THEATRE FACTS 2008

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

By Zannie Giraud Voss and Glenn B. Voss, with Christopher Shuff and Ilana B. Rose

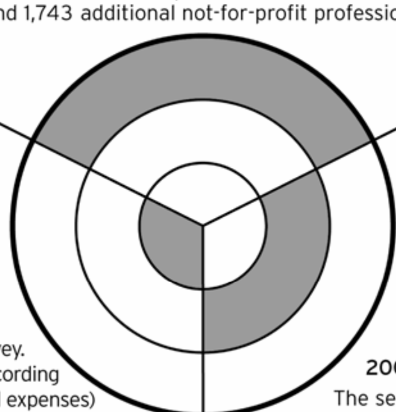
Theatre Facts uses responses to the annual TCG Fiscal Survey to examine the field's attendance, performance and fiscal health. *Theatre Facts 2008* compiles information for the fiscal year that theatres completed during the period October 31, 2007, and September 30, 2008. Theatres continue to enrich their communities and the nation's artistic legacy. These contributions go beyond the quantitative analyses that we are able to capture in this report.

The report is organized into three sections that offer different perspectives. The Universe section provides a broad overview of the 1,919 not-for-profit professional theatres that filed Internal Revenue Service (IRS) Form 990 in 2008. This overview provides the most complete snapshot of the universe of not-for-profit professional theatres. The *Trend Theatres* section presents a longitudinal analysis of the 105 TCG theatres that responded to the TCG Fiscal Survey in each of the past 5 years. In addition, we offer a sub-section that highlights 10-year trends for 59 TCG theatres that have been survey participants each year since 1999. This section provides interesting insights regarding long-term trends experienced by larger not-for-profit professional theatres. The *Profiled Theatres* section provides a detailed examination of the 176 theatres that completed the TCG Fiscal Survey in 2008. This section provides the greatest level of detail, including breakout information for theatres in 6 different budget categories.

The report complies with the audit structure recommended by the Federal Accounting Standards Board (FASB). It examines unrestricted income and expenses, balance sheet, and attendance, pricing and performance details. 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 (Page 2)

The **Universe** section provides the broadest snapshot of the industry for 2008. We examine the big picture with an overview of 1,919 theatres that filed IRS Form 990, including 176 TCG member theatres that provided fiscal, attendance and performance information and 1,743 additional not-for-profit professional theatres.



PROFILED THEATRES:
In-Depth Snapshot
(Pages 20-32)

The last section provides a detailed snapshot of the industry based on responses from the 176 **Profiled Theatres** that completed the 2008 survey. Theatres are grouped according to budget size (i.e.,annual expenses) in the table below.

Budget Group	Number of Theatres	Budget Size
6	28	$ 10 million or more
5	32	$ 5 million - $ 9,999,999
4	27	$ 3 million - $ 4,999,999
3	45	$ 1 million - $ 2,999,999
2	28	$ 500,000 - $ 999,999
1	16	$ 499,999 or less

TREND THEATRES:
In-Depth Coverage
2004-2008 (Pages 3-19)

The second section furnishes more in-depth comparative income, expense, performance, attendance and pricing information for the 105 **Trend Theatres** that have participated in the full Fiscal Survey for each of the past five years.

INSIDE THIS ARTICLE

- Theatres contributed over $1.8 billion to the economy in the form of salaries, benefits and payments for goods and services (p. 2).
- More than half of the theatres ended 2008 in the red, which was the only year in the last five where CUNA (the change in unrestricted net assets) was negative—due, in part, to a shift from capital gains in 2004-2007 to capital losses in 2008 and a 19% growth in total expenses (pp. 3-4, Figures 2 & 3).
- Average single ticket income was higher in 2008 than in 2004 after adjusting for inflation, although it supported less of the average theatre's total expenses over time (pp. 4-6, Tables 2 & 3).
- Average subscription income rose 2.6% over the five-year span, however, 8% fewer subscription tickets were purchased and the number of subscribers fell by 10%. (p. 5 and p. 16, Tables 2 & 13).
- In 2008, overall attendance at resident productions was 1.9% higher than it was 5 years ago and the number of performances offered rose 5.2% over time (pp. 14-15, Tables 11 & 12).
- On average, theatres experienced capital losses rather than capital gains in 2008; over time, however, capital campaigns left theatres with substantial growth in both fixed assets and investments, and the investment ratio has improved (p. 5 and pp. 12-14, Tables 2 & 9).
- Cash reserves were lower in 2008 than in 2004 after adjusting for inflation. Ten fewer theatres reported a cash reserve in 2008 than in 2004, but the average for those reporting increased annually from 2004 to 2007 then declined slightly in 2008 (p. 13).
- Working capital was negative in each of the 5 years but improved over time, as did the investment ratio (pp. 12-14, Tables 9 & 10).

WHAT IS CUNA?

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

CUNA =

TOTAL UNRESTRICTED INCOME – TOTAL UNRESTRICTED EXPENSES

THE UNIVERSE

In 2008, not-for-profit theatres presented the creative work of 83,000 professional artists to 32 million audience members.

This conclusion is based on an extrapolation of data from 176 TCG member theatres to 1,743 additional theatres that completed IRS Form 990 and either are not members of TCG or are members who did not participate in the Fiscal Survey. The IRS collects information for not-for-profit theatres, including theatres that do not respond to the TCG Fiscal Survey. We used total annual expenses—the only data reported by all theatres—to generate the Universe estimates presented in Table 1 for the 1,919 theatres. We base this extrapolation on weighted averages for TCG member theatres of similar total expenses. TCG member theatres tend to have larger budgets than non-members, so weighting is necessary to provide realistic estimates of the activity, finances and workforce breakdown for the larger Universe.

It is important to keep in mind that the figures reported in the Universe table are estimates and do not represent data provided by the 1,743 non-survey theatres themselves. To check the accuracy of the estimates, we compared total expenses reported by these theatres (the one item reported by all theatres) with a total expense figure based on our extrapolations. The two came within 1% of each other, suggesting that the extrapolated figures, while imperfect, are reasonably accurate estimates.

We estimate that in 2008, the 1,919 Theatres in the U.S. Not-for-profit Professional Theatre Field:

- Contributed more than $1.8 billion to the U.S. economy in payments for goods, services and salaries. The real economic impact is far greater than $1.8 billion. When audience members go to the theatre, they frequently go out to eat, pay for parking, hire babysitters, etc. Theatres' employees live in their communities, pay rent or buy homes, make regular purchases and contribute to the overall tax base.

- Engaged the majority of their employees in artistic pursuits. We estimate that the theatre work force (i.e., all paid full-time, part-time, jobbed-in or fee-based employees) is 63% artistic, 26% technical and 11% administrative. It is worth noting that these percentages shift based on theatre size. For example, theatres with total expenses of $500,000 or less (i.e., 70% of Universe Theatres) employ 73% of their workforce in artistic positions, 21% in production and 6% as administrators. Theatres with total expenses greater than $500,000 employ 58% in artistic positions, 28% in production and 14% in administration.

TABLE 1 : ESTIMATED 2008 UNIVERSE OF U.S. NOT-FOR-PROFIT PROFESSIONAL THEATRES (1,919 Theatres)

Estimated Productivity		
Attendance	32,000,000	
Subscribers	1,500,000	
Performances	202,000	
Productions	15,000	
Estimated Finances		
Earnings	$ 954,800,000	
Contributions	$ 929,400,000	
Total Income	$ 1,884,200,000	
Expenses	$ 1,859,600,000	
Changes in Unrestricted Net Assets (CUNA)	$ 24,600,000	
Earned $ as a % of Total Income	51%	
Contributed $ as a % of Total Income	49%	
CUNA as a % of Expenses	1.3%	
Estimated Workforce		% of Total
Artistic (all)	83,000	63%
Administrative	14,000	11%
Production/Technical	34,000	26%
Total Paid Personnel	131,000	

- Received 51% of their income from earned sources and 49% from contributions. Theatres with total expenses of $500,000 or less received 41% from earned sources and 59% from contributions whereas theatres with total expenses above $500,000 received 52% and 48% from earned and contributed sources, respectively.

- Experienced a Change in Unrestricted Net Assets (CUNA), which encompasses changes in all unrestricted funds and includes Net Assets Released from Temporary Restriction (NARTR), equivalent to 1.3% of expenses. This estimate reflects the fact that, as indicated above, non-member theatres are predominantly mid-sized or smaller, and theatres in this range tended to have marginally positive CUNA relative to expenses, as opposed to theatres with larger budgets which tended to have negative CUNA (see pages 28-29).

TREND THEATRES

This section of the report focuses on the 105 Trend Theatres that responded to the TCG Fiscal Survey each year from 2004 to 2008. Following the same set of theatres over time avoids extreme variation that can occur when different theatres participate in some years but not in others. In the tables, there may be slight discrepancies in the totals due to rounding.

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 dollar figures and percentages represent averages rather than aggregates. In each section, we present 1-year percentage changes that compare activity levels in 2008 to activity levels in 2007 and 4-year percentage changes that offer a longer-term perspective comparing activity levels in 2008 to activity levels in 2004. In addition, we include a 10-year trend analysis for a subset of 59 Long-term Trend Theatres that have participated in the TCG Fiscal Survey each year since 1999. But first, we provide a summary of the 5-year trends.

The first 4 years of the 5-year period reflect a robust economy. The effects of the economic downturn begin to emerge in this year's survey, even though the brunt of the decline would not have been felt until after the close of the 2008 Fiscal Survey last September. Early signs of downturn are reflected in the shift from average capital gains to capital losses, lower endowment earnings in 2008 than 2007 and the only negative average CUNA for the 5-year period. At the same time, several expense areas underwent double-digit growth from 2007 to 2008.

Figure 1 shows 5-year trends in income, expenses and CUNA. Adjusting for inflation, 5-year growth rates were 6.0% for earned income, 14.3% for contributed income, 9.4% for total income, 19.1% for expenses and -138% for CUNA. Expenses increased annually. Earned income rose each year from 2004 to 2007 and then diminished 7.2% in 2008. Contributed income shot up between 2004 and 2005 and has remained reasonably flat since then with minor fluctuations. CUNA doubled from 2004 to 2005, dipped in 2006, held steady in 2007 and tumbled in 2008.

FIGURE 1
TREND THEATRES: AVERAGE INCOME, EXPENSES, CUNA

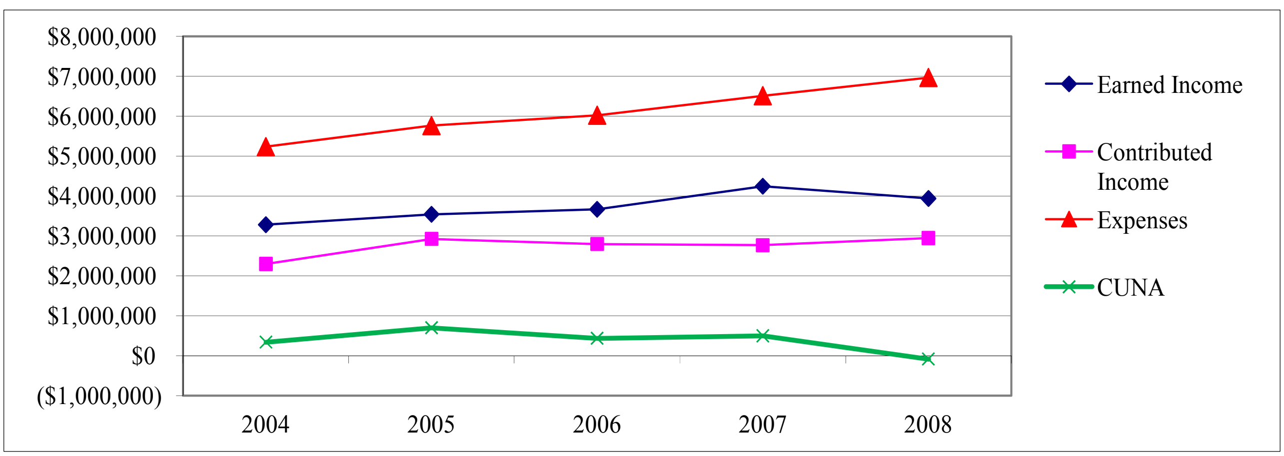
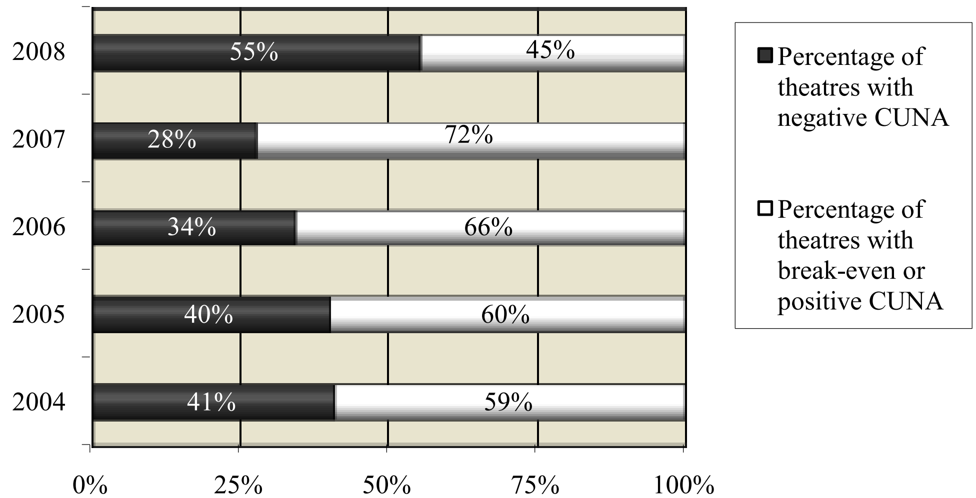


Figure 2 shows the annual percentage of Trend Theatres that broke even or had positive CUNA versus those that experienced negative CUNA. This chart highlights the fact that while an increasing majority of theatres operated in the black from 2004 to 2007, more than half of the theatres had negative CUNA in 2008.

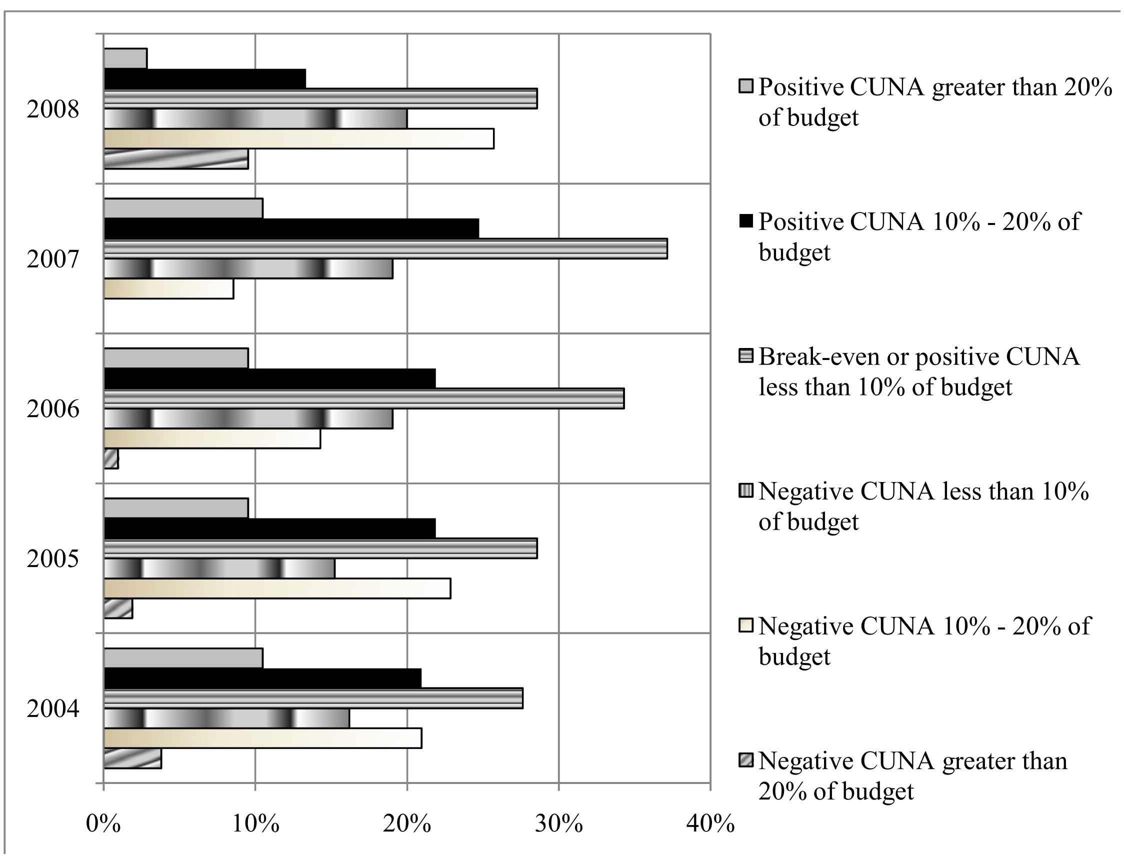
Figure 2 illustrates the percentage of theatres that had a negative or positive CUNA, but it does not capture the extent to which theatres ran a positive or negative CUNA each year. Figure 3 provides a more detailed view of theatres' bottom lines. A closer look reveals that, for theatres with deficits, the average shortfall decreased from 2004 to 2007, while the number of theatres with sizeable surpluses was on the rise.

