The Great Recession and Nonprofit Dance in New York City: The Impact of an Economic Crisis on Contributions to Nonprofit Dance Companies

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Introduction

New York City is often considered the arts and cultural capital of the United States. For tourists and New Yorkers alike, the arts are an integral part of the life and culture of New York. Whether it be going to the Metropolitan Museum of Art, seeing New York City Ballet perform at Lincoln Center, or finding their favorite show on Broadway, tourists and visitors to New York City almost always include the arts in their trip. The choices are endless, and rarely is some type of art excluded. However, how often are the arts considered when economists study the effects of the recession on different industries in New York City? How often is it recognized that the contributions of pertinent New York arts institutions, and specifically nonprofit dance companies, to New York City’s cultural lifestyle are greater than what they receive in return? Or that arts institutions, and especially dance nonprofits, need help, whether it be from private donors, government funding, or increased ticket sales and show attendance?

In her book, The Warhol Economy, Elizabeth Currid indicates that the geographical construction of New York City creates an inspiring and productive atmosphere for the practice of both the visual and performing arts, contributing to the notion of New York as an arts and culture capital. In order to thrive and prosper, the arts need a social environment like New York City: one to meet and greet, schmooze, impress, and connect. Currid also presents the concept of “cross-fertilization,” meaning that all sectors of the arts depend on each other and intersect with one another to survive and flourish. The closeness, density, and walkability of New York City all contribute to a liveable environment for the arts. Conversely, reports from Center for an Urban

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2 Ibid., 4.
3 Ibid., 7.
Future have demonstrated how arts organizations, specifically dance programs and institutions, have injected new life, energy, and capital into specific areas of New York City, reinforcing the idea that the City needs the arts as much as the arts need the City.

In addition, the arts bring new jobs, tourism, and education, among several other benefits, to New York. For the most part, arts sector jobs (and especially performance jobs) are local ones that cannot be transferred overseas. Additionally, Americans for the Arts reported that in 2010 the arts sector produced economic activity totaling $135.2 billion, broken down into $61.1 billion from nonprofit arts and cultural institutions and $74.1 billion from expenditures corresponding to events and their audiences. This means that when audience members attend performances, they usually spend money on more than just the show – food or drinks before or after the event, souvenirs, transportation, etc., further stimulating the local economy. This large economic stimulus also helped support approximately 4.1 million jobs across the United States and developed annual government revenue totaling approximately $22.3 billion. Although this percentage may seem miniscule, the Bureau of Economic Analysis estimates that in 2015, the performing arts, spectator sports, museums, and related activities (an assigned subcategory of the arts, entertainment, & recreation industry) added $101.7 billion to the GDP of the United States. To put this in relation to other industries in the United States, in 2015, the motion picture and sound recording industry contributed $115.1 billion to the GDP of the U.S., while air

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5 Ibid.
6 Ibid., 4.
transportation added approximately $95.7 billion to the GDP of the United States. These are just a few of the very tangible effects of the arts on the economy, and demonstrate that the arts contribute to the stimulation of the U.S. economy. From providing jobs and economic stimulation in surrounding areas to attracting tourists, a city like New York depends on the arts as much as the arts depend on New York City.

This paper seeks to address the way the arts and specifically the nonprofit dance industry in New York City was affected by the Great Recession from 2007 through 2009. The Great Recession caused a steep decline in the stock market and an overall decline in the economy of the United States, followed by a difficult and uneven recovery period. The relationship between the battered economy and nonprofit dance in New York City has been largely unstudied since the Great Recession, and this paper seeks to examine such a relationship, specifically focusing on 23 registered 501(c)3 nonprofit dance companies in the five boroughs of New York City. The impact of the recession was severe and felt throughout the country. Graphs in Chapter IV highlight that a sharp decline in contributions to nonprofit dance companies, both public and private, and therefore a decline in revenue and a decline in profits coincided with recessionary trends. However, this paper demonstrates that the Great Recession affected all companies differently, leading one to question the stability of the nonprofit dance field, and the resilience and strength of New York City’s nonprofit dance sector.

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8 Ibid.
Data and Methodology

The previously recorded and analyzed data used as base evidence throughout this paper comes from Dance/USA Journal items and summaries and reports from organizations such as Dance/NYC, National Endowment for the Arts (NEA), National Endowment for the Humanities (NEH), Alliance for the Arts, Grantmakers in the Arts, and Americans for the Arts. These include short summaries such as, “Artists in a Year of Recession: Impact on Jobs in 2008” by NEA and “Arts & Economic Prosperity IV: The Economic Impact of Nonprofit Arts and Culture Organizations and Their Audiences” by Americans for the Arts, longer research reports such as State of NYC Dance 2013 by Dance/NYC and Why Should Government Support the Arts by National Assembly of State Arts Agencies, and the article, “Humanities Funding Still in Recovery from Recession” by NEH, among many, many others. Researchers and administrators at such organizations create large surveys and observe the field as best they can (depending on who chooses to participate) to try to better understand how the general economy interacts with both the arts economy as a whole and, more specifically, the dance economy. Some organizations such as NEA, NEH, Grantmakers in the Arts, and Americans for the Arts focus on the state of the arts throughout the United States. Others like Dance/NYC and Dance/USA focus specifically on the state of dance throughout the greater New York City area and the United States as a whole for the latter. Regardless of their main focuses, organizations such as these are among the few that focus on changes in the overall functionality of the arts and how to improve the arts when they are affected by economic disasters such as the Great Recession from 2007 to 2009.
By contrast, the data used in direct analysis for this paper originates in 990 tax return forms for 23 nonprofit dance companies located in New York City from 2000 through 2013. The companies were chosen for analysis based on having the most consistent data from 2000 - 2013 (meaning they existed in 2000 and submitted tax return forms through 2013, for the most part). The companies include both modern and ballet companies located throughout New York City’s five boroughs, in addition to several specialized companies such as the New York Baroque, American Spanish Dance Company, Balinese American Dance Company, and Spanish Arts Company. For each company, the contributions, expenditures, revenues, and profits for each year from 2000 through 2013 were extracted by hand from the tax return forms. An earned revenue category was then created by subtracting contributions from total revenue each year to further understand the magnitude of contributions in relation to both revenue and profits.


Additionally, macroeconomic variables were used to represent the economy of the United States from 2000 through 2013. Such variables include stocks traded as a total value of GDP, unemployment as a percent of the total labor force, real median household income, the annual
change in the Dow Jones stock, and the annual closing price of the Dow Jones stock. These variables were taken from various sources including FRED (Federal Reserve Bank of St. Louis’s Economic Data), Yahoo, Quandl, and the World Bank database. A close analysis of this data will indicate the extent to which the detrimental recession in 2007 - 2009 affected nonprofit dance companies in New York City.

CHAPTER I: New York City and the Arts

Arts Sector Versus the Economy at Large

Although it is clear that the arts and the general economy are co-dependent, the functionality of the arts economy differs from the functionality of other economic sectors. In an article published in *Grantmakers in the Arts Reader*, James Allen Smith presents the concept that “artists often prefer work to leisure” as opposed to the economic idea that laborers prefer to work a certain amount of time that satisfies their optimal combination of profitability and leisure time. This also means that similar to academics or chefs, the work of artists is considered to hold high value and does not have the disutility often associated with work in other industries. Secondly, the economies of the arts are “taste driven,” meaning that they are driven not by productivity or how well artists do their jobs, but by how closely their art, whatever its form, aligns with the tastes of audiences, patrons, and the general public. Different from other industries where the goods and services produced also depend on the tastes and opinions of the masses, if the audience or consumer does not like the work produced, the loss often falls directly onto the artists and choreographers themselves, not on a large corporation. This creates a

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10 Currid, 4-10.
problem because as the cost of living and working in New York City continues to rise, artists
depend on the tastes and opinions of others to sustain a minimal livelihood.

A half-century ago, the economic researchers W.J. Baumol and W.G. Bowen explained
why and how the arts function and struggle within the economy. In the introduction of their
paper, they note that performing artists who are employed by organizations (or nonprofit dance
companies) and their salaries are deeply affected by financial downfalls to the organizations,
indicating specifically that “the underlying economic pressures which manifest themselves in
low performer salaries are transmitted through these organizations.”11 Baumol and Bowen
indicate that the general wage trends which affect the economy at large, do not play a large role
in the wage trends of the performing arts. This is mostly due to the limited supply of workers
(dancers, singers, actors, etc.) who have the sheer ability and extensive training experience to
expertly perform the job.12 They conclude that, in general, the output and productivity of
performers is fairly constant over time. By this, they mean that a pianist playing “Beethoven's
5th” today plays it fairly similarly to a pianist who played the same song in 1970. Similarly, the
output of the workers, in this case the dancers, in a present rendition of one of their company’s
earliest pieces is quite similar to their output 30 years ago when the piece was first performed.
However, the costs of the technology that are needed to produce live performances are rising
with the rising costs in the overall economy.13

Baumol and Bowen ultimately argue that because productivity is relatively stable in the
performing arts sector, a rise in wages would translate to a rise in the costs of labor, whereas in

12 Ibid., 501.
13 Ibid., 499-500.
other sectors this increase in wages would translate to an increase in output per hour.\textsuperscript{14} Rising labor costs with relatively stable productivity and output lead to a less-than-ideal situation for the performing arts. The question then arises as to whether public or private funding, subsidized housing, larger audiences, or lower rehearsal costs can decrease a widening gap between costs and earnings and whether such components ease the struggle for artists and companies to survive and flourish.

Additionally, because the arts are encompassed in the broader category of “arts and culture,” cultural economists have long debated whether or not the arts can be considered a public good. This further differentiates the arts from other industries. A public good is one in which one person can consume without reducing the consumption of another (non-rivalrous) and one in which no one can be excluded from its benefits.\textsuperscript{15} Examples of pure public goods include public defense, public parks, and law enforcement, and it is usually expected that the government fully supports and funds pure public goods. While art in itself can be rivalrous (sold-out performances) and exclusive (price for tickets),\textsuperscript{16} the externalities associated with any form of art present clear qualities of non-rivalry and non-exclusivity. Many cultural economists argue that access to creativity and culture are a public good, and every form of art is a catalyst for producing this culture.\textsuperscript{17} In addition to promoting culture, the arts provide a number of beneficial externalities including health benefits, cultivating creativity, keeping adolescents out of trouble,

\textsuperscript{14} Ibid., 171.
increasing listening and learning abilities, education and social connections, among many other possibilities. Such externalities and social benefits may indicate a need for more funding at the government level, but also indicate that all contributions to nonprofit dance companies are fundamental, important, and necessary to study and understand so that the arts continue to benefit the public for generations to come.

**Housing/Workspace Problems and Solutions**

In addition to dance and arts organizations struggling to stay afloat, the individual performers, artists, choreographers, dancers, etc. who comprise such organizations struggle with the lack of affordable housing and the lack of affordable rehearsal and workspace. In *The Warhol Economy*, Currid presents Elliot Sclar’s concept of the *SoHo Effect*, whereby “artists move to a blighted neighborhood, make it interesting, and then, with rents rising because of the neighborhood’s new creative cachet, wealthier residents come in, push up the rents, and push out the very artists that made the place special and interesting in the first place,”¹⁸ similar to problems of gentrification across the United States. Part of this problem arises because artists so highly value their own work that they dedicate their time, energy, and expenses to producing it. In turn, the supply often outweighs the demand, and they cannot make a livable wage or afford to live in the areas that they enhanced with their artistry.

Additionally, William B. Fleissig reinforces the *SoHo Effect* by indicating that because costs are rising and artists work in a “taste driven” economy, they often choose to leave New York for cities that aim to promote the arts, but have a “less aggressive” environment and a

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¹⁸ Currid, 178-179.
lower cost of living. Because the arts are so integral to the culture and life of New York, the loss of artists to emerging cultural hubs can be detrimental to the culture, energy, and life of New York City. Several economists and arts researchers have attempted to explain the SoHo Effect but have not clearly addressed issues of gentrification and how to counteract it. Other economists have suggested tax initiatives and subsidized housing and workspaces, the integration of work and performance space into the development of new buildings in the theater district of Manhattan, and increased neighborhood-centered collaboration between city agencies, cultural departments, and the arts. The evidence and data supporting these proposals are limited, but several attempts at subsidized housing and workspace programs have been successful.

Although the problem of affordable workspace does not usually affect nonprofit companies like the ones included in this paper, many of the companies included in the data provide affordable or subsidized workspaces for other companies, fiscally-sponsored organizations (which do not have 501(c)3 status), and individuals. This further contributes to the illustration of the cooperation and collaboration between New York City and the arts sector, in addition to the cooperation and collaboration within the arts sector. Companies with studio rentals include Alvin Ailey American Dance Theater, Battery Dance Company, Gibney Dance, Martha Graham Dance Company, Mark Morris Dance Group, Paul Taylor Dance Company, and Shen Wei Dance Arts. Each company has its own regulations and prices for studio rental space, most open to individuals, organizations, and nonprofit groups. Additionally, several of these

20 Currid, 177-180.
companies rent not only studio space, but also theater space, and miscellaneous space for parties, meetings, etc. For example, the Mark Morris Dance Group offers six different studios and one performance space at different prices depending on the room dimensions, classification of the renter (i.e. nonprofit, individual, or eligible for a subsidized rate), and whether the room is being used for an audition or workshop.23

Additionally, many of these companies received grants from the New York State Council on the Arts to offer their rooms at a subsidized rate to nonprofit arts and culture groups throughout New York City. Such companies, many of which are listed above, offer a subsidized rate of $10 per hour to nonprofit groups that do not have their own rehearsal space, therefore making the cost of rehearsal more bearable. However, this subsidized rate is only for nonprofit groups and their rehearsal time, not for performances, auditions, or workshops.24 Even without the subsidized rate, companies and individuals can find studio space across New York City from $20–$40 per hour. Although these rates may be a little higher than an artist would like, the availability of the space and ease of access (usually one only has to call, give a reason for needing the space, pay, and reserve) contribute to the functionality of the arts within New York City.

There are also several other organizations that offer subsidized work or rehearsal space to individuals, companies without space, or other arts organizations. These organizations include Two Trees NYC and CAP21, among others. The Cultural Space Subsidy Program by Two Trees NYC, a real estate development firm in Brooklyn, “makes space available at below market rent

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to be awarded to applicants that best demonstrate their capabilities and intent to provide a social benefit to DUMBO and the broader Brooklyn community.”25 Additionally, CAP21, a New York City-based musical theater conservatory and company, has a space subsidy program that “offers artists, performers, and nonprofits a 50% subsidy on all studio space for auditions, rehearsals, and performances, providing appropriate space for the complete lifecycle of their work.”26 These are not the only organizations that provide affordable workspaces for artists and nonprofit companies, but initiatives such as these lead to careers and interactions among artists that can then boost the local arts and culture economy, not only increasing revenue for the companies renting the space, but also leading to more performances, art shows, and a general integration of the arts into the economy, a benefit to both the arts and the economy at large.

**Performance Attendance / Box Office Revenue**

In addition to subsidized workspace in public buildings, one of the simplest ways to further integrate the arts into the public sphere is through increased performance attendance. Not only could increased attendance raise revenues for nonprofit dance companies, but it could also attract new donors, lead to a better understanding and appreciation of dance, and bolster public funding for the arts as a whole. Why do people attend performances and why do they not? What encourages and discourages attendance? In a book entitled *The Geography of Participation in the Arts and Culture*, J. Mark Schuster, an urban economist, explores the motivations and dissuasions of public participation in the arts, separating participation rates by art genre with data


based on the 1997 Survey of Public Participation in the Arts. (A newer version of the survey was published in 2012, but a breakdown of audience participation by states was not found.) The most basic data from the 1997 survey indicates that in New York state (to be differentiated from New York City), 9% and 14% of survey respondents had attended either ballet or another dance performance, respectively. To understand who is attending these shows, Schuster looks at a number of variables including demographics, education level, income level, ethnic and racial identity, and geographic distribution. Although all variables have varying effects on participation rates in New York and across the United States, Schuster’s most interesting, but not surprising, finding is that interest in the arts is much higher for those who have previously attended a performance (those who previously attended a ballet performance: 80.2%; those who did not: 26.3%; those who previously attended a different type of dance performance: 78.3%, those who did not: 52.2%). There is a marked difference in Schuster’s findings between interest for those who had previously attended a ballet performance and those who had not (a difference of 53.9 percentage points) while this difference is not as high for what Schuster defines as other dance performances (only a difference of 26.1 percentage points). Although there could be many reasons for this difference, “other dance” most likely attracts a much more diverse audience interested in modern dance, hip-hop, tap dance, and so-called cultural dance forms (such as flamenco and bharatanatyam, etc.), while people often assume that knowledge of ballet and its form is necessary to understanding and fully enjoying it. A study published in 2015, but based on 2012 measures, by the National Endowment for the Arts indicates that as the education and income levels of attendees increased, their rates of attendance to a “benchmark” activity also

28 Ibid., 107-110.
increased. A benchmark activity is defined as a classical music performance or opera, jazz performance, musical theater performance, non-musical play, ballet, or art museum/gallery. This means that as attendees’ education and income levels rose, so did the number of arts events or performances they attended. Additionally, the report notes that 75% of attendees identified as white while only 9% identified as Hispanic, 8% as African-American, and 7% as other. Additionally, 56.1% of attendees identified as women. Although these numbers specifically represent 2012, the overall trends are similar from 2002 through 2012. Based on these statistics it is clear that a large majority of arts attendees identify as white, a significant majority identifies as female, and attendance increases as education and income levels increase. A more recent 2013 dance-specific study by Dance/NYC reveals that dance organizations reported a total of approximately 1,662 live performances annually in New York City with between 1,106 and 79 spectators. Out of a total of approximately 8.5 million New York City residents between 2012 and 2013, anywhere from 1,106 to 79 spectators per performance is small, highlighting a problem for nonprofit dance companies. Although this number may be small in part because of the size of their performance spaces, if companies were able to increase attendance, they would also increase earned revenue through ticket sales, contributions (as the performance may lead to new donors), and eventually higher profits.

