



Taking Your Fiscal Pulse—Fall 2011

A Report on the Fiscal Health of the National Not-for-Profit Theatre

By Clayton Lord and Christopher Shuff

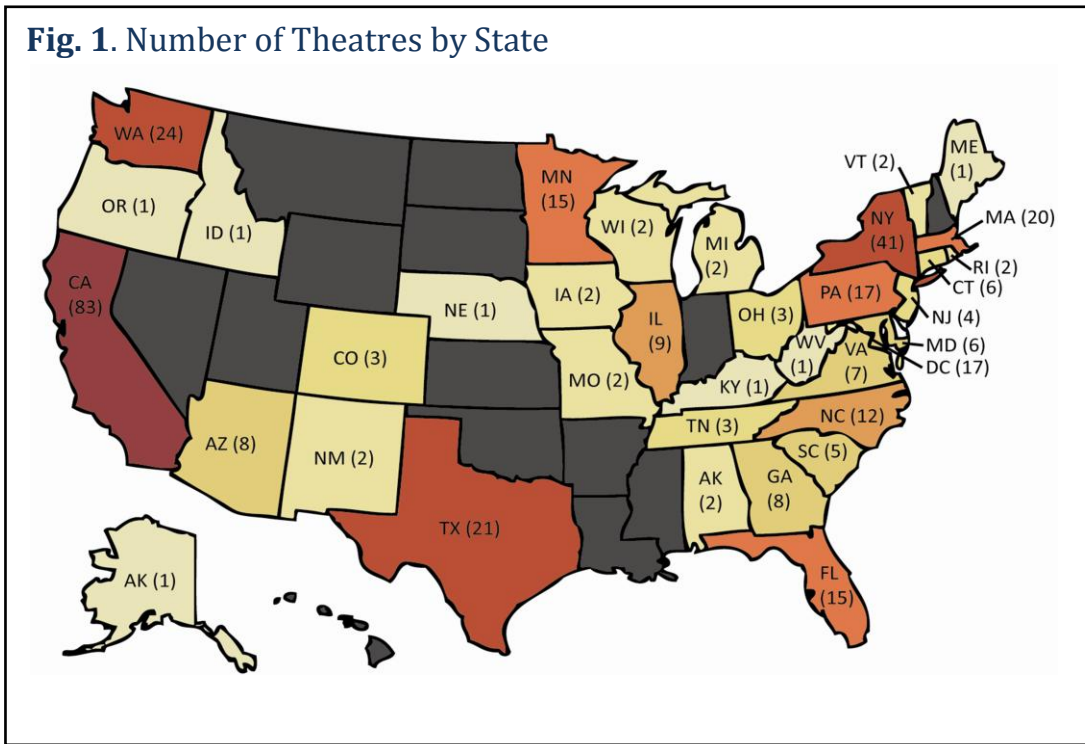
As a complement to the annual *Fiscal Survey*, Theatre Communications Group (TCG) launched a program in 2008 to capture theatres' most recent state of affairs through *Taking Your Fiscal Pulse* snapshot surveys. In light of the economic crisis, the reports from the surveys have been particularly useful to the field by keeping theatres updated about the current circumstances faced by many of their peers. These reports help theatre leaders benchmark their organization's condition relative to others so that they, along with key stakeholders, can understand how the field is maneuvering through these times.

The *Taking Your Fiscal Pulse—Fall 2011* snapshot survey marked TCG's fourth collaboration with the Association of Performing Arts Service Organizations (APASO), which resulted in the participation of 350 not-for-profit theatres. This report provides national findings from the snapshot survey and offers a greater sense of the state of national theatre field. Theatres reported on the actual and projected activity for their fiscal year (FY) ending anytime in 2011. Please note: in order to streamline the report, rather than including past and future tenses in the narrative, e.g.: "...reported that they ended/will end their fiscal year," the authors use the past tense when reporting findings. The actual questions from the survey, however, are presented as asked. The survey was designed to be completed in 10 minutes or less with multiple choice questions, checklists and rating scales. The data reported in this document was not verified against theatres' audits, as they are in *Theatre Facts*. It is as accurate a snapshot of the field's health as is possible given the survey's design. For more details on the methodology of the survey, please see the Methodology section at the end of the report.

Profile of Survey Respondents

The *Taking Your Fiscal Pulse—Fall 2011* snapshot survey was distributed by Theatre Communications Group, as well as the following APASO groups to their respective memberships: Alliance for Audience, A.R.T./New York, Arts & Business Council of Rhode Island, Arts & Cultural Alliance of Central Florida, Arts Midwest, Arts Orange County, ArtsBoston, ArtServe, Artsopolis, Atlanta Coalition of Performing Arts, Austin Creative Alliance, Baltimore Theatre Alliance, C4 Atlanta, Cleveland Theater Collective, Cultural Alliance of Greater Washington, CVB of Greater Cleveland, Fractured Atlas, Grants for the Arts, Greater Philadelphia Cultural Alliance, Greater Pittsburgh Arts Council, High 5 Tickets to the Arts, LA Stage Alliance, League of Charleston Theatres, League of Chicago Theatres, League of Sacramento Theatres, League of Washington Theatres, Minneapolis Convention & Visitors Association, Minnesota Theater Alliance, Network of Ensemble Theatres, New Jersey Theatre Alliance, North Carolina Theatre Conference, Orange County Arts & Cultural Affairs, Red Chair Project, Sacramento Area Regional Theatre Alliance, San Diego Performing Arts League, San Francisco Arts Commission, StageSource, Theatre Alliance of Greater Philadelphia, Theatre Bay Area, Theatre Development Fund, Theatre League of South Florida, Theatre Puget Sound and Utah Arts & Cultural Coalition.

