

Philadelphia's Professional Theatres: A Snapshot

BY ZANNIE GIRAUD VOSS AND GLENN B. VOSS

EXECUTIVE SUMMARY

This report is a project of the Theatre Alliance of Greater Philadelphia, with funding, guidance and support from The Pew Center for Arts and Heritage through the Philadelphia Theatre Initiative and additional funding from the National Endowment for the Arts. It analyzes data from theatres that participated in the Pennsylvania Cultural Data Project (PACDP) to offer details and insights in the following areas:

- Programs and Attendance
- Revenues, Expenses, Attendance Trends, Balance Sheet
- Big Picture Takeaways

A diverse group of theatre leaders assembled by the Theatre Alliance served on an Advisory Committee for this project, generously providing their insights and suggestions (see Appendix A for a list of Advisory Committee members). Their ideas and participation throughout the process helped to shape this report.

Philadelphia Theatres have much to celebrate, including an impressive dedication to the development of new work, an increasing number of community members attending and contributing, strong trustee and foundation support, and an ability to keep expenses under control. However, some serious challenges present opportunities for change. These challenges include an under-investment in people and maintenance that keeps expenses low but also limits organizational capacity, a diminishing subscriber base, an increasing number of empty seats, lagging corporate and government support, negative bottom lines for small and medium theatres, low endowments, and negative working capital that leaves Philadelphia Theatres without enough cash to cover day-to-day operating expenses.

In the pages that follow, we examine these theatres' activities, operations, and finances and interpret what the statistics mean. We begin with the Methodology, where we explain where the data come from and describe the comparisons made in this report between the Philadelphia Theatres and other arts organizations in Philadelphia, as well as between the Philadelphia Theatres and theatres in similar markets.

METHODOLOGY

We focus on data from 26 "Philadelphia Theatres," all of which participated in the PACDP in 2006. Appendix B provides a list of those theatres and Appendix C describes the PACDP. Due to the careful checks and balances incorporated into the process of submitting data to the PACDP, we believe that this dataset delivers the most reliable and consistent set of data available regarding nonprofit cultural organizations in Southeastern Pennsylvania.

The 26 Philadelphia Theatres form the core of the analyses. We add to or subtract from this set to generate additional insights. To create a broad picture of professional theatre programs and participation in Philadelphia in 2006, we add four presenting organizations' theatrical offerings and attendance to the mix. To explore market trends, we analyze data for the 22 theatres (Philadelphia Trend Theatres) that participated in PACDP in 2004, 2005 and 2006. To look at differences related to size, we categorize Small

theatres as those with budgets under \$250,000, Medium theatres as having budgets between \$250,000 and \$1 million, and Large theatres as those with budgets over \$1 million.

We also look at how the 26 Philadelphia Theatres compare with Theatre Communications Group (TCG) member theatres with budgets under \$15 million in 6 cities—Boston, DC, Atlanta, Minneapolis, Seattle, and San Diego—to determine whether there are notable differences in revenue, expenses, operations or attendance (see Appendix D). We chose these cities because of their similarity to Philadelphia on 2 criteria: (1) Population and (2) Competitive Density, that is, the number of nonprofit professional theatres in the market. We report results only when Philadelphia Theatres are significantly different from the sample of TCG theatres. When no comparative results are presented, it is because Philadelphia Theatres and the TCG sample of theatres reported similar information.

Finally, we highlight similarities and differences between Philadelphia Theatres and the larger cultural community of arts organizations examined in the latest *Portfolio*, a publication of the Greater Philadelphia Cultural Alliance (see Appendix E for more information about *Portfolio*). Examples of these similarities and differences include the following:

- 70% of organizations in both *Portfolio* and this report had budgets under \$1 million.
- 46% of Philadelphia Theatres ran a deficit in 2006, whereas 50% of the sample TCG theatres and 40% of the latest *Portfolio* organizations ran deficits.

PROGRAMS AND ATTENDANCE

In this section, we provide a big picture snapshot of Philadelphia Theatres’ community impact and engagement by examining programming activity and attendance at the 26 Philadelphia Theatres and 4 presenting organizations: the Kimmel Center, the Annenberg Center for the Performing Arts, Painted Bride Art Center, and Philadelphia Live Arts Festival and Philly Fringe.

Through these 30 organizations in 2006, the Philadelphia community enjoyed...

- **5,390 performances of 314 productions.** On any given day, there were nearly 15 performances.
- **81 world premieres,** a total that accounts for 26% of all productions. This total is significantly higher than the 12% proportion of world premieres-to-total productions for the comparative set of TCG theatres.
- **63 workshops or readings of new works.** Philadelphia Theatres also commissioned 17 new works.
- **612 educational classes or workshops for the public.**
- **99 educational classes or workshops for professionals.**
- **160 lectures and 220 films.**
- **323 off-site school programs.**

Nearly 1.1 million people attended productions. Theatres reported 102,950 subscriptions and 7,200 memberships.

90% paid for a ticket and 10% attended free of charge

- By contrast, 57% of attendance was paid and 43% was free for *Portfolio* organizations.
- Small theatres tended to give away more free tickets than either Medium or Large theatres; 78% of their attendance was paid and 22% was free.

1,280 school groups came to the theatre, bringing a total of 186,000 children

- Roughly 1 of every 5 people attending was a child.

