John D. and Catherine T. MacArthur Foundation

Arts and Culture Loan Fund



MacArthur Foundation

Evaluation of the Arts and Culture Loan Fund Program from 2016 – 2022

August 2025 Prepared for you by SNP Strategies

Table of Contents

- **PREFACE** 01
- **SECTION I: INTRODUCTION** 03
- **SECTION II: EVALUATION METHODOLOGY** 05
  - a. Data Collection and Analysis
  - b. Limits of the Evaluation
- **SECTION III: ACLF PROGRAM DESIGN, STRUCTURE, AND OPERATIONS** 08
  - a. Innovative Program Model
  - b. Program Implementers
  - c. Program Components
    - *i. Working Capital Loans*
    - *ii. Capacity-Building and Technical Assistance Services*
  - d. Program Operations
    - *i. Eligibility*
    - *ii. Grantor Intermediaries*
    - *iii. Strategic Shifts at the MacArthur Foundation*
- **SECTION IV: ACLF PROGRAM PARTICIPANTS AND ENGAGEMENT** 17
  - a. Program Participants (2016 – 2022)
    - *i. Artistic Segmentation*
    - *ii. Financial Profile*
    - *iii. Geographic Distribution*
  - b. Program Engagement (2016 – 2022)
    - *i. Application for and Receipt of Line of Credit*
    - *ii. Engagement in Capacity-Building and Technical Assistance Services*

Table of Contents

SECTION V: ACLF PROGRAM IMPACT 28

a. Program Impact: Line of Credit
   i. *Line of Credit Areas of Impact*
   ii. *Uses of Lines of Credit*
   iii. *Positive Borrower Experiences with Lenders and Lines of Credit*
   iv. *Challenges with Lines of Credit*
   v. *Barriers to Entry and Sustaining Access to Lines of Credit*
   vi. *Understanding Loan Defaults and Organization Closures*

b. Program Impact: Financial Capacity-Building and Technical Assistance
   i. *Capacity-Building and Technical Assistance Areas of Impact*
   ii. *Positive Participant Experiences with Financial Capacity-Building and Technical Assistance*
   iii. *Challenges of Capacity-Building and Technical Assistance*
   iv. *Barriers to Entry for Capacity-Building and Technical Assistance*

SECTION VI: FUTURE CONSIDERATIONS 43

a. Financial Pressures of the New Portfolio
b. Resource, Capacity-Building, and Technical Assistance Needs of the New Portfolio

SECTION VII: PROGRAM REPLICABILITY 46

SECTION VIII: SUMMARY OF EVALUATION FINDINGS 47

SECTION IX: APPENDIX 48

a. List of Participating Organizations

PREFACE



Acknowledgements

SNP Strategies Inc. would like to acknowledge several individuals and organizations for their contributions to this evaluation. First and foremost we would like to acknowledge the leadership and staff of the John D. and Catherine T. MacArthur Foundation who were involved in this evaluation process, including Sandra Aponte, John Balbach, Grace Cheung, Allison Clark, Emily Friedman, Karen Hott, Tara Magner, Josh Mintz, Elisabeth Oo, and Jonathan Vanderbrug. This team has a continuing commitment to the long-term financial and creative sustainability of arts and culture organizations in Chicago. We would also like to thank BDO, Field Foundation of Illinois, Fifth Third Bank, IFF, Prince Charitable Trusts, and Richard H. Driehaus Foundation for their dedicated support of The Arts and Culture Loan Fund (ACLF) program.

© John D. and Catherine T. MacArthur Foundation

We thank the arts and culture organizations that participated in the ACLF program for sharing their experiences as part of our evaluation process.

This evaluation is dedicated to the memory of Geoffrey Banks and his deep contributions to the arts and culture community.

About SNP Strategies Inc.

SNP Strategies Inc. is a consultancy that leverages a consortium of experts in nonprofit management to achieve transformational results for its clients. The evaluation team assembled for this project included Falona Joy, founder and president of SNP Strategies Inc.; Katie Zatorski, principal of Zatorski Consulting; and Kate Lorenz, principal of KGL Projects.

GLOSSARY: Following are definitions of financial terms used throughout this report.

Clean-up provision:

A clause in a line of credit agreement requiring the borrower to pay off the balance in full and maintain a zero balance for a specific period (e.g., 30 days for the ACLF borrowers), demonstrating that the credit line is not being used as permanent financing and encourage a disciplined use of a revolving credit facility.

Community development financial institution (CDFI):

A financial institution that provides financial services to underserved communities. CDFIs are mission-driven and work to promote economic development and financial inclusion.

Form 990:

Form 990 is a federal tax document that nonprofit organizations in the U.S. are required to file annually with the IRS. It provides detailed information about the organization's finances, governance, and activities, offering transparency to regulators, donors, and the public.

Line of credit:

A flexible borrowing arrangement from a financial institution, allowing an organization to access funds on a revolving basis up to a set limit as needed. It is typically used to cover short-term cash flow needs.

Liquid unrestricted net assets (LUNA):

The portion of an organization's net assets that are readily available for operational use, including cash; easily accessed investments like certificates of deposit; and, in certain circumstances, receivables. These are unrestricted funds that are not tied to specific purposes or other time periods and that can be converted to cash quickly to meet operational expenses.

Net assets:

The difference between an organization's total assets and total liabilities. Net assets are classified as unrestricted, temporarily restricted, or permanently restricted, reflecting how they can be used.

Program-Related Investment (PRI):

An impact investment made by a foundation primarily to advance a charitable purpose. Production of income may not be a significant purpose, and no funds can be used to support lobbying or to participate in political campaigns on behalf of or in opposition to a political candidate. PRIs are intended to achieve a philanthropic purpose while allowing the foundation to potentially recoup its investment, often with minimal or below-market financial return. They can take the form of loans, equity investments, loan guarantees, or other financial instruments.

Working capital:

The financial resources available to an organization to meet short-term obligations and operational needs. It is calculated as current assets minus current liabilities.

ACRONYMS

ACLF	Arts and Culture Loan Fund
CEA	Culture, Equity and the Arts
DEI	Diversity, equity, and inclusion
CDFI	Community development financial institution
LUNA	Liquid unrestricted net assets
LOC	Line of credit
PRI	Program-related investments
TA	Technical assistance



SECTION I
INTRODUCTION

The Arts and Culture Loan Fund (ACLF) is an innovative, collaborative program designed to support small- and medium-sized art and culture organizations in Chicago. It supplements traditional grantmaking tools with access to financial management training, capacity-building services, technical assistance, and access to lines of credit. These lines of credit enable participating organizations to access working capital, which is typically difficult for them to obtain. This report is the second evaluation of the program, covering the time period between 2016 and 2022; **an accompanying executive summary is available.**

Arts and culture nonprofit organizations operate under tremendous financial pressures. Challenges range from navigating how to make payroll during times of low liquidity, to having cash on hand to pay for an emergency repair, to bridging cash flows between grant payouts and investing in organizational growth. Regardless of the source of financial strain, leaders in these organizations face immense stress, often with few places to turn for timely support.

In the midst of the financial crisis and recession of 2008, grantees of the John D. and Catherine T. MacArthur Foundation ("MacArthur Foundation" or "Foundation") voiced these concerns and challenges. In response, the Foundation commissioned a research study to better understand the financial pressures of small- to medium-sized arts and culture organizations in the Chicago area.[1] Research findings highlighted the ongoing financial strain of these organizations as well as the fact that smaller organizations do not typically have the infrastructure or resources to be eligible for loans, mortgages, and/or lines of credit. The study, along with grantee feedback, informed the 2009 launch of the Arts and Culture Loan Fund, a collaborative program designed to supplement traditional grantmaking tools with access to financial management training, capacity-building services, technical assistance, and guaranties for providers of lines of credit in order to enable a financial pressure release valve for these organizations.[2] The program aims to enhance financial management skills among grantees by improving their understanding of budget cycles and cash management. It also helps grantees

[1] Darlow, Gillian. Cash Flow in Arts Organizations: Update to the John D. and Catherine T. MacArthur Foundation. December 2008. For access to this report, please contact Allison Clark, Associate Director of Impact Investing, MacArthur Foundation (aclark@macfound.org).

[2] The Foundation provides two different types of credit enhancement to guaranty repayment of loans provided through the ACLF. Both lenders have guaranties from the Foundation that protect them from 95% of any losses incurred on loans originated through the ACLF. For Fifth Third Bank, the Foundation made a $1.5 million PRI Deposit in the bank that acts as a funded guaranty, where the bank may debit the deposit for any losses. IFF has a $2 million PRI Guaranty that allows them to exercise a draw from the Foundation upon notification of any losses.

build credit history to strengthen future relationships with lending institutions.

In 2014, at the end of the first five years, the Foundation evaluated and reported on the program's impact on participating grantees and regrantees. The 2015 evaluation report showed overwhelmingly positive participant feedback and demonstrated that the program was succeeding in supporting the financial stability of small- to medium-sized arts and culture organizations. Some challenges were raised, including access to consistent, timely technical assistance, which suggested opportunities for program refinement to better meet borrower needs. Over the years, the core objectives of the ACLF program have remained the same: to address the short-term cash flow needs of small- and medium-sized arts and culture grantees by offering working capital loans not readily available elsewhere.

Between 2016 and 2022, the Foundation introduced many programmatic shifts as a result of the 2014 evaluation, including the onboarding of new implementing partner IFF, formerly known as the Illinois Facilities Fund, and BDO's Nonprofit and Grantmaker Advisory (BDO),[3] both brought on in 2016. Additionally, the Loan Fund's participating lenders expanded to include a nonprofit community development finance institution (IFF) in addition to the traditional retail bank (Fifth Third Bank), allowing participants a choice of lender. These modifications were made to provide greater support for program participants and continued efforts to iterate on program design in response to grantee needs and feedback. The MacArthur Foundation also shifted its arts and culture grantmaking strategy, resulting in the current Culture, Equity, and the Arts (CEA) program. With this shift, in 2023 the Foundation also transitioned its intermediary grantors from the Prince Charitable Trusts (Prince) and the Richard H. Driehaus Foundation (Driehaus) to the Field Foundation of Illinois (Field).[4] Section III outlines program structure and operations in greater detail.

This evaluation report takes a retrospective look at the impact and effectiveness of the ACLF program from 2016 to 2022. The core findings from the evaluation of the Arts and Culture Loan Fund (ACLF) emphasize the following central themes:

- Small- to medium-sized arts and culture organizations are under **intense financial and operational pressure**.
- **The ACLF serves as a pressure release** for participating organizations, opening up access to flexible capital as well as training to support longer-term financial planning.
- The ACLF is an **innovative model for supporting financial resiliency** in the arts and culture sector.
- The program's history – it is in its 17th year as of 2025 – provides a powerful demonstration that these **working capital loans are not inherently at greater risk of default** than other commercial loans.
- The ACLF team believes – and the SNP evaluation team agrees – that **the ACLF program model is replicable** across other arts and culture communities and other potential sectors.

The following section summarizes the evaluation methodology. Sections III and IV describe the program design and implementation, as well as its participants. Section V lists the impacts the program has had on grantee and regrantee organizations. Finally, the last sections cover future considerations for the program as well as program replicability.

[3] IFF navigates and supports the implementation of participant engagement as well as coordinates the technical assistance offerings led by its service provider, BDO. BDO's Nonprofit and Grantmaker (BDO) is a consulting, accounting, and advisory firm. The organization was formerly known as FMA but became BDO following a merger in 2021, during the evaluation period.

[4] The report uses the term "intermediary" to generally refer to a party the Foundation works with to carry out its work through regranting. The term is not used to imply a conduit or pass-through.

SECTION II

EVALUATION METHODOLOGY



This evaluation takes a retrospective look at the impact and effectiveness of the ACLF program from 2016 to 2022.[5] The SNP Strategies evaluation team partnered closely with the Foundation to inform the design of the evaluation. The process included interviews with internal stakeholders (i.e., the ACLF program team at the MacArthur Foundation) who also reviewed data collection tools and methods.

The process established a set of learning questions, focused on:

- Engagement of arts and culture grantees in the program;
- Financial and artistic profiles of participating grantees;
- Use and impact of lines of credit; and
- Utilization and impact of capacity-building and technical assistance offerings.

In addition, the SNP Strategies evaluation team interviewed internal and external stakeholders (i.e., program implementers such as IFF, BDO, and lenders) in order to understand their experiences.

Data collection activities included interviews, focus groups, collection of secondary data including Form 990 data, and other activities.

[5] While this evaluation will include some data and takeaways about program engagement in 2023, this year was outside the formal scope of the evaluation period, and also a year of significant strategic shifts. Any program engagement data from 2023 included here will be noted merely as preliminary observations or details of note.

