# THE 2011 ANNUAL FIELD REPORT
## BY LARRY BOMBACK

OPERA WAS A NEARLY $900MM INDUSTRY IN 2011 THAT, IN AGGREGATE, OPERATED IN THE BLACK.

## INTRODUCTION

OPERA America's 2011 *Annual Field Report* (AFR) is based on information collected via The Cultural Data Project/ Professional Opera Survey (CDP/POS) completed by OPERA America's Professional Company Members in the U.S. and Canada each year. The CDP/POS collects detailed information annually on financial, performance and attendance activity, and this AFR highlights data from opera companies' 2011 fiscal years (which, when combined, span the time period from March 2010 to December 2011). The CDP/POS for 2011 collected data from 96 companies across the U.S. and Canada, representing roughly two-thirds of OPERA America's professional company membership. Based on this survey universe (see note 2), opera was a nearly $900MM industry in 2011 that, in aggregate, operated in the black. Indeed, as this AFR will demonstrate, despite decreases in ticket sales among companies of all sizes, donors (notably, individuals in 2010 and institutions in 2011) increased their support of opera companies considerably.

Companies reporting consistently for five consecutive seasons comprise the AFR's Constant Sample Group (CSG). The 2011 CSG includes 46 U.S. and 11 Canadian companies for a total of 57 companies. This figure represents about 40% of OPERA America's Professional Company Members.

The 2010 AFR illustrated how opera companies and their patrons responded to the early stages of the economic recovery. As the country emerged from the Great Recession and the stock market continued its rise through 2011, the tough choices that opera companies made as they entered what is now commonly referred to as the "new normal" appear to have had a positive impact. Indeed, certain metrics in the 2011 AFR point to the emergence of noteworthy multi-year trends that began in 2008 and 2009.

Generally in the U.S., the larger the company, the better it fared financially. In 2011, Level 1 companies in the U.S. reported a positive operating margin of nearly 6%. Level 2, 3 and 4 companies posted negative operating margins in 2011, with Level 4 companies reporting the largest such deficit margins on a percentage basis. From 2007 to 2011, however, U.S. companies as a group successfully increased revenues by 1% while cutting costs by 1%. Although box office revenues declined 13% over that same time period, contributed revenue, including temporarily- and permanently-restricted gifts, increased nearly 18%.

In Canada, however, the news was not as encouraging. After four consecutive years of aggregate surpluses, the Canadian companies reported an aggregate deficit in 2011, and indeed, even over those surplus years, operating margins shrunk from 3.2% in 2007 to less than 0.1% in 2010 before turning sharply negative in 2011. Increases in contributed revenue year-over-year and over the past five years were not enough to cover the nearly 9% decline in ticket sales from 2010 to 2011 and nearly 20% drop from 2007 to 2011. Unlike their U.S. counterparts, Canadian opera companies' cost cutting efforts were not effective. On the contrary, expenses rose 7% from 2010 to 2011 and almost 11% from 2007 to 2011.

# THEMES

- There is some concentration at the extreme ends of the budget spectrum. The biggest opera companies appear to be getting bigger, while the smallest companies are getting smaller.

- On the whole, balance sheets are improving, in spite of declines in working capital among the smallest companies. While still not at their peaks, investments have risen in value considerably both in the U.S. and in Canada, owing to the continued recovery in the markets.

- While the largest companies have, in general, reduced the numbers of mainstage productions mounted in recent years, smaller companies, by contrast, have increased the number of works produced, especially in alternative venues. Among Level 3 and 4 companies, while the total number of available seats has decreased over the past five years, the total number of performances has increased.

- Opera companies are, in general, becoming increasingly reliant on unrestricted contributed revenue as ticket sales continue to cover a smaller percentage of annual operating costs. In addition, the percentage of a company's total revenue that is covered by contributed assets received in a prior year and released in the current year is increasing dramatically. Among U.S. companies, more than twice as many assets were released from restriction in 2011 compared to 2007.

- While government support is declining both north and south of the border, foundation support is up. In Canada, average foundation support rose 20% year-over-year and is up nearly 75% since 2007. Among the U.S. companies, foundation support was up 23% year-over-year and 14% since 2007, on average.

- Development personnel expenses are rising substantially. This investment has paid dividends as evidenced by the rise in development productivity and the total number of dollars brought in. Non-personnel development costs have shrunk or remained steady, perhaps indicative of a shift from fewer direct mail campaigns focused on smaller gifts to major gift fundraising with more personal interaction.

- Virtually every company has experienced declines in subscription and single ticket sales, and marketing productivity has declined considerably. One bright spot among marketing departments is that subscription renewal rates have risen year-over-year across all levels.

Note 1: All data in the report is presented as an average in dollars for each level. Four-year trends are adjusted for inflation. The annualized inflation rate in the U.S. from 2006-2010 was 2.1%. In Canada, the annualized rate for the same period was 1.89%.

Note 2: While the figures of the survey universe include the Metropolitan Opera, it has been excluded from the AFR because of its size relative to the rest of the field.

Note 3: New York City Opera has been excluded from the U.S. CSG as the lack of a formal season of programming in 2009 renders their survey responses statistically irrelevant for the purposes of this five-year report.

# LEVEL 1
## Annual budget over $10,000,000

Nine companies comprise the 2011 Level 1 U.S. CSG:

The Dallas Opera
Houston Grand Opera
Los Angeles Opera
Lyric Opera of Chicago
San Diego Opera Association
San Francisco Opera
The Santa Fe Opera
Seattle Opera
Utah Symphony | Utah Opera

### OVERVIEW

Seven of nine companies in the Level 1 CSG reported an operating surplus in 2011, for a total average surplus of $1.8MM. This marks the second consecutive year of aggregate surpluses among Level 1 companies. Nevertheless, the group still retains a five-year average accumulated deficit of over $5MM, primarily the result of declines in unrestricted and board-designated investment accounts in 2008 and 2009. While average operating revenue for the Level 1 CSG increased over 2% from 2007 to 2011, average expenses in the most recent year actually declined by just over 1% over five years.

By 2011, with new endowment gifts and unrealized capital gains, Level 1 CSG investment portfolios appeared to have fully recovered, on average, amounting to nearly $58MM, their highest level in five seasons. Unrestricted net assets, which among the Level 1 CSG include a sizeable amount of board-designated quasi-endowments, increased over 43% from 2010 to 2011, thanks in part to the stock market's strong returns over the past two years.

Working capital among the Level 1 companies, on average, improved markedly from 2010 to 2011, although as a percentage of expenses, is still over 80% below where it once was back in 2007 before the onset of the recession. Three companies still reported accumulated deficits at the close of FY11, but all three narrowed those deficits year-over-year.

Operating Net Income
Average of U.S. Constant Sample Group of (9) Level 1 Companies

| | | | | | | Percentage Change | | 4-yr Annualized Growth Rate | |
|---|---|---|---|---|---|---|---|---|---|
| | 2007 | 2008 | 2009 | 2010 | 2011 | 1-yr | 4-yr | Actual | Infl. Adj. |
| Total Operating Revenue | $32,898,549 | $30,310,575 | $24,614,292 | $37,142,422 | $33,654,886 | -9.4% | 2.3% | 0.6% | -1.5% |
| Total Expense | $32,142,284 | $33,078,571 | $34,292,426 | $32,429,227 | $31,783,686 | -2.0% | -1.1% | -0.3% | -2.4% |
| **Operating Net Income (Loss)** | **$756,265** | **($2,767,997)** | **($9,678,134)** | **$4,713,195** | **$1,871,200** | | | | |
| As Percentage of Expense | 2.4% | -8.4% | -28.2% | 14.5% | 5.9% | | | | |

Balance Sheet
Average of U.S. Constant Sample
Group of (9) Level 1 Companies

| | | | | | | Percentage Change | | 4-yr Annualized Growth Rate | |
|---|---|---|---|---|---|---|---|---|---|
| | 2007 | 2008 | 2009 | 2010 | 2011 | 1-yr | 4-yr | Actual | Infl. Adj. |
| Net Assets | | | | | | | | | |
| Unrestricted | $23,229,921 | $20,626,171 | $8,993,877 | $13,575,529 | $15,503,552 | 14.2% | -33.3% | -9.6% | -11.7% |
| Temporarily Restricted | $13,256,796 | $15,909,449 | $16,083,736 | 17,767,543 | 19,842,778 | 11.7% | 49.7% | 10.6% | 8.5% |
| Permanently Restricted | $29,798,158 | $31,621,088 | $32,548,543 | 34,070,649 | 35,450,034 | 4.0% | 19.0% | 4.4% | 2.3% |
| Total Net Assets | $66,284,876 | $68,156,708 | $57,626,156 | $65,413,721 | $70,796,364 | 8.2% | 6.8% | 1.7% | -0.4% |
| Total NA as % of Expense | 206.2% | 206.0% | 168.0% | 201.7% | 222.7% | | | | |
| Working Capital | $10,925,365 | $7,683,237 | ($4,201,098) | $173,312 | $2,159,754 | 1146.2% | -80.2% | -33.3% | -35.4% |
| as % of Expense | 34.0% | 23.2% | -12.3% | 0.5% | 6.8% | | | | |
| Investments * | $50,202,150 | $50,443,605 | $44,229,444 | $52,965,158 | $57,745,280 | 9.0% | 15.0% | 3.6% | 1.5% |
| as % of Expense | 156.2% | 152.5% | 129.0% | 163.3% | 181.7% | | | | |
| Net Fixed Assets | $12,304,557 | $12,942,934 | $13,194,975 | $13,402,217 | $13,343,797 | -0.4% | 8.4% | 2.0% | -0.1% |

* Including Separately Incorporated Endowments

## REVENUE

The average Level 1 company ratio of contributed revenue to earned revenue was 59% to 41%, on average, over the past five years. Average ticket sales in 2011 were the lowest among the past five seasons surveyed, dropping by over 11% in dollars from 2007. Ticket revenue accounted for less than 30% of total operating revenue for the second consecutive year.

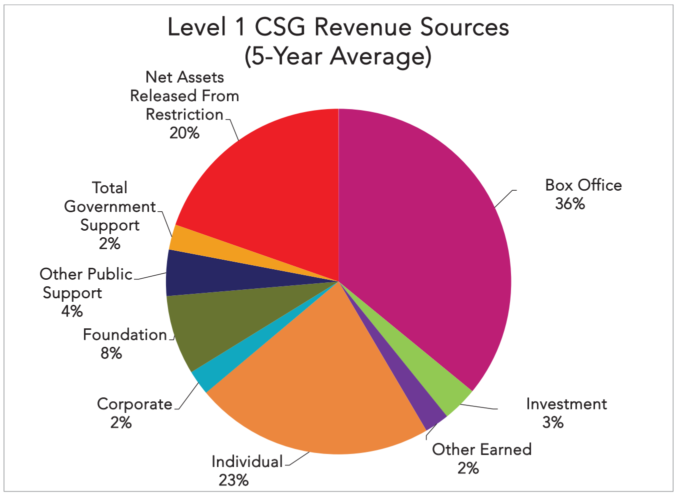
In 2011, revenue from investments (including capital gains and dividends and interest on unrestricted funds) was nearly $2.8MM on average, about 8% of total revenue. For comparison, in both 2007 and 2010, when the stock market achieved double-digit gains, the effect on investment revenue was striking, with companies being able to draw in 12% of their operating expenses from investment-related income.

Individual gifts, on average, decreased by over 30% from 2010 to 2011, after a 38% increase from 2009 to 2010. However, corporate and foundation support showed gains year-over-year. Foundation support, in particular, rose over 25% on average from 2010 to 2011, attaining its second highest level over the five seasons surveyed.

Operating Revenue
Average of U.S. Constant Sample Group of (9) Level 1 Companies

| | | | | | | | Percentage Change | | 4-yr Annualized Growth Rate | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 2007 | * | 2010 | * | 2011 | * | 1-yr | 4-yr | Actual | Infl. Adj. |
| Unrestricted Earned Revenue | | | | | | | | | | |
| Box Office | $11,962,334 | 36.4% | $10,710,467 | 28.8% | $10,578,176 | 31.4% | -1.2% | -11.6% | -3.0% | -5.1% |
| Investment | $4,262,251 | 13.0% | $4,106,458 | 11.1% | $2,797,856 | 8.3% | -31.9% | -34.4% | -10.0% | -12.1% |
| Other Earned | $1,294,501 | 3.9% | $1,280,604 | 3.4% | $1,198,882 | 3.6% | -6.4% | -7.4% | -1.9% | -4.0% |
| **Total Unrestricted Earned Revenue** | **$17,519,086** | **53.3%** | **$16,097,529** | **43.3%** | **$14,574,914** | **43.3%** | **-9.5%** | **-16.8%** | **-4.5%** | -6.6% |
| Unrestricted Contributed Revenue | | | | | | | | | | |
| Private Support | | | | | | | | | | |
| Individual | $6,931,708 | 21.1% | $8,780,006 | 23.6% | $5,927,086 | 17.6% | -32.5% | -14.5% | -3.8% | -5.9% |
| Corporate | $726,441 | 2.2% | $689,894 | 1.9% | $716,512 | 2.1% | 3.9% | -1.4% | -0.3% | -2.4% |
| Foundation | $2,005,963 | 6.1% | $2,097,481 | 5.6% | $2,637,621 | 7.8% | 25.8% | 31.5% | 7.1% | 5.0% |
| Other Private Support | $1,268,063 | 3.9% | $1,564,125 | 4.2% | $1,210,691 | 3.6% | -22.6% | -4.5% | -1.2% | -3.3% |
| Total Unrestricted Private Support | $10,932,175 | 33.2% | $13,131,506 | 35.4% | $10,491,910 | 31.2% | -20.1% | -4.0% | -1.0% | -3.1% |
| Total Unrestricted Government Support | $850,892 | 2.6% | $665,326 | 1.8% | $636,322 | 1.9% | -4.4% | -25.2% | -7.0% | -9.1% |
| **Total Unrestricted Contributed Revenue** | **$11,783,066** | **35.8%** | **$13,796,832** | **37.1%** | **$11,128,233** | **33.1%** | **-19.3%** | **-5.6%** | **-1.4%** | -3.5% |
| Net Assets Released From Restriction and Transfers/Reclassifications | $3,596,396 | 10.9% | $7,248,060 | 19.5% | $7,951,739.44 | 23.6% | 9.7% | 121.1% | 21.9% | 19.8% |
| Total Operating Revenue | $32,898,549 | | $37,142,422 | | $33,654,886 | | -9.4% | 2.3% | 0.6% | -1.5% |

* As a % of Total Operating Revenue
NOTE: Level 1 Constant Sample Group companies reported 4.1 MM in one time UPMIFA Transfers and Reclassifications in FY 11.




## EXPENSES

Artistic and production personnel costs each declined by about 4% from 2010 to 2011. This was the first time in five seasons that both departments reported declines in personnel expenses. Savings from those departments appear to have been reallocated to marketing, education and most notably, development, which had increases in personnel costs of nearly 35% from 2010 to 2011.

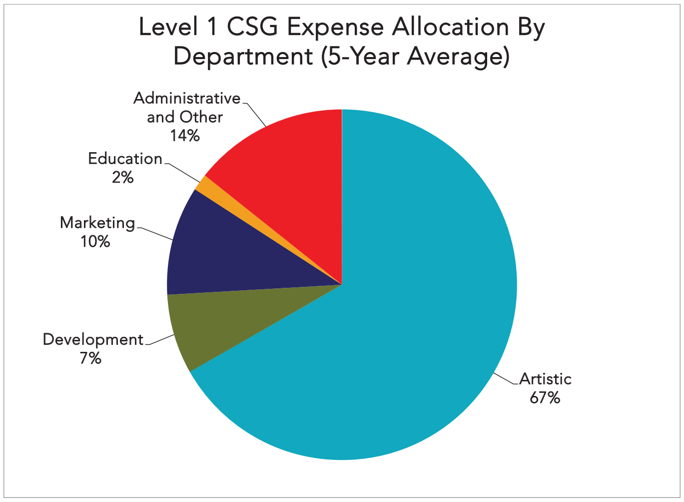
Production non-personnel expenses also declined markedly from 2010 to 2011, to about $3.6MM on average, the lowest in five seasons. Since 2007, production non-personnel costs have declined by nearly 15%, and these cuts were most responsible for the overall declines in spending from 2007 to 2011 and year-over-year. Education non-personnel expenses rose for the second consecutive season and have risen nearly 40% since 2007, as more companies increased budget allocations to community engagement activities. Nevertheless, on average, education spending only amounted to 2% of overall budgets over the past five years.

Despite the declines in core artistic spending year-over-year, Level 1 companies allocated approximately 67% of their total budgets to the creation of opera, on average, over the past five seasons. This represents the largest such allocation among all levels.

Expenses
Average of U.S. Constant Sample Group of (9) Level 1 Companies

| | 2007 | * | 2010 | * | 2011 | * | Percentage Change 1-yr | Percentage Change 4-yr | 4-yr Annualized Growth Rate Actual | 4-yr Annualized Growth Rate Infl. Adj. |
|---|---|---|---|---|---|---|---|---|---|---|
| Personnel | | | | | | | | | | |
| Artistic | $10,902,199 | 33.9% | $11,164,702 | 34.4% | $10,746,259 | 33.8% | -3.7% | -1.4% | -0.4% | -2.5% |
| Production & Technical | $5,469,132 | 17.0% | $6,177,519 | 19.0% | $5,926,978 | 18.6% | -4.1% | 8.4% | 2.0% | -0.1% |
| Singer Training | $345,575 | 1.1% | $215,922 | 0.7% | $262,361 | 0.8% | 21.5% | -24.1% | -6.7% | -8.8% |
| Marketing/PR/Box Office | $1,117,455 | 3.5% | $1,192,627 | 3.7% | $1,245,164 | 3.9% | 4.4% | 11.4% | 2.7% | 0.6% |
| Development | $1,147,039 | 3.6% | $1,039,146 | 3.2% | $1,396,771 | 4.4% | 34.4% | 21.8% | 5.0% | 2.9% |
| Education | $359,633 | 1.1% | $359,763 | 1.1% | $440,793 | 1.4% | 22.5% | 22.6% | 5.2% | 3.1% |
| Administrative | $2,109,484 | 6.6% | $1,984,154 | 6.1% | $2,102,856 | 6.6% | 6.0% | -0.3% | -0.1% | -2.2% |
| **Total Personnel Expense** | **$21,450,517** | **66.7%** | **$22,133,834** | **68.3%** | **$22,121,183** | **69.6%** | **-0.1%** | **3.1%** | **0.8%** | -1.3% |
| Non-Personnel | | | | | | | | | | |
| Production | $4,219,295 | 13.1% | $3,938,107 | 12.1% | $3,590,617 | 11.3% | -8.8% | -14.9% | -4.0% | -6.1% |
| Broadcasting, Recording & Internet Expense | $107,612 | 0.3% | $240,151 | 0.7% | $102,697 | 0.3% | -57.2% | -4.6% | -- | -- |
| Singer Training | $230,200 | 0.7% | $246,365 | 0.8% | $238,023 | 0.7% | -3.4% | 3.4% | 0.8% | -1.3% |
| Marketing/PR/Box Office | $1,864,704 | 5.8% | $2,287,357 | 7.1% | $1,919,030 | 6.0% | -16.1% | 2.9% | 0.7% | -1.4% |
| Development | $1,130,217 | 3.5% | $1,024,620 | 3.2% | $1,039,922 | 3.3% | 1.5% | -8.0% | -2.1% | -4.2% |
| Education | $110,821 | 0.3% | $131,750 | 0.4% | $152,362 | 0.5% | 15.6% | 37.5% | 8.3% | 6.2% |
| Administrative | $2,510,725 | 7.8% | $2,001,343 | 6.2% | $2,246,290 | 7.1% | 12.2% | -10.5% | -2.7% | -4.8% |
| Other Earned Income Expenses | $518,193 | 1.6% | $425,700 | 1.3% | $373,561 | 1.2% | -12.2% | -27.9% | -7.9% | -10.0% |
| **Total Non-Personnel Expense** | **$10,691,767** | **33.3%** | **$10,295,392** | **31.7%** | **$9,662,503** | **30.4%** | **-6.1%** | **-9.6%** | **-2.5%** | -4.6% |
| **Total Expense** | **$32,142,284** | | **$32,429,227** | | **$31,783,686** | | **-2.0%** | **-1.1%** | **-0.3%** | -2.4% |

* As a % of Total Expense



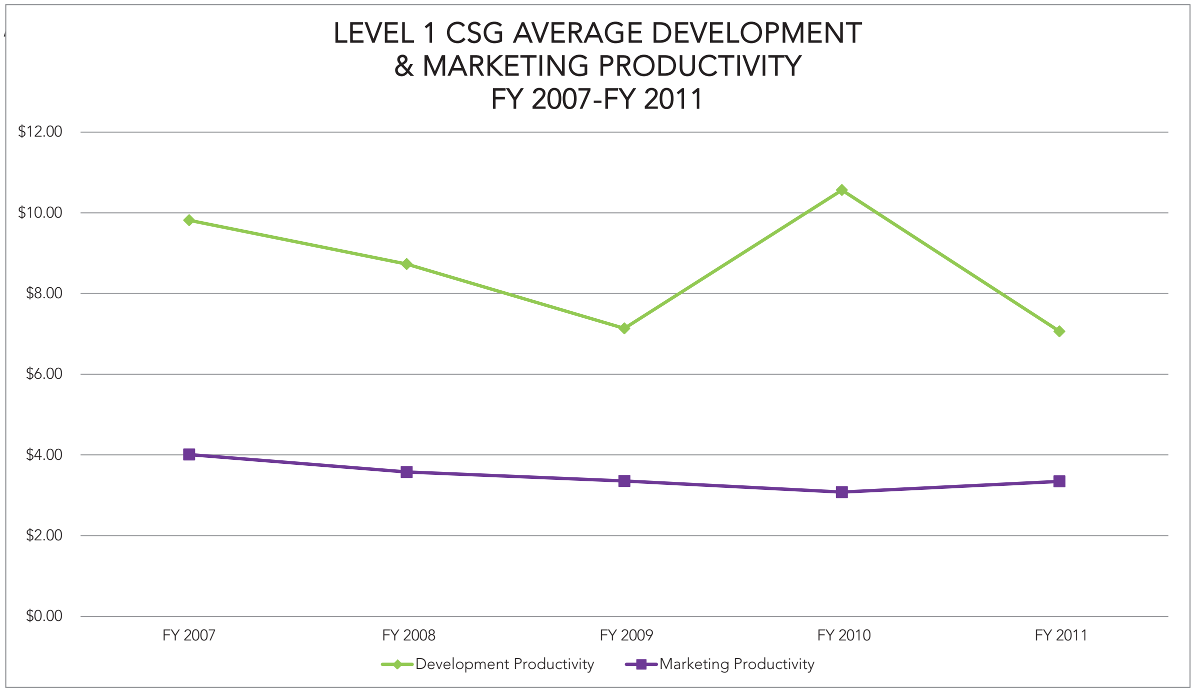

## PRODUCTIVITY

Marketing productivity increased by over 8% from 2010 to 2011, reversing a 25% four-year decline; Level 1 was the only CSG to report an increase in marketing productivity from 2010 to 2011. The prior point notwithstanding, marketing productivity is still almost 17% below its five-year high. Marketing productivity rose nearly 9% from 2010 to 2011 but was still nearly 17% below its five-year high from 2007 when companies earned more than $4 at the box office for every $1 spent on promotion.

The Level 1 companies reported a 33% decrease in development productivity from 2010 to 2011, which is not surprising given the large number of extraordinary gifts that were made in 2010 and the surge in development personnel costs in 2011. After raising more than $10 for every $1 spent on fundraising, on average, in 2010, Level 1 companies raised only $7 for every $1 spent in 2011, the lowest ratio over the past five seasons.

Productivity Measures
Average of U.S. Constant Sample Group of (9) Level 1 Companies

| | 2007 | 2008 | 2009 | 2010 | 2011 | Percentage Change 1-yr | Percentage Change 4-yr | 4-yr Annualized Growth Rate Actual | 4-yr Annualized Growth Rate Infl. Adj. |
|---|---|---|---|---|---|---|---|---|---|
| Development Productivity | $9.81 | $8.73 | $7.14 | $10.56 | $7.06 | -33.2% | -28.0% | -7.9% | -10.0% |
| Marketing Productivity | $4.01 | $3.58 | $3.35 | $3.08 | $3.34 | 8.6% | -16.7% | -4.5% | -6.6% |
| Program Coverage | 58.1% | 55.7% | 52.7% | 50.3% | 51.9% | | | | |




## PERFORMANCE ACTIVITY

In 2011, companies in the Level 1 CSG reported offering fewer than six productions, on average, and just over 39 performances. These represented the lowest totals of main stage productions and performances over the past five seasons. Capacity utilization declined by over 5% from 2010 to 2011. This came after an almost 10% rise in capacity utilization from 2009 to 2010, although this upswing had been more the result of the reduction in the number of performances and the subsequent decrease in the number of available seats in 2010. With slightly fewer performances from 2010 to 2011, seats available decreased by only about 2% from 2010 to 2011, while paid attendance decreased by over 8%.

On average, ticket prices rose year-over-year at both the high and low ends of the spectrum. Within the orchestra section, the most expensive seats, on average, broke the $300 mark for the first time in five years, but the lowest priced orchestra seats declined by over 25% to under $80. The most expensive seat in the house, on average, hit $500 in 2011, an over 80% rise from 2010. Subscription prices declined for the second consecutive season, consistent with fewer production offerings. The subscription renewal rate increased, reversing a three-year decline.

Performance Activity
Average of U.S. Constant Sample Group of (9) Level 1 Companies

| | 2007 | 2008 | 2009 | 2010 | 2011 | Percentage Change 1-yr | 4-yr | 4-yr Annualized Growth Rate Actual | Infl. Adj. |
|---|---|---|---|---|---|---|---|---|---|
| **Performance Activity** | | | | | | | | | |
| Main Season Productions | 6.4 | 6.6 | 6.4 | 6.1 | 5.9 | | | | |
| Main Season Performances | 46.9 | 45.3 | 44.0 | 39.9 | 39.2 | | | | |
| **Attendance** | | | | | | | | | |
| Main Season Paid Attendance | 117,769 | 119,048 | 104,903 | 98,900 | 90,839 | -8.2% | -22.9% | | |
| Total Seats Available | 137,735 | 131,958 | 131,274 | 113,302 | 110,750 | -2.3% | -19.6% | | |
| % of Capacity Sold | 85.5% | 90.2% | 79.9% | 87.3% | 82.0% | | | | |
| Subscription Renewal Rate | 79.1% | 79.7% | 73.6% | 68.5% | 75.5% | | | | |
| **Pricing** | | | | | | | | | |
| High Full Subscription Price | $1,482 | $1,565 | $1,604 | $1,474 | $1,449 | -1.7% | -2.3% | -0.6% | -2.7% |
| Low Full Subscription Price | $145 | $117 | $113 | $104 | $95 | -9.1% | -34.5% | -10.0% | -12.1% |
| High Single Ticket Price | $192 | $198 | $214 | $275 | $500 | 82.0% | 159.9% | 27.0% | 24.9% |
| Low Single Ticket Price | $25 | $24 | $14 | $14 | $17 | 23.4% | -33.6% | -9.7% | -11.8% |
| Highest Orchestra Ticket | $175 | $178 | $195 | $295 | $317 | 7.8% | 81.5% | 16.1% | 14.0% |
| Lowest Orchestra Ticket | $80 | $68 | $84 | $106 | $79 | -25.6% | -1.5% | -0.4% | -2.5% |

# LEVEL 2
## Annual budget between $3,000,000 and $10,000,000

Twelve companies comprise the 2010 Level 2 U.S. CSG:

| | |
|---|---|
| Austin Lyric Opera | Minnesota Opera |
| Boston Lyric Opera | Opera Carolina |
| Central City Opera | Opera Colorado |
| Cincinnati Opera | Opera Philadelphia |
| Fort Worth Opera | Pittsburgh Opera |
| Lyric Opera of Kansas City | Portland Opera |

### OVERVIEW

Six of 12 companies in the Level 2 CSG reported an operating surplus in 2011; however, the group as a whole reported an average deficit of over $150,000, after a $265,000 average surplus in the prior season. Average operating revenue for the Level 2 CSG decreased over 2.5% from 2010 to 2011 to its lowest level in five seasons. Since 2007, the group has reported an average accumulated deficit of nearly $442,000. Level 2 companies as a group reported negative working capital in 2011, although the gap has closed considerably since 2009. Unlike Level 1 companies, investment portfolios among Level 2 companies have not fully recovered and are still well below the levels seen in 2007.

Operating Net Income
Average of U.S. Constant Sample Group of (12) Level 2 Companies

| | | | | | | Percentage Change | | 4-yr Annualized Growth Rate | |
|---|---|---|---|---|---|---|---|---|---|
| | 2007 | 2008 | 2009 | 2010 | 2011 | 1-yr | 4-yr | Actual | Infl. Adj. |
| Total Operating Revenue | $6,193,041 | $6,250,681 | $5,895,095 | $6,210,949 | $6,043,175 | -2.7% | -2.4% | -0.6% | -2.7% |
| Total Expense | $6,040,115 | $6,518,079 | $6,325,990 | $5,946,210 | $6,204,391 | 4.3% | 2.7% | 0.7% | -1.4% |
| **Operating Net Income (Loss)** | **$152,926** | **($267,397)** | **($430,895)** | **$264,740** | **($161,216)** | | | | |
| As Percentage of Expense | 2.5% | -4.1% | -6.8% | 4.5% | -2.6% | | | | |

Balance Sheet
Average of U.S. Constant Sample Group of (12) Level 2 Companies

| | | | | | | Percentage Change | | 4-yr Annualized Growth Rate | |
|---|---|---|---|---|---|---|---|---|---|
| | 2007 | 2008 | 2009 | 2010 | 2011 | 1-yr | 4-yr | Actual | Infl. Adj. |
| Net Assets | | | | | | | | | |
| Unrestricted | $2,417,721 | $1,897,141 | $1,626,714 | $2,034,859 | $2,080,057 | 2.2% | -14.0% | -3.7% | -5.8% |
| Temporarily Restricted | $1,372,226 | $1,664,094 | $2,253,489 | $2,043,012 | $2,392,253 | 17.1% | 74.3% | 14.9% | 12.8% |
| Permanently Restricted | $5,255,771 | $4,999,660 | $4,203,567 | $4,443,633 | $5,032,301 | 13.2% | -4.3% | -1.1% | -3.2% |
| **Total Net Assets** | **$9,045,718** | **$8,560,895** | **$8,083,769** | **$8,521,503** | **$9,504,611** | **11.5%** | **5.1%** | **1.2%** | -0.9% |
| Total NA as % of Expense | 149.8% | 131.3% | 127.8% | 143.3% | 153.2% | | | | |
| **Working Capital** | **$724,960** | **$14,081** | **($1,070,537)** | **($494,377)** | **($203,648)** | -- | -- | -- | -- |
| as % of Expense | 12.0% | 0.2% | -16.9% | -8.3% | -3.3% | | | | |
| **Investments *** | **$8,208,827** | **$7,535,800** | **$6,087,963** | **$5,516,848** | **$5,703,615** | **3.4%** | **-30.5%** | **-8.7%** | -10.8% |
| as % of Expense | 135.9% | 115.6% | 96.2% | 92.8% | 91.9% | | | | |
| **Net Fixed Assets** | **$1,692,761** | **$1,883,059** | **$2,697,251** | **$2,529,236** | **$2,283,705** | **-9.7%** | **34.9%** | **7.8%** | 5.7% |

* Including Separately Incorporated Endowments

## REVENUE

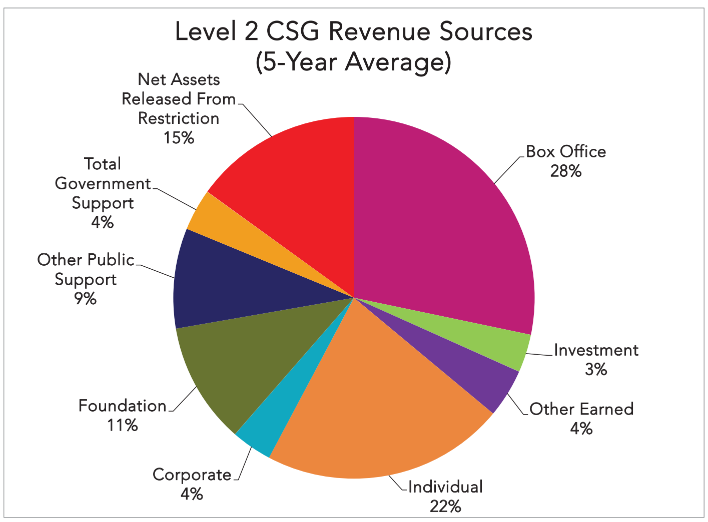
Despite the fact that ticket sales declined by over $200,000 on average, or more than 12%, from 2010 to 2011, individual giving increased by almost the same dollar amount, on average. In five seasons, ticket revenue has declined over 22% but individual giving has increased over 27%. Ticket revenue accounted for less than 25% of total operating revenue, on average, in 2011, while individual giving represented nearly 24% of total operating revenue, its highest percentage in five seasons. Even though there has been a considerable decline in ticket revenue among Level 2 companies since 2007, as a group they have been able to maintain a total earned revenue percentage of 35% over the past five seasons. In 2011, for example, declines in ticket revenue had been offset by a modest increase in investment revenue and a considerable jump in other earned income sources, such as production rentals, advertising and unrelated business activities.

Like Level 1 companies, Level 2 companies saw large increases in foundation giving from 2010 to 2011 and with only modest declines in corporate gifts, government support and special events revenue, Level 2 companies saw overall philanthropy reach its highest level since 2008.

Operating Revenue
Average of U.S. Constant Sample Group of (12) Level 2 Companies

| | 2007 | * | 2010 | * | 2011 | * | Percentage Change 1-yr | Percentage Change 4-yr | 4-yr Annualized Growth Rate Actual | 4-yr Annualized Growth Rate Infl. Adj. |
|---|---|---|---|---|---|---|---|---|---|---|
| **Unrestricted Earned Revenue** | | | | | | | | | | |
| Box Office | $1,885,770 | 30.4% | $1,663,147 | 26.8% | $1,459,510 | 24.2% | -12.2% | -22.6% | -6.2% | -8.3% |
| Investment | $518,975 | 8.4% | $315,363 | 5.1% | $326,056 | 5.4% | 3.4% | -37.2% | -- | -- |
| Other Earned | $130,333 | 2.1% | $274,366 | 4.4% | $340,039 | 5.6% | 23.9% | 160.9% | 27.1% | 25.0% |
| **Total Unrestricted Earned Revenue** | **$2,535,078** | **40.9%** | **$2,252,876** | **36.3%** | **$2,125,605** | **35.2%** | **-5.6%** | **-16.2%** | **-4.3%** | -6.4% |
| **Unrestricted Contributed Revenue** | | | | | | | | | | |
| Private Support | | | | | | | | | | |
| Individual | $1,122,119 | 18.1% | $1,289,403 | 20.8% | $1,429,487 | 23.7% | 10.9% | 27.4% | 6.2% | 4.1% |
| Corporate | $273,575 | 4.4% | $198,639 | 3.2% | $195,990 | 3.2% | -1.3% | -28.4% | -8.0% | -10.1% |
| Foundation | $786,669 | 12.7% | $537,897 | 8.7% | $634,066 | 10.5% | 17.9% | -19.4% | -5.2% | -7.3% |
| Other Private Support | $469,785 | 7.6% | $558,924 | 9.0% | $525,694 | 8.7% | -5.9% | 11.9% | 2.9% | 0.8% |
| Total Unrestricted Private Support | $2,652,147 | 42.8% | $2,584,862 | 41.6% | $2,785,237 | 46.1% | 7.8% | 5.0% | 1.2% | -0.9% |
| Total Unrestricted Government Support | $270,112 | 4.4% | $219,104 | 3.5% | $212,148 | 3.5% | -3.2% | -21.5% | -5.9% | -8.0% |
| **Total Unrestricted Contributed Revenue** | **$2,922,259** | **47.2%** | **$2,803,966** | **45.1%** | **$2,997,385** | **49.6%** | **6.9%** | **2.6%** | **0.6%** | -1.5% |
| **Net Assets Released From Restriction** | **$735,705** | **11.9%** | **$1,154,107** | **18.6%** | **$920,186** | **15.2%** | **-20.3%** | **25.1%** | **5.8%** | 3.7% |
| **Total Operating Revenue** | **$6,193,041** | | **$6,210,949** | | **$6,043,175** | | **-2.7%** | **-2.4%** | **-0.6%** | -2.7% |

* As a % of Total Operating Revenue




## EXPENSES

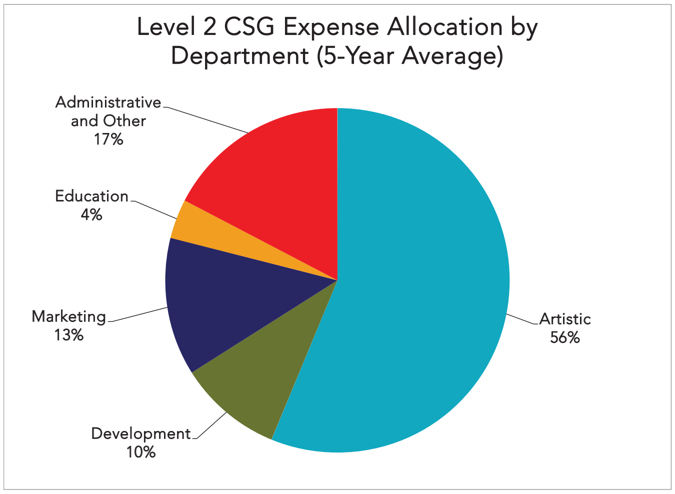
Level 2 companies allocated approximately 56% of their total budgets to the creation of opera, on average, over the past five seasons. Total personnel costs, including salaries and fees paid to administrative staff and artists accounted for almost 59% of total budgets in 2011, in line with the five-year average. Artistic and production personnel costs remained mostly flat from 2010 to 2011, but development personnel costs among Level 2 companies, like the Level 1 companies, saw a marked rise from 2010 to 2011, on average.

After large non-personnel expenses cuts from 2009 and 2010, spending increased considerably from 2010 to 2011, notably in the areas of general administration and development, which rose 56% and 21% on average, respectively. Non-personnel expenses increased nearly 12% year-over-year, contributing to the over 4% rise in total spending from 2010 and 2011 and the resulting average deficit.

Expenses
Average of U.S. Constant Sample Group of (12) Level 2 Companies

| | 2007 | * | 2010 | * | 2011 | * | Percentage Change 1-yr | Percentage Change 4-yr | 4-yr Annualized Growth Rate Actual | 4-yr Annualized Growth Rate Infl. Adj. |
|---|---|---|---|---|---|---|---|---|---|---|
| Personnel | | | | | | | | | | |
| Artistic | $1,552,076 | 25.7% | $1,546,022 | 26.0% | $1,559,908 | 25.1% | 0.9% | 0.5% | 0.1% | -2.0% |
| Production & Technical | $814,297 | 13.5% | $877,005 | 14.7% | $880,230 | 14.2% | 0.4% | 8.1% | 2.0% | -0.1% |
| Singer Training | $29,163 | 0.5% | $34,563 | 0.6% | $29,163 | 0.5% | -15.6% | 0.0% | 0.0% | -2.1% |
| Marketing/PR/Box Office | $262,884 | 4.4% | $307,926 | 5.2% | $292,778 | 4.7% | -4.9% | 11.4% | 2.7% | 0.6% |
| Development | $317,189 | 5.3% | $308,961 | 5.2% | $331,458 | 5.3% | 7.3% | 4.5% | 1.1% | -1.0% |
| Education | $154,471 | 2.6% | $140,840 | 2.4% | $110,796 | 1.8% | -21.3% | -28.3% | -8.0% | -10.1% |
| Administrative | $441,180 | 7.3% | $423,148 | 7.1% | $424,978 | 6.8% | 0.4% | -3.7% | -0.9% | -3.0% |
| Total Personnel Expense | $3,571,261 | 59.1% | $3,638,467 | 61.2% | $3,629,311 | 58.5% | -0.3% | 1.6% | 0.4% | -1.7% |
| | | | | | | | | | | |
| Non-Personnel | | | | | | | | | | |
| Production | $971,194 | 16.1% | $963,387 | 16.2% | $940,969 | 15.2% | -2.3% | -3.1% | -0.8% | -2.9% |
| Broadcasting, Recording & Internet Expense | $14,997 | 0.2% | $920 | 0.0% | $25,072 | 0.4% | 2624.5% | 67.2% | -- | -- |
| Singer Training | $20,350 | 0.3% | $20,025 | 0.3% | $11,933 | 0.2% | -40.4% | -41.4% | -12.5% | -14.6% |
| Marketing/PR/Box Office | $484,515 | 8.0% | $491,022 | 8.3% | $479,248 | 7.7% | -2.4% | -1.1% | -0.3% | -2.4% |
| Development | $222,737 | 3.7% | $246,157 | 4.1% | $298,413 | 4.8% | 21.2% | 34.0% | 7.6% | 5.5% |
| Education | $71,992 | 1.2% | $87,237 | 1.5% | $67,448 | 1.1% | -22.7% | -6.3% | -1.6% | -3.7% |
| Administrative | $641,387 | 10.6% | $447,015 | 7.5% | $699,293 | 11.3% | 56.4% | 9.0% | 2.2% | 0.1% |
| Other Earned Income Expenses | $41,682 | 0.7% | $51,980 | 0.9% | $52,705 | 0.8% | 1.4% | 26.4% | 6.0% | 3.9% |
| Total Non-Personnel Expense | $2,468,854 | 40.9% | $2,307,743 | 38.8% | $2,575,080 | 41.5% | 11.6% | 4.3% | 1.1% | -1.0% |
| Total Expense | $6,040,115 | | $5,946,210 | | $6,204,391 | | 4.3% | 2.7% | 0.7% | -1.4% |

* As a % of Total Expense

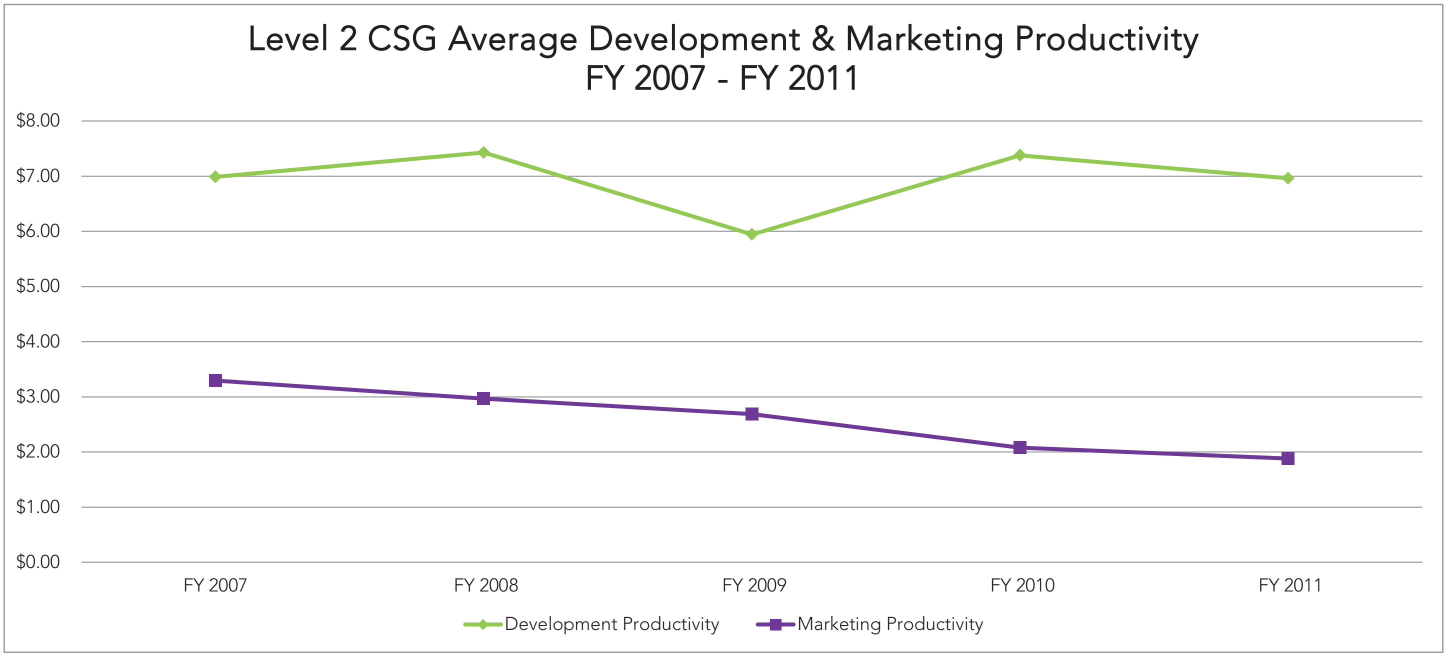



## PRODUCTIVITY

Development productivity decreased from 2010 to 2011, returning to its 2007 level of just under $7 earned for every $1 spent on fundraising. In 2011, marketing productivity dropped below $2 for the first time in five seasons and program coverage, or the amount of core artistic expenses covered by box office revenue, reached its lowest level in five seasons, at 43%.

Productivity Measures
Average of U.S. Constant Sample Group of (17) Level 2 Companies

| | 2007 | 2008 | 2009 | 2010 | 2011 | Percentage Change 1-yr | Percentage Change 4-yr | 4-yr Annualized Growth Rate Actual | 4-yr Annualized Growth Rate Infl. Adj. |
|---|---|---|---|---|---|---|---|---|---|
| Development Productivity | $6.99 | $7.43 | $5.95 | $7.38 | $6.96 | -5.6% | -0.3% | -0.1% | -2.2% |
| Marketing Productivity | $3.30 | $2.97 | $2.69 | $2.08 | $1.88 | -9.5% | -42.8% | -13.0% | -15.1% |
| Program Coverage | 56.5% | 53.0% | 50.2% | 49.1% | 43.0% | | | | |




## PERFORMANCE ACTIVITY

Unlike Level 1 companies, Level 2 companies exhibited an increase in the overall number of performances from 2010 to 2011, and reported their largest number of productions mounted in five seasons in 2011. In addition, main season productions were staged in a number of smaller venues. This resulted in fewer seats being available for purchase. Unfortunately, despite the reduced supply, the Level 2 CSG companies, on average, had less than 70% capacity utilization for the first time in five seasons. In fact, only two of the 12 companies had paid capacity utilization over 75% in 2011. For comparison's sake, in 2007, 10 of the 12 companies reported capacity utilization of 75% or greater.

Ticket prices remained largely flat from 2010 to 2011, although there was a tightening of the subscription price range, on average, with a 20% increase for the lowest priced subscription and a 7% decrease at the high end. Similarly to Level 1 companies, the subscription renewal rate among Level 2 companies, which had been declining for four consecutive seasons, reversed course and increased by nearly 10% from 2010 to 2011 to 76%.

Performance Activity
Average of U.S. Constant Sample Group of (12) Level 2 Companies

| | | | | | | Percentage Change | | 4-yr Annualized Growth Rate | |
|---|---|---|---|---|---|---|---|---|---|
| | 2007 | 2008 | 2009 | 2010 | 2011 | 1-yr | 4-yr | Actual | Infl. Adj. |
| Performance Activity | | | | | | | | | |
| Main Season Productions | 3.7 | 3.8 | 3.9 | 3.9 | 4.0 | | | | |
| Main Season Performances | 18.2 | 18.9 | 19.3 | 17.9 | 18.4 | | | | |
| Attendance | | | | | | | | | |
| Main Season Paid Attendance | 26,552 | 27,201 | 24,576 | 23,164 | 20,842 | -10.0% | -21.5% | | |
| Total Seats Available | 33,849 | 34,677 | 33,550 | 32,752 | 30,718 | -6.2% | -9.3% | | |
| % of Capacity Sold | 78.4% | 78.4% | 73.3% | 70.7% | 67.9% | | | | |
| Subscription Renewal Rate | 80.0% | 78.7% | 69.7% | 66.8% | 76.0% | | | | |
| Pricing | | | | | | | | | |
| High Full Subscription Price | $409 | $436 | $514 | $583 | $544 | -6.7% | 33.1% | 7.4% | 5.3% |
| Low Full Subscription Price | $78 | $72 | $74 | $79 | $95 | 20.4% | 21.3% | 4.9% | 2.8% |
| High Single Ticket Price | $132 | $137 | $157 | $168 | $167 | -0.7% | 25.9% | 5.9% | 3.8% |
| Low Single Ticket Price | $27 | $18 | $16 | $14 | $13 | -8.8% | -51.3% | -16.4% | -18.5% |
| Highest Orchestra Ticket | $118 | $140 | $175 | $161 | $159 | -1.2% | 34.6% | 7.7% | 5.6% |
| Lowest Orchestra Ticket | $45 | $43 | $63 | $43 | $43 | 0.3% | -5.0% | -1.3% | -3.4% |

# LEVEL 3
## Annual budget between $1,000,000 and $3,000,000

Eleven companies comprise the 2010 Level 3 U.S. CSG:

- Dayton Opera Association
- Indianapolis Opera
- Kentucky Opera
- Long Beach Opera
- Madison Opera
- Nashville Opera
- Opera Columbus
- Opera Omaha
- Pensacola Opera
- Syracuse Opera
- Tulsa Opera

### OVERVIEW

Level 3 company revenues decreased over 12% on average since 2007 and have declined for five consecutive seasons. Ticket sales and contributed revenue have decreased by 16% and 30% respectively from 2007 to 2011. Nevertheless, these companies have responded to this contraction with appropriate expense reductions and actually posted an average accumulated surplus of over $240,000 over the past five seasons, the only such constant sample group in the U.S. to post a five-year accumulated surplus since 2007. Even though budgets for Level 3 companies are tightening, they have demonstrated artistic nimbleness akin to their Level 4 colleagues, mounting their second largest number of productions and performances in 2011 over the past five years.

Although seven of 11 companies reported operating surpluses in 2011, the group aggregated finances show a modest annual deficit of about $10,000. Still, the group managed to record its highest value of unrestricted net assets in 2011 over the past five seasons, thanks in part to gifts to capital campaigns. In 2011, average investment portfolios among Level 3 companies increased but are still below where they were in 2007 and 2008. Working capital ratios among Level 3 companies continued to improve in 2011, although accumulated deficits and deferred maintenance among a handful of companies weighed down the average.

Operating Net Income
Average of U.S. Constant Sample Group of (11) Level 3 Companies

| | | | | | | Percentage Change | | 4-yr Annualized Growth Rate | |
|---|---|---|---|---|---|---|---|---|---|
| | 2007 | 2008 | 2009 | 2010 | 2011 | 1-yr | 4-yr | Actual | Infl. Adj. |
| Total Operating Revenue | $2,035,177 | $2,090,216 | $1,917,001 | $1,916,229 | $1,780,037 | -7.1% | -12.5% | -3.3% | -5.4% |
| Total Expense | $2,039,107 | $1,970,290 | $1,945,517 | $1,752,148 | $1,790,761 | 2.2% | -12.2% | -3.2% | -5.3% |
| Operating Net Income (Loss) | ($3,930) | $119,926 | ($28,517) | $164,082 | ($10,724) | | | | |
| As Percentage of Expense | -0.2% | 6.1% | -1.5% | 9.4% | -0.6% | | | | |

Balance Sheet
Average of U.S. Constant Sample Group of (11) Level 3 Companies

| | | | | | | Percentage Change | | 4-yr Annualized Growth Rate | |
|---|---|---|---|---|---|---|---|---|---|
| | 2007 | 2008 | 2009 | 2010 | 2011 | 1-yr | 4-yr | Actual | Infl. Adj. |
| **Net Assets** | | | | | | | | | |
| Unrestricted | $41,304 | $564,397 | $542,720 | $546,276 | $571,624 | 4.6% | 1283.9% | 92.9% | 90.8% |
| Temporarily Restricted | $629,919 | $961,582 | $816,356 | $902,083 | $788,453 | -12.6% | 25.2% | 5.8% | 3.7% |
| Permanently Restricted | $494,621 | $377,469 | $333,542 | $340,324 | $352,990 | 3.7% | -28.6% | -8.1% | -10.2% |
| **Total Net Assets** | $1,165,844 | $1,903,448 | $1,692,618 | $1,788,683 | $1,713,067 | -4.2% | 46.9% | 10.1% | 8.0% |
| Total NA as % of Expense | 57.1% | 96.6% | 87.0% | 102.1% | 95.7% | | | | |
| **Working Capital** | ($178,136) | ($138,249) | ($268,588) | ($255,737) | ($107,565) | -- | -- | -- | -- |
| as % of Expense | -9.0% | -7.0% | -13.8% | -14.6% | -6.0% | | | | |
| **Investments *** | $1,094,973.21 | $1,117,977 | $824,842.55 | $871,205.09 | $1,015,303 | 16.5% | -7.3% | -1.9% | -4.0% |
| as % of Expense | 55.8% | 56.7% | 42.4% | 49.7% | 56.7% | | | | |
| **Net Fixed Assets** | $219,441 | $702,646 | $811,308 | $802,013 | $679,189 | -15.3% | 209.5% | 32.6% | 30.5% |

* Including Separately Incorporated Endowments

NOTE: Nashville Opera Association constructed the Noah Liff Opera Center from FY 2007 through FY 2010. This project led to thedramatic increase in average Unrestricted Net Assets observed in 2008.

## REVENUE

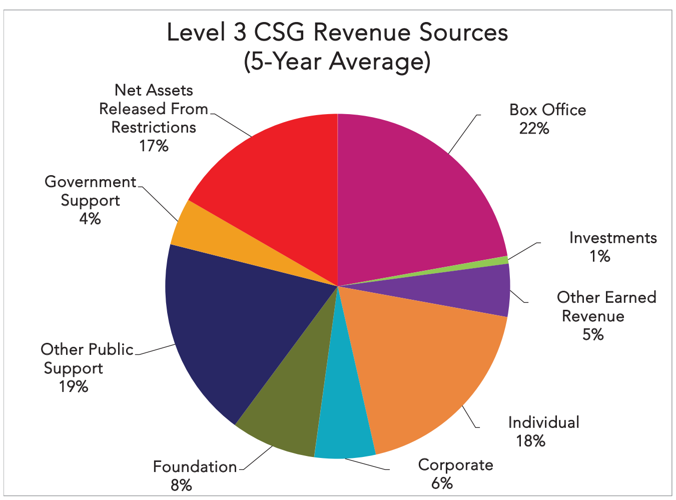
Average ticket sales declined by 7.5% from 2010 to 2011; however, the percentage of total operating revenue represented by ticket sales remained unchanged because of overall revenue contraction. Other earned revenue was flat. Individual giving remained largely flat year-over-year as well, but foundation giving increased by 15% from 2010 to 2011. Government and corporate support, however, declined by 25% and 23% respectively, on average, among members of this group, the largest such year-over-year drops in these categories among all levels surveyed.

The average Level 3 company ratio of contributed revenue to earned revenue was 72% to 28% over the past five seasons. In 2011, Level 3 companies relied more on philanthropy than any other level on a percentage basis, despite year-over-year declines in most contributed revenue categories.

Operating Revenue
Average of U.S. Constant Sample Group of (11) Level 3 Companies

| | | | | | | | Percentage Change | | 4-yr Annualized Growth Rate | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 2007 | | 2010 | | 2011 | | 1-yr | 4-yr | Actual | Infl. Adj. |
| Unrestricted Earned Revenue | | * | | * | | * | | | | |
| Box Office | $468,071 | 23.0% | $425,944 | 22.2% | $394,209 | 22.1% | -7.5% | -15.8% | -4.2% | -6.3% |
| Investment | $65,277 | 3.2% | ($1,760) | -0.1% | $35,008 | 2.0% | -- | -46.4% | -14.4% | -16.5% |
| Other Earned | $35,902 | 1.8% | $120,870 | 6.3% | $119,921 | 6.7% | -0.8% | 234.0% | 35.2% | 33.1% |
| Total Unrestricted Earned Revenue | $569,250 | 28.0% | $545,054 | 28.4% | $549,139 | 30.8% | 0.7% | -3.5% | -0.9% | -3.0% |
| Unrestricted Contributed Revenue | | | | | | | | | | |
| Private Support | | | | | | | | | | |
| Individual | $434,964 | 21.4% | $351,318 | 18.3% | $355,389 | 20.0% | 1.2% | -18.3% | -4.9% | -7.0% |
| Corporate | $189,741 | 9.3% | $73,616 | 3.8% | $56,576 | 3.2% | -23.1% | -70.2% | -26.1% | -28.2% |
| Foundation | $177,063 | 8.7% | $145,459 | 7.6% | $167,255 | 9.4% | 15.0% | -5.5% | -1.4% | -3.5% |
| Other Private Support | $440,173 | 21.6% | $353,870 | 18.5% | $296,267 | 16.6% | -16.3% | -32.7% | -9.4% | -11.5% |
| Total Unrestricted Private Support | $1,241,942 | 61.0% | $924,263 | 48.2% | $875,487 | 49.2% | -5.3% | -29.5% | -8.4% | -10.5% |
| Total Unrestricted Government Support | $103,406 | 5.1% | $84,857 | 4.4% | $63,666 | 3.6% | -25.0% | -38.4% | -11.4% | -13.5% |
| Total Unrestricted Contributed Revenue | $1,345,348 | 66.1% | $1,009,119 | 52.7% | $939,153 | 52.8% | -6.9% | -30.2% | -8.6% | -10.7% |
| Net Assets Released From Restriction | $120,578 | 5.9% | $362,056 | 18.9% | $291,745 | 16.4% | -19.4% | 142.0% | 24.7% | 22.6% |
| Total Operating Revenue | $2,035,177 | | $1,916,229 | | $1,780,037 | | -7.1% | -12.5% | -3.3% | -5.4% |

* As a % of Total Operating Revenue

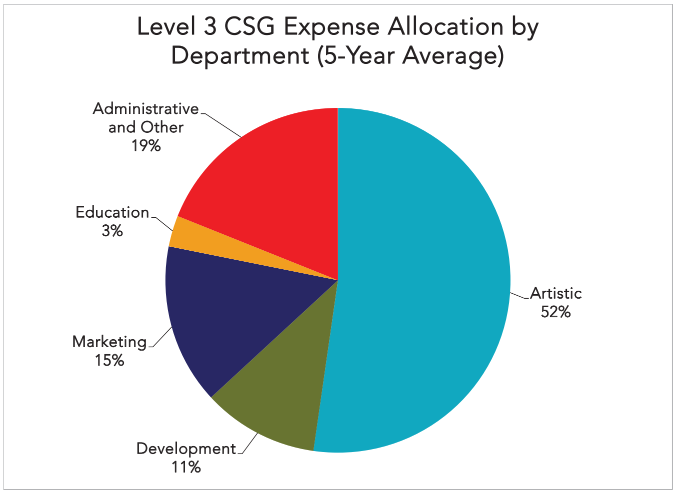



## EXPENSES

Level 3 companies allocated 52% of their budgets to the creation of opera, on average, over the past five seasons. This represented the lowest such allocation among all levels. Total personnel costs, including salaries and fees paid to administrative staff and artists, accounted for 56% of all costs on average over the past five seasons, but 2011 represented a low point in terms of total dollars spent on personnel. As was observed with the Level 1 and Level 2 CSGs, development personnel showed a considerable rise from both 2010 to 2011 and 2007 to 2011, as companies focused their efforts on raising money more from individuals than at the box office.

| Expenses<br>Average of U.S. Constant Sample Group of (11) Level 3 Companies | | | | | | | Percentage Change | | 4-yr Annualized Growth Rate | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 2007 | * | 2010 | * | 2011 | * | 1-yr | 4-yr | Actual | Infl. Adj. |
| Personnel | | | | | | | | | | |
| Artistic | $497,393 | 24.4% | $450,780 | 25.7% | $462,752 | 25.8% | 2.7% | -7.0% | -1.8% | -3.9% |
| Production & Technical | $220,820 | 10.8% | $192,284 | 11.0% | $162,572 | 9.1% | -15.5% | -26.4% | -7.4% | -9.5% |
| Singer Training | $0 | 0.0% | $3,793 | 0.2% | $335 | -- | -- | -- | -- | -- |
| Marketing/PR/Box Office | $97,171 | 4.8% | $64,601 | 3.7% | $66,672 | 3.7% | 3.2% | -31.4% | -9.0% | -11.1% |
| Development | $94,357 | 4.6% | $88,356 | 5.0% | $102,240 | 5.7% | 15.7% | 8.4% | 2.0% | -0.1% |
| Education | $38,754 | 1.9% | $37,300 | 2.1% | $34,186 | 1.9% | -8.3% | -11.8% | -3.1% | -5.2% |
| Administrative | $162,264 | 8.0% | $163,540 | 9.3% | $160,218 | 8.9% | -2.0% | -1.3% | -0.3% | -2.4% |
| **Total Personnel Expense** | **$1,110,759** | **54.5%** | **$1,000,654** | **57.1%** | **$988,975** | **55.2%** | **-1.2%** | **-11.0%** | **-2.9%** | -5.0% |
| | | | | | | | | | | |
| Non-Personnel | | | | | | | | | | |
| Production | $357,305 | 17.5% | $263,940 | 15.1% | $288,240 | 16.1% | 9.2% | -19.3% | -5.2% | -7.3% |
| Broadcasting, Recording & Internet Expense | $1,454 | 0.1% | $548 | 0.0% | $0 | -- | -- | -- | -- | -- |
| Singer Training | $3,502 | 0.2% | $7,541 | 0.4% | $4,134 | 0.2% | -45.2% | 18.0% | 4.2% | 2.1% |
| Marketing/PR/Box Office | $226,864 | 11.1% | $196,797 | 11.2% | $189,289 | 10.6% | -3.8% | -16.6% | -4.4% | -6.5% |
| Development | $133,452 | 6.5% | $83,609 | 4.8% | $81,495 | 4.6% | -2.5% | -38.9% | -11.6% | -13.7% |
| Education | $17,963 | 0.9% | $19,566 | 1.1% | $17,051 | 1.0% | -12.9% | -5.1% | -1.3% | -3.4% |
| Administrative | $155,343 | 7.6% | $164,662 | 9.4% | $204,085 | 11.4% | 23.9% | 31.4% | 7.1% | 5.0% |
| Other Earned Income Expenses | $32,464 | 1.6% | $14,829 | 0.8% | $17,491 | 1.0% | 18.0% | -46.1% | -14.3% | -16.4% |
| **Total Non-Personnel Expense** | **$928,348** | **45.5%** | **$751,493** | **42.9%** | **$801,785** | **44.8%** | **6.7%** | **-13.6%** | **-3.6%** | -5.7% |
| **Total Expense** | **$2,039,107** | | **$1,752,148** | | **$1,790,761** | | **2.2%** | **-12.2%** | **-3.2%** | -5.3% |

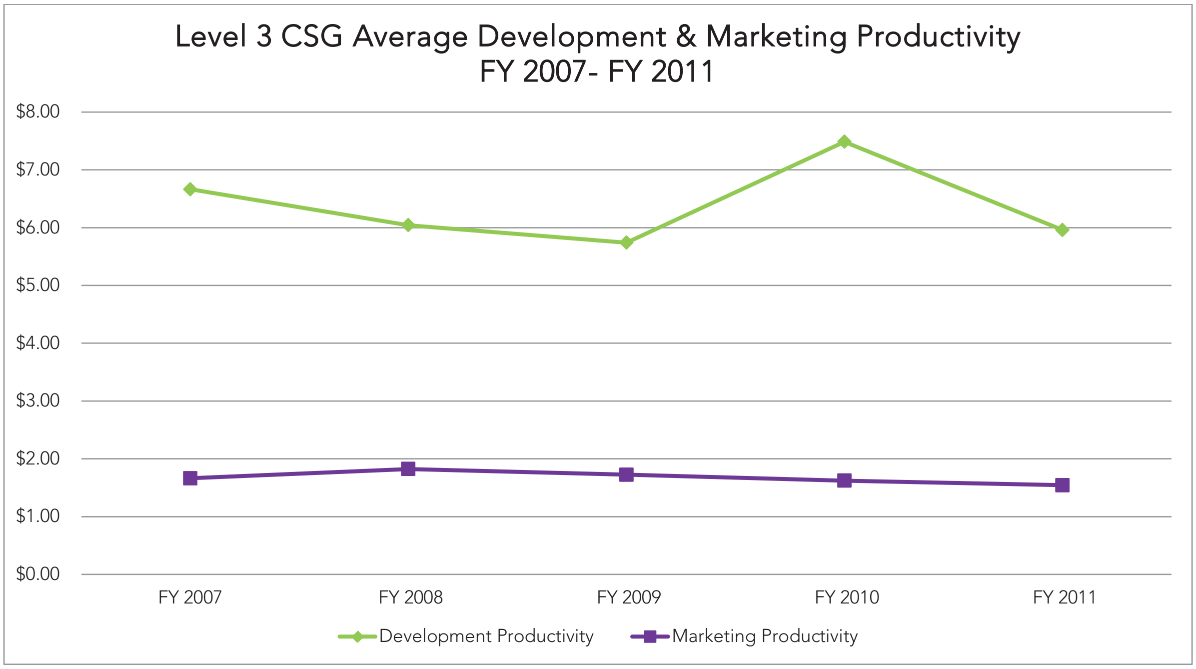
* As a % of Total Expense




## PRODUCTIVITY

In 2011, development productivity declined to its second lowest level in five seasons, this after a 30% rise from 2009 to 2010. Given declining ticket sales figures, marketing productivity reached its lowest level in five seasons in 2011. For every $1 spent on marketing, the average Level 3 company earned less than $3. Program coverage, or the percentage of core artistic expenses covered by box office revenue, dropped below 60% for the first time in five seasons.

| Productivity Measures<br>Average of U.S. Constant Sample Group of (11) Level 3 Companies | | | | | | Percentage Change | | 4-yr Annualized Growth Rate | |
|---|---|---|---|---|---|---|---|---|---|
| | 2007 | 2008 | 2009 | 2010 | 2011 | 1-yr | 4-yr | Actual | Infl. Adj. |
| Development Productivity | $6.66 | $6.04 | $5.74 | $7.49 | $5.96 | -20.4% | -10.6% | -2.8% | -4.9% |
| Marketing Productivity | $1.66 | $1.82 | $1.73 | $1.62 | $1.54 | -4.9% | -7.2% | -1.9% | -4.0% |
| Program Coverage | 42.6% | 43.3% | 42.4% | 46.8% | 43.2% | | | | |




## PERFORMANCE ACTIVITY

Despite decreases in revenue and expenses, Level 3 companies managed to increase the number of productions and performances since 2007. Performances increased, however, a decrease of available seats over this time period indicates that more productions took place in smaller venues, as was observed among some Level 2 companies. Unfortunately, like Level 2 companies, the reduced supply did not translate into higher capacity utilization figures. In fact, average capacity utilization was under 60% among this group for the first time in five seasons. However, subscription renewal rates did increase from 2010 to 2011.

Among Level 3 companies, ticket prices either decreased or remained flat from 2010 to 2011, with the exception of the lowest priced single tickets, although tickets were still well below 2007 prices.

Performance Activity
Average of U.S. Constant Sample Group of (11) Level 3

| | | | | | | Percentage Change | | 4-yr Annualized Growth Rate | |
|---|---|---|---|---|---|---|---|---|---|
| | 2007 | 2008 | 2009 | 2010 | 2011 | 1-yr | 4-yr | Actual | Infl. Adj. |
| Performance Activity | | | | | | | | | |
| Main Season Productions | 3.0 | 3.0 | 3.4 | 2.9 | 3.2 | | | | |
| Main Season Performances | 7.5 | 8.5 | 7.7 | 6.7 | 8.2 | | | | |
| Attendance | | | | | | | | | |
| Main Season Paid Attendance | 10,055 | 8,928 | 8,430 | 7,827 | 7,136 | -8.8% | -29.0% | | |
| Total Seats Available | 14,991 | 13,510 | 13,780 | 12,945 | 12,121 | -6.4% | -19.1% | | |
| % of Capacity Sold | 67.1% | 66.1% | 61.2% | 60.5% | 58.9% | | | | |
| Subscription Renewal Rate | 67.1% | 78.5% | 78.9% | 68.6% | 84.3% | | | | |
| Pricing | | | | | | | | | |
| High Full Subscription Price | $245 | $266 | $267 | $273 | $273 | -0.2% | 11.5% | 2.8% | 0.7% |
| Low Full Subscription Price | $52 | $67 | $66 | $79 | $75 | -4.6% | 46.5% | 10.0% | 7.9% |
| High Single Ticket Price | $96 | $99 | $106 | $106 | $108 | 1.9% | 12.1% | 2.9% | 0.8% |
| Low Single Ticket Price | $20 | $24 | $12 | $12 | $14 | 17.6% | -30.0% | -8.5% | -10.6% |
| Highest Orchestra Ticket | $85 | $85 | $94 | $98 | $97 | -1.0% | 14.8% | 3.5% | 1.4% |
| Lowest Orchestra Ticket | $40 | $33 | $34 | $42 | $37 | -11.6% | -8.4% | -2.2% | -4.3% |

# LEVEL 4
## Annual budget under $1,000,000

Fourteen companies comprise the 2010 Level 4 U.S. CSG:

| | |
|---|---|
| Amarillo Opera | Musical Traditions |
| American Opera Projects | Opera North (NH) |
| Chautauqua Opera | Opera San Luis Obispo (formerly Pacific Repertory Opera) |
| Fargo-Moorhead Opera | Opera Saratoga (formerly Lake George Opera) |
| Mississippi Opera | Piedmont Opera |
| Mobile Opera | Tacoma Opera |
| Music-Theatre Group | Tri-Cities Opera Company |

Seven of the 14 companies in the Level 4 CSG reported a surplus in 2011; however, very large deficits among a few companies in the group resulted in the third straight season of operating deficits that exceeded 5% of expenses. As a group, the Level 4 companies had a total accumulated deficit of more than $1 million over five years. Average operating revenue for the Level 4 CSG decreased over 17% from 2007 to 2011. Expenses have also decreased by 12.5% over five years, but this has not been enough to offset the declines in revenue.

Operating Net Income
Average of U.S. Constant Sample Group of (14) Level 4 Companies

| | 2007 | 2008 | 2009 | 2010 | 2011 | Percentage Change 1-yr | 4-yr | 4-yr Annualized Growth Rate Actual | Infl. Adj. |
|---|---|---|---|---|---|---|---|---|---|
| Total Operating Revenue | $649,746 | $672,090 | $660,897 | $527,569 | $538,307 | 2.0% | -17.2% | -4.6% | -6.7% |
| Total Expense | $650,640 | $656,806 | $694,282 | $562,479 | $569,080 | 1.2% | -12.5% | -3.3% | -5.4% |
| **Operating Net Income (Loss)** | **($894)** | **$15,285** | **($33,386)** | **($34,909)** | **($30,774)** | | | | |
| As Percentage of Expense | -0.1% | 2.3% | -4.8% | -6.2% | -5.4% | | | | |

Balance Sheet
Average of U.S. Constant Sample Group of (13*) Level 4 Companies

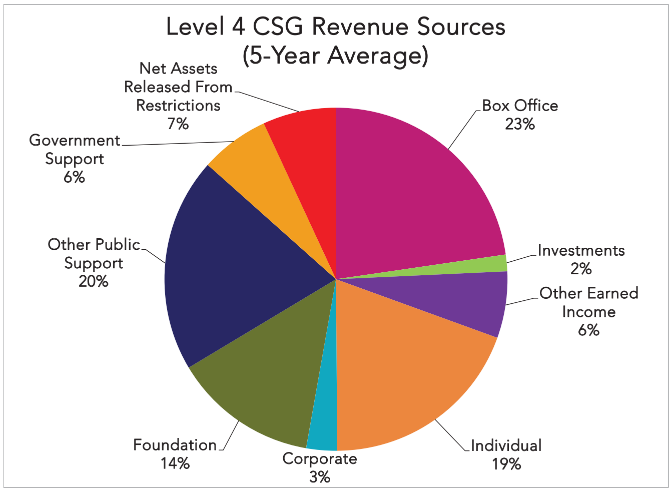
| | 2007 | 2008 | 2009 | 2010 | 2011 | Percentage Change 1-yr | 4-yr | 4-yr Annualized Growth Rate Actual | Infl. Adj. |
|---|---|---|---|---|---|---|---|---|---|
| Net Assets | | | | | | | | | |
| Unrestricted | $132,495 | $141,800 | $55,043 | $23,364 | $7,195 | -69.2% | -94.6% | -51.7% | -53.8% |
| Temporarily Restricted | $46,360 | $38,402 | $71,949 | $55,881 | $80,098 | 43.3% | 72.8% | 14.6% | 12.5% |
| Permanently Restricted | $82,864 | $80,631 | $74,621 | $74,749 | $73,661 | -1.5% | -11.1% | -2.9% | -5.0% |
| **Total Net Assets** | **$261,719** | **$260,833** | **$201,613** | **$153,994** | **$160,954** | **4.5%** | **-38.5%** | **-11.4%** | -13.5% |
| Total NA as % of Expense | 40.2% | 39.7% | 29.0% | 27.4% | 28.3% | | | | |
| **Working Capital** | **$7,868** | **$9,240** | **($39,699)** | **($70,291)** | **($69,850)** | -- | -- | -- | -- |
| as % of Expense | 1.2% | 1.4% | -5.7% | -12.5% | -12.3% | | | | |
| **Investments **** | **$275,012** | **$259,186** | **$123,885** | **$109,811** | **$134,372** | **22.4%** | **-51.1%** | **-16.4%** | -18.5% |
| as % of Expense | 42.3% | 39.5% | 17.8% | 19.5% | 23.6% | | | | |
| **Net Fixed Assets** | **$124,627** | **$132,560** | **$94,743** | **$93,655** | **$77,045** | **-17.7%** | **-38.2%** | **-11.3%** | -13.4% |

* Including Separately Incorporated Endowments
** Chautauqua Opera does not report Balance Sheet information.

Six of the 14 companies had negative unrestricted net assets and two reported negative total assets, at the end of 2011. The accumulated deficits of the past five seasons have decreased the average unrestricted net asset balance of companies by 95%. Working capital has also turned sharply negative since 2007 and investments have been cut in half. Many of these companies had to invade the corpus of their modest endowments (if they had endowments) during the depths of the recession and, as a result, unfortunately have not had the opportunity to enjoy fully the stock market rebound. Net fixed assets have fallen almost 40% since 2007 as accumulated depreciation outpaced the effort to fund maintenance reserves.

| Operating Revenue and Expense Summary<br>Average of U.S. Constant Sample Group of<br>(14) Level 4 Companies | | | | | | | Percentage Change | | 4-yr Annualized Growth Rate | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 2007 | | 2010 | | 2011 | | 1-yr | 4-yr | Actual | Infl. Adj. |
| Unrestricted Earned Revenue | | * | | * | | * | | | | |
| Box Office | $153,897 | 23.7% | $122,855 | 23.3% | $100,215 | 18.6% | -18.4% | -34.9% | -10.2% | -12.3% |
| Investment | $9,131 | 1.4% | $7,273 | 1.4% | $6,639 | 1.2% | -8.7% | -27.3% | -7.7% | -9.8% |
| Other Earned | $44,739 | 6.9% | $29,505 | 5.6% | $41,552 | 7.7% | 40.8% | -7.1% | -1.8% | -3.9% |
| **Total Unrestricted Earned Revenue** | **$207,767** | **32.0%** | **$159,632** | **30.3%** | **$148,406** | **27.6%** | **-7.0%** | **-28.6%** | **-8.1%** | -10.2% |
| | | | | | | | | | | |
| Unrestricted Contributed Revenue | | | | | | | | | | |
| Private Support | | | | | | | | | | |
| Individual | $135,809 | 20.9% | $95,247 | 18.1% | **$104,035** | 19.3% | 9.2% | -23.4% | -6.4% | -8.5% |
| Corporate | $20,781 | 3.2% | $13,805 | 2.6% | **$17,612** | 3.3% | 27.6% | -15.2% | -4.1% | -6.2% |
| Foundation | $111,918 | 17.2% | $60,850 | 11.5% | **$64,309** | 11.9% | 5.7% | -42.5% | -12.9% | -15.0% |
| Other Private Support | $96,039 | 14.8% | $119,822 | 22.7% | **$136,824** | 25.4% | 14.2% | 42.5% | 9.3% | 7.2% |
| Total Unrestricted Private Support | $364,547 | 56.1% | $289,724 | 54.9% | **$322,779** | 60.0% | 11.4% | -11.5% | -3.0% | -5.1% |
| Total Unrestricted Government Support | $38,506 | 5.9% | $38,289 | 7.3% | **$30,782** | 5.7% | -19.6% | -20.1% | -5.4% | -7.5% |
| **Total Unrestricted Contributed Revenue** | **$403,054** | **62.0%** | **$328,013** | **62.2%** | **$353,561** | **65.7%** | **7.8%** | **-12.3%** | **-3.2%** | -5.3% |
| | | | | | | | | | | |
| **Net Assets Released From Restriction** | **$38,925** | **6.0%** | **$39,924** | **7.6%** | **$36,340** | **6.8%** | **-9.0%** | **-6.6%** | **-1.7%** | -3.8% |
| | | | | | | | | | | |
| **Total Operating Revenue** | **$649,746** | | **$527,569** | | **$538,307** | | 2.0% | -17.2% | **-4.6%** | -6.7% |
| | | ** | | ** | | ** | | | | |
| Total Personnel Expense | $351,045 | 54.0% | $322,246 | 57.3% | $325,828 | 57.3% | 1.1% | -7.2% | -1.8% | -3.9% |
| Total Non-Personnel Expense | $299,595 | 46.0% | $240,233 | 42.7% | $243,252 | 42.7% | 1.3% | -18.8% | -5.1% | -7.2% |
| **Total Expense** | **$650,640** | | **$562,479** | | **$569,080** | | 1.2% | -12.5% | **-3.3%** | -5.4% |
| | | | | | | | | | | |
| **Unrestricted Net Income (Loss)** | **($894)** | | **($34,909)** | | **($30,774)** | | | | | |
| | | | | | | | | | | |
| **As Percentage of Expense** | **-0.1%** | | **-6.6%** | | **-5.7%** | | | | | |

* As a % of Total Operating Revenue
** As a % of Total Expense




Ticket sales declined over 18% from 2010 to 2011 and 35% since 2007. By 2011, ticket sales represented less than 20% of total operating revenue among Level 4 companies for the first time in five seasons. Conversely, Level 4 companies showed a nearly 8% increase in overall contributed revenue from 2010 to 2011 and all contributed revenue categories posted year-over-year gains except for government sources. Nevertheless, total contributed revenue is still about $70,000 below its five-year peak, on average, achieved in 2008.

Total personnel costs, including salaries and fees paid to administrative staff and artists, accounted for 58% of the total budget on average over the past five seasons. Personnel and non-personnel costs increased in line from 2010 to 2011, but non-personnel costs, notably production-related expenses, decreased twice as much on a percentage basis as personnel costs from 2007 to 2011.

Level 4 companies mounted the same number of total productions each season since 2008, but the number performances of each production has steadily declined over the past four years. Capacity utilization has declined each year since 2007 except for a very modest bump from 2010 to 2011. Subscription renewal rates rose modestly from 2010 to 2011, perhaps the result of dramatic drops in prices at both the high and low ends of the subscription spectrum. Of course, low ticket prices were also a contributing factor in the ticket revenue decline from 2010 to 2011, despite similar paid attendance figures from year to year.

Performance Activity
Average of U.S. Constant Sample Group of (14) Level 4 Companies

| | | | | | | Percentage Change | | 4-yr Annualized Growth Rate | |
|---|---|---|---|---|---|---|---|---|---|
| | 2007 | 2008 | 2009 | 2010 | 2011 | 1-yr | 4-yr | Actual | Infl. Adj. |
| Performance Activity | | | | | | | | | |
| Main Season Productions | 2.9 | 3.1 | 3.1 | 3.1 | 3.1 | | | | |
| Main Season Performances | 7.4 | 8.4 | 6.9 | 6.7 | 6.6 | | | | |
| Attendance | | | | | | | | | |
| Main Season Paid Attendance | 4,359 | 4,413 | 3,899 | 2,909 | 3,060 | 5.2% | -29.8% | | |
| Total Seats Available | 6,103 | 6,612 | 6,055 | 5,378 | 5,316 | -1.1% | -12.9% | | |
| % of Capacity Sold | 71.4% | 66.8% | 64.4% | 54.1% | 57.6% | | | | |
| Subscription Renewal Rate | 73.3% | 88.0% | 80.7% | 74.8% | 77.5% | | | | |
| Pricing | | | | | | | | | |
| High Full Subscription Price | $187 | $159 | $195 | $236 | $137 | -42.0% | -27.1% | -7.6% | -9.7% |
| Low Full Subscription Price | $66 | $38 | $38 | $54 | $46 | -15.3% | -30.5% | -8.7% | -10.8% |
| High Single Ticket Price | $58 | $64 | $61 | $63 | $67 | 5.9% | 15.2% | 3.6% | 1.5% |
| Low Single Ticket Price | $18 | $15 | $12 | $11 | $10 | -9.3% | -44.9% | -13.8% | -15.9% |
| Highest Orchestra Ticket | $40 | $46 | $56 | $64 | $72 | 12.5% | 81.1% | 16.0% | 13.9% |
| Lowest Orchestra Ticket | $22 | $22 | $26 | $25 | $29 | 14.3% | 27.3% | 6.2% | 4.1% |

# CANADA

Eleven companies comprise the 2010 Canadian CSG:

| | |
|---|---|
| The Banff Centre | Opera Atelier |
| Calgary Opera | Opéra de Montréal |
| Canadian Opera Company | Pacific Opera Victoria |
| Chants Libres | Queen of Puddings Music Theatre Company |
| Edmonton Opera | Vancouver Opera Association |
| Manitoba Opera | |

## OVERVIEW

Eight of the 11 companies in the Canadian CSG reported deficits in 2011, a striking reversal from 2010, when eight of the 11 companies reported surpluses. In fact, 2011 was the first time in five years that the Canadian CSG reported an aggregate deficit. While average operating revenues rose to their highest levels in five seasons, these were eclipsed by rapidly rising expenses, which also reached their highest average levels in five years. The average Canadian company's operating budget has expanded by over 10% since 2007, compared to a 1% decline in operating budgets of the U.S. companies, on average. 2011 average investment portfolios remained nearly 10% lower than they were back in 2007 and 17% lower than their peak in 2009. Working capital ratios among Canadian companies were reported to be the worst in five seasons' time. In 2011, nine of the 11 companies in the Canadian CSG reported negative working capital.

Operating Net Income
Average of Canadian Constant Sample Group of (11) Companies

| | 2007 | 2008 | 2009 | 2010 | 2011 | Percentage Change 1-yr | 4-yr | 4-yr Annualized Growth Rate Actual | Infl. Adj. |
|---|---|---|---|---|---|---|---|---|---|
| Total Operating Revenue | $6,055,923 | $5,780,368 | $6,119,780 | $6,068,335 | $6,274,534 | 3.4% | 3.6% | 0.9% | -1.0% |
| Total Expense | $5,868,901 | $5,622,201 | $6,084,296 | $6,065,464 | $6,483,867 | 6.9% | 10.5% | 2.5% | 0.6% |
| **Operating Net Income (Loss)** | **$187,022** | **$158,167** | **$35,485** | **$2,870** | **($209,333)** | | | | |
| As Percentage of Expense | 3.2% | 2.8% | 0.6% | 0.0% | -3.2% | | | | |

Balance Sheet
Average of Canadian Constant Sample Group of (11) Companies

| | 2007 | 2008 | 2009 | 2010 | 2011 | Percentage Change 1-yr | 4-yr | 4-yr Annualized Growth Rate Actual | Infl. Adj. |
|---|---|---|---|---|---|---|---|---|---|
| **Average Net Assets** | | | | | | | | | |
| Unrestricted | ($80,737) | ($11,650) | $39,341 | ($44,311) | ($206,056) | 365.0% | 155.2% | 26.4% | 24.5% |
| Temporarily Restricted | $16,380 | $13,539 | $0 | $47,860 | $0 | -- | -- | -- | -- |
| Permanently Restricted | $42,805 | $43,535 | $43,588 | $43,588 | $43,592 | 0.0% | 1.8% | 0.5% | -1.4% |
| **Average Total Net Assets** | ($21,553) | $45,425 | $82,929 | $47,137 | ($162,464) | -- | -- | -- | -- |
| Average Total NA as % of Average Expense | -0.4% | 0.8% | 1.4% | 0.8% | -2.5% | | | | |
| **Average Working Capital** | ($389,225) | ($330,440) | ($271,544) | ($356,933) | ($410,877) | 15.1% | 5.6% | 1.4% | -0.5% |
| as % of Average Expense | -6.6% | -5.9% | -4.5% | -5.9% | ($0) | | | | |
| **Average Investments *** | $2,744,139 | $3,224,199 | $2,993,572 | $2,387,433 | $2,494,412 | 4.5% | -9.1% | -2.4% | -4.2% |
| as % of Average Expense | 46.8% | 57.3% | 49.2% | 39.4% | 38.5% | | | | |
| **Average Net Fixed Assets** | $308,488 | $318,790 | $310,884 | $312,622 | $204,821 | -34.5% | -33.6% | -9.7% | -11.6% |

* Including Separately Incorporated Endowments

## REVENUE

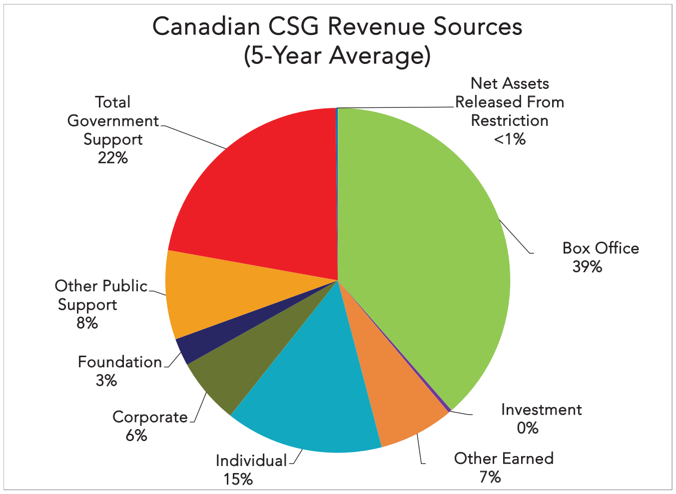
Average ticket sales decreased 8.5% from 2010 to 2011, accounting for less than 34% of total operating revenue. Ticket sales revenue is down nearly 20% on average since 2007, when ticket sales accounted for almost 44% of total operating revenue among Canadian companies.

Average individual giving to Canadian companies exceeded $1MM for the first time in five seasons, increasing by over 11% since 2010 and over 30%, on average, since 2007. Corporate support has been halved over the same time period. In contrast, average foundation support has increased almost 75% in five years, although it only accounted for 2.6% of total operating revenue in 2011. Government support rose to its second highest average level in five seasons and is up nearly 10% since 2007; however, the average Canadian company's reliance on government support, as a percentage of total contributed revenue is declining. In 2011, Canadian government support accounted for over 22% of operating revenue, while in 2008, government support accounted for almost 25% of revenue.

Operating Revenue
Average of Canadian Constant Sample Group of (11) Companies

| | 2007 | * | 2010 | * | 2011 | * | Percentage Change 1-yr | Percentage Change 4-yr | 4-yr Annualized Growth Rate Actual | 4-yr Annualized Growth Rate Infl. Adj. |
|---|---|---|---|---|---|---|---|---|---|---|
| **Unrestricted Earned Revenue** | | | | | | | | | | |
| Box Office | $2,650,412 | 43.8% | $2,322,411 | 38.3% | $2,125,702 | 33.9% | -8.5% | -19.8% | -5.4% | -7.3% |
| Investment | ($5,197) | -0.1% | $17,633 | 0.3% | $24,083 | 0.4% | 36.6% | -- | -- | -- |
| Other Earned | $205,496 | 3.4% | $550,832 | 9.1% | $621,314 | 9.9% | 12.8% | 202.3% | 31.9% | 30.0% |
| **Total Unrestricted Earned Revenue** | **$2,850,711** | **47.1%** | **$2,890,876** | **47.6%** | **$2,771,100** | **44.2%** | **-4.1%** | **-2.8%** | **-0.7%** | -2.6% |
| **Unrestricted Contributed Revenue** | | | | | | | | | | |
| Private Support | | | | | | | | | | |
| Individual | $775,835 | 12.8% | $909,144 | 15.0% | $1,014,393 | 16.2% | 11.6% | 30.7% | 6.9% | 5.0% |
| Corporate | $591,503 | 9.8% | $331,845 | 5.5% | $283,723 | 4.5% | -14.5% | -52.0% | -16.8% | -18.7% |
| Foundation | $94,599 | 1.6% | $137,532 | 2.3% | $164,847 | 2.6% | 19.9% | 74.3% | 14.9% | 13.0% |
| Other Private Support | $486,969 | 8.0% | $503,570 | 8.3% | $654,387 | 10.4% | 29.9% | 34.4% | 7.7% | 5.8% |
| Total Unrestricted Private Support | $1,938,110 | 32.2% | $1,882,091 | 31.0% | $2,117,350 | 33.7% | 12.5% | 9.2% | 2.2% | 0.3% |
| Total Unrestricted Government Support | $1,267,101 | 20.9% | $1,295,368 | 21.3% | $1,386,083 | 22.1% | 7.0% | 9.4% | 2.3% | 0.4% |
| **Total Unrestricted Contributed Revenue** | **$3,205,211** | **53.1%** | **$3,177,459** | **52.4%** | **$3,503,434** | **55.8%** | **10.3%** | **9.3%** | **2.2%** | 0.4% |
| **Net Assets Released From Restriction** | **$0** | **0.0%** | **$0** | **0.0%** | **$0** | **0.0%** | -- | -- | -- | -- |
| **Total Operating Revenue** | **$6,055,923** | | **$6,068,335** | | **$6,274,534** | | **3.4%** | **3.6%** | **0.9%** | -1.0% |

* As a % of Total Unrestricted Revenue



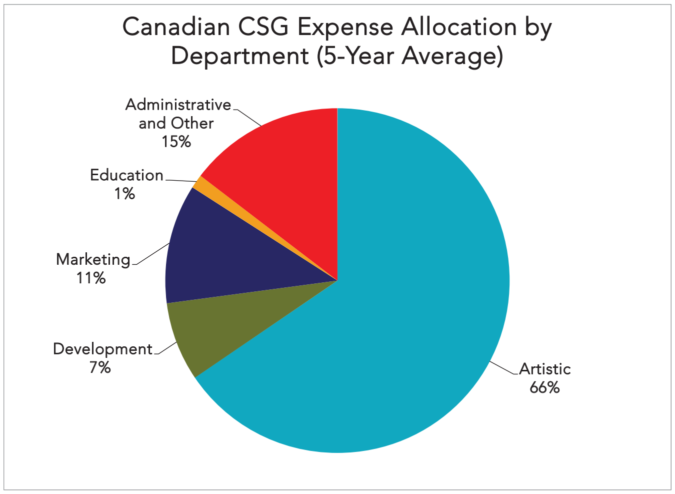

## EXPENSES

Technical/production personnel costs soared over 17% from 2010 to 2011 to their highest levels in five seasons, and are up nearly 25% since 2007. Technical/production personnel accounted for over 31% of personnel costs in 2011, their highest percentage over five seasons. Marketing personnel costs rose significantly to their highest levels in five seasons, but education personnel saw significant cuts, reaching their lowest levels in five seasons. Non-personnel costs rose by 8.3% from 2010 to 2011 due to higher administrative costs. Production-related expenses, however, fell 3.2%, to their second-lowest levels in five seasons' time, despite an increase in artistic product.

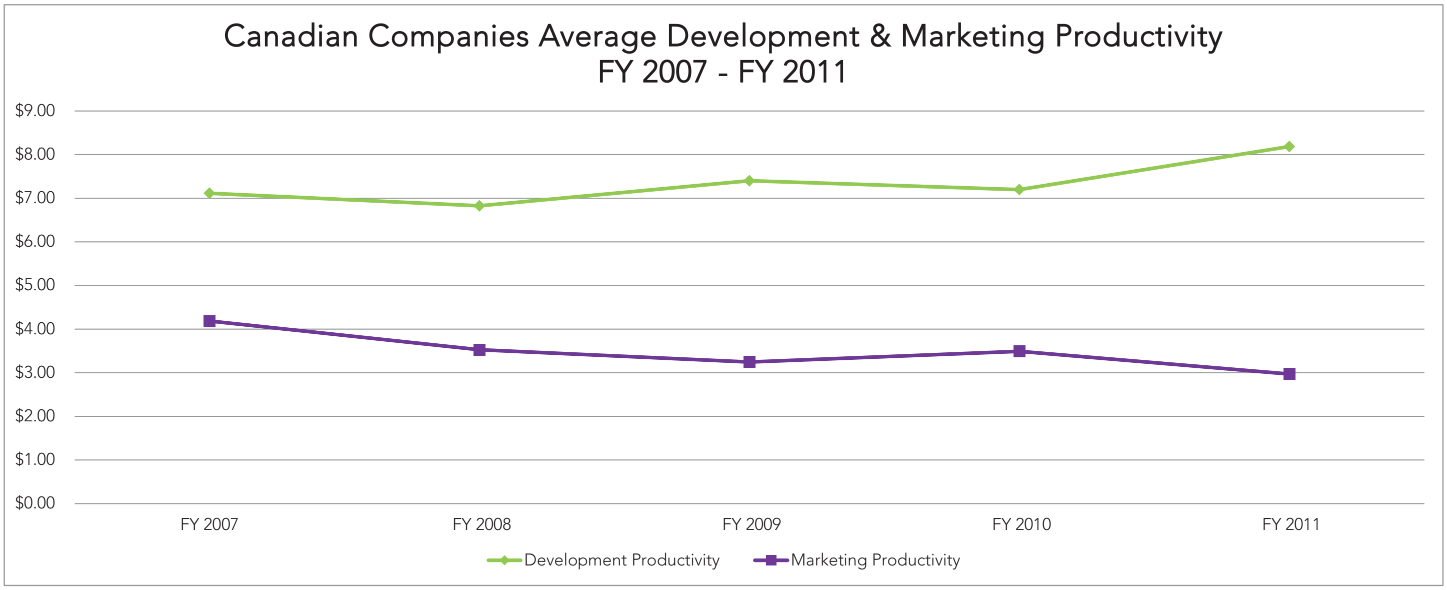
Development productivity increased nearly 14% from 2010 to 2011 and Canadian companies, on average, raised more than $8 for every dollar spent fundraising. Marketing productivity, however, declined nearly 15% to its lowest level in five years. For the first time in five years, Canadian companies in 2011 earned less than $3 at the box office for every dollar spent.

| Expenses<br>Average of Canadian Constant Sample Group of (11) Companies | 2007 | * | 2010 | * | 2011 | * | Percentage Change 1-yr | 4-yr | 4-yr Annualized Growth Rate Actual | Infl. Adj. |
|---|---|---|---|---|---|---|---|---|---|---|
| Personnel | | | | | | | | | | |
| Artistic | $1,992,230 | 33.9% | $1,782,655 | 29.4% | $1,801,188 | 27.8% | 1.0% | -9.6% | -2.5% | -4.4% |
| Production & Technical | $1,024,513 | 17.5% | $1,090,154 | 18.0% | $1,277,946 | 19.7% | 17.2% | 24.7% | 5.7% | 3.8% |
| Singer Training | $9,797 | 0.2% | $78,226 | 1.3% | $76,944 | 1.2% | -1.6% | 685.4% | 67.4% | 65.5% |
| Marketing/PR/Box Office | $192,640 | 3.3% | $194,912 | 3.2% | $235,518 | 3.6% | 20.8% | 22.3% | 5.2% | 3.3% |
| Development | $167,663 | 2.9% | $182,143 | 3.0% | $184,345 | 2.8% | 1.2% | 9.9% | 2.4% | 0.5% |
| Education | $41,888 | 0.7% | $51,727 | 0.9% | $37,712 | 0.6% | -27.1% | -10.0% | -2.6% | -4.5% |
| Administrative | $304,327 | 5.2% | $467,902 | 7.7% | $468,075 | 7.2% | 0.0% | 53.8% | 11.4% | 9.5% |
| **Total Personnel Expense** | **$3,733,057** | **63.6%** | **$3,847,718** | **63.4%** | **$4,081,727** | **63.0%** | **6.1%** | **9.3%** | **2.3%** | 0.4% |
| Non-Personnel | | | | | | | | | | |
| Production | $963,506 | 16.4% | $984,072 | 16.2% | $952,805 | 14.7% | -3.2% | -1.1% | -0.3% | -2.2% |
| Broadcasting, Recording & Internet Expense | $721 | 0.0% | $4,580 | 0.1% | $17,845 | 0.3% | 289.6% | 2374.4% | 123.0% | 121.1% |
| Singer Training | $32,236 | 0.5% | $39,944 | 0.7% | $17,041 | 0.3% | -57.3% | -47.1% | -14.7% | -16.6% |
| Marketing/PR/Box Office | $441,307 | 7.5% | $470,840 | 7.8% | $478,214 | 7.4% | 1.6% | 8.4% | 2.0% | 0.1% |
| Development | $282,891 | 4.8% | $259,280 | 4.3% | $243,905 | 3.8% | -5.9% | -13.8% | -3.6% | -5.5% |
| Education | $25,107 | 0.4% | $22,632 | 0.4% | $26,762 | 0.4% | 18.2% | 6.6% | 1.6% | -0.3% |
| Administrative | $312,571 | 5.3% | $372,829 | 6.1% | $624,602 | 9.6% | 67.5% | 99.8% | 18.9% | 17.0% |
| Other Earned Income Expenses | $77,505 | 1.3% | $63,570 | 1.0% | $40,966 | 0.6% | -35.6% | -47.1% | -14.7% | -16.6% |
| **Total Non-Personnel Expense** | **$2,135,844** | **36.4%** | **$2,217,747** | **36.6%** | **$2,402,139** | **37.0%** | **8.3%** | **12.5%** | **3.0%** | 1.1% |
| **Total Expense** | **$5,868,901** | | **$6,065,464** | | **$6,483,867** | | **6.9%** | **10.5%** | **2.5%** | 0.6% |

* As a % of Total Expense




| Productivity Measures<br>Average of Canadian Constant Sample Group of (11) Companies | 2007 | 2008 | 2009 | 2010 | 2011 | Percentage Change 1-yr | 4-yr | 4-yr Annualized Growth Rate Actual | Infl. Adj. |
|---|---|---|---|---|---|---|---|---|---|
| Development Productivity | $7.11 | $6.82 | $7.40 | $7.20 | $8.18 | 13.7% | 15.0% | 3.6% | 1.7% |
| Marketing Productivity | $4.18 | $3.53 | $3.24 | $3.49 | $2.97 | -14.9% | -29.0% | -8.2% | -10.1% |
| Program Coverage | 66.6% | 64.7% | 60.4% | 60.2% | 52.5% | | | | |




## PERFORMANCE ACTIVITY

Canadian companies mounted the largest number of distinct productions in five seasons' time and logged the second highest number of performances.

Capacity utilization, declined to 63% on average in 2011, the lowest levels in five seasons time. This is down from almost 90% average capacity utilization in 2007. The decline can be attributed partially to the increase in the number of performances and the subsequent increase in seats available, but all 11 companies also reported declines in the number of tickets sold, perhaps the result of rising tickets prices across all categories from 2010 to 2011 and from 2007 to 2011. The subscription renewal rate for 2011 increased, however, to its highest level in five seasons.

Performance Activity
Average of Canadian Constant Sample Group of (11) Companies

| | 2007 | 2008 | 2009 | 2010 | 2011 | Percentage Change 1-yr | Percentage Change 4-yr | 4-yr Annualized Growth Rate Actual | 4-yr Annualized Growth Rate Infl. Adj. |
|---|---|---|---|---|---|---|---|---|---|
| **Performance Activity** | | | | | | | | | |
| Main Season Productions | 2.7 | 3.0 | 3.1 | 3.2 | 3.3 | | | | |
| Main Season Performances | 14.1 | 15.5 | 16.2 | 17.0 | 16.6 | | | | |
| **Attendance** | | | | | | | | | |
| Main Season Paid Attendance | 26,246 | 24,149 | 22,991 | 23,829 | 23,036 | -3.3% | -12.2% | | |
| Total Seats Available | 29,928 | 32,646 | 33,956 | 33,606 | 36,728 | 9.3% | 22.7% | | |
| % of Capacity Sold | 87.7% | 74.0% | 67.7% | 70.9% | 63% | | | | |
| Subscription Renewal Rate | 74.3% | 69.6% | 76.4% | 75.8% | 81% | | | | |
| **Pricing** | | | | | | | | | |
| High Full Subscription Price | $307 | $440 | $453 | $443 | $664 | 50.1% | 116.7% | 21.3% | 19.4% |
| Low Full Subscription Price | $70 | $74 | $91 | $73 | $132 | 80.7% | 87.7% | 17.1% | 15.2% |
| High Single Ticket Price | $104 | $112 | $121 | $130 | $134 | 3.4% | 28.6% | 6.5% | 4.6% |
| Low Single Ticket Price | $17 | $22 | $18 | $22 | $25 | 14.8% | 44.0% | 9.5% | 7.6% |
| Highest Orchestra Ticket | $86 | $98 | $99 | $68 | $161 | 135.1% | 86.5% | 16.9% | 15.0% |
| Lowest Orchestra Ticket | $46 | $42 | $45 | $28 | $85 | 201.4% | 85.3% | 16.7% | 14.8% |

# CONCLUSION

Understanding the "new normal" means embracing the opportunities that arise with the ever-changing fiscal environment and responding with actionable choices. This type of agility is not an innate skill, but one that is learned and evolves over time. As highlighted by the AFR, the companies in the CSGs are developing this skill as funding conditions change and are experimenting with new pursuits to ensure the vitality of their organizations, not only financially but artistically, as well. Even though fewer tickets to productions are being sold and opera companies are performing to smaller crowds in their main stage venues, companies have not sat idly by. On the contrary, resources have been strategically allocated to development departments and the results are evident. Individual philanthropy is on the rise and foundation support rebounded. In addition, companies in the AFR have managed to operate on reduced artistic budgets. They are exploring new repertoire in alternative venues and offering more accessible and affordable programming to those in their local communities, from performances in parks to simulcasts in football stadiums, as well as to new audiences around the world through live streaming over the internet. Attendance at these many events (which is in the hundreds of thousands and not reflected in the main season figures presented in this report), implies that demand for opera is very strong, although the traditional definition of "core audience" is changing rapidly.

## FINANCIAL POSITION TERMINOLOGY

Balance sheet measures and ratios are used to track the overall health of an opera company. The following measures are included in the *Annual Field Report*.

### TOTAL NET ASSETS

This is what an organization owns after paying off all of its liabilities or all that it owes. Total net assets should grow at least as fast as operating expenses each year. This tends to indicate that an opera company is building its total capital.

- Unrestricted net assets have no donor imposed restrictions, are available for use by a company and generally include fixed assets.

- Temporarily restricted net assets represent gifts for future periods or for specific projects. Such assets indicate that the organization is funding projects in advance of implementing them.

- Permanently restricted 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 and/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 flexibility to experiment. Working capital is calculated as unrestricted net assets less fixed assets. (For Canadian companies, the calculation is total net assets minus 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 indicates growth in financial strength.

### INVESTMENTS

Invested capital includes monies usually invested long-term. This includes both investments reported on an organization's balance sheet and separately incorporated endowment funds, if any. It approximates reserves and endowment, and it 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. An increase in the ratio over time indicates investment growth at least in proportion to growth in operating size.

### 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. Net fixed assets are less accumulated depreciation.

## 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 follows:

*Marketing Productivity = Total box office revenue ÷ Marketing/PR/Box Office expenses*

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

*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 follows:

*Program Coverage = Total box office revenue ÷ Artistic & production expense*

# BENCHMARKING PROSPECTUS

Good research is important for understanding the health of an opera company and for developing both short- and long-term strategies. The AFR presents an overview of the field's activity. While it offers a detailed look at levels within the opera field, the data and trends are averaged from groups of companies that may have little in common operationally beyond their budget sizes. Thus, the trends of a group may not reflect the trends of an individual company. OPERA America has data on professional companies dating back more than two decades, and frequently conducts 10-, 15- and 20-year trend analyses, on request, for trustees and general directors using carefully selected comparable organizations.

A complete OPERA America Benchmarking Analysis includes the following information:

*Financial & Operational Analysis*
- Budget Growth
- Endowment as % of Total Expense
- Artistic Expense as % of Total Expense
- Artistic Expense Growth Rate vs. Total Expense Growth Rate
- Program Coverage (% of Artistic Budget Covered by Ticket Sales)
- Artistic Expense per Available Seat
- Artistic Expense per Production
- Artistic Expense per Performance
- Personnel vs. Non-Personnel Expenses
- Ticket Income/Contributed Income/Other Operating Income as % of Unrestricted Income
- Development Productivity
- Sources of Contributed Income
- Individual Contributions per Attendance
- Marketing Productivity
- Box Office Income per Attendance
- Market Penetration
- Ticket Prices
- Capacity Utilization
- Subscription Renewal Rates
- Current Ratio
- Net Assets as a % of Budget
- Working Capital

*City Profile*
- City and Metropolitan Area Population
- Median City and Metropolitan Area Age, Education Level and Income
- Cost of Living Averages
- Cultural Statistics: Number of Higher Education Institutions, Number of Performing Arts Organization and Cultural Vitality Rankings

*Repertoire Analysis*
This unique and proprietary tool is used, in part, to determine repertoire trends at companies that share a similar budget size and demographic.

For more information or to commission a benchmarking study, contact Research Manager Kate Place at KPlace@operaamerica.org.