The average low ticket price was \$10, and the average high price was \$37

- The median ticket price was \$22
- The lowest low price offered was \$1
- The highest high price charged was \$65

The following give a sense of the greater community involvement for the 26 Philadelphia Theatres:

- **Local residents fill 2,200 full-time and part-time volunteer positions,** a testament to the importance of these organizations to their community.
- **Community leaders fill 437 trustee positions,** giving their talents, time and resources to theatres, for an average of 17 board members per Philadelphia theatre, the same as is the case for *Portfolio* organizations. Some serve as trustees at more than one theatre.

REVENUES, EXPENSES, ATTENDANCE AND BALANCE SHEET

In this section we begin with a summary of overall revenue, expenses and the net effect on the bottom line, then break things down and give more detail on key trends in the areas of earned revenue, performance and attendance, contributed support, and the balance sheet.

Unless noted otherwise, we report on all assets—unrestricted, as well as temporarily and permanently restricted—meaning that all revenue coming into or out of the organization is captured, whether for operations, a capital campaign, an endowment gift, or a project that will happen in a future year.

REVENUE, EXPENSE AND BOTTOM LINE SUMMARY

Mirroring the *Portfolio* findings, **Small and Medium theatres had a collective deficit while Large organizations experienced an overall surplus,** as reflected in Table 1.

TABLE 1: AGGREGATE OVERALL REVENUE, EXPENSES, AND CHANGE IN NET ASSETS

	SMALL	MEDIUM	LARGE
EARNED REVENUE	\$218,084	\$3,006,956	\$23,199,856
CONTRIBUTED REVENUE	\$309,768	\$3,168,844	\$15,889,076
TOTAL REVENUE	\$527,852	\$6,175,800	\$39,088,932
TOTAL EXPENSES	\$550,266	\$6,341,095	\$35,582,557
CHANGE IN NET ASSETS	\$ (22,414)	\$ (165,295)	\$ 3,506,375

Another \$187,709 in Total Revenue would have eliminated the collective deficits of Small and Medium Theatres.

Half of Small Theatres and two-thirds of Medium Theatres ran a deficit. Only 1 Large theatre ended the year in the red.

Larger theatres tend to have a greater proportion of earned revenue and a lower proportion of contributed revenue.

When we turn our attention from theatre size to trends for the 22 theatres that provided data over 3 years, we see the following: earned revenue growth exceeded inflation by 8% and contributed revenue exceeded inflation by 64%, while **expense growth fell short of inflation by 4%** (see Table 2). The net effect on the bottom line was 139% growth in net assets.

TABLE 2: AGGREGATE OVERALL REVENUE, EXPENSES, AND CHANGE IN NET ASSETS FOR 22 PHILADELPHIA TREND THEATRES

	2004	2005	2006	'04 - '06 % CHANGE	'04 - '06 CGR*
EARNED REVENUE	\$20,807,045	\$21,170,828	\$23,665,163	14%	8%
CONTRIBUTED REVENUE	9,609,240	17,215,725	16,330,364	70%	64%
TOTAL REVENUE	\$30,416,285	\$38,386,553	\$39,995,527	31%	25%
TOTAL EXPENSES	36,606,755	35,166,468	37,194,797	2%	-4%
CHANGE IN NET ASSETS	\$ (6,190,470)	\$ 3,220,085	\$ 2,800,730	145%	139%
% THEATRES WITH NEGATIVE CHANGE IN NET ASSETS	77%	41%	55%		

*COMPOUNDED GROWTH RATE ADJUSTED FOR INFLATION: \$1 IN 2004 = \$1.06 IN 2006

In 2004, 77% of theatres had a negative change in net assets.

In 2005, that figure dropped to 41%.

More than half of the theatres had a negative bottom line in 2006.

EARNED REVENUE AND ATTENDANCE TRENDS

Total earned revenue increased for the 22 organizations reporting data between 2004–06 (see Table 3). Two important trends are linked to single ticket and subscription sales:

- Single ticket revenue in 2006 exceeded that of 2004 by 11% after adjusting for inflation.
- **Subscription revenue increased but not enough to keep pace with inflation.**

TABLE 3: AGGREGATE EARNED REVENUE TRENDS FOR 22 PHILADELPHIA TREND THEATRES

	2004	2005	2006	'04 - '06 % CHANGE	'04 - '06 CGR*
SINGLE TICKET SALES	\$6,848,776	\$6,789,380	\$8,041,204	17%	11%
SUBSCRIPTIONS/MEMBERSHIPS	10,197,771	10,432,153	10,446,497	2%	-4%
ALL OTHER EARNED REVENUE**	3,760,498	3,949,295	5,177,462	38%	32%
TOTAL EARNED REVENUE	\$20,807,045	\$21,170,828	\$23,665,163	14%	8%

*COMPOUNDED GROWTH RATE ADJUSTED FOR INFLATION **TREND DRIVEN BY ONE OR TWO THEATRES' EXCEPTIONAL ACTIVITIES

After adjusting for inflation, the average median ticket price increased 5%, the average low price fell 18%, and the average high price increased 4%. This suggests that theatres are offering a wider range of price points.

To explore the ticket sales trends further, we examine attendance trends below.

FIGURE 1: SUBSCRIPTION AND MEMBERSHIP TRENDS FOR 22 PHILADELPHIA TREND THEATRES

Figure 1 shows an aggregate **annual decrease in the number of subscriptions**, reflecting the trend of falling subscription revenue.

