

## F.M. KIRBY FOUNDATION SOLICITATION EVALUATION FORM

**DATE:** April 8, 2022

**REQUEST DATE:** March 14, 2022

**Last grant acknowledgement:** Yes

**Program Area:** Education

**APPLICANT:**

Drew University  
36 Madison Avenue  
Madison, NJ 07940

**CONTACT:** Mr. Bret Silver, Vice President, University Advancement

**PHONE:** (973) 408-3227

**PAYEE OTHER THAN ADDRESSEE:**

**AMOUNT REQUESTED:** \$125,000

**NATURE OF REQUEST:** Toward the Launch

Program

### GRANT HISTORY

**LAST GRANT DATE:** 5/3/2021

**LAST GRANT AMOUNT:** \$125,000

**FYE DATE:** 6/30/2021

**AFS DATE:** DRAFT

|      |           |            |   |
|------|-----------|------------|---|
| 2014 | \$220,000 | 12/15/2014 | Toward the renovation of the Ehinger Center (student center) parking lot-\$110,000 in 2014 and 2015 |
| 2017 | \$75,000  | 4/28/2017  | Toward Phase XII of the Campus Revitalization Project: Improvements behind the Ehinger Center       |
| 2018 | \$150,000 | 12/10/2018 | Toward the comprehensive campus signage plan-\$75,000 in 2018 and 2019                              |
| 2020 | \$125,000 | 6/30/2020  | For: Support of the Launch Program  |
| 2021 | \$125,000 | 5/3/2021   | For: Support of the Launch Program  |

**SDK endorsement received.**

**DLK COMMENTS:** Drew's financial challenges continue. The University's cumulative unrestricted net deficit, excluding property, plant and equipment, and long-term investments, totaled \$131.4M as of June 30, 2021. It received three significant relief packages between April 2020 and March 2021 (see attached financial analysis for details). It sold two properties (120 Madison Avenue – former site of Drew's Alumni Hall and 45 Woodcliff Drive) for a gain of \$1.7 million. While not mentioned in the request, I noted that Drew University sold 28 units at the Copper Beech Condominiums in Madison in December 2021. I anticipate this will be referenced as a subsequent event in the final version of the FY21 audit. Net tuition is budgeted to decline for FY22 by 8%, with scholarships and other aid accounting for 56.2% of gross tuition (versus 50.5% for FY21). The audit noted the University will be undertaking a data-driven approach to increase yield from applicants admitted, which to me denotes lower aid but the FY22 budget does not bear this out. **(JJK: For further color on the audit, I just wanted to include this touch from 3/23/22: Drew received a \$7M PPP loan and it was forgiven by bank and considered a grant. However, the auditor has yet to certify it as income because there is some vagueness about who qualifies as an employee at a university [particularly students who are employed in**

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**various jobs on campus]. So there is some disagreement about whether Drew technically had more than 500 employees, which is of course the limit for PPP funds. Drew thinks auditors will eventually recognize that students should not be considered employees, which would affect the reported 2022 change in net assets, dropping from negative \$19M to negative \$12M.)**

**LDC COMMENTS:** The F. M. Kirby Foundation has been providing support to Drew University at various levels since 1970. Historically, our support has gone towards buildings, grounds, and maintenance with occasional funding toward academic conferences and lecture series. In 2020, we made our first grant to the Launch Program which is now in its third year.

The Launch Program is a student success curriculum that acts as a “real world” supplement to the more traditional liberal arts education that Drew provides by creating opportunities for mentorship, alumni networking, internships, and career development. Students take the mandatory seven-session program in their second or third semester, create an electronic portfolio that consists of materials that showcase their academic growth and experiences, and participate in two “real-world, resume-ready” experiences. I am especially impressed by the program’s efforts to assist and encourage students in acquiring mentorship and networking relationships. These connections are a key source of college success, career access, and upward mobility but many students may feel awkward initiating and establishing mentorship relationships.

As of January 2022, the program has a new Executive Director, Stacy Fischer (a Drew alumni and long-time staff member). The future of the Launch program looks bright, with a promised “Entrepreneurship Council” slated to be introduced in the 2022-23 academic year along with micro-internships (20-40 hour experiential learning opportunities), and a build-out of the Launch online platform. The proposal also mentions the use of data analytics to parse out disparities and correlations between various factors including income levels, race/ethnicity, majors, and gender identities.