Evaluation Methodology

Data Collection and Analysis

Data collection and analysis for the evaluation was done between spring 2023 and fall 2024. **This work included the following:**

- **Aggregate disparate data to create a comprehensive dataset.** Data collection methods focused on gathering program participant insights and organizational narratives, as well as establishing a quantitative baseline understanding of the financial profile of participants and core operations of the program. Activities included establishing a comprehensive dataset to identify a complete list of eligible organizations across all grantors and regrantors (i.e., MacArthur Foundation, Driehaus, and Prince) as well as to map program engagement (including accessing a line of credit, partaking in capacity-building and technical assistance offerings, or both) between 2016 and 2022. This data was gathered and aggregated from several sources, including program-tracking datasets and lender documentation.
- **Assess financial metrics of all participating grantees and regrantees,** including examination of key factors like liquid unrestricted net assets (LUNA), months of LUNA, and net assets. Financial analysis data was sourced from publicly available Form 990 data for each participating organization.
- **Analyze secondary data and triangulate information.** The surveying of grantees and regrantees by both the Foundation and the ACLF program manager contributed to a sense of survey fatigue across organizations. In recognition of this, a survey was not conducted for this evaluation. Instead, analysis was based on data from IFF's 2022 program implementation surveys which elevated key quantitative findings of program use and impact. Many of the quantitative findings from the survey data analysis were later supported and validated by interviews with program participants.
- **Collect stories and qualitative data, highlighting the impact on participating organizations.** This information was gathered through 19 interviews with leaders from organizations selected to provide a sampling of program engagement that varied by grantor, line of credit engagement and lender distribution, budget distribution, uses of capacity-building and technical assistance, methods of engagement during the COVID-19 pandemic, and more.
- **Conduct high-level analysis of the pool of eligible organizations** and identify ways in which the characteristics of this pool shifted under the post-2023 transition to the new Chicago Commitment Culture, Equity, and the Arts (CEA) portfolio and to Field as the new intermediary grantor.[6]
- **Conduct two focus groups** with a total of eight organizations that became newly eligible for the ACLF program as CEA and/or Field Foundation grantees.

[6] The intermediary grantors throughout the evaluation period were the Prince Charitable Trusts and the Richard H. Driehaus Foundation.

Limits of the Evaluation

During the 2016–2022 evaluation period, a centralized tracking system for program eligibility and engagement did not yet exist, and very few consistently used reporting mechanisms were in place. This resulted in pockets of inconsistent data on ACLF program participants and program engagement over time.

The evaluation also relied on available IRS Form 990 data for financial analysis.[7] The choice to use this source was driven primarily by the public nature of the information, and because smaller organizations may not undertake full financial audits. However, the use of Form 990s does create the potential to introduce inconsistencies that can impact the ability to compare financial data. Further, Form 990s do not include notes explaining the nature of organizational debt, and ACLF participants may report ACLF lines of credit differently from each other on this document.[8]

In addition, in 2019, diversity, equity, and inclusion became an aspirational goal of the CEA grantmaking strategy, within which the ACLF program operates; however, it was not a central design principle for the ACLF program. This evaluation, therefore, does not make any direct conclusion about program outcomes related to advancing diversity, equity, and inclusion.

[7] The 990 is the tax form the Internal Revenue Service (IRS) requires all 501(c)(3) tax-exempt charitable and nonprofit organizations to submit annually. The Form 990 is designed to increase financial transparency and includes revenue, expenditure, and income data in addition to information used to assess whether a nonprofit aligns with federal requirements for tax-exempt status. The forms are publicly accessible once they are processed, but note that there can be a 12–18 month delay from the end of the organization's fiscal year to the latest available online form. *Source: Library of Congress*.

[8] The borrowing history of participants who have a line of credit, but who do not have a balance outstanding as of the end of the calendar year, may be difficult to track.

SECTION III

ACLF PROGRAM DESIGN, STRUCTURE, and OPERATIONS



In 2023, the ACLF program reached a milestone of 15 years of operations. The following are the core objectives that continue to guide the program:

- **Provide working capital loans** otherwise unavailable in the financial marketplace to address the short-term cash flow needs of small- and medium-sized nonprofit arts and culture organizations;
- **Strengthen financial awareness and management** by deepening organizations' understanding of organizational budget cycles and cash management tools; and
- **Help organizations build credit history,** equipping them to continue to build relationships with lending institutions to meet future financing needs.

To meet these goals, the ACLF program provides access to:

- Working capital loans through two lenders; and
- Capacity-building and technical assistance services to support an organization's financial resilience.

To participate in the ACLF program, an organization must be a grantee of the Culture, Equity, and the Arts program of the MacArthur Foundation's Chicago Commitment strategy, either directly or through an intermediary grantor (such grantees and regrantees are often referred to collectively herein as grantees), and be considered small- to medium-sized based on an annual operating budget ($250,000–$5,000,000).[9]

The following section outlines key details regarding the current design, structure, and operations of the ACLF program.

[9] Participants are all MacArthur Foundation grantees or regrantees, either directly or via one of its intermediary grantors. During this evaluation period, the intermediary grantors were the Prince Charitable Trusts and the Richard H. Driehaus Foundation.

Innovative Program Model

The ACLF program is grounded in an innovative model, including both internal and external collaborations essential to realizing impact. Internally, the Foundation's Impact Investments team and the Chicago Commitment's Culture, Equity, and the Arts team collaborate to provide funding for the program (1) by way of program-related investments (PRI) made to the two lenders to "de-risk" lines of credit and (2) grant funding for program implementation. A set of external collaborations support the coordinated implementation of the program in service of the grantee participants. **Figure 1** outlines the interconnectivity of the dual-sided program model, which has been critical to the program's success and impact.

FIGURE 1 **Innovative Partnership Model**

Internal Collaboration

Internal collaboration compounds the impact of foundation resources

- **MacArthur Foundation Impact Investing Team:** Provides a combined commitment of $3.5 million in funded and unfunded guaranties to lending institutions to de-risk loans.
- **MacArthur Foundation Chicago Commitment's Culture, Equity, and the Arts team:** Provides a multi-year grant commitment of $2.15 million for program management and implementation.

External Collaboration

External collaborations support program implementation

- **Program Participants (Arts and Culture Grantees):** Engage in providing feedback on the ongoing iteration of the program design.
- **Intermediary Grantor:** The party that the Foundation works with to carry out its work through regranting. The former intermediary grantors were the Prince Charitable Trusts and the Richard H. Driehaus Foundation. The current intermediary is the Field Foundation of Illinois.
- **Program Manager (IFF):** Supports the overall program implementation, including the funding of capacity-building and technical assistance services.
- **Technical Assistance Provider (BDO):** Supports program participants with specific technical assistance services for their organizations related to financial management as well as loan acquisition processes.
- **Lenders (IFF and Fifth Third Bank):** Provide working capital loans to borrowers in the ACLF program.

Program Implementers

To implement the program, the Foundation works through a set of three strategic collaborators as outlined in **Figure 2**.

FIGURE 2 Innovative Partners and Roles

IMPLEMENTATION PARTNERS	IMPLEMENTATION ROLE
IFF	**Program Manager:** Supports overall program implementation, including contracting for capacity-building and technical assistance services.
Fifth Third Bank (commercial bank) ▪ 95% PRI funded guaranty provided by the Foundation.[10] ▪ The Foundation made a $1.5 million PRI deposit in the bank that acts as a funded gauranty, where the bank may debit the deposit after notifying the Foundation of any losses. **IFF** (community development financial institution) ▪ 95% PRI unfunded guaranty[11] provided by the Foundation. ▪ The Foundation provided a $2 million PRI guaranty that allows IFF to exercise a draw from the Foundation upon notification of any losses.	**Lenders**[12]**:** Underwrite and provide working capital loans to borrowers.
BDO's Nonprofit and Grantmaker Advisory	**Capacity-Building and Technical Assistance Provider:** Supports participating grantees in meeting the specific financial and operational management development needs of the organizations, as well as with the loan underwriting and approval processes. Also provides support to organizations who face the possibility of default or face other financial challenges.

[10] A funded guaranty is a type of financial guaranty where the guarantor sets aside funds in a separate account to cover the guaranteed amount, ensuring funds are available if the guaranteed party defaults. In the case of a PRI guaranty, the funds are typically held by a separate organization, i.e., not the Foundation.

[11] An unfunded guaranty is a financial instrument where the guarantor commits to assuming responsibility for the debt or obligation of a third party if a triggering event occurs, such as a loan default. Unlike a funded guaranty, the guarantor does not set aside a specific amount of money in a separate account when the guaranty is issued.

[12] It was important to the Foundation that borrowers have more than one lender from which to choose.

Program Components

The two core elements of the ACLF program are the working capital loan, or line of credit, and capacity-building and technical assistance services. The program implementers manage a prospective participant intake process and provide a set of optional program offerings including capacity-building and technical assistance services and, where determined appropriate, provide working capital loans (i.e., lines of credit). The program was designed to be highly flexible, giving participants the ability to access technical assistance services or apply for a loan – or both – without a prescribed approach or pathway. Instead, participants can select the offerings that best suit individual needs or organizational readiness. Potential borrowers, however, undergo a pre-underwriting process with BDO to evaluate the likelihood of loan approval before advancing to full underwriting by either of the two participating lenders.

Figure 3 outlines the details of each offering in the ACLF program.

Working Capital Loans

Although enabling access to a working capital line of credit is not the sole component of ACLF, it was the primary reason for the program's creation. The decision to provide access to these credit opportunities stemmed from the Foundation's investigation into grantees' ability to secure the loan products needed to effectively manage operations. When the Foundation launched the ACLF, it hypothesized that providing participant grantees with working capital loans and tools for financial management – not just grants – would enable grantees to not only weather cash flow shortfalls but also plan more strategically, gain greater financial capacity and knowledge, and position organizations for stability, growth, and financial sustainability. The Foundation's goal was to cultivate more financially stable arts and culture organizations and more financially experienced arts administrators.

Lines of credit, also known as working capital loans, allow an organization to borrow capital to address short-term cash needs. Because a line of credit (with a maximum amount available) is approved upfront, a borrower can draw on the loan and receive funds the same day. This ready access to cash can be of great benefit to eligible arts organizations that encounter seasonal cash flow shortages or opportunities for growth that require cash on hand, such as hiring actors, paying property insurance, or launching a marketing campaign. An innovative element of ACLF is that originating lenders benefit from a PRI guaranty provided by the MacArthur Foundation that covers 95% of all losses incurred in the event of a borrower default.[13] The guaranty enables the lenders to offer loans without collateral from the borrowing organization.

Although the program launched with only one lender, it now intentionally collaborates with two lenders – a nonprofit CDFI (IFF) and a traditional commercial bank (Fifth Third Bank) – in order to provide potential borrowers with the opportunity to choose between a depository institution that can provide other banking services or a pure lender. The two lenders offer comparable loan terms to borrowers, such as the range of loan sizes available ($50,000 - $150,000), one- to two-year terms, variable interest rates, and loan clean-up provisions. Loan terms are always set by the individual lenders.

[13] The guaranty was up to 95% initially, and 100% during the COVID-19 pandemic. The 5% exposure borne by the originating lender helps maintain a vested interest.

Capacity-Building and Technical Assistance Services

Participant grantees also have an opportunity to engage with a variety of free financial support and technical assistance services. Since 2016, BDO has provided the majority of technical assistance offerings, including a financial management training series, in-depth technical assistance projects, and loan application support.

The financial management training series comprises eight two-hour sessions, plus up to six hours of one-on-one coaching for each participating organization. Series topics include Introduction to Financial Resilience, Understanding Financial Health, Introduction to Planning and True Cost Budgeting, Operations, and Performance Management.

In-depth technical assistance projects are similar to consulting projects. They take more time than short-term technical assistance assignments and address grantees' specific financial management challenges in more detail.

Working capital loan application support from BDO remains available through loan approval. Support includes loan-readiness assessment and coaching, early underwriting, loan application support, assistance in lender selection, and due diligence.