FIGURE 2:
BREAKDOWN OF 105 TREND THEATRES' CHANGES IN UNRESTRICTED NET ASSETS (CUNA)



The positive trend for CUNA reversed itself in 2008. For example, the percentage of theatres reporting negative CUNA greater than or equal to 20% of budget (the diagonal striped bars in Figure 3 at the bottom of each year's stack) decreased from 4% in 2004 to less than 1% in 2007 but increased to 10% in 2008. The percentage of theatres reporting positive CUNA greater than 20% of budget (the solid gray bars in Figure 3 at the top of each year's stack) fluctuated around 10% from 2004 to 2007 then dropped to 3% in 2008.

FIGURE 3:
BREAKDOWN OF 105 TREND THEATRES' DEGREE OF POSITIVE OR NEGATIVE CUNA



EARNED INCOME

We examine changes in earned income in this section. Table 2 presents average earned income levels in dollars and three trend indices: 1-year percentage change, 4-year percentage change and 4-year percentage change adjusted for inflation. Table 3 depicts 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 total expenses.

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 occurs when the increase in an income category did not keep pace with the increase in expenses over the 5-year period. Growth in earned income (6.0%) lagged behind the growth in expenses (19.1%) and total contributed income (14.3%) over the 5 years. Theatres' capital losses reflect the global economic decline in capital markets.

For the 105 Trend Theatres:

- Earned income increased steadily from 2004 to 2007, rising sharply from 2006 to 2007. It then dropped off 7.2% from 2007 to 2008, for overall inflation-adjusted growth of 6% over the 5-year period (see Table 2). But Table 3 reveals that earned income supported 6.2% less of total expenses in 2008 than in 2004, the lowest level of expense support during the 5-year period.

- Average subscription income fluctuated over time and was at its highest 5-year level in 2007, dipping 2.3% in 2008. As shown in Table 3, subscription income covered a lower level of total expenses in 2008 (18.2%) than in any other year.

- Additional analyses (not shown in the tables) indicate that flexible subscription income accounted for 9% of total subscription income in 2008, up from 6% in 2007. Fifty-four percent of theatres that offer flexible subscriptions saw an increase in income from this area over time.

- Average single ticket income rose 14.1% in the past year and 18.3% over the 5-year period. This growth in average single ticket income nearly kept pace with the growth in expenses, supporting only 0.2% less of the average total expenses in 2008 than 2004. Fifty-seven percent of theatres reported higher inflation-adjusted total single ticket income in 2008 than in 2004.

- Average single ticket income exceeded average subscription income every year. The percentage of theatres reporting more single ticket income than subscriber income increased from 57% of theatres in 2004 to 65% in 2008.

- Inflation-adjusted growth in total ticket income was 11% from 2004 to 2008. Ticket income represented 73% of total earned income in 2004 and 76% in 2008. But Table 3 shows ticket income covering a decreasing proportion of expenses: 2.8% less in 2008 than in 2004.

TABLE 2: AVERAGE EARNED INCOME (105 Theatres)

	2004	2005	2006	2007	2008	1-yr. % chg.	4-yr. % chg.	4-yr % CGR*
Subscriptions	$1,089,812	$1,239,116	$1,232,910	$1,301,121	$1,271,041	-2.3%	16.6%	2.6%
Single Ticket Income	1,277,117	1,258,253	1,336,853	1,479,774	1,689,054	14.1%	32.3%	18.3%
Booked-In Events	33,943	72,764	59,141	46,413	42,175	-9.1%	24.3%	10.3%
Total Ticket Income	**$2,400,871**	**$2,570,133**	**$2,628,905**	**$2,827,308**	**$3,002,270**	**6.2%**	**25.0%**	**11.0%**
Tour Contracts/Presenting Fees**	13,067	26,420	31,523	110,802	99,586	-10.1%	662.1%	648.1%
Educational/Outreach Income	178,672	193,584	192,965	205,008	201,778	-1.6%	12.9%	-1.1%
Interest and Dividends	28,691	29,712	39,510	50,336	47,122	-6.4%	64.2%	50.2%
Endowment Earnings	108,931	137,352	191,352	333,597	206,212	-38.2%	89.3%	75.3%
Capital Gains/(Losses)	185,697	174,161	179,493	248,179	-123,232	-149.7%	-166.4%	-180.4%
Royalties	17,985	8,314	19,598	20,454	19,924	-2.6%	10.8%	-3.2%
Concessions	75,667	77,634	79,570	83,669	84,060	0.5%	11.1%	-2.9%
Production Income	42,696	124,843	46,146	73,499	66,624	-9.4%	56.0%	42.0%
Advertising	19,485	20,835	22,562	23,676	23,280	-1.7%	19.5%	5.5%
Rentals	53,552	55,499	63,707	65,937	78,214	18.6%	46.1%	32.1%
Other (ticket handling, insur., etc.)	156,742	123,110	171,525	200,881	231,052	15.0%	47.4%	33.4%
Total Earned Income	**$3,282,056**	**$3,541,598**	**$3,666,855**	**$4,243,346**	**$3,936,890**	**-7.2%**	**20.0%**	**6.0%**

* Compounded Growth Rate adjusted for inflation.
** Trend skewed by one or two theatres' exceptional activity.

For the 105 Trend Theatres:

- Income from presenter fees and contracts for toured performances more than tripled from 2006 to 2007 and decreased 10.1% in 2008. The spike in growth is primarily due to 1 theatre that earned more than $7 million from this activity in 2007 and 2008. Eliminating this theatre from the analysis would leave 2004 to 2006 averages largely unchanged from those reported in Table 2, but the figures would be considerably lower in 2007-08 at $43,257 and $33,670, respectively. The adjusted figures represent a two-fold increase from 2004 to 2008 after adjusting for inflation.

- Educational and outreach income rose steadily from 2004 to 2007 then dropped off 1.6% in 2008. Overall, education and outreach income growth fell short of inflation by 1.1%. Theatres offered an average of 7 education and outreach programs each year. The average number of people served by outreach and education activity fluctuated between 16,300 and 17,600 each year except 2004, when a remarkably high 22,189 were served. In 2008, theatres' education and outreach programs served an average of 16,478 people.

- Average interest and dividends from short-term investments increased each year from 2004 to 2007 then declined 6.4% in 2008. Overall, theatres saw 50.2% growth in interest and dividends in inflation-adjusted figures over 5 years.

- Average endowment earnings fell 38.2% in 2008, but impressive growth from 2004-07 produced 5-year inflation-adjusted growth of 75.3%. In this line item, we include investment income, earned and transferred, from endowments (donor restricted) or quasi-endowments (board designated) that were established specifically to provide income, where principal is maintained but interest and/or gains is available for operations, including transfers to unrestricted funds from endowments. Endowment earnings supported 0.9% more expenses in 2008 than in 2004.

- The number of theatres recognizing endowment income also increased, from 48 in 2004 to 65 in 2008. Of those 65, 30 had higher endowment earnings in 2008 than 2007, 2 saw the same amount and 33 had lower.

- Average capital gains from unrestricted investment assets reached a 5-year high in 2007, but 2008 brought average capital losses, for an overall decline of 180.4% in inflation-adjusted figures. In 2004, 14 theatres reported a capital loss and 35 reported capital gains. By contrast, 35 theatres had capital losses in 2008 while only 8 reported capital gains.

  It is important to note that theatres report a significant increase in capital gains as a result of accounting for the present market value of their investment portfolios in addition to gains from the sale of securities. As such, these represent realized and unrealized gains in the present market value of the portfolio from year to year. 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.

TABLE 3: AVERAGE EARNED INCOME AS A PERCENTAGE OF TOTAL EXPENSES (105 Theatres)

	2004	2005	2006	2007	2008	1-year % chg.	4-year % chg.
Subscriptions	20.8%	21.5%	20.5%	20.0%	18.2%	-1.7%	-2.6%
Single Ticket Income	24.4%	21.8%	22.2%	22.7%	24.2%	1.5%	-0.2%
Booked-In Events**	0.6%	1.3%	1.0%	0.7%	0.6%	-0.1%	0.0%
Total Ticket Income	**45.9%**	**44.6%**	**43.6%**	**43.4%**	**43.1%**	**-0.3%**	**-2.8%**
Tour Contracts/Presenting Fees**	0.2%	0.5%	0.5%	1.7%	1.4%	-0.3%	1.2%
Educational/Outreach Income	3.4%	3.4%	3.2%	3.1%	2.9%	-0.3%	-0.5%
Interest and Dividends	0.5%	0.5%	0.7%	0.8%	0.7%	-0.1%	0.1%
Endowment Earnings	2.1%	2.4%	3.2%	5.1%	3.0%	-2.2%	0.9%
Capital Gains/(Losses)	3.5%	3.0%	3.0%	3.8%	-1.8%	-5.6%	-5.3%
Royalties	0.3%	0.1%	0.3%	0.3%	0.3%	0.0%	-0.1%
Concessions	1.4%	1.3%	1.3%	1.3%	1.2%	-0.1%	-0.2%
Production Income	0.8%	2.2%	0.8%	1.1%	1.0%	-0.2%	0.1%
Advertising	0.4%	0.4%	0.4%	0.4%	0.3%	0.0%	0.0%
Rentals	1.0%	1.0%	1.1%	1.0%	1.1%	0.1%	0.1%
Other	3.0%	2.1%	2.8%	3.1%	3.3%	0.2%	0.3%
Total Earned Income	**62.7%**	**61.5%**	**60.9%**	**65.2%**	**56.5%**	**-8.7%**	**-6.2%**

** Trend skewed by one or two theatres' exceptional activity.

For the 105 Trend Theatres:

- Royalty income recovered from a low in 2005 to post a high in 2007, but overall growth for the 5-year period fell short of inflation by 3.2%. Average royalty income per property varied from a low of $3,534 in 2005 to a high of $8,986 in 2006. The 2008 average per property was $7,865. The collective number of world premieres reached a high of 177 in 2004 and a low of 136 in 2006.

- Average production income—a combination of enhancement and co-production income from commercial producers and other not-for-profit theatres who share a production and the expenses to create it—was at its highest level in 2005 but fluctuated greatly from year to year, ending 42% higher in 2008 than in 2004 in inflation-adjusted figures.

- Seventeen to 27 theatres co-produce each year. Examining only the sub-group of theatres reporting co-production income annually, the low average was $90,386 in 2008 and the high was $158,100 in 2005. Nine theatres reported co-production income in each of the past 5 years.

- The number of theatres reporting enhancement income (income from commercial producers) varies, with 9 theatres reporting enhancement income averaging $248,700 in 2004, 13 theatres averaging $680,000 in 2005, 8 theatres averaging $347,000 in 2006, 10 theatres averaging $517,500 in 2007, and 15 theatres averaging $340,000 in 2008. Two theatres received enhancement income in each of the 5 years.

- Rental income rose each year, with growth outpacing inflation by 32.1%. Over 80% of Trend Theatres reported rental income every year, which demonstrates that theatres are taking advantage of their down time to earn ancillary income from their facilities.

- Advertising income grew at a stronger rate than inflation over the 5-year period while concession income increased annually but not enough to keep pace with inflation. Due to their relatively low magnitudes, they cover similar levels of expenses each year.

- Total earned income covered 56.5% of total expenses in 2008, a 6.2% decrease from 2004. The growth in earned income exceeded inflation by 6% over the past 5 years, but this expansion was outpaced by aggressive growth in total expenses, as detailed in the next section.

EXPENSES

This section examines each category of expenses and how theatres shifted their allocation of resources over time. Table 4 presents average expenses in dollars and 1-year percentage changes, 4-year percentage changes and 4-year percentage changes adjusted for inflation. Table 5 presents each expense category as a percentage of total expenses, and in Table 6 we provide a subset of administrative expense-to-income ratios.

Total expense growth outpaced inflation over the 5-year period by 19.1%—a far more vigorous rate than that of earned income. All expense categories experienced double-digit growth in excess of inflation from 2004 to 2008 with the exception of artistic payroll and royalties, the latter of which saw a decrease over the 5-year period in inflation-adjusted figures. The expense areas that incurred the highest growth rates were physical production expenses (i.e., lumber, steel, fabric, etc.) and general artistic expenses (i.e., housing and travel, per diems, company management and stage management expenses).

For the 105 Trend Theatres:

- Total payroll increased 12.5% above inflation from 2004 to 2008 but accounted for 2.7% less of theatres' total expenses. The average number of paid employees increased annually from 218 in 2004 to a 5-year high of 232 in 2008. Theatres employed on average three fewer full-time and part-time personnel and eight more fee-based or jobbed-in workers in 2008 compared to 2004.

- In 2004, artistic and administrative payroll each accounted for 20.5% of theatres' expenses, the largest areas of resource allocation (see Table 5). Since then, administrative payroll has held its ground as a proportion of expenses, and its growth has outpaced inflation by 18.8%. Artistic payroll, on the other hand, now represents only 18.1% of total expenditures and its growth over the 5-year period exceeded inflation by only 3.8%.

Additional analyses (not shown in the tables) indicate that the number of full-time and part-time artistic staff per theatre, including actors on staff, dropped from an average of 13 in 2004 to an average of 10 in 2007 and 2008. At the same time, the average total number of paid artists—including staff and contracted artists—fluctuated from a low of 102 in 2004 to a high of 108 in 2008. The average number of permanent administrative personnel (full-time and part-time) fluctuated between 33 (in 2004, 2005 and 2008) and 35 per year. Theatres supplemented the salaried administrative workforce with an average of 10 fee-based or jobbed-in staff in 2004 through 2007 and 13 in 2008.

TABLE 4: AVERAGE EXPENSES (105 Theatres)

	2004	2005	2006	2007	2008	1-yr. % chg.	4-yr. % chg.	4-yr. % CGR*
Artistic Payroll	$1,071,493	$1,137,843	$1,153,589	$1,221,340	$1,262,146	3.3%	17.8%	3.8%
Administrative Payroll	1,070,364	1,179,906	1,253,092	1,342,466	1,421,557	5.9%	32.8%	18.8%
Production Payroll	735,270	810,573	865,380	917,294	954,525	4.1%	29.8%	15.8%
Total Payroll	**$2,877,128**	**$3,128,322**	**$3,272,061**	**$3,481,100**	**$3,638,227**	**4.5%**	**26.5%**	**12.5%**
General Artistic Non-Payroll	175,238	215,454	204,324	229,598	245,188	6.8%	39.9%	25.9%
Royalties	139,020	138,781	143,814	159,688	155,126	-2.9%	11.6%	-2.4%
Production/Tech Non-Payroll (physical production)**	295,631	414,602	367,139	494,807	637,579	28.9%	115.7%	101.7%
Development/Fundraising	211,188	201,841	224,879	248,341	271,684	9.4%	28.6%	14.6%
Marketing/Customer Service/Concessions	676,252	725,653	787,449	839,093	874,727	4.2%	29.3%	15.3%
Occupancy/Building/Equipment/ Maintenance	458,779	523,834	555,446	576,637	592,879	2.8%	29.2%	15.2%
Depreciation	204,105	218,182	242,046	252,520	283,406	12.2%	38.9%	24.9%
General Management/Operations	195,936	195,976	225,679	228,266	266,810	16.9%	36.2%	22.2%
Total Expenses	**$5,233,276**	**$5,762,645**	**$6,022,835**	**$6,510,050**	**$6,965,627**	**7.0%**	**33.1%**	**19.1%**

* Compounded Growth Rate adjusted for inflation.
** Trend skewed by one theatre's exceptional activity.

For the 105 Trend Theatres:

- Production payroll outpaced inflation over the 5-year period by 15.8%. The average number of paid production personnel (full-time, part-time and over-hire) fluctuated annually but ended the 5-year period with 6 more paid positions in 2008 (78) than in 2004 (72).

- General artistic expenses (housing and travel, per diems, company management and stage management expenses) reached a 5-year peak in 2008, 25.9% higher than in 2004 after adjusting for inflation. This represents the second highest growth rate of any expense category.

- Average royalty expenses increased in 2006 and 2007 then diminished somewhat in 2008. From 2004 to 2008, royalty growth lagged inflation by 2.4% and the average theatre paid royalties on either 7 or 8 properties each year.

- Production/Technical Non-Payroll expenses (physical production materials, supplies and rentals) varied considerably from year to year. These expenses more than doubled over the 5-year period even after accounting for inflation. The substantial increase was primarily driven by the exceptional activity of 1 theatre that added a large second space to its reported activity figures beginning in 2005. This theatre increased its physical production expenses by $8 million in 2007 and by another $10 million in 2008, with the total amount spent in this area being fourfold that of the theatre with the next highest level. Eliminating this theatre from the analysis would leave 5-year growth of physical production expenses exceeding inflation by 32% for remaining theatres, a much lower figure but still the highest growth rate of any expense category. Physical production expenses now account for 3.5% more of total expenses than they did in 2004.

- The return on each fundraising dollar spent by theatres has remained fairly stable over time, with a slight decrease in cost-effectiveness as of 2007 when personnel costs are taken into consideration (see Table 6).

- Marketing expense growth exceeded inflation by 15.3%. Expenditures targeting single ticket buyers had become less cost-effective from 2004 to 2007, but they returned to their 2004 effectiveness level in 2008 and inflation-adjusted single ticket income increased over time, as discussed above. Table 6 shows that the spread between return-on-single ticket marketing expense and return-on-subscription market expense grew from an 8% spread in 2004 to a 12% gap in 2007, then diminished to a 7% gap in 2008. If we include marketing personnel expense in the comparison, we see that it took two cents more of total marketing resources to generate a dollar of ticket income in 2008 versus 2004.

- While education/outreach income decreased 1.1% over the 5-year period, the expenses allocated to generate each dollar of education/outreach income rose 17%, including personnel costs (see Table 6). It should be noted that the education and outreach income reflected in Table 6 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.

TABLE 5: AVERAGE EXPENSES AS A PERCENTAGE OF TOTAL EXPENSES (105 Theatres)	2004	2005	2006	2007	2008	1-yr. % chg.	4-yr. % chg.
Artistic Payroll	20.5%	19.7%	19.2%	18.8%	18.1%	-0.6%	-2.4%
Administrative Payroll	20.5%	20.5%	20.8%	20.6%	20.4%	-0.2%	0.0%
Production Payroll	14.0%	14.1%	14.4%	14.1%	13.7%	-0.4%	-0.3%
Total Payroll	**55.0%**	**54.3%**	**54.4%**	**53.5%**	**52.2%**	**-1.2%**	**-2.7%**
General Artistic Non-Payroll	3.3%	3.7%	3.4%	3.5%	3.5%	0.0%	0.2%
Royalties	2.7%	2.4%	2.4%	2.5%	2.2%	-0.2%	-0.4%
Production/Tech Non-Payroll (physical production)**	5.6%	7.2%	6.1%	7.6%	9.2%	1.6%	3.5%
Development/Fundraising	4.0%	3.5%	3.7%	3.8%	3.9%	0.1%	-0.1%
Marketing/Customer Service/Concessions	12.9%	12.6%	13.1%	12.9%	12.6%	-0.3%	-0.4%
Occupancy/Building/Equipment/Maintenance	8.8%	9.1%	9.2%	8.9%	8.5%	-0.3%	-0.3%
Depreciation	3.9%	3.8%	4.0%	3.9%	4.1%	0.2%	0.2%
General Management/Operations	3.7%	3.4%	3.7%	3.5%	3.8%	0.3%	0.1%
Total Expenses	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**		

** Trend skewed by one theatre's exceptional activity in 2007 and 2008.

♦ Occupancy/building and equipment maintenance costs increased each year, rising 15.2% above inflation over the 5 years. Roughly 39% of theatres reported that they own their stage in 2004, increasing to 42% by 2008. Also, 42% now report that they own their office space. The largest component of this expense is the cost of rent—47% of theatres rent their space—or debt service on facilities, regularly scheduled maintenance of infrastructure and utilities, which rose 16% more than inflation.

♦ Depreciation, the non-cash expense that accounts for the decrease in the book value of property and equipment, increased 24.9% between 2004 and 2008 after adjusting for inflation. This increase reflects the impact of increases in fixed assets, which we discuss in the Trend Theatre Balance Sheet section that follows.

TABLE 6: *THEATRE FACTS* ADMINISTRATIVE EXPENSE INDEX (105 Theatres)	2004	2005	2006	2007	2008	1-yr %chg.	4-yr %chg.
Single ticket marketing expense (excluding personnel expense) to single ticket income	22%	24%	25%	25%	22%	-3.0%	-0.2%
Subscription marketing expense (excluding personnel expense) to subscription income	14%	13%	13%	13%	15%	1.5%	0.8%
Total marketing expense (including personnel expense) to total ticket sales	28%	29%	31%	30%	30%	0%	2.0%
Development expense (excluding personnel expenses, fundraising event expenses) to total unrestricted contributed income (excluding fundraising event income)	5%	4%	5%	6%	6%	0.1%	0.2%
Fundraising event expense (excluding personnel expense) to fundraising event income	38%	34%	36%	36%	38%	2.1%	0.0%
Total development expense (including fundraising event expense and personnel expense) to total unrestricted contributed income	17%	14%	16%	18%	18%	-0.1%	0.1%
Total development expense (including fundraising event expense and personnel expense) to total contributed income (including unrestricted, temporarily restricted and permanently restricted contributed income)	15%	12%	14%	15%	16%	0.5%	1.0%
Education/outreach expense (excluding personnel expense) to education/outreach income (earned and contributed)	23%	17%	21%	24%	27%	2.6%	4.0%
Total education/outreach expense (including personnel expense) to education/outreach income (earned and contributed)	68%	63%	75%	81%	85%	4.0%	17.0%

CONTRIBUTED INCOME AND CHANGES IN UNRESTRICTED NET ASSETS (CUNA)

In this section, we examine contributed income trends and change in unrestricted net assets (CUNA), which 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 an annual or capital campaign granted in a prior year, but not released from temporary restrictions until the current year.

Table 7 shows average contributed income from each source and CUNA for 2004 through 2008 along with 1-year percentage changes, 4-year percentage changes and 4-year percentage changes adjusted for inflation. Between 2004 and 2008, growth in total contributed income exceeded inflation by 14.3%. However, because this growth rate lagged behind the growth rate for expenses, contributions supported 1.6% less of expenses in 2008 than in 2004, as shown in Table 8.

Total income growth surpassed inflation by 9.4% over the 5 years but it trailed the comparable 19.1% growth in expenses by quite a distance. Average CUNA, which was at a 5-year high of $702,216 in 2005, slipped in 2006, improved in 2007 and fell into negative territory in 2008 for the first time in the 5-year period. The negative CUNA was 7.8% in proportion to total expenses. It is important to keep in mind that CUNA was includes both operating and non-operating activity related to unrestricted funds. It includes exceptional contributed income for theatres in capital campaigns and by capital gains and losses.

With the addition of positive annual CUNA for 4 of the 5 years, Trend Theatres' bottom lines improved from the start of 2004 to the end of 2008. The average balance of all unrestricted net assets was 69.2% higher in inflation-adjusted figures at the end of the period than it was at the beginning. On average, theatres finished 2008 with unrestricted net assets of $6.4 million compared to unrestricted net assets of $3.5 million at the beginning of 2004. Seventy-eight of the 105 Trend Theatres experienced budget growth that exceeded inflation over the 5 years. Four theatres more than doubled their budgets.

TABLE 7: AVERAGE CONTRIBUTED INCOME (105 THEATRES)

	2004	2005	2006	2007	2008	1-yr. % chg.	4-yr. % chg.	4-yr. % CGR*
Federal	$ 52,561	$ 58,457	$ 43,755	$ 42,649	$ 50,597	18.6%	-3.7%	-17.7%
State	95,516	131,894	94,129	97,652	103,768	6.3%	8.6%	-5.4%
City/County	79,835	239,983	174,833	96,222	138,028	43.4%	72.9%	58.9%
Corporations	240,069	338,025	285,788	303,862	276,627	-9.0%	15.2%	1.2%
Foundations	441,331	548,161	604,896	572,713	524,315	-8.5%	18.8%	4.8%
Trustees	294,212	315,335	303,434	315,212	406,776	29.0%	38.3%	24.3%
Other Individuals	545,176	745,338	696,307	716,553	747,300	4.3%	37.1%	23.1%
Fundraising Events/Guilds	262,209	272,563	277,411	305,805	320,981	5.0%	22.4%	8.4%
United Arts Funds	62,085	30,542	29,220	27,916	27,641	-1.0%	-55.5%	-69.5%
In-Kind Services/Materials/Facilities	128,853	136,105	164,417	166,030	188,446	13.5%	46.2%	32.2%
Other Contributions	93,746	106,861	121,996	121,505	161,645	33.0%	72.4%	58.4%
Total Contributed Income	**$2,295,593**	**$2,923,264**	**$2,796,185**	**$2,766,120**	**$ 2,946,123**	**6.5%**	**28.3%**	**14.3%**
Total Income	**$5,577,648**	**$6,464,862**	**$6,463,040**	**$7,009,466**	**$ 6,883,013**	**-1.8%**	**23.4%**	**9.4%**
Changes in Unrestricted Net Assets (CUNA)	**$ 344,372**	**$ 702,216**	**$ 440,205**	**$ 499,416**	**$ (82,614)**	**-116.5%**	**-124.0%**	**-138.0%**

* Compounded Growth Rate adjusted for inflation.

For the 105 Trend Theatres:

- Average federal funding rose 18.6% in 2008 from its 5-year low in 2007. After adjusting for inflation, federal funding declined by 17.7% between 2004 and 2008, and it accounted for 1% or less of the average theatre's budget each year.

  The percentage of Trend Theatres receiving federal funding fluctuated between 58% and 65% during the 5 years. Federal funding sources include the NEA, NEH, the U.S. Department of Justice, the U.S. Department of Education, Coming Up Taller Award-Playwright Mentoring Project, the National Parks Service and the National Capital Arts and Cultural Affairs Program of the U.S. Commission of Fine Arts, which funds organizations in Washington, DC.

- Average state funding was at its second highest dollar level in 2008 but 5-year growth fell short of inflation by 5.4%. Higher levels of state support in 2005 were tied to capital campaign funds. Funding earmarked for education programs was 12% of total state grants in 2005. This figure dwindled each year to 6% by 2008. Funding for touring was less than 1% of total state support each year.

- Average local funding fluctuated greatly from year to year. Although it increased 43.4% from 2007 to 2008, city and county funding was higher in 2005 and 2006. Fluctuations were largely driven by unrestricted contributions to capital campaigns. Between 9% and 55% of local support was tied to a capital campaign, and local funding was highest when the majority of funds were allocated for capital campaigns. In the end, local funding supported for 0.5% more expenses in 2008 than in 2004.

- Corporate giving was down 9% in the past year but the 5-year growth rate still exceeded inflation by 1.2%. Although fewer corporations donated in the past year, their average gift was $10,100, the highest of the 5-year period. This compares to the low average corporate gift of $6,700 in 2004. Total corporate support was at its highest in 2005 and 2007. In 2005, there was an unusually high percentage of corporate gifts earmarked for capital campaigns: 27% as compared to 6% in 2008. The average theatre received support from 35 corporations in 2004 and 2007 but from only 28 in 2008. Roughly 13% of corporate gifts support education programs annually.

- Average foundation support rose each year between 2004 and 2006. Despite a decline of 8.5% in the past year, foundation support still outpaced inflation by 4.8% over the 5-year period. The average number of foundation gifts per theatre rose from 18 to 19 grants per year. The average foundation gift was at a 5-year low of $24,600 in 2004 and a high of $32,800 in 2006, ending the 5-year period at $27,800 in 2008.

TABLE 8: AVERAGE CONTRIBUTED INCOME AS A PERCENTAGE OF TOTAL EXPENSES (105 Theatres)

	2004	2005	2006	2007	2008	1-yr. % chg.	4-yr. % chg.
Federal	1.0%	1.0%	0.7%	0.7%	0.7%	0.1%	-0.3%
State	1.8%	2.3%	1.6%	1.5%	1.5%	0.0%	-0.3%
City/County	1.5%	4.2%	2.9%	1.5%	2.0%	0.5%	0.5%
Corporations	4.6%	5.9%	4.7%	4.7%	4.0%	-0.7%	-0.6%
Foundations	8.4%	9.5%	10.0%	8.8%	7.5%	-1.3%	-0.9%
Trustees	5.6%	5.5%	5.0%	4.8%	5.8%	1.0%	0.2%
Other Individuals	10.4%	12.9%	11.6%	11.0%	10.7%	-0.3%	0.3%
Fundraising Events/Guilds	5.0%	4.7%	4.6%	4.7%	4.6%	-0.1%	-0.4%
United Arts Funds	1.2%	0.5%	0.5%	0.4%	0.4%	0.0%	-0.8%
In-Kind Services/Materials/Facilities	2.5%	2.4%	2.7%	2.6%	2.7%	0.2%	0.2%
Other Contributions	1.8%	1.9%	2.0%	1.9%	2.3%	0.5%	0.5%
Total Contributed Income	**43.9%**	**50.7%**	**46.4%**	**42.5%**	**42.3%**	**-0.2%**	**-1.6%**
Total Income	**106.6%**	**112.2%**	**107.3%**	**107.7%**	**98.8%**	**-8.9%**	**-7.8%**
Changes in Unrestricted Net Assets (CUNA)	**6.6%**	**12.2%**	**7.3%**	**7.7%**	**-1.2%**	**-8.9%**	**-7.8%**

For the 105 Trend Theatres:

- Combined individual contributions from both trustees and non-trustees were at a 5-year high in 2008. Individuals were by far the greatest source of contributed funds each year and individual giving in 2008 funded 0.5% more of expenses than it did in 2004. Unrestricted gifts for capital campaigns accounted for 15% to 38% of total individual giving depending on the year. Individuals earmarked only 1% of their contributions for education programs annually.

- Average trustee giving fluctuated during the period and achieved a high in 2008, with 5-year growth outpacing inflation by 24.3%. The number of trustees per theatre making a donation averaged between 30 and 33 each year. The average trustee gift increased from a low of $10,100 in 2004 to a high of $13,300 in 2008. The aggregate effect is that Trend Theatre trustee donations totaled $31 million in 2004 and nearly $43 million in 2008.

- Growth in average gifts from other individuals (non-trustees) surpassed inflation by 23.1%. Aggregate other individual gifts increased from $57 million in 2004 to $78.5 million in 2008.

- Fewer individual donors contributed higher average gifts. The average number of other individual donors dropped from a 5-year high of 1,742 in 2005 to a low of 1,601 in 2008.

- Even more notable is the level of giving per donor. The average gift from other individuals increased from a low of $319 in 2004 to a high of $471 in 2008.

- Fundraising event and guild income increased each year and surpassed inflation by 8.4% over 5 years.

- United Arts Funding was at a 5-year low in 2008, with the average 69.5% lower than it was in 2004 in inflation-adjusted figures. There was a steep decline in 2005 and United Arts Funding has continued to slide ever since. Fourteen theatres reported United Arts Funding in 2003, dropping to 11 theatres in 2007 and 2008.

- Average in-kind contributions advanced each year, reaching a 5-year high in 2008 and surpassing inflation by 32.2%.

- Other Contributions (e.g., from sheltering organizations such as universities or arts centers, or from service organizations) were in a similar range in 2006 and 2007 then shot up 33% in 2008, for overall growth in excess of inflation by 58.4% for the 5-year period. Each year, 9 to 11 theatres report funding from a sheltering organization.

BALANCE SHEET

The balance sheet depicts a theatre's cumulative fiscal history and offers insights into long-term stability and overall fiscal health. It provides a snapshot of the value of a 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), unlike an income statement, which gives a summary of activity for the year (e.g., income and expenses associated with performances). Not every Trend Theatre responds to the Balance Sheet section of the survey; for example, theatres that are part of a sheltering organization do not keep a separate balance sheet. Of the 105 Trend Theatres that provided income and expense information, 97 are included in the balance sheet analyses.

These theatres' balance sheets demonstrate consistent growth in total assets over the past 5 years, averaging $11 million per theatre in 2004 and $16.7 million in 2008—38% growth after adjusting for inflation. Theatres increase their assets through investments, gifts of land, buildings, money, stocks, etc., and with CUNA. Each year, CUNA is added to the year's beginning balance of 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 of many components of a theatre's financial picture.

Table 9 presents the annual aggregate value of the different asset categories net of liabilities for the 97 Trend Theatres, along with the 1-year percentage change, 4-year percentage change and 4-year percentage change adjusted for inflation. We acknowledge the assistance of Cool Spring Analytics for recommending the balance sheet categories and ratios reported in this section. We see that growth in Trend Theatres' aggregate total net assets—unrestricted, temporarily restricted and permanently restricted—outpaced inflation by 31% over the 5-year period, from $825 million in 2004 to nearly $1.2 billion in 2008.

WORKING CAPITAL = TOTAL UNRESTRICTED NET ASSETS — FIXED ASSETS — UNRESTRICTED LONG-TERM INVESTMENTS

Working capital, a fundamental building block of a theatre's capital structure, consists of the unrestricted resources available to meet obligations and day-to-day cash needs. It is a better indicator of a theatre's operating position than CUNA, which includes non-operating activity as noted on page 1. Negative working capital indicates that the theatre is borrowing funds (e.g., using deferred subscription revenue, delaying payables, taking out loans, etc.) to meet daily operating needs. As noted above, successful fundraising during prosperous times made it possible for theatres to raise and develop long-term investments and increase fixed assets but not acquire sufficient readily-available funds to help the theatre meet daily needs. Although working capital has improved over time (Tables 9 and 10), the negative position still leaves theatres with limited financial flexibility.

TABLE 9: AGGREGATE NET ASSETS (In Millions) (97 Theatres)

	2004	2005	2006	2007	2008	1-yr. % chg.	4-yr. % chg.	4-yr. % chg. CGR*
Working Capital**	$ (102)	$ (88)	$ (69)	$ (62)	$ (33)	46%	67%	81%
Fixed Assets	$ 456	$ 515	$ 537	$ 577	$ 614	6%	35%	21%
Investments	$ 296	$ 340	$ 384	$ 440	$ 510	16%	73%	59%
Other Net Assets	$ 176	$ 158	$ 195	$ 207	$ 103	-50%	-41%	-55%
Total Net Assets	**$ 825**	**$ 924**	**$ 1,046**	**$ 1,162**	**$ 1,194**	**3%**	**45%**	**31%**
Total Expenses	**$ 519**	**$ 573**	**$ 597**	**$ 646**	**$ 691**	**7%**	**33%**	**19%**
Investment Ratio	**57%**	**59%**	**64%**	**68%**	**74%**			

* Compounded Growth Rate adjusted for inflation.
** Trend skewed by one theatre.

Tables 9 and 10 illustrate that working capital was negative in each of the 5 years but at its best in 2008. One might question how working capital improved in 2008 while theatres, on average, experienced negative CUNA. Further investigation shows that 1 theatre reported nearly a nearly $55 million addition to its end-of-year unrestricted net assets based on an audit adjustment to restate or adjust previously reported numbers. Eliminating this theatre from the analyses for all 5 years would leave aggregate working capital for remaining theatres as follows, in millions: -$94 in 2004, -$76 in 2005, -$55 in 2006, -$45 in 2007, and -$48 in 2008. Without this theatre, the 5-year growth in unrestricted net assets shown in Table 10 would have been 36% rather than 48%.

Further investigation (not shown in the tables) reveals that total cash reserves, the unrestricted portion of which is part of working capital, were at their highest in 2006. Theatres employed those reserves in 2008, depleting the 2007 level by 19%. Some theatres employ their cash reserves either out of necessity or because temporary restrictions were met. Ten fewer theatres reported a cash reserve in 2008 than in 2004, but the average for those reporting a cash reserve increased annually from 2003 to 2007 then declined slightly in 2008. Overall, cash reserves were 30% lower in 2008 than in 2004 after adjusting for inflation.

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

Many capital campaigns raised funds to build new buildings, renovate existing facilities and purchase new equipment, as reflected in the increase in theatres' occupancy expenses, which account for roughly 9% of theatres' total expenses annually. Thirty-four percent of Trend Theatres were in a capital campaign in 2008, the same proportion as in 2004. In 2008, 22% reported that they completed a capital campaign within the last 5 years, the lowest level of the 5-year period, indicating that fewer theatres were entering into capital campaigns in the last 5 years than in years prior. Five theatres fell into both categories as they transitioned from one capital campaign into another. As we see in Table 9, growth in fixed assets (i.e., land, property and equipment less accumulated depreciation) surpassed inflation by 21%, driven by a 26% increase in the purchase cost of land and buildings before taking depreciation into account. The fixed asset growth has produced a steady increase in depreciation and occupancy/building and equipment maintenance costs. Table 9 also shows how the composition of total net assets has shifted over the 5 years. Despite considerable growth, fixed assets accounted for 4% less of total net assets and investments accounted for 7% more of total net assets in 2008 compared to 2004. In Table 9, we also relate investments to total expenses to form an investment ratio, which is defined as:

INVESTMENT RATIO = TOTAL INVESTMENTS/TOTAL EXPENSES

Successful capital campaigns and wise investment strategies resulted in Trend Theatres' long-term investment growth, which exceeded inflation by 59% from 2004 to 2008, as shown in Table 9. Endowments make up part of theatres' investments, and their growth outpaced inflation by 20% over the 5-year period. Invested capital generates income for operating purposes and an increasing investment ratio over time is an indication of organizational financial health. Trend Theatres' investment ratio increased annually from 57% in 2004 to 74% in 2008. This trend is evidenced in the earned income section above by the robust growth in endowment earnings reported over the 5-year period. In Table 10, we relate working capital to total expenses to create a working capital ratio, which is defined as:

WORKING CAPITAL RATIO = WORKING CAPITAL/TOTAL EXPENSES

TABLE 10: AVERAGE WORKING CAPITAL (97 Theatres)

	2004	2005	2006	2007	2008	1-yr. % chg.	4-yr. % chg.	4-yr. % CGR*
Total Unrestricted Net Assets	$ 4,281,776	$ 5,345,839	$ 5,864,238	$ 6,404,117	$ 6,943,948	8%	62%	48%
Fixed Assets	4,705,209	5,306,181	5,534,188	5,946,099	6,329,010	6%	35%	21%
Unrestricted Investments	632,935	943,530	1,045,824	1,099,330	960,138	-13%	52%	38%
Working Capital	**$ (1,056,369)**	**$ (903,871)**	**$ (715,773)**	**$ (641,312)**	**$ (345,201)**	**46%**	**67%**	**81%**
Total Expenses	**$ 5,348,087**	**$ 5,910,417**	**$ 6,154,369**	**$ 6,656,827**	**$ 7,127,792**	**7%**	**33%**	**19%**
Working Capital Ratio	**-20%**	**-15%**	**-12%**	**-10%**	**-5%**			

* Compounded Growth Rate adjusted for inflation.

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 current resources. A negative working capital ratio indicates that theatres are likely to be experiencing cash flow problems. The average Trend Theatre experienced a negative working capital ratio in each of the past 5 years, although it improved annually from -20% in 2004 to -5% in 2008. If we were to eliminate the outlier theatre with exceptional audit adjustments to its end-of-year unrestricted net assets described above, the working capital ratio would still show improvement over time, from -18% in 2004 to -7% in both 2007 and 2008. Cool Spring Analytics recommends that each theatre determine its own working capital needs based on its cyclical cash flow. 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, roughly 10% met this benchmark in the past two years, whereas only 6% attained this level in 2004 and 2005. The percentage of Trend Theatres with a negative working capital ratio fluctuated from 62% to 69% each year.

ATTENDANCE, PERFORMANCE AND PRICING TRENDS

We now move from financial trends to a detailed examination of operating trends, including attendance levels, number of performances, ticket prices and subscription renewal rates. Table 11 displays aggregate attendance levels and Table 12 shows the number of performances at the 105 Trend Theatres. These two tables demonstrate that Trend Theatres saw a slight decline in audiences despite an overall increase in the number of performances offered over the past 5 years.

For the 105 Trend Theatres:

- Overall attendance—including resident productions and tours—declined 0.1% while the total number of performances rose by 4.2% over the 5-year period. These two trends combined to produce the lowest level of attendance and the highest number of performances in 2008.
- The overall 5.2% increase in the number of resident performances was met with a 1.9% rise in attendance. This trend reflects the pattern discussed above regarding single ticket income, which increased 18.3% after taking into account inflation.
- Attendance at main series productions fluctuated from year-to-year between 77% and 82% of total attendance.
- Main series attendance was at its highest 5-year level in 2008, a 2.2% improvement from 2004. The number of main series performances offered was at its highest in 2007.

- Although the number of children's series performances fluctuated from 2004 to 2008, the 5-year trends for children's series attendance and performances were similar to the overall trends. Although the number of children's series performances was 4.9% higher in 2008 than in 2004, attendance at children's series productions was at a 5-year low in 2008.

- Performances of and attendance at special productions (e.g., non-subscription holiday productions) peaked in 2005. For the 5-year period, both the number of special production performances and attendance was higher in 2008 than in 2004.

- Over the 5-year period, the number of staged readings and workshop performances decreased 23.1% while attendance at these performances rose 18.7%.

- Booked-in offerings decreased by 38.1% in 2008 after peaking in 2006 and 2007. This also led to a 36.3% drop in attendance. Over the 5-year period, booked-in performances increased 24.5%. Figure 4 illustrates the dramatic shifts in booked-in activity over time.

The mix of theatres booking in performances varies considerably from year to year and the available aggregate capacity shifts, too, making it difficult to draw conclusions about trends in booked-in event capacity utilization. To illustrate, 1 theatre that booked-in 200 to 460 performances in 2004 through 2007 reported no booked-in performances in 2008. Another theatre that reported 233 booked-in performances in 2006 and 188 in 2007 dropped to only 65 in 2008.

- A 6.1% drop over the 5-year period in tour performances was met with a 27.3% decrease in tour attendance. Whereas touring represented 9% of total performances and 7% of total attendance in 2004, by 2008 it added up to 8% of total performances but only 5% of total attendance.

Unlike mainstage productions which remain fairly consistent across theatres over the years, tour productions fluctuate considerably depending on how many theatres toured in a given year, how many performances they gave, and where they performed. For example, between 24 and 34 theatres per year reported touring.

TABLE 11: AGGREGATE ATTENDANCE (105 Theatres)

	2004	2005	2006	2007	2008	1-yr. % chg.	4-yr. % chg.
Main Series (total)	8,020,977	7,789,169	7,989,929	8,153,608	8,200,438	0.6%	2.2%
Special Productions	684,382	801,362	741,169	728,757	707,313	-2.9%	3.4%
Children's Series	330,386	339,844	352,014	374,768	287,029	-23.4%	-13.1%
Staged Readings/Workshops	26,539	33,968	31,267	27,745	31,494	13.5%	18.7%
Other	99,949	119,236	96,956	96,562	91,446	-5.3%	-8.5%
Booked-In Events**	137,705	255,093	275,338	253,615	161,534	-36.3%	17.3%
Resident Subtotal	**9,299,938**	**9,338,672**	**9,486,673**	**9,635,055**	**9,479,254**	**-1.6%**	**1.9%**
Touring	690,782	735,565	600,028	490,944	502,332	2.3%	-27.3%
Total	**9,990,720**	**10,074,237**	**10,086,701**	**10,125,999**	**9,981,586**	**-1.4%**	**-0.1%**

** Trend skewed by two theatres' exceptional activity.

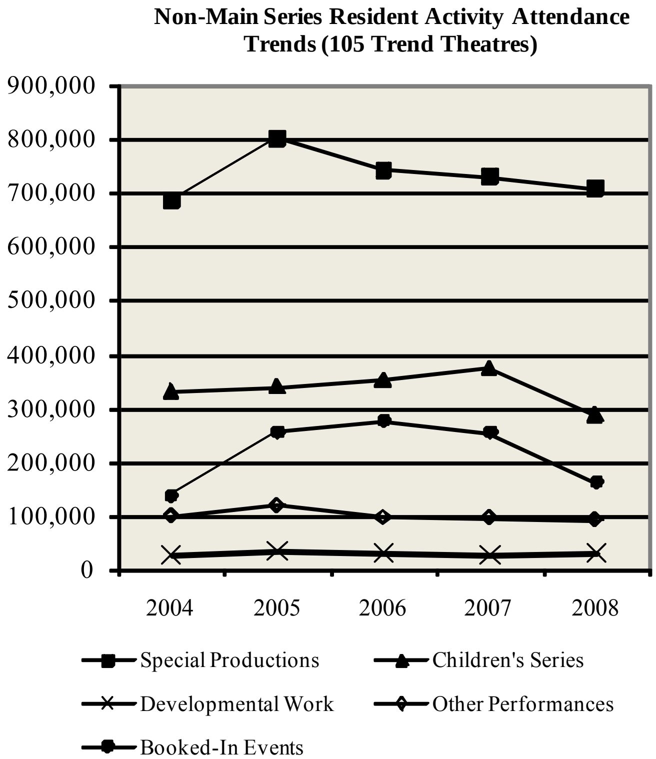
TABLE 12: AGGREGATE NUMBER OF PERFORMANCES (105 Theatres)

	2004	2005	2006	2007	2008	1-yr. % chg.	4-yr. % chg.
Main Series (total)	24,290	24,543	24,699	25,476	25,257	-0.9%	4.0%
Special Productions	1,863	2,216	2,051	1,955	2,099	7.4%	12.7%
Children's Series	1,437	1,257	1,417	1,631	1,508	-7.5%	4.9%
Staged Readings/Workshops	477	398	379	334	367	9.9%	-23.1%
Other	671	1,005	767	834	859	3.0%	28.0%
Booked-In Events**	673	793	1,363	1,354	838	-38.1%	24.5%
Resident Subtotal	**29,411**	**30,212**	**30,676**	**31,584**	**30,928**	**-2.1%**	**5.2%**
Touring	2,775	2,941	2,761	2,882	2,606	-9.6%	-6.1%
Total	**32,186**	**33,153**	**33,437**	**34,466**	**33,534**	**-2.7%**	**4.2%**

** Trend skewed by two theatres' exceptional activity.

In Figure 4, we present a graphical depiction of attendance and performance trends for non-main series resident activities. And we take a closer look at industry averages for production and marketing activity in Table 13 in order to gain deeper insight into some of the factors driving the trends in attendance, performances and earned income.