SUBSCRIPTIONS
MEMBERSHIPS

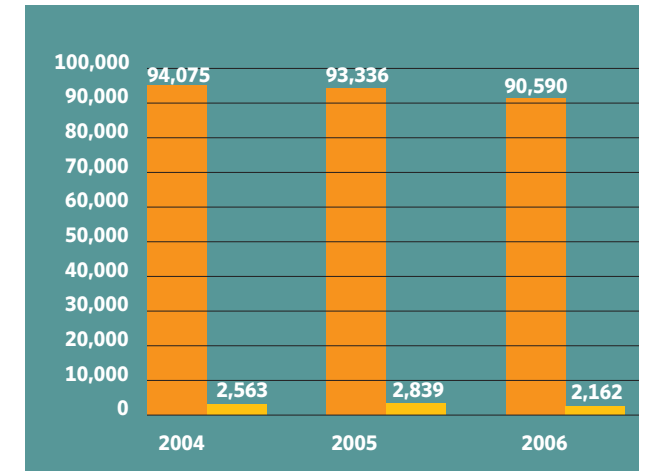


FIGURE 2: TOTAL ATTENDANCE TRENDS FOR 22 PHILADELPHIA TREND THEATRES

Figure 2 shows a small **annual increase in paid and free attendance**.

PAID ATTENDANCE
FREE ATTENDANCE

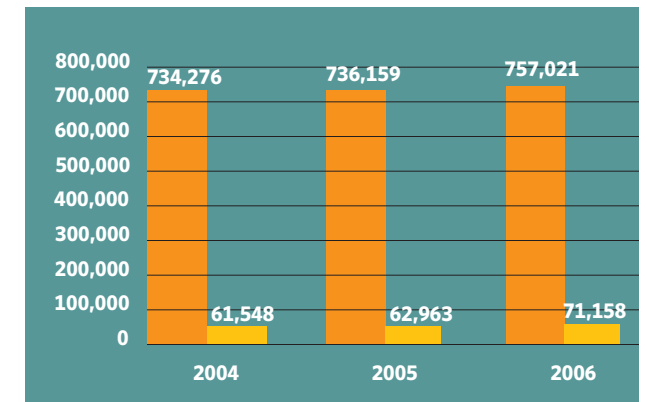
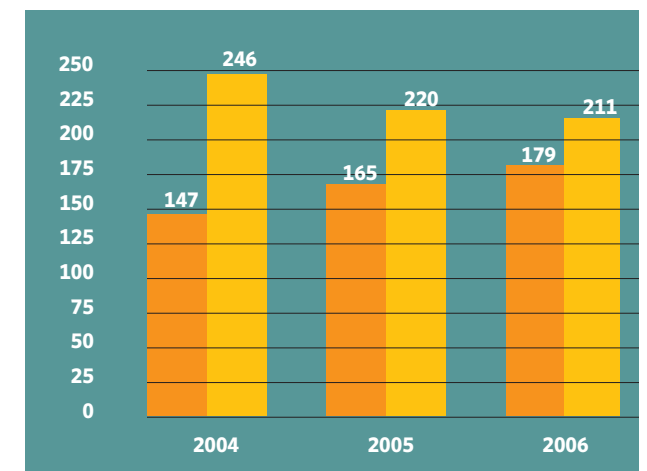


FIGURE 3: ATTENDANCE/PERFORMANCE TRENDS FOR 22 PHILADELPHIA TREND THEATRES

Figure 3 shows:

- Annual increases in the number of both home and away performances, from 147 in 2004 to 179 in 2006.
- A relatively constant number of productions produced each year, with an average of 7.
- Because the number of performances increased at a higher rate than attendance, **the average total attendance per performance decreased steadily**. This decrease was seen in both paid and free attendance. Theatres of every size felt this trend.



AVERAGE TOTAL ANNUAL PERFORMANCES
AVERAGE TOTAL ATTENDANCE PER PERFORMANCE

SUPPORT TRENDS

Annual Unrestricted, Temporarily Restricted and Permanently Restricted Support rose 64% (see Table 4). **An increasing number of contributors supported theatres over time.** There were more donors of every type in 2006 than in 2004.

TABLE 4: AGGREGATE SUPPORT TRENDS FOR 22 PHILADELPHIA TREND THEATRES

	2004	2005	2006	'04 - '06 % CHANGE	'04 - '06 CGR*
TRUSTEES	\$1,246,582	\$1,751,804	\$2,375,916	91%	85%
INDIVIDUALS**	1,855,230	6,011,280	2,761,184	49%	43%
CORPORATIONS	930,116	1,236,611	1,174,982	26%	20%
FOUNDATIONS**	3,735,531	4,967,149	6,764,115	81%	75%
GOVERNMENT	1,113,671	1,483,483	1,274,735	14%	8%
ALL OTHER	722,227	1,765,398	1,979,432	174%	168%
TOTAL	\$9,603,357	\$17,215,725	\$16,330,364	70%	64%

*COMPOUNDED GROWTH RATE ADJUSTED FOR INFLATION **TREND SKEWED BY ONE OR TWO THEATRES IN A CAPITAL CAMPAIGN

Total giving from all individuals rose, as did the average gift per individual (see Tables 4 and 5). Every theatre received some foundation support. 261 total foundation grants were made in 2006, compared to 228 in 2004.

More corporations made smaller average gifts in 2006 than in 2004:

- The number of corporations donating increased 62%, from 190 in 2004 to 308 in 2006.
- While growth in total corporate support beat inflation by 20% (see Table 4), the inflation-adjusted average corporate gift was 28% less in 2006 than in 2004 (see Table 5).

