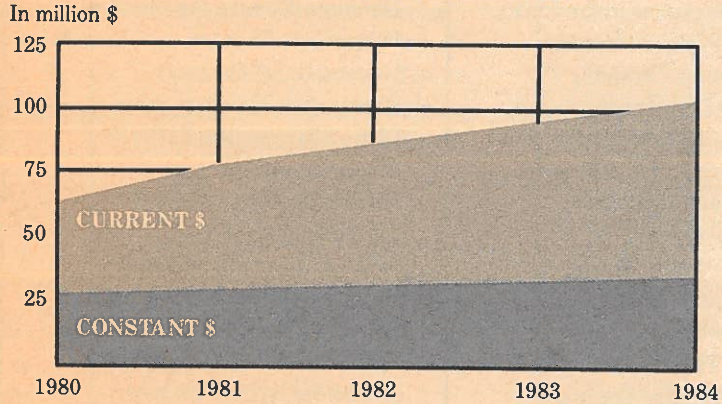
COMPARISON: INCOME IN CURRENT AND CONSTANT DOLLARS



In million $	1980	1981	1982	1983	1984
Current	65.1	77.4	85.9	96.4	107.6
Constant	26.3	28.2	29.4	32.3	35.0

(Base year for constant dollars is 1967)

gained a foothold and are operating efficiently. Increased investments in administrative personnel over the past five seasons have provided considerable returns, evidenced in the substantial expansion of the 1984 subscription audience secured by marketing departments, and in the rapid growth in those forms of contributions over which development staffs have some direct control – particularly donations from individuals, corporations, and keenly orchestrated fund-raising events.

The total amount paid in royalties and commissions to playwrights and composers decreased by 7.5 percent in 1984, largely due to a higher than normal increase reported by one theatre the previous year, when a popular revival enjoyed a long run, resulting in unusually high royalty totals for that year. If royalty expense figures are adjusted for this unusual factor, royalty payments – which are related to box office grosses – would reflect a significant increase of 19 percent over 1983 levels.

The total of all other expenses, which include the costs of scenic and wardrobe materials, office supplies and equipment, printing, postage, utilities and so forth, increased 11 percent in 1984 and accounted for 39 percent of all expenses. The 1984 increase is slightly below the 13 percent increase seen the year before, but is a considerable improvement over the 1982 season, when all other expenses grew by only 5 percent as managements held down costs in response to growing financial pressures.

THE BOTTOM LINE

For the third consecutive year, the 37 Sample theatres collectively ended the year in the red, with an aggregate deficit of $1.4 million – double the amount recorded the previous year and by far the most serious annual deficit recorded in the period studied. Only five years earlier, the group posted an aggregate *surplus* of almost $1.5 million.

Over the past five years, total income for these 37 theatres has increased by more than 65 percent, but total expenses have grown much faster, by nearly 71 percent. While the growth in grants and contributions had picked up by the end of 1984, the increase in earnings had slowed somewhat. As a result, at the end of the 1984 season, 17 of the Sample theatres recorded deficits.

The double-digit inflation which had been sending shockwaves through the economy at the beginning of the decade had slowed to only 3.1 percent during the 1984 survey year. With inflation under control, runaway costs were no longer the greatest threat to the survival of the nonprofit theatre. With reductions in federal and foundation support, theatres sought to close the gap with intensified development efforts, now geared mainly toward individuals and corporations.

Compounded growth rates – which reflect average annual growth as if there were no inflation – reveal the ravages of the past five years. Adjusted for inflation, expenses have grown by an average of 8 percent annually since 1980; total earnings have grown at virtually the same rate. However, total contributions have increased much more slowly – by an average of less than 6 percent per year.

Over these five years, the 37 Sample theatres have seen expansions in earnings and expenses – and to a lesser degree contributions – which outpaced growth in the field at large. Dramatic changes in the nation's economy, which have visibly affected philanthropic patterns and have resulted in intense competition for available charitable dollars, have left smaller, developing theatres – which have neither the resources nor the visibility to compete boldly – sadly behind. The effects of these trends, with all theatres in mind, continue to raise serious questions about the future stability of the field.