

F.M. KIRBY FOUNDATION SOLICITATION EVALUATION FORM

DATE: April 12, 2022

REQUEST DATE: April 7, 2022

Last grant acknowledgement: Yes

Program Area: Arts, Culture, Humanities

APPLICANT:

Mayo Performing Arts Center
100 South Street
Morristown, NJ 07960

CONTACT: Ms. Allison Larena, President and CEO

PHONE: 973-539-0345 x 6512

PAYEE OTHER THAN ADDRESSEE: South Street Theater Co., Inc.

AMOUNT REQUESTED: \$100,000 **NATURE OF REQUEST:** For general operating support

GRANT HISTORY

LAST GRANT DATE: 5/3/2021

LAST GRANT AMOUNT: \$200,000

FYE DATE: 6/30/21

AFS DATE: 3/11/2022

2017	\$100,000	9/15/2017	
2018	\$100,000	9/17/2018	
2019	\$200,000	9/16/2019	For: Reserved for Future Decision Fund-\$100,000
2020	\$200,000	4/29/2020	For: Reserved for Future Decision Fund-\$100,000
2021	\$200,000	5/3/2021	For: Reserved for Future Decision Fund-\$100,000

DLK COMMENTS: Financial analysis attached. Unrestricted net assets have more than doubled since FY19 and total \$16.4M as of June 30, 2021. The Shuttered Venue Operators Grant of \$4.3M and the two tranches of PPP monies (totaling \$1.2M) definitely played a part in the Center’s financial health.

JFT COMMENTS: I think this is the first proposal that I have read boasting that events and education programs are close to pre-pandemic levels, a testament to the Board and staff. When the 30% capacity limit on theaters was lifted in June of 2021, MPAC kept the limitations until September, and the decision proved favorable as patrons had purchased tickets based on the capacity limit assumption. Mayo lifted the capacity limit restriction in September and has seen many sold-out shows in the theater that holds 1,319 seats. Their 9 drive-in concerts at Fosterfields Living Historical Farms also proved very successful (revenue exceeded budget expectations by \$10K) with over 600 cars attending the events from the tail end of FY21 through the beginning of FY22.

In September of 2021, MPAC followed strict COVID policies and procedures, requiring patrons to show proof of vaccination or a negative test and a mandatory mask policy. In addition to significant upgrades to the theatre’s building, MPAC hired a compliance officer for check-in at the main plaza, as well as one for backstage upon artists’ request. As of March 1st, the mask policy has become optional, and they have relaxed their vaccination policy, no longer checking patrons for proof of vaccination or a negative test to enter the theater. On March 31st, “MPAC had the honor of

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screening the documentary film, *American River*, directed by seasoned film-maker, Scott Morris, Executive Produced by S. Dillard Kirby,” and attended by 1,061 patrons who “purchased tickets on a ‘pay what you can’ basis, eliminating any financial barrier from attending the screening.” Kudos to SDK! **(JJK: The success of this event makes one think that MPAC should do more similar exclusive film screenings.)**

A full roster of events is planned for FY23 (beginning 7/1/22), and their primary focus will be to “connect with the audience and community through diversity and artistic excellence.” MPAC was unable to offer relaxed, sensory-friendly events to accommodate people with autism and other special needs in FY22, but they do plan to bring back these performances in the FY23 season.

Once again, MPAC’s educational programs remained strong in FY22. *The Performing Arts Company* had 24 young artists (ages 13-21) participate and, after a hiatus in FY21, 20 performances (at community events, hospitals, senior centers, and nonprofit fundraisers) are scheduled to take place by the end of June. Students pay no fees to participate, and the performances are free to host venues. *The Miracle Project* (arts program for children, teens, and young adults with autism and other special needs) saw 63 participants (in-person) during the summer of 2021 and subsequent fall and spring semesters. MPAC’s *Spring Musical Production* (tuition-free opportunity for young artists ages 10-25 to audition for and perform in a full-scale musical) will culminate with the School of Rock from June 23rd through June 5th. They anticipate over 4,000 in attendance. The aforementioned programs (free of charge to students and host organizations they serve) will continue in FY23, including after-school arts enrichment and outreach programs.

The *Artist in Residency* Program, which was also on hiatus in FY21, is currently taking place in Morris, Bergen, Passaic, and Hunterdon County schools and is serving 820 students. *Arts on the Road* will resume in-person classes in May and June this year providing 50 students from the Boys and Gils Clubs of Paterson and Passaic class instruction in musical theatre performance and will also run a program at the Morristown Neighborhood house (for children ages 2-5) from February through April, serving 14 children. Though *School Time Field Trips* were nonexistent in FY21, many “on-demand” program options were offered and proved successful. There is an in-person event scheduled for later this month (20 schools have registered). MPAC will work closely with schools in FY23 to determine the viability of school time performances. *Arts Recognition* programs resumed an in-person format in FY22. By the end of FY22, 43 students will have been honored, representing 24 schools in 17 towns. MPAC was the sole Organizational Partner in FY22 to facilitate NJ State Council on the Arts’ *Poetry Out Loud* national recitation contest. And finally, MPAC brought back their annual *Visual Art Cover Contest* (after a hiatus in FY21). Thirty-six participants from 6 different schools submitted work that was displaced in Art Upstairs at the theater. All of these programs are slated to continue in FY23.

MPAC’s community actions outside of the theater included presenting 10 events attended by over 2,500 visitors at locations including the lawn in front of the Vail Mansion, at George Gramby Memorial Park, Morristown Senior Housing, and on Zoom.

The narrative states that “MPAC made tremendous strides with its commitment to Diversity, Equity, Inclusion and Accessibility in the past year, which has led to many events throughout the community, as well as collaborations. While historically MPAC has operated with a mostly white (non-Hispanic) Board of Trustees and staff (reflecting Morris County’s 69% white population), we acknowledge the importance of diversifying our leadership, staff, and volunteer corps and further

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engaging the 31% who represent our area's minority communities. In the past two years, MPAC welcomed five new Trustees who are people of color. Four are women who are younger in age than other Trustees. One Trustee identifies as both black and a member of the LGBT community. Plans for community outreach in FY23 include “engaging over 4,000 people from Morristown and the wider region annually through 20-30 free performances, mostly at unconventional locations that have been suggested, planned and performed by local residents from diverse and under-engaged communities. This initiative is MPAC's most robust outreach program, designed to enrich the lives of all community members, especially lower-income families, the area's growing Hispanic immigrant, and black and brown populations, and Millennials who access fewer arts experiences locally.” The program will continue to engage community members who have limited arts access due to financial constraints or cultural or linguistic barriers and provide free events directly in their neighborhoods, including concerts, dance, spoken word, film, and creative placemaking initiatives in non-traditional spaces, in collaboration with other local arts and culture organizations, ethnic associations and businesses.

The request reveals many remaining organizational challenges due to the ebb and flow of the pandemic: COVID spikes, public perceptions of safety, increased production and operations expenses, staffing, and parking. Disappointing news from the Morristown Parking Authority is that plans for a garage to be built in the vicinity (behind Grasshopper on the Green) have moved from “stalled to postponed indefinitely.” MPAC has met and conquered many challenges in the past, and I expect they will continue to do so.

FY21's first priority was to re-open the theater and secure its financial position. Though the capital campaign was basically put on the backburner last year, Alison Larena and MarySue DePaola (Director of Development) continue to meet with donors and the Capital Campaign Committee. With the disappointing parking lot news, they are “entertaining a revision to the existing plans” for expansion. They have recently had an informal conversation with The Angeletti Group and Peter Hansen Philanthropic Solutions for a revised plan and hope to meet with Committee members shortly to shore up strategies going forward.

The Board saw one member transition off and added one new member.

Another well-done request from MPAC. This organization is such a huge asset to the Morristown community. I recommend continued \$100K support for general operations and leave the decision of how much RFD funding to JJK (and JWK), as \$400K in total was budgeted for 2022.

JJK COMMENTS: I would like to add a little more color to the pending capital campaign plans, considering half of the proposed and recommended grant would be going to this campaign. As JFT notes, the postponement of construction on the parking garage has led to MPAC deciding not to move forward with its smaller, 350-seat, black box performance space. However, there are a few critical capital improvements that would still be made:

- 1) The expansion of the education classrooms, to include a versatile performance space that would be the same square footage as the actual stage. Given the growth and success of the education program, the expansion of its space seems like a high priority right now.
- 2) New loading bays and parking for touring vans and trucks, to alleviate some of the difficulties encountered with moving large set pieces and equipment through the front doors.
- 3) An expansion that would double the administrative space.

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- 4) A basement level expansion that would accommodate much-needed storage space.

There would be an opportunity to further expand performance space at a later date, if conditions were right and a more novel parking solution was advanced. My sense is that MPAC is still a year or two away from formally launching the campaign.

I admire MPAC's commitment to bringing arts and culture to the region, no matter how challenging the circumstances. The creativity with which they engineered programs like the Drive-in Concert Series demonstrates how Mayo's programming and mission extend well beyond the walls of the Community Theater itself.

I'll note that, over the course of the last six months, MPAC has hosted several events that felt like they marked milestones in the recovery from the pandemic, neither of which are mentioned in the request. In September of 2021, they hosted a screening of "Closed Until Further Notice" (not mentioned in the request), which told the stories of eight different businesses in the town affected by the pandemic. The screening felt like a symbolic moment of seeing the light at the end of the tunnel and beautifully elevated the ways in which the community lifted each other up. Then, in February 2022, Morristown OnStage, the performance competition that showcases a diversity of talents in the community, returned, itself a celebration of Morristown and its people. Another moment in which the community came back together to celebrate its young people and its resilience.

Great to see MPAC in a strong financial position, especially with a sharp increase in unrestricted net assets. Who would have thought, in May 2020, they would have financials like this just two years later? This is not to say that there are no challenges ahead in rebuilding earned income, but that they are able to face the future from a strong position.

I had the opportunity to spend some time recently with one of their new Board members, Ken Lantigua, who is a fantastic addition!

I recommend \$100K in general operating support and \$100K towards the Reserved for Future Decision Fund.

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FM KIRBY FOUNDATION Financial Statement Analysis

Grantee Name:	Mayo Performing Arts Center	Date:	4/7/2022
Prepared By:	DLK		
Grant Request Amt.	\$ 100,000	Type of Financial Report Submitted	Audit
Budgeted Amt.	\$ 400,000 (\$300 RFD/ \$100 GOS)	Period Covered in Financial Report	6/30/2021
Audit Firm	Fylstra & Associates, LLP	Date of Report Issuance	3/11/2022
Opinion	Present Fairly		
Basis of Acctg.	GAAP		

Current Ratio (Liquidity Ratio/Working Capital Ratio)	2.84	Amount of Unrestricted Net Assets (Operating Reserve)	\$ 16,390,893 \$6,685,828 in 2019!
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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	6/30/2021	%	Must Read Financial Statement Notes
A. Program Service Expenses	\$ 3,736,369	76%	Ideally program expenses should be at least 70% of total budget.
B. Management and General	\$ 653,847	13%	
C. Fundraising	\$ 545,277	11%	
D. Total Expenses	\$ 4,935,493	100%	

Comments/ Notes:

FY22 Budget: FY22 is projected to have a \$266K surplus vs a surplus of \$1.9M for FY21. Earned income is budgeted to bounce back with the theater opening (up \$8.4M from FY21)! Contributed income for FY22 is budgeted to decline \$1.7M (31%), with grant income down \$2.2M but \$2/\$3 ticket contributions up \$313K. Total expenses are budgeted to return to pre-pandemic levels (up \$8.3M from FY21).

FY21 Audit: FY21 had an operations surplus of \$3.9M vs a deficit of \$203K in FY20 and an overall increase in net assets of \$4.2M. Total support and revenue declined \$2.0M (19%) from FY20, with all ticket-related revenue suffering from the global pandemic and resulting in show cancellations. Box office sales dropped \$5.7M (93%), concessions were down \$385K (88%), and education revenue declined by \$278K (68%). Contributions grew by \$4.3M (143%) and the Theater booked \$549K in PPP loan forgiveness for FY21. Expenses were down \$6.1M (55%), with the majority coming from program services (\$5.2M) but all line items decreased. There was a positive swing in investment returns of \$406K. MPAC had investments of \$2.2M as of June 30, 2021. MPAC has an unsecured \$2M line of credit (prime plus .5%) with no balance outstanding as of June 30, 2021. MPAC has long-term debt of \$2.2M pertaining to a 20-yr mortgage loan for 13 Pine and a 20-year bond for the Theater. MPAC was in compliance with all bond covenants as of June 30, 2021. MPAC received a second round of PPP monies in FY21 totaling \$700K. In July 2021, the Theater applied for and was approved a Shuttered Venue Operators Grant (SVOG) totaling \$4.3M. The Organization had one related party transaction. MPAC paid \$145K to Larena Construction Company (owned by the President/CEO's spouse) for construction services. Overall, no red flags as a result of my review.

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DISPOSITION:

- Declination
- Hold for review on/about:
- Approval for: **\$200,000**
- Hold for Board Review
- Insert Information: **For: Reserved for Future Decision Fund-\$100,000**
- Other:

Initials: JK Date: 4/13/21
Check #: _____ Date: _____