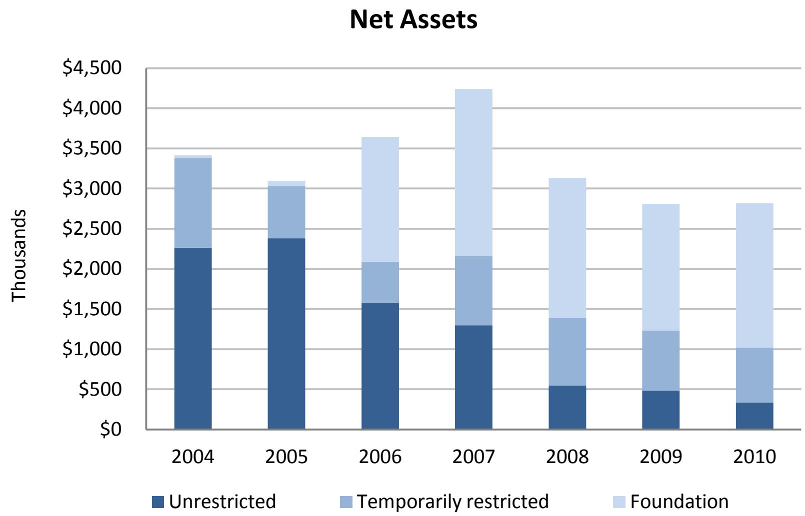
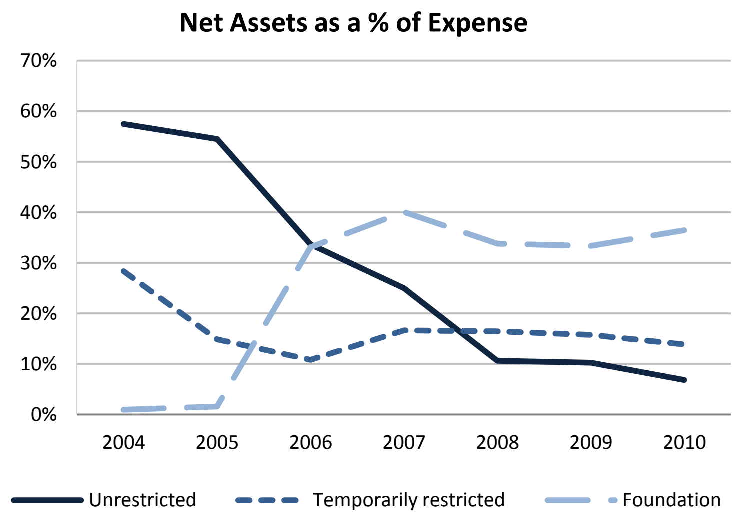
Sample Theater Financial Trend Analysis

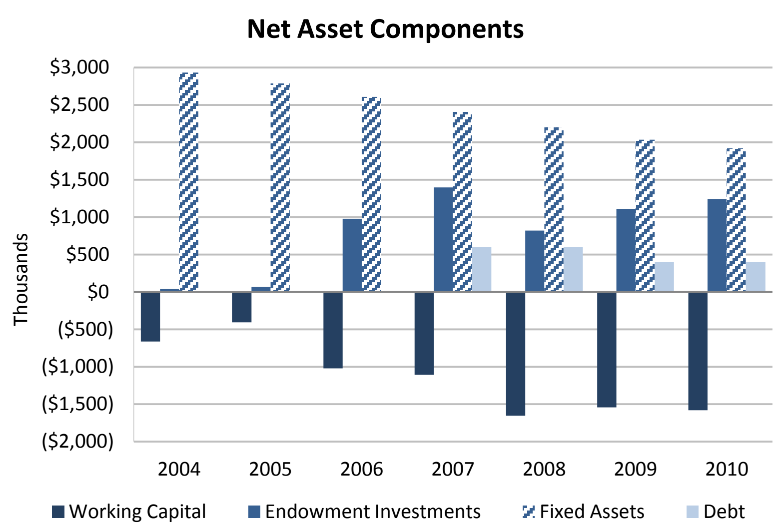
Total net assets for the theater reached a peak of $4.2 million in 2007, but declined the next two years to $2.8 million, remaining at that level in 2010. The creation of permanently restricted endowment funds (Foundation) generated the growth in total net assets through 2007. Temporarily restricted (TR) net assets fluctuated over the seven years, but unrestricted (UR) net assets declined steadily from a high of $2.4 million in 2005 to $336,000 in 2010.



When viewed as a percentage of expense, the decline in UR net assets is precipitous. Net assets should maintain or grow in relation to operating expenses. Temporarily restricted net assets in most years are comprised of funds restricted for future seasons or productions. The Foundation's total net assets declined during the recession from 40% of operating expenses in 2007 to 33% in 2009, and recovered to 36% in 2010.



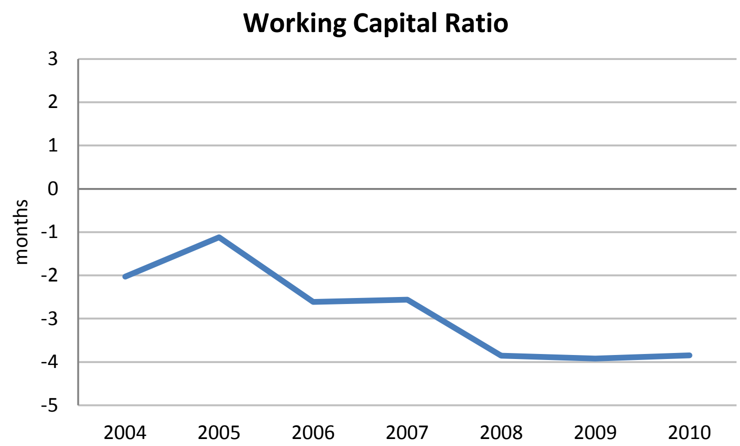
With unrestricted working capital of negative $1.6 million, the Theater must borrow to meet its daily obligations. Endowment investments represent long-term capital, however the funds are currently held in cash. The value of the endowment has been flat for several years. The Theater's investment in fixed assets is steadily declining as building improvements and equipment are ageing. Since 2007, the Theater has had an outstanding line of credit, and has borrowed $368,000 from the Foundation.



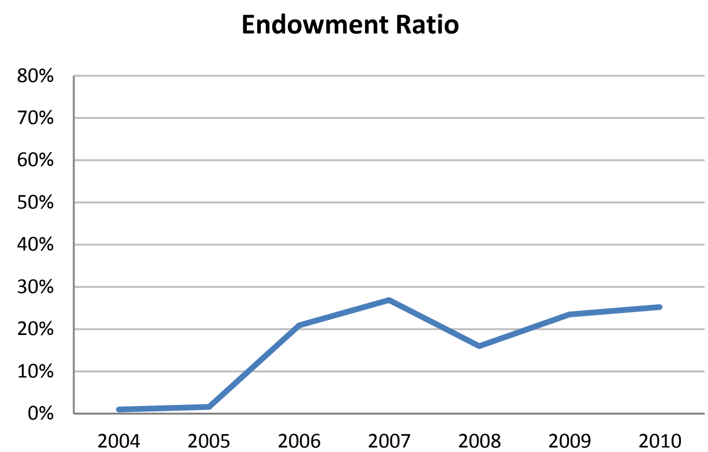
Source: Audited financial statements; fiscal year ends December 31

Sample Theater Financial Trend Analysis

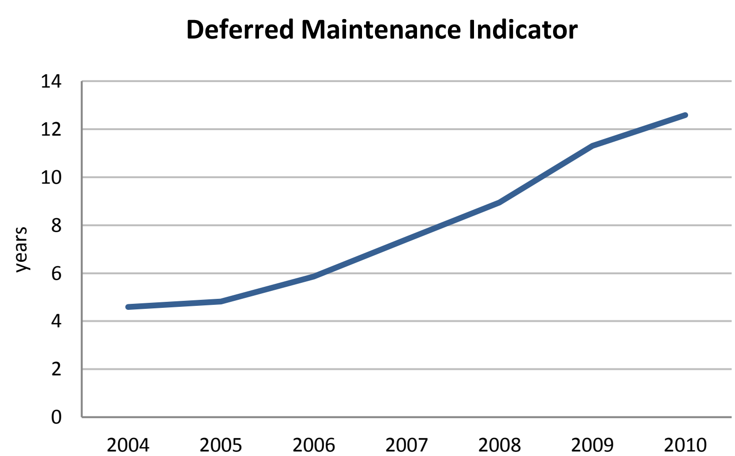
The Theater has had negative working capital of more than 3.5 months of operating expenses since 2008. The Theater manages its negative working capital through a line of credit, borrowings from the Foundation, use of advance ticket revenue, and by delaying payables. With this level of negative working capital, changes in timing of several revenue items led to the recent severe cash flow problems.



While the Foundation's net assets represent 36% of expenses, actual endowment investments are lower, due to outstanding receivables and funds due to the Foundation from the Theater. Most of the funds are maintained in cash to secure the line of credit, and they generate less income for the Foundation than the Foundation transfers to the Theater annually.



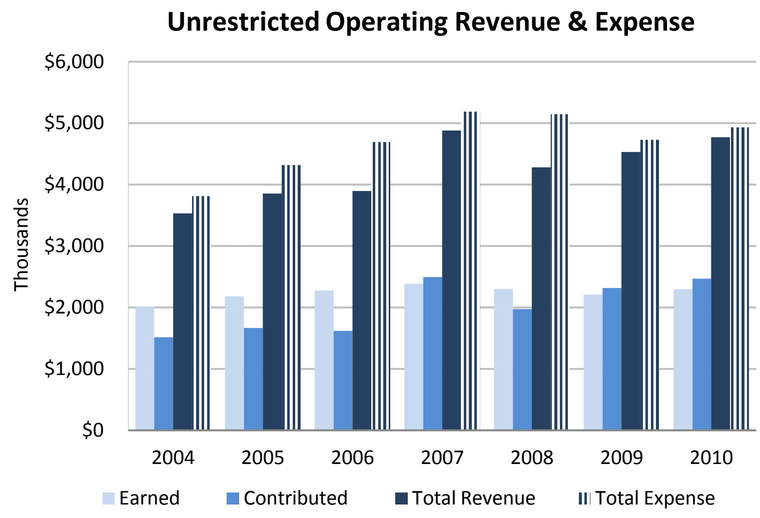
The deferred maintenance indicator (DMI) is a rough measure of whether an organization is reinvesting in fixed assets to avoid deferred maintenance issues; a level or downward trend is a healthy trend. The Theater's low DMI in 2004 reflects a $2 million investment in fixed assets. Since 2005, the Theater spent $135,000 on fixed assets, while accumulated depreciation totaled $1 million, leading to the steep upward trend line.



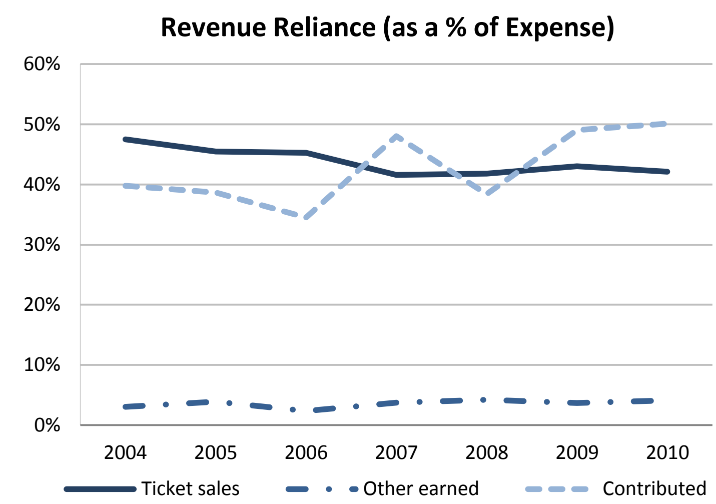
Source: Audited financial statements; fiscal year ends December 31

Sample Theater Financial Trend Analysis

Expenses exceeded operating revenue each year, though in 2009 and 2010 the shortfall was less than the non-cash depreciation expense. Expenses were cut in 2009 in response to the recession. Earned revenue, which declined in 2008 and 2009, increased modestly in 2010 though the overall 14% increase since 2004 did not match the 25% increase in expenses. Contributed revenue dropped in 2008 with the recession, but has grown strongly since, and posted a 63% gain since 2004.



Ticket sales covered a smaller percentage of operating expenses in 2010 than in 2004. Other earned revenue, which includes investment revenue, provided 3-5% of expenses. Contributed revenue covered 50% of expenses in 2010, up from 40% in 2004.



The Theater has steadily increased its investment in program – productions and education – as it has reduced the percentage spent on administration. The program and administration percentages in 2005 are anomalous and may reflect different allocations in reporting. Marketing expenditures as a percentage of total expenses declined since 2007, while the development expense percentage remained relatively level the last three years.