Larissa Fall

Oregon Symphony Financial Condition

University of Kentucky

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Dr. Rachel Shane

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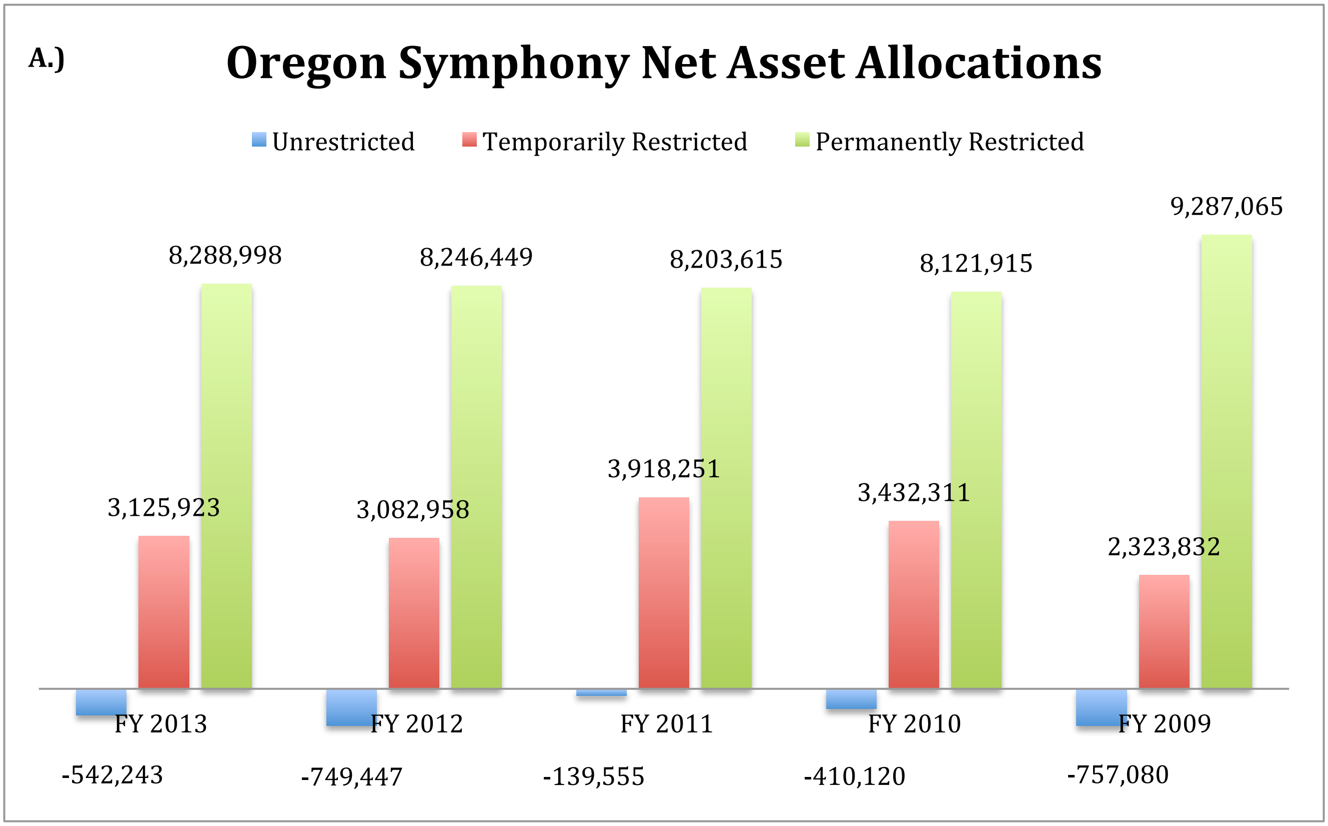
Due to external problems and declining audience sizes The Oregon Symphony saw a decrease in program service revenue in 2008. Over a 5-year period the symphony has made efforts to increase revenue and decrease liabilities. Currently in their 117th season they must continue striving towards financial security. It is evident through analyzing the organizations Form 990s and outside sources that some improvements have been made in their access to unrestricted funds. To continue their improvements the Oregon Symphony's administrative team should focus on creating more liquid assets through marketing initiatives in order to increase its short-term financial health.

