

## INSIDE THIS ARTICLE

- ◆ Theatres contributed over \$1.53 billion to the U.S. economy in the form of salaries, benefits and payments for goods and services (p. 2).
- ◆ For the first time, the 5-year earned income growth exceeded the 5-year growth in expenses (p. 3).
- ◆ Generally speaking, deficits have been less severe in the past two years while surpluses have been greater (p. 4).
- ◆ Ticket sales covered a decreasing proportion of expenses: nearly 6% less in 2005 than in 2001 (p. 5).
- ◆ Total individual giving was by far the greatest source of contributed funds for each of the years examined and supported 4.2% more expenses in 2005 than in 2001 (p. 11).
- ◆ The percentage of Trend Theatres with a negative working capital ratio was 56% in 2001 and 67% in 2005. The increase in total net assets over the five years was put into investments, equipment, land and buildings, but not into readily available funds to meet daily needs (p. 14).
- ◆ Theatres apparently employed their cash reserves in 2005 to meet their cash flow needs. As a result, reserves were at a five-year low, reflecting an inflation-adjusted 40% decrease over the past five years (p. 13).
- ◆ Theatres are seeing declining audiences despite increases in the number of performances offered (pp. 14-15).
- ◆ For the first time, average single ticket income exceeded subscription income for every budget group (p. 19).

## WHAT IS CUNA?

CUNA, or the Change in Unrestricted Net Assets, includes operating income and expenses; unrestricted facility and equipment; board designated and endowment gifts; capital gains and losses; capital campaign expenses; and gifts released from temporary restrictions in the current year.

$$\text{CUNA} = \text{TOTAL UNRESTRICTED INCOME} - \text{TOTAL UNRESTRICTED EXPENSES}$$

## A Report on Practices and Performance in the American Not-for-Profit Theatre Based on the Annual TCG Fiscal Survey

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*Theatre Facts* uses responses to the annual TCG Fiscal Survey to offer an analysis of the field's attendance, performance and fiscal health. *Theatre Facts 2005* compiles information for the fiscal year that theatres completed anytime during the period September 30, 2004, and August 31, 2005. Last year's *Theatre Facts 2004* highlighted a recovery for theatres in many areas after three years of economic hardship following 9/11. This year's report shows sustained improvement in the industry's fiscal health. Theatres continue to make tremendous contributions to the nation's artistic legacy, to their communities and to the economy despite the severe challenges faced during the first years of the new millennium.

The report is organized into three sections that offer different perspectives. *The Universe* section provides a broad overview of the 1,490 not-for-profit professional theatres that filed Internal Revenue Service (IRS) Form 990. This section provides the most complete snapshot of the universe of not-for-profit professional theatres. The *Trend Theatres* section provides a longitudinal analysis of the 100 TCG theatres that responded to the long form of the TCG Fiscal Survey in each of the past 5 years. This section provides interesting insights regarding long-term trends affecting not-for-profit professional theatres. The *Profiled Theatres* section provides a detailed examination of the 202 Profiled Theatres that completed the long form of the TCG Fiscal Survey in 2005. This section provides the greatest level of detail, including breakout information for theatres of six different budget sizes.

This report examines unrestricted income and expenses, balance sheet and attendance, pricing and performance details. The report complies with the audit structure recommended by the Federal Accounting Standards Board (FASB). Unless otherwise noted, income is reported as a percentage of expenses because expenses serve as the basis for determining budget size.

### UNIVERSE: The Big Picture (Pages 2-3)

The **Universe** section provides the broadest snapshot of the industry for 2005. We examine the big picture with an overview of 1,490 theatres that filed IRS Form 990, including 226 TCG member theatres that provided fiscal, attendance and performance information and 1,264 additional not-for-profit professional theatres.

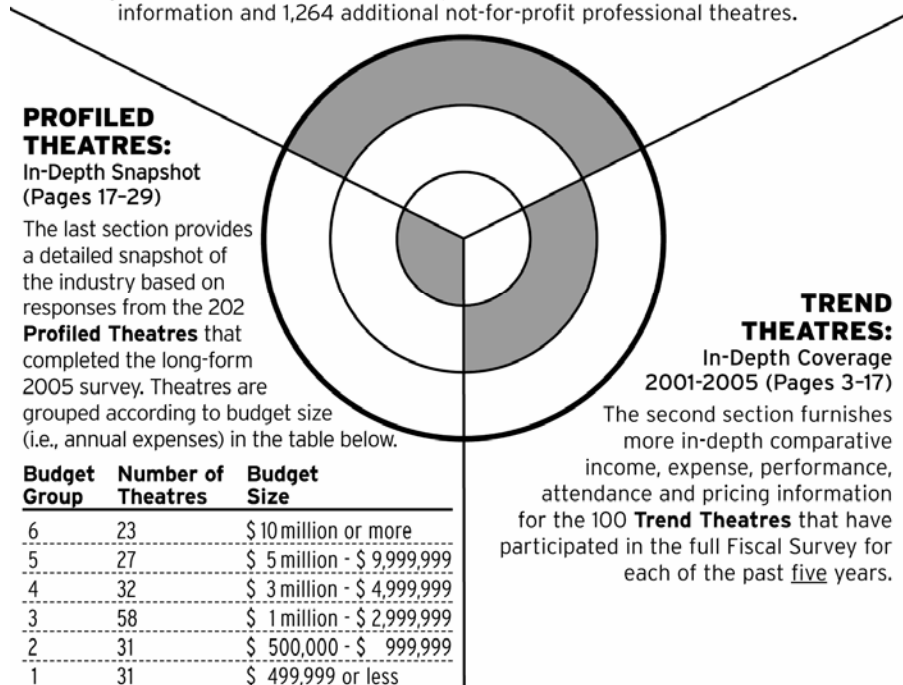
### PROFILED THEATRES: In-Depth Snapshot (Pages 17-29)

The last section provides a detailed snapshot of the industry based on responses from the 202 **Profiled Theatres** that completed the long-form 2005 survey. Theatres are grouped according to budget size (i.e., annual expenses) in the table below.

Budget Group	Number of Theatres	Budget Size
6	23	\$10 million or more
5	27	\$ 5 million - \$ 9,999,999
4	32	\$ 3 million - \$ 4,999,999
3	58	\$ 1 million - \$ 2,999,999
2	31	\$ 500,000 - \$ 999,999
1	31	\$ 499,999 or less

### TREND THEATRES: In-Depth Coverage 2001-2005 (Pages 3-17)

The second section furnishes more in-depth comparative income, expense, performance, attendance and pricing information for the 100 **Trend Theatres** that have participated in the full Fiscal Survey for each of the past five years.





## THE UNIVERSE

Theatres across the nation continue to nurture and expand America's artistic and cultural legacy, bringing the creative work of 70,000 professional artists into their communities, where it was enjoyed by over 32 million audience members.

This conclusion is based on an extrapolation of TCG member theatre data to 1,490 theatres that completed IRS Form 990. The IRS collects information on not-for-profit theatres in the United States, including theatres that do not respond to the TCG Fiscal Survey. To estimate attendance, performance, fiscal and work force information for the greater universe of not-for-profit professional theatres, we used total annual expenses—the only data available for all theatres—to extrapolate the Universe table to the right. We base this extrapolation on weighted averages for TCG member theatres of similar budget size. The 1,490 theatres in this analysis include 226 TCG member theatres (202 TCG member theatres that responded to the long form and 24 member theatres that responded to the short form of the Fiscal Survey) and 1,264 theatres that either are not members of TCG or are members who did not participate in the Fiscal Survey.

It is important to keep in mind that the figures reported in the Universe table are not based on accounts provided to TCG by the 1,264 non-survey theatres themselves. To check the accuracy of our estimates, we compared actual total expenses for all theatres (the one item reported by all theatres) with the extrapolated total expense figure based on our formula. The two came within 1% of each other, indicating that the extrapolated aggregate figures, while imperfect, are reasonably accurate estimates.

### The 1,490 Theatres in the U.S. Not-for-Profit Professional Theatre Field in 2005 are estimated to have:

- ◆ Contributed nearly \$1.53 billion to the U.S. economy in the form of payments for goods, services and salaries. The real impact on the economy is far greater than \$1.53 billion. In conjunction with going to the theatre, many audience members go out to eat, pay for parking, hire babysitters, etc. Theatres' employees live in their communities, pay rent or buy homes and make regular purchases. The taxes associated with these services benefit all levels of government.
- ◆ Engaged the majority of their employees in artistic pursuits, as shown in Figure 1. We estimate that the theatre work force (i.e., all paid full-time, part-time, jobbed-in or fee-based employees) is 63% artistic, 24% technical and 13% administrative.

Smaller theatres rely on artistic personnel to perform both artistic and administrative duties. Theatres with budgets of \$250,000 or less (which account for 59% of the Universe Theatres) are estimated to employ 6% of their work force as administrators, 12% as production personnel and 82% in artistic positions.

- ◆ Received 51% of their income from earned sources and 49% from contributions. Theatres with budgets of less than \$250,000 averaged 34% earned and 66% contributed, which represents 5% greater reliance on contributed income than was the case for Universe Theatres in 2004.

**TABLE 1 : ESTIMATED 2005 UNIVERSE OF U.S. NOT-FOR-PROFIT PROFESSIONAL THEATRES (1,490 Theatres)**

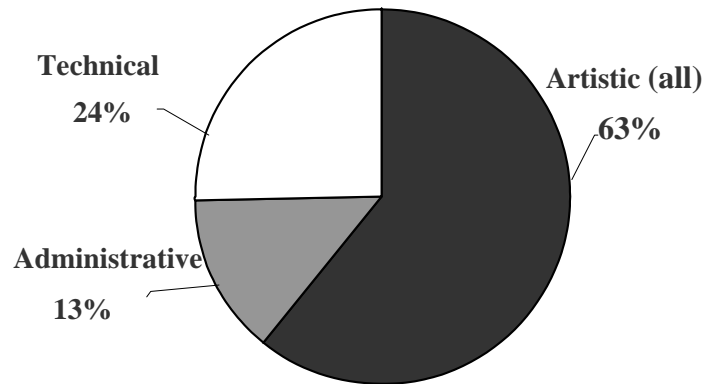
<b>Estimated Productivity</b>	
<b>Attendance</b>	32,500,000
<b>Subscribers</b>	1,700,000
<b>Performances</b>	169,000
<b>Productions</b>	12,000
<b>Estimated Finances</b>	
<b>Earnings</b>	\$ 845,000,000
<b>Contributions</b>	801,600,000
<b>Total Income</b>	\$ 1,646,600,000
<b>Expenses</b>	1,529,800,000
<b>Changes in Unrestricted Net Assets (CUNA)</b>	\$ 116,800,000
<b>Earned \$ as a % of Total Income</b>	51%
<b>Contributed \$ as a % of Total Income</b>	49%
<b>CUNA as a % of Expenses (budget)</b>	7.6%
<b>Estimated Workforce % of Total</b>	
<b>Artistic (all)</b>	70,000 63%
<b>Administrative</b>	14,000 13%
<b>Technical</b>	27,000 24%
<b>Total Paid Personnel</b>	111,000

### For the 226 TCG Survey Respondents:

- ◆ More than half—54%—ended the year in the black, the exact same proportion of Universe Theatres that did so in 2004.

- ◆ The 7.6% Change in Unrestricted Net Assets (CUNA) as a percentage of expenses represents the highest level since 2000. CUNA encompasses changes in all unrestricted funds and includes Net Assets Released from Temporary Restriction (NARTR). For example, a theatre's individual giving total may include gifts to a capital campaign granted in a prior year and released from temporary restrictions in the current year.
- ◆ On average, theatres with budgets between \$500,000 and \$1.5 million ended the year with a deficit. 53% of theatres in this budget range ended the year with negative CUNA and the average CUNA for these 64 theatres was -\$19,000. For the 2004 Universe Theatres, a similar observation was made but for theatres in the \$100,000 to \$500,000 budget range.

**FIGURE 1: WORK FORCE**



**TREND THEATRES**

This section focuses on the 100 Trend Theatres that responded to the long form of the TCG Fiscal Survey in each of the past 5 years beginning with fiscal year 2001, the year before 9/11 and the start of a 3-year downturn in the economy. The trend analysis provides insights regarding changes that have occurred over the last 5 years. Following the same set of theatres over time avoids excessive variation that can occur when different theatres

participate in some years but not in others. We organize the analysis into 5 sections: (1) earned income sources; (2) expense allocations; (3) sources of contributions and CUNA; (4) balance sheet; and (5) attendance, number of performances and pricing. All figures, whether dollar figures or percentages, represent averages rather than aggregates. In each section, we examine one-year percentage changes that tell us how activity levels in 2005 compare to activity levels in 2004 and four-year percentage changes that offer a longer-term perspective by comparing activity levels in 2005 to activity levels in 2001.

Figure 2 provides a broad overview of the five-year trends in income, expenses and CUNA. Adjusting for inflation, five-year growth rates were 11% for earned income, 21.8% for contributed income, 15.5% for total income, 8.5% for expenses and 116% for CUNA. The changes that occurred between 2003 and 2004 are particularly noteworthy: CUNA increased six-fold as earned income and contributed income increased and expenses decreased. This healthy trend for CUNA continued into 2005.

**FIGURE 2: TREND THEATRES: INCOME, EXPENSES, CUNA**

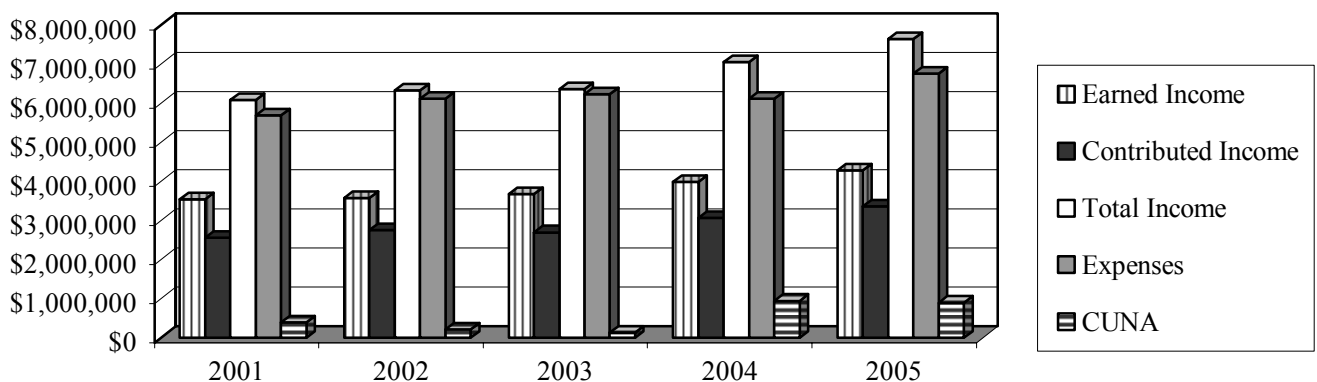
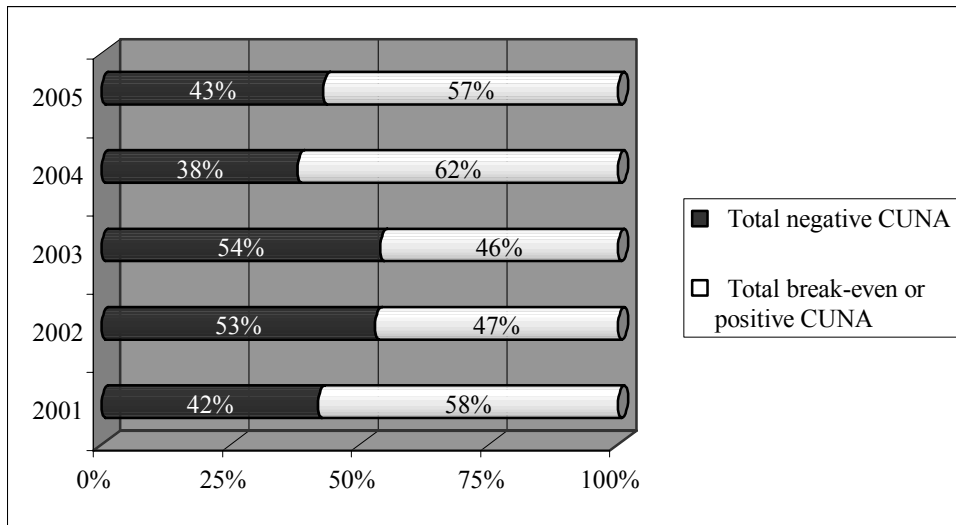


Figure 3 shows the percentage of Trend Theatres that experienced negative CUNA versus those that broke even or had positive CUNA in each of the five years. Although this chart highlights the fact that a majority of theatres are back in the black (as in 2001 and 2004), it does not capture the extent to which theatres ran a positive or negative CUNA each year. A closer look reveals that, generally speaking, deficits have been less severe in the past two years while surpluses have been greater. More specifically, 12 of the 100 theatres had negative CUNA equal to or greater than 10% of budget in 2001 whereas only 8 had as severe a deficit in 2005; and 23 theatres had positive CUNA greater than 10% of budget in 2005 whereas only 15 had as abundant a surplus in 2001.