The 2013 Dance/NYC report also indicates that average audience size for dance performances is, for the most part, positively correlated with the budget size of the organization.

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30 Ibid.
31 Ibid., 4.
32 Ibid.
This means that the greater the organization’s budget, the greater the average attendance (budget: >$5M, average performance attendance: 1,106; budget: $1M-$5M, average performance attendance: 1,724; budget: $500K - $999K, average performance attendance: 353; budget: $100K - $499K, average performance attendance: 174; budget: $25K - $99K, average performance attendance: 79). Thus, if organizations with the largest budgets attract the largest audiences, these audiences then, presumably, generate more revenue for the organization through greater ticket sales. In turn, this extra revenue has the potential to increase the budget for the next performance season, pointing to a never-ending cycle of organizations with already high budgets receiving the largest amount of revenue. However, this does not help to explain how companies have higher budgets in the first place. One reason could be that they are perceived by the audience as talented and eye-catching, generating a large sum of contributions and earned revenue from sold-out performances, while another reason could be that one large donation enables them to bring in the most prestigious choreographers and dancers, instantly contributing to the prestige of the company. However, this is a continuous cycle and the answer is different for each company. Regardless of how the high budgets were established, the analysis in Chapter IV will demonstrate that although contributions fluctuate annually, from 2000 through 2013, most companies’ contributions stay in their respective ranges. For example, companies with contributions in the lower hundred-thousand range in 2000 also had contributions in the lower hundred-thousand range in 2013, exemplifying the never-ending cycle.

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CHAPTER II: Nonprofit Arts and How They are Funded

Nonprofit Overview

Nonprofit organizations use all their revenue for the benefit of the public, unlike profit-making businesses.\(^{36}\) Additionally, in order to be considered a nonprofit, the organization must be “charitable, educational, scientific, religious or literary”\(^{37}\) in function. Nonprofit status often, although not always, provides organizations with tax exemptions meaning that nonprofit organizations are free not to pay sales and property taxes.\(^{38}\) All nonprofit organizations are required to file tax returns and make such tax returns public on websites like Guidestar and ProPublica. The 990 forms that organizations use to file their tax returns are between 20 and 40 pages long depending on the year and include detailed information on the finances of each organization. Sections on the forms include a detailed list of “functional expenses” such as payroll taxes, employee compensation, travel, etc., a list of service accomplishments, balance sheets, financial activities such as loaning or exchanging goods or money with board members, trustees, etc., and monies spent on activities such as lobbying.\(^{39}\)

Economists Baumol and Bowen note that the goals of nonprofits are often “by their very nature designed to keep [the organization] constantly on the brink of financial catastrophe, for to such a group the quality of the services which it provides becomes an end in itself.”\(^{40}\) For example, they indicate that activities like more rehearsal time and further training for performing

\(^{37}\) Ibid.
\(^{38}\) Ibid.
\(^{40}\) Baumol and Bowen, 497.
artists are goals in themselves, and therefore, the likelihood of extra revenues or funds is smaller than for a different type of organization.

In a working paper for Princeton University titled “Nonprofit Organizations and the Intersectoral Division of Labor in the Arts,” Paul DiMaggio, a sociologist, indicates that according to the 1997 U.S. Economic Census, over 90% of modern dance companies and between 80% and 90% of ballet companies in the United States had nonprofit status.\(^{41}\) In the 1980s and 1990s, one of the key determinants of an established professional company was 501(c)3 nonprofit status.\(^{42}\) For companies with this status, it is important to know the different types of company income, where the income is coming from, and where it is going. Because the analysis in this paper focuses mainly on contributions, revenues, and profits of dance companies in New York City, it is also necessary to understand their sources of income. According to John Munger, an artist, choreographer, and writer for Dance/USA Journal, dance companies’ income can be divided into two types: earned and unearned or donated.\(^{43}\) While earned income includes anything from ticket sales, interest on investments, and the sale of merchandise or classes, unearned income includes government grants and contributions, donations from foundations, corporations, and individual donors,\(^{44}\) and can also include in-kind donations such as donated materials used for rehearsals or performances.

Income is noted on the 990 tax return forms as revenue and is listed in the summary section on the first page of all 990 forms with two other key sections: expenses and net assets.\(^{45}\)

\(^{41}\) Paul DiMaggio, Nonprofit Organizations and the Intersectoral Division of Labor in the Arts (Princeton, NJ: Center for Arts and Cultural Policy Studies, 2003), 7.


\(^{43}\) Ibid., 17.

\(^{44}\) Ibid.

Any type of revenue or monetary gift given or granted to the organization is listed on line 1 of the revenue section of a 990 form under “Contributions, gifts, grants and similar amounts received” on the older tax returns and simply “contributions and grants” on the newer tax returns (2008-present). As evidenced on a 990 nonprofit tax return, contributions are then further categorized as indirect public support, indirect private support, or government contributions (grants). It is evident from the raw data that appears on the tax returns that contributions make up a large portion of total revenue for nonprofit dance companies, often comprising over half the total revenue for each company. Moreover, the data collected for this paper indicates that nonprofit dance companies would not survive or stay afloat without contributions. When contributions are subtracted from total revenue (because they are originally included in the calculation of total revenue on 990 tax return forms), expenditures are larger than revenue for every dance company, every year. Specifically, when aggregated, from 2000–2013 average earned revenue (revenue without contributions) was always lower than average expenditures, as seen in the table below.

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This simple conglomeration of data indicates how crucial contributions are to the arts, and specifically to dance in New York City. Table 1 also demonstrates that average aggregate revenue increased from 2000 through 2007 (with the exception of 2001-2002) before decreasing substantially from $3.4M to $2.8M in 2008, coinciding with the recession. Additionally, average aggregate expenses increased from 2000 through 2008 (with the exception of 2001-2002) before decreasing from $5.2M to $5.1M from 2008-2009, a much smaller decrease than that of average aggregate revenues. While there is a substantial decrease in revenues with a minimal decrease in expenses in 2008, the average earned revenue for 2009 ($3.3M) demonstrates that in the aggregate, on average, companies began to recover quickly, indicating that they found ways to fight the recession. The smaller 2001 recession could account for the decrease in average aggregate revenues and expenses between 2001 and 2002. This table makes it clear that without

\[ \text{Table 1} \]

<table>
<thead>
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<th>Year</th>
<th>Average Earned Revenue</th>
<th>Average Expenses</th>
<th>Average Profits</th>
</tr>
</thead>
<tbody>
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<td>$2.2M</td>
<td>-$800K</td>
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<td>2001</td>
<td>$2.6M</td>
<td>$4.4M</td>
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<td>2002</td>
<td>$2.2M</td>
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<td>2006</td>
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<td>2007</td>
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<td>2008</td>
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<tr>
<td>2009</td>
<td>$3.3M</td>
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<td>$6.1M</td>
<td>-$2.1M</td>
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</tbody>
</table>

contributions, the expenses of nonprofit dance companies in New York City greatly outweigh the earned revenues. However, when contributions are included in total revenue and the variables are again aggregated, average aggregate expenditures do not surpass average aggregate revenues, seen in the table below.

Table 2

<table>
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<tr>
<th>Year</th>
<th>Average Total Revenue</th>
<th>Average Expenses</th>
<th>Average Profits</th>
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<td>$800K</td>
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<td>$5.5M</td>
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<tr>
<td>2007</td>
<td>$6.4M</td>
<td>$5.2M</td>
<td>$1.2M</td>
</tr>
<tr>
<td>2008</td>
<td>$5.2M</td>
<td>$5.1M</td>
<td>$55K</td>
</tr>
<tr>
<td>2009</td>
<td>$5.2M</td>
<td>$5.1M</td>
<td>$85K</td>
</tr>
<tr>
<td>2010</td>
<td>$5.4M</td>
<td>$5.2M</td>
<td>$200K</td>
</tr>
<tr>
<td>2011</td>
<td>$5.9M</td>
<td>$5.7M</td>
<td>$200K</td>
</tr>
<tr>
<td>2012</td>
<td>$5.8M</td>
<td>$5.6M</td>
<td>$200K</td>
</tr>
<tr>
<td>2013</td>
<td>$7.3M</td>
<td>$6.1M</td>
<td>$1.2M</td>
</tr>
</tbody>
</table>


It is important to note that because this table aggregates total revenue, expenses, and profits, it does not account for the individual trends of each company. However, there are a few trends that are noticeable and distinct. Average aggregate profits in 2007 ($1.2M) are over twice as large as average aggregate profits in 2006 ($450K). This aligns with the expansion of the U.S. economy throughout 2007 before the recessionary collapse in December 2007. Additionally, average aggregate profits in 2007 ($1.2M) are almost 22 times larger than average aggregate profits in 2008 ($55K), indicating a steep decline from 2007 to 2008. When this table is contrasted to Table 1, it is clear that there are negative differences between earned revenue (revenue without
contributions) and expenses for every year but positive profits when contributions are added to total revenue. It should be noted that on an individual company level, the raw data on the 990 tax return forms shows that even when contributions are included in revenue, from 2000-2013, many companies operated in a deficit meaning their expenses were greater than their revenue.

