

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
New Jersey Crossroads Chapter
695 Springfield Avenue
Summit, NJ 07901

CONTACT: Ms. Christine C. Hodde, Executive Director/NJ State Relations Rep.

PHONE: 908-273-2076

PAYEE OTHER THAN ADDRESSEE: American National Red Cross

AMOUNT REQUESTED: \$75,000 **NATURE OF REQUEST:** Toward disaster relief in Morris County - \$67,500; toward blood collection services in Morris County - \$7,500

GRANT HISTORY

LAST GRANT DATE: 4/23/2018 **LAST GRANT AMOUNT:** \$75,000 **AFS DATE:** 10/24/2018

2014	\$120,000	4/14/2014	Toward disaster relief in Morris County, NJ-\$95,000; toward blood donor programs in Morris County, NJ-\$25,000
2015	\$130,000	4/13/2015	Toward disaster relief in Morris County, NJ-\$95,000; toward blood donor programs in Morris County, NJ-\$25,000; toward the Blood Services Integration Initiative in North Jersey-\$10,000
2016	\$75,000	4/4/2016	Toward disaster relief in Morris County, NJ-\$67,500; toward blood donor programs in Morris County, NJ-\$7,500
2017	\$75,000	4/28/2017	Toward disaster relief in Morris County, NJ-\$67,500; toward blood donor programs in Morris County, NJ-\$7,500
2018	\$75,000	4/23/2018	Toward disaster relief in Morris County, NJ-\$67,500; toward blood donor programs in Morris County, NJ-\$7,500

See site visit report attached.

DLK COMMENTS: Financial analysis attached.

JFT COMMENTS: At my site visit, I addressed many topics covered in this request. I think that the paramount theme for Red Cross chapters in New Jersey is the transition from facility-based to community-based services. It's evident that funds used for the upkeep and expenses of owning a building are better utilized through program services. We have seen the merger of many chapters and the closure of many facilities over the past several years. This is not limited to the ARC, as we also see evidence of this in other organizations such as Planned Parenthoods.

The proposal is succinct, as always, in its services reporting. Of note is the chapter's response to a massive fire in Dover, NJ last October. Shortly after the disaster, we were provided a good glimpse of the community and the ARC working together.

APPLICANT: American Red Cross/New Jersey Crossroads Chapter

I recommend continued support for disaster relief and preparedness in Morris County along with support for the blood collection services at the budgeted \$75K.

SDK COMMENTS: I was glad that JFT was able to visit with long-time (!) ED in NJ, Christine Hodde. She has made it through numerous management “regenerations” here in NJ and been the survivor. It is a confirmation of her leadership and I was sorry she was not invited by the larger team to attend the KA meeting last year (a reminder to the file again that she attended Drew with AKH and was a friend). Locally, I found the “Home Fire Campaign” of most interest, especially as it relates to the three-tier ranking. I was surprised that in some cases, areas with less resources, like Dover and Elizabeth were ranked a tier 3, while Madison, for example, and with more resources was ranked a 2. The site visit reveals that the tier ranking is more a qualitative measurement versus a needs/resources measurement.

Okay as targeted.

FM KIRBY FOUNDATION
Financial Statement Analysis

Grantee Name:	American Red Cross - New Jersey Crossroads	Date:	2/22/2019
Prepared By:	DLK		
Grant Request Amt.	\$ 75,000	Type of Financial Report Submitted	Audit - for National
Budgeted Amt.	\$ 75,000	Period Covered in Financial Report	FYE 6/30/18
Audit Firm	KPMG	Date of Report Issuance	10/24/2018
Opinion	Present fairly		
Basis of Acctg.	GAAP		

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	\$ 3,200,854,000	100%	

Comments/ Notes:

Budget - The Morris County disaster and blood collection budgets for FY19 both project to breakeven. The Disaster budget for FY19 is projected to grow by \$76.6K (31%), primarily in financial assistance, contractual services and compensation/benefits. The Morris County disaster budget is 16% of the NJ Crossroads entire budget and 1.7% of the NJ Region's budget. The Blood Collection budget for FY19 is projected to decrease by 6% (\$500). The statistics (incidents and families assisted) for NJX and Morris County clearly demonstrate the growing need.

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.

APPLICANT: American Red Cross/New Jersey Crossroads Chapter

DISPOSITION:

- Rejection
- Hold for review on/about:
- Approval for: **\$75,000**
- Hold for Board Review
- Insert Information: **Toward disaster relief in Morris County, NJ-\$67,500;
toward blood donor programs in Morris County, NJ-\$7,500**
- Other:

Initials: *lat* Date: *3/20/19*

Check #: _____ Date: _____

SITE VISIT REPORT

Report No: 9

Grantee:

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

Program Area: Human Services

Most Recent Grant Amount and Date: \$75,000.00 - 4/23/2018

Primary Contact: Ms. Christine C. Hodde, Executive Director/NJ State Relations Rep.

Phone: 908-273-2076

Met With: Christy Hodde, Executive Director and Anne Stern, Senior Director, Foundation Relations

Location: Same as above

Date Visited: March 1, 2019

F. M. Kirby Foundation Representative: JoAnn F. Tiefau, Program Officer

Site Visit Guide: Matrix Score [Rating Scale from a high of 4 to a low of 1]

<i>A. Personnel: Turnover, Professional Development and Career Advancement</i>	<i>2.75</i>
<i>B. Board: Involvement, Development, and Training</i>	<i>3.0</i>
<i>C. Financial: Net Assets, Fundraising Performance and Capacity</i>	<i>2.5</i>
<i>D. Strategic Planning, Review and Implementation</i>	<i>n/a</i>
<i>E. Program Evaluation and Quality Assurance</i>	<i>2.5</i>
Total:	10.75
Average Score:	2.69

Comments: As I approached the lovely building sitting atop a hill off Springfield Avenue, I couldn't help but notice the maintenance needed on this beautiful old home. The paint is chipping off all of the brick façade and the entrance is in need of repair. I will address the subject later in the report.

The reception area is a rotunda and Christy met me there. She introduced me to Bob Langford, a retired executive of the Daily Record, who told me he remembers FMK well, particularly him walking around the green with his seemingly worn-out raincoat on. He gave the impression of a warm memory.

Anne joined us in a conference room off the reception area. The visit began with an overview of the activities of not just the New Jersey Crossroads Chapter (NJX), but the New Jersey Region (referred to as Region) as a whole. Goals for services are set by National, passed down to Region and subsequently to the Chapters. The FY19 blood collections goal for the Region is 94,800 units, 12,000 units higher than FY18, and 6,336 for NJX, 400 units higher. The NJX is slightly behind year-to-date at 3,342 units but they do anticipate reaching their goal. Blood drives are promoted by the Advisory Boards and community outreach to local officials. The corporate Advisory Board members have a

responsibility to speak to donors about drives. The Springfield Chapter holds a blood drive once a month and sees a minimum of 60 (and sometimes up to 75) donors in the four hours they conduct the drive. The “best” drive they see is run by the Millburn Ambulance Corps with up to 100 donors. The ARC still faces challenges relating to changes in the blood banking industry but results have been strong so far in FY19. Revenues have grown slightly and expenses are down 3% due to concerted efforts to improve the productivity of operations (mainly by cutting some middle management). NJX is looking to add a new blood collection vehicle but does not have the funds in place nor have they begun to fundraise.

Disaster Cycle Services have seen a slight drop throughout the Region due to homes made safer with smoke alarms installed. The majority of responses in the NJX footprint were home fires (all but 1 out of 39). Even as the number of responses decrease, National predicts a growth of 3%. So far for FY19, NJX has installed 215 alarms and Morristown’s Home Fire Campaign is to take place on March 9. Volunteers canvas areas where the greatest need is indicated. They literally go door-to-door and educate the households where the residents allow them in and install alarms where needed. The Pillowcase Project enrollment continues to be successful (grades 3-5) although the Region is only allotted a certain number of kits (6,500) and it’s a first-come, first-serve process. NJX has reached 961 children so far this fiscal year, a large increase over FY18 due to the fact that this chapter has worked its way into the Union school system.

The American Red Cross (ARC) also uses a Ready Rating, a preparedness plan development for companies for disaster preparedness; NJX is preparing to work with 41 such companies, including Seniors Helping Seniors in Morris County.

The services to the Armed Forces remain strong. Let’s not forget that Clara Barton founded the American Red Cross in 1881. “It was by her service to the soldiers and her example providing help to people in distress that guided her throughout her life.” That example “opened paths to the new field of volunteer service.” NJX has held 189 veterans’ resiliency workshops with an attendance of 334. These workshops consist of 8 sessions including living with PTSD, re-entry, and parenting, among other issues. They are held at community venues such as armories, bases, churches, etc. and are taught by volunteer clinical social work professionals. They also hold food drives and designate collection sites for needed home supplies.

Volunteer training remains robust. FYI, Morris County teams typically meet in Denville. NJX has 611 volunteers. The numbers are not as high as in the past as the criteria has changed; to be active, a volunteer must be engaged in at least 3 activities over the past 2 years. Inactive volunteers are purged every two years. I was told that the volunteers manning the reception desk at the Springfield office have a sense of ownership of their jobs. They are the first point of contact and perform administrative duties, such as opening the mail, recording checks, and getting them FedExed to Fairfield. They log volunteer hours and mentor high school students. I was informed that many area high schools have Red Cross clubs. This is integral to attracting a younger generation of volunteers to the ARC.