**FIGURE 3:  
BREAKDOWN OF 100 TREND THEATRES' CHANGES IN UNRESTRICTED NET ASSETS (CUNA)**



### EARNED INCOME

In this section we examine changes with respect to earned income. Table 2 presents average earned income levels in dollars and provides three trend indices: a one-year percentage change, a four-year percentage change and a four-year percentage change adjusted for inflation. In some instances, there is a positive increase in an income category—even after adjusting for inflation—but a decrease in the percentage of expenses that it supports. This is due to the fact that the increase in that particular income category did not keep pace with the increase in expenses over the 5-year period. Table 3 presents each category of earned income as a percentage of total expenses. This analysis tells us whether specific sources of income are increasing or decreasing as a percentage of the total expenses they support.

#### For the 100 Trend Theatres:

- ◆ Average earned income increased steadily from 2001 to 2005, rising 7.5% in the past year alone and outpacing inflation by 11%.
- ◆ Average subscription income grew steadily from 2001 to 2003, dipped in 2004 and then increased nearly 13% for a 5-year high in 2005. Over the 5-year period, average subscription income growth outpaced inflation by 7.6%. However, since expense growth outpaced inflation by 8.5%, subscription income supported .2% less of total expenses in 2005 than in 2001.
- ◆ As we discuss in the section on Attendance, Performance and Pricing, the increase in subscription income is driven by subscription ticket prices that have risen 10% more than inflation over the past five years, not by increases in subscriber attendance.
- ◆ Flexible subscription income comprises an increasingly significant proportion of total subscription sales. In 2001, flexible subscriptions accounted for only 5% of subscription income whereas in 2005 that figure rose to 9%.

**TABLE 2: AVERAGE EARNED INCOME (100 Theatres)**

	2001	2002	2003	2004	2005	1-yr % chg.	4-yr % chg.	4-yr CGR* 01-05
Subscriptions	\$1,185,852	\$1,221,226	\$1,266,353	\$1,238,461	\$1,395,010	12.6%	17.6%	7.6%
Single Ticket Income	1,677,345	1,786,722	1,622,235	1,507,005	1,566,434	3.9%	-6.6%	-16.6%
Booked-In Events <sup>a</sup>	31,509	37,711	35,943	38,282	73,394	91.7%	132.9%	122.9%
<b>Total Ticket Income</b>	<b>\$2,894,706</b>	<b>\$3,045,659</b>	<b>\$2,924,531</b>	<b>\$2,783,748</b>	<b>\$3,034,839</b>	<b>9.0%</b>	<b>4.8%</b>	<b>-5.2%</b>
Tour Contracts/Presenting Fees	32,988	33,565	25,900	31,570	33,303	5.5%	1.0%	-9.0%
Educational/Outreach Income	170,630	164,472	181,470	185,473	199,433	7.5%	16.9%	6.9%
Interest and Dividends	108,193	78,207	45,879	55,018	54,490	-1.0%	-49.6%	-59.6%
Endowment Earnings	71,815	50,769	125,928	290,972	267,557	-8.0%	272.6%	262.6%
Capital Gains/(Losses)	(99,673)	(156,279)	(45,307)	245,979	224,555	-8.7%	325.3%	315.3%
Royalties	37,089	36,324	34,836	19,257	14,939	-22.4%	-59.7%	-69.7%
Concessions	75,557	74,574	82,816	88,953	92,280	3.7%	22.1%	12.1%
Production Income	56,204	55,890	97,056	43,586	153,320	251.8%	172.8%	162.8%
Advertising	15,849	16,259	19,212	19,733	21,582	9.4%	36.2%	26.2%
Rentals	47,797	51,008	49,783	54,013	52,611	-2.6%	10.1%	0.1%
Other	127,139	126,102	125,442	164,070	131,245	-20.0%	3.2%	-6.8%
<b>Total Earned Income</b>	<b>\$3,538,293</b>	<b>\$3,576,550</b>	<b>\$3,667,547</b>	<b>\$3,982,373</b>	<b>\$4,280,154</b>	<b>7.5%</b>	<b>21.0%</b>	<b>11.0%</b>

\* Compounded Growth Rate adjusted for inflation.

<sup>a</sup> Trend skewed by one or two theatres' exceptional activity.

#### For the 100 Trend Theatres:

- ◆ After dropping for two consecutive years and reaching a five-year low in 2004, average single ticket income grew by 4% in 2005; 52% of theatres experienced an increase in single ticket income from 2004 to 2005.
- ◆ Adjusting for inflation over the five-year period, single ticket income fell nearly 17% and supported 6.2% less of the average theatre's total expenses. Average single ticket income exceeded average subscription income in each of the five years, but the gap between average single ticket income and average subscription income was at its lowest level in 2005. Further exploration reveals that the majority of Trend Theatres (52%-61% per year) had higher subscriber income than single ticket income.
- ◆ One theatre accounted for 53% of all booked-in event income. Eliminating this exceptional activity from the analyses would leave the average booked-in event income at \$34,478, a figure much more in line with those of prior years.
- ◆ Although growth in total ticket income over the five-year period was 4.8%, it was not enough to keep pace with inflation. Ticket sales covered a decreasing proportion of expenses: nearly 6% less in 2005 than in 2001.
- ◆ Income from presenter fees and contracts for toured performances remained fairly constant over the 5-year period, with the exception of a dip in 2003. Income growth in this area did not keep pace with inflation.
- ◆ Educational and outreach income increased modestly over the five-year period. There was a 17% increase in the average number of people served by education and outreach programs in 2005 as compared with 2001, but the 2005 level of 18,477 represented a 29% decrease from 2004. The high point of the past five years occurred in 2002 when theatres reached 29,912 individuals with education and outreach activity. The average number of education and outreach programs offered per theatre fluctuated between 8 and 12.
- ◆ Average interest and dividends from short-term investments (e.g., savings or checking accounts) dipped slightly in 2005 after rebounding considerably from 2003 to 2004. Theatres experienced an average 60% decrease in interest and dividends in inflation-adjusted figures over five years; this represented a 1.1% deficit in total expenses to cover by other means.

**TABLE 3: AVERAGE EARNED INCOME AS A PERCENTAGE OF EXPENSES (100 Theatres)**

	2001	2002	2003	2004	2005	1-year % chg.	4-year % chg.
Subscriptions	20.8%	20.0%	20.3%	20.3%	20.7%	0.4%	-0.2%
Single Ticket Income	29.4%	29.2%	26.0%	24.7%	23.2%	-1.5%	-6.2%
Booked-In Events <sup>a</sup>	0.6%	0.6%	0.6%	0.6%	1.1%	0.5%	0.5%
<b>Total Ticket Income</b>	<b>50.8%</b>	<b>49.8%</b>	<b>46.9%</b>	<b>45.6%</b>	<b>44.9%</b>	<b>-0.6%</b>	<b>-5.9%</b>
Tour Contracts/Presenting Fees	0.6%	0.5%	0.4%	0.5%	0.5%	0.0%	-0.1%
Educational/Outreach Income	3.0%	2.7%	2.9%	3.0%	3.0%	-0.1%	0.0%
Interest and Dividends	1.9%	1.3%	0.7%	0.9%	0.8%	-0.1%	-1.1%
Endowment Earnings	1.3%	0.8%	2.0%	4.8%	4.0%	-0.8%	2.7%
Capital Gains/(Losses)	-1.7%	-2.6%	-0.7%	4.0%	3.3%	-0.7%	5.1%
Royalties	0.7%	0.6%	0.6%	0.3%	0.2%	-0.1%	-0.4%
Concessions	1.3%	1.2%	1.3%	1.5%	1.4%	-0.1%	0.0%
Production Income	1.0%	0.9%	1.6%	0.7%	2.3%	1.6%	1.3%
Advertising	0.3%	0.3%	0.3%	0.3%	0.3%	0.0%	0.0%
Rentals	0.8%	0.8%	0.8%	0.9%	0.8%	-0.1%	-0.1%
Other	2.2%	2.1%	2.0%	2.7%	1.9%	-0.7%	-0.3%
<b>Total Earned Income</b>	<b>62.1%</b>	<b>58.5%</b>	<b>58.8%</b>	<b>65.2%</b>	<b>63.4%</b>	<b>-1.8%</b>	<b>1.3%</b>

<sup>a</sup> Trend skewed by one or two theatres exceptional activity.

#### For the 100 Trend Theatres:

- ◆ Although capital gains/losses from unrestricted investment assets were 9% lower in 2005 than in 2004, theatres experienced an average 315% growth in this area over the 5-year period in inflation-adjusted figures. Capital losses were most severe during 2001 and 2002. Only 8 theatres reported a capital loss in 2005 and 41 reported capital gains. By contrast, 35 theatres had capital losses in 2002 while only 12 reported capital gains. Capital gains provided 5.1% more unrestricted income in 2005 than in 2001, nearly making up for the 5.9% drop in total ticket income.

It is important to note that in addition to gains from the sale of securities, many theatres reported a significant increase in capital gains as a result of accounting for the present market value of their investment portfolios. As such, these represent unrealized gains in the present market value of the portfolio from year to year. These theatres have conducted capital campaigns and invested the proceeds in either stocks or bonds. With a long-term investment strategy, it is expected that market conditions will vary from year to year but that the portfolio ultimately will increase in value over time.

- ◆ Average endowment earnings were at their 5-year peak in 2004 then decreased 8% in 2005. Despite the drop, average endowment earnings in 2005 represented more than twice their 2003 level—262% growth from 2001 after adjusting for inflation—and they supported 2.7% more expenses than in 2001. Not all theatres

experienced a decline in endowment earnings in 2005. In fact, 41 saw higher endowment earnings and only 18 experienced lower levels in 2005 compared to 2004; however, the decreases amongst those 18 were substantial enough to dominate the trend. Roughly the same number of theatres realized endowment income each year: 57% of Trend Theatres reported endowment earnings in 2005 and 56% in 2001.

- ◆ Royalty income declined each year, with the 2005 average being less than half of that in 2001, even before adjusting for inflation. The cause of the decline was not fewer new properties; in fact, the 283 properties earning royalty income in 2005 represent a 5-year high. The drop in income was driven by a decrease in the average royalty income earned per property, falling from a high of \$17,171 in 2001 to a low in 2005 of \$5,278. Between 2004 and 2005, the number of world premieres produced by Trend Theatres decreased slightly, but between 2001 and 2005 the number of world premieres increased 7%, offering optimism for strong future royalty income.
- ◆ Production income—a combination of co-production and enhancement income from other not-for-profit and commercial producers who share a production and the expenses to create it—was at its highest level in 2005, more than 3 times that experienced in 2004. More theatres reported co-production income than in any of the prior four years and more reported enhancement

income in 2005. Also, the average income earned per participating theatre from both types of production partnerships was at a 5-year high in 2005.

- ◆ The number of theatres co-producing grew steadily from 18 in 2001 to a high of 27 in 2005. The average for the sub-group of theatres reporting co-production income rose from \$96,925 in 2001 to \$201,708 in 2005, despite a dip to \$86,176 in 2004. In each of the five years, a different theatre accounted for at least 22% of all co-production income.
- ◆ The number of theatres reporting enhancement income (income from commercial producers) fluctuated, with 11 theatres reporting enhancement income averaging \$352,000 in 2001, 11 theatres averaging \$322,000 in 2002, 12 theatres averaging \$537,000 in 2003, 9 theatres averaging \$252,000 in 2004 and 15 theatres averaging \$659,000 in 2005. Although one theatre earned more than \$3.3 million in enhancement income in 2005—a 5-year high amongst Trend Theatres—it did

not dominate the trend any more than other theatres did in other years. In fact, this theatre accounted for only 33% of 2005 total enhancement funds whereas another theatre accounted for as much as 65% of all enhancement funds in a prior year.

- ◆ Advertising and concession income increased in the past year and grew at a stronger rate than inflation over the 5-year period. Theatres are aggressively pursuing ancillary earned income.
- ◆ Total earned income covered 63.4% of total expenses in 2005, a 1.3% increase over 2001 but a 1.8% decrease from 2004. The growth in earned income outpaced inflation by 11% over the past five years and exceeded the level of expense growth by 2.5% for the same period. This is the first time that 5-year earned income growth exceeded the 5-year growth in expenses.



## EXPENSES

In this section, we report year-to-year changes for each category of expenses and compare how theatres shifted their allocation of resources over time. Table 4 presents average expenses in dollars and one-year percentage changes, four-year percentage changes and four-year percentage changes adjusted for inflation. Table 5 presents each expense category as a percentage of total expenses and Table 6 provides administrative expense-to-income ratios for selected activities.

Overall, expense growth outpaced inflation over the 5-year period by 8.5%—a lower rate of growth than that of earned or contributed income. The area of greatest increase was the cost of occupying and maintaining facilities. The only expense categories to decrease over the 5-year period were royalties, development/fundraising and the amount that theatres invested in general management/operations. Theatres vigorously cut expenses in 2004, then increased them by 10.5% in 2005 to a 5-year high.

### For the 100 Trend Theatres:

- ◆ Total payroll increased 10% above inflation from 2001 to 2005 and accounted for .6% more of theatres' total expenses. In 2003 and 2004, theatres cut the average number of paid employees, then cautiously added back positions in 2005, resulting in a 9.2% increase in total payroll.
- ◆ Theatres' single greatest allocation of resources from 2001 through 2004 went to artistic payroll and growth in average artistic payroll exceeded inflation over the 5-year period by 1.7%. Nevertheless, theatres spent increasingly less of their total expenses on artistic payroll each year since 2002. The number of full-time artistic staff per theatre averaged between 7 and 9 per year. The average total number of paid artists in a season fluctuated from 119 in 2001 to a high of 120 in 2003, a low of 111 in 2004, and a recovery to 117 in 2005.
- ◆ The average number of permanent (full-time and part-time) administrative personnel remained unchanged at 40 over the 5 years. Trend theatres added an average of 2 more fee-based or jobbed-in administrative staff members, increasing the total number of paid administrative personnel from 50 in 2001 to 52 in 2005. A 16.5% inflation-adjusted increase in administrative salaries during the five-year period led to administrative salaries accounting for 1.3% more of expenses in 2005 than in 2001. This may be an indication of pressure to keep salaries competitive enough to retain employees who might otherwise find more lucrative jobs in other industries.
- ◆ The average number of paid production personnel (full-time, part-time and over-hire) was 79 in 2001, 2004 and 2005, with only slight variations in 2002 and 2003. Production payroll rose 12.5% from 2004 to 2005 and outpaced inflation over the 5-year period by 13%.

**TABLE 4: AVERAGE EXPENSES (100 Theatres)**

	2001	2002	2003	2004	2005	1-yr. % chg.	4-yr. % chg.	4-yr. CGR* 01-05
Artistic Payroll	\$1,192,807	\$1,292,845	\$1,293,975	\$1,258,755	\$1,332,322	5.8%	11.7%	1.7%
Administrative Payroll	1,067,706	1,154,421	1,229,988	1,224,869	1,350,337	10.2%	26.5%	16.5%
Production Payroll	790,603	902,818	927,717	866,655	975,280	12.5%	23.4%	13.4%
<b>Total Payroll</b>	<b>\$3,051,115</b>	<b>\$3,350,084</b>	<b>\$3,451,680</b>	<b>\$3,350,279</b>	<b>\$3,657,939</b>	<b>9.2%</b>	<b>19.9%</b>	<b>9.9%</b>
General Artistic Non-Payroll	226,928	270,847	254,606	214,926	263,457	22.6%	16.1%	6.1%
Royalties	191,111	189,472	167,507	153,409	153,430	0.0%	-19.7%	-29.7%
Production/Tech Non-Payroll (physical production)	393,789	411,018	416,622	373,430	524,527	40.5%	33.2%	23.2%
Development/Fundraising	227,465	230,415	227,194	238,222	227,720	-4.4%	0.1%	-9.9%
Marketing/Customer Service/ Concessions	744,430	772,521	789,614	778,597	844,051	8.4%	13.4%	3.4%
Occupancy/Building/Equipment/ Maintenance	443,481	445,766	488,438	532,799	585,609	9.9%	32.0%	22.0%
Depreciation	188,871	205,477	220,955	253,110	266,291	5.2%	41.0%	31.0%
General Management/Operations	228,885	238,333	218,951	216,094	228,776	5.9%	0.0%	-10.0%
<b>Total Expenses</b>	<b>\$5,696,075</b>	<b>\$6,113,932</b>	<b>\$6,235,567</b>	<b>\$6,110,864</b>	<b>\$6,751,800</b>	<b>10.5%</b>	<b>18.5%</b>	<b>8.5%</b>

\* Compounded Growth Rate adjusted for inflation.

#### For the 100 Trend Theatres:

- ◆ After a decrease between 2003 and 2004, general artistic expenses (housing and travel; per diems; designer, company management and stage management expenses) increased in 2005 to their second highest level in the 5-year period, producing a five-year growth rate that exceeded inflation by 6%.
- ◆ Average royalty expenses consistently declined over time and fell behind inflation by nearly 30% for the period. The average theatre paid royalties on 7 properties in each of the 5 years. This trend is consistent with the decrease in average royalties earned. Theatres are both earning and paying lower royalties. Given the trend, it is surprising to find that theatres report little change in the number of public domain plays produced each year.
- ◆ Production/Technical Non-Payroll expenses (physical production materials and rentals) were reduced from 2003 to 2004 but increased by 40.5% in the past year. The large 1-year increases in both general artistic expenses and production/technical non-payroll are largely tied to the increased revenue from co-productions and commercially enhanced productions. The three theatres that accounted for half of the 1-year increase in production income (both from co-productions and enhanced productions) also were three of the four theatres that experienced the greatest 1-year increase in physical production materials and rentals.
- ◆ The costs of occupancy, building, equipment and maintenance increased each year, rising 22% above inflation for the period and accounting for .9% more of total expenses in 2005 than in 2001. Roughly 40% of theatres reported that they own their stage in 2001, 2002 and 2003; in 2004 and 2005, that figure rose to 44%. 44% now also report that they own their office space. The largest component of this expense is the cost of maintaining office, production and public space furniture and equipment, which rose 19% more than inflation. Another substantial component is the cost of rent or debt service on facilities, utilities and the regularly scheduled maintenance of the infrastructure, which increased 17% more than inflation over the 5 years. Insurance costs escalated 76% above inflation.
- ◆ Depreciation, the non-cash expense that accounts for the decrease in the book value of property and equipment, increased more than any other expense category, perhaps reflecting theatres' increased fixed assets related to capital campaigns.



**TABLE 5: AVERAGE EXPENSES AS A PERCENTAGE OF EXPENSES (100 Theatres)**

	2001	2002	2003	2004	2005	1-yr. % chg.	4-yr. % chg.
Artistic Payroll	20.9%	21.1%	20.8%	20.6%	19.7%	-0.9%	-1.2%
Administrative Payroll	18.7%	18.9%	19.7%	20.0%	20.0%	0.0%	1.3%
Production Payroll	13.9%	14.8%	14.9%	14.2%	14.4%	0.3%	0.6%
<b>Total Payroll</b>	<b>53.6%</b>	<b>54.8%</b>	<b>55.4%</b>	<b>54.8%</b>	<b>54.2%</b>	<b>-0.6%</b>	<b>0.6%</b>
General Artistic Non-Payroll	4.0%	4.4%	4.1%	3.5%	3.9%	0.4%	-0.1%
Royalties	3.4%	3.1%	2.7%	2.5%	2.3%	-0.2%	-1.1%
Production/Tech Non-Payroll (physical production)	6.9%	6.7%	6.7%	6.1%	7.8%	1.7%	0.9%
Development/Fundraising	4.0%	3.8%	3.6%	3.9%	3.4%	-0.5%	-0.6%
Marketing/Customer Service/Concessions	13.1%	12.6%	12.7%	12.7%	12.5%	-0.2%	-0.6%
Occupancy/Building/Equipment/Maintenance	7.8%	7.3%	7.8%	8.7%	8.7%	0.0%	0.9%
Depreciation	3.3%	3.4%	3.5%	4.1%	3.9%	-0.2%	0.6%
General Management/Operations	4.0%	3.9%	3.5%	3.5%	3.4%	-0.1%	-0.6%
<b>Total Expenses</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>		

**For the 100 Trend Theatres:**

- ◆ Table 6 shows that theatres are spending more to bring in each dollar of single ticket income. In 2005, theatres spent 3.5 cents more on marketing for every dollar of single ticket income earned than they did in 2001. This drove the overall marketing expense to total ticket sales up 2.4% over the five-year period.
- ◆ Although theatres' investment in total marketing expenses outpaced inflation by 3.4%, the portion of total budget dedicated to marketing decreased .6 percentage points over the 5-year period.
- ◆ Education/outreach income increased over the 5-year period as the total expense required to generate each dollar of education/outreach income decreased 2%. It should be noted that the education and outreach income reflected below includes both earned and contributed income; total education/outreach expenses include education program staff salaries but not the development costs associated with grant writing for education or outreach funding.
- ◆ Theatres are consistently getting more return on each development and fundraising dollar spent.

**TABLE 6: THEATRE FACTS ADMINISTRATIVE EXPENSE INDEX (100 Theatres)**

	2001	2002	2003	2004	2005	1-yr %chg.	4-yr %chg.
Single ticket marketing expense to single ticket income (excludes personnel expense)	20%	19%	21%	22%	24%	2.1%	3.5%
Subscription marketing expense to subscription income (excludes personnel expense)	13%	13%	13%	14%	13%	-1.4%	-0.3%
Total marketing expense to total ticket sales (includes personnel expense)	26%	26%	27%	28%	29%	1.0%	2.4%
Development expense to total unrestricted contributed income (excluding personnel expenses, fundraising event expenses and income)	5%	5%	5%	5%	4%	-0.7%	-1.4%
Fundraising event expense to fundraising event income (excludes personnel expense)	44%	42%	38%	39%	37%	-2.2%	-6.7%
Total development expense to total unrestricted contributed income (includes fundraising event expense and personnel expense)	10%	9%	10%	9%	8%	-1.1%	-2.0%
Total development expense to total contributed income (includes fundraising event expense, personnel expense and unrestricted, temporarily restricted and permanently restricted contributed income)*		8%	8%	8%	7%	-0.8%	
Education/outreach expense to education/outreach income (excludes personnel expense)	25%	24%	22%	24%	19%	-5.5%	-6.9%
Total education/outreach expense to education/outreach income (includes personnel expense)	66%	67%	64%	70%	64%	-5.2%	-1.8%

\*Collection of annual temporarily and permanently restricted income figures began in 2002.



## CONTRIBUTED INCOME AND CHANGES IN UNRESTRICTED NET ASSETS (CUNA)

This section examines contributed income trends and changes in unrestricted assets (CUNA); that is, the balance that remains after subtracting total unrestricted expenses from total unrestricted income. Contributed sources include Net Assets Released from Temporary Restriction (NARTR). For example, a theatre's total individual contributions may include unrestricted gifts to a capital campaign granted in a prior year, but not released from temporary restrictions until the current year, as well as contributions to the annual fund.

Table 7 shows average contributed income and CUNA in dollars along with one-year percentage changes, four-year percentage changes and four-year percentage changes adjusted for inflation. Table 8 shows average contributed income and CUNA as a percentage of total expenses.

Growth in total contributed income outpaced inflation by 21.8% and financed 5% more expenses in 2005 than in 2001. The growth in contributed income exceeded the growth in expenses (8.5%) and total earned income (11%) over the five years. The overall level of CUNA improved significantly in both 2004 and 2005, reversing the downward trend from 2001 to 2003.

### For the 100 Trend Theatres:

- ◆ Average federal funding increased each year since 2002, for an overall increase of 66% above inflation. This trend is largely driven by one theatre that received exceptional funding in 2004 (three times more than any other theatre) from the federal government—more specifically, from a federal agency other than the NEA or NEH. That theatre then had \$917,000 in federal funds released from temporary restriction into the 2005 fiscal year. Eliminating this theatre from the analysis would still leave 5-year growth in federal funding that exceeded inflation by 39%.
- ◆ Average state funding rose 23% in the past year alone and outpaced inflation by 83% over the 5-year period. One theatre accounted for nearly 40% of all state funding in both 2004 and 2005. This theatre's influx of state funds was tied to its capital campaign. 34 of the 100 theatres reported an increase in state funding from 2003 to 2004 and 56 received less, while 46 received more state funding in 2005 than in 2004 and 36 received less.
- ◆ Average local funding fluctuates rather drastically from year to year. The overall growth in local funding exceeded inflation over the five-year period by 9%. In 2001, 2003 and 2005, Trend Theatres averaged more funding from city and county governments than from either state or federal government.
- ◆ Although average corporate support decreased 2% from 2004 to 2005, the growth in corporate giving outpaced inflation by 32% over the 5-year period, driven by larger gifts from fewer corporations. The average corporate gift increased from \$7,309 in 2001 to \$11,361 in 2005, reflecting 46% growth above inflation. The average number of corporate donors per theatre declined steadily from 47 in 2001 to 36 in 2005. Corporate support underwrote 1% more of total expenses in 2005 than in 2001.
- ◆ After declining each year from 2001 to 2003, average foundation support recovered significantly, increasing 18% from 2004 to 2005 to reach a 5-year high. However, the recovery was not enough to outpace inflation, leaving it at 7.4% less in value in 2005 than in 2001. The average number of foundation gifts remained flat from 2001 to 2005 at 19 grants per theatre. Theatres receive smaller foundation grants now than in 2001; the average grant was roughly \$37,500 in 2001 and \$31,600 in 2005. Foundation giving supported 1.4% fewer expenses in 2005 than in 2001.
- ◆ Trend Theatres experienced remarkable gains in individual contributions over the five-year period, with growth in average total individual contributions exceeding inflation by 43%. Total individual giving (from trustees and other individuals) was by far the greatest source of contributed funds for each of the years examined and supported 4.2% more expenses in 2005 than in 2001.

**TABLE 7: AVERAGE CONTRIBUTED INCOME (100 THEATRES)**

	2001	2002	2003	2004	2005	1-yr. % chg.	4-yr. % chg.	4-yr. CGR* 01-05%
Federal <sup>a</sup>	\$ 35,847	\$ 35,475	\$ 41,441	\$ 59,342	\$ 62,954	6.1%	75.6%	65.6%
State <sup>a</sup>	112,238	120,945	97,741	176,349	217,118	23.1%	93.4%	83.4%
City/County	215,004	93,242	200,320	109,725	255,727	133.1%	18.9%	8.9%
Corporations	282,868	294,884	377,265	408,378	401,611	-1.7%	42.0%	32.0%
Foundations	598,487	570,330	511,091	519,817	613,752	18.1%	2.6%	-7.4%
Trustees	273,988	319,994	286,054	361,938	374,035	3.3%	36.5%	26.5%
Other Individuals	544,359	844,787	660,905	865,134	879,677	1.7%	61.6%	51.6%
Fundraising Events/Guilds	239,826	231,349	256,933	277,644	289,700	4.3%	20.8%	10.8%
United Arts Funds	54,822	60,103	58,243	65,671	32,908	-49.9%	-40.0%	-50.0%
In-Kind Services/Materials/Facilities	104,648	109,181	137,170	130,195	127,039	-2.4%	21.4%	11.4%
Other Contributions	88,986	68,449	69,929	94,879	107,618	13.4%	20.9%	10.9%
<b>Total Contributed Income</b>	<b>\$2,551,074</b>	<b>\$2,748,742</b>	<b>\$2,697,092</b>	<b>\$3,069,072</b>	<b>\$3,362,141</b>	<b>9.5%</b>	<b>31.8%</b>	<b>21.8%</b>
<b>Total Income</b>	<b>\$6,089,366</b>	<b>\$6,325,292</b>	<b>\$6,364,639</b>	<b>\$7,051,445</b>	<b>\$7,642,295</b>	<b>8.4%</b>	<b>25.5%</b>	<b>15.5%</b>
<b>Changes in Unrestricted Net Assets (CUNA)</b>	<b>\$ 393,291</b>	<b>\$ 211,360</b>	<b>\$ 129,072</b>	<b>\$ 940,581</b>	<b>\$ 890,495</b>	<b>-5.3%</b>	<b>126.4%</b>	<b>116.4%</b>

\* Compounded Growth Rate adjusted for inflation.

<sup>a</sup> Trend skewed by one theatre's exceptional activity.

#### For the 100 Trend Theatres:

- ◆ Trustee giving increased from 2001 to 2002, dropped in 2003, recovered in 2004 and reached its highest, 5-year level in 2005. Overall, trustee giving outpaced inflation by 26.5% over the five-year period.
- ◆ The average number of trustees per theatre making a donation each year fluctuated between 32 and 33 each year with the exception of 2004, when it shot up to 39. The average trustee gift increased from \$10,204 in 2001 to \$12,827 in 2005. The aggregate effect is that Trend Theatre trustee donations totaled \$27.4 million in 2001 and \$37.4 million in 2005.
- ◆ Average gifts from other individuals (non-trustees) experienced amazing growth compared to all other private contributed sources: 51.6% over the 5-year period after adjusting for inflation.
- ◆ The steady increase in other individual gifts dipped in 2003 but recovered in 2004 and reached a 5-year high in 2005. Gifts from other individuals supported 3.5% more expenses in 2005 than in 2001. Aggregate other individual gifts for Trend Theatres in 2001 were \$54 million, increasing to \$88 million in 2005.
- ◆ The number of other individuals providing gifts fluctuated over the years but decreased 8% overall, from a high of 2,168 in 2001 to 1,993 in 2005. Far more notable is the level of giving per donor. The average gift from other individuals increased from \$299 in 2001 to \$450 in 2005.
- ◆ Income from fundraising events and guilds rose in 2005 for the third straight year, surpassing inflation by 10.8% over the past five years. As noted earlier, fundraising events/guilds are now generating higher revenue for less cost than in 2001.
- ◆ The one-year 50% decrease in United Arts Funding was due to a 75% reduction in United Arts funding to a single theatre. Thirteen theatres reported United Arts Funding each year since 2002.
- ◆ After three years of steady growth, in-kind contributions declined for a second straight year in 2005.
- ◆ Other Contributions (e.g., cash contributions from sheltering organizations such as universities or arts centers) were at a 5-year high in 2005, exceeding inflation by nearly 11%. This represents a third straight year of growth following a low in 2002.

