

F.M. KIRBY FOUNDATION SOLICITATION EVALUATION FORM

DATE: November 15, 2018

REQUEST DATE: October 22, 2018

Last grant acknowledgement: Yes

Program Area: Human Services

APPLICANT:

United Way of the Greater Triangle, Inc.
Suite 204
800 Park Offices Drive
P.O. Box 110583
Durham, NC 27709

CONTACT: Mr. Eric Guckian, President & CEO

PHONE: (919) 460-8687 x 142

PAYEE OTHER THAN ADDRESSEE:

AMOUNT REQUESTED: \$225,000 **NATURE OF REQUEST:** For Orange and Durham Counties collaborative partnership support - \$200,000; towards United Way's 10 Watch initiative - \$25,000

GRANT HISTORY

LAST GRANT DATE: 12/8/2017 **LAST GRANT AMOUNT:** \$200,000 **AFS DATE:** 9/18/2018

2013	\$200,000	12/16/2013	For: General allocation to member agencies only, of which \$100,000 is restricted to Orange County
2014	\$200,000	12/15/2014	For: General allocation to member agencies only, of which \$100,000 is restricted to Orange County
2015	\$200,000	12/11/2015	For: General allocation to partner agencies only, of which \$100,000 is restricted to Orange County
2016	\$200,000	12/8/2016	For: General allocation to partner agencies only, of which \$100,000 is restricted to Orange County
2017	\$200,000	12/8/2017	For: Orange and Durham Counties collaborative partnership support-\$160,000; for Orange and Durham Counties Basic Needs support-\$40,000

DLK COMMENTS: See financial analysis.

JFT COMMENTS: I am including some of our comments from a conference call between WHB, myself, Eric, and the CFO (Olivia Morris) because of the relevance to this request. "Eric came on board in July of 2017 and since then they have relocated and reorganized. They have reduced staff from approximately 30 to 18-19 and will focus on program and funding needs. They moved from a 13K sq. ft. space to 5.6K sq. ft. and will realize \$1.3M savings in rent over 7 years. Eric wanted to share that though there are several collaboratives that are working well (EDCI, Family Success Alliance, and the Durham Collaborative to End Family Homelessness), there are many that are not proving successful and some organizations within those collaboratives want out. Feedback includes describing what feels like "a forced marriage," and not enough funding for the effort required. They

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have brought in a consultant (Lila Leff, former Chief Program Officer at the Emerson Collective) to provide guidance going forward regarding the collaboratives. Eric stated that he has not felt comfortable “pitting” basic needs organizations against the collaboratives (funding-wise) and as of now, there will be level funding to the end of 2018 for the agency partners and hopefully through the end of their current fiscal year (6/30/19).” Had we not had this communication, I don’t believe that the 2018 proposal would have been sufficient to communicate recent changes and challenges.

The in-house proposal does elaborate on the three working collaboratives in Orange and Durham counties but does not mention if they are the only three left of the 17 collaboratives of 2016. And there is no funding information for those collaboratives or “safety-net/basic needs” funding information. I’m not necessarily faulting the staff here as Oliva (CFO acting also as development director) just came on board in late 2017 and they have recently relocated. I contacted Olivia for updated information on the 2018-2019 funding cycle. Basic needs funding for that period has dropped by 11% but the Orange and Durham County funding remains flat. Olivia has assured me that the requested information will be included in all proposals going forward.

So there is another shift in the UW model for this organization once again. The request letter highlights 4 meetings/summits convened in the fields of education, housing, and leadership. These meetings are meant to aid in the coordination and collaboration in the non-profit community, using best practices. After confirmation, there are still 17 collaboratives to be funded in 2018-2019 but they anticipate the number of collaboratives to drop down to 10 or 12, depending on the outcome of a new, more rigorous application review process. The majority funding for this request is sought for Family Success Alliance, EDCI Initiative, and the Durham Collaborative to End Family Homelessness. They have embarked on a new “10 to Watch” leadership initiative in 2018, whereby the UWGT is providing \$25K a year to 10 organizations for capacity building to address leadership disparities among people of color, female, LatinX, and LBGTQ populations in the Triangle. The UWGT will also provide leadership training and development. I would add that the gaps noted are not limited to the Triangle area or NC for that matter; they are nationwide. Though I do not recommend additional funding for the initiative, it will be interesting to see if/how progress is made.

As noted by DLK, the UWGT not only exceeded revenue from their campaign last year but upped the FY19 goal by 20%. They speak with pride of their corporate partnerships as opposed to the United Way of Northern New Jersey that presents a picture of doom and gloom campaign-wise. And the reduced staff and office space results in additional funding available for program support.

I’m kept informed through bi-monthly newsletters that include relevant information such as 2,225 volunteers put in 5,767 volunteers hours for 36 projects on the MLK Day of Service this year. Impressive numbers. I’m sure there are additional challenges for Eric and his staff after rightsizing and believe that continued funding for the collaboratives will benefit local communities. Recommend the budgeted \$200K as noted below.

WHB COMMENTS: Good comments, JFT! It strikes me now that the comments by then UWGT President and CEO, Mack Koonce, and then UWGT Immediate Past Chairman, Kevin Trapani, at the April 2017 FMKF Board Meeting were quite accurate as part of the UWGT “new direction” collaborative strategy intended to weed out poor performing grantees by recognizing that such a strategy is only as effective as the capacity and effectiveness of the collaborators. In many ways, one could argue this strategy set up many organizations to fail based on limited capacity and leadership.

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I agree that our support should be designated as JFT notes below. I would rather keep our interest consistent at this point as this collaborative strategy continues to play out and is further refined. Inasmuch as I like the *10 to Watch*, I think there are other sources to be tapped for that investment.

SDK COMMENTS: Yes, good comments team. While the written report may not have been as transparent as ideal, it seems that the conference call was quite beneficial and might improve the submission of future requests as a result. Furthermore, although there is some disappointment in terms of the unfolding of the “collaboratives” approach since the Board presentation a few years back, they seem to be addressing and tweaking as necessary and the campaign funding trajectory is much more positive than, say, what we see here in Northern NJ (as previously noted). I still don’t get what is driving the significant staff and facility downsizing; can someone help me with that? I am okay with renewing at \$200k, recognizing that our support as a percentage of total “grant” support is substantial.

JFT: Although the campaign at UWGT does well, it has significantly declined over the past 5 years. Eric and the Board had to make some tough decisions to downsize, thereby right size the organization so that “internal spending was not disproportionate to the community impact.” As for the relocation, Eric states: “On the relocation, we moved from 13,000 square feet of cavernous, outdated, and unconnected space to The Frontier, a thriving connected community work space where we are in 5,600 square feet of collaborative space. Over the course of the 7 year lease, we will save \$1.3 million. That’s \$1.3 million that goes directly to the programs we support.”

FM KIRBY FOUNDATION
Financial Statement Analysis

	United Way of the Greater Triangle DLK		
Grantee Name:		Date:	<u>11/6/2018</u>
Prepared By:			
Grant Request Amt.	\$ 225,000	Type of Financial Report Submitted	<u>Audit</u>
Recommended Amt.	\$ 200,000	Period Covered in Financial Report	<u>FYE 6/30/18</u>
Board Approved Amt.			
Audit Firm	<u>Cherry Bekaert LLP</u>	Date of Report Issuance	<u>9/18/2018</u>
Opinion	<u>Present fairly</u>		
Basis of Acctg.	<u>GAAP</u>		

Current Ratio (Liquidity Ratio/Working Capital Ratio)	1.45 (1.28 in 2017)	Amount of Unrestricted Net Assets (Operating Reserve)	\$ 1,781,461 (\$966,653 in 2017)
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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 6/30/18	%	Must Read Financial Statement Notes
A. Program Service Expenses	\$ 5,217,972.00	72%	Ideally program expenses should be at least 70% of total budget.
B. Management and General	\$ 907,110.00	12%	
C. Fundraising	\$ 1,147,760.00	16%	
D. Total Expenses	\$ 7,272,842.00	100%	

Comments/ Notes:

Budget: The FY2019 budget is projecting a \$500K surplus, as compared to a surplus of \$785K in FY2018. They have an aggressive campaigning revenue goal of \$10.3M, up \$1.7M or 20% from FY2018. Project grants for FY2019 are budgeted for a decline of \$337K (32%). The FM Kirby budgeted grant would account for 28% of total grant revenue for 2019. Program expenses are budgeted to increase by \$1.9M (33%) due to deep investments in high performing single agencies, the 10 to Watch Program and increased donor designated support of nonprofit organizations. Those increases are partially offset by a decline in collaborative partnerships and specific programs such as the SE Raleigh/ Social Innovation project. Administrative and capacity expenses are budgeted to decline for FY2019 as United Way shifts from internal programming and engagement activities towards more of a facilitator type role.

Audit: United Way of the Greater Triangle had a surplus of \$778K for FY2018 versus \$794K for FY2017. Campaign revenue was up \$102K (1.6%). One company in the region accounted for 6.7% of the Organization's total unrestricted giving (up from 2.5% in 2016). Grant revenue was down \$244K (19%) from 2017. Program expenses were down \$165K (3%), while administrative and fundraising expenses were down \$90K (4%) from 2017. United Way had investments of \$205K, of which \$185K were endowment related, as of June 30, 2018. The Organization has a \$350K line of credit and was not used during the year ending June 30, 2018. There were no red flags as a result of my review.

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DISPOSITION:

- Rejection
- Hold for review on/about:
- Approval for: **\$200,000**
- Hold for Board Review
- Insert Information: **For: Orange and Durham Counties collaborative partnership support-\$160,000; for Orange and Durham Counties Basic Needs support-\$40,000**
- Other:

Initials: ADK Date: 11/16/18
Check #: _____ Date: _____