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SECTOR SERIES 2022

Where do we
go from here?

CANADA'S NON-PROFIT SECTOR IS DIVERSE. AND YET, IT IS COMMONLY TALKED ABOUT AS A HOMOGENEOUS WHOLE.

This blunt approach to our sector is not only limiting it also fails to adequately consider the unique characteristics and nuanced realities of the distinct sub-sectors that make it up.

In recognition of this diversity, KCI has developed a set of reports focused on each major sub-sector in Canada to explore where they go from here.

It's a timely undertaking.

Between the COVID-19 pandemic, the ever-evolving definition of who and what is charity, and the re-examination of Canadians' beliefs around issues like equity and reconciliation, it's hard to think of a time when a greater number of transformative factors have affected fundraising and philanthropy in Canada. Through this series, we examine how this convergence of factors is impacting organizations in each major sub-sector, as well as how they and their fundraising models are adapting to remain relevant in 2022 and beyond.

We would like to thank the many sector leaders from across the country who contributed through their insights to the KCI Sector Series.

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The pandemic has laid bare the precariousness of arts and culture organizational funding and the need for collective action to ensure sector sustainability.

But it has also demonstrated the remarkable adaptability of arts and culture organizations in finding new ways for artistic expression to flourish. From outdoor performances to digital tours, organizations have been relentless and resilient in advancing the landscape of artistic presentation in a pandemic world. What began as a pivot has evolved into a sustained period of innovation on both the artistic and operational fronts.

As in any period of intense change, there have been unexpected positive outcomes but also some lingering uncertainty about where to go from here.

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1 / DONORS STEPPED UP, BOTH INSTINCTIVELY AND BECAUSE ORGANIZATIONS FOUND NEW WAYS OF ASKING /

“The philanthropic community has stayed with us through the closures. It’s been moving for the team to hear from the community and their steadfast resolve [for the arts].”

Greg Epton, Vice President & Chief Advancement Officer, Arts Commons

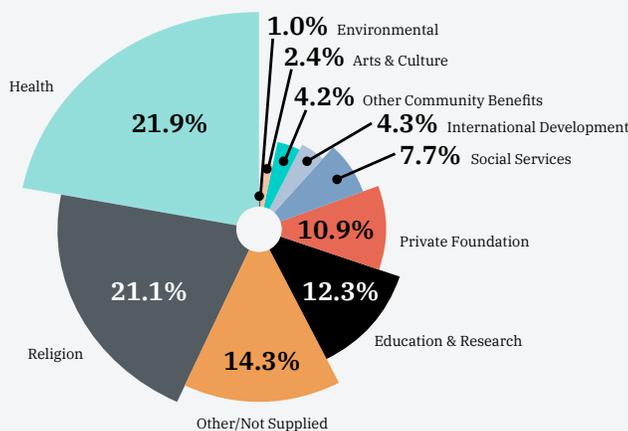
Generally, sector leaders report that annual giving has remained strong throughout the pandemic and, in some cases, increased. While not the case universally as there certainly were many arts organizations that

saw reductions in fundraising revenue, this overall continuation in philanthropic support is reinforced by FY2020 T30310 tax filings that show arts organizations generated \$794M in fundraising revenues.

FY2020 FUNDRAISING REVENUE - ARTS & CULTURE ORGANIZATIONS

Total fundraising revenue reported by charities in Canada in 2021 was \$33.6B. Arts and culture organizations reported \$794,341,094, or 2.4% of total.

FY2020 Distribution of Fundraising Revenue (\$33.6B) by Sector

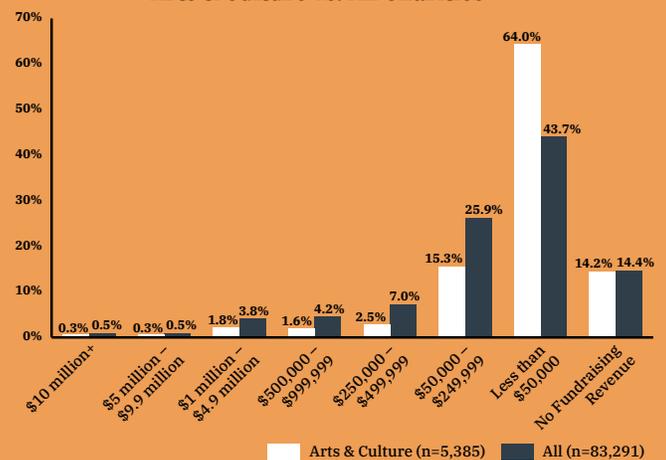


Source: CRA, T3010 Charitable Tax Filings, FY2020.

FY2020 DISTRIBUTION OF CHARITIES BY FUNDRAISING REVENUE – ARTS & CULTURE VS. ALL CHARITIES

The largest portion of Arts & Culture charities reported less than \$50,000 in fundraising revenue (excluding those reporting \$0) at 64.0%.

2019/20 Distribution of Charities by Fundraising Revenue Arts & Culture vs. All Charities



Source: CRA, T3010 Charitable Tax Filings, FY2020.

