

F.M. KIRBY FOUNDATION SOLICITATION EVALUATION FORM

DATE: August 9, 2018

REQUEST DATE: June 28, 2018

Last grant acknowledgement: Yes

Program Area: Arts, Culture, Humanities

APPLICANT:

The Shakespeare Theatre of New Jersey, Inc.
Administration and Production Offices
3 Vreeland Road
Florham Park, NJ 07932

CONTACT: Ms. Bonnie J. Monte, Artistic Director

PHONE: 973-408-3278

PAYEE OTHER THAN ADDRESSEE:

AMOUNT REQUESTED: \$115,000 **NATURE OF REQUEST:** For general operating support

GRANT HISTORY

LAST GRANT DATE: 9/15/2017

LAST GRANT AMOUNT: \$115,000 **AFS DATE:** 4/24/2018

2013	\$125,000	9/23/2013
2014	\$125,000	9/15/2014
2015	\$125,000	9/14/2015
2016	\$115,000	9/12/2016
2017	\$115,000	9/15/2017

See Site Visit Report attached.

DLK COMMENTS: Financial analysis attached.

WHB COMMENTS: First and foremost, the facility known as 3 Vree has come a long way since its purchase in 2014. What impresses me the most is the degree to which it is organized and how Bonnie has utilized every space to the max, including storage of props inside props...it's like a prop department's take on Russian dolls!

The company does a lot of programs which, in my opinion, may be overkill; however, I'm sure Bonnie doesn't see it that way. If anything, she likely sees any return on such as added marketing that helps its reputation throughout the state and especially here in Morris County.

The elephant in the room is the balloon payment on 3 Vree due next year which, of course, has put pressure on STNJ to close the capital campaign ASAP. Former Gov. Tom Kean's consent to have 3 Vree renamed in his honor, thanks to a wonderful idea from SDK, should really inspire some "stretch" giving, but still, capturing the remaining \$1.9M in time remains to be seen. I don't know if STNJ has a fallback plan should the campaign come up short by the deadline, but I would think some extension from the bank is a likely option.

By all accounts, STNJ had a very good 2017 – strong program, fairly strong financials, and a tremendous resource in 3 Vree. Continued support at the requested and targeted level is warranted.

APPLICANT: The Shakespeare Theatre of New Jersey, Inc.

SDK COMMENTS: Appreciate the site visit comments and objectivity. WHB and ECC's site visit report revealed some information I did not know, especially on the educational program tweaks. Wonderful season to date based on personal observations. That said, ticket sales are down on a less "commercial" oriented line-up (for example: Titus Andronicus had not been done in 30 years and a tough draw despite the great reviews), and this is concerning.

I give Bonnie another 1-2 years (now in her 28th year); I really thinks she wants to make it through ACT II-Legacy capital campaign for the 3 Vree (now Tom Kean Factory) facility and I really hope that there will be a "peaceful" transition. Surprised they did not approach us, but of course we gave handsomely as part of ACT I. I will support personally and participated in the 5/14/18 meeting with Tom Kean requesting his acceptance of the 3 Vree naming.

Meanwhile, at my request, Bonnie sent a wish list of deferred maintenance items for the F.M. Kirby Theatre in the amount of approx. \$130K. Now in the 21st season in the Theatre, I recommend we take on just less than ½ the costs and supplement our operating support with a special \$60K grant for such items as new carpeting, interior painting, front steps replacement, lower patio replacement, etc. There have been no capital requests to us in that 20+ year period and not even now; I do believe we want to help maintain the theatre at a level of which we can be proud.

WHB 8/9/18 additional comments: I knew about the Theatre's capital needs before our recent site visit but wanted to confirm that such projects, the entrance steps in particular, would not be covered by the Act II Legacy Campaign which will be applied solely to retire the mortgage. SDK's recommendation for an additional \$60K in my opinion is actually more impactful and to a certain extent as urgent as retiring debt. However, I am not convinced that as the deadline for the balloon payment draws near and the campaign comes up short, we won't be approached. I think Bonnie is keeping her powder dry!

APPLICANT: The Shakespeare Theatre of New Jersey, Inc.

FM KIRBY FOUNDATION Financial Statement Analysis

Grantee Name:	The Shakespeare Theatre of New Jersey, Inc.	Date:	<u>7/24/2018</u>
Prepared By:	DLK		
Grant Request Amt.	<u>\$ 115,000</u>	Type of Financial	Audit
Recommended Amt.	<u>\$ 115,000</u>	Report Submitted	
Board Approved Amt.		Period Covered	<u>12/31/2017</u>
		in Financial Report	
Audit Firm	<u>Fylstra & Associates</u>	Date of Report	
Opinion	<u>Present fairly</u>	Issuance	<u>4/24/2018</u>
Basis of Acctg.	<u>GAAP</u>		

Current Ratio (Liquidity Ratio/Working Capital Ratio)	0.42	Amount of Unrestricted Net Assets (Operating Reserve)	\$ (476,940)
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Note: A current ratio measures an organization's ability to pay short-term and long-term obligations. The higher the ratio, the more capable the organization is of paying its obligations. A ratio under 1 indicates that the organization's liabilities are greater than its assets.