**Funding and Contributions**

In general, dance companies receive both monetary and in-kind contributions. For arts administrators and advocates the topic of funding for the arts has become somewhat controversial: who should donate, how much should they donate, and should federal, state, and local governments be responsible for funding? According to a research paper published by the National Endowment for the Arts, the United States’ arts funding comes in three broad categories: direct public funding in the form of federal government grants from the National Endowment for the Arts, state government funding through state arts agencies (for New York this is the New York State Council on the Arts), and local government funding (the Department of Cultural Affairs for New York City). Additionally, funding for the arts emerges through re-granting organizations and through private contributions from foundations, corporate sponsors, and individual donors.

In their economic report, “On the Performing Arts: The Anatomy of Their Economic Problems,” W.J. Baumol and W.G. Bowen indicate that “the survival of the great majority of [performing arts] organizations requires a constant flow of contributions.” Although this was written a half–century ago, more recent data from both Dance/NYC and Alliance for the Arts

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49 Ibid.
50 Baumol and Bowen, 499.
indicates that this is still the case. In 1999, government funding was the largest source of income for arts organizations of any budget size in New York City ranging from 53% for the largest organizations with budgets greater than $10 million to 39% for the smallest organizations with budgets less than $100,000.\textsuperscript{51} Additionally, of that government funding, the majority in any budget category (>$10M, $1M - $10M, $100K - $1M, <$100K) came from the state first, with city second, and federal government third, the latter accounting for less than 5% of overall government funding in each budget category.\textsuperscript{52} With respect to dance-specific companies in New York City in more recent years, Dance/NYC’s 2013 study indicates that private support (contributions from board, individual, corporate, foundation, and fundraising events) accounted for almost half of total revenue for dance organizations in every budget category ($25K - $99K, $100K - $499K, $500K - $999K, $1M - $5M, and >$5M).\textsuperscript{53} Meanwhile, public support (government funding) ranged from 13.6% for organizations with the smallest budgets to a mere 2.3% for those with the largest budgets.\textsuperscript{54} Although private and public contributions could not be differentiated in the data for this paper, the data does demonstrate the magnitude and importance of contributions as the “total revenue” column of the data depends on the “contribution” column to break even with the “expenditures” column (although they do not always break even) and produce a profit.

\textsuperscript{51} Who Pays for the Arts (Alliance for the Arts, 2001), 12.
\textsuperscript{52} Ibid., 13.
\textsuperscript{53} State of NYC Dance 2013 (Dance/NYC, 2013), 24.
\textsuperscript{54} Ibid.
On May 1, 2012 two contradictory articles were published consecutively on the Huffington Post blog. Although both focused on federal government funding, the first by Ian David Moss was titled “Federal Government Money is Not the Best Way to Fund the Arts,” while the other, by Carla Escoda, was titled “Federal Government Money is the Best Way to Fund the Arts.” Moss felt that no amount of funding from the National Endowment for the Arts could properly cover the expenses of the nonprofit arts sector. He notes that in 2012, Americans for the Arts asked the NEA for approximately $155 million, a decrease of $12.5 million from their 2010 allotment. However, Moss concludes that even a higher appropriation in 2010 would not have been sufficient to cover the $63 billion total budget of nonprofit arts organizations throughout the United States. Carla Escoda agrees that the NEA budget has decreased and notes that since the peak in the budget at $176 million in 1992, the NEA budget has lost almost $30 million. However, unlike Moss, Escoda argues that because private funding (i.e. foundations, corporations, and individual donors) is much more sensitive to economic shocks, public funding through government grants is the most reliable way to fund nonprofit arts in the United States. Like Escoda, policy makers and arts advocates at Americans for the Arts focused on the dire need for federal government funding in their proposal to Congress on Arts Advocacy Day 2012. They argued that when public funding for the arts is cut, private funds and

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56 Ibid.
57 Ibid.
58 Ibid.
59 Ibid.
donations do not make up for this loss. Additionally, if stronger theories and arguments were made for art and culture as a public good, advocates like Escoda and Americans for the Arts could further their discussions and persuasions, ultimately making higher government arts funding a reality. Regardless of whether federal funding is the best way to fund the arts, Tables 1 & 2 indicate that all contributions to nonprofit dance companies are critical in assisting companies’ revenues cover their expenses, and any federal funding is beneficial.

The majority of federal government funding for all nonprofit arts in the United States consists of federal grants from the National Endowment for the Arts. According to a report published by NEA, “The NEA is the largest single funder of the arts across America, but the majority of direct public funding still flows from a combination of other federal, state, regional, and local agencies.” The National Endowment for the Arts was created by Congress in 1965 to increase access to the arts in every capacity: performance, participation, viewship, and education and often awards its grants to nonprofit dance companies, organizations, and re-granting foundations throughout the United States. To apply for a grant from NEA there are several eligibility requirements including nonprofit, tax-exempt status, at least three years of programming prior to the application, and reporting past grants received from NEA.

Federal funding for NEA peaked in 1992 at $176 million. It then dropped sharply in 1995–1997 (from $162 million to $99.5 million) and in 2012 was recorded at approximately

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Interestingly, however, the allocation of the U.S. Government budget to NEA during the 2007–2009 recession (between $125 million and $155 million) was actually higher than funding in 2001–2003 (between $104 million and $115 million),\(^\text{66}\) when the economy of the United States was recovering from the smaller 2001 recession. For the 2013 fiscal year, Americans for the Arts urged Congress to restore NEA’s federal funding to $155 million, as it stood in 2011.\(^\text{67}\) Because of budget cuts by Congress from 2010 to 2012, NEA reduced its allotments to state arts agencies and decreased the number of grants given directly to arts groups by approximately 175 grants.\(^\text{68}\) This further indicates that a decrease in one level of funding (federal) affects other levels of funding such as state arts agencies, which in turn affects overall contributions to companies, and, ultimately, annual revenues and profits. A further examination of NEA funding during the recession will be seen in Chapter IV.

**State Government Funding / NYSCA**

In addition to federal government funding from NEA, government funding also comes directly from state governments through state arts agencies\(^\text{69}\) and local government organizations. State arts agencies exist in all 50 states and work to provide funding, accessibility, and promotion of all art forms in their state.\(^\text{70}\) They strive to make the arts more accessible to their respective communities at large, provide grants to nonprofit arts institutions, preserve cultural

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\(^{65}\) “National Endowment for the Arts: Promoting Creativity and Public Access to the Arts,” 1.

\(^{66}\) Ibid.

\(^{67}\) Ibid.

\(^{68}\) Ibid.


\(^{70}\) “About State Arts Agencies.” *National Assembly of State Arts Agencies.*  
traditions, promote greater investment and funding for the arts, conduct research for arts advocacy, and encourage artistic success. Additionally, a 2010 report by the National Assembly of State Arts Agencies outlines the importance of state government funding for the arts indicating that such contributions create jobs, provide cities with more educational wealth, act as a “civic catalyst” for demonstrating societal conflicts and issues, enhance and increase the sharing and learning of cultures, and strengthen the small business sector of the economy.

As previously noted, state arts agencies and NEA are not completely separate in their operations. In 2011, approximately $50.2 million of NEA’s $155 million allotment (40%) was given to state arts agencies to re-grant to arts organizations, further demonstrating the impact of a federal budget cut. Additionally, state arts agencies are typically funded through allotments from each respective state legislature and sometimes privately in the form of contributions and earned income, in addition to the allocations from NEA. From 2009 to 2010, only .042% of the states’ general fund expenditures were given to state arts agencies. The small allotment of government funding given to state arts agencies is then further broken down and distributed to each of their recipients throughout the state arts agencies’ respective states, resulting in a miniscule amount of funding for each individual company supported by state arts agencies. It is evident that if funding to state arts agencies was further decreased or eliminated altogether, nonprofit dance companies such as the ones represented by the data in this paper, would struggle even more to survive.

75 “About State Arts Agencies.”
The New York State Council on the Arts (NYSCA) is the state arts agency for New York. According to the NYSCA website, organizations with nonprofit, 501(c)3 tax exempt status in the state of New York, Native American tribes, and “units of government in municipalities in New York State”\(^77\) are allowed to apply for grants from NYSCA. An organization can only apply for two grants at a time, and categories for grants range from architecture and design, folk arts programs, literature programs, and economic development programs, to long–term dance residency programs and rehearsal space dance programs.\(^78\) No grant from NYSCA amounts to less than $2,500, but no grant can be used as the main source of financial support as NYSCA seldom provides funds for more than 50% of an organization or project budget.\(^79\) Even so, because profits for nonprofit dance companies are seldom positive (as seen in the data for this paper), all contributions are important to the overall revenue of a company and NYSCA grants are still necessary for such organizations. Although both NEA and NYSCA grants appear small and rarely, if ever, make up more than 50% of a company’s contributions, these grants, awarded as the result of a stringent vetting process, can raise the attractiveness of the company to individual donors, further increasing contributions.