The symphony currently has a dangerous short-term financial health with trends of deficits in unrestricted funds. Although the Oregon Symphony has a budget size of $14.5 million that ranks 20th amongst other professional orchestras in the country it will need to increase access to liquid funds. During the economic recession of 2008 a fall in subscription sales and contributions occurred. The symphony was forced to restructure their staff and decrease costs to outweigh increased liabilities caused by lack of revenue. In an effort to pay down this accumulated debt Elaine Calder, the former fundraising director, made a decision to use $10 million of the Symphony's endowment funds. After disagreements with staff about the soundness of her decision Scott Showalter was hired to take her place. As the new Fundraising Director he has worked with the orchestra to increase their visibility in the community. Under his leadership the fundraising expenses have increased in order to pull in new ticket sales and subscriptions. [9]

After analyzing the Oregon Symphony's Form 990s from Fiscal Years 2009-2013 the increase of fundraising expenses implemented by Scott Showalter can be seen. In FY 2009 the Fundraising Expenses were $587,817 and have since increased to $828,790 for FY 2013. With the increased attention being given to fundraising events the unearned revenue has increased in correlation with a value of $5,662,654 in FY 2009 to a value of $6,388,591 in FY 2013. The allocation of funds towards fundraising has evidently produced somewhat of a positive increase in revenue. [6]

The Bottom Line, or net assets, of the Oregon Symphony show an increase of .17% from FY 2009 to FY 2013. The surplus would lead us to believe that the organization is doing well, but other indicators should be analyzed to support this belief. For example, if the organization was in a quick bind and needed access to liquid assets the amount of unrestricted net assets needs to be great enough to cover the cost of their liabilities. Below in graph A the amount of unrestricted temporarily restricted, and permanently restricted funds are shown.



The data in Graph A shows the temporarily restricted and permanently restricted funds, in forms of endowments or time-restricted contributions, heavily outweigh the more liquid asset. Unrestricted funds are shown to be in a deficit every single fiscal year from 2009-2013. The unrestricted funds are the most liquid, or readily available source of funds the symphony can pull from in case of an emergency and because they are the in a deficit the short-term health of the Oregon Symphony is at risk.

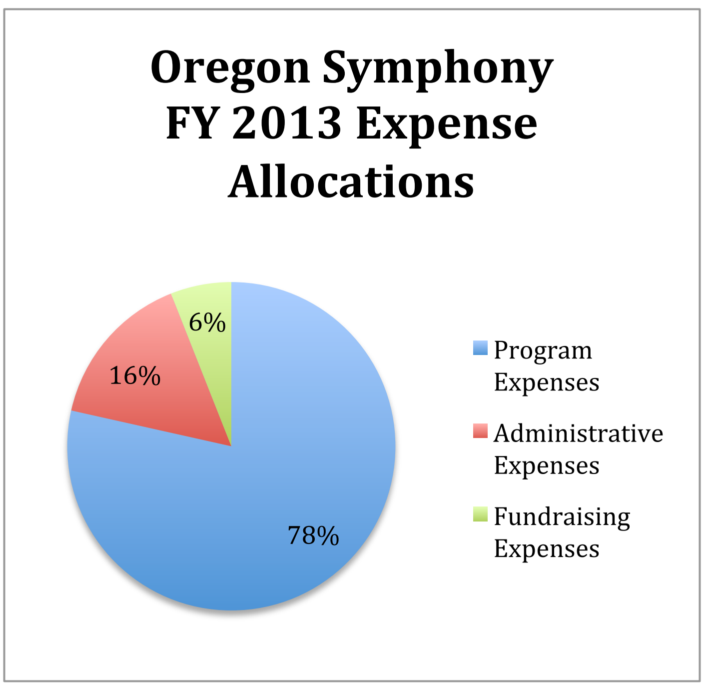
Even though the symphony is at risk in the short term due to their high deficits in unrestricted funds they seem to have a balanced ratio of how they are earning their revenue. Typically symphonies have a 50/50 ratio or Money Mix. Earning half of their revenue from contributions or gifts and the other half through program services. When obtaining the data from the Form 990s the earned revenue included information from the Form 990 Part VIII, line(h) and the unearned revenue included information from the Form 90 Part VIII, line 2(g). The symphony has held a pretty steady ratio for unearned vs. earned revenue throughout the 5-year period. From FY 2009 to FY 2010 we see the greatest change with a spike in percentage from unearned. In FY 2009 the symphony was getting 55.9% of revenue from programs and then in FY 2010 this dropped to 46.6%. Currently their Money Mix has improved and is at a healthy 50/50 ratio. This increase in percent earned from contributions/gifts could be due to the increased level of fundraising efforts by the new director. The level of contributions and gifts can be seen in the Contribution Ratio in the below table B. This ratio shows the support received from specifically contributions/gifts and shows almost a doubling from FY 2009 to FY 2013.[1]