**TABLE 8: AVERAGE CONTRIBUTED INCOME AS A PERCENTAGE OF EXPENSES (100 Theatres)**

	2001	2002	2003	2004	2005	1-yr. % chg.	4-yr. % chg.
Federal	0.6%	0.6%	0.7%	1.0%	0.9%	0.0%	0.3%
State	2.0%	2.0%	1.6%	2.9%	3.2%	0.3%	1.2%
City/County	3.8%	1.5%	3.2%	1.8%	3.8%	2.0%	0.0%
Corporations	5.0%	4.8%	6.1%	6.7%	5.9%	-0.7%	1.0%
Foundations	10.5%	9.3%	8.2%	8.5%	9.1%	0.6%	-1.4%
Trustees	4.8%	5.2%	4.6%	5.9%	5.5%	-0.4%	0.7%
Other Individuals	9.6%	13.8%	10.6%	14.2%	13.0%	-1.1%	3.5%
Fundraising Events/Guilds	4.2%	3.8%	4.1%	4.5%	4.3%	-0.3%	0.1%
United Arts Funds	1.0%	1.0%	0.9%	1.1%	0.5%	-0.6%	-0.5%
In-Kind Services/Materials/Facilities	1.8%	1.8%	2.2%	2.1%	1.9%	-0.2%	0.0%
Other Contributions	1.6%	1.1%	1.1%	1.6%	1.6%	0.0%	0.0%
<b>Total Contributed Income</b>	<b>44.8%</b>	<b>45.0%</b>	<b>43.3%</b>	<b>50.2%</b>	<b>49.8%</b>	<b>-0.4%</b>	<b>5.0%</b>
<b>Total Income</b>	<b>106.9%</b>	<b>103.5%</b>	<b>102.1%</b>	<b>115.4%</b>	<b>113.2%</b>	<b>-2.2%</b>	<b>6.3%</b>
<b>Changes in Unrestricted Net Assets (CUNA)</b>	<b>6.9%</b>	<b>3.5%</b>	<b>2.1%</b>	<b>15.4%</b>	<b>13.2%</b>	<b>-2.2%</b>	<b>6.3%</b>

The growth in total income outpaced inflation by 15.5% over the five years, exceeding the comparable 8.5% growth in expenses. As a result, the 5-year high average CUNA of \$940,000 in 2004 and the average CUNA of \$890,000 in 2005 reflect a turnaround of the downward spiral that CUNA had taken from 2001 to 2003. Total income exceeded total expenses each year. It is important to keep in mind that these figures are skewed by exceptional contributed income for theatres in capital campaigns.

The addition of each year's positive CUNA improved Trend Theatres' bottom lines over the five-year period. The average balance of all unrestricted net assets was 82% higher in inflation-adjusted figures at the end of 2005 than it was at the beginning of 2001, a remarkable feat given all that happened in the world and the economy during that span of time. Not every theatre was better off at the end of the five-year period but, on average, theatres finished 2005 with unrestricted net assets of \$7 million compared to unrestricted net assets of \$3.8 million at beginning of 2001. All but 32 of the 100 Trend Theatres experienced budget growth that exceeded inflation over the five years. Five theatres managed to double their budgets.



## BALANCE SHEET

Whereas an income statement gives a running summary of activity for the year (e.g., the annual capital gain or loss from unrestricted investment assets), a balance sheet is a snapshot of the theatre's assets, liabilities and net assets (unrestricted, temporarily restricted and permanently restricted) at a moment in time (e.g., the value of investments and securities at the end of the fiscal year). The balance sheet captures a theatre's cumulative fiscal history and offers insights into overall fiscal health and long-term stability. In Table 9, we show asset categories in dollars, a one-year percentage change, four-year percentage change and four-year percentage change adjusted for inflation. We also show how investments relate to total expenses to form an investment ratio. Table 10 demonstrates the factors that comprise working capital and how working capital relates to total expenses. We acknowledge the assistance of Cool Spring Analytics for recommending the balance sheet categories and ratios reported in this section.

Not every Trend Theatre responds to the Balance Sheet section of the survey; for instance, theatres that are part of a sheltering organization do not keep a separate balance sheet. Of the 100 Trend Theatres that provided income and expense information, 93 are included in the balance sheet report. The balance sheets for these 93 theatres show consistent growth in total assets over the past five years, from an average of \$11.7 million in 2001 to \$17.6 million in 2005—41% growth after adjusting for inflation. For these 93 theatres, the change in unrestricted net assets (CUNA) of 2005 averaged \$937,000 or 13.5% of budget. Each year, CUNA is added to the year's beginning unrestricted net assets to arrive at total unrestricted net assets. CUNA serves as the link between annual activity and the balance sheet, but the unrestricted net assets are only one component of a theatre's financial picture.

The growth in Trend Theatres' aggregate total net assets—unrestricted, temporarily restricted and permanently restricted—outpaced inflation by 32% over the 5-year period, from \$880 million in 2001 to \$1.2 billion in 2005, as shown in Table 9. A closer look reveals that cash reserves were at their highest in 2002. In 2003, theatres tapped into those reserves when bottom lines were at their worst, then they began to replenish cash reserves in 2004. Theatres apparently employed reserves again in 2005 to meet their cash flow needs. As a result, cash reserves were at a five-year low in 2005, reflecting an inflation-adjusted 40% decrease over the 5-year period.

Growth in total endowments outpaced inflation by 34%. The substantial increases in overall net assets over the past five years can be attributed to the high number of theatres engaged in successful capital campaigns. Theatres added to both physical capital and invested capital. Growth in unrestricted net assets was consistent in each of the five years, for an overall increase of 54% in inflation-adjusted dollars.

	2001	2002	2003	2004	2005	1-yr. % chg.	4-yr. % chg.	4-yr. % chg. CGR*
Working Capital	\$ 10	\$ (24)	\$ (72)	\$ (58)	\$ (74)	-28%	-818%	-828%
Fixed Assets	338	391	471	533	641	20%	90%	80%
Investments	351	398	421	496	549	11%	56%	46%
Other Net Assets	182	177	170	153	134	-13%	-26%	-36%
<b>Total Net Assets</b>	<b>\$ 881</b>	<b>\$ 942</b>	<b>\$ 989</b>	<b>\$ 1,124</b>	<b>\$ 1,250</b>	<b>11%</b>	<b>42%</b>	<b>32%</b>
<b>Total Expenses</b>	<b>\$ 542</b>	<b>\$ 583</b>	<b>\$ 595</b>	<b>\$ 580</b>	<b>\$ 644</b>	<b>11%</b>	<b>19%</b>	<b>9%</b>
<b>Investment Ratio</b>	<b>65%</b>	<b>68%</b>	<b>71%</b>	<b>85%</b>	<b>85%</b>			

\* Compounded Growth Rate adjusted for inflation.

**FIXED ASSETS = TOTAL LAND + BUILDING + EQUIPMENT AT COST — ACCUMULATED DEPRECIATION**

Theatres have engaged in successful capital campaigns and many have used these funds to build new buildings, renovate existing facilities and purchase new equipment, as reflected in the substantial increase in theatres' occupancy expenses. Of the 93 Trend Theatres that completed the balance sheet section of the survey, 32% were in a capital campaign in 2005 and 31% completed a capital campaign within the last five years. Seven theatres fell into both categories as they transitioned from one capital campaign into another. Growth in fixed assets (i.e., land, property and equipment less accumulated depreciation) surpassed inflation by 80%.

**INVESTMENT RATIO = TOTAL INVESTMENTS/TOTAL EXPENSES**

Growth in Trend Theatres' long-term investments surpassed inflation by 46% from 2001 to 2005, reflecting the growth in endowments due to capital campaigns and a recovering stock market. Invested capital generates interest for operating purposes and an increasing investment ratio over time is an indication of organizational health. Trend Theatres' investment ratio increased from 65% in 2001 to 85% in 2004 and 2005.

**WORKING CAPITAL = TOTAL UNRESTRICTED NET ASSETS — FIXED ASSETS — UNRESTRICTED INVESTMENTS**

Working capital consists of the unrestricted resources available to the theatre to meet obligations and day-to-day cash needs and it is a fundamental building block of a theatre's capital structure. It is a clearer indicator of a theatre's operating position than looking at CUNA, which includes non-operating activity as noted on page 1. Table 10 illustrates that working capital has been negative each year since 2002 and was at its worst in 2005, indicating that Trend Theatres are carrying accumulated deficits and are borrowing funds (e.g., using deferred subscription revenue, delaying payables, taking out loans) to meet daily operating needs. As noted above, successful fundraising during years of a strong economy made it possible for theatres to raise and develop long-term investments and increase fixed assets but not acquire readily available funds to help the theatre meet daily needs. This precarious working capital position gives theatres little financial flexibility and is cause for concern.

**TABLE 10: AVERAGE WORKING CAPITAL**

	2001	2002	2003	2004	2005	1-yr. % chg.	4-yr. % chg.	4-yr. % chg. CGR*
Total Unrestricted Net Assets	\$ 4,572,225	\$ 4,837,688	\$ 5,080,225	\$ 6,220,245	\$ 7,509,466	21%	64%	54%
Fixed Assets	3,631,976	4,208,052	5,060,365	5,736,224	6,893,947	20%	90%	80%
Unrestricted Investments	829,584	885,301	796,153	1,104,659	1,409,813	28%	70%	60%
<b>Working Capital</b>	<b>\$ 110,665</b>	<b>\$ (255,665)</b>	<b>\$ (776,293)</b>	<b>\$ (620,638)</b>	<b>\$ (794,293)</b>	<b>-28%</b>	<b>-818%</b>	<b>-828%</b>
<b>Total Expenses</b>	<b>\$ 5,830,945</b>	<b>\$ 6,264,762</b>	<b>\$ 6,393,476</b>	<b>\$ 6,241,466</b>	<b>\$ 6,923,711</b>	<b>11%</b>	<b>19%</b>	<b>9%</b>
<b>Working Capital Ratio</b>	<b>2%</b>	<b>-4%</b>	<b>-12%</b>	<b>-10%</b>	<b>-11%</b>			

\* Compounded Growth Rate adjusted for inflation.

### WORKING CAPITAL RATIO = WORKING CAPITAL/TOTAL EXPENSES

The working capital ratio, or the proportion of unrestricted resources available to meet operating expenses, indicates how long a theatre could operate if it had to survive on its current resources. A negative working capital ratio indicates that theatres are likely experiencing periods of cash flow crisis. Collectively, the Trend Theatres experienced a negative working capital ratio in each of the past four years. The ratio in 2001 stood at 2%. It then declined to -12% by 2003 and rebounded slightly to -10% in 2004 and ended the five-year period at -11% in 2005. Cool Spring Analytics recommends that each theatre determine its own working capital needs based on its cyclical cash flow, but in the absence of that determination, 25%, or three months of working capital, is a benchmark for adequate working capital to handle most cash flow fluctuations. Of the Trend Theatres, 10% met this level in 2001, 11% did so in 2002 and 12% in 2003; however, only 9% of Trend Theatres had three months of working capital in 2004 and 2005. The percentage of Trend Theatres with a negative working capital ratio was 56% in 2001 and 67% in 2005. Increasingly negative working capital, an indicator of financial health, may be putting theatres at risk.

Over the five years, the composition of total net assets shifted. Fixed assets accounted for 13% more of total net assets and investments accounted for 4% more of total net assets in 2005 compared to 2001. The increase in fixed assets was reflected in the exceptional growth in depreciation and the costs of occupancy, building, equipment and maintenance. Working capital represented 7% less and other net assets 10% less of total net assets at the end of the 5-year period.



### ATTENDANCE, PERFORMANCE AND PRICING TRENDS

Having examined Trend Theatres' finances, we now provide a detailed look at operating trends, including attendance levels, number of performances, ticket prices and subscription renewal rates. Table 11 shows aggregate attendance levels and Table 12 presents the number of performances at the 100 Trend Theatres. Collectively, these two tables demonstrate that Trend Theatres are seeing declining audiences overall despite increases in the number of performances offered. Figure 4 presents a graphical depiction of attendance and performance trends for non-main series activities, all of which experienced attendance increases in 2005. In Table 13, we examine marketing and production trends that help flesh out the general attendance and performance results.

**TABLE 11: AGGREGATE ATTENDANCE (100 Theatres)**

	2001	2002	2003	2004	2005	1-yr. % chg.	4-yr. % chg.
Main Series (total)	9,024,127	9,079,602	8,934,423	8,551,230	8,464,739	-1.0%	-6.2%
Special Productions	983,027	806,050	808,912	724,813	787,343	8.6%	-19.9%
Children's Series	253,372	287,460	302,389	302,264	309,483	2.4%	22.1%
Staged Readings/Workshops	28,809	34,140	42,308	30,712	46,384	51.0%	61.0%
Other	76,757	60,106	102,686	106,029	132,782	25.2%	73.0%
Booked-In Events	92,892	116,129	135,764	129,668	246,173	89.8%	165.0%
<b>Resident Subtotal</b>	<b>10,458,984</b>	<b>10,383,487</b>	<b>10,326,482</b>	<b>9,844,716</b>	<b>9,986,904</b>	<b>1.4%</b>	<b>-4.5%</b>
Touring	1,036,338	1,643,691	1,040,704	962,675	854,211	-11.3%	-17.6%
<b>Total</b>	<b>11,467,377</b>	<b>12,027,178</b>	<b>11,367,186</b>	<b>10,807,391</b>	<b>10,841,115</b>	<b>0.3%</b>	<b>-5.5%</b>

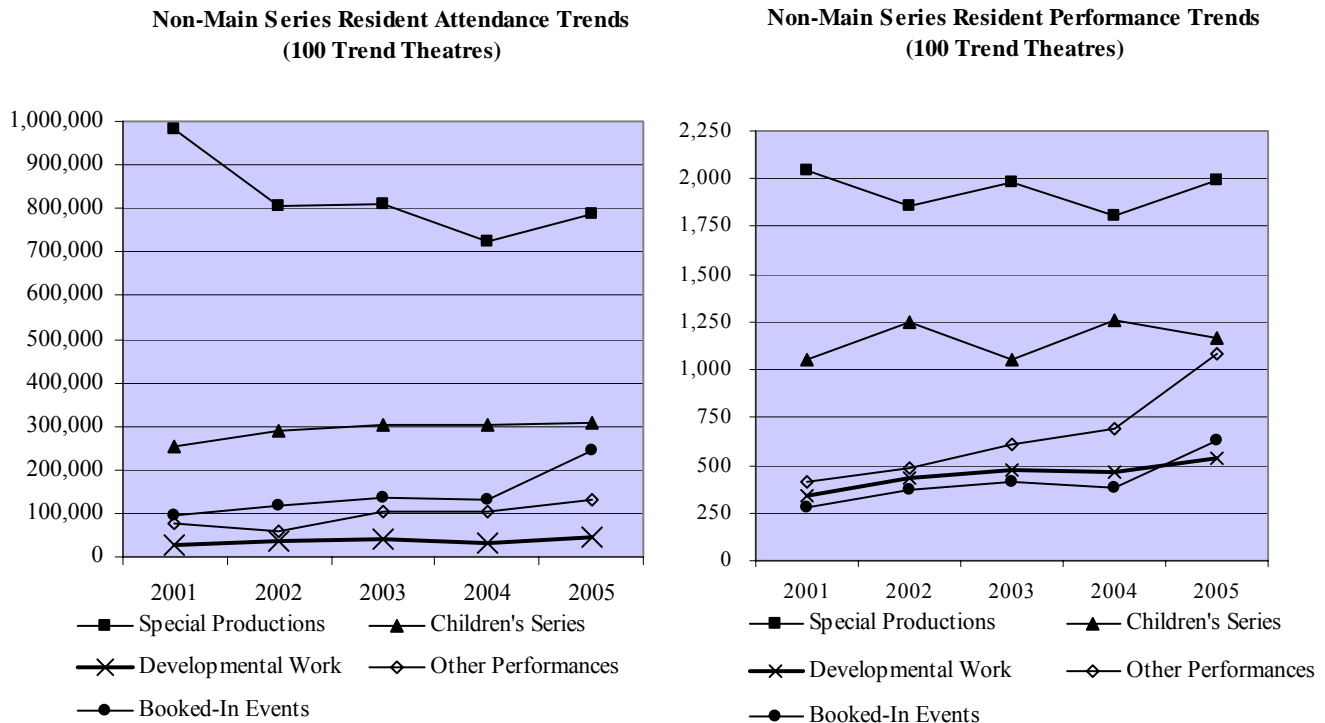
**TABLE 12: AGGREGATE NUMBER OF PERFORMANCES (100 Trend Theatres)**

	2001	2002	2003	2004	2005	1-yr. % chg.	4-yr. % chg.
Main Series (total)	24,824	24,899	25,310	24,705	25,152	1.8%	1.3%
Special Productions	2,043	1,856	1,981	1,806	1,991	10.2%	-2.5%
Children's Series	1,051	1,254	1,051	1,263	1,165	-7.8%	10.8%
Staged Readings/Workshops	342	436	474	467	533	14.1%	55.8%
Other	418	481	614	690	1,081	56.7%	158.6%
Booked-In Events	274	374	408	383	626	63.4%	128.5%
<b>Resident Subtotal</b>	<b>28,952</b>	<b>29,300</b>	<b>29,947</b>	<b>29,314</b>	<b>30,548</b>	<b>4.2%</b>	<b>5.5%</b>
Touring	4,556	5,506	4,654	3,712	4,536	22.2%	-0.4%
<b>Total</b>	<b>33,449</b>	<b>34,806</b>	<b>34,601</b>	<b>33,026</b>	<b>35,084</b>	<b>6.2%</b>	<b>4.9%</b>

**For the 100 Trend Theatres:**

- ◆ Over the five-year period, attendance declined 5.5% and the total number of performances rose by 4.9%. Overall attendance rose from 2001 to 2002 but slipped in 2003 and again in 2004, recovering slightly in 2005. This trend reflects the same pattern discussed regarding ticket income in the Earned Income section.
- ◆ For the five-year period, 2004 witnessed the fewest number of overall performances and the lowest overall attendance. Small overall improvements were recorded in 2005.
- ◆ The overall 5.5% increase in the number of resident performances was met with a 4.5% decrease in attendance, which suggests that theatres are playing to lower capacity houses.
- ◆ Attendance at main series productions accounted for roughly 78% of total attendance in 2001 and in 2005; however, main series attendance was at a 5-year low in 2005—6.2% lower than in 2001—despite a 1.3% increase in the number of main series performances.
- ◆ The majority of added performances from 2004 to 2005 were not for main series activity. Theatres increased the number of performances of special productions, developmental productions, tours and booked-in events.
- ◆ Attendance at special productions (i.e., non-subscription productions such as a holiday production) was 20% lower in 2005 as in 2001, even though theatres produced only 2.5% fewer special production performances for the same period.
- ◆ Theatres booked in more than twice as many performances in 2005 than in 2001. The increase in attendance is similar to the increase in income from booked-in events, which is largely driven by one theatre's exceptional activity. Each year, this category represents only about 1% of theatres' overall offerings.
- ◆ Children's series is the only programmatic area where attendance increased even though fewer performances were offered in 2005 than in 2004.
- ◆ The number of staged reading and workshop performances was at its highest 5-year level in 2005. Overall, 56% more developmental production performances were offered in 2005 compared to 2001, and attendance growth was 61% over the same period, making a full recovery from the 2004 drop in attendance.
- ◆ Theatres produced 22% more tour performances in 2005 than in 2001 but played to 11% fewer patrons. Overall tour attendance was down 17.6% for the 5-year period.

**FIGURE 4: NON-MAIN SERIES RESIDENT ATTENDANCE AND PERFORMANCE TRENDS**



In Table 13, we take a closer look at marketing and production activity, which sheds light on some of the factors driving the trends in income, attendance and performances.

**For the 100 Trend Theatres:**

- ◆ There are fewer subscribers, on average, and fewer seats filled by subscribers, reflecting a decrease in the number of overall subscription packages sold and in the number of tickets purchased per package. Between 2001 and 2005, the average number of season ticket holders declined by 5% and the average subscription renewal rate dropped from 73% to 63%. The total number of seats occupied by subscribers declined by 10%. After holding steady at 33% in 2001, 2002 and 2003, the percentage of seats occupied by subscribers decreased to 29% in 2005.
- ◆ Over the five-year period, the average price per subscription ticket increased 10% more than the rate of inflation; but in an effort to lure more subscribers, theatres increased the number of subscription packages by 31% and the level of the highest subscription package discount by 11%.
- ◆ Theatres do not offer all resident productions on subscription. If we were to consider only potential capacity of those productions offered on subscription, subscribers filled 45% of their potential in 2001 and 37% in 2005. The decline in subscriptions is evident in every analysis.
- ◆ Single ticket buyers filled more seats in 2004 and 2005 than in 2001, but not as many as in the 2002 or 2003 seasons. Overall, average single ticket sales per theatre increased 13% over the 5-year period and the average single ticket price rose 10% above inflation.
- ◆ There was a 9% decrease in actor employment weeks from 2001 to 2005, despite the reversal of a recent 2-year trend of decreases. The number of performance weeks per year remained fairly steady at 33-34. The average number of paid actors hired in a season fluctuated during the five years, from 71 in 2001 to 66 in 2004 and 72 in 2005. The overall reduction in actor employment weeks could be attributed to shorter rehearsal periods or to the increase in the number of staged readings and workshops. The increase in development activity likely means more contracts of shorter duration. Indeed, the number of staged readings and workshops increased 56% from 2001 to 2005, with fewer performances per project produced.



**TABLE 13: INDUSTRY AVERAGES (100 Trend Theatres)**

	2001	2002	2003	2004	2005	1-yr. chg.	4-yr. chg.	4-yr. chg. CGR*
Subscription Renewal Rate (%)	73	65	65	64	63	-1%	-13%	
High Subscription Discount (%)	36.9	37.4	39.6	39.6	41.1	4%	11%	
Low Subscription Discount (%)	13.0	11.6	10.9	11.1	11.7	5%	-10%	
Subscription Price (per ticket)	\$23.28	\$25.18	\$25.34	\$26.49	\$27.92	5%	20%	10%
Single Ticket Price	\$23.67	\$25.93	\$26.72	\$28.11	\$28.45	1%	20%	10%
Number of Ticket Packages Offered	4.6	4.8	5.6	5.6	6.1	8%	31%	
Number of Subscribers/Season Ticket Holders	9,737	9,683	9,592	9,475	9,275	-2%	-5%	
Subscription Tickets (#subscribers x #tickets/package sold)	50,188	47,685	47,466	45,593	45,152	-1%	-10%	
Single Tickets	45,802	55,037	57,415	51,451	51,696	0%	13%	
Total In-Residence Paid Capacity (%)	69	71	70	70	68	-3%	-2%	
Subscriber Capacity (%)	33	33	33	32	29	-8%	-12%	
Number of Main Series Performances	248	249	253	247	252	2%	1%	
Number of Main Series Productions	13	14	15	15	15	1%	12%	
Number of Performance Weeks	33	34	33	33	34	4%	5%	
Number of Actor Employment Weeks (sum of # weeks each actor employed)	677	643	601	564	614	9%	-9%	

\*Compounded Growth Rate adjusted for inflation.



## PROFILED THEATRES

In this section of *Theatre Facts* we provide a detailed look at the 202 Profiled Theatres that completed the long form TCG Fiscal Survey in 2005. We examine the same areas that were covered in the Trend Theatre section—i.e., earned income, expenses, contributed income, CUNA, balance sheet ratios, attendance, performance and pricing—for all 202 theatres that responded to the survey in 2005, not just the 100 that responded in each of the past five years.

Each section begins with a brief overview of aggregated, industry-wide activity. We then break down information into Budget Group Snapshots, which provide income, expense, attendance and performance details for the Profiled Theatres organized into six budget groups. By teasing out traits that characterize theatres of various budget sizes, Budget Group Snapshots reveal how different size theatres have distinctive needs and operating practices.

In 2005, the Profiled Theatres' budget size ranged from \$67,000 to \$44 million, with the average budget size equal to \$4.2 million. The following table shows the budget ranges for each group as well as the number of theatres contained in each group.

### 2005 PROFILED THEATRES (202 Theatres)

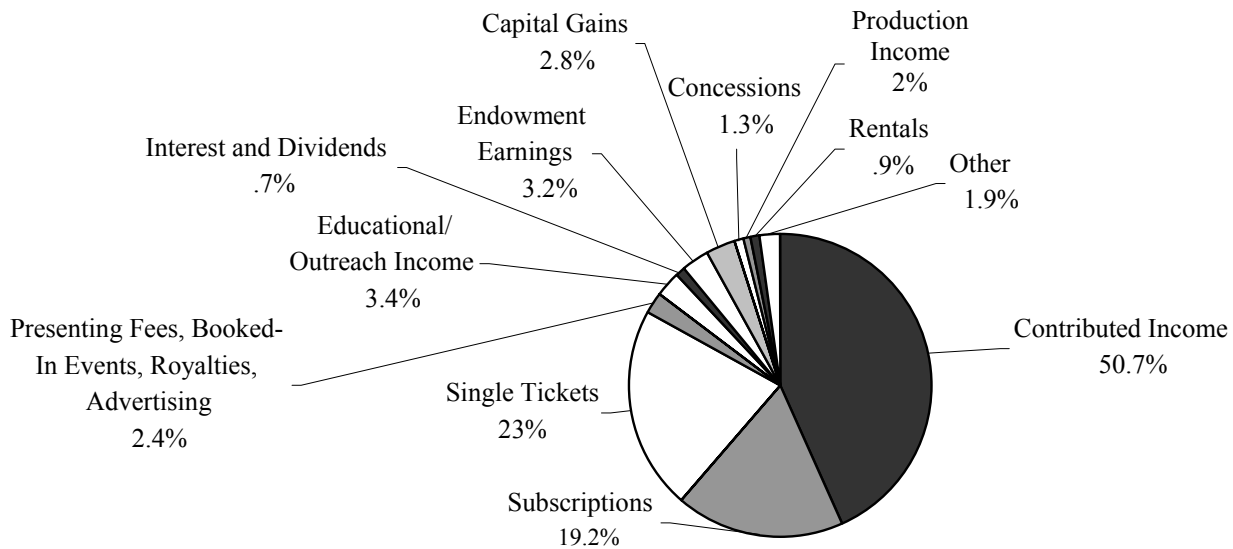
Budget Group	Number of Theatres	Budget Size
6	23	\$10 million or more
5	27	\$5 million - \$9,999,999
4	32	\$3 million - \$4,999,999
3	58	\$1 million - \$2,999,999
2	31	\$500,000 - \$ 999,999
1	31	\$499,999 or less



## EARNED INCOME

Figure 5 presents an income breakdown for the Profiled Theatres that places particular focus on earned income. On the whole, earned income financed 60.8% of total expenses and contributed income financed 50.7% of total expenses, which adds to 111.5% because total income exceeded total expenses by 11.5%. Income from ticket sales represented 69% of total earned income and supported 43% of all expenses. Single ticket income was the largest source of earned income and funded 23% of expenses.

**FIGURE 5: INCOME AS A PERCENTAGE OF EXPENSES WITH EARNED INCOME DETAIL \***



\*Percentages total 111.5% since total income exceeded total expenses by 11.5%

### Collectively, the 202 Profiled Theatres:

- ◆ Attracted 5.9 million single ticket buyers and 1 million subscribers/season ticket holders in 2005. Total earned income was \$519 million and ticket income was \$370 million. Earned income per theatre averaged \$2.6 million.
- ◆ Brought in 10% of subscription income from flexible subscriptions. Group sales comprised 11% and pick-and-choose vouchers accounted for 1% of single ticket sales. One theatre earned \$2 million in group sales.
- ◆ Toured productions that collected \$5 million in fees.
- ◆ Generated \$29 million in income from 1,283 education and outreach programs that served an audience of 3.5 million people.
- ◆ Earned \$11 million from concessions, \$8 million from rental fees and \$16 million from other activity such as ticket handling fees and special projects.
- ◆ Earned \$27.5 million from endowments and \$6 million from interest and dividends.
- ◆ Recognized \$23.5 million from realized and unrealized capital gains from unrestricted investment assets.
- ◆ Received \$17 million in production income—nearly three times the amount for the Profiled Theatres of 2004. 55 theatres received production income; of these, 32 reported co-production income, 20 reported enhancement income and 3 reported both.
- ◆ Produced 262 world premieres and earned \$2.5 million from 401 royalty properties for an average of \$6,249 per property, roughly \$2,000 less per property than was recorded by Profiled Theatres of 2004.



## BUDGET GROUP SNAPSHOT: EARNED INCOME

Table 14 provides average earned income dollar figures for all Profiled Theatres and for each budget group.

Table 15 presents each earned income line item as a percent of total expenses. We occasionally make year-to-year comparisons between 2004 Profiled Theatres and 2005 Profiled Theatres. In doing so, it is important to remember that the set of Profiled Theatres changes from year to year. Also, there were four more Profiled Theatres in 2005 than in 2004.

### For the 202 Profiled Theatres:

- ◆ The smaller the theatre, the more reliant it was on contributed income to support expenses.
- ◆ Average single ticket income exceeded subscription income for every budget group. This marks a departure for Group 5 Profiled Theatres of recent years, whose subscription income historically exceeded that of their single ticket sales.
- ◆ One theatre generated more than half of all Group 6 income from tour contracts and presenting fees.
- ◆ As we mentioned in the Trend Theatre section, one theatre—a Group 6 Theatre—brought in exceptional booked-in event income in 2005. This theatre accounted for 41% of all income in this category.
- ◆ One theatre accounted for 83% of Group 3's capital gains, another theatre's royalty income represented 96% of the Group's total, and yet another theatre's production income comprised 56% of the Group's overall sum.
- ◆ Of Group 6 Theatres, two theatres accounted for 40% of total 2005 endowment earnings or \$11 million of the aggregate \$27.5 million for all theatres.
- ◆ No Group 1 Theatre reported endowment earnings.
- ◆ Group 2 Theatres averaged the highest level of average income from presenter fees and tour contracts.
- ◆ Every budget group experienced collective capital gains rather than losses, which was not the case for Group 1 and 2 Profiled Theatres of 2004.
- ◆ Group 5 Theatres averaged more income from the rental of their facilities than did those of other budget groups.

**TABLE 14: AVERAGE EARNED INCOME**

	All Theatres	Group 6	Group 5	Group 4	Group 3	Group 2	Group 1
<b>Number of Theatres</b>	<b>202</b>	<b>23</b>	<b>27</b>	<b>32</b>	<b>58</b>	<b>31</b>	<b>31</b>
Subscriptions	\$ 811,980	\$ 3,979,557	\$1,364,138	\$ 588,838	\$ 256,089	\$ 53,002	\$ 10,304
Single Ticket Income	972,462	4,572,228	1,453,679	794,750	354,426	138,042	56,731
Booked-In Events	47,347	280,477	62,524	34,561	3,160	2,443	1,932
<b>Total Ticket Income</b>	<b>\$ 1,831,788</b>	<b>\$ 8,832,262</b>	<b>\$2,880,341</b>	<b>\$ 1,418,149</b>	<b>\$ 613,675</b>	<b>\$ 193,487</b>	<b>\$ 68,968</b>
Tour Contracts/Presenting Fees	25,703	45,538	8,881	15,776	27,437	50,767	7,579
Educational/Outreach Income	143,172	261,265	332,118	226,902	76,974	41,484	30,100
Interest and Dividends	29,209	187,067	37,884	11,401	2,813	1,035	478
Endowment Earnings	136,292	832,147	215,995	32,793	25,168	1,634	-
Capital Gains/(Losses)	116,410	681,155	219,093	15,191	24,751	106	250
Royalties	12,406	32,325	14,821	13,068	14,908	2,462	102
Concessions	56,545	240,134	102,300	53,271	17,939	8,976	3,662
Production Income	85,272	549,128	89,144	11,793	29,204	3,054	716
Advertising	14,794	33,624	19,073	20,929	12,151	8,295	2,205
Rentals	39,172	87,118	111,020	49,469	13,583	13,206	4,236
Other	80,913	365,812	141,913	63,302	29,502	7,256	4,430
<b>Total Earned Income</b>	<b>\$ 2,571,676</b>	<b>\$ 12,147,577</b>	<b>\$4,172,583</b>	<b>\$ 1,932,043</b>	<b>\$ 888,105</b>	<b>\$ 331,762</b>	<b>\$ 122,724</b>

**For the 202 Profiled Theatres:**

- ◆ Group 6 Theatres supported a much higher level of expenses with ticket income than other groups, both overall and within every ticket income category.
- ◆ Group 2 and 1 Theatres experienced far lower subscription income than the industry average.
- ◆ Group 2 Theatres lead the field in average tour contracts and presenting fees as a percent of expenses.
- ◆ Group 1 Theatres sustained a higher portion of their expenses with education/outreach income than other groups.
- ◆ Group 6 Theatres benefited significantly more than other groups from endowment earnings, capital gains and production income.
- ◆ One Group 6 Theatre without a subscription series skewed the proportion of expenses covered by single ticket income for the group. Eliminating this theatre from the analysis would leave remaining Group 6 Theatres with an average of 23.9% of expenses supported with subscription income and 24.1% with single ticket income.

