

**F.M. KIRBY FOUNDATION SOLICITATION EVALUATION FORM**

**DATE:** March 30, 2021

**REQUEST DATE:** February 26, 2021

**Last grant acknowledgement:** Yes

**Program Area:** Education

**APPLICANT:**

Wake Forest University  
PO Box 7226  
Winston-Salem, NC 27109

**CONTACT:** Dr. Nathan O. Hatch, President

**PHONE:** 336-758-5211

**PAYEE OTHER THAN ADDRESSEE:**

**AMOUNT REQUESTED:** \$300,000  
funds

**NATURE OF REQUEST:** Toward the COVID relief

**GRANT HISTORY**

**LAST GRANT DATE:** 3/31/2020

**FYE DATE:** 6/30/2020

**LAST GRANT AMOUNT:** \$50,000

**AFS DATE:** 10/21/2020

2016	\$25,000	9/30/2016	For: The Wake Forest Fund
2017	\$25,000	9/29/2017	For: The Wake Forest Fund
2018	\$25,000	9/28/2018	For: The Wake Forest Fund
2019	\$25,000	11/27/2019	For: The Wake Forest Fund
2019	\$250,000	12/16/2019	Toward the proposed Academic Commons project; specific allocation within that project to be determined
2020	\$50,000	3/31/2020	For: Crisis Response Fund-\$25,000; The Wake Forest Fund-\$25,000

**AKH endorsement received.**

**DLK COMMENTS:** Financial analysis attached. I thought the original intent of our \$300K budget was funding the Academic Commons project/ Nathan Hatch retirement, with a smaller portion to go towards COVID-relief if necessary. \$300K seems like a big ask for strictly COVID relief.

**ECC COMMENTS:** To address budgetary concerns when the pandemic first hit, Wake Forest suspended discretionary spending, suspended all existing and planned capital projects (unless necessary for health and well-being), and put a hiring freeze in place. Moreover, President Hatch and all Reynolda Campus cabinet members and academic deans took a 10% salary reduction. Wake Forest also established, as we know, the Wake Forest Crisis Response Fund towards which we granted \$25,000 last year. This Fund has now grown to \$800,000 and is being distributed through the student financial aid office.

This year, in addition to the aforementioned efforts, there is a pause on all salary increases and most new hires. And while Wake Forest has prepared for a number of Covid-related expenses in this spring semester (snapshot shown in request), unexpected expenses such as securing space at a third hotel (in addition to the two already rented for quarantine needs) and expanded Covid-testing needs have necessitated further relief funds. I'd also like to highlight, on top of all of this, Wake

**APPLICANT: Wake Forest University**

Forest has shown impressive initiative in developing the Well-Being Assessment project to develop solutions for growing mental health challenges among its students. Many universities talk about this as a theoretical challenge, but Wake is making a tangible investment in a serious problem facing current college students and that speaks worlds to their organizational culture and priorities!

I recommend funding the total \$300K ask. Once we receive all endorsements, we need to determine if any will be designated towards the Annual Fund or if we'd like the full \$300K to go towards relief. As Justin has highlighted in our offline conversations, we also have remaining RFD funds here, though we may prefer to reserve these for further capital projects.

**JJK COMMENTS:** I am also surprised by the projected surplus, though, as modest as it is, could easily become a deficit if there were chronic surges. However, as of now, the operating level is "yellow," which indicates "new normal campus operations." This is encouraging!

That said, significant costs have already been levied for Covid testing, housing, sanitation, and de-densification. As SDK suggests, it's a bit of a bitter pill to not having something more forward-looking, as Nathan Hatch prepares to depart and AKH prepares to roll off the Board, but then again, it is a time of crisis, when immediate support is needed. That said, AKH was enthusiastic about the Character and Leadership Council, a program operated by the Program for Leadership and Character, which offers a more hopeful – and future-oriented – possibility.

The request does a nice job of framing WFU's crisis as being a time when the community had to lean on Wake character values – and we know "character" has long been a focus of the Wake education: "The fall semester was perhaps the greatest test of the key characteristics of Wake Forest that we have articulated over the years: a supportive community, a culture of extraordinary teaching and intimate connections with students, and a good-campus marked by 'friendliness and honor.'" It is hard for us to know to what extent Wake, as a community, passed that test, but it does actually offer an indirect endorsement of why character education – which I assume will continue to be an interest of the university and the Foundation – matters.

For what it is worth, it was just announced on March 24 that the city of Charlotte will get its first four-year medical school, an institution in partnership between Atrium Health, Wake Forest Baptist Health, and Wake Forest School of Medicine

Pending further information from Mark Peterson, I recommend the plan endorsed by AKH: \$250K in special Covid relief expenses, \$25K to the Annual Fund, and \$25K to the Program for Leadership and Character.

**SDK COMMENTS:** I am actually surprised to see a projected 6/30/21 surplus, as modest as it is. I don't dispute Wake's positive response to Covid, but I do believe it had outsized Covid caseloads due to inappropriate behavior of undergraduates and the costs associated with the quarantine hotels was very unfortunate.

Will need to wait until we hear from AKH, but ECC makes some good points in suggesting full funding. I am inclined to maintain our traditional \$25k to the Annual Fund, especially as I think that will be important to AKH. If we then approve up to \$275k to the special Covid relief expenses incurred this spring of \$6+ million, I think it would be very generous, especially in that my guidance to Hank last fall was a "low six figure" request (we targeted \$125k accordingly) and it would be 7x our Covid support level from last year.

**APPLICANT: Wake Forest University**

In light of Hatch's retirement this June and AKH rolling off the Board, I wish our support could be a bit more forward looking, but they can't look forward until they get pass the present. And we do have the \$250k in the RFD that might eventually be supplemented and applied toward an exciting project. With Ella now finishing her freshman year and representing the next generation, I have little doubt that Wake will be a "keeper."

I do think our insert language should reflect some "kudos" recognition of Hatch ( I had hoped that the request included some broad-based fundraising effort to recognize his tenure, just as I have suggested in the case of Byerly at Lafayette).

AKH's endorsement is very important here. I also can't understand why Mark Peterson/Hatch does not copy LHV on this request. After all, it is she who is paying the annual tuition right now!

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

<b>Grantee Name:</b>	Wake Forest University	<b>Date:</b>	3/4/2021
<b>Prepared By:</b>	DLK		
<b>Grant Request Amt.</b>	\$ 300,000	<b>Type of Financial Report Submitted</b>	Audit
<b>Budgeted Amt.</b>	\$ 300,000	<b>Period Covered in Financial Report</b>	FYE 6/30/20
<b>Audit Firm</b>	KPMG	<b>Date of Report Issuance</b>	10/21/2020
<b>Opinion</b>	Present fairly		
<b>Basis of Acctg.</b>	GAAP		

<b>Current Ratio (Liquidity Ratio/Working Capital Ratio)</b>	2.12	<b>Amount of Unrestricted Net Assets (Operating Reserve)</b>	\$ 1,262,859 (in thousands)
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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.

<b>Allocation of Functional Expenses</b>	<b>6/30/2020</b>	<b>%</b>	<b>Must Read Financial Statement Notes</b>
<b>A. Academic, Instruction, Research</b>	\$ 413,546	89%	Ideally program expenses should be
<b>B. Administration/Other Institutional Support</b>	\$ 49,938	11%	at least 70% of total budget.
<b>C. Total Expenses</b>	\$ 463,484	100%	

\* Used Reynolda Campus Financials (Note 16 - Audit)

**Comments/ Notes:**

**COVID Relief Budget (Reynolda Campus):** The anticipated expenses for the Spring 2021 semester are \$6.1M with \$2.0M towards quarantine housing, \$1.1M towards COVID testing (excluding athletes), \$600K for miscellaneous dining/housing expenses, \$350K for tent rental, \$300K for PPE, \$200K for student healthy and \$100K for online course delivery. COVID-related expenses are estimated at \$13.7M for FY21, approximately 3% of Reynolda Campus operating expenses.

**(Reynolda Campus budget):** The FY21 budget for the Reynolda Campus calls projects a \$3.6M operating surplus, down from an estimated surplus of \$32.1M for FY20. Operating revenues are budgeted to increase by \$14.9M (3%) with increases in net tuition, gifts and endowment revenues and decreases in short term investment income and auxiliary revenues. Personnel expenses are budgeted for an 8% increase (\$20.2M), while non-personnel expenses are growing by 16% (\$30.0M).

**Audit:** The Reynolda campus had an operating surplus of \$1.7M and an overall change in net assets of \$-10.1M for FY20. Total operating revenues were down \$11.8M (2%) from FY19, with student tuition, investment income, and government grant revenues up \$12M, \$1.9M, and \$103K, respectively. Contributions were down \$14.2M. Total operating expenses grew by \$19M (4%) with salaries/benefits growing by \$13.7M (5%) and smaller increases in the other line items. Restricted contributions declined by \$11.7M, while investments returns decreased by \$49.3M. Wake Forest University had investments of \$2.0B as of June 30, 2020. Of the \$1.4B in endowment net assets, \$849M were for the Reynolda Campus. The Reynolda Campus had notes payable, capital projects and bonds payable totaling \$519M as of June 30, 2020. The Reynolda Campus has a \$100M line of credit as part of the University's liquidity management. The estimated cost to complete construction in progress as of June 30, 2020 was \$52.4M. On a side note, Wake Forest University Health Sciences received \$16M from the DHHS Public Health and Social Services Emergency Relief Fund.

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

**APPLICANT: Wake Forest University**

**DISPOSITION:**

- Declination
- Hold for review on/about:
- Approval for: **\$300,000**
- Hold for Board Review
- Insert Information: **Toward COVID relief funds-\$250,000; toward the Wake Forest Fund-\$25,000; toward the Program for Leadership and Character-\$25,000**

**Congratulations and best of luck to President Hatch!**

- Other:

Initials:   JDL   Date:   3/30/31  

Check #: \_\_\_\_\_ Date: \_\_\_\_\_