

**F.M. KIRBY FOUNDATION SOLICITATION EVALUATION FORM**

**DATE:** April 9, 2021

**REQUEST DATE:** March 22, 2021

**Last grant acknowledgement:** Yes

**Program Area:** Arts, Culture, Humanities

**APPLICANT:**

State Theatre Center for the Arts, Inc.  
453 Northampton Street  
Easton, PA 18042-3562

**CONTACT:** Ms. Shelley Brown, President and CEO

**PHONE:** 610-258-7766 x 201

**PAYEE OTHER THAN ADDRESSEE:**

**AMOUNT REQUESTED:** \$90,000    **NATURE OF REQUEST:** Toward general operating support

**GRANT HISTORY**

**LAST GRANT DATE:** 4/29/2020

**FYE DATE:** 5/31/2020

**LAST GRANT AMOUNT:** \$90,000

**AFS DATE:** 1/27/2021

2016	\$90,000	12/8/2016
2017	\$85,000	12/8/2017
2018	\$85,000	12/10/2018
2019	\$85,000	12/16/2019
2020	\$90,000	4/29/2020

**DLK COMMENTS:** Financial analysis attached.

**JFT COMMENTS:** It’s good to see that they are planning a modified version of their award-winning FREDDY© program, for which they have commitments from colleges and universities for almost \$200K in scholarship opportunities. They expect to present their Summer Acting Camp in July, and it may be the first group program back at the Theater since its closure.

I recently read that the U.S. Small Business Association (SBA) has announced that the new Shuttered Venue Operators Grant (SVOG) program will launch and begin accepting applications on Thursday, April 8, 2021. The State Theatre intends to request a grant but has applied for a second round of PPP funding, which will surely provide “some interim relief.” I contacted Denise Smith (Vice President, Development) for an update on the *Your Seat is Waiting* Recovery Campaign. They achieved their \$900K goal for the campaign by December 2020 and have extended the campaign (with no public goal) for obvious reasons.

Note that Melissa Starace (Assistant to the President for Board and Community Relations at Lafayette College and Board Member of the Greater Eastern Development Partnership) and Kimberly Rompilla (Senior Vice President at Crayola) remain on the Board.

This is the first request where I’ve read that their “own proprietary survey, along with significant industry feedback, has indicated relatively low interest in virtual.” I like the candidness. They likely do not have the resources to provide a high-quality, virtual performance like many other,

**APPLICANT: State Theatre Center for the Arts, Inc.**

larger arts centers do. The website's only news of the pandemic impact is their request for funding for the campaign and that the box office is open.

The request is short and sweet, and though not exactly presenting a dire tone, it's clear that the State Theatre is in great need of financial support. We have communicated with the Theatre throughout the year. Though the requested amount is \$90K, I recommend the budgeted \$100K with added insert language, as we did with the F.M. Kirby Center for the Performing Arts.

**JJK COMMENTS:** Given the short and sweet request and JFT's comprehensive comments, I decided to look to the website to add some programming perspectives. The website includes some virtual options, including a cover band of The Who, in this case streamed from a theater in Long Island (interesting to see performing arts venues teaming up in this way). Some other spring 2021 performances have been rescheduled, but there are some interesting acts coming up in the summer, health conditions permitting. Great to see some Broadway smash successes coming to State in late 2021 or early 2022, such as *Fiddler on the Roof*, *Hairspray*, and *Rent*. And I am quite confident Ringo Starr and His All Star Band, currently rescheduled for June 2022, will bring in a big crowd.

One surprising aspect of State is that, in comparison to F. M. Kirby Center for the Performing Arts or even MPAC, there is very little children or family programming, virtual or otherwise. FMKCPA has leaned into Mission Based Programming quite a bit during this otherwise quiet period, streaming performances to school groups. As I noted in 2019, this seems like a missed opportunity for State Theatre, in that, at least when it comes to family entertainment, they would not face the competition from Sands casino, as they do with their concerts and performances geared for adults.

As we have seen with our other performing arts venues, State has stayed afloat through a combination of federal rescue dollars, private donations, and continual engagement with members and supporters. As DLK noted, it is good to see State build up foundation / community organization support, with our 2020 grant of \$90K representing 30% of grant revenues (as opposed to 70-90% previously).

