THEATRE FACTS 2003

INSIDE THIS ARTICLE

- Theatres contributed over $1.4 billion to the U.S. economy in the form of salaries, benefits and payments for goods and services (p. 2).
- Overall attendance rose 4.2% and the total number of performances increased by 6.4% from 1999 to 2003 (p. 3).
- Over half—58%—of the Universe Trend Theatres ended the year with a deficit. In 2003, there were 30% more theatres running a deficit than in 2000 (p. 4).
- Severe state funding cuts took effect in 2003 (p. 9).
- Trend Theatres' contributed income supported 2.4% more of total expenses in 2003 than it did in 1999 (pp. 9-11).
- Trend Theatres experienced a remarkable increase in individual contributions from 1999 to 2003 (pp. 10-11).
- The overall level of CUNA* plummeted 93% from 1999 to 2003 for Trend Theatres, resulting in CUNA of only .9% of expenses in 2003 (pp. 10-11).
- Working capital was negative for each of the five years, indicating that Trend Theatres have carried a collective accumulated deficit and are increasingly borrowing funds to meet daily operating needs (pp. 12-13).

* **WHAT IS CUNA?** CUNA or the Change in Unrestricted Net Assets includes operating income and expenses; unrestricted plant and board designated funds (including endowments, cash reserves and others); capital gains and losses; capital campaign expenses; and gifts released from temporary restrictions in the current year. CUNA = (total unrestricted income – total unrestricted expenses)

A Report on Practices and Performance in the American Nonprofit Theatre Based on the Annual TCG Fiscal Survey

**By Zannie Giraud Voss and Glenn B. Voss,
with Christopher Shuff and Katie Taber**

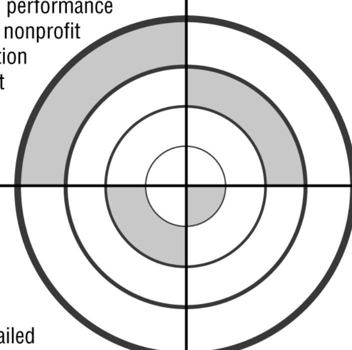
2003 marks TCG's 29th year of presenting *Theatre Facts*, an annual report on the field's attendance, performance and fiscal health, based on information provided by theatres that participate in the annual TCG Fiscal Survey. This report contains information for the fiscal year that theatres completed any time between September 1, 2002, and August 31, 2003, the year following 9/11. The economic downturn that affected most sectors during this period also had a negative impact on the nonprofit professional theatre industry. Theatres continue to make tremendous contributions to the nation's artistic heritage, to their communities and to the economy despite severe challenges.

This report complies with the audit structure recommended by the Federal Accounting Standards Board (FASB). We examine CUNA (Change in Unrestricted Net Assets), which is the balance that remains after subtracting total unrestricted fund expenses from total unrestricted income, rather than accounting only for changes in operating funds. Unless otherwise noted, income is reported as a percentage of expenses because expenses serve as the basis for determining budget size.

The full TCG survey was completed by 214 theatres, 9% more than last year, providing a solid foundation for our examination of finances and operational activity. Because theatres provide different levels of detail in their responses to the annual survey, we offer four sets of analyses that offer an increasing level of detail.

UNIVERSE:
The Big Picture (Pages 2-3)
We examine the big picture in the Universe section, an overview of 1,274 theatres that filed IRS Form 990, including 287 TCG member theatres that provided fiscal, attendance and performance information and 987 additional nonprofit professional theatres. This section provides the broadest snapshot of the industry for 2003.

UNIVERSE TREND THEATRES:
Big Picture 1999-2003 (Pages 3-4)
The second section examines trends since 1999 for the 125 Universe Trend Theatres that have participated in either the long or short TCG survey every year for the past five years.



PROFILED THEATRES:
In-Depth Snapshot (Pages 16-26)
The last section provides a detailed snapshot of the industry based on responses from the 214 Profiled Theatres that completed the full 2003 survey. Theatres are grouped according to budget size (i.e., annual expenses) in the table below.

TREND THEATRES:
In-Depth Coverage 1999-2003 (Pages 5-16)
The third section furnishes more in-depth comparative income, expense, performance, attendance and pricing information for the 85 Trend Theatres that have participated in the full fiscal survey for each of the past five years.

Budget Group	Number of Theatres	Budget Size
6	19	$10 million or more
5	34	$5 million - $9,999,999
4	25	$3 million - $4,999,999
3	61	$1 million - $2,999,999
2	37	$500,000 - $ 999,999
1	38	$499,999 or less

THE UNIVERSE

The vast majority of nonprofit professional theatres did not exist 50 years ago. Despite struggling with a weak economy in 2003, these theatres continued to nurture and expand America's artistic and cultural heritage, bringing the creative work of some 63,000 professional artists into communities around the country, where it was enjoyed by more than 34 million audience members.

TCG's broad and diverse membership allows *Theatre Facts* to report facts and reflect trends for a wide spectrum of theatres. However, the real universe of nonprofit professional theatres in the United States extends beyond the theatres that respond to the TCG Fiscal Survey.

The IRS, via its Form 990, is the only institution that collects information on all nonprofit theatres. In an attempt to capture attendance, performance, fiscal and workforce information for the greater universe of nonprofit professional theatres, we include in this analysis the 1,274 theatres in the country that filed Form 990. Using total annual expenses—the only data available for all theatres—we extrapolated the Universe table to the right. We base this extrapolation on weighted averages for TCG member theatres of similar budget size. The 1,274 theatres in this analysis include the 287 TCG member theatres that responded to either the long or short form of the TCG Fiscal Survey and the 987 theatres that either are not members of TCG or are members who did not participate in the survey.

We caution that the figures reported in the Universe table are not based on accounts provided to TCG by the 987 non-survey theatres themselves. To examine the accuracy of our estimates, we compared actual total expenses for all theatres (the one item reported by all theatres) with the extrapolated total expense figure based on our formula. The two came within .1% of each other, indicating that the extrapolated aggregate figures, while imperfect, are reasonably accurate estimates.

The 1,274 theatres in the U.S. nonprofit professional theatre field in 2003 are estimated to have:

- Added over $1.4 billion to the U.S. economy in the form of salaries and payments for goods and services. We know that the real impact on the economy is far greater. Many audience members go out to eat, hire babysitters, etc., in conjunction with their evening or afternoon at the theatre, and theatres' employees live in their communities, pay rent or buy homes and make regular purchases. The associated taxes on these services benefit all levels of government.
- Engaged the majority of their employees in artistic pursuits. For theatres with budgets over $50,000 (the minimum budget for TCG membership), the workforce is estimated to be 53% artistic, 29% technical and 18% administrative. Smaller theatres rely on artistic personnel to perform both artistic and administrative duties.
- Received 53% of income from earned sources and 47% from contributions. Smaller theatres, with budgets less than $250,000, averaged 39% earned and 61% contributed.

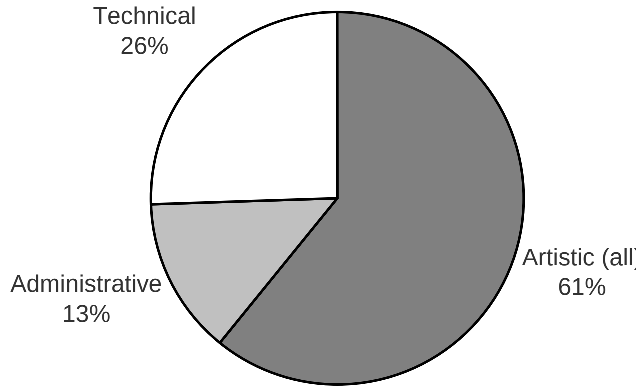
Table 1: Estimated 2003 Universe of U.S. Nonprofit Professional Theatres (1,274 Theatres)

Estimated Productivity		
Attendance	34,300,000	
Subscribers	1,900,000	
Performances	170,000	
Productions	13,000	
Estimated Finances		
Earnings	$ 787,000,000	
Contributions	694,000,000	
Total Income	$ 1,481,000,000	
Expenses	1,476,000,000	
Changes in Unrestricted Net Assets (CUNA)	$ 5,000,000	
Earned $ as a % of Total Income	53%	
Contributed $ as a % of Total Income	47%	
CUNA as a % of Expenses (budget)	0.3%	
Estimated Workforce		% of Total
Artistic (all)	63,000	61%
Administrative	14,000	13%
Technical	27,000	26%
Total Paid Personnel	104,000	

Of the 287 TCG survey respondents:

- More than half ended the year with a deficit. The change in unrestricted net assets (CUNA) was a scant .3% of total expenses in 2003, the lowest it has been since 1995, a time when we examined only operating funds rather than all unrestricted net assets. CUNA now encompasses changes in all unrestricted funds and includes Net Assets Released from Temporary Restriction (NARTR). For example, a theatre's individual giving total may include gifts to a capital campaign granted in a prior year and released from temporary restrictions in the current year. The CUNA results would be even more sobering if we were to consider only operating funds in 2003.

FIGURE 1: WORKFORCE



UNIVERSE TREND THEATRES

Whereas the previous section provides estimates based on an extrapolation from reported data, this section only includes information from Universe Trend Theatres; that is, theatres that submitted either the short or long form of the TCG Fiscal Survey each year since 1999, a year when the economy was still strong. This trend analysis provides insights as to changes that have occurred over the last five years. Following the same set of theatres over time avoids excessive variation that can arise when different theatres participate in some years but not others. We report aggregate figures for the Universe Trend Theatres in Table 2 below.

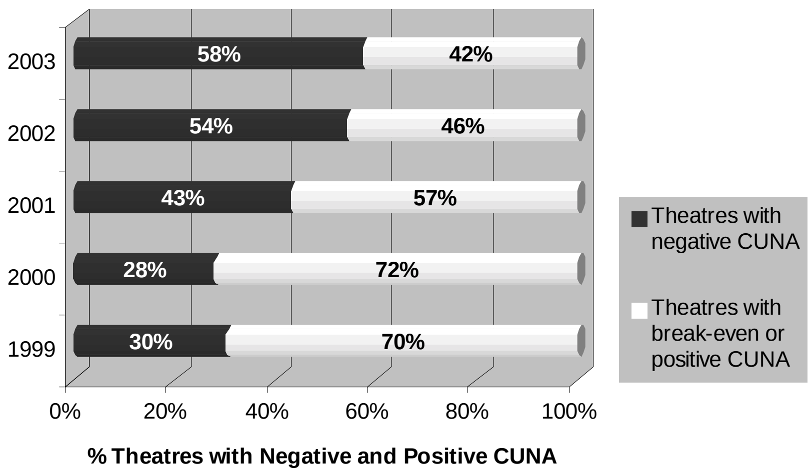
Table 2: 2003 Survey Universe Trends

125 Trend Theatres

Productivity	1999	2000	2001	2002	2003	1-yr. % chg.	4-yr. % chg.	4-yr. CGR* 99-03
Attendance	11,922,083	12,177,375	12,584,710	12,968,990	12,420,419	-4.2%	4.2%	
Subscribers	953,193	933,639	923,630	904,713	919,435	1.6%	-3.5%	
Performances	37,478	37,860	38,873	39,471	39,877	1.0%	6.4%	
Productions	1,598	1,520	1,648	1,719	1,829	6.4%	14.5%	
Finances								
Earnings	$ 323,136,872	$ 362,362,138	$ 365,088,192	$ 369,465,657	$ 381,233,795	3.2%	18.0%	8.0%
Contributions	214,192,532	252,824,579	272,882,421	296,500,153	290,354,122	-2.1%	35.6%	25.6%
Total Income*	$ 537,329,404	$ 615,186,717	$ 637,970,613	$ 665,965,810	$ 671,587,905	0.8%	25.0%	15.0%
Expenses	498,820,654	539,776,532	605,613,494	647,170,112	660,434,615	2.0%	32.4%	22.4%
Changes in Unrestricted Net Assets (CUNA)	**$ 38,508,730**	**$ 75,410,189**	**$ 32,357,119**	**$ 18,795,699**	**$ 11,153,291**	**-40.7%**	**-71.0%**	**-81.0%**
Earned $ as a % of Total Income	60%	59%	57%	55%	57%	1.3%	-3.4%	
Contributed $ as a % of Total Income	40%	41%	43%	45%	43%	-1.3%	3.4%	
Changes in Unrest. Net Assets as a % of Expenses (budget)	7.7%	14.0%	5.3%	2.9%	1.7%	-1.2%	-6.0%	
Workforce								
Artistic (all)	12,460	12,875	13,543	12,757	13,754	7.8%	10.4%	
Administrative	4,785	4,860	5,470	5,284	5,966	12.9%	24.7%	
Technical	8,135	8,187	8,901	8,197	8,950	9.2%	10.0%	
Total Paid Personnel	**25,380**	**25,922**	**27,914**	**26,238**	**28,670**	**9.3%**	**13.0%**	

* Compounded Growth Rate adjusted for inflation.

