

F.M. KIRBY FOUNDATION SOLICITATION EVALUATION FORM

DATE: March 17, 2022

REQUEST DATE: December 22, 2021

Last grant acknowledgement: Yes

Program Area: Education

APPLICANT:

The Lawrenceville School

PO Box 6008

Lawrenceville, NJ 08648

CONTACT: Mr. Stephen S. Murray, H'55 '65 P'16, The Shelby Cullom Davis '26 Head Master

PHONE: 609-896-1208

PAYEE OTHER THAN ADDRESSEE: Trustees of the Lawrenceville School

AMOUNT REQUESTED: \$750,000

NATURE OF REQUEST: Toward the Kirby House Endowment and The F.M. Kirby Math and Science Center Maintenance Fund

GRANT HISTORY

LAST GRANT DATE: 5/3/2021

LAST GRANT AMOUNT: \$500,000

FYE DATE: 6/30/2021

AFS DATE: 12/17/2021

2017	\$550,000	4/28/2017	For: The F.M. Kirby Math and Science Center Endowment Fund
2018	\$550,000	4/23/2018	For: Support of The Dining and Athletics (DAC) Complex
2018	\$2,500,000	4/23/2018	For: The release of \$2,500,000 from the Reserved for Future Decision Fund for allocation of support to the Dining and Athletics (DAC) Complex
2019	\$500,000	4/15/2019	For: Support of the Dining and Athletics (DAC) Complex
2020	\$400,000	4/29/2020	For: Support of the Dining and Athletics (DAC) Complex
2021	\$500,000	5/3/2021	For: Support of the Dining and Athletics (DAC) Complex

JWK endorsement received.

DLK COMMENTS: See financial analysis.

LDC COMMENTS: FMKF's support for the Dining and Athletics Complex was finalized with our grant of \$500K in 2021 (which happened to be the remaining amount needed to be fundraised in order complete the project). Mr. Murray reports that this project is moving along with its projected timeline despite pandemic-related challenges (Phase I's projected completion date is fall of 2022) and it seems that Lawrenceville was able to mostly return to pre-pandemic programming, albeit with some adjustments. This year, the request is for additional funds to be applied to the Kirby House Endowment and the Kirby Math and Science Center maintenance fund. As of June 30, 2021, the former sat at \$3,249,225 while the latter was valued at \$17,022,815.

The proposal is thoughtful and well-crafted, providing updates on the Math and Science division, the Performing Arts division, Kirby House, the Kirby landscape fund, and additional Kirby funds. Comments from teachers in the Math and Science division touch on the interruption that the pandemic caused for students' education and how, now that they have returned to the classroom,

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these interruptions must be addressed. It is interesting that even students at Lawrenceville who had access to extremely advanced methods of virtual learning still are experiencing the pandemic-related educational delays and gaps that we hear about so often amongst public school students. It will be interesting to see how this cohort adjusts and, hopefully, catches up going forward even though they are, as one teacher states, in a different place in terms of skill and understanding than their peers were in pre-pandemic times. It is exciting to see that Lawrenceville now offers a full year of engineering electives and is teaching students to utilize the Fusion software, which is the latest and most advanced design software for engineers and architects (I tried to “play around” with this software once and was completely lost). The updates from Keith Roeckle, Chair of Performing Arts, are buoyant and relay the infectious enthusiasm for theatre and performing arts that are so apparently present amongst the Lawrenceville community. Challenges of the pandemic were met with innovative methods for continuing to provide entertainment and culture to the greater Lawrenceville community despite the pandemic-related interruptions to normal operations.

The section on Kirby House provides some interesting narrative about the differences the residents have seen during the pandemic taken from a survey led by two residents acting as the “Kirby House Historians”. It seems like the pandemic has created some challenges in regard to the ability to take part in some of the House traditions that I’m sure the residents were looking forward to. I felt a little sad reading that the girls are not allowed to room together or even go into each other’s rooms as these elements of friendship are especially helpful in a boarding school context. Still, the girls said they were able to form bonds and socialize despite these challenges. The academic achievements of the residents are a testament to the education and opportunity that Lawrenceville provides its students. These girls start nonprofits, conduct research, compete athletically, participate in sketch comedy clubs, and win awards! Finally, the proposal announces that Gary Skirzynski, Director of Facilities, will be retiring after 43 years of service. Director Skirzynski offers his thanks to the Kirby Foundation for “preserving the physical nature of this magnificent institution that has been my greatest pleasure to serve.”

Lawrenceville provides a list of building expenditures from 2020/21 that list \$172K on maintenance of the Math and Science Center, \$80,233 on maintenance of the Kirby Arts Center, and \$35, 212 on maintenance of the Kirby House. While, as DLK mentions in her financial analysis, the funds for the buildings cover upwards of 20 years of operating expenses for each building, maintenance costs tend to compound annually, and the request does not include estimated forthcoming capital expenses for the longer-term health of the structures. A summary of the most recent Physical Needs Assessment might provide a more well-rounded request for additional funds to the maintenance endowment. As a final note on the financial analysis, I can’t help but mention that I am intrigued by the school’s \$13.8M investment in cryptocurrencies. Cryptocurrency seems like a progressive investment choice for an educational institute (perhaps it was a donation), but ultimately makes up less than 2% of total investments. Still, it will be interesting to see how this portion of the portfolio performs over the next few years.

I recommend the budgeted \$500K, with JWK’s advised split of 20% (\$100K) toward the Kirby House Endowment and 80% (\$400K) toward the F. M. Kirby Math and Science Center Maintenance Fund. While the request is for \$750K, it seems that the \$500K amount is more aligned with FMKF’s history in regard to Lawrenceville and, without any specific time-sensitive allocation, an appropriate amount in response to this year’s request.

JJK COMMENTS: I appreciate the insights from DLK and LDC on Lawrenceville’s complex finances. Quite stunning to read that there are 767 different endowment funds that make up the

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\$665M portfolio, clearly a signal of a devoted alumni base as well as the school's sustainability in uncertain economic and social times. This might be the first time we have encountered a cryptocurrency investment of this magnitude (\$13M), though I suspect it won't be the last!

Mary Kate's letter serves as a fine example of the strength and longevity of the connection between the Kirby name and Lawrenceville. I also was struck by the culture of achievement at the school, evidenced by the many means of measuring and recognizing student accomplishments. One can easily surmise, from the Kirby House update, how self-propelling is this culture; as "Littles" encounter their "Bigs" in the house, they see models of service, of extracurricular activity, and of academic excellence. They in turn aspire to earn the prizes and pins and honors that make up the life of Fourth and Fifth Formers and then inspire a new class of Kirby House girls. Incredible to see three young women from the House having started their own non-profit organizations. Perhaps Ms. Natalie Tung, a Kirby House graduate herself and current Executive Director and Founder of HomeWorks, will provide some mentorship! The letter also imparts upon the reader the array of extracurricular opportunities at the school, which LDC has remarked upon in other grant evaluations as being a critical element of character formation and personal growth.

Since the "Belonging, Building, Becoming" brochure was included in this year's proposal packet, I will make a quick note about the school's DEI efforts. The document, in my estimation, is a testament to the weight that the school has put on fostering a more inclusive culture. The plan was launched in June of 2021 and calls the school to, among other goals, increase the diversity of the faculty and then better retain faculty of color to maximize the likelihood of their tenure and promotion; offer DEI workshops to faculty and staff, students, and Board members; hire a Dean of DEI; and create a formal office of Multicultural Affairs. Finally, the brochure notes the Hutchins Center for Race and Social Justice, which "will advance the school's established vision of applied, experiential learning" and "offer direct access to scholars and leaders at highly respected national organizations." On my site visit to Lawrenceville in September, I had the opportunity to briefly meet Zaheer Ali, the first appointed Executive Director of the Center.

Given the many international students at Lawrenceville, the call to create an inclusive environment seems like more than just window-dressing; indeed, it appears essential to the school's current student body and its aspirations.

As for the specific request to further supplement the building endowments, the proposed split from JWK of 80% / 20% toward the F. M. Kirby Math and Science Center Endowment Fund and the Kirby House Endowment Fund, respectively, appears roughly proportionate to both the current market values as well as the expenditures for the year.

I recommend a grant of \$500K, with \$400K towards the F. M. Kirby Math and Science Center Endowment Fund and \$100K towards the Kirby House Endowment Fund.

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FM KIRBY FOUNDATION Financial Statement Analysis

Grantee Name:	The Lawrenceville School	Date:	1/5/2022
Prepared By:	DLK		
Grant Request Amt.	\$ 750,000	Type of Financial Report Submitted	Audit
Budgeted Amt.	\$ 500,000	Period Covered in Financial Report	FYE 6/30/21
Audit Firm	KPMG	Date of Report Issuance	12/17/2021
Opinion	Present fairly		
Basis of Acctg.	GAAP		
Current Ratio (Liquidity Ratio/Working Capital Ratio)	2.45	Amount of Unrestricted Net Assets (Operating Reserve)	\$ 275,520,304

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. Instruction/ Student Svcs	\$ 50,963,935	64%	Ideally program expenses should be at least 70% of total budget.
B. Institutional Support	\$ 18,488,129	23%	
C. Auxiliary Services	\$ 2,590,826	3%	
D. Fundraising	\$ 7,220,526	9%	
D. Total Expenses	\$ 79,263,416	100%	

Comments/ Notes:

FY22 Budget: The FY22 projected budget forecasts a \$536K deficit vs an operating surplus of \$26.6M for FY21. I will note that Mary Kate submitted a FY22 projected vs FY22 approved budget, rather than FY22 vs FY21 so I'm relying on the audit for comparative purposes. Total revenues are budgeted to decline \$36.4M (34%) from FY21, although campaign revenue (don't have breakout on audit for philanthropy vs campaign contributions) and investment revenues (\$20.6M in FY21) are not included in the FY22 budget. Expenses are broken out differently on submitted budget versus audit so can't make any useful comparisons here. I suggest Liz reach out to Mary Kate for revised budget comparing Projected FY22 to Actual FY21. With regards to the request of \$750K towards the Kirby House Endowment and the F.M. Kirby Math & Science Center Maintenance Fund, there is no breakout so not sure if they're looking for \$375K for each fund. The FMK Math & Science Center Endowment Fund had a balance of \$17.0M as of June 30, 2021 and spent \$760.8K in FY21. At that spend rate, the Fund has 22 years worth of operating expenses. The Kirby House had a balance of \$3.2M as of June 30, 2021 and spent \$159.3K in FY21. At that spend rate, the Kirby Fund has 20 years worth of operating expenses. I will note that for the first time a Kirby girl, Annie Katz '22, was elected to be the all-school President! Two other Kirby girls sit on the Student Council (Diversity Representative and Arts Representative).

FY21 Audit: The school had a \$26.6M operating surplus in FY21 and overall increase in net assets of \$200.1M!, versus a \$64.7M operating surplus and \$56.6M increase in overall net assets for FY20. The largest difference year over year was giant investment returns of \$170M (versus a loss of \$5.2M for FY20). Student allowances (financial aid) were 29% of gross tuition and fees. The School noted that COVID-19 related expenses totaled \$7.8M for FY21 vs \$643K for FY20 (listed as Other in Functional Expenses). The School had investments of \$768.9M versus prior year of \$598.2M, of which 65% were hedge funds or limited partnerships. The School is obligated under certain limited partnership arrangements to advance additional funding of \$98.4M which is anticipated to be called over the next 10 years. The School also has \$13.8M invested in cryptocurrencies (listed as other). Endowment assets (767 funds as of June 30, 2021) totaled \$665.5M (versus \$484.4M in FY19). The School has a \$7.5M revolving credit facility through May 31, 2022 with zero drawn as of June 30, 2021. The School also has an \$8M line of credit (thru June 30, 2022) via the Joe and Clara Tsai Foundation. It drew down \$6.0M in Dec 2020 and that draw was converted to a gift in June 2021. Finally, the School has a \$30.0M revolving credit facility (through October 2023) with \$0 drawn as of June 30, 2021. The School utilized funds from two bond issuances in 1996 and 2001. The principal maturities for those bonds total \$49.1M and mature in 2026 and 2031, respectively. Interest on the outstanding bonds aggregated \$2.1M for the year ended June 30, 2021. Overall, there were no red flags as a result of my review.

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DISPOSITION:

- Declination
- Hold for review on/about:
- Approval for: **\$500,000**
- Hold for Board Review
- Insert Information: **For: The F.M. Kirby Math and Science Center Endowment Fund-\$400,000; for The Kirby House Endowment Fund-\$100,000**
- Other:

Initials: JK Date: 3/18/22
Check #: _____ Date: _____