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



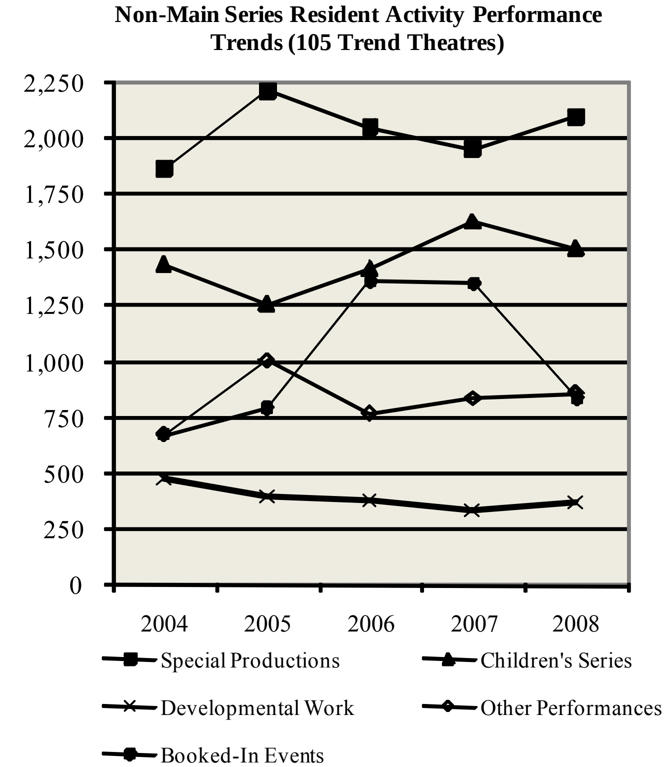


TABLE 13: INDUSTRY AVERAGES (105 Trend Theatres)

	2004	2005	2006	2007	2008	1-yr. chg.	4-yr. chg.	4-yr. % CGR*
Subscription Renewal Rate	72%	70%	72%	73%	73%			
High Subscription Discount	38.2%	40.1%	39.0%	39.4%	40.9%			
Low Subscription Discount	11.0%	12.7%	11.8%	11.8%	11.9%			
Subscription Price (per ticket)	$25.57	$27.13	$27.76	$29.29	$30.16	3%	18%	4%
Single Ticket Price	$26.77	$26.50	$28.29	$29.42	$30.70	4%	15%	1%
Number of Ticket Packages Offered	5.1	7.0	6.6	6.1	6.4	4%	24%	
Number of Subscribers/Season Ticket Holders	8,029	7,830	7,519	7,488	7,232	-3%	-10%	
Subscription Tickets (#subscribers x #tickets/package sold)	39,623	38,903	38,040	38,937	36,572	-6%	-8%	
Single Tickets	47,404	47,007	48,802	52,362	52,838	1%	11%	
Total In-Residence Paid Capacity Utilization	74%	72%	73%	73%	72%			
Subscriber Capacity Utilization	30%	28%	27%	24%	25%			
Number of Main Series Performances	231	234	235	243	241	-1%	4%	
Number of Main Series Productions	7	7	7	7	7	0%	0%	
Number of Performance Weeks	33	34	34	34	34	0%	3%	
Number of Actor Employment Weeks (sum of # weeks each actor employed)	510	562	545	556	547	-2%	7%	

*Compounded Growth Rate adjusted for inflation.

For the 105 Trend Theatres:

- The in-residence paid capacity utilization slipped slightly over the 5-year period, echoing the trend reported above of performance increases outpacing attendance increases.

- There were fewer subscribers annually and fewer seats filled by subscribers over time. The proportion of available seats occupied by subscribers decreased from 30% in 2004 to 25% in 2008. The average number of plays purchased per subscription package sold was approximately 5 each year. Between 2004 and 2008, the average number of season ticket holders declined 8% while the average subscription renewal rate fluctuated between 70% and 73%.

- Theatres do not offer all resident productions on subscription. If we focus only on capacity of productions offered on subscription, subscribers filled 39% of their potential in 2004, decreasing to 34% in 2008.

- From 2004 to 2008, the average price per subscription ticket increased 4% more than the rate of inflation. The lowest average subscription package discount increased from 11% to 11.9% and the deepest discount per theatre increased from 38.2% to 40.9% over the 5-year period. Theatres are raising subscription prices but offering deeper discounts.

- The number of single ticket buyers rose to a 5-year high in 2008. Over time, single ticket buyers filled an increasing proportion of total paid capacity utilization, as that filled by subscribers decreased.

- The total number of actor employment weeks increased by 7%, from 510 in 2004 to 547 in 2008. The average number of performance weeks per year rose slightly from 33 to 34. The average number of paid actors hired in a season varied during the 5 years, from a high of 67 in 2005 to a low of 61 in 2007.

Side Note: A 10-Year View

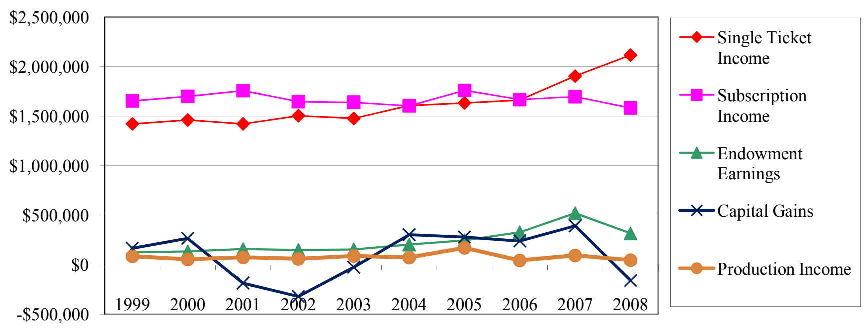
Fifty-nine theatres have participated in the TCG Fiscal Survey each year since 1999. These theatres tend to be significantly larger than the rest of the Trend Theatres, averaging 2008 total expenses of $8.6 million compared to $7 million for the average Trend Theatre. The average historical activity for this group sometimes belies the trends reported in the section above because smaller theatres are underrepresented in this mix. Here we highlight some key 10-year trends for this subset of larger theatres to get a longer-term perspective.

For the 59 Theatres:

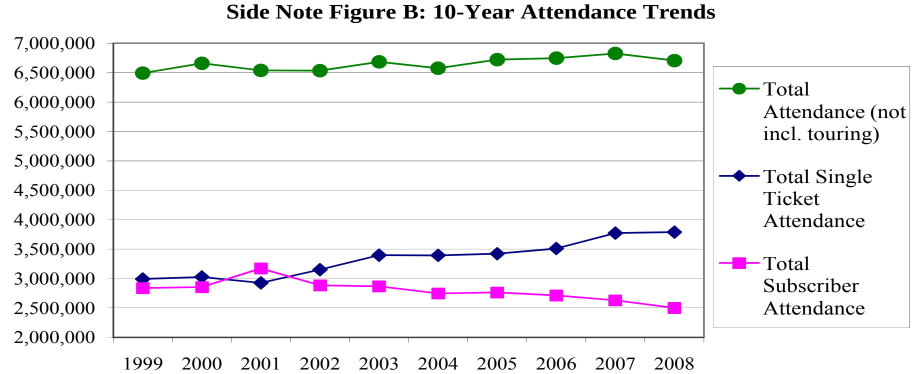
Earned Income and Attendance

- Subscription income growth fell short of inflation by 6% and single ticket income growth exceeded inflation by 63% (see Side Note Figure A). Subscription renewals averaged 72% to 76% annually between 1999 to 2007; they then fell dramatically to 68% in 2008. Total subscription packages sold and total subscriber attendance (see Side Note Figure B) were at a 10-year low in 2008, with 17% and 12% declines, respectively, over the period.
- Single ticket income climbed rapidly between 2003 and 2008 (see Side Note Figure A). Average single ticket attendance increased over time from a low of 50,400 in 2001 to 64,200 in 2008 (see Side Note Figure B). Whereas average single ticket income exceeded average subscription income for the 5-Year Trend Theatres as reported in the Earned Income Section above, a longer look reveals that the opposite was true for 10-Year Trend Theatres from 1999 to 2003, and again in 2005.
- Total attendance (not including tours) increased 3% over the 10-year period. Side Note Figure B highlights how the rise in total attendance is driven by the rise in single ticket attendance that counterbalanced the drop in subscription attendance.
- Endowment earnings were flat between 1999 and 2002. In 2003 through 2007, they shot up dramatically, then dropped off in 2008 (Side Note Figure A). After adjusting for inflation, endowment earnings were 4 times higher in 2008 than in 1999.
- Capital gains and losses fluctuated over time, reflecting the 10-year highs and lows of the stock market as well as the addition of assets (see Side Note Figure A). Between 25% and 39% of theatres were in a capital campaign each year since 2000.
- Overall earned income growth beat inflation by 25%.

Side Note Figure A: Selected 10-Year Earned Income Trends (inflation adjusted)



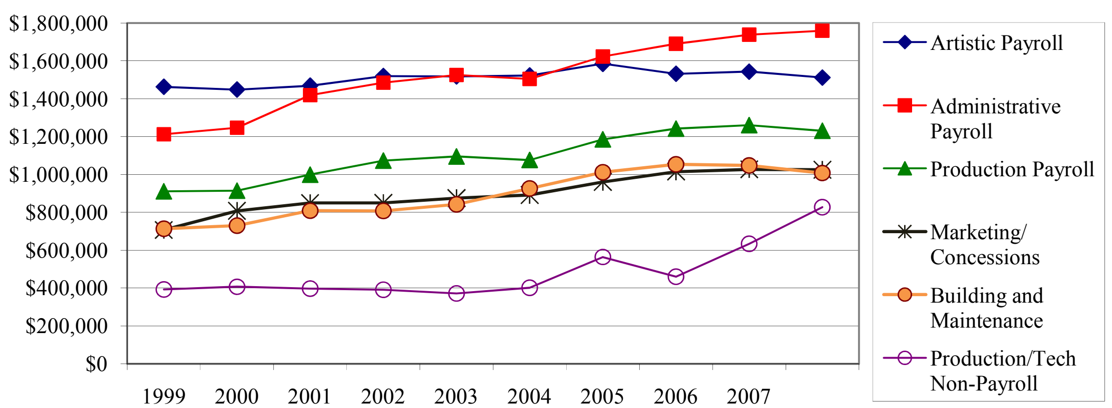
Side Note Figure B: 10-Year Attendance Trends



Expenses (See Side Note Figure C)

- Average artistic payroll was higher than average administrative payroll until 2004. Over the 10-year period, growth of artistic payroll exceeded inflation by 4%, administrative and production payroll outpaced inflation by 58% and 45%, respectively. Administrative and production payroll exhibited similar growth patterns to one another over time.
- Of non-payroll expenses, production/technical (production materials and rentals), marketing and occupancy (building, equipment and maintenance costs) saw the greatest increases, rising 144%, 58% and 53% respectively in inflation-adjusted figures.
- Overall expense growth exceeded inflation by 44%.
- In absolute dollars, all but 2 theatres had a larger budget in 2008 than in 1999. However, if we take inflation into account, only 10 theatres had more buying power at the end of the 10-year period than at its start.

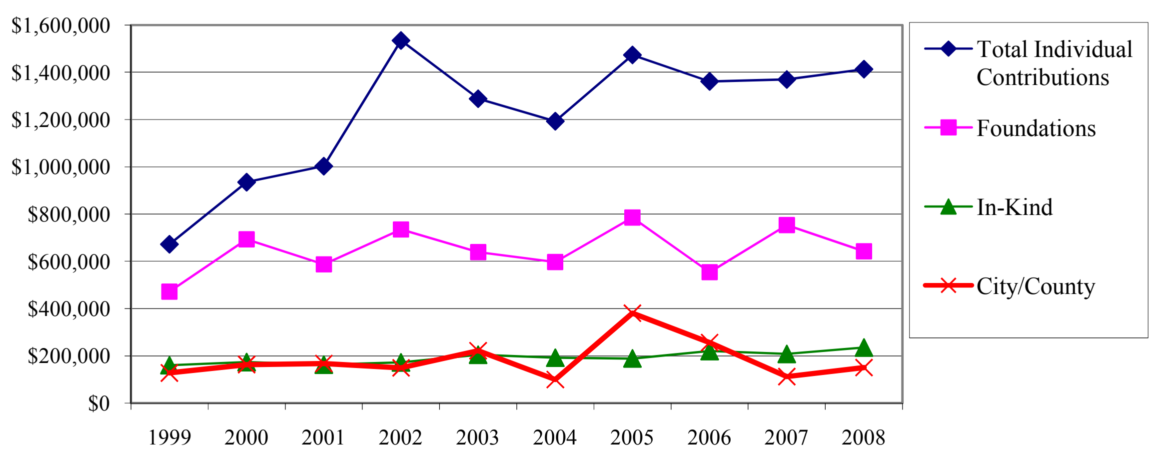
Side Note Figure C: Selected 10-Year Expense Trends (inflation adjusted)



Contributed Income (See Side Note Figure D)

- Average individual contributions increased 144% more than the rate of inflation. Individual contributions rose sharply in 2002, fell in 2003, spiked again in 2005, dipped for 2 years and rebounded in 2008.
- Foundation funding fluctuated, hitting peaks in 2000, 2002, 2005 and 2007.
- In-kind giving rose 66% above inflation.
- From 1999 to 2003, in-kind donations and local funding were at virtually the same level. Beginning in 2004, local funding became erratic, with spikes tied to capital campaigns in 2005 and 2006.
- Growth in total contributions outpaced inflation by 61% and total income by 40%, shy of the 44% growth in expenses.
- The more aggressive expense growth rate exceeded that of total income, leaving the 10-Year Trend Theatres with negative CUNA in 2008 for only the second time in the 10-year period, the other year being 2001. Over the years CUNA varied in proportion to expenses, from a high of 13.4% in 2005 when the economy was at its peak, to a low of -1% in 2008.

Side Note Figure D: Selected 10-Year Contributed Income Trends (inflation adjusted)



Balance Sheet

Of the 59 Theatres that responded to the Fiscal Survey each year since 1999, 52 completed the balance sheet section of the survey annually.

For these theatres:

- In 2008, total assets were more than double their 1999 level, even after adjusting for inflation: a collective $483 million in 1999 compared to $1.2 billion in 2008. In inflation-adjusted figures, investments more than doubled their value as did fixed assets over the 10-year period.
- The investment ratio increased over time, from 49% in 1999 to 73% in 2008. The aggregate value of all unrestricted endowments doubled.
- Working capital fluctuated considerably, with a low of -$988,000 in 2004 and a high of $12,300 in 2008. Theatres averaged triple-digit negative average working capital every year except 2008.

PROFILED THEATRES

The Profiled Theatres section of *Theatre Facts* provides a detailed look at the 176 theatres that completed the TCG Fiscal Survey in 2008. We examine the same details that were covered in the Trend Theatre section—i.e., earned income, expenses, contributed income, CUNA, balance sheet ratios, attendance, performance and pricing. Since a different set of theatres responds to the full survey from year to year, we avoid making comparisons to the Profiled Theatres of years past.

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 6 budget groups. Budget Group Snapshots reveal how different size theatres have distinctive needs and operating practices.

In 2008, the Profiled Theatres' budget size ranged from $131,000 to $54 million, with the average budget size equal to $5.4 million. The table to the right shows the budget ranges and the number of theatres for each group.

Overall, the Profiled Theatres collectively encountered a negative bottom line, with Group 1, 5 and 6 Theatres averaging negative CUNA. This is largely driven by pervasive capital losses, particularly among Group 5 and 6 Theatres. Eliminating capital gains/losses from the analyses would leave earned income at 56% of expenses and CUNA at 0.4% of expenses rather than in negative territory. However, since realized and unrealized capital gains are part of the FASB reporting structure, we include them in these analyses. In years of a robust economy, capital gains bolster theatres' bottom lines.

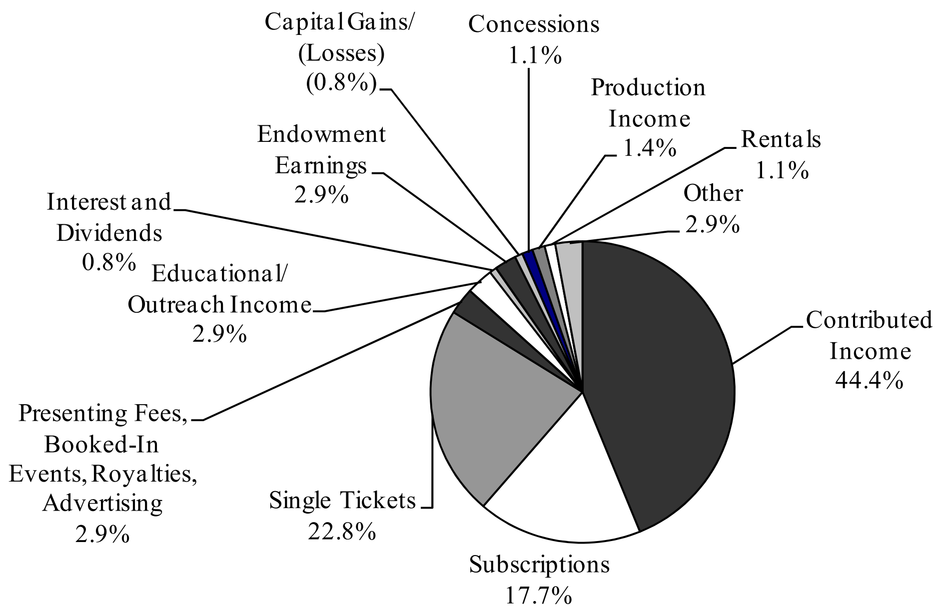
2008 PROFILED THEATRES (176 Theatres)

Budget Group	Number of Theatres	Budget Size
6	28	$10 million or more
5	32	$5 million - $9,999,999
4	27	$3 million - $4,999,999
3	45	$1 million - $2,999,999
2	28	$500,000 - $ 999,999
1	16	$499,999 or less

EARNED INCOME

Figure 5 presents earned income as a percentage of expenses for Profiled Theatres, with detail on various earned income sources. On the whole, earned income financed 55.1% of total expenses and contributed income financed 44.4% of total expenses, which adds to 99.5% because total income fell short of total expenses by 0.5%, leaving theatres with negative CUNA, on average. Income from ticket sales represented 75% of total earned income and supported over 41% of all expenses. Single ticket income was the largest source of earned income and funded 22.8% of expenses. Capital losses were the norm for theatres of every size, reducing the aggregate earned income reported by theatres by 0.8%.

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



*Percentages total 99.5% because total expenses exceeded total income by 0.5%.

Collectively, the 176 Profiled Theatres:

- Earned income in excess of $527 million, $394 million of which was from ticket sales. Earned income per theatre averaged roughly $3 million. Profiled Theatres attracted 6.9 million single ticket buyers and 881,000 subscribers/season ticket holders representing 4.4 million seats occupied by subscribers in 2008.

- Brought in 8.6% of subscription income from flexible subscriptions.

- Sold group sales and pick-and-choose vouchers, which accounted for 10% and 1% of single ticket sales, respectively. One theatre earned over $4 million in group sales.

- Produced over 5,300 touring performances that collected $11 million in fees.

- Offered 1,200 education and outreach programs that served an audience of 2.7 million people and generated $28 million in income.

- Earned $11 million from concessions and a similar amount from rental fees and $28 million from other activity such as ticket handling fees, insurance claims and special projects.

- Earned $7 million from interest and dividends and $22 million from endowments. Forty-four theatres provided information about the proportion of total endowment earnings that represents their endowment draw, based on the theatre's spending policy. The endowment draw was virtually 100% of endowment earnings for these theatres.

- Recognized $8 million in realized and unrealized capital losses from unrestricted investment assets.

- Reported that 94% of total investment income was used to support expenses, including savings, endowment draw and gains/losses on non-endowment investments used for operations. Seventy-three of the 176 Profiled Theatres provided this information.

- Received $13 million in production income. 44 theatres received production income; of these, 24 reported co-production income, 15 reported enhancement income and 5 reported both.

- Produced 250 world premieres and earned $5.7 million from 348 royalty properties for an average of $16,400 per property.

BUDGET GROUP SNAPSHOT: EARNED INCOME

We now examine average earned income dollar figures for all Profiled Theatres and each budget group therein (Table 14), as well as each earned income line item as a percentage of total expenses (Table 15).

For the 176 Profiled Theatres:

- Generally speaking, the larger the theatre, the more it relies on earned income to support expenses. Group 6 Theatres support over 60.6% of all expenses with earned income; for Group 1 Theatres, this figure is only 35.3%. However, Group 3 Theatres cover 50.5% of expenses with earned income, the second highest proportion of all the Groups.

- Average single ticket income exceeded subscription income for every budget group.

- The larger the theatre, the higher the proportion of expenses supported by subscription income.

- Group 1 and 2 Theatres experience far lower subscription income relative to expenses than the industry average.

- Smaller theatres earn a higher proportion of income from presenter fees and tour contracts, as well as education/outreach activities.

- Group 6 Theatres benefit significantly more than other groups from endowment earnings. No Group 1 Theatre reported endowment earnings.

- While theatres of every size averaged capital losses, they were most severely felt by Group 5 Theatres, whose losses are equivalent to 2.5% of their total expenses. The range of capital losses and gains for Group 5 Theatres was -$1.6 million to $1,170, with 14 theatres reporting losses, two of which had losses in excess of $1 million.

- One theatre generated more than half of all Group 2 income from tour contracts and presenting fees. One theatre was responsible for all of Group 5's income from tours. Fifty percent of Group 5's royalty income was earned by 1 theatre.

- One theatre accounted for all of Group 1's reported royalty income and another for 100% of interest and dividend income. Still another represented half of Group 1 Theatres' educational/outreach income.

- One theatre accounted for 95% of Group 3's income from booked-in events. Another theatre also accounted for more than 64% of Group 3's royalty income.

- One Group 6 Theatre earned 62% of the group's royalty income.

TABLE 14: AVERAGE EARNED INCOME

	All Theatres	Group 6	Group 5	Group 4	Group 3	Group 2	Group 1
Number of Theatres	**176**	**28**	**32**	**27**	**45**	**28**	**16**
Subscriptions	$ 961,080	$ 3,664,551	$1,204,212	$ 626,882	$ 213,345	$ 45,753	$ 12,526
Single Ticket Income	1,239,837	4,729,705	1,221,510	803,988	452,244	135,198	52,940
Booked-In Events	39,306	118,883	67,317	33,585	10,193	2,376	187
Total Ticket Income	**$ 2,240,223**	**$ 8,513,139**	**$2,493,038**	**$ 1,464,454**	**$ 675,782**	**$ 183,328**	**$ 65,653**
Tour Contracts/Presenting Fees	65,583	264,133	11,396	33,510	38,640	31,037	16,857
Educational/Outreach Income	157,847	319,087	303,675	125,959	74,508	74,078	18,819
Interest and Dividends	41,995	167,962	55,375	16,690	7,538	3,484	1,803
Endowment Earnings	127,344	621,608	97,480	33,207	21,600	698	-
Capital Gains/(Losses)	(46,068)	(72,604)	(170,769)	(13,403)	(4,929)	(485)	(820)
Royalties	32,278	165,706	15,586	2,356	9,596	249	2,499
Concessions	62,084	197,242	81,308	63,218	17,125	10,713	1,543
Production Income	73,305	332,022	91,844	11,140	7,448	806	477
Advertising	19,770	36,264	31,935	19,943	16,040	5,419	1,885
Rentals	61,896	202,857	102,825	35,938	11,465	14,902	1,237
Other	159,135	710,800	127,325	90,397	31,635	5,420	937
Total Earned Income	**$ 2,995,393**	**$ 11,458,214**	**$3,241,018**	**$ 1,883,408**	**$ 906,448**	**$ 329,648**	**$ 110,890**

TABLE 15: AVERAGE EARNED INCOME AS A PERCENTAGE OF EXPENSES	All Theatres	Group 6	Group 5	Group 4	Group 3	Group 2	Group 1
Number of Theatres	**176**	**28**	**32**	**27**	**45**	**28**	**16**
Subscriptions	17.7%	19.4%	17.6%	16.6%	11.9%	6.5%	4.0%
Single Ticket Income	22.8%	25.0%	17.9%	21.3%	25.2%	19.1%	16.8%
Booked-In Events	0.7%	0.6%	1.0%	0.9%	0.6%	0.3%	0.1%
Total Ticket Income	**41.2%**	**45.0%**	**36.46%**	**38.7%**	**37.6%**	**25.9%**	**20.9%**
Tour Contracts/Presenting Fees	1.2%	1.4%	0.2%	0.9%	2.2%	4.4%	5.4%
Educational/Outreach Income	2.9%	1.7%	4.4%	3.3%	4.1%	10.5%	6.0%
Interest and Dividends	0.8%	0.9%	0.8%	0.4%	0.4%	0.5%	0.6%
Endowment Earnings	2.3%	3.3%	1.4%	0.9%	1.2%	0.1%	0.0%
Capital Gains/(Losses)	-0.8%	-0.4%	-2.5%	-0.4%	-0.3%	-0.1%	-0.3%
Royalties	0.6%	0.9%	0.2%	0.1%	0.5%	0.0%	0.8%
Concessions	1.1%	1.0%	1.2%	1.7%	1.0%	1.5%	0.5%
Production Income	1.4%	1.8%	1.3%	0.3%	0.4%	0.1%	0.2%
Advertising	0.4%	0.2%	0.5%	0.5%	0.9%	0.8%	0.6%
Rentals	1.1%	1.1%	1.5%	1.0%	0.6%	2.1%	0.4%
Other	2.9%	3.8%	1.9%	2.4%	1.8%	0.8%	0.3%
Total Earned Income	**55.1%**	**60.6%**	**47.4%**	**49.8%**	**50.5%**	**46.6%**	**35.3%**

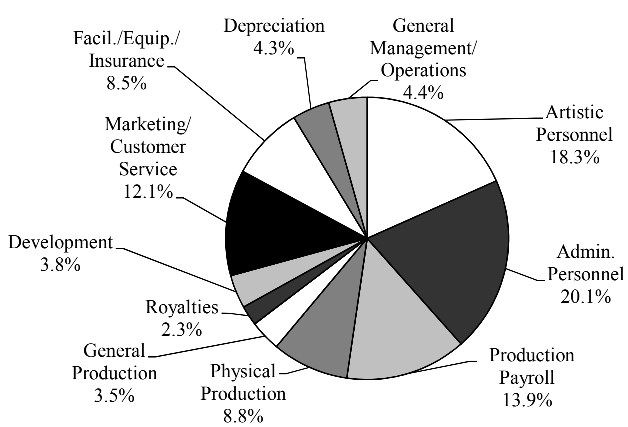
EXPENSES

Profiled

Profiled Theatres' expenses are detailed in Figure 6. Fifty-two percent of total expenses—over half a billion dollars in total—goes to compensation: artistic (18.3%), administrative (20.1%) and production payroll (13.9%). These figures include salaries, taxes, health insurance, welfare and retirement payments. If one also considers payment to authors in the form of royalties, this figure exceeds $522 million, roughly 56% of total expenses. The labor-intensive nature of theatre is well-represented by the proportion of budget allocated to paying people for their services.

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)—represent over half (55%) of all expenses.

FIGURE 6: BREAKDOWN OF EXPENSES



Collectively, the 176 Profiled Theatres:

- Contributed $956 million to the U.S. economy in 2008 in direct payment for goods and services.

- Paid nearly $22 million in royalties for 1,266 properties—an average of $17,300 per property.

- Spent 22 cents to produce every dollar of single ticket income but only 14 cents for every subscription dollar earned (see Table 16).

- Paid 5 cents to generate every dollar of contributed income not associated with fundraising events and considering only non-personnel expenses (see Table 16). If we add in all development costs including staff compensation and fundraising event expenses, and we consider all contributed income, we see that total development expenses are 15 cents for every dollar donated.

- Spent 84 cents to bring in each dollar of education and outreach income (see Table 16). This figure takes into account income earned from education and outreach activities, such as contract fees received for adult access programs and training programs, as well as contributed income that supports education and outreach programs. It includes education and outreach personnel salaries and benefits but does not include development costs associated with grant writing for education or outreach funding. Of the 84 cents, 57 go to salaries and 27 to items such as study guides, promotional materials, etc.

- Expensed nearly $123 million in occupancy/building/ equipment maintenance and other administrative costs such as office supplies and audit fees.

- Tend to rent rather than own their spaces. 37% of Profiled Theatres own their own theatre space, 53% rent and 10% operate out of donated theatre space. 35% own their office space, 53% rent and 12% have office space donated.

- Recognized $41 million in depreciation, the annual decrease in the book value of property and equipment for accounting purposes.

- Allocated 8% of development expenses, 6% of marketing expenses and 15% of general management expenses for professional fees for independent contractors or consultants.

TABLE 16: PROFILED THEATRE ADMINISTRATIVE EXPENSE INDEX
► Single ticket marketing expense to single ticket income (excludes personnel expense): 22%
► Subscription marketing expense to subscription income (excludes personnel expense): 14%
► Total marketing expense to total ticket sales (includes personnel expense): 29%
► Development expense (excludes personnel expense and fundraising event expenses) to total unrestricted contributed income (excludes fundraising event income): 5%
► Fundraising event expense to fundraising event income (excludes personnel expense): 37%
► Total development expense to total unrestricted contributed income (includes fundraising event expense and personnel expense): 16%
► Total development expense (includes fundraising event expense, personnel expense) to total contributed income (includes unrestricted, temporarily restricted and permanently restricted contributed income): 15%
► Education/outreach expense to total education/outreach income (excludes personnel expense, includes both earned and contributed income): 27%
► Total education/outreach expense to total education/outreach income (includes personnel expense and both earned and contributed income): 84%

BUDGET GROUP SNAPSHOT: EXPENSES

Table 17 shows average expense figures for all Profiled Theatres and for each budget group. In Table 18, we show key personnel and non-personnel expenses allocated by administrative department. Table 19 presents each expense line item as a percentage of total expenses.

TABLE 17: AVERAGE EXPENSES

	All Theatres	Group 6	Group 5	Group 4	Group 3	Group 2	Group 1
Number of Theatres	**176**	**28**	**32**	**27**	**45**	**28**	**16**
Artistic Payroll	$ 995,335	$ 3,165,342	$ 1,161,972	$ 846,885	$ 424,440	$ 213,781	$ 88,421
Administrative Payroll	1,093,168	3,638,064	1,500,382	798,641	356,664	143,579	55,386
Production Payroll	752,838	2,809,347	955,347	475,524	201,049	40,655	15,124
Total Payroll	**$ 2,841,342**	**$ 9,612,753**	**$ 3,617,701**	**$ 2,121,051**	**$ 982,154**	**398,014**	**$ 158,931**
General Artistic Non-Payroll	192,209	684,934	218,743	122,547	76,864	21,103	18,273
Royalties	124,175	353,090	199,135	112,013	46,497	12,499	8,080
Production/Tech Non-Payroll (physical production)	477,375	2,120,272	377,955	239,671	106,685	35,436	18,226
Development/Fundraising	207,448	678,109	277,042	151,948	77,787	28,407	16,246
Marketing/Customer Service/Concessions	659,979	2,304,208	832,839	467,101	215,615	76,138	33,833
Occupancy/Building/Equipment/ Maintenance	459,033	1,454,062	697,787	296,756	156,629	76,607	33,823
Depreciation	232,769	870,249	328,093	138,802	43,806	11,904	3,077
General Management/Operations	237,652	831,760	289,113	130,204	90,143	47,617	23,796
Total Expenses	**$ 5,431,981**	**$ 18,909,437**	**$ 6,838,408**	**$ 3,780,092**	**$ 1,796,179**	**$ 707,726**	**$ 314,284**

If we combine personnel and non-personnel program costs allocated to the various administrative departments (see Table 18), we find that Profiled Theatres spent an average of $397,079 on development, $646,500 on marketing, $232,097 on front-of-house (including box office, house management and concessions) and $202,338 on education. It is interesting to note that theatres tend to spend more on non-personnel expenses with respect to development and marketing than they do on staff, whereas staff compensation is the larger allocation of total front-of-house and education/outreach expenses, with a few exceptions in the case of smaller theatres.