FIGURE 2: UNIVERSE TREND THEATRES' CHANGES IN UNRESTRICTED ASSETS (CUNA) OVER TIME



For the 125 Universe Trend Theatres:

- Total income barely covered expenses in 2003. CUNA dropped 41% from 2002 to 2003 and was at its lowest level in five years: 1.7% of total expenses. Over five years, income growth outpaced inflation by 15%, but expenses outpaced inflation by 22%, causing CUNA to shrink by 81% in inflation-adjusted dollars.
- Growth in contributed income outpaced inflation by 26% over the five-year period, marking a stronger growth rate than either earned income or expenses; however, contributed income decreased 2% from 2002 to 2003 after a dramatic spike in 2002.
- Growth in earned income over five years outpaced inflation by 8%, increasing 3% in the last year, and outpaced expense growth by 1.2%. This growth was a key reason Universe Trend Theatres realized an average positive CUNA in 2003.
- Growth in the number of administrative personnel was more than double the growth in artistic and technical personnel from 1999 to 2003. There were workforce cuts across the board in 2002, but in 2003, a surprisingly strong rebound was reflected with the highest five-year employment levels in every category.
- The number of performances offered per production varied between 23 and 25 every year except 2003, when the average number dipped to 22. This drop is due to theatres producing 6% more productions but increasing the number of total performances in the year by only 1%.
- Growth in the number of productions and performances outpaced growth in attendance over the five-year period. In 1999, theatres played to an average house of 318. That figure grew steadily each year to reach a high of 329 in 2002, only to drop to 311 in 2003. Overall attendance grew 4% over the five years but decreased 4% from 2002 to 2003.
- Subscriber attendance rebounded 1.6% in 2003 after steady declines from 1999–2002, for an overall five-year decrease of 3.5%. The 4% drop in total attendance from 2002 to 2003 coupled with the modest increase in subscriber attendance reflects a reversal of overall single ticket buying trends, which had seemingly been on the rise up until last year.

Figure 2: Universe Trend Theatres' Changes in Unrestricted Assets (CUNA) Over Time

- Well over half—58%—of Universe Trend Theatres ended 2003 with a negative CUNA.
- From 2000 to 2003 there was a steady increase in the percentage of theatres that incurred a deficit, with 30% more theatres running a deficit in 2003 than in 2000.
- Although more theatres were running a deficit, there was not a drastic increase in the percentage of theatres running a deficit of greater than 20% of budget; the number fluctuated between 2% to 6% of theatres from year to year.

Since 1999:

- ♦ Roughly 14% of Universe Trend Theatres have gone from ending the year with a slight surplus (less than 10% of budget) to encountering a deficit of less than 10% of budget.
- ♦ The level of theatres experiencing a surplus of 20% of budget or more fell 7%.
- ♦ The level of theatres with a surplus equivalent to 10% to 20% of budget dropped 6%.
- ♦ The percentage of theatres with a deficit 10% to 20% of budget increased by 12%.

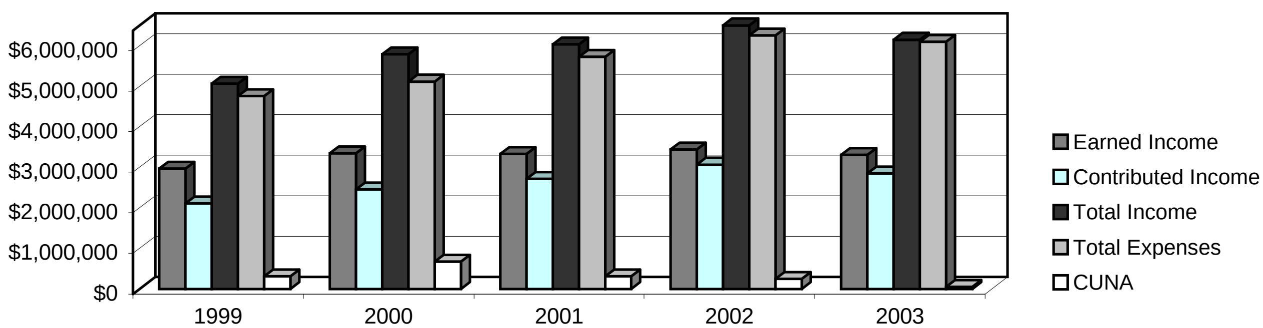
TREND THEATRES

The last section examined activity over the past five years for Universe Trend Theatres, which responded each of the past five years to the short or long form of the TCG Fiscal Survey, affording insight into broad trends. We now examine five-year trends for the 85 Trend Theatres that have responded each of the past five years to the long-form or full version of the TCG Fiscal Survey, which elicits a much greater level of detail.

We first look at year-to-year changes for each category of earned income, expenses and contributed income. We then compare the level of overall budget obtained from each earned income source, allocated to each area of expense and garnered from each source of contributions, from one year to the next. We also look at year-to-year changes in balance sheet, attendance, number of performances and pricing. All figures, whether dollar figures or percentages, represent averages rather than aggregates.

Earned income growth outpaced inflation by 1.5% from 1999 to 2003. Although contributed income decreased from 2002–2003, it rose 25% after adjusting inflation for the five-year period. Expenses increased 18.2% from 1999 to 2003 while total income increased only 11% over the same period. Average CUNA remained positive in each of the five years but decreased in absolute terms and in proportion to total expenses to a five-year low of .9% of expenses in 2003.

FIGURE 3: TREND THEATRES: INCOME, EXPENSES, CUNA



Earned Income

We look at changes in income in three ways: (1) the dollar change in average income; (2) the dollar change in average income adjusted for inflation; and (3) the change in the level of expenses financed by each type of income. In this section we examine all three types of changes with respect to earned income. In some instances, there is a positive increase in an income category—even after adjusting for inflation—but a decrease in the level of expenses that it covers. This is due to the fact that the increase in earned income did not keep pace with the increase in expenses, as mentioned above.

For the 85 Trend Theatres:

- Average single ticket income dropped precipitously in 2003 after four years of steady growth, reaching its lowest level since 2000; this was the case despite the fact that 56% of Trend Theatres experienced an *increase* in single ticket income from 2002 to 2003. Single ticket income outpaced inflation over the five years by only 8% due to this one-year, 21% overall decrease.

The overall drop in average single ticket income is largely driven by one large theatre that experienced a 63% decrease in this area. This theatre produced 45% fewer performances in 2003 than in 2002 and saw a 68% drop in total attendance. This theatre's story is part of the collective performance for the industry over the five-year period, so we highlight its impact but maintain its inclusion in these analyses. If we eliminate this theatre from the analyses, we would see a 1% drop in single ticket income from 2002 to 2003 and a bottom line for earned income that did not keep pace with inflation from 1999 to 2003.

Table 3: Average Earned Income - All Theatres

85 Theatres

	1999	2000	2001	2002	2003	1-yr. % chg.	4-yr. % chg.	4-yr. CGR* 99-03
Subscriptions	$1,070,632	$1,134,922	$1,213,274	$1,268,599	$1,298,369	2.3%	21.3%	11.3%
Single Ticket Income[a]	1,114,224	1,258,255	1,502,935	1,670,383	1,318,749	-21.1%	18.4%	8.4%
Booked-In Events[a]	20,487	29,270	24,421	22,627	28,173	24.5%	37.5%	27.5%
Total Ticket Income	**$2,205,342**	**$2,422,447**	**$2,740,630**	**$2,961,609**	**$2,645,290**	**-10.7%**	**19.9%**	**9.9%**
Tour Contracts/Presenting Fees**	15,075	20,583	22,182	30,251	24,235	-19.9%	60.8%	50.8%
Educational/Outreach Income**	167,430	175,224	135,835	127,648	140,056	9.7%	-16.3%	-26.3%
Interest and Dividends	59,417	73,912	94,621	78,774	48,947	-37.9%	-17.6%	-27.6%
Endowment Earnings	101,493	106,754	85,440	53,941	143,512	166.1%	41.4%	31.4%
Capital Gains/(Losses)	94,119	207,927	(104,980)	(176,809)	(73,305)	58.5%	-177.9%	-187.9%
Royalties[a]	14,113	13,833	30,087	30,429	21,870	-28.1%	55.0%	45.0%
Concessions	78,895	84,426	81,502	84,308	93,601	11.0%	18.6%	8.6%
Production Income	58,320	54,453	54,532	55,794	71,469	28.1%	22.5%	12.5%
Advertising	17,622	18,859	19,765	19,505	21,375	9.6%	21.3%	11.3%
Rentals	50,385	50,624	47,042	52,030	54,712	5.2%	8.6%	-1.4%
Other	99,604	108,624	117,916	120,233	109,837	-8.6%	10.3%	0.3%
Total Earned Income	**$2,961,814**	**$3,337,665**	**$3,324,572**	**$3,437,712**	**$3,301,599**	**-4.0%**	**11.5%**	**1.5%**

* Compounded Growth Rate adjusted for inflation

** 2001, 2002 & 2003 figures reflect fees and contract income only; underwriting and sponsorship now appear as contributed income.

[a] Trend skewed by one theatre's exceptional activity.

For the 85 Trend Theatres:

- Average single ticket income was greater than average subscription income in each of the five years. However, the gap between average subscription income and average single ticket income decreased in 2003 following four straight years of increasing discrepancy between the two. As mentioned above, one theatre accounted for a sizeable proportion of all single ticket income—between 13% and 32%—in each year, and contributed greatly to this trend.
- Average subscription income grew steadily from 1999 to 2003 and was up 11% overall. Subscription income supported 1.2% less of total expenses in 2003 than in 1999.
- Income from booked-in events fluctuated during the five years but outpaced inflation overall by 27.5% percent from 1999 to 2003. Over the five years, one theatre accounted for 26%-46% of all income from booked-in events.
- Growth in total ticket income over the five-year period outpaced inflation by 10%. Nevertheless, total ticket income supported 3% less of total expenses in 2003 than in 1999.
- Earned income sustained 8.1% less of total expenses in 2003 than it did in 1999. This decrease is due in part to the level of expenses supported by capital gains/losses; capital gains covered 2% of total expenses in 1999 and capital losses stripped away 1.2% of theatres' buying power in 2003. Another big contributing factor is the 3% decrease in single ticket income's support of total expenses over the five-year period.
- There was a significant change in how theatres reported tour income and education/outreach income in 2001. Since 2001, tour underwriting and sponsorships and grants earmarked for education or outreach programs have been moved from the associated earned income line items to the Contributed Income section of the TCG Fiscal Survey. Tour income now represents only presenter fees and contracts, and education/outreach income solely reflects payment by those who consumed the services.
- Despite this change in reporting, a 24% increase in the number of tour performances from 1999 to 2003 supported an increase in tour contracts and presenter fee income of 51% above inflation for the same period. Theatres are finding alternative ways to earn revenue while bringing theatre to new audiences.
- The most dramatic, five-year change in earned income came from capital gains/losses from unrestricted investment assets—a 188% drop from 1999 to 2003. Capital losses were at their most severe during 2001 and 2002. Despite an overall average capital loss in 2003, the figure improved 58.5% over 2002.

It is important to note that in addition to a loss from the sale of securities, many theatres reported a significant

Table 4: Average Earned Income as a Percent of Expenses							
85 Theatres	**1999**	**2000**	**2001**	**2002**	**2003**	**1-yr. % chg.**	**4-yr. % chg.**
Subscriptions	22.5%	22.2%	21.2%	20.3%	21.3%	1.0%	-1.2%
Single Ticket Income[a]	23.4%	24.6%	26.3%	26.7%	21.6%	-5.1%	-1.8%
Booked-In Events[a]	0.4%	0.6%	0.4%	0.4%	0.5%	0.1%	0.0%
Total Ticket Income	**46.4%**	**47.4%**	**47.9%**	**47.4%**	**43.4%**	**-4.0%**	**-3.0%**
Tour Contracts/Presenting Fees	0.3%	0.4%	0.4%	0.5%	0.4%	-0.1%	0.1%
Educational/Outreach Income	3.5%	3.4%	2.4%	2.0%	2.3%	0.3%	-1.2%
Interest and Dividends	1.2%	1.4%	1.7%	1.3%	0.8%	-0.5%	-0.4%
Endowment Earnings	2.1%	2.1%	1.5%	0.9%	2.4%	1.5%	0.2%
Capital Gains/(Losses)	2.0%	4.1%	-1.8%	-2.8%	-1.2%	1.6%	-3.2%
Royalties[a]	0.3%	0.3%	0.5%	0.5%	0.4%	-0.1%	0.1%
Concessions	1.7%	1.7%	1.4%	1.3%	1.5%	0.2%	-0.1%
Production Income	1.2%	1.1%	1.0%	0.9%	1.2%	0.3%	-0.1%
Advertising	0.4%	0.4%	0.3%	0.3%	0.4%	0.0%	0.0%
Rentals	1.1%	1.0%	0.8%	0.8%	0.9%	0.1%	-0.2%
Other	2.1%	2.1%	2.1%	1.9%	1.8%	-0.1%	-0.3%
Total Earned Income	**62.3%**	**65.3%**	**58.1%**	**55.0%**	**54.2%**	**-0.8%**	**-8.1%**

[a] Trend skewed by one theatre's exceptional activity.

decrease in capital gains as a result of accounting for the present market value of their investment portfolios. As such, these are unrealized losses based on changes in the present market value of the portfolio from year to year. These theatres have conducted capital campaigns and invested the proceeds in either stocks or bonds. With a long-term investment strategy, it is expected that market conditions will vary from year to year but that the portfolio ultimately will increase in value over time.

- Average interest and dividends from short-term investments (e.g., savings or checking accounts) fell 28% in inflation-adjusted figures over five years.

- Endowment earnings rebounded in 2003 to a 5-year high after two years of precipitous declines. A number of theatres took advantage of the strong economy of 1999 and 2000 and established endowments specifically designed to provide income for operations. Of the Trend Theatres, 58% reported endowment earnings in 2003 versus 49% in 1999.

- Despite cuts in the number of programs offered, the total number of people served by education and outreach programs increased 30% over the five-year period from 16,965 in 1999 to 21,995 in 2003.

- Royalty income declined 28% from 2002 to 2003, although it outpaced inflation by 45% over the five-year period. Royalties were earned on a total of 235 properties in 2003—the same number of properties as 2002—up 8% from 1999. One theatre that received unusually high returns from royalty properties in 2001 and 2002 returned to a more normal level in 2003. There was an increase in the number of world premieres produced from 2001 to 2003, holding optimism for increased royalty income in the future.