Fig. 1. Number of Theatres by State

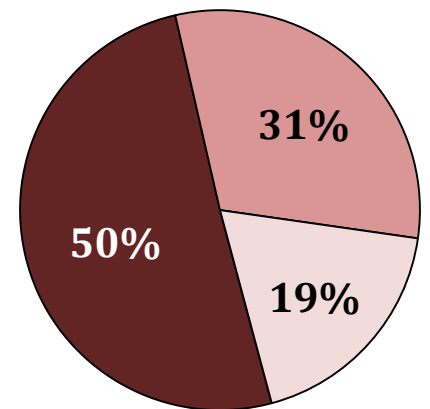


This report reflects responses by 350 organizations that identify themselves as theatre companies, including those that produce musical theatre, new plays/play development, classical theatre, etc. They represent organizations from across the United States ranging from the very small to the very large. The state with the highest number of responses was California, followed by New York, Washington and Texas.

Throughout this report, comparisons are made between three budget groups: “Small” (under \$500,000), “Mid-size” (\$500,000 to \$2,999,999) and “Large” (\$3,000,000 and over). Of the 350 theatres, 50% fall in the Small group, 31% fall in the Mid-size group and 19% fall in the Large group (Fig. 2).

Fig. 2. Number of Theatres by Budget Group

	Budget size (annual expenses) of respondents*	#	#
Small	Budget Group 1: \$50,000 (under)	53	177
	Budget Group 2: \$50,000 - \$249,999	80	
	Budget Group 3: \$250,000 - \$499,999	44	
Mid-size	Budget Group 4: \$500,000 - \$999,999	45	108
	Budget Group 5: \$1,000,000 - \$2,999,999	63	
Large	Budget Group 6: \$3,000,000 - \$4,999,999	29	65
	Budget Group 7: \$5,000,000 - \$9,999,999	20	
	Budget Group 8: \$10,000,000 (or more)	16	
Total		350	



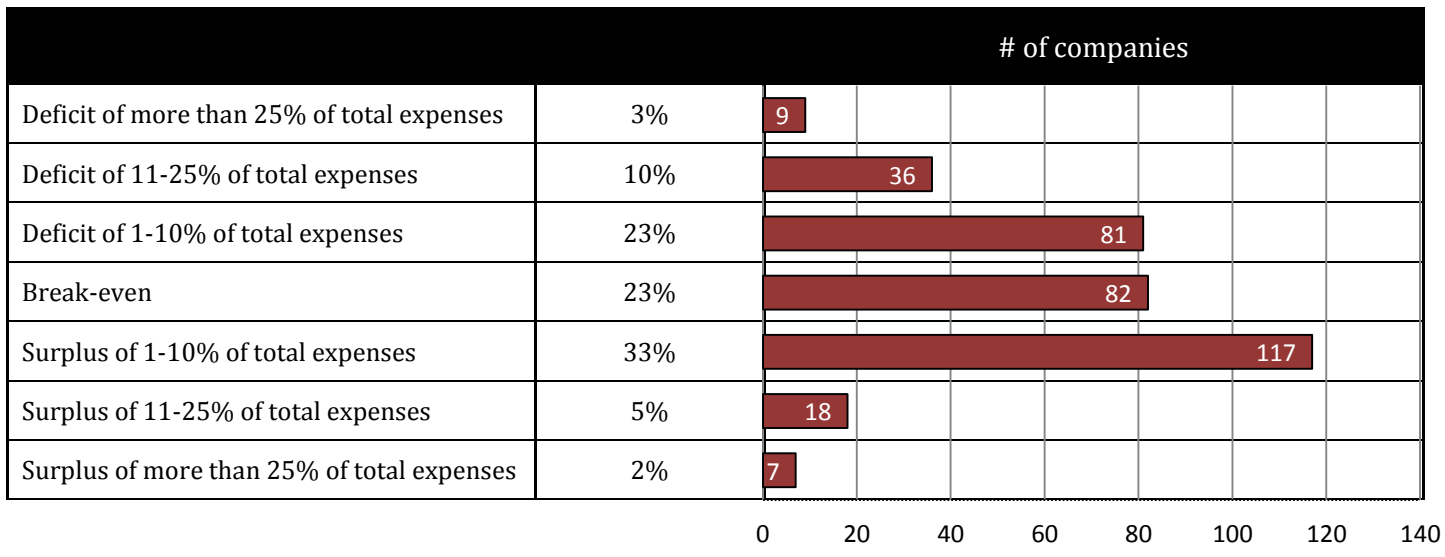
*These budget categories do not correspond to those typically used by TCG.

Budget Projections

Theatres were asked to identify the closing month of their 2011 fiscal year (FY) to understand whether they were providing responses for a FY that had closed or for a FY that is currently in process. 41% of respondents’ FYs ended in June and 27% will end in December, with the remainder distributed throughout the year. Of the 350 respondents, 250 (71%) ended their FY between January and September 2011 and 100 (29%) will end their FY between October and December 2011. Organizations that had not closed their FY at the time of responding were

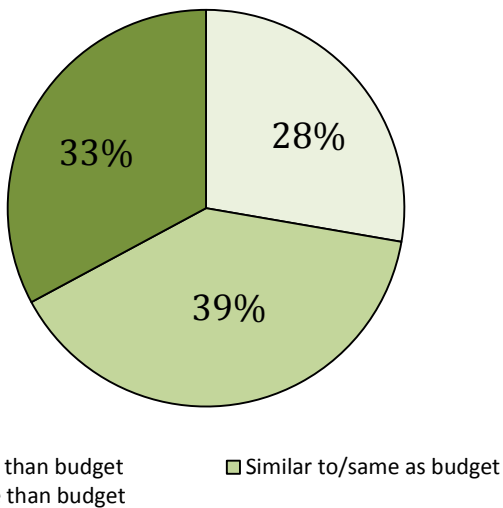
asked to give their best projections. Unlike in past years, we have not separated responses based on FY closing status. Rather, responses were aggregated regardless of FY ending month.

Fig. 3. How did you end/do you anticipate ending your fiscal year?



