



The Bottom Line: The Financial Health of Arts Organizations in the U.S.



It has become increasingly difficult for arts and cultural organizations to break even. Revenue growth fell short of expense growth over time.



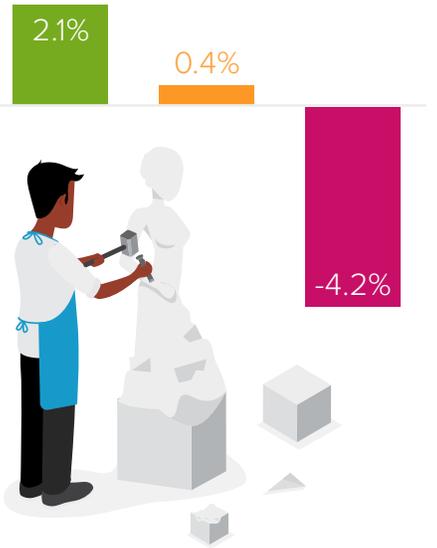
Are there alternative ways of operating that can lead to opportunities for greater revenue generation or expense reduction without compromising mission fulfillment?

3 Ways We Evaluate the Bottom Line

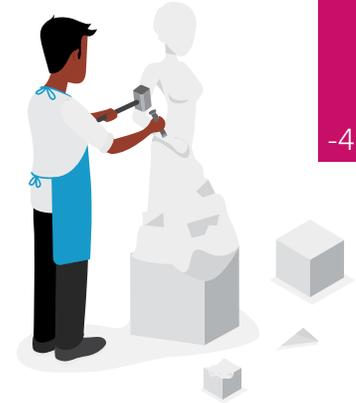
1. Unrestricted Surplus*
2. Operating Surplus*
3. Using Operating Surplus**

2016

*Before depreciation
**After depreciation



From 2013-2016, the average arts organization's bottom line declined from an operating **surplus equivalent to 2%** of budget to an operating **deficit of -6%**, accounting for depreciation.



The Bottom Line by Organizations' Size, Sector & Geography



Size

- Smaller-budget organizations, with lower fixed assets and less fixed costs, demonstrated the highest surpluses by all measures
- Larger organizations tended to end the year with deficits, continuing a four-year negative trend
- For those sectors whose bottom lines trended downward, that of small organizations within the sector actually grew, sometimes by over 50%



Sector

- Arts education, community, music, theater, and general performing arts averaged a positive bottom line in 2016
- Music organizations displayed the highest bottom line along all 3 measurements
- Art museums and symphony orchestras ended 2016 with a negative average bottom line



Geography

- Organizations in small and very small markets recorded the highest bottom lines across all measured geographic clusters
- Organizations based in San Francisco averaged the lowest operating bottom lines
- Washington D.C. saw the greatest unrestricted surplus; despite this, they recorded one of the lower operating surpluses when accounting for depreciation
- New York organizations averaged the lowest unrestricted surplus