B)

	FY 2013	FY2012	FY2011	FY2010	FY2009
Contributions & Grants Ratio	.44	.44	.38	.45	.26

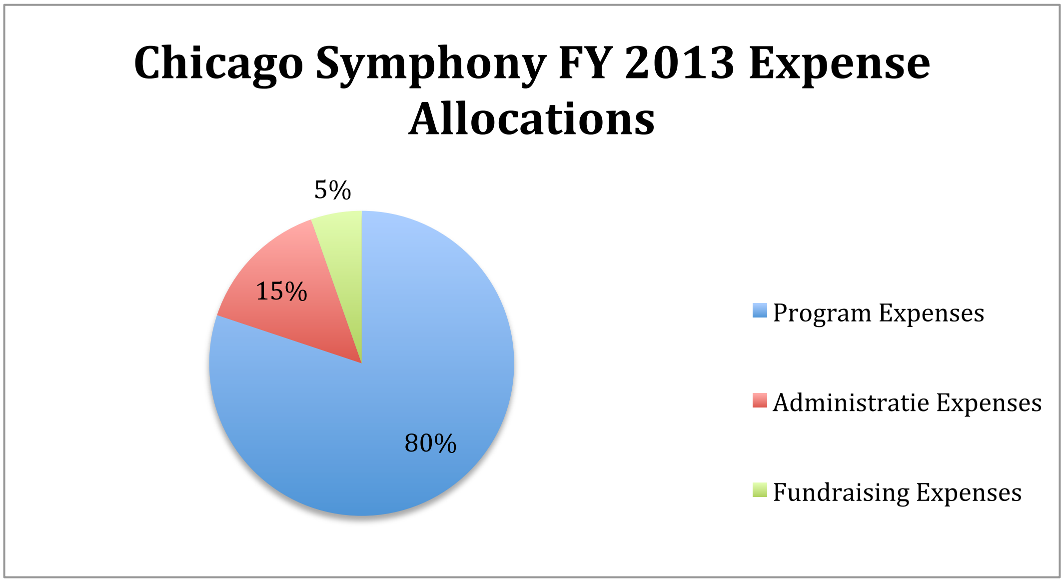
With fundraising efforts increasing it is important to look at total expense allocations. The Better Business Bureau indicates certain percentages that are acceptable for charities and non-profit organizations.[3] The highest ranking organization should have 65% of total expenses spent on programming, 0-15% spent on Administration, and 0-15% spent on fundraising. These percentages indicate whether expense allocations are in line with the mission based activities of the organization. The Oregon Symphony's expenses for Fiscal year 2013 are displayed in image C.

C)



The FY 2013 percentages show that 78% of Expenses are spent on Programming, 16% on Administration, and 6% on Fundraising. The Oregon Symphony is in the top rankings for is expense allocations on Programming and Fundraising according to the Better Business Bureaus indicators and just 1% over in the Administrative Expenses. This data shows that the symphony is using its resources in line with its mission-based activities. In comparison, The Chicago Symphony's FY 2013 Expense Allocations are in Graph D below.[3]

D)



According to Charity Navigator the Chicago Symphony has an overall financial rating of 89.92/100 while the Oregon Symphony has an overall rating of 79.62/100. [2] This benchmarking allows one to see the general comparison of these orchestras expense allocations and both are spending acceptable amount on programming, administration, and fundraising respectively.

When further analyzing the expense allocations between the Oregon Symphony and the Chicago Symphony it is apparent that the Chicago Symphony spends approximately 2% more than the Oregon Symphony on Advertising & Promotion in their marketing efforts. 2% difference may be seen in the Oregon Symphony's fundraising and administrative expenses.[5]

Percentage of Expenses Allocated Towards Advertising & Promotion: Oregon Symphony vs. Chicago Symphony

E)

FY	Oregon Symphony	Chicago Symphony
2013	4%	6.1%
2012	4%	6%
2011	4.5%	6.7%
2010	4.7%	6.3%
2009	3.4%	5.8%