- Production income—a combination of co-production and enhancement income from other nonprofit and commercial producers who share a production and the expenses to create it—increased 28% in the last year alone, contributing to a five-year increase of 12.5% above inflation. Theatres are aggressively searching for ways to establish strategic collaborations that provide savings and enhance quality.

- The number of theatres co-producing fluctuated slightly over the five years, from a low of 17 in 2001 to high of 25 in 2003. The average for theatres reporting co-production income rose from $81,460 in 1999 to $138,918 in 2003. The number of theatres reporting enhancement income (income from commercial producers) fluctuated, with eight theatres reporting enhancement income averaging $375,000 in 1999; five theatres averaging $623,500 in 2000; nine theatres averaging $312,000 in 2001; six theatres averaging $462,000 in 2002; and eight theatres averaging $325,000 in 2003.

- Average rental income increased from 1999 to 2003, but not enough to keep pace with inflation.

- Advertising and concession income increased in the past year and grew at a stronger rate than inflation over the five-year period. Theatres are aggressively pursuing ancillary earned income.

Expenses

In this section, we report year-to-year changes for each category of expenses. We also compare how theatres shifted their allocation of resources over time. The last two columns of Table 6 on the next page demonstrate that budget allocations across the different expense categories remained virtually unchanged over the five-year period, with only one survey line item shifting more than 1%.

Expense growth far outpaced inflation over the five-year period. Total expenses grew 18% from 1999 to 2003, eclipsing the rate of earned income growth. Theatres' investment in general management/operations was the only expense category to decrease from 1999 to 2003. Theatres were able to hold down overhead expenses.

Table 5: Average Expenses - All Theatres

85 Theatres

	1999	2000	2001	2002	2003	1-yr. % chg.	4-yr. % chg.	4-yr. CGR* 99-03
Artistic Payroll	$1,065,236	$1,113,237	$1,199,007	$1,316,820	$1,254,073	-4.8%	17.7%	7.7%
Administrative Payroll	854,859	933,351	1,096,531	1,176,831	1,231,420	4.6%	44.0%	34.0%
Production Payroll	722,880	747,724	819,580	950,543	924,323	-2.8%	27.9%	17.9%
Total Payroll	**$2,642,975**	**$2,794,312**	**$3,115,118**	**$3,444,194**	**$3,409,815**	**-1.0%**	**29.0%**	**19.0%**
General Artistic Non-Payroll	193,387	191,298	233,572	292,743	261,549	-10.7%	35.2%	25.2%
Royalties	119,772	139,326	190,451	184,608	157,710	-14.6%	31.7%	21.7%
Production/Tech Non-Payroll (physical production)	311,359	340,997	356,820	420,375	358,560	-14.7%	15.2%	5.2%
Development/Fundraising	181,444	211,437	253,548	251,759	242,581	-3.6%	33.7%	23.7%
Marketing/Customer Service/Concessions	548,645	658,627	710,569	730,482	722,259	-1.1%	31.6%	21.6%
Occupancy/Building/Equip/Maintenance	522,882	552,211	654,739	683,528	709,426	3.8%	35.7%	25.7%
General Management/Operations	234,788	226,873	209,709	244,908	232,062	-5.2%	-1.2%	-11.2%
Total Expenses	**$4,755,253**	**$5,115,080**	**$5,724,527**	**$6,252,597**	**$6,093,962**	**-2.5%**	**28.2%**	**18.2%**

*Compounded Growth Rate adjusted for inflation

For the 85 Trend Theatres:

- Total payroll rose 19% above inflation from 1999 to 2003. Artistic payroll remains the single greatest allocation of resources. Between 1999 and 2003, the average number of full-time and part-time artistic staff increased from 8 to 9; the average number of paid artists in a season rose 78% from 110 to 196; and growth in artistic payroll exceeded inflation by 7.7% but still accounted for 1.8% less of theatres' total expenses in 2003 than in 1999.
- The average number of paid administrative personnel (full-time and part-time) rose 14% from 1999 to 2003, from 47 to 53. That administrative salaries increased *34%*, by contrast, may be an indication of the pressure to either pay more competitive wages or lose employees to other, more lucrative industries.
- From 1999 to 2003, the average number of paid production personnel (full-time and part-time) increased 5%—from 72 to 75—and production payroll outpaced inflation by 18%, despite a slight decrease from 2002 to 2003.
- General artistic expenses (housing and travel, per diems, designer, company management and stage management expenses) decreased 11% after reaching a record high in 2002, outpacing inflation over the five-year period by 25%.
- Royalties increased 21.7% percent above inflation from 1999 to 2003.
- Production/technical non-payroll expenses (physical production materials and rentals) were reduced nearly 15% from 2002 to 2003.
- The costs of occupancy/building and equipment maintenance rose 25.7% above inflation and accounted for .6% more of total expenses in 2003 than in 1999. Roughly 40% of theatres report that they own their stage, and 43% report that they own their office space.

Table 6: Average Expenses							
85 Theatres	**1999**	**2000**	**2001**	**2002**	**2003**	**1-yr. % chg.**	**4-yr. % chg.**
Artistic Payroll	22.4%	21.8%	20.9%	21.1%	20.6%	-0.5%	-1.8%
Administrative Payroll	18.0%	18.2%	19.2%	18.8%	20.2%	1.4%	2.2%
Production Payroll	15.2%	14.6%	14.3%	15.2%	15.2%	0.0%	0.0%
Total Payroll	**55.6%**	**54.6%**	**54.4%**	**55.1%**	**56.0%**	**0.9%**	**0.4%**
General Artistic Non-Payroll	4.1%	3.7%	4.1%	4.7%	4.3%	-0.4%	0.2%
Royalties	2.5%	2.7%	3.3%	3.0%	2.6%	-0.4%	0.1%
Production/Tech Non-Payroll (physical production)	6.5%	6.7%	6.2%	6.7%	5.9%	-0.8%	-0.7%
Development/Fundraising	3.8%	4.1%	4.4%	4.0%	4.0%	0.0%	0.2%
Marketing/Customer Service/Concessions	11.5%	12.9%	12.4%	11.7%	11.9%	0.2%	0.3%
Occupancy/Building/Equip/Maintenance	11.0%	10.8%	11.4%	10.9%	11.6%	0.7%	0.6%
General Management/Operations	4.9%	4.4%	3.7%	3.9%	3.8%	-0.1%	-1.1%
Total Expenses	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**0.0%**	**0.0%**

For the 85 Trend Theatres:

- On average, theatres spent slightly less to bring in each dollar of subscription, education/outreach and fundraising event income. Over time, theatres have found more efficient and effective ways to generate income in these areas.
- Theatres invested more in total marketing expenses in 2003 than in the prior two years, perhaps in an effort to counter the decrease in overall single ticket sales, discussed in the Earned Income section (see pp. 6-7). Theatres are having to spend more to bring in every dollar of total ticket sales.

Table 7: Theatre Facts Administrative Expense Index							
85 Theatres	**1999**	**2000**	**2001**	**2002**	**2003**	**1-yr. %chg.**	**4-yr. %chg.**
Single ticket marketing expense to single ticket income:	19%	22%	19%	18%	22%	3.7%	3.1%
Subscription marketing expense to subscription income:	14%	14%	14%	13%	13%	-0.3%	-0.7%
Education/outreach expense to education/outreach income:	23%	30%	26%	26%	24%	-2.8%	1.1%
Development expense to total unrestricted contributed income (less fundraising event expenses and income):	4%	5%	5%	5%	5%	0.3%	0.9%
Fundraising event expense to fundraising event income:	47%	46%	47%	44%	39%	-4.5%	-7.6%
Total development expense to total unrestricted contributed income (includes personnel expense)*			10%	9%	10%	0.6%	
Total marketing expense to total ticket sales (includes personnel expense)*			27%	26%	29%	2.8%	

*TCG began collecting detailed personnel expense data in 2001.

Contributed Income and Changes in Unrestricted Net Assets (CUNA)

Total contributed income outpaced inflation by 25% and financed 2.4% more expenses in 2003 than in 1999, despite a 7.1% decline in contributed income from 2002 to 2003. The growth in contributed income exceeded the growth in expenses (18.2%) and total earned income (1.5%) over the five years. The overall level of CUNA plummeted 93% from 1999 to 2003. Only 28% of Trend Theatres experienced negative CUNA in 2000, whereas 58% ended the year with a negative CUNA in 2003.

For the 85 Trend Theatres:

- Severe state funding cuts took effect in 2003 after a surge in average state funding in 2002. 2003 state funding was at its lowest level, leading to a 17.5% cut in inflation-adjusted dollars over the five-year period. State funding supported .7% less in expenses in 2003 than in 1999.
- Average federal funding fluctuated over the five years but was at a five-year high in 2003 for an overall increase of 9.5% above inflation.

Table 8: Average Contributed Income - All Theatres

85 Theatres

	1999	2000	2001	2002	2003	1-yr. % chg.	4-yr. % chg.	4-yr. CGR* 99-03%
Federal	$ 34,657	$ 38,867	$ 39,117	$ 38,164	$ 41,428	8.6%	19.5%	9.5%
State	116,908	115,281	115,684	139,770	108,188	-22.6%	-7.5%	-17.5%
City/County	161,291	175,443	212,199	119,451	162,954	36.4%	1.0%	-9.0%
Corporations	274,861	337,456	318,910	342,749	432,491	26.2%	57.3%	47.3%
Foundations[a]	397,776	545,915	634,905	595,154	508,260	-14.6%	27.8%	17.8%
Trustees	214,191	270,706	270,486	386,556	288,283	-25.4%	34.6%	24.6%
Other Individuals	401,369	464,516	553,996	901,965	714,923	-20.7%	78.1%	68.1%
Fundraising Events/Guilds	205,537	221,544	255,853	248,381	264,648	6.5%	28.8%	18.8%
United Arts Funds	74,776	67,285	75,743	82,220	80,310	-2.3%	7.4%	-2.6%
In-Kind Services/Materials/Facilities	101,495	118,125	128,102	139,119	162,083	16.5%	59.7%	49.7%
Other Contributions	121,988	94,044	105,159	68,107	81,769	20.1%	-33.0%	-43.0%
Total Contributed Income	**$2,104,849**	**$2,449,181**	**$2,710,155**	**$3,061,635**	**$2,845,338**	**-7.1%**	**35.2%**	**25.2%**
Total Income	**$5,066,663**	**$5,786,846**	**$6,034,728**	**$6,499,347**	**$6,146,937**	**-5.4%**	**21.3%**	**11.3%**
Changes in Unrestricted Net Assets (CUNA)	**$ 311,410**	**$ 671,766**	**$ 310,200**	**$ 246,750**	**$ 52,975**	**-78.5%**	**-83.0%**	**-93.0%**

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

- Local funding recovered somewhat in 2003 after a substantial drop in 2002. In spite of the 36% increase from 2002 to 2003, the overall growth in local funding fell short of inflation over the five-year period by 9%. Trend Theatres average more funding from city and county governments than from either state or federal levels of government.
- Average corporate support was at a five-year high in 2003, supporting 1.3% more of total expenses in 2003 than in 1999. The growth in corporate giving outpaced inflation by 47.3% over the five-year period, driven by larger gifts from fewer corporations. The average corporate gift grew each year from $4,818 in 1999 to $10,800 in 2003. The average number of corporate donors per theatre declined steadily each year from 1999 to 2003, from 63 to 41, representing a 35% drop over the five years.
- The average foundation gift decreased in 2003 for the second consecutive year, although it outpaced inflation by 17.8% over the five-year period. The average number of foundation gifts remained flat over the five years at 19 grants per theatre. Theatres are receiving larger foundation grants now than in 1999, in spite of the fact that the average grant declined in both 2002 and 2003. In 1999, the average grant was roughly $24,000 and in 2003 it reached $27,500. The extraordinary level of foundation support in 2001 appears to be skewed by one theatre that attracted $17 million in foundation gifts.
- Income from fundraising events and guilds rose nearly 19% above inflation from 1999 to 2003—6.5% in the past year alone.
- Average total individual contributions were nearly 22% less in 2003 than in 2002. However, Trend Theatres experienced remarkable gains in individual contributions over the five-year period. Once again, total individual giving (from trustees and other individuals) was the greatest source of contributed funds for each of the years examined, and this income source supported 3.5% more expenses in 2003 than in 1999.
- Trustee giving rose steadily from 1999 to 2002, then tapered off in 2003. Overall, trustee giving outpaced inflation by 24.6% over the five-year period.
- The average trustee gift decreased 27% from 2002 to 2003—from $12,517 to $9,184—but increased 14% overall for the five-year period. The aggregate effect is that Trend Theatre trustee donations totaled $18.2 million in 1999 and $24.5 million in 2003.

