Taking Your Fiscal Pulse—August 2009

A Report on the Fiscal Health of the San Francisco Bay Area Not-for-Profit Theatre Community

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As an up-to-the-minute complement to the annual Fiscal Survey, TCG launched a program in 2008 to capture theatres' most current state of affairs through *Taking Your Fiscal Pulse* snapshot surveys. In light of the economic crisis, these surveys have been particularly useful to the field in keeping current the communication about circumstances faced by many theatres. These surveys help managers to benchmark their theatre's condition relative to others' so that they, along with key stakeholders, can get a timely sense of how the field is maneuvering through this difficult time.

The *Taking Your Fiscal Pulse—August 2009* snapshot survey marked TCG's second collaboration with the Association of Performing Arts Service Organizations (APASO), the result of which was participation by over 465 not-for-profit theatres and a greater sense of the state of the national theatre field. Of the 465 theatres from across the country that participated in the survey, 106 are based in the San Francisco Bay Area and are members of Theatre Bay Area (TBA). These 106 theatres are the focus of this report. While the spotlight stays on Bay Area theatres, we occasionally make comparisons to non-Bay Area theatres from across the country but only when significant differences surface. If there is no mention of non-TBA theatres, it is because the difference between their responses and those of TBA theatres was minimal.

Theatres reported on the actual and projected activity for their fiscal year ending anytime between spring 2009 through winter 2010. Throughout this report, we provide data only for the theatres that responded to each individual question. So, when we say that a certain percentage of theatres answered 'yes' to a question, that percentage is calculated leaving out the theatres that skipped it. Reported findings pertain to theatres of all sizes unless otherwise noted. On occasion we report findings for a particular Budget Group if that group's experience was significantly different than that of the others. In charts and figures, there may be slight discrepancies in the totals due to rounding.

The survey was designed to be completed in 10 minutes or less with multiple choice questions, checklists and rating scales. The data reported on in this document was not verified against theatres' audits, as is the case with *Theatre Facts*. It is as accurate a snapshot of the field's fiscal health as is possible given the survey's design.

Profile of Survey Respondents

This report includes 106 organizations that identify themselves as Theatre Bay Area theatres, including those that produce musical theatre, new plays/play development, classical theatre, etc. In addition to membership in Theatre Bay Area, some participating theatres belong to other service organizations as follows:

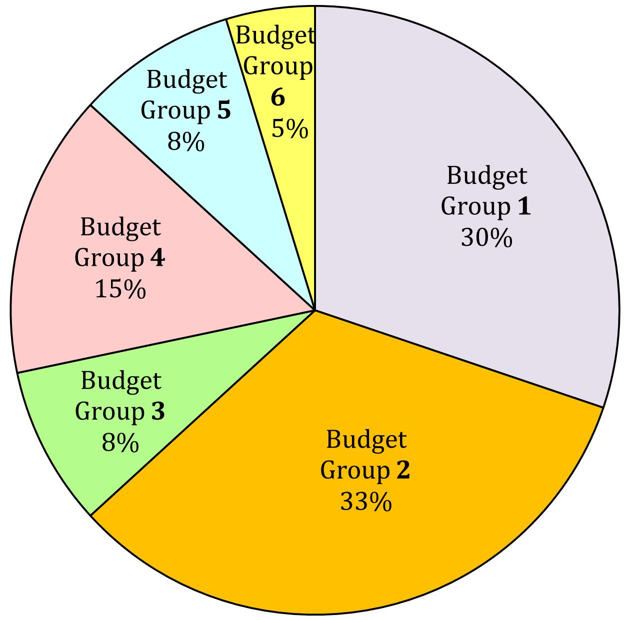
TCG: 28%
San Francisco Grants for the Arts: 12%
Artsopolis Marketing Partnership: 10%
San Francisco Arts Commission: 9%
Fractured Atlas: 6%
Network of Ensemble Theatres : 4%
Shakespeare Theatre Assoc. of America: 2%

Nearly three-quarters (71%) have an annual budget under $500,000. The average budget size is significantly lower for the TBA theatres than for the non-TBA theatres around the country that participated in the survey.

Budget Size (annual expenses) of theatres that responded to the survey*:	Number of Theatres
Budget Group 1 (Under $50,000)	32
Budget Group 2 ($50,000 - $249,999)	35
Budget Group 3 ($250,000 - $499,999)	9
Budget Group 4 ($500,000 - $999,999)	16
Budget Group 5 ($1 million - $2,999,999)	9
Budget Group 6 ($3 million or more)	5
TOTAL	106

*These Budget Groups do not correspond to those used by TCG.

Percentage of Theatres by Budget Size



Budget Projections

We asked theatres to identify the closing month of their fiscal year so that we would have a sense of whether they were starting, midway through, or ending their current year. It is interesting to note that 30% of responding theatres end their fiscal year in June, another 39% in December. No theatre reported ending its fiscal year in March, April or November.

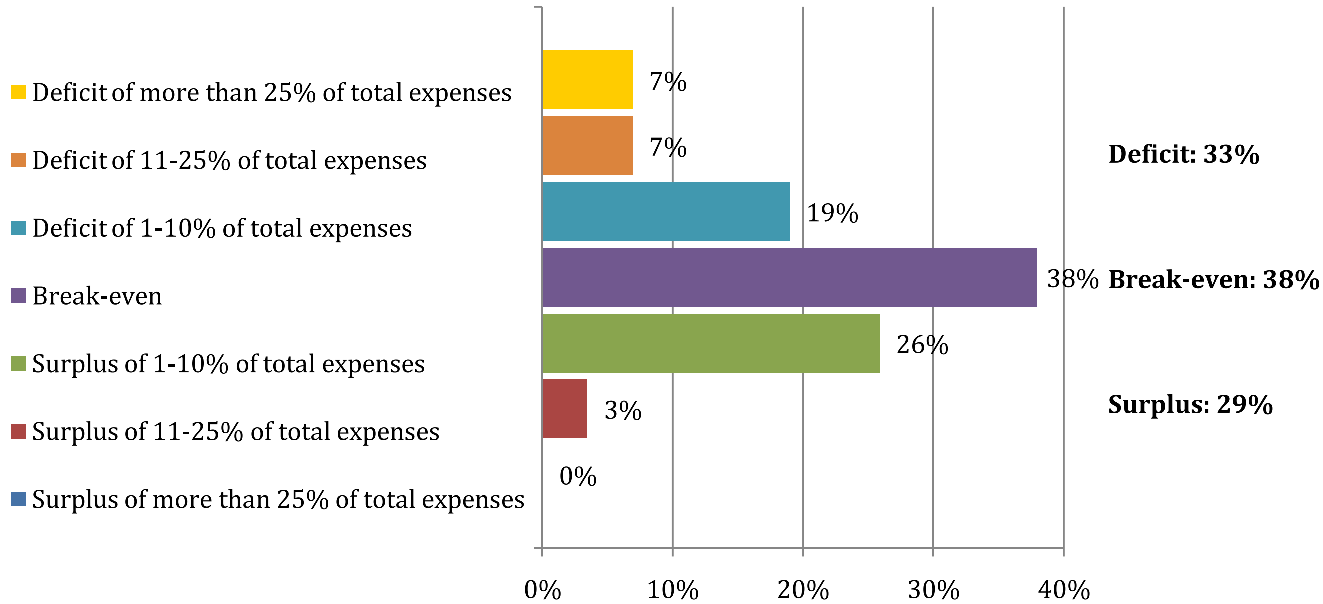
Of the 106 respondents, 58 (55%) were ending their current fiscal year (FY) by September 30, 2009 and the remaining 48 would end between October 2009 and February 2010. We asked questions a bit differently for these two groups. For those who already ended or were about to end their FY (before 10/1/09) we asked questions generally pertaining to their actual year-end experience. We will refer to this group as “Group X.” For those who had a while to go before ending the FY we framed questions to assess their predictions. We refer to them as “Group Y.” Below we present our findings for the two groups of theatres with respect to questions about their finances for the current fiscal year.

GROUP X THEATRES = FY END BY 9/30/09	GROUP Y THEATRES = IN THE MIDST OF THEIR FY

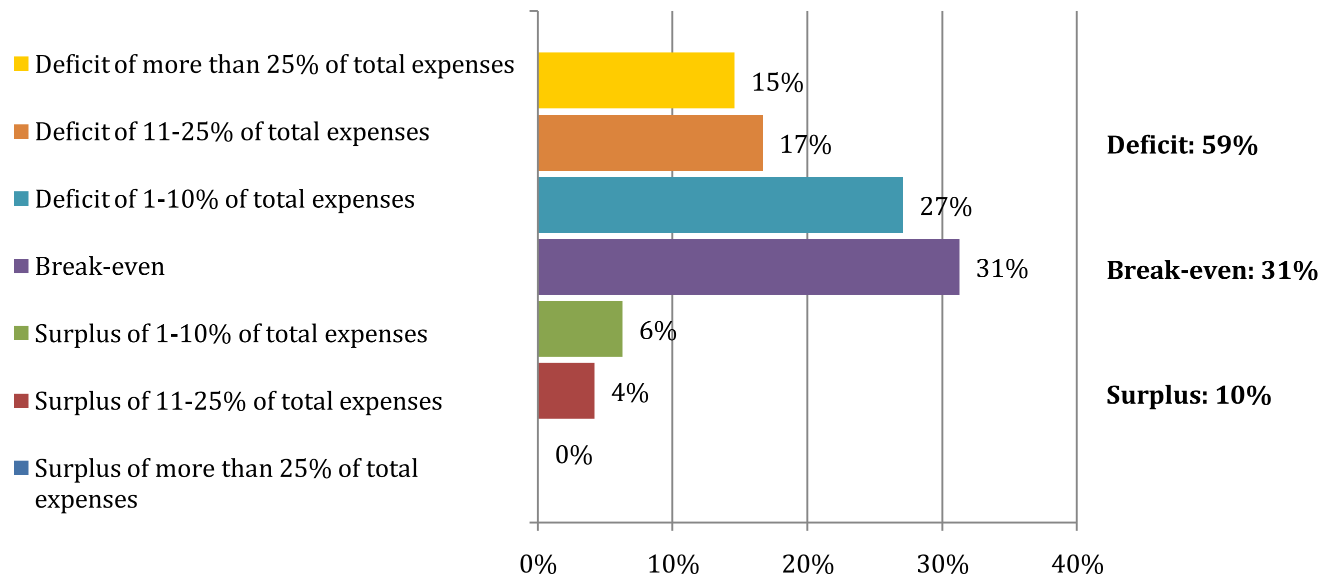
As the charts below illustrate, the outlook is significantly more sober for those finishing their fiscal year after September ‘09. Only 10% of these Group Y theatres anticipate a surplus as compared with 29% of Group X theatres. Of Group Y theatres, 59% are preparing themselves for a deficit versus 33% of Group X theatres. The percentage of Group Y theatres predicting a deficit of 11% of budget or greater was more than twice that of Group X theatres.

No theatre indicated a surplus of 25% or more. Even though Budget Group 2 is the most frequently reported size by both Group X and Y theatres, Group X theatres as a whole tended to be slightly larger than Group Y theatres due to outliers. However, responses to the questions in the charts below were similar regardless of theatre size.

How did you end or how do you anticipate ending Fiscal Year 09 (58 Group X Theatres)?

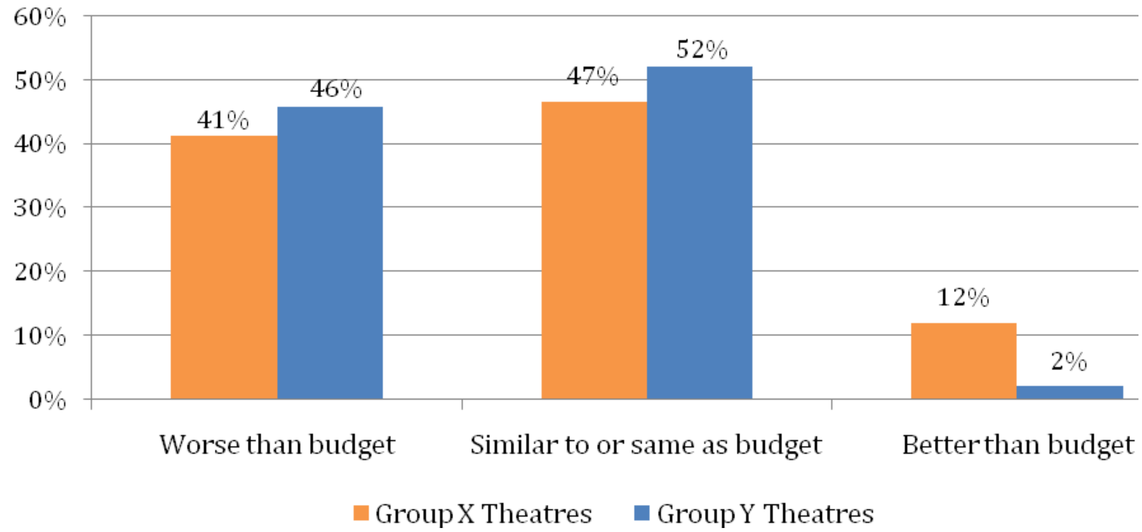


At this point in your fiscal year, are you anticipating a year-end budget result that is (48 Group Y Theatres):



