

F.M. KIRBY FOUNDATION SOLICITATION EVALUATION FORM

DATE: March 11, 2022

REQUEST DATE: February 10, 2022

Last grant acknowledgement: Yes

Program Area: Public Affairs/Society Benefit

APPLICANT:

Intercollegiate Studies Institute, Inc.
F.M. Kirby Campus
3901 Centerville Road
Wilmington, DE 19807-1938

CONTACT: Mr. John A. Burtka IV, President & CEO

PHONE: 302-652-4600

PAYEE OTHER THAN ADDRESSEE:

AMOUNT REQUESTED: \$150,000 **NATURE OF REQUEST:** For general operating support

GRANT HISTORY

LAST GRANT DATE: 5/3/2021

LAST GRANT AMOUNT: \$120,000

FYE DATE: 6/30/2021

AFS DATE: 10/18/2021

2017	\$150,000	4/28/2017
2018	\$135,000	4/23/2018
2019	\$125,000	4/15/2019
2020	\$120,000	4/29/2020
2021	\$120,000	5/3/2021

DLK COMMENTS: I found this request to be rather disjointed. There were eight separate handouts. The cover letter requests supporting their core programs, but the attached proposal details their Roots of American Renewal Campaign. The five-year campaign (2022-2026) aims to create a flagship program that will educate and unite a new wave of conservative leaders for America. While Justin referenced a \$75 million goal in honor of their 75th anniversary in last year’s request, there is no financial goal (or mention of its 75th anniversary) stated. The campaign has five objectives: 1) build a state-of-the-art conference center and student lodging, i.e. the “Camp David” of American conservatism, 2) expand ISI’s nationwide programming and summer schools, 3) strengthen ISI’s faculty network and engagement, 4) invest in ISI’s alumni community and 5) launch and expand content for *Modern Age* Online.

Construction is underway for the Linda L. Bean Conference Center, which will add 7200 square feet to ISI’s headquarters in Wilmington, Delaware. One of ISI’s key strengths has been its educational programming, which includes 129 campus societies, conferences/lectures/debates, the Collegiate Network (75 student-run publications), Honors Scholars (50 honor scholarships for 21-22 academic year), and graduate fellowships (16 fellowships for the 21-22 academic year).

In the separate 2020-2021/2021-2022 handout, ISI outlined the Diana Davis Spencer Debate Series. ISI hosted five debates to promote free speech and to provide a model of civic discourse. Topics

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included Reforming the Supreme Court, The Threat of Big Tech, The Future of Conservatism, The Future of the Economy, and Socialism vs. Capitalism and involved a moderator and a “for” and “against” position. For the 2021-2022 academic year, the debates will be filmed to market the content to the public for livestreaming and to post on the ISI website. Topics for the current year touch upon China, reparations, K-12 education, big tech, and the American Constitution. The ability to have open debates with both sides represented is so important in the development of future critical thinkers.

Equally inspiring are the profiles of the Honors Scholars, the Collegiate Network Fellows and Interns, and the Graduate Fellows. They represent a wide variety of colleges, majors, faiths, etcetera.

ISI also supports the principles of liberty on the faculty side of campus. The network is represented on more than 1,000 campuses across the U.S. and ISI offers conferences where professors and intellectuals can connect with other faculty and engage in conservative thought. Faculty may also mentor ISI Honors students and receive print books and a subscription to *Modern Age*.

It appears that there have been some key management changes at ISI under John Burtka, IV’s leadership. Jeff Nelson, Senior VP and Chief Academic Officer, and Jed Donahue, VP Content and Marketing, are no longer listed as senior management (**JJK: According to LinkedIn and the ISI page, neither are employed any longer by ISI.**). New additions include Daniel McCarthy, VP of Collegiate Network & Editor-in-Chief of *Modern Age*, Claire Aguda, Director of Alumni & Faculty Relations, Marlo Slayback, National Director of Student Programs, and Spencer Kashmanian, Chief of Staff.

ISI had a strong year, financially. Contributions were up 15% and the organization had unrestricted net assets of \$11.5M for the fiscal year ending June 30, 2021. Per the audit, ISI paid back the \$333K PPP loan it received in 2020. Financial analysis attached. I recommend the budgeted \$120K and that we provide guidance to Ethan on streamlining next year’s request a bit.

JJK COMMENTS: Each year I read through the ISI report, I enjoy reading the short bios of undergrads and postgrads. This year, it was particularly gratifying to see a former student in the 2021 Yearbook!

Less gratifying were the frequent typos in here. If ISI claims that universities are no longer adequately educating their students, well, maybe there is some proof in the pudding. The typos became distracting. I gently let Ethan Swain, our contact there, know that there were too many typos – and I shared DLK’s note on the disjointed handouts.

As DLK notes, there have been some significant personnel changes at ISI, including a rotating door of development contacts for us. They have frequently requested meetings with us, which we have had to turn down given we visited the campus as recently as February 2020. However, next time we meet with them, we will need to ascertain how Burtka intends to stabilize the team, especially in the midst of a major campaign. To illustrate my point, of the six people we met on that trip, only one of them – Paul Rhein – is still with the organization!

Given that the Wilmington campus is home to the F. M. Kirby Hall, there is naturally some appeal to the campaign’s focus of establishing a counter-university, a “Camp David” of American intellectual conservatism.

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As part of the campaign, ISI also intends to “develop and expand innovative educational programming.” I should note that remarkable progress has been made since the aforementioned site visit. In early 2020, there were 87 ISI campus societies; there are now 129, as DLK noted. In early 2020, there were 53 ISI-connected campus newspapers; there are now 63. I should add here that, in response to the pandemic and limitations on gathering, ISI launched eight “Little Platoon Seminars,” which were daylong events consisting of 10-15 students and faculty, allowing for social distancing but nonetheless intimate conversation and connections. According to the request, these seminars will continue throughout 2022, as they appear to offer ways to bring together students in areas where larger conferences are impractical.