FIGURE 3 ACLF Program Offerings

ACLF PROGRAM OFFERING	DESCRIPTION
Working Capital Loan	▪ Guaranty-supported line of credit from one of two lending institutions ▪ Loan sizes of $50,000–$150,000, determined by an in-depth application and underwriting process ▪ Loan terms of one to two years ▪ Loans may be renewed at the discretion of the lender and based upon the organization's continued eligibility
Financial Management Training Series	▪ Cohort of up to eight organizations ▪ Eight two-hour training sessions between March and July ▪ Topics include: - *Introduction to Financial Resilience* - *Understanding Financial Health* - *Introduction to Planning and True Cost Budgeting* - *Operations* - *Performance Management* ▪ Recommended for three to four team members (e.g., Executive Director, Finance Lead, Program Lead, Development Lead)
1:1 Coaching	▪ Available only for participant grantees that are enrolled in the financial management training series ▪ Up to six hours of coaching for each organization ▪ Coaching focuses on review and discussion of topics from the training

FIGURE 3, cont. ACLF Program Offerings

ACLF PROGRAM OFFERING	DESCRIPTION
In-Depth Technical Assistance Project	■ The number is limited each year (for example, in 2022, support was available for three projects) ■ Example projects include fiscal infrastructure review, development of a fiscal policies and procedures manual, setting up a chart of accounts, board training, annual budget development, dashboard development, multiyear financial modeling, sustainability and financial analysis, and scenario planning
Working Capital Loan Application Support	■ Support for online loan application and document submission requirements ■ Eight-week course with collaborative sessions every two weeks ■ Loan-readiness assessment and coaching ■ Lender selection and due diligence ahead of approval ■ Loan application support on a rolling basis
One-Time Offering (2022): The Diversity, Equity, and Inclusion Collective	■ Eight-week course with bi-weekly collaborative sessions ■ Participants explore and design workplaces centering diversity, equity, and inclusion ■ Includes 1:1 sessions to align current state and desired state for each organization ■ Sets aside time for deep connection, reflection, refueling, and repair

Program Operations

Eligibility

Eligibility for the ACLF program is based on an organization's status as a grantee in good standing of the Foundation, either directly or indirectly through an intermediary grantor of the Foundation, and organizational budget size. The two intermediary grantors during the evaluation period were the Prince Charitable Trusts and the Richard H. Driehaus Foundation. The original budget parameter for eligible borrowers was organizations with annual budget sizes of $250,000–$2,000,000. During the COVID-19 pandemic, the upper limit on eligible budget size was raised to $5,000,000, where it remains today.

Between 2016 and 2022, a total of 185 grantees were eligible for the ACLF program. During the evaluation period, 64 grantees (34% of eligible organizations) participated in at least one ACLF offering. Participating organizations included theatres, dance companies, and visual arts organizations. See **Figure 4** for reference. The appendix provides a list of the participating organizations.

Grantor Intermediaries

Participants in the ACLF program are all grantees of the Foundation, either directly or indirectly through intermediary grantors. The Foundation chooses to work through grantor intermediaries to reach a greater number of small- to medium-sized arts organizations with general operating grant dollars. Grantors are assigned based on the budget size of the grantee. During the evaluation period, the grant portfolio was segmented as shown to the right.

During the evaluation period, the majority (78%) of ACLF participating organizations were grantees of the intermediary grantors; this percentage is consistent with the breakdown of the eligible pool of grantees, where 76% were grantees of the intermediary grantors. See the side-by-side comparison in **Figures 5** and **6**.

Driehaus Foundation

Grantees with budgets $50,000–$499,999[14]

Prince Charitable Trusts

Grantees with budgets $500,000–$1,999,999

MacArthur Foundation

Grantees with budgets $2,000,000–$5,000,000[15]

[14] While Driehaus did fund organizations with budget sizes as low as $50,000, organizations were only eligible to participate in the ACLF program if they had budgets between $250,000 and $2,000,000.

[15] During the COVID-19 pandemic, a strategic decision was made to expand eligibility from the previous maximum budget of $2,000,000 to a new maximum of $5,000,000.

FIGURE 4

Program Engagement for Eligible Pool (n=185)

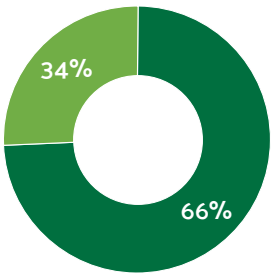
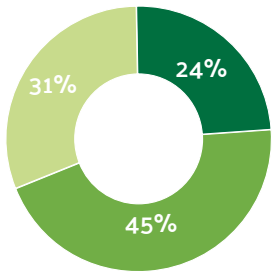
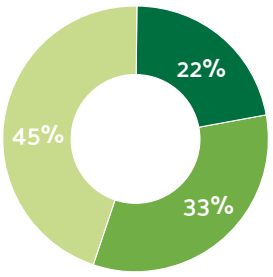


FIGURE 5, 6

Eligible Pool by Grantor (n=185)



Program Participants by Grantor (n=64)



Budget Ranges by Grantor

- Driehaus Foundation: Grantees with budgets $50,000 - $499,999, but only those with budgets >$250,000 are eligible for the program
- Prince Charitable Trusts: Grantees with budgets $500,000 - $2,000,000
- MacArthur Foundation: CEA grantees with budgets $2,000,000 - $5,000,000

Strategic Shifts at the MacArthur Foundation

The 2016-2022 evaluation period was a dynamic one, impacted by both the economic challenges related to the COVID-19 pandemic and strategic grantmaking shifts at the Foundation. Both factors intensified a sense of insecurity among participants and prompted programmatic adjustments. For example, during the pandemic, many organizations were forced to halt in-person programming, experienced losses in earned revenue, and in some cases pivoted programming to meet new needs of their communities. Many organizations also benefitted from an influx of government financial support via the Paycheck Protection Program (PPP) and Small Business Administration loans.

COVID-19 Response

In 2020, in response to the macroeconomic impacts of the pandemic on arts and culture organizations, the Foundation made a set of program modifications to increase support to its grantees; some pandemic-era modifications became permanent, while others were time-limited and have been allowed to expire. Key shifts to the ACLF program during the pandemic included:

- *Increasing the maximum organizational budget from $2,000,000 to $5,000,000*
- *Waiving interest payments for 12 months*
- *Raising the Foundation's guaranty from 95% to 100%; and*
- *Expanding the line of credit term from one year to two years.*

With the exception of the 100% guaranty and the waived interest fees, the expanded budget eligibility and extended loan terms outlined above have remained in effect.

Additionally, internal Foundation shifts included the introduction of the Culture, Equity, and the Arts (CEA) module of the Chicago Commitment strategy and the introduction of a new grantor intermediary to align with the new strategic direction.

Changes in the Arts and Culture Grantmaking Program

Arts and culture funding at the Foundation shifted strategically during the evaluation period. Under the Foundation's Chicago Commitment, funding for arts and culture grantees transitioned to the CEA module and aspired to the following goals:

- *Increasing culturally relevant arts experiences; and*
- *Promoting greater commitment to fair access and opportunity in Chicago-based arts and cultural organizations, with the elimination of barriers to participation.*

The shift to the CEA strategy resulted in no major programmatic or operational changes for the ACLF. In 2023, however, a strategic decision was made to transition from the previous grantor intermediaries – Prince and Driehaus – to the Field Foundation, which reduced the number of organizations eligible for the program by 55%. Factors driving this decrease included the Field Foundation's approach to providing larger grants to fewer organizations, many with smaller budgets, resulting in a portfolio where many of the organizations no longer meet the ACLF minimum budget threshold of $250,000.

At the time of the ACLF program evaluation, the role of these intermediaries was transitioning, with the first grants from the Field Foundation being awarded in October 2023.
The breakdown of grantmaking from the Field Foundation and the MacArthur Foundation is now as follows:

- *Field Foundation: $100,000–$999,999, with an emphasis on funding organizations with budgets of less than $500,000*
- *MacArthur Foundation: $1,000,000 and above*

The shift in intermediary grantor relationship was designed to better align the intermediary with the grantmaking strategy of the CEA portfolio, specifically with the more aspirational goals relating to diversity, equity, and inclusion. Immediate impacts of this shift were twofold: first, it led to a decrease in the total number of eligible organizations (from 185 to 84); second, some organizations were no longer eligible for the ACLF program, creating a significant challenge for those groups. Of note: Once the MacArthur Foundation became aware of these impacts, it adjusted eligibility criteria to allow organizations with active lines of credit (and in good standing in both the loan and the grant upon the end of the grant period) to retain access to ACLF loan funds, even if they were no longer active grantees of the Foundation.

SECTION IV

ACLF PROGRAM PARTICIPANTS AND ENGAGEMENT



Key Learnings: Program Participants

The primary source of financial precarity for many eligible organizations is the seasonality of programming (e.g., performance seasons, summer programming, and/or the timing of a fundraising event during the year), which results in temporary but regular cash flow shortages. In the arts and culture sector, these seasonal shortages largely impact performing arts organizations. In evaluating overall participants, the ACLF program is serving the intended audience in terms of artistic discipline, budget size, and capital needs. The majority of participants are from the performing arts sector, with budgets of less than $1,000,000, and are undercapitalized, with less than three months of LUNA.

There were 185 eligible organizations during the 2016 – 2022 evaluation period, of which 64 (34%) engaged in some element of the ACLF program. The majority of program participants were performing arts organizations. More than 60% of participants had budget sizes of less than $1,000,000 and over 50% had less than three months of LUNA. Geographically, 40 of the participating organizations (63%) operated out of the Central, North, and Northwest community areas of Chicago.

Program Participants (2016 – 2022)

At a Glance

64

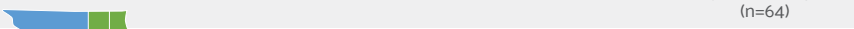
Grantees participated in the ACLF program

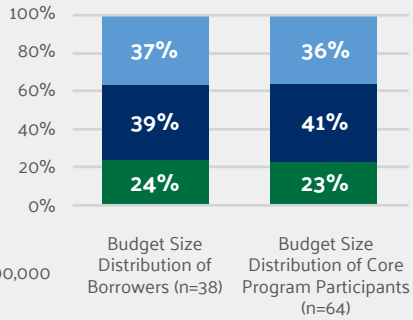
34% of the eligible pool of grantees

65% **of those grantees were performing arts-related organizations** (e.g., theatres, music, dance)

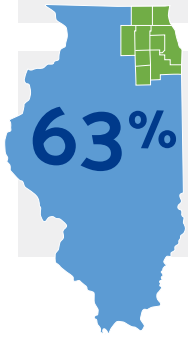
60%

of participating organizations had a budget size of $500,000 – $1,000,000





Over **50%** of participating organizations have less than three months LUNA



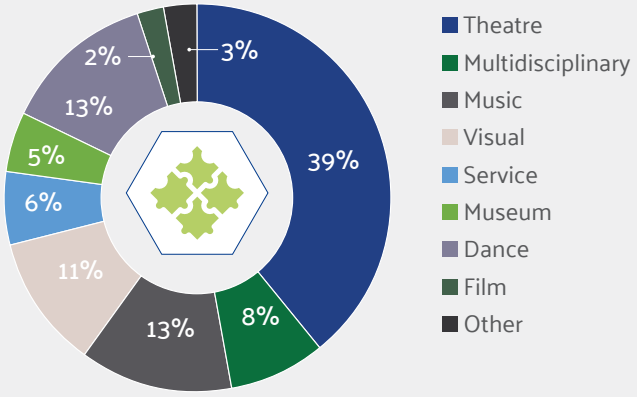
40 **of these organizations** (63%) operated out of the Central, North, and Northwest community areas of Chicago

Artistic Segmentation

A breakdown of core participants by artistic discipline (see **Figure 7**) reveals that 65% of the program's core participants are theatre, music, and dance organizations, the majority of which experience cash flow challenges over the course of the year due to seasonal programming and funding cycles. More than a third – 39% – are theatres, followed by music and dance organizations, at 13% each, and visual arts organizations, at 11%. Multidisciplinary (8%), service (6%), museum (5%), film (2%), and other (3%) organizations make up the remaining 24%.

FIGURE 7 **Artistic Discipline**

Core Participants 2016 – 2022 (n=64)



Financial Profile

The evaluation team conducted an independent analysis of ACLF participant grantee financial data. Findings showed that the majority of participants – over 60% – are small- and medium-sized organizations with budgets between $500,000 and $1,000,000. More than half of participating organizations have less than three months of LUNA, suggesting limited cash reserves and limited financial resilience. For a nonprofit organization, net assets act as a proxy for net worth and can be an indicator of an organization's scale. Among participating grantees, 40% have net assets under $1,000,000. All these factors – budget size, months of LUNA, and net assets indicate that the program is reaching small- and medium-sized organizations in Chicago.