  If we separate out trustee gifts pledged and received into unrestricted funds in the same year from trustee NARTR (i.e., gifts pledged in a prior year and released from temporary restriction in the current year), two trends emerge:

  1. Annual trustee giving increased steadily from 1999 to 2002, dropped 17% from 2002 to 2003, but increased 41% above inflation overall during the five-year period; and

Table 9: Average Contributed Income as a Percentage of Expenses							
85 Theatres	**1999**	**2000**	**2001**	**2002**	**2003**	**1-yr. % chg.**	**4-yr. % chg.**
Federal	0.7%	0.8%	0.7%	0.6%	0.7%	0.1%	0.0%
State	2.5%	2.3%	2.0%	2.2%	1.8%	-0.5%	-0.7%
City/County	3.4%	3.4%	3.7%	1.9%	2.7%	0.8%	-0.7%
Corporations	5.8%	6.6%	5.6%	5.5%	7.1%	1.6%	1.3%
Foundations[a]	8.4%	10.7%	11.1%	9.5%	8.3%	-1.2%	0.0%
Trustees	4.5%	5.3%	4.7%	6.2%	4.7%	-1.5%	0.2%
Other Individuals	8.4%	9.1%	9.7%	14.4%	11.7%	-2.7%	3.3%
Fundraising Events/Guilds	4.3%	4.3%	4.5%	4.0%	4.3%	0.4%	0.0%
United Arts Funds	1.6%	1.3%	1.3%	1.3%	1.3%	0.0%	-0.3%
In-Kind Services/Materials/Facilities	2.1%	2.3%	2.2%	2.2%	2.7%	0.4%	0.5%
Other Contributions	2.6%	1.8%	1.8%	1.1%	1.3%	0.3%	-1.2%
Total Contributed Income	**44.3%**	**47.9%**	**47.3%**	**49.0%**	**46.7%**	**-2.3%**	**2.4%**
Total Income	**106.5%**	**113.1%**	**105.4%**	**103.9%**	**100.9%**	**-3.1%**	**-5.7%**
Changes in Unrestricted Net Assets (CUNA)	**6.5%**	**13.1%**	**5.4%**	**3.9%**	**0.9%**	**-3.1%**	**-5.7%**

[a] Trend skewed by one theatre's exceptional activity.

2. Trustee NARTR fluctuated greatly over the five years, fell 45% from 2002 to 2003, and was 13% lower in inflation-adjusted figures in 2003 than in 1999.

The drop in NARTR from trustees reflects a decrease in the percentage of theatres in the midst of a capital campaign each year, with 32% raising capital funds in 2000 and only 25% in a campaign in 2003, but with another 27% having ended a capital campaign within the past five years.

The average number of trustees making a donation was level at 35 over the five years, with the exception of a spike in 2002 to 39.

- Average gifts from other individuals (non-trustees) experienced amazing growth compared to all other contributed sources: 68.1%.
- Other individual gifts dropped 21% from 2002 to 2003 but led the pack with the greatest inflation-adjusted increase of any contributed income source over the five-year period—an impressive 68%. Gifts from other individuals supported 3.3% more expenses in 2003 than in 1999. Aggregate other individual gifts for Trend Theatres in 2003 were $60.8 million.

The number of other individuals providing gifts dropped slightly over the five-year period, from 2,203 in 1999 to 2,084 in 2003. Far more impressive is the level of giving. The average gift from other individuals jumped from $204 in 1999 to $426 in 2002, then down to $351 in 2003.

If we separate out annual other individual giving from NARTR other individual gifts, two trends emerge:

1. Annual giving from non-trustees increased steadily from 1999 to 2003 and finished 22% higher in 2003 than in 1999 after adjusting for inflation; and
2. NARTR from non-trustee individual giving multiplied nearly six-fold from 1999 to 2003, with an unusually high average of $403,000 in 2002.

Not surprisingly, trustees gave gifts earlier in theatres' capital campaigns whereas other individuals contributed a year or so afterward.

- Other Contributions (e.g., cash contributions from sheltering organizations) fluctuated from 1999 to 2003 but ultimately decreased 43%. Eighteen percent fewer theatres reported income in this category in 2003 than in 1999.
- In-kind contributions increased nearly 50% over the five years and reached their highest level in 2003, supporting .5% more expenses in 2003 than in 1999.
- The growth in United Arts Funding fell short of inflation by 2.6%.
- The growth in total income outpaced inflation by 11.3% over the five years, not keeping pace with the 18.2% growth in expenses. In comparison to total expenses, total income fell 5.7% between 1999 and 2003. As a result, theatres barely broke even, with average CUNA of less than 1% of total expenses in 2003.

Even though the CUNA in 2003 was only .9% of total expenses, it was positive nevertheless. Each year, the addition of CUNA improved the bottom lines of Trend Theatres over the five-year period. The average balance of all unrestricted net assets was 47% higher in inflation-adjusted figures at the end of 2003 than it was at the beginning of 1999. Not every theatre was better off at the end of the five-year period but, on average, theatres finished 2003 with unrestricted net assets of $4.5 million compared to unrestricted net assets of $2.9 million at the beginning of 1999.

From 1999 to 2003, all but 16 of the 85 Trend Theatres experienced budget growth that exceeded inflation. Two theatres doubled their budgets and two theatres tripled their budgets during the five-year period.

The Balance Sheet

This section marks a departure from our exploration of Trend Theatres' unrestricted income and expenses. We acknowledge the assistance of Cool Spring Analytics for recommending the balance sheet items and ratios reported in this section. Cool Spring Analytics' balance sheet research was published in the December 2003 *Centerpiece*, available online to TCG member theatres. Not every Trend Theatre responds to the Balance Sheet section of the fiscal survey; for instance, theatres that are part of a sheltering organization do not keep a separate balance sheet.

Balance sheets tell the story of theatres' cumulative fiscal history and offer insights into overall fiscal health and long-term stability. Whereas an income statement gives a running summary of activity for the year (e.g., the capital gain or loss from unrestricted investment assets), a balance sheet is more like a still photograph of the theatre's assets, liabilities and net assets (unrestricted, temporarily restricted and permanently restricted) at a moment in time (e.g., the value of investments and securities as of a moment in time).

Trend Theatres' balance sheets show consistent growth over the past five years—44% growth in both total assets and in total liabilities plus total net assets after adjusting for inflation. The change in unrestricted net assets (CUNA) of 2004 averaged $52,975 or .9% of budget. CUNA is added to each year's beginning unrestricted net assets to arrive at total unrestricted net assets. CUNA serves as the link between annual activity and the balance sheet, but the unrestricted net assets are only one component of a theatres' financial picture.

The growth in Trend Theatres' aggregate total net assets—unrestricted, temporarily restricted and permanently restricted—outpaced inflation by 55% over the five-year period, from $529 million in 1999 to $871 million in 2003. A closer look reveals that the growth in aggregate cash reserves fell short of inflation by 6% over the five-year period, while total endowments outpaced inflation by 57% and other net assets nearly doubled over the same period. The substantial increases in overall net assets in recent years can be attributed to the high number of theatres engaged in successful capital campaigns. Theatres added to both physical capital and invested capital.

Despite the poor economy, unrestricted net assets were higher in 2003 than in any of the four prior years, for an overall increase of 31% in inflation-adjusted dollars.

- **Working capital = total unrestricted net assets – property and equipment (less accumulated depreciation) – unrestricted investments**

  The one component of net assets that did not increase significantly from 1999 to 2003 is working capital. Working capital consists of the unrestricted resources available to the theatre to meet obligations and day-to-day cash needs, and it is a fundamental building block of a theatre's capital structure. It was negative for each of the five years and has gotten progressively worse since 2000, indicating that Trend Theatres have carried a collective accumulated deficit and are increasingly borrowing funds (e.g., using deferred subscription revenue, delaying payables, taking out loans, etc.) to meet daily operating needs. The severity of the working capital shortage more than doubled between 1999 and 2003.

- **Working capital ratio = working capital/total expenses**

  The working capital ratio, or the level of unrestricted resources available to meet operating expenses, indicates how long a theatre could operate if it had to survive on its current resources. A negative working capital ratio indicates that theatres are likely experiencing periods of cash flow crises. Cool Spring Analytics recommends that each theatre determine its own working capital needs based on its cyclical cash flow, but in the absence of that determination, 25%, or three months of working capital, is a benchmark for adequate working capital to handle most cash flow fluctuations. Of the Trend Theatres, 13% met this recommended level in 1999 and 11.5% did so in 2002 and 2003. The percentage of Trend Theatres with a negative working capital ratio was 56% in 1999 and 60% in 2003. Collectively, the Trend Theatres experienced a negative working capital ratio in each of the five years. The ratio in 1999 stood at -5%, and it improved to -2% by 2000. It then declined to -7% again by 2002 and reached a low of -10% in 2003.

Table 10: Total Net Assets (in millions)

	1999	2000	2001	2002	2003	1-yr. % chg.	4-yr. % chg.	4-yr. % chg. CGR*
Working Capital	$ (20)	$ (8)	$ (12)	$ (34)	$ (51)	-50%	-160%	-150%
Fixed Assets	$ 239	$ 278	$ 295	$ 343	$ 391	14%	63%	53%
Investments	$ 229	$ 269	$ 319	$ 369	$ 389	5%	70%	60%
Other Net Assets	$ 81	$ 79	$ 190	$ 172	$ 142	-17%	76%	66%
Total Net Assets	**$ 529**	**$ 619**	**$ 791**	**$ 849**	**$ 871**	**3%**	**65%**	**55%**

- **Fixed assets = total land/building/equipment at cost – accumulated depreciation**

  The strong economy of 1999 and 2000 allowed theatres to engage in successful capital campaigns, and many used these funds to build new buildings, renovate existing facilities and purchase new equipment. Growth in fixed assets (i.e., land, property and equipment less accumulated depreciation) surpassed inflation by 53%.

- **Investment ratio = total investments/total expenses**

  Growth in Trend Theatres' long-term investments and securities surpassed inflation by 60% from 1999 to 2003, indicating that new endowment funds compensated for stock market losses in recent years. Invested capital generates interest for operating purposes, and an increasing investment ratio over time is an indication of organizational health. Trend Theatres' investment ratio increased from 61% in 1999 to 80% in 2003.

  Of the 78 Trend Theatres that completed the Balance Sheet section of the survey, 59 theatres reported investments in 2003, an 11% increase over 1999. The number of theatres reporting total cash reserves (permanently restricted, temporarily restricted and unrestricted) rose from 58 in 1999 to 62 in 2003, and the number of theatres with endowments increased from 49 to 60. If we consider only unrestricted funds, the number of theatres reporting unrestricted cash reserves declined from 49 in 1999 to 33 in 2003 while those with unrestricted endowment funds increased from 18 to 22 over the same five-year period. The 25% decline in other net assets from 2001 to 2003 may indicate that capital campaigns peaked in 2001, and the funds have been invested in fixed assets and long-term investments.

  Successful fundraising during years of a strong economy made it possible for theatres to raise and develop long-term investments and increase fixed assets. The analytical tools recommended by Cool Spring Analytics reveal, however, that increasingly severe negative working capital, the foundation of financial health, is putting theatres at risk in this weakened economy.

Trend

Attendance, Performance and Pricing Trends

We now provide a detailed look at operating trends (e.g., attendance, number of performances, ticket prices and subscription renewal rates), for the 85 Trend Theatres. First, we observe attendance and performance trends, and then we examine marketing and production trends that help flesh out the general attendance and performance results. Overall, theatres increased capacity over the five-year period but attendance did not keep pace with the expansion.

For the 85 Trend Theatres:

- Overall attendance rose steadily from 1999 to 2002, then dropped in 2003 to its lowest level since 2000. More performances were produced in 2003 than in any of the prior four years. Over the five-year period, attendance increased 2% and the total number of performances rose by 6%.
- The 3.1% increase in resident performances was met with only .3% growth in attendance at resident productions. Resident performances increased slightly and attendance fell slightly from 2002 to 2003, driven primarily by a slump in main series attendance in 2003 after three years of steady growth.
- Attendance at special productions (i.e., non-subscription productions such as a holiday production) was 12% higher in 2003 than in 1999, even though theatres were producing nearly 12% fewer special production performances.

Table 11: Aggregate Attendance							
85 Trend Theatres	**1999**	**2000**	**2001**	**2002**	**2003**	**02-03**	**99-03**
Main Series (total)	7,611,113	7,787,642	7,956,909	8,015,020	7,663,513	-4.4%	0.7%
Special Productions	639,552	699,212	776,608	703,354	716,241	1.8%	12.0%
Children's Series	300,065	213,970	214,961	226,812	262,965	15.9%	-12.4%
Staged Readings/Workshops	28,488	35,904	28,008	31,892	28,782	-9.8%	1.0%
Other	85,076	105,676	58,085	28,430	83,185	192.6%	-2.2%
Booked-In Events[a]	153,837	125,950	78,052	62,606	90,192	44.1%	-41.4%
Resident Subtotal	**8,818,131**	**8,968,354**	**9,112,623**	**9,068,114**	**8,844,878**	**-2.5%**	**0.3%**
Touring	1,002,129	924,913	973,553	1,643,682	1,172,129	-28.7%	17.0%
Total	**9,820,260**	**9,893,267**	**10,086,176**	**10,711,796**	**10,017,007**	**-6.5%**	**2.0%**

[a] Trend skewed by two theatres' exceptional activity.

For the 85 Trend Theatres:

- Attendance at booked-in productions rose 44% between 2002 and 2003—a reflection of the 47% increase in the number of booked-in performances. Two theatres attracted 64% of all booked-in attendance in 2002 and 90% in 2003. Over the five-year period, booked-in event performances and attendance both decreased by roughly 41%.
- Theatres produced 6% more children's series performances from 2002 to 2003 and attracted 16% more audience members. Over the five-year period, theatres produced 4.3% more children's series performances but attracted 12.4% smaller audiences for this work.
- The number of staged readings and workshop performances decreased 14% from 2002 to 2003. Overall, 15.5% fewer developmental production performances were offered in 2003 compared to 1999. Attendance at developmental production performances was up in 2002 and then dropped in 2003 to roughly the same level as 1999 and 2001.
- The overall level of 'other' resident activity rose substantially from 1999 to 2003; one theatre produced over 200 more 'other' performances in 2003 than in any other year. Despite the spike in activity, attendance at 'other' performances was 2.2% lower in 2003 than in 1999.
- The number of tour performances and attendance at touring productions spiked in 2002—predominantly due to two theatres—and returned to normal levels in 2003. Overall, tour performances were up 23.7% and tour attendance increased 17% over the five-year period.
- Despite fluctuations in total attendance and performances from year to year in each category, the overall mix shifted only slightly from 1999 to 2003. Between 1999 and 2001, 90% of attendance was generated by resident activity and 10% by tours; the mix shifted to 88% resident and 12% tour by 2003. Similarly, 86% of performances were resident and 14% on tour in 1999; 84% of performances were held at the theatre in 2003 and 16% on tour.

