

CASE STUDY

Penumbra Theatre Company

| St. Paul |

CREDIT: ALLEN WEEKS

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

power your mission
propel
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LESSON

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

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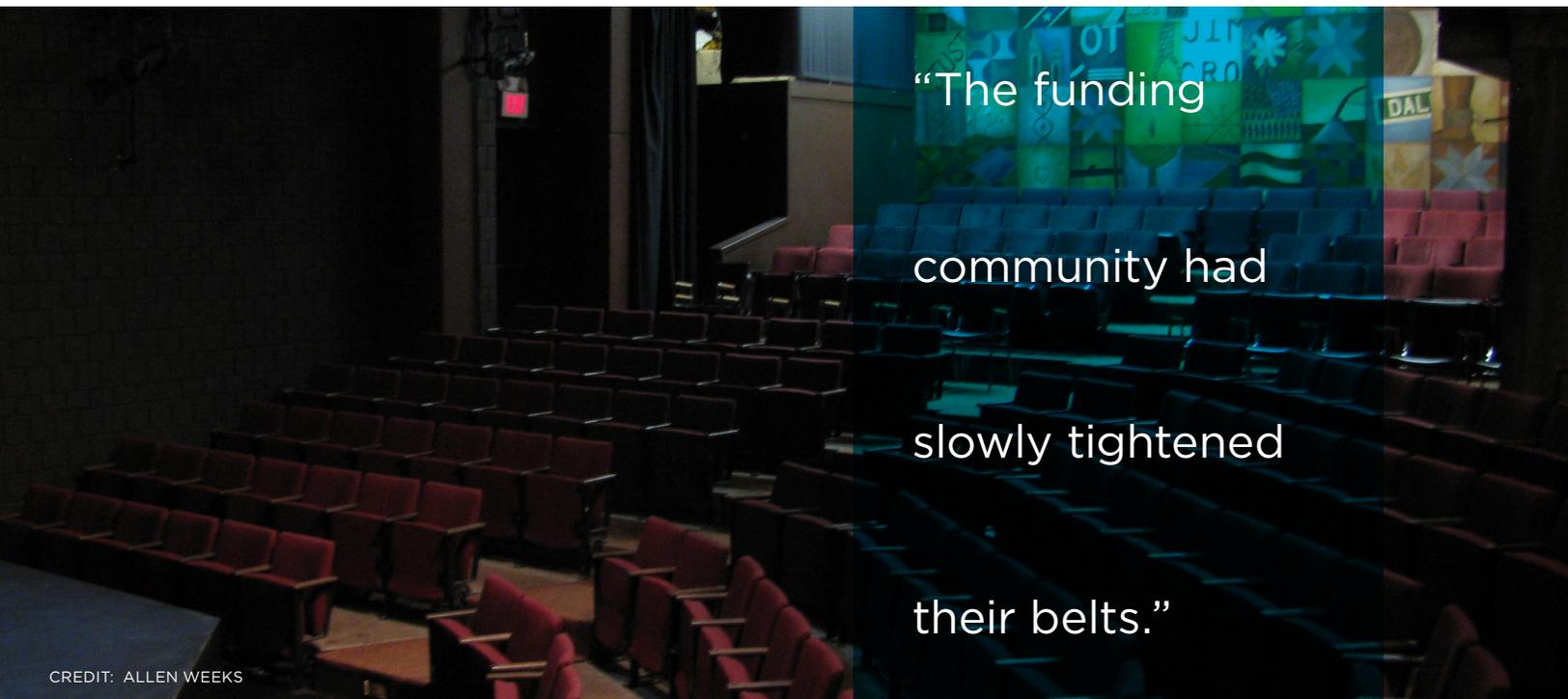
Penumbra Theatre in St. Paul has a long and storied history as one of the preeminent African American performing arts organization in the United States. It has been an incubator for a tight-knit company of actors who for decades have honed a sharp, incisive aesthetic led by Artistic Director Lou Bellamy, was at one time a home for the great playwright August Wilson, and has served as a beacon for the Black Arts Movement.

In a vibrant and sometimes crowded Twin Cities arts scene, Penumbra has been a mainstay for the clarity of this vision as well as the consistent quality of its productions. Working in an intimate theater in the Hallie Q. Brown Community Center, Penumbra has been unique in forging a home literally in the heart of its community and delivering an experience on the national level with Actors' Equity performers and a long run of critical acclaim.

ARTISTIC EXCELLENCE IN A DIFFICULT FUNDING CLIMATE

Penumbra also has a history of financial turbulence and gaps in funding, which contributed to a major financial crisis in its 2011-12 season; the response required major shifts in operations and stabilizing its capital structure in order for it to move forward during a shift in organizational leadership while retaining its crucial mission.