**Local Government Funding / Foundations / Corporations / Individual Donors**

Cities throughout the United States have re-granting organizations and local arts agencies although local funding is different in each city and varies depending on local politics and

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economic policies. Similar to receiving grants from federal and state governments (for example, through NEA and NYSCA), nonprofit arts companies and organizations also receive funding and grants through local government organizations, re-granting organizations, foundation grants, corporate sponsorships, and individual donors.

The Department of Cultural Affairs (DCLA) is New York City’s local government funder that provides grants, subsidies, resources, policy, and advocacy for arts and culture organizations and Cultural Institutions in New York City in exchange for their cultural work. The Department of Cultural Affairs’ Cultural Development Fund provides grants to cultural nonprofit organizations throughout the five boroughs of New York City and usually distributes upward of 900 grants to organizations of varying disciplines. In addition to providing grants and monetary assistance to nonprofit arts groups, the Department of Cultural Affairs provides in-kind contributions and non-monetary assistance to such organizations with programs like their Materials for the Arts program, which provides free supplies to organizations, the Percent for Art law, which ensures that 1% of the budget for city-funded construction be spent on public art, community engagement programs, residency programs, and online resources for artists and arts and cultural organizations.

In addition to local government support for the arts, re-granting organizations exist throughout the country to provide funding and grants to both nonprofit organizations and

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80 Munger, 18.
81 “Cultural Institutions” are organizations in New York City which operate on city-owned property and receive financial assistance from the DCA in return for their cultural impact on New York City.
individual artists. Re-granting is a process whereby larger foundations or government agencies (although NEA does not provide the opportunity for re-granting) grant money to “intermediary organizations,” which then provide smaller grants to individuals and nonprofit organizations.  

For example, the Lower Manhattan Cultural Council is a re-grantor through its Community Arts Fund which provides access either to city funds, state funds, or a combination of city and state funds through a variety of grants. Re-granting organizations are therefore also affected if government funding organizations like NYSCA and DCLA are affected by hits to the economy, and transfer the effects onto the local dance and arts organizations which they fund.

There are several foundations in the greater New York City area, and throughout the United States, focused on the arts, culture, and humanities as a whole. Each foundation has its own requirements, stipulations, and regulations regarding what can and cannot be funded, in addition to its own mission statement. Some foundations will not fund capital projects or endowment funds, while others will fund anything related to arts and culture from education programs to performance opportunities. For example, the Andrew W. Mellon Foundation was established to “strengthen, promote, and, where necessary, defend the contributions of the humanities and the arts to human flourishing and to the well-being of diverse and democratic societies” and provided grants amounting to approximately $282,806,000 in 2015. In addition to the Andrew W. Mellon Foundation, the Harkness Foundation for Dance is a private,

grant-making organization focused specifically on dance in all of its forms: education, performance, creation, and medicine, and offers grants to a variety of organizations, projects, and programs in the greater New York City area.89 In his article in Dance/USA Journal, John Munger points out that support from private foundations, such as the Andrew W. Mellon Foundation and the Harkness Foundation for Dance, is affected by variations in the stock and bond markets.90 If private foundations are influenced by the stock market which is inevitably affected by fluctuations in the overall economy, like a recession, one can infer that contributions to nonprofit dance companies (which include grants from private foundations) are, again, affected by an event like the Great Recession in 2007.

In addition to governments, foundations, and corporations, individual donors also provide needed support and funding for nonprofit arts organizations. Because donors tend to be patrons, they serve as audience members and promoters of the arts by attending performances, bringing additional audience members, and informing others about the performances, thus ideally fostering larger audiences. There has been much discussion on how and why individuals donate, conserving the donor’s legacy, and expanding the donor database. In the “Development Dialogue” section of the Dance/USA e-journal Ron Fredman, Chief Development Officer at Kansas City Ballet, talks both about keeping the legacy of a donor alive and about why people contribute to the arts. Fredman states that organizations are responsible for protecting a donor’s legacy and ensuring it continues for several generations and must find ways to do so.91

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Additionally, in his post “The Reasons are Many,” Fredman discusses the main reasons he believes people donate including status, guilt, appreciation, and impact.\textsuperscript{92} He cites research by Gallup, a market research company, estimating that approximately 50% of donors in the United States would only provide a donation to one company or organization in 2016.\textsuperscript{93} Additionally, Fredman suggests several ways for companies and organizations to motivate their donors and/or increase their donor database. These include simply asking, promising something in return for the donation and following through with the promise, or asking donors for their advice and opinions on the organization’s future, among others.\textsuperscript{94} Most importantly, Fredman indicates that describing the personal significance of a donation instead of focusing on the broad range of programs for which the money could be used makes the donor feel needed and necessary.\textsuperscript{95} Parsons Dance Company’s development activity from 2008 - 2011 exemplifies the impact of creating a personal relationship with the donor/donation. During these three years, the company created its “Campaign for Creation,” which focused on the needs of its dancers including money for salaries, costumes, lighting, and studio rental time.\textsuperscript{96} This more direct and personal campaign increased individual donations by almost 171% from 2008 to 2011.\textsuperscript{97} Although there are costs involved in keeping track of and increasing a donor database (such as writing proposals and contacting and finding donors), using the methods suggested by Fredman and exemplified by Parsons Dance Company, more dance companies, and especially those in New York City, could

\textsuperscript{93} Ibid.
\textsuperscript{94} Ibid.
\textsuperscript{95} Ibid.
\textsuperscript{97} Ibid.
benefit from individual donors, increasing their contributions and, therefore, their revenues and profits.

CHAPTER III: The Great Recession

The Great Recession: An Overview

For approximately a decade before the Great Recession of 2007, the housing market in the United States had been expanding. In 2006, average housing prices in the United States were almost double what they were in 1998. Additionally, homeownership increased, along with home mortgage borrowing and mortgage debt. Global financial markets felt the tension of “losses on mortgage-related financial assets” in the United States, ultimately forcing the United States economy into a recession by December 2007. As 2008 began, the economy’s decline was moderate but became more severe throughout the year. With the Great Recession came a sharp decrease in national wealth, large reductions in consumer spending, and declines in business investments. A heavy loss of jobs also resulted from the disaster. According to the Economic Policy Institute, the Great Recession caused the largest decrease in employment since the Great Depression. Additionally, a steep decline in the stock market resulted in an even larger reduction of wealth. Although the economy “bottomed out” by mid-2009 and the

99 Ibid.
100 Ibid.
101 Ibid.
103 Ibid.
104 Ibid.
recession was declared over by June 2009, the effects of the recession lasted for several years with little growth in the few years immediately following.\textsuperscript{105}

There are a number of economic indicators that can be used to measure and assess the extent of an economic recession. From stock market levels to the unemployment rate, GDP, and Industrial Production Index, some variables indicate the impact of a recession more so than others. According to the FRED database (Federal Reserve Bank of St. Louis’s economic data), real median household income in the United States peaked in 2007 at $57,423 and did not begin to rise again until 2012-2013 when it increased from $52,666 to $54,525.\textsuperscript{106} Additionally, as a percentage of total labor force, the unemployment rate in the United States increased 1.2 percentage points from 2007 to 2008, then jumped 3.5 percentage points from 5.9\% to 9.4\% between 2008 and 2009.\textsuperscript{107} In addition to the rise in the unemployment rate and the fall in real median household income during the years of the Great Recession, the industrial production index\textsuperscript{108} also declined from 104.98 in 2007 to 89.60 in 2009.\textsuperscript{109} However, one of the most indicative variables of economic variation is the stock market. From 2007 to 2008, the Dow Jones Industrial Average plummeted from a closing price of $13,264.82 to $8,776.39 before rising back to $10,428.05 by the end of 2009.\textsuperscript{110} Clearly seen through economic variables, the economy slumped by the end of 2007 but began pushing itself back up by the end of 2009.

\textsuperscript{105} Weinberg, “The Great Recession and its Aftermath.”
\textsuperscript{108} The industrial production index measures real output for gas, electric, manufacturing, and mining in the United States.
Recessionary Effects on Dance and the Arts

For nonprofit dance companies and independent artists, annual revenues fail to cover their expenses without the help of all levels of contributions. What happens to arts and performance organizations when the economy of the United States experiences an event such as the Great Recession between 2007 and 2009? If each level of funding is dependent on economic trends at large, it could be suspected that changes in the economy lead to changes in funding. However, in an article in *Time*, Laura Fitzpatrick reveals that while ticket prices and sales to Broadway shows declined during the recession, museum attendance and overall tourism in New York City rose.\(^{111}\) One could speculate that this increase in tourism could be caused by the decision of Americans’ to vacation close to home, choosing to drive or take the train to New York City instead of flying to a tropical destination, for example. Another explanation could be additional foreign tourists who choose to go to museums in New York City but do not necessarily choose to see Broadway productions. However, an increase in tourism in New York City likely did not increase ticket sales for nonprofit dance companies sufficiently enough to counteract the shock of the recession.

In 2008, approximately one year after the recession began, nonprofit arts organizations of all genres reported reducing their budgets regardless of budget size or borough.\(^{112}\) However, data indicates that in 2010, fewer organizations continued to reduce their budgets and consider layoffs.\(^{113}\) Was this same trend observable in dance-specific nonprofit organizations? In

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\(^{112}\) *The Recession & The Arts: The Impact of the Economic Downturn on Nonprofit Cultural Groups in New York City* (Alliance for the Arts, 2009), 3-4.

\(^{113}\) *The Recession & The Arts II: The Impact of the Economic Downturn on Nonprofit Cultural Groups in New York City* (Alliance for the Arts, 2010), 1.
“Assessing the Dance Economy in the 21st Century,” John Munger highlights that the average loss for large dance companies throughout the United States in 2008 was approximately $300,000.\textsuperscript{114} Other than Dance/NYC’s aggregate findings for dance organizations around the time of the recession, there has not been a comprehensive study of the ways that dance, like the arts as a whole, was affected by the Great Recession. If residents, funders, and foundations in the greater New York City area suffered because the economy declined sharply, one would expect trends in the arts economy, and specifically the dance economy, to decline as well because dance is “taste driven” and dance organizations rely heavily on public and private funding.

As a result of the failing economy and struggles to stay solvent, individual employment in the arts sector sharply declined. While the overall unemployment rate in the United States grew 1.9 percentage points from the fourth quarter of 2007 to the fourth quarter of 2008 (from 4.2% to 6.1%), the unemployment rate for artists rose by approximately 2.5 percentage points during the same time period (from 3.5% to 6.0%).\textsuperscript{115} Additionally, the arts workforce decreased by approximately 3.32% (from 2,229,000 workers to 2,155,000 workers), caused in part by a lack of job prospects in the arts and many artists leaving the arts workforce to find steadier sources of income.\textsuperscript{116} By the end of the fourth quarter of 2008 the performing arts workforce, in particular, throughout the United States had shrunk by approximately 8.4%, from 533,000 workers at the end of the fourth quarter of 2007 to 488,000 workers by the end of the fourth quarter of 2008.\textsuperscript{117} Even more specifically, in 2008 the unemployment rate for dancers and

\textsuperscript{116} Ibid.
\textsuperscript{117} Ibid, 6.
choreographers in the United States was approximately 10.9%\(^{118}\) (the unemployment rate at the end of the fourth quarter of 2008 was not available because of limited data). To put this into context, the unemployment rate for all performing artists was approximately 7.2%, the unemployment rate for art directors, fine artists, and animators was approximately 5.7%, and the unemployment rate for designers was approximately 4.2%.\(^{119}\) It is clear that the economy’s struggle was felt by both the arts sector as a whole, and more specifically, by individual performing artists and dancers.

In addition to individuals suffering from the recession, there are a few specific examples of companies across the United States that struggled through the recession but found innovative ways to survive. In May 2009, Oregon Ballet Theater admitted that they needed $750,000 within a month or would most likely be forced to shut down.\(^{120}\) Additionally, their contributions had declined by almost 50% after the recession began.\(^{121}\) Joffrey Ballet lost almost half of its corporate contributions after the onset of the recession.\(^{122}\) To compensate for recessionary setbacks, Oregon Ballet Theater made sacrifices such as reducing administrative staff, hiring performers to work only every other week or every few weeks, and relinquishing the orchestra (although they stopped these actions once their finances began to recover).\(^{123}\) Taking a very different approach, Parsons Dance Company began creating its first evening-length work Remember Me at the height of the recession.\(^{124}\) To move forward with the show, Parsons set an ambitious fundraising goal for 2009 and pursued it until they were able to cover their two New

\(^{118}\) Ibid, 5.
\(^{119}\) Ibid, unpaginated.
\(^{120}\) Stuart, “Surviving and Thriving: Companies Share Their Beat-the-Recession Strategies,” 39.
\(^{121}\) Ibid.
\(^{122}\) Ibid.
\(^{123}\) Ibid.
\(^{124}\) Ibid, 38.
York seasons, United States tour, and a taped recording on public television. When Joffrey Ballet’s corporate donations plunged, the company turned to online and on-site merchandising to make up for much of the missing income. In an article in *Back Stage*, Lisa Jo Sagolla suggested that when finding ways to deal with the economic recession, dancemakers and choreographers should consider combining art forms such as dance and visual art, dance and music performances, etc. It is clear that different dance companies used a variety of tactics from selling merchandise to sacrificing staff and dancers or initiating fundraising efforts to survive and continue producing work during the economic crisis.

**Recessionary Effects on Government Funding**

In its 2012 report, *Why Should Government Support the Arts?* the National Assembly of State Arts Agencies asserted that “hard times require public officials to make the most of every asset and to adopt policies that maximize a state’s recovery potential….The arts are a recovery asset that supports jobs, stimulates commerce, stabilizes property values and provides many other economic benefits.” However, in order for the arts to help do all of these things, they must first have appropriate levels of funding and support through donations, investments, ticket sales, and government funding. The National Assembly of State Arts Agencies also reveals that because the arts already comprise such a minimal part of state budgets, cutting arts funding will not affect larger budget problems and will only hurt the arts and culture sector. In a 2011 article for *The Juilliard Journal*, George Stelluto, a conductor and instructor in Juilliard’s

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125 Ibid.
126 Ibid, 39.
129 Ibid., 3.
Pre-College Division, underscores this idea with respect to federal funding when he states that “the amount of money budgeted for the NEA is so small in comparison with the entire federal budget that cutting it would achieve very little in terms of reducing the deficit”\textsuperscript{130} and indicates that the arts are too beneficial to society to cut entirely.\textsuperscript{131} Despite such ideas, in a 2013 research article in the journal \textit{Cultural Trends}, Carole Rosenstein et al. indicate that state government funding to state arts agencies sharply decreased between 2001 and 2010, from $452 million to $239 million.\textsuperscript{132}

In the face of an economic crisis with a shortage of government funding for the arts, President Barack Obama issued the American Recovery and Reinvestment Act in February 2009. The Act designated $50 million to the National Endowment for the Arts for the use of “direct grants to fund arts projects and activities which preserve jobs in the nonprofit arts sector threatened by declines in philanthropic and other support during the current economic downturn.”\textsuperscript{133} Of the $50 million, approximately 40\% was distributed to both state and regional arts agencies while the other 60\% was dispersed among “competitively selected arts projects and activities,”\textsuperscript{134} some of which went directly to several of the nonprofit dance companies included in the data for this paper. The purpose of the extra $50 million was to provide one–time grants to previous recipients of NEA grants in the four years before the Act was passed.\textsuperscript{135} Those eligible included a host of nonprofit organizations such as local, regional, and state arts agencies, arts and

\textsuperscript{130} George Stelluto, “To Fund or Not to Fund Shouldn’t Be the Question!” \textit{The Juilliard Journal}, April 2011, \texttt{<http://www.juilliard.edu/journal/fund-or-not-fund-shouldn%E2%80%99t-be-question>} (29 November 2016).

\textsuperscript{131} Ibid.


\textsuperscript{133} “American Recovery & Reinvestment Act – Arts-Related Stimulus Funding Summary,” Americans for the Arts, 29 March 2009, 1.

\textsuperscript{134} Ibid.

\textsuperscript{135} Ibid.
arts service organizations, and other projects working to preserve arts jobs. From government funding at all levels to private foundations, corporations, and individual donors, it is evident that the Great Recession left its mark on each, and on the contributions, revenues, and profits of nonprofit dance companies. The next section will provide a first-hand analysis of 23 dance companies and how they were affected by the economic crisis.

CHAPTER IV: Analysis of the Impact of the Great Recession

Analysis and Regressions

The first step of analysis was to aggregate and average the contributions, earned revenue revenue, and total revenue by year for all 23 companies, seen in Graph 1 below.

Graph 1: Average Aggregate Contributions, Earned Revenue, and Total Revenue


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Ibid.
From this graph it is very clear that total revenue (on average) depends heavily on contributions as the trend line for average total revenue almost identically mimics that of average contributions, although larger. This indicates that on average, nonprofit dance companies in New York City rely heavily on contributions to gain revenue which then contributes to overall profits. The other clear trend seen in Graph 1 is that average aggregate contributions spiked from 2006 to 2007 then dropped fairly steeply from 2007 to 2009, with the trend of average total revenue following similarly. This clearly indicates that average contributions to nonprofit dance companies in New York City and the trends of the overall economy in the United States between 2007 and 2009 fluctuated in a similar pattern, peaking in 2007 and declining rapidly from the end of 2007 through 2009.

The next phase of analysis included running regressions of economic variables on contributions. While the trends observed in this paper are strong, the regression results were not as indicative and explanatory of the trends seen in Graph 1 as one would have hoped. The initial hypothesis was that economic variables such as the change in the Dow Jones Industrial Average, the closing price of the Dow Jones, unemployment as a percentage of total labor force, real median household income, the industrial production index, and percent change in GDP would affect contributions to the non-profit dance companies. However, none of the regressions produced significant results and all p values were greater than .1. This indicates that if the null hypothesis was that economic variables such as the unemployment rate, change in the Dow Jones Industrial Average or the closing price of the Dow did not affect contributions to nonprofit dance companies in New York City, the researcher failed to reject the null.
Limitations to the data:

In addition to the small sample size of only 23 companies, it is possible that the regressions did not produce significant results because several companies’ tax returns could not be found for various years, meaning that either nothing was reported or documents were not published properly. During such years, those companies had to be marked as “N/A” in the R software. Additionally, when a company reported “0” for profits, contributions, or revenue, this was marked as “N/A.” There were also a few outliers in the data that were removed. These outliers occurred when one or two companies received contributions much greater than the other companies. The values marked “N/A” in the software further contributed to the already small sample size of 23 companies from 2000 - 2013. However, the general trend of a sharp decrease in contributions from 2007 to 2009 is correlated with economic trends during the Great Recession. A larger sample size would most likely produce significant results indicating causation between the recession and contributions to nonprofit dance companies.

