Financial Implications of Engagement Between Higher Education Institutions and Professional Nonprofit Theatres in New England

Finanzielle Auswirkungen des Engagements zwischen Hochschuleinrichtungen und professionellen gemeinnützigen Theatern in Neuengland

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Abstract

The purpose of this study is to test whether nonprofit theatres in New England that are engaged with higher education institutions (HEIs) have increased revenues over those that are not. Besides revenue, the study also tests two additional measures of financial well-being: expense-to-revenue ratios, and employee-cost-to-total-expenses ratios. The results showed that theatres that had discernable HEI engagement have greater total revenue and lower expense-to-revenue ratios over theatres that did not. Notably, regardless of the size of the theatre, those with discernible HEI engagement operated, on average, with a surplus. Conversely, theatres with no discernible HEI engagement operated, on average, with a deficit. The study found no difference in employee-cost-to-total-expense ratios. Resource Dependence Theory is used to explore why engagement with HEI's may improve the financial status of nonprofit theatres. The implication of these results through a resource dependency lens is that HEI engagement creates paths to increase total revenue and reduce expense-to-revenue ratios of nonprofit theatres.

Die Studie untersucht, ob gemeinnützige Theater in Neuengland, die mit Hochschuleinrichtungen zusammenarbeiten, höhere Einnahmen erzielen als solche, die dies nicht tun. Neben den Einnahmen werden zwei weitere Messgrößen für den finanziellen Erfolg untersucht: das Verhältnis von Ausgaben zu Einnahmen und das Verhältnis von Mitarbeiterkosten zu Gesamtausgaben. Die Ergebnisse zeigen, dass Theater mit erkennbarem universitärem Engagement höhere Gesamteinnahmen und ein geringeres Verhältnis zwischen Ausgaben und Einnahmen aufweisen als Theater ohne ein solches Engagement. Unabhängig von der Größe erwirtschafteten Theater mit universitärem Engagement im Durchschnitt einen Überschuss. Umgekehrt erwirtschafteten Theater ohne erkennbares Engagement im Durchschnitt ein Defizit. Die Studie ergab keine Unterschiede im Verhältnis zwischen Kosten und Einnahmen. Anhand der Theorie der Ressourcenabhängigkeit wird untersucht, warum die Zusammenarbeit mit Hochschulen die finanzielle Lage gemeinnütziger Theater verbessern kann. Aus der Sicht der Ressourcenabhängigkeit lassen diese Ergebnisse den Schluss zu, dass das Engagement von Hochschulen Wege zur Steigerung der Gesamteinnahmen und zur Senkung des Verhältnisses zwischen Ausgaben und Einnahmen von gemeinnützigen Theatern eröffnet.

Keywords

arts management/Kulturmanagement, arts organizations/Kulturorganisation, financing the arts/Kulturfinanzierung, higher education/höhere Bildung, theater

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Introduction

Nonprofit theatres in the United States are struggling to survive. The costs that nonprofit theatres expend to serve their communities through performances are typically greater than their revenue from ticket sales. As a result, most nonprofit theatres are dependent on donations, sponsorships, partnerships and more to gain resources from beyond the bounds of their organization. One path nonprofit theatres can take to gain resources is engagement with higher education institutions (HEIs). This study tests whether nonprofit theatres in New England, associated with HEIs, have increased revenues over those that are not. Besides revenue, the study also reports on two additional measures of financial well-being for nonprofit theatres: expense-to-revenue-ratios, and employee-cost-to-total-expenses ratios, comparing those with and those without discernible engagement with HEIs. Resource Dependence Theory (PFEFFER/SALANCIK 1978) is used to explore why engagement with HEI's may improve the financial well-being of nonprofit theatres. Participants for this study were professional nonprofit theatres in New England ($N = 57$).