Overall (Fig. 3), 224 respondents (63%) answered that they did break even or ended the year with a surplus. Of those reporting a surplus, 117 (82%) reported a surplus of 10% or less. 126 theatres (36%) reported ending their fiscal year with a deficit, though the vast majority of those reporting a deficit (81

Fig. 4. Budget vs. Actual, all respondents



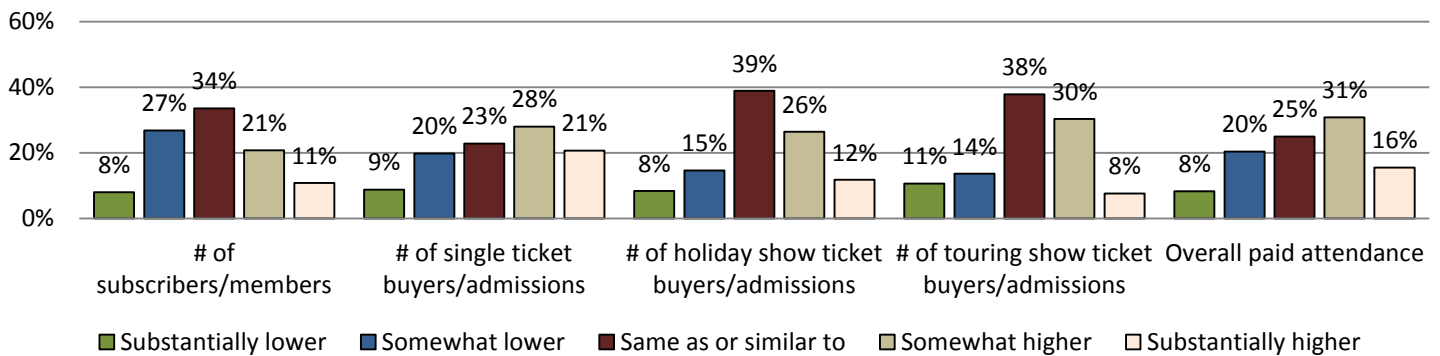
respondents, or 64% of those reporting a deficit) reported a deficit of 10% or less. Responses from theatres in the Small group occurred in all categories, with the majority spread evenly between a deficit of 10%, break-even and a surplus of 10%. In contrast, almost all of the Mid-size and Large group samples responded in the middle three categories. In all three groups, the largest percent of respondents said they had a small surplus.

When asked how their actual FY end related to their initial budget for that year (Fig. 4), 67% answered that their FY had ended similar to or better than their budget, which could mean that a planned deficit was on target or less severe, or a planned surplus was on target or higher than expected. 33% of respondents reported that their FY ended worse than their budget, which could mean that a planned surplus was lower than expected, or a planned deficit was more severe.

Among the budget groups, while the percentage of respondents reporting results that were worse than budget was relatively consistent (ranging from 31% to 34%), Small group respondents were markedly less likely to report actuals that were better than budget (24% versus 29% for Mid-size and 35% for Large). A higher percentage (43% versus 34% for Mid-size and 37% for Large) of Small group theatres said FY-end actuals had been similar to budget.

Attendance

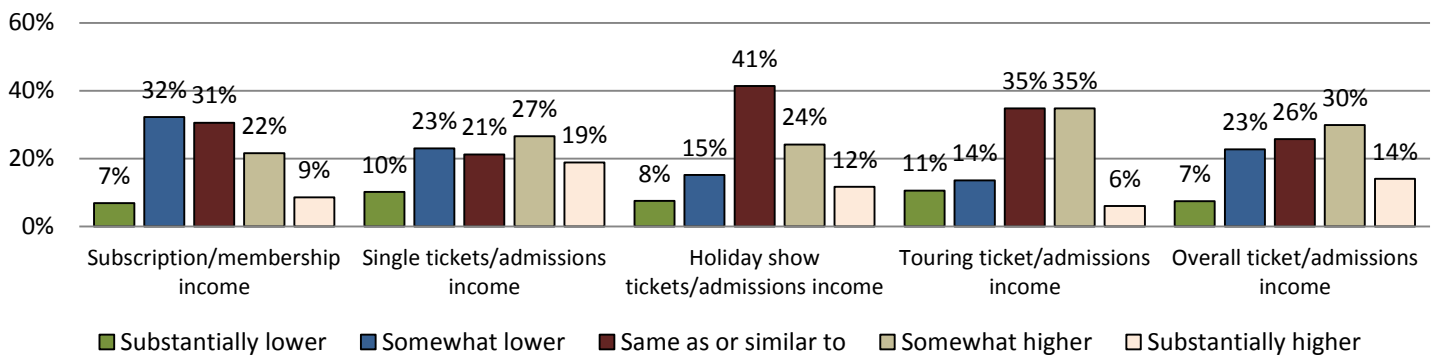
Fig. 5. How did/will the end of your fiscal year compare to your original budget with regard to attendance?



- **66% of 250 respondents reported subscription numbers that were similar to or higher than projected.** When split out by budget group, Large group theatres were more likely to report somewhat or significantly lower subscriber numbers than they had projected (44% versus 30% for Small and 33% for Mid-Size).
- **72% of 329 respondents reported similar to or higher than projected single ticket buyer attendance.** Among budget groups, fewer Small group theatres reported exceeding expectations than other groups (43% reported somewhat or substantially higher single ticket buyer attendance versus 52% for Mid-Size and 57% for Large).
- **77% of 144 respondents reported similar to or higher than projected holiday show attendance, with the largest share of respondents reporting admissions that were on par with projections (39% overall).** Fewer Small group respondents reported exceeding expectations, with 30% reporting somewhat or substantially higher attendance versus 46% and 38% of Mid-size and Large group theatres, respectively.
- Only 66 respondents answered the question about touring show ticket buyers, and **of those, 76% reported similar to or higher than projected touring admissions.** Approximately half of the theatres who responded in the Mid-size (48%) and Large (54%) groups reported higher attendance than expected. This did not hold true for the Small group theatres, in which only 24% reported higher than projected attendance and half of the respondents (50%) reported attendance that was on par with projections.
- **Finally, 72% of 328 respondents across groups reported similar to or higher than expected overall paid attendance.**

