



Case Studies

| Twin Cities |



Fueling the impact and effectiveness of nonprofits with guidance, expertise, and capital.

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COVER PHOTO CREDITS:

Top row, left to right: Petronella J. Ytsma, Allen Weeks, Keri Pickett, Juxtaposition Arts

Bottom row, left to right: Ingrid Werthmann, Deacon Warner, Max Haynes, SPNN

As an organization, we've always lived in and served the nonprofit world—it's in the very DNA of what we do.

INTRODUCTION

Our mission at Propel Nonprofits is to fuel the impact and effectiveness of nonprofits with guidance, expertise, and capital. As an organization, we've always lived in and served the nonprofit world—it's in the very DNA of what we do.

Through our investments across the nonprofit spectrum, we have developed a core understanding of how vital arts, culture, and creative activity are to each community. Along with being an expression of the spirit and conscience of our cities and towns, the arts are crucial to helping drive economic opportunity and to supporting a spirit of vitality and excitement.

Over the years, Propel Nonprofits has worked with a range of arts organizations in the Twin Cities and Greater Minnesota, including theaters large and small; organizations specializing in film, dance, and television; and nonprofits that seek to harness the talents of their communities into both artistic and financial successes.

It's been a unique experience, forged by true partnerships with these nonprofit organizations. And through this wide range of activities, we've been able to learn as an organization, alongside others, and now are sharing what we've learned about nonprofit finances, pitfalls, triumphs, and life cycles.

potential where a conventional lender would see unacceptable risk.

We've found that success means willingness to be a true partner: listening, engaging, and fostering openness even when times become difficult. We've seen organizations thrive, we've helped others through all manner of crises, and we've been there with experienced advice when they want to grow, change, shift, and adapt.

With this in mind, Propel Nonprofits offers this document as some of what we've learned. Divided into eight case studies to illustrate our eight lessons learned, we want to illustrate models of investment,

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A crucial lesson from our experience with arts nonprofits is that their ability to repay loans is very good. We've learned nonprofits make good on their debts when they're offered experienced consulting and access to financial tools along with a loan. Because of this, Propel Nonprofits has been willing to invest in these organizations because their organizational capital is greater than what they have on paper—we've learned to see

collaboration, and sharing that have contributed to the thriving nonprofit arts scene in the Twin Cities. Longer case stories with more depth, detail, and insight are available for each of the eight organizations. It's our hope that we'll offer the spark of an idea or two for other communities across the country who are looking to water the gardens of their own creative cultures in a fiscally aware and sustainable manner.

LESSONS LEARNED ABOUT WORKING WITH ARTS AND CULTURE ORGANIZATIONS

- 1.** Get involved early and stay with the organization. Relationships need to evolve and extend to more than one person.
- 2.** Understand the organization as a whole, not just an event in isolation.
- 3.** Understand the business models of arts organizations, and the external environment in which they operate.
- 4.** Artists have significant capacity for nonprofit financial management. Invest time and expertise in their development.
- 5.** Build financial knowledge throughout the organization, and convey the joys of embracing and practicing financial rigor.
- 6.** Find an agent-of-change within the organization to truly listen, internalize, and take leadership. Challenge or crisis can provide opportunity.
- 7.** Capitalization is critical—and working capital is almost always the most critical capital tool for stability and growth.
- 8.** Be clear about whether a loan is the right vehicle for both the project and the organization. If so, “good” collateral isn’t critical to make a good loan if the leadership, strategy, and business model are strong.

LESSON 1

Get involved early and stay with the organization. Relationships need to evolve and extend to more than one person.

Park Square Theatre

Propel Nonprofits has a relationship with Park Square extending back 15 years, which takes the annual form of what Artistic Director and co-founder Richard Cook calls “farm loans,” or operating expenses to run the theater until the “crops,” or ticket proceeds,

Over the course of two years, Propel Nonprofits’ Janet Ogden-Brackett and Park Square met closely and developed and refined that plan. While Propel Nonprofits had been supplying an annual loan for normal operating expenses, in 2014 there was an additional loan for leasehold improvements to help open the additional stage.



CREDIT: PETRONELLA J. YTSMA

enable repayment. Since 2008, the theater was engaged in the early stages of its capital campaign, seeing a 78 percent increase in annual budget (from just more than \$1.4 million to \$2.5 million). Then its goals looked explicitly ahead to a new management structure to parallel the opening of the new stage.