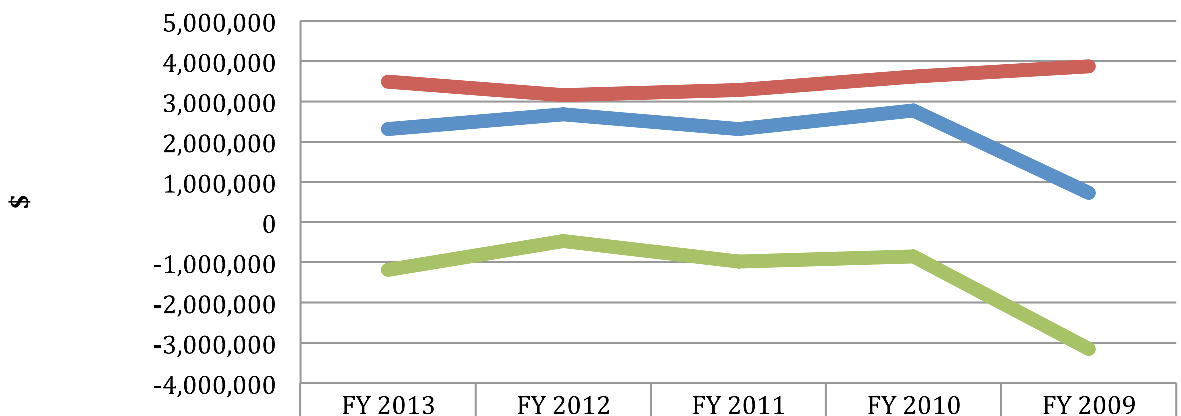
After analyzing the expense allocations of the Oregon Symphony we see that although their unrestricted funds are in a deficit they seem to be properly dividing up their assets to provide mission-based activities towards their stakeholders. Another indicator that can be used to understand the ability of the organization is the Fundraising Efficiency. In 2009 it cost $.10 for the

Oregon Symphony to make $1 the cost has unfortunately increased over the 5-year period by 30%. When the fundraising team has increased their efforts to gain more support it has cost them more at the same time. Proper marketing to increase the current unrestricted funds should decrease this number in the future.

Marketing to increase unrestricted funds is vital towards increasing the Working Capital of the Oregon Symphony. The current liquidity as stated in the commentary on Graph A is in a dangerous place. The Current Assets including the checking, savings, accounts receivable, or cash equivalents do not exceed the Current Liabilities. Below Graph F shows the low number of Current Assets. In the short-term health of the organization there may be problems paying back creditors due to the negative Working Capital available.

F)

Oregon Symphony Short Term Inicators: Working Capital & Current Assets/Liabilities

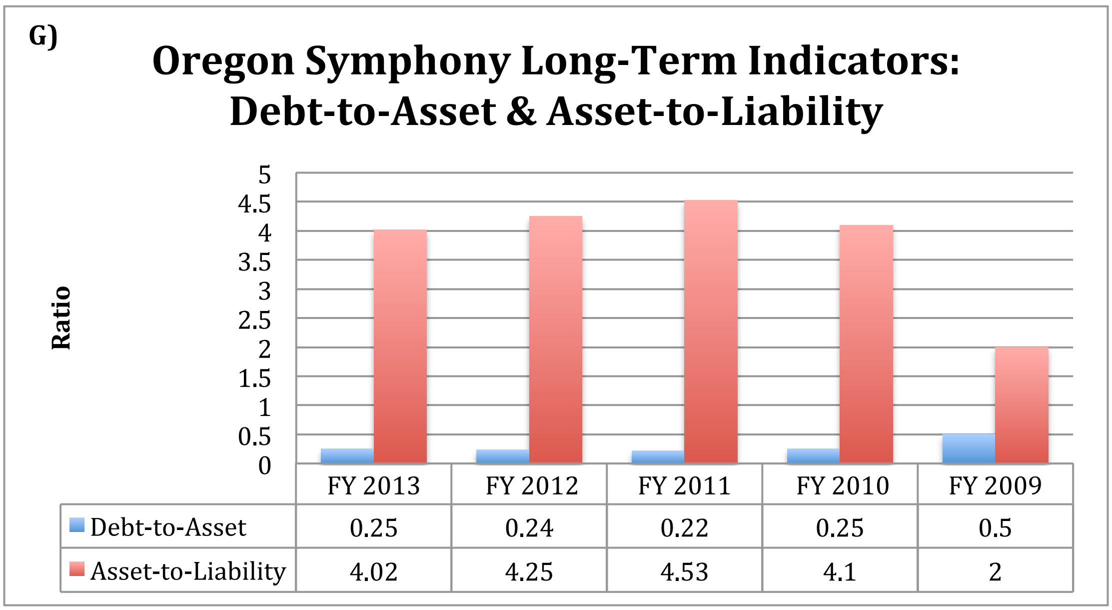


	FY 2013	FY 2012	FY 2011	FY 2010	FY 2009
Current Assets	2,316,090	2,679,886	2,316,605	2,776,071	727,065
Current Liabilities	3,495,846	3,154,457	3,290,450	3,624,311	3,877,207
Working Capital	-1,179,756	-474,571	-973,845	-848,240	-3,150,142