I like the recommendation of a one-time boost of \$10K this year. I would suggest we probably return to \$90K in 2022. I recommend \$100K with the added insert language of \$10K for "COVID-19 related needs."

**SDK COMMENTS:** Not exactly a great effort with the request. That said, Shelley has been at it a long time, a real "pro", but imagine this year has taken a lot out of her.

I agree we should likely return to \$90K next year.

**FM KIRBY FOUNDATION**  
**Financial Statement Analysis**

<b>Grantee Name:</b>	State Theatre Center for the Arts, Inc.	<b>Date:</b>	<u>3/24/2021</u>
<b>Prepared By:</b>	DLK		
<b>Grant Request Amt.</b>	\$ 90,000	<b>Type of Financial Report Submitted</b>	<u>Audit</u>
<b>Budgeted Amt.</b>	\$ 100,000	<b>Period Covered in Financial Report</b>	<u>FYE 5/31/20</u>
<b>Audit Firm</b>	Campbell, Rappold & Yurasits LLP	<b>Date of Report Issuance</b>	<u>1/27/2021</u>
<b>Opinion</b>	Present fairly		
<b>Basis of Acctg.</b>	GAAP		

<b>Current Ratio (Liquidity Ratio/Working Capital Ratio)</b>	0.37	<b>Amount of Unrestricted Net Assets (Operating Reserve)</b>	\$ 4,819,106
	0.28 in FY19		

**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.

<b>Allocation of Functional Expenses</b>	<b>FYE 5/31/20</b>	<b>%</b>	<b>Must Read Financial Statement Notes</b>
<b>A. Program Service Expenses</b>	\$ 2,970,786	75%	Ideally program expenses should be at least 70% of total budget.
<b>B. Management and General</b>	\$ 804,357	20%	
<b>C. Fundraising</b>	\$ 180,718	5%	
<b>D. Total Expenses</b>	\$ 3,955,861	100%	

**Comments/ Notes:**

**BUDGET:** The FY21 budget is projecting a \$45K deficit versus a \$53K operating surplus for FY20. Total revenues are budgeted to decline by \$2.8M, \$2.6M of which is performance revenue related and \$120K in decreased sponsorships. Foundation and government grants are budgeted at \$0 (down \$631K) but are noted as being included in the contributions line, which is up \$392K. Investment income is not budgeted, which accounts for an additional \$88K of the decrease year over year. Total expenses are budgeted to decrease by \$2.7M, with no performance expenses (\$1.5M), advertising down \$575K, personnel down \$495K and credit card/box office fees down \$122K. The FMKF grant of \$90K accounted for 30% of the Theatre's grant revenues for FY20 and the current request is 22% of the Theatre's budgeted foundation/community organization dollars. This is a significant improvement from prior years where our grant accounted for 70-90% of their grant monies!

**AUDIT:** There was a \$272K deficit for FY20 vs a \$366K deficit for FY19. Box office and handling fee revenues were down \$881K (31%) from FY19. Sponsorships were also down, coming in \$265K (56%) below prior year. Contributions and grants increased by \$232K (62%). The Theatre picked up \$35K in unrealized/realized investment gains. Total expenses were \$1.1M (21%) lower in FY20, with program expenses accounting for the majority of the decrease. Total net assets declined by \$264K in FY20. Their ability to pay short-term obligations improved slightly from 0.28 to 0.37. Cash and cash equivalents increased by \$210K. The organization received \$158K in PPP monies in April and recognized \$72K as PPP grant revenue for FY20. The remaining \$86K is recorded as a liability as deferred PPP grant revenue. The Theatre had a zero balance on its revolving line of credit (\$500K limit). The Theatre had investments of \$1.6M as of 5/31/20, all of which were endowment-related. Subsequent to the audit, the organization received full PPP loan forgiveness. There are no red flags as a result of my review. The Theatre is struggling but the community appears intent on supporting through these challenging times.

**APPLICANT: State Theatre Center for the Arts, Inc.**

**DISPOSITION:**

- Declination
- Hold for review on/about:
- Approval for: **\$100,000**
- Hold for Board Review
- Insert Information: **Toward COVID-19 related needs-\$10,000**
- Other:

Initials:   *SL*   Date:   *4/9/21*    
Check #: \_\_\_\_\_ Date: \_\_\_\_\_