Org. Reports

- Financials (most recent available)
  - *Best Source:* Board-Approved Management Budget
  - *Second Best (check website or annual report):* Audited Financial Statement
  - *Problematic (last, desperate resource):* IRS 990 ([guidestar.org](http://guidestar.org))

Org. Reports

- Comparables
  - *What makes an organization “comparable”?
  - Mission/Programming
  - Budget Size (total annual expenses)
  - Market Size (based on Metropolitan Statistical Area / MSA – Google it)
Org. Reports

- Grading Rubric is on the web (look under the Assignments menu)
- Due by the beginning of class (5:30 pm) on December 7, 2015
- Upload to Blackboard in PDF format
- Bring a printed copy to class

“Capitalization” describes an organization’s economic capacity to achieve its mission and/or grow
capacity

- The maximum amount that something can contain;
- The amount that something can produce;
- The ability or power to do, experience, or understand something.

*Oxford English Dictionary*

**Capital...**

What is it?

...in economics, is one of three(ish) primary “factors of production.”

land  labor  capital
Capital...

“...facilitates production but neither becomes part of the product, nor becomes significantly transformed by the production process.”

SOURCE: Wikipedia entry on “factors of production”

Capital...

...is “wealth used to make more wealth.”

Economist Henry Smith et al

Capital...

“...is currency on a mission. It’s currency with potential.”

Architect William McDonough
Capital or not?

factory / warehouse

Capital or not?

table saw

Capital or not?

industrial robot on an assembly line
Capital or not?

 nuts & bolts on an assembly line

Capital or not?

 wheat

Capital or not?

 your cousin Biff
Capital or not?

a proscenium theater

Capital or not?

a freight elevator
in a museum

Capital or not?

oil or watercolor paints
Capital or not?

a permanent endowment

Capital or not?

Pittsburgh Symphony Orchestra has acquired a gem for its concertmaster: a 1792 Bergonzi violin

From the history files…

Orchestra buys historic strings

February 20, 2009 – From Bloomberg News

The New Jersey Symphony Orchestra is acquiring a collection of 34 musical instruments, including a collection of violins, with borrowing from Concertgoer Bank and the Pizel Foundation, officials said Tuesday.

Pittsburgh-based Aukbuk, a leader of orchestra leaders, said the collection includes violins made by the Stradivarius and other famous makers. The collection also includes violins made by Stradivarius' students, who are known for their high quality of work. The collection was acquired through a loan from the Cleveland Orchestra, which is known for its high quality orchestral programming.
Capital... build
rent/lease
...how do you get it?
receive (gift) borrow
buy
make your employees/contractors provide it

Capital...
investor (for equity or earnings)
retained earnings
...how do pay for it?
philanthropic gift loan
build it yourself (sweat equity)

Capital...

...how do you decide?
Capital in Commerce
Total Revenue - Total Cost > Status Quo (or best alternative)
over specified period of time
(answers both whether and how)

Capital in Culture
Total Revenue - Total Cost > Status Quo (or best alternative)

Capital Has Consequence
“currency on a mission”
a little
(real-world)
fable

MIT’s Building 20

“...the life of said building to be for the duration of the war and six months thereafter.”
Building 20: Photo from 1997
(54 years later)

The Magical Incubator

Why so magical?
Ray & Maria Stata Center

Ray & Maria Stata Center

Capital Structure
Capital Structure
The proportions and inter-relationship of assets and liabilities such as cash, receivables, debt, and facilities.

Statement of Financial Position (aka Balance Sheet)

Assets (what you own)
- Cash & Equivalents
- Receivables
- Inventory
- Tools/Equipment
- Facilities
- Endowment

Liabilities (what you owe)
- Debt (current and long-term)
- Payables

Net Assets (what’s left over)
- [owner’s equity]

Liquid ← Illiquid

Capital Structure
Cash
Capital Structure

Endowment
“Arts organizations are three times as asset-intensive as the American steel industry, requiring $2.70 in assets to generate a dollar in annual revenues. Their facilities are technically complex, expensive and time-consuming to build and maintain.”

Nonprofit Finance Fund
“facility”

1. a building, service, or piece of equipment provided for a particular purpose.
2. a natural ability to do something well and easily.

{ break }

Let’s talk Steppenwolf
But first...
(other) primates.
The “Iron Triangle”


Rising in Stages

1. 1974 - 1988
   Not Just a Bunch of Kids
   Edifice Rex
   Old Gives Birth to the New
4. 1996 - 2002
   Beyond the Legend

What Happened?
Just the Facts, Ma'am

What Changed Most?
Mission & Program
Organizational Capacity
Capital Structure

How Did They Navigate?
And who steered?
Lessons

- The Forces of Entropy Demand a Carefully Balanced Defense
- Real Estate is a Cruel Mistress
- Self-Sufficiency, Sustainability, and Success Pull in Different Directions
Assumptions

- If we could only get to scale, our financial problems would be solved.
- Spending more on marketing means more people will come.
- We need to invest more in fundraising staff because we need to find more individual donors.
- If we invest more in the highest quality art and market it relentlessly, then our organization will thrive and grow.
For Next Week

- *The Advantage*
- Come with three of the most compelling or important ideas/recommendations from the book, so we can explore those ideas together.
- This will also constitute your reading response, due as usual.