

## F.M. KIRBY FOUNDATION SOLICITATION EVALUATION FORM

**DATE:** March 26, 2019

**REQUEST DATE:** March 18, 2019

**Last grant acknowledgement:** Yes

**Program Area:** Human Services

**APPLICANT:**

United Way of Northern New Jersey

Morris County Office

PO Box 1948

Morristown, NJ 07962-1948

**CONTACT:** Mr. John B. Franklin, Chief Executive Officer

**PHONE:** 973-993-1160 x 103

**PAYEE OTHER THAN ADDRESSEE:**

**AMOUNT REQUESTED:** \$300,000 **NATURE OF REQUEST:** For general operating support

### GRANT HISTORY

**LAST GRANT DATE:** 4/23/2018

**LAST GRANT AMOUNT:** \$200,000 **AFS DATE:** 12/3/2018

2014	\$325,000	12/15/2014	For: General allocation to member/partner agencies in Morris County only
2015	\$300,000	12/11/2015	For: General allocation to partner agencies in Morris County only
2016	\$250,000	9/12/2016	For: General allocation to partner agencies in Morris County only
2017	\$225,000	4/28/2017	For: General allocation to partner agencies in Morris County only
2018	\$200,000	4/23/2018	For: General allocation to partner agencies in Morris County only

**DLK COMMENTS:** See financial analysis. Slight concern about the drop in unrestricted assets. They liquidated about \$1.7M in investments in FY18 to help fund operations.

**JFT COMMENTS:** In 2018, the UWNNJ requested general operating support; this proposal requests funds that would allow an investment in research-based United Way initiatives. I believe that the UWNNJ is looking to distance itself from the general allocations funding. The last time the FMKF excluded agency funding was in 2007 and, prior to that, 1999. WHB and I met with John Franklin in November 2018 and John alluded to the fact that they would be looking for “initiative” funding. That said, 2018 saw an 8% increase in Morris County direct agency funding. At the November meeting, John also confirmed for us the fact that the UWNNJ was omitted from the employee match at Johnson & Johnson and the loss of that corporate funding would result in another shortfall for their campaign.

The request highlights the work of each of their health, education, and financial stability initiatives. The three focus areas are primarily designed to aid the ALICE population in the near term and hope for a better and more stable future. UWNNJ is among the organizations that are contributing to the great strides being made in preschool expansion in New Jersey. They have increased the number and scope of their workshops for financial education (including professional career coaching) and caregivers. There appears to be much state, local, and federal (through Morris County Continuum of Care) advocacy work relating to all of the above mentioned initiatives.

**APPLICANT: United Way of Northern New Jersey**

To read the request, one would think that the UWNNJ is “firing on all cylinders.” I’m concerned that that is not the case. I had a conversation with a Success By 6 committee member who has been frustrated with the program and lack of coordination. Funding has been cut to many local organizations, including NJ 2-1-1, which partners with UWNNJ. The website cites 200 corporate partners but the data is from the 2014-2015 campaign. We were promised a strategic plan for the Success By 6 program at the November meeting, and it was never received or even mentioned in the proposal. Though they continue to cut expenses, they’ve made little progress toward generating a surplus. For clarification, the UWNNJ sold one of their two condos in Cedar Knolls; they consolidated all operations into the larger of the two due to downsizing and budget cuts.

I recommend the budgeted \$200K and continue to designate funds to direct agency funding. If we did not fund the agencies, would that mean Morris County allocations would drop to approximately \$250K? Quite obviously, we should continue to monitor finances and services closely.

**SDK COMMENTS:** I guess we need to give John Franklin credit (reminder he spoke to our Board in Sept. 2017) for his timely communications over the past year, especially the call on the loss of Johnson & Johnson funding in 2018 and the transparent communication he had during the WHB/JFT meeting last November. The Morris County partner allocation list seems like just a skeleton of the list a decade ago. That said, good to see of the Pre-K emphasis and financial sufficiency/self-reliance-oriented emphasis, and that many are still agencies that we don’t already support.

After our significant drop over the past decade in terms of support, I repeat what I basically concluded last year, that we are at a good level here at \$200K and in direct equity to Triangle United Way.

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

<b>Grantee Name:</b>	United Way of Northern NJ	<b>Date:</b>	<u>3/21/2019</u>
<b>Prepared By:</b>	DLK		
<b>Grant Request Amt.</b>	<u>\$ 300,000</u>	<b>Type of Financial Report Submitted</b>	<b>Audit</b>
<b>Recommended Amt.</b>	<u>\$ 200,000</u>	<b>Period Covered in Financial Report</b>	<u>FYE 6/30/18</u>
<b>Board Approved Amt.</b>		<b>Date of Report Issuance</b>	<u>12/3/2018</u>
<b>Audit Firm</b>	<u>Sax LLP</u>		
<b>Opinion</b>	<u>Draft Audit TBD</u>		
<b>Basis of Acctg.</b>	<u>GAAP</u>		

<b>Current Ratio (Liquidity Ratio/Working Capital Ratio)</b>	7.87	<b>Amount of Unrestricted Net Assets (Operating Reserve)</b>	\$ <b>2,408,203</b> <b>down from \$4,480,326</b>
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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
<b>A. Program Service Expenses</b>	\$ 4,452,224.00	65%	Ideally program expenses should be at least 70% of total budget.
<b>B. Management and General</b>	\$ 830,534.00	12%	
<b>C. Fundraising</b>	\$ 1,596,386.00	23%	
<b>D. Total Expenses</b>	<u>\$ 6,879,144.00</u>	<u>100%</u>	

**Comments/ Notes:**

Budget: The FY2019 budget for Morris County is projecting to a deficit of \$231K, as compared to a deficit of \$613K in FY2018. Revenues are projected to grow by \$275K or 19%, primarily in Grants, Special Events and a reduction in the allowance for uncollectibles. Core expenses are projected to remain relatively flat to FY18, with a shift of monies from Financial Stability and Health towards the ALICE project. The 2018 FMKF grant of \$200K accounted for 11% of Morris County's total contributions. Morris County accounts for approximately 30% of UWWNJ's total budget.

Audit: UWWNJ had an operating deficit for FY 2018 of \$2.0M, as compared to a deficit of \$809K for FY17. Contributions declined by \$2.2M or 28%, grants declined by \$399K (35%) and out of area designations declined by \$226K (50%). Also hampering revenues was a large increase in the allowance for uncollectibles (\$399K) relating to a pledge from a large corporate sponsor and changes in their philanthropic processing partner. UWWNJ scaled back distributions to funded partners by \$627K or 47%. Their investments totaled \$3.2M, of which \$2.0M were endowment related. I have some concerns about UWWNJ's projected deficit of \$770K for FY19 given their decline in unrestricted assets. They liquidated about \$1.7M in investments in FY18 to help fund operations (which used \$2.1M in cash). They also sold their Cedar Knolls land and building which generated a gain of \$197K.

**APPLICANT: United Way of Northern New Jersey**

**DISPOSITION:**

- Rejection
- Hold for review on/about:
- Approval for: **\$200,000**
- Hold for Board Review
- Insert Information: **For: General allocation to partner agencies in Morris County only**
- Other:

Initials:   *est*   Date:   3/27/19    
Check #: \_\_\_\_\_ Date: \_\_\_\_\_