fiscal responsibility, and strategic alignment with the portfolio) and provided exit grants to low-performing organizations based on those criteria. We discontinued our Letter of Inquiry process to identify new grantees. Finally, for those organizations that remained in the portfolio, we decreased grant amounts based on their capacity to withstand a reduction:

- Large budget organizations had the greatest financial stability, including capital assets (facilities and endowments) and access to philanthropic dollars through diversified

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donor bases. Therefore, these organizations received the largest cuts to the grant size, often 35 percent or higher, while still maintaining a 3-year term for GOS.

- Small and mid-size budget organizations were most vulnerable to the economic recession, and its impact on contributions and ticket sales. We tried to minimize cuts to these organizations, typically ranging from 10 to 30 percent while maintaining a 3-year term.

To explain this approach to our grantees, we initiated Grantseeker Workshops three times per year, tied to preparation of the Board docket recommendations. In these workshops, program staff explained our grantmaking approach, reviewed the renewal proposal process, clarified our selection criteria and approach to budget cuts, and gave an overview of the timeline and decision-making process. We believe this transparency with our grantees helped produce very high scores on the Grantee Perception Report for communicating goals and strategy, responsiveness, consistency, and fairness.

Simultaneous to these budget cuts, the Program began to engage in a strategic planning process using the principles of Outcome Focused Grantmaking. Approved by the Board in July 2011, our new strategic framework prioritizes:

1. *Continuity and Engagement:* Our grants help the Bay Area public to engage in a variety of arts experiences, including both traditional and innovative works.
2. *Arts Education:* Our funding is designed to give California students equitable access to multidisciplinary arts opportunities through direct program delivery; policy and advocacy at the local, state, and federal levels; and pre-professional training and development of the next generation of world-class artists.
3. *Infrastructure:* We provide necessary resources to help organizations and artists to be effective in their work through connection, field information, and human and financial capital.

## **C. Economic Recovery and New Framework Implementation, 2012–2014**

As we began to implement our new strategic framework, the economy started to stabilize and our grantmaking budget resumed slow growth. Most of our grants remain at a three-year term, and we have been awarding small increases to high-performing organizations. All grantees still remain well below historic peak funding in 2008, however. We also made an exceptional number of one-time Organization Effectiveness grants in 2013 as arts organizations prepared for new opportunities following the economic recession.

We continue to diversify our portfolio. We added a number of new organizations in 2012 that were identified for us by our regranting intermediary partners. In 2013, we reopened the Letter of Inquiry process, this time online, articulating our priorities for community-based organizations in underserved geographic areas, as well as communities that have been

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historically marginalized. We added eleven new organizations to the portfolio through this process, representing a diversity of art forms, aesthetics, and communities. We hope to identify five to ten additional organizations in 2014. Most of the new organizations will come in with a 2-year grant, helping to smooth the spike in renewals described above.