**TABLE 15: AVERAGE EARNED INCOME AS A PERCENTAGE OF EXPENSES**

	All Theatres	Group 6	Group 5	Group 4	Group 3	Group 2	Group 1
<b>Number of Theatres</b>	<b>202</b>	<b>23</b>	<b>27</b>	<b>32</b>	<b>58</b>	<b>31</b>	<b>31</b>
Subscriptions	19.2%	22.6%	18.5%	15.7%	14.9%	7.5%	3.0%
Single Ticket Income	23.0%	26.0%	19.7%	21.3%	20.6%	19.6%	16.7%
Booked-In Events	1.1%	1.6%	0.8%	0.9%	0.2%	0.3%	0.6%
<b>Total Ticket Income</b>	<b>43.3%</b>	<b>50.3%</b>	<b>39.1%</b>	<b>37.9%</b>	<b>35.7%</b>	<b>27.4%</b>	<b>20.3%</b>
Tour Contracts/Presenting Fees	0.6%	0.3%	0.1%	0.4%	1.6%	7.2%	2.2%
Educational/Outreach Income	3.4%	1.5%	4.5%	6.1%	4.5%	5.9%	8.9%
Interest and Dividends	0.7%	1.1%	0.5%	0.3%	0.2%	0.1%	0.1%
Endowment Earnings	3.2%	4.7%	2.9%	0.9%	1.5%	0.2%	0.0%
Capital Gains/(Losses)	2.8%	3.9%	3.0%	0.4%	1.4%	0.0%	0.1%
Royalties	0.3%	0.2%	0.2%	0.3%	0.9%	0.3%	0.0%
Concessions	1.3%	1.4%	1.4%	1.4%	1.0%	1.3%	1.1%
Production Income	2.0%	3.1%	1.2%	0.3%	1.7%	0.4%	0.2%
Advertising	0.3%	0.2%	0.3%	0.6%	0.7%	1.2%	0.7%
Rentals	0.9%	0.5%	1.5%	1.3%	0.8%	1.9%	1.2%
Other	1.9%	2.1%	1.9%	1.7%	1.7%	1.0%	1.3%
<b>Total Earned Income</b>	<b>60.8%</b>	<b>69.1%</b>	<b>56.6%</b>	<b>51.7%</b>	<b>51.6%</b>	<b>47.0%</b>	<b>36.2%</b>

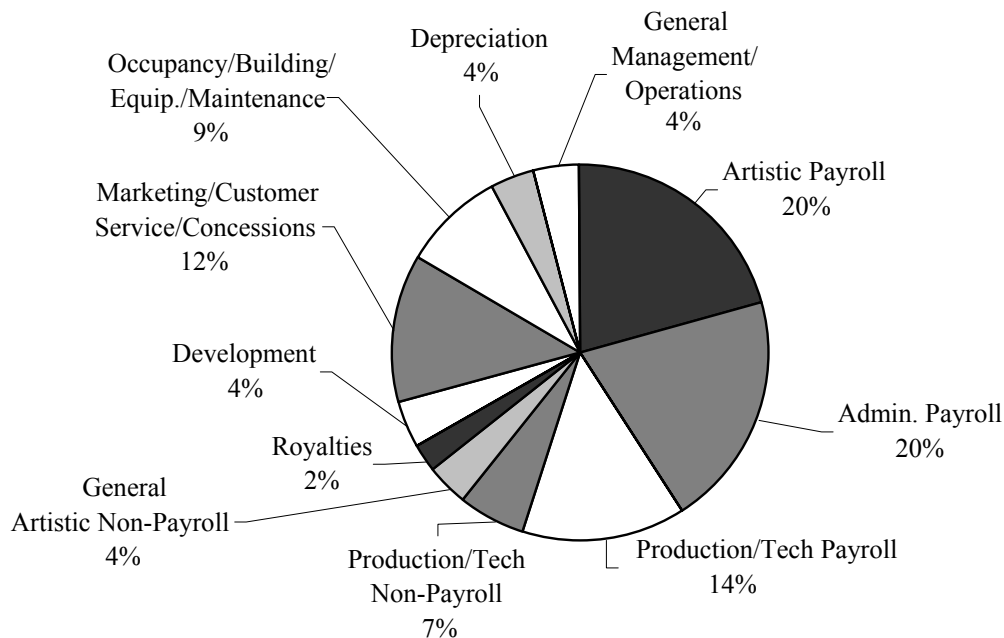


**EXPENSES**

Figure 6 presents a breakdown of expenses for the Profiled Theatres. As one would expect, Profiled Theatres’ compensation to artists was the greatest area of expense. The labor-intensive nature of theatre is evidenced by the fact that 54% of total expenses—\$460 million—went to compensation: artistic (20%), administrative (20%) and production payroll (14%). These percentages varied only slightly with theatre size and include salaries, taxes, health insurance, welfare and retirement payments. If one also considers payment to authors in the form of royalties, this figure rises to \$479 million or 56% of total expenses.

Direct production expenses—artist and production payroll, royalties, general production expenses (artist housing and travel, designer expenses, etc.) and production materials (including production management expenses)—represented nearly half (47%) of all expenses.

**FIGURE 6: BREAKDOWN OF EXPENSES**



**Collectively, the 202 Profiled Theatres:**

- ◆ Directly contributed \$855 million to the U.S. economy in 2005.
- ◆ Paid \$19 million in royalties for 1,127 properties—an average of \$17,300 per property. This average is roughly \$1,000 per property less than that experienced by the Profiled Theatres of 2004.
- ◆ Spent 68 cents to bring in each dollar of education and outreach income. This figure takes into account income earned from education and outreach activities, such as training programs and contract fees received for adult access programs, as well as contributed income that supports education and outreach programs. It includes education and outreach personnel salaries and benefits but it does not include development costs associated with grant writing for education or outreach funding.
- ◆ Were extremely effective with their development expenditures. It takes only 2 cents to generate every dollar of contributed income not associated with fundraising events and considering only non-personnel expenses.
- ◆ Spent over \$110 million in occupancy, building, equipment, maintenance and other administrative costs such as office supplies and audit fees. 36% of theatres own their own theatres, 53% rent and 11% operate out of donated theatre space. 38% of Profiled Theatres own their office space, 50% rent and 12% have office space donated. The percentage of Profiled Theatres that own their theatre and office space was slightly higher in 2005 than in 2004.
- ◆ Recognized over \$32 million in depreciation, the annual decrease in the book value of property and equipment for accounting purposes.
- ◆ Allocated 9% of development expenses, 4% of marketing expenses and 15% of general management expenses for professional fees for independent contractors or consultants.



## BUDGET GROUP SNAPSHOT: EXPENSES

Table 16 provides average expense dollar figures for all Profiled Theatres and for each budget group. In Table 17, we provide an index of key administrative expense/income comparisons as well as a table of personnel and non-personnel expenses allocated by administrative department.

	All Theatres	Group 6	Group 5	Group 4	Group 3	Group 2	Group 1
<b>Number of Theatres</b>	<b>202</b>	<b>23</b>	<b>27</b>	<b>32</b>	<b>58</b>	<b>31</b>	<b>31</b>
Artistic Payroll	\$ 836,514	\$ 3,250,312	\$ 1,405,936	\$ 737,048	\$ 398,359	\$ 201,211	\$ 107,435
Administrative Payroll	854,131	3,439,701	1,495,968	847,801	335,539	140,528	67,189
Production/Tech Payroll	584,730	2,657,635	1,103,576	438,956	192,101	47,569	17,104
<b>Total Payroll</b>	<b>\$ 2,275,375</b>	<b>\$ 9,347,648</b>	<b>\$ 4,005,480</b>	<b>\$ 2,023,806</b>	<b>\$ 926,000</b>	<b>\$ 389,308</b>	<b>\$ 191,727</b>
General Artistic Non-Payroll	160,408	640,325	324,321	107,629	71,112	33,451	10,086
Royalties	96,406	389,114	185,378	86,769	39,369	10,442	4,370
Production/Tech Non-Payroll (physical production)	316,470	1,627,384	454,221	201,312	106,048	34,648	18,268
Development/Fundraising	148,231	624,818	203,019	154,645	70,678	23,682	9,943
Marketing/Customer Service/Concessions	527,758	2,161,925	937,144	480,982	218,397	73,970	39,628
Occupancy/Building/Equipment/ Maintenance	382,843	1,430,420	716,643	376,592	159,999	83,267	37,841
Depreciation	160,733	740,953	264,637	139,376	50,451	25,348	3,518
General Management/Operations	163,690	611,215	275,896	167,787	77,454	31,113	23,620
<b>Total Expenses</b>	<b>\$ 4,231,915</b>	<b>\$ 17,573,802</b>	<b>\$ 7,366,739</b>	<b>\$ 3,738,897</b>	<b>\$ 1,719,508</b>	<b>\$ 705,231</b>	<b>\$ 339,002</b>

If we allocate personnel costs to the various administrative departments and combine them with program costs (see Table 17), we find that Profiled Theatres spent an average of \$517,759 on marketing, \$295,662 on development, \$223,829 on front-of-house (including box office) and \$164,583 on education. Compared to the Profiled Theatres of 2004, average amounts spent on marketing and education have risen whereas the average amounts spent on development and front-of-house have declined. In considering these year-to-year changes, keep in mind that the set of Profiled Theatres varies from year to year.

	All Theatres	Group 6	Group 5	Group 4	Group 3	Group 2	Group 1
Development/Fundraising Personnel	\$ 147,431	\$ 607,229	\$ 231,569	\$ 154,854	\$ 62,521	\$ 22,439	\$ 9,202
Non-personnel Development Expenses	148,231	624,818	203,019	154,645	70,678	23,682	9,943
Marketing Personnel	119,577	513,605	230,844	107,599	38,103	7,047	7,654
Non-personnel Marketing Expenses	398,182	1,731,648	700,261	317,082	157,161	52,471	26,104
Front-of-House Personnel	174,494	795,824	290,643	148,435	62,973	19,168	3,225
Non-personnel Front-of-House Expenses	49,335	185,795	101,523	47,549	20,090	6,853	1,677
Education Programs/Outreach Personnel	112,826	353,814	212,920	157,255	49,175	24,006	8,896
Non-personnel Education/Outreach Expenses	51,757	144,792	77,634	81,606	31,310	9,242	10,153

Table 18 presents each expense line item as a percent of total expenses and Table 19 provides administrative expense-to-income ratios for selected activities.

**TABLE 18: AVERAGE EXPENSES AS A PERCENTAGE OF TOTAL EXPENSES**

	All Theatres	Group 6	Group 5	Group 4	Group 3	Group 2	Group 1
<b>Number of Theatres</b>	<b>202</b>	<b>23</b>	<b>27</b>	<b>32</b>	<b>58</b>	<b>31</b>	<b>31</b>
Artistic Payroll	19.8%	18.5%	19.1%	19.7%	23.2%	28.5%	31.7%
Administrative Payroll	20.2%	19.6%	20.3%	22.7%	19.5%	19.9%	19.8%
Production/Tech Payroll	13.8%	15.1%	15.0%	11.7%	11.2%	6.7%	5.0%
<b>Total Payroll</b>	<b>53.8%</b>	<b>53.2%</b>	<b>54.4%</b>	<b>54.1%</b>	<b>53.9%</b>	<b>55.2%</b>	<b>56.6%</b>
General Artistic Non-Payroll	3.8%	3.6%	4.4%	2.9%	4.1%	4.7%	3.0%
Royalties	2.3%	2.2%	2.5%	2.3%	2.3%	1.5%	1.3%
Production/Tech Non-Payroll (physical production)	7.5%	9.3%	6.2%	5.4%	6.2%	4.9%	5.4%
Development/Fundraising	3.5%	3.6%	2.8%	4.1%	4.1%	3.4%	2.9%
Marketing/Customer Service/Concessions	12.5%	12.3%	12.7%	12.9%	12.7%	10.5%	11.7%
Occupancy/Building/Equipment/Maintenance	9.0%	8.1%	9.7%	10.1%	9.3%	11.8%	11.2%
Depreciation	3.8%	4.2%	3.6%	3.7%	2.9%	3.6%	1.0%
General Management/Operations	3.9%	3.5%	3.7%	4.5%	4.5%	4.4%	7.0%
<b>Total Expenses</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>

**For the 202 Profiled Theatres:**

- ◆ Group 6 Theatres spent comparatively more than other groups on physical production expenses and Group 6 and 5 Theatres spent proportionally more on technical personnel.
- ◆ Group 3, 2 and 1 Theatres spent proportionally more of their budgets on artists whereas Group 6, 5 and 4 Theatres spent comparatively more on administrative personnel.
- ◆ Group 2 Theatres consistently spent less of their total budget on marketing expenses than other groups.
- ◆ Group 1 Theatres out-spent Group 2 Theatres on marketing personnel and on non-personnel education/ outreach expenses, on average.
- ◆ Group 2 Theatres allocated more of their budgets to general artistic non-payroll expenses (e.g., artist housing and travel, designer expenses).
- ◆ Group 2 and 1 Theatres out-spent other groups on occupancy expenses related to facilities and equipment.
- ◆ Group 1 Theatres spent more of their budgets on general management expenses such as office supplies and membership fees.
- ◆ Group 1 Theatres experienced low levels of depreciation expense relative to other groups. This is likely due to the fact that fewer than 10% of Group 1 Theatres own their own theatre and 13% own their office space, figures far below the averages reported by other groups.

**TABLE 19:**

**PROFILED THEATRE ADMINISTRATIVE EXPENSE INDEX**

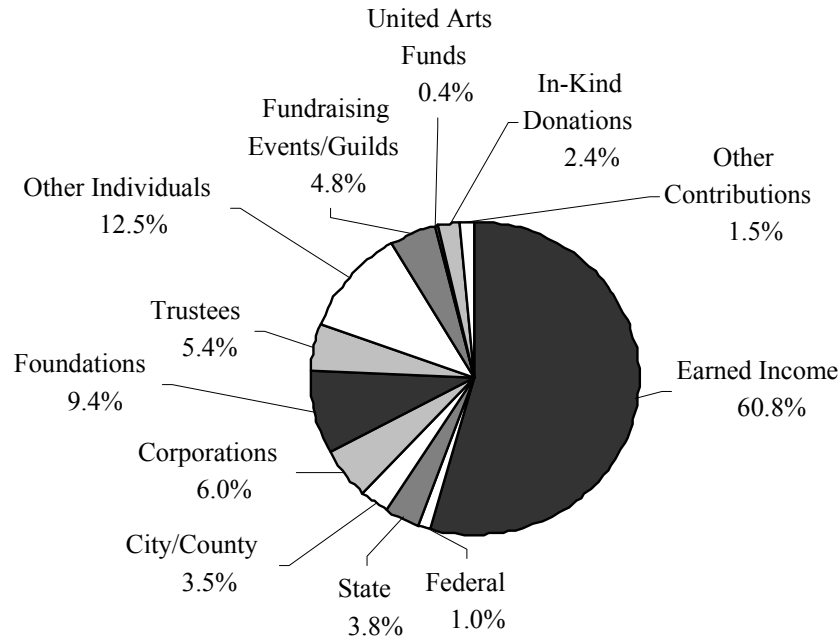
- ▶ Single ticket marketing expense to single ticket income (excludes personnel expense): 23%
- ▶ Subscription marketing expense to subscription income (excludes personnel expense): 13%
- ▶ Total marketing expense to total ticket sales (includes personnel expense): 28%
- ▶ Development expense to total unrestricted contributed income (excludes personnel expense, fundraising event expenses and income): 2%
- ▶ Fundraising event expense to fundraising event income (excludes personnel expense): 35%
- ▶ Total development expense to total unrestricted contributed income (includes fundraising event expense and personnel expense): 14%
- ▶ Total development expense to total contributed income (includes fundraising event expense, personnel expense, and unrestricted, temporarily restricted and permanently restricted contributed income): 12%
- ▶ Education/outreach expense to total education/outreach income (excludes personnel expense, includes both earned and contributed income): 21%
- ▶ Total education/outreach expense to total education/outreach income (includes personnel expense and both earned and contributed income): 68%



## CONTRIBUTED INCOME AND CHANGES IN UNRESTRICTED NET ASSETS (CUNA)

The contributed income and CUNA analysis takes into consideration all unrestricted funds, including Net Assets Released from Temporary Restriction (NARTR). Figure 7 presents an income breakdown for the Profiled Theatres, with particular focus on contributed income. Contributed income financed 50.7% of total expenses, with individual donations representing the largest single source of contributed income. We also present the average gift size by source for all profiled theatres and each budget group in Table 20.

