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

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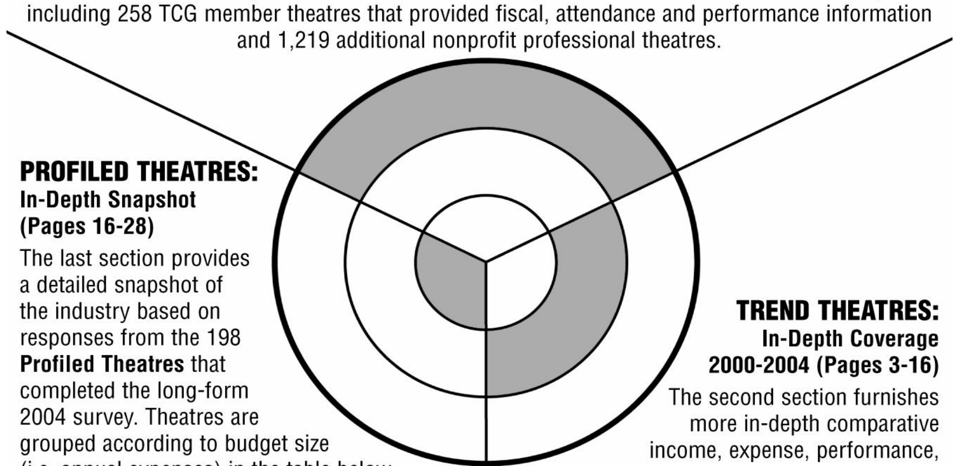
2004 marks the 30th anniversary of TCG's *Theatre Facts*, an annual report on the field's attendance, performance and fiscal health, based on information provided by theatres that participate in the annual TCG Fiscal Survey. This report contains information for the fiscal year that theatres completed any time between September 1, 2003, and August 31, 2004. Last year's *Theatre Facts 2003* reported on the fiscal year following 9/11 and the negative impact of the economic downturn on the nonprofit professional theatre industry. In 2004, the industry rebounded in many areas, showing that belt tightening after the hardships of the prior year and vigorous commitment to income generation left the average theatre in a better position than it was in 2003. Theatres continue to make tremendous contributions to the nation's artistic heritage, to their communities and to the economy despite the severe challenges of recent years.

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 long form Fiscal Survey was completed by 198 theatres. Their in-depth information provides 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, via a long and short form, we offer three sets of analyses that offer an increasing level of detail.



Budget Group	Number of Theatres	Budget Size
6	21	$10 million or more
5	32	$5 million - $9,999,999
4	27	$3 million - $4,999,999
3	54	$1 million - $2,999,999
2	34	$500,000 - $ 999,999
1	30	$499,999 or less

INSIDE THIS ARTICLE

- Theatres contributed over $1.46 billion to the U.S. economy in the form of salaries, benefits and payments for goods and services (p. 2).
- More than half—54%—ended the year in the black, a direct reversal of the situation for the Universe Theatres of 2003 (pp. 2-3).
- Ticket sales covered a decreasing proportion of expenses: 5.1% less in 2004 than in 2000 (pp. 5-6).
- Expense growth outpaced inflation over the 5-year period by 8.9% despite a 2.6% expense cut from 2003 to 2004, the first decrease in the five years (p. 7).
- Average foundation support has declined each year since its peak in 2001, now supporting 2% less total expenses than it did in 2000 (pp. 10-11).
- Growth in average total individual contributions exceeded the growth in inflation by 63%. (p. 10).
- The overall level of CUNA had a significant recovery in 2004, reversing the downward trend from 2000 to 2003 and reaching a 5-year high (pp. 9-11).
- Although it rebounded in 2004, 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).
- Overall attendance rose steadily from 2000 to 2002 but slipped in 2003 and again in 2004 to reach its lowest level of the five years (p. 14).

WHAT IS CUNA?

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

CUNA =
TOTAL UNRESTRICTED INCOME –
TOTAL UNRESTRICTED EXPENSES

THE UNIVERSE

Theatres across the nation continued to nurture and expand America's artistic and cultural heritage, bringing the creative work of some 67,000 professional artists into their communities where it was enjoyed by over 32 million audience members.

The real universe of nonprofit professional theatres in the United States extends beyond those that respond to the TCG Fiscal Survey, despite TCG's broad and diverse membership. Via its Form 990, the I.R.S. collects information on all nonprofit theatres. In an attempt to capture attendance, performance, fiscal and work force information for the greater universe of nonprofit professional theatres, we include 1,477 theatres in the country that filed Form 990 in this analysis. 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 1,477 theatres in this analysis include 258 TCG member theatres (198 TCG member theatres that responded to the long form and 60 member theatres that responded to the short form of the Fiscal Survey) and 1,219 theatres that either are not members of TCG or are members who did not participate in the Fiscal Survey.

We caution that the figures reported in the Universe table are not based on accounts provided to TCG by the 1,219 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 less than 1% of each other, indicating that the extrapolated aggregate figures, while imperfect, are reasonably accurate estimates.

The 1,477 Theatres in the U.S. Nonprofit Professional Theatre Field in 2004 are estimated to have:

- Contributed over $1.46 billion to the U.S. economy in the form of payments for goods, services and salaries. The real impact on the economy is far greater than $1.46 billion. In conjunction with their evening or afternoon at the theatre, many audience members go out to eat, hire babysitters, etc. Theatres' employees live in their communities, pay rent or buy homes and make regular purchases. The taxes associated with these services benefit all levels of government.

- Engaged the majority of their employees in artistic pursuits. The average work force is estimated to be 64% artistic, 24% technical and 12% administrative. Smaller theatres rely on artistic personnel to perform both artistic and administrative duties. Theatres with budgets of $250,000 or less (which account for 61% of the Universe Theatres) are estimated to employ 7% of their work force as administrators, 11% as production personnel and 82% in artistic positions.

- Received 55% of their income from earned sources and 45% from contributions. Theatres with budgets of less than $250,000 averaged 39% earned and 61% contributed. Interestingly, the theatres in that group with budgets of less than $150,000 averaged 60% earned income and 40% contributed. It seems that the theatres that grow their budget from $150,000 to $250,000 do so through contributions.

TABLE 1: ESTIMATED 2004 UNIVERSE OF U.S. NONPROFIT PROFESSIONAL THEATRES (1,477 Theatres)

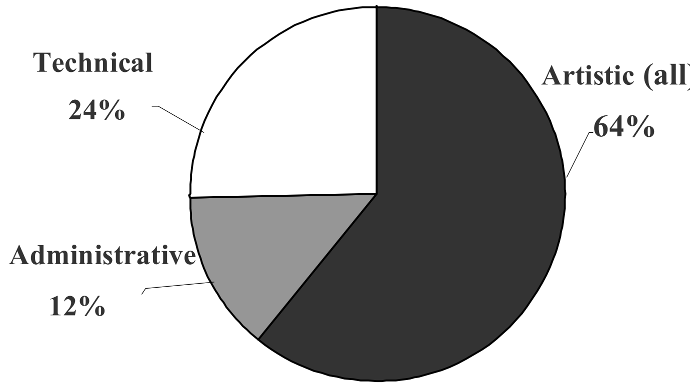
Estimated Productivity		
Attendance	32,100,000	
Subscribers	1,800,000	
Performances	169,000	
Productions	11,000	
Estimated Finances		
Earnings	$ 856,200,000	
Contributions	714,600,000	
Total Income	$ 1,570,800,000	
Expenses	1,464,400,000	
Changes in Unrestricted Net Assets (CUNA)	$ 106,400,000	
Earned $ as a % of Total Income	55%	
Contributed $ as a % of Total Income	45%	
CUNA as a % of Expenses (budget)	7.3%	
Estimated Workforce		% of Total
Artistic (all)	67,000	64%
Administrative	12,000	12%
Technical	25,000	24%
Total Paid Personnel	104,000	

Of the 258 TCG Survey Respondents:

- More than half—54%—ended the year in the black, a direct reversal of the situation for the Universe Theatres of 2003, when 54% of theatres 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 had been since 1995, a time when we examined only operating funds rather than all unrestricted net assets. CUNA encompasses changes in all unrestricted funds and includes Net Assets Released from Temporary Restriction (NARTR). For example, a theatre's individual giving total may include gifts to a capital campaign granted in a prior year and released from temporary restrictions in the current year. The 7.3% CUNA as a percent of expenses represents the highest level since 2000.

- On average, theatres with budgets between \$100,000 and \$500,000 ended the year with a deficit. 53% of theatres in this budget range ended the year with negative CUNA and the average CUNA for these 51 theatres was -\$6,000.

FIGURE 1: WORK FORCE



TREND THEATRES

We now focus on the 92 Trend Theatres that responded to the long form of the TCG Fiscal Survey in each of the past 5 years. Following the same set of theatres over time avoids excessive variation that can arise when different theatres participate in some years but not in others. The trend analysis provides insights regarding changes that have occurred over the last 5 years. We organize the analysis into 5 sections: (1) earned income sources, (2) expense allocations; (3) sources of contributions and CUNA; (4) balance sheet ratios; and (5) attendance, number of performances and pricing. All figures, whether dollar figures or percentages, represent averages rather than aggregates.

Figure 2 provides a broad overview of the five-year trends in income, expenses and CUNA. Adjusting for inflation, five-year growth rates were 3.1% for earned income, 21.2% for contributed income, 10.4% for total income, 8.9% for expenses and 20.1% for CUNA. The changes that occurred between 2003 and 2004 are particularly noteworthy: CUNA increased 739% as earned income and contributed income increased and expenses decreased.

FIGURE 2: TREND THEATRES: INCOME, EXPENSES, CUNA

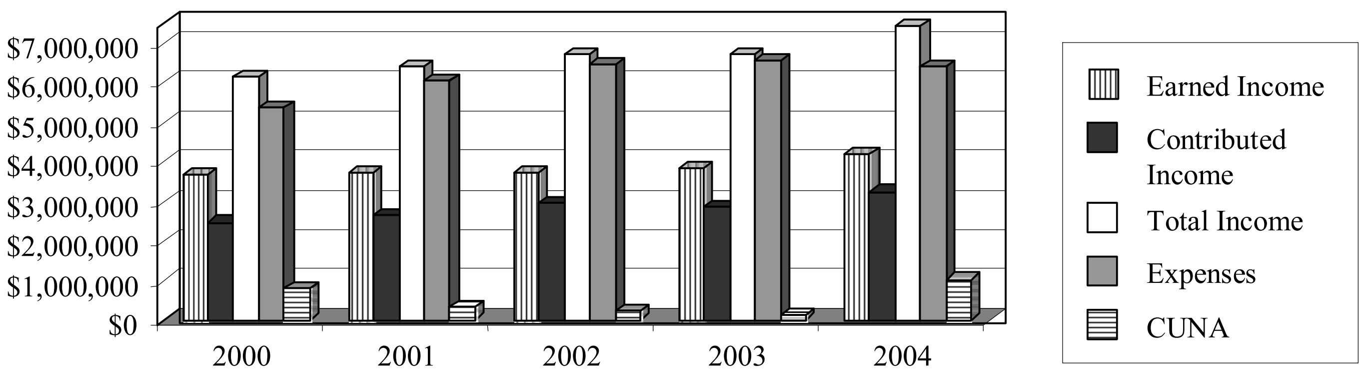
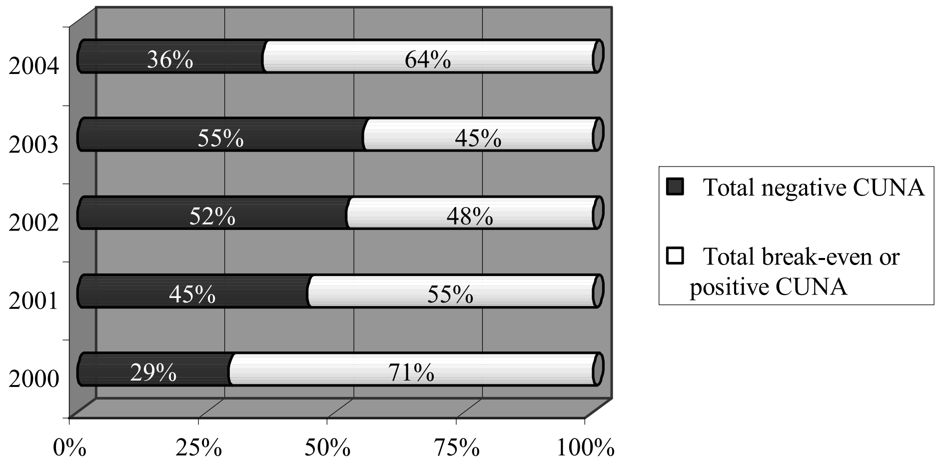


Figure 3 shows the ratio of Trend Theatres that experienced negative CUNA versus those that broke even or had positive CUNA in each of the five years. In this chart, the 2004 reversal of the negative CUNA tide becomes more apparent.

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



In each of the sections that follow, we examine several types of changes. One-year percentage changes tell us how activity levels in 2004 compare to activity levels in 2003. Four-year percentage changes offer a longer-term perspective by comparing activity levels in 2004 to activity levels in 2000. For activity levels expressed in dollars, we also provide four-year percentage changes that are adjusted for inflation. Finally, we express each category of income and expense as a percentage of total expenses. This analysis tells us whether specific sources of income are increasing or decreasing with respect to the percentage of total expenses they support.

EARNED INCOME

In this section we examine 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 percentage of expenses that it supports. This is due to the fact that the increase in earned income did not keep pace with the increase in expenses over the 5-year period.

For the 92 Trend Theatres:

- Average single ticket income dropped for the second consecutive year in 2004, reaching its lowest level since 2000; this was the case despite the fact that 60% of Trend Theatres experienced an *increase* in single ticket income from 2003 to 2004. The gains made by the majority of theatres did not make up for the losses of others. One theatre saw a $13 million decrease in single ticket income, another $6 million. If we were to eliminate these two theatres from the analysis, we would find that average single ticket income for the remaining Trend Theatres increased from an average of $1 million in 2000 to a 5-year high average of $1.2 million in 2004. These two theatres' stories are part of the collective performance for the industry over the 5-year period, so we highlight their impact but maintain their inclusion in these analyses.

  Including all 92 Trend Theatres shows us that average single ticket income failed to keep pace with inflation over the 5-year period and single ticket income sustained 3.3% less of theatres' overall expenses in 2004 than in 2000.

TABLE 2: AVERAGE EARNED INCOME (92 Theatres)

	2000	2001	2002	2003	2004	1-yr. % chg.	4-yr. % chg.	4-yr. CGR* 00-04
Subscriptions	$1,202,004	$1,296,292	$1,318,279	$1,356,676	$1,325,497	-2.3%	10.3%	0.3%
Single Ticket Income[a]	1,507,745	1,768,689	1,880,541	1,689,886	1,581,571	-6.4%	4.9%	-5.1%
Booked-In Events	35,504	25,207	27,132	37,541	31,768	-15.4%	-10.5%	-20.5%
Total Ticket Income	**$2,745,254**	**$3,090,188**	**$3,225,951**	**$3,084,103**	**$2,938,836**	**-4.7%**	**7.1%**	**-2.9%**
Tour Contracts/Presenting Fees**[a]	17,612	35,266	32,393	23,509	30,906	31.5%	75.5%	65.5%
Educational/Outreach Income**	182,672	149,291	142,155	152,527	155,274	1.8%	-15.0%	-25.0%
Interest and Dividends	79,004	113,097	79,995	46,104	55,658	20.7%	-29.6%	-39.6%
Endowment Earnings	114,464	79,018	53,547	137,549	313,237	127.7%	173.7%	163.7%
Capital Gains/(Losses)	202,961	(109,035)	(172,150)	(48,940)	271,090	653.9%	33.6%	23.6%
Royalties[a]	26,064	40,187	38,949	37,310	20,406	-45.3%	-21.7%	-31.7%
Concessions	83,331	81,047	81,708	91,069	94,093	3.3%	12.9%	2.9%
Production Income	51,757	55,650	56,687	107,068	49,632	-53.6%	-4.1%	-14.1%
Advertising	16,235	16,809	17,096	19,055	19,787	3.8%	21.9%	11.9%
Rentals	51,845	47,469	49,011	51,537	54,391	5.5%	4.9%	-5.1%
Other	116,306	128,136	138,020	131,496	168,334	28.0%	44.7%	34.7%
Total Earned Income	**$3,687,504**	**$3,727,122**	**$3,743,363**	**$3,832,387**	**$4,171,643**	**8.9%**	**13.1%**	**3.1%**

* Compounded Growth Rate adjusted for inflation.
** 2001-2004 figures reflect fees and contract income only; tour and educational/outreach underwriting and sponsorship now appear as contributed income.
[a] Trend skewed by one or two theatres' exceptional activity.

For the 92 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 was at its lowest level in 2004. Between 45% and 49% of Trend Theatres experienced higher single ticket income than subscription income each year.
- Average subscription income grew steadily from 2000 to 2003 but declined a slight 2.3% in 2004. Overall average subscription income was the only ticket income category in which growth outpaced inflation over the 5 years, by .3%. Subscription income supported 1.6% less of total expenses in 2004 than in 2000.
- Income from booked-in events fluctuated during the five years, ending the 5-year period 20.5% lower than in 2000 in inflation-adjusted figures. The booked-in event income directly reflects annual changes in the number of booked-in performances held.
- Although growth in total ticket income over the five-year period was 7.1%, it was not enough to keep pace with inflation. Ticket sales covered a decreasing proportion of expenses: 5.1% less in 2004 than in 2000.
- Average earned income increased steadily from 2000 to 2004, rising nearly 9% in the past year alone.
- Income from presenter fees and contracts for toured performances rose 31.5% from 2003 to 2004. The increase was largely driven by one theatre that reported nearly $1 million in 2004 but no income from presenter fees in a prior year. Overall, theatres brought in 65.5% more income from presenter fees and tour contracts in 2004 than in 2000. It is important to note that 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 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 a 48% decrease in the number of programs offered, the average number of people served by education and outreach programs increased 24% over the 5-year period from 19,214 in 2000 to 23,851 in 2004.

- Average interest and dividends from short-term investments (e.g., savings or checking accounts) rebounded considerably from 2003 to 2004 but fell 40% in inflation-adjusted figures over five years.

- Capital gains/losses from unrestricted investment assets recovered with the economy in 2004, reaching a 5-year high average. Capital losses were at their most severe during 2001 and 2002. Roughly half of all Trend Theatres reported either capital gains or losses each year. Of these, 40% reported a capital loss in 2003 and a capital gain in 2004. Overall, growth in capital gains outpaced inflation by 23.6% from 2000 to 2004.

It is important to note that in addition to gains from the sale of securities, many theatres reported a significant increase in capital gains as a result of accounting for the present market value of their investment portfolios. As such, these are unrealized gains 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.

TABLE 3: AVERAGE EARNED INCOME AS A PERCENTAGE OF EXPENSES (92 Theatres)

	2000	2001	2002	2003	2004	1-yr. % chg.	4-yr. % chg.
Subscriptions	22.4%	21.4%	20.4%	20.7%	20.7%	0.1%	-1.6%
Single Ticket Income[a]	28.1%	29.2%	29.1%	25.7%	24.7%	-1.0%	-3.3%
Booked-In Events	0.7%	0.4%	0.4%	0.6%	0.5%	-0.1%	-0.2%
Total Ticket Income	**51.1%**	**51.1%**	**49.9%**	**47.0%**	**46.0%**	**-1.0%**	**-5.1%**
Tour Contracts/Presenting Fees	0.3%	0.6%	0.5%	0.4%	0.5%	0.1%	0.2%
Educational/Outreach Income	3.4%	2.5%	2.2%	2.3%	2.4%	0.1%	-1.0%
Interest and Dividends	1.5%	1.9%	1.2%	0.7%	0.9%	0.2%	-0.6%
Endowment Earnings	2.1%	1.3%	0.8%	2.1%	4.9%	2.8%	2.8%
Capital Gains/(Losses)	3.8%	-1.8%	-2.7%	-0.7%	4.2%	5.0%	0.5%
Royalties[a]	0.5%	0.7%	0.6%	0.6%	0.3%	-0.2%	-0.2%
Concessions	1.6%	1.3%	1.3%	1.4%	1.5%	0.1%	-0.1%
Production Income	1.0%	0.9%	0.9%	1.6%	0.8%	-0.9%	-0.2%
Advertising	0.3%	0.3%	0.3%	0.3%	0.3%	0.0%	0.0%
Rentals	1.0%	0.8%	0.8%	0.8%	0.9%	0.1%	-0.1%
Other	2.2%	2.1%	2.1%	2.0%	2.6%	0.6%	0.5%
Total Earned Income	**68.6%**	**61.6%**	**57.9%**	**58.4%**	**65.3%**	**6.9%**	**-3.4%**

[a] Trend skewed by one or two theatres exceptional activity.

For the 92 Trend Theatres:

- Average endowment earnings were at their peak of the 5-year period in 2004, more than twice their 2003 level and supporting 2.8% more expenses than in 2003. This is primarily due to two large theatres that earned in the $8 to $9 million range from their endowments in 2004, representing 3- and 7-fold increases over their 2003 levels. One began a capital campaign in 2000 and the other in 2003; their endowment earnings in 2004 represent 12% and 18% of their total endowments. These two theatres alone accounted for 60% of all Trend Theatre endowment earnings. If we exclude these two theatres from the analysis, we see that average endowment earnings for the remaining Trend Theatres rose 25% in the past year and 23% over the 5-year period in inflation-adjusted figures. Roughly the same number of theatres realized endowment income each year: 55% of Trend Theatres reported endowment earnings in 2004 vs. 53% in 2000.

- Royalty income declined 45% from 2003 to 2004, for an overall drop of 31.7% after adjusting for inflation over the 5-year period. The cause of the decline was not fewer new properties; in fact, the 275 properties earning royalty income for theatres represent a 5-year high. The drop in income was driven by a decrease in the average royalty income earned per property, falling from a high of $16,882 in 2001 to a low in 2004 of $6,826. Two theatres that received exceptional royalty income levels in 2001, 2002 and 2003 returned to more average levels in 2004. There is optimism for strong future royalty income due to a steady increase in the number of world premieres produced from 2001 to 2004.

- 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—was at its lowest level in five years in 2004, dropping nearly 54% from 2003 to 2004 alone. The decrease was driven by declines in average production income per theatre. It is not the case that fewer theatres are searching for ways to establish strategic collaborations that provide savings and enhance quality; the number of theatres co-producing rose by 75% and the number of theatres engaging in enhancement deals remained steady over the 5-year period.

- The number of theatres co-producing grew steadily from 16 in 2000 and 2001 to high of 28 in 2004. However, the average for the sub-group of theatres reporting co-production income rose from $89,274 in 2000 to $129,712 in 2003, then dropped to a 5-year low of $83,744 in 2004.

- The number of theatres reporting enhancement income (income from commercial producers) fluctuated, with 7 theatres reporting enhancement income averaging $476,000 in 2000, 10 theatres averaging $340,000 in 2001, 8 theatres averaging $383,000 in 2002, 10 theatres averaging $635,000 in 2003 and 8 theatres averaging $278,000 in 2004.

- Advertising and concession income increased in the past year and grew at a stronger rate than inflation over the 5-year period. Theatres are aggressively pursuing ancillary earned income.

- Despite a nearly 7% recovery in the proportion of expenses covered by earned income between 2003 and 2004, total earned income sustained 3.4% less of total expenses in 2004 than it did in 2000. The growth in earned income outpaced inflation by 3.1% but did not reach the 8.9% level of expense growth.

EXPENSES

Trend

We report year-to-year changes for each category of expenses in this section. We also compare how theatres shifted their allocation of resources over time. Overall, expense growth outpaced inflation over the 5-year period by 8.9%—a higher rate of growth than that of earned income—despite a 2.6% expense cut from 2003 to 2004. Average expenses in 2004 were at their lowest level since 2001. The area of greatest increase was the cost of occupying and maintaining facilities. The only expense categories to decrease over the 5-year period were royalties and the amount that theatres invested in general management/operations. Theatres vigorously cut expenses in 2004.

