

F.M. KIRBY FOUNDATION SOLICITATION EVALUATION FORM

DATE: March 13, 2018

REQUEST DATE: December 21, 2017

Last grant acknowledgement: Yes

Program Area: Education

APPLICANT:

The Lawrenceville School

PO Box 6008

Lawrenceville, NJ 08648

CONTACT: Mr. Stephen S. Murray, H'55 '65 P'16, The Shelby Cullom Davis '26 Head Master

PHONE: 609-896-1208

PAYEE OTHER THAN ADDRESSEE: Trustees of the Lawrenceville School

AMOUNT REQUESTED: \$750,000 **NATURE OF REQUEST:** Toward an appropriate and mutually agreeable naming opportunity in the new field house/dining center complex and to reallocate the balance of the Reserved for Future Decision Fund to the Kirby House Endowment and The F.M. Kirby Math and Science Center Maintenance Fund.

GRANT HISTORY

LAST GRANT DATE: 4/28/2017 **LAST GRANT AMOUNT:** \$550,000 **AFS DATE:** 12/15/2017

2013	\$750,000	4/29/2013	For: The Kirby Science Center Endowment Fund-\$250,000; for the Kirby House Endowment Fund-\$150,000; toward the Kirby Reserved for Future Decision Fund-\$350,000
2014	\$750,000	4/14/2014	For: The F.M. Kirby Science Center Endowment Fund-\$550,000; for the Kirby House Endowment Fund-\$150,000; for the Culbertson Family Scholarship Fund-\$50,000 (in memory of Dr. Jack H. Culbertson)
2015	\$700,000	4/13/2015	For: The F.M. Kirby Math and Science Center Maintenance Endowment Fund-\$550,000; for the Kirby House Endowment Fund-\$150,000
2016	\$625,000	4/4/2016	For: The F.M. Kirby Math and Science Center Maintenance Endowment Fund-\$500,000; for the Kirby House Endowment Fund-\$100,000; toward Kirby House furnishing-\$25,000
2017	\$550,000	4/28/2017	For: The F.M. Kirby Math and Science Center Endowment Fund

DLK COMMENTS: See financial analysis attached.

WHB COMMENTS: I have little, if anything, of added value to contribute as SDK and JWK have thoroughly parsed the options with respect to the RFD account and ongoing annual support along the lines of our prior giving history. Of all the points SDK raised in his exchange with JWK, I find his referencing to "allow for a transition period as the next generation becomes more involved..." is key to determining future targets for annual support to reflect their advocacy. That said, prior to pulling back, I view partial, but at an appreciable level, distribution of the RFD fund

APPLICANT: The Lawrenceville School

toward the dining/sports facility as entirely appropriate and perhaps even expected. But if the new sports complex is to be the signature project of the Tsai family, then a more logical and perhaps fitting release of the RFD toward really boosting the Math and Science maintenance endowment should be strongly considered because it is, in my opinion, the Kirby Family signature project.

SDK COMMENTS: Per SDK's 1/30/18 email, the following correspondence with JWK is to serve as his proposal comments:

“As a follow-up to our conversation in November, email exchanges between you and Steve Murray, and my review of this year's grant request, I have given Lawrenceville ample thought in recent weeks. I offer the following summary points, but first a few broad comments.

Without being too corny or sentimental, perhaps now with Dad and Mom having passed, you having retired from the Board, and no more Kirby children likely to matriculate to Lawrenceville in the immediate future, it is a good time to pause and reflect on the large RFD account and give thought about the partnership going forward. You may have very different views, but I think that a) we like the current leadership and direction of the school; b) perhaps we should “clean the deck” in terms of the RFD account and emphasize endowment support for the upkeep of what Dad and you, in terms of the Math wing, were instrumental in creating; c) then move forward with any new dollars. Perhaps our next move is to help with the athletic center. Maybe part of our efforts/legacy is also to at least try and develop broader Kirby branch support thru the KA (within the spirit of no “arm twisting”) as both the APK and Culbertson branches likely have at least have some interest, perhaps a 2019 “Lawrenceville” Day for the KA, not unlike our day at Lafayette; and d) given our lower budget, somewhat diminished daily connection to the school, and possibility for garnering KA support, we should consider our current level (\$550k grant in 2017) as an intermediate peak, and depending on how things develop over the next five years (on both a macro and micro level), think of Lawrenceville as a priority in the annual grant range of \$400k-\$550k, certainly below our range at Lafayette (based on relationship, difference in Lawrenceville/Lafayette size budget, etc.). I think this approach would give our current Board some comfort and allow for a transition period as the next generation becomes more involved (some who likely, in time, may have a deep interest in keeping the Lawrenceville relationship robust).