Just less than half of all theatres believe that their fiscal year will end worse than anticipated in their original budget, regardless of whether they already ended or are in the midst of their fiscal year. This means that if they originally planned on a surplus it is now projected to be less than initially expected, and if they projected a deficit it is now expected to be more severe.

Regarding the above question, how does your answer relate to your original budget for FY09 (Group X)/for your current fiscal year (Group Y)?



Whereas only 47% of Group X theatres ended FY09 similar to initial projections, this is the case for 52% of Group Y theatres. By contrast, 12% of Group X theatres ended the year better than initially expected as compared to only 2% of Group Y theatres. Overall, the difference in average response between the two groups was noticeable but not significant.

Group Y theatres were asked: **Are you re-projecting your expenses for your current fiscal year?** Of the 48 theatres, 58% reported that they are re-projecting. There were no differences in reporting based on theatre size.

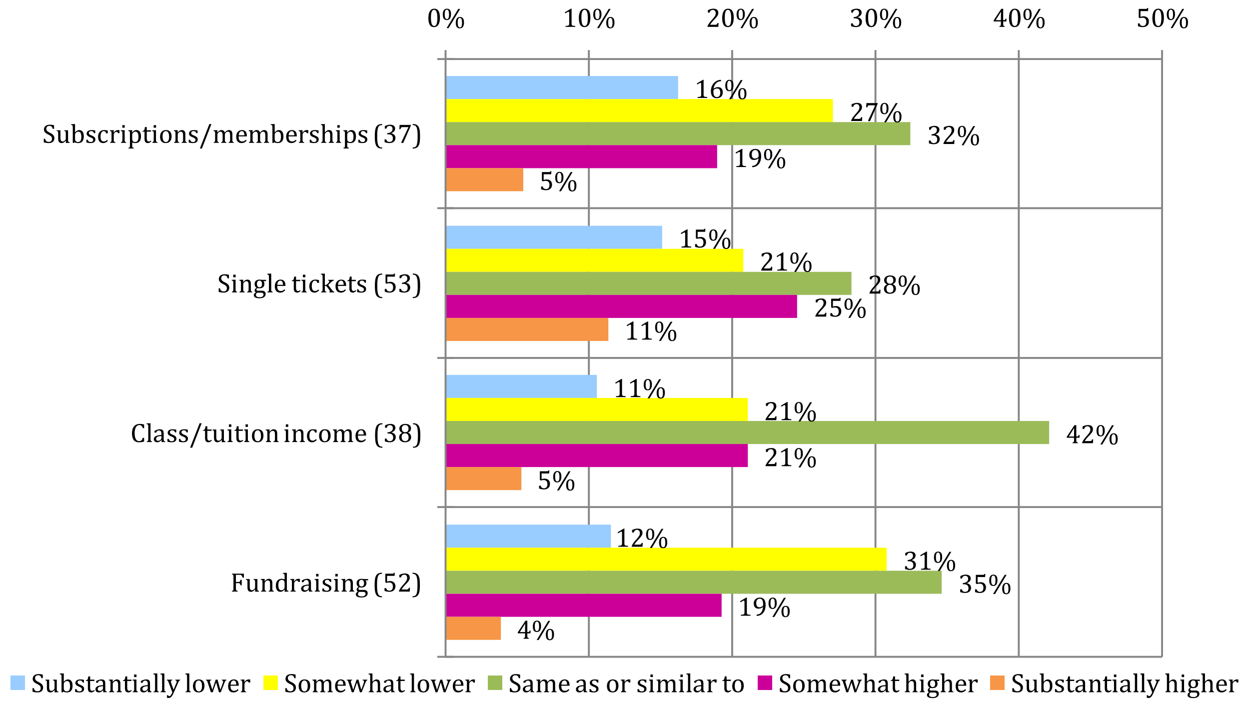
The next question compared various levels of support in 2009 with that of 2008 for Group X theatres, and that of the current year with that of the past year for Group Y theatres. The average response to each of these questions was similar for theatres regardless of size.

The year-to-year subscription and membership comparisons were similar across the two groups. Of responding Group X theatres, 59% had either somewhat lower or similar subscription income compared to the prior year, and similarly, this was the case for 60% of Group Y theatres.