Statement of the Problem and Research Questions

The problem this study addresses is that theatres in the United States face significant financial obstacles, and as a result, many are struggling to survive. In 2023, U.S. news outlets included headlines such as, "American Theater Is Imploding Before Our Eyes" (BUTLER 2023), "Theatre in Crisis: What We're Losing, and What Comes Next," (PIERSON et al 2023) and "Theater is in Freefall, and the Pandemic Isn't the Only Thing to Blame" (MARKS 2023). Journalists describe the theatre landscape as struggling with financial well-being long before the Covid19 pandemic and insist that a new model for sustainable theatre operation is vital. In 2020, the annual report on the fiscal state of nonprofit theatres published by the Theatre Communication Group (FONNER et al. 2020), showed that more than 50% of theatres operated at a deficit in the United States in 2019. Although many nonprofit theatres struggle financially, others thrive. Investigation into the elements that impact nonprofit theatre financial well-being, therefore, may be essential to the field. The financial implications of engagement between theatres and HEIs have not been studied. Engagement initiatives involving nonprofit theatres and HEIs are one such element that may impact financial well-being. Although in the United States, nonprofit arts organizations receive nonprofit status because their primary purpose is serving their communities, their financial well-being impacts the ability of, and extent to which these organizations actually do so (KIM 2017). Since public-serving theatres and theatrical productions benefit individuals and communities in multiple significant ways (CAMERON 2008/CONRAD 2023), research that builds on other research to ask important questions and provide important information about the precarity or solidity of these theatres' existence is crucial.

Several scholars describe the operational challenges for nonprofit arts organizations stemming from a lack of resources. The rising costs of performance space have influenced financial challenges that many arts organizations face (SEGERS et al. 2010). Borwick (2012) proposes that many industries have implemented mechanization and computerization to increase productivity. However, he suggests that arts organizations suffer from productivity lag because they have not been able to take advantage of changes in technology in the same way many other industries have, resulting in reduced outputs at higher expense relative to other industries' growth. Ellis (2018) notes the rising expense of labor related to the arts, and that ticket sales alone are not sufficient to offset these costs. Both Borwick and Ellis suggest that seeking opportunities to engage beyond the bounds of an organization is a path to greater financial well-being and service. Notably, for nonprofit theatres, these are resources that may be gained by engaging with HEIs.

HEIs frequently engage with nonprofit arts organizations through partnerships and programs. Despite the value nonprofit theatres and arts organizations can receive from such affiliations, scholarship about HEIs and nonprofit affiliations centers on healthcare and on nonprofits created for the purpose of supporting university activities (TAYLOR et al. 2018). Nevertheless, scholars have indeed recognized that HEIs impact the arts and culture field in several ways. Notably, some HEIs prepare arts managers to meet the demands of managing theatres and other nonprofit arts organizations (RHINE/PENSION 2021; VARELA 2013). Beyond training for arts administrators, scholars have examined how HEIs influence the arts in their communities, as the reach of an HEI's influence on arts and cultural experiences extends beyond their enrolled students (KEENEY 2018; POLLACK et al. 2000; URICE 2000). Some scholars have explored the implications of educational affiliations between arts organizations and HEIs (RACHLEFF 2013), and others have focused on creative partnerships as an economic engine for their entire region (HAUGE 2018; MORETON 2018).

This study is the first that seeks to show positive financial implications for nonprofit theatres that engage with HEIs. In the study, HEI engagement is defined as any formalized contact between a nonprofit theatre and an HEI in which they collaborate. A partnership would be an example of engagement, a lawsuit would not. This definition is rooted in Borwick's description of engagement for nonprofit arts organizations which centers the value of working together:

> A process whereby institutions enter into mutually beneficial relationships with other organizations [in this context] this normally implies arts organization developing relationships outside of the arts community. (BORWICK 2012: 14)

Austin and Seitanidi (2014) describe a collaboration continuum for nonprofit organizations that work cooperatively with external organizations. In this continuum, they directly address shallow and profound levels of engagement that can occur between a nonprofit and an external organization whether the interaction is one-time or ongoing. For this study, any theatre that engaged with an HEI was included in the discernible engagement group.

Engagement can take many forms, from one-off collaborations to partnerships lasting decades. For example, Deshpande et al. (2015) shows that an affiliation between the American Repertory Theater and Harvard University improves the theatre's finances as the result of shared spaces, reduced labor, and financial support. Although solitary examples like this one provide individual models, the current study examines the relationship between HEI engagement and nonprofit theatre financial well-being, broadly, for one entire region of the United States.