The following figures (**Figure 8**, **Figure 9**, and **Figure 10**) outline the full spectrum of participating grantees' financial profiles:

FIGURE 8

Budget Size of Participant Grantees*

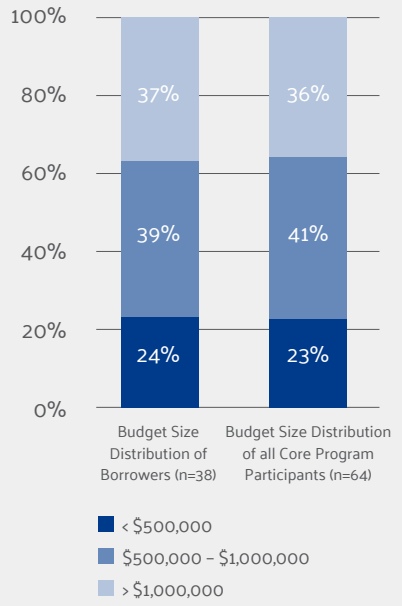


FIGURE 9

Net Asset Distribution of Participant Grantees*

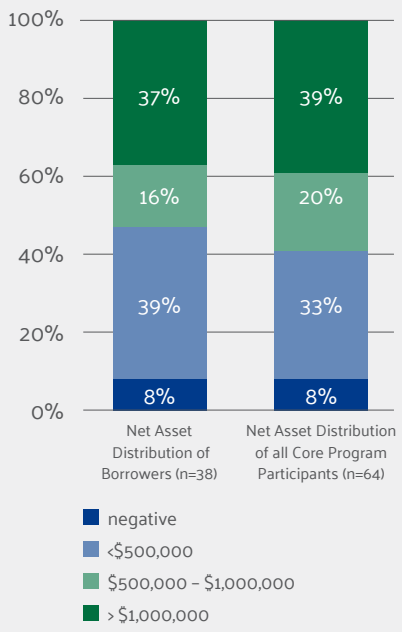
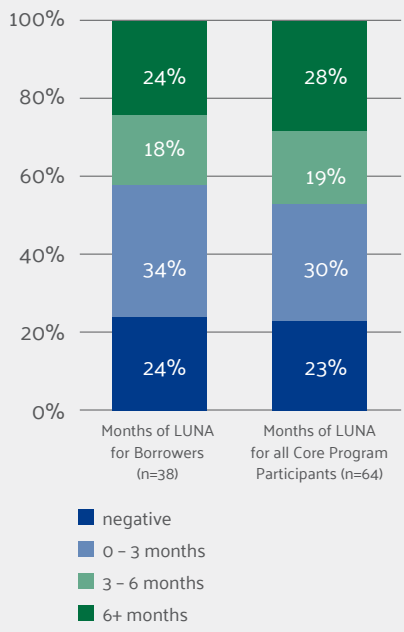


FIGURE 10

Months of LUNA of Participant Grantees*



Note: This data is sourced from 2021 and 2022 Form 990s.

Geographic Distribution

During the evaluation period, the ACLF program reached organizations in all but one Chicago community area, with most participants in the Central area.[16] Forty organizations (63%) operate out of the Central, North, and Northwest areas, while only 18 (29%) are located in the West, Southwest, Near South, and Far South regions. Five organizations (8%) are outside the Chicago city limits.

In order to better understand the geographic distribution of its grantees, in 2022 the Foundation developed heat maps that highlighted distribution of its grant awards. The heat maps represent the composition of ACLF participant organizations – and thus grant dollars and loan dollars – in the Central, North, and Northwest parts of the city of Chicago, regions which historically house and serve fewer people of color. The West, Southwest, Near South, and Far South areas, which are home to higher concentrations of people of color, have fewer ACLF participants. **Figure 13**, **Figure 14**, and **Figure 15** outline greater detail about the distribution of grantees, grant dollars, and loan dollars by the various community area.

FIGURE 11

Geographic Distribution of Participant Grantees

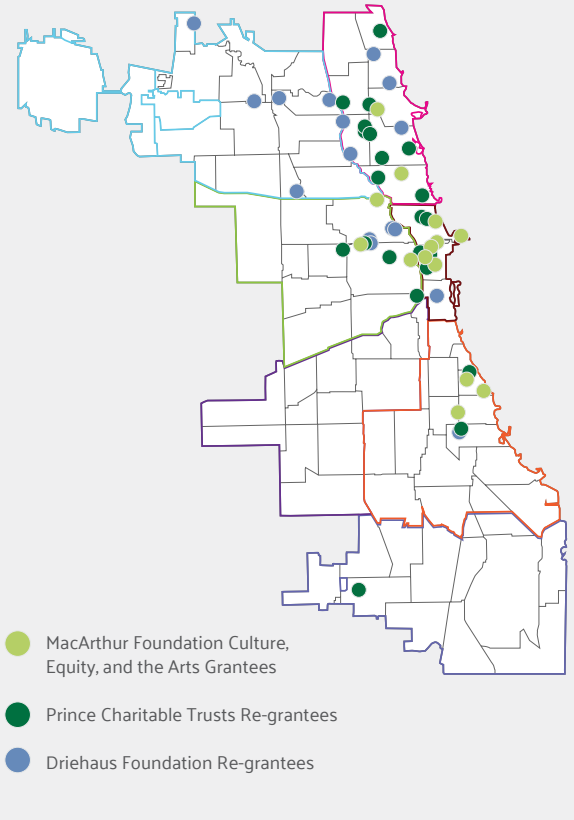
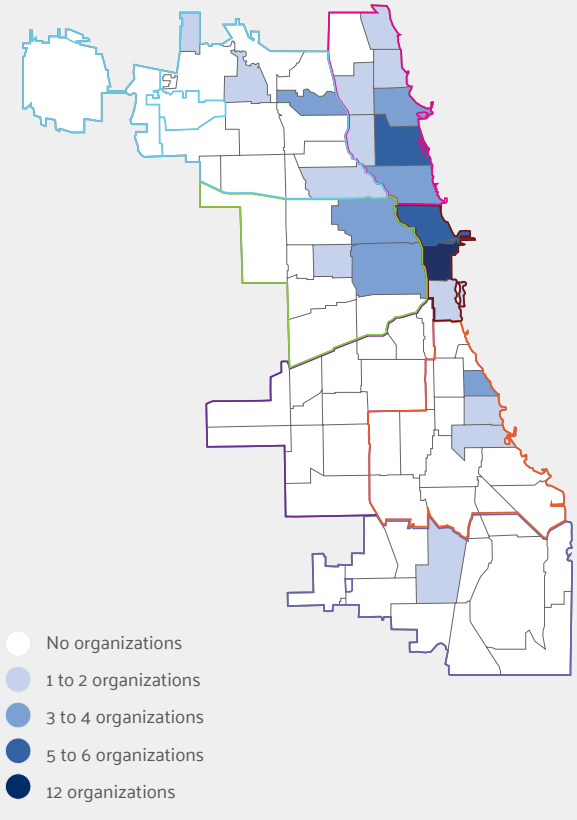


FIGURE 12

Heat Map of Participant Grantees



**Note: This data is sourced from a Grants Management Systems data pull done on July 22, 2024*

[16] The City of Chicago is divided into 77 community areas (Chicago Community Areas, or CCAs). *See here for a detailed map of the CCAs*.

FIGURE 13

Geographic Distribution (#) of Participant Grantees:

Number of organizations that have participated in the ACLF program* *(MacArthur Foundation direct grantees, and Prince and Driehaus re-grantees)*

Region	# of orgs
North	18
Northwest	5
Central	20
West	9
Southwest	0
Near South	6
Far South	1
Combined *(West, Southwest, Near South, Far South)*	16
Organizations outside the city limits**	5

FIGURE 14

Geographic Distribution (#) and Grant Dollars ($) of Participant Grantees:

Number of organizations and **grant dollars** associated with the ACLF program *(MacArthur Foundation direct grantees only)*

Region	# of orgs	Grant dollars
North	1	$50,000
Northwest	0	$0
Central	7	$1,235,000
West	3	$750,000
Southwest	0	$0
Near South	3	$580,000
Far South	0	$0
Combined *(West, Southwest, Near South, Far South)*	6	$1,330,000
Organizations outside the city limits**	1	$300,000

FIGURE 15

Geographic Distribution (#) and Loan Dollars ($) of Participant Grantees:

Number of organizations and **loan dollars** associated with the ACLF program *(MacArthur Foundation direct grantees only)*

Region	# of orgs	# of lines of credit	Loan dollars
North	1	1	$150,000
Northwest	0	0	$0
Central	6	4	$400,000
West	2	1	$110,000
Southwest	0	0	$0
Near South	3	1	$350,000
Far South	0	0	$0
Combined *(West, Southwest, Near South, Far South)*	5	2	$360,000
Organizations outside the city limits**	1	1	$100,000

** One organization was not mapped due to PO Box address*

*** Evanston (2), Skokie, Westmont, Wilmette*

Program Engagement (2016 – 2022)

Key Learnings: Program Engagement

The ACLF program has maintained steady engagement levels since its inception, with organizations participating based on individual needs rather than following a prescribed order of program engagement. While it was originally envisioned as a program from which grantees would "graduate," many organizations continue to rely on lines of credit for financial stability and appreciate continued access to capacity-building and technical assistance. Most borrowers held lines of credit through IFF.

While access to lines of credit has always been available to ACLF grantees, access to in-depth technical assistance and capacity-building has not. Because this assistance is grant funded, its availability is based upon the timing of Foundation support for the work and has not always been sufficient to meet all demand. In particular, demand for individualized technical assistance exceeded availability during the evaluation period, such that only three projects could be offered annually across the pool of participating organizations due to budget constraints.

As a result of the flexible structure of the ACLF program, participant grantees engage with the program in a variety of ways. The following offers an overview of the ways in which the 64 organizations participating during the evaluation period engaged in the program to support programming and financial operations.

Program Engagement at a Glance (2016 – 2022)

64% of participant grantees (41 organizations) **engaged in financial capacity-building and technical assistance offerings,** with the financial management training being the most popular

58% of participant grantees (38 organizations) **opened and managed a line of credit**

31% of participant grantees (20 organizations) **engaged in both** the line of credit and capacity-building/technical assistance services

FIGURE 16 Line of Credit at a Glance

38 organizations have held a line of credit through the ACLF program since 2016

- ***37%*** (14 orgs) of those borrowers work with Fifth Third as their lender
- ***63%*** (24 orgs) work with IFF

$3.4 million loaned through the program

Median loan size is $75,000

$88,500 Average loan size

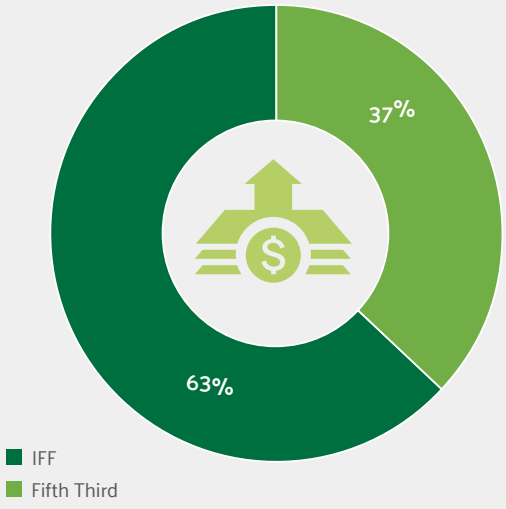
68% of borrowing organizations (n=26) had their line of credit renewed at least once

48 months (4 years), was the median loan timeframe for borrowers

Application for and Receipt of Line of Credit

Of the 64 participant grantees, 38 (58%) received or maintained a line of credit during the evaluation period, and a total of $3.4 million was loaned through the program between 2016 and 2022.[17] The average loan size was $88,500, with a median loan size of $75,000. During that period, 24 borrowing organizations (63%) borrowed from IFF, while 14 (37%) borrowed from Fifth Third. The median length of time for a line of credit (including extensions beyond the original term) was 48 months, and 26 of 38 borrowing organizations (68%) had the line of credit renewed at least once. Overall, there is no significant difference between the net assets or months of available LUNA of participant grantees that choose to borrow versus those of participant grantees as a whole.

FIGURE 17 Lender Selection (n=38)



[17] In addition to the 38 organizations that secured lines of credit, another 17 organizations submitted inquiries about the opportunity but did not apply.

As outlined in **Figure 18**, the largest segment of borrowers was theatres (42%), followed by dance organizations (18%). This breakdown supports one of the ACLF's core suppositions: that lines of credit are most needed by and useful to organizations that tend to experience extreme seasonal cash flow cycles driven by performance schedules, and that these loan funds would most likely be used to mitigate shortfalls that are temporary but regular/predictable. Additionally, from an operating budget perspective, the majority of borrowers (63%), while comparable to all participating grantees, had budgets of less than $1,000,000 (see **Figure 19**).

