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accountants: the arts

By Ralph Burgard

The Megalopolis Philharmonic Orchestra is celebrating its 50th anniversary season in one of America's larger cities. Its Viennese-born conductor is happily awash in a Mahler cycle, while the orchestra manager finds himself inundated by a sea of nonmusical problems including a faltering maintenance fund campaign, an inefficient box office accounting system inherited from a previous manager, and a new union contract which will increase the orchestra's budget from \$1,700,000 to \$2,500,000 in three years.

In the Megalopolis suburb of Rosedale, the Rosedale Little Theatre is about to open its sixth season with *Bus Stop*. Samuel Powers, the director and only paid member of the company, is frantically whipping his volunteer actors into a thespian frenzy while trying to write a Sunday newspaper ad and to rationalize a financial report to his board, due the following day, which will reveal that the books are three months behind. What is more, he has no idea how much money has been received in season ticket sales.

Jerry Wintergreen, a prominent Megalopolis painter, is ruefully contemplating his morning mail which contains a letter from his New York dealer ecstatically reporting some favorable reviews of his latest show, and a notice from the Internal Revenue

Service that he owes the federal government \$1,800 because of inaccurate returns filed in 1966 and 1967.

Successful corporate leaders have long proclaimed that business is an art as well as science; but only recently has management of the arts been recognized as business.

Scenes like the hypothetical ones above are being reenacted daily in American cities. They offer accountants an unparalleled opportunity to use their skills and judgment to improve the quality of American life by assisting artists and art institutions. In turn, the accountant and his wife can add a new dimension to their lives by participating in the world of painters, musicians, actors, dancers, and such art institutions as museums, theatres, and symphonies.

Since World War II, America has seen an unprecedented growth in the numbers of arts institutions and interest in them. For example, Associated Councils of the Arts, the national organization for state and city arts councils, estimates that in the United States there are now 30 professional and 1,450 avocational symphonies; 28 professional and 5,000 avocational theatres; 620 art museums; 740 opera companies and 230 dance companies. In Canada there are about 40 arts councils under professional direction, some 40 symphonies and 102 art museums.

The arts do not pay their way

Income from memberships and ticket sales cannot fully pay the costs of running a professional symphony, theatre, or museum. Major orchestras must raise between 20 and 70 per cent of their annual income from contributions in order

Mr. Burgard is the executive director of Associated Councils of the Arts, the national association of state and community arts councils. He therefore makes a plea for help from accountants which the editors believe many H&S families will find deserving their attention. The author of numerous articles and of the book Arts In the City, he has directed or managed orchestras and art councils in Providence, Buffalo, Winston-Salem and St. Paul.

need you

to make ends meet. With museums the percentages run higher.

A recent study financed by the Twentieth Century Fund¹ showed that the gap between expenditures and earned income (ticket sales, memberships, class fees, etc.) is increasing steadily each year. In 1964 this report indicated an income gap of \$23,000,000 in the professional performing arts alone. By 1975 this gap between income and expense may rise to \$60,000,000.

The creative and performing artists are among the most underpaid workers in the American economy. A professional dancer in our finest companies still earns less than a stenographer. Only a handful of painters and sculptors can earn a subsistence solely from the sales of their works. The average symphony musician is still paid less than a schoolteacher. In this sense, the artists have been the principal subsidizers of the arts in our country. The Baumol-Bowen report, cited above, indicates that in the period 1929-64 the average professional performer's wages increased 2.5 times over their original level, while manufacturing workers' wages increased 4.2 times, and schoolteachers' pay rose 4.4 times.

There is a severe shortage of trained administrators. In the halcyon pre-income-tax days, Colonel Henry Higginson, President of the Boston Symphony Orchestra, would simply write a check at the end of the season covering the orchestra's deficit and send the orchestra manager blithely on vacation until the first full rehearsal. Today, fund rais-

ing comes much harder and must be organized as a yearly campaign. Furthermore, the changing character of American society, and of urban life in particular, has directly affected the role of arts institutions. The administrators of symphonies, museums, and theatres are not only faced with the continued necessity of improving artistic standards and the perennial problems of adequate financing, but also with such diverse projects as serving suburban audiences, improving the quality of arts education in local schools, providing programs for low income areas, and securing adequate parking at the concert hall or theatre.

Every theatre, museum, or symphony that advertises for an artistic director is likely to receive 100 applications. On the other hand, inquiries for a business administrator or manager are fortunate to inspire four to five replies from people ill-trained to direct the fortunes of a community enterprise involving, in many cases, hundreds of thousands of dollars. As a result, every arts institution, large or small, is in need of expert advice on financial and statistical matters. They can use all the help they can get from volunteers who know money and figures and books.

What can accountants do?

Many accountants may at first treat any suggestion of helping the arts with dismay, quickly followed by disclaimers of competence, including an inability to understand modern art and tone deafness inherited from one's grandmother. They should take courage from Samuel R. Rosenbaum, a prominent lawyer and long-time officer of the

Philadelphia Orchestra, who has stated: "The most dangerous board member of an orchestra is one who feels he knows a little bit about music."

Moreover, most of the problems will sound remarkably familiar to those encountered in a normal business day. Solutions to these problems may be grouped in the following general categories: fiscal planning, tax advice, and managerial counsel.

The accounting practices of such institutions as symphonies, theatres, and museums are likely to be a jumble of leftover systems inherited from past administrators or board members with a background in banking. When one considers that the average term of a performing arts administrator is about three years, it is easy to understand why uniform accounting procedures are as yet unknown to arts organizations. The leadership of most of them would be delighted to find a volunteer, or a board member, trained in accounting, who can set up the books, draft a budget form that is intelligible to the board, or establish an efficient system of accounting for contributions to the annual fund campaign.