**FIGURE 7: INCOME AS A PERCENT OF EXPENSES WITH CONTRIBUTED INCOME DETAIL\***



\*Percentages total 111.5% since total income exceeded total expenses by 11.5%.

### Collectively, the 202 Profiled Theatres:

- ◆ Released \$105 million of NARTR, which represented 24% of total contributed funds and was reported by multiple theatres in every group.
- ◆ Engaged in capital campaigns that generated \$99 million or 23% of all contributed funds. 44 Profiled Theatres (22%) were in a capital campaign in 2005. No theatre initiated a capital campaign in 2005; 16 theatres that are now in a capital campaign started it in 2004; 24 theatres began between 2000 and 2003; all others started prior to 2000. By way of comparison, 6% of Group 1 Theatres and 52% of Group 6 Theatres were in the midst of a capital campaign in 2005.
- ◆ Received gifts totaling \$153 million from trustees and other individuals, which supported 18% of total expenses and accounted for 35% of all contributed dollars.
- ◆ Received one-third of total individual contributions from trustees, who gave an average of \$6,864 per donor. Boards for the Profiled Theatres average 27 members.
- ◆ Attracted contributions from 242,865 individuals (non-trustees) who gave an average gift of \$325 (excluding NARTR from the calculation), up 14% from the Profiled Theatres' level of \$285 in 2004. For the average Group 6, 5 or 4 Theatre, gifts from other individuals were the greatest source of contributed funds.
- ◆ Raised \$51 million in corporate support from 5,037 corporations. There were roughly 700 more corporate donors to the 198 Profiled Theatres of 2004 than the 202 Profiled Theatres of 2005, but the average corporate gift in 2004 was \$1,500 less than that of 2005.



- ◆ Received \$80 million from foundations, 18% of total contributed income and the greatest source of contributed funds for Group 3, 2 and 1 Theatres. 3,126 foundations provided grants that averaged \$25,636—\$3,000 more than the 2004 average for Profiled Theatres.
- ◆ Raised over \$23 million in support of touring and education programs.
- ◆ Received federal support equal to 1% of expenses and 2% of total contributed income. Two theatres received NEH funding. Five theatres received grants in excess of \$350,000 from federal sources other than the NEA or

NEH, one of which also had \$900,000 in NARTR from federal funds for its capital campaign. The NEA changed its grant categories from previous years. 40 theatres averaged \$29,100 for Access to Artistic Excellence grants, 9 theatres received an average grant of \$25,100 for Learning in the Arts for Children and Youth projects and 3 theatres averaged \$25,000 for Challenge America Fast-Track grants. Every group benefited from some form of federal funding.

- ◆ Attracted in-kind donations that totaled \$20.7 million and raised \$41 million by throwing special fundraising events or through guilds.

**TABLE 20: AVERAGE GIFT BY SOURCE**

	All Theatres	Group 6	Group 5	Group 4	Group 3	Group 2	Group 1
Average Other Individual Gift	\$ 325	\$ 350	\$ 294	\$ 338	\$ 287	\$ 261	\$ 256
Average Trustee Gift	6,864	12,257	9,228	6,430	3,375	1,363	1,911
Average Corporate Gift	10,150	20,445	8,279	7,343	4,912	3,619	4,827
Average Foundation Gift	25,636	54,143	30,700	18,294	16,019	11,480	10,690



**BUDGET GROUP SNAPSHOT: CONTRIBUTED INCOME AND CUNA**

Table 21 provides average contributions and CUNA for all Profiled Theatres and for each budget group. In Table 22, we present contributions and CUNA as a percentage of expenses. We supplement these tables with the following observations.

**TABLE 21: AVERAGE CONTRIBUTED INCOME AND TOTAL INCOME**

	All Theatres	Group 6	Group 5	Group 4	Group 3	Group 2	Group 1
<b>Number of Theatres</b>	<b>202</b>	<b>23</b>	<b>27</b>	<b>32</b>	<b>58</b>	<b>31</b>	<b>31</b>
Federal	\$ 44,938	\$ 135,557	\$ 84,257	\$ 46,311	\$ 31,154	\$ 10,180	\$ 2,590
State	159,203	624,704	152,107	302,616	50,437	20,751	13,921
City/County	146,836	717,423	196,656	147,162	38,616	20,015	9,064
Corporations	253,108	1,144,894	406,284	217,981	85,113	33,857	27,871
Foundations	396,718	1,407,706	625,371	431,048	194,986	109,984	76,213
Trustees	229,646	843,446	364,386	317,076	101,118	17,891	18,865
Other Individuals	528,342	2,371,700	673,916	664,970	160,735	74,650	34,338
Fundraising Events/Guilds	204,031	704,943	359,222	245,221	105,604	29,679	13,207
United Arts Funds	20,078	72,886	44,916	14,028	8,521	4,617	2,596
In-Kind Services/Materials/	102,327	161,868	319,614	107,895	66,555	24,137	8,274
Other Contributions	62,583	121,766	160,054	52,858	53,965	9,126	13,402
<b>Total Contributed Income</b>	<b>\$ 2,147,811</b>	<b>\$ 8,306,894</b>	<b>\$3,386,784</b>	<b>\$ 2,547,166</b>	<b>\$ 896,805</b>	<b>\$ 354,887</b>	<b>\$ 220,342</b>
<b>Total Income</b>	<b>\$ 4,719,487</b>	<b>\$ 20,454,470</b>	<b>\$7,559,367</b>	<b>\$ 4,479,209</b>	<b>\$ 1,784,910</b>	<b>\$ 686,649</b>	<b>\$ 343,066</b>
<b>Changes in Unrestricted Net Assets (CUNA)</b>	<b>\$ 487,572</b>	<b>\$ 2,880,668</b>	<b>\$ 192,628</b>	<b>\$ 740,313</b>	<b>\$ 65,402</b>	<b>\$ (18,581)</b>	<b>\$ 4,064</b>

**For the 202 Profiled Theatres:**

- ◆ Of Group 6 Theatres, one theatre accounted for 58% of the group’s state funding and another for 53% of its local funding. Both are in a capital campaign.
- ◆ Every Group 6 Theatre reported NARTR.
- ◆ One or two theatres skewed the average CUNA, accounting for 90% of CUNA in Group 5, 84% in Group 4, 61% in Group 3 and 150% in Group 1. Excluding these theatres from the analyses would leave Group 5 Theatres with an average CUNA of \$122,500, Group 4 Theatres with \$126,800, Group 3 theatres with \$25,800 and Group 1 Theatres with CUNA of -\$2,100. Two Group 4 Theatres—one in a capital campaign and the other just completing one in 2005—had CUNA of roughly 250% the amount of their total expenses. Eliminating these two theatres from the analysis would leave average CUNA at 9% for all Profiled Theatres.
- ◆ Group 5 Theatres garnered the highest average in-kind donations and other contributions.
- ◆ Group 4 Theatres had the second highest average state grants, which is skewed by one theatre that received \$3.7 million in state funding allocated mostly for a capital campaign. This theatre accounted for 40% of the group’s total. It also skews the group’s average budget portion covered by state funding.
- ◆ As indicated in Table 20, Group 4 Theatres experienced the second highest average gift per non-trustee individuals.
- ◆ Group 2 Theatres attracted the lowest average gift per corporation and trustee, as indicated in Table 20.
- ◆ For Group 6 and 4 Theatres, average giving from non-trustee individuals supported expenses at much higher levels than it did for other groups.
- ◆ Group 4 and 3 Theatres brought in more of their budget from fundraising events, galas and guilds than other groups.
- ◆ Group 3 Theatres sustained more of their expenses with federal funding than did other groups.
- ◆ Corporate and foundation giving represented a much larger percentage of expenses for Group 1 Theatres than for any other budget group.
- ◆ For the second consecutive year, only Group 2 Theatres averaged negative CUNA. For theatres in all other budget groups, this means that, on average, the year ended with a higher level of unrestricted net assets than it began. As mentioned above, elimination of one Group 1 theatre with exceptional CUNA would leave the remaining 30 Group 1 Theatres with negative average CUNA. Despite the overall positive news, there were theatres in every budget group that ended the year with negative CUNA.

<b>TABLE 22: AVERAGE CONTRIBUTED INCOME AS A PERCENTAGE OF EXPENSES</b>							
	<b>All Theatres</b>	<b>Group 6</b>	<b>Group 5</b>	<b>Group 4</b>	<b>Group 3</b>	<b>Group 2</b>	<b>Group 1</b>
<b>Number of Theatres</b>	<b>202</b>	<b>23</b>	<b>27</b>	<b>32</b>	<b>58</b>	<b>31</b>	<b>31</b>
Federal	1.0%	0.8%	1.1%	1.2%	1.8%	1.4%	0.8%
State	3.8%	3.6%	2.1%	8.1%	2.9%	2.9%	4.1%
City/County	3.5%	4.1%	2.7%	3.9%	2.2%	2.8%	2.7%
Corporations	6.0%	6.5%	5.5%	5.8%	4.9%	4.8%	8.2%
Foundations	9.4%	8.0%	8.5%	11.5%	11.3%	15.6%	22.5%
Trustees	5.4%	4.8%	4.9%	8.5%	5.9%	2.5%	5.6%
Other Individuals	12.5%	13.5%	9.1%	17.8%	9.3%	10.6%	10.1%
Fundraising Events/Guilds	4.8%	4.0%	4.9%	6.6%	6.1%	4.2%	3.9%
United Arts Funds	0.4%	0.4%	0.6%	0.4%	0.5%	0.7%	0.8%
In-Kind Services/Materials/Facilities	2.4%	0.9%	4.3%	2.9%	3.9%	3.4%	2.4%
Other Contributions	1.5%	0.7%	2.2%	1.4%	3.1%	1.3%	4.0%
<b>Total Contributed Income</b>	<b>50.7%</b>	<b>47.3%</b>	<b>46.0%</b>	<b>68.1%</b>	<b>52.2%</b>	<b>50.3%</b>	<b>65.0%</b>
<b>Total Income</b>	<b>111.5%</b>	<b>116.4%</b>	<b>102.6%</b>	<b>119.8%</b>	<b>103.8%</b>	<b>97.4%</b>	<b>101.2%</b>
<b>Changes in Unrestricted Net Assets (CUNA)</b>	<b>11.5%</b>	<b>16.4%</b>	<b>2.6%</b>	<b>19.8%</b>	<b>3.8%</b>	<b>-2.6%</b>	<b>1.2%</b>



## THE BALANCE SHEET

The balance sheet reflects a theatre's long-term fiscal health and stability. A positive CUNA means that a theatre has ended the year with a higher level of unrestricted net assets than it had when the year began. The 190 Profiled Theatres that completed the Balance Sheet section of the survey held total assets of \$1.8 billion and net assets of \$1.5 billion, 56% of which was in unrestricted funds. As in the Trend Theatre section, we use Cool Spring Analytics' measures of theatres' fiscal health with respect to working capital, physical capital and investments. From Table 23, we see that 54% of Profiled Theatres' net assets were in fixed assets, 41% were investments, 12% were other net assets and the total was reduced by 8% due to negative working capital, which is detailed in Table 24.

<b>TABLE 23: AVERAGE TOTAL NET ASSETS</b>							
	<b>All Theatres</b>	<b>Group 6</b>	<b>Group 5</b>	<b>Group 4</b>	<b>Group 3</b>	<b>Group 2</b>	<b>Group 1</b>
<b>Number of Theatres</b>	<b>190</b>	<b>22</b>	<b>25</b>	<b>32</b>	<b>52</b>	<b>29</b>	<b>30</b>
Working Capital	\$ (582,322)	\$ 77,421	\$ (2,390,075)	\$ (994,840)	\$ (322,573)	\$ (91,256)	\$ (44,582)
Fixed Assets	3,967,862	19,583,837	6,140,528	3,249,494	995,156	378,293	94,457
Investments	3,036,663	18,624,275	5,026,747	646,644	383,711	26,472	5,001
Other Net Assets	906,164	1,262,415	3,318,809	1,215,058	291,509	211,263	42,027
<b>Total Net Assets</b>	<b>\$ 7,328,367</b>	<b>\$ 39,547,948</b>	<b>\$ 12,096,009</b>	<b>\$ 4,116,356</b>	<b>\$ 1,347,803</b>	<b>\$ 524,772</b>	<b>\$ 96,902</b>
<b>Total Expenses</b>	<b>\$ 4,302,524</b>	<b>\$ 17,802,950</b>	<b>\$ 7,396,105</b>	<b>\$ 3,738,897</b>	<b>\$ 1,747,948</b>	<b>\$ 698,591</b>	<b>\$ 337,167</b>
<b>Investment Ratio</b>	<b>71%</b>	<b>105%</b>	<b>68%</b>	<b>17%</b>	<b>22%</b>	<b>4%</b>	<b>1%</b>

### **FIXED ASSETS = TOTAL LAND + BUILDING + EQUIPMENT AT COST—ACCUMULATED DEPRECIATION**

Profiled Theatres possessed an aggregate \$753 million in fixed assets. The Group 6 Theatres accounted for 57% of all total fixed assets.

### **INVESTMENT RATIO = TOTAL INVESTMENTS/TOTAL EXPENSES**

Endowments and cash reserves comprised Profiled Theatres' invested capital. Investments generate interest income that can be used for operations, thereby lessening the burden on other income sources and making it easier to weather hard economic times. Together, Group 6 and 5 Theatres' endowment total represented 92% of the total for all Profiled Theatres. No Group 1 Theatre reported having unrestricted endowment funds. As discussed in the Trend Theatre section, the investment ratio is best examined over time. The average for all theatres is 71%. 96 of the 190 Profiled Theatres reported having some investments. The investment ratio progressively decreased with budget size with the exception of Group 3 Theatres, whose average investment ratio was more than that of Group 4 Theatres.

<b>TABLE 24: AVERAGE WORKING CAPITAL</b>							
	<b>All Theatres</b>	<b>Group 6</b>	<b>Group 5</b>	<b>Group 4</b>	<b>Group 3</b>	<b>Group 2</b>	<b>Group 1</b>
<b>Number of Theatres</b>	<b>190</b>	<b>22</b>	<b>25</b>	<b>32</b>	<b>52</b>	<b>29</b>	<b>30</b>
Total Unrestricted Net Assets	\$ 4,094,431	\$ 24,289,069	\$ 4,919,443	\$ 2,333,517	\$ 675,443	\$ 320,844	\$ 49,874
Fixed Assets	3,967,862	19,583,837	6,140,528	3,249,494	995,156	378,293	94,457
Unrestricted Investments	708,891	4,627,811	1,168,990	78,864	2,860	33,807	-
<b>Working Capital</b>	<b>\$ (582,322)</b>	<b>\$ 77,421</b>	<b>\$ (2,390,075)</b>	<b>\$ (994,840)</b>	<b>\$ (322,573)</b>	<b>\$ (91,256)</b>	<b>\$ (44,582)</b>
<b>Total Expenses</b>	<b>\$ 4,302,524</b>	<b>\$ 17,802,950</b>	<b>\$ 7,396,105</b>	<b>\$ 3,738,897</b>	<b>\$ 1,747,948</b>	<b>\$ 698,591</b>	<b>\$ 337,167</b>
<b>Working Capital Ratio</b>	<b>-14%</b>	<b>0%</b>	<b>-32%</b>	<b>-27%</b>	<b>-18%</b>	<b>-13%</b>	<b>-13%</b>

**WORKING CAPITAL = TOTAL UNRESTRICTED NET ASSETS — PROPERTY AND EQUIPMENT (LESS ACCUMULATED DEPRECIATION) — UNRESTRICTED INVESTMENTS**

Working capital represents theatres' ability to meet day-to-day cash needs and current obligations. On average, it was negative for Profiled Theatres, indicating that these theatres were borrowing funds to meet daily operating needs. The lowest reported working capital was -\$17 million and the highest was \$23 million. Only Group 6 Theatres reported positive average working capital. The average working capital figure of -\$582,322 was more acute than the -\$503,239 working capital figure for 2004 Profiled Theatres. Group 5 and 4 Theatres experienced particularly acute negative working capital, leaving them with little financial flexibility.

