

F.M. KIRBY FOUNDATION SOLICITATION EVALUATION FORM

DATE: March 14, 2023
Last grant acknowledgment: Yes
Program Area: Human Services

REQUEST DATE: January 31, 2023

APPLICANT:
Summit Speech School
705 Central Avenue
New Providence, NJ 07974

CONTACT: Ms. Nancy Tagle, Director of Development
PHONE: (908) 508-0495
PAYEE OTHER THAN ADDRESSEE:

AMOUNT REQUESTED: \$165,000 **NATURE OF REQUEST:** For general operating support - \$65,000; toward the Endowment Campaign - \$100,000

GRANT HISTORY

SUPPORT: 1988 - 2022 **# OF GRANTS:** 36 **TOTAL DOLLARS:** \$3,379,500

LAST GRANT DATE: 2/28/2022

LAST GRANT AMOUNT: \$65,000

FYE DATE: 6/30/2022

AFS DATE: 10/31/2022

2018	\$80,000	4/23/2018	Toward the replacement of the HVAC system-\$15,000
2019	\$65,000	5/31/2019	
2020	\$65,000	2/28/2020	
2021	\$65,000	1/29/2021	
2022	\$65,000	2/28/2022	General Operating Support

DLK COMMENTS: Financial analysis attached.

JFT COMMENTS: Summit Speech School (SSS) is a New Jersey State Department of Education-approved private school for students with disabilities serving the hearing impaired. The School provides an Early Intervention Program of 48 weeks per year, a Preschool Program of 180 days, along with an Itinerant Mainstream Support Program for main-streamed children, grades Pre-K through 12. The School also provides audiology services throughout the year. Summit Speech School's facility was named the F. M. Kirby Center in 1992, as a result of a \$1M grant.

Highlights from the *Parent Infant Program* (birth to 3 years old) include 89 children and their families served during the 2021-2022 school year. Thirty-six children who turned three aged out of the program. Of those 36, 5 attended SSS's Preschool program, 15 attended district preschool programs (with SSS or district Teacher of the Deaf assistance), 2 went to other specialized preschool programs, and 14 withdrew from the program before turning 3 either due to a change in diagnosis or parents withdrawing the child from services. Without specialized early intervention services, children who are deaf or hard of hearing have been found to experience significant delays in their communication and language abilities, their social-emotional development, and, ultimately, the quality of their lives.

A few overall program accomplishments include the continuation of Family Group training (both in-person and virtual); partnerships with William Paterson University, Seton Hall University, Kean

APPLICANT: Summit Speech School

University, Montclair State University, and The College of New Jersey, offering observation and volunteer opportunities to undergraduate and graduate level students in Teacher of the Deaf, Speech Pathology, and the Audiology programs; providing resources and guidance to Cochlear Implant Centers; and partnering with professors at Columbia University- Teachers College regarding Early Intervention for researchers to learn more about early language and reading skills. SSS is also working to launch a pilot program offering a series of Parent Training classes in Spanish at SSS: “This pilot program will offer information, discussion, socialization, and community-building opportunities for Spanish Speaking families in the Parent Infant and Preschool programs.” SSS continues to employ strategies learned in professional development related to Adverse Childhood Experiences.

The *Preschool Program* (children 3 to 5 years old) which serves deaf and hard-of-hearing children from NJ school districts had 22 students enrolled as of 1/31/23. Seven students graduated from the program in 2022. All Preschool program staff has been trained in Conscious Discipline, a social-emotional program that teaches children how to regulate and manage emotions to make safe and healthy choices. They have also been working to integrate the High Scope Curriculum (5 basic principles: active learning, positive adult-child interactions, a child-friendly learning environment, a consistent daily routine, and team-based assessment), modifying the curriculum to adapt to SSS’s Listening and Spoken Language programs.

Two hundred thirty-three students from 64 school districts participate in the *Itinerant Mainstreet Support Program*. Seven graduated from high school in 2022 and 6 of them are attending four-year colleges and universities.

The *Audiological Services Program* served 137 students (in-district or virtually) from 49 different school districts and private schools during the 2021-2022 school year. SSS is investigating the viability of serving children with Auditory Processing Disorder (a hearing problem that affects about 3%–5% of school-aged children, also known as central auditory processing disorder, who can't understand what they hear in the same way other kids do because their ears and brain don't fully coordinate).