The study asks three specific questions about nonprofit theatres' finances in New England relative to their discernible engagement with an HEI.

1. Do nonprofit theaters with discernible HEI engagement have greater annual revenues than those without?
2. Are expense-to-revenue ratios of nonprofit theaters with discernible HEI engagement higher or lower than those without?
3. Is the employee-cost-to-total-expenses ratio for nonprofit theaters with discernible HEI engagement higher or lower than those without?

Discernable engagement, for the purposes of this study, is defined as any collaboration identified by the researcher between an HEI and a theatre. This discernment occurred through a review of publicly available material, including theatres' websites and other published sources. This process is more deeply described in the methodology section.

Revenue levels and expense-to-revenue ratios are some common measures of synchronic and diachronic well-being for nonprofit organizations (BELL et al. 2010; SONTAGE-PADILLA et al. 2012). Several studies also link resource dependence to financial measures of well-being (DE LOS MOZOS 2015; MCGRATH 2016). Well-being in a purely financial sense for arts nonprofits (and specifically theatre nonprofits in the context of this study) is similar to the notion of well-being in other nonprofits, and, to some extent, in for-profit businesses. Well-being consists of financial soundness at any given moment, and viability as a venture, and for continued operation.

Koo and Curtis (2016) writing about funding structures and financial well-being in the arts looked specifically at organizations in Boston, Massachusetts. Their work supports the notion that the larger the annual revenue of a nonprofit arts organization, the greater its level of financial well-being. The work of Fonner et al. (2020) on evaluation of theatre finances informed research question two. Looking at finances of nonprofit theatres across the United States—often focusing on expense-to-revenue ratios—Fonner et al. assert that these ratios are a key measure of financial health for nonprofit theatres. Borwick (2012) and Ellis (2018) both find that the cost of employee labor greatly contributes to the financial challenges of nonprofit arts organizations. Research question three, informed by their work, examines whether theatres with discernible HEI engagement have higher or lower employee-cost-to-expense ratios compared to nonprofit theatres with no discernible HEI engagement.

Theoretical Framework: Resource Dependence Theory

Resource Dependence Theory (PFEFFER/SALANCIK 1978) suggests that resource dependent organizations must form connections and engage with outside organizations in order to access resources necessary for continued operation. Pfeffer and Salanick describe resource dependence this way:

> the need for resources, including financial and physical resources as well as information, obtained from the environment, made organizations potentially dependent on the external sources of these resources—hence the characterization of the theory as resource dependence. (PFEFFER AND SALANICK 1978: xii)

For the purposes of this study, nonprofit theatres are seen as resource dependent entities according to this description. Building on Pfeffer and Salacik's work, Granovetter (1985) proposed that organizations exist as part of networks and that connections occur through, and as a result of these networks. Important to the current study is the fact that these networks—as Granovetter proposes—are often strongest within a geographic area. This closely reflects what occurs with many nonprofit theatres and HEI partnerships: the engagement occurs within a shared geographic area rather than across states or regions (HAUGE 2018).

Also of note is that Drees and Heugens (2013) conducted a meta-analysis of 157 studies that use Resource Dependence Theory and found that across these studies, organizations were able to solve challenges relating to lack of resources by taking advantage of partnerships and exchanges with other organizations by capitalizing on shared or exchanged resources. They assert that their findings support the theory's proposition, "specifically, resource dependencies lead to the formation of interorganizational arrangements (Hypothesis 1), which in turn strengthen focal organizational autonomy (Hypotheses 2a and b) and legitimacy (Hypothesis 3a)" (DREES/HEUGENS 2013: 1698). This notion of organizations increasing their legitimacy may reflect what occurs when nonprofit theatres and HEIs engage.