TABLE 18: SELECTED AVERAGE ADMINISTRATIVE EXPENSES: PERSONNEL AND NON-PERSONNEL

	All Theatres	Group 6	Group 5	Group 4	Group 3	Group 2	Group 1
Development/Fundraising Personnel	$ 189,631	$ 636,900	$ 250,811	$ 145,901	$ 65,645	$ 18,526	$ 6,489
Non-personnel Development Expenses	207,448	678,109	277,042	151,948	77,787	28,407	16,246
Marketing Personnel	147,386	517,345	238,587	117,006	49,405	14,214	2,468
Non-personnel Marketing Expenses	499,115	1,780,961	625,571	333,806	160,282	48,905	22,763
Front-of-House Personnel	135,216	527,665	180,747	102,984	43,578	9,193	2,018
Non-personnel Front-of-House Expenses	96,881	276,747	131,976	79,558	31,905	10,469	2,105
Education Programs/Outreach Personnel	138,355	378,186	239,581	125,289	41,692	27,179	4,674
Non-personnel Education/Outreach Expenses	63,983	180,098	105,871	48,953	22,039	14,163	7,519

TABLE 19: AVERAGE EXPENSES AS A PERCENTAGE OF TOTAL EXPENSES

	All Theatres	Group 6	Group 5	Group 4	Group 3	Group 2	Group 1
Number of Theatres	**176**	**28**	**32**	**27**	**45**	**28**	**16**
Artistic Payroll	18.3%	16.7%	17.0%	22.4%	23.6%	30.2%	28.1%
Administrative Payroll	20.1%	19.2%	21.9%	21.1%	19.9%	20.3%	17.6%
Production Payroll	13.9%	14.9%	14.0%	12.6%	11.2%	5.7%	4.8%
Total Payroll	**52.3%**	**50.8%**	**52.9%**	**56.1%**	**54.7%**	**56.2%**	**50.6%**
General Artistic Non-Payroll	3.5%	3.6%	3.2%	3.2%	4.3%	3.0%	5.8%
Royalties	2.3%	1.9%	2.9%	3.0%	2.6%	1.8%	2.6%
Production/Tech Non-Payroll (physical production)	8.8%	11.2%	5.5%	6.3%	5.9%	5.0%	5.8%
Development/Fundraising	3.8%	3.6%	4.1%	4.0%	4.3%	4.0%	5.2%
Marketing/Customer Service/Concessions	12.1%	12.2%	12.2%	12.4%	12.0%	10.8%	10.8%
Occupancy/Building/Equipment/Maintenance	8.5%	7.7%	10.2%	7.9%	8.7%	10.8%	10.8%
Depreciation	4.3%	4.6%	4.8%	3.7%	2.4%	1.7%	1.0%
General Management/Operations	4.4%	4.4%	4.2%	3.4%	5.0%	6.7%	7.6%
Total Expenses	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**

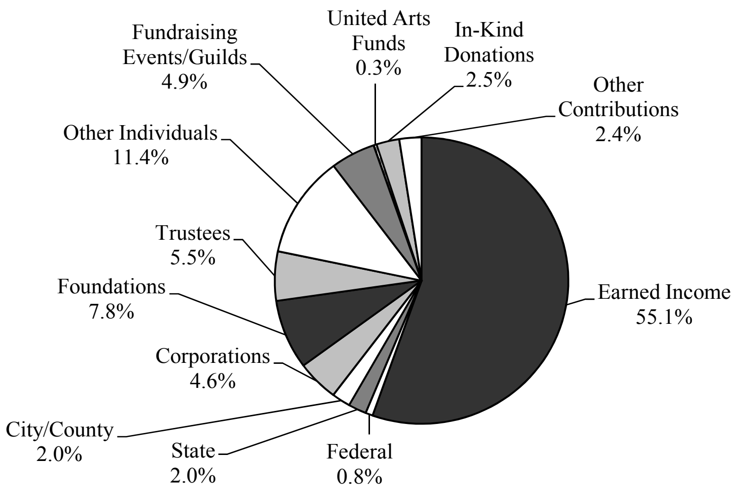
For the 176 Profiled Theatres:

- Smaller theatres tend to spend a larger proportion of budget on artists, Group 2 to the greatest extent.
- Group 1 and 2 Theatres spend far less of their resources on production payroll relative to larger theatres, especially Group 5 and 6 Theatres.
- Total payroll as a percentage of total expenses is similar for Group 1 and 6 Theatres as well as for Groups 2 and 4.
- Group 6 Theatres spend proportionally more than other budget groups on physical production expenses.
- Group 4 Theatres spend slightly more than other groups on royalties.
- Smaller theatres spend a greater proportion of their budget on occupancy expenses related to facilities, whereas Group 6 Theatres spend proportionally less on this area.
- The larger the theatre, the more likely it is to own its own performance space. Forty-six percent of Group 6 Theatres own their own theatre as compared to only 1 Group 1 Theatre. Group 1 Theatres report only 1% of total expenses as depreciation.
- Smaller theatres spend more of their budgets on general management expenses.

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), which are contributions received in a prior fiscal year for activity that occurred in the current fiscal year, hence the release of funds from temporary restriction. Figure 7 presents income detail on Profiled Theatres, with particular focus on different sources of contributed income. Contributions financed 44.4% of total expenses, with individual donations representing the largest single source of contributed income. We show 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 95.5% because total expenses exceeded total income by 0.5%.

Collectively, the 176 Profiled Theatres:

- Released $89 million of NARTR, which was reported by theatres of every budget size and represented 21% of total contributed funds.
- Conducted capital campaigns that generated $37 million or 9% of all contributed funds. Forty-eight Profiled Theatres (27%) were in capital campaigns in 2008. Seven theatres began their current capital campaigns in 2008; 9 theatres now in a capital campaign started it in 2007; 8 theatres began in 2006, 9 theatres began in 2005, and 14 between 2000 and 2004; 1 started in 1997. Of the 48 theatres that were in a capital campaign in the most recent year, there was only 1 Group 1 theatre (6%), 4 Group 2 Theatres (14%), 9 Group 3 Theatres (20%), 12 Group 4 Theatres (44%), 12 Group 5 Theatres (36%), and 10 Group 6 Theatres (36%).
- Received more than $162 million in gifts from trustees and other individuals, which supported 16.9% of total expenses and accounted for 38% of all contributed dollars.
- Received 33% of individual contributions from trustees, who gave an average of $8,717 (see Table 20). Profiled Theatres' boards average 28 members. Larger theatres tend to have larger boards. Group 1 Theatres average 11 trustee donors whereas Group 6 Theatres average 45.
- Attracted contributions from 216,000 non-trustee individuals who gave average gifts of $393 (see Table 20). For larger theatres (Groups 4 through 6), gifts from other individuals are the greatest source of contributed funds.
- Raised $44 million from 4,133 corporations. The average corporate gift in 2008 was $10,639 (see Table 20).
- Received $74.5 million, 18% of total contributed income, from 2,911 foundation grants, which averaged $25,603 (see Table 20). Foundation support is the greatest source of contributed funds for smaller (Groups 1–3) theatres.
- Attracted $16.3 million to support touring and education programs.
- Accepted $24 million in-kind donations, raised nearly $47 million from special fundraising events or guilds, and benefitted from $23 million in other contributed support from service organizations and sheltering organizations such as universities or museums.

TABLE 20: AVERGE GIFT BY SOURCE

	All Theatres	Group 6	Group 5	Group 4	Group 3	Group 2	Group 1
Average Trustee Gift	$ 8,717	15,203	9,295	5,282	4,751	2,201	1,766
Average Other Individual Gift	$ 393	433	348	357	366	306	293
Average Corporate Gift	$ 10,639	18,232	9,453	5,386	7,779	5,352	3,367
Average Foundation Gift	$ 25,603	46,898	23,513	20,000	15,861	15,086	8,085

The 176 Profiled Theatres received federal funds equal to nearly 1% of expenses and 1.8% of total contributed income. One theatre received NEH funding. Fifty-one theatres received NEA Access to Artistic Excellence grants averaging $27,500 per grant; 5 theatres received an average grant of $41,000 for Learning in the Arts for Children and Youth projects; 1 theatre received a Challenge America Fast-Track grant of $4,200; and 9 theatres received an average grant of $23,200 for the Shakespeare for a New Generation program. Other federal sources included the National Park Service, the National Capital Arts and Cultural Affairs Program of the U.S. Commission of Fine Arts, which funds organizations in Washington, DC, and the Coming Up Taller Award-Playwright Mentoring Project. Every group benefited from some form of federal funding.

BUDGET GROUP SNAPSHOT: CONTRIBUTED INCOME

Table 21 reports average contributions and CUNA for all Profiled Theatres and broken out by 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
Number of Theatres	**176**	**28**	**32**	**27**	**45**	**28**	**16**
Federal	43,694	111,482	67,504	44,882	19,291	8,589	5,513
State	107,588	195,528	130,213	258,173	32,111	23,087	14,483
City/County	111,286	371,047	117,715	89,388	47,557	27,874	6,009
Corporations	249,841	816,550	314,597	193,309	101,639	36,888	13,468
Foundations	423,464	1,210,975	485,691	359,254	211,834	175,648	58,109
Trustees	300,234	859,154	587,986	188,602	87,641	25,379	13,910
Other Individuals	621,568	2,242,275	708,193	417,470	197,564	105,822	51,559
Fundraising Events/Guilds	265,937	773,031	415,628	189,966	116,439	35,467	31,129
United Arts Funds	18,260	87,832	15,024	-	3,771	3,712	-
In-Kind Services/Materials/Facilities	136,794	283,336	293,886	105,793	68,317	24,263	7,999
Other Contributions	131,343	269,895	318,153	60,689	76,837	10,073	10
Total Contributed Income	**$ 2,410,360**	**$ 7,221,105**	**$3,454,588**	**$ 1,909,817**	**$ 963,002**	**$ 476,802**	**$ 202,188**
Total Income	**$ 5,405,753**	**$ 18,679,318**	**$6,695,606**	**$ 3,793,225**	**$ 1,869,450**	**$ 806,449**	**$ 313,078**
Changes in Unrestricted Net Assets (CUNA)	**$ (26,229)**	**$ (230,118)**	**$ (142,802)**	**$ 13,133**	**$ 73,271**	**$ 98,724**	**$ (1,206)**

For the 176 Profiled Theatres:

- Group 1, 5 and 6 Theatres averaged negative CUNA. One theatre skewed the average CUNA in 2 budget groups. One theatre with six-digit negative CUNA skewed the average for Group 1 Theatres. Eliminating this theatre from the analyses would leave Group 1 Theatres with average CUNA of $14,186. One Group 2 Theatre accounted for 61% of the group's CUNA. Excluding this theatre would leave Group 2 average CUNA at $40,393—6% of expenses rather than 13.9%, but still the highest CUNA level of all groups.

- Over half of the Group 6 Theatres and 66% of Group 5 Theatres experienced negative CUNA.

- Although larger theatres received greater foundation support in absolute terms, smaller theatres received much greater foundation support as a percentage of expenses. Nearly 25% of Group 2 Theatres' total expenses are shown as being supported by foundation grants. One theatre accounted for 25% of the Group's total foundation support. Eliminating this theatre from the analyses would leave average foundation support for Group 2 Theatres at $138,400. Every Group 1 and 2 Theatre received some form of foundation support.

- Group 4 Theatres received the highest level of state funding as a percentage of expenses. One theatre accounted for 43% of Group 4's state funding.

- Group 2 Theatres receive proportionally more of their budget from city and county funding than other groups.

- Group 3 Theatres covered the highest percentage of expenses with corporate support (5.7%). They also received higher average corporate gifts than Group 4 Theatres (see Table 20).

- Trustee giving, in-kind services and materials and other contributions from entities such as sheltering and service organizations sustained a more substantial portion of expenses for Group 5 Theatres than for other groups.

- Group 1 Theatres rely more on individual giving from non-trustees and fundraising events and guilds than other groups.

- The year ended with a higher level of unrestricted net assets than it began for theatres in every group except Group 5, driven by audit adjustments from previously reported numbers and in spite of the overall negative CUNA. The aggregate balance of unrestricted net assets at the beginning of the fiscal year for Profiled Theatres was $720 million and the year ended with unrestricted net assets totaling $876 million. There were theatres in every budget group that ended the year with negative CUNA.

TABLE 22: AVERAGE CONTRIBUTED INCOME AS A PERCENTAGE OF EXPENSES

	All Theatres	Group 6	Group 5	Group 4	Group 3	Group 2	Group 1
Number of Theatres	**176**	**28**	**32**	**27**	**45**	**28**	**16**
Federal	0.8%	0.6%	1.0%	1.2%	1.1%	1.2%	1.8%
State	2.0%	1.0%	1.9%	6.8%	1.8%	3.3%	4.6%
City/County	2.0%	2.0%	1.7%	2.4%	2.6%	3.9%	1.9%
Corporations	4.6%	4.3%	4.6%	5.1%	5.7%	5.2%	4.3%
Foundations	7.8%	6.4%	7.1%	9.5%	11.8%	24.8%	18.5%
Trustees	5.5%	4.5%	8.6%	5.0%	4.9%	3.6%	4.4%
Other Individuals	11.4%	11.9%	10.4%	11.0%	11.0%	15.0%	16.4%
Fundraising Events/Guilds	4.9%	4.1%	6.1%	5.0%	6.5%	5.0%	9.9%
United Arts Funds	0.3%	0.5%	0.2%	0.0%	0.2%	0.5%	0.0%
In-Kind Services/Materials/Facilities	2.5%	1.5%	4.3%	2.8%	3.8%	3.4%	2.5%
Other Contributions	2.4%	1.4%	4.6%	1.6%	4.3%	1.4%	0.0%
Total Contributed Income	**44.4%**	**38.2%**	**50.5%**	**50.5%**	**53.6%**	**67.4%**	**64.3%**
Total Income	**99.5%**	**98.8%**	**97.9%**	**100.3%**	**104.1%**	**113.9%**	**99.6%**
Changes in Unrestricted Net Assets (CUNA)	**-0.5%**	**-1.2%**	**-2.1%**	**0.3%**	**4.1%**	**13.9%**	**-0.4%**

THE BALANCE SHEET

The balance sheet reflects a theatre's long-term fiscal health and stability, as discussed in the Trend Theatres Section. CUNA, while an important indicator of annual activity, is only one element in the bigger picture of capital structure. The 167 Profiled Theatres that completed the Balance Sheet section of the survey collectively held $2.2 billion in total assets and $1.5 billion in net assets, 57% of which was in unrestricted funds. As in the Trend Theatres section, we use Cool Spring Analytics' measures of theatres' fiscal health with respect to working capital, physical capital and investments.

From Table 23, we learn that 56% of Profiled Theatres' net assets are fixed assets, 44% are investments, 7% are other net assets and the total is reduced by 7% due to negative working capital, detailed in Table 24. The distribution of net assets varies depending on theatre size, with smaller theatres having a greater proportion of fixed and other net assets than investments. In addition to the figures reported below, 4 theatres are the beneficiary of a separately held endowment (e.g., by a community foundation) that is not reflected in their balance sheet, ranging from $50,000 to $2.5 million.

TABLE 23: AVERAGE TOTAL NET ASSETS

	All Theatres	Group 6	Group 5	Group 4	Group 3	Group 2	Group 1
Number of Theatres	**167**	**26**	**31**	**27**	**40**	**28**	**15**
Working Capital	$ (646,014)	$ 207,178	$ (2,264,745)	$ (837,058)	$ (485,277)	$ (67,175)	$ 55,248
Fixed Assets	$ 5,190,375	$ 21,347,951	$ 5,679,010	$ 2,834,175	$ 1,211,881	$ 369,756	$ 23,029
Investments	$ 4,094,172	$ 20,997,730	$ 3,512,958	$ 878,910	$ 122,215	$ 4,267	$ 9,691
Other Net Assets	$ 632,733	$ (1,456,633)	$ 2,480,673	$ 1,528,777	$ 540,290	$ 119,791	$ 26,352
Total Net Assets	**$ 9,271,266**	**$ 41,096,226**	**$ 9,407,896**	**$ 4,404,803**	**$ 1,389,109**	**$ 426,639**	**$ 114,320**
Total Expenses	**$ 5,470,378**	**$ 19,391,649**	**$ 6,803,565**	**$ 3,780,092**	**$ 1,796,239**	**$ 707,726**	**$ 315,429**
Investment Ratio	**75%**	**108%**	**52%**	**23%**	**7%**	**1%**	**3%**

WORKING CAPITAL = TOTAL UNRESTRICTED NET ASSETS — FIXED ASSETS — UNRESTRICTED LONG-TERM INVESTMENTS

Working capital represents theatres' ability to meet day-to-day cash needs and current obligations. Tables 23 and 24 show that, on average, working capital was negative for Profiled Theatres, indicating that these theatres are borrowing funds to meet daily operating needs. The severity of the working capital situation for mid-sized theatres deserves serious attention. Only Group 1 and 6 Theatres reported positive average working capital. All but 3 Group 1 Theatres had positive working capital, whereas half of the Group 6 Theatres experienced positive and half negative working capital. Group 5 Theatres experienced relatively severe working capital shortages averaging -33%, leaving them with little financial flexibility to seize opportunities. All except 6 Group 5 Theatres had negative working capital. Overall, the lowest reported working capital was -$17 million and the highest was $31 million.

TABLE 24: AVERAGE WORKING CAPITAL

	All Theatres	Group 6	Group 5	Group 4	Group 3	Group 2	Group 1
Number of Theatres	167	26	31	27	40	28	15
Total Unrestricted Net Assets	$ 5,253,800	$ 24,675,399	$ 4,489,997	$ 2,138,782	$ 728,814	$ 302,581	$ 84,160
Fixed Assets	$ 5,190,375	$ 21,347,951	$ 5,679,010	$ 2,834,175	$ 1,211,881	$ 369,756	$ 23,029
Unrestricted Investments	$ 709,439	$ 3,120,270	$ 1,075,733	$ 141,666	$ 2,210	-	$ 5,883
Working Capital	**$ (646,014)**	**$ 207,178**	**$ (2,264,745)**	**$ (837,058)**	**$ (485,277)**	**$ (67,175)**	**$ 55,248**
Total Expenses	**$ 5,470,378**	**$ 19,391,649**	**$ 6,803,565**	**$ 3,780,092**	**$ 1,796,239**	**$ 707,726**	**$ 315,429**
Working Capital Ratio	**-12%**	**1%**	**-33%**	**-22%**	**-27%**	**-9%**	**18%**

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. Cool Spring Analytics notes that one way to look at working capital is having enough capital to handle cash flow fluctuations over the course of the year. For example, a ratio of 25% translates into three months of working capital. Of the 167 Profiled Theatres that completed the balance sheet portion of the survey, 19 reported a working capital ratio of 25% or more while 99—59%—reported negative working capital. The overall working capital ratio for the Profiled Theatres was -12%. The lowest reported working capital ratio was negative in a magnitude of twice the size of the budget, and the highest was 4 times total expenses.

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

Profiled Theatres possess an aggregate $867 million in fixed assets. Fixed assets represent 87% of total net assets for Group 2 and 3 Theatres while it comprises only 20% for Group 1 Theatres, which have nearly half of their total net assets in working capital.

INVESTMENT RATIO = TOTAL INVESTMENTS/TOTAL EXPENSES

Invested capital includes endowments and cash reserves. Investments generate interest income that theatres can either reinvest or use for operations, thereby lessening the burden on other income sources and making it easier to weather hard economic times. Group 6 and 5 Theatres' combined endowments represent 97% of the total for all Profiled Theatres. No Group 2 Theatre and only 1 Group 1 Theatre reported having unrestricted endowment funds, as reflected in Table 24. The investment ratio is best examined over time. More than half of the Profiled Theatres reported having some investments. As shown in Table 23, the investment ratio is particularly strong for Group 6 Theatres, whose average investments exceed their annual expenses.

Profiled

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 add the following observations to Table 25.

The 176 Profiled Theatres:

- Attracted over 11.3 million patrons, sold 881,000 subscriptions and held over 35,000 main series performances.
- Filled an average of 71% of their seats with paying customers, as demonstrated in Table 25. Smaller theatres tend to play to smaller houses with a lower proportion of the house filled with subscribers.
- Tend to offer more ticket packages as theatre size increases.
- Offered some resident productions off subscription. Considering only potential capacity of those productions offered on subscription, subscribers filled an overall average of 33% of their potential: 41% for Group 6 Theatres, 40% for Group 5, 39% for Group 4 Theatres, 28% for Group 3, 19% for Group 2 and 24% for Group 1.
- Average a higher number of actor employment weeks as they increase in size, with the exception of Group 4 Theatres, which offered more actor employment weeks than Group 5 Theatres.
- Collectively offered 5,396 weeks of performances around the country.
- Provided 82,106 weeks of actor employment and employed 35,329 full-time, part-time and jobbed-in administrative, technical and artistic personnel.
- Experienced higher employee turnover rates as they increased in size, generally speaking.

TABLE 25: INDUSTRY AVERAGES	All Theatres	Group 6	Group 5	Group 4	Group 3	Group 2	Group 1
Number of Theatres	**176**	**28**	**32**	**27**	**45**	**28**	**16**
Subscription Renewal Rate	74%	74%	72%	75%	73%	75%	74%
High Subscription Discount	38.7%	46.4%	38.1%	43.2%	37.7%	33.9%	24.5%
Low Subscription Discount	11.8%	8.2%	12.1%	13.6%	10.9%	15.6%	10.0%
Subscription Price (per ticket)	$28.51	$41.52	$33.87	$27.54	$25.50	$17.45	$15.50
Single Ticket Price	$29.82	$42.36	$35.63	$31.52	$26.35	$18.04	$20.00
Number of Ticket Packages Offered	5	9	6	5	5	2	2
Number of Subscribers/Season Ticket Holders	5,722	16,116	7,062	5,156	2,039	663	195
Subscription Tickets (#subscribers x #tickets/package sold)	28,807	82,873	35,948	23,776	10,256	3,281	903
Single Tickets	40,573	113,389	44,465	35,515	23,544	8,944	4,247
Total In-Residence Paid Capacity Utilization	71%	74%	72%	78%	69%	65%	66%
Total In-Residence Subscriber Capacity Utilization	24%	30%	29%	30%	21%	14%	13%
Number of Main Series Performances	199	414	237	206	153	93	49
Number of Performance Weeks	31	43	33	32	28	27	18
Number of Actor Employment Weeks (sum of # weeks each actor employed)	483	1,075	455	482	379	263	104
Number of Total Paid Employees (includes jobbed-in, part-time and full-time personnel)	201	523	226	166	131	81	50
Paid Employee Turnover (# vacated positions/total # pd. employees)	10%	13%	11%	12%	10%	8%	5%

CONCLUSION

The strong economy that bolstered capital campaigns and operating income during the first 4 years of the 5-year trend analysis became destabilized late in 2008. Over the 5 years, expense growth outpaced that of both earned and contributed income, particularly due to capital losses reported in 2008. The U.S. economy's severe downturn since the second half of 2008 does not bode well for the immediate future of theatres' bottom lines. There are disquieting trends that can be expected to become more pronounced in the years to come as foundations, corporations, individuals and government agencies encounter their own capital losses and find themselves with less support available to theatres.

The average theatre in Groups 5 and 6 ended the year with negative CUNA. While the majority of theatres operated in the black from 2004 to 2007, more theatres ended the year with negative than positive CUNA in 2008. More theatres had severe deficits and fewer theatres had substantial positive CUNA in 2008 than in recent years. On average, theatres experienced capital losses rather than capital gains in 2008; however, capital campaigns left theatres with substantial growth in both fixed assets and investments, and the investment ratio has improved over time. Average working capital, while negative each year, improved annually. In 2008, Group 1 and 6 Theatres managed positive average working capital. Average endowment earnings increased more than 75% in inflation-adjusted figures from 2004 to 2008. The success of capital campaigns resulted in improved and, in many cases, new or expanded facilities.

Attendance is down slightly if we include tours but up slightly if we focus only on those coming to productions at the resident theatres. Subscription income covered its lowest level of total expenses for the 5-year period in 2008, although average subscription income growth outpaced inflation. Single ticket sales were at a 5-year high and subscription package sales at a 5-year low in 2008. Average federal and United Arts funding growth did not keep pace with inflation, and corporate support barely surpassed it.

Theatre size has an important impact on how theatres operate. The largest, Group 6 Theatres, had the highest investment ratio by far and benefited significantly more than other groups from endowment earnings. They were negatively affected by capital losses and ended the year with negative average CUNA, although they had positive working capital. They supported a much higher level of expenses with earned income than other groups, had a higher level of capacity utilization, supported a much higher percentage of expenses with ticket income than other groups and spent proportionally more on physical production expenses. Group 5 Theatres experienced the lowest level of CUNA proportional to expenses—primarily driven by capital losses, had the most severely negative working capital, had the highest average ticket income from booked-in events and received a proportionally higher level of their resources from their trustees, in-kind donations of services and materials and other contributions from sheltering and service organizations.

Mid-sized theatres have their own idiosyncrasies. Group 3 and 4 Theatres both had fairly serious working capital shortages (-27% and -22%, respectively) but positive average CUNA. Group 4 Theatres had the highest subscription renewal rate, positive average CUNA and they spent proportionally more on royalties than other groups. They received the highest level of state funding proportional to their budget. Group 3 Theatres attracted a higher proportion of their budget from corporations relative to other groups, and ended the year with the second highest CUNA relative to expenses.

Smaller theatres tended to be more stable in 2008. Group 1 Theatres had positive working capital and Group 2 Theatres ended the year with higher CUNA than any other group as compared with their level of expenses. Of all Group 1 and 2 Theatres, only 1 reported an unrestricted endowment. Smaller theatres tend to be much more reliant on contributed income. Group 1 and 2 Theatres earned proportionally far lower subscription income than the industry average, offered fewer ticket packages, received a relatively higher proportion of their income from foundations and non-trustee individuals` and spent far less of their resources on production payroll relative to larger theatres. Proportionally, they played to more empty seats than other groups, filled fewer seats with subscribers, and spent less on marketing than other groups but proportionally more on costs related to occupancy of their facilities. They also led the field in the proportion of educational/outreach income and income from tour contracts and presenting fees.

TCG member theatres can be found in every state of the nation, creating a strong and diverse theatrical heritage. We make significant contributions to the wellbeing of artists, to professional theatre administrators and technicians, to our communities and to the U.S. economy. As a field, we contributed more than an estimated $1.8 billion to the economy in the form of direct compensation and payment for services and goods. We opened our doors to 32 million patrons. We provided employment to 131,000 artists, administrators and technical personnel. We created 202,000 performances of 15,000 productions that now represent the American theatre legacy of 2008.

METHODOLOGY

Theatre Facts 2008 includes information on participating theatres' fiscal years ending between October 31, 2007 and September 30, 2008. Profiled Theatres' information was verified against certified financial audits. The adjustment for inflation in the discussion of Trend Theatres of 14% (27% for the 10-Year View) is based on compounded annual average changes in the Consumer Price Index for all urban consumers as reported by the U.S. Department of Commerce's Bureau of Labor Statistics.

TCG and the authors wish to thank the following *Theatre Facts* Advisory Committee members for their valuable insights, feedback and guidance: Maggie Arbogast (The Wilma Theater), Chris Casquilho (Depot Theatre), Patricia Egan (Cool Spring Analytics), Rory MacPherson (The Wallace Foundation) and Paul Nicholson (Oregon Shakespeare Festival). Also, we recognize Teresa Eyring for her contributions to the TCG Fiscal Survey and this report.

2008 PROFILED THEATRES

The following theatres participated in the TCG 2008 survey. Each theatre's budget group is noted in parentheses.

ALABAMA
Alabama Shakespeare Festival (6)

ARIZONA
Actors Theatre of Phoenix (3), Borderlands Theater (1), Childsplay, Inc. (4), Phoenix Theatre (4), Southwest Shakespeare Company (2), Valley Youth Theatre (3)

ARKANSAS
Arkansas Repertory Theatre (4)

CALIFORNIA
American Conservatory Theater (6), BATS Improv (2), Berkeley Repertory Theatre (6), Center Theatre Group (6), The Colony Theatre Company (2), The Geffen Playhouse (6), La Jolla Playhouse (6), Laguna Playhouse (5), Marin Shakespeare Company (2), Marin Theatre Company (3), New Conservatory Theatre Center (3), The Old Globe (6), PCPA Theaterfest (4), Reprise Theatre Company (4), San Diego Repertory Theatre (3), San Jose Repertory Theatre (5), Shakespeare Santa Cruz (3), Sierra Repertory Theatre (3), South Coast Repertory (6), TheatreWorks (5), Will Geer's Theatricum Botanicum (2)

COLORADO
Curious Theatre Company (2), Denver Center Theatre Company (6)

CONNECTICUT
Connecticut Repertory Theatre (3), Elm Shakespeare Company (1), Hartford Stage (5), Long Wharf Theatre (5), Westport Country Playhouse (5), Yale Repertory Theatre (5)

D.C.
Arena Stage (6), Folger Theatre (3), Ford's Theatre (5), GALA Hispanic Theatre (3), Shakespeare Theatre Company (6), The Studio Theatre (5), Woolly Mammoth Theatre Company (4)

FLORIDA
American Stage Theatre Company (3), Asolo Repertory Theatre (5), City Theatre (2), Florida Studio Theatre (4), Maltz Jupiter Theatre (5), Stageworks (1)

GEORGIA
Alliance Theatre (6), Dad's Garage Theatre Company (2)

IDAHO
Idaho Shakespeare Festival (4)

ILLINOIS
Chicago Children's Theatre (3), Chicago Shakespeare Theater (6), Court Theatre (4), Lookingglass Theatre Company (5), Northlight Theatre (4), Piven Theatre Workshop (2), Steppenwolf Theatre Company (6), Timeline Theatre Company (2), Writers' Theatre (4)

INDIANA
Indiana Repertory Theatre (5)

IOWA
Riverside Theatre (2)

KENTUCKY
Actors Theatre of Louisville (6), Roadside Theater (1)

MAINE
Portland Stage Company (3)

MARYLAND
CENTERSTAGE (5), Everyman Theatre (3), Imagination Stage (5), Round House Theatre (5)

MASSACHUSETTS
American Repertory Theatre (6), Barrington Stage Company (3), Huntington Theatre Company (6), The Lyric Stage Company of Boston (3), Merrimack Repertory Theatre (3), New Repertory Theatre (3), Shakespeare & Company (5)

MINNESOTA
The Children's Theatre Company (6), Commonweal Theatre Company (2), Guthrie Theater (6), Mu Performing Arts (2), Penumbra Theatre Company (3), Pillsbury House Theatre (2), Stages Theatre Company (3)

MISSOURI
The Coterie Theatre (3), Kansas City Repertory Theatre (5), Paul Mesner Puppets, Inc. (1), The Repertory Theatre of St. Louis (5), Unicorn Theatre (3)

NEW JERSEY
George Street Playhouse (4), Luna Stage (1), McCarter Theatre Center (6), Paper Mill Playhouse (6), Passage Theatre Company (2), ReVision Theatre (1), The Shakespeare Theatre of New Jersey (4)

NEW YORK
The Acting Company (3), Atlantic Theater Company (5), Capital Repertory Theatre (4), Chenango River Theatre (1), The Civilians (1), Classic Stage Company (3), Clubbed Thumb (1), Depot Theatre (1), Geva Theatre Center (5), Here Arts Center (3), Lark Play Development Center (2), Mabou Mines (3), Manhattan Theatre Club (6), Merry-Go-Round Playhouse (3), Mint Theater Company (3), New Dramatists, Inc. (3), NYS Theatre Institute (NYSTI) (4), Ping Chong and Company (2), Pregones Theater (2), The Public Theater (6), Roundabout Theatre Company (6), Signature Theatre Company (5), SITI Company (2), Syracuse Stage (5), Target Margin Theater (1), Theatre for a New Audience (5), Vital Theatre Company (2), The Wooster Group (3)

NORTH CAROLINA
Actor's Theatre of Charlotte, Inc. (2), PlayMakers Repertory Company (3), Triad Stage (3)

OHIO
The Cleveland Play House (5), Cleveland Public Theatre (3), Great Lakes Theater Festival (4), The Human Race Theatre Company (3), Know Theatre of Cincinnati (2)

OREGON
Artists Repertory Theatre (3), Lord Leebrick Theatre Company (1), Miracle Theatre Group (2), Oregon Shakespeare Festival (6), Portland Center Stage (5), Third Rail (1)

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

RHODE ISLAND
The Gamm Theatre (3), Trinity Repertory Company (5)

SOUTH CAROLINA
Arts Center of Coastal Carolina (4), Charleston Stage Company (3), PURE Theatre (1)

TENNESSEE
Clarence Brown Theatre at the University of TN (3)

TEXAS
Alley Theatre (6), Dallas Children's Theater (4), Dallas Theater Center (5), Main Street Theater (3), WaterTower Theatre (3), ZACH Theatre (4)

UTAH
Pioneer Theatre Company (5)

VIRGINIA
Virginia Stage Company (3)

WASHINGTON
ACT Theatre (ACT) (5), Harlequin Productions (2), Intiman Theatre (5), Seattle Children's Theatre (5), Seattle Repertory Theatre (6), Taproot Theatre Company (3)

WISCONSIN
American Players Theatre (4), Milwaukee Repertory Theater (6), Peninsula Players Theatre (3)