While Drew’s cover letter claims that “COVID continues to put pressure on the University’s financial and operational well-being”, it is notable that not every private liberal arts college is experiencing Covid-related financial challenges to the same extent. I think it is important to note that Drew was experiencing financial challenges and borrowing from its endowment prior to the onset of the pandemic. Not mentioned in the grant proposal (but all over the local news), is Drew’s decision to sell its Forest Preserve, a 53-acre old-growth tract known adjacent to the campus, in order to replenish the school’s dwindling endowment fund. As one can imagine, this decision has caused concern amongst students, alumni, and the greater Morris County community. These factors certainly paint a concerning portrait of Drew’s financial tenability.

Despite Drew’s worrisome financials, the investment in Launch is still an investment in their current student body and it appears to be, at the very least, a worthwhile investment, judging from their 88% first-year retention rate and the continuous evolution and expansion of the program. In last year’s EF, SDK commented on the tenuous financial situation of Drew and wrote that he viewed investing in Launch as a “risky, potentially high impact” investment rather than wasted philanthropy. I think that this commentary still stands. I recommend the requested \$125K in line with the 2022 budget and SDK’s most recent endorsement.



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**JJK COMMENTS:** I think it is a testament to the Launch program that, while reading it, I ask myself: why doesn't every college or university have something like this? Especially given the ongoing concerns over exorbitant tuitions and fees. Launch seems to make the case for what a liberal arts college can do to not just educate and instruct but to guide and, yes, launch a student on his or her way.

I actually think Drew has a great opportunity to tie Launch to the chorus of voices demanding more equity in American education and the workforce. Given Drew's significant costs, the University's attention to career development, mentorship, and networking at the very least suggests that students of all income backgrounds are not left to their own devices to figure out "what college is for" and how it might help them unlock a career (and pay off hefty student debt). Moreover, for too long, students from middle- and high-income families benefitted from the social capital of their parents and their private schools. Students from low-income backgrounds, lacking the same circles, often had no or limited pathways to internships, mentoring opportunities, or careers. I very much respect how Launch democratizes the "behind-the-scenes" networking that used to happen at more elite institutions and essentially makes the building of social capital part of the curriculum. This has become even more formalized with, as the request notes, the addition this year of the Center for Mentoring and Professional Networks. Finally, the data tracking also, as LDC mentions, allows Drew to respond quickly to disparities as they occur. Seeing, for example, that students of color were not engaging in proportionate numbers in hands-on STEM research, the school was able to deploy resources strategically.

So, saying all this, I do wonder why Drew does not make such a case about equity more directly! Seems like, perhaps, a winning way to broaden its circle of donors and benefactors to those who are interested in improving outcomes for 1<sup>st</sup> generation college students.

I am glad to hear that foremost among the future plans for Launch is finding a physical space for the program. Since I had the chance to step into the physical OPCD at Wake, I can now better appreciate why this would be important for making the program feel more like a permanent part of the institution.

I agree with both SDK's and LDC's assessments that, given the precarious financial situation at Drew, this remains a "high risk / high reward" grant. One might hope that Launch is successful enough that it retains the retention rate, increases alumni engagement (and thereby giving), and perhaps even can be sold as a program to other colleges.

I recommend \$125K for Launch.

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## FM KIRBY FOUNDATION Financial Statement Analysis

|                           |                 |   |               |
|---------------------------|-----------------|---|---------------|
| <b>Grantee Name:</b>      | Drew University | <b>Date:</b>                              | 3/30/2022     |
| <b>Prepared By:</b>       | DLK             | <b>Type of Financial Report Submitted</b> | Audit         |
| <b>Grant Request Amt.</b> | \$ 125,000      | <b>Period Covered in Financial Report</b> | FYE 6/30/21   |
| <b>Budgeted Amt.</b>      | \$ 125,000      | <b>Date of Report Issuance</b>            | DRAFT 2/15/22 |
| <b>Audit Firm</b>         | Baker Tilly     |   |               |
| <b>Opinion</b>            | Present fairly  |   |               |
| <b>Basis of Acctg.</b>    | GAAP            |   |               |

|  |      |  |  |
|--|------|--|--|
| <b>Current Ratio (Liquidity Ratio/Working Capital Ratio)</b> | 0.56 | <b>Amount of Unrestricted Net Assets (Operating Reserve)</b> | \$ (36,234,000)<br>Was \$-17,103,000 in FY20 |
|--|------|--|--|

