

F.M. KIRBY FOUNDATION SOLICITATION EVALUATION FORM

DATE: August 3, 2018

REQUEST DATE: June 27, 2018

Last grant acknowledgement: Yes

Program Area: Health

APPLICANT:

American Cancer Society, Inc.

Eastern Division

Suite 103

7 Ridgedale Avenue

Cedar Knolls, NJ 07927

CONTACT: Mr. Christopher Thomas, Senior Director, Principal Partnerships

PHONE: 508-270-4830

PAYEE OTHER THAN ADDRESSEE:

AMOUNT REQUESTED: \$300,000 **NATURE OF REQUEST:** Toward patient services - \$50,000; toward extramural research immunotherapy - \$250,000

GRANT HISTORY

LAST GRANT DATE: 12/8/2017

LAST GRANT AMOUNT: \$250,000 **AFS DATE:** 6/27/2018

2013	\$350,000	12/16/2013	For: Programs in the Northwest New Jersey Region-\$100,000; National Home Office-Cancer research-\$250,000 for Post-doctoral Fellows, Justin E. Wilson, Ph.D. and Murisa F. Riley, Ph.D.
2014	\$350,000	12/15/2014	For: Programs in the Northwest New Jersey Region-\$100,000; National Home Office-Cancer research-\$250,000 for Post-doctoral Fellows, Alexander Valvezan, Ph.D. and Bryan Yestrepky, Ph.D.
2015	\$325,000	12/11/2015	For: Programs in the Northwest New Jersey Region-\$75,000; National Home Office-Extramural Research support in immunotherapy-\$250,000
2016	\$285,000	12/8/2016	For: Programs in the Northwest New Jersey Region-\$60,000; National Home Office-Extramural Research support in immunotherapy-\$225,000
2017	\$250,000	12/8/2017	For: Programs in the Northwest New Jersey Region-\$30,000; National Home Office-Extramural Research support in immunotherapy-\$220,000

DLK COMMENTS: See financial analysis.

WHB COMMENTS: My thoughts remain essentially the same as previous years in that the research investment is paramount and continued pursuit of new immunotherapeutic treatments most appropriate as personalized medicine advances in parallel. However, the Melanoma Research Alliance (MRA) focus (see attached printout) which describes a more clinical approach to offset certain side effects, such as an onset of colitis in some patients, is another example of why immunotherapy can be so inconsistent and slow to advance. Nonetheless, I see the value in continuing our support for immunotherapy and remind us that the ACS sends us the names and summaries of researchers it has selected for our funding, at which point we receive more thorough and specific research descriptions.

APPLICANT: American Cancer Society, Inc./Eastern Division

I am not overwhelmed by this request; underwhelmed is more appropriate. But as it is our desire to support cancer research, it remains appropriate to invest in the expertise that the ACS and its extramural grants committee command.

SDK COMMENTS: I agree with WHB’s critical comments of the brief narrative. That said, I think their stewardship reports are very comprehensive and are helpful when reviewing in concert with the proposal material. Also, the current research focus on immunotherapy and its direct application to melanoma is right on target with our interests. I do wonder how complementary, or not, the research is with that of the Cancer Research Institute which focuses solely on immunotherapy. **WHB comment: As an FYI, there are currently 7 immunotherapy clinical trials for melanoma according to the CRI.**

Diana – Could you please check on the tremendous drop in interest, dividends at the local level? I don’t get it and no balance sheet to help analyze for the local chapter.

DLK update: ACS experienced greater performance on investments in 2017 which the organization felt was not likely to be repeated in 2018. I’ve attached the breakout on their gains/losses which shows the huge jump in the value of their split interest agreements, as well as increased market values. They did not feel comfortable budgeting any change in value for split interest agreements.

	Budget 2018	Actual 2017
Investment	19,000,000	22,967,577
Change in Value - Split Interest	-	30,570,457
Gains/Losses	8,762,197	56,512,672
	27,762,196	110,050,712

On the budget, this is reflected as Interest/Dividends. I suggested to Dara Heidt that next year they use the same line items as the audit: 1) Investment Income and 2) Change in Value – Split Interests to clear up any confusion.

FM KIRBY FOUNDATION
Financial Statement Analysis

Grantee Name:	American Cancer Society - Eastern Division	Date:	<u>7/24/2018</u>
Prepared By:	DLK		
Grant Request Amt.	<u>\$ 300,000</u>	Type of Financial Report Submitted	<u>Audit (National)</u>
Recommended Amt.	<u>\$ 250,000</u>	Period Covered in Financial Report	<u>12/31/2017</u>
Board Approved Amt.	<u> </u>	Date of Report Issuance	<u>6/27/2018</u>
Audit Firm	<u>Ernst & Young LLP</u>		
Opinion	<u>Present Fairly</u>		
Basis of Acctg.	<u>GAAP</u>		

Current Ratio (Liquidity Ratio/Working Capital Ratio)	1.18	Amount of Unrestricted Net Assets (Operating Reserve)	\$ 514,084,000
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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	FYE 12/31/17 (in thousands)	%	Must Read Financial Statement Notes
A. Program Service Expenses	\$ 658,182	79%	Ideally program expenses should be at least 70% of total budget.
B. Management and General	\$ 37,896	5%	
C. Fundraising	\$ 142,343	17%	
D. Total Expenses	<u>\$ 838,421</u>	<u>100%</u>	

Comments/ Notes:

The NE Region is budgeting an operating deficit of \$9M for 2018 versus a surplus of \$4.3M in 2017. Total earned income is down \$23M, with interest/dividends accounting for \$16M and fundraising events \$7M. Total public support is budgeted at a 6% increase, while private support is targeted to be 3% below 2017. Total expenses are budgeted at 7% below 2017.

The audit is for the national organization. There was a \$32M surplus as of December 31, 2017 (as compared to a \$51.8M deficit as of December 31, 2016) which resulted in cash used by operations of \$93M. As part of American Cancer Society's overall cost reduction strategies, mission program expenses were flat to 2016, while management and general expenses were down \$9.4M (20%) and fundraising expenses declined by \$33M (19%) . The Society had investments of \$795.4M, of which \$101M were endowment related. Overall, there were no red flags that arose as part of my review.

DISPOSITION:

- Rejection
- Hold for review on/about:
- Approval for: **\$250,000**
- Hold for Board Review
- Insert Information: **For: Programs in the Northwest New Jersey Region-
\$30,000; National Home Office-Extramural Research
support in immunotherapy-\$220,000**
- Other: **Send copy of insert and check to National; Eastern Division on check
memo line**

Initials: *rac*

Date: *8/3/18*

Check #: _____

Date: _____