FIGURE 18

Borrowers by Artistic Discipline (n=38)

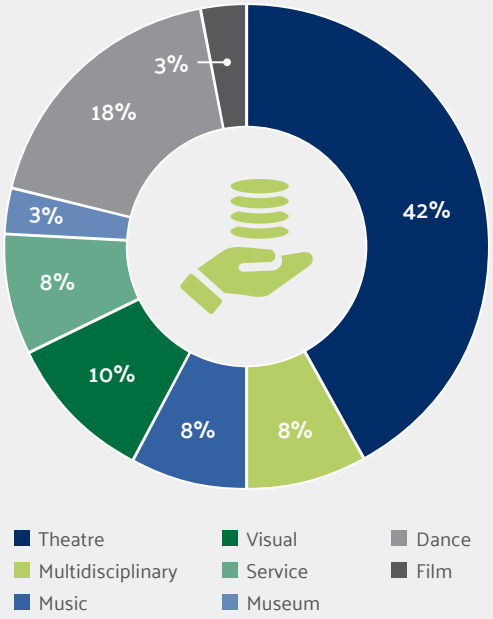


FIGURE 20

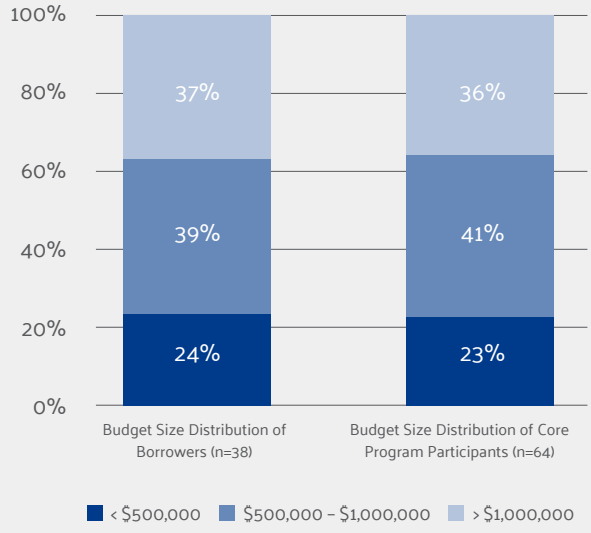
ACLF Program Participants, Lines of Credit, and Total Loan Dollars by Chicago Community Area

Number of participating organizations, lines of credit, and loan dollars associated with the ACLF program between 2016 and 2022. *(MacArthur Foundation direct grantees, and regrantees from Prince Charitable Trusts and Driehaus Foundation)*

Region	# of ACLF participants	# of lines of credit	Loan dollars
North	18	10	$966,731
Northwest	5	3	$180,000
Central	20	13	$1,055,000
West	9	6	$560,000
Southwest	0	0	$0
Near South	6	2	$300,000
Far South	1	0	$0
Combined *(West, Southwest, Near South, Far South)*	5	2	$860,000
Organizations outside the city limits**	5	4	$300,000

FIGURE 19

Budget Size of Borrowers



**Note: This data is sourced from 2021 and 2022 Form 990s.*

During the evaluation period, two borrowing organizations ceased operations and two others defaulted on their lines of credit. It is worth noting, however, that neither of the organizations that ceased operations had defaulted on the line of credit before doing so, and neither of the organizations that defaulted on the line of credit ceased operations.

One additional organization defaulted on its line of credit in 2014 but rejoined the program and was able to secure a new line of credit during the evaluation time frame. More information and analysis of the defaults and closures is outlined in Section V, Program Impact.

Engagement in Capacity-Building and Technical Assistance Services

During the evaluation period, 41 participant grantees – 64% of those eligible – engaged in financial capacity-building and technical assistance offerings in some way.

FIGURE 21 **Technical Assistance at a Glance**

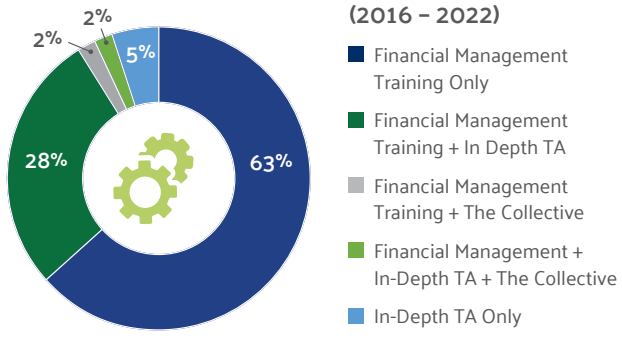
64% (41 orgs) engaged in financial capacity-building and technical assistance offerings, with the financial management training being the most popular

28% (18 orgs) participated in an in-depth technical assistance project

Financial Management Training

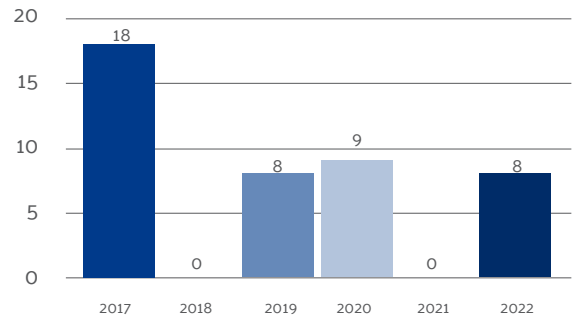
The financial management training was the most-utilized offering. Two grantees chose to participate in the financial management training twice, and several organizations that had already sent staff to the training later requested to send additional participants. See **Figure 22** for a breakdown of how organizations chose to engage in the technical assistance offerings of the ACLF program.

FIGURE 22 **Technical Assistance Engagement** (n=41)



Training was not offered every year due to timing gaps between grants and contracts. Due to gaps in IFF's contract with BDO, no financial management training was offered in 2018 or 2021. This lack of availability contributed to the constraints in meeting ACLF participant demand. Typically, training course enrollment is capped at eight organizations, which also limits the availability of training opportunities. **Figure 23** outlines the financial management training enrollment over the evaluation period.

FIGURE 23 Financial Management Training Enrollment (2016 – 2022)



In-Depth Technical Assistance Projects

Of the 64 participating organizations, 18 (28%) participated in an in-depth technical assistance project. As outlined in **Figure 24**, a majority of the in-depth technical assistance projects during the evaluation period involved supporting grantees with financial policy and procedure manual development (33%), conducting fiscal infrastructure review (22%), and/or developing financial modeling tools (16%).

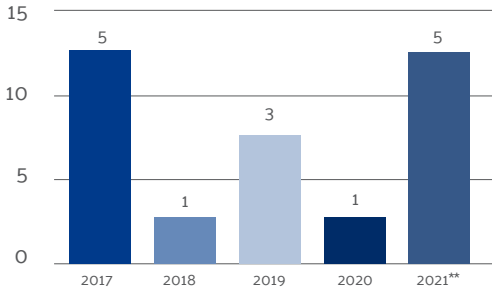
One interesting occurrence was a spike in demand for in-depth technical assistance services in 2021, likely as a result of the impact of the COVID-19 pandemic on performing arts organizations. In addition to the five technical assistance projects accounted for in 2021 in **Figure 25**, 13 additional grantees requested to participate but were declined. In some cases, this was because organizations requested services not offered through the program,[18] but in most cases, it was simply because BDO was contracted to provide support for only three to five in-depth technical assistance projects per year.[19]

FIGURE 24 In-Depth TA Project Topics

Topics in Rank Order

1	**Policy and Procedure Manuals** (33%)
2	**Fiscal Infrastructure Review** (22%)
3	**Financial Modeling** (16%)
4	**Chart of Accounts Set Up in QuickBooks** (11%)
5	**Unknown** (11%)
6	**Budget Template Development** (5%)

FIGURE 25 In-Depth Technical Assistance



***In 2021, there were 13 additional requests for in-depth TA projects that were denied*

[18] Fundraising support was of particular interest but is not offered as part of the slate of in-depth technical assistance offerings.

[19] It is likely that post-pandemic rebuilding efforts also influenced the spike in 2021, since there was no such spike in 2022.

The Diversity, Equity, and Inclusion Collective

In 2022, a training called The Diversity, Equity, and Inclusion Collective was provided for the first and only time as part of ACLF programming to eligible grantees. Five organizations participated in The Diversity, Equity, and Inclusion Collective: two ACLF core participants and three organizations that had no other engagement with the ACLF program.

SECTION V

ACLF PROGRAM IMPACT



The evaluation team interviewed 19 of the grantees that participated in the program.[20] These 19 interviewees represent a 59% response to the request to participate in the evaluation.

Interviews focused on topics including program entry, operating model (such as the balance of earned versus contributed revenue), use of line of credit dollars, and impact of line of credit dollars on organizations' financial operations. In interviews with grantees that engaged in capacity-building and technical assistance, additional questions explored engagement and impact of technical assistance on organizations as a whole, as well as on financial management processes.

Key Learnings: Line of Credit

The ACLF program's line of credit has proven highly impactful for small- and medium-sized arts and culture organizations, providing essential financial stability and operational flexibility. For many grantees, the line of credit served as a strategic financial planning tool that fostered operational peace of mind, enabling organizations to manage cash flow, cover payroll, and bridge gaps between grant cycles and earned income opportunities. This financial security was particularly valued during

[20] Grantees invited to interview were intentionally selected to provide a cross-section of factors such as grantor, line of credit engagement, technical assistance engagement, budget distribution, lender, and post-pandemic program engagement, as well as closures, defaults, and engagement in Chicago Treasures.

Key Learnings: Line of Credit, continued

the COVID-19 pandemic, with some organizations relying on the line of credit to stay afloat until relief funding arrived. The line of credit also enabled organizations to engage in longer-term planning and encouraged risk-taking, allowing organizations to pursue new opportunities without the fear of financial instability.

Beyond immediate cash flow benefits, the line of credit program contributed to organizational financial maturity. Many grantees developed more skilled financial practices, such as incorporating the use of the line of credit into annual cash flow planning, establishing cash reserves, and following structured repayment plans. Evidence of a line of credit in financial statements lent credibility to the participating organizations, bolstered grant applications, and supported leadership recruitment. However, challenges remained: grantees cited high fees, administrative burdens of the renewal process, and inconsistent program information as difficulties. Some organizations recommended more training on the best practices for utilizing the line of credit, which could better prepare grantees to make the most of the tool, particularly those new to managing organizational credit.

Defaults were rare within the program and showed no correlation with organizational closures. In the few cases where defaults occurred, the organizations benefited from access to financial support from BDO, gaining stronger financial policies and organizational resilience. Notably, borrowers that defaulted had not participated in available financial management training, suggesting a potential area for program improvement. Overall, the lines of credit offered through the ACLF have been an invaluable resource for grantees, enhancing financial stability, supporting growth, and enabling arts organizations to navigate unique financial challenges.

Program Impact: Line of Credit

Lines of credit provide several benefits for ACLF borrowers, many of which experience regular cash flow challenges. Lines of credit provide ready access to cash so grantees can bridge predicted gaps between expenses and income; enable a financial planning tool for organizations often operating at the edge of their capacity; and offer access to new financial management resources that can support organizational stability and growth.

Most participating organizations used the lines of credit to manage cash flow – including covering payroll - and address timing gaps in grant funding or earned income. Challenges to using the line of credit

included application fees, a renewal process that some borrowers found cumbersome, and a lack of training on how best to use the line of credit. Key barriers were a lack of awareness about the program and concern over the risk of losing eligibility. Overall, the ACLF lines of credit were incredibly impactful, strengthening organizations' financial resilience and – despite rare defaults – showcasing their ability to successfully manage revolving debt.

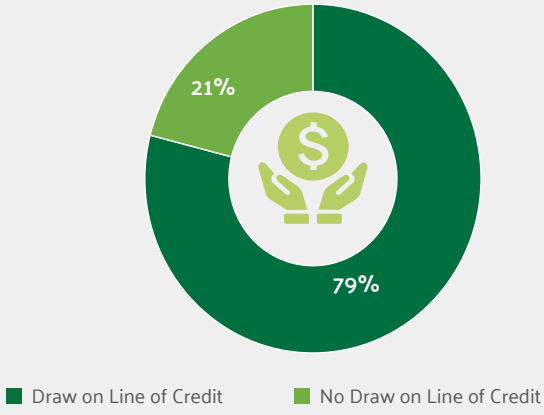
Across interviews it was evident that a line of credit for small- and medium-sized arts and culture organizations offers more than just financial assistance; it can be crucial for survival and growth. The narrative themes of impact that arose throughout conversations with borrowers focused on how the line of credit enabled:

- Organizational peace of mind;
- Operational stabilization, enabling informed risk-taking, and growth;
- Development of more sophisticated financial policies and practices; and
- Increased credibility with funders, banks, and government institutions.