Allocation of Functional Expenses	12/31/2017	%	Must Read Financial Statement Notes
A. Program Service Expenses	\$ 3,105,084.00	83%	Ideally program expenses should be at least 70% of total budget.
B. Management and General	\$ 466,138.00	12%	
C. Fundraising	\$ 174,709.00	5%	
D. Total Expenses	<u>\$ 3,745,931.00</u>	<u>100%</u>	

Comments/ Notes:

The 2018 budget is relatively flat to the 2017 budget (STNJ didn't provide 2017 actuals to compare). Total budgeted Earned Income is down \$62K from prior year budget with the shortfall in box office revenues but slightly up (\$115K) from 2017 audited figures. Total budgeted Contributed Income for 2018 is up \$116K from prior year budget and down \$40K from 2017 audited figures. The positive variance to prior year budget is in Individual Contributions whereas the negative variance to the 2017 audit is in Foundation/Corporate giving. Total budgeted Expenses are \$53K higher than the 2017 budget and \$83K higher than the 2017 audited figures. The increase is in the personnel line; \$112K over prior year budget and \$186K (7%) over 2017 audited figures.

STNJ's financial health hasn't improved significantly over 2016. The cumulative unrestricted deficit increased from \$467K to \$477K, despite an operating surplus of \$99K. The operating surplus was an increase over 2016 by \$61K. Contributed income was relatively flat year-over-year but box office revenues increased by \$271K. FM Kirby's 2017 grant accounted for 7.6% of total public support. The SDK Endowment Fund balance was \$325K as of 12/31/17. The Capital Campaign Fund increased by \$25K (less than 1%) which doesn't strike me as particularly impressive. The 2019 balloon payment of \$2.1M is still a concern.

APPLICANT: The Shakespeare Theatre of New Jersey, Inc.

DISPOSITION:

- Rejection
- Hold for review on/about:
- Approval for: **\$175,000**
- Hold for Board Review
- Insert Information: **For: Capital improvements at the F.M. Kirby Shakespeare Theatre-\$60,000**
- Other:

Initials: *adh* Date: *8/9/18*
Check #: _____ Date: _____

SITE VISIT REPORT

Report No: 35

Grantee:

The Shakespeare Theatre of New Jersey, Inc.
Administration and Production Offices
3 Vreeland Road
Florham Park, NJ 07932

Program Area: Arts, Culture, Humanities

Most Recent Grant Amount and Date: \$115,000.00 - 9/15/2017

Primary Contact: Ms. Bonnie J. Monte, Artistic Director

Phone: 973-408-3278

Met With: Bonnie Monte, Artistic Director, and Todd Rosen, Managing Director

Location: Same as above

Date Visited: August 2, 2018

F. M. Kirby Foundation Representative: William H. Byrnes, Jr., Vice President - Grants; Erin C. Clifford, Communications and Program Associate

Site Visit Guide: Matrix Score [Rating Scale from a high of 4 to a low of 1]

	'18	'06
<i>A. Personnel: Turnover, Professional Development and Career Advancement</i>	3.0	3.0
<i>B. Board: Involvement, Development, and Training</i>	3.5	3.5
<i>C. Financial: Net Assets, Fundraising Performance and Capacity</i>	2.75	2.5
<i>D. Strategic Planning, Review and Implementation</i>	3.0	3.0
<i>E. Program Evaluation and Quality Assurance</i>	2.5	2.5
Total:	14.75	14.5
Average Score:	2.95	2.9

Comments: WHB and ECC met Bonnie and Todd at the “3 Vree” facility, soon to be the Thomas H. Kean Theatre Factory: The Education, Production and Administrative Center of The Shakespeare Theatre of New Jersey. The space itself is 50K sq. ft. on a 13-acre property. Phase 1 of the renovation began in 2011 and totaled \$1M. They are currently in Phase 2 of the renovation, though are not expecting any cost associated; rather, they are waiting as paint and fabric donations come in, along with Hyde and Watson capital grants, and the in-house carpenters’ schedules clear up to add finishing touches to the space. We toured the very impressive facility (STNJ has been offering 2-3

tours per month to the public and student groups for about half a year) before meeting in Todd's office.