Geh (2011) proposed that smaller organizations frequently depend on the resources of larger organizations they engage with, but that connections between small and large organizations actually support both entities. For example, Geh suggested that smaller organizations may receive financial support through partnerships with large organizations, and that, as a result of partnerships, large organizations can enhance their reputations and community perceptions about their legitimacy. This notion of small and large organizations engaging in ways that support small organizations with few resources can be likened to what happens when nonprofit theatres engage with HEIs. Based on relative revenue size, this study sees theatres as the so-called smaller organization. However, it should be noted that this pattern might not apply to all theatres and HEIs.

The motivations for an HEI engaging with a nonprofit theatre may also be tied to reputational benefits generated through the relationship.

Keeney (2018) found that HEIs that engaged in the arts saw benefits to their reputation within their community. This finding closely matches Geh's (2011) that larger organizations improve their reputation and legitimacy through resource dependent relationships with smaller organizations. Although most private universities in the United States are nonprofit and thus exist to serve the public good, Harasta (2008) noted that relationships between communities and universities may be hindered by community perceptions of what is often referred to as town and gown. The result is that communities may not see an HEI geographically nested in their community as serving community members. The HEI engaging in the arts, is one path HEIs may take to try to change this perception (KEENEY 2018).

Shilvock (2002) used Resource Dependence Theory to describe how nonprofit opera companies in the United States have always been resource dependent beyond earned revenue to maintain their operations. Productions of opera and theatre have high expenses due to production requirements of sets, costumes, lighting, and props. Additionally, licensing expenses, production and artistic personnel, advertising, and myriad other expenses are not adequately offset by ticket revenue without making the cost of tickets much more expensive. The result of increasing ticket prices would significantly further hinder access. Theatre and opera companies' dependence reflects that of other types of nonprofit arts organizations that often rely on contributions from individuals, businesses, and governments because the earned revenue through ticket sales is rarely sufficient to offset their expenses. Although described, in his view, as inevitable, Shilvock proposed that through formalized collaboration with other organizations, opera companies can mitigate the risks of being resource dependent. "Collaborations may not reduce dependencies but, if formalized, they can increase certainty over the flow of future resources" (SHILVOCK 2002: iii). Shilvock argues that formalized engagement between two organizations is more reliable over time for maintaining the flow of resources than what could be derived from individual donors and government grants. He also proposes that resources gained by engaging with organizations extend beyond financial connections, and include resources such as performance and rehearsal space, and knowledge that may be passed between organizations thereby increasing competencies. Access to these resources may ultimately result in a lower expense-to-revenue ratio relative to organizations that do not receive such resources. Kim et al. (2018), describe resource dependence for nonprofit arts organizations more broadly and specifically address revenue. They found that arts organizations that generated greater revenue as a result of dependencies served their communities better by increasing the amount of free arts programming available.

A resource dependency lens also considers power disparities. Power has been inherent in the idea of resource dependence since the theory's inception in Emerson's (1962) work. In this view, the entity providing the resources, (for example an HEI), maintains a level of control over the entity dependent on the resources (such as a nonprofit theatre) (PFEFFER/SALANCIK 1978). In *The External Control of Organisations: A Resource Dependence Perspective*, Pfeffer and Salancik describe control as a key feature of Resource Dependence Theory. Although they propose that resource dependency need not be problematic for an organization, they acknowledge that the power dynamics inherent in a resource dependent relationship could cause problems and lead an organization to seek to break their dependency. As noted, nonprofit organizations in the United States are inherently dependent upon external resources, so eliminating dependency may not even be a goal for these organizations, at least in the current context.

Organizations that are not in control of the resources they use to operate (because, for example, they are controlled by the HEI), may shift their goals to better gain access to resources (FROELICH 1999; SALAMON 1987). This is especially an issue when nonprofit, mission-driven organizations adjust their missions to better position themselves to gain resources (MACEDO/CARLOS PINHO 2006). As an example, Fitzgibbon (2019) found that theatres in the UK undertook fewer risks and were less innovative because of funding structures. Fitzgibbon (2019: 15) wrote that the funding scheme, "renders organisational leaders in conflicting obligations to multiple stakeholders—their funders, their organizations and the sector." Leaders in these theatres found their organizations caught in the middle of multiple factions that each had varied levels of external control. Another challenge noted by Hung and Berrett (2021) relating to power differences is that if a donor relationship or other connection dissolves, a nonprofit organization may no longer be able to operate without the needed revenue resources. Hung and Berrett also found that arts organizations' outputs may also be hindered when the organization is resource dependent on donors who wield power through financial restrictions. For example, a theatre company may opt to produce certain works of theatre based on the taste of donors rather than producing work that more closely aligns with their mission. Hung and Berrett posit,

