

National Endowment for the Arts



**ALL AMERICA'S A STAGE:
GROWTH AND CHALLENGES IN NONPROFIT THEATER**



Preface

Photo by Vance Jacobs



The National Endowment for the Arts' new report, *All America's a Stage*, provides a concise overview of the nation's vital and extensive nonprofit theater network. Rather like a good play, the report presents surprises, revelations, and insights. It chronicles the enormous

growth and general financial stability of the U.S. nonprofit theater community, and it outlines the considerable challenges the field faces in developing audiences. The report also provides an unanticipated perspective on ticket pricing and sales.

All America's a Stage lives up to its title. The expansion of nonprofit theater has not been limited to traditional cultural centers. There are now nonprofit theaters in every section of the United States, including traditionally rural areas. On a per capita basis, Vermont and Alaska now lead the U.S. in nonprofit theaters—outranking New York—with Maine and Montana right behind. The sharpest growth rates have been in previously underserved states like Nevada, Arkansas, Utah, Colorado, and Idaho.

Has the nonprofit theater sector expanded too quickly? Seemingly not. Despite the broad and rapid expansion of nonprofit theaters, these organizations have generally healthy finances. Their balance sheets are strong, with assets growing and liabilities remaining flat. Nonprofit theaters have also effectively diversified their sources of support. Individual patrons have collectively increased their already high levels of giving, providing over 40 percent of contributed revenue.

The only area for concern in the healthy financial profile of the nonprofit theaters is their historical vulnerability to large economic downturns. During

both of the last two major recessions, total revenue and contributions fell markedly. This vulnerability could create issues for the nonprofit theater community in the current recession.

There is one significant and persistent problem facing American theater—attendance for spoken theater has steadily deteriorated. Since 1992, the percentage of the U.S. adult population attending non-musical theater has declined from 13.5 percent to 9.4 percent. As these trends worsened in the last six years, even the absolute size of the audience has declined by 16 percent.

These audience declines do not seem primarily dependent on high ticket prices. Audiences appear willing to pay higher prices for events they want to attend. Although further research is needed to explore the issue, the audience drop-off may be more related to issues like lower media coverage, declining arts education, and expanded in-home entertainment options rather than ticket price.

In a sense, the dilemma of nonprofit theater can be simply summarized—supply has outstripped current demand. The remarkable growth and professional management of theatrical organizations across the nation has not yet been matched by equally robust growth in audiences.

America has created a magnificent national network of nonprofit theaters. These two thousand organizations represent a huge civic and cultural investment. Our challenge now is to use them ambitiously to bring the power of theater to our citizens, students, and communities.

A handwritten signature in black ink that reads "Dana Gioia". The signature is fluid and cursive, with a large initial "D" and "G".

Dana Gioia
Chairman, National Endowment for the Arts

“The stage is not merely the meeting place of all the arts, but is also the return of art to life.”

—OSCAR WILDE

Photo by Rich Edwards



“Our institutional theatres reflect transformational ideas of the 20th century: the notion that citizens of every community deserve access to high-quality arts and culture; that artists should be able to

live with dignity as citizens of communities large and small; that cities can take pride and derive an identity from the arts they support; and that our civic institutions, our schools, community centers, and our citizens benefit from the presence of well-supported arts institutions.”

—Susie Medak

President, League of Resident Theatres (LORT)

Photo by Rivka Katvan



“Over the course of U.S. history, the American theatre field has grown to reflect the true diversity of our nation, giving the public access to a wide range of theatrical storytelling, from European classics to young

Asian American voices, from traditional modes of staging to explorations of new performance technologies. Resident theatres are stimulating economic development in urban centers and rural townships; touring ensembles engage the imaginations of audiences across the U.S. and sometimes overseas. Innovative partnerships between theatres and schools are providing young people with unprecedented opportunities to develop their creativity and self-confidence. In short, these theatres have become central to American community life.”

—Teresa Eyring

Executive Director, Theatre Communications Group (TCG)

DATA AND METHODOLOGY

This brochure examines developments in the growth, geographic distribution, and finances of American nonprofit theaters during the 1990s and in the first decade of the new century. The study draws from four data sets: IRS Form 990 filings by tax-exempt theaters; Theatre Communications Group (TCG) member survey data; the U.S. Census Bureau’s Economic Census data; and Survey of Public Participation in the Arts data from the National Endowment for the Arts.

The tax form data were collected by the Urban Institute’s National Center for Charitable Statistics and reported in “core files” (1989–2005) and “digital data files” (1998–2003). Most tax-exempt organizations with receipts of at least \$25,000 are required to file Form 990 annually.¹⁰ This NEA research brochure examines filings by tax-exempt theaters with revenues of \$75,000 or more. This approach yields a nonprofit theater count similar to that reported by the Economic Census.

Theatre Communications Group’s member survey data are proprietary, and were shared with the NEA’s Office of Research & Analysis for research purposes only. No information identifying individual member theaters has been conveyed.

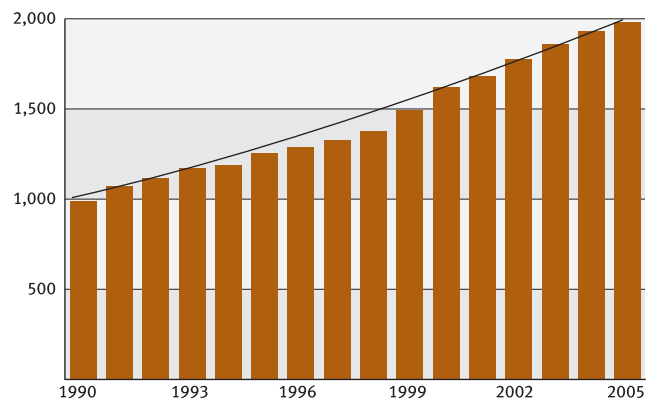
As a group, TCG member theaters tend to have larger budgets than the nonprofit theater industry captured by IRS Form 990 data. *Theatre Facts 2005*, for example, reports an average annual budget of \$4.2 million for “profiled” theaters.¹¹ By contrast, average revenue was \$929,000 for the 2005 IRS Form 990 filers.

Key Findings

1. The number of nonprofit theaters in the United States has doubled over a 15-year period.

- In 2005, there were 1,982 nonprofit theaters with annual budgets of at least \$75,000.
- This total is up exactly 100 percent from the 991 counted in 1990.¹

Number of Nonprofit Theaters



Data source: National Center for Charitable Statistics at the Urban Institute
The count is restricted to IRS Form 990 filers with annual budgets of \$75,000 or greater.

2. Although theaters continue to cluster in high-population states, the number of theaters in small and mid-sized population states has grown substantially.

- The states with the highest per capita concentration of theaters now include: Vermont, Alaska, Maine, Montana, Rhode Island, Oregon, Connecticut, New Hampshire, and Minnesota.
- Half of all theaters are located in the seven most populous states: California, New York, Texas, Florida, Illinois, Pennsylvania, and Ohio.
- New York far exceeds the other six states in theater counts—even after adjusting for population.
- From 1990 to 2005, the sharpest growth rate occurred in states with small numbers of theaters: Nevada, Arkansas, Utah, Colorado, Idaho, and Mississippi.
- Growth in theaters coincided with rapid population growth in all of those states, except Arkansas and Mississippi.

Top 10 States Ranked by Growth in Number of Nonprofit Theaters, 1990–2005

| Rank | State | Theater growth |
|------|---------------------------------|-------------------------|
| 1 | Nevada | 6.0 X |
| 2 | Arkansas Utah | 4.0 X 4.0 X |
| 3 | Colorado | 3.0 X |
| 4 | Idaho Mississippi | 2.0 X 2.0 X |
| 5 | Alaska Montana | 1.8 X 1.8 X |
| 6 | Missouri | 1.6 X |
| 7 | Alabama Nebraska Virginia | 1.5 X 1.5 X 1.5 X |
| 8 | Minnesota | 1.4 X |
| 9 | Delaware Oregon Wisconsin | 1.3 X 1.3 X 1.3 X |
| 10 | Texas | 1.2 X |

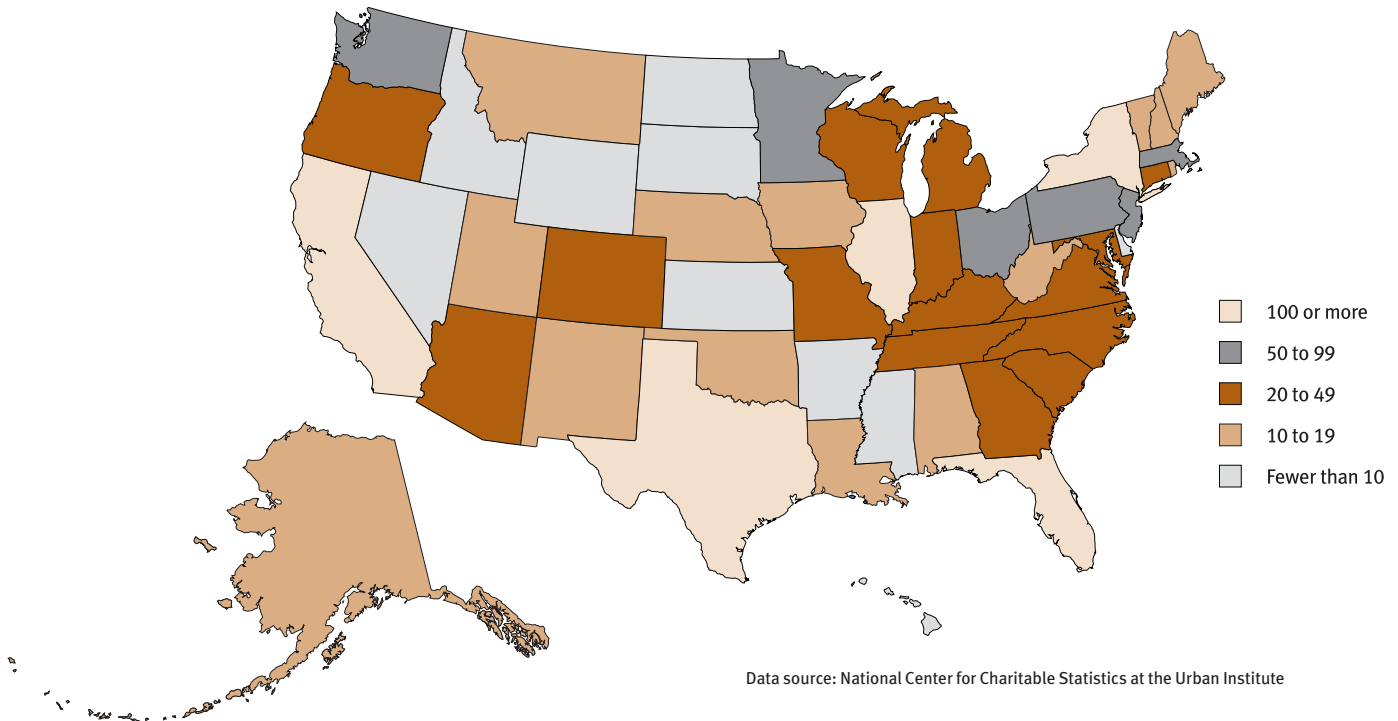
Data sources: National Center for Charitable Statistics at the Urban Institute; Population Division, U.S. Census Bureau

Top 10 States Ranked by Number of Nonprofit Theaters Per Capita in 2005

| Rank | Number of theaters per 100,000 people | Index to U.S. base | Population (in millions) | |
|------|---------------------------------------|--------------------|--------------------------|--------------|
| | United States | 0.7 | 1.0 | 297.0 |
| 1 | Vermont | 2.2 | 3.4 | 0.6 |
| 2 | Alaska | 1.7 | 2.5 | 0.7 |
| 3 | New York | 1.3 | 2.0 | 19.3 |
| 4 | Maine | 1.2 | 1.8 | 1.3 |
| 5 | Montana | 1.2 | 1.8 | 0.9 |
| 6 | Rhode Island | 1.1 | 1.7 | 1.1 |
| 7 | Oregon | 1.1 | 1.6 | 3.6 |
| 8 | Connecticut | 1.0 | 1.5 | 3.5 |
| 9 | New Hampshire | 1.0 | 1.5 | 1.3 |
| 10 | Minnesota | 1.0 | 1.5 | 5.1 |

Data sources: National Center for Charitable Statistics at the Urban Institute; Population Division, U.S. Census Bureau

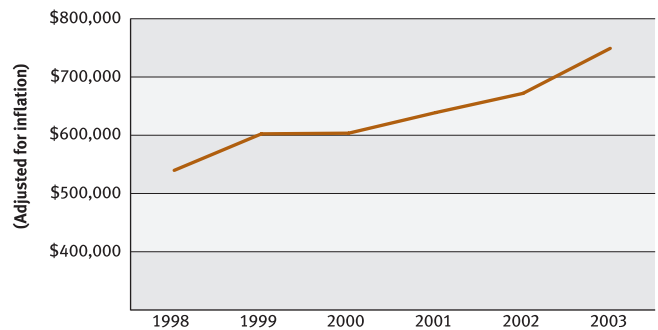
Number of Nonprofit Theaters by State in 2005



3. Nonprofit theaters generally have maintained a healthy balance sheet. Growth in their assets has outpaced growth in their liabilities.

- Between 1990 and 2005, real assets (assets adjusted for inflation) grew by nearly 60 percent, while liabilities remained flat.
- Much of that growth came from fixed assets, which rose by nearly 40 percent.² Normally, these assets cannot be used as cash to finance theater operations.

Average Fixed Assets: Land, Buildings, and Equipment



4. Nonprofit theaters have achieved a good balance between earned and contributed income.

- Earned income made up 52 percent of all nonprofit theater revenue in 2005. The remainder was mostly contributed.³
- As a share of all revenue, earned income fell 13 percentage points since 1990. Contributed income, and other types of revenue, grew proportionately.
- This change has allowed a more even mix of revenue sources—a condition associated with surpluses.⁴

5. Individuals and foundations remain the biggest contributors to nonprofit theater—and theaters now rely on them for an even greater share of financial support.

- In 2002, the most recent year for which reliable data are available, individuals donated 40 percent of all contributed revenue—up 8 points from 15 years earlier.
- Foundation giving made up 22 percent in 2002, about 3 points higher than in 1987.

6. NEA funding has been shown to be a catalyst in drawing sizeable contributions from other sources.

- Each dollar in NEA grant support is associated with an additional \$12 from individual donors, \$1.88 from businesses, and \$3.55 from foundations.⁵
- Although more research is needed to identify the underlying mechanism for this relationship, high-quality performances and programs may be considered a common factor among theaters successful in winning support from the NEA and multiple funders.

7. Between 1990 and 2005, nonprofit theater revenues fluctuated sharply with business cycles in the U.S. economy.

- Following declines in the early 1990s, real average revenue grew from 1993 through 2001, when it climbed by 9 percent.
- On the strength of rising contributions, this increase mirrored an overall growth trend in the U.S. economy.
- After the 2001 economic recession, nonprofit theater revenue sank by nearly 12 percent in 2002 (the sharpest downturn recorded for the 1990-2005 time period). Revenue continued to fall, albeit slowly, from 2002 through 2005.
- In the case of the first recession, ticket sales fell more rapidly than contributions. The second time, the reverse was true.

Share of Contributed Revenue by Source, 1987–2002

| Contributions from: | 1987 | 1992 | 1997 | 2002 | Percentage point change '87-'02 |
|---------------------|-------|-------|-------|-------|---------------------------------|
| Individuals | 32.1% | 30.6% | 35.6% | 40.2% | +8.1 |
| Foundations | 18.9% | 22.0% | 23.9% | 21.7% | +2.8 |
| Businesses | 20.5% | 19.8% | 19.0% | 17.0% | -3.5 |
| Government | 26.3% | 24.4% | 17.5% | 15.7% | -10.6 |
| Other | 2.2% | 3.3% | 4.0% | 5.4% | +3.2 |

Data source: Economic Census, U.S. Census Bureau

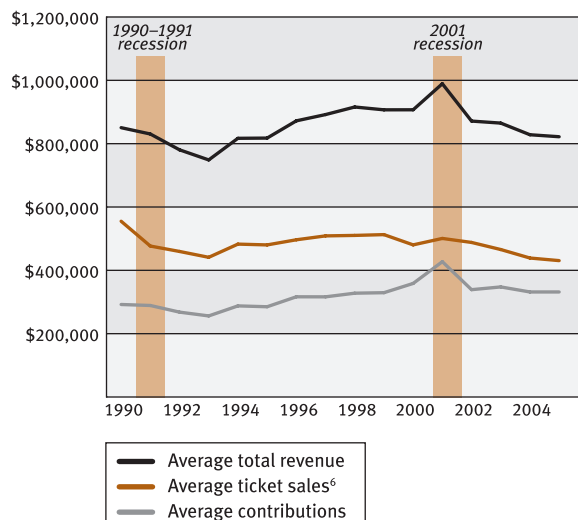
Attracting Donations to Nonprofit Theaters

| \$1 in grants from: (period=previous year) | Attracts additional theater funding from: (period=current year) | | |
|--|---|------------|-------------|
| | Individuals | Businesses | Foundations |
| National Endowment for the Arts | +\$12.70 | +\$1.88 | +\$3.55 |

Data source: Theatre Communications Group

Results are based on a regression analysis of TCG member survey data from 1998 through 2005. The estimates are significant at 95% or higher confidence.

Nonprofit Theater Budgets Reflect the U.S. Economy



Data source: National Center for Charitable Statistics at the Urban Institute
Dollar amounts are adjusted for inflation.

8. Audience trends are flat or in decline.

- Although the number of musical theater attendees has grown, they remain largely constant as a percentage of the population.
- Preliminary survey results show a decline in the number *and* percentage of non-musical theater attendees from 1992 to 2008.
- The survey asked American adults whether they had attended any play in the last 12 months, with the exception of elementary and high school performances.⁷

9. Attendance trends do not seem primarily related to ticket prices.

- Theater ticket sales do not appear to respond strongly to price changes. Statistical models predict that a 20 percent price hike in low-end subscription or single tickets will reduce total attendance by only 2 percent.⁸
- These data suggest that total attendance does not rise or fall in proportion to ticket price changes. Therefore, other factors are likely affecting the demand for theater.
- For that matter, nonprofit theaters have goals beyond maximizing box-office revenue. In 2005, for instance, the average TCG theater served more than 18,000 people through education and outreach activities.⁹
- Whether or not they improve box-office sales, programs with a clear civic interest can be key to raising public and private contributions. Such programs often include exposing new or underserved audiences to performances by offering discounted tickets.

Percentage of U.S. Adults Attending Theater over a 12-Month Period

| | 1992 | 2002 | Early results 2008 |
|-----------------------|------------------------------|------------------------------|------------------------------|
| Musical theater | 17.4% (32 million people) | 17.1% (35 million people) | 16.7% (37 million people) |
| Theater (non-musical) | 13.5% (25 million people) | 12.3% (25 million people) | 9.4% (21 million people) |

Data source: Survey of Public Participation in the Arts, National Endowment for the Arts

Potential Impact of Ticket Price Increases on Nonprofit Theater Attendance

| 20% price increase in: | Attendance per performance: | | |
|---------------------------|-----------------------------|--------------|---------------|
| | Total | Subscription | Single ticket |
| Low-price subscriptions | -2.0% | -0.8%* | -0.1%* |
| High-price subscriptions | +1.8%** | +6.3% | -0.9%* |
| Low-price single tickets | -1.6% | -1.1%* | -1.3%*** |
| High-price single tickets | +3.0% | +2.1%* | +7.4% |

** = statistically significant at 94%

*** = statistically significant at 93%

* = not statistically significant

Data source: Theatre Communications Group

Results are based on a regression analysis of TCG member survey data from 1998 through 2005. Unless otherwise noted, estimates are significant at 95% or higher confidence.

This brochure was produced by the NEA's Office of Research & Analysis in consultation with Bill O'Brien, director of Theater & Musical Theater. The analysis is based on research commissioned by the NEA from Thomas M. Smith, Emory University, and Thomas H. Pollak, National Center for Charitable Statistics at the Urban Institute. Zannie Giraud Voss, Southern Methodist University, gave valuable technical advice.

¹ This count excludes theaters that did not file IRS Form 990. When theaters filing the tax form are counted regardless of budget size, a near-doubling still occurs: 3,416 in 2005 versus 1,751 in 1990.

² Fixed assets are defined as land, buildings, and equipment, minus accumulated depreciation.

³ IRS Form 990 captures all types of contributions, including what are referred to as "restricted contributions," often reported separately on financial statements.

⁴ This finding is based on a correlation analysis of the earned income ratio (earned income relative to all income) and the incidence of surpluses of revenues over expenses. The analysis suggests that a favorable mix is when 45 percent to 55 percent of nonprofit theater income is earned, with most of the remainder contributed.

⁵ The models generating these results controlled for theater earnings, fundraising expenses, ticket expenses, and public relations outlays. Even when the relationship is modeled for "fixed effects," which control for individual theater characteristics, additional donations from individuals are almost \$8 for every NEA grant dollar.

⁶ Technically reported as "program service revenue," these figures consist largely of ticket sales, but they also include related items such as touring contract fees.

⁷ The 2008 Survey of Public Participation in the Arts, designed by the NEA and conducted by the U.S. Census Bureau, obtained a response rate of 82 percent, for a total of more than 18,000 adults. Full results of the survey will be available later in 2009.

⁸ Further, increases in attendance per performance appear to be linked with increases in the highest ticket prices that theaters offer. See the related table. These results characterize the aggregate nonprofit theater industry, based on Theatre Communications Group data. The findings may not apply to individual theaters.

⁹ In 2005, the average high-priced subscription ticket was \$29.89, while the average low-priced subscription ticket was \$12.80. Among single tickets, the average high-end price was \$40.53; low-priced was \$17.14.

⁹ Theatre Communications Group, *Theatre Facts 2005*. This finding refers to TCG "trend" theaters, respondents to annual TCG financial surveys for each of the previous five years.

¹⁰ Department of Treasury, Internal Revenue Service. *Compliance Guide for 501(c)(3) Tax-Exempt Organizations*. Publication 4221 (09-2003), catalog number 37054E.

¹¹ "Profiled" theaters are defined as those responding to TCG financial surveys in any given year.

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Cover photo: Phylicia Rashad in a
scene from Lincoln Center Theater's
production of *Bernarda Alba*.
Photo by Paul Kolnik.