TABLE 5: AVERAGE GIFT/GRANT AMOUNT FOR 22 PHILADELPHIA TREND THEATRES

	2004	2005	2006	'04 - '06 % CHANGE	'04 - '06 CGR*
TRUSTEES**	\$4,533	\$5,879	\$6,808	50%	44%
INDIVIDUALS**	\$116	\$362	\$156	35%	29%
CORPORATIONS	\$4,895	\$5,945	\$3,815	-22%	-28%
FOUNDATIONS**	\$16,384	\$18,195	\$25,916	58%	52%
GOVERNMENT	\$21,013	\$25,144	\$19,918	-5%	-11%

*COMPOUNDED GROWTH RATE ADJUSTED FOR INFLATION **AVERAGE SKEWED BY ONE OR TWO THEATRES IN A CAPITAL CAMPAIGN

Small theatres received more support from non-trustee individuals and the city; every Small theatre received city support.

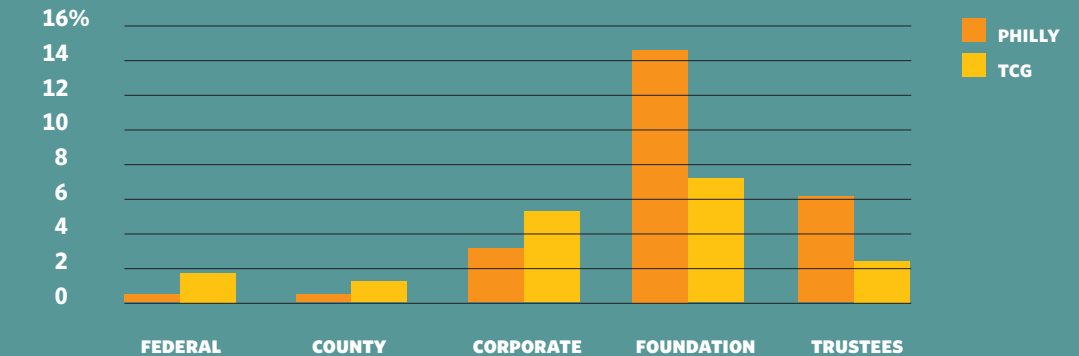
Medium theatres got half of their support from foundations and proportionally less from trustees and other individuals.

Large theatres received proportionally more funding from trustees and less than 1% of their funding from the city.

PHILADELPHIA THEATRE SUPPORT COMPARED TO TCG SAMPLE THEATRES IN 6 MARKETS

Compared to TCG Theatres, Philadelphia Theatres received **significantly lower Federal, County and Corporate support and significantly higher Trustee and Foundation support** in 2006 (Figure 4).

FIGURE 4: SIGNIFICANT DIFFERENCES IN UNRESTRICTED SUPPORT BETWEEN PHILADELPHIA THEATRES AND TCG SAMPLE THEATRES (MEASURED AS A PERCENT OF TOTAL EXPENSES)



Compared to *Portfolio* organizations, Philadelphia Theatres received **lower average foundation grants and individual gifts but higher average gifts per corporation and per trustee.**

EXPENSES

In addition to engaging the community in meaningful ways through their art, **the 26 Philadelphia Theatres contributed nearly \$42 million to the local economy** in the form of payment for services, products, and salaries in 2006. Philadelphia Theatres also...

- **Hired nearly 3,400 individuals**—1,900 of whom were artists and 1,100 of whom worked in production.
- Spent more than **\$23 million in total compensation** (employed or contracted): Of this amount, \$1.8 million was in health care benefits (73% of theatres provided health care); \$1 million went to retirement and disability, and \$2 million went to the government in payroll taxes.

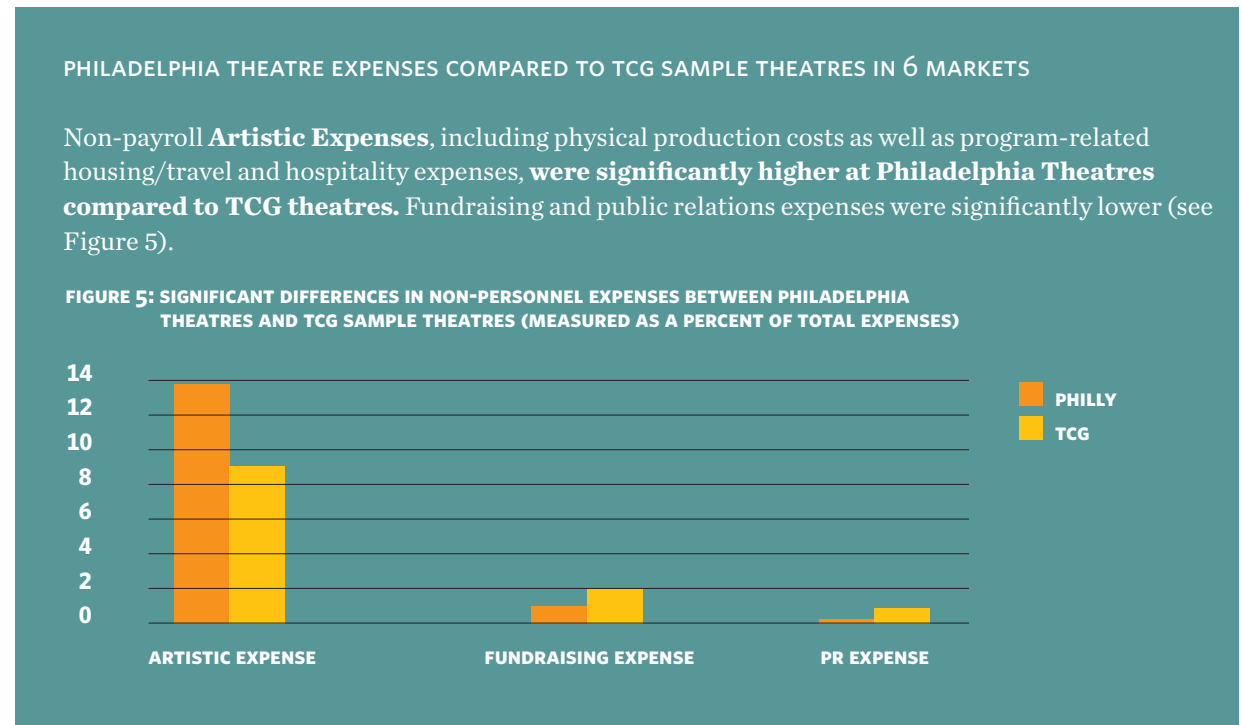
Several expense trends are worth noting (see Table 6):

