

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

**DATE:** November 15, 2023

**REQUEST DATE:** October 17, 2023

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

**APPLICANT:**

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

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

**AMOUNT REQUESTED:** \$100,000

**NATURE OF REQUEST:** General Operating Support

**GRANT HISTORY**

**SUPPORT:** 1986-2022

**# OF APPROVED GRANTS:** 34

**TOTAL DOLLARS:** \$3,200,000

**LAST GRANT DATE:** 12/12/2022

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

**FYE DATE:** 05/31

**AFS DATE:** 09/27/2023

<b>Year Approved</b>	<b>Approved Amount</b>	<b>Approval Date</b>	<b>Grant Purpose</b>
2022	\$90,000	12/12/2022	General Operating Support
2021	\$100,000	05/03/2021	Toward COVID-19 related needs-\$10,000
2020	\$90,000	04/29/2020	General Operating Support
2019	\$85,000	12/16/2019	General Operating Support
2018	\$85,000	12/10/2018	General Operating Support

**DIANA KOSTAS COMMENTS:** See financial analysis.

**GINA BEVIGLIA COMMENTS:** State Theatre Center For The Arts, located in downtown Easton, Pennsylvania, has been operating as a cultural arts venue for over 100 years. Listed on the National Register of Historic Places, the 1,500 seat theatre is the home for Broadway performances and live music in Northampton County.

State Theatre’s 2022/23 season, the organization’s 96<sup>th</sup>, included 43 performances attended by 44,000 paid guests, an improvement from the 38 shows in the 2021/22 season but still small in comparison with pre-pandemic scheduling. I should be clear here that State Theatre’s struggles with attendance pre-date the pandemic. During the 2018/19 season, ST’s attendance was at a then-

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low, with 76,000 guests attending 75 performances. While we have come to think of returning to pre-pandemic attendance as a victory for arts organizations, ST would need to reach this benchmark and then some in order to secure a comfortable level of financial and organizational sustainability (**JJK: Good point**). This season did have some triumphs, though, with Blue Man Group, *The Book of Mormon*, and *One Night of Queen* performing in front of ST's first sold-out audiences since the pandemic. ST is hoping to implement some cost-savings and audience-building tactics during their 97<sup>th</sup> season, which began on September 7<sup>th</sup>. Because they bring in much-needed revenue, additional Broadway performances have been added to the schedule. After an initial delay due to funding availability, ST has launched their "Stay Beyond the Show" marketing campaign. This project is intended to utilize Easton's restaurant and nightlife scene to encourage potential patrons to consider attending a show at ST as a whole-day or whole-evening event. In addition to "Stay Beyond the Show," ST has engaged with a marketing agency to run targeted ads; because of the high cost associated with continuing such communications and marketing tactics, ST has asked for funding from the Northampton County Department of Economic and Community Development.

A few observations about ST's current season:

Shows in the current season largely fall into three categories: Broadway musicals, cover bands, and ballet. Despite having "extracurricular" educational opportunities for young people, there are only two main stage performances this season intended specifically for children. The lack of children's programming is something JJK has also wondered about in past EFs; this is something I will be sure to ask about on a future site visit, given that shows like Cocomelon bring such reliable attendance for MPAC and the Kirby Center. It is no secret that ST's target demographic skews older, with performances like The Doo Wop Project and Simon and Garfunkel cover bands. In the past, ST has credited the competition from the Sands Casino in Bethlehem with lower attendance in the past decade; however, I don't think this tells the full story. Programming at both ST and the Sands is targeting the same demographic: an older audience that is far less likely to be attending live performances after the pandemic. There seems to be a clear opportunity here for ST to expand its programming to entice younger audiences. In a recent conversation with Jared Mast, Executive Director at Greater Easton Development Partnership, he told me that GEDP is partnering with State Theatre to secure a talent buyer or touring agent and launch a GEDP-sponsored music series targeting younger audiences at ST. This project is still in a planning phase, and was not included in ST's request, but I was thrilled to hear about this plan and glad to know that GEDP is getting involved at ST to help them attract new audiences (**JJK: Isn't this similar to what Kirby Center has?**). While it is unclear what the scope of this series could look like, I do believe that simply getting younger attendees in the doors and reorienting how people in the area think about ST will be a step in the right direction.

The beauty of ST is one of its greatest assets, given that there are three event spaces that can be used for rental opportunities. For the second year in a row, however, ST is operating without an Events Coordinator, meaning that it has not earned any revenue from rentals. The request states that they hope to "fund" this position in the coming year, suggesting that budget constraints are contributing to this vacancy. Given that ST has three versatile event spaces in their building, it certainly seems that filling this position should be a top priority in order to earn rental income. On the topic of staffing, I wonder if any succession planning has been done in preparation for the retirement of Shelley Brown, President and CEO of many years.