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Indications are that donors have been receptive to converting their giving to new channels or designations during the pandemic. This has been particularly welcome for organizations with a high reliance on event revenue.

In addition, a positive by-product of the pandemic is that the alignment between marketing and development functions took on new relevance during the pandemic as drastic reductions in earned revenue increased emphasis on fundraising contributions to the bottom line. Organizations experienced increased collaboration between these two functions and success at engaging ticket buyers and members in supporting the organization in different ways. It is now incumbent upon organizations to determine how to sustain and grow these gains when the relative proportion of revenue sources returns to pre-pandemic levels.

Major and corporate donors also stepped up as partners with organizations in meeting challenges head on. Many loosened restrictions on funding to meet immediate operational needs. But as we emerge from the pandemic, there is an observed shift in the way that many major and corporate donors are thinking about their giving – with less emphasis on direct program support or sponsorship and an increased interest in community access and engagement. This is evidenced by the recent \$25 million endowment donation from the Shaw Family Foundation to the Glenbow Museum that will provide free access to the museum in perpetuity.

2 / DEVELOPING A SHARED VISION FOR PHILANTHROPY /

One way to address this shift is to engage donors in conversations about their philanthropic vision and how it aligns with the organization's. Pandemic impacts have heightened interest in organizational sustainability, and this is one approach through which organizations have seen success. Balancing conversations about short- versus long-term needs can be a delicate task, but also fosters donor engagement and can lead to the creation of a shared philanthropic vision.

In order to fully capitalize on this approach, organizations must have a clear long-term vision and defined projected outcomes. With these elements in place, donor conversations can be oriented around impact, return on investment and the reciprocal benefits of long-term partnership.

“Organizations need to be bold about saying ‘This is where we’re going. Are you with us and willing to invest in us?’

Kate Halpenny, Chief Development Officer, Art Gallery of Ontario

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The cultural sector is also undergoing a period of reflection on their role in advancing conversations about equity and reconciliation and what impact that will have on their fundraising models. The responsibility is significant, and many donors and stakeholders expect organizations to be at the precipice of change in this regard. Within this context, opportunities for conversations with donors exist. But they must be undertaken with transparency about historical organization contributions to inequity and meaningful internal efforts to address it. As one sector leader put it, ‘there is no reconciliation without truth’.

3 / OPPORTUNITY FOR NEW FRAMEWORKS AND PARADIGMS /

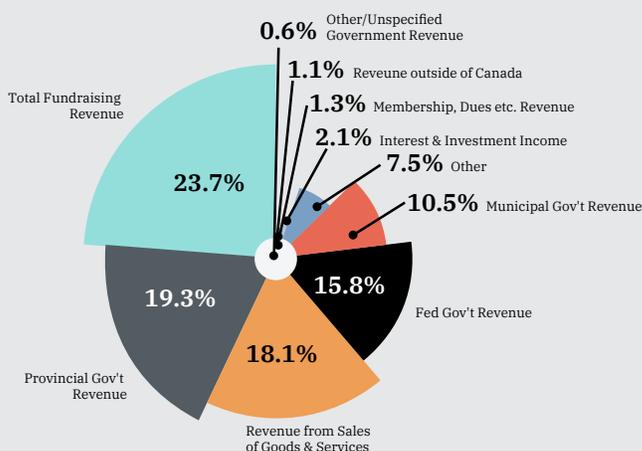
“*[The pandemic] is opening up dialogue around a greater framework of arts and culture impacts and how to measure that impact.*”

Christina Loewen, Executive Director,
The Association for Opera in Canada

FY2020 REVENUE BY SOURCE – ARTS & CULTURE

After government revenues (all three sources of government), fundraising represented the second largest source of revenue for Arts & Culture organizations at 23.7%.

FY2020 - Revenue by Source – Arts & Culture



Source: CRA, T30310 Charitable Tax Filings, FY2020

The pandemic has proven to be an inflection point for the case for investment in arts and culture organizations. Many feel that the impact of arts and culture on the social, emotional and mental well-being of communities is likely a case that is at its most relevant now. A common sector framework that identifies and quantifies these impacts could further enhance donor conversations about strategic philanthropy and societal returns.

This may seem like a tall order given the diversity in size and scope of organizations in the sector. But the emphasis should remain on impacts that all arts and culture organizations have in common. A refreshed framework and investment prospectus could lead to new paths to philanthropy and more successful conversations with donors about impact and outcomes.