Table 12: Aggregate Number of Performances							
85 Trend Theatres	**1999**	**2000**	**2001**	**2002**	**2003**	**02-03**	**99-03**
Main Series (total)	21,192	21,266	21,739	21,807	22,094	1.3%	4.3%
Special Productions	1,783	1,319	1,646	1,421	1,576	10.9%	-11.6%
Children's Series	1,087	855	1,087	1,069	1,134	6.1%	4.3%
Staged Readings/Workshops	329	366	265	323	278	-13.9%	-15.5%
Other	197	369	233	255	427	67.5%	116.8%
Booked-In Events	393	371	226	160	235	46.9%	-40.2%
Resident Subtotal	**24,981**	**24,546**	**25,110**	**25,035**	**25,744**	**2.8%**	**3.1%**
Touring	4,088	4,123	4,549	5,644	5,058	-10.4%	23.7%
Total	**29,069**	**28,669**	**29,659**	**30,679**	**30,802**	**0.4%**	**6.0%**

FIGURE 4.1 NON-MAIN SERIES RESIDENT ATTENDANCE TRENDS (85 Trend Theatres)

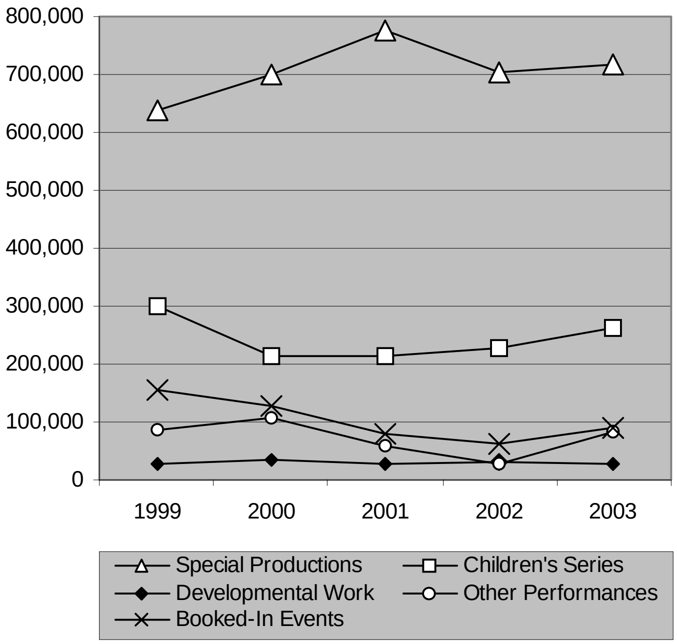
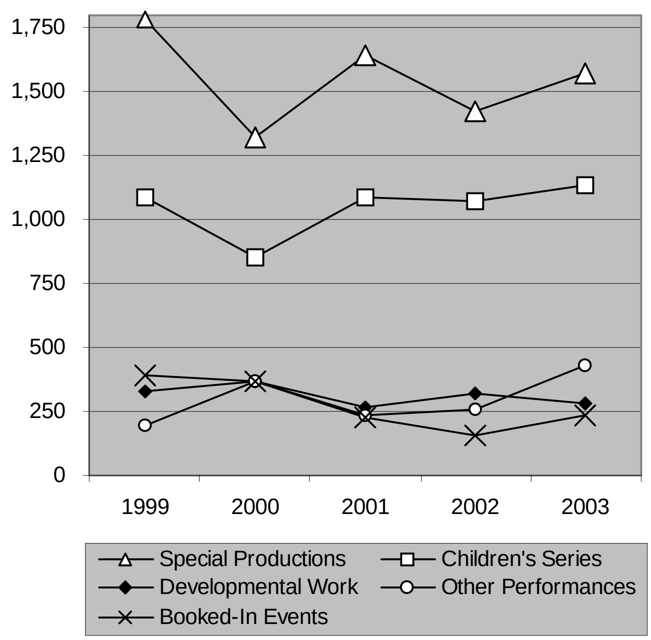


FIGURE 4.2 NON-MAIN SERIES RESIDENT PERFORMANCE TRENDS (85 Trend Theatres)



To get a closer look at some of the factors behind the changes in attendance and performance trends, we now look at industry averages for marketing and production activity.

Table 13: Industry Averages

85 Trend Theatres

	1999	2000	2001	2002	2003	1-yr. chg.	4-yr. chg.	4-yr. chg. CGR*
Subscription Renewal Rate (%)	75	75	76	69	69	-1%	-8%	
High Subscription Discount (%)	36.3	38.0	38.9	39.7	43.4	9%	20%	
Low Subscription Discount (%)	12.3	11.8	10.9	12.1	12.2	1%	-1%	
Subscription Price (per ticket)	$21.00	$22.23	$22.82	$24.37	$25.28	4%	20%	10%
Single Ticket Price	$21.70	$22.28	$24.05	$25.15	$26.42	5%	22%	12%
Number of Ticket Packages Offered	5.3	4.9	4.9	5.2	5.7	9%	7%	
Number of Subscribers/Season Ticket Holders	10,301	10,291	9,739	9,921	9,922	0%	-4%	
Subscription Tickets (#subscribers x #tix/package sold)	48,196	48,821	53,546	49,977	49,763	0%	3%	
Single Tickets	53,433	50,090	54,937	53,037	55,036	4%	3%	
Total In-Residence Paid Capacity (%)	71	73	71	72	70	-3%	-1%	
Subscriber Capacity (%)	35	34	37	35	35	-2%	0%	
Number of Main Series Performances	249	250	256	257	260	1%	4%	
Number of Main Series Productions	13	13	13	15	14	-1%	14%	
Number of Performance Weeks	33	34	34	34	34	-1%	3%	
Number of Actor Employment Weeks (sum of # weeks each actor employed)	599	672	624	651	589	-10%	-2%	

*Compounded Growth Rate adjusted for inflation

For the 85 Trend Theatres:

- The average subscription renewal rate dropped 8% over the five-year period. In an effort to lure more subscribers, theatres offered 20% higher subscription discounts in 2003 than in 1999.
- As we observed in the Earned Income section, theatres brought in 11.3% more in subscription income over the five-year period in inflation-adjusted dollars, largely driven by an increase in subscription prices that surpassed inflation by 10%. Subscribers attended slightly more productions on their subscription over the five-year period—4.6 in 1999 vs. 5 in 2003—and there was a 4% decrease in the number of subscribers/season ticket holders. Subscribers filled 35% of total in-residence capacity nearly every year.
- Over the five years, average single ticket sales per theatre increased 8.4% and the average single ticket price rose 12% above inflation.
- Theatres do not offer all resident productions on subscription. If we were to consider only potential capacity of those productions offered on subscription, subscribers filled 47% of their potential in 1999 and 45% in 2003.
- There was a 2% decrease in actor employment weeks from 1999 to 2003 coupled with a 3% increase in the total number of performance weeks. At the same time, growth in artistic payroll surpassed inflation by 7.7%, indicating that theatres are producing slightly smaller cast plays than they did five years ago but paying a better wage to the artists hired.

PROFILED THEATRES

Profiled

This section offers the greatest level of detail for the 214 Profiled Theatres that completed the 2003 TCG fiscal survey in its entirety. We take an in-depth look at earned income, expenses, contributed income and CUNA, balance sheets, attendance, performance and pricing.

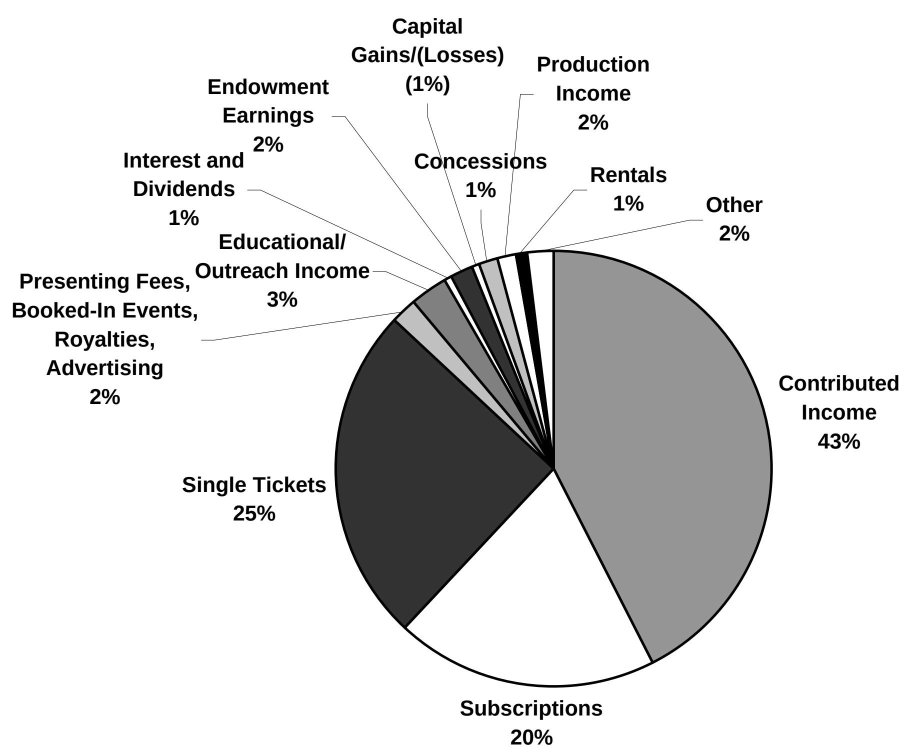
We first examine aggregated industry-wide activity. We then break down information for each of the six budget groups to view variations that may be related to theatre size. It is important to remember that we are looking at income and expenses from all unrestricted funds, not just activity from operations.

Earned Income

Overall, Profiled Theatres' earned income accounted for 57% of total income and financed 57.5% of their expenses. Income from ticket sales represented 80% of total earned income and supported 46% of total expenses.

The weak economy had a strong impact on Profiled Theatres. Investment instrument income (i.e., interest and dividends, endowment earnings and capital gains/losses) sustained 6% of total expenses for the Profiled Theatres of 2000; it now sustains only 1.7%.

FIGURE 5: INCOME AS A PERCENT OF EXPENSES: EARNED INCOME*



*Percentages total 101% since total income exceeded expenses by .8%.

The 214 Profiled Theatres:

- Brought in $473 million in earned income and earned $378 million in ticket income. The average (i.e., the arithmetic mean value) earned income per theatre was $2.2 million and the median (i.e., the value at the center in the range of reported figures) level of earned income was $766,751.
- Covered 25% of expenses with single ticket income—the greatest source of earned income.
- Generated $24 million in income from 1,343 education and outreach programs that served 3.9 million people.
- Toured productions that brought in $4.7 million in fees.
- Earned $11 million from concessions and $15.5 million from other activity such as ticket handling fees.
- Earned $13.6 million from endowments and $5.3 million from interest and dividends but incurred $5 million in realized and unrealized capital losses from unrestricted investment assets.
- Received $12 million in production income, reported by 45 theatres. Of these, 67% reported co-production income, 20% reported enhancement income and 13% reported both.
- Produced 348 world premieres in the 2002–2003 season and earned $3.6 million from 346 royalty properties for an average of $10,290 per property.
- Attracted 8 million single ticket buyers and 1.1 million subscribers/season ticket holders.
- Brought in 8% of subscription income from flexible subscriptions. Group sales comprised 10% and pick-and choose vouchers accounted for 1% of single ticket sales.

Budget Group Snapshot: Earned Income

Budget Group Snapshots offer details on each income and expense category for Profiled Theatres by budget group. This allows us to tease out the traits that characterize theatres of different budget sizes. We provide actual dollar averages for each TCG Budget Group and each line item as a percent of budget, as we did in the Trend Theatres section of this report. The table below shows the budget ranges for each group as well as the number of theatres comprising each group.

2003 Profiled Theatres		
Budget Group	**Number of Theatres**	**Budget Size**
6	19	$10 million or more
5	34	$5 million - $9,999,999
4	25	$3 million - $4,999,999
3	61	$1 million - $2,999,999
2	37	$500,000 - $999,999
1	38	$499,999 or less

In Table 14 on the next page, we take a Budget Group Snapshot of Profiled Theatres' earned income:

For the 214 Profiled Theatres:

- The smaller the theatre, the more reliant it is on contributed income to support expenses.
- As theatres' size increases, so does the percentage of expenses financed by total ticket income.

Group 6 Theatres: One theatre reported $38 million in total single ticket sales and another earned $17 million. Excluding these two theatres would leave average ticket sales of $3.2 million for the group.

Group 5 Theatres: Led the field in capital gains. One theatre reported $1.5 million in capital gains, accounting for 94% of the group's total. Excluding this theatre from the analysis would leave the group with average capital gains of $2,676.

Group 2 Theatres: Led the field in average tour contracts and presenting fees.

