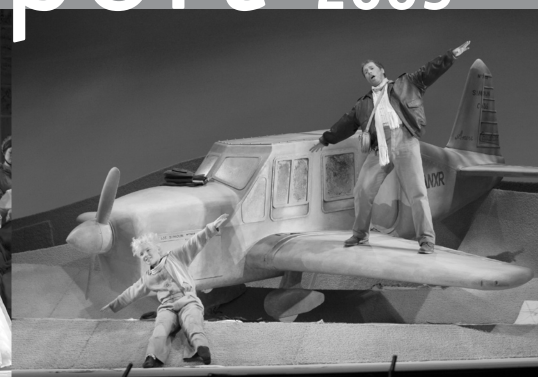
# Annual Field Report 2005





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*Annual Field Report 2005*


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- Tobias Cole as Oberon, Danielle de Niese as Tytania, and Jason Griffin as Puck in Chicago Opera Theater's 2005 production of Britten's *A Midsummer Night's Dream*, directed by Andrei Serban, conducted by Alexander Platt, production designed by Leiko Fuseya, and lighting designed by Beverly Emmons. Photo by Brian Dickie.
- Michigan Opera Theatre's 2005 world premiere production of Danielpour's *Margaret Garner*. Photo by John Grigaitis.
- Hugh Russell (The Pilot) and Jeffrey Allison (The Prince) in Boston Lyric Opera's 2005 production of Portman's *The Little Prince*. Photo by Richard Feldman.

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# The OPERA America 2005 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 2005 AFR covers the fiscal year that ended during calendar 2005 and includes trend data back to 2001.

The 2005 AFR contains some bright spots from the field and identifies challenges. Highlights of the 2005 AFR include:

- The **Survey Universe** was slightly smaller in 2005, but more companies reported balanced budgets or surpluses than in 2004.
- In the **U.S. Constant Sample Group** (**U.S. CSG**), companies that reported consistently for five years:
    - Box office revenue increased in 2005 for more than half the companies, though for many it was the result of increased ticket prices, as attendance numbers fell for the year. Ticket sales have covered a declining portion of expenses since 2001.
    - Individual giving, which rebounded in 2004, increased at a more modest pace in 2005, but was the only revenue source with double-digit increases since 2001 for companies of all budget sizes.
    - The strength of the capital markets was reflected in greater investment returns and higher investment value on the balance sheet for the companies with endowments. Investment revenue gains, unlike box office or contributed revenue, require little or no cost to generate the dollars.
    - Stronger capital markets also are a factor in the growth in contributions from individuals, foundations, and other private support — an effect that benefits all opera companies, even those without endowment funds.
    - Companies increased artistic and production spending, but it was the revenue-generating areas — marketing and development — that showed the largest spending increases from 2001 to 2005, as the cost of earning and raising a dollar continued to climb upward.
- The **Canadian Constant Sample Group** (**CA CSG**), like the U.S. CSG, reported increased box office revenue and individual giving over both 2004 and 2001 levels; however, their total revenue and total expenses declined in 2005 after a 11% jump the prior year. CA CSG productions and performances increased during the four-year period while the number of U.S. CSG productions and performances remained flat or declined.

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## Introduction to the Analysis

The 2005 AFR is divided into several sections of analysis:

- **Overview of the Opera Field** — a look at key statistics from the full survey universe of 108 reporting companies in 2005.
- **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** — 61 companies (six fewer than in 2004), excluding the Metropolitan Opera because of its size, with budgets ranging from $207,000 to $62 million.

    The 61 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** — $7.5 million and above — 14 reporting
    **Level 2 CSG** — $3 million to $7,499,999 — 17 reporting
    **Level 3 CSG** — $1 million to $2,999,999 — 13 reporting
    **Level 4 CSG** — Under $1 million — 17 reporting

  - **Canadian CSG** — 11 companies (two fewer than in 2004), with budgets ranging from $314,000 to $20.3 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 10.3% for the four-year period, while Canada's was 9.4%. The one-year rates were 3.4% for the U.S. and 2.2% in Canada.

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. If you are affiliated with a member company and are interested in how your numbers compare to your peers as you define them, then we encourage you to do more targeted benchmarking using the individual company data provided by OPERA America and the measures employed in this analysis.

# Overview of the Opera Field

This overview is a snapshot of the total activity reported by 108 companies, a decline of four companies from the 2004 AFR. In 2005, 81% of the membership responded, and the U.S. companies comprise 86% of the total 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**
**2005 Survey Universe**

| | 2004 | 2005 |
|---|---|---|
| **Financial Activity** | | |
| Earned Revenue | $379,016,476 | $397,235,075 |
| Contributed Revenue | $366,851,443 | $393,676,151 |
| Total Unrestricted (UR) Revenue | $745,867,919 | $790,911,226 |
| Total Expenses | $746,457,305 | $795,374,372 |
| Unrestricted Net Income (Loss) | ($589,386) | ($4,463,147) |
| Net income as % of expense | -0.1% | -0.56% |
| Earned as % of total revenue | 51% | 50% |
| Contributed as % of total revenue | 49% | 50% |
| Investments | $869,910,529 | $955,660,572 |
| Investments as % of expense | 117% | 120% |
| **Performance Activity** | | |
| Total main season attendance | 3,881,069 | 3,603,363 |
| Total main season productions | 427 | 416 |
| Total main season performances | 2,159 | 2,100 |
| Responding companies | 112 | 108 |

Although fewer companies reported in 2005, their total financial activity increased. The Metropolitan Opera represents a quarter of the financial activity for the year. Excluding the Met, the remaining 107 companies generated net income of $2.5 million, an improvement over 2004, when there was a net loss. More than half the companies reported net income for the year. Average revenue for the 107 companies was $5.5 million, an 11% increase over the 2004 average. The median revenue and expenses 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' dominant size.

The Met also affected the earned/contributed revenue ratio, as they generate more than 63% of their revenue from earned sources. The other companies average 46% earned to 54% 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, increased as a percentage of expenses in 2005, providing a larger revenue stream to supplement box office and contributed revenue. The Met's investment portfolio exceeds $320 million, a third of the total. The remaining $646 million was reported by 82 other companies, and 70% of that amount is held by eleven U.S. Level 1 companies.

While the financial results were stronger for the field in 2005 than 2004, the total number of productions and performances, and total attendance were all lower. When averaged over the companies, however, the number of productions and performances were up slightly, while average attendance was lower.

# United States Constant Sample Group

The 2005 U.S. CSG included 61 companies that completed the POS each year from 2001 to 2005 (excluding the Metropolitan Opera). Budget sizes ranged from $207,000 to $62 million with average revenue of $8.2 million and expense of $8.1 million. The median revenue was $3.4 million and expense was $3.5 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.

Highlights of 2005 results and four-year trends for the 61 companies include:

- The U.S. CSG had unrestricted net income for the first time in the last five years;
- For the second consecutive year, unrestricted revenue growth exceeded expense growth, a positive result that reverses the prior three-year trend;
- The number of companies with unrestricted net losses fell from 33 in 2004 to 31 in 2005;
- Box office revenue and private support grew 6% in 2005, almost double the rate of inflation;
- The U.S. CSG companies showed growth in individual, foundation, and other private support, while corporate and public support declined over the four year period; and,
- Companies increased the percentage of their budgets spent on development while reducing the portion spent on administrative expenses from 2001 to 2005.

## U.S. CSG Operating Activity

In 2005 and over the four-year period the U.S. CSG's operating activity was characterized by revenue[1] growth that was slightly higher than expense growth (table 2). When adjusted for inflation, both total revenue growth and expense growth exceeded inflation, resulting in improvement in the bottom line. Of the 61 companies in the U.S. CSG, 30 posted unrestricted net income.

**Table 2**
**Unrestricted Net Income**
**U.S. Constant Sample Group of 61 Companies**

| | | | | | | Percentage Change | | |
|---|---|---|---|---|---|---|---|---|
| *Averages in dollars* | **2001** | **2002** | **2003** | **2004** | **2005** | **1-yr** | **4-yr** | **4-yr RGR*** |
| **Total Revenue** | 6,780,545 | 6,957,736 | 7,079,213 | 7,451,540 | 8,158,280 | 9% | 20% | 10% |
| **Total Expense** | 6,867,441 | 7,313,261 | 7,355,951 | 7,484,349 | 8,092,983 | 8% | 18% | 8% |
| **Unrestricted Net Income (Loss)** | (86,896) | (355,525) | (276,739) | (32,809) | 65,296 | 299% | 175% | 165% |
| **As a percentage of expense** | -1.3% | -5.1% | -3.9% | -0.4% | 0.8% | | | |

* 4-year Real Growth Rate - adjusted for inflation

Investment income increased in 2005 and provided the largest four-year dollar growth and percentage growth of any of the revenue lines. The capital markets, which declined precipitously in 2001 and 2002, rebounded through 2005, boosting both investment income and total investments (see U.S. CSG Financial Position). Total contributed revenue increased at over three times the rate of inflation in 2005, primarily due to the increase in other private support. Individual, foundation, and other private support also increased over the four-year period. Only public support and corporate support declined from 2001 to 2005. In 2005, the U.S. CSG had earned revenue of 47% of expenses, up 3% from 2001. Contributed revenue covered 54% of expenses, a decrease of 1% from 2001.

[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.

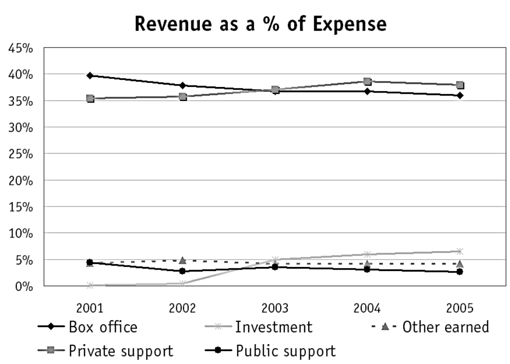
**Table 3**
**Revenue**
**U.S. Constant Sample Group of 61 Companies**

| *Averages in dollars* | 2001 | 2002 | 2003 | 2004 | 2005 | Percentage Change 1-yr | 4-yr | 4-yr RGR* |
|---|---|---|---|---|---|---|---|---|
| **Earned revenue** | | | | | | | | |
| Box office | 2,724,005 | 2,768,775 | 2,700,945 | 2,752,537 | 2,913,474 | 6% | 7% | -3% |
| Investment | 8,168 | 31,584 | 369,144 | 443,099 | 522,405 | 18% | 6295% | 6285% |
| Other earned | 294,813 | 354,395 | 308,956 | 314,718 | 338,400 | 8% | 15% | 4% |
| **Total earned revenue** | 3,026,986 | 3,154,755 | 3,379,044 | 3,510,353 | 3,774,279 | 8% | 25% | 14% |
| **Contributed revenue** | | | | | | | | |
| **Private** | | | | | | | | |
| Individual | 1,322,698 | 1,417,039 | 1,371,236 | 1,617,421 | 1,660,517 | 3% | 26% | 15% |
| Corporate | 270,383 | 244,103 | 260,040 | 230,530 | 233,852 | 1% | -14% | -24% |
| Foundation | 398,345 | 460,735 | 524,387 | 521,124 | 549,545 | 5% | 38% | 28% |
| Other private support | 437,376 | 489,638 | 567,142 | 523,386 | 624,200 | 19% | 43% | 32% |
| **Total private support** | 2,428,802 | 2,611,515 | 2,722,805 | 2,892,461 | 3,068,113 | 6% | 26% | 16% |
| Public support | 303,800 | 204,845 | 257,540 | 233,160 | 210,842 | -10% | -31% | -41% |
| Net assets released from restriction | 1,020,957 | 986,621 | 719,823 | 815,566 | 1,105,045 | 35% | 8% | -2% |
| **Total contributed revenue** | 3,753,560 | 3,802,981 | 3,700,168 | 3,941,187 | 4,384,000 | 11% | 17% | 6% |
| **Total unrestricted revenue** | 6,780,545 | 6,957,736 | 7,079,213 | 7,451,540 | 8,158,280 | 9% | 20% | 10% |

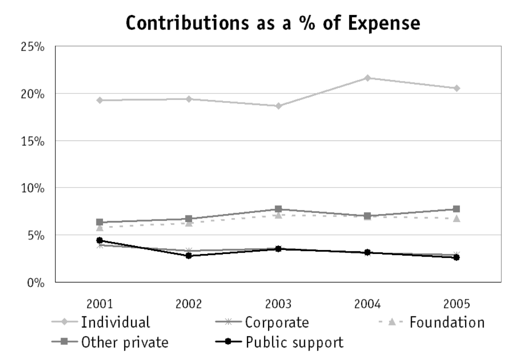
* 4-year Real Growth Rate - adjusted for inflation

Private support, while declining slightly in coverage of expenses, remained the largest source of support of U.S. CSG companies (graph A). Box office revenue continued its gradual decline in the amount of expense that it covered. Investment income reflected the decline in value in the capital markets in 2001 and 2002 and the recovery in 2003 through 2005. Within contributed support, individual contributions were the largest revenue source (graph B), yet declined in the coverage of the organizations' expenses. The largest increase in private support came from other private support that includes fundraising projects, galas, benefits, and in-kind gifts.