TABLE 4: AVERAGE EXPENSES (92 Theatres)

	2000	2001	2002	2003	2004	1-yr. % chg.	4-yr. % chg.	4-yr. CGR* 00-04
Artistic Payroll	$1,182,321	$1,259,831	$1,368,227	$1,362,767	$1,314,387	-3.6%	11.2%	1.2%
Administrative Payroll	958,620	1,123,070	1,196,039	1,272,484	1,261,935	-0.8%	31.6%	21.6%
Production Payroll	770,735	863,090	975,196	1,005,167	937,678	-6.7%	21.7%	11.7%
Total Payroll	**$2,911,676**	**$3,245,991**	**$3,539,462**	**$3,640,418**	**$3,514,000**	**-3.5%**	**20.7%**	**10.7%**
General Artistic Non-Payroll	190,376	238,798	287,475	269,475	225,109	-16.5%	18.2%	8.2%
Royalties	168,689	211,609	206,911	183,028	166,962	-8.8%	-1.0%	-11.0%
Production/Tech Non-Payroll (physical production)	377,990	409,216	436,020	433,869	378,260	-12.8%	0.1%	-9.9%
Development/Fundraising	204,815	244,886	246,108	237,248	245,020	3.3%	19.6%	9.6%
Marketing/Customer Service/ Concessions	706,587	783,047	808,283	824,051	811,404	-1.5%	14.8%	4.8%
Occupancy/Building/Equipment/ Maintenance	415,756	470,491	464,813	506,155	553,372	9.3%	33.1%	23.1%
Depreciation	174,587	212,896	228,982	241,177	270,061	12.0%	54.7%	44.7%
General Management/Operations	222,161	234,681	246,139	228,664	226,075	-1.1%	1.8%	-8.2%
Total Expenses	**$5,372,638**	**$6,051,617**	**$6,464,193**	**$6,564,086**	**$6,390,262**	**-2.6%**	**18.9%**	**8.9%**

* Compounded Growth Rate adjusted for inflation.

For the 92 Trend Theatres:

- Total payroll rose 11% above inflation from 2000 to 2004 and accounted for .8% more of theatres' total expenses. From 2003 to 2004, theatres cut the average number of full-time and part-time employees from 87 to 82 and the average number of fee-based or jobbed-in personnel from 175 to 166, reflected in the 3.5% decrease in total payroll. In 2004, the average theatre got by with slightly fewer paid artists and administrators but a few more production employees, predominantly in the form of over-hire technicians.

- Artistic payroll is consistently theatres' single greatest allocation of resources. Nevertheless, theatres spent 1.4% less of their total expenses on artistic payroll in 2004 than in 2000. The average number of full-time and part-time artistic staff had increased from 8 to 10 from 2000 to 2003 but returned to 8 in 2004. The average total number of paid artists in a season rose from 114 in 2000 to a high of 124 in 2003 but returned to 114 in 2004. Growth in artistic payroll exceeded inflation by 1.2%.

- The average number of paid administrative personnel (full-time and part-time) rose 13% during the 5-year period, from 37 to 41. That administrative salaries rose 22% above inflation during the same period may be an indication of the pressure to keep salaries competitive enough to retain employees who might otherwise find more lucrative jobs in other industries.

- From 2000 to 2004, the average number of paid production personnel (full-time, part-time and over-hire) increased 5%—from 78 to 82—and production payroll outpaced inflation by 12%, despite a decrease of 6.7% from 2003 to 2004.

- General artistic expenses (housing and travel; per diems; designer, company management and stage management expenses) were cut 16.5% from 2003 to 2004, decreasing more than any other area of expense.

- Production/Technical Non-Payroll expenses (physical production materials and rentals) were reduced in 2003 and cut again by 13% in 2004.

- Royalties were at their 5-year lowest level in 2004 and fell behind inflation by 11% for the period. The average theatre paid royalties on 7 properties in each of the 5 years.

- The costs of occupancy/building and equipment maintenance rose 23% above inflation and accounted for .9% more of total expenses in 2004 than in 2000. Roughly 41% of theatres report that they own their stage and 43% report that they own their office space. The largest component of this expense area is the cost of rent or debt service on facilities, utilities and the regularly scheduled maintenance of the infrastructure, which increased 19% more than inflation over the 5 years. Insurance costs escalated 65% above inflation.

- Depreciation is a non-cash expense that accounts for the decrease in value of property and equipment for the year. Depreciation increased more than any expense category, perhaps reflecting theatre's increased fixed assets during capital campaigns as discussed in the Balance Sheet Trend section.

TABLE 5: AVERAGE EXPENSES AS A PERCENTAGE OF EXPENSES (92 Theatres)

	2000	2001	2002	2003	2004	1-yr. % chg.	4-yr. % chg.
Artistic Payroll	22.0%	20.8%	21.2%	20.8%	20.6%	-0.2%	-1.4%
Administrative Payroll	17.8%	18.6%	18.5%	19.4%	19.7%	0.4%	1.9%
Production Payroll	14.3%	14.3%	15.1%	15.3%	14.7%	-0.6%	0.3%
Total Payroll	**54.2%**	**53.6%**	**54.8%**	**55.5%**	**55.0%**	**-0.5%**	**0.8%**
General Artistic Non-Payroll	3.5%	3.9%	4.4%	4.1%	3.5%	-0.6%	0.0%
Royalties	3.1%	3.5%	3.2%	2.8%	2.6%	-0.2%	-0.5%
Production/Tech Non-Payroll (physical production)	7.0%	6.8%	6.7%	6.6%	5.9%	-0.7%	-1.1%
Development/Fundraising	3.8%	4.0%	3.8%	3.6%	3.8%	0.2%	0.0%
Marketing/Customer Service/Concessions	13.2%	12.9%	12.5%	12.6%	12.7%	0.1%	-0.5%
Occupancy/Building/Equipment/ Maintenance	7.7%	7.8%	7.2%	7.7%	8.7%	0.9%	0.9%
Depreciation	3.2%	3.5%	3.5%	3.7%	4.2%	0.6%	1.0%
General Management/Operations	4.1%	3.9%	3.8%	3.5%	3.5%	0.1%	-0.6%
Total Expenses	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**0.0%**	**0.0%**

For the 92 Trend Theatres:

- Development/fundraising was one of only a few expense categories that saw growth from 2003 to 2004. In addition, theatres are getting slightly more bang for each development and fundraising buck spent.
- Although theatres' investment in total marketing expenses outpaced inflation by 4.8%, the portion of total budget dedicated to marketing decreased .5% percentage points over the 5-year period. Theatres are having to spend more to bring each dollar of ticket income, particularly in the area of subscriptions.

TABLE 6: *THEATRE FACTS* ADMINISTRATIVE EXPENSE INDEX (92 Theatres)

	2000	2001	2002	2003	2004	1-yr. %chg.	4-yr. %chg.
Single ticket marketing expense to single ticket income	22%	20%	20%	22%	22%	-0.1%	-0.3%
Subscription marketing expense to subscription income	13%	13%	13%	13%	14%	1.0%	1.4%
Education/outreach expense to education/outreach income	28%	25%	24%	22%	25%	2.7%	-2.6%
Development expense to total unrestricted contributed income (less fundraising event expenses and income):	5%	5%	5%	5%	4%	-0.9%	-0.3%
Fundraising event expense to fundraising event income	44%	45%	43%	38%	40%	1.9%	-3.8%
Total development expense to total unrestricted contributed income (includes personnel expense)*		10%	9%	10%	9%	-0.8%	
Total marketing expense to total ticket sales (includes personnel expense)*		26%	26%	28%	28%	0.6%	
*TCG began collecting detailed personnel expense data in 2001.							

CONTRIBUTED INCOME AND CHANGES IN UNRESTRICTED NET ASSETS (CUNA)

Growth in total contributed income outpaced inflation by 21% and financed 4.7% more expenses in 2004 than in 2000. The growth in contributed income exceeded the growth in expenses (8.9%) and total earned income (3.1%) over the five years. The overall level of CUNA had a significant recovery in 2004, reversing the downward trend from 2000 to 2003 and reaching a 5-year high. It is important to note that this trend was experienced by most theatres, not just one or two large organizations. An increasing number of theatres incurred negative CUNA from 2000 (29%) to 2003 (55%). In 2004, that level dropped back down to 36%, its lowest level since 2000.

For the 92 Trend Theatres:

- Average state funding recovered significantly in 2004, reaching its highest 5-year level. The exceptional increase is being driven by one theatre that received a 1-year increase of $5.7 million in state funding (more than four times that of any other theatre) and accounted for 37% of all Trend Theatre state grants in 2004. This theatre's influx of state funds was tied to its capital campaign. Contrary to this one theatre's experience, 59% of Trend Theatres saw a decrease in state funding in 2004. However, if we were to eliminate this one theatre from the analysis, we would find that average state funding for the remaining Trend Theatres increased from an average of $108,000 in 2000 to $120,000 in 2004, keeping growth 1% above inflation.
- Average federal funding increased in both 2003 and 2004 for an overall increase of 45% above inflation. This trend is also being driven by one theatre that received $1.3 million more in 2004 than in any prior year (and four times more than any other theatre) from the federal government—more specifically, from a federal agency other than the NEA or NEH. If we were to eliminate this theatre from the analysis, we would see that growth in average federal funding for the remaining Trend Theatres outpaced inflation by 11%.
- Local funding recovered somewhat in 2003 after a substantial drop in 2002, then fell again in 2004. The overall growth in local funding fell short of inflation over the five-year period by 39%, the greatest 5-year decline experienced from any source of contributed income. Trend Theatres average more funding from city and county governments than from either state or federal government.

- Average corporate support increased in 2003 and then again in 2004. The growth in corporate giving outpaced inflation by 14.3% over the 5-year period, driven by larger gifts from fewer corporations. The average corporate gift fluctuated each year along with the economy. Overall, the average corporate gift increased from $7,461 in 2000 to $10,842 in 2004, a 36% increase above inflation. The average number of corporate donors per theatre declined steadily each year from 2000 to 2003—from 55 to 37—then rebounded slightly in 2004 to 41.
- Average foundation support has declined each year since its peak in 2001, now supporting 2% less total expenses than it did in 2000. The average number of foundation gifts remained flat from 2001 to 2004 at 19 grants per theatre. Theatres are receiving smaller foundation grants now than in 2001; then, the average grant was roughly $37,000 and in 2004 it was $28,600.

TABLE 7: AVERAGE CONTRIBUTED INCOME (92 THEATRES)

	2000	2001	2002	2003	2004	1-yr. % chg.	4-yr. % chg.	4-yr. CGR* 00-04%
Federal[a]	$ 37,822	$ 38,598	$ 36,513	$ 42,353	$ 58,466	38.0%	54.6%	44.6%
State[a]	112,740	108,933	127,510	103,968	187,349	80.2%	66.2%	56.2%
City/County	179,437	247,299	113,196	226,253	126,935	-43.9%	-29.3%	-39.3%
Corporations	354,477	299,154	318,383	406,259	440,627	8.5%	24.3%	14.3%
Foundations[a]	555,083	608,646	589,907	535,110	534,066	-0.2%	-3.8%	-13.8%
Trustees	267,469	263,287	355,478	288,741	358,816	24.3%	34.2%	24.2%
Other Individuals	480,152	560,239	905,158	696,289	933,737	34.1%	94.5%	84.5%
Fundraising Events/Guilds	223,980	251,072	239,726	260,855	282,092	8.1%	25.9%	15.9%
United Arts Funds	62,511	70,295	76,488	74,559	84,537	13.4%	35.2%	25.2%
In-Kind Services/Materials/Facilities	105,076	108,764	117,243	144,229	134,200	-7.0%	27.7%	17.7%
Other Contributions	91,090	96,746	66,406	74,753	98,748	32.1%	8.4%	-1.6%
Total Contributed Income	**$2,469,837**	**$2,653,033**	**$2,946,007**	**$2,853,367**	**$3,239,574**	**13.5%**	**31.2%**	**21.2%**
Total Income	**$6,157,341**	**$6,380,155**	**$6,689,370**	**$6,685,754**	**$7,411,217**	**10.9%**	**20.4%**	**10.4%**
Changes in Unrestricted Net Assets (CUNA)	**$ 784,703**	**$ 328,538**	**$ 225,177**	**$ 121,668**	**$1,020,955**	**739.1%**	**30.1%**	**20.1%**

* Compounded Growth Rate adjusted for inflation.

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

For the 92 Trend Theatres:

- Income from fundraising events and guilds rose in 2004 for the second straight year, surpassing inflation by 16% over the past five years.
- Growth in average total individual contributions exceeded the growth in inflation by 63%. Trend Theatres experienced remarkable gains in individual contributions over the five-year period. Total individual giving (from trustees and other individuals) was by far the greatest source of contributed funds for each of the years examined and supported a remarkable 6.3% more expenses in 2004 than in 2000.
- Trustee giving increased steadily from 2000 to 2002, dropped in 2003 but recovered to reach its highest, 5-year level in 2004. Overall, trustee giving outpaced inflation by 24.2% over the five-year period.
- The average number of trustees per theatre making a donation each year fluctuates between 33 and 35. The average trustee gift increased 24.2% above inflation from 2000 to 2004—from $9,137 to $11,415. _The aggregate effect is that Trend Theatre trustee donations totaled $24.6 million in 2000 and $33 million in 2004.
- Average gifts from other individuals (non-trustees) experienced amazing growth compared to all other contributed sources: 84% over the 5-year period after adjusting for inflation.