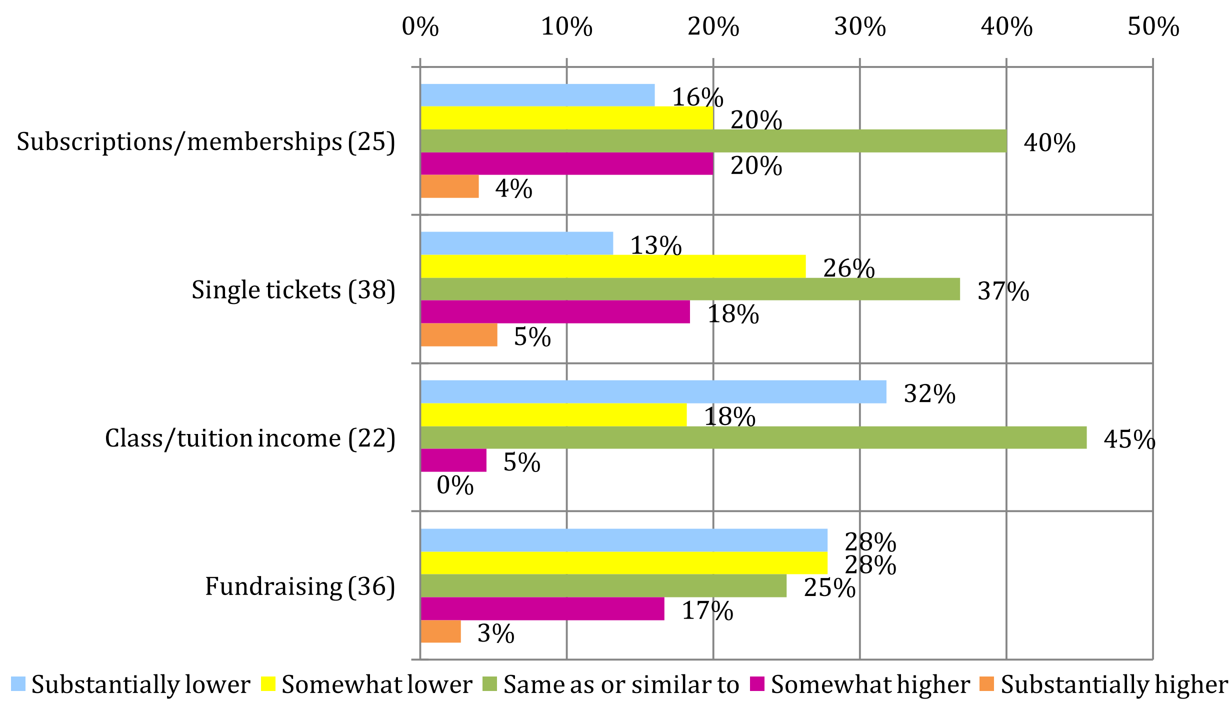
For responding Group X theatres, 49% had either somewhat higher or similar single-ticket income in FY09 compared to FY08. This was the case for 55% of Group Y theatres as they considered the current fiscal year compared to the previous fiscal year. A higher proportion of theatres in Group Y are expecting substantially lower fundraising results this year versus last.

There was a significant difference between the two groups with respect to how this year's classes/tuition income compared to last year's. More specifically, nearly one-third of Group Y theatres are expecting substantially lower tuition income this year compared to last, whereas, this is the case for only 11% of Group X theatres. Moreover, 26% of Group X theatres had an increase in tuition income in FY09 over FY08, yet only 5% of Group Y theatres expect an increase in this area.

How did the end of FY09 compare to the end of FY08 (58 Group X theatres, number of responding theatres in parentheses)?

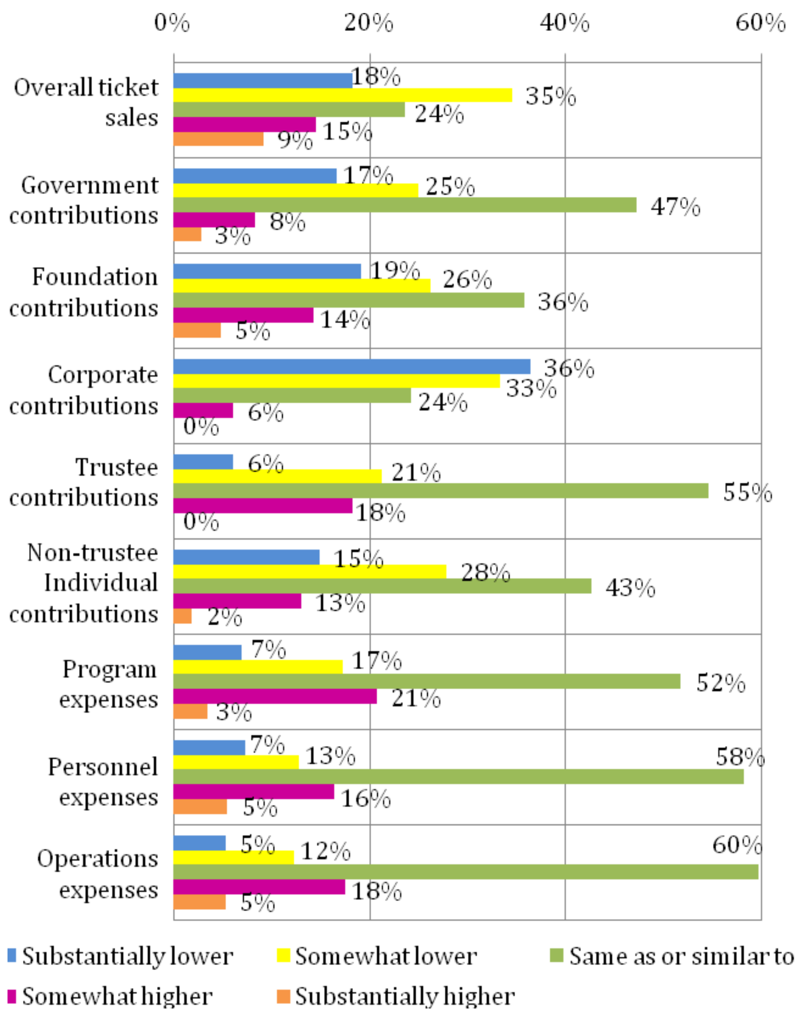


In this fiscal year, how do the following compare to your previous fiscal year (48 Group Y theatres; number of responding theatres in parentheses):

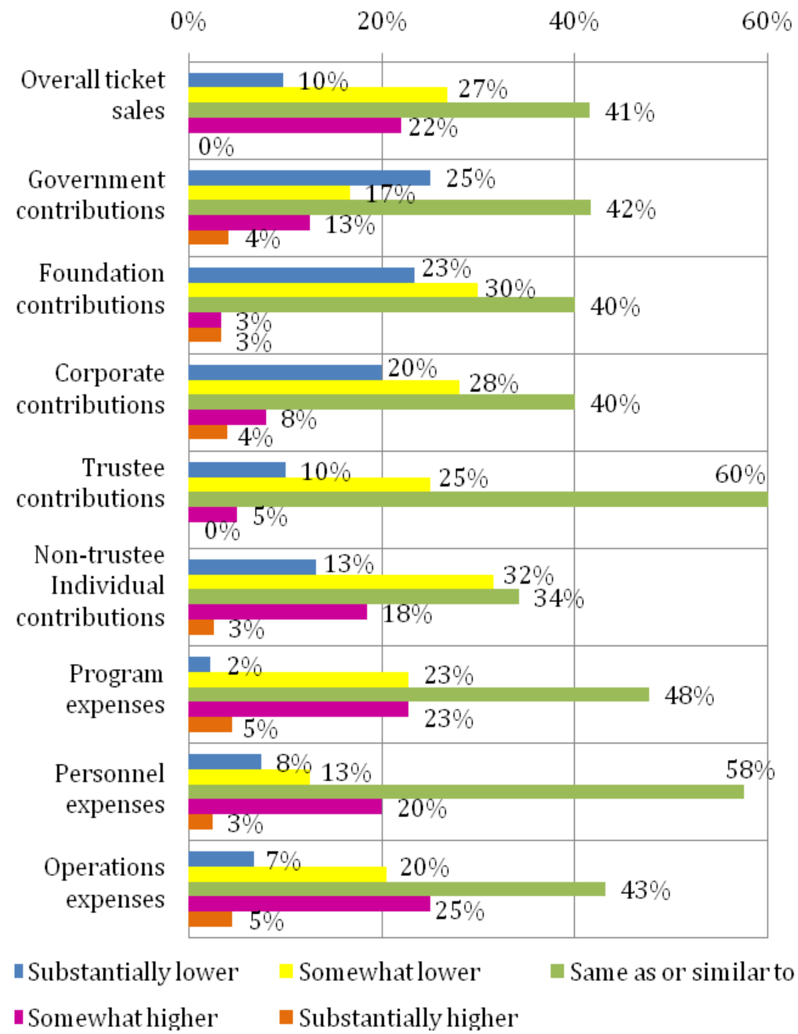


To dig a bit deeper into the root causes of why theatres fared or are faring better, worse or no different than their original budget for the fiscal year, we asked about variance across income and expense areas.

At the end of FY09, how did the following compare to your original FY09 budget (58 Group X theatres)?



At the end of your fiscal year, to what degree do you anticipate the following will vary from your original budget (48 Group Y theatres)?



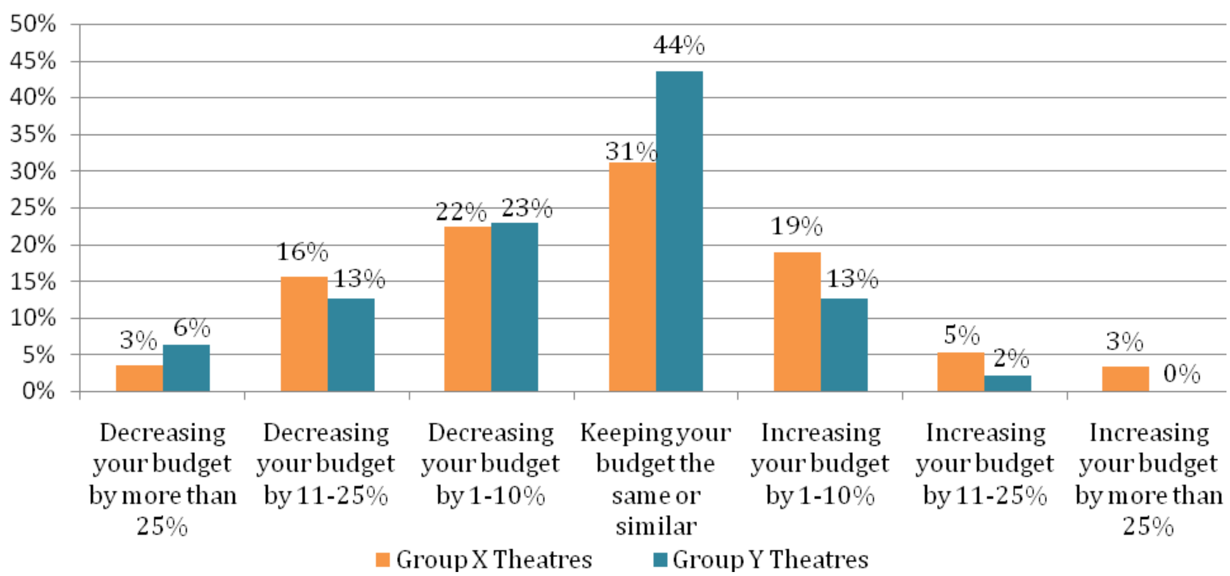
<u>Budget Group Comparisons:</u>
There were no significant differences in answers to these variance questions for either Group X or Y theatres based on theatre size.

<u>Group Y and Group X theatre comparison</u>:

- Significantly fewer Group Y theatres foresee as bleak a revision to corporate contributions as Group X theatres experienced. Of Group X theatres, 69% said corporate contributions were substantially or somewhat lower than initially budgeted as compared to only 48% of Group Y theatres.
- There were no other significant differences between the two groups. In fact, they were particularly similar in their revisions to personnel expenses.
- The majority of Group X theatres ended FY09 with similar levels of expenses as originally budgeted; many Group Y theatres also expect to keep on track with expenses, but to a slightly lesser extent than Group X theatres.
- The majority of Group X and Y theatres report trustee contributions remaining in line with initially budgeted figures.
- Group Y theatres tended to be a bit more optimistic about overall ticket sales.

The last question posed to both Group X and Y theatres asked how they were approaching their budget level for the coming fiscal year compared to that of the current or very recently completed fiscal year.

In looking at FY10/your next fiscal year, do you anticipate:

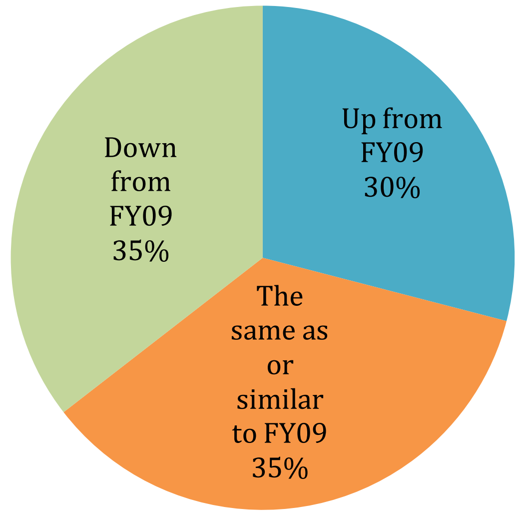


Within Group X, there were important differences in how theatres responded to this question. Specifically, Budget Group 1 and 3 theatres differed significantly in their answers from Group 5:

- Ten of the fourteen Budget Group 1 theatres will keep their FY10 budget the same as FY09's, one will decrease it by 1-10%, two will implement a 1-10% increase and one will increase its budget by 11-25%.
- Three of the five responding Budget Group 3 theatres are increasing next year's budget by 1-10%, one is staying at the same level and one will increase its budget more than 25% over FY09.
- Eight of the nine Budget Group 5 theatres responded. None will be increasing its budget in FY10. Six of the eight will incur budget reductions ranging from FY09 by 1-25%, one will stay the same and one will decrease the budget by more than 25%.

One question was asked only of Group X theatres. Of these 58 theatres, 31 responded, with their answers fairly evenly distributed across the three response categories provided:

How do subscriptions/memberships for FY10 currently compare with subscriptions/memberships for FY09 at this time last year?



Endowment

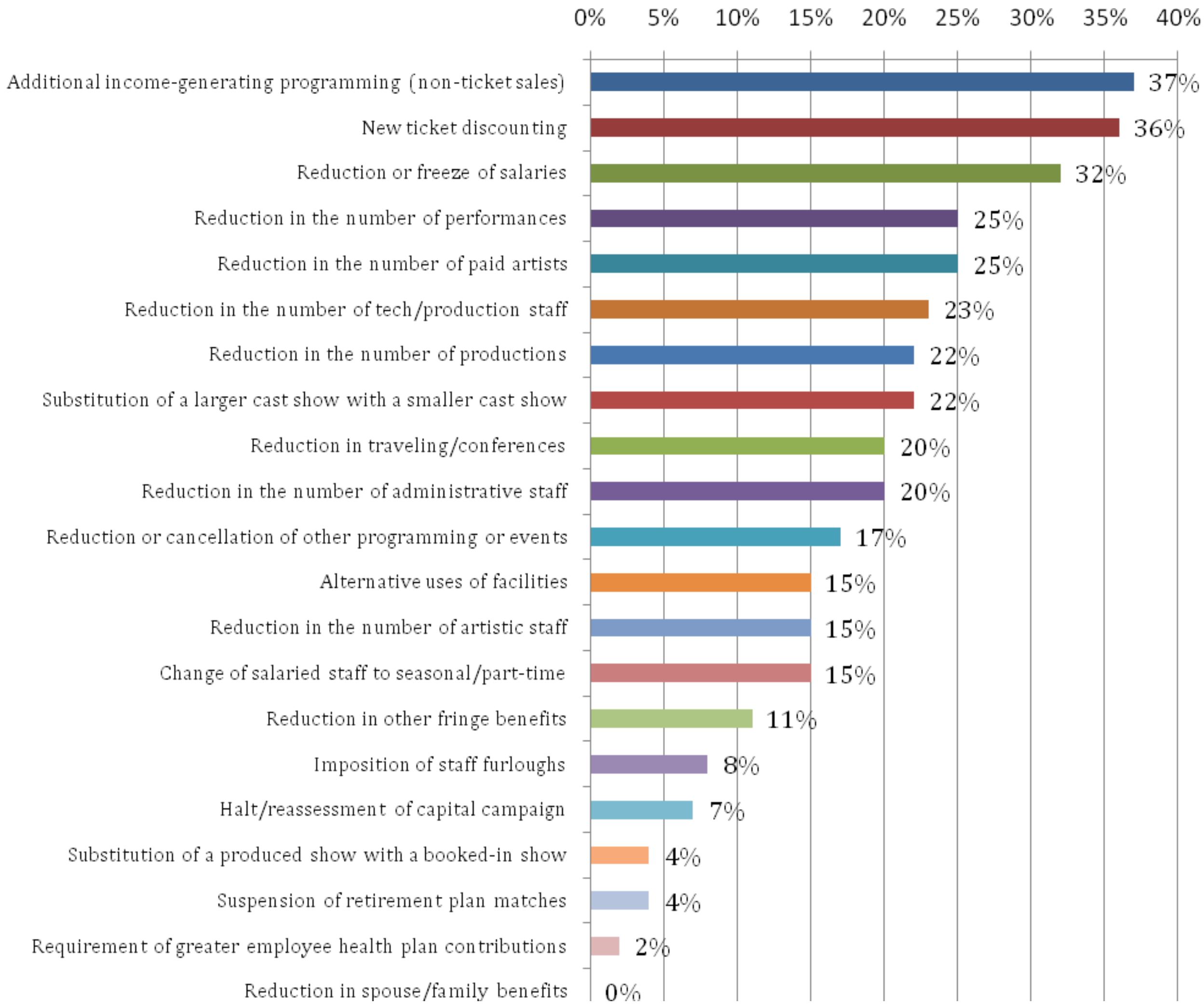
The next section of the survey questions relate to endowments. Only 13 of the 106 theatres—12%—reported having an endowment:

- Generally speaking, the larger the theatre the more likely it is to have an endowment.
- The 12% of TBA theatres with an endowment is a significantly lower level than the 27% of non-TBA theatres. This is likely a byproduct of the smaller average budget size for TBA theatres.
- No Budget Group 3 theatre reported having an endowment. At least one theatre in all other Budget Groups has an endowment.
- Of the 13 theatres with an endowment, 7 have had the endowment level fall below its historical value, making it legally difficult to take a draw.
- Nine of the 13 theatres with an endowment kept the percentage of their draw the same as or similar to their last fiscal year; the remaining four theatres decreased theirs from that of their last fiscal year.

Actions in Response to the Economic Crisis

The survey concluded with a series of questions related to how theatres are coping with the economic climate. Just under half of the theatres—48%—are having or expect to have cash flow problems this year. This was the case regardless of theatre size. Although fewer than 40% of the theatres responded to a question asking if they had trouble securing a line of credit from a bank, 67% of those that did respond had no trouble and 33%—14 theatres—did.

Have you taken or do you plan to take any of the following budgetary actions in response to the economic crisis (check all that apply)?



Theatres engaged in a variety of revenue-generating and cost-reduction measures. The action engaged in by the most theatres was generation of additional income through non-ticket sales programming (37%), followed by new ticket discounting (36%), a reduction or freeze of salaries (32%), and a reduction in the both the number of performances and number of paid artists (e.g., actors, directors, designers, etc.) (25% each). The above percentages are based on all 106 theatres; it is important to note that some theatres did not check off any of these budgetary actions, which could indicate either that none applied or that they skipped the question.

<u>TBA to non-TBA theatre Comparisons</u>:
Significantly fewer TBA theatres implemented the following budgetary actions in response to the economic crisis than non-TBA theatres, most likely due to the notable difference in average theatre size:

- Alternative uses of facilities
- Reduction in traveling/conferences
- Reduction in the number of administrative staff
- Reduction in the number of paid artists
- Requirement of greater employee contributions to the company health plan

Budget Group Comparisons:

There were some important differences between budget groups in terms of the actions that theatres took in response to the economic crisis; unless noted below, responses were similar across theatres of all sizes. More specifically:

- No Budget Group 1, 3, 5 or 6 theatre and only 1 Budget Group 2 theatre substituted a larger cast show in their season with a smaller cast show, as compared to 19% of Budget Group 4 theatres. What we do not know is how many theatres in each budget group were planning to produce larger cast shows from the outset.

- Five of six Budget Group 6 theatres reported a halt to or reassessment of their capital campaign. This was also the case for one Budget Group 4 and one Budget Group 5 theatre. What we do not know is the percentage of theatres in each budget group that were in the midst of a capital campaign.

- Two-thirds of Budget Group 5 theatres reported reductions to travel and conferences, more than other groups. Fewer than 15% of Budget Group 1, 2 and 3 theatres cut travel funding, while roughly 40% of Budget Group 4 and 6 theatres did so.

- Administrative staff cuts increased with theatre size. Of Budget Group 6 theatres, 60% reduced the number of administrative staff. This figure drops to 56% for Budget Group 5, 31% for Budget Group 4, 22% for Budget Group 3 and 17% for Budget Group 2. No Budget Group 1 theatre reported cutting its administrative staff. Most likely, the larger theatres had more administrative staff in place to cut than smaller theatres.

- The only significant difference regarding reductions in the number of artistic staff was between Budget Groups 1 and 5, who cut 13% and 67%, respectively.

- The larger theatres had a greater tendency to change salaried staff to season/part-time positions. Four of five Budget Group 6 theatres reported doing so, as did 44% of Budget Group 5 theatres. By contrast, 19% of Budget Group 4 theatres and 11% each of Budget Group 3 and 2 theatres changed salaried staff to seasonal or part-time positions. No Budget Group 1 theatre changed full-time staff to part-time, possibly an artifact of few Budget Group 1 theatres having many full-time staff members to begin with.

- The larger the theatre, the more likely it was to implement a reduction or freeze. All Budget Group 6 theatre reported salary reductions or freezes, as did 56% of Budget Group 5 and 4 theatres and roughly one-third of Budget Group 3 and 2 theatres. Only two of 32 Budget Group 1 theatres froze or reduced salaries.

- No Budget Group 1 or 3 theatres reported staff furloughs. Imposition of staff furloughs was an action taken with greatest frequency by Budget Group 5 theatres.

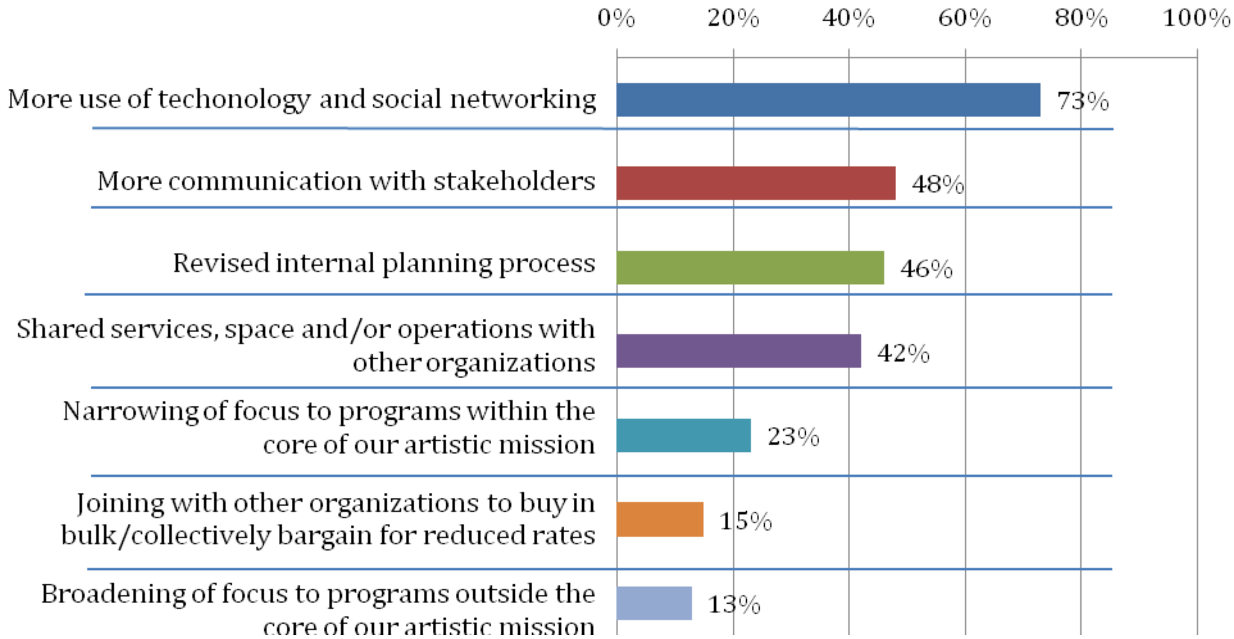
- Suspension of retirement plan matches was more common among Budget Group 6 (40%) than other groups. No Budget Group 1, 3 or 4 theatre and 11% of both Budget Group 2 and 5 theatres reported suspending of retirement plan matches. While the proportion of theatres in smaller versus the largest theatres is significantly different in this respect, it is important to recall how few Budget Group 6 theatres participated in the survey. In absolute numbers, 2 Budget Group 6 theatres suspended retirement plan matches, as did 1 theatre each in Budget Groups 2 and 5.

Theatres were also given the opportunity to share other budgetary actions that they are taking in response to the economic crisis. Here is a listing of those actions:

- Looking for less costly projects to produce
- Focusing on co-productions
- Being more cautious in our programming
- Offering more programming
- Trying to find a cheaper space
- Investing more in the development infrastructure
- Getting the board to contribute more to the theatres' insurance costs
- Suspending programming and operations

In addition to asking about planned budgetary actions in response to the economic crisis, the survey addressed plans regarding other practices. The focus appears to be on more communication. As shown in the chart below, nearly three-quarters of the theatres are planning to use more technology and social networking and nearly half are engaging in more communication with stakeholders. Interestingly, 23% of theatres plan to narrow their programming focus on their core artistic mission while 13% plan to broaden programming outside of the core artistic mission.