“It was kind of a perfect storm, coming off the Recession. The funding community had slowly tightened their belts,” says Sarah Bellamy, who has transitioned into the Penumbra artistic leadership founded by



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her father. “We had started seeing individual donors giving less, then the funding community—\$20,000 instead of \$30,000 \$10,000 instead of \$20,000. Soon we were short on projected income.”

Ironically, Penumbra’s artistic excellence led to the next factor in its financial crisis. Its acclaimed musical based on the life of Nat King Cole, *I Wish You Love*, traveled to Washington D.C., to the Kennedy Center, and

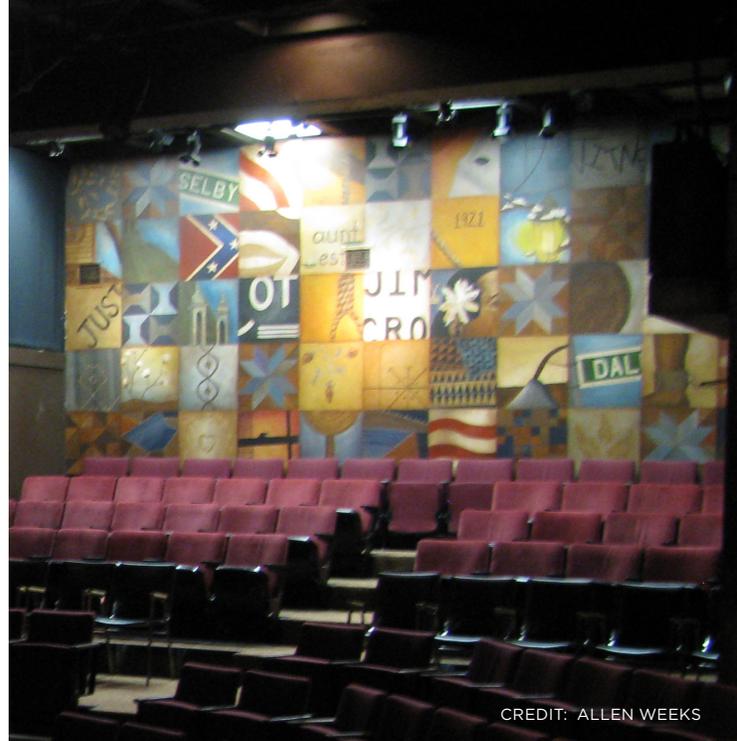
then toured to Hartford, Connecticut. The medium-sized company's resources became stretched perilously thin in an effort to make the most of this sudden spike in visibility, and attention was diverted away from keeping a close watch on financial operations back home.

By the end of the 2012 fiscal year, the Penumbra staff and board were acutely aware that a very large deficit had created conditions that couldn't be temporarily bridged (as had sometimes been the case during its four decades of continuous operations). The board and staff leadership made a decision that startled the community, putting the performance schedule on total hiatus (while maintaining educational programs) and launching a public campaign to garner contributions to close the deficit and keep the theater open. Parallel to these efforts was an organizational shift in close consultation with Propel Nonprofits.

"Propel Nonprofits was very clear that they needed to be in a position to advocate for us," says Sarah Bellamy, "which meant that we had to do due diligence on our end."

Penumbra made the tough choice to lay off three staff members, furloughing others, and eliminating a prized new-play development program. It was a harrowing moment internally, and there were moments when it was up for questioning whether efforts would pay off or if the theater would be shuttered. During this time, Propel Nonprofits also served as an advocate with the Penumbra Board of Directors, shoring up confidence as well as openness in evaluating operating capital and capital growth.

"We worked with Propel Nonprofits to create more transparent and more perceptive financial tools," says Sarah Bellamy. "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



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organization is a gamble, but when there are too many things you're not sure about, that's when you've lost your footing."

Penumbra also took the step of closing its off-site scene shop, which had been envisioned as a revenue generator but which had proved costly in terms of overhead and fixed costs, as well as creating a distraction from core mission. Large productions with commensurately large overhead also needed to be evaluated. Propel Nonprofits worked closely with management to simplify cash flow projections in order to guide management priorities and short- and long-term decision-making. While previous annual budgets at times had relied on funding expectations with inexact levels of detail, a high value was placed on specificity in capital commitments.

A large degree of the re-invigoration that followed was due to these 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 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.