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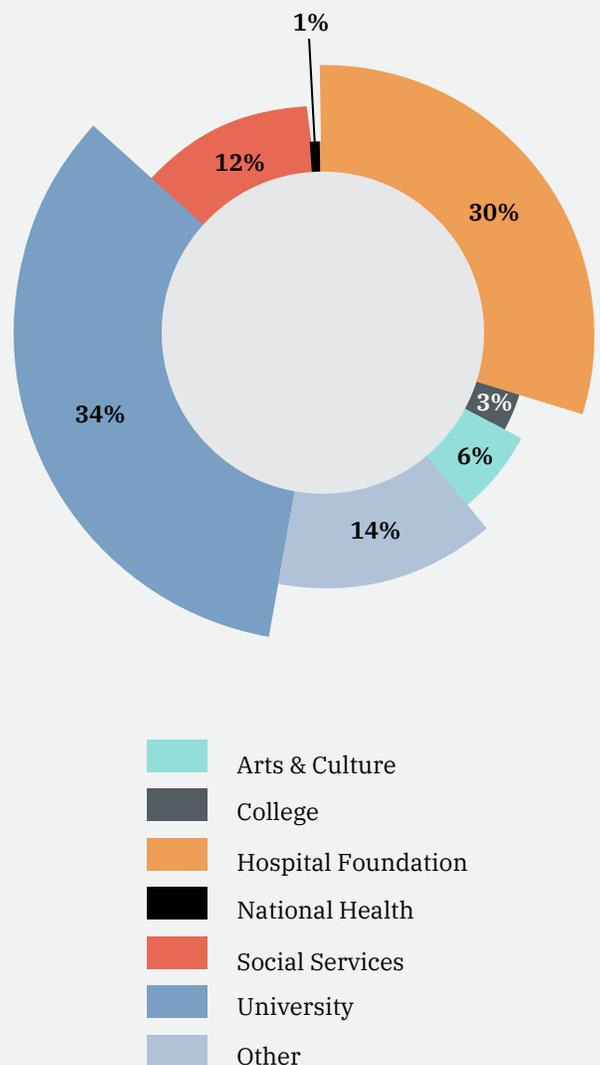
Arts and culture organizations have generally punched above their weight with donors who have the capacity to make major investments. While arts and culture organizations received only 2.4% of total donations reported by charities in Canada in 2020, the sector has received 6% of the gifts of \$500,000+ made in Canada in recent years. This reinforces the need for organizations to continue to place focus the strategic identification and cultivation of high-net worth prospects. On the other hand, as arts and culture organizations examine and reflect on who they are and the communities and people they want to engage with, they are considering how these shifts may impact their fundraising models and paradigms. The key will be to find the right balance and mix of fundraising programs that not only achieves revenue goals, but that also serves to reinforce the values of the organization.

“*[Our case] has to be embedded in the long-term strategy of the organization. When we are able to commit to that, funders see the credibility. And, if your art form isn't equity informed it won't be vital in the future.*”

John Dalrymple, Executive Director,
Canada's National Ballet School

VALUE OF \$500,000+ GIFTS BY SECTOR (2012-2021)

Arts and culture organizations attracted 6% of gifts of \$500,000+ between the period of 2012-2021.



Source: KCI

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4 / THE TOLL ON TALENT /

“It will take education to have solid teams – professional development, supports and technology and other tools to be successful in their jobs. I encourage us as a sector to work together on this [and understand] how to retain people and continue to grow as true professional businesses.”

Lisa Laskowski, Director of Development, Art Gallery of Nova Scotia

While leaders across the non-profit sector are saying that talent is a top priority for their organizations, the sustained nature of the pandemic and frequent shifts in restrictions has had a unique impact in arts organizations, leaving sector leaders particularly concerned about the toll on both artistic and administrative talent.

According to a 2021 [Globe & Mail report](#), the arts, entertainment and recreation sector suffered losses second only to the airline industry, with more than a tenth of all job losses and a loss of more than half

of its GDP. Artists have been forced to find employment in other sectors and there is concern they won't return or have a home to return to.

Sector leaders are also worried about burnout on the administrative side and meeting the changing expectations of their employees. Some are calling for a sector-wide approach to talent recruitment and retention.

5 / MOVING BEYOND THE PIVOT TO SUSTAINING POSITIVE CHANGE /

Creativity and resiliency were not new to the cultural sector and proved to be the qualities needed to navigate the pandemic's uncharted waters. Ideas have moved from incubation to implementation in record time, the case for supporting the arts and culture sector is more relevant than ever before and donors have responded to the call.

The question now becomes how to sustain these positive outcomes while being mindful that the artistic and administrative workforce has fundamentally changed. While finding their own way forward, organizations are being called upon to take a sector-wide approach to new challenges. With a unique capacity for donor engagement and a renewed case for investment, arts and culture organizations are well positioned to continue to engage donors in supporting culture in all its forms.

About KCI

We are Canada's leading consultants to the non-profit sector with professionals across the country in fundraising, strategy, research & analytics, and executive search.

Our core purpose is to inspire and enable organizations to raise money, to make the dream of better communities and improved lives a reality. And through our nearly 40 years of experience, we've helped thousands of organizations craft their strategies, build their teams, and raise billions of dollars in the education, health, social service, arts & culture and religious sectors.

In doing that work, we firmly place our focus on values and people... both ours and yours. We are proudly and resolutely guided by our core values: the highest integrity in all our actions; commitment to excellence and innovation in everything we undertake; openness to new ideas; and collaborative and respectful relationships with our colleagues and our clients. We hire to these values and live them every day. And because we know the future won't look like the past, we hold capacity building, knowledge sharing and insight creation at our core.

We have made it our business to know What's Next.



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