****Current Assets were obtained from the Oregon Symphony Balance Sheet, Pledges Receivable were not included because it was unclear what would be obtained within one year.[6]**

Related to the short-term health is the Current Ratio. The Oregon Symphony had a range of Current Ratios of .19-.85. The Cash Ratio which is a bit more conservative than the Current Ratio ranges from .6-.73. These numbers were never at or greater than 1 which indicates that there are not enough liquid assets and they would be unable to pay off their debts as they arise in the short-term.

Through analyzing the Bottom Line, Amount of Unrestricted Net Assets, Money Mix, Expense Allocations, Fundraising Efficiency, Working Capital, Current Ratio, and Cash Ratios it is evident that The Oregon Symphony still needs improvement in their short-term financial health. The Long-Term financial help looks a bit more stable. The solvency shown through the Debt-to-Asset and Asset-to-Liability Ratios will illustrate that the Oregon Symphony should be safe in its long-term financial health and able to afford the debt it is carrying. The Debt-to-Asset Ratio as seen in Graph G has decreased by a total of 50% over the 5-year span and has consistently been below .4 which indicates it is able to pay of its debts. The Asset-to-Liability has increased by 200% from FY 2009 to FY 2013. In FY 2013 a number of 4.02 shows us that it will be able to pay of its debts approximately 4 times.



Along with the Debt-to-Asset and Asset-to-Liability indicators the Savings Ratio has improved by 30% from 2009 to 2013. The savings ratio shows that the Oregon Symphony has increased its total annual savings compared to its annual expenses, which promotes further long-term health.

H) Savings Ratio: Oregon Symphony

FY	Savings Ratio
2013	-.03
2012	-.07
2011	-.07
2010	-.08
2009	-.33

With a more secure long-term health than short-term, the Oregon Symphony needs to focus on its short-term health. The top priority of the administration should be to increase unrestricted assets. With an already boosted amount of attention and assets being spent on fundraising by the new fundraising director the Symphony should focus on using its current marketing capabilities to reach new patrons to foster support for future programming. Free social media options should be implemented to increase awareness of current programing to reach schools and communities in the area. In order to increase ticket sales the Symphony should seek media attention and send out email, Facebook, Twitter, or Instagram notifications to inform and inspire community groups. Without using any extra assets this marketing will create excitement about program services and draw more audience members. These free options will be the first step in increasing patron size and therefore increasing unrestricted net assets in order to free up more liquid working capital for the Symphony's short-term health.

Bibliography

[1] Blazek, Jody. Financial Indicators to Critique Performance in “Chapter 7: Special Financial Tools” in *Nonprofit Financial Planning Made Easy*. Page 182.

[2] "Charity Navigator - America's Largest Charity Evaluator: Financial Ratings Table." Charity Navigator. Accessed March 29, 2015. http://www.charitynavigator.org/index.cfm?bay=content.view&cpid=48.

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[4] "Oregon Symphony: Charity Navigator - Advanced Search." Charity Navigator. Accessed March 29, 2015. http://www.charitynavigator.org/index.cfm?bay=search.summary&orgid=6412.

[5] "Chicago Symphony Form 990." *Return of Organization Exempt From Income Tax* 2008, 2009, 2010, 2011, 2012:Part IX, Line 12.

[6] "Oregon Symphony Form 990." *Return of Organization Exempt From Income Tax* 2008, 2009, 2010, 2011, 2012.

[7] Oregon Symphony musicians forgo $315,000 in pay to help close budget gap By: Oregonian/OregonLive, David. http://www.oregonlive.com/performance/index.ssf/2013/05/oregon_symphony_musicians_forg.html

[8] "Oregon Symphony Narrative." Oregon Symphony. Accessed January 1, 2015. http://www.orsymphony.org/about/narrative.aspx

[9] Scott Showalter (Oregon Symphony Bio: , President & CEO). http://www.orsymphony.org/bios/admin/bio_showalter.aspx

[10] "Why Ratios Aren't the Last Word." Why Ratios Aren't the Last Word. Accessed March 29, 2015. http://www.guidestar.org/rxa/news/articles/2004/why-ratios-arent-the-last-word.aspx.

