# F.M. KIRBY FOUNDATION SOLICITATION EVALUATION FORM

**DATE:** August 27, 2019 **REQUEST DATE:** Recv'd 7/3/19
**Last grant acknowledgement:** Yes
**Program Area:** Health

**APPLICANT:**
Crohn's & Colitis Foundation, Inc.
National Headquarters
Suite 510
733 Third Avenue
New York, NY 10017-3204

**CONTACT:** Ms. Rhondell Domilici, Director of Advancement
**PHONE:** 800-932-2423
**PAYEE OTHER THAN ADDRESSEE**:

**AMOUNT REQUESTED:** $100,000 **NATURE OF REQUEST:** Toward two CCF Research Fellowship Awards

## GRANT HISTORY

**LAST GRANT DATE:** 9/17/2018 **LAST GRANT AMOUNT:** $85,000 **AFS DATE:** 6/12/2019

| | | | |
|---|---|---|---|
| 2013 | $120,000 | 12/16/2013 | Toward the Research Training Awards Program |
| 2014 | $120,000 | 12/15/2014 | Toward the Research Training Awards Program |
| 2015 | $100,000 | 12/11/2015 | Toward two CCFA Research Fellowship Awards |
| 2016 | $85,000 | 12/8/2016 | Toward two CCFA Research Fellowship Awards |
| 2018 | $85,000 | 9/17/2018 | Toward two CCF Research Fellowship Awards |

**FMKF skip-year in 2017.**

**DLK COMMENTS:** I'll defer to Erin to comment on the research side of the request. Per the notes, there has been discussion of scaling CCF back down to $75K. Perhaps we take a graduated approach and grant $80K this year and budget $75K for 2020. Dr. Zhu's study on developing novel therapeutics for colorectal cancer (CRC) by targeting CRC-associated bacteria in the gut is expected to be completed in December 2019.

From a financial perspective, CCF had negative unrestricted net assets of $2.1M as of December 31, 2018. Per Ms. Domilici, the Foundation introduced several strategic investments pursuant to its 2017-2020 strategic plan, which resulted in the Foundation's operating deficit of $0.4M in 2018. Their continued investment in the strategic plan in 2019 will result in an anticipated operating deficit of $1.0M. Their Board of Trustees approved of the operating deficits for both years. While the Foundation has been utilizing its reserves to fund the strategic investments, CCF's cash position continues to be strong and they anticipate a balanced budget in 2020.

One final note. The Board of Trustees contributed financial gifts of $858K in 2018, up from $449K in 2017. They have added one new Board Member, Mr. Troy Vollertsen, a Partner at Deloitte & Touche. Financial analysis attached.

**APPLICANT: Crohn's & Colitis Foundation, Inc.**

**ECC COMMENTS:** Similar to our approach with several other medical research grants, our investment with CCF's Research Fellowship program helps to generate a research pipeline of junior investigators, a pathway which is essential to generate data for future NIH funding. According to the request, the leveraging of our past investment here has been promising; junior researchers who received a training grant from the Research Fellowship program between 2012 and 2018 alone received an additional $52M for 263 projects from NIH to date (based on $41M in total foundation investment).

Dr. Zhu is in his final year of the three-year award for his work investigating preventative measures to limit the development of colorectal cancer and has, so far, provided evidence for the first time towards the suppression of tumorigenesis in the gut through precision editing of microbiota found in the large intestine. He and his mentor have already produced results they are confident in on a small scale and will be using this year to replicate these experiments on a larger scale, as well as developing essential biotech analysis skills necessary for next steps following the Fellowship.

Dr. Zhou (not to be confused with Dr. Zhu!) is in his first year of Fellowship funding, the majority of which will be covered by our grant. At the start of the year, I had several phone calls with Rhondell regarding potential studies for funding and agreed upon Dr. Zhou's work toward a novel approach of promoting immune regulation through low-dose IL-2 (a protein that regulates the activities of white blood cells that are responsible for immunity) and the subsequent activation of T-cells. This study should lead to a better understanding of how inflammation is regulated in the small intestine and inform ongoing therapeutic approaches in modulating the IL-2 protein in IBD and, ultimately, the manufacturing of this regulation as a therapeutic solution. In our discussions, I gleaned that Dr. Zhou's proposal received the second highest rating from the Fellowship Review Committee and was highly regarded among medical professionals given the novel approach, comparative use of healthy and IBD-impacted human samples, and the mentor, Dr. Sonnenberg, who was described to me as "simply phenomenal." Interestingly, however, this study was predicted to receive the least amount of popular attention from funders given its generality and basic science approach; luckily for Dr. Zhou, supporting basic research highly regarded within the field that is harder to pitch to a funder looking for studies with more shock value is right up our alley!

While we had initially budgeted $85K here, I understand the reasoning for scaling down from our high of $120K in 2012-2014 to $75K within the next couple of years. I recommend a grant of $80K toward two CCF Research Fellowship Awards. Let's plan to budget $75K in 2020, and we can most likely expect Rhondell to reach out regarding a replacement study once Dr. Zhu's Fellowship is complete later this year.

**SDK COMMENTS**: I note a good follow-up to their lack of proper endorsement of the check last year.

As mentioned last year, I could see $75K over next year or so without hurting them. I am in accord with DLK and ECC to recommend $80K.

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

| | | | |
|---|---|---|---|
| **Grantee Name:** | Crohn's & Colitis Foundation, Inc. | **Date:** | 8/13/2019 |
| **Prepared By:** | DLK | | |
| **Grant Request Amt.** | $ 100,000 | **Type of Financial Report Submitted** | Audit |
| **Budgeted Amt.** | $ 85,000 | **Period Covered in Financial Report** | 12/31/2018 |
| **Audit Firm** | Grant Thornton LLP | | |
| **Opinion** | Present Fairly | **Date of Report Issuance** | 6/12/2019 |
| **Basis of Acctg.** | GAAP | | |

| | | | |
|---|---|---|---|
| **Current Ratio (Liquidity Ratio/Working Capital Ratio)** | 1.24 | **Amount of Unrestricted Net Assets (Operating Reserve)** | **$ (2,111,482)** |

**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 | 12/31/2018 | % | Must Read Financial Statement Notes |
|---|---|---|---|
| **A. Program Service Expenses** | $ 67,317,183 | 82% | Ideally program expenses should be at least 70% of total budget. |
| **B. Management and General** | $ 9,918,401 | 12% | |
| **C. Fundraising** | $ 4,741,895 | 6% | |
| **D. Total Expenses** | $ 81,977,479 | 100% | |

**Comments/ Notes:**

Budget: The 2019 budget projects a $1.0M operating deficit ($359K deficit in 2018) and overall deficit of $1.7M ($1.5M deficit in 2018). Per their notes, the Foundation has decided to grow its mission expenditures even with an anticipated reduction in revenue. Revenues are budgeted to decline by $4.5M (6%), while mission expenditures (excluding contributed services/airtime) are increasing by $3.5M (6%) and management/fundraising expenses are increasing by $744K (5%).

Audit: The 2018 Audited Financials state an operating deficit of $425K vs a deficit of $2.0M in 2017. However, negative investment returns of $1.1M in 2018 resulted in an overall decline of net assets of $1.5M in 2018 vs an overall net asset gain of $40K in 2017 ($2.1M in investment gains that year). Total operating contributions and grants were down by $3.2M (4%). This was attributable to declines in bequests of $3.2M, federated campaigns of $3.1M, special event revenue of $600K and federated campaigns of $250K. The declines were partially offset by growth in contributed services and airtime of $1.1M. The IBD Plexus revenue stream continues to grow. It provided $4.3M in revenue in 2018 vs $659K in 2017. Other revenue, primarily from revenue in connection with the Patient-Centered Outcomes Research Institute and the Foundation's *IBD Journal*, increased by $635K.

Total operating expenses decreased nominally ($773K, less than 1%) with a $4M decline in research being partially offset by increases in health professional education and public information of $2.5M and supporting services of $700K. The Foundation had investments of $17.4M. The Board of Trustees contributed financial gifts of $858K in 2018, up from $449K in 2017.

Overall, no red flags as a result of my review. Only concern is the negative unrestricted net assets.

**APPLICANT: Crohn's & Colitis Foundation, Inc.**

**DISPOSITION:**

( ) Rejection

( ) Hold for review on/about:

**(xx)** Approval for: **$80,000**

**(xx)** Hold for Board Review

**(xx)** Insert Information: **Toward two CCF Research Fellowship Awards**

( ) Other:

Initials: LDK Date: 8/27/19

Check #:_____ Date:_____