

F.M. KIRBY FOUNDATION SOLICITATION EVALUATION FORM

DATE: April 4, 2018

REQUEST DATE: March 8, 2018

Last grant acknowledgement: Yes

Program Area: Education

APPLICANT:

The Hill Center, Inc.
3200 Pickett Road
Durham, NC 27705-6010

CONTACT: Ms. Beth Anderson, Executive Director

PHONE: 919-719-7585

PAYEE OTHER THAN ADDRESSEE:

AMOUNT REQUESTED: \$100,000 **NATURE OF REQUEST:** In support of Hill’s 40th Anniversary, specifically: for general operating support - \$80,000; toward Hill faculty professional development - \$20,000

GRANT HISTORY

LAST GRANT DATE: 4/28/2017 **LAST GRANT AMOUNT:** \$80,000 **AFS DATE:** 8/28/2017

2010	\$40,000	10/29/2010	
2011	\$50,000	11/30/2011	
2012	\$65,000	11/30/2012	
2013	\$750,000	12/16/2013	For: Support of Scale-Up of the Hill Reading Achievement Program (HillRAP)-\$250,000 in 2013, 2014, and 2015
2017	\$80,000	4/28/2017	

2016 request was received after October 31st. AKH/LHV endorsements have been received.

DLK COMMENTS: See financial analysis.

JFT COMMENTS: LHV’s involvement with the strategy consulting team enables her to give honest feedback regarding the immediate plans for the Hill Center. The programs and platforms progress report is helpful, but there are new development staff on board, so the 2018 proposal looks a little different than in the recent past and does not reveal the same data. We know that the HC always has ambitious goals and the HillRAP Scale-Up is, for all intents and purposes, complete; we also know that they did not achieve their ultimate goals, but it would be helpful to see the final results (e.g. how many districts – from 18 to 28?, certified teachers and mentors, students served and progress tracked, and teachers trained). Mention is made of rolling out their licensing model to current partners this spring; I believe that has been in the works since the Board meeting held at the Hill Center in 2016, so hopefully it is successful and generates additional revenue. Good to read of the East Durham Learning Collaborative and the tutoring of students from the Durham Boys & Girls Clubs.

The 2018 focus in this 40th Anniversary year is “organizational infrastructure, teacher scholarships, research and evaluation, and HillRAP/HLS Partnerships.” I like the new strategic efforts and

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the volunteer labors of AKH, GAH, and LHV make it especially easy to recommend the budgeted \$100K to be designated as WHB/SDK deem appropriate.

WHB COMMENTS: A lot is happening that is both exciting and worrisome at the same time. The arrangement with the Poses Foundation and subsequent possible monetization of the HLS is a game changer and may require additional personnel resources to monitor and manage.

Stats are strong and outcomes are verifiable, such as the Friday Institute which should continue to attract additional funding. Perhaps most impressive is the Statewide Partnership Strategy.

My only concern is that there may be too many things happening at once and that there may be some risk of lost quality control.

I'm all in for \$100K with \$20K for Hill faculty professional development.

SDK COMMENTS: I agree that there is much change going on here which always raises concern, and I do wonder how much of this is Board driven and/or is Beth Anderson "in over her head" here. (Meanwhile, she is taking a salary cut and it seems that more and more is falling on her shoulders until key positions are filled and others eliminated; hopefully, the pro-bono consulting team, along with the Strategic committee (for which LHV sits), can get this sorted out. The mini campaign is fine, but the sub-categories have been met with much different results to date; student financial aid funding seeing little traction.

AKH and I also did have some back and forth on the long-term debt situation on which Beth puts a positive spin. I believe AKH intends to pursue this aspect further.

I am okay with recommending what is highlighted below, placing quite a bit of weight on the direct Horton family involvement. We may want to have a private conversation with the Oak Foundation and/or Kenan at some point and seek/provide current thinking. I believe we did that previously with Mebane and found it quite helpful.

FM KIRBY FOUNDATION
Financial Statement Analysis

Grantee Name:	The Hill Center	Date:	<u>3/16/2018</u>
Prepared By:	DLK		
Grant Request Amt.	\$ 100,000	Type of Financial Report Submitted	Audit
Recommended Amt.	\$ 100,000	Period Covered in Financial Report	<u>FYE 6/30/17</u>
Board Approved Amt.			
Audit Firm	Thomas, Judy & Tucker, P.A.	Date of Report Issuance	<u>8/28/2017</u>
Opinion	Present fairly		
Basis of Acctg.	GAAP		

Current Ratio (Liquidity Ratio/Working Capital Ratio)	9.99	Amount of Unrestricted Net Assets (Operating Reserve)	\$ 5,888,259
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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	6/30/2017	%	Must Read Financial Statement Notes
A. Program Service Expenses	\$ 5,042,929.00	78%	Ideally program expenses should be at least 70% of total budget.
B. Management and General	\$ 1,103,847.00	17%	
C. Fundraising	\$ 333,721.00	5%	
D. Total Expenses	\$ 6,480,497.00	100%	

Comments/ Notes:

The 2017/18 budget is projecting to break even versus a surplus in 16/17 of \$405K. Revenues are projected to decline by \$128K, primarily in the gifts/grants/endowment area but its hard to tell as the budget formats are different year over year. Expenses are projected to increase by \$277K.

The Hill School had an operating surplus of \$234.5K for the period ended 6/30/17. Revenues were up \$1.7M or 28%, primarily due to positive investment returns and a modest increase in net tuition revenues. Expenses were up \$1.3M or 20% primarily due to the recognition of an impairment loss of \$1.1M on work in progress of software costs. During 2017, the Hill Center determined that the commercial viability of the software was limited and calculated the estimated realizable value. HC had investments of \$10.4M, of which \$8.4M were endowment related. 71% of The Hill Center's endowment assets are permanently restricted, the remaining 29% are board designated.

All in all, I see no red flags as a result of my review.

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DISPOSITION:

- Rejection
- Hold for review on/about:
- Approval for: **\$100,000**
- Hold for Board Review
- Insert Information: **In support of the Hill Center's 40th Anniversary-for general operations-\$80,000; for Hill faculty professional development-\$20,000**
- Other:

Initials: rat

Date: 7/17/18

Check #: _____

Date: _____