Financial Indicators Worksheet

Larissa Fall: Oregon Symphony

Statement of Revenue (Unit 8)

	Fiscal Year 2013	Fiscal Year 2012	Fiscal Year 2011	Fiscal Year 2010	Fiscal Year 2009
Unearned Revenue	6,388,591	6,063,663	5,909,777	6,697,012	5,662,654
Earned Revenue	6,392,960	7,336,905	6,497,711	5,877,905	7,150,682
Total Revenue (unearned, earned and other)	12,781,551	13,400,568	12,407,488	12,574,917	$12,813,336

Statement of Functional Expenses (Unit 8)

	Fiscal Year 2013	Fiscal Year 2012	Fiscal Year 2011	Fiscal Year 2010	Fiscal Year 2009
Programming Expenses	10,765,272	11,457,770	10,806,342	10,409,488	11,460,165
Administration Expenses	2,121,977	2,292,580	2,383,487	2,315,385	2,882,025
Fundraising Expenses	828,790	841,647	670,150	659,064	587,817
Total Expenses	13,716,039	14,591,997	13,659,979	13,383,934	14,930,007

Statement of Position (Unit 9)

	Fiscal Year 2013	Fiscal Year 2012	Fiscal Year 2011	Fiscal Year 2010	Fiscal Year 2009
Current Assets	2,316,090	2,679,886	2,316,605	2,776,071	727,065
Current Liabilities	3,495,846	3,154,457	3,290,450	3,624,311	3,877,207
Cash and Cash Equivalents	1,884,509	2,308,796	1,982,552	2,314,847	351,568
Total Assets	14,468,266	13,832,913	15,376,960	14,768,716	21,731,122
Total Liabilities	3,959,588	3,252,953	3,394,649	3,624,311	10,877,205
Unrestricted Net Assets	-542,243	-749,447	-139,555	-410,120	-757,080
Temporarily Restricted Net Assets	3,125,923	3,082,958	3,918,251	3,432,610	2,323,832
Permanetly Restricted Net Assets	8,288,998	8,246,449	8,203,615	8,121,915	9,287,065
Total Net Assets	10,872,678	10,579,960	11,982,311	11,144,405	10,853,917
Contributions	6,146,731	5,886,547	5,672,161	6,479,446	5,450,908
Grants	241,860	177,116	237,616	217,566	211,746

Indicators

	Fiscal Year 2013	Fiscal Year 2012	Fiscal Year 2011	Fiscal Year 2010	Fiscal Year 2009	
Bottom Line	10,872,678	10,579,960	11,982,311	11,144,405	10,853,917	Unit 8
Money Mix	50%/50%	45.2%/54.8%	47.6%/52.4%	53.3%/46.7%	44.2%/55.9%	Unit 8
Expense Allocations (PE)	78.50%	79%	78%	77.80%	76.80%	Unit 8
Expense Allocations (AE)	15.50%	15.70%	17.20%	17.30%	19.30%	Unit 8
Expense Allocations (FE)	6%	5.80%	4.80%	4.90%	3.90%	Unit 8
Fundraising Efficiency	$0.13	$0.14	$0.11	$0.10	$0.10	Unit 8
Working Capital	-1,179,756	-474,571	-973,845	-848,240	-3,150,142	Unit 9
Current Ratio	0.66	0.85	0.7	0.77	0.19	Unit 9
Cash Ratio	0.54	0.73	0.6	0.64	0.09	Unit 9
Debt-to-Asset Ratio	0.25	0.24	0.22	0.25	0.5	Unit 9
Debt-to-Equity Ratio	0.33	0.31	0.28	0.33	1	Unit 9
Asset-to-Liability Ratio	4.02	4.25	4.53	4.1	2	Unit 9
Savings Ratio	-0.03	-0.07	-0.07	-0.08	-0.33	Other Readings
Contributions & Grants Ratio	0.44	0.44	0.38	0.45	0.26	Other Readings

% change in Bottom Line	Increase of .17%	good
% change in Workings Captital	Increase of 62%	good
% Change in Fundraising Efficiency	Increase of 30%	bad
% change in Savings Ratio	Increase of 30%	improved
% change in Debt to Asset Ratio	Decrease of 25%	improved
% Change of Asset to Liability Ratio	Increase of 200%	improved