“What’s great about Propel Nonprofits is their mindset,” Michael-jon Pease, Park Square executive director, says. “Their organization takes the role of what community banking used to do. The lender understands the business, and is shepherding the investment. And that’s just a role that the commercial side doesn’t do.”

LESSON 2

Understand the organization as a whole, not just an event in isolation.

Penumbra Theatre Company

“We worked with Propel Nonprofits to create more transparent and more perceptive financial tools,” says Sarah Bellamy, Penumbra Artistic Director. “We needed to be more nimble to be able to take our financial temperature. After what we had gone through, we understood that we needed our operating buffer to be a lot bigger. We were a little too close to the quick. A lot of what happens in an arts organization is a gamble, but when there are

arts scene without Penumbra, that by no means assured its survival—and it will require continued diligence moving forward into the company’s fifth decade.

Propel Nonprofits’ advisory role with Penumbra emphasized capitalization and its business model, while taking into account the external factors that were inherent in its mission. Penumbra leadership also cites Propel Nonprofits’ customized financial training for nonprofit organizations as an indispensable resource. Moving into its



CREDIT: ALLEN WEEKS

too many things you’re not sure about, that’s when you’ve lost your footing.”

A large degree of the re-invigoration at Penumbra is due to clear strategic initiatives, restoring funders’ and the board’s confidence, as well as the power of Penumbra’s position in the artistic community locally and nationally. While the Twin Cities could scarcely imagine its

40th anniversary season, the company has tightened its focus and strategy. They’ve led successful fundraising efforts and used crisis as an opportunity for building relationships. A degree of artistic turbulence is built into founder Lou Bellamy’s vision, but the company requires a new level of stability.

LESSON 3

Understand the business models of arts organizations and the external environment in which they operate.

Theater Mu

While Theater Mu (formerly Mu Performing Arts) has steadily grown in its operations, its funding has seen peaks and valleys that resulted in two years of deficits during the period when its leadership torch was passed

theaters of color). Reyes credits Propel Nonprofits with not only understanding these external factors, but being a force for education and an enlightened advocate.

Solid business fundamentals for Theater Mu have included prioritizing stability in year-to-



CREDIT: KERI PICKETT

from the company's founder to Randy Reyes, an artist who had been working with Mu for a decade. Around the time of the leadership transition, two large grants expired, necessitating an evaluation of Mu's business model.

Understanding Mu's unique position in the Minnesota arts community is a primary factor in the relationship between the company and Propel Nonprofits. In balancing Mu's creative ambitions with its financial bottom line, it's also crucial to consider the value of its role in the local and national arts ecosystems (as well as the historically difficult path for

year financial operations, as well as fostering confidence in its leadership. Helping to guide that process has been a hallmark of Propel Nonprofits' recent relationship with Mu. Just as vital has been the understanding that the great value Mu brings to the community also comes with structural obstacles that require clarity and long-term vision. It's through this vision that Propel Nonprofits is able to be the strongest advocate for Mu, communicating and lobbying for its future.

LESSON 4

Artists have significant capacity for nonprofit financial management. Invest time and expertise in their development.

Juxtaposition Arts

Juxtaposition Arts, in its two decades of existence, has evolved dramatically from an after-school program into a community hub that engages urban youth through education initiatives. Its mission focuses on harnessing creative power with a strong emphasis on economic self-sufficiency—achieved through education, training, and mentorship in the arts as well as enterprises offering creative services to paying clients. Along the way, Juxtaposition has also acquired buildings on a corner in North Minneapolis that serve as a home to its expanding programs and a hub for neighborhood development.

“Propel Nonprofits and its staff have really been advisors and mentors to us,” DeAnna

strategy meetings rolling out that new plan, and how to monetize and put numbers to it, and then continuing to work with us to update and roll it forward.”

From a self-described “accidental CEO,” Cummings has become a prodigious, talented and rigorous executive. In 2016, she was selected to be a fellow at Washington, D.C.’s prestigious DeVos Institute of Arts Management. She is one of thirteen arts executive from six countries chosen for a highly competitive program providing advanced training in arts management. Following a track of deepening involvement with educational programs and increasingly sophisticated financial instruments and opportunities, Juxtaposition Art’s CEO has



CREDIT: JUXTAPOSITION ARTS

Cummings, Juxtaposition Arts’ CEO says. “Now we don’t talk only when we’re in trouble and need money. In 2009, we had a clear idea of our new strategic direction, but we needed to articulate and document that. Propel Nonprofits was part of several

demonstrated the profound evolution of an artist to the driving strategist of an innovative and forward-looking community placemaker and a force for positive change.

LESSON 5

Build financial knowledge throughout the organization, and convey the joys of embracing and practicing financial rigor.

TU Dance

TU Dance had enjoyed a period of substantial growth, seeing its support grow more than triple-fold this decade. Propel Nonprofits' history with the company goes back to 2006, with a working capital loan. Bridge loans and lines of credit were provided in subsequent

Walking into TU Dance Center on a weekday afternoon, the place is bustling with a multicultural crowd of young people—many who are on scholarships. TU Dance's mission of bringing dance to diverse audiences and young people is dovetailing with its educational effort in concrete ways.



CREDIT: MICHAEL SLOBODIAN

years. During this time, TU Dance's brand expanded and audiences have increased, along with budgets. Previous to this well-earned period of expansion, the company tended to operate with a break-even budget culture without accumulating cash reserves. It wasn't until the end of 2012 that TU Dance saw a surplus and overall net positive assets.

TU Dance's budget in recent years has almost doubled, now reaching nearly \$1 million. A capital campaign last year raised \$30,000 for expanded offices and a second studio.

"A lot of companies get in trouble because of debts escalating, layoffs, furloughs," TU Dance's managing director Abdo Sayegh-Rodriguez says. "Here we are very clear. We all understand every part of an artistic dance organization. Today, the minute somebody gets a little off track, we have a meeting. We say: Come back to central reality."

LESSON 6

Find an agent-of-change within the organization to truly listen, internalize, and take leadership. Challenge or crisis can provide opportunity.

FilmNorth

If there's such a thing as being due for a break, FilmNorth (formerly Independent Filmmaker Project Minnesota) certainly qualified, and one presented itself: working with a lawyer, FilmNorth was able to negotiate out of its lease early in 2014 for the end of that year. And when a new space presented itself—one that was far better suited to support the organization in terms of finance, art, and future development, if unfinished in terms of construction—it was fortuitously not ready for move-in until the end of 2014. While Andrew Peterson, FilmNorth executive director, says it was prepared to take the risk of effectively paying double rent through 2014 in order to be better situated for the future that measure proved unnecessary.

Crucial to Propel Nonprofits' ability to help shepherd FilmNorth into greater stability and focus on the future was an understanding that it's an organization with a complex history and factors both financial and cultural that needed to be understood as a whole before offering strategic consultation and funding. The arrival of Peterson was also one in a series of fortuitous events along the way.

“Propel Nonprofits has been crucial in its advocacy to communicate with our board, with the community, with national and local foundations, and with funders and supporters that we're necessary to the Twin Cities arts community,” Peterson says. “There's been a leadership void in the local film community, and now we're in the position to be the leaders. This is our time to be ambitious.”



CREDIT: REILLY TILLMAN

LESSON 7

Capitalization is critical—and working capital is almost always the most critical capital tool for stability and growth.

In the Heart of the Beast Puppet & Mask Theatre

Following the revaluation of the Avalon, In the Heart of the Beast's home, HOTB saw the credit attached to its mortgage veer into dangerous territory. Despite a revered role

for both its own present stability and future growth.

“There are organizations that have been around for a while and were established when the nonprofit model worked differently,” executive director Corrie



CREDIT: MAX HAYNES

in the community and strong board support, HOTB was in critical condition. A crucial element of the reorganization was a loan that enabled the theater to buy itself out of its mortgage and shift the obligation to Propel Nonprofits at a lower interest rate—a loan that also included money allocated to needed building improvements. Additionally, Propel Nonprofits is using a forgivable loan product that will enable HOTB to convert part of the loan to a grant if it is able to contribute to a bank account dedicated to creating a cash reserve—thus using financial instruments to aid the organization in building capital

Zoll says of HOTB as well as some of its contemporaries. “It’s a key moment when these organizations realize that the way we’ve always done things—even if it came from a really good place—simply isn’t working anymore. Propel Nonprofits is able to talk to you with the knowledge of a banker, but with the empathy of someone who is familiar with the organizational ecology you’re working in.”

LESSON 8

Be clear about whether a loan is the right vehicle for both the project and the organization. If so, “good” collateral isn’t critical to make a good loan if the leadership, strategy, and business model are strong.

SPNN

Propel Nonprofits worked with Saint Paul Neighborhood Network (SPNN) after a new home was identified: an 18,000-square-foot space in St. Paul’s Creative Enterprise Zone. A 10-year lease was negotiated that included 12 months of free rent spaced out over four years. In order to fund this move, Propel Nonprofits approved a term loan and a bridge loan to cover the move, operations, and new technological investments.

SPNN conducted a deep dive into its business model. With technical and consulting assistance from Propel Nonprofits, spending realignment cut \$220,000 from the organization’s operating budget. Still, collateral on the loan was weak, and this

on financial discipline, combining cuts in expenses with increases in revenue (although deferred government payments and delays in payments from Comcast remain factors outside of SPNN’s control).

Because of strength in leadership, strategy, and business model, Propel Nonprofits ascertained that its loan was right for SPNN despite an absence of “good collateral.” Part of the appeal of the new space was its location in the Creative Enterprise Zone, a complex of industrial buildings that has become a model of placemaking. SPNN’s spacious, technologically vibrant headquarters rubs shoulders with Propel Nonprofits client FilmNorth (for whom Propel Nonprofits also provided financing for leasehold improvements), art studios, a



CREDIT: SPNN

was the first time SPNN took on long-term debt. Financial forecasts were put in place that allowed its board to set aside funds for future technological upgrades as its membership needs evolve. Budgets for 2016 and the following year were based

theater company, a brewery, architects, and a marketing agency in a fluid, creatively vibrant environment that is converting a previously unused space into a hub of commerce and creation.

CONCLUSION

The impact of these investments of capital, expertise, and guidance has been broad and deep. The benefits are evident in many ways, including artistic, economic, and leadership in the community. As examples, Juxtaposition Arts' growth in North Minneapolis helped drive economic and neighborhood development; Theater Mu lifts up the voices and leadership of the Asian experience; and In the Heart of the Beast Puppet and Mask Theatre creates bridges in a diverse and dynamic neighborhood. The collective value created through the work of these eight organizations, and others actively engaged in bringing the power of arts and creativity to their communities, is significant.

We invite you to explore the longer case studies and discover more about the lessons we've learned and the impact that investment in arts and culture nonprofits can have on place. We hope that our lessons learned serve will serve as a guidepost for leaders and organizations interested in exploring the opportunities to begin or deepen their commitment to this work in their communities.

Propel Nonprofits encourages community development organizations, public agencies, and foundations to join us in this work and look forward to continuing to share our experience and ongoing learning. Please don't hesitate to reach out to us.

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ABOUT PROPEL NONPROFITS

Propel Nonprofits' mission is to fuel the impact and effectiveness of nonprofits with guidance, expertise, and capital. This mission is in service to a vision of a diverse network of mission-driven nonprofits building a healthy, vibrant, and more just community. Propel Nonprofits is a federally certified Community Development Financial Institution (CDFI) offering loans to nonprofit organizations in Minnesota and adjacent communities for working capital and real estate to expand programs and services, bridge cash flow gaps, and purchase and renovate buildings. The loan portfolio includes loans to nonprofits in arts & culture, health care, housing, education, human services, environment, civic and community development, and social enterprises. Loans range from a short bridge loan of \$20,000 until receipt of a grant, to a \$300,000 line of credit to manage cyclical cash flow, to a 15 year mortgage of \$1 million for a building purchase and renovation. Our lending activities are always supplemented with guidance and training to strengthen the financial and organizational structure of nonprofits. Propel Nonprofits has a long history of lending to arts and culture nonprofits, with \$36 million provided for a wide variety of organizations and purposes, which is 20% of loans made since the fund was founded.

Propel Nonprofits' mission is to fuel the impact and effectiveness of nonprofits with guidance, expertise, and capital. Propel Nonprofits was created from the merger of Nonprofits Assistance Fund and MAP for Nonprofits. It serves nonprofit organizations in Minnesota and the adjacent states of Wisconsin, Iowa, North Dakota, and South Dakota.



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