> while we find that financial restrictions can inhibit nonprofit service delivery, nonprofit managers need to think about the tradeoffs and what they ultimately want to achieve. (HUNG AND BERRETT 2021: 596)

Deshpande et al. (2015) made clear that resources such as performance and rehearsal space, labor support, and financial contributions are resources on which a nonprofit theatre may depend. However, resource needs may push the nonprofit theatre to make decisions that satisfy the interests of the HEI while being contrary to its own stated mission. At the same time, as noted, a byproduct of associating with an HEI is that the theatre may enhance its prestige valuation and legitimacy. This can, in turn, increase attendance and serve as a philanthropic incentive. In these ways, nonprofit theatres may actually gain more resources than those provided directly by an HEI as a byproduct-result of engaging with an HEI. In the context of this study, the connection between financial well-being and resource dependency is important because the resources provided from dependencies have the potential to increase revenues and decrease expenses. The next section introduces the methodology for testing aspects of the financial well-being of nonprofit theatres relative to whether or not they have discernible HEI engagement.

Methodology

To answer the questions posed by this study, I used a series of Mann-Whitney *U* tests to look at nonprofit theaters (*N=57)* in New England. The Mann-Whitney *U* test is a non-parametric test designed to determine if significant statistical differences exist between independent groups with ordinal data. A list of professional theatres available from Theatre Communications Group, a data-driven organization that tracks the health of the theatre industry in the United States, served as a basis for the theatres selected. Lists of professional theatres in New England from Actors Equity Association (www.actorsequity.org) and Broadway and Main (www.broadwayandmain.com) provided confirmation to ensure a thorough examination. To participate in the study, each theatre must have

1. been a theatre located in New England,
2. employed actors under an AEA contract in the previous 5 years,
3. had 501(c)(3) nonprofit status, and

4. filed a 990 as an independent nonprofit separate from a HEI (no professional theatres operated by HEIs were included) for the year 2019.

The initial list of professional theatres included 66 theatres from New England. Of the 66 theatres 57 met the established sampling criteria for inclusion. Data collection occurred in two phases. In the first, financial information was collected; in the second, discernible engagement was determined.

Financial data was gleaned from 990 Tax Forms filed by each nonprofit organization as required by the U.S. Internal Revenue Service (IRS). This legal requirement to file this form also means that the information is available to the public. For this study, the 990 Forms from the 57 theatres in New England were downloaded from Candid.org. This website is operated by a nonprofit organization, Candid, which publishes—online—990 Forms submitted to the IRS.

990 Forms provide information on a nonprofit organization's total revenue, total expenses, and employee-costs. For this study, data from 2019 was used because the Covid19 pandemic created an anomaly in financial data for nonprofit theatres in subsequent years. Status of theatre companies whose financial information was not available on Candid.org were verified on the organization's website to determine whether or not they were for profit or nonprofit, and discernibly engaged or not engaged with an HEI.

In the study, HEI engagement is defined as any formalized contact between a nonprofit theatre and an HEI in which they collaborate. Building on this concept, discernible HEI engagement was identified in two ways for the purposes of this study. First, a content analysis was completed for each theatre's website, and if the theatre listed a collaboration with an HEI on its website, it was considered to have discernible HEI engagement. Second, multiple Google searches were conducted to determine if any news articles had been published regarding HEI collaboration with each theatre. The search terms added to each theatre's name were:

- Affiliation;
- Alliance;
- Association;
- College;
- Collaboration;

- Conservatory;
- Engage;
- Engagement;
- Higher Education;
- Partner;
- Partnership;
- Program;
- Sponsor;
- Sponsorship;
- University.

Finally, each theatre on the list was contacted by email and asked if they had any HEI engagement. All responses received confirmed the findings from the website content analysis and searches.

Research Procedure and Results

Question One: *Do nonprofit theaters with discernible HEI engagement have greater annual revenues than those without?*

A Mann-Whitney *U* test result showed that theatres with discernible HEI engagement had significantly higher revenue than theatres with no discernible HEI engagement, U (n_1 = 20; n_2 = 37) = 2156, p < .05, r = .32. The r = .32 indicates a medium effect size. Theatres with discernible HEI engagement have greater annual revenues than those without. The test does not indicate causality for why theatres with discernible HEI engagement have greater annual revenues than those without discernible engagement. However, a Resource Dependence Theory lens on this result suggests that by engaging with HEIs, nonprofit theatres are able to generate greater revenues as a result of the dependent relationship. Through this lens, the results also suggest that resources gained through HEI dependencies may have a greater impact on nonprofit theatres' total revenues than other ways of increasing total revenue.

	No Discernible HEI Engagement		Discernible HEI Engagement	
	Σ (n = 37)	%	Σ (n = 20)	%
Small (Annual Revenue < 1M USD)	17	46	5	25
Medium (Annual Revenue 1M - 5M USD)	16	43	6	30
Large (Annual Revenue > 5M USD)	4	11	9	45

Note: Percentages are rounded to the nearest whole number.

TABLE 1: *Organization Size, and Discernable Affiliation with an HEI.*

Table 1 shows theatres included in the study with and without discernible HEI engagement by size. The table shows a wedge effect demonstrating that the largest group of New England theatres with discernible HEI engagement fall into the category of largest revenue size (based on Theatre Communication Group categories), and that the largest group of those without discernible HEI engagement are in the category of smallest revenue size. More specifically, the table indicates the largest group of theatres with no discernible HEI engagement (46%), are considered small with revenue under one million USD, while the smallest group (11%) are considered large with revenue over five million USD. Conversely, for theatres with discernible HEI engagement, the largest group of theatres (45%) are considered large with a revenue over five million USD, and the smallest group of theatres (25%) are considered small with a revenue under one million USD.

	No Discernable Affiliation			Discernible Affiliation		
	Σ	*M*	*SD*	Σ	*M*	*SD*
Small (Annual Revenue < 1M USD)						
Total Revenue	$9,663,132	$568,420	$289,566	$2,513,190	$502,638	$289,202
Expense-to-Revenue Ratio	N/A	105.43%	15.92%	N/A	91.20%	12.25%
Employee-Cost-to-a-Total Expenses Ratio	N/A	50.41%	15.52%	N/A	43.33%	14.12%
Medium (Annual Revenue 1M - 5M USD)						
Total Revenue	$25,504,422	$1,594,026	$573,245	$12,369,487	$2,061,581	$599,023
Expense-to-Revenue Ratio	N/A	102.42%	7.48%	N/A	99.85%	4.19%
Employee-Cost-to-a-Total Expenses Ratio	N/A	45.13%	8.42%	N/A	48.57%	13.04%
Large (Annual Revenue > 5M USD)						
Total Revenue	$28,319,675	$7,079,919	$2,401,976	$115,586,775	$12,842,975	$9,115,896
Expense-to-Revenue Ratio	N/A	102.24%	7.42%	N/A	92.76%	18.37%
Employee-Cost-to-a-Total Expenses Ratio	N/A	50.15%	3.54%	N/A	53.28%	8.31%
Overall						
Total Revenue	$63,487,229	$1,715,871	$2,179,879	$130,469,452	$6,523,473	$8,616,371
Expense-to-Revenue Ratio	N/A	103.93%	12.86%	N/A	94.50%	14.78%
Employee-Cost-to-a-Total Expenses Ratio	N/A	47.77%	12.76%	N/A	49.38%	12.17%

Note: Revenue numbers are rounded to the nearest dollar. Percentages are rounded to the second decimal place.

TABLE 2: *Total Revenue, Expense-to-Revenue Ratio, and Employee-Cost-to-Total-Expenses Ratio*

Table 2 presents revenue data including sums, means, and standard deviations for theatres with and without discernible HEI engagement. The table shows that the average revenue of a theatre with no discernible HEI engagement was 1,813,921 USD while the average revenue of a theatre with discernible HEI engagement was 6,523,473 USD. Although the difference between the groups is evident, the table presents the theatres in groups of small, medium, and large based on Theatre Communication Groups' revenue size distinctions. The theatres with discernible HEI engagement had a greater mean revenue than theatres with no discernible HEI engagement in the large and medium sized theatres, while small theatres with no discernible HEI engagement had a slightly larger mean (568,420 USD compared to 502,638 USD) than those with discernible HEI engagement. Moving from small to large, the larger the organizations are (by revenue), the greater the gap in revenue means for theatres that have discernible HEI engagement and those that do not.

Question Two: Are expense-to-revenue ratios of nonprofit theaters with discernible HEI engagement higher or lower than those without?

The expense-to-revenue ratios for each theatre were calculated by dividing each organization's 2019 total expenses by their 2019 total revenue, then converting the decimal to be expressed as a percent. Any percentage over 100% indicated that the theatre operated at a financial loss. A lower expense-to-revenue ratio indicates greater financial well-being when compared to those with higher expense-to-revenue ratios.

A Mann-Whitney *U* test determined the results for Research Question Two. The expense-to-revenue ratios from theatres with discernible HEI engagement were compared to those with no discernible HEI engagement. Results indicated that theatres with discernible HEI engagement had significantly lower expense-to-revenue ratios than theatres with no discernible HEI engagement, $U\ (n_1 = 20;\ n_2 = 37) = 254$, $p < .05$, $r = .21$. The $r = .21$ indicates a small effect size. The test does not indicate why this occurs, only that theatres with discernible HEI engagement have significantly lower expense-to-revenue ratios than theatres with no discernible HEI engagement. As with the results for Research Question One, a Resource Dependence Theory lens suggests that by engaging with HEIs, nonprofit theatres are able to operate with a lower expense-to-revenue ratio than those that do not engage with HEIs.

The mean of the expense-to-revenue ratios for the 37 theatres with no discernible HEI engagement was 103.93%. Essentially, on average, theatres with no discernible HEI affiliation are spending more than they are taking in, and this could mean that, in terms of resource dependence, they lack the resources necessary to achieve financial soundness. Conversely, the mean of the expense-to-revenue ratios for the 20 theatres with discernible HEI engagement was 94.50%. Overall, the average theatre with discernible HEI engagement operated with a surplus, while the average theatre with no discernible HEI engagement operated with a deficit.

Notably, this trend holds regardless of grouping by size. Table 2 shows that for small, medium, and large theatres without discernible HEI engagement, the mean expense-to-revenue ratio was over 100% in every size category. It also shows that for small, medium, and large theatres with discernible HEI engagement, the mean expense-to-revenue ratio was under 100% in every size category. Medium sized theatres with discernible HEI engagement however, had a mean of 99.85%, essentially a break even mean on average.

Question Three: Is the employee-cost-to-total-expenses ratio (ECTER) for nonprofit theaters with discernible HEI engagement higher or lower than those without?

The ECTER for each theatre was calculated by dividing each organization's 2019 total employee-cost by their 2019 total expenses, then converting the decimal to be expressed as a percent. A Mann-Whitney *U* test determined the results for research question three. The ECTERs from theatres with discernible HEI engagement and the ECTERs from theatres with no discernible HEI engagement were compared to determine if one group's ECTERs were significantly higher than the other. Results indicated neither group had statistically significant higher or lower ECTERs, $U(n_1 = 20; n_2 = 37) = 318$, $p > .05$. Through a Resource Dependence Theory lens, this result suggests that although theatres with discernible HEI engagement lower expense-to-revenue ratios, reductions in employee-costs are not a significant factor in the dependent relationships.

Table 2 also shows the ECTERs with means and standard deviations of these percentages. The table shows that overall, ECTERs are essentially the same regardless of whether the theatre has discernible engagement with an HEI or not. Theatres with no discernible HEI engagement had a mean of 47.77% for ECTERs, while theatres with discernible HEI engagement had a mean of 49.38%. The results suggest that HEI engagement does not diminish the relative weight of employee-costs for the theatres. The nullity of the result here is evidence that HEI affiliation may not affect employee-costs when measured against total expenses. If the results had found that theatres with discernible HEI engagement had lower ECTERs than those without, it would have indicated that resource dependent relationships with HEIs may significantly reduce theatres' employee-costs relative to total expenses.

Limitations to the Study

This study was centered on one region of the United States. This region was selected due to the researcher's familiarity with its theatre landscape, and due to individual experiences that inspired this study. Because the study looks at only one geographical region of the U.S., the results may not be generalizable to other regions.

This research also provides no information about how effective these organizations are in serving their communities. Since nonprofit organizations' primary mandate is service to community rather than earning profits, financial metrics may be a poor measure of success for such organizations (BORWICK 2012). Financial measures may only suggest organizational stability, especially when considering net income. This report makes no claims about the effectiveness of any of these organizations in their service to their communities.

Finally, the study's parameters excluded several large theatres that are operated by universities for the reason that they do not exist independently from a university. As a result, they do not have independent 990s available for examination. The implication of this is that the impact of HEIs on the theatre community in New England may be understated in these results.

Conclusion

The purpose of this study was to test whether nonprofit theatres in New England that are associated with HEI's have increased revenues over those without such associations. Nonprofit theatres in the United States are inherently resource dependent upon individuals and organizations from beyond the bounds of the theatre organization. This study is the first to examine financial well-being of nonprofit theatres relative to HEI engagement.

Data showed that discernible HEI engagement correlated with significantly higher revenue levels in nonprofit theatres. Theatres in the study with discernible HEI engagement were also found to have significantly lower expense-to-revenue ratios than those without HEI engagement. On average, theatres in New England that are discernibly engaged with an HEI are operating with a surplus, while the theatres with no discernible HEI engagement are operating with a deficit. This result held true regardless of the size of the organization. Concerning whether theatres with or without discernible HEI engagement have higher or lower employee-cost-to-total-expenses ratios, no significant differences between the groups were found. Although the tests cannot indicate causality for these measures of financial well-being, the theoretical framework of Resource Dependence Theory suggests that theatres gain resources that positively impact their total revenue and expense-to-revenue ratios through the process of engaging with HEIs. The results also suggest that employee-cost-to-expense ratios are not significantly reduced by the resources gained when theatres engage with HEIs.

This research suggests several other questions ripe for examination. Considering Austin and Seitanidi's (2014) collaboration continuum, researchers might examine nonprofit and external connections and categories for levels of engagement in terms of financial well-being on the collaboration continuum between nonprofit theatres and HEIs.

Researchers might also explore engagement between nonprofit theatres and HEIs through a qualitative lens to better understand factors related to decision-making, value assignment, and negotiations. Such investigations may provide greater insight into how affiliations and resource dependent relationships between nonprofit arts organizations and HEIs begin, are maintained, and ultimately dissolve. A qualitative study would also provide an opportunity to focus on decision-makers' perspectives about nonprofit theatre and HEI engagement.

Although the nonprofit theatre industry is struggling with financial well-being, this study suggests that theatres that engage with HEIs have a better chance of survival than those that do not. Resources shared from an HEI may include financial support, performance space, personnel support, and more. Also, the theatre may receive byproduct resources tied to prestige, legitimacy, increased attendance, and donations. However, there are inherent risks in the process of entering into a resource dependent relationship. An assessment of these resources and risks for resource dependent nonprofit theatres and HEIs is an essential topic for future research. Although this study suggests that engagement between a nonprofit theatre and an HEI is likely to result in increased revenues and lower expense-to-revenue ratios, decision-makers in nonprofit theatres must carefully consider the mission of their organizations and the power dynamics inherent in a resource dependent relationship with an HEI.

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