

Theater Mu

| St. Paul |

CREDIT: KERI PICKETT

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

LESSON

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

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Theater Mu (formerly Mu Performing Arts) was formed in the early 1990s as a vehicle for exploring the Asian American experience through stage productions and live performances of taiko drumming. Its eclectic plays have included both new works and classics such as Shakespeare performed by Asian American casts—establishing Mu as a national leader as a theater of color.

While Mu 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 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.

“Given how volatile the market for grants is, we’ve needed Propel Nonprofits in many different ways throughout the life of an organization such as ours,” Reyes says. “We need a financial support organization that can help us through that volatility, in ways that are not only monetary but strategic. We’ve reacted to a time of transition by trying to build our base of donors into something more reliable.”

Concurrent with Reyes taking the artistic reins, Shannon Freeby joined Mu as Managing Director. She was able to use Propel Nonprofits’ long relationship with Mu to gain access to very clear records of the company’s



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financial history (in some cases the Propel Nonprofits records were more extensive than those the company’s past staff had retained), with a focus on rightsizing the organization.

“We hit a financial crunch based on sunseting of grants,” Freeby says. “I was able to go to Propel Nonprofits and just talk through it: Here’s where we are and here’s what needs to happen. I didn’t have access

to anyone else with that kind of perspective, those kinds of financial reports, in order to see what was missing and how that had developed over a number of years.”

NEW ROLES

Freeby also points to her participation in Propel Nonprofits’ Financial Leadership Cohort, which includes half-day learning sessions on business models, financial communication, and building relationships with staff and board, as crucial. And while she was assuming financial leadership in a period of emerging from deficits, Propel Nonprofits has been able to provide business-model perspectives to make the task seem less daunting.

“With Propel Nonprofits’ knowledge of all of the other organizations in the area, we learned that our situation in context really was not that bad,” Freeby adds.

Despite Reyes’s long history with the company, and Freeby’s background with other arts organizations, the newness of their roles required a period of adjustment with the company’s board. One focus is on cash reserves, which the company has historically lacked, but Reyes points to the difficulty of converting surpluses into reserves amid turbulent year-to-year finances.

“We’re working toward cash reserves with the board and with the organization as a whole,” Reyes says. “But the question is how we get to that—as much as we want it, there has to be financial capacity. We’re hoping through education and conversation, we’ll see things start to shift.”

A 2015 surplus after two difficult years helped the company improve its net assets, but Mu still has limited cash reserves to help weather swings in cash flow. Reyes inherits a funding environment that presents structural challenges.

“The main audience we serve is relatively small, as opposed to a city such as Los



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Angeles,” Reyes says. “And in the Twin Cities it comprises immigrant groups for which philanthropy for the arts isn’t a main part of the culture. There’s a need for a lot of education and relationship building in order to communicate the value of telling these stories.”

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

THE ASSET OF CULTURAL VALUE

“The assets that Propel Nonprofits is loaning against aren’t necessarily a house, or a venue,” Reyes says. “It’s against your cultural value, and they see the value in how we serve the community. The health of an organization is not just numbers. It’s also people and the mission, and how they’re aligned.”

As part of this evolving mission, Mu joined four other Twin Cities theaters in 2014 to form a coalition of theaters primarily serving communities of color, based on the need to advocate for their unique position both culturally and in the world of funding and donors.

“The nice thing about Propel Nonprofits is how well they know these things,” Freeby says. “And they’re allowed into rooms that we’re not necessarily invited into, such as conferences for foundations where they can talk about our specific issues. Propel Nonprofits knowing us the way they do helps with that.”

It’s an ongoing project to engage the funding community with the narrative of the uphill climb faced by theaters of color. “The system we’re functioning in doesn’t benefit us the most in terms of the work we do and the communities we serve,” Reyes says.

Solid business fundamentals for Theater Mu have been a matter of prioritizing stability in year-to-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.



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LOAN INFORMATION

Relationship Since	2013
Loan Purpose	Long-term working capital
Structure	\$30,000
Collateral	\$60,000 in grants receivable
Underwriting Considerations	Long-term working capital
Risk Mitigation	Business model understanding, confirmed grants, strong relationship between Theater Mu and Propel Nonprofits
Technical Assistance	Financial planning, cash flow projections and assistance during the leadership transition

ORGANIZATION INFORMATION

Budget	\$620,000
Number of employees	4
Impact	Serve as a crossroads for the Asian-American community and the general public. Engages people in thought-provoking theater.

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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