

## F.M. KIRBY FOUNDATION SOLICITATION EVALUATION FORM

**DATE:** November 19, 2018

**REQUEST DATE:** October 31, 2018

**Last grant acknowledgement:** Yes

**Program Area:** Education

**APPLICANT:**

Drew University  
36 Madison Avenue  
Madison, NJ 07940

**CONTACT:** Dr. MaryAnn Baenninger, President

**PHONE:** 973-408-3100

**PAYEE OTHER THAN ADDRESSEE:**

**AMOUNT REQUESTED:** \$150,000 **NATURE OF REQUEST:** Toward Phase XIII of The F.M. Kirby Foundation Campus Revitalization Project

### GRANT HISTORY

**LAST GRANT DATE:** 4/28/2017 **LAST GRANT AMOUNT:** \$75,000 **AFS DATE:** 10/29/2018

2011	\$110,000	12/16/2011	Toward Phase VIII of the F.M. Kirby Foundation Campus Revitalization Project - improvements to the entrance roadway from the President's House to the renovated University Center
2012	\$110,000	12/14/2012	Toward Phase VIII of the F.M. Kirby Foundation Campus Revitalization Project - improvements to the entrance roadway from the President's House to the renovated University Center
2013	\$110,000	12/16/2013	Toward Phase X of the F.M. Kirby Foundation Campus Revitalization Project - redesign and rebuild the patio and surrounding area in front of the Welch and Holloway residence halls
2014	\$220,000	12/15/2014	Toward the renovation of the Ehinger Center (student center) parking lot-\$110,000 in 2014 and 2015
2017	\$75,000	4/28/2017	Toward Phase XII of the Campus Revitalization Project: Improvements behind the Ehinger Center

**2016 request denied.**

**DLK COMMENTS:** See financial analysis. While there are some positive developments for FY18 (increased operating revenues, decreased operating expenses and a larger freshman class), the University's unrestricted net deficit continues to grow (at \$99.5M as of June 30, 2018). They are not yet out of the woods.

**WHB COMMENTS:** Diana's added comments above are telling in two ways: 1) yes, progress and positive indicators; and 2) a net deficit that is alarming despite growing at a slower rate.

Prior to seeing the request, I thought I heard Dillard indicate this request wouldn't be submitted as *Phase XIII* of continued support of the Campus Revitalization Project; guess I misheard! ☺

## **APPLICANT: Drew University**

There are many capital needs that the campus still has; I would think signage would be a great opportunity for “sponsorship” by local businesses for instance or one of the university’s contractors/suppliers (maybe a \$350K price tag is too large for such a venture?). Nonetheless, that is what has been presented to us; it’s a project that must be addressed especially when an institution invites the public to many functions and use of its facilities such as the Baldwin Gymnasium, or for patrons of the F.M. Kirby Shakespeare Theatre, and most importantly, for families visiting their kids.

All the indicators are quite strong though my pet peeve about using percentages to express increases or decreases without corresponding cardinal numbers just annoys me, but I digress and it’s not about me! I do give Ms. Kornstein credit, however, because she has provided a very concise recap of the FMKF’s support for this project going back to 2001 (we might want to scan pages 3 through 6 for a quick reference) (**JFT: The entire 10/31/18 request is in GIFTS**) and equally refreshing to read about other supporters including the State for projects that have complemented the FMKF’s commitment to campus improvement and beautification.

**SDK COMMENTS:** Have been pleased to hear that the “reset” tuition pricing approach seems to have worked. The incoming class is 431 versus approx. 360 last year and 31 above the goal. Basically, the net tuition is the same, sticker price went up, while the rest of scholarship figure remained close to the same. This is causing one of the residence halls that was closed down when Drew reached a low of approx. 325 size class to now be quickly renovated this past summer. That said, and as Diana states, Drew is still far from “out of the woods” with proforma deficit forecasts projected for several more years even if the plan works. I think a possible merger with another higher education institution, like FDU may still eventually occur.

As an update to our Board, I met with Heath McLendon (long-time Drew U and STNJ Board member) and he and his wife, Judy, have committed \$100K to name a scholarship in Mom’s name; details to be worked out. Very generous and over lunch this fall, I had the opportunity to host Heath and thank him.

Given the merits of this project, the timing, the cash flow needs of the University and the limitations of our budget, this seems like a perfect case where we pledge the full \$150K requested (we are at the \$75K a year level now) and contribute \$75K this December and pledge \$75K to be payable next July, 2019 (this would take them into the new academic year so no double counting in one academic year) and yet provide the funds on a more timely basis cash flow wise and provide better assurance to move forward with this \$350K project.

**FM KIRBY FOUNDATION**  
**Financial Statement Analysis**

<b>Grantee Name:</b>	Drew University	<b>Date:</b>	11/16/2018
<b>Prepared By:</b>	DLK		
<b>Grant Request Amt.</b>	\$ 150,000	<b>Type of Financial Report Submitted</b>	Audit
<b>Budgeted Amt.</b>	\$ 75,000	<b>Period Covered in Financial Report</b>	FYE 6/30/18
<b>Audit Firm</b>	Baker Tilly	<b>Date of Report Issuance</b>	10/29/2018
<b>Opinion</b>	Present fairly		
<b>Basis of Acctg.</b>	GAAP		

<b>Current Ratio (Liquidity Ratio/Working Capital Ratio)</b>	3.96	<b>Amount of Unrestricted Net Assets (Operating Reserve)</b>	\$ 9,367,000
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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	6/30/2018 (in thousands)	%	Must Read Financial Statement Notes
<b>A. Instruction</b>	\$ 28,670	30%	Ideally program expenses should be at least 70% of budget
<b>B. Academic Support</b>	\$ 8,265	9%	
<b>C. Student Services</b>	\$ 15,945	17%	
<b>D. Institutional Support</b>	\$ 24,150	26%	
<b>E. Auxiliary Enterprises</b>	\$ 17,033	18%	
<b>D. Total Expenses</b>	\$ 94,063	100%	

**Comments/ Notes:**

Budget - The FY19 budget is projecting a deficit of \$14M vs a deficit of \$21M for FY18. Total revenues are budgeted to increase by \$4.4M (6%), with increases in the College of Liberal Arts tuition, housing and board, gifts and federal and state grants. Total expenses are down slightly by \$2.5M (2.6%), with the bulk coming from a reduction in staff salaries, as well as travel and conferences.

Audit - Drew University had an operating deficit of \$21M for FY18 (as compared to deficit of \$25.4M for FY17) and an overall decline in net assets of \$19.5M. Total operating revenues were up \$2.2M (3%) with increases in net tuition and federal/state grants. Institutional and externally funded discounts of tuition were 57.3% of gross tuition. Net tuition and fee revenue was 45.2% of total operating revenue. Total operating expenses were down \$2.5M (3.6%) from FY17. The University appears to be heading in the right direction but they have an ambitious budget for FY19. Gifts, donations and grants were up \$2.8M (179%) but this was offset by a large negative swing in the realized/unrealized gain on investments (\$7.2M). The University's cumulative unrestricted net deficit, excluding property, plant and equipment, and long-term investments, continues to grow.

2016 - \$-60.1M  
2017 - \$-78.5M  
2018 - \$-99.5M

The University had \$138.9M in investments as of June 30, 2018. While there are some positive developments, I'd say the University is not yet out of the woods.

**APPLICANT: Drew University**

**DISPOSITION:**

- Rejection
- Hold for review on/about:
- Approval for: **\$150,000**
- Hold for Board Review
- Insert Information: **Toward the comprehensive campus signage plan-\$75,000 enclosed herewith, and we hereby pledge like amount for like use in July of 2019.**
- Other:

Initials:    iddh    Date:    11/28/18     
Check #: \_\_\_\_\_ Date: \_\_\_\_\_