The number of graduate fellowships is roughly the same as they were in 2020, but, as we learned at that same site visit, these sixteen fellows have an outsized impact, as Jeff Nelson relayed, through their own research and publications and their mentorship of other students. For every graduate fellow that ends up in a university tenure-track position, ISI has another outlet for student recruitment and for the dissemination of principles of liberty.

On finances, a couple of notes: we were a bit surprised, given the organization’s orientation towards government, that they accepted PPP funding, but as DLK notes, that loan was paid off in 2021. Some of the line items in the proposed budget spark questions. Expenses for marketing are set to triple (from \$97K in 2021 to \$292K in 2022), perhaps as part of their strategic goals of reaching more students and launching *Modern Age* online. Non-staff travel is also projected to triple but this is more to be expected given the aforementioned lecture series as well as the general return of in-person events. On the revenue side, I am surprised to see that expected revenues for “programs and publications” are slated to drop from \$738K to \$125K. Perhaps *Modern Age* will no longer be available for subscription? Similarly, the expected expenses for “books and publications” will drop from \$196K to \$0! I will ask Ethan for more information regarding this and update the EF accordingly.

One revenue line you won’t find on the ISI budget: student tuition and fees. As noted in previous EFs, ISI covers transportation and lodging for all students who attend regional conferences and honors programs seminars. I appreciate that this allows students from all income levels to attend, with cost never being a barrier to entry. Additionally, the Collegiate Network program provides assistance to the start-up operating costs of a campus publication, while also helping them secure advertising and other forms of revenue.

While ISI still has work to do in recruiting a more ethnically diverse student body, I will note that, according to their own statistics, 60% of their student base is female (as noted in our 2020 site visit), which must represent a remarkable shift.

While I have some concern about staff turnover, I was pleased to see that, under Burtka’s leadership, ISI remains committed to the idea of a broad education, rooted in Western thought, and designed to supplement the university experience. The request was refreshingly free of partisan politics or divisive language. I recommend \$120K.

JJK 3/15/21 Update: I received a reply from Ethan Swain about *Modern Age* and the question of publications at ISI:

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Regarding Modern Age and Publications: Modern Age Online will be an expansion of the quarterly Modern Age Journal and not a replacement of it. The print journal will remain the project's cornerstone and we will keep working to grow its circulation. The total publications budget has shrunk, however, because ISI is in negotiations to sell its back-list of book titles to another publishing house that will retain an 'ISI Books' imprint and publish 2-4 'ISI Books' a year. This is an exciting move for a variety of reasons, and it will do justice by the great titles we have and help us get those books into the hands of more students. If you would like, I'd be happy to talk more about the move with you over the phone!

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**FM KIRBY FOUNDATION
Financial Statement Analysis**

Grantee Name:	Intercollegiate Studies Institute, Inc.	Date:	<u>3/4/2022</u>
Prepared By:	DLK		
Grant Request Amt.	\$ 150,000	Type of Financial Report Submitted	<u>Audit</u>
Budgeted Amt.	\$ 120,000	Period Covered in Financial Report	<u>FY 6/30/21</u>
Audit Firm	<u>Baker Tilly US, LLP</u>	Date of Report Issuance	<u>10/18/2021</u>
Opinion	<u>Present fairly</u>		
Basis of Acctg.	<u>GAAP</u>		

Current Ratio (Liquidity Ratio/Working Capital Ratio)	16.91	Amount of Unrestricted Net Assets (Operating Reserve)	\$ 11,520,277
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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	6/30/2021	%	Must Read Financial Statement Notes
A. Program Service Expenses	\$ 5,279,277	84%	Ideally program expenses should be at least 70% of total budget.
B. Management and General	\$ 569,397	9%	
C. Fundraising	\$ 467,719	7%	
D. Total Expenses	\$ 6,316,393	100%	

Comments/ Notes:

FY22 Budget: The revised budget projects a surplus of \$51K vs a surplus of \$518K for FY21. Revenues and support are budgeted to increase by \$520K (8%), primarily in the grants and contributions line. Program expenses are relatively flat, up \$46K (1%) from FY21. Support expenses are doubling, up \$940K (91%), both in finance/operations and development.

FY21 Audit: ISI had an operating surplus of \$518K for FY21 versus a surplus of \$223K for FY20. Total net assets grew by \$2.1M for FY21 (large increase in unrealized and realized gains of \$1.6M) vs \$159K for FY20. Revenues grew by \$914K (15%), all in the contributions line. The audit noted that the Institute received contributions from staff and board members totaling \$1.1M during FY21. Program expenses grew by \$545K (12%), with the largest increases occurring in books (\$341K/55%), membership services (\$108K/23%) and conferences (\$75K/12%). Support expenses grew by \$93K (10%). Operations provided \$1.5M in cash, \$842K was used in investing activities and \$348K was utilized to pay down debt (including the \$333K PPP loan from 2020). ISI's investments totaled \$8.2M as of June 30, 2021, of which \$4.6M were endowment-related. They have an additional \$20K in charitable remainder trusts. They have \$3.5M available via lines of credit and there were no draws on the loc for the year ended June 30, 2021. I see no red flags as a result of my review. ISI has a healthy balance sheet.

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DISPOSITION:

- Declination
- Hold for review on/about:
- Approval for: **\$120,000**
- Hold for Board Review
- Insert Information:
- Other:

Initials: JR Date: 3/16/22
Check #: _____ Date: _____