Rapidly expanding arts institutions are finding it necessary to plan far ahead of the current fiscal year. However, translating five-year artistic goals into budgetary terms is an unfamiliar process to most arts administrators and a skilled accountant can be of the greatest help in this area, even if he is tone deaf.

Today there are more than 500 community arts councils in this country that sponsor cooperative programs involving a number of arts organizations. These projects include developing new

¹Baumol, William J. and Bowen, William G. *Performing Arts—Who Pays the Piper?* Twentieth Century Fund: New York, 1966.

The arts need you

audiences for the arts through central promotions, building an arts center, planning a school program in all the arts, or sponsoring an annual united arts fund campaign. Eighteen cities, including St. Louis, New Orleans, Cincinnati, and St. Paul, are undertaking such campaigns and the number is steadily growing. The central budget committees for these campaigns function in much the same way as their counterparts in health and welfare. They require people with a thorough fiscal background who can interpret audits and budgets. All budget committees need at least one accountant volunteering his time in this capacity.

Tax advice

Most arts institutions qualify as tax exempt under section 501c(3) of the Internal Revenue Code. They must cope with an increasing stream of government report forms, including the annual 990-A return, the state fund campaign registration form, withholding, social security, and entertainment tax exemption forms. Very few arts organizations have a director who can handle these tax matters efficiently, and to the best advantage of the institution. An accountant skilled in tax work who volunteers to advise him would be welcomed with open arms.

Equally with organizations, the individual artists, because of the complexity of their affairs, need tax help from skilled professionals. Artists have been placed on this earth to enrich our lives by creating music, paintings, sculpture, plays, dances, and films. We should not expect them to include

among their talents a detailed knowledge of IRS forms. Rubin Gorewitz, a New York CPA, is well known in the artistic community as a financial advisor to artists. Mr. Gorewitz recently recalled a time when he had tried to persuade John Cage, the noted composer, to learn more about fiscal administration for the benefit of an organization on whose board they both served. Mr. Cage gently replied that he had 40 years of uncompleted artistic projects in his head and only 20 years left to live. Mr. Gorewitz did not try to refute this disarming logic.

There are few creative artists who do not need advice on virtually every aspect of their financial affairs. In this respect the accountant can act as the liaison between the artist and his fiscal world. Advice can include preparation of annual returns, establishing a simplified record system for tax purposes, or drafting a foundation presentation, a process somewhat analogous to the preparation of an SEC prospectus.

Mr. Gorewitz warns that the accountant should not try to teach the artists accounting. This will only confuse and disturb both artist and accountant. In effect, the accountant assumes the role of fiscal advisor so the artist can devote more time to that which he knows best—his art.

Management counsel

In the administrative affairs of organizations and individuals good judgment is essential. Accountants, trained in the analytical approach to problem solving, can use this to great advantage in arts administration. They may help the administrator to cope with costing problems or prepare a foundation proposal. They may also exert valuable leadership as members of boards of directors.

A prime example in this respect is Homer Sayad, partner in charge of the Haskins & Sells St. Louis Office, who has made outstanding contributions to the cultural life of that city. Persian by birth, Mr. Sayad came to St. Louis 14 years ago via London and Chicago after the merger with Deloitte. Since then he has served as president of the St. Louis Opera Theatre and chairman of the budget committee of the Arts and Education Council of Greater St. Louis. He has been president of the latter organization since 1965. His wife Elizabeth has been equally active in cultural affairs, serving on the board of the Missouri State Council on the Arts and as founder and first president of the New Music Circle, an organization sponsoring concerts of contemporary music. Michael Newton, director of the Arts and Education Council in St.

Louis, has high praise for Mr. Sayad's contributions. Mr. Newton says that accountants can render great service to arts organizations because they "think in an orderly fashion and may also act as a bridge between the arts organizations and potential sources of funds."

A few years ago, one of Broadway's leading angels took an informal survey of his fellow businessmen-angels to determine why they invested in theatre productions. The results quickly revealed that profit was not the principal motive. Veteran play investors know that the chances of finding a hit are slender indeed. Instead, it was the desire to be associated with the exciting world of the theatre. One businessman summed it up by noting that although every angel was naturally concerned with his investment, most would prefer, instead of a box office report, a personal note from the producer enclosing some reviews from out-of-town tryouts and a progress report on the star's sprained ankle.

This personal involvement and participation in the arts can provide new experiences and insights into the quality of life itself. Rubin Gorewitz says it succinctly: "Artists provide all my entertainment; they make me happy, so I feel I owe them something in return."

Businessmen throughout the country are beginning to acknowledge the essential role the arts play in our lives. Recently, 80 of the nation's top corporate leaders formed the Business Committee for the Arts, under the chairmanship of C. Douglas Dillon, former Secretary of the Treasury, to stimulate

support of the arts by the business community. Their example is being followed by countless others who clearly foresee how the arts may contribute to the quality of urban life.

A recent statement by George M. Irwin, an Illinois businessman and chairman of the Associated Councils of the Arts, reflects a growing recognition by business firms that other factors besides a year-end profit are essential to corporate success:

"Corporations are beginning to realize the importance of supporting activities in the arts on both a local and national basis, as a forward-looking policy of enlightened self-interest. They could well become tomorrow's most important arts patrons, supplying not only money, but also talented manpower and service."

The same might be said of men and women who possess the accounting skill which our cultural organizations badly need today. By lending their talents they can derive benefits in personal satisfaction that cannot be measured in dollars. □