Key Facts from Interviewed Borrowers (n=14):

- 79% drew on the line of credit (see **Figure 26**)
- 55% of those that drew on the line of credit used it to pay staff and contractors. Others cited its use for general seasonal cash flow management
- 21% did not draw on the line of credit. Many noted the decision to keep it active in the case of emergencies or future needs

FIGURE 26 **Interviewees Draw on Line of Credit** (n=14)



Line of Credit Areas of Impact

Participant interviews suggest that a line of credit is more than a loan. For the types of organizations that are eligible for the ACLF program, a line of credit can be the difference between survival and closure (due to, for example, the delayed timing of a government grant or contract payout) but also the difference between anxiety and security, dependence and independence, eking by and expansion, stagnancy and innovation.

Lines of credit, especially when paired with financial management training and technical support, can also mark the beginning of new relationships with lenders, more robust financial management policies and practices, and even the "luxury" of long-term financial planning.

It is worth noting that those organizations that had a line of credit through ACLF experienced benefits from access to credit, regardless of whether they ever actually drew on the facility. The benefits most frequently cited are highlighted on the following pages.

Organizational Peace of Mind

Borrowers universally shared that having access to a line of credit – whether or not they drew on it – provided tremendous reassurance that cash would be available if and when it was needed. **The psychological impact of this sense of security arose repeatedly in interviews** – e.g., "[The line of credit] enables us to breathe"– as it influenced organizations' overall operations and allowed for greater confidence in planning ahead.

Another interviewee put it this way:

> **"This program really helps us: spiritually, mentally … It feels really good that some funders understand [the seasonal cash flow issues of small arts organizations] and give us an opportunity."**

Even among grantees that chose not to pursue a line of credit after inquiring about the program, simply knowing that the line of credit program existed and was tailored to non-traditional borrowers provided a sense of validation.

Several interviewees specifically mentioned the **impact the lines of credit had on their peace of mind during the COVID-19 pandemic**, when many of the usual income streams for small arts organizations dropped precipitously. Interviewees shared thoughts including, "The ease and the security of having that added capital available [during the pandemic] was huge," and "During COVID, MacArthur was paying the interest [on the line of credit]. That was a blessing. It saved us not to pay the interest on the loan." [21]

Operational Stabilization, Enabling Informed Risk-Taking, and Growth

Borrowers also indicated that **the lines of credit helped stabilize the organization's operations and financial positions.** One grantee shared, for example, that the organization was "going through a really important and critical moment in [their] organizational lifecycle, and having that security there [was] really critical and important."

Having a line of credit also **positioned some grantees to look more strategically into the future** with increased confidence in committing to positive risk and growth opportunities. As one participant said:

> **"[The line of credit] gave us the ease of mind to take that artistic risk and to pursue these new opportunities in a way that I genuinely question if we really could have if the level of economic and capital security wasn't there."**

Above all, **the access to the lines of credit gave grantees the confidence to operate** in the ways they saw as essential for the organizations' long-term health and success, including paying staff and operating expenses as well as making investments in the future, even when cash flow was low.

Development of More Sophisticated Financial Policies and Practices

Many organizations reported that **simply having access to a line of credit influenced the development of new financial management practices**. This included integrating line of credit use into annual

21 During the COVID-19 pandemic, the Foundation made a series of modifications to ACLF program operations to support their grantees. One of the modifications included paying the interest on lines of credit for 12 months. This modification has since been suspended.

budgeting, building cash reserves, and establishing policies to draw on both. One participant shared, for example, that "This was our first time having a loan on our balance sheet, so we had to adapt to that. It is now a requirement that to draw on the line of credit, we have the board vote beforehand."

The ACLF lines of credit also have a **clean-up provision that requires that any loan balance be paid off and remain at zero for 30 consecutive days** at some point prior to the renewal date. Organizations that drew on the line of credit indicated that they recognized a need to develop a stronger sense of fiscal discipline, responsible planning, and strategic use of credit, in addition to developing a timeline for repayment. One participant offered:

> **"The trick with this line of credit is the cleanup, right? You cannot be willy-nilly and just draw on the line if you don't know when it is going to come back around, and you will be able to pay it down. It creates a discipline for [us], which I think just sort of got built into our psyche."**

Increased Credibility with Funders, Banks, and Government Institutions

Evaluation findings indicated that whether or not a grantee drew on their line of credit, **having access to a line of credit signaled a level of financial credibility to other institutions**. One borrower expressed it this way: "When we have been seeking funds, having a line of credit demonstrates readiness and shows that we've been thoughtful. It adds credibility."

In the absence of other credit options, many small organizations have regularly relied on the personal credit cards of leaders, founders, and board members to "get over the financial hump" they experience each year. Although this short-term solution has helped many organizations survive lean months, it is not a financially responsible or sustainable method of managing cyclical debt. As one participant shared, "Lots of times, the founders of small organizations [use] their own credit cards – especially the theatre people. I think that is [a] very common symptom of small orgs, and very common for small orgs' directors and founders. … It becomes a strange problem when the auditors see that. This is more official."

Moreover, drawing on a line of credit can also **provide grantees with an opportunity to showcase the successful management of debt**. As one interviewee put it, "Having had the experience of successfully accessing a loan and developing credit history is really huge and important."

If an organization can show that it has access to a line of credit, whether or not it has drawn on it, it can signal financial strength and stability. For some organizations, having a well-managed line of credit has even been a factor in successfully recruiting new leadership and board members. As one interviewee stated, "Being able to say to funders [and/or] potential board members, we have this line of credit, and we have not drawn on it. It's just a reinforcing thing to be able to say, especially for folks who know what that means."

Additionally, securing a line of credit through a program backed by an organization like the MacArthur Foundation can enhance a grantee's credibility with other lenders and grantors, paving the way for additional funding opportunities. One grantee, for example, indicated that they had "included [the line of credit] in a lot of grants for building support for the capital support" and felt that it helped showcase greater financial maturity.

Uses of Lines of Credit

As stated earlier, a notable finding of this evaluation was that **not all participant grantees that had access to a line of credit actually drew on it.** Of the 14 grantees interviewed that received an ACLF line of credit, 21% never drew on it. These grantees tended to think of the line of credit as a strategic tool or emergency fund; they also tended to have cash reserves, which they were more likely to draw on first.

Of those 14 interviewed grantees that received an ACLF line of credit, the vast majority– 79% – did draw on it at least once. These organizations used the line of credit in a variety of ways. As predicted, **many grantees used the lines of credit to cover unplanned program costs and mitigate seasonal cash flow shortages.** "Every year, we draw the money on the line of credit in early January," explained one borrower, "and by April, our cash flow has resolved."

Many organizations also used the lines of credit to cover payroll, pay contractors, and/or cover general operating expenses during the period between grant promises and the receipt of funds. Of the interviewees that drew on the line of credit, **55% indicated that it was used to pay staff and/or contractors.** One interviewee who mentioned these kinds of funding gaps said, for example, "When these grant cycles did not align with programming cash flow needs, the line of credit allowed for cash infusions to keep programs on track until new grant funding arrived." Another said, "We drew on the line of credit at a time when our revenue is typically low during the year. This allowed us to bridge the gap between fundraisers/grants and continue to pay staff and fund operations."

Of those same interviewees, 63% indicated that the line of credit was used to cover other seasonal and general cash flow smoothing activities – sometimes (36%) in combination with covering payroll. Others mentioned drawing on the lines of credit only occasionally, e.g., during special projects or initiatives.

Uses for the lines of credit shifted slightly, overall, during the COVID-19 pandemic. Among the program participants interviewed, some indicated leaning more heavily on the lines of credit to cover payroll costs until Paycheck Protection Program (PPP) loans became available. Others indicated that the influx of government dollars resulted in less reliance on the line of credit. As one organization highlighted in the interview, "I think that the COVID relief funds that were in place … shielded us from having to use [the line of credit during the COVID-19 pandemic]."

Significantly, program participants conveyed strongly that **the lines of credit do not function as a "temporary fix"; rather, they have become essential to the organizations' overall operations.** Lines of credit are being used – even when not being actively drawn upon – to address a fundamental and ongoing need prevalent in the arts and culture sector and not unique to individual organizations or to the current economic context.

Positive Borrower Experiences with Lenders and Lines of Credit

A line of credit, when combined with financial training, coaching, and technical assistance, **offers access to capital alongside financial tools and support to foster long-term financial stability and maturity**. This combination of factors also allows grantees to develop important relationships with lenders.

Throughout the interview process, program participants shared deep appreciation to the Foundation and the implementing partners for the opportunity to engage in the program. Feedback specifically for the lenders

included, "The Fifth Third team really understands the needs of arts organizations" and "IFF is among the best partner relationships we've ever had. They really want us to succeed."

Program participants with lines of credit largely expressed **that lenders were easy to work with, had a clear understanding of the nonprofit sector** – arts and culture organizations, in particular – and worked with borrowers to build trusting relationships that included exploration of other financial services.

Challenges with Lines of Credit

Alongside the many benefits provided by access to lines of credit, some challenges remained. Items raised included fees, timing of the loan and 12-month loan term, application process, communications throughout the loan closing process, and availability of program information. Although the Foundation does not control the loan application or closing process, the experience that borrowers have with the lending partners is important.

Fifth Third Bank, for example, assesses annual processing fees, which some borrowers felt were high and/or not explained explicitly enough at the outset.[22] In the end, one participant expressed that the line of credit "really ended up being less helpful than [they] initially thought it would be, just because of the fees that were [charged] in the very short term of the loan."

The loan-closing process of both lenders, at times, caused stress and frustration for borrowers that wished that all costs, needs, documentation, etc. had been communicated clearly up front and then processed more efficiently. As one interviewee stated, reflecting on the fact that the line of credit closing process is new to many arts organizations, "that's where things [in the closing process] can get frustrating especially if … you're not getting all of the information at the same time and you're taking for granted the fact that this is an organization that has not accessed loans before so [the requirements] not even on our minds or our radar." The Foundation recognizes that sharing an outline of the process that can help manage borrower expectations could be valuable.

During the first half of the evaluation period, all loans had 12-month terms. Several borrowers expressed frustration with the brevity of this loan term. They suggested that **the frequency of the renewal process impeded longer-term financial planning**; that the one-year loan term only offered ten months of true access to capital before the renewal process began again; and that the renewal process itself was administratively taxing, resulting in inherent capacity constraints that would limit accessibility for many small- and medium-sized organizations. During the COVID-19 pandemic, loan terms were extended to 24 months, a change that has become a permanent feature of the program. It is notable that these two-year loan terms have worked better for both borrowers and lenders, both of which found that the change freed up capacity to build more meaningful relationships.

Lastly, some participant grantees indicated a desire to have more training on best uses for a line of credit. One interviewee suggested "some sort of line of credit orientation reminding us, 'These are the terms of a loan, here's when you pay it back, but you can take it out again, and here's what the timeline is for that process.'" When asked, grantees that suggested these types of trainings also indicated that they were unaware of the financial management training opportunities already available through the ACLF program.

[22] Charging processing fees is a norm in the banking industry.

Barriers to Entry and Sustaining Access to Lines of Credit

In interviews, it became clear that **the greatest barrier accessing to a line of credit was a lack of knowledge** about the program among eligible organizations. The **biggest barrier to *sustaining* access to the line of credit program was program eligibility, which was tied to an organization being a MacArthur Foundation grantee or regrantee.**

During the period under review, organizations that were no longer grantees of the Foundation or its intermediary grantors also became ineligible for the ACLF program, which meant they lost access to the lines of credit. This uncertainty around continued eligibility created a sense of acute anxiety for some grantees that had come to rely on their lines of credit for organizational stability and sustainable financial planning. "Overall, it is a brilliant program for small orgs like us. Really helpful," said one participant. "Our fear is whether we'll have this again next year [because we currently have a one-year grant from the Field Foundation]." Another interviewee captured the stress and financial strain caused by this eligibility issue with the statement, "We also learned that this is contingent upon us remaining in the MacArthur Foundation portfolio as a grantee, which was puzzling to me. So, the second we lose the $75,000 per year [in grant funding], we're also going to lose the $50,000 per year [line of credit]. That's [a] $125,000 shortfall. So, it goes from being helpful to absolutely terrible."

As a result of early evaluation learnings that identified the loss of both grant and loan capital as a result of lost program eligibility, the Foundation adjusted the eligibility criteria so that organizations with active lines of credit (and that are in good standing) could retain access to those loans, even if the organizations are no longer grantees of the Foundation.

Understanding Loan Defaults and Organization Closures

The overwhelming majority of borrowers, 95%, maintained good standing with their lender throughout participation in the ACLF program. Defaults on lines of credit were rare and have not deterred either lender from continuing with the program. Of the 38 grantees participating between 2016 and 2022 with a line of credit, just two[23] have defaulted on the loan.

