

F.M. KIRBY FOUNDATION SOLICITATION EVALUATION FORM

DATE: March 19, 2019

REQUEST DATE: February 11, 2019

Last grant acknowledgement: Yes

Program Area: Human Services

APPLICANT:

American Red Cross
National Headquarters
431 18th Street NW
Washington, DC 20006

SEND CHECK TO:

American Red Cross
New Jersey Crossroads Chapter
695 Springfield Avenue
Summit, NJ 07901

CONTACT: Ms. Anne Stern, Senior Director, Foundation Relations

PHONE: 908-273-2076 x 18

PAYEE OTHER THAN ADDRESSEE: American National Red Cross

AMOUNT REQUESTED: \$250,000 **NATURE OF REQUEST:** Toward National Disaster Relief

GRANT HISTORY

LAST GRANT DATE: 4/23/2018 **LAST GRANT AMOUNT:** \$250,000 **AFS DATE:** 10/24/2018

2014	\$460,000	4/14/2014	For: National Disaster Relief Fund
2015	\$350,000	4/13/2015	For: National Disaster Relief Fund
2016	\$250,000	4/4/2016	For: National Disaster Relief Fund
2017	\$250,000	4/28/2017	For: National Disaster Relief Fund
2018	\$250,000	4/23/2018	For: National Disaster Relief Fund

DLK COMMENTS: Financial analysis attached. Couple of key items to note: 1) National approved a one-time annual spending rate of 15% for Fiscal Year 2018 (versus the typical 3.8%) and 2) they have made sizeable inroads to their cumulative unrestricted deficit (now \$46.4M vs \$250M for FY17).

JFT COMMENTS: FY18 saw an increase in disasters nationwide. The proposal outlines the response numbers to floods, hurricanes, tornadoes, blizzards, and other events, including civil disturbances, building collapses, explosions, and preparing nine states for the solar eclipse. ARC/National also responds to thousands of “small” disasters. The numbers are staggering and preparedness is integral to response. We are also reminded that disaster relief continues long term, beyond the immediate disaster relief. In many of these cases, the ARC provides strategic grants to community partners with specific expertise, such as Habitat for Humanity for home repairs and construction and referrals to mental health agencies aside from assistance on site by trained volunteers.

The use of technology at the national level is astounding. “The ARC uses 12 free mobile apps that have been downloaded 12.7 million times and transmitted more than 1.3 billion alerts to warn users of impending threats.” Staff and volunteers using RC View (geographic information system mapping technology integrated with data analytics) have access to a variety of situational awareness, weather, and national response analytics pages. To be honest, it’s all a little above my

APPLICANT: American Red Cross/National Headquarters

skillset but by what we read, the technology is beneficial and at times critical in readiness and response.

I believe that the FMKF proactive support is important and appreciated. I recommend the budgeted \$250K.

SDK COMMENTS: Good presentation from the ARC group at our KA meeting in March 2018. Harvey E. Johnson, SVP of National Disaster Cycle Services, did a nice job in articulating the RC View technology. We did not end up making any special gift to a regional NC-based ARC chapter in conjunction with their severe storms last fall, so pleased to see here ample narrative and stats on resources delivered to that region in the cases of Florence (Level 7), Michael, and the “Mammoth” blizzard. I also find the resources devoted to proactive smoke alarm work positive and alarming. Fits in well with the overall framework that Johnson painted for us: “Prepare-Respond-Recover.”

So believe our current, significant level of \$250K is generous, yet worthy, even if below our peak level in the \$400K-\$500K range of a decade ago.

FM KIRBY FOUNDATION
Financial Statement Analysis

Grantee Name:	American Red Cross - National	Date:	<u>2/22/2019</u>
Prepared By:	DLK		
Grant Request Amt.	\$ <u>250,000</u>	Type of Financial Report Submitted	<u>Audit - for National</u>
Budgeted Amt.	\$ <u>250,000</u>	Period Covered in Financial Report	<u>FYE 6/30/18</u>
Audit Firm	<u>KPMG</u>	Date of Report Issuance	<u>10/24/2018</u>
Opinion	<u>Present fairly</u>		
Basis of Acctg.	<u>GAAP</u>		

Current Ratio (Liquidity Ratio/Working Capital Ratio)	2.39 (1.43 for FY17)	Amount of Unrestricted Net Assets (Operating Reserve)	(\$46,450,000.00) (249,785,000) in FY17
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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	%	Must Read Financial Statement Notes
A. Program Service Expenses	\$ 2,888,705,000	90%	Ideally program expenses should be at least 70% of total budget.
B. Management and General	\$ 113,608,000	4%	
C. Fundraising	\$ 198,541,000	6%	
D. Total Expenses	<u>\$ 3,200,854,000</u>	<u>100%</u>	

Comments/ Notes:

Budget - The FY19 budget for National is projecting a deficit of \$50K. According to their notes, the deficit is primarily due to a spend down of prior year programs including domestic disasters and international responses. Total Revenues are budgeted to decline by \$1.1B (29%), primarily in the contributions line. Total Expenses are budgeted to decline by \$547M (17%), primarily in the support and financial assistance budget lines. The Disaster Relief expense budget of \$340M is 12.8% of the Total Expense budget and is down \$427M (56%) from FY18 (primarily financial assistance).

Audit - All audit comments pertain to the National Organization. There is a cumulative unrestricted deficit of \$46.4M, down from \$249.8M in 2017 and \$424.4M in 2016. For Fiscal Year 2018, the Organization had an operating surplus of \$465M versus a deficit of \$132.6M for FY17. Net assets increased \$386M for FY18. Revenues were up \$952M (35%), the bulk of which came from corporate/foundation/individual giving. Program expenses were up \$351M (13%), primarily in domestic disaster services. The Organization had investments totaling \$1.7B as of June 30, 2018, of which \$968M were endowment related. The Organization was in compliance with all debt covenant requirements. The Organization had a one-time annual spend rate of 15% approved for FY18 (versus 3.8% in FY17 and 3.8% budgeted for FY19). After inquiry, it was learned that the ARC implemented a strategy to aggressively reduce the organization's pension liability. The FY18, one-time spending rate distribution was contributed into the retirement plan. Overall, there were no red flags as a result of my review.

APPLICANT: American Red Cross/National Headquarters

DISPOSITION:

- Rejection
- Hold for review on/about:
- Approval for: **\$250,000**
- Hold for Board Review
- Insert Information: **For: National Disaster Relief Fund**
- Other:

Initials: rd Date: 3/20/19
Check #: _____ Date: _____