TABLE 6: AGGREGATE EXPENSE TRENDS FOR 22 PHILADELPHIA TREND THEATRES

	2004	2005	2006	'04 - '06 % CHANGE	'04 - '06 CGR*
EMPLOYEE SALARIES & FRINGE	\$16,724,708	\$17,852,671	\$19,008,310	14%	8%
CONTRACTED ARTIST FEES	1,769,758	1,392,179	1,646,422	-7%	-13%
PRODUCTION/HOUSING/TRAVEL	3,074,323	4,261,735	4,522,579	47%	41%
FUNDRAISING/GRANTMAKING	604,856	884,537	644,698	7%	1%
MARKETING/WEB/SALES/PR	4,199,075	4,508,785	4,621,919	10%	4%
PHYSICAL PLANT/OPERATIONS	10,231,635	6,264,161	6,750,869	-34%	-40%
TOTAL	\$36,606,755	\$35,166,468	\$37,194,797	2%	-4%

*COMPOUNDED GROWTH RATE ADJUSTED FOR INFLATION

- Overall, **expenses decreased 4%** in inflation-adjusted dollars.
- Salaries and fringe growth exceeded inflation by 8%.
- The aggregate number of jobs for contracted artists grew over time, with 64 full-time equivalents in 2004 and 72 in 2006.
- The substantial increase in production/housing/travel was caused by **steadily increasing physical production costs**, which grew from \$2 million in 2004 to \$3.5 million in 2006.
- The biggest physical plant/operations expense decreases were in the areas of equipment maintenance and rental, supplies, phone, postage and printing.



Payroll accounts for a large portion of theatres’ budgets. Table 7 details Philadelphia Theatres’ average salaries and fringe benefit costs. It should be noted that “Program—All Other” mainly refers to production staff.

TABLE 7: ANNUAL SALARY BY FUNCTIONAL AREA FOR FULL-TIME/FULL-TIME EQUIVALENT (FTE) EMPLOYEES, 26 PHILADELPHIA THEATRES

FUNCTIONAL AREA	AVERAGE COMP. PER FTE	% OF TOTAL PAYROLL	% OF PAID WORKFORCE
ARTISTS	\$21,456	37%	35%
PROGRAM—ALL OTHER	\$17,128	33%	35%
FUNDRAISING	\$47,115	8%	3%
GENERAL & ADMIN.	\$18,621	22%	27%

Compensation is generally low. As a point of comparison, according to government data, the average salary in Philadelphia in 2008 is \$36,650; in 2006 dollars that would be \$33,580.

Career Builder (www.cbsalary.com) reports the following average compensation per full-time equivalent employee in Philadelphia (inflation-adjusted to 2006 figures):

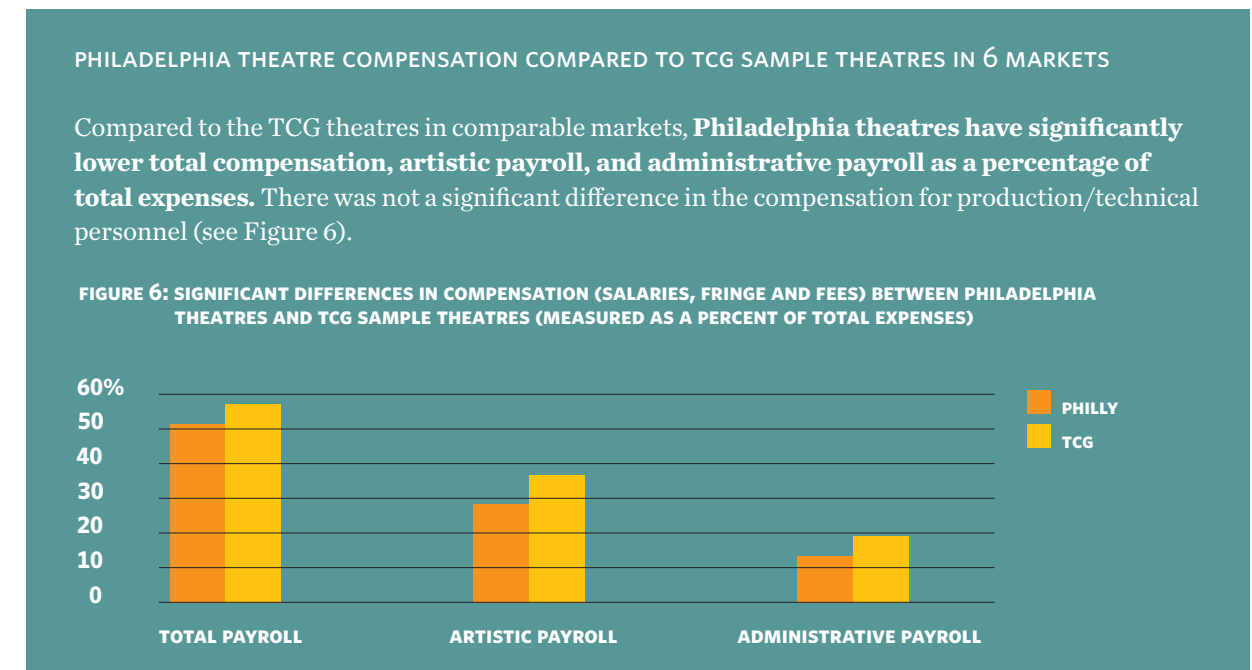
- Data entry operator: \$25,950
- Security guard: \$19,200
- Dish washer: \$15,300

Larger theatres allocate a greater proportion of total salaries and fringe to Fundraising personnel and Other Program personnel and a lower proportion to Artists and General Administrative staff.

Limited resources have considerable impact on how Small theatres meet their staffing needs:

- Among all six Small theatres, there were only 3 full-time permanent employees. Small theatres are heavily dependent on independent contractors and full- and part-time volunteers for operations, whereas organizations of all other sizes rely on full-time volunteers for less than 1% of their total staffing needs.

Compared to *Portfolio* organizations, Philadelphia Theatres spend more on artists (37% for theatres and 13% for *Portfolio* organizations) and less on other program employees (33% for theatres and 56% for *Portfolio* organizations). Fundraising and General and Administrative compensation as a percentage of total payroll are nearly identical.



BALANCE SHEET TRENDS

One of the most commonly used indicators of a theatre’s financial solidity is its endowment size. While endowments are investments that are restricted for a specific purpose, they generate interest that can be used to support operations. For the 26 Philadelphia Theatres...

- No Small theatre reported current endowment assets; 1 Medium theatre and 4 Large theatres have endowments. 4 theatres were in capital campaigns in 2006 with goals of \$8,000 to \$22M, and 2 were raising endowment funds with goals of \$2M and \$10M.
- **Whereas *Portfolio* organizations held 35% of assets in current endowment, that figure is only 6% for the Philadelphia Theatres.**

There are other useful annual balance sheet measures of financial health recommended by Cool Spring Analytics (see Appendix G): Working Capital and Working Capital Ratio, and the Deferred Maintenance Indicator (see Table 8).

TABLE 8: MEASURES OF FINANCIAL HEALTH FOR 22 PHILADELPHIA TREND THEATRES

	2004	2005	2006
WORKING CAPITAL	\$(3,334,216)	\$(3,186,762)	\$(1,576,481)
WORKING CAPITAL RATIO	-14.0%	-14.0%	-7.0%
DEFERRED MAINTENANCE INDICATOR (OWN)	11.9	11.5	11.8
DEFERRED MAINTENANCE INDICATOR (RENT)	7.0	7.7	8.3

WORKING CAPITAL = CURRENT UNRESTRICTED ASSETS (LESS CURRENT UNRESTRICTED INVESTMENTS) – CURRENT LIABILITIES

Working capital (WC) represents resources available for operations. Adequate WC allows organizations the strength and flexibility to pay financial commitments in a timely fashion. Without WC, organizations have no funds with which they can take risks, grow, and optimize resource allocations. *Negative WC* means that organizations have been forced to borrow funds to meet day-to-day operating needs, and they are likely to suffer periods of severe cash flow or financial stress.

THE WORKING CAPITAL RATIO INDICATES WHETHER WORKING CAPITAL IS INCREASING OR DECREASING IN PROPORTION TO OPERATING SIZE.

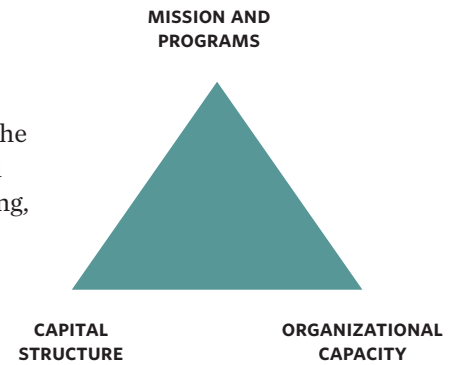
- WC and the working capital ratio were negative each year but improved in 2006 (see Table 8).
- The figures presented in Table 8 do not include one theatre that shifted assets from endowment to cash in 2006 then immediately back to endowment in 2007. This activity skewed the WC story for the remainder of theatres in 2006. If we were to include this theatre but not their unusual activity, the working capital ratio would be -23% in 2004, -18% in 2005, and -10% in 2006.
- 56% of the \$68 million in assets held by Philadelphia Trend Theatres are non-current and therefore illiquid. This total compares to 40% for *Portfolio* organizations.

DEFERRED MAINTENANCE INDICATOR (DMI) = ACCUMULATED DEPRECIATION / DEPRECIATION EXPENSE. DMI IS USED TO ASSESS THE RELATIVE LIKELIHOOD OF DEFERRED MAINTENANCE AND THE NEED FOR PHYSICAL CAPITAL INVESTMENT. A DECLINING TREND IN THE DMI RATIO IS HEALTHY. A HIGH DMI INDICATES THAT THERE IS LITTLE REMAINING VALUE IN THE ORGANIZATION’S PHYSICAL ASSETS.

- For those theatres that own their facility, Cool Spring Analytics suggests that a DMI greater than 15 indicates the need to invest in plant, since accumulated depreciation would in this case be 15 times that of the current year’s depreciation expense. Philadelphia Trend Theatres that own their facilities are well below this mark (see Table 8).
- For those that own equipment but no facility, Cool Spring Analytics suggests that a DMI in excess of 6 indicates a need to invest in equipment. These organizations are likely cutting back on equipment updates and maintenance to keep expenses down, as evidenced by the increasing DMI that exceeds 6 each year.

BIG PICTURE TAKEAWAYS

In her article “Linking Mission and Money,” Clara Miller, CEO of Nonprofit Finance Fund, emphasizes the importance to nonprofits of the Iron Triangle (see right). This triangle depicts a balance of mission and programs, organizational capacity (e.g., adequate facilities, skills, staffing, and financial resources), and capital structure. An imbalance can spell trouble for long-term growth and stability.



Our analysis provides some evidence that Philadelphia Theatres are strong on mission. But these same theatres are underinvesting in the organizational capacity that will allow them to grow, and their collective capital structure lacks liquidity. In summary, this report suggests the following strengths and challenges:

STRENGTHS OF PHILADELPHIA THEATRES

- More world premieres as a proportion of total productions compared to TCG peer theatres
- Increasing attendance
- Increasing number of contributors
- More trustee and foundation support compared to TCG peer theatres
- Total expenses under control

CHALLENGES FACING PHILADELPHIA THEATRES

- Expense growth lower than inflation
- Negative change in net assets for Small and Medium theatres
- Decreasing subscription revenue and number of subscriptions
- Decreasing attendance per performance
- Corporate, federal and county funding lags behind TCG peer theatres
- Steadily increasing investments in production costs, which are also higher than TCG peer theatres
- Low compensation compared to jobs in other sectors; low total, administrative and artist compensation compared to TCG peer theatres
- Low endowments compared to *Portfolio* organizations
- Potential financial stress due to negative working capital

This report is based on theatre finances and activity during the comparatively healthy economy that existed in 2004 through 2006. Savvy theatres seized the moment to grow and stabilize capital structure when times were good. The fact that expense growth was lower than inflation and equipment maintenance was deferred during good times raises questions about areas of underinvestment in organizational capacity. The key findings from this report are intended to highlight areas for theatre leaders to consider when planning for priorities once the economy improves.

There is an adage that you need to spend money to make money. We recognize that such advice poses a conundrum when subscription revenue and the number of subscriptions are decreasing. Small and Medium theatres are facing a negative bottom line, production costs are increasing, and corporate, federal and county funding is not as robust as it is in other markets. Internal needs are at odds with external facts. Long-term health, however, requires breaking out of a cycle of scaling back to move forward, especially during a robust economy. Theatres will want to give serious consideration to how they prioritize their allocation of scarce resources.

One area of comparatively low investment is human resources. Compensation in the arts is notoriously low; it would be rare to find someone working in the arts who is not willing to make some trade-off between earning a corporate market-rate salary and being connected with a meaningful organizational mission. Philadelphia Theatres, however, are not only paying less than most lower-level jobs in the Philadelphia market, they also are dedicating less of their total budget to people and more to physical production than theatres in similar markets. An underinvestment in people can result in an inability to attract and retain the artistic and administrative talent that can lead the organization towards growth, mission fulfillment, and greater effectiveness and stability.

Capital structure challenges are likely felt by theatres more intensely now than they were during the years covered by this report. Philadelphia Theatres' negative working capital means that day-to-day needs are met with borrowed funds, and the lending market has become tighter, adding stress. Small and Medium theatres without endowments or cash reserves have nothing to fall back on. Although endowment fund values may decrease temporarily, theatres with cash reserves and endowments have some financial cushion to help weather an economic storm.

Our findings are based on activity for the group of 26 Philadelphia Theatres. The experience of the group may be quite different from that of any of its individual members. Theatre leaders can ascertain for themselves which trends and findings are most relevant to their organization's situation. Leaders will then determine the best plan of action for addressing these areas, both in the short-term given today's difficult economy and in the long-term as they prioritize how to address challenges once the economy improves.

These challenging times will undoubtedly lead to some difficult internal discussions. While disagreement can generate healthy debate, it is important that the theatre's leadership ultimately reach consensus on the best course of action. Research clearly indicates that agreement about mission and priorities is critical to stabilizing revenues and maintaining the bottom line and that staying true to mission is key to developing strong partnerships in the community.

RECOMMENDED READING

CONNOLLY, PAUL (2007), *Deeper Capacity Building for Greater Impact: Designing a Long-term Initiative to Strengthen a Set of Nonprofit Organizations*, The James Irvine Foundation:
http://www.irvine.org/assets/pdf/pubs/philanthropy/LTCB_Paper_2007.pdf

KAISER, MICHAEL M. (2008), *The Art of the Turnaround: Creating and Maintaining Healthy Arts Organizations*, New Hampshire: Brandeis University Press.

MILLER, CLARA (2001), *Linking Mission and Money*, Nonprofit Finance Fund:
http://www.nonprofitfinancefund.org/docs/Linking_MissionWebVersion.pdf

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VOSS, ZANNIE G., DANIEL M. CABLE AND GLENN B. VOSS (2006), "Organizational Identity and Firm Performance: What Happens When Leaders Disagree About 'Who We Are?'" *Organization Science*, 17 (6), pp. 741-755.

WREN, CECELIA (2008), "The Readiness is All: Anticipating Hard Times, the Field is Buttressed by Strong Numbers," *American Theatre*, November, pp. 41-46.