Interviews with leadership from the small number of defaulting organizations suggest that there was no common reason for defaulting. **The contexts that led to each default were unique**, and according to the interviewees, the decision to default was not taken lightly.

During the evaluation period, there was also **no correlation between loan defaults and organizational closures**. In fact, all program participants that defaulted on lines of credit are still in operation today. This outcome was in part because the ability to default with no financial penalty relieved the stress of holding outstanding debt and allowed the organizations to continue to operate as a result of debt relief. As interviewees stated, "[The decision to default] was a strange moment of being ashamed and relieved simultaneously," and "[The ability to default] ended up being such a critical gift." At the same time, the borrowing organizations that ceased operations during the evaluation period both

[23] There were, in fact, only two active loan defaults during the 2016–2022 evaluation period. A third organization defaulted on its line of credit in 2014 but was subsequently able to secure a second line of credit and has continued as a program participant.

paid off any balances on the line of credit prior to closure and avoided default.

Note, **none of the grantees that defaulted on the lines of credit had participated in the program's financial management training or requested technical assistance** through the program. Moreover, the two organizations that defaulted (and were interviewed as part of the evaluation) both indicated being unaware that the financial management training offering was available and suggested that training on best uses of the lines of credit would have been valuable and could have helped avoid default.

Although defaults are not considered a positive outcome – for the lenders or the Foundation as guarantor – one interesting outcome arising in situations where a default occurred was that affected grantees reported gaining important organizational learning, even from the default process itself, including strengthened financial resilience and tighter financial policies around the use and repayment of funds.

Program Impact: Financial Capacity-Building and Technical Assistance

Key Learnings: Capacity-Building and Technical Assistance

The capacity-building and technical assistance components of the ACLF program have had a substantial positive impact on participating arts and culture organizations. Through financial management training, one-on-one coaching, and in-depth technical assistance projects, the program has helped grantees develop stronger financial infrastructures, more effective fiscal policies, and greater financial literacy. Many participants reported transformative experiences, citing new tools and strategies for cash flow management, development of annual budgets, and improved ability to communicate the organizations' financial position, which could immediately apply to daily operations. In particular, the cohort-based training fostered both individual and collective learning, creating a supportive community that encouraged peer learning and deepened financial acumen across the organizations.

Organizations that received in-depth technical assistance projects benefited significantly from tailored advice, which helped establish clearer financial systems and stabilize operations for future growth. These organizations were able to implement systemic changes such as improved cash reserves, internal controls, and financial policy documentation, positioning the organizations for sustained success. The program also promoted organizational growth by building the grantees' capacity for risk-taking and long-term planning, which in turn increased access to funding. Program participants valued these supports for strengthening financial confidence and facilitating smoother staff transitions, contributing to organizational resilience.

The ACLF program's goal is to strengthen Chicago arts and culture organizations by enhancing financial management skills and long-term resilience, beyond just expanded access to credit. Through financial management education, technical assistance, and support with loan applications, the program endeavors to empower participants to establish sustainable financial practices, as well as to implement and strengthen fiscal policies.

As a result of participating in the program's financial capacity-building and technical assistance offerings, participant grantees have reported increased financial literacy, a deeper understanding of financial positions, and, for those with a working capital loan, the ability to effectively manage revolving credit. Many grantees have also reported having implemented internal system changes as a result of participation, helping stabilize operations and position organizations for growth. The cohort-based financial management training also fostered a sense of community, enhancing peer learning and easing staff transitions.

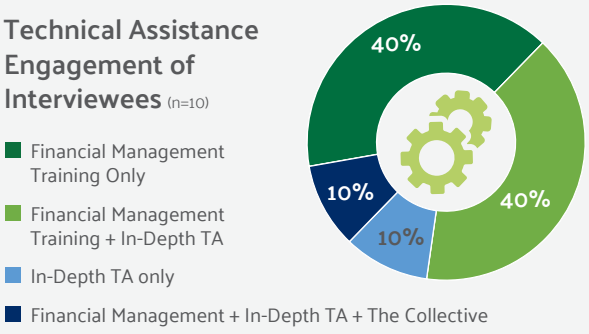
While participants praised the program for helping leaders build confidence and improve strategic decision-making, challenges to the program's effectiveness included limited ability to offer capacity-building support and scheduling conflicts for cohort trainings.

Key Facts About the Technical Assistance Engagement of Interviewees (n=10)

- 90% engaged in the financial management training, with some also participating in another offering (see **Figure 27**)
- 50% engaged in a combination of capacity-building and technical assistance offerings
- 60% engaged in technical assistance, capacity-building, and line of credit offerings

FIGURE 27

Technical Assistance Engagement of Interviewees (n=10)



Stories shared by participants in interviews highlighted how access to financial management training and technical assistance improved organizational knowledge and practical application, such as strengthening financial literacy and improving financial policies and practices. Narratively, the stories of how the improved learnings impacted participating organizations focus on:

- Stabilizing and preparing for growth
- Building financial literacy and planning capacity
- Fostering community and easing staff transitions

Capacity-Building and Technical Assistance Areas of Impact

The financial capacity-building and technical assistance offerings of the ACLF program include a cohort-based financial management training series with available one-on-one coaching; in-depth technical assistance projects; and loan application support for grantees that choose to engage in a line of credit.

Program participants use these tools to build sustainable financial infrastructures, develop and implement formal fiscal policies and procedures, become more purposeful in cash flow and budget cycle management, and position themselves to approach their organizations' financial futures with a new level of confidence, security, and capability.

Throughout the interviews, grantees that took advantage of capacity-building and technical assistance offerings shared stories about ways that access to financial management training and technical assistance had improved knowledge and practices in the following areas:

Strengthening Financial Literacy

According to interviewees, opportunities like financial management training allowed for a **more cohesive and comprehensive understanding not only of financial terms, principles, methods, and tools, but also of individual organizations' specific financial positions, needs, risks, and opportunities.** They expressed that they were able to immediately apply these learnings to their day-to-day tasks and responsibilities in practical and relevant ways. According to one participant, it was:

> **"A life-changing training, we took so many tools and put them into practice."**

Some undertook in-depth technical assistance projects that involved, for example, learning how to prepare for their first financial audits. Other participant grantees that had lines of credit and also participated in the financial management training indicated that the **training helped them better understand the value of the lines of credit and how to successfully manage them.**

Importantly, participants overall came away from the offerings feeling like they understood the organizations' financial positions well enough to be able to **offer coherent and compelling financial narratives**, and even to adapt financial storytelling approaches for different audiences. For example, one organization credited the program with the ability to communicate the budget to its actively engaged artist community in a way that would be digestible, as well as tailoring the budget narrative to the board to support deeper understanding and decision-making.

Shifting Organizational Financial Policy, Systems, and Practices

Financial training and in-depth technical assistance projects provided participants with **learning opportunities around best practices for nonprofit financial management and supported many grantee organizations in establishing clearer processes and more consistent practices for financial management** – including, for example, the implementation of board committees for financial review and approvals. Several grantees engaged in in-depth technical assistance projects to distill financial policies and procedures – or to develop them from the ground up – by creating organizational policy and procedure manuals, which many organizations had never developed. Participating organizations applied their new knowledge by implementing systemic changes, such as building charts of accounts and true cost budgeting templates and developing internal controls and processes for managing financials.[24]

[24] True cost budgets support the allocation of direct and indirect costs (staff time, overhead expenses, etc.) to more accurately account for the costs of implementing programs and offerings.

These areas of learning, in turn, supported grantees in the following ways:

Stabilizing and Preparing for Growth

In interviews, participants shared that training and technical assistance helped their organizations adopt new tools, skills, and practices that could be adapted over time to meet evolving needs. **Strengthening financial stability and deepening financial understanding also enabled new and more effective planning and preparation for growth.**

"BDO talked with everyone [as part of our technical assistance project]," said one participant. "Gave all the staff their time. They made recommendations that we could implement immediately and others that we could do down the line. They also considered how we want to grow. [It was] very thorough and bespoke."

This newfound stability, long-term perspective, and capacity to clearly communicate the organization's financial position allowed participating organizations to unlock new sources of funding, which in turn provided more stability, thus **launching new cycles of positive risk-taking and opportunities for additional growth.**

Building Financial Literacy and Planning Capacity

The majority of the participants interviewed, including executive leaders, indicated that despite being experienced specialists in their own fields, they were not trained financial professionals. For many, **this was, in fact, the first financial management training to which they had ever had access**. Most had instead been developing financial management skills on the job. Increased fluency in their own organization's financial positions, and feeling more financially literate in general, **made them feel more confident in making sound financial decisions and leading their organizations more strategically as a whole**. As one participant said:

> **"The BDO training really helped our staff and our general manager, they really started getting more aggressive in our budgeting, based on training, and really looking at how we could build better cash reserves. So, cash reserves became a huge goal for us."**

Fostering Community and Easing Staff Transitions

Participants suggested that being part of a learning cohort helped foster a sense of community, both within individual organizations and between the organizations in the cohort. Also, **opportunities for peer-to-peer learning validated their own learning processes and lived experiences**. One interviewee said,

> **"The cohort training was invaluable. It was like group therapy."**

The capacity-building and technical assistance offerings reportedly also **helped ease staff transitions within participating organizations**, including helping them recruit, onboard, and support new leadership and staff as well as experience fewer transitional bumps and inconsistencies when personnel changed.

Positive Participant Experiences with Financial Capacity-Building and Technical Assistance

Participants in the capacity-building and in-depth technical assistance offerings expressed sincere gratitude for the BDO team, specifically those who led the financial management training and provided technical assistance. Interviewees expressed that **the training was approachable, accessible for those who were new to financial management,** and ultimately responsible for pushing them to new levels of financial competence and confidence.

Notably, participants also mentioned that the BDO team **helped stretch their organizations' thinking about long-term financial planning, strategizing, growth, and informed risk-taking**. One interviewee said, "I'm still very conservative about [financial] planning, but every time I budget, I keep in mind the sessions that we had with BDO, in which we talked about being more risk-taking on the financial side."

Challenges of Capacity-Building and Technical Assistance

While participants had few critiques of the training and capacity-building opportunities, a handful of targeted suggestions were offered.

Some members of the cohort-based program, for example, shared that **the time commitment for an eight-week training was challenging given their other work responsibilities and commitments**. Others expressed that it would be helpful to have more ongoing opportunities, such as annual check-ins with their cohorts and/or coaches. Grantees that attended the first training course in 2020, which was offered virtually due to COVID-19 pandemic restrictions, mentioned that they had a hard time connecting with their peers and expressed a desire for more in-person engagement with their peers.

Overall, however, the most frequently cited challenge around the capacity-building and technical assistance offerings was **the scope of the service provider contract, which left some interested organizations unserved.** The Foundation is currently attempting to address the capacity issues.

For example, BDO is typically funded to implement one annual financial management training and between three and five in-depth technical assistance projects. In 2021, the program received 18 requests for in-depth technical assistance projects, of which only five could be implemented. Of the 13 requests that were denied, a small handful were outside of scope,[25] but the remainder were denied based solely on lack of capacity.

In addition, because the financial management training is only offered once a year and is limited to eight grantee organizations enrolling three to four participants each, grantees that were interested in sending new or additional staff to the training in subsequent years were deprioritized so representatives from organizations which had not yet attended the financial management training course could do so.

These capacity-related challenges are tied to limitations in the contracts between the implementing partner, IFF, and its service provider, BDO, and the number of services each has the funds to provide. Contract gaps between IFF and BDO also complicated matters, preventing the popular cohort-based financial management training from being offered at all in 2018 and 2021.[26]

[25] Fundraising support is always in high demand but is not offered as part of BDO's technical assistance services in the ACLF program.

[26] One contributing factor in the contracting gaps was the timing of grants from the foundation to IFF as the ACLF program manager.

Barriers to Entry for Capacity-Building and Technical Assistance

As with the line of credit offering, **the primary barrier to entry for participation in the financial capacity-building and technical assistance offerings of the ACLF program was lack of awareness about the program itself**. Several participants, even ones with active lines of credit, indicated that they had no knowledge that capacity-building and technical assistance were available as part of the ACLF program.

Secondarily, several participant grantees mentioned scheduling conflicts and time limitations as a barrier. Some mentioned that the staff's time was already extremely limited, and the training would require too significant a time commitment. Others mentioned that the time of year that the financial management training was offered did not align with program calendars in a way that would make it possible for staff to attend. "We were always notified about the trainings and offerings," one participant said, "but the times never worked for us. For us, it would be great if we could pick the program and the time … Theater organizations get really busy in the fall. January and February are our dead time."