Ticketing/Admissions Income

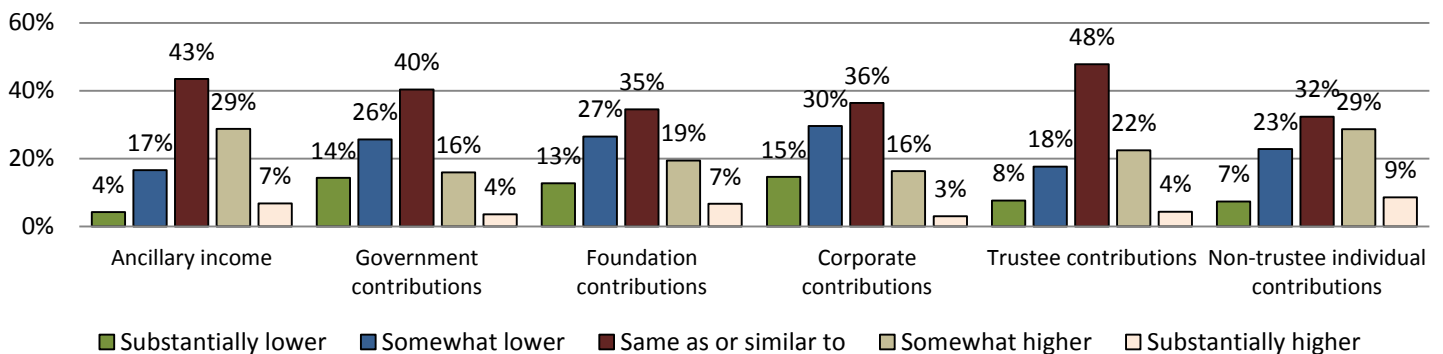
Fig. 6. How did/will the end of your fiscal year compare to your original budget with regard to ticket income?



- **62% of 245 respondents reported similar to or higher than expected subscription/membership income.** All size groups answered similarly, with 79 to 88% reporting either same as or similar to, somewhat higher or somewhat lower ticket income.
- **67% of 334 respondents reported similar to or higher than expected single ticket income.** 50% of Mid-size and 57% of Large group theatres reported surpassing expectations, while only 37% of Small group theatres reported the same.
- **77% of 145 respondents indicated holiday show income was at or above budget expectations.** Small and Mid-size group respondents, 46% and 45%, respectively, reported holiday show ticket income that was on budget, while more Large group theatres reported income in excess of the budget (46% versus 29% for Small and 36% for Mid-size).
- **76% of the 66 respondents who answered the question about touring ticket income said their income had met or exceeded budget expectations.** Responses across groups were basically similar.
- **Finally, 70% of 334 respondents reported that overall, their ticketing and admissions income was equal to or greater than budget.** Mid-size and Large group theatres were more likely than Small group theatres to report income exceeding projections (48% and 49% versus 40%).

Non-Ticketing/Admissions and Contributed Income

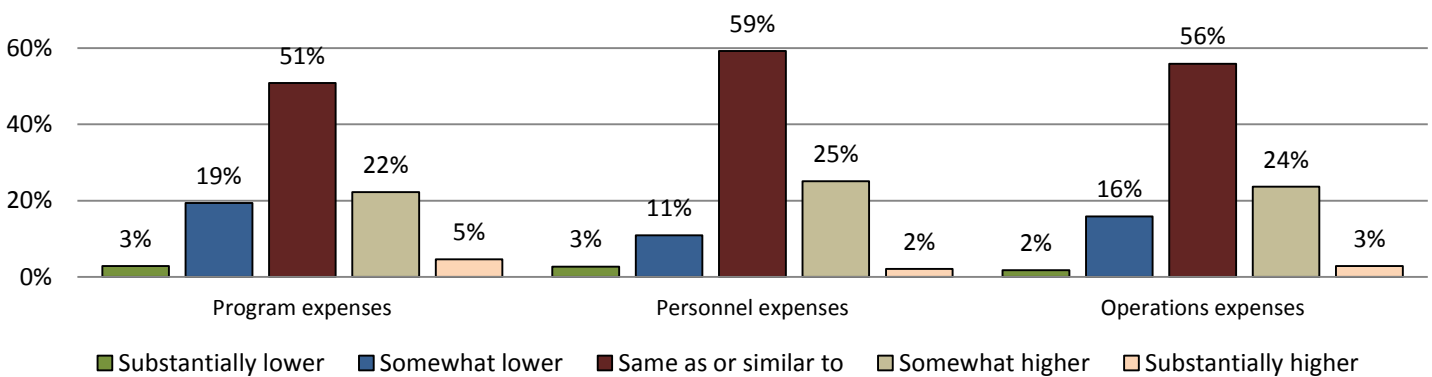
Fig. 7. How did/will the end of your fiscal year compare to your original budget with regard to non-ticket income and contributed income?



- **Regarding ancillary income (rentals, concessions, advertising, classes, etc), 79% of the 306 respondents reported that income was on par with or above budget.** 45% of Small and 48% of Mid-size group theatres reported that income had come in on budget, while responses were spread more evenly in the Large group.
- **60% of 300 respondents reported that government contributions had met or exceeded budget expectations, though the strong majority of that group reported only meeting expectations.** 18%, 26% and 13% of the Small, Mid-size and Large groups, respectively, exceeded goals.
- **61% of 298 respondents reported that foundation contributions were similar to or higher than budget.** The Small, Mid-size and Large groups (76%, 81% and 89%, respectively) responded similarly here, with large majorities answering in the middle range—between somewhat lower and somewhat higher.
- **55% of 294 respondents reported corporate contributions had met or exceeded budget.** Almost half of Small group theatres, however, reported having missed the mark for this income line item, with 49% of respondents reporting somewhat or substantially lower than budget.
- **74% of 272 respondents reported similar to or higher than expected income from trustee contributions.** 38% of the Large group theatres reported higher than expected income, while 28% of the Mid-sized group and 19% of the Small group reported higher than expected income.
- **Finally, 70% of 324 respondents reported that non-trustee individual contributions were equal to or higher than budget projections.** 38% of Small group theatres reported being on target with projections, while a smaller proportion of Mid-size and Large group theatres reported meeting budget projections (30% and 23%, respectively).

Expenses

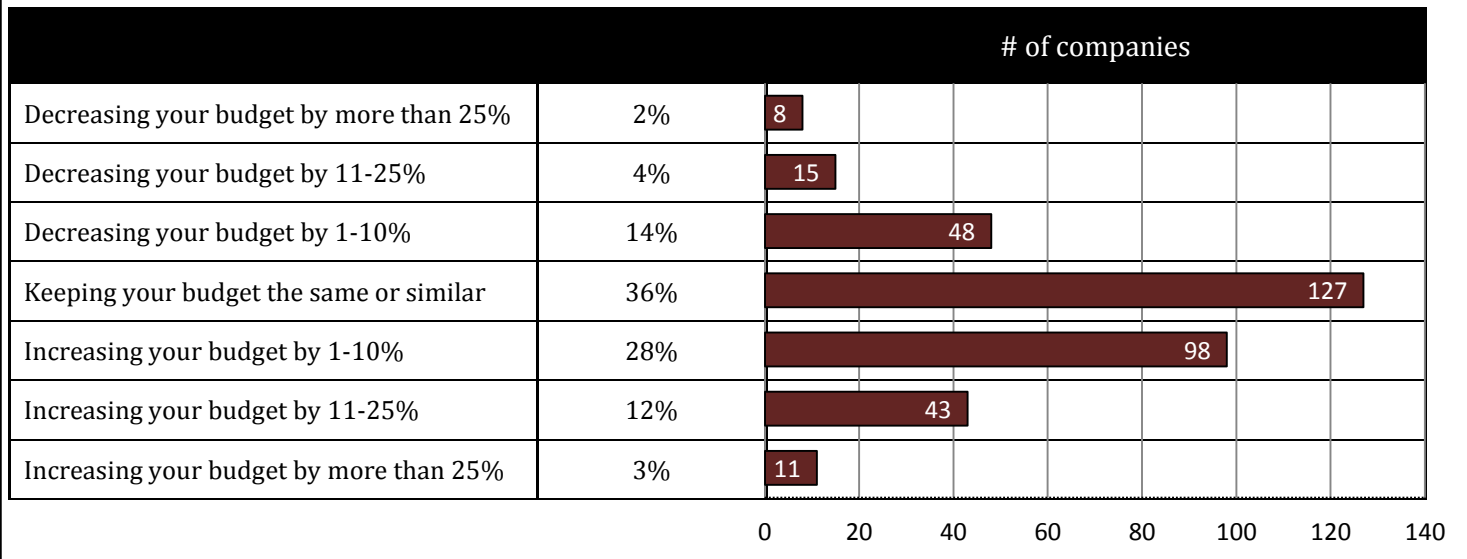
Fig. 8. How did/will the end of your fiscal year compare to your original budget with regard to expenses?



- Across all three expense categories, and regardless of budget size, the percentages of theatres reporting expenses that were substantially off budget (lower or higher) were extremely low (2 to 5%).**
- 73% of 346 respondents reported program expenses met or were lower than budget. However, more than half of all respondents (51%) reported program expenses to be similar to budget.** More Large group theatres reported expenses to be lower than budget (33%) than reported them to be higher than budget (20%), while the reverse was true for the Small and Mid-size groups—more reported expenses to be higher than budget than reported them to be lower than budget.
- 73% of 331 respondents reported personnel expenses were on par or lower than budget.** Small and Large group theatres (62% and 65%, respectively) reported numbers to be on track, while in the Mid-size group theatres, a smaller percentage (though still 52%) reported meeting budget. A larger percentage of Mid-size group theatres (34%) reported higher than projected expenses than the other two groups—Large (17%) and Small (27%).
- Finally, 74% of 347 respondents reported operations expenses to be on or below budget.** As with program expenses, more Large group theatres reported expenses to be lower than budget (25%) than reported them to be higher than budget (17%), while the reverse was true for the Small and Mid-size groups—more reported expenses to be higher than budget than reported them to be lower than budget.

Future Planning

Fig. 9. For your new or upcoming fiscal year, are you...?



In aggregate, 20% of respondents reported decreasing their budget, 36% reported keeping their budget the same and 43% reported increasing their budget.

In terms of budget adjustments, the Small and Mid-size groups answered in a relatively similar way. In both cases, the most frequent answer was to set a budget that was the same or similar (40% and 38%, respectively), and the second most frequent answer was a 1-10% increase (22% and 29%, respectively). In the Large group theatres, however, projections were more bullish, and the most frequent answer (43% of respondents in that group) was to increase the budget by 1-10%.

All told, only 2% of all respondents (all of them in the Small group) decreased their budget drastically (by more than 25%), and only 3% of all budget group respondents increased their budget by more than 25%.

Endowments

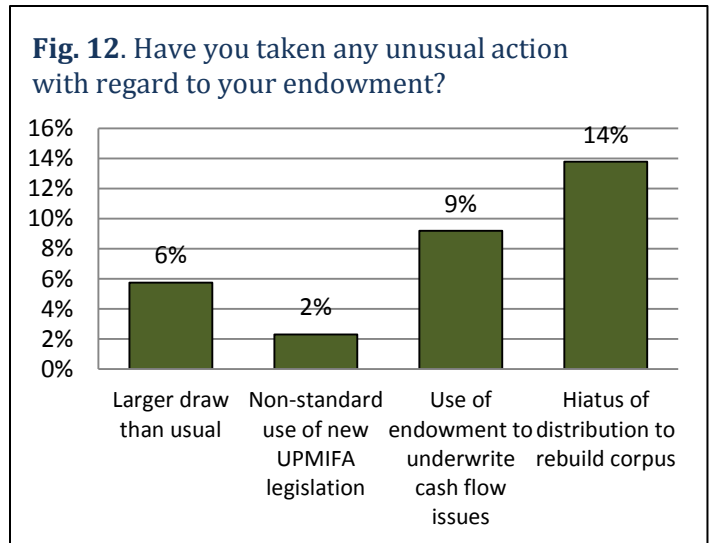
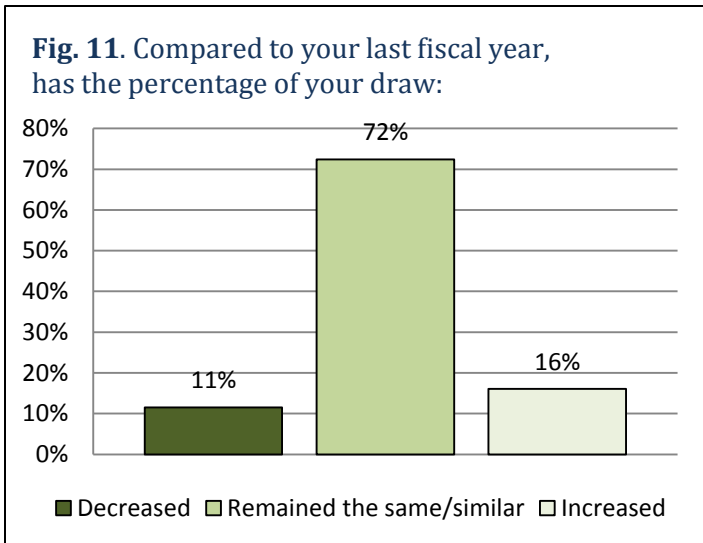
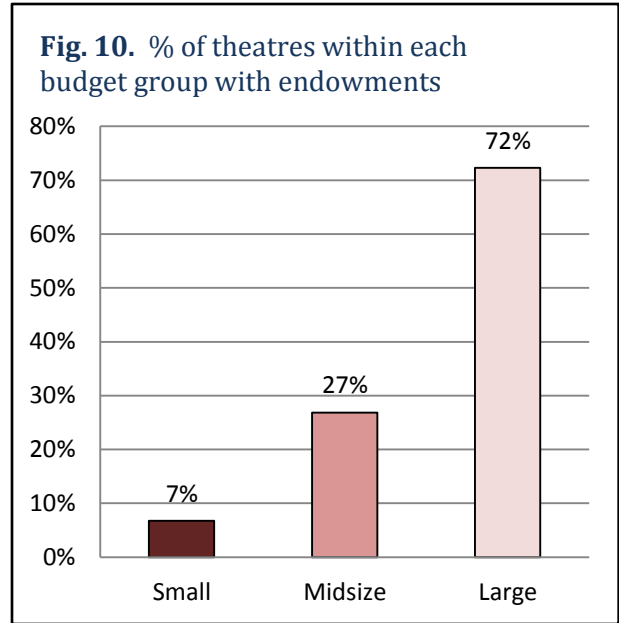
The questions in the next section of the survey related to endowments. Of the 350 theatres, 25% (88) had endowments. Per Fig. 10, respondents in the Small group were the least likely to have endowments (12 out of 177), Mid-size group theatres were the next most likely (29 out of 108) and Large group theatres were more than twice as likely (47 out of 65).

Organizations that indicated that they had an endowment were then asked three follow-up questions to assess how endowments were faring.

When asked whether their endowment had fallen below historic levels, 25% of Small group theatres, 31% of Mid-sized group theatres and 26% of Large group theatres indicated their endowments had done so.

Endowed respondents were then asked to indicate whether the percentage of their draw had been smaller, the same or larger than the previous FY (Fig. 11). **In all groups, the majority indicated that their draw was similar (58-79%).** 25% of Small group theatres (of which there were only 12) and 17% of Mid-size group theatres reported a decrease in their draw, while only 4% of Large group theatres reported that they did the same.

Finally, endowed organizations were asked about any unusual actions they had taken with regard to their endowment (Fig. 12). Relatively small percentages across budget groups had taken any of the listed unusual actions, though organizations did list various other activities including shifting their endowment to a community foundation and using the endowment to secure a line of credit.

