Annual Field Report 2006


OPERA AMERICA
www.operaamerica.org

OPERA America
Annual Field Report 2006
©January 2008, OPERA America, Inc.

Cover photo credits (from left to right):
• Photo: American Opera Projects 2006 performance of Weisman's *Darkling*. Photo by Richard Termine (for *The New York Times*).
• Jeannine Thames, Elizabeth Grohowski, Michael Zegarski, Matt Morgan, Barbara Dever, Karen Huffstodt, Eric Jordan and John Easterlin in Gotham Opera Chamber Opera's 2006 production of Britten's *Albert Herring*. Photo by Richard Termine.
• Anna Netrebko and Rolando Villazón in Los Angeles Opera's 2006 production of Massenet's *Manon*. Photo by Robert Millard.

OPERA America — the nonprofit service organization for opera — leads and serves the entire opera community, supporting the creation, presentation and enjoyment of opera. Artistic services help opera companies and creative and performing artists to improve the quality of productions and increase the creation and presentation of North American works. Information, technical and administrative services to opera companies reflect the need for strengthened leadership among staff, trustees and volunteers. Education, audience development and community services are designed to enhance all forms of opera enjoyment.

OPERA America's membership includes 133 Professional Company Members in North America, more than 250 Associate and Business Members (many of which produce and present opera), and 1,500 Individual Members from around the world.

Additional copies of the report are available to members at $10.00 per copy, plus postage and handling. The nonmember price is $15.00 per copy, plus postage and handling.

OPERA America, Inc.
330 Seventh Avenue, 16th Floor
New York, NY 10001
Phone: 212-796-8620
Fax: 212-796-8631
E-mail: Frontdesk@operaamerica.org
Web Page: www.operaamerica.org

The OPERA America 2006 Annual Field Report

By Patricia Egan and Nancy Sasser, Cool Spring Analytics

OPERA America's Annual Field Report (AFR) reports on key facts and trends in the opera field in the United States and Canada. The report is based on the Professional Opera Survey (POS) that member opera companies complete each year, submitting details of their annual finances and performance and attendance activity. The 2006 AFR covers the fiscal year that ended during calendar 2006, and includes trend data back to 2002.

As in 2005, the 2006 AFR reports mixed results from the field, with strengths in some areas offset by challenges in other areas. Highlights of the 2006 AFR include:

- The **Survey Universe** increased in 2006, and 68 companies reported balanced budgets or surpluses, two more than in 2005.
- In the **U.S. Constant Sample Group (U.S. CSG)**, companies that reported consistently for five years:
    - Performance activity — numbers of productions, performances and total attendance — was down in 2006 and since 2002;
    - Despite reduced attendance, box office revenue held even with the 2005 level, as companies continued to increase their ticket prices;
    - For the fourth year in a row, private contributions exceeded box office as the largest revenue source, and individual giving continued to show large gains;
    - Artistic and production spending dipped 1% in 2006 with the decline in performance activity, though resources devoted to education activities continued to grow;
    - Marketing and development expenses increased in 2006 and over the four-year period as companies invested in their revenue-generating efforts;
    - Balance sheets strengthened as investments responded to the stronger capital markets, though the larger companies with endowments benefitted more than smaller companies; and
    - Working capital also improved, though it was again the larger companies that generated the increase.
- The **Canadian Constant Sample Group (CA CSG):**
    - Reported 15% growth in revenue in 2006, and 34% since 2002, with net income for each of the last four years;
    - Increased both attendance and box office revenue in 2006;
    - Continued to increase artistic and production spending, though the number of productions and performances declined in 2006 for the first time in the four-year period;
    - Invested more in marketing and development efforts in 2006, like their U.S. counterparts; and
    - Increased all of their capital components: net assets, working capital, investments and fixed assets, though the Canadian companies hold fewer capital assets than the U.S. CSG.

Contents **Page**

Introduction to the Analysis 4
Overview of the Opera Field 5
United States Constant Sample Group 6
    Level 1 12
    Level 2 17
    Level 3 22
    Level 4 27
Canadian Constant Sample Group 32
Conclusion 37

Introduction to the Analysis

The 2006 AFR is divided into several sections of analysis:

- **Overview of the Opera Field** — a look at key statistics from the full survey universe of 110 reporting companies in 2006
- **Constant Sample Groups (CSG)** — for companies that have reported consistently for five years, a review of trends in revenue and expenses; key balance sheet measures; productivity measures; and production, performance, attendance and pricing activity. There are six CSG analyses:

    - **U.S. CSG** — 56 companies (five fewer than in 2005), excluding the Metropolitan Opera because of its size, with budgets ranging from $183,000 to $62 million.

        The 56 companies are then analyzed by levels, which are based on the lesser of their operating expenses or unrestricted revenue for the year:

        Level 1 CSG — $10 million and above — 12 reporting
        Level 2 CSG — $3 million to $9,999,999 — 17 reporting
        Level 3 CSG — $1 million to $2,999,999 — 14 reporting
        Level 4 CSG — Under $1 million — 13 reporting

    - **Canadian CSG** — 11 companies, with budgets ranging from $414,000 to $23 million.

Not every company reports balance sheet information in the CSG, and the balance sheet trends reflect two fewer U.S. companies and one fewer Canadian company. Four-year trends are also adjusted for inflation, for a Real Growth Rate. The inflation rate in the U.S. was 12.1% for the four-year period, while Canada's was 9.1%. The one-year rates in 2006 were 3.2% for the U.S. and 2.0% in Canada. If the one-year or four-year percentage changes for any line item are larger than 1000%, they are shown in the tables as "n/a," indicating the numbers involved are so greatly disparate that a percentage comparison is not helpful.

The AFR presents an overview and generalization of the field's activity. While it offers a detailed look at levels within the opera field, the data and trends are the averages of groups of companies that may have little in common operationally beyond their budget size. The trends of a group may not reflect the trends of an individual company. OPERA America provides all of the data to member companies, and this can be used to do more targeted benchmarking.

Overview of the Opera Field

This overview is a snapshot of the total activity reported by 110 companies, an increase of two companies from the 2005 AFR. The mix of companies each year varies slightly; for a year-to-year comparison of the same companies, turn to the sections on the U.S. CSG or CA CSG.

In 2006, 85% of the total membership completed the survey, and the U.S. companies comprise 85% of the reported activity. The AFR reports Canadian companies' activity in Canadian dollars and combines it with the U.S. activity in this table.

Table 1
Financial & Performance Activity
2006 Survey Universe

	2005	2006
Financial Activity		
Earned Revenue	$397,235,075	$401,392,001
Contributed Revenue	$393,676,151	$425,914,263
Total Unrestricted (UR) Revenue	$790,911,226	$827,306,264
Total Expenses	$795,374,372	$848,521,180
Unrestricted Net Income (Loss)	($4,463,148)	($21,214,915)
Net income as % of expense	-0.6%	-2.5%
Earned as % of total revenue	50%	49%
Contributed as % of total revenue	50%	51%
Investments	$955,660,572	$989,125,701
Investments as % of expense	120%	117%
Performance Activity		
Total main season attendance	3,603,363	3,739,086
Total main season productions	416	434
Total main season performances	2,100	2,032
Responding companies	108	110

Opera companies' financial activity — revenues and expenses — continued to grow in 2006, both in aggregate and when averaged among the reporting companies. Fifty-eight companies reported net income for the year. The Metropolitan Opera represents a quarter of the financial activity for the year. Average revenue for the other 109 companies was $5.6 million, a 7% increase over the 2005 average. The median revenue and expense was only $1.9 million, meaning that half the companies had expenses greater than $1.9 million and half had less; the disparity between the average and the median reflects the larger companies' domination of the survey sample. The median was unchanged from 2005 to 2006.

The ratio of earned to contributed revenue has been shifting annually. In 2003, earned revenue was 52% of total revenue, but has declined 1% per year to the current 49%. The Metropolitan Opera's high level of earned revenue — 59% in 2006 — affects the total ratio, and when excluded from the sample, the other companies average 45% earned to 55% contributed revenue. Generally, the larger companies had a greater percentage of earned revenue than the smaller companies, as they attract larger audiences whose ticket purchases cover more of their operating costs.

Investments, which include separately held endowments, approached the $1 billion mark, but did not grow as fast as expenses in 2006. Again, the Met dominates the results, with an investment portfolio exceeding $335 million, a third of the total. The remaining $657 million was reported by 78 other companies, and two-thirds of that amount is held by eleven U.S. Level 1 companies.

Companies produced more operas in 2006 than 2005. More people attended opera as well, though there were fewer performances, suggesting that companies may be programming more efficiently.

United States Constant Sample Group

The 2006 U.S. CSG included 56 companies that completed the POS each year from 2002 to 2006 (excluding the Metropolitan Opera). This is five fewer than in 2005, as three companies from Level 2 and two companies from Level 4 did not respond this year. Expenses ranged from $183,000 to $60.1 million. The average revenue and expense for the 56 companies was $8.6 million, while the median was $3.6 million — the larger companies have a striking impact on the average. The analyses of the individual levels provide a more focused look at companies of different budget sizes, and trends for each of the levels may vary from the U.S. CSG.

Highlights of 2006 results and four-year trends for the 56 companies include:

- After a jump in operating activity in 2005, revenue and expense leveled off, and the U.S. CSG showed an unrestricted net loss for 2006, after generating net income in 2005;
- Box office revenue was flat in 2006 after two years of modest growth, while other earned revenue increased by almost a third over the prior year;
- The strongest four-year growth was in investment income, reflecting the recovery of the capital markets since 2002;
- Private support exceeded box office revenue for the fourth year in a row, and individual giving was the source with the greatest growth. Corporate giving was down from the 2002 level, as were net assets released from restrictions (which include contributions from any source);
- Companies increased the percentage of their budgets spent on generating revenue — marketing expenses, fundraising activities and expenses for other earned income, while allocating a smaller percentage to artistic and production expenses between 2002 and 2006;
- While the number of productions and performances declined over the period, per production expenditures increased 15% from 2002 to 2006 and per performance spending jumped 21% — both exceeded the four-year inflation rate; and
- The average capital components were significantly stronger in 2006 than 2002, as net assets, working capital and investments grew faster than operating expenses and inflation.

U.S. CSG Operating Activity

The U.S. CSG experienced no growth in unrestricted revenue[1] in 2006, and with a 1% expense increase, the companies posted a small net loss. Revenue outpaced inflation since 2002, while expenses grew at the same rate as inflation. Twenty-seven of the 56 companies reported unrestricted net income, compared to 30 in 2005.

Table 2
Unrestricted Net Income
U.S. Constant Sample Group of 56 Companies

Averages in dollars	2002	2003	2004	2005	2006	Percentage Change 1-yr	4-yr	4-yr RGR*
Total Revenue	7,353,552	7,464,171	7,838,362	8,597,216	8,598,674	0%	17%	5%
Total Expense	7,694,431	7,758,730	7,877,651	8,525,888	8,635,163	1%	12%	0%
Unrestricted Net Income (Loss)	(340,878)	(294,559)	(39,289)	71,328	(36,489)	151%	89%	77%
As a percentage of expense	-4.4%	-3.8%	-0.5%	0.8%	-0.4%			

* 4-year Real Growth Rate - adjusted for inflation

Box office revenue was flat in 2006 and grew slower than inflation over the four-year period. The drop in investment income in 2006 was primarily due to one company's reporting of large investment gains in 2005 that were not repeated last year. Large increases in other earned income for several of the Level 1 companies generated the 29% spike in that line.

[1] Unrestricted revenue may include both operating and non-operating revenue. Examples of non-operating revenues include gifts for capital projects and gains and losses on investments in excess of an endowment spending rule.

Contributed revenue fell slightly in 2006, though both individual contributions and public support showed strong growth. Of the private contributed revenue sources, only corporate support declined from 2002 to 2006. Net assets released from restriction, which includes grants and contributions from any source, also declined. The net assets that are released can include funds for special projects or capital campaigns, and this line tends to bounce up and down reflecting companies' unique activities each year.

In 2006, the U.S. CSG reported earned revenue of 47% of expenses, up 3% from 2002. Contributed revenue covered 53% of expenses, an increase of 1% from 2002.

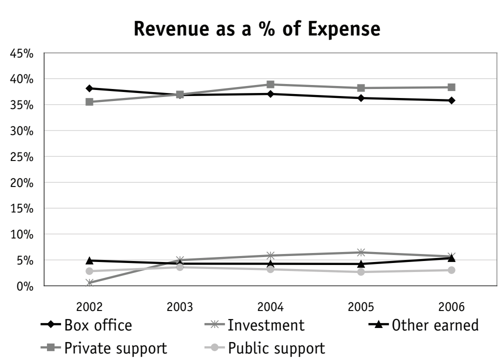
Table 3
Revenue
U.S. Constant Sample Group of 56 Companies

Averages in dollars	2002	2003	2004	2005	2006	Percentage Change 1-yr	4-yr	4-yr RGR*
Earned revenue								
Box office	2,934,253	2,858,920	2,919,627	3,091,896	3,092,539	0%	5%	-7%
Investment	44,813	384,445	460,447	549,246	488,850	-11%	991%	979%
Other earned	374,596	331,300	335,494	358,850	461,466	29%	23%	11%
Total earned revenue	3,353,663	3,574,665	3,715,567	3,999,992	4,042,855	1%	21%	8%
Contributed revenue								
Private								
Individual	1,492,746	1,456,002	1,732,197	1,770,585	1,868,528	6%	25%	13%
Corporate	254,271	267,682	242,416	246,837	239,636	-3%	-6%	-18%
Foundation	481,401	552,887	551,520	585,322	589,400	1%	22%	10%
Other private support	505,142	589,920	538,172	655,341	614,424	-6%	22%	10%
Total private support	2,733,560	2,866,491	3,064,305	3,258,084	3,311,987	2%	21%	9%
Public support	216,581	277,528	250,587	227,756	260,516	14%	20%	8%
Net assets released from restriction	1,049,749	745,487	807,902	1,111,384	983,316	-12%	-6%	-18%
Total contributed revenue	3,999,890	3,889,506	4,122,795	4,597,224	4,555,819	-1%	14%	2%
Total unrestricted revenue	7,353,552	7,464,171	7,838,362	8,597,216	8,598,674	0%	17%	5%

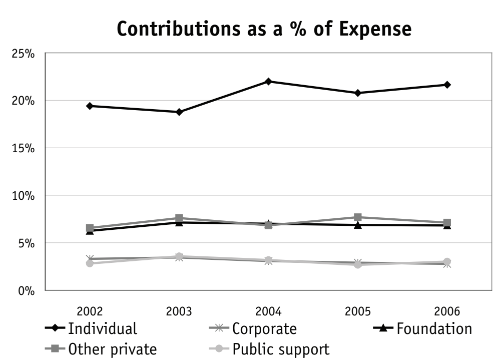
* 4-year Real Growth Rate - adjusted for inflation

Private support covered the greatest percentage of expenses for the third year in a row, as box office revenue continued to decline (graph A). Graph B illustrates the growing importance of individual contributions, while other sources of contributions changed little since 2002. Within contributed support, individual contributions were the largest revenue source (graph B), and covered the greatest percentage of the organizations' expenses.

Public support showed fluctuations year-to-year in city and state funding while federal funding was relatively stable. Only county funding increased significantly over the four-year period — from an average of $30,000 in 2002 to $82,000 in 2006. While these were general trends, city, county and state funding varies significantly by location, more so than by budget size.



Graph A



Graph B

Financial Position Terminology

Balance sheet measures and ratios may be used to track the overall health of an opera company. We have included the following measures in the Annual Field Report.

Total Net Assets — this is what an organization owns after paying off all its liabilities or all that it owes. Total net assets should grow at least as fast as operating expenses each year, indicating that an opera company is building its total capital.

- Unrestricted (UR) net assets have no donor imposed restrictions, are available for use by a company, and generally include fixed assets.
- Temporarily restricted (TR) net assets represent gifts for future periods or for specific projects. Growth in temporarily restricted net assets indicates that the organization is funding projects in advance of implementing them, a positive trend.
- Permanently restricted (PR) net assets are restricted by the donor in perpetuity. Permanently restricted net assets are most commonly endowment. Increases may be caused by increases in the market value of existing investments or by new gifts from donors.

Working Capital

Working capital consists of the unrestricted resources available for operations. It is a fundamental financial building block of an organization. Adequate working capital provides financial strength and flexibility to an organization, the ability to meet obligations as they come due, and the ability to take more risks, knowing there is a cushion to fall back on. Working capital is calculated as unrestricted net assets less fixed assets (for Canadian companies, the calculation is total net assets less fixed assets). If an organization has unrestricted investments, they will be included both in working capital and in total investments. Working capital can be related to the size of an organization's operation. An increase in the ratio over time, which indicates growth in financial strength at least in proportion to growth in operating size, is a healthy trend.

Investments

Invested capital includes monies usually invested long-term, and includes both investments reported on an organization's balance sheet and separately incorporated endowment funds. It approximates reserves and endowment, and may be unrestricted, temporarily restricted or permanently restricted. Income from investments is available for operations or to support specific purposes. Invested capital that provides a significant revenue stream increases the strength and sustainability of an organization. Investments may be related to the size of an organization's operation. An increase in the ratio over time, which indicates investment growth at least in proportion to growth in operating size, is a healthy trend.

Fixed Assets

Fixed assets includes all land, buildings, equipment, any capitalized production elements (sets, props, costumes) and other fixed assets owned by the organization. Fixed assets are generally unrestricted, but may be temporarily restricted.

Productivity Measures

Productivity ratios measure how many dollars are generated by each dollar spent on revenue generating activities. Expenses include both personnel and non-personnel costs. Examples of two of these productivity ratios — marketing and development — are provided below.

The marketing productivity ratio measures how many dollars of program revenue are generated by each dollar spent on marketing and public relations. It is calculated as:

Marketing Productivity = Total box office revenue ÷ Marketing expenses

The development productivity ratio measures how many dollars of contributed revenue are generated by spending a dollar on development. This calculation includes restricted contributions as well as unrestricted, because development expenses include expenses for any capital fundraising, such as for permanently restricted endowment. It is calculated as:

Development Productivity = Total contributions (including unrestricted, temporarily and permanently restricted) ÷ Development expenses

The program coverage measure tracks what portion of artistic and production costs are covered by box office revenue. It is calculated as:

Program Coverage = Total box office revenue ÷ Artistic, production and artist training expenses

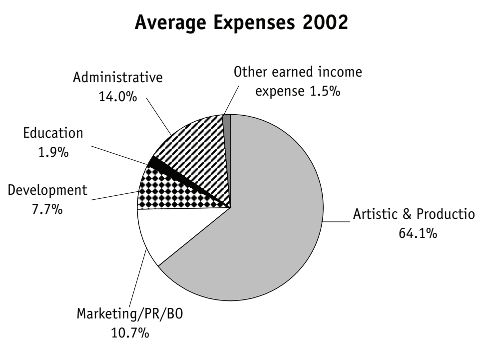
After a large increase in personnel spending in 2005, personnel expenses leveled off in 2006, while non-personnel expenses increased 4% for the year. Expenses to generate other earned income showed the largest increases, corresponding to the rise in the related income line. Companies also invested significantly more in education activities since 2002. Over the four-year period, personnel costs were up 1% more than inflation; non-personnel were 1% less.

Companies spent a smaller percentage of their budget on artistic and production expenses in 2006 than 2002, while increasing the percentage for education and revenue generation, as shown in graphs C and D.

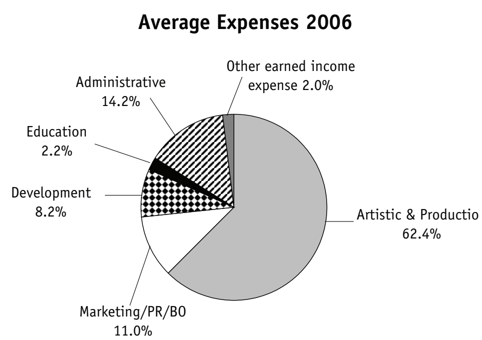
Table 4
Expenses
U.S. Constant Sample Group of 56 Companies

Averages in dollars	2002	2003	2004	2005	2006	Percentage Change 1-yr	4-yr	4-yr RGR*
Personnel								
Artistic (incl singer training)	2,462,391	2,515,751	2,586,772	2,836,605	2,754,245	-3%	12%	0%
Production & technical	1,279,031	1,246,063	1,293,375	1,354,724	1,401,241	3%	10%	-3%
Marketing/PR/Box office	264,271	284,024	292,495	309,715	320,027	3%	21%	9%
Development	285,184	308,201	305,660	327,431	342,629	5%	20%	8%
Education	96,158	102,295	112,943	112,762	122,868	9%	28%	16%
Administrative	475,585	522,675	502,112	549,693	542,625	-1%	14%	2%
Total personnel expense	4,862,622	4,979,009	5,093,357	5,490,931	5,483,635	0%	13%	1%
Non-Personnel								
Production (incl singer training)	1,192,197	1,103,481	1,113,921	1,232,700	1,234,885	0%	4%	-9%
Marketing/PR/Box office	559,735	533,138	569,519	612,750	627,427	2%	12%	0%
Development	309,130	304,133	286,201	352,960	366,973	4%	19%	7%
Education	53,374	71,143	55,700	59,631	66,879	12%	25%	13%
Administrative	600,150	637,787	628,995	636,891	687,064	8%	14%	2%
Other earned income expenses	117,223	130,039	129,958	140,026	168,301	20%	44%	31%
Total non-personnel expense	2,831,809	2,779,721	2,784,294	3,034,957	3,151,528	4%	11%	-1%
Total expense	7,694,431	7,758,730	7,877,651	8,525,888	8,635,163	1%	12%	0%

* 4-year Real Growth Rate - adjusted for inflation



Graph C



Graph D

Development productivity was up in the one-year and four-year periods, though it fluctuated year to year (table 5). Marketing productivity declined consistently since 2002, both for the U.S. CSG and for each of the levels, as the rate of rising marketing costs exceeded sluggish box office growth. The program coverage increase in 2006 reflects the decrease in artistic and production spending rather than higher ticket sales.

Table 5 **Productivity Measures** **U.S. Constant Sample Group of 56 Companies**							
						Percentage Change	
Averages	**2002**	**2003**	**2004**	**2005**	**2006**	**1-yr**	**4-yr**
Development productivity	$6.89	$7.85	$8.36	$6.93	$7.64	10%	11%
Marketing productivity	$3.56	$3.50	$3.39	$3.35	$3.26	-3%	-8%
Program coverage	59.5%	58.8%	58.5%	57.0%	57.4%	1%	-4%

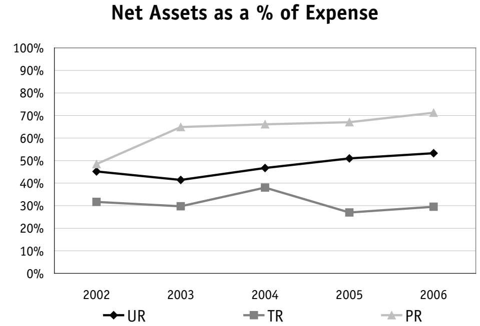
U.S. CSG Financial Position

The balance sheet contains the history of an organization's financial activity, and key balance sheet indicators can measure an organization's financial position or strength. (See page 8.) Total net assets, the accumulation of a company's surpluses and deficits since inception, grew in 2006 as well as over the four-year period, with particularly strong growth in unrestricted and permanently restricted net assets. Working capital was 10% of operating expenses for two years in a row — companies have the equivalent of just over one month's worth of expenses available to cushion their cash flow needs (table 6 and graph F). Investments, which include both endowment funds and other investments, were up 11% in 2006, from both market gains and additions to endowment funds, and continue to grow as a percentage of operating expenses. Companies continued to add to their property and equipment, which includes capitalized production elements, as net fixed assets were up 7% for the year.

Table 6 **Balance Sheet** **U.S. Constant Sample Group of 54 Companies**								
						Percentage Change		
Averages in dollars	**2002**	**2003**	**2004**	**2005**	**2006**	**1-yr**	**4-yr**	**4-yr RGR***
Net assets (NA)								
Unrestricted (UR)	3,475,341	3,212,485	3,681,463	4,344,213	4,599,952	6%	32%	20%
Temporarily restricted (TR)	2,436,354	2,306,345	2,996,907	2,300,376	2,548,432	11%	5%	-7%
Permanently restricted (PR)	3,729,027	5,033,432	5,206,497	5,715,661	6,151,584	8%	65%	53%
Total net assets	9,640,722	10,552,262	11,884,866	12,360,250	13,299,968	8%	38%	26%
Total NA as % of expense	125%	136%	151%	145%	154%			
Working capital	40,364	(440,389)	283,792	829,440	821,965	-1%	n/a[1]	n/a[1]
Working capital as % of expense	1%	-6%	4%	10%	10%			
Investments	7,010,513	7,407,395	8,003,761	8,861,128	9,822,369	11%	40%	28%
Investments as % of expense	91%	95%	102%	104%	114%			
Net fixed assets	3,434,977	3,652,874	3,397,670	3,514,773	3,777,987	7%	10%	-2%

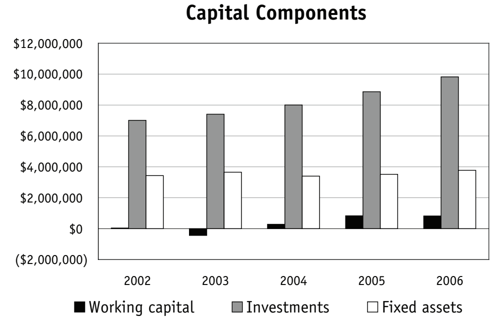
* 4-year Real Growth Rate - adjusted for inflation
[1] Greater than 1000%; see note in "Introduction to the Analysis"

Net Assets as a % of Expense



Graph E

Capital Components



Graph F

U.S. CSG Performance Activity

In 2006, average production and performance activity and attendance declined to their lowest levels in the five years studied. Companies increased their highest ticket prices, both subscription and single ticket, more than the rate of inflation, while making only modest increases in the lowest prices. The highest ticket prices increased at a rate exceeding inflation since 2002, while the lowest ticket prices increased minimally and stayed below the inflation rate.

Table 7
Performance Activity
U.S. Constant Sample Group of 56 Companies

						Percentage Change		
Averages	**2002**	**2003**	**2004**	**2005**	**2006**	**1-yr**	**4-yr**	**4-yr RGR***
Performance Activity								
Main season productions	4.0	3.9	4.0	4.0	3.8	-4%	-5%	
Main season performances	23.3	22.2	22.4	22.4	21.0	-6%	-10%	
Main season total attendance	41,632	39,952	41,208	39,217	38,881	-1%	-7%	
Pricing								
High full subscription price	$418	$442	$448	$449	$476	6%	14%	2%
Low full subscription price	$81	$79	$80	$82	$85	3%	4%	-8%
High single ticket price	$95	$99	$103	$110	$113	3%	19%	7%
Low single ticket price	$19	$19	$20	$21	$21	0%	7%	-5%
Highest orchestra ticket	$82	$92	$94	$98	$101	3%	23%	11%
Low orchestra ticket	$45	$45	$48	$47	$46	-1%	3%	-9%

* 4-year Real Growth Rate - adjusted for inflation

Level 1 Companies

In 2006 the minimum size of a Level 1 company, as defined by OPERA America, was increased to $10 million from $7.5 million. The 2006 Constant Sample Group included 12 companies that have budgets exceeding $10 million (excluding the Metropolitan Opera), compared to 14 companies with budgets over $7.5 million that were in the Level 1 CSG in the 2005 Field Report; two companies moved from Level 1 to Level 2. Total 2006 expenses ranged from $10.5 million to $60.1 million with an average of $28.4 million and a median of $19.7 million. Results from 2006, the four-year trends, and the differences from other levels include:

- Level 1 companies had unrestricted net income for the third consecutive year, and were the only U.S. level to have unrestricted net income in any of the most recent three years;
- Total revenue declined slightly in 2006 and this was the only level that posted a decline in 2006, but revenue growth significantly exceeded expense growth for the four-year period;
- Level 1 is the only level to have box office revenue that is the largest revenue source and exceeds private support;
- Level 1 expenses showed no growth in 2006 and grew at a rate equal to the level of inflation for the four-year period; and
- Net assets, working capital, investments and fixed assets all showed strong increases in 2006.

Level 1 Operating Activity

Level 1 companies sustained their positive operating trend in 2006 with a third consecutive year of net income after two years of unrestricted net losses (2002 and 2003). Seven of the 12 organizations had surpluses.

Table 8
Unrestricted Net Income
U.S. Constant Sample Group of (12) Level 1 Companies

						Percentage Change		
Averages in dollars	**2002**	**2003**	**2004**	**2005**	**2006**	**1-yr**	**4-yr**	**4-yr RGR***
Total Revenue	24,136,787	24,147,102	25,857,020	29,087,228	28,764,182	-1%	19%	7%
Total Expense	25,271,906	25,297,621	25,817,724	28,427,664	28,385,319	0%	12%	0%
Unrestricted Net Income (Loss)	(1,135,120)	(1,150,519)	39,295	659,564	378,863	-43%	133%	121%
As a percentage of expense	-4.5%	-4.5%	0.2%	2.3%	1.3%			

* 4-year Real Growth Rate - adjusted for inflation

Level 1 box office revenue declined slightly in 2006 as seven of the 12 organizations had decreases. For the four-year period, box office revenue did not keep pace with inflation and declined in its coverage of total expense (graph G). Yet Level 1 companies continue to be the only U.S. companies to report box office revenue as the largest revenue source, while other levels show a greater reliance on private support. Investment revenue declined primarily due to unrealized gains in 2005 of one company that were not repeated in 2006. Two companies reported large increases in miscellaneous earned revenue, producing the 34% growth in other earned revenue in 2006. Over the four-year period, growth of investment income mirrors the recovery and strength of the capital markets.

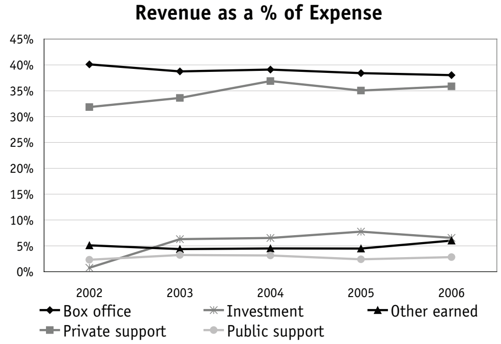
Despite a one-year decline in other private support, and a four-year decline in corporate giving, total private support continued to increase, bolstered by individual giving. The increase in government support in 2006 is primarily due to one company's receipt of a state grant.

In 2006 both earned and contributed revenue supported 51% of expenses, compared to 46% and 50% in 2002. Level 1 has the highest proportion of earned revenue of all the levels.

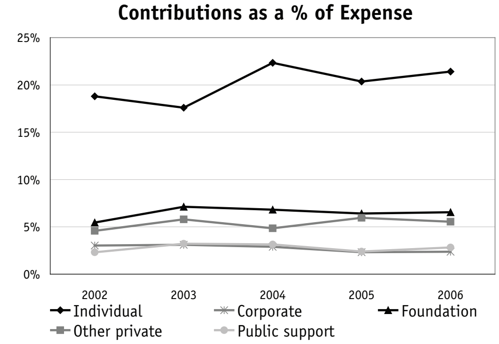
Table 9
Revenue
U.S. Constant Sample Group of (12) Level 1 Companies

Averages in dollars	2002	2003	2004	2005	2006	Percentage Change 1-yr	4-yr	4-yr RGR*
Earned revenue								
Box office	10,137,362	9,803,017	10,098,066	10,920,304	10,796,462	-1%	7%	-6%
Investment	191,054	1,592,895	1,685,612	2,201,902	1,857,262	-16%	872%	860%
Other earned	1,290,753	1,108,895	1,161,753	1,273,585	1,707,804	34%	32%	20%
Total earned revenue	11,619,169	12,504,808	12,945,431	14,395,791	14,361,529	0%	24%	12%
Contributed revenue								
Private								
Individual	4,750,837	4,451,519	5,766,457	5,788,842	6,077,087	5%	28%	16%
Corporate	764,579	784,566	746,543	659,901	672,862	2%	-12%	-24%
Foundation	1,379,237	1,802,272	1,760,423	1,822,392	1,856,948	2%	35%	23%
Other private support	1,156,719	1,466,387	1,250,924	1,693,435	1,573,703	-7%	36%	24%
Total private support	8,051,372	8,504,745	9,524,347	9,964,570	10,180,600	2%	26%	14%
Public support	585,846	815,404	812,655	680,175	802,170	18%	37%	25%
Net assets released from restriction	3,880,400	2,322,146	2,574,587	4,046,691	3,419,882	-15%	-12%	-24%
Total contributed revenue	12,517,618	11,642,294	12,911,589	14,691,437	14,402,653	-2%	15%	3%
Total unrestricted revenue	24,136,787	24,147,102	25,857,020	29,087,228	28,764,182	-1%	19%	7%

* 4-year Real Growth Rate - adjusted for inflation



Graph G

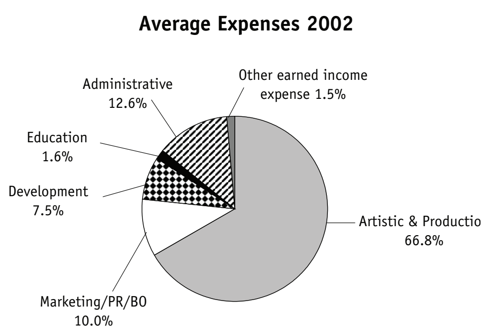


Graph H

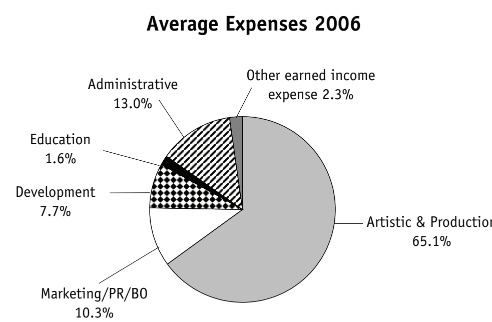
Level 1 total expense was flat in 2006, after a 12% increase the prior year. For the four-year period both personnel and non-personnel expenses grew at roughly the rate of inflation. Level 1 companies allocated a larger portion of their resources to revenue generation, (development and marketing/PR/box office), and less to artistic and production in 2006 than in 2002 (graphs I and J).

Table 10								
Expenses								
U.S. Constant Sample Group of (12) Level 1 Companies								
						Percentage Change		
Averages in dollars	**2002**	**2003**	**2004**	**2005**	**2006**	**1-yr**	**4-yr**	**4-yr RGR***
Personnel								
Artistic (incl singer training)	8,647,727	8,970,956	9,310,237	10,264,548	9,836,984	-4%	14%	2%
Production & technical	4,600,341	4,381,699	4,620,074	4,847,613	4,953,729	2%	8%	-4%
Marketing/PR/Box office	767,770	851,642	903,008	959,848	927,406	-3%	21%	9%
Development	854,527	888,552	891,427	973,280	1,028,836	6%	20%	8%
Education	256,085	268,363	280,135	311,670	329,494	6%	29%	17%
Administrative	1,404,539	1,531,205	1,495,952	1,682,337	1,610,798	-4%	15%	3%
Total personnel expense	16,530,988	16,892,417	17,500,833	19,039,296	18,687,246	-2%	13%	1%
Non-Personnel								
Production (incl singer training)	3,631,013	3,300,174	3,239,736	3,687,988	3,697,126	0%	2%	-10%
Marketing/PR/Box office	1,757,041	1,637,198	1,839,489	1,967,558	1,986,022	1%	13%	1%
Development	1,033,240	933,297	830,750	1,101,824	1,154,214	5%	12%	0%
Education	151,977	148,671	121,339	126,068	130,166	3%	-14%	-26%
Administrative	1,785,283	1,984,231	1,831,680	2,005,238	2,087,070	4%	17%	5%
Other earned income expenses	382,364	401,633	453,898	499,692	643,474	29%	68%	56%
Total non-personnel expense	8,740,918	8,405,204	8,316,892	9,388,368	9,698,073	3%	11%	-1%
Total expense	25,271,906	25,297,621	25,817,724	28,427,664	28,385,319	0%	12%	0%

* 4-year Real Growth Rate - adjusted for inflation



Graph I



Graph J

Level 1 companies showed an increase in development productivity in 2006 and for the four-year period — the only level to show an increase. Marketing productivity declined in 2006 and over the four-year period. Although box office revenue increased from 2002 to 2006, the rate was slower than the growth in artistic and production expenses, leading to the declining program coverage ratio.

Table 11							
Productivity Measures							
U.S. Constant Sample Group of (12) Level 1 Companies							
						Percentage Change	
Averages	**2002**	**2003**	**2004**	**2005**	**2006**	**1-yr**	**4-yr**
Development productivity	$6.51	$8.57	$9.34	$7.06	$7.97	13%	22%
Marketing productivity	$4.02	$3.94	$3.68	$3.73	$3.71	-1%	-8%
Program coverage	60.1%	58.9%	58.8%	58.1%	58.4%	1%	-3%

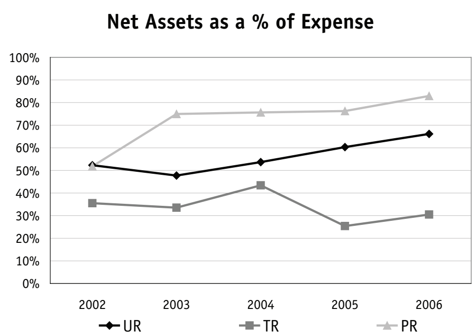
Level 1 Financial Position

Level 1 companies showed an increase in 2006 in all net asset classes. Working capital strengthened for the third consecutive year in 2006 and now covers approximately two months of operating expenses. Investments showed another year of strong growth in 2006, for a $10 million increase since 2002, and increased faster than expenses over the past four years.

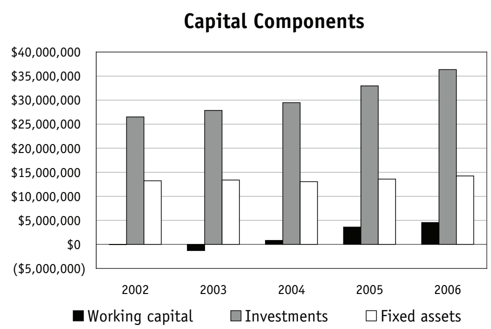
Table 12
Balance Sheet
U.S. Constant Sample Group of (12) Level 1 Companies

Averages in dollars	2002	2003	2004	2005	2006	Percentage Change 1-yr	4-yr	4-yr RGR*
Net assets (NA)								
Unrestricted	13,214,334	12,074,972	13,856,877	17,147,286	18,769,616	9%	42%	30%
Temporarily restricted	8,980,190	8,480,035	11,202,358	7,218,337	8,661,559	20%	-4%	-16%
Permanently restricted	13,100,568	18,963,493	19,531,019	21,671,983	23,544,615	9%	80%	68%
Total net assets	35,295,092	39,518,500	44,590,254	46,037,606	50,975,791	11%	44%	32%
Total NA as % of expense	140%	156%	173%	162%	180%			
Working capital	(17,790)	(1,303,683)	818,070	3,586,163	4,539,002	27%	n/a[1]	n/a[1]
Working capital as % of expense	0%	-5%	3%	13%	16%			
Investments	26,501,428	27,865,925	29,471,435	32,974,697	36,351,004	10%	37%	25%
Investments as % of expense	105%	110%	114%	116%	128%			
Net fixed assets	13,232,124	13,378,655	13,038,807	13,561,122	14,230,614	5%	8%	-5%

* 4-year Real Growth Rate - adjusted for inflation
[1] Greater than 1000%; see note in "Introduction to the Analysis"



Graph K



Graph L

Level 1 Performance Activity

Level 1 companies saw a decline in number of main season productions, performances and attendance in 2006 and over the four-year period. The subscription renewal rate declined 1% in 2006 from its high of 79%, though it still exceeded the 2002 level. The high ticket prices increased at a rate higher than inflation over four years, while all of the low prices either declined or grew more slowly than inflation. Level 1 companies appear to be adjusting pricing strategies to provide increased incentives for subscribing and/or to preserve lower price seats to serve as a low cost entry point.

Table 13
Performance Activity
U.S. Constant Sample Group of (12) Level 1 Companies

Averages	2002	2003	2004	2005	2006	Percentage Change 1-yr	4-yr	4-yr RGR*
Productions & performances								
Main season productions	6.9	6.9	6.8	7.2	6.8	-6%	-2%	
Main season performances	50.7	49.8	50.3	50.7	48.4	-4%	-4%	
Attendance								
Main season total attendance	123,173	120,015	124,714	120,195	117,387	-2%	-5%	
% of paid capacity sold	86%	92%	95%	89%	91%	2%	5%	
Subscription renewal rate	74%	76%	79%	79%	78%	-1%	5%	
Pricing								
High full subscription price	$864	$881	$881	$957	$1,046	9%	21%	9%
Low full subscription price	$125	$113	$113	$114	$123	8%	-2%	-14%
High single ticket price	$145	$157	$162	$174	$175	1%	21%	9%
Low single ticket price	$23	$20	$20	$20	$24	21%	3%	-9%
Highest orchestra ticket	$128	$151	$150	$156	$156	0%	22%	10%
Low orchestra ticket	$58	$59	$65	$63	$62	-1%	7%	-5%

* 4-year Real Growth Rate - adjusted for inflation

Level 2 Companies

The budget range for Level 2 companies changed in FY 2006 and now includes companies with operating budgets between $3 million and $10 million (up from $7.5 million). Seventeen companies reported for all five years. While this was the same number as in FY 2005, the mix of companies is different as several dropped out of the CSG while others moved into Level 2 from Level 1 or 3. The median expenses for these companies were $6.9 million, higher than the average of $6.2 million. Highlights for the Level 2 companies' activity include:

- The Level 2 companies posted a net unrestricted loss all five years, with revenue and expense increasing the same percentage over the period;
- Investment income is becoming a more important revenue source, supporting a greater percentage of expenses, as investments grew at a double-digit rate;
- Box office revenue was up in 2006, as attendance increased after a four year decline;
- Individual contributions are growing steadily, even as other sources of private and public support have declined;
- Education expenditures grew faster than any other expense area;
- This was the only level that spent a smaller percentage of expenses on marketing in 2006 than in 2002; and
- Level 2 companies' attendance was up slightly in 2006 over 2005, though down from 2002. At the same time, the number of performances has been reduced, with the effect of maintaining paid capacity sold at about 77%.

Level 2 Operating Activity

Level 2 companies generated more revenue for the second year in a row, but expenses grew faster, and the companies posted an unrestricted loss for the fifth straight year. Neither revenue nor expenses kept pace with the four-year inflation rate.

Table 14
Unrestricted Net Income
U.S. Constant Sample Group of (17) Level 2 Companies

						Percentage Change		
Averages in dollars	**2002**	**2003**	**2004**	**2005**	**2006**	**1-yr**	**4-yr**	**4-yr RGR***
Total Revenue	5,497,311	5,705,591	5,646,019	5,760,661	5,951,376	3%	8%	-4%
Total Expense	5,742,292	5,886,659	5,747,575	5,877,844	6,174,925	5%	8%	-5%
Unrestricted Net Income (Loss)	(244,982)	(181,068)	(101,556)	(117,183)	(223,550)	-91%	9%	-3%
As a percentage of expense	-4.3%	-3.1%	-1.8%	-2.0%	-3.6%			

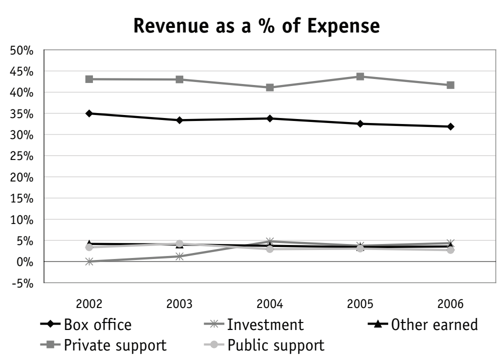
* 4-year Real Growth Rate - adjusted for inflation

Box office and other earned revenue were both up in 2006, but fell over the four-year period. Strong growth in investment revenue, in both the one-year and four-year periods, offset the decreases in the other earned lines. Level 2 companies boosted their individual contributions again in 2006; this was the only private support line to beat inflation over the four year period. Overall, contributions were up for the year and over the four-year period, with individual giving and net assets released from restriction compensating for declines in public and other private support lines.

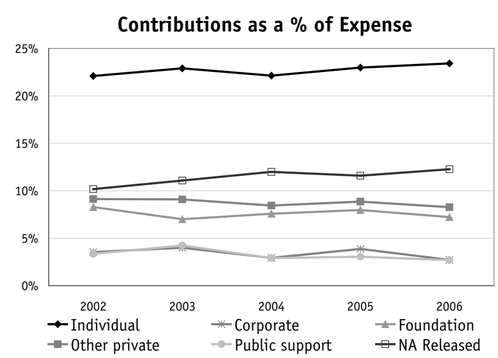
Table 15								
Revenue								
U.S. Constant Sample Group of (17) Level 2 Companies								
						Percentage Change		
Averages in dollars	**2002**	**2003**	**2004**	**2005**	**2006**	**1-yr**	**4-yr**	**4-yr RGR***
Earned revenue								
Box office	2,007,811	1,964,486	1,940,993	1,912,172	1,967,367	3%	-2%	-14%
Investment	(37)	71,962	273,275	220,041	267,731	22%	n/a¹	n/a¹
Other earned	239,819	236,218	213,102	200,000	220,333	10%	-8%	-20%
Total earned revenue	2,247,593	2,272,666	2,427,370	2,332,213	2,455,431	5%	9%	-3%
Contributed revenue								
Private								
Individual	1,269,009	1,348,223	1,272,200	1,350,673	1,446,542	7%	14%	2%
Corporate	203,405	235,341	168,508	227,430	168,212	-26%	-17%	-29%
Foundation	475,928	412,280	435,737	468,694	446,225	-5%	-6%	-18%
Other private support	524,355	535,438	485,460	520,850	510,798	-2%	-3%	-15%
Total private support	2,472,697	2,531,283	2,361,905	2,567,646	2,571,777	0%	4%	-8%
Public support	192,655	249,460	167,359	179,521	166,403	-7%	-14%	-26%
Net assets released from restriction	584,366	652,182	689,385	681,282	757,764	11%	30%	18%
Total contributed revenue	3,249,718	3,432,926	3,218,649	3,428,449	3,495,944	2%	8%	-5%
Total unrestricted revenue	5,497,311	5,705,591	5,646,019	5,760,661	5,951,376	3%	8%	-4%

* 4-year Real Growth Rate - adjusted for inflation
¹ Greater than 1000%; see note in "Introduction to the Analysis"

Box office revenue continued to decline in its coverage of expenses (graph L). But with the increase in investment income, total earned revenue covered 40% of expenses, up 1% over 2002. Contributed revenue paid for 57% of expenses, the same as four years ago. The increasing importance of individual contributions is evident in graph M.



Graph M



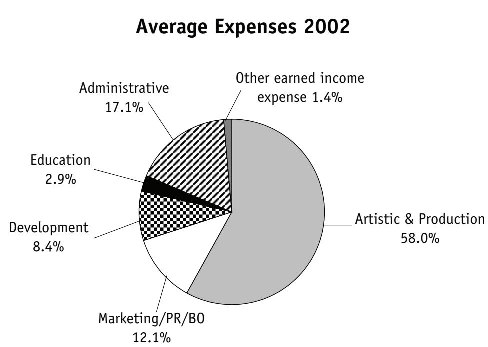
Graph N

On the expense side, both personnel and non-personnel expenses increased 5% in 2006 yet did not keep pace with inflation over the four-year period. Artistic personnel saw the smallest percentage increase in 2006, and, unlike the other personnel lines, did not exceed the inflation rate since 2002. The greatest personnel increase in 2006 was for marketing/PR/box office. Total education expenses grew faster than other expense areas over the four-year period. Expenses related to other earned income were down in 2006, even as other earned income increased.

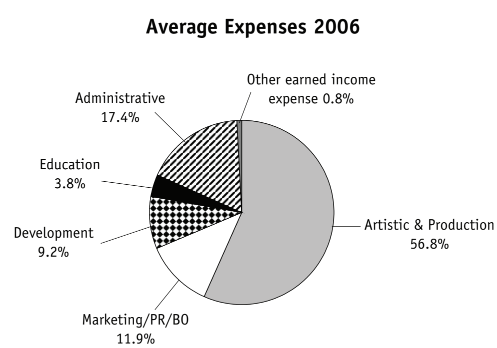
Table 16 **Expenses** **U.S. Constant Sample Group of (17) Level 2 Companies**								
						Percentage Change		
Averages in dollars	**2002**	**2003**	**2004**	**2005**	**2006**	**1-yr**	**4-yr**	**4-yr RGR***
Personnel								
Artistic (incl singer training)	1,517,743	1,483,043	1,421,558	1,531,934	1,543,091	1%	2%	-10%
Production & technical	786,740	818,474	795,779	830,524	904,333	9%	15%	3%
Marketing/PR/Box office	249,515	252,700	236,426	243,025	297,412	22%	19%	7%
Development	267,264	308,584	290,274	299,544	304,381	2%	14%	2%
Education	112,128	118,709	141,114	121,211	136,566	13%	22%	10%
Administrative	413,720	455,915	440,035	448,520	467,051	4%	13%	1%
Total personnel expense	3,347,111	3,437,425	3,325,185	3,474,758	3,652,835	5%	9%	-3%
Non-Personnel								
Production (incl singer training)	1,025,093	994,629	996,137	1,019,231	1,059,344	4%	3%	-9%
Marketing/PR/Box office	446,259	426,458	383,762	434,409	435,087	0%	-3%	-15%
Development	217,271	267,598	266,752	263,470	266,338	1%	23%	10%
Education	55,139	108,170	74,086	81,358	99,722	23%	81%	69%
Administrative	570,190	548,282	622,543	531,096	609,928	15%	7%	-5%
Other earned income expenses	81,229	104,098	79,110	73,522	51,671	-30%	-36%	-48%
Total non-personnel expense	2,395,182	2,449,234	2,422,390	2,403,086	2,522,090	5%	5%	-7%
Total expense	5,742,292	5,886,659	5,747,575	5,877,844	6,174,925	5%	8%	-5%

* 4-year Real Growth Rate - adjusted for inflation

The percentage of budget spent on development, education and administration increased from 2002 to 2006, while the percentages for artistic and production, marketing and other earned all decreased. Level 2 companies were the only companies to decrease their marketing expense percentage.



Graph O



Graph P

Development efforts have generated more contributions per dollar spent each year for the last three years, but are still below the 2002 level. Marketing productivity was down for the second year in a row, as was the program coverage ratio.

Table 17 **Productivity Measures** **U.S. Constant Sample Group of (17) Level 2 Companies**							
						Percentage Change	
Averages	**2002**	**2003**	**2004**	**2005**	**2006**	**1-yr**	**4-yr**
Development productivity	$7.63	$6.29	$6.62	$6.64	$6.98	5%	-8%
Marketing productivity	$2.89	$2.89	$3.13	$2.82	$2.69	-5%	-7%
Program coverage	60.3%	59.6%	60.4%	56.5%	56.1%	-1%	-7%

Level 2 Financial Position

The Level 2 companies added to their net assets through 2005, but then saw a decline in 2006, due to operating shortfalls that affected the unrestricted net assets and a reduction in temporarily restricted net assets.

Working capital, which was positive the prior two years, dropped to a negative level in 2006, driven by large declines for two companies.

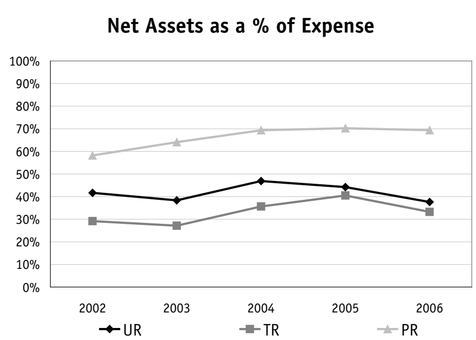
Investments, which included both restricted endowment funds and unrestricted investments, were the strongest part of the balance sheet as they continued to grow, both in dollar terms and as a percentage of expenses. Fixed assets remained relatively flat over the five-year period.

Table 18
Balance Sheet
U.S. Constant Sample Group of (17) Level 2 Companies

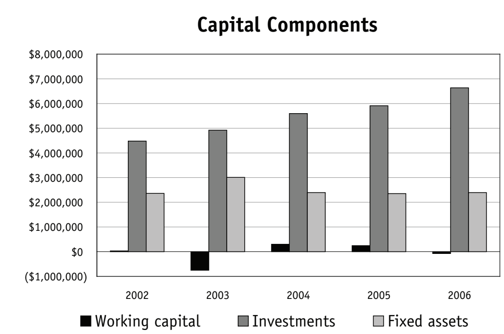
						Percentage Change		
Averages in dollars	**2002**	**2003**	**2004**	**2005**	**2006**	**1-yr**	**4-yr**	**4-yr RGR***
Net assets (NA)								
Unrestricted (UR)	2,392,062	2,256,451	2,695,737	2,600,023	2,322,105	-11%	-3%	-15%
Temporarily restricted (TR)	1,674,462	1,598,906	2,048,941	2,380,303	2,052,378	-14%	23%	10%
Permanently restricted (PR)	3,343,791	3,771,112	3,985,771	4,128,915	4,284,358	4%	28%	16%
Total net assets	7,410,315	7,626,469	8,730,448	9,109,241	8,658,840	-5%	17%	5%
Total NA as % of expense	129%	130%	152%	155%	140%			
Working capital	31,828	(753,527)	302,063	245,093	(72,047)	-129%	-326%	-338%
Working capital as % of expense	1%	-13%	5%	4%	-1%			
Investments	4,478,557	4,921,977	5,595,268	5,911,579	6,635,567	12%	48%	36%
Investments as % of expense	78%	84%	97%	101%	107%			
Net fixed assets	2,360,234	3,009,977	2,393,674	2,354,929	2,394,152	2%	1%	-11%

* 4-year Real Growth Rate - adjusted for inflation

Graph Q shows the decline in unrestricted and temporarily restricted net assets, while permanently restricted net assets were maintained at about 70% of expenses. Graph R illustrates the investment growth and the minimal working capital levels.



Graph Q



Graph R

Level 2 Performance Activity

The number of productions, performances and total attendance declined from 2002 to 2006, though attendance was up slightly from 2005. As with Levels 1 and 3, Level 2 companies made larger increases in the highest single ticket and orchestra than in the highest subscription price and reduced or made minimal increases in the lowest ticket prices.

Table 19
Performance Activity
U.S. Constant Sample Group of (17) Level 2 Companies

Averages	2002	2003	2004	2005	2006	Percentage Change 1-yr	4-yr	4-yr RGR*
Productions & performances								
Main season productions	4.1	3.9	3.8	3.7	3.6	-2%	-11%	
Main season performances	25.1	25.1	23.9	22.5	21.8	-3%	-13%	
Attendance								
Main season total attendance	36,682	33,892	32,696	31,119	31,493	1%	-14%	
% of paid capacity sold	75%	77%	78%	75%	77%	3%	4%	
Subscription renewal rate	77%	76%	79%	77%	78%	1%	1%	
Pricing								
High full subscription price	$389	$383	$383	$396	$401	1%	3%	-9%
Low full subscription price	$80	$81	$80	$84	$88	5%	10%	-2%
High single ticket price	$108	$109	$117	$123	$127	3%	18%	6%
Low single ticket price	$22	$21	$23	$24	$23	-5%	7%	-5%
Highest orchestra ticket	$93	$93	$101	$103	$110	7%	18%	6%
Low orchestra ticket	$53	$49	$54	$48	$48	-1%	-10%	-22%

* 4-year Real Growth Rate - adjusted for inflation

Level 3 Companies

The Level 3 Constant Sample Group included 14 companies with budgets between $1 and $3 million, one more than in 2005. Both the average and median budget size were $2.2 million.
Results of note for 2006 and the four-year period include:

- Total revenue and expenses of Level 3 companies grew at a four-year real growth rate that was higher than the other levels;
- For the third consecutive year and in four of the last five years, Level 3 companies showed an unrestricted net loss;
- Level 3 companies showed box office growth at twice the rate of inflation in 2006, and four-year box office revenue growth in excess of the four-year rate of inflation, driven by increased ticket prices at the high end and higher attendance;
- Total contributed revenue increased at the highest rate of any level;
- Level 3 companies were the only ones to increase corporate giving since 2002;
- Level 3 companies spend the largest percentage of expenses on development of any level; and
- After two years of decline, total net assets have shown two years of growth both in dollars and as a percentage of expense.

Level 3 Operating Activity

In 2006 expenses continued to grow at a rate higher than unrestricted revenue (table 20), putting negative pressure on the bottom line that caused unrestricted net losses to grow faster than expenses. Ten of the 14 organizations had unrestricted net losses.

Table 20
Unrestricted Net Income
U.S. Constant Sample Group of (14) Level 3 Companies

						Percentage Change		
Averages in dollars	**2002**	**2003**	**2004**	**2005**	**2006**	**1-yr**	**4-yr**	**4-yr RGR***
Total Revenue	1,643,573	1,823,933	1,874,615	2,001,723	2,021,601	1%	23%	11%
Total Expense	1,698,844	1,800,467	1,906,941	2,100,027	2,178,675	4%	28%	16%
Unrestricted Net Income (Loss)	(55,271)	23,467	(32,326)	(98,303)	(157,073)	-60%	-184%	-196%
As a percentage of expense	-3.3%	1.3%	-1.7%	-4.7%	-7.2%			

* 4-year Real Growth Rate - adjusted for inflation

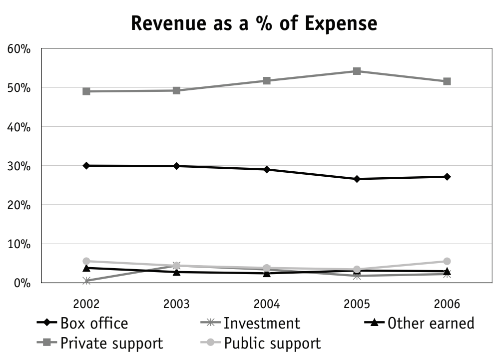
Fluctuations in investment revenue from year to year are due to variations in gains and losses of six of the 14 companies reporting. Principally due to continued strong increases in corporate support and a jump in public support in 2006, total contributed revenue grew at roughly double the rate of inflation over the four-year period, the largest rate of four-year growth of all the levels.

In 2006 Level 3 earned revenue supported 32% of expenses, the lowest percentage of all the levels, and contributed revenue supported 60% — compared to 34% earned and 62% contributed in 2002. Graph S shows that as a percentage of expense, over the four-year period private support covered a slightly higher share of expenses while box office receipts covered a declining portion.

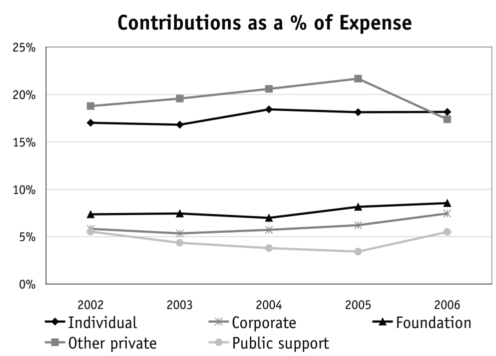
Table 21
Revenue
U.S. Constant Sample Group of (14) Level 3 Companies

Averages in dollars	2002	2003	2004	2005	2006	Percentage Change 1-yr	4-yr	4-yr RGR*
Earned revenue								
Box office	509,301	538,162	553,072	557,716	591,791	6%	16%	4%
Investment	8,952	79,554	65,144	37,346	48,889	31%	446%	434%
Other earned	64,622	49,488	46,107	65,560	64,464	-2%	0%	-12%
Total earned revenue	582,876	667,203	664,323	660,622	705,144	7%	21%	9%
Contributed revenue								
Private								
Individual	289,094	302,600	351,387	380,788	395,744	4%	37%	25%
Corporate	98,974	96,352	109,190	130,426	162,338	24%	64%	52%
Foundation	125,096	134,140	133,168	171,092	186,166	9%	49%	37%
Other private support	318,992	352,360	392,516	455,005	378,661	-17%	19%	7%
Total private support	832,155	885,452	986,262	1,137,310	1,122,909	-1%	35%	23%
Public support	94,125	78,452	72,374	72,047	119,928	66%	27%	15%
Net assets released from restriction	134,417	192,826	151,657	131,744	73,620	-44%	-45%	-57%
Total contributed revenue	1,060,698	1,156,730	1,210,292	1,341,101	1,316,457	-2%	24%	12%
Total unrestricted revenue	1,643,573	1,823,933	1,874,615	2,001,723	2,021,601	1%	23%	11%

* 4-year Real Growth Rate - adjusted for inflation



Graph S



Graph T

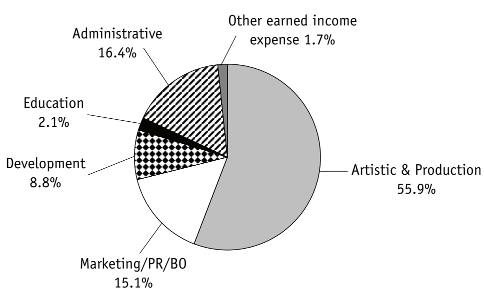
In 2006 non-personnel expenses continued to grow at a faster rate than personnel expenses. Level 3 companies allocated larger percentages of their operating budgets to development, marketing and education, and less to artistic and administration in 2006 than in 2002.

Table 22
Expenses
U.S. Constant Sample Group of (14) Level 3 Companies

Averages in dollars	2002	2003	2004	2005	2006	Percentage Change 1-yr	4-yr	4-yr RGR*
Personnel								
Artistic (incl singer training)	459,975	449,361	491,616	545,134	556,717	2%	21%	9%
Production & technical	178,205	205,066	207,973	217,434	213,798	-2%	20%	8%
Marketing/PR/Box office	87,250	88,245	100,422	107,355	108,139	1%	24%	12%
Development	74,735	86,988	97,026	103,490	106,088	3%	42%	30%
Education	24,028	27,844	30,195	29,482	33,767	15%	41%	28%
Administrative	141,869	171,378	133,513	154,455	162,265	5%	14%	2%
Total personnel expense	966,062	1,028,882	1,060,745	1,157,350	1,180,774	2%	22%	10%
Non-Personnel								
Production (incl singer training)	310,802	295,581	350,183	413,176	382,615	-7%	23%	11%
Marketing/PR/Box office	169,842	188,175	206,692	206,189	246,355	19%	45%	33%
Development	74,133	77,656	94,899	131,092	131,490	0%	77%	65%
Education	12,089	20,219	21,945	21,090	26,154	24%	116%	104%
Administrative	137,229	157,230	151,253	142,154	173,305	22%	26%	14%
Other earned income expenses	28,688	32,724	21,225	28,975	37,981	31%	32%	20%
Total non-personnel expense	732,782	771,585	846,196	942,677	997,900	6%	36%	24%
Total expense	1,698,844	1,800,467	1,906,941	2,100,027	2,178,675	4%	28%	16%

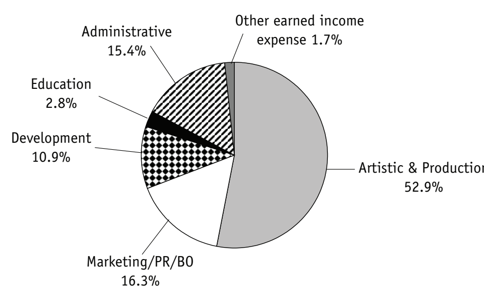
* 4-year Real Growth Rate - adjusted for inflation

Average Expenses 2002



Graph U

Average Expenses 2006



Graph V

After three years of declining development productivity Level 3 experienced an increase in 2006. Marketing productivity decreased for the fourth year in a row; the companies generate less box office income per marketing dollar spent than any level. After two years of decline, box office revenue covered a larger portion of program expense in 2006. All three productivity measures declined over the four-year period.

Table 23
Productivity Measures
U.S. Constant Sample Group of (14) Level 3 Companies

Averages	2002	2003	2004	2005	2006	Percentage Change 1-yr	4-yr
Development productivity	$7.41	$7.20	$6.30	$6.14	$6.69	9%	-10%
Marketing productivity	$1.98	$1.95	$1.80	$1.78	$1.67	-6%	-16%
Program coverage	53.7%	56.6%	52.7%	47.4%	51.3%	8%	-4%

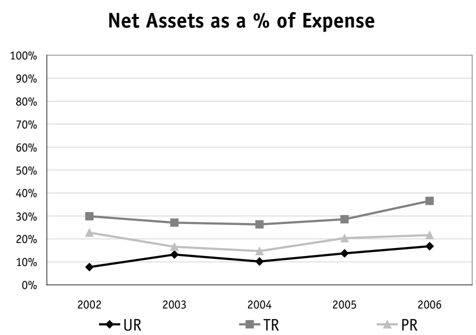
Level 3 Financial Position

Despite unrestricted operating losses in 2006, Level 3 companies showed an increase in unrestricted net assets due to one company's purchase of a theater. Excluding that company, unrestricted net assets would have declined to $90,266 but working capital would have improved to negative $157,297. Temporarily and permanently restricted net assets increased (graphs W and X). Investment growth in 2006 and for the four-year period outpaced the growth in expenses. The one company's theater purchase was responsible for the boost in net fixed assets.

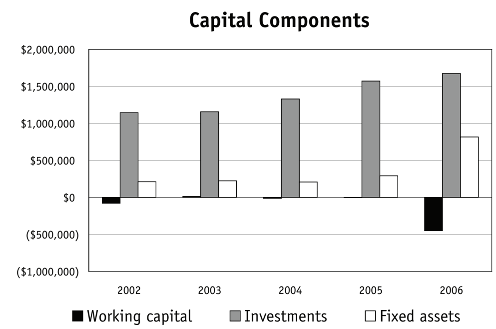
Table 24
Balance Sheet
U.S. Constant Sample Group of (13) Level 3 Companies

						Percentage Change		
Averages in dollars	**2002**	**2003**	**2004**	**2005**	**2006**	**1-yr**	**4-yr**	**4-yr RGR***
Net assets (NA)								
Unrestricted (UR)	131,919	237,674	194,453	288,065	366,158	27%	178%	165%
Temporarily restricted (TR)	507,817	487,963	502,025	599,853	796,665	33%	57%	45%
Permanently restricted (PR)	386,351	298,933	280,624	427,966	472,587	10%	22%	10%
Total net assets	1,026,087	1,024,570	977,103	1,315,883	1,635,410	24%	59%	47%
Total NA as % of expense	60%	57%	51%	63%	75%			
Working capital	(80,237)	13,376	(13,752)	(3,421)	(450,826)	n/a[1]	-462%	-474%
Working capital as % of expense	-5%	1%	-1%	0%	-21%			
Investments	1,145,331	1,157,649	1,330,372	1,572,459	1,674,920	7%	46%	34%
Investments as % of expense	67%	64%	70%	75%	77%			
Net fixed assets	212,155	224,298	208,205	291,486	816,984	180%	285%	273%

* 4-year Real Growth Rate - adjusted for inflation
[1] Greater than 1000%; see note in "Introduction to the Analysis"



Graph W



Graph X

Level 3 Performance Activity

Level 3 is the only level to report increases in number of productions, performances and main season total attendance for both 2006 and the four-year period. Four-year increases in box office revenue in excess of inflation were driven by growth in high ticket prices and increases in attendance.

Table 25
Performance Activity
U.S. Constant Sample Group of (14) Level 3 Companies

Averages	2002	2003	2004	2005	2006	Percentage Change 1-yr	4-yr	4-yr RGR*
Productions & performances								
Main season productions	3.1	3.0	3.3	3.1	3.1	2%	0%	
Main season performances	9.8	9.4	10.1	9.0	9.9	10%	1%	
Attendance								
Main season total attendance	12,592	12,316	14,096	11,348	12,670	12%	1%	
% of paid capacity sold	64%	76%	75%	69%	74%	6%	16%	
Subscription renewal rate	79%	81%	79%	80%	82%	2%	4%	
Pricing								
High full subscription price	$207	$200	$219	$221	$237	7%	15%	3%
Low full subscription price	$60	$62	$59	$67	$61	-9%	2%	-10%
High single ticket price	$73	$74	$78	$87	$87	1%	20%	8%
Low single ticket price	$17	$18	$19	$21	$19	-10%	11%	-1%
Highest orchestra ticket	$61	$62	$66	$75	$76	1%	25%	13%
Low orchestra ticket	$36	$39	$38	$39	$39	0%	8%	-4%

* 4-year Real Growth Rate - adjusted for inflation

Level 4 Companies

The Level 4 companies have operating budgets under $1 million. In the Constant Sample Group, 13 responded to the 2006 survey, compared to 17 in 2005; one company moved up a level and three did not complete the survey this year. The Level 4 companies:

- Showed continued growth in box office revenue, though at 25% of expenses, it is the lowest percentage of all the levels;
- Increased contributed revenue, which covers 59% of expenses, for the third straight year;
- Spent considerably more on marketing and development efforts over the four-year period — 4.4% more of their budgets in 2006 than in 2002;
- Were the only companies to show a decline in development productivity from 2005 to 2006 and posted the largest decline over the four-year period;
- Increased program coverage since 2002, while other levels declined;
- Maintained positive working capital, though it fell sharply since 2002, and was the only level that saw a reduction in total net assets since 2002; and
- Maintained the highest subscription renewal rate, at 90% in 2006.

In 2006, for the second year in a row, Level 4 posted the largest loss as a percentage of expenses compared to other levels. Revenue and expenses grew at about the same rate over the 4-year period and exceeded inflation; however, the companies suffered a loss of 7.4%, the fourth loss in five years.

Table 26
Unrestricted Net Income
U.S. Constant Sample Group of (13) Level 4 Companies

						Percentage Change		
Averages in dollars	**2002**	**2003**	**2004**	**2005**	**2006**	**1-yr**	**4-yr**	**4-yr RGR***
Total Revenue	440,362	442,011	503,777	498,638	532,056	7%	21%	9%
Total Expense	478,650	433,669	533,061	538,004	574,624	7%	20%	8%
Unrestricted Net Income (Loss)	(38,288)	8,342	(29,284)	(39,366)	(42,568)	-8%	11%	-1%
As a percentage of expense	-8.0%	1.9%	-5.5%	-7.3%	-7.4%			

* 4-year Real Growth Rate - adjusted for inflation

Box office revenue had a strong gain in 2006, continuing a steady upward trend. The investment income line is driven by the three companies with significant investments. One of the companies posted a six-figure loss in 2006, resulting in the negative average investment income. Only three of the companies generated investment income of more than $1,000.

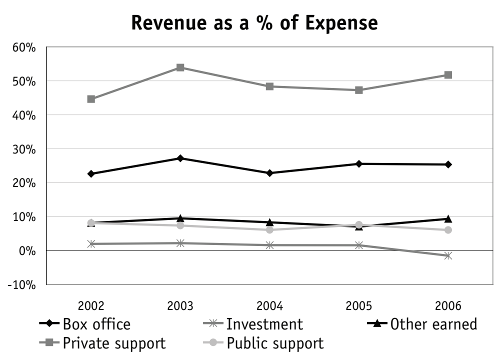
Contributed revenue rebounded after a decline in 2005. The sustained growth in individual support contributed to that recovery, and over the four-year period, individual giving increases surpassed inflation by more than 50%. Other private support includes united arts funds (UAF) and three companies benefited from UAF grants in 2006, while only one received such funding in 2002. Corporate, foundation and public support declined since 2002, but by a modest amount in actual dollars.

Table 27
Revenue
U.S. Constant Sample Group of (13) Level 4 Companies

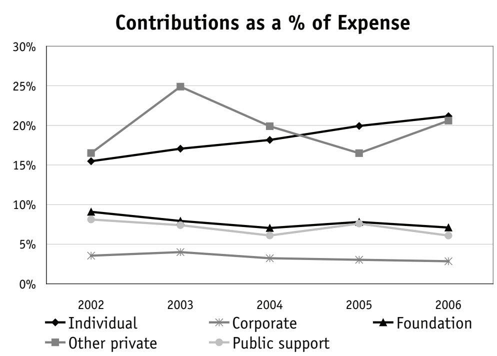
Averages in dollars	2002	2003	2004	2005	2006	Percentage Change 1-yr	4-yr	4-yr RGR*
Earned revenue								
Box office	108,218	117,907	121,725	137,506	145,718	6%	35%	23%
Investment	9,516	9,614	8,615	8,595	(8,497)	-199%	-189%	-201%
Other earned	38,978	41,348	44,490	38,056	53,869	42%	38%	26%
Total earned revenue	156,712	168,870	174,830	184,156	191,090	4%	22%	10%
Contributed revenue								
Private								
Individual	74,097	73,975	96,825	107,243	121,606	13%	64%	52%
Corporate	16,979	17,360	17,190	16,294	16,378	1%	-4%	-16%
Foundation	43,500	34,435	37,553	42,019	40,836	-3%	-6%	-18%
Other private support	79,029	107,954	106,038	88,718	118,343	33%	50%	38%
Total private support	213,605	233,724	257,606	254,273	297,163	17%	39%	27%
Public support	38,883	32,121	32,513	40,900	35,000	-14%	-10%	-22%
Net assets released from restriction	31,162	7,296	38,828	19,309	8,802	-54%	-72%	-84%
Total contributed revenue	283,650	273,141	328,947	314,482	340,966	8%	20%	8%
Total unrestricted revenue	440,362	442,011	503,777	498,638	532,056	7%	21%	9%

* 4-year Real Growth Rate - adjusted for inflation

As shown in graph Y, private contributions supported more than 50% of expenses; box office covered only 25%. Graph Z illustrates the striking upward trend in individual support. One company that received UAF support in 2004 and 2006 did not report UAF funds in 2005, resulting in the dip in other private contributions that year.



Graph Y



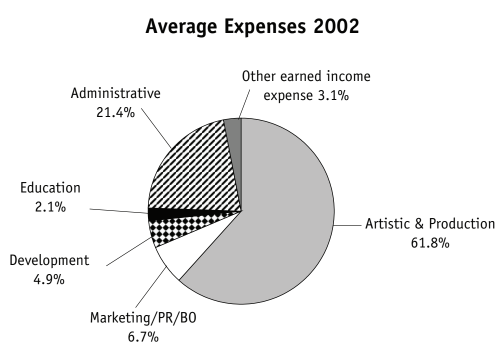
Graph Z

While personnel expenses increased significantly more than non-personnel expenses in 2006, over the four-year period both increased at the same rate, and 8% more than inflation. Marketing, development and education showed the biggest percentage increases, while artistic and production expenses combined increased only 10% since 2002, 2% less than the inflation rate.

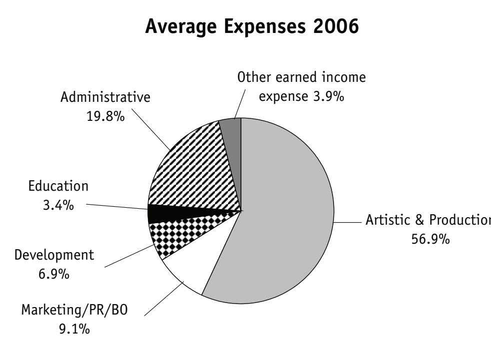
Table 28 Expenses U.S. Constant Sample Group of (13) Level 4 Companies								
						Percentage Change		
Averages in dollars	**2002**	**2003**	**2004**	**2005**	**2006**	**1-yr**	**4-yr**	**4-yr RGR***
Personnel								
Artistic (incl singer training)	144,608	132,909	160,559	153,889	166,718	8%	15%	3%
Production & technical	42,475	31,859	42,172	40,786	50,609	24%	19%	7%
Marketing/PR/Box office	9,439	11,867	9,115	14,731	17,128	16%	81%	69%
Development	9,710	10,222	9,755	8,896	13,959	57%	44%	32%
Education	5,329	7,715	10,885	7,794	10,178	31%	91%	79%
Administrative	58,377	57,344	62,852	62,118	65,065	5%	11%	-1%
Total personnel expense	269,938	251,916	295,339	288,215	323,658	12%	20%	8%
Non-Personnel								
Production (incl singer training)	108,696	88,158	128,143	127,995	109,432	-15%	1%	-11%
Marketing/PR/Box office	22,807	25,010	30,888	33,206	35,244	6%	55%	42%
Development	13,919	15,042	14,992	17,660	25,486	44%	83%	71%
Education	4,510	5,999	7,420	11,397	9,369	-18%	108%	96%
Administrative	43,889	29,485	41,753	44,942	48,897	9%	11%	-1%
Other earned income expenses	14,890	18,059	14,527	14,588	22,538	54%	51%	39%
Total non-personnel expense	208,712	181,753	237,722	249,789	250,966	0%	20%	8%
Total expense	478,650	433,669	533,061	538,004	574,624	7%	20%	8%

* 4-year Real Growth Rate - adjusted for inflation

The shift in allocation of resources from 2002 to 2006 is evident in the graphs AA and BB. The revenue-generating activities of marketing and development are consuming 4.4% more of the companies' budgets, while artistic and production expenses are 4.9% less. Level 4 companies also invested more in education activities.



Graph AA



Graph BB

Revenue gains were steady over the four years, but the expense table indicates that more dollars were spent to generate that revenue. How productive were those efforts? Table 29 shows a drop in development productivity, due to the companies spending 67% more on fundraising efforts but only generating 20% more contributed revenue. Marketing productivity was flat for 2006, after declining for three years. Program coverage was up, a reflection of both greater box office income and fewer dollars spent on artistic and production expenses.

Table 29 Productivity Measures U.S. Constant Sample Group of (13) Level 4 Companies							
						Percentage Change	
Averages	**2002**	**2003**	**2004**	**2005**	**2006**	**1-yr**	**4-yr**
Development productivity	$11.90	$11.36	$13.80	$12.62	$9.24	-27%	-22%
Marketing productivity	$3.36	$3.20	$3.04	$2.87	$2.78	-3%	-17%
Program coverage	36.6%	46.6%	36.8%	42.6%	44.6%	5%	22%

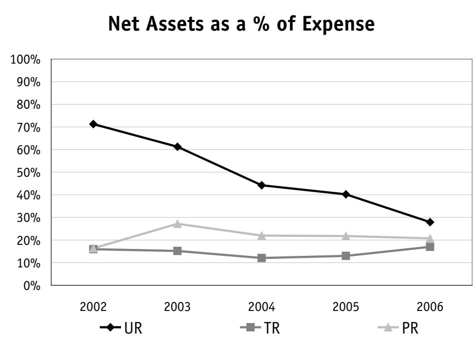
Table 30 Balance Sheet U.S. Constant Sample Group of (12) Level 4 Companies								
						Percentage Change		
Averages in dollars	2002	2003	2004	2005	2006	1-yr	4-yr	4-yr RGR*
Net assets (NA)								
Unrestricted (UR)	341,091	265,627	235,727	216,325	160,496	-26%	-53%	-65%
Temporarily restricted (TR)	76,261	65,749	64,235	69,909	97,642	40%	28%	16%
Permanently restricted (PR)	78,233	117,964	117,071	117,092	119,196	2%	52%	40%
Total net assets	495,585	449,339	417,034	403,326	377,334	-6%	-24%	-36%
Total NA as % of expense	104%	104%	78%	75%	66%			
Working capital	258,078	191,442	165,714	148,407	92,788	-37%	-64%	-76%
Working capital as % of expense	54%	44%	31%	28%	16%			
Investments	381,532	326,845	512,526	512,989	727,429	42%	91%	79%
Investments as % of expense	80%	75%	96%	95%	127%			
Net fixed assets	83,013	74,186	70,013	67,918	67,707	0%	-18%	-31%

* 4-year Real Growth Rate - adjusted for inflation

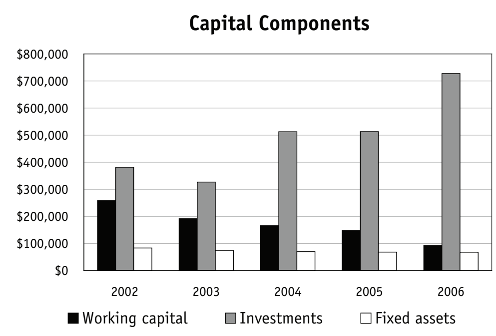
Level 4 Financial Position

Level 4 companies' total net assets and working capital both declined over the four-year period, due primarily to the unrestricted losses. Level 4's working capital had been the strongest of all the levels in prior years, but with this year's decline, they match Level 1 with working capital of 16% of operating expenses. Three companies hold 99% of the reported investments, and the 2006 increase was primarily due to one company's increasing their investments from $4.1 million to $6.1 million. The decline in net fixed assets through 2004 leveled off in 2005 and 2006 as companies re-invested in equipment, furniture and fixtures (which can include sets and costumes for new opera productions).
Graph CC illustrates the slide in unrestricted net assets as a percentage of total expenses from 2002 to 2006, while restricted net assets increased slightly. Level 4 companies have a lower percentage of temporarily and permanently restricted net assets relative to expense — smaller companies are more focused on raising funds for current operations and generate fewer dollars for future projects or endowments.

While graph DD shows the decline in working capital, it also reveals that Level 4 companies' working capital exceeds fixed assets, unlike other levels which own more facilities and equipment.



Graph CC



Graph DD

Level 4 Performance Activity

Level 4's performance activity decreased in 2006 after two years of increases. Several companies in this group vary their number of productions and performances based on developmental or educational activities. Level 4 companies did not consistently report pricing over the five years, so no trend analysis could be done.

Table 31
Performance Activity
U.S. Constant Sample Group of (13) Level 4 Companies

						Percentage Change	
Averages	**2002**	**2003**	**2004**	**2005**	**2006**	**1-yr**	**4-yr**
Productions & performances							
Main season productions	2.2	1.8	2.3	2.5	2.1	-16%	-4%
Main season performances	10.2	6.8	7.9	10.5	6.8	-35%	-33%
Attendance							
Main season total attendance	4,111	3,735	4,454	5,073	4,301	-15%	5%
% of paid capacity sold	65%	61%	63%	61%	63%	3%	-4%
Subscription renewal rate	88%	90%	89%	86%	90%	5%	2%

* 4-year Real Growth Rate - adjusted for inflation

Canadian Constant Sample Group

Eleven companies with budget sizes that ranged from $409,000 to $23.2 million participated in the Canadian Constant Sample Group (CSG) in 2006, the identical group as 2005. The average budget size was $4.4 million, a 15% increase over the $3.8 million level in 2005, while the median budget was $2.2 million, only a 7% increase over the prior year's $2.0 million, indicating a greater rate of budget increase among the larger companies.

As in previous years, the Canadian companies were analyzed as a single group. As in the past, there are differences in the financial structure of the CA CSG and the U.S. CSG: the average budget of the CA CSG companies is significantly smaller than the U.S. CSG, and government support in Canadian companies is significantly higher than in U.S. companies.

Highlights in 2006 included:

- The CA CSG had net income for the last four years;
- Three companies had losses in 2006, compared to two in 2005;
- Revenues and expenses grew at triple the rate of inflation for the four-year period and at double the rate of companies in the U.S. CSG;
- Private support overtook the box office as the largest source of support;
- Provincial funding exceeded federal funding as the largest component of public support in Canada in 2006;
- During the past four years, individual contributions continued a steady increase while foundation support continued to decline;
- Canadian companies had a fourth consecutive year of improvement in net assets and working capital as a percentage of expense; and
- The number of productions and performances increased during the four-year period, while the number of U.S. CSG productions and performances declined.

CA CSG Operating Activity

Canadian companies reported their fourth consecutive year of net income. Unlike the U.S. CSG, the CA CSG showed significant growth in both revenue and expense in 2006. Over the four-year period revenues grew at a higher rate than expenses.

Table 32
Net Income
Canadian Constant Sample Group of 11 Companies

Averages in dollars	2002	2003	2004	2005	2006	Percentage Change 1-yr	4-yr	4-yr RGR*
Total Revenue	3,292,816	3,499,199	3,878,953	3,814,600	4,396,732	15%	34%	24%
Total Expense	3,346,602	3,463,818	3,815,697	3,771,983	4,380,932	16%	31%	22%
Net Income (Loss)	(53,786)	35,381	63,256	42,617	15,799	-63%	-129%	-138%
As a percentage of expense	-1.6%	1.0%	1.6%	1.1%	0.4%			

* 4-year Real Growth Rate - adjusted for inflation

Table 33 shows strong box office revenue in 2006, and four-year growth that is triple the rate of inflation. The increase in investment income is concentrated in the two companies that account for 98% of total investments. Over the four-year period all sources of private contributed support except foundations showed increases well above the rate of inflation. Total contributed revenue increased strongly from 2005 to 2006, and like box office revenue grew at triple the rate of inflation for the four-year period.

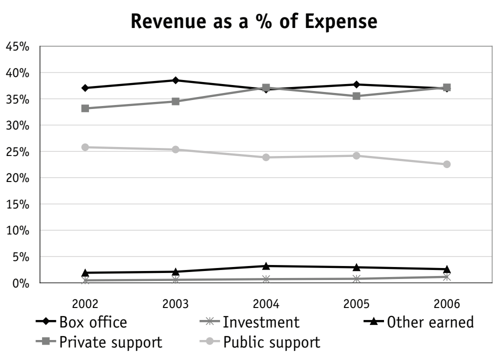
Public support, which is a larger source of revenue in Canada than the U.S., grew at a slower rate than private support but increased in each of the last four years and outpaced the four-year rate of inflation. After three years of decreases in federal funding, 2006 showed an increase. City and provincial funding showed increases in each of the last four years. In 2005, provincial funding surpassed federal funding and became the largest component of public support in Canada. In total, Canadian companies covered 41% of expenses with earned revenue, and 60% with contributed revenue, compared to 39% and 59% in 2002.

Table 33
Revenue
Canadian Constant Sample Group of 11 Companies

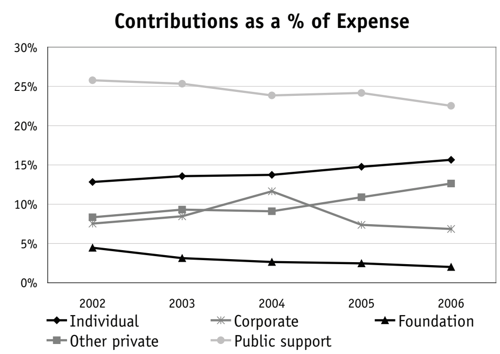
Averages in dollars	2002	2003	2004	2005	2006	Percentage Change 1-yr	4-yr	4-yr RGR*
Earned revenue								
Box office	1,240,121	1,334,239	1,402,970	1,422,483	1,618,861	14%	31%	21%
Investment	15,800	19,908	26,572	29,152	49,332	69%	212%	203%
Other earned	63,740	72,739	121,992	111,548	113,697	2%	78%	69%
Total earned revenue	1,319,661	1,426,886	1,551,534	1,563,184	1,781,890	14%	35%	26%
Contributed revenue								
Private								
Individual	429,533	470,123	524,304	557,254	685,972	23%	60%	51%
Corporate	252,069	293,109	444,526	278,280	300,122	8%	19%	10%
Foundation	149,363	108,567	100,887	93,482	88,278	-6%	-41%	-50%
Other private support	279,215	322,525	347,258	410,848	553,385	35%	98%	89%
Total private support	1,110,181	1,194,323	1,416,976	1,339,864	1,627,757	21%	47%	38%
Public support	862,975	877,990	910,444	911,552	987,085	8%	14%	5%
Total contributed revenue	1,973,155	2,072,313	2,327,420	2,251,416	2,614,842	16%	33%	23%
Total revenue	3,292,816	3,499,199	3,878,953	3,814,600	4,396,732	15%	34%	24%

* 4-year Real Growth Rate - adjusted for inflation

The CA CSG had similar levels of box office revenue and private support to the U.S. CSG and in 2006 Canadian private support was again the largest source of support. Government funding continues to be the largest source of contributed revenue for Canadian companies, yet over the four-year period public support declined as a percentage of expenses while individual and other private contributions increased.



Graph EE



Graph FF

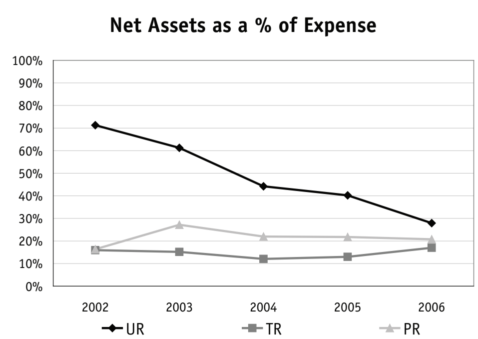
As table 34 shows, total expenses increased appreciably following a decrease in 2005. Over the four-year period, growth was triple the rate of inflation and balanced between personnel and non-personnel expenses. Canadian companies grew at more than double the rate of companies in the U.S. CSG. Total development expenses have increased steadily since 2002, and marketing expenses jumped in 2006 after remaining flat for four years.

Table 34
Expenses
Canadian Constant Sample Group of 11 Companies

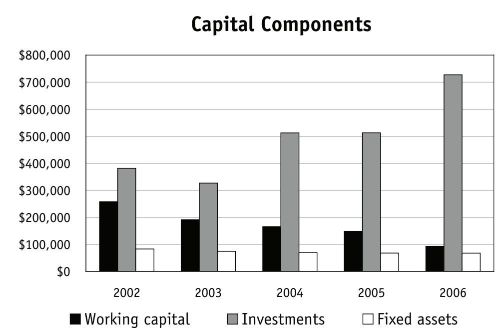
Averages in dollars	2002	2003	2004	2005	2006	Percentage Change 1-yr	4-yr	4-yr RGR*
Personnel								
Artistic (incl singer training)	1,089,317	1,194,093	1,214,508	1,202,721	1,406,147	17%	29%	20%
Production & technical	514,812	514,721	618,782	573,601	699,901	22%	36%	27%
Marketing/PR/Box office	129,252	141,679	130,231	131,493	167,314	27%	29%	20%
Development	115,959	109,546	109,317	123,262	126,312	2%	9%	0%
Education	12,722	15,150	25,741	30,077	38,444	28%	202%	193%
Administrative	200,867	200,337	256,339	278,150	260,364	-6%	30%	21%
Total personnel expense	2,062,929	2,175,526	2,354,918	2,339,302	2,698,481	15%	31%	22%
Non-Personnel								
Production (incl singer training)	600,937	616,170	709,345	641,381	730,548	14%	22%	12%
Marketing/PR/Box office	306,140	291,200	306,125	302,027	341,866	13%	12%	3%
Development	113,948	119,105	166,459	187,464	249,687	33%	119%	110%
Education	14,326	15,331	14,869	10,184	18,693	84%	30%	21%
Administrative	229,892	229,220	224,964	255,143	308,720	21%	34%	25%
Other earned income expenses	18,430	17,265	39,018	36,481	32,938	-10%	79%	70%
Total non-personnel expense	1,283,673	1,288,291	1,460,779	1,432,681	1,682,452	17%	31%	22%
Total non-personnel expense	1,283,673	1,288,291	1,460,779	1,432,681	1,682,452			
Total expense	3,346,602	3,463,818	3,815,697	3,771,983	4,380,932	16%	31%	22%

* 4-year Real Growth Rate - adjusted for inflation

While all expense categories increased strongly over the four-year period, companies spent a higher percentage of their budget on education and development, and less on artistic, production and marketing/PR/box office in 2006 than in 2002. Canadian companies in 2006 continued to allocate a higher proportion of their resources to artistic and production expenses than the companies in the U.S. CSG.



Graph GG



Graph HH

Counter to the trend in the U.S. CSG, during 2006 and for the four-year period Canadian development productivity decreased. While both marketing productivity and program coverage decreased in 2006, unlike the U.S. CSG, the four-year trends for both show an increase.

Table 35
Productivity Measures
Canadian Constant Sample Group of 11 Companies

Averages	2002	2003	2004	2005	2006	Percentage Change 1-yr	Percentage Change 4-yr
Development productivity	$8.58	$9.06	$8.46	$7.25	$6.95	-4%	-19%
Marketing productivity	$2.85	$3.08	$3.22	$3.28	$3.18	-3%	12%
Program coverage	56.2%	57.4%	55.2%	58.8%	57.1%	-3%	1%

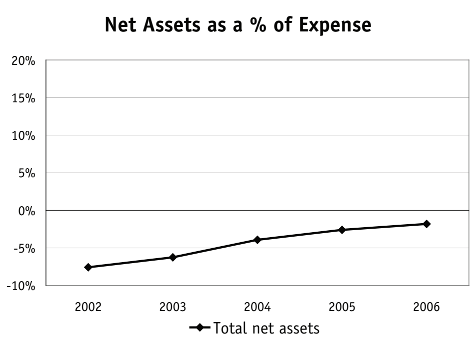
CA CSG Financial Position

CA CSG total net assets[2] increased in 2006 for the fourth consecutive year. Total net assets continue to be skewed by the large negative position of one company. If the company is excluded from the calculation average total net assets were $75,000 in 2006. Similarly, since working capital is calculated from net assets, if that company is excluded, average working capital would improve to negative $86,887 in 2006. As a percentage of expense, working capital improved consistently over the four-year period. Total investments, which are concentrated in two companies, showed strong increases in all periods. After three years of declines, net fixed assets increased in 2006, an indication that organizations were reinvesting in fixed assets at a faster rate than they depreciated them.

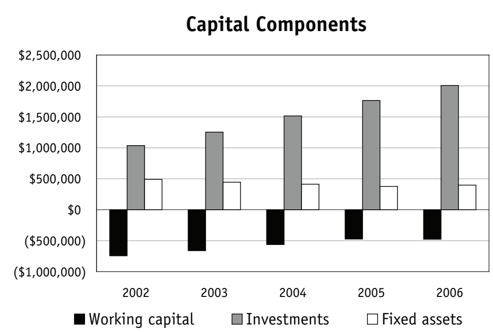
Table 36
Balance Sheet
Canadian Constant Sample Group of 10 Companies

Averages in dollars	2002	2003	2004	2005	2006	Percentage Change 1-yr	Percentage Change 4-yr	4-yr RGR*
Total net assets (NA)	(253,614)	(216,498)	(149,601)	(98,065)	(79,320)	19%	69%	60%
Total NA as % of expense	-8%	-6%	-4%	-3%	-2%			
Working capital	(743,970)	(661,344)	(562,942)	(473,742)	(477,088)	-1%	36%	27%
Working capital as % of expense	-22%	-19%	-15%	-13%	-11%			
Investments	1,036,107	1,253,750	1,515,209	1,766,047	2,008,001	14%	94%	85%
Investments as % of expense	31%	36%	40%	47%	46%			
Net fixed assets	490,356	444,846	413,341	375,677	397,768	6%	-19%	-28%

* 4-year Real Growth Rate - adjusted for inflation



Graph II



Graph JJ

[2] Canadian nonprofit accounting practices report only total net assets.

CA CSG Performance Activity

In contrast to the U.S. companies which had decreased productions, performances and attendance in 2006 and the four-year period, Canadian companies reduced productions and performances in 2006 but had significant increases over the four-year period. High priced tickets showed four-year growth significantly higher than inflation, while the low subscription and single ticket prices did not keep pace with inflation.

Table 37
Performance Activity
Canadian Constant Sample Group of 11 Companies

						Percentage Change		
Averages	**2002**	**2003**	**2004**	**2005**	**2006**	**1-yr**	**4-yr**	**4-yr RGR***
Productions & performances								
Main season productions	2.2	2.5	2.6	2.8	2.5	-10%	17%	
Main season performances	9.5	11.8	12.4	14.5	12.1	-16%	27%	
Main season total attendance	21,437	23,779	24,717	22,799	23,760	4%	11%	
Pricing								
High full subscription price	$314	$315	$320	$361	$368	2%	17%	8%
Low full subscription price	$61	$67	$61	$71	$65	-8%	7%	-2%
High single ticket price	$85	$87	$94	$97	$111	15%	31%	22%
Low single ticket price	$23	$22	$23	$22	$23	4%	-2%	-11%
Highest orchestra ticket	$85	$99	$102	$107	$117	9%	37%	28%
Low orchestra ticket	$44	$57	$47	$49	$54	10%	22%	13%

* 4-year Real Growth Rate - adjusted for inflation

Conclusion

The 2006 Annual Field Report covers five years that include the downturn in the U.S. economy after September 11, 2001 and the subsequent recovery in the economic markets. As seen in the 2005 Annual Field Report, many of the four-year trends are positive, yet many challenges exist for the field.

On the positive side, in the U.S. both private and public contributions grew faster than inflation with individual giving growing faster than operating budgets — a positive sign of community support of the companies' work. Development productivity increased this year — more was raised for each dollar of development expense. Private support now exceeds the box office as the primary revenue source, except for the largest companies.

U.S. box office receipts did not grow in 2006 and did not keep pace with inflation for the four-year period, as the number of productions and performances and total attendance declined. Ticket price increases mitigated the trend. It continued to be more costly to market opera — a larger portion of the operating budget was spent on revenue generation and a lower percentage went toward the work on stage, resulting in a negative real growth rate for artistic and production expenses. When artistic and production expenses are related to the reduced performance activity, however, spending per production and per performance grew faster than inflation since 2002.

The five-year trends for the U.S. CSG indicate that the companies are having mixed success in balancing their operations — more than half of the companies had operating losses. After producing a small surplus in 2005, U.S. companies posted a small loss in 2006 — total revenue was flat, while expenses increased slightly. The 2006 operating loss was the fourth loss in five years.

In contrast, Canadian companies posted their fourth consecutive year of surpluses with large growth in income and expenses. For the four-year period it became less costly to market opera in Canada, but more expensive to generate contributions.

The most striking trend from 2002 to 2006 is the strengthening of capital components in both the U.S. and Canada — organizations are better capitalized in 2006 than in the previous four years. Total net assets, working capital and investments all grew at rates that significantly outpaced inflation, with the most dramatic strengthening seen in the larger organizations. More companies of varied sizes have investments and are benefiting from the related income generated.

The 110 companies in the Survey Universe reported an uptick in performance activity and opera attendance in 2006. The reduction in productions and performances for the 67 companies in the U.S. and Canadian CSGs, however, may indicate that companies are re-structuring their offerings to respond to the economic climate and audience demand. It will be interesting to track these trends in the 2007 AFR.

Acknowledgements

Many thanks to Marc A. Scorca, Katherine Ehle, Sabrina Neilson, Kelley Rourke and Amy Smitherman of OPERA America for their input and assistance on this year's AFR. We also thank the staffs of the member companies that take time from their work of producing opera to complete the POS, making this report possible.

Companies in the U.S. CSG

Level 1
The Dallas Opera
Florida Grand Opera
Houston Grand Opera
Los Angeles Opera
Lyric Opera of Chicago
Michigan Opera Theatre
New York City Opera
San Diego Opera
San Francisco Opera
The Santa Fe Opera
Seattle Opera
Utah Symphony & Opera

Level 2
Austin Lyric Opera
Boston Lyric Opera
Central City Opera
Chicago Opera Theater
Florentine Opera Company
Glimmerglass Opera
Lyric Opera of Kansas City
The Minnesota Opera Company
Opera Colorado
Opera Company of Philadelphia
Opera Pacific
Opera Theatre of Saint Louis
Palm Beach Opera
Pittsburgh Opera
Portland Opera
Sarasota Opera
Virginia Opera

Level 3
Dayton Opera
Des Moines Metro Opera
Fort Worth Opera Association
Indianapolis Opera
Kentucky Opera
Lyric Opera San Diego
Madison Opera
Nashville Opera Association
Opera Omaha
Orlando Opera
Pensacola Opera
Sacramento Opera
Syracuse Opera
Tulsa Opera

Level 4
Amarillo Opera, Inc.
Ash Lawn Opera Festival
Boheme Opera New Jersey
Chattanooga Symphony & Opera
Fargo-Moorhead Opera
Lake George Opera
Musical Traditions
Music-Theatre Group
Opera North
Opera Theatre of Pittsburgh
Pacific Repertory Opera
Piedmont Opera
Tri-Cities Opera Company

Companies in the Canadian CSG

Banff Centre, Theatre Arts
Calgary Opera
Canadian Opera Company
Edmonton Opera
Manitoba Opera
Opera Atelier
Opera Lyra Ottawa
Pacific Opera Victoria
The Queen of Puddings Music Theatre Company
Tapestry New Opera Works
Vancouver Opera

OPERA AMERICA

330 Seventh Avenue, 16th Floor
New York, NY 10001
Phone: 212-796-8620
Fax: 212-796-8631
E-mail: Frontdesk@operaamerica.org
Web Page: www.operaamerica.org