When Renee DiAugustine-Bower's grandfather died in 2013, she took over the one-screen movie theater he'd operated in their small Pennsylvania town for decades. She also inherited a looming need to shell out $60,000 for new technology or be forced to close the theater's doors.

Hollywood's major studios are in the final days of distributing movies on film reels and moving to digital distribution sent via hard drives or satellite, a method that is cheaper for studios but requires significant investment by theaters in new equipment. The conversion means theaters like Mrs. DiAugustine-Bower's Berwick Theater could fade out for good.

The theater, about 50 miles southwest of Scranton, has raised only $6,000 so far, a difficult amount to earn by selling baked goods and old movie posters in an economically depressed town.

"I got a backlash from patrons when I mentioned raising ticket prices" to $5 from $4, said Mrs. DiAugustine-Bower.

Major U.S. cinema chains have converted essentially all of their screens to digital distribution over the past several years, many using Wall Street-financed programs that allowed studios to shoulder some of the expense in anticipation of the switch.

But those programs favored theaters with reliable credit and required upfront expenses for theater owners like projection-booth renovations costs that many small theaters, however important to their communities, couldn't afford.
About 87% of the 5,762 theaters in the U.S. are now digital, according to the National Association of Theatre Owners. The remaining 13% is mostly made up of one-screen independents, in rural communities with no multiplexes for miles.

More than half of the approximately 600 drive-in theater screens in the country have converted so far, according to the United Drive-In Theatre Owners Association.

Scrabble Ventures LLC has begun leasing digital projectors to small theaters that can't afford a lump-sum payment. Chief Executive Ranjit Thakur said the company has converted 370 theaters so far with more than 400 scheduled over the next three months.

There are more than 40,000 screens in the U.S., according to the National Association of Theatre Owners. Last October, Time Warner Inc.'s Warner Bros. produced only 200 film prints for its release "Gravity," which opened in more than 3,000 locations. That proportion has trended downward with each wide release since, and the studio's Johnny Depp film "Transcendence," out on Friday, will run with 75 film prints made, said Dan Fellman, president of domestic distribution.

When film was more popular, a studio could spend between $600 and $800 per film print, said Mr. Fellman, but that cost has risen as some film manufacturers have closed and the marketplace has contracted.

Still, theaters that haven't converted are often too small to justify the printing costs for the studios. "You're talking about under $1,000 for a weekend," said Mr. Fellman.

Some high-profile directors have shown resistance to the change. Despite telling exhibitors earlier this year it would release its movies only digitally, Viacom Inc.'s Paramount Pictures said it will accommodate director Christopher Nolan's request that his November release "Interstellar" be offered in traditional film.

The transition is also shrinking the exhibition game, as some community houses are gobbled up by larger chains, eager to acquire cash-strapped theaters cheaply. The theater closest to Mrs. DiAugustine-Bower's Berwick Theater, the 11-screen Digiplex Cinema Center in Bloomsburg, Pa., was purchased and then upgraded with digital projection gear in 2012 by Digital Cinema Destinations Corp., a new chain eyeing theaters trying to sell before paying conversion costs.

Dale "Bud" Mayo, Digital Cinema's chairman and chief executive officer, said about half of the 21 locations the company has purchased so far were converted after the fact.

"We're the logical exit for them," said Mr. Mayo.
Many theaters, like the Hippodrome Theatre in Gainesville, Fla., have successfully tapped some former residents with online Kickstarter campaigns. The Hippodrome offered backers the chance to engrave theater seats, and ran a title card before films for six months showing the names of supporters of its $40,000 drive, more than $15,000 of which was raised through the online campaign.

In Colorado, a state program has teamed up with local philanthropists to award about $700,000 to 14 struggling theaters in its mountain communities. "Losing [the theaters] can lead to the social degradation of the town," said Colorado Film Commissioner Donald Zuckerman.

One recently converted theater, the 122-year-old Twin City Opera House in McConnelsville, Ohio, raised about $90,000 for its upgrade. The local Kiwanis International club gave $10,000, but most of the money came via donations of about $50 each, said Executive Director Adam Shriver.

The conversion will keep the lights on at the Twin City Opera House, which seats 550 people—about half of the village's population. In light of the successful fundraising, a state department awarded the theater $400,000 for further renovations.

The theater already has its spiffy new projector, but is planning to use the state funds for another modern amenity: air conditioning.