If I may steal the phrase, "salient points include":

- While STNJ would prefer to maintain ownership of the 13 acres, Bonnie has not ruled out selling off plots if it comes to that. Immediately next door is a high-end development she's sure would be an interested buyer. However, the ideal goal is to work with a local environmental group to create a walking trail through the wooded area featuring educational signage about both Shakespeare's works and local ecosystems. We recommended contacting NJ Audubon for such a project, an idea Bonnie was quite enthusiastic about.
- Another potential source of income would be establishing a costume rental program (STNJ has more costumes, donated or original, than anyone knows what to do with.) that would be of no cost to them. However, the management of this program would require a full-time staff to document, label, and track all costumes going in and out.
- While Bonnie seems satisfied with her current staff, it's hard not to be curious (and a bit alarmed) by the loss of 13 staff members in 2016. To that point, Todd has one of the longer tenures for a Managing Director at just two years. During our meeting, Todd seemed invested and competent, but he did not assert himself much; the dynamic between him and Bonnie is certainly passable, if not a bit one-sided, though these are just observations from the short amount of time we were together and not in a truly "working" environment.
- Programmatically, STNJ seems to be taking stock and adjusting appropriately. Bonnie has decided to add more "Audience Talk Back" opportunities due to a high interest. Alternatively, the "Know the Show" program is now a free offering as attendance began to plateau and the effort and time invested was not equating to the number of paid attendees. We inquired as to why STNJ was putting the "Next Stage Ensemble" program on hold; apparently, Bonnie was not happy with the quality of the results produced and mentioned a "lack of social skills and attentiveness from the pool of millennials applying to the program," as well as simply not returning to schools who had participated in the program in the past. (A few things here: the age group she's talking about would actually be Gen Z (I say this because she was quite particular about Millennials vs. Gen Z students) and when WHB asked if she had given this feedback to the schools, she hadn't and insisted it was more of a generational issue than a school-specific issue.) Regardless, STNJ has launched a new program in its place that brings a small ensemble of actors, the Shrewd Mechanicals, to those same venues with a performance featuring selections from Shakespeare's canon, the most recent

- original piece being *Shakespeare Gumbo* which has garnered quite a bit of positive attention. Quality assurance of the education program rely on feedback from senior staff, as well as teacher/student/staff evaluations, the responses to which all staff are copied on in order to self-correct.
- We discussed STNJ's choice to perform only five shows in the 2017 season, as opposed to its typical six. Bonnie explained that, given the time-consuming and very successful run of *Shakespeare in Love*, they experimented with bringing the season down to five shows to limit costs; what they learned is that they actually *need* to feature six shows in the season to make budget. To this point, show sponsorships can range anywhere from \$5K to \$30K for each title.
 - STNJ is beginning to foster a partnership with the Seeing Eye, among other visual and hearing disability advocacy groups. (**SDK: Did not know!**) Because the cost of translators is so high, STNJ has worked in "audiodescription training" to a couple staff member's job responsibilities; the theater now has two in-house audiodescribers available for visually-impaired patrons. They are working to offer more "sensory seminars" (allowing those visually impaired to walk around the set and touch props to create a sense of where the scenes are taking place) prior to performances and now offer closed-captioning via phone app (with black/red text as to not disturb surrounding audience members) of the show's script.
 - We inquired about any plans for cosmetic updates to the Kirby Theatre before the 2019 season. Bonnie said the stairs would be completely fixed by that Sunday (8/7/18). This was a bit confusing as we thought Drew University had already invested in the repair of the front steps. Bonnie explained that they had "badly caulked" the top patio and wheelchair-accessible ramp, but that Drew just isn't interested in the restoration of the building and views those of the STNJ as "squatters" on campus. Bonnie was candid; this relationship has not been the best for many years especially with the post-Kean administrations. With specific reference to the Theatre's front steps and handicap ramp, Bonnie said "Drew was not totally transparent." Other examples of the tensions between the two: 1) Drew increased the cost of housing for STNJ's Professional Training Program (off campus on Glenwild Road) by 15% for 5 years, then abruptly sold the properties; 2) a recent power outage on campus went unaddressed just hours before a performance of *Titus Andronicus* that forced STNJ to connect with campus maintenance personnel to resolve; and 3) a lack of scheduling coordination that often creates conflicts and parking shortages. Overall, Bonnie described that there is "no inkling of a partnership." That said we should take these comments with a grain of salt...as there is a lot of ego in play on both sides of the fence.
 - And finally, regarding the Act II: The Legacy Project, \$1.9M campaign over the next 16 months: Bonnie explained that the campaign had officially started that

day (8/2/18) with the mailing of campaign materials to select donors. They are taking a “bookend donors” approach and will soon be generating a press release before the annual appeal that will stress the importance of the Annual Appeal as the lifeblood of the organization. She does not seem intimidated by the timeline and perhaps more confident with the advent of a match opportunity from the Hyde and Watson Foundation. She lavished high praise for both SDK and Bill Engel for their guidance, loyalty, and generosity. WHB also provided Bonnie with a few edits to the cover letter being sent out with the campaign materials to best explain the immediacy of the campaign’s needs, as well as the hope that a donation to this campaign would not then replace a gift to the annual fund.

Overall, it was a productive conversation and the tour of the facility was a real treat! Even in the short amount of time we were there, the increased efficiency and fostering of artistic achievement within all aspects of production was extremely evident. Bonnie seems to be a pro at leveraging strengths to compensate for the lack of financial security; she’s a self-appointed “recycling queen,” an attribute that is essential in this current state of the Theatre. It was very disheartening to hear the extent of the tension between STNJ and Drew, and we’d be interested to hear the take on the relationship from the other side. Will keep close tabs on the progress of the campaign and the pressures of the impending October 2019 balloon payment deadline.