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The FREDDY Awards, a live award show broadcast mimicking the Tony Awards that focuses on high school theater, is perhaps ST's most innovative and creative program. The 2024 FREDDY Awards will involve 29 area high schools. This year, ST is also launching its first FREDDY Masterclass featuring Broadway actress Sharon Wheatley. This event will be free for all students at participating FREDDY schools and offers an opportunity for students to remain involved with ST and this program outside of "awards season." I concur with the language in the request that describes this program as a "diverse and joyful celebration of what we have in common." From what I have seen from photos of the FREDDY Awards online, ST overlooks no detail in ensuring that the audience gets a true red carpet experience, complete with photographers, formal attire, live performances, and local celebrity hosts. I would love to attend the FREDDY Awards in the future as I believe it is the best example of ST's mission "in action." **(JJK: Great idea).** For students from ages 5-18, ST offers two-week acting classes. This year, 145 students participated in this program, with such increased interest from 1<sup>st</sup>-3<sup>rd</sup> graders that a second class was added for this age group. While I am happy that this annual program seems to attract a healthy audience, I don't know why ST wouldn't capitalize on these young people interested in performance by offering main stage shows intended for them as well. **(JJK: Excellent point. You get them into the theater – and then give them no reason to return until they are teenagers?)**

I want to be clear that the State Theatre, operating exactly as it currently is, contributes immense value and vibrancy to the Easton community. Simply because ST's slate of performances target an older audience, this does not mean that they do not inspire joy and feelings of community belonging in audience members. Further, the FREDDY Awards and ST's acting classes offer students interested in the performing arts a chance to be celebrated in a world that so often prioritizes the celebration of athletic and academic ability in young people. With that being said, we have been aware for some time that ST is not exactly the picture of organizational or financial health, and will likely need a great deal of reinvigorating to restore it to any semblance of its former glory. My conversation with Jared about bringing a new music series to ST was uplifting, as it demonstrated that this kind of revitalization is not only possible, but already beginning to happen. Perhaps, with new leadership seemingly imminent, a more all-encompassing strategic direction and planning process can commence. Certainly, State Theatre benefits immensely from unrestricted funding; I support the budgeted \$90,000 for general operating support and plan to make a site visit to State Theatre a priority for the near future.

**JUSTIN J. KICZEK COMMENTS:** There are many signs in this proposal of State Theatre moving in a positive direction, after the lows of Covid. That said, there is no question that their recovery curve is a much longer, gradual arc than the sharp improvements we have seen from venues like MPAC and theater houses like Papermill. Great news about bringing in more live music acts (Easton can draw from both Northern NJ and Northeastern Pennsylvania). (Also, GEB, I wonder if the talent buyer would be looking at comedy as well? If I recall correctly, comedy shows were doing really well for Kirby Center). GEDP (and Lafayette, for that matter) should have a vested interest in State Theatre's success.

I recommend \$90K in general operating support.

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FM KIRBY FOUNDATION			
Financial Statement Analysis			
<b>Grantee Name:</b>	State Theatre Center for the Arts, Inc.	<b>Date:</b>	10/25/2023
<b>Prepared By:</b>	DLK		
<b>Grant Request Amt.</b>	\$ 100,000	<b>Type of Financial</b>	
<b>Budgeted Amt.</b>	\$ 90,000	<b>Report Submitted</b>	Audit
		<b>Period Covered</b>	
		<b>in Financial Report</b>	5/31/2023
<b>Audit Firm</b>	Campbell, Rappold & Yurasits LLP		
<b>Opinion</b>	Present Fairly	<b>Date of Report</b>	
<b>Basis of Acctg.</b>	GAAP	<b>Issuance</b>	9/27/2023
<b>Current Ratio (Liquidity Ratio/Working Capital Ratio)</b>	1.31	<b>Amount of Unrestricted Net Assets (Operating Reserve)</b>	\$ 5,927,249
<p><b>Note:</b> 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.</p>			
<b>Allocation of Functional Expenses</b>	5/31/2023	%	Must Read Financial Statement Notes
<b>A. Program Service Expenses</b>	\$ 4,046,726	78%	Ideally program expenses should be
<b>B. Management and General</b>	\$ 951,398	18%	at least 70% of total budget.
<b>C. Fundraising</b>	\$ 177,965	3%	
<b>D. Total Expenses</b>	\$ 5,176,089	100%	
<b>Comments/ Notes:</b>			
<p><b>FY24 BUDGET:</b> The FY24 budget projects a deficit of \$46K for FY24 vs a deficit of \$365K for FY23. Total income is budgeted to grow by \$584K (13%), with growth in performance revenue (up \$454K/13%) and grant revenue (up \$59K/23%) . Total expenses are budgeted to increase by \$265K (5%), with performance expenses growing \$191K (9%) and personnel expenses increasing by \$60K (4%). The Theatre's request for \$100K accounts for 40% of its budgeted \$250K in foundation grant monies.</p>			
<p><b>FY23 AUDIT:</b> The Theatre had an overall deficit of \$718K for FY23 vs a surplus of \$784.7K for FY22. Total revenues without donor restrictions declined by \$183K (4%) but FY22 included a Shuttered Venue Operators Grant of \$1.9M and PPP grant income of \$97.0K. If you back out those two, revenues grew by \$1.9M as the Theatre re-opened. Total expenses grew by \$1.4M (36%) as the Theatre reopened and expanded its show offerings. The biggest increases occurred in artist fees (up \$1.1M) and personnel costs (salaries/taxes/insurance/benefits up \$213K). The Theatre had investments of \$2.1M as of May 31, 2023, all of which are endowment-related. The Organization has a \$500K revolving line of credit, with no outstanding balance as of May 31, 2023. One significant deficiency was indentified during the audit with regards to internal control over financial reporting. It involved segregation of duties, which is common with a small staff. One person was preparing/signing checks, reconciling the bank accounts, performing payroll and maintaining the general ledger. Management and the BOD will be involved in the financial affairs of the Organization but the Organization doesn't feel it is financially feasible to hire enough individuals to achieve proper segregation of duties. We will monitor progress in next year's audit.</p>			

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**DISPOSITION:**

- Declination
- Hold for review on/about:
- Approval for: **\$90,000**
- Hold for Board Review
- Payee Other Than Addressee:
- Insert Information: **General Operating Support**
- Other:

Initials: JK

Date: 11/17/2023

Check #                     

Date: