

F.M. KIRBY FOUNDATION SOLICITATION EVALUATION FORM

DATE: May 20, 2020

REQUEST DATE: April 23, 2020

Last grant acknowledgement: Yes

Program Area: Health

APPLICANT:

Foundation for Morristown Medical Center, Inc.
475 South Street
Morristown, NJ 07960

CONTACT: Ms. Bonnie Gannon, Director of Corporate and Foundation Relations

PHONE: 973-593-2419

PAYEE OTHER THAN ADDRESSEE:

AMOUNT REQUESTED: \$250,000 **NATURE OF REQUEST:** Toward Growing Forward capital fundraising campaign

GRANT HISTORY

LAST GRANT DATE: 9/17/2018

LAST GRANT AMOUNT: \$250,000

FYE DATE: 12/31/2018

AFS DATE: 12/20/2019

2008	\$300,000	9/12/2008	Toward the purchase of a second da Vinci Robot Surgical System-\$150,000 for 2008 and 2009
2010	\$350,000	9/17/2010	Toward the Emergency Department expansion project-\$175,000 in 2010 and 2011
2012	\$400,000	12/14/2012	Toward the new Geriatric Emergency Department-\$200,000 in 2012 and 2013
2014	\$650,000	9/15/2014	For: The expansion and facilities upgrade of the Inpatient Psychiatric Unit-\$200,000 in 2014, 2015, and 2016; toward a fund or project that honors Denny Baird-\$50,000 in 2014
2018	\$250,000	9/17/2018	Toward renovations to the Carol G. Simon Cancer Center (Growing Forward Campaign)-\$125,000 in 2018 and 2019

See notes and Site Visit Report attached. No request received in 2017 – FMKF skip year.

DLK COMMENTS: The Foundation has been quite productive since our site visit back in June 2019, having raised an additional \$12.4M for a total of \$37.2M, towards the Growing Forward Campaign. I was excited to see that the Infusion Center is now open and that MMC was able to accommodate coronavirus patients via the expanded floors. The overwhelming community support, top-notch staff (both on the physician and fundraising sides) and consistently high rankings both in the state and nation-wide all point to the long-term vitality of MMC. Financial analysis attached. The Foundation's balance sheet is strong. I will note that the 2018 audit was not signed off on until December 20, almost a full year after their close. I found this unusual given that their 2017 audit was signed off on in April 2018 and there was no auditor change.

JJK COMMENTS: I ran a brief side-by-side analysis with Overlook Foundation to see how the two hospital foundations compare. With both in capital campaign modes in 2019, FMMC brought in \$20.5M (unaudited) compared to Overlook at \$13.4M, which seems about right given each hospital's footprint and size. On the other hand, Overlook kept expenses versus funds raised ratio

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under 20%, whereas FMMC is 25%. The endowment at Overlook clocks in higher at \$59.7M, versus \$50M endowment at MMC.

Interestingly, both capital projects will cost about the same, with Overlook's project estimated at \$109.2M and FMMC estimated at \$112M. Overlook will be raising more from philanthropy, with a goal of \$50M while FMMC seeks \$38.5M to be privately raised. Both campaigns have raised more than \$30M to date.

While the FMKF team has praised Overlook's many recognitions, despite its rather small size, MMC retains top billing as the state's most highly rated hospital. As such, it is no surprise that, as the request reports, the Goryeb Children's Hospital received an 80% increase in patient volume last year. The Valerie Fund Children's Cancer Center, part of Goryeb, anticipates a 5% increase in patients due to the recruitment of James Wittig, MD, who specializes in rare advanced limb-saving surgeries.

Thus, the expansion will provide a 50% increase in square footage, allowing for amenities like open and private infusion bays, playrooms, private family lounge, and new exam rooms. The request also says it will "enhance collaboration" but does not explain how a new design will achieve this. Previous correspondence and site visit reports seem to suggest this might come from having oncologists and surgeons work on the same floors.

There are some strong similarities between this project and other Kirby grantees, beyond Overlook. Given the sizable research capabilities of MMC, the request brought to mind American Cancer Society and Leukemia and Lymphoma Society, especially as they embark on the Beat AML for children initiative. As this campaign enters the home stretch, FMKF has the opportunity here to help bring the Valerie Center to its conclusion, though I concur with SDK on preferring Overlook for a multi-year commitment. I recommend \$125K.

SDK COMMENTS: I followed up with Bonnie on DLK's question. Basically, the response from the Director of Finance was:

"It has to do with the fact that the Financial Accounting Standards Board (FASB) issued new guidance (ASU 2016-01, etc.) that impacted the way not-for-profit financial statements need to be presented as well as some new required disclosures that went into effect starting in 2018. Due to the changes, we had to provide additional information on restricted gifts, including an analysis of all our endowments. One question came out at the tail end of the audit, but then the auditors moved on to a new client. AHS report was issued and then ours got hung up even though the questions had been answered. In the end everything was fine but much to my frustration it took forever to finalize. If additional information is needed, please feel free to reach out. "

I read the other day that we must remember that while COVID-19 has already killed over 70,000 people in the U.S., cancer remains the number one killer, and pediatric cancer clearly part of that equation. Given the relative size of this particular project and where they are in the fundraising, I think our target of \$125k is appropriate and given some caution to our 2021 budget this doesn't have the same appeal to me as Overlook in terms of a two-year pledge.

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FM KIRBY FOUNDATION Financial Statement Analysis

		Foundation for Morristown Medical Center, Inc.		
Grantee Name:		DLK	Date:	5/11/2020
Prepared By:				
Grant Request Amt.	\$ 250,000		Type of Financial Report Submitted	Audit
Budgeted Amt.	\$ 125,000		Period Covered in Financial Report	12/31/2018
		Pricewaterhouse Coopers LLP		
Audit Firm		Present Fairly	Date of Report Issuance	12/20/2019
Opinion		GAAP		(12 mos to complete?)
Basis of Acctg.				Signed off in April last year
			Amount of Unrestricted Net Assets (Operating Reserve)	\$ 30,988,938
		3.56		

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	\$ 9,502,275	67%	Ideally program expenses should be at least 70% of total budget.
B. Management and General	\$ 4,737,101	33%	
C. Fundraising *	\$ -	0%	
D. Total Expenses	\$ 14,239,376	100%	

* (Fundraising not broken out on Audited Financials)

Comments/ Notes:

Budget: The 2020 Foundation budget projects a \$12.4M surplus (down from the surplus of \$15.5M in 2019). Total fundraising revenues are budgeted to decline by \$3.0M (15%), as the Growing Forward campaign winds down. Annual giving is actually projected to increase by \$2.9M (43%). Expenses (excluding program expenditures) are budgeted to increase by a modest 2% (\$98K). Declines in professional fees and promotion/donor relations are partially offset by increases in salaries and direct mail expense.

Audit: 2018 had an operating surplus of \$8.4M. Total operating revenues declined by \$9.6M (30%) as the capital fundraising campaign winds down. Operating expenses grew by \$1.9M (16%). Overall, net assets decreased by \$9.8M due to unrealized losses on investments of \$10.8M and outlays of capital of \$7.5M. The Foundation had investments of \$62.5M, of which \$50M were endowment-related.

Overall, no red flags as a result of my review.

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DISPOSITION:

- Declination
- Hold for review on/about:
- Approval for: **\$125,000**
- Hold for Board Review
- Insert Information: **Toward Valerie Fund Children's Center for pediatric cancer and blood disorders expansion (Growing Forward Campaign)**
- Other:

Initials: idk Date: 5/20/20

Check #: _____ Date: _____