Have you implemented or do you plan to implement any of the following practices:



Budget Group Comparisons:
There were some slight variations in responses due to size. More specifically:

- All Budget Group 3 and 6 theatres plan more use of technology and social networking, as compared to 81% of Budget Group 4 theatres, 77% of Budget Group 2 theatres and 56% of Budget Group 1 and 5 theatres.
- Roughly one-third of Budget Group 1 and 3 theatres intend to engage in more communication with stakeholders, whereas, the majority (upwards of 54%) of Budget Groups 2, 4, 5 and 6 theatres report they are or are planning to do so.

TBA to non-TBA theatre Comparisons:
Significantly fewer TBA theatres reported that they implemented or plan to implement more communication with stakeholders than non-TBA theatres: 48% versus 62%, respectively.

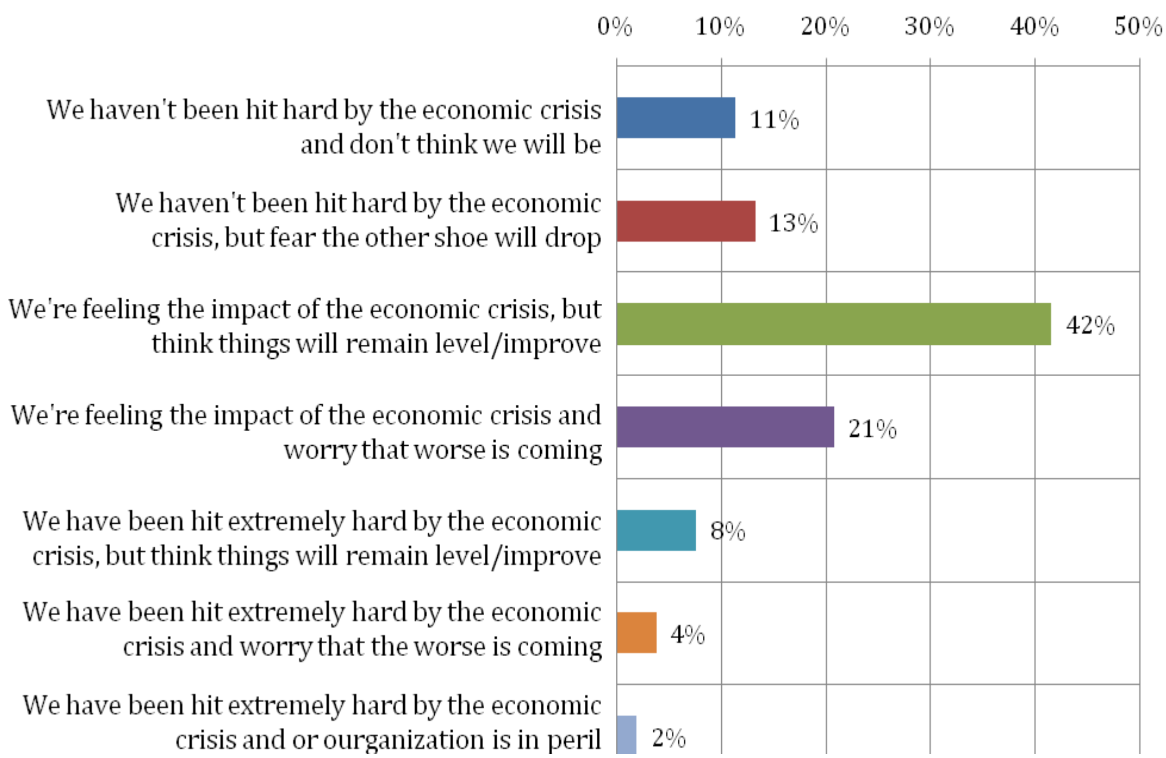
Theatres were also given the opportunity to share other actions that they are taking in response to the economic crisis. One theatre offered that it is implementing shared fundraisers.

Outlook

Finally, theatres were asked to assess their overall condition. The sentiment most frequently relayed is cautious optimism. On average, theatres are feeling the impact of the economic crisis, but the leadership thinks things will either remain level or improve.

Budget Group Comparisons:
There was one significant difference in how theatres responded to this question based on their size. Specifically Budget Group 1 theatres differed from those in Budget Group 5. Of Budget Group 1 theatres, only 9% report that they have been hit hard by the economic crisis, whereas 33% of Budget Group 5 theatres have been hit hard and fear the worse is coming. One-quarter of Budget Group 1 theatre leaders state that they haven't been hit hard by the economic crisis and don't think they will be, while this level of optimism was reported by no Budget Group 5 theatre.

At this point, how would you best describe the state of your organization in relation to the economic crisis?



TBA to non-TBA theatre Comparisons:
TBA theatres appear to be in better condition than non-TBA theatres, on average. Whereas 24% of the TBA theatres report that they haven't been hit hard by the economic crisis, this was the case for only 15% of non-TBA theatres. There were 5% more non-TBA theatres that are feeling the impact of the crisis but think things will either remain level or improve.

Methodology

This report is a compilation of San Francisco Bay Area not-for-profit theatre data collected from the *Taking Your Fiscal Pulse—August 2009* snapshot survey, which was conducted by TCG, in partnership with APASO. Theatres reported on the actual and projected activity for their fiscal year ending anytime between spring 2009 through winter 2010. The survey was designed to be completed in 10 minutes or less with multiple choice questions, checklists and rating scales. The data reported on in this document was not verified against theatres' audits, as is the case with *Theatre Facts*. It is as accurate a snapshot of the field's fiscal health as is possible given the survey's design. The survey was created by Christopher Shuff and Ilana B. Rose with input from members of APASO.

A national report, *Taking Your Fiscal Pulse—August 2009: A Report on the Fiscal Health of the National Not-For-Profit Theatre,* was published by TCG and is available in the Snapshot Survey section of the TCG website (www.tcg.org).

For more information on TCG's research efforts including the Snapshot Surveys, *Theatre Facts* and other projects, visit the Tools & Research section of the TCG website.

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