Public support showed decreases in city and state funding since 2001, while federal funding was flat and county funding increased. While these were general trends overall, city, county, and state funding varies significantly by location, more so than by budget size.




**Graph A**




**Graph B**

Expense growth during 2005 was balanced between personnel and non-personnel related expenditures (table 4). However, the four-year trend shows that personnel expenditures increased at almost double the rate of non-personnel expenditures, and now represent 64% of total expenditures, up from 62% in 2001. Companies in 2005 allocated more resources to revenue generation (marketing and development), and less to administrative expense than in 2001, as shown in graphs C and D. Their investment in artistic and production expenses remained constant over the period, however. Marketing expenses increased at a higher rate than box office revenue growth over the four years and resulted in declining marketing productivity and program coverage (table 5). After two years of increases, development productivity decreased in 2005, as development expenditures increased faster than the related contributed revenue.

## 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, 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 (unrestricted, temporarily, and permanently restricted) ÷ Development expenses

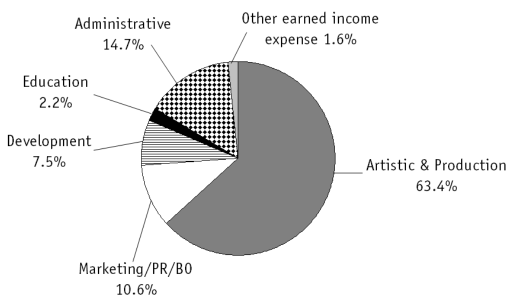
The program coverage measure tracks what portion of artistic and production costs are covered by box office revenue. It is calculated as:

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

| Table 4<br>Expenses<br>U.S. Constant Sample Group of 61 Companies | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | | | | | | Percentage Change | | |
| *Averages in dollars* | 2001 | 2002 | 2003 | 2004 | 2005 | 1-yr | 4-yr | 4-yr RGR* |
| **Personnel** | | | | | | | | |
| Artistic (incl singer training) | 2,165,950 | 2,318,064 | 2,366,382 | 2,440,635 | 2,671,441 | 9% | 23% | 13% |
| Production & technical | 1,113,959 | 1,209,378 | 1,175,598 | 1,226,116 | 1,278,883 | 4% | 15% | 5% |
| Marketing/PR/Box office | 221,078 | 256,233 | 275,710 | 284,788 | 298,320 | 5% | 35% | 25% |
| Development | 251,861 | 271,696 | 292,441 | 289,122 | 310,516 | 7% | 23% | 13% |
| Education | 93,485 | 93,705 | 99,898 | 109,400 | 110,107 | 1% | 18% | 7% |
| Administrative | 434,581 | 459,570 | 501,016 | 479,254 | 529,819 | 11% | 22% | 12% |
| **Total personnel expense** | 4,280,915 | 4,608,647 | 4,711,044 | 4,829,314 | 5,199,085 | 8% | 21% | 11% |
| **Non-Personnel** | | | | | | | | |
| Production (incl singer training) | 1,072,444 | 1,135,258 | 1,051,289 | 1,061,191 | 1,171,150 | 10% | 9% | -1% |
| Marketing/PR/Box office | 508,409 | 529,318 | 501,770 | 535,314 | 576,361 | 8% | 13% | 3% |
| Development | 264,153 | 297,414 | 290,386 | 272,938 | 337,889 | 24% | 28% | 18% |
| Education | 57,031 | 54,794 | 71,077 | 53,259 | 59,883 | 12% | 5% | -5% |
| Administrative | 573,902 | 577,142 | 609,270 | 604,981 | 617,918 | 2% | 8% | -3% |
| Other earned income expenses | 110,588 | 110,688 | 121,115 | 127,351 | 130,697 | 3% | 18% | 8% |
| **Total non-personnel expense** | 2,586,526 | 2,704,614 | 2,644,908 | 2,655,035 | 2,893,898 | 9% | 12% | 2% |
| **Total expense** | 6,867,441 | 7,313,261 | 7,355,951 | 7,484,349 | 8,092,983 | 8% | 18% | 8% |

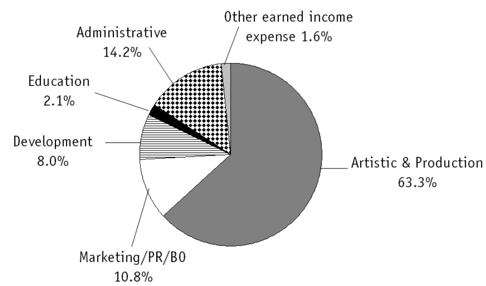
* 4-year Real Growth Rate - adjusted for inflation

**Average Expenses 2001**




**Graph C**

**Average Expenses 2005**




**Graph D**

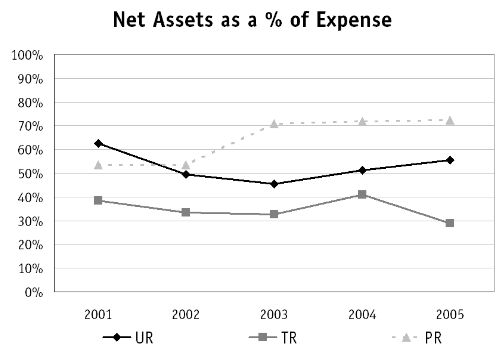
| Table 5<br>Productivity Measures<br>U.S. Constant Sample Group of 61 Companies | | | | | | | |
|---|---|---|---|---|---|---|---|
| | | | | | | Percentage Change | |
| *Averages* | 2001 | 2002 | 2003 | 2004 | 2005 | 1-yr | 4-yr |
| Development productivity | $8.97 | $6.85 | $7.94 | $8.36 | $6.88 | -18% | -23% |
| Marketing productivity | $3.73 | $3.52 | $3.47 | $3.36 | $3.33 | -1% | -11% |
| Program coverage | 62.6% | 59.4% | 58.8% | 58.2% | 56.9% | -2% | -9% |

## U.S. CSG Financial Position

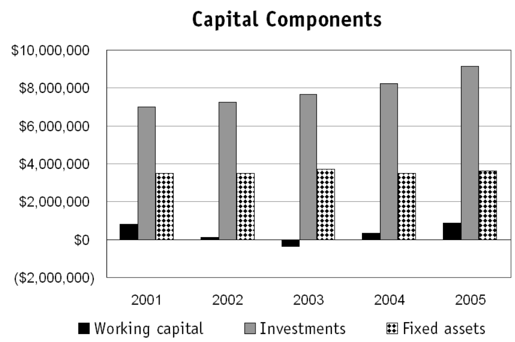
The balance sheet contains the history of an organization's financial activity, and key balance sheet indicators can measure an organization's financial position or strength (see facing page). Total net assets, the accumulation of a company's surpluses and deficits since inception, grew in 2005 as well as over the four-year period. Working capital improved for the second consecutive year (table 6 and graph F). Investments grew at triple the rate of inflation for the four-year period and increased as a percentage of expense every year since 2002. Since 2001, unrestricted net assets declined as a percentage of expense while permanently restricted net assets increased (graph E). The increase in net fixed assets showed that organizations were reinvesting in fixed assets at a slightly higher rate than they depreciated them.

| **Table 6**<br>**Balance Sheet**<br>**U.S. Constant Sample Group of 59 Companies** | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | | | | | | **Percentage Change** | | |
| *Averages in dollars* | **2001** | **2002** | **2003** | **2004** | **2005** | **1-yr** | **4-yr** | **4-yr RGR*** |
| **Net assets (NA)** | | | | | | | | |
| Unrestricted (UR) | 4,304,449 | 3,620,576 | 3,345,933 | 3,829,302 | 4,496,094 | 17% | 4% | -6% |
| Temporarily restricted (TR) | 2,632,033 | 2,439,518 | 2,399,954 | 3,068,016 | 2,336,750 | -24% | -11% | -22% |
| Permanently restricted (PR) | 3,673,806 | 3,914,168 | 5,220,845 | 5,386,982 | 5,854,202 | 9% | 59% | 49% |
| **Total net assets** | 10,610,289 | 9,974,262 | 10,966,732 | 12,284,299 | 12,687,046 | 3% | 20% | 9% |
| Total NA as % of expense | 155% | 136% | 149% | 164% | 157% | | | |
| **Working capital** | 818,630 | 121,238 | (359,048) | 325,639 | 867,125 | 166% | 6% | -4% |
| Working capital as % of expense | 12% | 2% | -5% | 4% | 11% | | | |
| **Investments** | 6,991,085 | 7,255,564 | 7,652,345 | 8,240,324 | 9,149,450 | 11% | 31% | 21% |
| Investments as % of expense | 102% | 99% | 104% | 110% | 113% | | | |
| **Net fixed assets** | 3,485,820 | 3,499,339 | 3,704,980 | 3,503,663 | 3,628,969 | 4% | 4% | -6% |

* 4-year Real Growth Rate - adjusted for inflation




**Graph E**




**Graph F**

## U.S. CSG Performance Activity

Productions and performances remained stable during 2005. Total attendance decreased to the lowest level in five years in 2005 after increasing in 2004. Companies reported increases in all ticket prices except the low orchestra seat price in 2005. The largest increases were in high ticket prices, with smaller increases in low ticket prices, perhaps as companies sought to generate more dollars at the high end where there is less price sensitivity, while maintaining low prices to keep opera accessible and attract new audiences. The change in subscription prices did not keep pace with inflation during the four-year period.

| **Table 7**<br>**Performance Activity**<br>**U.S. Constant Sample Group of 61 Companies** | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | | | | | | **Percentage Change** | | |
| *Averages* | **2001** | **2002** | **2003** | **2004** | **2005** | **1-yr** | **4-yr** | **4-yr RGR*** |
| **Performance Activity** | | | | | | | | |
| Main season productions | 4.0 | 3.9 | 3.8 | 3.9 | 4.0 | 1% | 0% | |
| Main season performances | 22.7 | 22.1 | 21.3 | 21.5 | 21.3 | -1% | -6% | |
| Main season total attendance | 41,731 | 39,528 | 38,001 | 39,215 | 37,278 | -5% | -11% | |
| **Pricing** | | | | | | | | |
| High full subscription price | $416 | $412 | $424 | $426 | $437 | 3% | 5% | -5% |
| Low full subscription price | $82 | $80 | $76 | $78 | $79 | 2% | -3% | -14% |
| High single ticket price | $87 | $93 | $95 | $102 | $107 | 5% | 22% | 12% |
| Low single ticket price | $19 | $19 | $22 | $20 | $21 | 3% | 12% | 1% |
| Highest orchestra ticket | $79 | $81 | $88 | $93 | $94 | 2% | 19% | 9% |
| Low orchestra ticket | $43 | $44 | $42 | $47 | $44 | -6% | 2% | -8% |

* 4-year Real Growth Rate - adjusted for inflation

# Level 1 Companies

Fourteen companies have budgets exceeding $7.5 million (excluding the Metropolitan Opera), and all of them are reflected in the 2005 Constant Sample Group of Level 1 companies, as they were last year. Total expenses ranged from $8.4 million to $62.4 million with an average of $25.6 million and a median of $18.4 million. Highlights of 2005 results, four-year trends, and distinctions from other levels include:

- Level 1 companies had unrestricted net income for the second consecutive year, and were the only U.S. level to have unrestricted net income in 2005;
- Revenue growth exceeded expense growth for the third consecutive year and over the four-year period;
- Box office revenue grew at double the rate of inflation from 2004 to 2005, driven by higher ticket prices, as attendance declined;
- Level 1 companies were 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;
- Level 1 companies were the only U.S. companies to see a decline in corporate giving from 2004 to 2005;
- Net fixed assets in 2005 were at the highest level in the five years reported.

## Level 1 Operating Activity

Level 1 companies continued their positive operating trend in 2005 with a second year of strong net income after three years of unrestricted net losses (2001 to 2003).

**Table 8**
**Unrestricted Net Income**
**U.S. Constant Sample Group of (14) Level 1 Companies**

| | | | | | | Percentage Change | | |
|---|---|---|---|---|---|---|---|---|
| *Averages in dollars* | **2001** | **2002** | **2003** | **2004** | **2005** | **1-yr** | **4-yr** | **4-yr RGR*** |
| **Total Revenue** | 21,022,590 | 21,803,749 | 21,936,087 | 23,542,868 | 26,078,659 | 11% | 24% | 14% |
| **Total Expense** | 21,182,586 | 22,905,971 | 22,986,986 | 23,442,746 | 25,597,158 | 9% | 21% | 11% |
| **Unrestricted Net Income (Loss)** | (159,996) | (1,102,222) | (1,050,899) | 100,122 | 481,501 | 381% | 401% | 391% |
| **As a percentage of expense** | -0.8% | -5.1% | -4.8% | 0.4% | 1.8% | | | |

* 4-year Real Growth Rate - adjusted for inflation

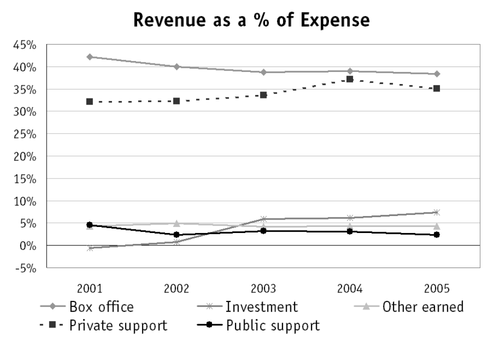
Level 1 box office revenue grew at double the rate of inflation in 2005, but fell behind inflation over the four-year period. Over the four-year period, box office revenue declined in its coverage of total expense, as did private support, while investment revenue[1] increased (graph G). The largest increase in private support came from other private support that includes fundraising projects, galas, benefits, and in-kind gifts.

In 2005 earned revenue supported 50% of expenses, and contributed revenue supported 52%, compared to 46% and 53% in 2001.

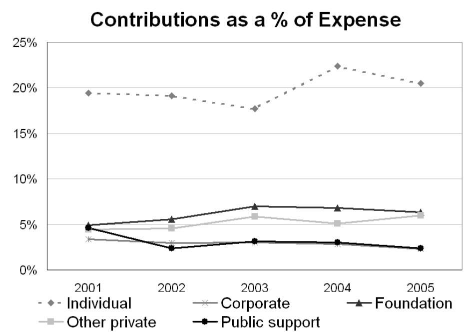
[1] Unrestricted investment revenue usually includes gains and losses on investments in excess of an endowment spending rule.

| Table 9<br>Revenue<br>U.S. Constant Sample Group of (14) Level 1 Companies | | | | | | Percentage Change | | |
|---|---|---|---|---|---|---|---|---|
| *Averages in dollars* | **2001** | **2002** | **2003** | **2004** | **2005** | **1-yr** | **4-yr** | **4-yr RGR*** |
| **Earned revenue** | | | | | | | | |
| Box office | 8,946,245 | 9,155,247 | 8,907,214 | 9,153,288 | 9,821,629 | 7% | 10% | -1% |
| Investment | (124,692) | 166,258 | 1,361,283 | 1,455,529 | 1,893,802 | 30% | 1619% | 1608% |
| Other earned | 905,537 | 1,125,517 | 970,080 | 1,015,909 | 1,108,053 | 9% | 22% | 12% |
| **Total earned revenue** | 9,727,090 | 10,447,022 | 11,238,577 | 11,624,726 | 12,823,485 | 10% | 32% | 22% |
| **Contributed revenue** | | | | | | | | |
| **Private** | | | | | | | | |
| Individual | 4,114,283 | 4,389,361 | 4,078,555 | 5,256,123 | 5,251,713 | 0% | 28% | 17% |
| Corporate | 716,319 | 678,280 | 696,742 | 664,419 | 585,640 | -12% | -18% | -29% |
| Foundation | 1,041,037 | 1,280,401 | 1,609,770 | 1,592,109 | 1,615,239 | 1% | 55% | 45% |
| Other private support | 942,984 | 1,049,529 | 1,345,268 | 1,188,240 | 1,525,575 | 28% | 62% | 51% |
| **Total private support** | 6,814,622 | 7,397,571 | 7,730,336 | 8,700,891 | 8,978,168 | 3% | 32% | 21% |
| Public support | 976,668 | 539,349 | 724,869 | 713,867 | 608,848 | -15% | -38% | -48% |
| Net assets released from restriction | 3,504,210 | 3,419,806 | 2,242,305 | 2,503,385 | 3,668,159 | 47% | 5% | -6% |
| **Total contributed revenue** | 11,295,500 | 11,356,726 | 10,697,510 | 11,918,142 | 13,255,175 | 11% | 17% | 7% |
| **Total unrestricted revenue** | 21,022,590 | 21,803,749 | 21,936,087 | 23,542,868 | 26,078,659 | 11% | 24% | 14% |

* 4-year Real Growth Rate - adjusted for inflation




**Graph G**

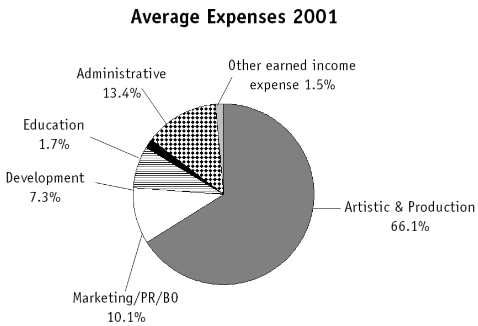



**Graph H**

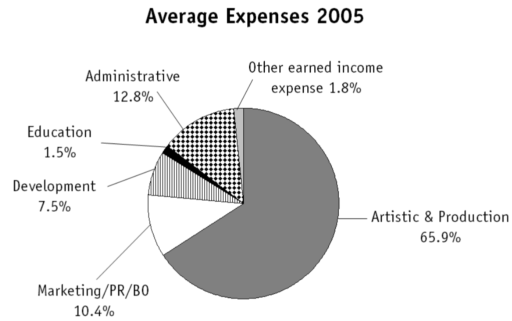
After two years of decreases in 2003 and 2004, non-personnel expenses were at their highest level in 2005; however, as a percentage of total expenses, non-personnel costs decreased from 35% to 33% of the total since 2001, as personnel spending increased. Level 1 companies allocated a larger portion of their resources to revenue generation, (development and marketing/ PR/box office), and less to artistic/production and administration in 2005 than in 2001 (graphs I and J).

| Table 10<br>Expenses<br>U.S. Constant Sample Group of (14) Level 1 Companies | | | | | | Percentage Change | | |
|---|---|---|---|---|---|---|---|---|
| *Averages in dollars* | **2001** | **2002** | **2003** | **2004** | **2005** | **1-yr** | **4-yr** | **4-yr RGR*** |
| **Personnel** | | | | | | | | |
| Artistic (incl singer training) | 7,164,415 | 7,790,504 | 8,053,704 | 8,343,172 | 9,173,315 | 10% | 28% | 18% |
| Production & technical | 3,762,687 | 4,163,646 | 3,988,799 | 4,187,158 | 4,344,384 | 4% | 15% | 5% |
| Marketing/PR/Box office | 613,103 | 733,847 | 805,596 | 834,110 | 876,795 | 5% | 43% | 33% |
| Development | 752,076 | 801,021 | 848,095 | 829,574 | 902,706 | 9% | 20% | 10% |
| Education | 235,470 | 235,784 | 244,652 | 250,467 | 276,710 | 10% | 18% | 7% |
| Administrative | 1,181,350 | 1,233,869 | 1,351,128 | 1,318,092 | 1,489,211 | 13% | 26% | 16% |
| **Total personnel expense** | 13,709,101 | 14,958,671 | 15,291,974 | 15,762,574 | 17,063,122 | 8% | 24% | 14% |
| **Non-Personnel** | | | | | | | | |
| Production (incl singer training) | 3,069,395 | 3,304,911 | 3,037,909 | 3,022,005 | 3,362,664 | 11% | 10% | -1% |
| Marketing/PR/Box office | 1,526,029 | 1,626,745 | 1,506,436 | 1,662,846 | 1,789,816 | 8% | 17% | 7% |
| Development | 797,701 | 924,535 | 879,862 | 821,555 | 1,010,814 | 23% | 27% | 16% |
| Education | 115,105 | 136,704 | 135,424 | 112,943 | 117,906 | 4% | 2% | -8% |
| Administrative | 1,649,481 | 1,615,995 | 1,781,158 | 1,659,625 | 1,799,796 | 8% | 9% | -1% |
| Other earned income expenses | 315,774 | 338,408 | 354,222 | 401,199 | 453,041 | 13% | 43% | 33% |
| **Total non-personnel expense** | 7,473,486 | 7,947,299 | 7,695,012 | 7,680,172 | 8,534,037 | 11% | 14% | 4% |
| **Total expense** | 21,182,586 | 22,905,971 | 22,986,986 | 23,442,746 | 25,597,158 | 9% | 21% | 11% |

* 4-year Real Growth Rate - adjusted for inflation




Graph I




Graph J

Level 1 companies showed a decline in development productivity in 2005 after two years of improvement. While box office revenue increased from 2001 to 2005, 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 (14) Level 1 Companies**

| *Averages* | 2001 | 2002 | 2003 | 2004 | 2005 | Percentage Change 1-yr | 4-yr |
|---|---|---|---|---|---|---|---|
| Development productivity | $9.56 | $6.54 | $8.18 | $8.83 | $6.86 | -22% | -28% |
| Marketing productivity | $4.18 | $3.88 | $3.85 | $3.67 | $3.68 | 0% | -12% |
| Program coverage | 63.9% | 60.0% | 59.1% | 58.9% | 58.2% | -1% | -9% |

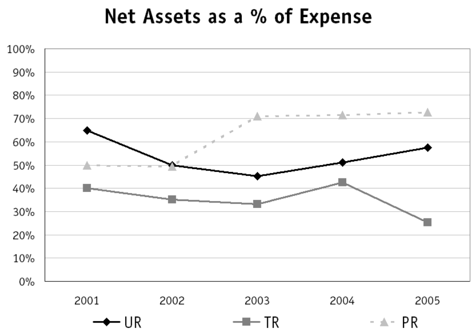
## Level 1 Financial Position

Level 1 companies showed an increase in unrestricted and permanently restricted net asset classes and a decline in temporarily restricted net assets. While working capital strengthened in 2005, the change was in part due to a change in accounting methods of one company. Excluding that company, Level 1 average working capital would have improved by $1.0 million rather than the $2.3 million reported. Investments showed another year of strong growth in 2005, and grew faster than expenses over the past four years.

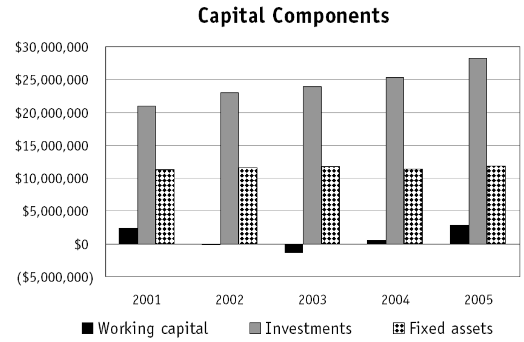
**Table 12**
**Balance Sheet**
**U.S. Constant Sample Group of (14) Level 1 Companies**

| *Averages in dollars* | 2001 | 2002 | 2003 | 2004 | 2005 | Percentage Change 1-yr | 4-yr | 4-yr RGR* |
|---|---|---|---|---|---|---|---|---|
| **Net assets (NA)** | | | | | | | | |
| Unrestricted | 13,734,597 | 11,428,463 | 10,382,840 | 11,976,628 | 14,700,451 | 23% | 7% | -3% |
| Temporarily restricted | 8,480,144 | 8,053,398 | 7,630,267 | 9,980,788 | 6,459,419 | -35% | -24% | -34% |
| Permanently restricted | 10,584,460 | 11,295,464 | 16,342,215 | 16,758,989 | 18,595,886 | 11% | 76% | 65% |
| **Total net assets** | 32,799,201 | 30,777,324 | 34,355,322 | 38,716,405 | 39,755,756 | 3% | 21% | 11% |
| Total NA as % of expense | 155% | 134% | 149% | 165% | 155% | | | |
| **Working capital** | 2,408,498 | (152,089) | (1,354,657) | 561,456 | 2,870,995 | 411% | 19% | 9% |
| Working capital as % of expense | 11% | -1% | -6% | 2% | 11% | | | |
| **Investments** | 20,952,607 | 22,972,128 | 23,951,649 | 25,285,652 | 28,295,978 | 12% | 35% | 25% |
| Investments as % of expense | 99% | 100% | 104% | 108% | 111% | | | |
| **Net fixed assets** | 11,326,098 | 11,580,551 | 11,737,498 | 11,415,172 | 11,829,455 | 4% | 4% | -6% |

* 4-year Real Growth Rate - adjusted for inflation




Graph K




Graph L

## Level 1 Performance Activity

While the number of performances declined after 2001, the number of main season productions was stable during the five years reported. Level 1 companies reported a decline in 2005 and for the four-year period in main season total attendance, percentage of capacity sold, and subscription renewal rate. All the high ticket prices were up over four years, while two of three low prices were down: Level 1 companies may be preserving lower price seats to serve as an entry point for new audiences that may be more price sensitive than longer-term committed buyers.

**Table 13**
**Performance Activity**
**U.S. Constant Sample Group of (14) Level 1 Companies**

| | | | | | | Percentage Change | | |
|---|---|---|---|---|---|---|---|---|
| *Averages* | **2001** | **2002** | **2003** | **2004** | **2005** | **1-yr** | **4-yr** | **4-yr RGR*** |
| **Productions & performances** | | | | | | | | |
| Main season productions | 6.6 | 6.6 | 6.6 | 6.5 | 6.7 | 3% | 1% | |
| Main season performances | 49.0 | 45.8 | 46.6 | 47.0 | 46.4 | -1% | -5% | |
| **Attendance** | | | | | | | | |
| Main season total attendance | 120,626 | 114,972 | 111,998 | 114,661 | 109,631 | -4% | -9% | |
| % of paid capacity sold | 93% | 86% | 92% | 93% | 89% | -5% | -4% | |
| Subscription renewal rate | 77% | 74% | 75% | 77% | 66% | -15% | -14% | |
| **Pricing** | | | | | | | | |
| High full subscription price | $769 | $811 | $833 | $844 | $905 | 7% | 18% | 7% |
| Low full subscription price | $135 | $120 | $105 | $109 | $109 | 0% | -19% | -30% |
| High single ticket price | $138 | $142 | $157 | $163 | $178 | 9% | 29% | 18% |
| Low single ticket price | $24 | $24 | $19 | $21 | $21 | -1% | -13% | -23% |
| Highest orchestra ticket | $121 | $124 | $149 | $153 | $158 | 3% | 31% | 21% |
| Low orchestra ticket | $58 | $60 | $60 | $68 | $66 | -3% | 14% | 4% |

* 4-year Real Growth Rate - adjusted for inflation

# Level 2 Companies

The Level 2 companies have operating budgets between $3 million and $7.5 million. Seventeen companies reported for all five years, one fewer than in the 2004 AFR. The median expenses for these companies were $6 million, higher than the average of $5.5 million. Highlights for the Level 2 companies' activity include:

- For the fifth year in a row, the Level 2 companies posted a net loss, though 2005 was the smallest shortfall as revenue grew faster than expenses;
- Box office revenue increased after a two-year decline;
- Level 2 companies generated increases in all areas of private support in 2005, in contrast to the prior year when individual, corporate, and other private support declined;
- Non-personnel expenses were maintained at essentially the same dollar amount over four years, in contrast to other levels where non-personnel expense growth exceeded the four-year inflation rate;
- Level 2 companies have the highest level of investments relative to expenses of any level; and
- The average subscription renewal rate increased as other companies experienced a decrease.

## Level 2 Operating Activity

Table 14 shows that Level 2 companies' revenue rebounded in 2005, to its highest of the five years. Expenses also increased, and for the fifth year, the companies in aggregate had an unrestricted loss, though it was the smallest of any year. Neither revenue nor expense 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* | 2001 | 2002 | 2003 | 2004 | 2005 | 1-yr | 4-yr | 4-yr RGR* |
| **Total Revenue** | 5,096,479 | 5,121,855 | 5,319,123 | 5,196,737 | 5,535,244 | 7% | 9% | -2% |
| **Total Expense** | 5,209,175 | 5,384,382 | 5,440,183 | 5,310,668 | 5,571,074 | 5% | 7% | -3% |
| **Unrestricted Net Income (Loss)** | (112,695) | (262,527) | (121,060) | (113,931) | (35,831) | 69% | 68% | 58% |
| **As a percentage of expense** | -2.2% | -5.1% | -2.3% | -2.2% | -0.6% | | | |

* 4-year Real Growth Rate - adjusted for inflation

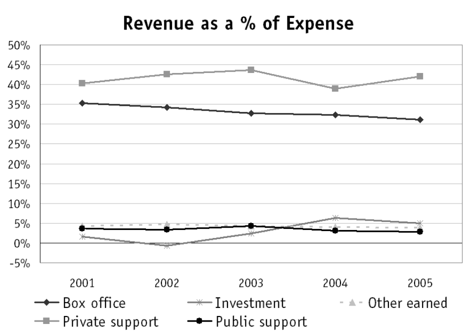
Box office revenues were up in 2005, but were offset by a decline in investment revenue due to smaller unrealized gains than in 2004, for an overall decrease in earned revenue. All areas of private support showed strong increases, for a one-year increase of 13% in contributed revenue. Contributed revenue outpaced inflation over the four-year period, and supported 59% of operating expenses, up 2% from 2001, while earned revenue covered 40%, down 1% from 2001.

**Table 15**
**Revenue**
**U.S. Constant Sample Group of (17) Level 2 Companies**

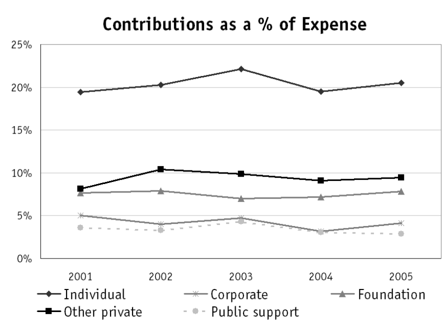
| *Averages in dollars* | 2001 | 2002 | 2003 | 2004 | 2005 | Percentage Change 1-yr | 4-yr | 4-yr RGR* |
|---|---|---|---|---|---|---|---|---|
| **Earned revenue** | | | | | | | | |
| Box office | 1,841,057 | 1,843,614 | 1,777,832 | 1,717,509 | 1,734,405 | 1% | -6% | -16% |
| Investment | 86,754 | (36,381) | 133,439 | 337,624 | 279,953 | -17% | 223% | 212% |
| Other earned | 225,225 | 255,975 | 234,540 | 214,879 | 214,761 | 0% | -5% | -15% |
| **Total earned revenue** | 2,153,037 | 2,063,207 | 2,145,811 | 2,270,012 | 2,229,119 | -2% | 4% | -7% |
| **Contributed revenue** | | | | | | | | |
| **Private** | | | | | | | | |
| Individual | 1,013,902 | 1,090,092 | 1,205,030 | 1,033,993 | 1,142,672 | 11% | 13% | 2% |
| Corporate | 261,004 | 215,568 | 256,637 | 167,360 | 230,522 | 38% | -12% | -22% |
| Foundation | 398,717 | 425,833 | 380,181 | 380,718 | 437,501 | 15% | 10% | -1% |
| Other private support | 425,126 | 560,326 | 536,635 | 483,266 | 528,055 | 9% | 24% | 14% |
| **Total private support** | 2,098,749 | 2,291,819 | 2,378,484 | 2,065,337 | 2,338,749 | 13% | 11% | 1% |
| Public support | 187,429 | 177,435 | 233,209 | 161,324 | 160,200 | -1% | -15% | -25% |
| Net assets released from restriction | 657,265 | 589,393 | 561,620 | 700,065 | 807,175 | 15% | 23% | 13% |
| **Total contributed revenue** | 2,943,443 | 3,058,647 | 3,173,312 | 2,926,725 | 3,306,125 | 13% | 12% | 2% |
| **Total unrestricted revenue** | 5,096,479 | 5,121,855 | 5,319,123 | 5,196,737 | 5,535,244 | 7% | 9% | -2% |

* 4-year Real Growth Rate - adjusted for inflation

Box office revenue continued to decline in its coverage of expenses, while private support recovered from its one-year drop in 2004, as shown in graph M.




**Graph M**




**Graph N**

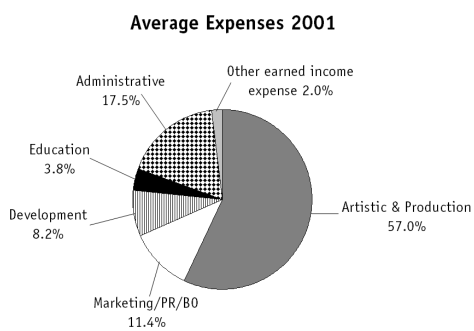
Trends in expenses are shown in Table 16. After two years of decreases in artistic and production spending, total program spending reached its highest level in 2005, though the four-year growth fell short of the inflation rate. The largest increases in spending, in both the one-year and four-year period, were for development activities. Level 2 companies had the smallest growth in non-personnel expenses from 2001 to 2005 of any level.

**Table 16**
**Expenses**
**U.S. Constant Sample Group of (17) Level 2 Companies**

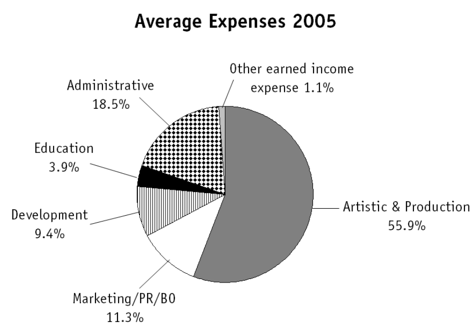
| *Averages in dollars* | 2001 | 2002 | 2003 | 2004 | 2005 | Percentage Change 1-yr | 4-yr | 4-yr RGR* |
|---|---|---|---|---|---|---|---|---|
| **Personnel** | | | | | | | | |
| Artistic (incl singer training) | 1,306,415 | 1,351,226 | 1,330,290 | 1,286,348 | 1,402,039 | 9% | 7% | -3% |
| Production & technical | 706,765 | 719,442 | 725,509 | 725,015 | 774,873 | 7% | 10% | -1% |
| Marketing/PR/Box office | 207,423 | 222,166 | 225,988 | 235,044 | 243,191 | 3% | 17% | 7% |
| Development | 213,900 | 237,630 | 264,295 | 258,281 | 268,944 | 4% | 26% | 15% |
| Education | 116,568 | 115,006 | 124,797 | 148,944 | 133,476 | -10% | 15% | 4% |
| Administrative | 408,588 | 447,375 | 479,679 | 450,138 | 477,422 | 6% | 17% | 7% |
| **Total personnel expense** | 2,959,659 | 3,092,844 | 3,150,558 | 3,103,770 | 3,299,946 | 6% | 11% | 1% |
| **Non-Personnel** | | | | | | | | |
| Production (incl singer training) | 957,841 | 963,324 | 912,423 | 868,112 | 934,668 | 8% | -2% | -13% |
| Marketing/PR/Box office | 388,171 | 386,905 | 371,432 | 340,958 | 383,561 | 12% | -1% | -11% |
| Development | 214,595 | 231,588 | 236,617 | 209,240 | 252,858 | 21% | 18% | 8% |
| Education | 81,952 | 66,131 | 118,854 | 71,661 | 86,069 | 20% | 5% | -5% |
| Administrative | 504,601 | 562,809 | 548,180 | 618,956 | 553,110 | -11% | 10% | -1% |
| Other earned income expenses | 102,357 | 80,780 | 102,119 | 97,971 | 60,862 | -38% | -41% | -51% |
| **Total non-personnel expense** | 2,249,515 | 2,291,537 | 2,289,625 | 2,206,898 | 2,271,128 | 3% | 1% | -9% |
| **Total expense** | 5,209,175 | 5,384,382 | 5,440,183 | 5,310,668 | 5,571,074 | 5% | 7% | -3% |

* 4-year Real Growth Rate - adjusted for inflation

The percentage spent on development and administration increased from 2001 to 2005; Level 2 companies were the only companies to increase their administrative expense percentage.




**Graph O**




**Graph P**

Both development and marketing productivity declined in 2005 to their lowest levels. Investment in artistic and production expenses, coupled with a modest increase in box office revenue, led to a drop in the program coverage ratio.

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

| *Averages* | 2001 | 2002 | 2003 | 2004 | 2005 | Percentage Change 1-yr | 4-yr |
|---|---|---|---|---|---|---|---|
| Development productivity | $7.13 | $7.26 | $7.24 | $7.35 | $6.90 | -6% | -3% |
| Marketing productivity | $3.09 | $3.03 | $2.98 | $2.98 | $2.77 | -7% | -10% |
| Program coverage | 62.0% | 60.8% | 59.9% | 59.6% | 55.7% | -7% | -10% |

## Level 2 Financial Position

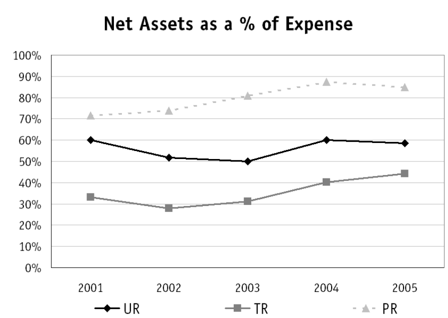
Level 2 companies continued to have the highest level of total net assets relative to operating expenses of any of the levels. Working capital improved, though remained below its 2001 peak. In 2005, one company had positive working capital of $10 million (from a land sale gain in 2004). Removing that company from the mix, the average working capital of the other 16 companies was positive $55,000, up from negative $107,000 in 2004, with 12 of the 17 companies showing improvement. Investments grew at the same pace as expenses in 2005, and exceeded inflation over the four-year period.

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

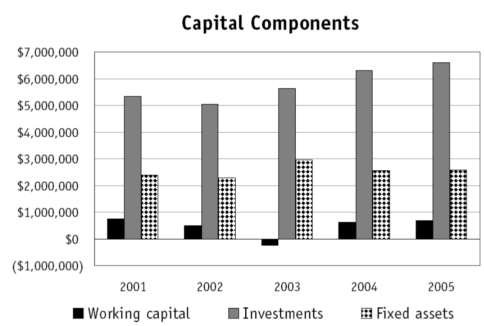
| | | | | | | Percentage Change | | |
|---|---|---|---|---|---|---|---|---|
| *Averages in dollars* | **2001** | **2002** | **2003** | **2004** | **2005** | **1-yr** | **4-yr** | **4-yr RGR*** |
| **Net assets (NA)** | | | | | | | | |
| Unrestricted (UR) | 3,131,062 | 2,781,270 | 2,721,348 | 3,189,028 | 3,255,949 | 2% | 4% | -6% |
| Temporarily restricted (TR) | 1,728,100 | 1,498,663 | 1,699,002 | 2,135,710 | 2,459,830 | 15% | 42% | 32% |
| Permanently restricted (PR) | 3,727,502 | 3,977,238 | 4,394,833 | 4,642,830 | 4,737,424 | 2% | 27% | 17% |
| **Total net assets** | 8,586,664 | 8,257,171 | 8,815,183 | 9,967,568 | 10,453,203 | 5% | 22% | 11% |
| Total NA as % of expense | 165% | 153% | 162% | 188% | 188% | | | |
| **Working capital** | 749,273 | 492,659 | (240,798) | 628,771 | 676,218 | 8% | -10% | -20% |
| Working capital as % of expense | 14% | 9% | -4% | 12% | 12% | | | |
| **Investments** | 5,343,497 | 5,034,172 | 5,621,934 | 6,305,659 | 6,608,300 | 5% | 24% | 13% |
| Investments as % of expense | 103% | 93% | 103% | 119% | 119% | | | |
| **Net fixed assets** | 2,381,789 | 2,288,611 | 2,962,146 | 2,560,257 | 2,579,732 | 1% | 8% | -2% |

* 4-year Real Growth Rate - adjusted for inflation

In graph Q, permanently restricted net assets (generally endowment funds), which had increased through 2004, dipped slightly in 2005, but still represent 85% of expenses. Temporarily restricted net assets, which represent funds for future projects, increased steadily over the last three years. Graph R illustrates the recovery in investment value since the drop in 2002.




**Graph Q**




**Graph R**

## Level 2 Performance Activity

Level 2 companies had a small but steady decline in numbers of productions, performances, and total attendance over the four-year period. Level 2 companies continued to improve their subscription renewal rate, however, and were the only companies to boost it in 2005.

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

| | | | | | | Percentage Change | | |
|---|---|---|---|---|---|---|---|---|
| *Averages* | **2001** | **2002** | **2003** | **2004** | **2005** | **1-yr** | **4-yr** | **4-yr RGR*** |
| **Productions & performances** | | | | | | | | |
| Main season productions | 3.9 | 4.0 | 3.9 | 3.8 | 3.7 | -2% | -6% | |
| Main season performances | 24.1 | 24.1 | 22.9 | 22.1 | 21.1 | -4% | -12% | |
| **Attendance** | | | | | | | | |
| Main season total attendance | 35,321 | 32,687 | 30,008 | 29,785 | 29,013 | -3% | -18% | |
| % of paid capacity sold | 84% | 77% | 77% | 79% | 75% | -6% | -11% | |
| Subscription renewal rate | 76% | 74% | 77% | 79% | 81% | 2% | 7% | |
| **Pricing** | | | | | | | | |
| High full subscription price | $386 | $389 | $354 | $366 | $371 | 1% | -4% | -14% |
| Low full subscription price | $70 | $74 | $76 | $79 | $79 | -1% | 13% | 2% |
| High single ticket price | $100 | $109 | $99 | $113 | $114 | 1% | 14% | 4% |
| Low single ticket price | $19 | $20 | $32 | $23 | $25 | 5% | 30% | 19% |
| Highest orchestra ticket | $87 | $91 | $81 | $92 | $89 | -4% | 2% | -9% |
| Low orchestra ticket | $46 | $47 | $41 | $47 | $39 | -17% | -14% | -24% |

* 4-year Real Growth Rate - adjusted for inflation

# Level 3 Companies

The Level 3 Constant Sample Group included 13 companies with budgets between $1 and $3 million, three fewer than in 2004. Both the average and median budget size was $2.3 million.
Results of note for 2005 and the four-year period include:

- For the fifth consecutive year, Level 3 companies showed an unrestricted net loss;
- Level 3 companies' 2005 growth in expenses exceeded the growth in revenue for the second consecutive year;
- Level 3 companies showed no box office growth in 2005, yet it is the only group to have four-year box office revenue growth significantly higher than the four-year rate of inflation, driven by increased ticket prices at both the high and low end;
- Private contributions increased in 2005 from every major source;
- Total contributed revenue increased at more than triple the four-year rate of inflation;
- Level 3 companies had the greatest increase in corporate giving over the four-year period; and,
- Unrestricted net assets were negative for the first time during the five years reported, a result of the unrestricted net losses.

## Level 3 Operating Activity

In 2005 unrestricted expense grew at a rate higher than unrestricted revenue (table 20). This dynamic put negative pressure on the bottom line. Total revenue and expenses of Level 3 companies grew at a four-year real growth rate that was balanced between revenue and expense growth and was higher than the other levels.

**Table 20**
**Unrestricted Net Income**
**U.S. Constant Sample Group of (13) Level 3 Companies**

| | | | | | | Percentage Change | | |
|---|---|---|---|---|---|---|---|---|
| *Averages in dollars* | **2001** | **2002** | **2003** | **2004** | **2005** | **1-yr** | **4-yr** | **4-yr RGR*** |
| **Total Revenue** | 1,815,205 | 1,867,559 | 2,048,185 | 2,128,449 | 2,258,247 | 6% | 24% | 14% |
| **Total Expense** | 1,911,263 | 1,934,288 | 2,050,101 | 2,200,554 | 2,376,040 | 8% | 24% | 14% |
| **Unrestricted Net Income (Loss)** | (96,058) | (66,730) | (1,916) | (72,105) | (117,793) | -63% | -23% | -33% |
| **As a percentage of expense** | -5.3% | -3.6% | -0.1% | -3.4% | -5.2% | | | |

* 4-year Real Growth Rate - adjusted for inflation

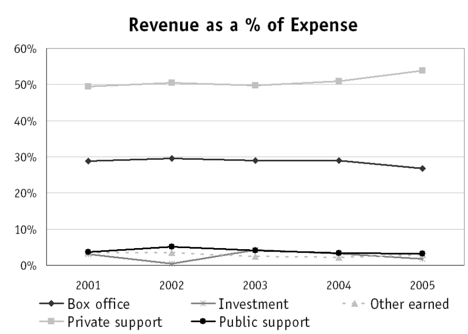
Primarily due to strong increases in individual, foundation, and other private support, total contributed revenue grew at roughly triple the rate of inflation over the four-year period. Fluctuations in investment revenue from year to year are due to variations in gains and losses of three of the 13 companies reporting.

In 2005 earned revenue supported 31% of expenses and contributed revenue supported 64%, compared to 36% and 60% in 2001. Graph S shows that as a percentage of expense, private support covered an increasing share of expenses while box office receipts covered a declining portion. Level 3 companies supported a larger portion of their operating expenses from private contributions than any other level.

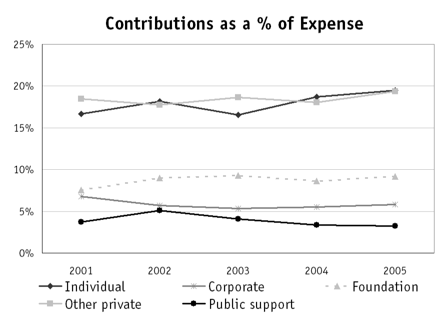
**Table 21**
**Revenue**
**U.S. Constant Sample Group of (13) Level 3 Companies**

| | | | | | | Percentage Change | | |
|---|---|---|---|---|---|---|---|---|
| *Averages in dollars* | **2001** | **2002** | **2003** | **2004** | **2005** | **1-yr** | **4-yr** | **4-yr RGR*** |
| **Earned revenue** | | | | | | | | |
| Box office | 551,574 | 571,163 | 592,875 | 638,452 | 635,458 | 0% | 15% | 5% |
| Investment | 59,046 | 9,641 | 85,711 | 70,155 | 40,219 | -43% | -32% | -42% |
| Other earned | 67,791 | 69,174 | 51,678 | 48,992 | 70,554 | 44% | 4% | -6% |
| **Total earned revenue** | 678,411 | 649,978 | 730,265 | 757,599 | 746,230 | -2% | 10% | 0% |
| **Contributed revenue** | | | | | | | | |
| **Private** | | | | | | | | |
| Individual | 318,700 | 350,839 | 339,747 | 411,966 | 462,625 | 12% | 45% | 35% |
| Corporate | 129,321 | 110,025 | 108,960 | 121,611 | 138,462 | 14% | 7% | -3% |
| Foundation | 144,584 | 173,403 | 190,135 | 189,508 | 218,584 | 15% | 51% | 41% |
| Other private support | 353,089 | 343,591 | 382,556 | 396,941 | 460,810 | 16% | 31% | 20% |
| **Total private support** | 945,694 | 977,859 | 1,021,397 | 1,120,025 | 1,280,481 | 14% | 35% | 25% |
| Public support | 70,615 | 98,083 | 83,370 | 74,189 | 76,787 | 4% | 9% | -2% |
| Net assets released from restriction | 120,486 | 141,639 | 213,153 | 176,636 | 154,750 | -12% | 28% | 18% |
| **Total contributed revenue** | 1,136,794 | 1,217,581 | 1,317,920 | 1,370,850 | 1,512,017 | 10% | 33% | 23% |
| **Total unrestricted revenue** | 1,815,205 | 1,867,559 | 2,048,185 | 2,128,449 | 2,258,247 | 6% | 24% | 14% |

* 4-year Real Growth Rate - adjusted for inflation




**Graph S**

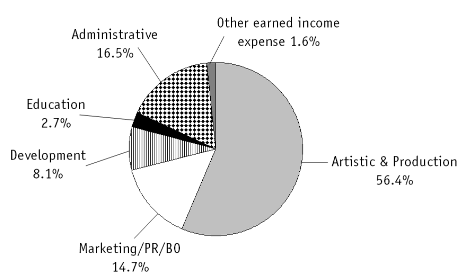



**Graph T**

In 2005 and for the four-year period, non-personnel expenses grew at a faster rate than personnel expenses. Level 3 companies allocated more resources to development and less to all other areas in 2005 than in 2001. Level 3 companies allocate a higher percentage of their resources to development than any other level.

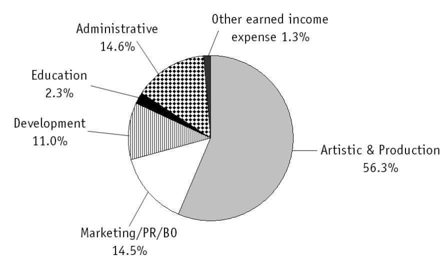
| **Table 22** | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| **Expenses** | | | | | | | | |
| **U.S. Constant Sample Group of (13) Level 3 Companies** | | | | | | | | |
| | | | | | | **Percentage Change** | | |
| *Averages in dollars* | **2001** | **2002** | **2003** | **2004** | **2005** | **1-yr** | **4-yr** | **4-yr RGR*** |
| **Personnel** | | | | | | | | |
| Artistic (incl singer training) | 539,650 | 538,342 | 513,685 | 573,913 | 615,928 | 7% | 14% | 4% |
| Production & technical | 192,853 | 196,624 | 233,540 | 244,778 | 258,996 | 6% | 34% | 24% |
| Marketing/PR/Box office | 88,966 | 104,816 | 114,286 | 109,342 | 117,488 | 7% | 32% | 22% |
| Development | 74,283 | 90,164 | 102,311 | 115,075 | 122,182 | 6% | 64% | 54% |
| Education | 21,587 | 29,772 | 33,723 | 36,261 | 30,523 | -16% | 41% | 31% |
| Administrative | 157,884 | 154,605 | 188,749 | 157,131 | 168,335 | 7% | 7% | -4% |
| **Total personnel expense** | 1,075,224 | 1,114,324 | 1,186,294 | 1,236,499 | 1,313,451 | 6% | 22% | 12% |
| **Non-Personnel** | | | | | | | | |
| Production (incl singer training) | 345,906 | 363,485 | 346,839 | 414,674 | 462,367 | 12% | 34% | 23% |
| Marketing/PR/Box office | 191,065 | 183,395 | 207,723 | 230,298 | 227,694 | -1% | 19% | 9% |
| Development | 80,959 | 78,704 | 84,038 | 100,509 | 139,415 | 39% | 72% | 62% |
| Education | 30,027 | 18,728 | 25,223 | 22,176 | 24,366 | 10% | -19% | -29% |
| Administrative | 158,177 | 150,719 | 169,798 | 173,529 | 177,543 | 2% | 12% | 2% |
| Other earned income expenses | 29,905 | 24,934 | 30,185 | 22,869 | 31,204 | 36% | 4% | -6% |
| **Total non-personnel expense** | 836,039 | 819,964 | 863,807 | 964,055 | 1,062,589 | 10% | 27% | 17% |
| **Total expense** | 1,911,263 | 1,934,288 | 2,050,101 | 2,200,554 | 2,376,040 | 8% | 24% | 14% |
| * 4-year Real Growth Rate - adjusted for inflation | | | | | | | | |

**Average Expenses 2001**




**Graph U**

**Average Expenses 2005**




**Graph V**

Level 3 experienced the fourth consecutive year of declining development productivity, but the 2005 decline was the smallest of all of the levels. After increasing in 2004, Level 3 marketing productivity decreased slightly; the companies generate less box office income per marketing dollar spent of any level. Box office revenue covered a declining portion of program expense over the past two years.

| **Table 23** | | | | | | | |
|---|---|---|---|---|---|---|---|
| **Productivity Measures** | | | | | | | |
| **U.S. Constant Sample Group of (13) Level 3 Companies** | | | | | | | |
| | | | | | | **Percentage Change** | |
| *Averages* | **2001** | **2002** | **2003** | **2004** | **2005** | **1-yr** | **4-yr** |
| Development productivity | $8.39 | $7.54 | $7.04 | $6.40 | $6.20 | -3% | -26% |
| Marketing productivity | $1.97 | $1.98 | $1.84 | $1.88 | $1.84 | -2% | -7% |
| Program coverage | 51.1% | 52.0% | 54.2% | 51.8% | 47.5% | -8% | -7% |

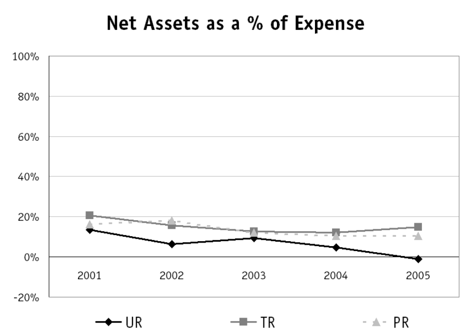
## Level 3 Financial Position

As a result of unrestricted operating losses, Level 3 companies showed a decrease in working capital and unrestricted net assets, ending 2005 with negative unrestricted net assets for the first time (graphs W and X). Level 3 is the only level with negative unrestricted net assets in any of the years reported. Temporarily and permanently restricted net assets increased. Investment growth in 2005 is primarily due to increases in separately held endowments. Net fixed assets declined in 2005, an indication that organizations reinvested in fixed assets at a slower rate than they depreciated them.

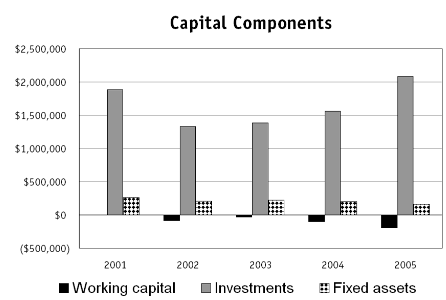
**Table 24**
**Balance Sheet**
**U.S. Constant Sample Group of (12) Level 3 Companies**

| *Averages in dollars* | 2001 | 2002 | 2003 | 2004 | 2005 | Percentage Change 1-yr | 4-yr | 4-yr RGR* |
|---|---|---|---|---|---|---|---|---|
| **Net assets (NA)** | | | | | | | | |
| Unrestricted (UR) | 259,246 | 125,084 | 192,203 | 103,695 | (27,172) | -126% | -110% | -121% |
| Temporarily restricted (TR) | 396,986 | 303,112 | 260,597 | 264,383 | 351,474 | 33% | -11% | -22% |
| Permanently restricted (PR) | 309,996 | 351,880 | 249,664 | 229,730 | 248,913 | 8% | -20% | -30% |
| **Total net assets** | 966,228 | 780,076 | 702,464 | 597,807 | 573,215 | -4% | -41% | -51% |
| Total NA as % of expense | 51% | 40% | 34% | 27% | 24% | | | |
| **Working capital** | (1,892) | (81,099) | (29,426) | (99,602) | (190,643) | -91% | -9977% | -9987% |
| Working capital as % of expense | 0% | -4% | -1% | -5% | -8% | | | |
| **Investments** | 1,886,576 | 1,327,075 | 1,384,720 | 1,563,620 | 2,088,361 | 34% | 11% | 0% |
| Investments as % of expense | 99% | 69% | 68% | 71% | 88% | | | |
| **Net fixed assets** | 261,138 | 206,183 | 221,629 | 203,297 | 163,471 | -20% | -37% | -48% |

* 4-year Real Growth Rate - adjusted for inflation




**Graph W**




**Graph X**

## Level 3 Performance Activity

Table 25 illustrates that Level 3's flat box office revenue in 2005 was caused by lower total attendance offset by price increases. Four-year increases in box office revenue in excess of inflation were driven by growth in all ticket prices that significantly exceeded inflation for the four-year period.

**Table 25**
**Performance Activity**
**U.S. Constant Sample Group of (13) Level 3 Companies**

| | | | | | | **Percentage Change** | | |
|---|---|---|---|---|---|---|---|---|
| *Averages* | **2001** | **2002** | **2003** | **2004** | **2005** | **1-yr** | **4-yr** | **4-yr RGR*** |
| **Productions & performances** | | | | | | | | |
| Main season productions | 3.0 | 3.2 | 3.0 | 3.3 | 3.2 | -5% | 5% | |
| Main season performances | 9.6 | 9.7 | 9.2 | 10.1 | 9.2 | -9% | -5% | |
| **Attendance** | | | | | | | | |
| Main season total attendance | 12,837 | 13,087 | 12,688 | 15,120 | 12,145 | -20% | -5% | |
| % of paid capacity sold | 63% | 64% | 74% | 76% | 70% | -8% | 11% | |
| Subscription renewal rate | 76% | 76% | 80% | 81% | 77% | -5% | 1% | |
| **Pricing** | | | | | | | | |
| High full subscription price | $193 | $222 | $219 | $242 | $248 | 3% | 29% | 18% |
| Low full subscription price | $60 | $66 | $69 | $64 | $73 | 13% | 22% | 11% |
| High single ticket price | $73 | $76 | $78 | $83 | $93 | 11% | 26% | 16% |
| Low single ticket price | $20 | $20 | $21 | $22 | $23 | 7% | 17% | 7% |
| Highest orchestra ticket | $65 | $65 | $67 | $73 | $82 | 12% | 25% | 15% |
| Low orchestra ticket | $38 | $40 | $43 | $42 | $43 | 1% | 12% | 2% |

* 4-year Real Growth Rate - adjusted for inflation

# Level 4 Companies

The Level 4 companies have operating budgets under $1 million. Seventeen responded to the 2005 survey, down from 19 in 2004. Level 4 companies rely less on box office revenue and more on private contributions than their larger peers. They also spend the smallest percentage of their budgets on marketing and development and a greater percentage on administration and artistic/production expenses. The Level 4 companies:

- Were the only companies to show a decrease in foundation giving and in total revenue since 2001;
- Had the smallest percentage increase in total revenue of any of the U.S. companies in 2005;
- Showed the smallest increases in personnel expenses of any level, over either the one-year or four-year period;
- Had larger growth in artistic and program expenses as a percentage of their budget than other levels from 2001 to 2005;
- Were the only companies to spend a smaller percentage of their budget on development in 2005 than 2001;
- Reported an increase in total attendance in 2005 as other companies saw decreases; and
- Were the only U.S. companies to report a four-year increase in the number of performances.

## Level 4 Operating Activity

Level 4 posted the largest loss as a percentage of expenses in 2005, compared to other levels. Expenses grew more than revenue over both the one-year and four-year periods.

**Table 26**
**Unrestricted Net Income**
**U.S. Constant Sample Group of (17) Level 4 Companies**

| | | | | | | Percentage Change | | |
|---|---|---|---|---|---|---|---|---|
| *Averages in dollars* | **2001** | **2002** | **2003** | **2004** | **2005** | **1-yr** | **4-yr** | **4-yr RGR*** |
| **Total Revenue** | 548,887 | 461,967 | 454,453 | 532,407 | 537,779 | 1% | -2% | -12% |
| **Total Expense** | 526,782 | 514,417 | 456,518 | 556,370 | 571,469 | 3% | 8% | -2% |
| **Unrestricted Net Income (Loss)** | 22,104 | (52,450) | (2,066) | (23,963) | (33,690) | -41% | -252% | -263% |
| **As a percentage of expense** | 4.0% | -11.4% | -0.5% | -4.5% | -6.3% | | | |

* 4-year Real Growth Rate - adjusted for inflation

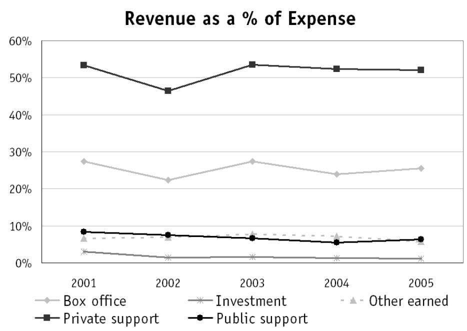
Box office revenue was at its highest level in 2005 after three years of steady increases. After rebounding in 2004, contributed revenue was flat in 2005, at the same amount as 2004 and 2001. Strong individual giving increases over the four-year period offset declines in foundation giving and public support.

**Table 27**
**Revenue**
**U.S. Constant Sample Group of (17) Level 4 Companies**

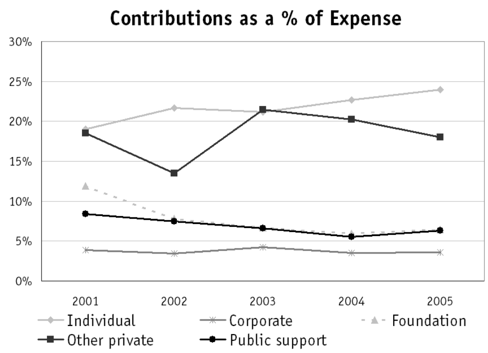
| | | | | | | Percentage Change | | |
|---|---|---|---|---|---|---|---|---|
| *Averages in dollars* | **2001** | **2002** | **2003** | **2004** | **2005** | **1-yr** | **4-yr** | **4-yr RGR*** |
| **Earned revenue** | | | | | | | | |
| Box office | 144,025 | 115,016 | 125,064 | 133,009 | 145,487 | 9% | 1% | -9% |
| Investment | 16,084 | 7,413 | 7,502 | 7,148 | 6,837 | -4% | -57% | -68% |
| Other earned | 35,056 | 35,884 | 35,660 | 40,307 | 33,030 | -18% | -6% | -16% |
| **Total earned revenue** | 195,165 | 158,312 | 168,226 | 180,464 | 185,354 | 3% | -5% | -15% |
| **Contributed revenue** | | | | | | | | |
| **Private** | | | | | | | | |
| Individual | 100,305 | 111,523 | 96,672 | 126,088 | 136,940 | 9% | 37% | 26% |
| Corporate | 20,390 | 17,609 | 19,336 | 19,672 | 20,420 | 4% | 0% | -10% |
| Foundation | 62,751 | 40,342 | 30,351 | 33,131 | 37,045 | 12% | -41% | -51% |
| Other private support | 97,698 | 69,545 | 97,995 | 112,673 | 102,981 | -9% | 5% | -5% |
| **Total private support** | 281,145 | 239,019 | 244,354 | 291,565 | 297,387 | 2% | 6% | -5% |
| Public support | 44,363 | 38,422 | 30,201 | 30,686 | 36,226 | 18% | -18% | -29% |
| Net assets released from restriction | 28,214 | 26,214 | 11,672 | 29,692 | 18,812 | -37% | -33% | -44% |
| **Total contributed revenue** | 353,722 | 303,655 | 286,227 | 351,943 | 352,425 | 0% | 0% | -11% |
| **Total unrestricted revenue** | 548,887 | 461,967 | 454,453 | 532,407 | 537,779 | 1% | -2% | -12% |

* 4-year Real Growth Rate - adjusted for inflation

As shown in graph Y, the major sources of revenue remained fairly constant. Graph Z illustrates the continued growth in individual support, while other sources of contributions now cover a smaller percentage of expenses than they did in 2001.




Graph Y




Graph Z

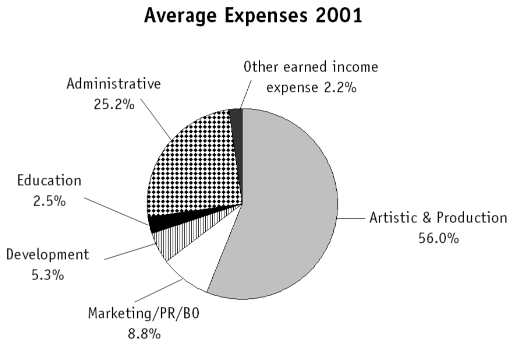
Personnel expenses have not kept pace with inflation since 2001 and were flat in 2005. Production and development increases boosted non-personnel expenses more than the inflation rate, although administrative costs were trimmed significantly.

**Table 28**
**Expenses**
**U.S. Constant Sample Group of (17) Level 4 Companies**

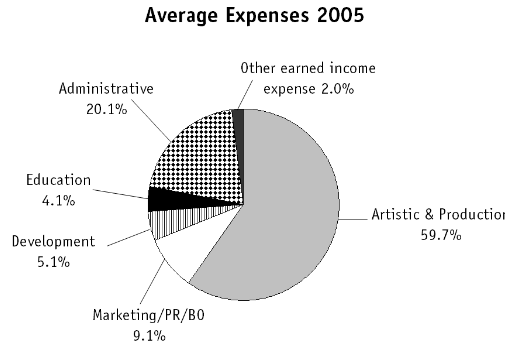
| | | | | | | Percentage Change | | |
|---|---|---|---|---|---|---|---|---|
| *Averages in dollars* | **2001** | **2002** | **2003** | **2004** | **2005** | **1-yr** | **4-yr** | **4-yr RGR*** |
| **Personnel** | | | | | | | | |
| Artistic (incl singer training) | 152,743 | 139,151 | 135,565 | 161,500 | 158,220 | -2% | 4% | -7% |
| Production & technical | 44,223 | 40,847 | 29,329 | 39,146 | 38,275 | -2% | -13% | -24% |
| Marketing/PR/Box office | 12,916 | 12,762 | 12,495 | 16,315 | 15,341 | -6% | 19% | 8% |
| Development | 13,673 | 8,666 | 8,383 | 7,980 | 8,420 | 6% | -38% | -49% |
| Education | 8,456 | 4,287 | 6,395 | 9,613 | 10,393 | 8% | 23% | 13% |
| Administrative | 57,180 | 67,315 | 61,052 | 63,891 | 68,559 | 7% | 20% | 10% |
| **Total personnel expense** | 289,191 | 273,029 | 253,220 | 298,445 | 299,210 | 0% | 3% | -7% |
| **Non-Personnel** | | | | | | | | |
| Production (incl singer training) | 98,086 | 110,597 | 92,813 | 133,878 | 144,866 | 8% | 48% | 37% |
| Marketing/PR/Box office | 33,280 | 32,497 | 29,595 | 34,359 | 36,471 | 6% | 10% | -1% |
| Development | 14,410 | 14,037 | 16,502 | 16,693 | 20,521 | 23% | 42% | 32% |
| Education | 4,934 | 3,581 | 5,371 | 9,475 | 13,072 | 38% | 165% | 155% |
| Administrative | 75,339 | 62,037 | 41,341 | 52,410 | 46,173 | -12% | -39% | -49% |
| Other earned income expenses | 11,541 | 18,639 | 17,676 | 11,109 | 11,156 | 0% | -3% | -14% |
| **Total non-personnel expense** | 237,591 | 241,388 | 203,299 | 257,925 | 272,259 | 6% | 15% | 4% |
| **Total expense** | 526,782 | 514,417 | 456,518 | 556,370 | 571,469 | 3% | 8% | -2% |

* 4-year Real Growth Rate - adjusted for inflation

From 2001 to 2005, Level 4 companies devoted more resources to artistic/production, education, and marketing expenses; the percentage spent on administration declined significantly.




Graph AA




Graph BB

While development productivity declined in 2005, marketing productivity and program coverage were up for the year. Level 4 companies report the highest development productivity of any level — Table 28 shows that the companies tend not to have dedicated development staff, and most rely on other administrative and artistic staff for their fundraising efforts.

**Table 29**
**Productivity Measures**
**U.S. Constant Sample Group of (17) Level 4 Companies**

| *Averages* | 2001 | 2002 | 2003 | 2004 | 2005 | Percentage Change 1-yr | 4-yr |
|---|---|---|---|---|---|---|---|
| Development productivity | $12.75 | $13.39 | $13.35 | $14.73 | $12.74 | -14% | 0% |
| Marketing productivity | $3.12 | $2.54 | $2.97 | $2.62 | $2.81 | 7% | -10% |
| Program coverage | 48.8% | 39.6% | 48.5% | 39.8% | 42.6% | 7% | -13% |

## Level 4 Financial Position

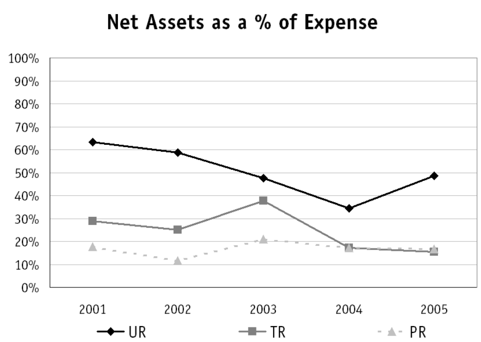
Level 4 companies' working capital position declined for the second year in a row, due in part to the unrestricted loss for the year, though at 19% of operating expenses, it is the strongest position of any of the levels. Only eight of the companies reported investments, and two of those companies represent 92% of the total each year. The large increase in average fixed assets in 2005 was due to one company's addition of $1.7 million in building and improvements.

**Table 30**
**Balance Sheet**
**U.S. Constant Sample Group of (16) Level 4 Companies**

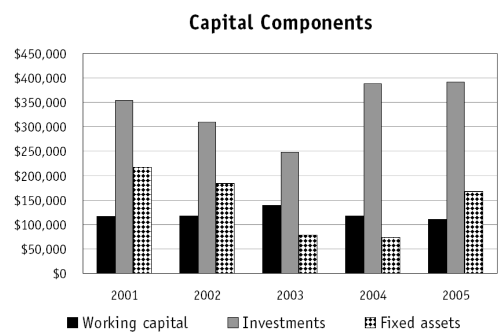
| *Averages in dollars* | 2001 | 2002 | 2003 | 2004 | 2005 | Percentage Change 1-yr | 4-yr | 4-yr RGR* |
|---|---|---|---|---|---|---|---|---|
| **Net assets (NA)** | | | | | | | | |
| Unrestricted (UR) | 333,697 | 302,058 | 217,557 | 191,160 | 277,385 | 45% | -17% | -27% |
| Temporarily restricted (TR) | 151,651 | 129,337 | 172,711 | 96,387 | 87,599 | -9% | -42% | -53% |
| Permanently restricted (PR) | 92,791 | 60,237 | 95,670 | 95,076 | 95,773 | 1% | 3% | -7% |
| **Total net assets** | 578,138 | 491,632 | 485,938 | 382,623 | 460,756 | 20% | -20% | -31% |
| Total NA as % of expense | 110% | 96% | 106% | 69% | 81% | | | |
| **Working capital** | 116,578 | 117,516 | 139,254 | 117,273 | 109,902 | -6% | -6% | -16% |
| Working capital as % of expense | 22% | 23% | 31% | 21% | 19% | | | |
| **Investments** | 353,697 | 310,168 | 248,483 | 388,771 | 392,028 | 1% | 11% | 1% |
| Investments as % of expense | 67% | 60% | 54% | 70% | 69% | | | |
| **Net fixed assets** | 217,119 | 184,542 | 78,303 | 73,886 | 167,483 | 127% | -23% | -33% |

* 4-year Real Growth Rate - adjusted for inflation

Both unrestricted and permanently restricted net assets increased as a percentage of total expenses from 2004 to 2005, as shown in graph CC. Level 4 companies, like the Level 3 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.




Graph CC




Graph DD

## Level 4 Performance Activity

Level 4's number of productions, number of performances, and total attendance increased the last two years after declines through 2003. The companies played to a higher percentage of paid capacity in 2005 than 2001, and while the subscription renewal rate dipped 1% in 2005, it was up over the 2001 level. 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 (17) Level 4 Companies**

| *Averages* | 2001 | 2002 | 2003 | 2004 | 2005 | Percentage Change 1-yr | Percentage Change 4-yr |
|---|---|---|---|---|---|---|---|
| **Productions & performances** | | | | | | | |
| Main season productions | 2.5 | 2.2 | 2.1 | 2.4 | 2.5 | 5% | 0% |
| Main season performances | 9.5 | 10.1 | 8.0 | 8.8 | 10.3 | 17% | 9% |
| **Attendance** | | | | | | | |
| Main season total attendance | 5,264 | 4,456 | 4,413 | 4,938 | 5,178 | 5% | -2% |
| % of paid capacity sold | 56% | 63% | 62% | 64% | 64% | 0% | 13% |
| Subscription renewal rate | 84% | 82% | 90% | 89% | 88% | -1% | 5% |

* 4-year Real Growth Rate - adjusted for inflation

# Canadian Constant Sample Group

The 2005 Canadian Constant Sample Group (CA CSG) includes 11 companies with budget sizes that ranged from $314,000 to $20.3 million, two fewer than the 2004 Canadian CSG. The average budget size was $3.8 million, significantly smaller than the U.S. CSG, while the median budget was $2.0 million.

The Canadian companies were analyzed as a single group due to the smaller size of the Constant Sample Group. Highlights in 2005 included:

- The CA CSG had net income in four of the past five years;
- Only two companies had losses in 2005, compared to three in 2004;
- Expense growth for the four-year period outpaced revenue growth;
- The Canadian companies continued to have significantly higher levels of government support than the U.S. companies;
- During the past four years, individual support steadily increased while foundation support steadily declined;
- Unlike in the U.S., box office revenue and corporate support covered a greater percentage of expenses for Canadian companies in 2005 than 2001; and,
- CA CSG productions and performances increased during the four-year period while the number of U.S. CSG productions and performances remained flat or declined.

## CA CSG Operating Activity

Canadian companies reported their third consecutive year of net income. Unlike the U.S. CSG, the CA CSG showed small declines in both revenue and expense in 2005. Over the four-year period revenues grew at a slower rate than expenses, slightly reducing the level of net income.

**Table 32**
**Net Income**
**Canadian Constant Sample Group of 11 Companies**

| *Averages in dollars* | 2001 | 2002 | 2003 | 2004 | 2005 | Percentage Change 1-yr | 4-yr | 4-yr RGR* |
|---|---|---|---|---|---|---|---|---|
| **Total Revenue** | 3,264,933 | 3,292,816 | 3,499,199 | 3,878,953 | 3,814,600 | -2% | 17% | 7% |
| **Total Expense** | 3,172,875 | 3,346,602 | 3,463,818 | 3,815,697 | 3,771,983 | -1% | 19% | 9% |
| **Net Income (Loss)** | 92,059 | (53,786) | 35,381 | 63,256 | 42,617 | -33% | -54% | -63% |
| **As a percentage of expense** | 2.8% | -1.6% | 1.0% | 1.6% | 1.1% | | | |

* 4-year Real Growth Rate - adjusted for inflation

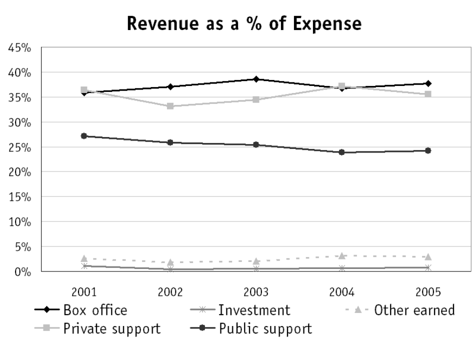
Table 33 shows flat box office revenue in 2005, but four-year growth that is more than double the rate of inflation. Over the four-year period all sources of private contributed support except foundations showed increases well above the rate of inflation. Contributed revenue declined from 2004 to 2005, however, primarily due to the decrease in corporate giving, which was driven by fluctuations in one company that accounted for roughly two-thirds of total corporate giving. If that company is excluded from the analysis, corporate support declined 12% in 2005.

Public support, which is a more significant source of revenue in Canada than the U.S., grew at a slower rate than inflation and expenses, yet companies fared better than in the U.S. where there was a 31% decline in government funding. Federal funding, the largest component of public support in Canada, decreased steadily from 2001 than 2005, while city and provincial funding increased. In total, Canadian companies covered 41% of expenses with earned revenue, and 60% with contributed revenue, compared to 39% and 64% in 2001.

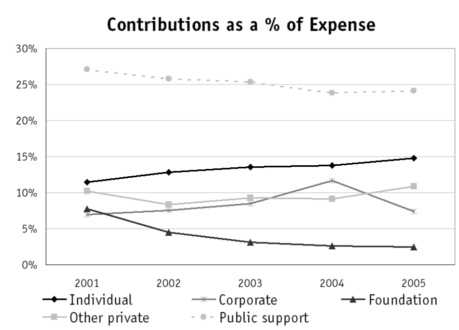
| Table 33 | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| **Revenue** | | | | | | | | |
| **Canadian Constant Sample Group of 11 Companies** | | | | | | | | |
| | | | | | | **Percentage Change** | | |
| *Averages in dollars* | **2001** | **2002** | **2003** | **2004** | **2005** | **1-yr** | **4-yr** | **4-yr RGR*** |
| **Earned revenue** | | | | | | | | |
| Box office | 1,136,115 | 1,240,121 | 1,334,239 | 1,402,970 | 1,422,483 | 1% | 25% | 16% |
| Investment | 33,889 | 15,800 | 19,908 | 26,572 | 29,152 | 10% | -14% | -23% |
| Other earned | 81,464 | 63,740 | 72,739 | 121,992 | 111,548 | -9% | 37% | 28% |
| **Total earned revenue** | 1,251,469 | 1,319,661 | 1,426,886 | 1,551,534 | 1,563,184 | 1% | 25% | 16% |
| **Contributed revenue** | | | | | | | | |
| **Private** | | | | | | | | |
| Individual | 363,912 | 429,533 | 470,123 | 524,304 | 557,254 | 6% | 53% | 44% |
| Corporate | 220,362 | 252,069 | 293,109 | 444,526 | 278,280 | -37% | 26% | 17% |
| Foundation | 245,154 | 149,363 | 108,567 | 100,887 | 93,482 | -7% | -62% | -71% |
| Other private support | 324,697 | 279,215 | 322,525 | 347,258 | 410,848 | 18% | 27% | 17% |
| **Total private support** | 1,154,125 | 1,110,181 | 1,194,323 | 1,416,976 | 1,339,864 | -5% | 16% | 7% |
| Public support | 859,340 | 862,975 | 877,990 | 910,444 | 911,552 | 0% | 6% | -3% |
| **Total contributed revenue** | 2,013,464 | 1,973,155 | 2,072,313 | 2,327,420 | 2,251,416 | -3% | 12% | 2% |
| **Total revenue** | 3,264,933 | 3,292,816 | 3,499,199 | 3,878,953 | 3,814,600 | -2% | 17% | 7% |

* 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, except Canadian box office revenue continued to exceed private support. While government funding continues to be the largest source of contributed revenue for Canadian companies, over the four-year period public support declined as a percentage of expenses while individual contributions increased.




**Graph EE**



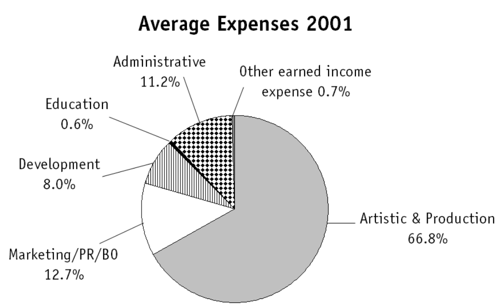

**Graph FF**

As table 34 shows, total expenses declined 1% in 2005, following the previous three-year growth trend. Companies reduced both personnel and non-personnel expenses in 2005, unlike the U.S. companies that increased both areas of expense.

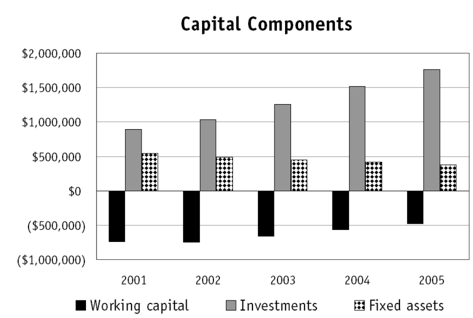
| **Table 34**<br>**Expenses**<br>**Canadian Constant Sample Group of 11 Companies** | | | | | | **Percentage Change** | | |
|---|---|---|---|---|---|---|---|---|
| *Averages in dollars* | **2001** | **2002** | **2003** | **2004** | **2005** | **1-yr** | **4-yr** | **4-yr RGR*** |
| **Personnel** | | | | | | | | |
| Artistic (incl singer training) | 1,035,012 | 1,089,317 | 1,194,093 | 1,214,508 | 1,202,721 | -1% | 16% | 7% |
| Production & technical | 487,059 | 514,812 | 514,721 | 618,782 | 573,601 | -7% | 18% | 8% |
| Marketing/PR/Box office | 121,518 | 129,252 | 141,679 | 130,231 | 131,493 | 1% | 8% | -1% |
| Development | 112,504 | 115,959 | 109,546 | 109,317 | 123,262 | 13% | 10% | 0% |
| Education | 7,240 | 12,722 | 15,150 | 25,741 | 30,077 | 17% | 315% | 306% |
| Administrative | 195,825 | 200,867 | 200,337 | 256,339 | 278,150 | 9% | 42% | 33% |
| **Total personnel expense** | 1,959,157 | 2,062,929 | 2,175,526 | 2,354,918 | 2,339,302 | -1% | 19% | 10% |
| **Non-Personnel** | | | | | | | | |
| Production (incl singer training) | 598,830 | 600,937 | 616,170 | 709,345 | 641,381 | -10% | 7% | -2% |
| Marketing/PR/Box office | 280,435 | 306,140 | 291,200 | 306,125 | 302,027 | -1% | 8% | -2% |
| Development | 140,331 | 113,948 | 119,105 | 166,459 | 187,464 | 13% | 34% | 24% |
| Education | 11,525 | 14,326 | 15,331 | 14,869 | 10,184 | -32% | -12% | -21% |
| Administrative | 161,072 | 229,892 | 229,220 | 224,964 | 255,143 | 13% | 58% | 49% |
| Other earned income expenses | 21,524 | 18,430 | 17,265 | 39,018 | 36,481 | -7% | 69% | 60% |
| **Total non-personnel expense** | 1,213,717 | 1,283,673 | 1,288,291 | 1,460,779 | 1,432,681 | -2% | 18% | 9% |
| **Total expense** | 3,172,875 | 3,346,602 | 3,463,818 | 3,815,697 | 3,771,983 | -1% | 19% | 9% |

* 4-year Real Growth Rate - adjusted for inflation

Companies allocated more resources to administration, education, and development, and less to artistic/production and marketing/PR/box office in 2005 than in 2001.




**Graph GG**




**Graph HH**

During 2005 development productivity decreased and marketing productivity increased, echoing the four-year trends. Counter to the trend in the U.S. CSG, Canadian box office revenue covered a larger portion of program expense in both the one-year and four-year periods.

| **Table 35**<br>**Productivity Measures**<br>**Canadian Constant Sample Group of 11 Companies** | | | | | | **Percentage Change** | |
|---|---|---|---|---|---|---|---|
| *Averages* | **2001** | **2002** | **2003** | **2004** | **2005** | **1-yr** | **4-yr** |
| Development productivity | $7.96 | $8.58 | $9.06 | $8.46 | $7.25 | -14% | -9% |
| Marketing productivity | $2.83 | $2.85 | $3.08 | $3.22 | $3.28 | 2% | 16% |
| Program coverage | 53.6% | 56.2% | 57.4% | 55.2% | 58.8% | 7% | 10% |

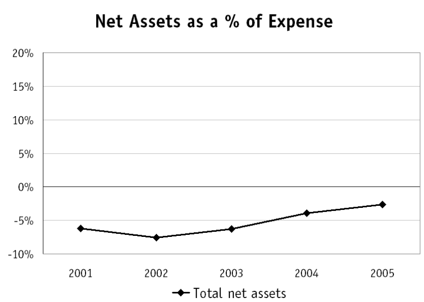
## CA CSG Financial Position

CA CSG total net assets[1] increased in 2005 for the third consecutive year. Total net assets are skewed by the large negative position of one company. If the company is excluded from the calculation average total net assets were positive $65,592 in 2005. Similarly, since working capital is calculated from net assets, if that company is excluded, average working capital would improve to negative $17,215 in 2005. As a percentage of expense, working capital improved consistently over the four-year period. Total investments showed strong increases in all periods, both in total dollars and as a percentage of expense. Investments are concentrated in two companies that together account for 99% of the investments. Net fixed assets declined, an indication that organizations were reinvesting in fixed assets at a slower rate than they depreciated them.

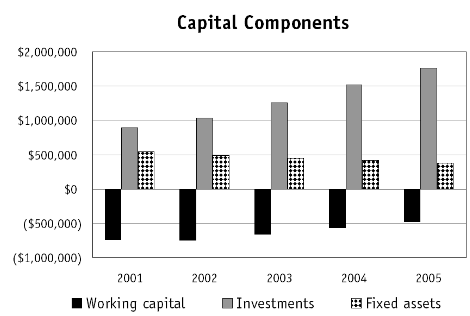
**Table 36**
**Balance Sheet**
**Canadian Constant Sample Group of 10 Companies**

| *Averages in dollars* | 2001 | 2002 | 2003 | 2004 | 2005 | Percentage Change 1-yr | 4-yr | 4-yr RGR* |
|---|---|---|---|---|---|---|---|---|
| **Total net assets (NA)** | (195,920) | (253,614) | (216,498) | (149,601) | (98,065) | 34% | 50% | 41% |
| Total NA as % of expense | -6% | -8% | -6% | -4% | -3% | | | |
| **Working capital** | (741,919) | (743,970) | (661,344) | (562,942) | (473,742) | 16% | 36% | 27% |
| Working capital as % of expense | -23% | -22% | -19% | -15% | -13% | | | |
| **Investments** | 887,896 | 1,036,107 | 1,253,750 | 1,515,209 | 1,766,047 | 17% | 99% | 90% |
| Investments as % of expense | 28% | 31% | 36% | 40% | 47% | | | |
| **Net fixed assets** | 546,000 | 490,356 | 444,846 | 413,341 | 375,677 | -9% | -31% | -41% |

* 4-year Real Growth Rate - adjusted for inflation




**Graph II**




**Graph JJ**

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

## CA CSG Performance Activity

In contrast to the U.S. companies, which had flat or decreased activity, Canadian companies reported significant growth in number of productions and performances during 2005 and the four-year period. Total attendance declined in 2005, but increased slightly over the four-year period. Orchestra seats were the only ticket prices that kept pace with inflation.

**Table 37**
**Performance Activity**
**Canadian Constant Sample Group of 11 Companies**

| | | | | | | Percentage Change | | |
|---|---|---|---|---|---|---|---|---|
| *Averages* | **2001** | **2002** | **2003** | **2004** | **2005** | **1-yr** | **4-yr** | **4-yr RGR*** |
| **Productions & performances** | | | | | | | | |
| Main season productions | 2.5 | 2.2 | 2.5 | 2.6 | 2.8 | 7% | 11% | |
| Main season performances | 10.36 | 9.55 | 11.82 | 12.36 | 14.45 | 17% | 39% | |
| Main season total attendance | 22,536 | 21,437 | 23,779 | 24,717 | 22,799 | -8% | 1% | |
| **Pricing** | | | | | | | | |
| High full subscription price | $270 | $275 | $280 | $256 | $252 | -1% | -6% | -16% |
| Low full subscription price | $56 | $53 | $60 | $49 | $49 | 1% | -12% | -21% |
| High single ticket price | $81 | $76 | $79 | $78 | $81 | 3% | 0% | -9% |
| Low single ticket price | $20 | $21 | $20 | $19 | $18 | -5% | -10% | -19% |
| Highest orchestra ticket | $75 | $85 | $99 | $89 | $93 | 5% | 25% | 16% |
| Low orchestra ticket | $37 | $44 | $57 | $41 | $43 | 4% | 16% | 6% |

* 4-year Real Growth Rate - adjusted for inflation

# Conclusion

The five years of data analyzed in the 2005 Annual Field Report commence with 2001, when opera companies began to feel the downturn in the economy. The period concludes with 2005 data, when the improvement in the capital markets has made its mark in multiple ways. Many more of the four-year trends are positive than we saw a year ago, as companies work through contraction and revenue dips to re-invest in their programming and rebuild their support.

The economic recovery was felt most directly in the investment returns, but also created more individual and foundation wealth that was shared with the field. In 2005 the U.S. CSG had net income for the first time. Over 80% of CA CSG companies had operating net income. Working capital is stronger in both the U.S. and Canada, and investment levels have increased at over three times the rate of inflation.

The positive trends are tempered with challenges. Half of the U.S. CSG companies posted net losses, although the percentage of companies with deficits has decreased for the past two years. Public support continues to erode in the U.S. and Canada. Attendance is declining and box office revenue is increasing as a result of price increases. Box office growth continued to trail the growth in expenditures and covered a smaller portion of artistic and production costs. And it is becoming more expensive to generate revenue — both ticket sales and contributions.

Opera is not alone — all performing arts managers are trying to address this year's set of challenges while striving to put the best work on stage. There are many successes within the generalized trends — companies that are attracting new audiences, producing new work, and balancing their investment in the art with the infrastructure that supports it. While the Annual Field Report does not capture their individual stories, the high points throughout the analysis reflect their effect.

### Acknowledgements
Many thanks to Marc A. Scorca, Debra Harrison, Katherine Ehle, Rebecca Ackerman, Sabrina Neilson, and Amy M. 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
Opera Company of Philadelphia
Opera Pacific
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
Cincinnati Opera
Cleveland Opera
Florentine Opera Company
Glimmerglass Opera
Hawaii Opera Theatre
Lyric Opera of Kansas City
The Minnesota Opera
Opera Colorado
Opera Theatre of Saint Louis
Palm Beach Opera
Pittsburgh Opera
Portland Opera
Sarasota Opera
Virginia Opera

**Level 3**

Chicago Opera Theater
Dayton Opera
Des Moines Metro Opera, Inc.
Fort Worth Opera Association
Indianapolis Opera
Kentucky Opera
Madison Opera
Nashville Opera Association
Opera Omaha
Orlando Opera
Sacramento Opera
Syracuse Opera
Tulsa Opera

**Level 4**

Amarillo Opera, Inc.
Ash Lawn Opera Festival
Augusta Opera
Berkshire Opera Company
Boheme Opera New Jersey
Chattanooga Symphony & Opera
Fargo-Moorhead Opera
Lake George Opera
Lyric Opera San Diego
Musical Traditions, Inc.
Music-Theatre Group
Opera North
Opera Theater of Pittsburgh
Pacific Repertory Opera
Pensacola Opera
Piedmont Opera Theatre
Tri-Cities Opera Company

## Companies in the Canadian CSG

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

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