APPENDICES

Appendix A: Advisory Committee Members

BRIAN ABERNATHY, Board Member, Arden Theatre Company
 ABIGAIL ADAMS, Artistic Director, People's Light & Theatre Company
 ROBIN BARNES, Marketing Director, Philadelphia Live Arts Festival and Philly Fringe
 JAMES HASKINS, Managing Director, The Wilma Theater
 DAVE JADICO, External Relations Director, 1812 Productions
 ERIN LUCAS, Producing Artistic Director, Flashpoint Theatre Company
 KARYN LYMAN, Managing Director, Lantern Theater Company
 REBEKAH SASSI, Director of Institutional Advancement, Walnut Street Theatre

Appendix B: 26 Philadelphia Theatres, by Size

SMALL THEATRES (6): ANNUAL BUDGET LESS THAN \$250,000

Hotel Obligado	Azuka Theatre Collective
Brat Productions	New Paradise Laboratories
PGLTF, Inc.	Theatre Exile

MEDIUM THEATRES (12): ANNUAL BUDGET \$250,000 – \$1 MILLION

Montgomery Theater, Inc	The Philadelphia Shakespeare Festival
VSA Arts of Pennsylvania/Amaryllis Theater Company	Act II Playhouse, Inc.
Mum Puppettheatre	Pig Iron Theatre Company
Hedgerow Theatre	InterAct Theatre Company
Society Hill Playhouse	1812 Productions
Lantern Theater Company	Enchantment Theatre Company

LARGE THEATRES (8): ANNUAL BUDGET OVER \$1 MILLION

Media Theatre	Arden Theatre Company
American Music Theater Festival (Prince Music Theater)	The Wilma Theater
Philadelphia Theatre Company	The People's Light & Theatre Company
Walnut Street Theatre	Bristol Riverside Theatre

Appendix C: About PACDP

The Pennsylvania Cultural Data Project (PACDP) is a collaborative project of the Greater Philadelphia Cultural Alliance, The Greater Pittsburgh Arts Council, Pennsylvania Council on the Arts, The Pew Charitable Trusts, The William Penn Foundation, The Heinz Endowments and The Pittsburgh Foundation, created to strengthen arts and culture by documenting and disseminating information on the sector. It is hoped that access to reliable data about the cultural sector will enhance individual organizational capacity as well as the overall effectiveness of the nonprofit cultural community.

The data used for this report was provided by the Pennsylvania Cultural Data Project, a state-wide data collection project for Pennsylvania's cultural organizations. The data are self-reported by the organizations using the PACDP, and the PACDP makes no representations or warranties concerning the accuracy, reliability or completeness of the self-reported data. Any interpretation of the data is the view of Zannie Voss and Glenn Voss and does not reflect the views of the PACDP.

Appendix D: Theatre Communications Group

Theatre Communications Group is a theatre service organization that exists to strengthen, nurture and promote the professional not-for-profit American theatre. TCG has more than 400 theatre members in 47 states. For comparisons with TCG member theatres in six markets, we used theatres' responses to the annual TCG Fiscal Survey for FY 2006 (fiscal years ending between September 30, 2005, and August 31, 2006), which are verified against certified financial audits.

Appendix E: Portfolio

Published by the Greater Philadelphia Cultural Alliance (Cultural Alliance), the *2008 Portfolio* is the second report in the past three years to document and examine the state of the region's nonprofit cultural sector. Data are drawn from PACDP, analyzed by the Pennsylvania Economy League and presented by the Cultural Alliance to provide information about the sector for civic leaders, policymakers, cultural organizations, and the general public. The *2008 Portfolio* included 281 organizations and reported data from the most recent profiles available for each organization, in most cases 2006 or 2007 profiles.

Appendix F: Inflation

The adjustment for inflation in discussions of trends is based on compounded annual average changes in the Consumer Price Index for all urban consumers as reported by the U.S. Department of Commerce's Bureau of Labor Statistics.

Appendix G: Cool Spring Analytics

Cool Spring Analytics, mentioned twice in this report, is a consulting group led by Patricia Egan and Nancy Sasser. Cool Spring Analytics provides consulting services to nonprofit organizations in three primary areas: financial analysis; assessments, strategic planning and business plans; and financial management and reporting.

THE AUTHORS

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This report was commissioned by Theatre Alliance of Greater Philadelphia in support of our mission to strengthen and lead the region's richly diverse theatre community by promoting positive awareness and serving as a resource for information, professional development, and advocacy. The intent of the report is to provide a snapshot of the Philadelphia theatre community, both in the context of our larger cultural community and of comparable theatre communities around the country.

This report makes comparisons to *Portfolio*, a groundbreaking and powerful information and advocacy tool developed by the Greater Philadelphia Cultural Alliance. *Portfolio* has changed the way we talk about arts and culture within our own community and the way we represent ourselves to the public at large. We hope that our report will have a similar impact within the theatre community.

Special thanks are due to Fran Kumin, Director of the Philadelphia Theatre Initiative of The Pew Center for Arts and Heritage, for her guidance throughout this project. We are also grateful to the Theatre Alliance members on the Advisory Committee who joined us throughout the process to identify objectives and shape criteria for the report. Thanks to Neville Vakharia, Flo Gardner and Jessica Hupp from the Cultural Data Project for their assistance; to our colleagues at the Greater Philadelphia Cultural Alliance, including Peggy Amsterdam, Julie Hawkins and Nicholas Crosson, for providing insight along the way; to Murph Henderson at the Philadelphia Theatre Initiative for logistics and editorial support; and to Natalee Hill of the Theatre Alliance and Nina Morrison and Sarah Yusavitz of the Philadelphia Theatre Initiative for administrative assistance.

Margie Salvante

Executive Director

Theatre Alliance of Greater Philadelphia

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