SECTION VI

FUTURE CONSIDERATIONS

Given the shifts in grantmaking approaches at the MacArthur Foundation – both the strategic focus areas of the Chicago Commitment and Culture, Equity, and the Arts (CEA) portfolios, and the move to the Field Foundation as intermediary grantor – it was important to the Foundation to understand how these shifts might impact both the pool of eligible organizations and the financial needs of grantees in the new portfolio.

The transition the Field Foundation as the intermediary grantor and its grantmaking approach through the A Road Together (ART) program reduced the pool of organizations eligible for the ACLF program. The Field Foundation's ART program awards larger grants to fewer organizations, many with smaller budgets, resulting in a portfolio where many organizations no longer meet the ACLF minimum budget threshold of $250,000. Under the 2016 – 2022 program structure, 185 organizations were eligible, but under the new structure, this number dropped to 84 – a 55% decrease as of the end of 2023.

The evaluation team conducted a series of focus group conversations to hear from eligible ACLF grantees in both the CEA and the Field Foundation portfolios. In total, the evaluation team spoke with eight organizations with budget ranges of $300,000–$500,000 for Field Foundation grantees and $1.1 million to $4.1 million for CEA grantees. The artistic discipline of those that participated in conversations included film, theatre, music, and multidisciplinary programs. The organization's representatives ranged from senior leaders (e.g., executive and artistic directors) to financial and operational management staff. Conversations explored current financial challenges and opportunities for growth, current financial management practices, opportunities for working capital loans to alleviate financial pressures, ideal resources and training to support current and future needs, and future recommendations and considerations for the ACLF program.

Financial Pressures of the New Portfolio

Several financial pressures emerged as key concerns for organizations across different budget sizes. **Smaller-budget organizations face significant fundraising challenges, with a heavy reliance on institutional giving.** To achieve financial sustainability, these organizations are working to diversify revenue streams, focusing on cultivating individual donors and exploring earned income options. One focus group participant noted, "I'm anxious to have more revenue streams that are dependable and not just based on individual donation or a project-based grant." However, cash flow management remains a struggle for these organizations, often requiring the use of cash reserves, when available, along with rigorous cost-cutting measures to maintain stability.

Medium-sized organizations reported pressures related to cash flow constraints when navigating the funding and reimbursement timelines tied to government contracts. Delays in these reimbursements can strain cash flow, limiting the organization's ability to operate smoothly. One organization representative expressed, "In terms of cash flow, those big government grants, which we rely heavily on, are probably a huge issue for us, and I don't know how much longer we can really do it."

Additionally, some organizations grapple with the question of budget growth and whether it aligns with their goals and sustains access to grant capital. In particular, a drop in annual budget below certain thresholds can endanger general operating support, adding complexity to budgetary decisions and potentially impacting mission delivery.

At the time of the focus group conversations in the summer of 2024, several focus group participants also highlighted **the impact of rising operational costs, particularly in areas like hiring and retaining qualified staff, where increased salary needs present a challenge.** For those undertaking capital investments, construction costs have also risen beyond original projections, creating gaps in project budgets and intensifying financial pressures. One respondent explained, "I feel like I'm flying by the seat of my pants logistically sometimes through these processes and with this fundraising because I just literally cannot anticipate the costs, and that scares me honestly." These combined factors create a challenging landscape, forcing organizations to continuously adapt financial strategies to sustain and scale impact.

Resource, Capacity-Building, and Technical Assistance Needs of the New Portfolio

Focus group discussions revealed a strong desire among arts and culture organizations for targeted resource, capacity-building, and technical assistance to enhance financial management capabilities and sustainability. **A significant area of interest is training staff in core financial management practices tailored to the nonprofit sector.** Organizations recognize that building financial literacy within teams will empower staff to make informed financial decisions and strengthen overall financial health. One focus group participant noted the need for "training on financial analysis and to be able to know [more than just] what we need [financially] each year. But what does a more robust budget look like that is both

ambitious and responsible? That's something that I'm constantly thinking about. Getting support on how to build that out is something I could use and that our board could use." Additionally, many nonprofits seek guidance on managing cash flow issues, particularly those arising from government contracts that involve complex reimbursement processes and delayed payment or reimbursement.

Organizations also expressed a **need for support in exploring earned revenue opportunities as a means to diversify income streams and reduce dependency on traditional funding sources.** Multiyear financial planning and scenario mapping emerged as high-priority areas, with organizations eager to enhance their own capacity for long-term strategic planning to better anticipate and respond to financial fluctuations. Calling out the specific needs among leaders of small- to medium-sized arts organizations, one focus group participant said, "I don't think a lot of us know how [to] think about investments for the long term as it relates to nonprofit leadership. We need help … It could be an amazing asset to our longevity, but we don't know how to leverage it as an asset yet." Managing capital campaigns is another key focus, as organizations look to strengthen approaches to securing funding for major projects.

Beyond day-to-day operations, **nonprofits are interested in learning how to leverage financial investment opportunities and maximize their assets effectively.** Focus group participants also highlighted the need for improved communication and collaboration with boards of directors regarding financial decision-making. By building capacity in these areas, nonprofits hope to foster greater alignment between staff and board members around financial strategies and priorities, ultimately leading to more resilient and impactful organizations.

Training and Capacity-Building Topics Suggested by Grantee

Through focus groups, grantees expressed desire for additional training and capacity-building on topics such as:

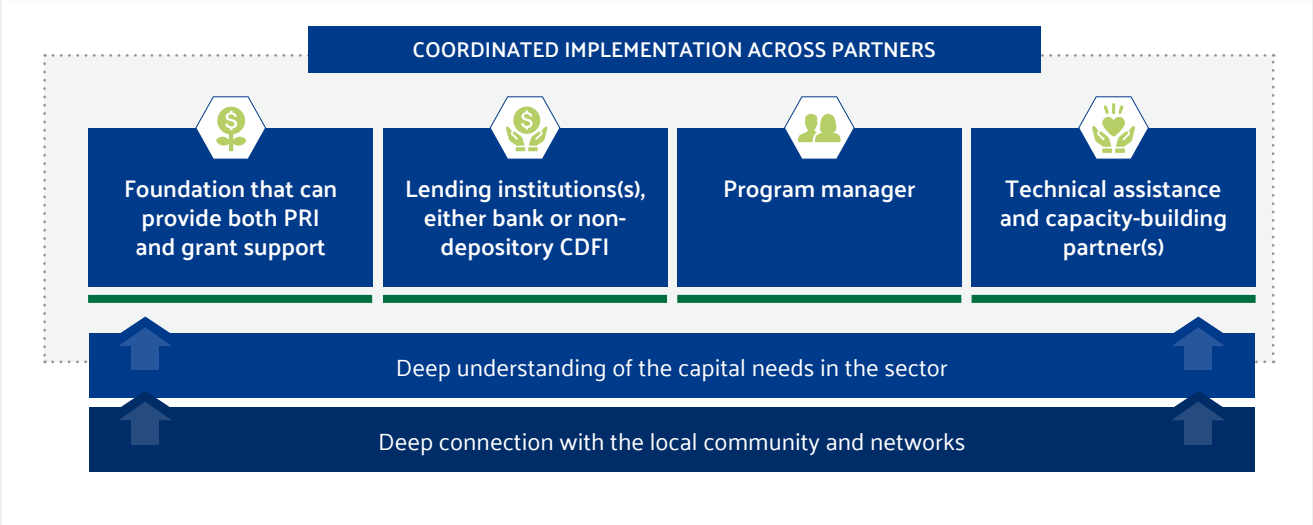
- Training staff in general financial management practices for nonprofits
- Navigating government contracts and impacts on cash flows
- Exploring diversified revenue opportunities, both earned and contributed revenue
- Mapping out financial scenarios and multiyear financial planning
- Managing capital campaigns
- Understanding investment-making opportunities and leveraging assets
- Communicating with and coordinating financial decision-making with boards

SECTION VII

PROGRAM REPLICABILITY

The Foundation team expressed a desire for the program to serve as a model for replication in other places, as well as other sectors. Key program elements, as outlined in **Figure 28**, are a deep connection with the local community and an understanding of the capital needs of a sector. Successful implementation requires collaboration with and coordination across a set of strategic partners, including a foundation or funding entity that can provide both PRI and grant dollars; lending institutions that can provide lines of credit; a program manager to navigate and support the operations of partner and participant engagement; and technical assistance and capacity-building partner(s) to specifically support the financial needs of the target program participants.

FIGURE 28 **Key Elements for Program Replication**





SECTION VIII

SUMMARY OF EVALUATION FINDINGS

The evaluation of the Arts and Culture Loan Fund (ACLF) program highlights the tremendous impact it has had on participating organizations over the past 15 years. **The program's line of credit and capacity-building offerings have become essential resources offering indispensable tools for certain small- and medium-sized arts and culture organizations in Chicago**, helping them navigate persistent financial challenges, stabilize operations, and pursue sustainable growth.

The line of credit has proven to be a lifeline for many organizations, enabling them to manage cash flow, cover operational expenses, and bridge funding gaps, especially during times of uncertainty like the recent COVID-19 pandemic. For many grantees, access to the line of credit yielded financial stability, peace of mind, and the confidence to take calculated risks, thus fostering organizational growth and resilience. **Beyond immediate financial relief, the lines of credit have contributed to deeper financial maturity among participants, with organizations adopting more advanced budgeting and financial practices.** This evolution has strengthened organizational credibility, bolstered funding applications, and supported leadership transitions, making the ACLF program a powerful potential model for communities beyond Chicago, as well as for other sectors.

The capacity-building and technical assistance components of the ACLF program have also been transformative, equipping organizations with the financial skills and resources needed for long-term sustainability. Through targeted training, one-on-one coaching, and consulting projects, **participating organizations have developed robust financial infrastructures and greater fiscal literacy.** The impact extends beyond individual organizations, fostering a collaborative learning community that enhances sector-wide financial acumen and resilience.

The Arts &and Culture Loan Fund program serves as a replicable model for supporting arts and culture organizations in other communities, demonstrating that **loans to these organizations are not inherently risky investments and that targeted financial support and capacity-building can drive organizational resilience and sectoral growth.**

As the Foundation's grantmaking approaches evolve, narrowing the pool of organizations eligible for ACLF participation, it will be essential to continue to understand and address the evolving needs of these grantees. By staying attuned to the specific financial challenges and capacity-building needs of the portfolio, the ACLF program can continue strengthening Chicago's arts and culture organizations, ensuring long-term vibrancy, stability,

SECTION IX

APPENDIX



List of Participating Organizations

The following organizations participated in the Arts and Culture Loan Fund between 2016 and 2022. Engagement included a combination of participation in capacity-building and technical assistance and/or an active line of credit through the program.

ACLF PROGRAM PARTICIPANTS (2016 – 2022)

2nd Story (dba of Serendipity Theatre Co.)

About Face Theatre

Africa International House USA Inc.

American Theater Company

Artists' Cooperative Residency & Exhibitions (ACRE)

Arts & Business Council of Chicago

Arts Alliance Illinois

Arts of Life

Asian Improv aRts Midwest

Beverly Arts Center

Black Ensemble Theatre

Blair Thomas & Co.

Changing Worlds

Chicago Architecture Biennial

Chicago Artists Coalition

Chicago Children's Museum

Chicago Children's Theatre

Chicago Cultural Alliance

Chicago Dancemakers Forum

Chicago Dramatist

Chicago Human Rhythm Project

Chicago Jazz Philharmonic

Chicago Opera Theater

Chicago Youth Symphony Orchestras

Collaboraction

Deeply Rooted Dance Theater

Eighth Blackbird Performing Arts Association

Emerald City Theatre

Erasing the Distance

Evanston History Center

FACETS

Firebird Community Arts

Giordano Dance Chicago

House Theatre

Hyde Park Art Center

Illinois Humanities

International Latino Cultural Center of Chicago

International Music Foundation
(now Classical Music Chicago)

Intonation Music

Intuit: The Center for Intuitive and Outsider Art
(now Intuit Art Museum)

Jazz Institute of Chicago

Joel Hall Dancers & Center
(dba of Chicago City Theatre Co.)

Lifeline Theatre

Light Opera Works (now Music Theater Works)

Links Hall

Little Black Pearl

National Veterans Art Museum

Northlight Theatre

OTV | Open Television

Porchlight Music Theatre

Raven Theatre

Red Clay Dance Company

Remy Bumppo Theatre Company

Salt Creek Ballet

Segundo Ruiz Belvis Cultural Center

Silk Road Rising (now Silk Road Cultural Center,
a dba of the Gilloury Institute)

Steep Theatre Company

Strawdog Theatre Company

Teatro Vista

The DuSable Museum of African American History
(now The DuSable Black History Museum and
Education Center)

The Gift Theatre

The Newberry Consort

Urban Gateways

Victory Gardens Theater