**WORKING CAPITAL RATIO = WORKING CAPITAL/TOTAL EXPENSES**

Another indicator of organizational health is the working capital ratio, a comparison of working capital to total expenses. Again, Cool Spring Analytics notes that one way to look at working capital is having enough capital to handle most cash flow fluctuations for a period of time. For example, a ratio of 25% would relate to three months of working capital. Of the 190 Profiled Theatres, 9% reported a working capital ratio of 25% or more and 66% experienced negative working capital, the same percentage as was the case for the Profiled Theatres of 2004. As mentioned above, only Group 6 Theatres had positive working capital; however, when compared to the group's total expenses, the working capital ratio came to only .4% or not enough working capital to last a week. Only one Group 5 and one Group 4 Theatre achieved a working capital ratio of 25%. The overall working capital ratio for the Profiled Theatres was -14%, 2% worse than was the case for the 2004 Profiled Theatres. The most severe working capital shortage occurred in Group 5 Theatres, which averaged -32%.



**ATTENDANCE, PRICING AND PERFORMANCES**

We now take a look at market and performance Industry Averages in detail for the Profiled Theatres (see Table 25). Since not every theatre offers a subscription package, averages reported in this section reflect the number of theatres that responded to each question. We supplement Table 25 with the following observations.

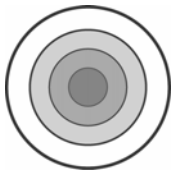
**The 202 Profiled Theatres:**

- ◆ Attracted over 11.9 million patrons, sold 1 million subscriptions and held over 38,000 main series performances. These figures were each lower than those of the 198 Profiled Theatres of 2004.
- ◆ Filled an average of 70% of their seats with paying customers. Generally speaking, the larger the theatre, the fuller the house.
- ◆ Group 6 and 3 Theatres reported charging more per ticket for subscribers than for single ticket buyers.
- ◆ The larger the theatres, the more actors employed per average performance week.
- ◆ Provided 90,521 weeks of actor employment and employed 35,384 full-time, part-time and jobbed-in administrative, technical and artistic personnel.

**TABLE 25: INDUSTRY AVERAGES**

	All Theatres	Group 6	Group 5	Group 4	Group 3	Group 2	Group 1
<b>Number of Theatres</b>	<b>202</b>	<b>23</b>	<b>27</b>	<b>32</b>	<b>58</b>	<b>31</b>	<b>31</b>
Subscription Renewal Rate (%)	70	74	69	73	71	68	60
High Subscription Discount (%)	37.2	47.9	44.0	37.9	33.9	31.5	28.8
Low Subscription Discount (%)	12.0	8.3	9.9	13.5	14.8	10.9	10.5
Subscription Price (per ticket)	\$25.60	\$36.77	\$31.77	\$28.00	\$22.59	\$17.70	\$16.41
Single Ticket Price	\$24.96	\$35.57	\$32.81	\$28.91	\$22.19	\$17.96	\$17.21
Number of Ticket Packages Offered	6	8	7	4	7	3	3
Number of Subscribers/Season Ticket Holders	6,134	22,780	8,629	5,196	2,433	906	287
Subscription Tickets (#subscribers x #tickets/package sold)	29,835	105,732	47,043	24,275	12,023	4,423	1,253
Single Tickets	35,155	126,122	54,089	34,755	18,007	8,780	5,582
Total In-Residence Paid Capacity (%)	70	81	72	73	72	69	56
Total In-Residence Subscriber Capacity* (%)	26	36	33	28	25	19	8
Number of Main Series Performances	188	416	271	221	156	87	71
Number of Performance Weeks	30	43	35	32	28	24	22
Number of Actor Employment Weeks (sum of # weeks each actor employed)	457	1,184	607	426	366	248	170
Number of Total Paid Employees (includes jobbed-in, part-time and full-time personnel)	78	525	254	182	122	72	59
Paid Employee Turnover (# vacated positions/total # pd. employees)	11%	13%	11%	10%	14%	7%	9%

\* Not all resident productions are offered on subscription. If we were to consider only potential capacity of those productions offered on subscription, subscribers filled an overall average of 32% of their potential: 46% for Group 6 Theatres, 42% for Group 5, 36% for Group 4 Theatres, 30% for Group 3, 25% for Group 2 and 10% for Group 1.



## CONCLUSION

In many ways, the improvement in fiscal health realized by many theatres in 2004 continued into 2005. The poor economy of the years immediately following 9/11 left many theatres with a steady degradation of CUNA. 2004 emerged as a year of hope, with general belt-tightening providing healthier bottom lines. In 2005, growth of both earned and contributed income outpaced expense growth for the first time in the new millennium. The average theatre in every budget group except Group 2 ended the year with a positive CUNA. On average, theatres experienced capital gains rather than capital losses and capital campaigns left theatres with substantial growth in both fixed assets and investments. Individual donors and foundations were key resource providers. Joint productions brought in considerably more income in 2005 than in years past.

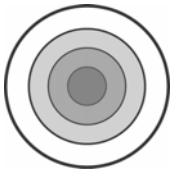
The news is not all good. Ticket sales were down and attendance was down for nearly every type of performance offered. The in-depth balance sheet analysis is promising in some respects and discouraging in others. The success of capital campaigns resulted in improved and, in many cases, expanded facilities. At the same time, cash reserves and working capital were at a 5-year low in 2005, despite improvement between 2003 and 2004. This is cause for serious concern. The additional expense of running these facilities is evident in the substantial increases in occupancy, building, equipment and maintenance costs.

Theatre size clearly has an impact on operations. The largest theatres—Group 6 Theatres—had the highest subscriber renewal rates, filled their theatres to a higher level of capacity than other groups and supported a much higher percentage of expenses with both ticket income and non-trustee individual donations than other groups. They spent the lowest percentage of their budgets on artistic personnel and the most on technical staff. They also allocated the highest percentage of their budgets to physical production expenses and were the only group to end the year with positive average working capital. Group 5 Theatres had the most severe negative working capital ratio at -32%. They also garnered the highest average in-kind donations and other contributions. Taken together, Group 6 and 5 Theatres accounted for 92% of all endowment funds.

Mid-sized theatres had their own peculiarities. Group 4 Theatres ended the year with the highest level of CUNA as compared to their expenses; they spent more of their budget on administrative personnel and occupancy costs than other groups and brought in more of their budget from non-trustee donations than other groups. Group 3 Theatres supported more of their expenses with federal funding and less with local government funding than did other groups.

Smaller theatres struggled. Group 2 Theatres attracted the lowest average gift per corporation and trustee. They spent more on general artistic expenses such as artist housing and travel, but spent less than other groups on physical production expenses and marketing. They also led the field in average tour contracts and presenting fees. Group 1 Theatres received more of their budgets from corporations and foundations and from education/outreach activities; they spent more of their budgets on artist salaries and benefits than any other group; yet, they struggled to attract audiences, playing to 56% capacity on average. Group 2 and 1 Theatres were more reliant than other groups on single ticket income since they experienced proportionally far lower subscription income than the industry average. Fewer than 10% of Group 1 Theatres owned their own theatre.

As a field, we continued in 2005 to make significant contributions to the economy, our communities and the wellbeing of artists. We contributed an estimated \$1.53 billion to the economy in the form of direct compensation and payment for services and goods. We opened our doors to 32.5 million patrons. We provided employment to 111,000 artists, administrators and technical personnel. Through our achievements and challenges, we continue to provide the nation with a strong and diverse artistic heritage.



## METHODOLOGY

*Theatre Facts 2005* includes information on participating theatres' fiscal years ending anytime between September 30, 2004 and August 31, 2005. Information provided by Profiled Theatres was verified against certified financial audits. The adjustment for inflation in the discussion of Trend Theatres of 10% is based on the overall compounded annual average changes from 2001 to 2005 in the Consumer Price Index for all urban consumers as reported by the U.S. Department of Commerce's Bureau of Labor Statistics.

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## 2005 PROFILED THEATRES

(Theatre's Budget Group noted in parentheses)

### ALABAMA

Alabama Shakespeare Festival (5)

### ALASKA

Perseverance Theatre (3)

### ARIZONA

Actors Theatre of Phoenix (3), Arizona Theatre Company (5), Borderlands Theater (1), Childsplay, Inc. (3), Phoenix Theatre (4), Southwest Shakespeare Company (1), Valley Youth Theatre (3)

### ARKANSAS

Arkansas Repertory Theatre (3)

### CALIFORNIA

The Actors' Gang (2), American Conservatory Theater (6), Aurora Theatre Company (3), B Street Theatre (3), Berkeley Repertory Theatre (6), California Shakespeare Theater (4), Center Theatre Group/Mark Taper Forum and Ahmanson Theatre (6), Cornerstone Theater Company (3), Dell'Arte International (2), East West Players (3), Geffen Playhouse (5), La Jolla Playhouse (5), Laguna Playhouse (5), Marin Shakespeare Company (2), North Coast Repertory Theatre (3), The Old Globe (6), PCPA Theaterfest (4), San Diego Repertory Theatre (4), Shakespeare Santa Cruz (3), Sierra Repertory Theatre (3), South Coast Repertory (6), TheatreWorks (5)

**COLORADO**

Arvada Center for the Arts and Humanities (5), Creede Repertory Theatre (2), Curious Theatre Company (1), Denver Center Theatre Company (5)

**CONNECTICUT**

Connecticut Repertory Theatre (3), Hartford Stage (5), Long Wharf Theatre (5), Westport Country Playhouse (4), Yale Repertory Theatre (5)

**DELAWARE**

Delaware Theatre Company (3)

**D.C.**

Arena Stage (6), Folger Theatre (3), Ford's Theatre (5), Shakespeare Theatre Company (6), The Studio Theatre (4)

**FLORIDA**

American Stage (3), Asolo Theatre Company (5), Florida Stage (4), Florida Studio Theatre (4), Orlando-UCF Shakespeare Festival (3)

**GEORGIA**

Alliance Theatre (6), Dad's Garage Theatre Company (2), Out of Hand Theater (1), 7 Stages (2), Synchronicity Performance Group (1), Youth Ensemble of Atlanta (1)

**IDAHO**

Boise Contemporary Theater (2), Idaho Shakespeare Festival (3)

**ILLINOIS**

American Theater Company (1), Chicago Dramatists (1), Chicago Shakespeare Theater (6), Court Theatre (3), Goodman Theatre (6), Next Theatre Company (1), Northlight Theatre (4), Redmoon Theater (3), Steppenwolf Theatre Company (6), Victory Gardens Theater (3), Writers' Theatre (3)

**INDIANA**

Indiana Repertory Theatre (5), Phoenix Theatre, Inc. (2)

**IOWA**

Riverside Theatre (2)

**KENTUCKY**

Actors Theatre of Louisville (5), Kentucky Shakespeare Festival (2), Roadside Theater (1), Walden Theatre (1)

**MAINE**

Portland Stage Company (3)

**MARYLAND**

CENTERSTAGE (5), Everyman Theatre (3), Imagination Stage (4), Olney Theatre Center for the Arts (4), Round House Theatre (5), Theatre Project (1)

**MASSACHUSETTS**

American Repertory Theatre (5), Berkshire Theatre Festival (3), Huntington Theatre Company (6), Merrimack Repertory Theatre (3), New Repertory Theatre (3), North Shore Music Theatre (6), Shakespeare & Company (4), Williamstown Theatre Festival (4)

**MICHIGAN**

Detroit Repertory Theatre (2), Plowshares Theatre Company (1)

**MINNESOTA**

The Children's Theatre Company (6), Commonweal Theatre Company (1), Guthrie Theater (6), Mixed Blood Theatre Company (3), Mu Performing Arts (1), Pillsbury House Theatre (2), Stages Theatre Company (3), Ten Thousand Things Theater Company (1), Theatre de la Jeune Lune (3)

**MISSISSIPPI**

New Stage Theatre (2)

**MISSOURI**

The Coterie Theatre (3), Kansas City Repertory Theatre (5), Unicorn Theatre (2)

**NEVADA**

Nevada Shakespeare Company (1)

**NEW HAMPSHIRE**

Peterborough Players (2)

**NEW JERSEY**

George Street Playhouse (4), Growing Stage Theatre for Young Audiences (1), McCarter Theatre Center (6), Passage Theatre Company (1)

**NEW YORK**

The Acting Company (3), Atlantic Theater Company (4), Castillo Theatre (2), The Cider Mill Playhouse (2), Classic Stage Company (3), The Foundry Theatre (1), Geva Theatre Center (5), Hangar Theatre (3), Irondale Ensemble Project (1), Lark Play Development Center (1), Lincoln Center Theater (6), Mabou Mines (2), Manhattan Theatre Club (6), Ma-Yi Theater Company (2), Merry-Go-Round Playhouse (3), Mint Theater Company (2), New York Theatre Workshop (4), The Open Eye Theater (1), Ping Chong & Company (2), Playwrights Horizons (5),

Pregones Theater (2), Primary Stages (3), Roundabout Theatre Company (6), Second Stage Theatre (5), Signature Theatre Company (4), The SITI Company (2), Syracuse Stage (4), Target Margin Theater (1), Theatre for a New Audience (4), Vineyard Theatre (3), The Wooster Group (2)

#### **NORTH CAROLINA**

Actor's Theatre of Charlotte (1), PlayMakers Repertory Company (3), Theater Previews at Duke (3)

#### **OHIO**

The Cleveland Play House (5), Cleveland Public Theatre (3), Great Lakes Theater Festival (4), The Human Race Theatre Company (3)

#### **OREGON**

Artists Repertory Theatre (3), Miracle Theatre Group (1), Oregon Shakespeare Festival (6), Portland Center Stage (4)

#### **PENNSYLVANIA**

1812 Productions (2), Arden Theatre Company (4), Bloomsburg Theatre Ensemble (2), Bristol Riverside Theatre (3), City Theatre Company (4), New Paradise Laboratories (1), Open Stage of Harrisburg (1), The Pennsylvania Shakespeare Festival (3), The People's Light & Theatre Company (3), Philadelphia Theatre Company (3), Pig Iron Theatre Company (2), Pittsburgh Irish & Classical Theatre (2), Pittsburgh Public Theater (5), The Wilma Theater (4)

#### **RHODE ISLAND**

Trinity Repertory Company (5)

#### **SOUTH CAROLINA**

Arts Center of Coastal Carolina (4), Charleston Stage Company (3)

#### **TENNESSEE**

Clarence Brown Theatre Company (3), Playhouse on the Square (3)

#### **TEXAS**

Alley Theatre (6), Dallas Children's Theater (4), Dallas Theater Center (4), Rude Mechanicals (1), WaterTower Theatre (3), Zachary Scott Theatre Center (3)

#### **UTAH**

Pioneer Theatre Company (4), Utah Shakespearean Festival (5)

#### **VERMONT**

Northern Stage (3), Weston Playhouse Theatre Company (3)

#### **VIRGINIA**

Signature Theatre (4), Theater of the First Amendment (1), Virginia Stage Company (3)

#### **WASHINGTON**

ACT Theatre (4), Book-It Repertory Theatre (2), The Empty Space Theatre (3), Harlequin Productions (2), Seattle Children's Theatre (5), Seattle Repertory Theatre (6), Taproot Theatre (3), Wing-It Productions (1)

#### **WEST VIRGINIA**

Contemporary American Theater Festival (2)

#### **WISCONSIN**

American Players Theatre (4), First Stage Children's Theater (4), Madison Repertory Theatre (3), Milwaukee Repertory Theater (6), Milwaukee Shakespeare Company (3)