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Getting on Board with National Sawdust



INSTITUTE FOR
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As the governing body that makes crucial decisions on behalf of organizations, the board of directors is an essential part to building a strong not-for-profit. Regulated by both federal and state laws, as well as by institutional expectations, boards are held to high standards. Members of a board have fiduciary responsibilities to an organization, charged with maintaining the financial health and advancing the strategic direction of a business. Devoting time, energy, and financial resources to an organization is a given for board trustees. This case examines the inner-workings of the board of directors of National Sawdust, a contemporary music venue, during the organization's infancy. In August 2016, the board determined that one of its chief priorities for the year ahead was expanding its membership from 18 to 25 directors. The study reveals expectations of National Sawdust's board members and issues around recruitment and accountability. As a project consultant, you are charged with assessing National Sawdust's current guidelines of board obligations and suggesting modifications to create a clear and meaningful document, which can aid in the recruitment of potential trustees.

NATIONAL SAWDUST

This case study was prepared by Blaire Koerner. *The Eastman Case Studies* are developed solely as the basis for class discussion. Cases are not intended to serve as endorsements or sources of primary data nor are they to serve as illustrations of effective or ineffective leadership or decision making.

The Dream, The Factory, The Venue

National Sawdust officially opened its doors in Brooklyn, New York in October 2015, after seven years of planning and millions spent transforming an early twentieth-century sawdust mill into a concert venue for a new age. The not-for-profit was poised for its inaugural concert season and destined to be more than a performance space. It was billed as a “place for exploration and discovery. A place where emerging and established artists can share their music with serious music fans and casual listeners alike.” National Sawdust not only aspired to be a presenter of musicians, but also aimed to serve as an artist-led incubator for new forms of performance art by commissioning musical works, sponsoring artists in residence, and collaborating with curators.

“New music has never had its own miniature Carnegie Hall, a space explicitly designed for musical experimentation.”

– *New York Magazine*

The idea for National Sawdust was hatched by Kevin Dolan, a tax lawyer who wanted to enrich New York’s contemporary art music scene. An amateur composer and organist himself, Dolan wanted to contribute to the arts by developing a space for creativity. He started by collaborating with architects from Bureau V and engineers from the firm Arup to develop a space that could be molded for various artistic needs. The space needed flexibility to fit the requirements of a wide array of artistic endeavors, with the capacity to record as well. The stage needed to be reconfigurable, with moveable panels on the surrounding walls. Together they envisioned possibilities for different audience arrangements (including options for standing), and, of course, the hall required state-of-the-art audio technology. Dolan also imagined a restaurant and lounge on site, run

by an award-winning chef. He made it clear to the architects that for this dream to work, “the space had to be acoustically strong. Audiences shouldn’t have to subject themselves to discomfort. And there would be good food.”

Establishing a stylish concert venue was just one small step towards developing an institution that could nurture creative performance. To push the vision toward artistic reality, Dolan tapped Paola Prestini—a young composer and graduate of The Juilliard School in New York who had already developed her own arts company—to become the creative director of the project. Together they brainstormed ideas for the venue, designed brand concepts, and discussed raising awareness. From 2009 onward, Dolan and Prestini focused on recruiting a board of directors, which could develop an organizational mission, establish short- and long-term goals, and determine appropriate staff and curators. The duo also concentrated on the critical area of fundraising. Although Dolan was able to contribute \$8 million towards his artistic dream, the architects determined that it would take \$16 million to realize the full extent of the renovation.

To build anticipation and awareness, Prestini arranged multiple performances of contemporary music in unique New York City spaces and collaborated with partners such as the summertime River to River Festival, the living composers’ platform “Q2” of WQXR classical radio in New York, and WQXR’s live venue, The Jerome L. Greene Performance Space. Before the organization was fully operational, and still going by its initial name of Original Music Workshop, the contemporary art music venue garnered feature articles in *The New York Times*, *Time Out New York*, *New York Magazine*, the *Wall Street Journal*, *The Huffington Post*, and *Brooklyn Magazine*. Riding the positive press, Dolan and Prestini reached their \$16 million goal in 2015 with help of a crowdfunding campaign, targeted donation campaigns, and

magnanimous individual “angel” donors. Fully funded and pushing forward with the renovations, the organization also settled on a new name, National Sawdust.

Operational reality was approaching with the growth of the National Sawdust team. From additional board members and hired staff to restaurant employees and volunteer ushers, the human component of the arts organization was rapidly materializing. Ensembles, poets, and dancers were scheduled for performances, and the National Sawdust Artist in Residence program, which contributes up to \$10,000 and 20 hours of recording and rehearsal time, drew the attention of musicians and composers alike. When the building was completed, Dolan’s dream had reached fruition in National Sawdust with no small help from Prestini.

Growth Spurt: Beyond Ticket Sales

With a slate of innovative, wide-ranging programs and aggressive, targeted advertising efforts, National Sawdust successfully connected with a broad audience in its inaugural season. Hosting festivals honoring composers John Zorn and Terry Riley and showcasing individual composers such as Nico Muhly, Theo Bleckmann, and Bryce Dessner, the organization allowed contemporary art music to thrive in the new venue. The concert season was not limited to simply new pieces performed by experimental ensembles, choirs, and youth orchestras, but also included 90s rock band Cibo Matto, independent artist Majical Cloudz, and modern and hip-hop dancers. National Sawdust attracted a diverse audience base in its first season of 350 performances. Over 30,000 people attended concerts, 40 shows sold out, and the presenter could boast fourteen reviews in *The New York Times* in one year.

With the first season closing on a positive note,

the board of directors met with a stark realization. Although the creative director and curators were brimming with artistic ideas, increasing the not-for-profit’s growth would require increasing revenue. The annual operating budget was projected to be \$3.5 million for the upcoming fiscal year. Not unlike many not-for-profit arts organizations, major revenue streams come from ticket sales, grants, and individual donations. National Sawdust’s board of directors considered these levers as the next concert season approached.

Foundations and government grant support were the most difficult to obtain for this new organization. Fledgling arts businesses typically struggle to win these kinds of grants, as applications require a record of activities that improve the public good and that demonstrate financial stability, something not fully established in the initial years of operation. National Sawdust could not rely on this category of revenue for at least another year.

While ticket sales and concert attendance are crucial to any musical arts organization, revenue from performances continues to remain a small portion of the income necessary to keep a presenter solvent. National Sawdust’s pricing varies and is under close watch by the leadership. Children’s events currently cost between \$5 and \$15 per ticket, while featured artists command an average price of \$25. With the venue’s maximum capacity of 200 people (sometimes less than 100, depending on seating arrangements), a sold-out performance could generate around \$13,000 in ticket sales. For a smaller event, around \$1,500 is typical. Although there is always the option of increasing ticket prices, the board understood that a newly established venue needed to lure the public with affordable pricing.

There is potential for National Sawdust to generate revenue from space rental. Due to its flexibility, the venue is well-suited to being rented for social and

corporate events, as well as for filming, photo shoots, and recording. If the inaugural year's schedule is any indication however, National Sawdust was a heavy user of its own space, occupying it practically every night of a given week. Performances have generally taken place Wednesday through Sunday, while Monday and Tuesday were reserved for National Sawdust's own recording sessions. Still an option for supplemental income, space rental is limited to availability and external interest.

Of all the income possibilities for the fledgling operation, the largest source of revenue was found through individual donations, a reality proven in fundraising for the building itself. In general, donors can provide sizable contributions, but there is inherent uncertainty in these prospects. From year to year, an individual's commitment may wax or wane depending on a host of factors. Because of the unpredictability of this category, not-for-profits are constantly cultivating existing relationships while searching for new donors excited about the organization's mission. One steady stream of individual gifts often comes from the board of directors. As the most invested members of an organization, charged with steering its mission, trustees are usually expected to donate a specific amount each year. In addition to their financial assistance, board members contribute time, energy, and a network of connections to benefit the enterprise. After one year of concert activities under its belt, National Sawdust was poised to enhance its board profile not only to create broader awareness for the new operation, but also to provide firmer financial footing for the organization.

Board Basics

Having a board of directors is a federal requirement for 501(c)(3) organizations. Some standards of board operations are mandated nationally, but most legal details are left to individual states. National Sawdust must adhere to guidelines in the state of New York, which includes having a minimum of three directors,

who undertake a variety of activities. The directors establish governing bylaws and schedule regular and special board meetings for the organization. The board also maintains National Sawdust's not-for-profit and tax-exempt status by monitoring IRS mandates, completing financial disclosures, and overseeing any audits of the business. Its legal and financial responsibilities chiefly involve approving the institution's budget. By producing a structured budgeting plan, the board creates strategic priorities and goals that help keep the business on track. To make informed decisions, board members meet every three months to discuss short- and long-term plans and how they relate to the mission of the organization. Trustees may advise the National Sawdust administration on new initiatives, the scope of annual performances, pricing, commissioning projects, staffing, patronage, and other matters.

As a governing body, the board typically votes on major decisions as an entity, having a duty to represent the organization's best interests.

However, due to the multiple functions of a board, some particular responsibilities are delegated to various committees. For National Sawdust, the Executive Committee includes the President, who oversees all operations and Vice President, who is second in

command and assists with presidential tasks. These positions are elected and committee members serve a term of three years. New York regulations stipulate that a president cannot be continuously re-elected, as the purpose is to govern not-for-profits to exist in perpetuity, not by personality. Depending on board size, additional committees can be established beyond the Executive Committee. With its current board of 18 members, National Sawdust offers opportunities on six committees: (1) Finance, for focusing on cash flow; (2) Marketing & Public

"The budget is our bible."

– Kevin Dolan,
Founder and Chair
of the Board

Relations, for advertising and communication efforts; (3) Audit, for attending to non-profit status; (4) Development, for fundraising; (5) Strategic Planning, for long-term preparation; and (6) Nominating, for assessing board elections and membership.

What the board of directors does not oversee is the artistic direction of the organization, which includes programming and the rostering of musicians. These decisions are usually left to the artistic administration, such as Creative Director Paola Prestini and Director of Artistic Planning Courtenay Casey. Sometimes an advisory board will provide suggestions and counsel. Acting as a sounding board for programming ideas, National Sawdust's Advisory Board consists of music professionals who consult on behalf of a wide artistic community. The advisory board represents a diverse group of over 20 talented composers and performers including soprano Renée Fleming and composers Philip Glass and Terry Riley. As advisors, this special board has few requirements and a mission that is less defined than board committees. Yet, it is still vital in its capacity to shape the artistic footprint of National Sawdust. Although the board of directors does not drive National Sawdust's creative product, it does have the power to voice objections to creative plans that may conflict with the organizational mission or may not be feasible.

To avoid conflicts of interest, the majority who serve on a board of directors (or certainly on an advisory board) normally are volunteers, separate from the administrative and artistic leadership of an arts organization. In the case of National Sawdust, two members of the artistic administration serve on the board—Paola Prestini and Courtenay Casey—while the rest are community leaders who have shown interest in the organization's mission. Most boards strive to have a variety of professional fields represented, particularly those with expertise in accounting, business, and law. By the summer of 2016, one-third of National Sawdust's board consisted of members drawn from the fine arts

community. The rest included a combination of other fields such as finance, law, philanthropy, and government.

Professions of National Sawdust Board Members

Arts	6
Music	3
Visual / Photography	2
Architecture	1
Business and Finance	4
Law and Government	4
Philanthropy	2
National Sawdust Staff	2
Total	18

The not-for-profit laws of New York State do not dictate the size of a board outside of chief roles, but the general rule is that the number of trustees should reflect the size of an organization's operating budget. After its first year of operation, National Sawdust's board saw a pressing need to expand its membership, but by how much was up for debate. With an increase in the number of members came a better share in committee responsibilities and financial gain, but also more viewpoints to consider and schedules to regulate. As an entity, the board determined to build its membership to 25 trustees within one year. According to Director of Development Erica Sattin, this number was larger than arts organizations with comparable budgets. However, National Sawdust had an additional consideration beyond what is typical for a not-for-profit musical arts operation—maintaining a physical facility with a restaurant. Although owning a building allows for more flexibility for scheduling rehearsals and major events, it also demands attention to building maintenance and restaurant codes.

With all of this in mind, National Sawdust now aims to attract seven more individuals who are interested in taking part in overseeing the direction of the organization. Beyond meeting basic government

requirements, new trustees were also subject to National Sawdust's corporate expectations. To enlist and remain on the board, members would have to abide by the guidelines that are detailed in the National Sawdust Obligation Guidelines.

The Obligation Guidelines and Board Recruitment

Whenever prospective trustees are invited to join National Sawdust's board, they are provided with a brief document detailing what is expected of them in both an individual and group setting. Currently, the Obligation Guidelines are divided into five main areas, some with further specifications, as shown in **Appendix 1**. The first discusses a board member's personal stake in the organization, emphasizing a trustee's allegiance and commitment to National Sawdust. The next is an affirmation of board diversity "in population and skill sets." Then, the fundraising expectation for each member is spelled out—\$25,000 per year, to be achieved either by personal donation, or by the combination of other funding sources and in-kind gifts. Each member must also regularly attend meetings and serve on a board-level committee. Finally, they must show their support by attending concerts, bringing people to galas and other special events, and donating through public charity events.

While prepping for the upcoming search, the board of National Sawdust and the director of development set out to re-evaluate the guidelines before approaching potential members. The growth of the organization will no doubt fuel changes to board processes and structure. Board Chair Kevin Dolan knew changes were at hand, even this early in the life of National Sawdust. Was the document clear in its mandates to board members? Were there new guidelines to add? Executive leadership and the Nominating Committee determined that the document could be reworked and updated to better describe the current needs of National Sawdust. In revising the member obligations, the board also had to consider what new

language in the guidelines would attract prospective trustees.

Recruitment of board members has been an inexact science at National Sawdust. Since the board origins in 2010, trustees have joined because of their friendship with the founders, their work with related arts organizations, or their participation in the arts community. Once admitted to the board, it is hard to control how trustees conduct themselves as vital members of National Sawdust. "The thing about boards is that each member is there for their own reasons and have different ideas of how they want to participate," explained Sattin, "Some are content to write a check for \$25,000 and attend a couple of events, while others can't afford the donation alone, so they work hard to enlist potential donors." What trustees share in common is their devotion to the National Sawdust mission. After the first year of operation, any revisions to the board guidelines would need to account for the variety of motivations and means of current and prospective members.

In addition to expanding the board to gain individual expertise, distribute governance positions and responsibilities, and develop more voices for the mission, the connection to dependable financial income is a great benefit to National Sawdust. With 25 board members donating the stipulated \$25,000, National Sawdust could expect consistent annual gifts of \$625,000, a nearly 40% increase from the funding received from the eighteen-member board. In the larger scheme of the organization, this change in board contributions would form almost 20% of National Sawdust's \$3.2 million annual budget. As

"We need the board to both give and receive. How do you appeal to a variety of people? What can you offer? This is hard to determine."

*– Erica Sattin,
Director of
Development*

described in the guidelines, those who may not be able to give the full \$25,000 may fulfill that financial obligation through other means. In addition to raising money by recruiting new donors, board members can contribute services to achieve the mandatory contribution. The guidelines do not specify what is considered a “service,” although there is verbiage that describes how the value will be determined. According to Sattin, a service only counts if it physically replaces money National Sawdust was going to spend. For instance, replacing payments to a tax accountant or a recording engineer by a board member volunteering those exact services can be counted, but other in-kind contributions—such as donating recording equipment that may not be used—could be judged to have no value for the organization. As it concerns the guidelines for board members, there are questions about whether a finite list of appropriate “services” should be included or whether services should be evaluated on a case-by-case basis. Should there be a maximum value for services that a trustee can contribute? Is the \$25,000 an appropriate level of giving for board members? A higher threshold could increase stability, but intimidate both current and prospective members as the donation is not a one-time gift, but a repeated yearly amount. At what point is it appropriate to raise the annual donation amount?