Summary points:

- 1) Steve seems to have listened and reviewed your written comments carefully in terms of how he ultimately crafted the request. As it relates to the current Kirby endowments versus need, naturally the ideal would be to have every Kirby named building to have a higher endowment for maintenance and R&R. That said, I doubt there is any other building on the campus, and probably very few secondary schools in the country with as high a ratio of endowment versus an endowment to cover full maintenance and R&R (please see my pencil notations on the right side of Steve's spreadsheet). So I believe Steve is right to focus on the Math and Science Center and to some extent agree with Kirby House also. I would singularly focus on the Math and Science Center at this point given the much more substantial differential between the reality and the ideal.
- 2) For several reasons, including the safe and easy route, I can see why Steve would like to “clean the deck” on the RFD account. If it was my sole decision, I would probably apply

APPLICANT: The Lawrenceville School

\$5-5.5 million (I am thinking that the RFD account is now probably closer to \$8 million than \$7.5 million) to the Math and Science Center endowment.

- 3) I would be delighted to see us participate in the new field house. It would seem that if we went too low in participation it would defeat at least the purpose of significantly helping with any current shortfall and symbolically respecting Joe Tsai and his transformational gift. So I would think we should consider an additional transfer of \$2.5 million from the RFD account to the new field house project and perhaps begin to allocate all or substantial portions of “new” grant funding for that project over the next several years at least, as Steve suggests. Without making any pledge, another \$550k this year and average of \$500k a year over the next four years would naturally generate another \$2.5 million, and collectively with the RFD transfer, perhaps get us to the \$5 million. If fully funding the sports center was coming easily, or the new dining facility appeared to need more help, or something else comes along, we could consider a redirection.

You can see I have attached considerable more material (e-mail chain, current request, internal comments, etc.). I am not suggesting you review it all. You can read Linda’s and Erin’s conclusion and get most of what is to be gleaned from all the internal written comments over the years. That said, thought you might like to peruse.

Please give me your reaction to the above as you have time. There is no rush; probably want to nail down by mid-March and include in my March Board recommendation’s list, very much subject to your thinking/endorsement. “

JWK- 1/29/18 response: Do not believe Jeff would mind in basically including his response:

“Thanks for your note of January 18th, which provided some thoughtful direction for application of the existing RFD account and prospective gifts. What you have suggested for our future course makes good sense to me, so long as we are not bothered by the loss of optionality associated with the RFD account. I’m comfortable with it as more fully funding the building endowments strikes me as a higher priority than retaining funds for a rainy day.

The specific amounts you suggest also seems sensible. They allow for a considerable boost to the science/math endowment and material participation in the field house/dining center project.

Am sure that the School would be quite pleased with this path.

J.”

FM KIRBY FOUNDATION
Financial Statement Analysis

Grantee Name:	The Lawrenceville School	Date:	2/14/2018
Prepared By:	DLK		
Grant Request Amt.	\$ 750,000	Type of Financial Report Submitted	Audit
Recommended Amt.	\$ 550,000	Period Covered in Financial Report	FYE 6/30/17
Board Approved Amt.		Date of Report Issuance	12/15/2017
Audit Firm	KPMG		
Opinion	Present fairly		
Basis of Acctg.	GAAP		

Current Ratio (Liquidity Ratio/Working Capital Ratio)	3.68	Amount of Unrestricted Net Assets (Operating Reserve)	\$ 185,018,259
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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	\$ 47,816,055.00	71%	Ideally program expenses should be at least 70% of total budget.
B. Management and General	\$ 15,112,362.00	22%	
C. Fundraising	\$ 4,426,754.00	7%	
D. Total Expenses	\$ 67,355,171.00	100%	

Comments/ Notes:

Consistent with the past two years, the Foundation did not require a budget.

The school had a \$120.7M operating surplus in FY2017 compared to \$16.0M, primarily due to the release of \$83.2M in temporarily restricted assets. Student allowances (financial aid) were 27% of gross tuition and fees. The School had investments of \$412M versus prior year of \$379.3M. Endowment assets totaled \$441.3M (versus \$375.8M in 2016) and include a large pledge in the amount of \$36.8M (primarily the Tsai gift).

Overall, there were no red flags as a result of my review.

APPLICANT: The Lawrenceville School

DISPOSITION:

- Rejection
- Hold for review on/about:
- Approval for: **\$550,000**
- Hold for Board Review
- Insert Information: **For: Support of the new field house/dining center complex**
- Other: **SDK to send letter following Board approval of the release of \$5,500,000 from the Reserved for Future Decision Fund for allocation to the F.M. Kirby Math and Science Center Endowment Fund and Board approval for the release of up to \$2,500,000 (subject to balance of Fund) for allocation of support for the new field/dining center complex**

Initials: *ndc* Date: *3/12/18*
Check #: _____ Date: _____