SHARED RESPONSIBILITY FOR CHANGE

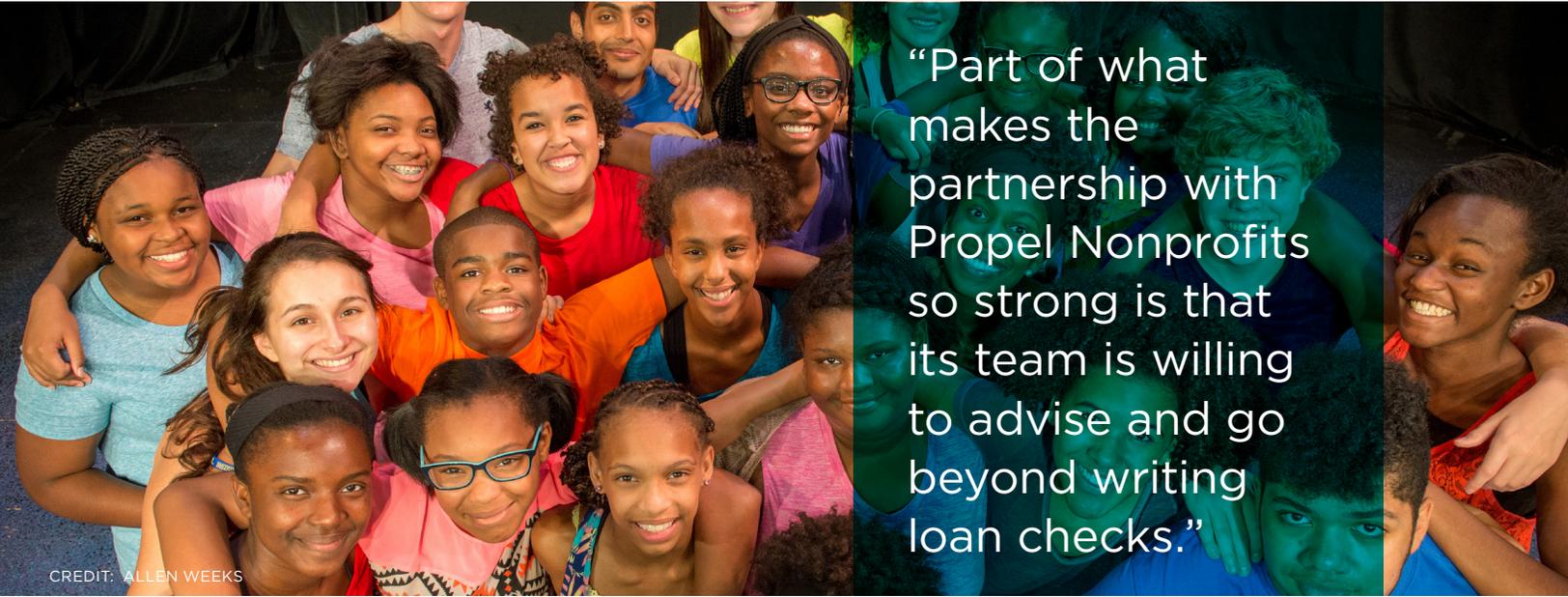
In April of 2015, Shannon Brunette joined Penumbra as Managing Director after more than a decade in New York working in arts nonprofits and philanthropy with a focus on arts and social justice. She describes a national scene in which organizations that are culturally specific operate with chronic shortfalls in funding. Throughout its history, Penumbra has been prone to major shifts in philanthropy and giving—a fact that is hard-wired into its management strategy and structure at this point.

“Part of what makes the partnership with Propel Nonprofits so strong is that its team is willing to advise and go beyond writing loan checks,” Brunette says. “Propel Nonprofits is breaking those boundaries about numbers and statistics, and is supporting the arts in a unique way.”

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 40th anniversary season, the company has tightened its focus and strategy. It has led successful fundraising efforts and used crisis as an opportunity for building relationships. A degree of artistic risk is built into founder Lou Bellamy’s vision, but the company requires a new level of stability to weather changing times. Ultimately, it was the strength of the long-term relationship between Propel Nonprofits and Penumbra that made necessary conversations possible.

“Propel Nonprofits was very clear: Here’s where you messed up, and here’s where you need to strategize to get to a point at which you’re not hemorrhaging,” Sarah Bellamy says. “It was a stepladder plan to fiscal health. There were mistakes made in choices, but hindsight is 20/20. Ultimately it was, Are we going to do this or are we going to close? Once we made that decision, Propel Nonprofits was right there with us.”



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LOAN INFORMATION

Relationship Since	2001
Loan Purpose	Revolving line of credit to assist in cash flow management throughout the year
Structure	\$300,000 revolving line of credit
Collateral	\$900,000 in grants and pledges receivable
Underwriting Considerations	Unrestricted net assets and previous cash flow management
Risk Mitigation	Strong financial manager and strong contract accountant, confirmed grants, strong relationship between Penumbra Theatre and Propel Nonprofits
Technical Assistance	Deep involvement in the organization's financial planning, attended finance and board meetings, cash flow projection and management assistance

ORGANIZATION INFORMATION

Budget	\$1,800,000
Number of employees	10
Impact	Centered on the African-American experience and cultural home to many throughout the region, home to theatre, equity workshops and art as social change

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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