We moved onto the workforce and Board (advisory) of NJX. There are eight paid staff members, two being part-time, one of which is Christy's assistant and one a maintenance person. Two of those staff (Christy and their donor relations officer) have been with NJX for over 16 years. Christy is not only the Executive Director of the NJX Chapter but also of the Central New Jersey Chapter. She went on to explain that the ARC uses a Matrix Management structure. A matrix organizational structure is "a structure in which the reporting relationships are setup as a grid, or matrix, rather than in the traditional hierarchy. In other words, employees have dual reporting relationships - generally to both a functional manager and a product manager." She explained that there are lateral communications throughout the organization resulting in consistency in volunteer recruitment, Disaster Cycle Services, and Blood Collection Services across the Region. There are quarterly "chapter huddles."

Only National has a Board of Governors which has corporate and governance powers. Each of the chapters have Advisory Boards and there are six of such in the Region. The main role of the Advisory Boards is to be ambassadors of the organization and to fundraise. There are various committees including Biomed, Mission, Veterans, Volunteer Metrics, and Diversity and Inclusion. Christy stated that they are proud that their Boards represent the communities they serve and that diversity has occurred naturally. They meet 5 times a year plus a meeting for training, including CPR. The meetings do not consist of just reports, rather they focus on "spotlight" conversations on how to make a difference and "move the needle." When recruiting members, a business background and fundraising is required. This discussion led to Christy explaining how services provided are to become less facility-based and more community-based as noted in the 2019 proposal. Christy spends much of her time on the road performing outreach duties in the many communities of the seven counties she covers (Morris, Union, Warren, Hunterdon, Mercer, Middlesex and Somerset Counties, and towns of Millburn and Short Hills in Essex County). Since it was very quiet in the office, I asked if there was a plan to sell the building they are located in. Christy told me that it is a topic of one of their regular "spotlight" discussions of the Advisory Board and National has approved the plan. They learned from the closing of the Morristown Chapter that keeping a strong volunteer base is not easy when the "storefront" is closed. They are hoping to find a location for a small office with easy access (the Summit location is a little off the beaten path) and use the community offerings for training sites. The hope is that this transition will set the criteria for the State. Christy offered no time frame for the plan.

National is currently the only entity with a strategic plan (now in the second year of the three-year, 2020 Vision) with objectives of Preparedness, Response, and Recovery. The Region is going to meet on May 11 to begin the process of developing a plan for New Jersey.

Other topics addressed included mention of the success of the RC View (geographic information system mapping technology integrated with data analytics) working well in disaster response and they are looking to expand its use to the Home Fire Campaigns and into the development department. Anne explained the usage of Tiers denoting risk of

home fires noted in the 2019 proposal: Tier 1 is outlined and led by the ARC, Tier 2 is partner-led (e.g. realtors and volunteers), and Tier 3 is potential target areas that face challenges, such as the City of Elizabeth where there are political barriers that present opposition to the ARC entering the area to educate and promote safety and preparedness. It's hard to believe that politics comes into the picture but Christy continually works to break down the "home rule" barriers.

Prior to the meeting's end, I asked Anne to step out so I could have a moment with Christy. I asked her about her plans with the ARC and she mentioned, very confidentially, that retirement was not far off. With the structure of their matrix management, a lateral move will probably be made when she decides to step down.

I toured the facility prior to leaving. There is a large training/meeting room used in conjunction with an attractive living room that is adorned with ARC artifacts and many old posters depicting Mary Pickford in various volunteer roles. There are minimally 2 events held here weekly. There are two offices off of the living room. The second floor is used for office space but is unique due to the circular railing looking down to the reception area. The building is, as I mentioned, quite charming.

When asked what the greatest challenge to the organization was at this time, I was told it is BioMed Services. They would like to provide services for all of Atlantic Health System but compete with New Jersey Blood Services. Gathering donors for blood drives is very competitive. The overarching problem is that all of the combined blood drives, through various blood collection agencies in NJ, do not provide enough units and the result is the importing of blood to NJ. The ARC is continually working to increase the services. **(SDK: Any idea of what percentage of the total this is?) (JFT: Per Peter Giamalva, Senior Vice President Sales and Hospital Marketing at American Red Cross, 26% of the volume distributed in NJ is imported.)**

Christy and Anne are incredibly knowledgeable and engaging stewards. The meeting was informative and I feel that I only scraped the iceberg of the innermost workings of this complex organization. The FMKF funding is greatly appreciated.