The executive and board leadership of National Sawdust are also wondering what the consequence should be if a board member does not meet the \$25,000 guideline. Although currently the director of development keeps tabs on board contributions, the Nominating Committee reviews the annual achievements of each individual and member expectations. Cases in which a member falls short of the giving guideline force the leadership to take action in some way. In one instance, a young trustee raised just over half of the requisite amount, but consistently brought friends and family to events and galas. By showing a willingness to improve, the board continued the membership of that trustee.

On the other hand, the board also witnessed one of its members promise numerous connections to potential donors, but barely provided \$11,000 and no outside names in the end. In this case, the Nominating Committee asked the member to remain a donor, but discontinued his position on the board. The evaluation process for board members is left vague in the guidelines. The Nominating Committee in particular is considering whether more specific language is needed in the document to dictate how to handle a member who does not meet expectations.

There are still other areas of the document that could benefit from clarification. Although there are six additional committees outside of the Executive Committee, the only ones mentioned are the Nominating and Fundraising committees. Should the committees be elected or appointed, instead of filled by interest? Should the charges to each of the board committees be included in this document? Should there be term limits on committees?

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As a project consultant, you have been asked to revisit the board guidelines as the organization prepares to recruit new board members. Given the infancy of National Sawdust, the rules governing the assignment are few. Both you and the board agree in principle that the guidelines demand some revision before the organization approaches candidates. Keeping National Sawdust’s mission in mind, it is your job to assess the current guidelines in **Appendix 1** and to suggest improvements to the document. A clear and incisive set of guidelines will not only attract new members but also set expectations for current ones. Here are some areas to consider in your recommendation:

- What language should be changed in the existing sections of the document? What areas of board responsibility have been missed?

- Should the \$25,000 minimum donation be kept or raised? If it is raised, should current members be held to the new level or be grandfathered with the previous level?
- How should the Nominating Committee judge the value of non-monetary services or in-kind donations? To what degree should the document attempt to capture cases when a member falls short of the threshold, but yet puts forth considerable energy towards supporting National Sawdust?
- How should the Nominating Committee assess contributions of its members year to year? How will all committee work be assessed? Should the board guidelines detail charges to each committee?
- How should committee membership and participation be addressed in the document?

APPENDIX 1

National Sawdust Board of Directors Member Obligations

1. Board members should make National Sawdust (NS) a high priority among their charitable and cultural endeavors. NS should be a regular topic of conversation. Each Board member should speak of NS almost “as he or she would a child or grandchild.”
2. The Board of Directors should reflect the community NS serves: diverse in population and skill sets.
3. Each Board member should commit to a personal fundraising goal of giving at least \$25,000 each year.
 - a. Each board member is responsible for at least \$25,000 in unrestricted contributions, through direct charitable giving and by identifying and advocating with like-minded donors including foundations, businesses, and individuals.
 - b. Board members interested in underwriting specific programs are encouraged to do so only after meeting their unrestricted \$25,000 fundraising target.
 - c. Select in-kind donations (services, property, etc.) will be taken into account in meeting the Board member’s \$25,000 target. Any services or property contributed to NS will be set at fair value in discussions between the Board member and the Chair of NS’s Fundraising Committee.
4. Board members must regularly attend meetings.
 - a. Board members should plan to attend all meetings of the full Board of Directors. These meetings will be held four times each year and generally will be scheduled at the beginning of each fiscal year.
 - b. Members should join and participate actively in at least one board-level committee.
5. Board members should actively, visibly and publicly support NS.
 - a. Each Board member should regularly attend performances at NS and affiliated events.
 - b. Board members should plan to attend every gala or major fundraising event. (Ticket purchases do not count towards \$25,000 fundraising target.) Members are also responsible for inviting and encouraging as many others as possible to attend these events. Gala participation is a critical element of board service, regardless of whether a board member has met his or her \$25,000 for the year. NS cannot reach its financial goals without 100% board participation in the gala.
 - c. Members should participate in all NS crowdsourced campaigns in order to be publicly visible.
 - d. Board members should drive public campaigns with their enthusiasm, involvement, and public support.



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