- The steady increase in other individual gifts dipped in 2003 but recovered in 2004 to reach its highest 5-year level. Gifts from other individuals supported 5.7% more expenses in 2004 than in 2000. Aggregate other individual gifts for Trend Theatres in 2000 were $44 million, increasing to $86 million in 2004.

The number of other individuals providing gifts grew negligibly over the five-year period, from 2,082 in 2000 to 2,120 in 2004. Far more notable is the level of giving per donor. The average gift from other individuals made its way from $284 in 2000 to $445 in 2004.

TABLE 8: AVERAGE CONTRIBUTED INCOME AS A PERCENTAGE OF EXPENSES (92 Theatres)

	2000	2001	2002	2003	2004	1-yr. % chg.	4-yr. % chg.
Federal	0.7%	0.6%	0.6%	0.6%	0.9%	0.3%	0.2%
State	2.1%	1.8%	2.0%	1.6%	2.9%	1.3%	0.8%
City/County	3.3%	4.1%	1.8%	3.4%	2.0%	-1.5%	-1.4%
Corporations	6.6%	4.9%	4.9%	6.2%	6.9%	0.7%	0.3%
Foundations	10.3%	10.1%	9.1%	8.2%	8.4%	0.2%	-2.0%
Trustees	5.0%	4.4%	5.5%	4.4%	5.6%	1.2%	0.6%
Other Individuals	8.9%	9.3%	14.0%	10.6%	14.6%	4.0%	5.7%
Fundraising Events/Guilds	4.2%	4.1%	3.7%	4.0%	4.4%	0.4%	0.2%
United Arts Funds	1.2%	1.2%	1.2%	1.1%	1.3%	0.2%	0.2%
In-Kind Services/Materials/Facilities	2.0%	1.8%	1.8%	2.2%	2.1%	-0.1%	0.1%
Other Contributions	1.7%	1.6%	1.0%	1.1%	1.5%	0.4%	-0.2%
Total Contributed Income	**46.0%**	**43.8%**	**45.6%**	**43.5%**	**50.7%**	**7.2%**	**4.7%**
Total Income	**114.6%**	**105.4%**	**103.5%**	**101.9%**	**116.0%**	**14.1%**	**1.4%**
Changes in Unrestricted Net Assets (CUNA)	**14.6%**	**5.4%**	**3.5%**	**1.9%**	**16.0%**	**14.1%**	**1.4%**

For the 92 Trend Theatres:

- Other Contributions (e.g., cash contributions from sheltering organizations such as universities or arts centers) fluctuated from 2000 to 2004 and ultimately ended higher in 2004 than in 2000, although it did not keep pace with inflation.

- After four years of steady growth, in-kind contributions declined in 2004.

- The growth in United Arts Funding dipped in 2003 but improved in 2004 to end the 5-year period with growth 25% ahead of inflation.

- The growth in total income outpaced inflation by 10.4% over the five years, exceeding the comparable 8.9% growth in expenses. As a result, the 5-year high average CUNA of $1 million in 2004 reflects a turn-around of the downward spiral that CUNA had taken from 2000 to 2003.

The addition of each year's positive CUNA improved Trend Theatres' bottom lines over the five-year period. The average balance of all unrestricted net assets was 70% higher in inflation-adjusted figures at the end of 2004 than it was at the beginning of 2000, a remarkable feat given all that happened to the world and the economy during that span of time. Not every theatre was better off at the end of the five-year period but, on average, theatres finished 2004 with unrestricted net assets of $6.1 million compared to unrestricted net assets of $3.4 million at beginning of 2004. All but 19 of the 92 Trend Theatres experienced budget growth that exceeded inflation over the five years. Three theatres managed to double their budgets.

THE BALANCE SHEET

This section marks the beginning of our exploration of balance sheet trends, a departure from our investigation 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. Not every Trend Theatre responds to the Balance Sheet section of the survey; for instance, theatres that are part of a sheltering organization do not keep separate balance sheet. Of the 92 Trend Theatres that provided income and expense information, 85 are included in the balance sheet report.

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 annual 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 at the end of the fiscal year).

Trend Theatres' balance sheets show consistent growth in total assets over the past five years, from an average of $10.6 million in 2000 to $17 million in 2004—51% growth after adjusting for inflation. For the 85 Trend Theatres who reported balance sheet information, the change in unrestricted net assets (CUNA) of 2004 averaged $1.1 million or 16.8% of budget. Each year, CUNA is added to the year's beginning unrestricted net assets to arrive at total unrestricted net assets. CUNA serves as the link between annual activity and the balance sheet, but the unrestricted net assets are only one component of a theatres' financial picture.

The growth in Trend Theatres' aggregate total net assets—unrestricted, temporarily restricted and permanently restricted—outpaced inflation by 48% over the 5-year period, from $690 million in 2000 to $1.1 billion in 2004. A closer look reveals that after two years of building cash reserves, theatres tapped into those reserves in 2003 when bottom lines were at their worst, then they began to replenish cash reserves in 2004. As a result, the decrease in aggregate cash reserves over the 5-year period was 36% in inflation adjusted figures, while growth in total endowments outpaced inflation by 58% and other net assets more than doubled over the same period. The substantial increases in overall net assets over the past five years can be attributed to the high number of theatres engaged in successful capital campaigns. Theatres added to both physical capital and invested capital. Growth in unrestricted net assets was consistent in each of the five years, for an overall increase of 35% in inflation-adjusted dollars. Over the five years, the composition of total net assets shifted slightly. In 2004, other net assets accounted for 2% more of total net assets than in 2000, fixed assets and investments each accounted for 1% more and working capital comprised 4% less of total net assets at the end of the 5-year period.

TABLE 9: TOTAL NET ASSETS (In Millions)

	2000	2001	2002	2003	2004	1-yr. % chg.	4-yr. % chg.	4-yr. % chg. CGR*
Working Capital	$ (2)	$ 2	$ (27)	$ (72)	$ (48)	33%	-1862%	-1852%
Fixed Assets	319	336	385	458	512	12%	60%	50%
Investments	305	351	403	425	496	17%	62%	52%
Other Net Assets	68	175	167	150	133	-11%	94%	84%
Total Net Assets	**$ 690**	**$ 865**	**$ 927**	**$ 961**	**$ 1,093**	**14%**	**58%**	**48%**

* Compounded Growth Rate adjusted for inflation.

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

Working capital consists of the unrestricted resources available to the theatre to meet obligations and day-to-day cash needs and it is a fundamental building block of a theatre's capital structure. It is a clearer indicator of a theatre's operating position than looking at CUNA, which includes non-operating activity as noted on page 1. The one component of total net assets that did not increase significantly over the 5-year period is working capital. It was negative for each year except 2001, indicating that Trend Theatres have carried a collective accumulated deficit and are 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 reached a low of 72 million in 2003 and improved 33% in 2004.

WORKING CAPITAL RATIO = WORKING CAPITAL/TOTAL EXPENSES

The working capital ratio, or the proportion of unrestricted resources available to meet operating expenses, indicates how long a theatre could operate if it had to survive on its current resources. A negative working capital ratio indicates that theatres are likely experiencing periods of cash flow crisis. Collectively, the Trend Theatres experienced a negative working capital ratio in four of the five years. The ratio in 2000 stood at -1% and it improved to 0% by 2001. It then declined to -12% by 2003 and rebounded slightly to -9% in 2004. 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, 9% met this level in 2000 and 2001 and 12% did so in 2002 and 2003; however, only 8% of Trend Theatres had three months of working capital in 2004. The percentage of Trend Theatres with a negative working capital ratio was 59% in 2000 and 67% in 2004. The increase in total net assets over the five years was put into investments, equipment, land and buildings, but not in readily available funds to help the theatre meet daily needs.

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

The strong economy of 2000 and 2001 allowed theatres to engage in successful capital campaigns and many used these funds to build new buildings, renovate existing facilities and purchase new equipment, as reflected in the substantial increase in theatres' occupancy expenses. Growth in fixed assets (i.e., land, property and equipment less accumulated depreciation) surpassed inflation by 50%.

INVESTMENT RATIO = TOTAL INVESTMENTS/TOTAL EXPENSES

Growth in Trend Theatres' long-term investments surpassed inflation by 52% from 2000 to 2004, reflecting the growth in endowments due to capital campaigns and a recovering stock market. Invested capital generates interest for operating purposes and an increasing investment ratio over time is an indication of organizational health. Trend Theatres' investment ratio increased from 65% in 2000 to 89% in 2004.

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.

ATTENDANCE, PERFORMANCE AND PRICING TRENDS

Having examined Trend Theatres' finances, we now provide a detailed look at operating trends (e.g., attendance, number of performances, ticket prices and subscription renewal rates). First we observe the 92 theatres' attendance and performance trends and then we examine marketing and production trends that help flesh out the general attendance and performance results. Generally speaking, theatres are seeing declining audiences.

TABLE 10: AGGREGATE ATTENDANCE (92 Theatres)

	2000	2001	2002	2003	2004	1-yr. % chg.	4-yr. % chg.
Main Series (total)	8,333,522	8,847,109	8,903,249	8,686,272	8,319,455	-4.2%	-0.2%
Special Productions	1,105,765	943,747	732,861	762,136	684,438	-10.2%	-38.1%
Children's Series	214,511	226,504	240,010	251,103	249,186	-0.8%	16.2%
Staged Readings/Workshops	31,209	29,483	35,337	37,809	28,515	-24.6%	-8.6%
Other	98,706	70,369	51,712	93,086	106,272	14.2%	7.7%
Booked-In Events	154,290	90,722	84,421	134,178	126,080	-6.0%	-18.3%
Resident Subtotal	**9,938,003**	**10,207,934**	**10,047,590**	**9,964,584**	**9,513,946**	**-4.5%**	**-4.3%**
Touring	901,157	1,011,015	1,653,238	1,129,924	895,193	-20.8%	-0.7%
Total	**10,839,160**	**11,218,949**	**11,700,828**	**11,094,508**	**10,409,139**	**-6.2%**	**-4.0%**

TABLE 11: AGGREGATE NUMBER OF PERFORMANCES (92 Trend Theatres)	2000	2001	2002	2003	2004	1-yr. % chg.	4-yr. % chg.
Main Series (total)	22,939	23,785	23,867	24,058	23,686	-1.5%	3.3%
Special Productions	1,841	1,864	1,554	1,695	1,653	-2.5%	-10.2%
Children's Series	844	998	844	1,071	1,130	5.5%	33.9%
Staged Readings/Workshops	342	336	437	444	407	-8.3%	19.0%
Other	450	356	416	561	693	23.5%	54.0%
Booked-In Events	540	322	296	433	401	-7.4%	-25.7%
Resident Subtotal	**26,956**	**27,661**	**27,742**	**28,262**	**27,970**	**-1.0%**	**3.8%**
Touring	4,074	4,453	5,526	4,823	3,566	-26.1%	-12.5%
Total	**31,030**	**32,114**	**33,268**	**33,085**	**31,536**	**-4.7%**	**1.6%**

For the 92 Trend Theatres:

- Overall attendance rose steadily from 2000 to 2002 but slipped in 2003 and again in 2004 to reach its lowest level of the five years. This trend reflects the same one discussed regarding ticket income in the earned income section: a rise in ticket sales from 2000 to 2002 and declines in 2003 and 2004. Fewer performances were produced in 2004 than in any year since 2000. Over the five-year period, attendance declined 4% and the total number of performances rose by 1.6%.

- The overall 3.8% increase in resident performances was met with a 4.3% decline in attendance at resident productions, indicating that theatres are playing to lower capacity houses. The number of resident performances inched up each year from 2000 to 2003. When the increase in performances was met with a decrease in attendance in 2003, theatres cut the number of 2004 resident performances by 1%. The 2004 drop in resident performance attendance, however, was 4.5%. Not surprisingly, the trend is reflective of the trend in main series performances. Attendance at main series productions accounted for 77% of total attendance in 2000 and 80% in 2004.

- Attendance at special productions (i.e., non-subscription productions such as a holiday production) was 38% lower in 2004 than in 2000, even though theatres are producing only 10% fewer special production performances. The attendance trend in this area generally has been downward. Special production activity was reported by 37 theatres in 2000 and 41 theatres in 2004; however, one theatre that provided special production performances in 2000 with attendance of nearly 370,000 tapered off its activity over the years and reported no special productions in 2004.

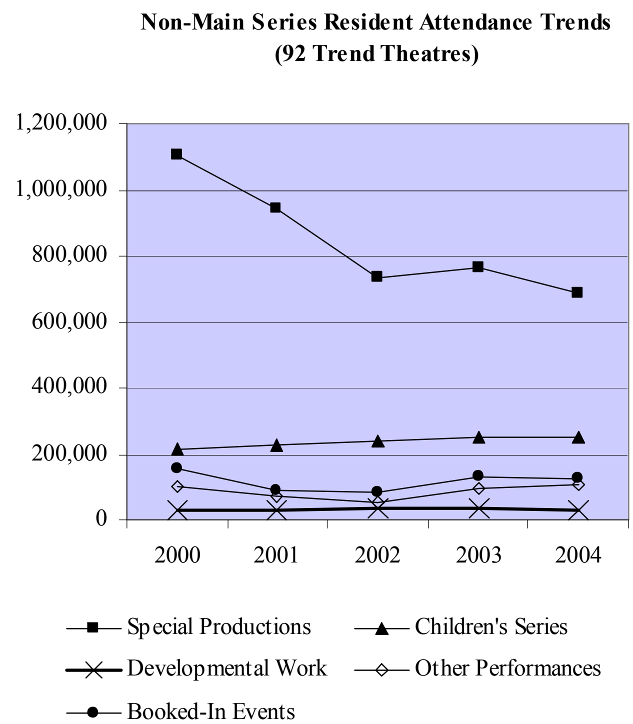
- Theatres booked in 26% fewer productions in 2004 than in 2000. The 18% drop in attendance is similar to the 20% decline in income from booked-in events. Each year, this category represents only about 1% of theatres' overall offerings.

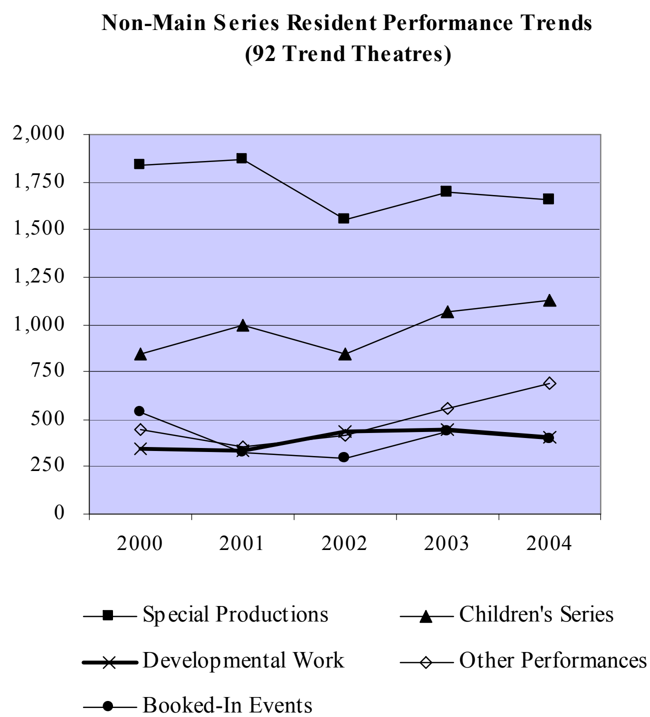
- The one bright spot in attendance was attendance at children's series performances. Theatres produced 5.5% more children's series performances from 2003 to 2004 but saw a slight decline in attendance during the same period. However, children's series performances grew 34% over the 5-year period and attracted 16% more audience members.

- The number of staged reading and workshop performances grew steadily from 2001 to 2003 then dropped 8% in 2004. Overall, 19% more developmental production performances were offered in 2004 compared to 2000, although attendance fell 8.6% over the same period. It should be noted that, for many theatres, the motivating factor behind staged readings and workshops is to develop the material, not to play to a large house.

- Theatres produced their peak number of tour performances in 2002. 2004 saw the fewest number of tour performances of the 5-year period and the lowest aggregate attendance. However, the 5-year decrease in tour performances of 12.5% was met with only a .7% drop in attendance.

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





A closer look at marketing and production activity will help to shed light on some of the factors driving the trends in attendance and performances.

For the 92 Trend Theatres:

- From 2000 to 2004, the average number of season ticket holders per theatre dwindled by 3%, the total number of seats occupied by subscribers over the course of the season was 1% lower and the average subscription renewal rate dropped consistently over the 5-year period, from 75% in 2000 to 65% in 2004—a 13% drop, contrary to the .3% increase in subscription income. In an effort to lure more subscribers, theatres offered 15% higher subscription discounts in 2004 than in 2000 and increased the variety of packages offered but increased the average price per subscription ticket 11% higher than the rate of inflation. Each year, subscribers fill between 33% and 35% of the average theatre's capacity.

- 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 44% of their potential in 2000 and 41% in 2004.

- Over the five years, average single ticket sales per theatre increased 3% and the average single ticket price rose 14% above inflation. However, there was an 11% drop in the number of single tickets sold from 2003 to 2004, reinforcing the 1-year 6.4% drop in single ticket income.

- There was a 9% decrease in actor employment weeks from 2000 to 2004. The number of performance weeks per year remained fairly steady at 34. At the same time, the average number of actors hired in a season increased from 67 to 70. These findings could be attributed to shorter rehearsal periods or to the increase in the number of staged readings and workshops. The increase in development activity likely means more contracts but of shorter duration. Indeed, the number of staged readings and workshops increased 52% from 2000 to 2004, with fewer performances per project produced.

TABLE 12: INDUSTRY AVERAGES (92 Trend Theatres)	2000	2001	2002	2003	2004	1-yr. chg.	4-yr. chg.	4-yr. chg. CGR*
Subscription Renewal Rate (%)	75%	74%	68%	67%	65%	-2%	-13%	
High Subscription Discount (%)	36.1%	38.0%	39.6%	42.5%	41.4%	-3%	15%	
Low Subscription Discount (%)	11.7%	11.6%	11.8%	11.2%	10.7%	-5%	-9%	
Subscription Price (per ticket)	$21.78	$23.08	$25.09	$25.12	$26.36	5%	21%	11%
Single Ticket Price	$22.78	$23.72	$25.81	$26.35	$28.36	8%	24%	14%
Number of Ticket Packages Offered	4.7	4.6	5.0	5.7	5.6	-1%	21%	
Number of Subscribers/Season Ticket Holders	10,231	10,023	9,950	9,914	9,966	1%	-3%	
Subscription Tickets (#subscribers x #tickets/package sold)	49,325	53,791	49,928	49,934	48,659	-3%	-1%	
Single Tickets	51,400	47,540	55,115	59,011	52,762	-11%	3%	
Total In-Residence Paid Capacity (%)	72%	70%	72%	70%	70%	0%	-3%	
Subscriber Capacity (%)	33%	35%	34%	34%	33%	-2%	2%	
Number of Main Series Performances	249	259	259	262	257	-2%	3%	
Number of Main Series Productions	12	14	15	15	15	0%	22%	
Number of Performance Weeks	34	34	35	34	34	0%	1%	
Number of Actor Employment Weeks (sum of # weeks each actor employed)	633	647	667	608	574	-6%	-9%	

*Compounded Growth Rate adjusted for inflation.

PROFILED THEATRES

This section of *Theatre Facts* offers the greatest level of detail for the 198 Profiled Theatres that completed the long form TCG Fiscal Survey 2004. We take an in-depth look at the same areas as we did in the Trend Theatre section—i.e., earned income, expenses, contributed income, CUNA, balance sheet ratios, attendance, performance and pricing—but for all of the theatres that responded to the survey in 2004, not just those that responded in each of the past five years.

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. Theatres ranged in budget size from $132,000 to $42 million, with the average theatre having a budget of $4.1 million. It is important to remember that we are looking at income and expenses from all unrestricted funds, not just activity from operations.

EARNED INCOME

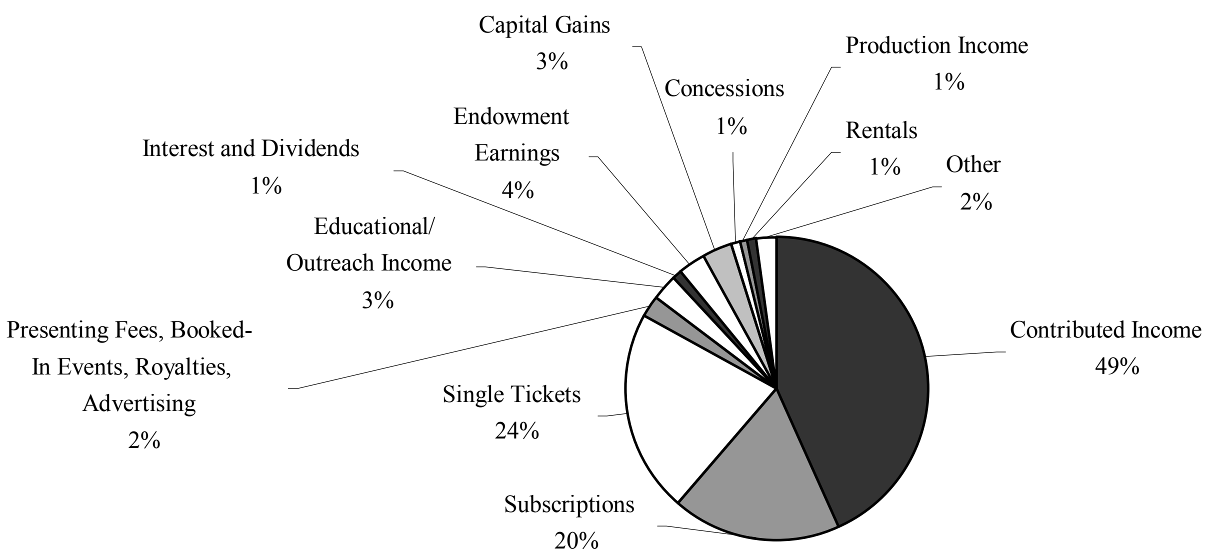
On the whole, Profiled Theatres' earned income financed 63% of their expenses and accounted for 57% of total income. Income from ticket sales represented 71% of total earned income and supported 45% of all expenses.

The 198 Profiled Theatres:

- Garnered $520 million in earned income and earned $371 million in ticket income. On average, earned income per theatre was $2.6 million.
- Funded 24% of expenses with single ticket income, the greatest source of earned income.

- Brought in 8% of subscription income from flexible subscriptions. Group sales comprised 8% and pick-and-choose vouchers accounted for 1% of single ticket sales. One theatre earned $1.2 million in group sales.
- Attracted 7.3 million single ticket buyers and 1.1 million subscribers/season ticket holders.
- Toured productions that collected $5.9 million in fees.
- Generated $27 million in income from 2,644 education and outreach programs that served 4.5 million people.
- Earned $12 million from concessions, $8 million from rental fees and $19 million from other activity such as ticket handling fees, insurance claims and special projects.
- Earned $30 million from endowments—more than double that of the Profiled Theatres of 2003—and $6.6 million from interest and dividends.
- Saw $26 million from realized and unrealized capital gains from unrestricted investment assets. The Profiled Theatres of 2003 had incurred an aggregate capital loss.
- Received $6.7 million in production income, reported by 47 theatres—roughly half of that brought in by the 45 Profiled Theatres reporting production income in 2003. Of these, 80% reported co-production income and 29% reported enhancement income.
- Produced 288 world premieres and earned $3.4 million from 406 royalty properties for an average of $8,254 per property.

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



*Percentages total 112% since total income exceeded total expenses by 12%

BUDGET GROUP SNAPSHOT: EARNED INCOME

Theatres of different sizes have different needs and can be expected to vary somewhat in the way they operate. Budget Group Snapshots offer details on each income and expense category for Profiled Theatres by each of six budget groups. This allows us to tease out the traits that characterize theatres of different budget sizes. We provide actual dollar averages for each budget group and each line item as a percent of budget, as we did in the Trend Theatres section of this report. The following tables show the budget ranges for each group as well as the number of theatres contained in each group.

For the 198 Profiled Theatres:

- The smaller the theatre, the more reliant it is on contributed income to support expenses.
- With the exception of Group 5 Theatres, single ticket income exceeds subscription income.

2004 PROFILED THEATRES (198 Theatres)		
Budget Group	**Number of Theatres**	**Budget Size**
6	21	$10 million or more
5	32	$5 million - $9,999,999
4	27	$3 million - $4,999,999
3	54	$1 million - $2,999,999
2	34	$500,000 - $ 999,999
1	30	$499,999 or less

For the 198 Profiled Theatres:

- Of Group 6 Theatres, one theatre reported $25 million in total single ticket sales—twice that of any other theatre. Excluding this theatre would leave average single ticket sales of $3.9 million for the group.
- Of Group 6 Theatres, nearly half of all income from tour contracts and presenting fees was generated by one theatre.
- Of Group 6 Theatres, two theatres accounted for 56% of total 2004 endowment earnings, or $17 million of the aggregate $30 million for all theatres.
- Group 3 Theatres average the second highest level of income from presenter fees and tour contracts.
- Group 1 and 2 Theatres are the only groups to experience aggregate capital losses rather than gains.

TABLE 13: AVERAGE EARNED INCOME

	All Theatres	Group 6	Group 5	Group 4	Group 3	Group 2	Group 1
Number of Theatres	**198**	**21**	**32**	**27**	**54**	**34**	**30**
Subscriptions	$ 827,938	$ 3,474,887	$1,688,001	$ 664,548	$ 308,642	$ 59,014	$ 10,902
Single Ticket Income	1,011,153	4,969,385	1,335,541	828,238	444,569	140,627	65,445
Booked-In Events	34,437	225,790	35,585	23,498	4,768	316	1,182
Total Ticket Income	**$ 1,873,527**	**$ 8,670,062**	**$3,059,127**	**$ 1,516,284**	**$ 757,979**	**$ 199,957**	**$ 77,530**
Tour Contracts/Presenting Fees	29,926	97,967	5,812	11,380	40,278	29,110	7,000
Educational/Outreach Income	134,676	260,253	266,004	251,823	74,284	31,524	26,869
Interest and Dividends	33,660	192,953	63,771	13,577	2,534	1,732	323
Endowment Earnings	153,304	1,070,631	193,897	14,801	18,349	7,576	606
Capital Gains/(Losses)	132,061	782,968	249,628	4,571	30,344	(1,268)	(40)
Royalties	16,925	67,586	15,060	46,016	3,230	839	151
Concessions	61,397	240,050	126,595	64,709	17,989	7,863	2,622
Production Income	33,865	184,893	50,059	18,355	12,172	548	1,637
Advertising	16,550	46,026	19,454	24,623	11,952	8,844	2,567
Rentals	40,439	106,471	100,875	47,738	15,372	6,997	6,201
Other	100,356	478,812	191,360	71,990	27,222	5,597	2,927
Total Earned Income	**$ 2,626,686**	**$ 12,198,672**	**$4,341,641**	**$ 2,085,868**	**$ 1,011,704**	**$ 299,320**	**$ 128,393**

For the 198 Profiled Theatres:

- 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 lowest level of expenses with single ticket income.
- Group 5 and 1 Theatres do considerable rental business.
- Group 4 and 1 Theatres over a higher percentage of their budgets with education/ outreach income than other groups.
- Group 2 and 1 Theatres experience far lower subscription income than the industry average.
- Group 2 Theatres led the field in average tour contracts and presenting fees as a percent of expenses.

TABLE 14: AVERAGE EARNED INCOME AS A PERCENTAGE OF EXPENSES

	All Theatres	Group 6	Group 5	Group 4	Group 3	Group 2	Group 1
Number of Theatres	**198**	**21**	**32**	**27**	**54**	**34**	**30**
Subscriptions	20.0%	20.5%	23.2%	17.9%	16.8%	8.5%	3.4%
Single Ticket Income	24.4%	29.3%	18.4%	22.3%	24.2%	20.3%	20.3%
Booked-In Events	0.8%	1.3%	0.5%	0.6%	0.3%	0.0%	0.4%
Total Ticket Income	**45.2%**	**51.2%**	**42.1%**	**40.8%**	**41.2%**	**28.9%**	**24.0%**
Tour Contracts/Presenting Fees	0.7%	0.6%	0.1%	0.3%	2.2%	4.2%	2.2%
Educational/Outreach Income	3.2%	1.5%	3.7%	6.8%	4.0%	4.6%	8.3%
Interest and Dividends	0.8%	1.1%	0.9%	0.4%	0.1%	0.3%	0.1%
Endowment Earnings	3.7%	6.3%	2.7%	0.4%	1.0%	1.1%	0.2%
Capital Gains/(Losses)	3.2%	4.6%	3.4%	0.1%	1.7%	-0.2%	0.0%
Royalties	0.4%	0.4%	0.2%	1.2%	0.2%	0.1%	0.0%
Concessions	1.5%	1.4%	1.7%	1.7%	1.0%	1.1%	0.8%
Production Income	0.8%	1.1%	0.7%	0.5%	0.7%	0.1%	0.5%
Advertising	0.4%	0.3%	0.3%	0.7%	0.6%	1.3%	0.8%
Rentals	1.0%	0.6%	1.4%	1.3%	0.8%	1.0%	1.9%
Other	2.4%	2.8%	2.6%	1.9%	1.5%	0.8%	0.9%
Total Earned Income	**63.3%**	**72.0%**	**59.8%**	**56.1%**	**55.0%**	**43.3%**	**39.7%**

Profiled

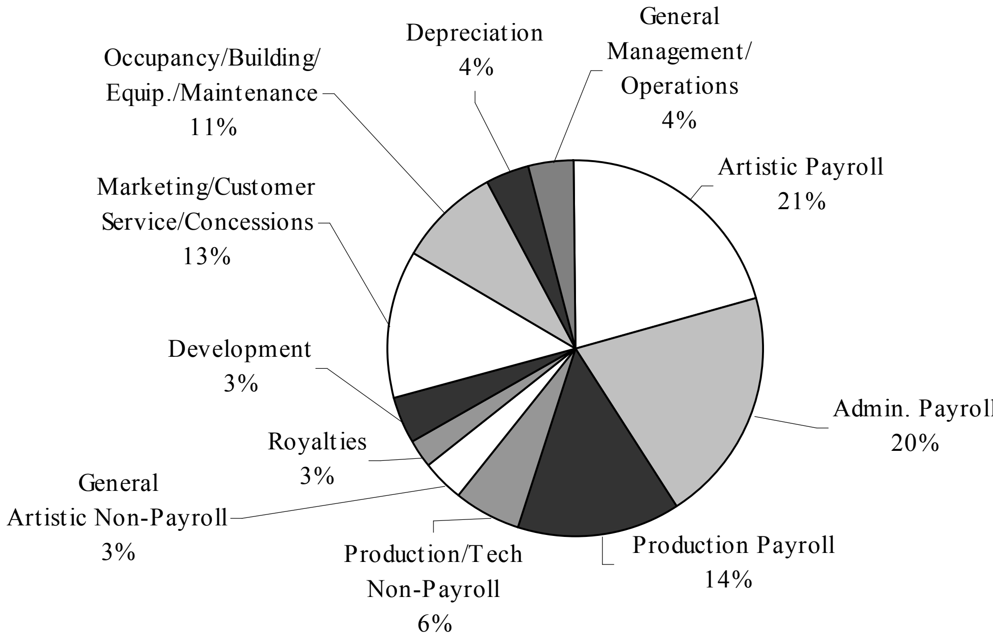
EXPENSES

As one would expect, Profiled Theatres' compensation to artists is the greatest area of expense. The labor-intensive nature of theatre is evidenced by the fact that 55% of total expenses—$448 million—goes to compensation: artistic (21%), administrative (20%) and production payroll (14%). This includes salaries, taxes, health insurance, welfare and retirement payments and varies little according with theatre size. If one also considers payment to authors in the form of royalties, this figure escalates to 58% of total expenses or $470 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 (46.5%) of all expenses. This relative amount of total resources dedicated to production expenses varies little according to theatre size.

In addition to tables for general expense categories by group, we provide an index of key administrative expense/income comparisons as well as a table of personnel and non-personnel expenses allocated by administrative department.

FIGURE 6: BREAKDOWN OF EXPENSES



The 198 Profiled Theatres:

- Contributed $822 million to the U.S. economy in 2004.
- Paid $21 million in royalties for 1,158 properties—an average of $18,300 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 26 cents. It is important to keep in mind that much of theatres' education and outreach activity is underwritten and not intended to generate earned income.
- Are extremely effective with their development expenditures. It takes only 2 cents to generate every dollar of contributed income not associated with a fundraising event, considering non-personnel expenses only.
- Spent over $72 million in occupancy/building/ equipment maintenance and other administrative costs such as office supplies and audit fees. 34% of theatres own their own theatres, 56% rent and 10% operate out of donated theatre space. 36% of Profiled Theatres own their office space, 55% rent and 9% have office space donated.
- Recognized over $33 million in depreciation, the annual accounting for the decrease in the value of property.
- Allocated 8% of development expenses, 5% of marketing expenses and 15% of general management expenses for professional fees for independent contractors or consultants.

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 $505,570 on marketing, $310,600 on development, $231,700 on front-of-house (including box office) and $153,200 on education. Compared to the Profiled Theatres of 2003, average total amounts spent in each area have risen. 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

For the 198 Profiled Theatres:

- Group 6 Theatres spend proportionally more than other groups on physical production expenses.
- Group 5 Theatres spend proportionally lesson artists and more on technical personnel.
- Group 5 and 4 Theatres spend more of their Budgets on administrative personnel.
- Group 2 and 1 Theatres spend proportionally more of their budgets on artists.

TABLE 15: AVERAGE EXPENSES

	All Theatres	Group 6	Group 5	Group 4	Group 3	Group 2	Group 1
Number of Theatres	**198**	**21**	**32**	**27**	**54**	**34**	**30**
Artistic Payroll	$ 859,695	$ 3,597,050	$ 1,311,352	$ 726,961	$ 441,186	$ 193,953	$ 89,062
Administrative Payroll	838,856	3,215,570	1,552,734	829,516	369,168	133,091	67,397
Production Payroll	565,886	2,437,833	1,083,185	448,440	210,452	62,827	19,355
Total Payroll	**$ 2,264,437**	**$ 9,250,454**	**$ 3,947,271**	**$ 2,004,916**	**$ 1,020,806**	**$ 389,871**	**$ 175,815**
General Artistic Non-Payroll	144,798	518,139	294,211	115,778	69,219	34,860	10,843
Royalties	107,053	427,026	200,597	91,932	51,571	12,433	4,003
Production/Tech Non-Payroll (physical production)	249,761	1,150,557	392,344	180,519	110,683	37,667	20,147
Development/Fundraising	162,284	659,166	271,125	163,235	75,034	25,978	9,045
Marketing/Customer Service/Concessions	528,907	2,145,541	939,635	508,198	227,402	75,450	34,419
Occupancy/Building/Equipment/ Maintenance	364,480	1,431,942	662,249	345,006	152,574	62,716	40,591
Depreciation	168,120	709,653	307,666	177,038	54,808	19,742	4,296
General Management/Operations	157,585	656,637	247,644	129,704	76,812	32,903	23,979
Total Expenses	**$ 4,147,425**	**$ 16,949,115**	**$ 7,262,740**	**$ 3,716,328**	**$ 1,838,909**	**$ 691,620**	**$ 323,138**

For the 198 Profiled Theatres:

- Group 4 Theatres consistently out-spend other groups on marketing expenses, relatively speaking.
- Group 2 Theatres allocate more of their budgets to general artistic non-payroll expenses (i.e., artist housing and travel, designer expenses, etc.)
- Group 1 Theatres spend more of their budgets on occupancy, building, equipment and maintenance costs as well as on general management expenses such as office supplies and membership fees.

TABLE 16: AVERAGE EXPENSES AS A PERCENTAGE OF TOTAL EXPENSES

	All Theatres	Group 6	Group 5	Group 4	Group 3	Group 2	Group 1
Number of Theatres	198	21	32	27	54	34	30
Artistic Payroll	20.7%	21.2%	18.1%	19.6%	24.0%	28.0%	27.6%
Administrative Payroll	20.2%	19.0%	21.4%	22.3%	20.1%	19.2%	20.9%
Production Payroll	13.6%	14.4%	14.9%	12.1%	11.4%	9.1%	6.0%
Total Payroll	**54.6%**	**54.6%**	**54.3%**	**53.9%**	**55.5%**	**56.4%**	**54.4%**
General Artistic Non-Payroll	3.5%	3.1%	4.1%	3.1%	3.8%	5.0%	3.4%
Royalties	2.6%	2.5%	2.8%	2.5%	2.8%	1.8%	1.2%
Production/Tech Non-Payroll (physical production)	6.0%	6.8%	5.4%	4.9%	6.0%	5.4%	6.2%
Development/Fundraising	3.9%	3.9%	3.7%	4.4%	4.1%	3.8%	2.8%
Marketing/Customer Service/Concessions	12.8%	12.7%	12.9%	13.7%	12.4%	10.9%	10.7%
Occupancy/Building/Equipment/ Maintenance	8.8%	8.4%	9.1%	9.3%	8.3%	9.1%	12.6%
Depreciation	4.1%	4.2%	4.2%	4.8%	3.0%	2.9%	1.3%
General Management/Operations	3.8%	3.9%	3.4%	3.5%	4.2%	4.8%	7.4%
Total Expenses	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**

TABLE 17: PROFILED THEATRE ADMINISTRATIVE EXPENSE INDEX

- ► Single ticket marketing expense to single ticket income: 21%
- ► Subscription marketing expense to subscription income: 14%
- ► Education/outreach expense to education/outreach income: 41%
- ► Development expense to total unrestricted contributed income (less fundraising event expenses and income): 2%
- ► Fundraising event expense to fundraising event income: 38%
- ► Total development expense to total unrestricted contributed income (includes personnel expense): 15%
- ► Total marketing expense to total ticket sales (includes personnel expense): 28%

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

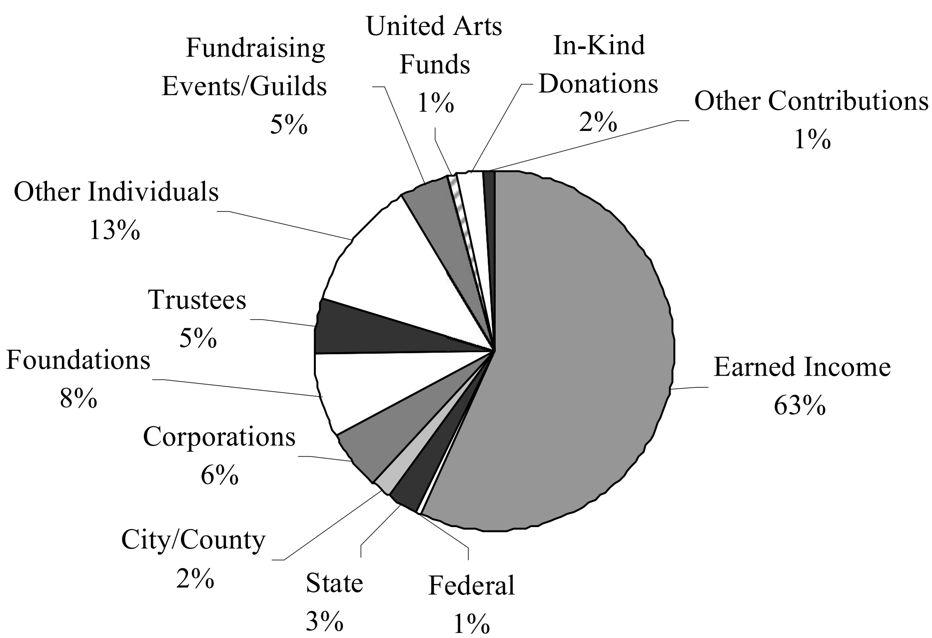
	All Theatres	Group 6	Group 5	Group 4	Group 3	Group 2	Group 1
Development/Fundraising Personnel	$ 148,351	$ 579,235	$ 269,460	$ 152,799	$ 68,244	$ 18,283	$ 5,149
Non-personnel Development Expenses	162,284	659,166	271,125	163,235	75,034	25,978	9,045
Marketing Personnel	113,932	484,419	205,844	103,320	49,353	6,162	4,484
Non-personnel Marketing Expenses	391,640	1,651,917	694,881	326,901	169,819	55,272	24,745
Front-of-House Personnel	178,441	773,669	337,581	158,943	60,373	19,218	2,558
Non-personnel Front-of-House Expenses	53,306	247,747	82,700	44,732	23,563	4,824	2,047
Education Programs/Outreach	98,581	293,256	202,169	129,080	48,859	16,625	6,747
Non-personnel Education/Outreach Expenses	54,593	151,942	91,026	105,754	23,659	10,960	6,674

CONTRIBUTED INCOME AND CHANGES IN UNRESTRICTED NET ASSETS (CUNA)

The contributed income and CUNA analysis we now present takes into consideration all unrestricted funds. Contributed sources reflect Net Assets Released from Temporary Restriction (NARTR). For example, a theatre's total individual contributions may include unrestricted individual 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. In 2004, NARTR totaled $110 million for the Profiled Theatres—28% of total contributed funds—and was reported by multiple theatres in every group.

Only Group 2 Theatres averaged negative CUNA. For theatres in all other budget groups, this means that, on average, the year ended with a higher level of unrestricted net assets than it began. This year marks a turn-around from the pervasive deficits experienced by the Profiled Theatres of 2003. However, there were theatres in every budget group that ended the year with negative CUNA.

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



*Percentages total 112% since total income exceeded total expenses by 12%.

The 198 Profiled Theatres:

- Received gifts from trustees and other individuals that supported 18% of total expenses and accounted for 38% of all contributed dollars.
- Engaged in capital campaigns that generated a total of $75 million or 19% of all contributed funds. 28% of Profiled Theatres were in the midst of a capital campaign and 12 theatres began a capital campaign in 2004, as compared to only 4 Profiled Theatres in 2003. By way of comparison, 6% of Group 1 Theatres and 62% of Group 6 were in the midst of a capital campaign in 2004.

- Attracted contributions from 257,471 individuals (non-trustees) who gave an average gift of $285 (excluding NARTR from the calculation), up from the Profiled Theatres' level of $245 in 2003. For the average theatre, gifts from other individuals are the greatest source of contributed funds.

- Received one-third of total individual contributions from trustees, who gave an average of $6,842 per donor. Boards for the Profiled Theatres average 27 members.

- Raised $50 million in corporate support from 5,795 corporations. There were roughly 600 more corporate donors to the 198 Profiled Theatres of 2004 than the 214 Profiled Theatres of 2003, although the average corporate gift in 2004 was $500 less than that of 2003.

- Received $69 million from foundations, 17% of total contributed income and the second greatest source of contributed funds. 3,090 foundations provided grants that averaged $22,309. While the number of foundation grants received by Profiled Theatres of 2004 was roughly 200 more than those received by Profiled Theatres in 2003, the average foundation grant was about $1,000 less.

- Federal funding supported nearly 1% of expenses and accounted for 1.8% of total contributed income. One theatre received $2.8 million from a federal agency other than the National Endowment for the Arts or National Endowment for the Humanities and two theatres received NEH funding. Overall, Profiled Theatres received an average NEA grant of $17,661. The allocation of NEA grants across funding categories was as follows: 65% of grants were for Creativity, 17% for Education, 14% for Access, 4% for Organizational Capacity. Every group benefited from some form of federal funding.

- Attracted in-kind donations that totaled $19 million and raised $41 million by throwing special fundraising events or through guilds.

- Raised a total of over $16 million in support of touring and education programs, or 15% of all contributed funds.

TABLE 19: AVERGE GIFT BY SOURCE

	All Theatres	Group 6	Group 5	Group 4	Group 3	Group 2	Group 1
Average Other Individual Gift	$ 285	$ 323	$ 249	$ 279	$ 299	$ 215	$ 152
Average Trustee Gift	6,842	13,711	7,314	7,004	3,836	1,778	1,505
Average Corporate Gift	8,660	21,668	7,121	3,949	3,626	3,379	3,647
Average Foundation Gift	22,309	46,242	22,473	18,022	13,025	10,213	11,560

BUDGET GROUP SNAPSHOT: CONTRIBUTED INCOME

For the 198 Profiled Theatres:

- Of Group 6 Theatres, one theatre accounts for 61% of the group's state funding.

- Of Group 6 Theatres, one theatre in a capital campaign ended the year with positive CUNA of $48 million (more than 2 times the size of its budget), accounting for 64% of CUNA for the group. Excluding this theatre from the analysis would leave Group 6 Theatres with an average CUNA of $1.3 million and the average for all Profiled Theatres $252,667, or 6% of expenses.

- Of Group 5 Theatres, one theatre accounts for 37% of the group's total trustee donations.

- ♦ Group 5 Theatres garner the highest average in-kind donations and other contributions.
- ♦ Group 4 Theatres had the second highest average federal grants.
- ♦ As indicated in Table 19, Group 3 Theatres experienced the second highest average gift per non-trustee individuals.
- ♦ Group 2 Theatres attract the lowest average gift per corporation and foundation, as indicated in Table 19.

TABLE 20: AVERAGE CONTRIBUTED INCOME AND TOTAL INCOME

	All Theatres	Group 6	Group 5	Group 4	Group 3	Group 2	Group 1
Number of Theatres	198	21	32	27	54	34	30
Federal	$ 36,804	$ 151,117	$ 38,136	$ 50,245	$ 20,391	$ 10,387	$ 2,747
State	119,397	490,585	183,825	127,815	54,617	19,216	13,412
City/County	89,525	335,085	147,002	123,727	33,985	16,356	8,440
Corporations	253,456	1,281,499	411,931	170,398	68,095	34,982	20,790
Foundations	348,151	1,345,434	488,779	379,787	184,286	82,308	67,822
Trustees	227,470	801,672	500,429	211,590	96,891	22,736	15,739
Other Individuals	540,687	2,762,611	710,135	486,153	187,206	69,346	24,129
Fundraising Events/Guilds	206,341	764,054	312,130	222,630	130,743	37,011	16,421
United Arts Funds	42,490	177,715	112,059	18,115	6,641	2,960	4,894
In-Kind Services/Materials/	97,634	183,509	266,217	81,273	55,177	35,091	19,731
Other Contributions	55,322	57,147	161,904	77,344	14,768	48,651	1,093
Total Contributed Income	**$ 2,017,276**	**$ 8,350,428**	**$3,332,546**	**$ 1,949,076**	**$ 852,801**	**$ 379,043**	**$ 195,217**
Total Income	**$ 4,643,962**	**$ 20,549,099**	**$7,674,188**	**$ 4,034,944**	**$ 1,864,505**	**$ 678,363**	**$ 323,610**
Changes in Unrestricted Net Assets (CUNA)	**$ 496,536**	**$ 3,599,984**	**$ 411,447**	**$ 318,616**	**$ 25,596**	**$ (13,257)**	**$ 472**

For the 198 Profiled Theatres:

- ♦ For Group 6 Theatres, giving from non-trustee individuals supported expenses at a much higher level than it did for other groups.
- ♦ Group 4 Theatres see the highest average local funding.
- ♦ Of Group 4 Theatres, one theatre accounted for nearly half of the group's state funding.
- ♦ Group 2 Theatres received more of their budget from federal grants than any other group.
- ♦ For Group 2 Theatres, total unrestricted income failed to meet the level of total expenses, resulting in average negative CUNA.
- ♦ Group 1 Theatres received twice as much of their budget from foundation grants than other groups.

TABLE 21: AVERAGE CONTRIBUTED INCOME AS A PERCENTAGE OF EXPENSES

	All Theatres	Group 6	Group 5	Group 4	Group 3	Group 2	Group 1
Number of Theatres	198	21	32	27	54	34	30
Federal	0.9%	0.9%	0.5%	1.4%	1.1%	1.5%	0.8%
State	2.9%	2.9%	2.5%	3.4%	3.0%	2.8%	4.2%
City/County	2.2%	2.0%	2.0%	3.3%	1.8%	2.4%	2.6%
Corporations	6.1%	7.6%	5.7%	4.6%	3.7%	5.1%	6.4%
Foundations	8.4%	7.9%	6.7%	10.2%	10.0%	11.9%	21.0%
Trustees	5.5%	4.7%	6.9%	5.7%	5.3%	3.3%	4.9%
Other Individuals	13.0%	16.3%	9.8%	13.1%	10.2%	10.0%	7.5%
Fundraising Events/Guilds	5.0%	4.5%	4.3%	6.0%	7.1%	5.4%	5.1%
United Arts Funds	1.0%	1.0%	1.5%	0.5%	0.4%	0.4%	1.5%
In-Kind Services/ Materials/Facilities	2.4%	1.1%	3.7%	2.2%	3.0%	5.1%	6.1%
Other Contributions	1.3%	0.3%	2.2%	2.1%	0.8%	7.0%	0.3%
Total Contributed Income	**48.6%**	**49.3%**	**45.9%**	**52.4%**	**46.4%**	**54.8%**	**60.4%**
Total Income	**112.0%**	**121.2%**	**105.7%**	**108.6%**	**101.4%**	**98.1%**	**100.1%**
Changes in Unrestricted Net Assets (CUNA)	**12.0%**	**21.2%**	**5.7%**	**8.6%**	**1.4%**	**-1.9%**	**0.1%**

THE BALANCE SHEET

The balance sheet reflects a theatre's long-term fiscal health and stability. A positive CUNA means that a theatre has ended the year with a higher level of unrestricted net assets than it had when the year began. The 188 Profiled Theatres that completed the Balance Sheet section of the survey held total assets of $1.7 billion and net assets of $1.3 billion, 51% 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.

TABLE 22: AVERAGE TOTAL NET ASSETS

	All Theatres	Group 6	Group 5	Group 4	Group 3	Group 2	Group 1
Number of Theatres	188	19	31	27	52	30	29
Working Capital	$ (503,239)	$ 276,145	$ (1,202,562)	$ (1,598,762)	$ (322,908)	$ (51,896)	$ (36,606)
Fixed Assets	$ 3,513,055	$ 17,189,845	$ 5,529,936	$ 3,795,167	$ 942,756	$ 288,198	$ 78,639
Investments	$ 2,855,041	$ 18,167,494	$ 5,095,388	$ 503,611	$ 330,088	$ 94,342	$ 549
Other Net Assets	$ 1,068,737	$ 1,858,702	$ 3,130,324	$ 1,794,341	$ 307,498	$ 113,475	$ 25,030
Total Net Assets	**$ 6,933,594**	**$ 37,492,186**	**$ 12,553,086**	**$ 4,494,357**	**$ 1,257,435**	**$ 444,118**	**$ 67,611**

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 $20 million and the highest was $31 million. As was the case for the Profiled Theatres of 2002, only Group 6 Theatres reported positive average working capital. The average working capital figure of -$503,239 is slightly improved from the -$555,000 working capital figure for 2003 Profiled Theatres.

WORKING CAPITAL RATIO = WORKING CAPITAL/TOTAL EXPENSES

Another indicator of organizational health is the working capital ratio, a comparison of working capital to total expenses. Again, Cool Spring Analytics notes that a useful benchmark for adequate working capital to handle most cash flow fluctuations is a ratio of 25% or three months of working capital. Of the 188 Profiled Theatres, 8% reported a working capital ratio of 25% or more and 66% experienced negative working capital, 5% more than was the case for the Profiled Theatres of 2003. Only Group 6 Theatres had an average positive working capital ratio—2%, or enough to last one week. No Group 5 Theatres achieved a working capital ratio of 25%. The overall working capital ratio for the Profiled Theatres was -12%. The most severe working capital shortage occurred in Group 4 Theatres, which averaged -43%.

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

Profiled Theatres possess an aggregate $660 million in fixed assets. The Group 6 Theatres account for half of all total fixed assets.

INVESTMENT RATIO = TOTAL INVESTMENTS/TOTAL EXPENSES

Endowments and cash reserves comprise Profiled Theatres' invested capital. Investments generate interest income that can be used for operations, thereby lessening the burden on other income sources 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 68%. 86 of the 188 Profiled Theatres reported having some investments. The investment ratio progressively decreases with budget size with the exception of Group 4 Theatres, whose average investment ratio was less than that of Group 3 Theatres. Group 6 Theatres' investment ratio was 103%—investments are 3% greater than total expenses, on aggregate. The investment ratio was 69% for Group 5 Theatres, 14% for Group 4 Theatres, 18% for Group 3 Theatres, 14% for Group 2 Theatres and less than 1% for Group 1 Theatres.

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.

The 198 Profiled Theatres:

- Attracted over 12.8 million patrons, sold 1.1 million subscriptions and held over 39,000 main series performances.
- Filled an average of 71% of their seats with paying customers. Generally speaking, the larger the theatre, the fuller the house.
- Provided 86,165 weeks of actor employment and employed 36,172 full-time and part-time administrative, technical and artistic personnel.

TABLE 23: INDUSTRY AVERAGES

	All Theatres	Group 6	Group 5	Group 4	Group 3	Group 2	Group 1
Number of Theatres	**198**	**21**	**22**	**27**	**54**	**34**	**30**
Subscription Renewal Rate (%)	72%	75%	72%	73%	71%	75%	65%
High Subscription Discount (%)	36.3%	48.4%	45.0%	36.3%	30.7%	31.9%	30.0%
Low Subscription Discount (%)	11.4%	8.6%	9.1%	11.8%	14.0%	11.4%	10.5%
Subscription Price (per ticket)	$24.46	$36.30	$29.45	$25.71	$23.86	$16.28	$15.15
Single Ticket Price	$25.78	$38.14	$30.78	$29.59	$26.02	$18.44	$15.45
Number of Ticket Packages Offered	5	8	6	4	4	4	3
Number of Subscribers/Season Ticket Holders	6,513	21,250	11,110	6,690	2,901	997	268
Subscription Tickets (#subscribers x #tickets/package sold)	31,946	103,055	58,665	28,917	14,126	4,758	1,126
Single Tickets	38,013	139,012	56,642	36,625	20,070	11,986	6,846
Total In-Residence Paid Capacity (%)	71%	84%	75%	75%	72%	69%	55%
Total In-Residence Subscriber Capacity* (%)	28%	35%	38%	31%	28%	20%	9%
Number of Main Series Performances	200	444	277	234	174	95	83
Number of Performance Weeks	30	42	36	32	29	23	24
Number of Actor Employment Weeks (sum of # weeks each actor employed)	440	1,170	556	448	357	236	163
Number of Total Paid Employees (includes part-time and full-time personnel)	171	522	275	188	131	71	58
Paid Employee Turnover (# vacated positions/total # pd. employees)	11%	12%	10%	10%	14%	7%	10%

* 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 30% of their potential: 42% for Group 6 Theatres, 36% for Group 5, 32% for Group 4 Theatres, 29% for Group 3, 23% for Group 2 and 24% for Group 1.

CONCLUSION

After two years of the economy's steady erosion of the theatre industry's health, 2004 emerged as a year of hope. The overall level of CUNA had a significant recovery in 2004, reversing the downward trend from 2000 to 2003 and reaching a 5-year high. The average theatre in every budget group except Group 2 ended the year with a positive CUNA. Although expenses rose 8.9% above inflation over the past five years, expense cuts from 2003-2004 and robust growth in earned and contributed income allowed theatres to finish 2004 not only in the black but with CUNA 10% higher than it was in 2000, a time when the economy was strong. Theatres averaged capital gains rather than capital losses and endowment earnings once again bolstered theatres' bottom lines. Individual donors are proving to be the bedrock of contributions.

The news is not all good. Ticket sales are down and attendance is down for nearly every type of performance offered. The in-depth balance sheet analysis is promising in some respects and discouraging in others. The success of capital campaigns resulted in improved and, in many cases, expanded facilities. Theatres increased their levels of fixed assets (i.e., buildings, land and equipment net of depreciation) by 50% and investments by 52% over the past five years. And the growth in theatres' average balance of all unrestricted net assets surpassed inflation by 35% from 2000 to 2004. After two years of building cash reserves, theatres tapped into those reserves in 2003 when bottom lines were at their worst, then they began to replenish cash reserves in 2004. At the same time, theatres' level of working capital is dangerously low, despite improvement from 2003 to 2004. The additional expense of running these facilities is evident in the substantial increases in occupancy, building, equipment and maintenance costs.

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 percentage of expenses with both ticket income and non-trustee

individual donations than other groups. They also allocate the highest percentage of their budgets to physical production expenses and were the only group to end the year with positive average working capital. Group 5 Theatres continue to bring in more ticket income through subscriptions rather than single ticket sales. They also spend the lowest percentage of their budgets on artistic personnel and the most on technical staff.

Mid-sized theatres appear to be struggling. Although they ended the year with an average positive CUNA, Group 4 Theatres' working capital ratio is at a precipitously low -43%. Group 4 Theatres support more of their total expenses with state and local funding and spent more of their budgets on administrative personnel.

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

We continue to establish the nation's artistic and cultural heritage and make significant contributions to artists, to our communities and to the economy. As a field, we contributed an estimated $1.46 billion to the economy in the form of direct compensation and payment for services and goods. We shared our art with 32 million patrons. We provided employment to 104,000 artists, administrators and technical personnel. We continue to strive for excellence in the pursuit and realization of our missions.

METHODOLOGY

Theatre Facts 2004 includes information on participating theatres' fiscal years ending between September 1, 2003 and August 31, 2004. Information provided by Profiled Theatres was verified against certified financial audits. The adjustment for inflation in the discussion of Trend Theatres of 10% is based on 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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2004 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), Valley Youth Theatre (3)

ARKANSAS
Arkansas Repertory Theatre (3)

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

COLORADO
Arvada Center for the Arts and Humanities (5), Creede Repertory Theatre (2), Curious Theatre Company (1), Denver Center Theatre Company (6)

CONNECTICUT
Connecticut Repertory Theatre (2), Hartford Stage (5), Long Wharf Theatre (5), Westport Country Playhouse (4), Yale Repertory Theatre (5)

DELAWARE
Delaware Theatre Company (3)

D.C.
Arena Stage (6), The Shakespeare Theatre (6), The Studio Theatre (4), Woolly Mammoth Theatre Company (3)

FLORIDA
Asolo Theatre Company (4), Florida Stage (4), Florida Studio Theatre (4), New Theatre (2)

GEORGIA
Alliance Theatre Company (6), Dad's Garage Theatre Company (1), 7 Stages (2), Synchronicity Performance Group (1)

HAWAII
Honolulu Theatre for Youth (3)

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

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

INDIANA
Indiana Repertory Theatre (5)

IOWA
Riverside Theatre (2)

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

MAINE
Portland Stage Company (3)

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

MASSACHUSETTS
American Repertory Theatre (5), Berkshire Theatre Festival (3), Harwich Junior Theatre and the Winter Company (1), Huntington Theatre Company (5), Merrimack Repertory Theatre (3), New Repertory Theatre (2), North Shore Music Theatre (6), Shakespeare & Company (4), Wellfleet Harbor Actors Theater (2), Williamstown Theatre Festival (4)

MICHIGAN
Meadow Brook Theatre (3), Plowshares Theatre Company (1)

MINNESOTA
The Children's Theatre Company (5), Commonweal Theatre Company (2), Guthrie Theater (6), Illusion Theater and School (3), Pillsbury House Theatre (2), Stages Theatre Company (3), Ten Thousand Things Theater Company (1), Theatre de la Jeune Lune (3)

MISSISSIPPI
New Stage Theatre (2)

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

NEVADA
Nevada Shakespeare Company (1)

NEW HAMPSHIRE
Peterborough Players (2)

NEW JERSEY
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 (2), Cider Mill Playhouse (2), The 52nd Street Project (2), The Foundry Theatre (1), Geva Theatre Center (5), INTAR Theatre (2), Kitchen Theatre Company (1), Lark Play Development Center (2), Lincoln Center Theater (6), Mabou Mines (2), Manhattan Theatre Club (6), Ma-Yi Theater Company (1), Merry-Go-Round Playhouse (3), New York Theatre Workshop (4), Ping Chong & Company (2), Playwrights Horizons (5), Primary Stages (3), The Public Theater (6), Roundabout Theatre Company (6), Second Stage Theatre (5), Signature Theatre Company (3), SITI Company (2), Syracuse Stage (4), Target Margin Theater (1), Theatre for a New Audience (3), Vineyard Theatre (3), The Wooster Group (2)

NORTH CAROLINA
Actor's Theatre of Charlotte (1), North Carolina Stage Company (1), PlayMakers Repertory Company (3), Triad Stage (3)

OHIO
Cincinnati Playhouse in the Park (5), The Cleveland Play House (5), Cleveland Public Theatre (3), Columbus Children's Theatre (2), Great Lakes Theater Festival (3), The Human Race Theatre Company (3)

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

PENNSYLVANIA
Actors Company at the Fulton (4), Arden Theatre Company (4), Bloomsburg Theatre Ensemble (2), Bristol Riverside Theatre (3), City Theatre Company (3), Open Stage of Harrisburg (1), The Pennsylvania Shakespeare Festival (3), Pig Iron Theatre Company (1), Mum Puppettheatre (1), Pittsburgh Public Theater (5), The Wilma Theater (4)

RHODE ISLAND
Gamm Theatre (2), Perishable Theatre (1), Trinity Repertory Company (5)

SOUTH CAROLINA
Arts Center of Coastal Carolina (4)

TENNESSEE
Clarence Brown Theatre Company (2), Playhouse on the Square (3), Tennessee Repertory Theatre (3)

TEXAS
Alley Theatre (6), Dallas Children's Theater (4), Dallas Theater Center (5), Salvage Vanguard Theater (1), Zachary Scott Theatre Center (3)

UTAH
Pioneer Theatre Company (4), The Salt Lake Acting Company (3), Utah Shakespearean Festival (5)

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

VIRGINIA
Barksdale Theatre (3), Signature Theatre (3), Theater of the First Amendment (1)

WASHINGTON
ACT Theatre (4), Book-It Repertory Theatre (2), Intiman Theatre (4), Seattle Children's Theatre (5), Seattle Repertory Theatre (5), Wing-It Productions (1)

WEST VIRGINIA
Contemporary American Theater Festival (2)

WISCONSIN
American Players Theatre (4), First Stage Children's Theater (4), Milwaukee Repertory Theater (5)