Table 14: Average Earned Income

	All Theatres	Group 6	Group 5	Group 4	Group 3	Group 2	Group 1
Number of theatres	**214**	**19**	**34**	**25**	**61**	**37**	**38**
Subscriptions	$ 764,568	$ 3,741,985	$1,744,945	$ 606,288	$ 248,607	$ 66,403	$ 10,856
Single Ticket Income	977,505	5,846,560	1,386,219	805,076	381,180	150,323	53,397
Booked-In Events	24,566	134,778	58,690	18,491	3,296	350	650
Total Ticket Income	**$ 1,766,639**	**$ 9,723,324**	**$3,189,854**	**$ 1,429,855**	**$ 633,083**	**$ 217,076**	**$ 64,902**
Tour Contracts/Presenting Fees	22,004	29,692	20,851	10,155	28,379	30,877	8,113
Educational/Outreach Income	112,320	275,860	178,181	230,826	81,249	36,967	16,904
Interest and Dividends	24,832	147,740	42,290	30,798	4,000	1,368	116
Endowment Earnings	63,718	422,263	87,716	51,983	16,046	8,972	526
Capital Gains/(Losses)	(23,755)	(310,591)	46,729	(14,667)	(6,791)	465	(196)
Royalties	16,637	130,697	26,616	3,479	838	651	260
Concessions	52,641	235,988	122,524	39,839	19,908	7,768	3,101
Production Income	55,715	349,387	129,133	18,953	2,194	4,551	3,111
Advertising	13,865	43,555	22,788	21,234	7,603	8,832	1,139
Rentals	33,879	102,089	74,994	37,132	22,530	6,290	5,931
Other	72,516	351,498	162,717	74,912	16,720	9,543	1,627
Total Earned Income	**$ 2,211,010**	**$ 11,501,501**	**$4,104,394**	**$ 1,934,497**	**$ 825,758**	**$ 333,360**	**$ 105,534**

Group 6 Theatres: All income from tour contracts and presenting fees was generated by one theatre.

Group 4 Theatres: Averaged higher income from education/outreach than Group 5 Theatres.

Group 1 Theatres: One theatre accounted for 96% of endowment income, one represented 81% of total booked-in income, and another accounted for 76% of total royalty income.

Group 6 Theatres: One theatre's capital loss was -$5.1 million. Excluding this theatre, the average capital loss for the group would have been only -$44,132.

Group 2 Theatres: One theatre's results drove the positive average capital gains for the group. Excluding this theatre would leave an average capital loss for the group of -$592.

Group 6 Theatres: Support a much higher level of expenses with ticket income than other groups.

Group 5 Theatres: Lead the other groups in the level of expenses supported by subscription income but sustain the second lowest level of expenses with single ticket income.

Table 15: Average Earned Income as a Percent of Expenses

	All Theatres	Group 6	Group 5	Group 4	Group 3	Group 2	Group 1
Number of theatres	**214**	**19**	**34**	**25**	**61**	**37**	**38**
Subscriptions	19.9%	20.7%	24.4%	16.5%	14.1%	9.2%	3.7%
Single Ticket Income	25.4%	32.4%	19.4%	22.0%	21.7%	20.9%	18.4%
Booked-In Events	0.6%	0.7%	0.8%	0.5%	0.2%	0.0%	0.2%
Total Ticket Income	**45.9%**	**53.9%**	**44.5%**	**39.0%**	**36.0%**	**30.2%**	**22.4%**
Tour Contracts/Presenting Fees	0.6%	0.2%	0.3%	0.3%	1.6%	4.3%	2.8%
Educational/Outreach Income	2.9%	1.5%	2.5%	6.3%	4.6%	5.1%	5.8%
Interest and Dividends	0.6%	0.8%	0.6%	0.8%	0.2%	0.2%	0.0%
Endowment Earnings	1.7%	2.3%	1.2%	1.4%	0.9%	1.2%	0.2%
Capital Gains/(Losses)	-0.6%	-1.7%	0.7%	-0.4%	-0.4%	0.1%	-0.1%
Royalties	0.4%	0.7%	0.4%	0.1%	0.0%	0.1%	0.1%
Concessions	1.4%	1.3%	1.7%	1.1%	1.1%	1.1%	1.1%
Production Income	1.4%	1.9%	1.8%	0.5%	0.1%	0.6%	1.1%
Advertising	0.4%	0.2%	0.3%	0.6%	0.4%	1.2%	0.4%
Rentals	0.9%	0.6%	1.0%	1.0%	1.3%	0.9%	2.0%
Other	1.9%	1.9%	2.3%	2.0%	1.0%	1.3%	0.6%
Total Earned Income	**57.5%**	**63.7%**	**57.3%**	**52.8%**	**46.9%**	**46.3%**	**36.3%**

Group 1 and 2 Theatres: Experience far lower subscription income than the industry average but support a much higher level of expenses with income from tour contracts/presenting fees and educational/outreach income.

Expenses

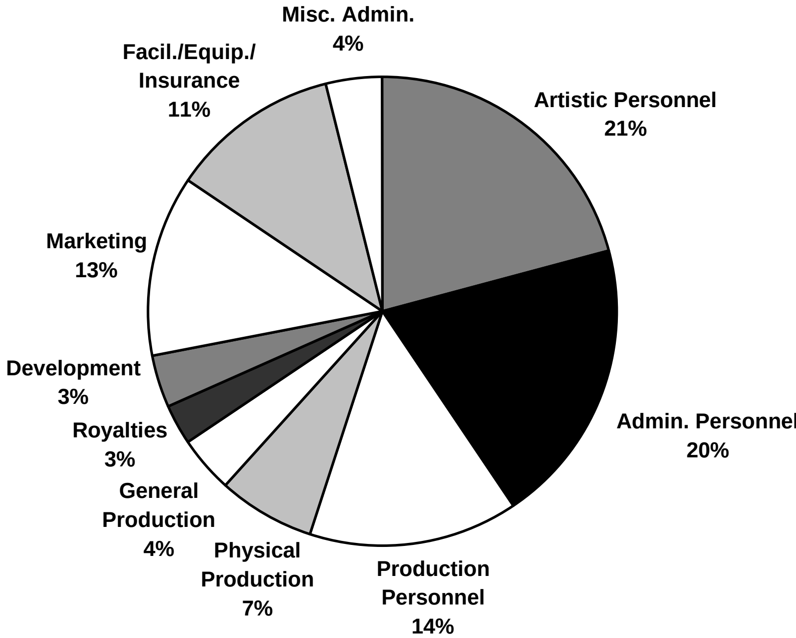
Profiled Theatres' artistic salaries and fringe benefits are the greatest expense on average. The labor-intensive nature of theatre is evidenced by the fact that 55% of total expenses—$453 million—goes to compensation: artistic (21%), administrative (20%) and production payroll (14%). If one also considers payment to authors in the form of royalties, this figure escalates to 58% of total expenses, or $475 million.

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 nearly half (49%) of all expenses.

The 214 Profiled Theatres:

- Contributed $823 million to the U.S. economy in 2003.
- Paid $23 million in royalties for 1,189 properties—an average of $19,763 per property.
- Spent 41 cents to earn each dollar of education/ outreach income. This figure only takes into account income earned from education and outreach activities, such as training programs and contract fees received for adult access programs. If we also consider third-party funding sources that support education and outreach programs, this figure drops to 23 cents. It is important to keep in mind that much of the theatres' education and outreach activity is underwritten and not intended to generate earned income.
- Spent over $127 million in occupancy/building/ equipment maintenance and other administrative costs such as office supplies and audit fees. 32% of theatres own their own theatres, 58% rent and 10% operate out of donated theatre space. Of the Profiled Theatres, 32% own their office space, 57% rent and 11% have office space donated.
- Allocated 10% of development expenses, 4% of marketing expenses and 13% of general management expenses for professional fees for independent contractors or consultants. This is a significant increase over 2002, when Profiled Theatres spent only 17% of these expenses on consultants.

FIGURE 6: BREAKDOWN OF EXPENSES



If we allocate personnel costs to the various administrative departments and combine them with program costs, we find that Profiled Theatres spent an average of $474,723 on marketing, $269,393 on development, $193,857 on front-of-house (including box office) and $129,199 on education. Compared to the 2002 Profiled Theatres, average total amounts spend on marketing and education decreased slightly while average development and front-of-house expenses rose. In considering year-to-year changes, it is important to remember that the set of Profiled Theatres varies from year to year.

Budget Group Snapshot: Expenses

Table 16: Average Expenses

	All Theatres	Group 6	Group 5	Group 4	Group 3	Group 2	Group 1
Number of theatres	**214**	**19**	**34**	**25**	**61**	**37**	**38**
Artistic Payroll	$ 799,722	$ 3,705,061	$ 1,384,973	$ 716,977	$ 415,458	$ 195,290	$ 83,218
Administrative Payroll	759,644	3,408,157	1,428,243	803,907	355,620	140,605	59,359
Production Payroll	555,767	2,890,296	1,100,589	454,919	206,535	52,542	17,968
Total Payroll	**$ 2,115,133**	**$ 10,003,514**	**$ 3,913,805**	**$ 1,975,803**	**$ 977,613**	**$ 388,437**	**$ 160,545**
General Artistic Non-Payroll	153,093	686,845	311,076	116,084	74,788	34,423	10,457
Royalties	106,731	521,829	216,464	85,842	44,350	14,774	4,417
Production/Tech Non-Payroll (physical production)	252,326	1,361,959	414,751	200,306	111,217	44,931	14,861
Development/Fundraising	139,215	672,412	241,412	140,944	63,404	27,771	10,246
Marketing/Customer Service/Concessions	484,434	2,196,955	982,043	484,099	205,299	74,470	30,427
Occupancy/Building/Equip/Maintenance	444,186	2,004,572	798,157	515,770	195,988	92,658	40,886
General Management/Operations	151,672	605,910	285,826	148,097	86,385	41,945	18,514
Total Expenses	**$ 3,846,790**	**$ 18,053,996**	**$ 7,163,535**	**$ 3,666,945**	**$ 1,759,044**	**$ 719,409**	**$ 290,354**

Group 6 Theatres: Allocate the highest percentage of their budgets to technical personnel and physical production expenses. Larger theatres tend to hire more union technicians than do smaller theatres.

Group 5 Theatres: Spend the lowest percentage of their budgets on artistic personnel.

Group 4 Theatres: Spend a higher percentage of their budget on administrative personnel.

Group 1 Theatres: Consistently spend the highest percentage of their budgets on artistic personnel.

Table 17: Average Expenses

	All Theatres	Group 6	Group 5	Group 4	Group 3	Group 2	Group 1
Number of theatres	**214**	**19**	**34**	**25**	**61**	**37**	**38**
Artistic Payroll	20.8%	20.5%	19.3%	19.6%	23.6%	27.1%	28.7%
Administrative Payroll	19.7%	18.9%	19.9%	21.9%	20.2%	19.5%	20.4%
Production Payroll	14.4%	16.0%	15.4%	12.4%	11.7%	7.3%	6.2%
Total Payroll	**55.0%**	**55.4%**	**54.6%**	**53.9%**	**55.6%**	**54.0%**	**55.3%**
General Artistic Non-Payroll	4.0%	3.8%	4.3%	3.2%	4.3%	4.8%	3.6%
Royalties	2.8%	2.9%	3.0%	2.3%	2.5%	2.1%	1.5%
Production/Tech Non-Payroll (physical production)	6.6%	7.5%	5.8%	5.5%	6.3%	6.2%	5.1%
Development/Fundraising	3.6%	3.7%	3.4%	3.8%	3.6%	3.9%	3.5%
Marketing/Customer Service/Concessions	12.6%	12.2%	13.7%	13.2%	11.7%	10.4%	10.5%
Occupancy/Building/Equip/Maintenance	11.5%	11.1%	11.1%	14.1%	11.1%	12.9%	14.1%
General Management/Operations	3.9%	3.4%	4.0%	4.0%	4.9%	5.8%	6.4%
Total Expenses	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**

Group 1 and 4 Theatres: Spend more on occupancy/building/equipment maintenance.

Group 2 Theatres: Allocate more of their budgets to general artistic non-payroll expenses (e.g., artist housing and travel, designer expenses).

Table 18: Profiled Theatre Administrative Expense Index

Single ticket marketing expense to single ticket income: **21%**

Subscription marketing expense to subscription income: **13%**

Education/outreach expense to education/outreach income: **41%**

Development expense to total unrestricted contributed income (less fundraising event expenses and income): **3%**

Fundraising event expense to fundraising event income: **39%**

Total development expense to unrestricted contributed income (includes personnel expense): **16%**

Total marketing expense to total ticket sales (includes personnel expense): **28%**

Table 19: Selected Average Administrative Expenses

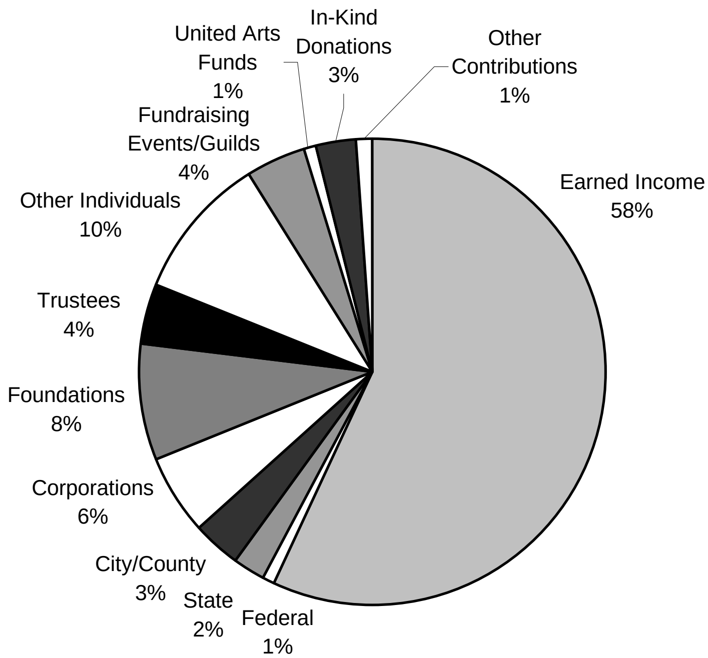
	All Theatres	Group 6	Group 5	Group 4	Group 3	Group 2	Group 1
Development/Fundraising Personnel	$ 130,179	$ 618,151	$ 240,876	$ 135,193	$ 60,645	$ 17,685	$ 5,003
Non-personnel Development Expenses	139,215	672,412	241,412	140,944	63,404	27,771	10,246
Marketing Personnel	109,555	538,093	202,631	106,900	50,002	14,065	2,331
Non-personnel Marketing Expenses	365,168	1,715,409	753,797	339,512	139,918	53,595	24,167
Front-of-House Personnel	146,319	698,579	301,282	130,891	60,752	17,106	4,855
Non-personnel Front-of-House Expenses	47,538	217,739	95,763	50,901	19,782	6,293	1,794
Education Programs/Outreach	83,340	315,702	124,406	147,694	50,547	17,234	5,086
Non-personnel Education/Outreach Expenses	45,859	166,158	67,951	74,034	32,751	10,527	2,850

Contributed Income and Changes in Unrestricted Net Assets (CUNA)

We now look at 2003 contributions to all unrestricted funds. Contributed sources reflect Net Assets Released from Temporary Restriction (NARTR). For example, a theatre's total corporate contributions may include unrestricted corporate gifts to a capital campaign granted in a prior year, but not released from temporary restrictions until the current year, as well as contributions to the annual fund. NARTR totaled $85 million for the Profiled Theatres—24% of total contributed funds—and was reported by multiple theatres in every group.

Only two of the budget groups—Groups 2 and 6—averaged positive CUNA. This means that, on average, theatres in all other budget groups ended the year with a lower level of unrestricted net assets than they had when the 2002–2003 season began. For the Profiled Theatres of 2002, only two budget groups ended the year with an average *negative* CUNA. This year marks a distinct shift in the level of the industry's deficit.

FIGURE 7: INCOME AS A PERCENT OF EXPENSES: CONTRIBUTED INCOME*



*Percentages total 101% since total income exceeded total expenses by .8%.

The 214 Profiled Theatres:

- Supported 14% of total expenses and accounted for 33% of all contributed dollars with gifts from individuals.
- Engaged in capital campaigns that generated a total of $60 million or 17% of all contributed funds. Of the Profiled Theatres, 22% were in the midst of a capital campaign and four theatres began a capital campaign in 2003.
- Attracted contributions from 242,518 individuals (non-trustees) who gave an average gift of $245 (excluding NARTR from the calculation), down from the Profiled Theatres' level of $259 in 2002. Gifts from other individuals tend to be theatres' greatest source of contributed funds.

Table 20: Average Gift by Source

	All Theatres	Group 6	Group 5	Group 4	Group 3	Group 2	Group 1
Average Other Individual Gift	$ 245	$ 291	$ 195	$ 225	$ 251	$ 213	$ 220
Average Trustee Gift	6,189	14,354	6,419	4,145	3,720	2,717	1,314
Average Corporate Gift	9,124	19,734	8,057	4,529	8,559	3,029	3,917
Average Foundation Gift	23,515	49,691	24,343	19,242	15,944	9,953	10,214

- Garnered $47 million in corporate support from 5,155 corporations. Fewer corporations gave larger average gifts to Profiled Theatres in 2003 versus 2002.
- Received 30% of total individual contributions from trustees, who gave an average of $6,189 per donor. On average, Profiled Theatres have 25 board members.
- Received $66 million from foundations, representing 19% of total contributed income. As in years past, foundations provided the second greatest source of contributed funds: 2,830 foundations provided grants that averaged $23,515. The average foundation grant for Profiled Theatres in 2003 was roughly $2,000 lower than the average foundation gift for Profiled Theatres in 2002.
- NEA funding supported .8% of expenses and accounted for 1.9% of total contributed income. Overall, Profiled Theatres received an average grant of $30,996, which is $5,000 more than the average NEA grant received by the Profiled Theatres in 2002. Two theatres received funding from the National Endowment for the Humanities. Theatres attracted $2.9 million from other federal agencies. The allocation of NEA grants across funding categories was as follows: 74% of grants were for Creativity, 13% for Education, 10% for Access, 3% for Organizational Capacity; and less than 1% of NEA grants was for Heritage and Preservation. Every budget group benefited from some form of federal funding.
- Attracted in-kind donations that totaled $22 million—a 32% increase over that received by Profiled Theatres in 2002. 10% of theatres received donated performance space and 11% operate out of donated offices.
- Raised a total of over $19 million in support of touring and education programs, or 15% of all contributed funds.

Budget Group Snapshot: Contributed Income

Group 6 Theatres: One theatre accounts for 45% of the group's local funding.

Group 5 Theatres: Experienced the lowest average gift from non-trustee individual donors.

Group 2 Theatres: Experienced the lowest average gift per corporation and per foundation.

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	**214**	**19**	**34**	**25**	**61**	**37**	**38**
Federal	$ 30,996	$ 83,146	$ 36,799	$ 40,019	$ 29,959	$ 22,918	$ 3,323
State	83,171	205,782	148,653	77,271	89,359	28,152	10,794
City/County	125,642	795,797	137,107	146,010	33,067	29,196	9,423
Corporations	219,783	919,195	425,372	138,407	160,369	33,323	16,597
Foundations	310,973	1,318,112	513,352	295,552	192,897	82,318	48,653
Trustees	165,832	818,460	305,032	123,102	78,194	36,089	10,093
Other Individuals	380,677	2,269,979	538,766	346,756	123,788	68,210	33,514
Fundraising Events/Guilds	164,183	747,261	243,542	175,536	101,473	40,159	15,597
United Arts Funds	37,024	149,821	109,386	1,217	17,662	3,708	2,960
In-Kind Services/Materials/	104,411	229,265	228,514	193,185	67,951	22,955	10,382
Other Contributions	42,503	102,734	34,962	97,502	35,679	21,848	14,016
Total Contributed Income	**$ 1,665,196**	**$ 7,639,552**	**$2,721,485**	**$ 1,634,558**	**$ 930,397**	**$ 388,875**	**$ 175,352**
Total Income	**$ 3,876,206**	**$ 19,141,053**	**$6,825,878**	**$ 3,569,054**	**$ 1,756,155**	**$ 722,236**	**$ 280,885**
Changes in Unrestricted Net Assets (CUNA)	**$ 29,416**	**$ 1,087,057**	**$ (337,656)**	**$ (97,891)**	**$ (2,889)**	**$ 2,826**	**$ (9,469)**

Group 6 Theatres: One theatre in a capital campaign ended the year with positive CUNA of $9.9 million. Excluding this theatre from the analysis would leave Group 6 Theatres with an average CUNA of $595,855, and the average for all Profiled Theatres would be negative (-$17,095) rather than positive.

Group 3 Theatres: Attract the second highest average gift per corporation.

Group 3 Theatres: Garner more of their budget from state funding, corporate donations and fundraising events than any other group.

Group 2 Theatres: Received more of their budget from federal grants than any other group.

Group 1 Theatres: Received more of their budget from foundation grants than other groups.

Table 22: Average Contributed Income as a Percent of Expenses

	All Theatres	Group 6	Group 5	Group 4	Group 3	Group 2	Group 1
Number of theatres	**214**	**19**	**34**	**25**	**61**	**37**	**38**
Federal	0.8%	0.5%	0.5%	1.1%	1.7%	3.2%	1.1%
State	2.2%	1.1%	2.1%	2.1%	5.1%	3.9%	3.7%
City/County	3.3%	4.4%	1.9%	4.0%	1.9%	4.1%	3.2%
Corporations	5.7%	5.1%	5.9%	3.8%	9.1%	4.6%	5.7%
Foundations	8.1%	7.3%	7.2%	8.1%	11.0%	11.4%	16.8%
Trustees	4.3%	4.5%	4.3%	3.4%	4.4%	5.0%	3.5%
Other Individuals	9.9%	12.6%	7.5%	9.5%	7.0%	9.5%	11.5%
Fundraising Events/Guilds	4.3%	4.1%	3.4%	4.8%	5.8%	5.6%	5.4%
United Arts Funds	1.0%	0.8%	1.5%	0.0%	1.0%	0.5%	1.0%
In-Kind Services/Materials/	2.7%	1.3%	3.2%	5.3%	3.9%	3.2%	3.6%
Other Contributions	1.1%	0.6%	0.5%	2.7%	2.0%	3.0%	4.8%
Total Contributed Income	**43.3%**	**42.3%**	**38.0%**	**44.6%**	**52.9%**	**54.1%**	**60.4%**
Total Income	**100.8%**	**106.0%**	**95.3%**	**97.3%**	**99.8%**	**100.4%**	**96.7%**
Changes in Unrestricted Net Assets (CUNA)	**0.8%**	**6.0%**	**-4.7%**	**-2.7%**	**-0.2%**	**0.4%**	**-3.3%**

Group 6 Theatres: Giving from non-trustee individuals supported expenses at a higher level than it did for other groups.

Group 1, 3, 4 and 5 Theatres: Total unrestricted income failed to meet the level of total expenses, resulting in average negative CUNA.

The Balance Sheet

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A theatres' long-term fiscal stability is reflected in its balance sheet. A negative CUNA means that a theatre has ended the year with a lower level of unrestricted net assets than it had when the year began. The 201 Profiled Theatres that completed the Balance Sheet section of the survey held total assets of $1.4 billion and net assets of $1.1 billion, 47% of which was in unrestricted funds. As in the Trend Theatre section, we use Cool Spring Analytics' measures of theatres' health with respect to working capital, physical capital and investments.

- **Working capital = total unrestricted net assets – property and equipment (less accumulated depreciation) – unrestricted investments**

  Working capital represents theatres' ability to meet day-to-day cash needs and current obligations. On average, it was negative for Profiled Theatres, indicating that these theatres are borrowing funds to meet daily operating needs. The lowest reported working capital was negative $19 million and the highest was $9.6 million. Only Group 2 Theatres experienced positive average working capital, a departure from 2002 when only Group 6 Theatres reported positive average working capital. The average working capital figure of -$555,978 is more than double the negative working capital figure for 2002.

- **Working capital ratio = working capital/total expenses**

  The working capital ratio—a comparison of working capital to total expenses—is another indicator of organizational health. Again, Cool Spring Analytics notes that a useful benchmark for adequate working capital to handle most cash flow fluctuations is a ratio of 25% or three months of working capital. Twenty-two of the 201 Profiled Theatres—11%—reported a working capital ratio of 25% or more, and 61% experienced negative working capital. Only Group 2 Theatres had an average positive working capital ratio: 2%, or enough to last one week. The overall working capital ratio for the Profiled Theatres was -14%, led by the -38% ratio for Group 4 Theatres and -23% for Group 1 Theatres. The lowest negative working capital ratio reported by a Profiled Theatre was -345% or nearly 3.5 times the size of that theatre's total expenses and the highest positive ratio reported by a Profiled Theatre was 230% or 2.3 times the amount of that theatre's total expenses.

Table 23: Average Total Net Assets

	All Theatres	Group 6	Group 5	Group 4	Group 3	Group 2	Group 1
Number of Theatres	**201**	**18**	**32**	**24**	**58**	**35**	**34**
Working Capital	$ (555,978)	$ (1,533,988)	$ (1,094,139)	$ (1,357,369)	$ (254,075)	$ 13,218	$ (66,966)
Fixed Assets	$ 2,765,112	$ 16,380,509	$ 4,037,815	$ 2,869,824	$ 904,060	$ 197,978	$ 102,583
Investments	$ 2,207,332	$ 16,035,530	$ 3,883,202	$ 475,071	$ 292,731	$ 67,061	$ 1,309
Other Net Assets	$ 1,071,894	$ 3,336,005	$ 2,371,300	$ 2,301,445	$ 348,423	$ 42,829	$ 75,846
Total Net Assets	**$ 5,488,360**	**$ 34,218,056**	**$ 9,198,178**	**$ 4,288,970**	**$ 1,291,139**	**$ 321,087**	**$ 112,771**

- **Fixed assets = total land/building/equipment at cost – accumulated depreciation**

  Profiled Theatres possess an aggregate $556 million in fixed assets—18 Group 6 Theatres account for 53% of the total fixed assets.

- **Investment ratio = total investments/total expenses**

  Profiled Theatres' investments represent endowments, reserves and other funds invested long term. Investments generate interest revenue that can be used for operations and make it easier to weather hard economic times. As discussed in the Trend Theatre section, the investment ratio is best examined over time. The average for all theatres is 57%. Of the 201 Profiled Theatres, 93 reported having some investments. The investment ratio progressively decreases with budget size with the exception of the Group 4 Theatres, whose average investment ratio was less than that of the Group 3 Theatres. Group 6 Theatres naturally have the highest investment ratio at 87%. The investment ratio was 54% for Group 5 Theatres; 13% for Group 4 Theatres; 16% for Group 3 Theatres; 9% for Group 2 Theatres; and less than 1% for Group 1 Theatres.

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Attendance, Pricing and Performances

We now take a look at market and performance industry averages in detail for the Profiled Theatres. Since not every theatre offers a subscription package, averages reported in this section reflect the number of theatres that responded to each question.

Table 24: Industry Averages

	All Theatres	Group 6	Group 5	Group 4	Group 3	Group 2	Group 1
Number of theatres	**214**	**19**	**34**	**25**	**61**	**37**	**38**
Subscription Renewal Rate (%)	72	76	71	71	73	68	70
High Subscription Discount (%)	37.8	45.1	48.0	35.4	39.5	25.4	29.7
Low Subscription Discount (%)	11.7	8.3	9.9	12.1	15.7	8.8	11.3
Subscription Price (per ticket)	$22.94	$35.00	$28.97	$25.59	$21.09	$16.81	$14.29
Single Ticket Price	$23.77	$33.84	$30.06	$29.60	$22.75	$17.88	$15.95
Number of Ticket Packages Offered	5	8	7	4	4	4	2
Number of Subscribers/Season Ticket Holders	6,167	22,143	11,422	5,108	3,302	1,094	353
Subscription Tickets (#subscribers x #tix/package sold)	30,806	107,782	63,134	26,489	13,767	5,478	1,195
Single Tickets	37,894	155,152	57,376	33,457	26,505	12,681	4,724
Total In-Residence Paid Capacity (%)	71	82	75	73	69	72	60
Total In-Residence Subscriber Capacity* (%)	27	38	38	30	24	21	11
Number of Main Series Performances	189	437	298	211	165	107	69
Number of Performance Weeks	30	44	37	31	30	26	20
Number of Actor Employment Weeks (sum of # weeks each actor employed)	451	1,249	643	487	372	223	193
Number of Total Paid Employees (includes part-time and full-time personnel)	179	593	284	194	125	81	53
Paid Employee Turnover (# vacated positions/total # pd. employees)	11%	11%	11%	11%	10%	11%	11%

*Not all resident productions are offered on subscription. If we were to consider only potential capacity of those productions offered on subscription, subscribers filled an overall average of 36% of their potential: 50% for Group 6 Theatres; 52% for Group 5; 44% for Group 4 Theatres; 30% for Group 3; 26% for Group 2; and 21% for Group 1.

The 214 Profiled Theatres:

- Attracted over 15.9 million patrons.
- Sold 1.1 million subscriptions.
- Held 40,364 main series performances.
- Filled an average of 71% of their seats with paying customers, 3% less than was the case for Profiled Theatres in 2002. In general, the larger the theatre, the fuller the house.
- Provided 95,626 weeks of actor employment.
- Employed 38,379 full-time and part-time administrative, technical and artistic personnel.
- Averaged 11% employee turnover in nearly every group.

There is an 83-cent difference between the average subscription price per ticket and the average single ticket price, including discounts. Group 6 Theatres charge subscribers more than single ticket buyers, on average.

CONCLUSION

2003 was a difficult year for the theatre industry. Theatres' fiscal health has been weakened by the lackluster economy of recent years. More Universe Trend Theatres ended the fiscal year with a deficit rather than a surplus in both 2002 and 2003. The average Group 1, 3, 4 and 5 Theatre ended the year with negative CUNA in 2003, a downturn that has left theatres in their most vulnerable state since the FASB changes were implemented in 1996. Expenses rose 18.5% above inflation while earned income barely kept pace with inflation, and capital losses eroded the ability of earned income to cover expenses for the second consecutive year.

Over the span of the past five years, contributed income growth, particularly giving from individuals, has allowed theatres to keep their heads above water. However, it is worrisome to note that several contributed income categories experienced double-digit percentage declines from 2002 to 2003: state funding, foundation funding and gifts from both trustees and other individuals. Should donations from these sources continue to decrease in the next few years, it is unclear how theatres will continue to make ends meet.

The in-depth balance sheet analysis is promising in some respects and discouraging in others. Theatres increased their levels of fixed assets (i.e., buildings, land and equipment net of depreciation) and investments over the past five years. And the growth in theatres' average balance of all unrestricted net assets surpassed inflation by 31% from 1999 to 2003. At the same time, theatres' level of working capital is dangerously low, and theatres borrowed against their futures at a greater level in 2003 than in any of the previous four years.

The success of capital campaigns resulted in improved and, in many cases, expanded facilities. To fill this new capacity, Trend Theatres increased the number of performances they produced 3% over the past five years but attendance at resident performances grew only .3% over the same period.

In response to tougher economic conditions, theatres translated the value of their art and organizations to the community more efficiently and effectively. Despite cuts in the number of education and outreach programs offered, theatres reached more people with fewer programs in 2003 than they did with more programs in 1999.

Budget size has an impact on how theatres operate. The largest theatres—Group 6 Theatres—fill their theatres to a higher level of capacity than other groups and support a much higher level of expenses with both ticket income and non-trustee individual donations than other groups. They also allocate the highest percentage of their budgets to technical personnel and physical production expenses. Group 5 Theatres led the field in capital gains and continue to bring in more ticket income through subscriptions rather than single ticket sales. They also receive the lowest average gift per non-trustee individual donor and spend the lowest percentage of their budgets on artistic personnel.

Mid-sized theatres appear to be struggling. Both Group 3 and 4 Theatres ended the year with an average negative CUNA. Group 3 Theatres' garner more of their budget from state funding, corporation donations and fundraising events than any other group. Group 4 Theatres experienced the lowest working capital ratio of all groups and spent more of their budgets on administrative personnel.

Smaller theatres have their own idiosyncrasies. Group 1 Theatres receive more of their budget from foundations and spend more of their budget on artist salaries and benefits than any other group; yet, they struggle to attract audiences. Group 2 Theatres were the only group to report positive working capital, and they attract a higher portion of their budget from federal grants than other groups. Group 2 Theatres lead the field in average tour contracts and presenting fees.

Even in the face of these difficult times we continue to make significant contributions to the nation's artistic and cultural heritage, to artists, to our communities and to the economy. As a field, we contributed an estimated $1.4 billion to the economy in the form of direct compensation and payment for services and goods. We shared our art with 34 million patrons. We provided employment to 104,000 artists, administrators and technical personnel. We continue to pursue and realize our artistic missions and strive for excellence.

METHODOLOGY

Theatre Facts 2003 includes information on participating theatres' fiscal years ending between September 1, 2002, and August 31, 2003. Information provided by Profiled Theatres was verified against certified financial audits. The adjustment for inflation in the discussion of Tracked Theatres 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.

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Profiled

2003 PROFILED THEATRES

(Theatre's Budget Group noted in parentheses)

Alabama	Alabama Shakespeare Festival (5)
Alaska	Perseverance Theatre (2)
Arizona	Actors Theatre of Phoenix (3), Arizona Theatre Company (5), Borderlands Theater (1), Childsplay, Inc. (3), Phoenix Theatre (3)
Arkansas	Arkansas Repertory Theatre (3)
California	Actors' Gang Theatre (2), American Conservatory Theater (6), B Street Theatre (3), Berkeley Repertory Theatre (5), Center Theatre Group/Mark Taper Forum (6), City Garage (1), The Colony Theatre Company (2), Deaf West Theatre (3), East West Players (3), Ensemble Theatre Company of Santa Barbara (2), The Foothill Theatre Company (2), Geffen Playhouse (5), La Jolla Playhouse (5), Laguna Playhouse (5), Magic Theatre, Inc. (3), Marin Shakespeare Company (2), North Coast Repertory Theatre (3), PCPA Theaterfest (3), PlayGround (1), San Diego Repertory Theatre (4), San Jose Repertory Theatre (5), Shakespeare Santa Cruz (3), Sledgehammer Theatre (1), South Coast Repertory (6), The Old Globe (6), TheatreWorks (5), The Western Stage (3)
Colorado	Curious Theatre Company (1), Denver Center Theatre Company (5)
Connecticut	Connecticut Repertory Theatre (3), Hartford Stage Company (5), Long Wharf Theatre (5), Westport Country Playhouse (4), Yale Repertory Theatre (4)
Delaware	Delaware Theatre Company (3)
DC	Arena Stage (6), The Shakespeare Theatre (6), The Studio Theatre (4), Woolly Mammoth Theatre Company (3)
Florida	American Stage (3), Asolo Theatre Company (4), Coconut Grove Playhouse (5), Florida Repertory Theatre (3), Florida Stage (4), Florida Studio Theatre (3), Orlando-UCF Shakespeare Festival (3)
Georgia	Alliance Theatre Company (6), Dad's Garage Theatre Company (1), 7 Stages (2), Synchronicity Performance Group (1)
Idaho	Boise Contemporary Theater (1), Idaho Shakespeare Festival (3)
Illinois	About Face Theatre (2), American Theater Company (1), Chicago Dramatists (1), Chicago Shakespeare Theater (6), Court Theatre (3), Famous Door Theatre (1), Goodman Theatre (6), Lifeline Theatre (2), The Next Theatre Company (1), Northlight Theatre (4), Piven Theatre Workshop (2), Redmoon Theater (2), Steppenwolf Theatre Company (6), Theatre Building Chicago (3), Victory Gardens Theater (3), Writers' Theatre (3)
Indiana	Indiana Repertory Theatre (5), The New Harmony Theatre (1), Phoenix Theatre (2)
Iowa	New Ground Theatre (1), Riverside Theatre (2)
Kentucky	Actors Theatre of Louisville (5), Kentucky Shakespeare Festival (2), Roadside Theater (1), Stage One: The Louisville Children's Theatre (3), Walden Theatre (4)
Louisiana	Swine Palace Productions (3)
Maryland	Center Stage (5), Imagination Stage (4), Olney Theatre Center for the Arts (4), Round House Theatre (4)
Massachusetts	American Repertory Theatre (5), Barrington Stage Company (3), Huntington Theatre Company (5), New Repertory Theatre (2), Shakespeare & Company (4), Williamstown Theatre Festival (4)
Michigan	Detroit Repertory Theatre (2), Performance Network (2), Walk & Squawk Performance Project (1)
Minnesota	The Children's Theatre Company (5), Commonweal Theatre Company (1), Great American History Theatre (3), Guthrie Theater (6), Illusion Theater (3), Penumbra Theatre Company (3), Pillsbury House Theatre (2), Stages Theatre Company (3), Ten Thousand Things (1)
Mississippi	New Stage Theatre (2)
Missouri	The Coterie Theatre (2), Missouri Repertory Theatre (5), Unicorn Theatre (2)
Nevada	Nevada Shakespeare Company (1)
New Hampshire	Seacoast Repertory Theatre (3), Peterborough Players (2)
New Jersey	George Street Playhouse (4), Growing Stage Theatre for Young Audiences (1), McCarter Theatre Center (6), Paper Mill Playhouse (6), The Shakespeare Theatre of New Jersey (4)

New York	The Acting Company (3), Atlantic Theater Company (4), Castillo Theatre (1), Classic Stage Company (3), The 52nd Street Project (2), Geva Theatre Center (5), INTAR Hispanic American Arts Center (2), The Lark Theatre Company (2), Lincoln Center Theater (6), Mabou Mines (2), Manhattan Theatre Club (6), Ma-Yi Theater Company (1), Melting Pot Theatre Company (1), Merry-Go-Round Playhouse (3), New Georges (1), The New Group (2), New York State Theatre Institute (3), New York Theatre Workshop (5), Pregones Theater (2), Primary Stages (3), Roundabout Theatre Company (6), Second Stage Theatre (5), Signature Theatre Company (5), SITI Company (2), Studio Arena Theatre (5), Syracuse Stage (4), Thalia Spanish Theatre (2), Theatre for a New Audience (3), Women's Project & Productions (3), The Wooster Group (3)
North Carolina	Actor's Theatre of Charlotte (1), PlayMakers Repertory Company (3), Triad Stage (3)
Ohio	Cincinnati Playhouse in the Park (5), The Cleveland Play House (5), Cleveland Public Theatre (3), Great Lakes Theater Festival (4), The Human Race Theatre Company (3), Mad River Theater Works (1)
Oregon	Artists Repertory Theatre (3), Miracle Theatre Group (1), Oregon Shakespeare Festival (6), Portland Center Stage (4)
Pennsylvania	Act II Playhouse (2), Arden Theatre Company (3), Bloomsburg Theatre Ensemble (2), Bristol Riverside Theatre (3), City Theatre Company (3), Mum Puppet Theatre (1), Pennsylvania Shakespeare Festival (3), The People's Light & Theatre Company (4), Pittsburgh Irish and Classical Theatre (1), Pittsburgh Public Theater (5), The Wilma Theater (4)
Rhode Island	Perishable Theatre (1), Trinity Repertory Company (5)
South Carolina	Arts Center of Coastal Carolina (4), Charleston Stage Company (3), Trustus (1)
Tennessee	Clarence Brown Theatre Company (2), Playhouse on the Square (3), Tennessee Repertory Theatre (3)
Texas	Alley Theatre (6), Dallas Children's Theater (3), Dallas Theater Center (5), Rude Mechanicals (1), Salvage Vanguard Theater (1), Stages Repertory Theatre (3), Undermain Theatre (1), Water Tower Theater (2), Zachary Scott Theatre Center (4)
Utah	Pioneer Theatre Company (4), The Salt Lake Acting Company (3), Utah Shakespearean Festival (5)
Vermont	Northern Stage (2), Weston Playhouse Theatre Company (3)
Virginia	Mill Mountain Theatre (4), Signature Theatre (3), Theater of the First Amendment (1), Virginia Stage Company (3)
Washington	ACT Theatre (5), Intiman Theatre (5), Seattle Children's Theatre (5), Seattle Repertory Theatre (6), Taproot Theatre Company (3)
West Virginia	Contemporary American Theater Festival (2)
Wisconsin	American Folklore Theatre (2), American Players Theatre (4), First Stage Children's Theater (3), Madison Repertory Theatre (3), Milwaukee Repertory Theater (5), Milwaukee Shakespeare Company (1), Renaissance Theaterworks (1)