Although regressions could not prove a definitive causal relationship between the Great Recession and nonprofit dance in New York City, the data indicates evident trends. Graph 2 includes average aggregate contributions, average aggregate earned revenue, average aggregate total revenue, and the closing price of the Dow Jones Industrial Average each year. To make the trends in the variables easier to compare on the graph, each of the company factors was divided by 100.
Most surprising is the clear similarity in the trends of the average aggregate contributions (and therefore average aggregate total revenue) and the closing price of the Dow Jones. Both peaked in 2007 and began to drop with the Dow picking back up a little sooner than average contributions. This makes sense as there was most likely a lag in the recovery of individual businesses, foundations, and government organizations after the general economy began to recover. Additionally, average total revenue, average contributions, and average earned revenue in the aggregate seem to rise simultaneously starting in 2009. An important factor of this could have been the previously mentioned Recovery Act, which gave $50 million to the National Endowment for the Arts. Below is a table of the companies that received money from NEA as a direct consequence of the Recovery Act. According to the NEA website, the companies awarded grants by NEA as a result of the Recovery Act include Trisha Brown Dance Company, Thin Man
Dance Inc., Stephen Petronio Company, New York City Ballet, Martha Graham Dance Company, José Limón Dance Company, Mark Morris Dance Group (Discalded, Inc.), Dance Theatre of Harlem, and Alvin Ailey American Dance Theater. The size and “prestige” of the companies range from large and well-known (Ailey and NYCB) to small and less well-known (Thin Man Dance, Inc.). The companies included in the data for this paper either received $50,000 or $25,000 from the Act. However, this does not mean that this is the only money given to each company by NEA in 2009. The companies are listed in order from largest contributions to smallest contributions.

Table 3

<table>
<thead>
<tr>
<th>Company</th>
<th>Total Contributions</th>
<th>Total NEA Grant</th>
<th>NEA Grant for Recovery Act</th>
<th>NEA Grant as % of Total Contributions</th>
<th>Recovery Act as % of Total Contributions</th>
</tr>
</thead>
<tbody>
<tr>
<td>New York City Ballet</td>
<td>$17.5M</td>
<td>$295K</td>
<td>$50K</td>
<td>1.69%</td>
<td>0.29%</td>
</tr>
<tr>
<td>Alvin Ailey</td>
<td>$10.6M</td>
<td>$165K</td>
<td>$50K</td>
<td>1.56%</td>
<td>0.47%</td>
</tr>
<tr>
<td>Dance Theatre of Harlem</td>
<td>$3.6M</td>
<td>$70K</td>
<td>$50K</td>
<td>1.96%</td>
<td>1.40%</td>
</tr>
<tr>
<td>Mark Morris</td>
<td>$2.5M</td>
<td>$110K</td>
<td>$50K</td>
<td>4.48%</td>
<td>2.04%</td>
</tr>
<tr>
<td>Martha Graham</td>
<td>$1.3M</td>
<td>$250K</td>
<td>$50K</td>
<td>18.75%</td>
<td>3.75%</td>
</tr>
<tr>
<td>José Limón</td>
<td>$740K</td>
<td>$90K</td>
<td>$50K</td>
<td>14.83%</td>
<td>6.74%</td>
</tr>
<tr>
<td>Trisha Brown</td>
<td>$560K</td>
<td>$170K</td>
<td>$50K</td>
<td>30.40%</td>
<td>8.94%</td>
</tr>
<tr>
<td>Stephen Petronio</td>
<td>$350K</td>
<td>$70K</td>
<td>$50K</td>
<td>20.00%</td>
<td>14.29%</td>
</tr>
<tr>
<td>Thin Man Dance Inc.</td>
<td>$140K</td>
<td>$35K</td>
<td>$25K</td>
<td>24.50%</td>
<td>17.50%</td>
</tr>
</tbody>
</table>


Table 3 indicates that federal government grants do not necessarily vary by company size or total contributions and (using 2009 as an example) do not make up a large majority of total contributions, evident from the “NEA Grants as % of Total Contributions” column. Additionally, the $50,000 (or $25,000 for Thin Man Dance, Inc.) from the Recovery Act makes up less of the total contributions as contributions for companies increase, seen clearly in the far right column of Table 3. Therefore, while the Recovery Act was not as crucial to the contributions of the largest companies (NYCB and Ailey), Table 3 indicates that both total NEA grants for 2009 and the
$50,000 from the Recovery Act were impactful to the overall contributions of the smaller companies, comprising approximately 30% of total contributions for Trisha Brown Dance Company.

In addition to an examination of average aggregate data, the analysis also includes a close study of contributions for every company in the dataset. There is inconsistency observed in the size of contributions to companies as the contributions to Alvin Ailey American Dance Theater (Ailey) and New York City Ballet (NYCB) are much larger than those of the other 22 companies. From a dance perspective, it seems fairly obvious that this would be the case. Ailey is a largely black modern dance company with a historical commitment to showcasing African-American work, while NYCB is a prestigious and world-renowned professional ballet company housed at Lincoln Center. While most of the companies in this dataset have anywhere from 5 to 20 dancers altogether, New York City Ballet has about 91.137 Similarly, Alvin Ailey American Dance Theater has 32 dancers in its main company138 and 12 dancers in Ailey II, a company of young, emerging dancers.139 Such large numbers of dancers indicate that these companies are substantially bigger than the others and therefore will receive larger contributions. The next phase of the analysis includes a categorization of companies based on “prestige” and size of contributions. In the graph(s) below, these companies and their contributions are examined closely for the years of the recession. The two largest companies, Alvin Ailey American Dance Theater and New York City Ballet, stand out from the other companies in terms of the size of their annual contributions, and can be seen in Graph 3 below.

In *Graph 3* it is very clear that contributions to both companies reach a peak by either 2007 or 2008 then decreased sharply for a year, either until 2008 or 2009 respectively, similar to the years of the Great Recession. It also seems that unlike NYCB, Ailey did not return to a level of funding close to its pre-recession peak in 2007. The large spike in contributions to NYCB in 2013 may have been caused by an individual donor or a single legacy donation, a large grant, or a number of other factors which simple data from tax return forms cannot elucidate. Regardless, trends in contributions for both Ailey and NYCB are aligned closely with the collapse of the economy during the Great Recession.

The next category of companies received large but slightly smaller contributions than Ailey and NYCB. These are very well-known companies with high levels of contributions.
(between $2 million and $14 million) and include Trisha Brown Dance Company, Mark Morris Dance Group (Discalded, Inc.), Dance Theatre of Harlem, and Paul Taylor Dance Company.

By contrast to Ailey and NYCB, contributions to the Trisha Brown Dance Company did not fluctuate during the years of the recession but remained fairly steady for the 13-year period of the graph. However, contributions to companies like Paul Taylor and Mark Morris moved in tandem with each other, with contributions to Mark Morris just slightly below those of Paul Taylor; both peaked around 2008 and dropped precipitously by almost 50% the following year. Additionally, there is a gap in the trend line of contributions for Dance Theatre of Harlem that can be explained by financial hardship and the shutdown of the company between 2004 and 2006 because of a reported $2.3 million debt.140

Next, the analysis of well-known companies with moderate contributions indicates instability within the nonprofit dance field and highlights how differently companies were affected during the recession. These companies include Shen Wei Dance Arts, Parsons Dance Company, Battery Dance Company, Gibney Dance, José Limón Dance Company, Stephen Petronio Company, and Pascal Rioult Dance Theater. (Gibney in 2013 was removed for the purpose of seeing the recessionary trends because it was much higher than the others.) To make the trends easier to see, they have been separated into two graphs.

Similar to *Graph 3* and *Graph 4*, *Graph 5* and *Graph 6* indicate trends which coincide with recessionary trends from 2007 to 2009. With the exception of Battery Dance Company and José Limón Dance Company, whose contributions increased between 2008 and 2009, each of the trend lines for the contributions to the other six companies seems to rise around 2007 (although some right before and some right after) and drop off soon after, in alignment with the Great Recession. Contributions to these six companies reveal steep decreases (between $100,000 and $200,000) in just a two-year span. The differing trend line for the Limón Company could be explained by the fact that the José Limón Dance Foundation was one of 9 recipients of the National Medal of Arts in 2008.\(^{141}\) Such an award is a possible reason that after 2008,

contributions to José Limón Dance Company began to increase, encouraging new and larger contributions from government institutions, foundations, and individual donors alike, regardless of economic hardships. When looking at Graph 5 it is also important to note the varying levels of contributions for all four of the companies throughout the 13-year time span of the graph. The drastic variations in contributions contribute to the overall notion that the nonprofit dance industry in New York City is severely unstable. If annual contributions to nonprofit dance companies are unstable, Graph 1 (of average aggregate contributions, average aggregate earned revenue, and average aggregate total revenue) demonstrates that annual revenues, and ultimately profits, will mimic the instability.

However, there are some nonprofit dance companies in New York City that are very well-known to dancers and dance enthusiasts but have very low levels of contributions, seen in Graph 7 below.

![Graph 7: Well-Known Companies with Low Contributions](Source: 990 Tax Return Forms, <https://projects.propublica.org/nonprofits/>.)
The data point for Isadora Duncan Dance Company in 2001 was removed for the purpose of seeing the recessionary trends because it was much higher than the others. In addition to the contributions to Isadora Duncan Dance Company in 2001, contributions to Twyla Tharp Dance Company are missing for several years and Isadora Duncan Dance Company is missing contributions in 2006. This indicates that the companies either stopped performing, could no longer afford to function, or that something else had happened. In the case of Twyla Tharp, the website for her company indicates that from 2008 to 2011 Tharp did not produce any new work for her company, which also did not perform between 2008 and 2011. Additionally, nothing appears again on the sequence of events listed on her website until December 2013, when the Twyla Tharp Dance Foundation held a workshop and repertory event.\textsuperscript{142} However, these events and performances do not fully indicate what happened financially with Tharp’s company.

Differently, the most probable cause for the lack of data for the Isadora Duncan Dance Company for 2006 is a change in fiscal years and lack of the correct year’s tax return form appearing online. The 2005 fiscal year extended from September 1, 2005 through August 31, 2006 whereas the 2007 fiscal year extended from January 1, 2007 through December 31, 2007 according to the company’s tax returns. However, a 990 form for the 2006 fiscal year could not be located online. The missing data further contributes to the instability in the field. Additionally, this group of companies is enticing as the trend lines for all three companies vary differently. While Tharp’s company did not report any contributions during the years of the recession, contributions to Isadora Duncan were dramatically hit, reaching a peak in 2008 and dropping sharply by 2009. However, contributions to New York Baroque declined from 2006 through 2008 but rose back to

2007 levels by 2009. A number of factors could account for this variation including multi-year private or government grants, legacy donations, or the general instability of contributions to nonprofit dance companies.

Lastly, the smaller, less-known companies with lower contributions can be seen below. They seem to have experienced larger fluctuations in contributions between the years of the recession than most of the companies with moderate contributions. Again, the companies are represented on two graphs for ease of reading.

![Graph 8: Less-Known Companies with Low Contributions](https://projects.propublica.org/nonprofits/)

Clearly contributions to some companies fluctuated more than others (David Dorfman, for example), but these trend lines indicate that contributions to the less-known companies declined between 2007 and 2009, demonstrating a correlation to overall trends in the economy.

The analysis of these various companies makes it clear that they were affected at different times and to varying extents between 2007 and 2009. Contributions to some companies peaked in 2007, then fell steeply in 2008, while others increased through 2007, and peaked in 2008, then dropped in 2009. This could be caused by a number of factors such as multi-year pledges by individual donors or multi-year grants. Some companies also may have received special grants, gifts, or donations at this time, unrelated to the economic decline, such as a sum of money from a donor’s will after he or she passed away or special donations after receiving an award, such as the Limón Company in 2008. Additionally, it is important to note that while contributions to the

companies in this study are unstable from 2000 through 2013 and show clear trends which coincide with the rise and fall of the U.S. economy between 2007 and 2009, the companies tend to stay in their respective “categories” (i.e. well-known companies with the highest contributions, well-known companies with low contributions, etc.) throughout the 13 years of the data. This points to similar questions and problems to those introduced in Chapter I: how do companies garner enough “prestige” and following to increase audience attendance, contributions, and major donors, therefore further increasing their revenues and profits, and ultimately outgrowing their current “category?”

**Conclusion**

It is evident that New York City and the arts are co-dependent. Arts organizations such as the nonprofit dance companies included in this study make the City one of the arts and culture capitals of the world. They contribute to tourism, and therefore economic stimulation, the production of jobs, and the environment, in addition to the overall culture of New York City. However, New York also gives much in return to the arts and culture communities, above all its ability to foster what Elizabeth Currid describes as “cross-fertilization,” which enables artists and arts organizations to flourish, connect, and learn from one another. In addition to fitting into and working congruently with the New York economy as a whole, the arts are taste-driven, meaning that the demand for artists’ work depends on the opinions and desires of the public.

Both during and in the years surrounding the Great Recession, nonprofit dance companies like those included in the study struggled with earned revenue, contributions, and the need to produce positive profits each year. Companies earn revenue through ticket sales,
teaching engagements, and selling merchandise (exemplified by the Joffrey Ballet in this paper), among other programs and initiatives. However, as clearly seen in *Graph 1*, companies’ total revenues closely mirror their contributions, meaning that companies strongly depend on contributions from government organizations, foundations, corporations, and individual donors to stay afloat and continue producing art. *Graph 1*, in addition to *Table 1*, also indicates that without contributions, nonprofit dance companies in New York City would not have enough earned revenue to cover their expenses, causing them to operate in a deficit each year.

The initial assumption or hypothesis in this paper was that the Great Recession severely affected contributions to nonprofit dance companies in New York City, and therefore, affected those companies’ revenues and profits. Although the regression analysis could not prove causation, with a much larger sample size, the regression model may be able to indicate a definite causality between the recession and declines in contributions to nonprofit dance companies. Regardless, the trend graphs in Chapter IV indicate that contributions did indeed fall in congruence with the decline in the United States economy from 2007 through 2009. All of the graphs included in Chapter IV confirm the claim that changes in the economy at large were correlated with changes in the dance economy. Such trends contribute to the theory that the sharp decrease in contributions to companies between 2007 and 2009 were, at least in part, caused by the downturn in the U.S. economy.

Additionally, after analyzing the trend graphs in Chapter IV, the nonprofit dance economy in New York City is evidently unstable. Annual contributions for each company clearly fluctuated pre-, post-, and during the Great Recession, demonstrating their instability. *Graph 1* demonstrates that, on average, total revenue closely follows contributions. Therefore, it is
evident that both during stable and unstable economic cycles, total revenue for nonprofit dance companies is unstable. To counteract this instability, nonprofit dance companies can work towards finding innovative ways to enhance and attempt to stabilize their earned revenue such as increasing performance attendance, therefore increasing earned revenue, increasing workspace or studio rentals, and collaborating with other arts groups, among other creative initiatives. Not only would stabilizing earned revenue help the companies flourish and earn profits each year, but it would also ease the burden of living and working in New York City for the individual artists within the companies.

Former President Obama’s Recovery and Reinvestment Act of 2009 contributed to the recovery and strength of nine of the companies in the study, providing $50,000 to all except for Thin Man Dance, Inc. which received $25,000. The impact of the Recovery and Reinvestment Act ranged from 17.5% of total contributions for Thin Man Dance, Inc. to a mere .29% for New York City Ballet. Additionally, companies may have pushed through the recession because many grants and monetary pledges are made for more than one year at a time. For example, a company or organization may have applied to a 2-year grant in 2006, received the grant, and had at least one constant source of contributions during the years of the recession. Another reason may be that many companies, especially the very well-known and prestigious companies, have lifelong, wealthy donors who were unaffected or only moderately affected by the Great Recession.

In addition to help from the Recovery and Reinvestment Act of 2009, it is clear that many companies made sacrifices, found creative ways to stay solvent, and pushed themselves through the recession. Although Graph 1 indicates that average aggregate total revenue dropped from 2008–2009, the drop is not as steep as the drop in contributions. Actions like Joffrey Ballet’s
decision to start selling merchandise both online and during performances and Parson Dance
Company’s decision to push forward with their first evening-length work at the peak of the
recession demonstrate the resilience, passion, and drive of nonprofit dance companies to
continue their work. Although the Great Recession devastated the economy of the United States
from 2007 through 2009, the trends and data in this paper indicate that nonprofit dance
companies in New York City found ways to fight the economic disaster amid the unstable nature
of their contributions. It is important to note that none of the 23 companies in this study stopped
operating after 2009 due to financial distress, further attesting to their dedication and resolve.\(^{143}\)

Additionally, although Dance Theatre of Harlem closed its doors between 2004 and 2006, *Graph
4* above indicates that they did not shut down again after the recession further indicating
resilience and determination.

Based on the trends in this paper, it is clear that the sharp decline in contributions, and
therefore revenues and profits, to nonprofit dance companies was caused, in part, by the Great
Recession from 2007 to 2009. Additionally, the trends indicate that the nonprofit dance industry
in New York City is unstable and that companies heavily rely on contributions to continue
producing work. However, the trends and analysis also prove that nonprofit dance companies in
New York City are strong and passionate, that they did not lose their place in the arts world, and
that they will continue to fight, educate, create, and persevere for years to come.

\(^{143}\) Although *Graph 7* indicates that Twyla Tharp Dance Companies stopped operating between 2008 and 2013, this
is not known to be because of financial difficulties.
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