**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 | 6/30/2021<br>(in thousands) | %    | Must Read Financial Statement Notes                       |
|-----------------------------------|-----------------------------|------|---|
| A. Instruction                    | \$ 22,429                   | 30%  | Ideally program expenses should be at least 70% of budget |
| B. Academic Support               | \$ 7,880                    | 11%  |   |
| C. Student Services               | \$ 14,575                   | 19%  |   |
| D. Institutional Support          | \$ 18,371                   | 25%  |   |
| E. Auxiliary Enterprises          | \$ 11,557                   | 15%  |   |
| D. Total Expenses                 | \$ 74,812                   | 100% |   |

### Comments/ Notes:

**FY22 Budget** - The Total FY22 budget is projecting a deficit of \$11.2M vs a deficit of \$17.7M for FY21. Total revenues are budgeted to grow by \$13.8M (24%), primarily due to increased auxiliary services of \$12.1M (campus reopening) and grants/contributions of \$1.4M (41%). Net tuition (including registration and other fees) is budgeted to decline \$2.9M (8%). Total expenses are budgeted to grow by \$7.3M (10%), with increases in food service (\$2.5M), repairs/maint. (\$2.1M), personnel \$1.1M and travel (\$975K). The FY22 budget for Launch is \$1.1M for FY22 with all personnel expenses budgeted flat to FY21. Operational expenses are growing by \$5.5K (8%), primarily due to the return of campus events and catering. The University's overall investment in Launch will increase from \$1.36M to approx \$1.5M for FY23.

**FY21 Audit** - Drew University had an operating deficit of \$15.6M for FY21 vs an operating deficit of \$14.5M for FY20. On a positive note, due to strong realized and unrealized gains on investments and fair value of trusts totaling \$16.3M and the \$1.7M gain on the sale of 120 Madison Avenue and 45 Woodcliff Drive, total net assets grew by \$3.6M (versus a decline of \$30.1M in FY20). Total operating revenues declined by \$14.0M (19%), primarily in auxiliary enterprises (housing/dining) which were down \$14.3M (66%). Institutional and externally funded discounts of tuition were 46.4% of gross tuition. Net tuition and fee revenue was 60.2% of total operating revenue. Total operating expenses were down \$12.9M (15%) from FY20, with decreases in all line items except institutional support. The University received three relief packages btwn April 2020 and March 2021. Under CARES, it received \$1.7M, of which \$976.8K was recognized as grant revenue in FY21 (and \$750.7K in FY20). Under CRRSAA (Coronavirus Response and Relief Supplemental Appropriations Act), the University received \$2.6M of funding, all of which was recognized as grant revenue in FY21. Under ARP (American Rescue Plan), the University was awarded \$4.7M of funding but has not yet recognized any amounts for student emergency aid or institutional support.

The University's cumulative unrestricted net deficit, excluding property, plant and equipment, and long-term investments, continues to grow. 2016 - **-\$60.1M** / 2017 - **-\$78.5M** / 2018 - **-\$99.5M** / 2019 - **-\$102.0M** / **2020 - \$-114.0M** / **2021 - \$-131.4M**. The University is addressing this threefold: 1) modest tuition increases and is undertaking a **data-driven approach to increase yield from applicants offered admission**, 2) fundraising targeted on gifts for current operations and 3) continuing targeted sales of noncore real estate investments. It will continue expense control efforts. The University had \$119.9M in investments as of June 30, 2021. Approximately \$80.6M of Drew's \$166.4M endowment represents a loan for operations and facility investments. Additionally, the University has borrowed internally from gifts for instruction and scholarships with donor restrictions in the amount of \$4.8M. Drew's challenges continue.

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**DISPOSITION:**

- Declination
- Hold for review on/about:
- Approval for: **\$125,000**
- Hold for Board Review
- Insert Information: **For: Support of the Launch Program**
- Other:

Initials:           JJK           Date:           4/11/22            
Check #:                                  Date: