

SPECIAL REPORT

BOOKED-IN EVENTS

Income from booked-in events fell by just over 25 percent in 1984, and covered less than 2 percent of all operating expenses—the lowest portion in five years. Both income from booked-in events and the total number of booked-in performances have declined in four of the past five seasons.

In 1981, when income from bookings reached a five-year high and covered nearly 5 percent of the season's expenses, it seemed a logical and perhaps even lucrative way to generate additional funds and provide additional community services. Since 1981, however, such income has declined by 54 percent, and in 1984, only 12—one-third of the Sample theatres—sponsored booked-in events.

Changes in the pattern of booked-in event activity are due to a combination of factors. Certainly, the growth in mainstage and other resident producing activity during the past two seasons has limited the availability of performance spaces for such outside bookings. At the same time, the reduction in the number of available touring theatre productions nationwide has also had an impact on sponsoring potential. Of the total number of booked-in presentations and performances, fully one-third of the activity was in a film series presented by one theatre.

EDUCATIONAL PROGRAMS

During 1984, income from educational programs—including resident training programs and classes, as well as outreach activities serving local schools and community groups—grew by 10.5 percent. Virtually all of this gain is due to a growth in revenue from tuition and fees for these programs.

Thirteen of the Sample theatres reported income from such programs in 1984 (not including training offered at three university-based theatres which produces no direct income for those theatres). Resident training program income has increased in each of the past four years, growing in 1984 alone by nearly 12 percent.

Income from outreach programs also grew during 1984, but by a smaller 7 percent. The 1984 increase in outreach activity income is the first in the five years studied. It is an encouraging sign that theatres are identifying alternative ways to maintain these community services, which were historically conducted with governmental funds at the federal, state and local levels, prior to reductions in this form of governmental support.

Educational programs, in addition to helping develop future theatre audiences through arts and humanities programs in the public schools, have helped to train and strengthen local pools of professional talent, as well as to

provide additional employment opportunities for company members.

Among the Sample theatres, the American Conservatory Theatre and Circle in the Square operate full-scale professional training programs. In addition, the Yale Repertory Theatre is affiliated with Yale University's School of Drama.

OTHER EARNINGS

Not surprisingly, income from operating fund interest and dividends fell by nearly 8 percent in 1984, a reflection of lower interest rates prevailing during the survey year.

Endowment income (generated by permanent income-producing funds) directed toward operating expenses fell slightly in 1984, by just over 4 percent. The decrease in endowment income used for operating expenses in 1984 is not simply a reflection of lower interest rates, because several theatres returned a portion of the interest earned to the principal balance.

While the total dollar amount remains fairly small—particularly when compared to multi-million dollar endowment funds maintained by many museums, symphony orchestras and opera companies—there has been improvement in the endowment picture for these theatres over the past five years. In 1980, only eight of the Sample theatres had established endowments. By 1984, 19 of the Sample theatres had managed to establish endowments (4 of which were started during the 1984 season alone). Nine of the nineteen used a portion of the interest earned to cover a small part—still less than one percent—of the season's operating expenses.

In 1984, principal balances ranged from \$15,000 to \$4.8 million, with the median principal at \$345,500. The combined 1984 endowment assets for Sample theatres is more than double the 1980 amount, but only four theatres had endowments of \$1 million or more. Nationally recognized fund-raising experts and philanthropic officers have urged nonprofit organizations to direct a substantial portion of their resources and energies toward building endowment funds equal to at least one year's operating expenses in order to achieve a measure of financial stability. Based on that rule of thumb, endowments for these 37 theatres should total \$109 million—more than five times their current level of \$20.4 million. While funds of that magnitude are common in education, health care, and even some other performing arts disciplines, for these theatres (which are still young and have yet to expand their contributions bases sufficiently to operate in a positive financial position on a year-to-year basis) endowment funds have little real impact on present operations or future security.

While the recent improvement in the Sample's endowment picture is promising, it is important to note that these theatres are among the nation's largest and most sophisticated, annually devoting considerable staff and trustee time to the cultivation of such funds. For most smaller theatres, establishment of such funds is still a distant goal on the long-range planning horizon.

Royalty payments to the Sample theatres from subsequent productions of plays they have developed, as well as from film, television and recording activity, grew by nearly 22 percent in 1984. The increase reverses a two-

TOTAL INCOME AND EXPENSES

In thousand \$	1980	1981	1982	1983	1984
Earned Income	40,698	49,191	55,227	62,690	69,397
Total Expenses	63,659	77,161	86,373	97,144	109,015
Earnings Gap	-22,961	-27,970	-31,146	-34,454	-39,618
Contributed Income	24,439	28,224	30,626	33,758	38,223
Total Income	65,137	77,415	85,854	96,448	107,620
Surplus/Deficit	1,478	80	-519	-696	-1,395