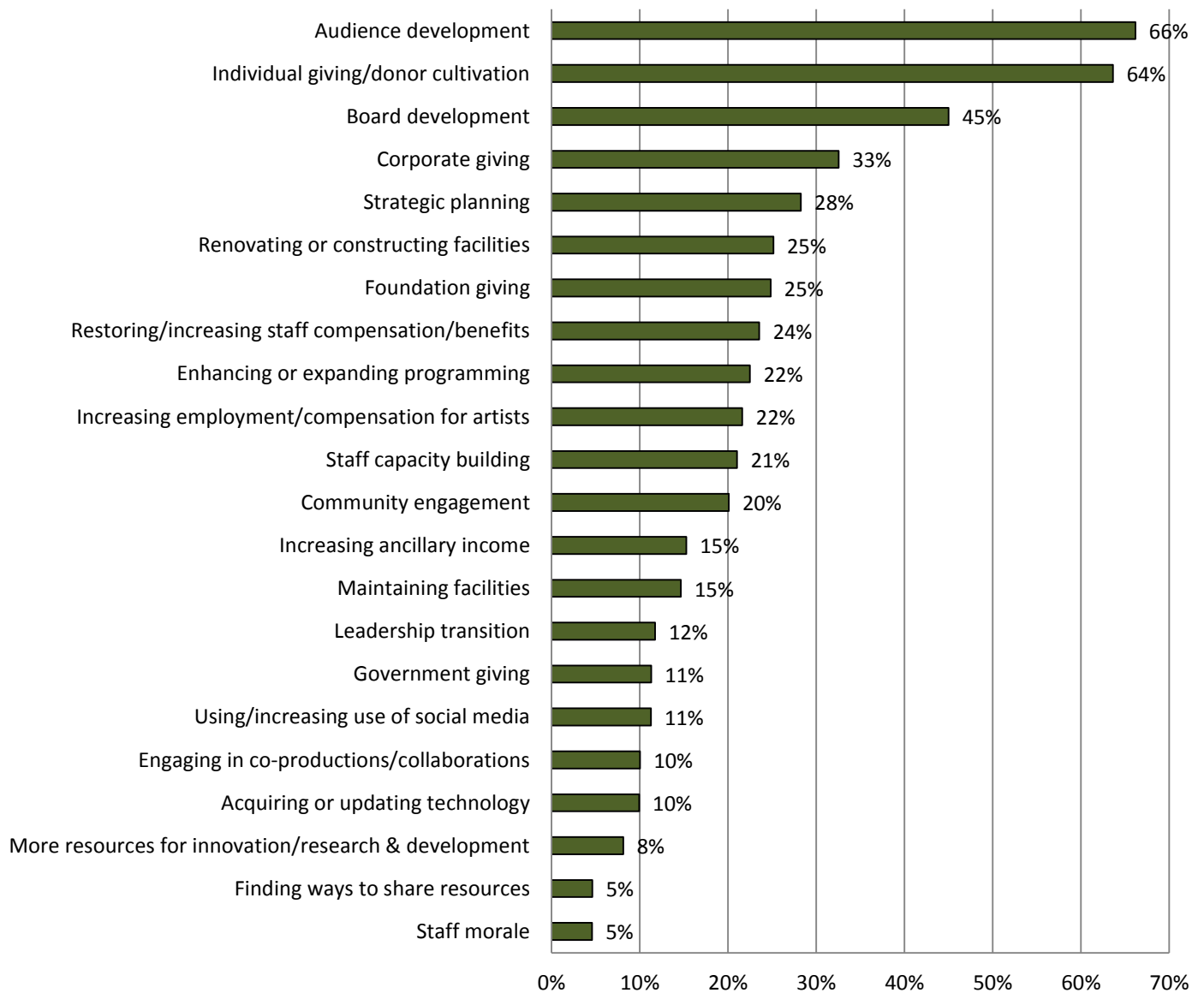


Concerns and Priorities

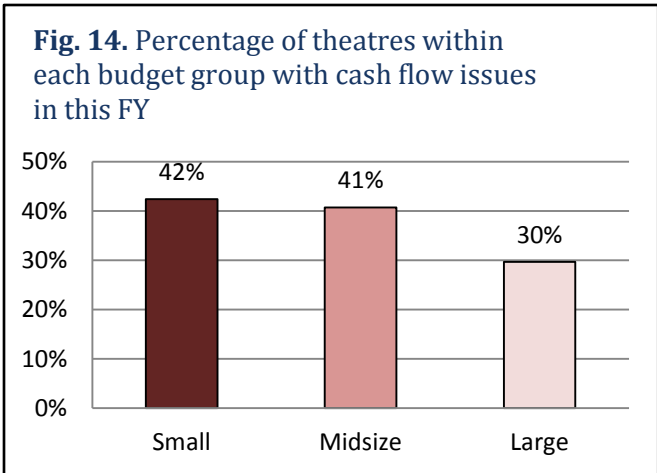
Respondents were asked to select their top five most pressing concerns or priorities for their organization today (Fig. 13). **The top five concerns/priorities were audience development (66%), individual giving/donor cultivation (64%), board development (45%), corporate giving (33%) and strategic planning (28%).**

In general, the relative importance of issues was consistent across budget groups. Strategic planning was selected less frequently by Small group theatres (19% versus 33% and 35% for Mid-sized and Large). Mid-size group theatres were more concerned about capacity building (29% versus 16% for Small and 21% for Large), while Large group theatres were more concerned about resources for innovation (15% versus 4% for the two other groups).

Fig 13. What are your top concerns/priorities for your organization right now?



Cash Flow and Credit



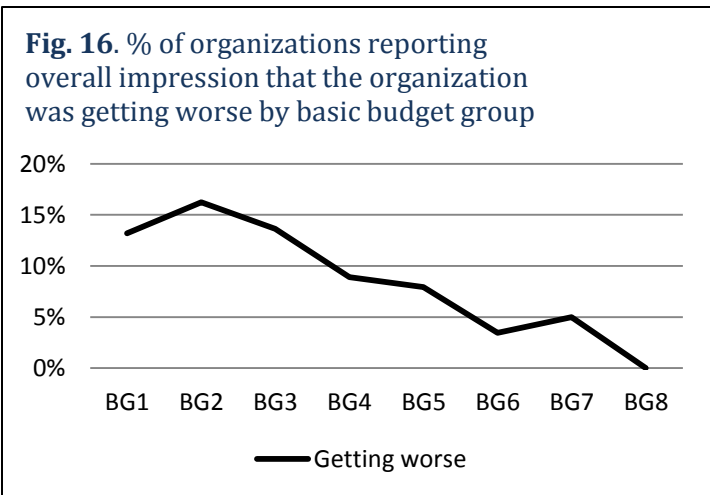
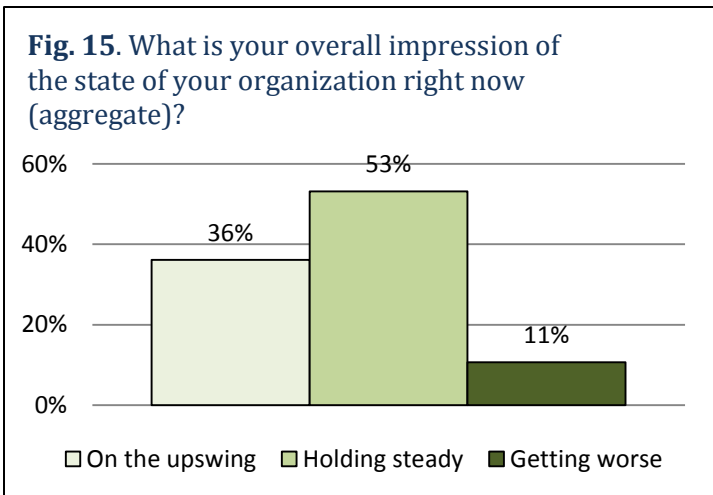
40% of respondents are having cash flow problems this year. By budget size (Fig. 14), Small group theatres were most likely to indicate trouble (42%), with the percentages decreasing as the size of organization increased. Organizations with budgets over \$10 million (BG8), were markedly less likely (13% versus 35-50% in all other budget groups) to indicate cash flow issues. The most likely budget groups to indicate trouble were BG3 (\$250,000-\$499,999) at 50%, BG4 (\$500,000-\$999,999) at 44% and BG1 (under \$50,000) at 42%.

53% of all respondents answered the next question, which was about whether they had had any trouble securing a line of credit. Small group theatres were much less likely to find this question applicable than the Mid-size and Large groups (63% selecting N/A versus 36% and 19%, respectively). **That said, of those that did answer the question, Small group theatres were the most likely to indicate they had trouble at 26%. Mid-size group theatres followed with 19% and only 6% of responding Large group theatres indicated trouble.**

Overall State

Finally, organizations were asked to assess the overall state of their theatre right now (Fig. 15). In aggregate, 36% of respondents felt their situation was on an upswing, 53% of respondents felt their situation was holding steady and 11% of respondents felt their situation was getting worse.

Within the budget groups, however (Fig. 16), there is a correlation between budget size and optimism: the larger the budget category, the smaller the percentage indicating that things were getting worse.



Additional Comments from Participants

- We have done well through this difficult time by diversifying revenue streams, programming and fundraising strategies.
- We expanded our budget this season through a special fundraising campaign, to put more funding towards productions and advertising to attract larger audiences.
- We've had staff turnover that we anticipate will help the organization.
- Intensive strategic planning allowed us to weather the crash of 2008, but our momentum has slowed down in terms of income. Sustaining growth in this economy will be our challenge; the growth was organic, not superfluous so there's no retrenching strategy.
- We were hit hard in FY09 (ending Sept 2009), but finally stabilized in FY11. We have cut our budget for FY12 and budgeted revenue on a rolling three year average to stay on the conservative side.
- We have concerns about FY12 due to the slow-growing economy and reduced consumer economic confidence.
- Our season is off to an incredibly slow start (probably the worst in six years).
- Our company grew through the first two years of the recession, actually achieving balanced end-of-year budgets, but now we're seeing resistance on all levels: ticket sales, donations and special events.
- We have closed the last three seasons in the red after losing a third of our traditional audience. Successfully paying our prior year debts by opening day is the new reality goal.
- We have not felt the effects of the economic downturn until now. Our income from school-related activities is substantially lower due to Department of Education budget cuts.
- Our organization is carrying a tremendous amount of legacy debt.
- Although we do not have an endowment, we have a cash reserve from which we were able to borrow from ourselves to replace the unexpected loss of a major grant. We repaid ourselves, but we will be challenged to contribute to the reserves this year.
- We saw increased operating expenses offset by much higher admissions income ending the year with a surplus.
- Sales of our most expensive seats have increased, while sales of the less expensive seats are down somewhat significantly.
- Our new season looks to be on the way to surpass our subscription goals.
- Subscriptions were up 20% this year, and we had a 91% renewal rate.
- This season, we have seen a substantial gain in subscribers due, we believe, to reformatting our performance times (earlier starts) and lowering weekday pricing.
- We have launched a capital campaign, and despite using our granting opportunities for that, we are proud to be holding steady and not compromising quality.
- We are holding steady overall on earned income, but increases in individual giving have not been able to offset the sharp decrease in foundation funding, which is causing serious cash flow concerns, and the need to dip into savings.
- Many foundations and corporations are shifting guidelines, which makes revenue projections tricky.
- Much depends on the economy for individual, as well as donor support to keep the company moving forward.
- We would not be able to survive without the help of one family foundation, which always fills in the gap.
- We have some large projects in the works for the coming years that we are optimistic about.

- What's most distressing is our inability to seize on opportunities because we don't have resources.
- Revenues from school tuitions are growing and will grow further after the construction of new facilities to expand the programming.
- We moved to a new space and created innovative partnerships that are opening up our programming
- and community engagement activities, as well as exposing us to a broader audience.
- I'm concerned about the overall viability of the not-for-profit arts organizational model, but I'm not seeing a lot of innovation/change/new ideas about how to shift it.

Methodology

This report is a compilation of data collected from the *Taking Your Fiscal Pulse—Fall 2011* snapshot survey, conducted by TCG with the Association of Performing Arts Service Organizations (APASO) between September 15 and October 7, 2011. Theatres reported on the actual and projected activity for their fiscal year ending anytime in 2011. The survey was designed to be completed in 10 minutes or less with multiple choice questions, checklists and rating scales. Throughout this report, we provide data only for theatres that responded to each individual question. So, when we write that a certain percentage of theatres answered “yes” to a question, that percentage is calculated leaving out the theatres that skipped it (or, in most cases, those that said it was not applicable to them). The data reported in this document was not verified against theatres’ audits. It is as accurate a snapshot of the field’s fiscal health as is possible given the survey’s design. In the tables, there may be slight discrepancies in the totals due to rounding. As noted, in order to streamline the report, rather than including past and future tenses in the narrative, e.g.: “...reported that they ended/will end their fiscal year,” the authors use the past tense when reporting findings. The actual questions from the survey, however, are presented as asked. The survey was created by TCG’s Christopher Shuff, director of management programs, and Maegan Keller, management programs assistant, with input from Ilana B. Rose, management programs research manager and an advisory committee from APASO. The authors would like to thank TCG’s Teresa Eyring, Kevin Moore, Ilana B. Rose, Rachel Hutt and Maegan Keller, as well Tiffany Wilhelm, deputy director of the Greater Pittsburgh Arts Council, and Seth Miller for their assistance with this report. 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 (<http://www.tcg.org/tools>).

For 50 years, **Theatre Communications Group** (TCG), the national organization for the American theatre, has existed to strengthen, nurture and promote the professional not-for-profit American theatre. TCG’s constituency has grown from a handful of groundbreaking theatres to nearly 700 member theatres and affiliate organizations and more than 13,000 individuals nationwide. TCG offers its members networking and knowledge-building opportunities through conferences, events, research and communications; awards grants (approximately \$2 million per year) to theatre companies and individual artists; advocates on the federal level; and serves as the U.S. Center of the International Theatre Institute, connecting its constituents to the global theatre community. TCG is North America’s largest independent publisher of dramatic literature, with 11 Pulitzer Prizes for Best Play on the TCG booklist. It also publishes the award-winning *American Theatre* magazine and ARTSEARCH®, the essential source for a career in the arts. In all of its endeavors, TCG seeks to increase the organizational efficiency of its member theatres, cultivate and celebrate the artistic talent and achievements of the field and promote a larger public understanding of, and appreciation for, the theatre. www.tcg.org.