Strategic plan updates include:

- 1) *Expansion and diversification of funding sources and marketing* resulting in the hiring of Match Nonprofit Consulting in March 2022 to aid in the “restart” of their endowment campaign (more on that below); renting part of the school’s unused storage space creating earned income of approximately \$140K per year; and researching the possibility of adding an inclusion program or expanding the preschool and collaborating with other centers;
- 2) *Enhance the use of institutional and programmatic use of technology* resulting in staff attending webinars and conferences to learn the latest in remote teaching and acquainting all with the latest hearing aid and cochlear implant technology;
- 3) *Enhance Board growth, development and evaluation including governance and operation* resulting in a revamp of the Board’s executive committee and an Open House to increase Board education, involve alumni and parents as key constituents, and to introduce new friends to the school to cultivate in the future; and
- 4) *Measure and articulate data and outcomes* noting that the funding for the OPTION Schools (which collect information on Listening and Spoken Language Programs in Canada, South

APPLICANT: Summit Speech School

America, and the United States) database has run out, though it may continue in some form. SSS joined OPTION Schools a few years ago. Last year was the first year SSS entered information into the database. OPTION Schools is exploring other program options; SSS is hopeful they are successful, as they look to better measure students' growth over time.

SSS performs ongoing capital improvements to the school, and this past year, the stucco façade was replaced and the exterior of the building that carries the Kirby name (Summit Speech School at the F.M. Kirby Center) was painted.

The 12-member Board (17 members prior year) saw 6 members transition off and added 1 new member. In a 9/23/22 conversation with Mary Beaumont, Executive director, had informed me that the Board had seen many changes and she credited JJK for his guidance (there were members that did not want to leave) on the importance of an energized Board.

Mary Beaumont will retire on 6/30/23. A search committee (Board, staff, parents, outside counsel) has been formed to fill the ED position. One of Mary's priorities was to reinvigorate the endowment campaign that has been in the works since 2017. SSS solicited Board members and are now contacting top donors (approximately 40-50 individuals, including foundations). To date, \$1.9M of the \$3M+ goal has been committed or received toward reaching a \$10M endowment. All Board members have made pledges and/or payments to the campaign by 12/31/22. This campaign, *Listen.Speak.Succeed.*, will close its pledge commitments in June 2027.

SSS faces continual funding gaps between school district / Department of Health reimbursement and fundraising. Achieving a \$10M endowment will ensure long-term sustainability of the School. Though SSS is returning to near-pre-pandemic attendance, SSS is struggling to recruit teachers. Mary had to inform some school districts that SSS could not service them. "Recruiting and retaining superior staff is an ongoing challenge," she said, "as there is a national shortage of Teachers of the Deaf. They require a more competitive compensation package, professional development, and travel expenses."

I feel that support of the endowment campaign is a good investment, along with annual support. SDK concurred with JJK's and my suggestion of endowment support of \$100K over 2 or 3 years. I recommend a three-year pledge of \$100K toward the campaign and \$65,000 for operating support for 2023.

JJK COMMENTS: Summit Speech School is an institution that largely flies under the radar of our local community. They lack the brand awareness, visibility, and large networks that other disability organizations like Seeing Eye enjoy. Yet, especially with its focus on the very young and the potential return on investment made in early interventions, Summit Speech School, from my perspective, offers FMKF a place to have outsized impact. Yes, the school's operations are sustained by public education dollars, routed from local school districts, but as the request (and JFT's analysis) makes abundantly clear, the school district and Dept. of Health funding does not cover travel, which is required (and in large doses!) for the Itinerant Teacher of the Deaf program.

(For comparison's sake, SSS has a \$4.7M operating budget, whereas Seeing Eye has a \$27M operating budget. SSS's grants and contributions in 2022 were \$864K, or 18% of total support and revenue, whereas at Seeing Eye, the combination of contributions, trusts, and legacies represents almost 50% of total operating revenues.)

APPLICANT: Summit Speech School

While SSS might not have the public profile of a Seeing Eye, they have made several significant steps to further professionalize the organization, including, as noted, a reinvigorated board, a renewed strategic plan, a refreshed website, and, in the months ahead, new leadership.

Considering the Kirby name is associated with the facility – which is always in need of maintenance – I am supportive of the recommendation of a three-year pledge of \$100K toward the campaign and \$65,000 for operating support for 2023.

APPLICANT: Summit Speech School

F.M. KIRBY FOUNDATION			
Financial Statement Analysis			
Grantee Name:	Summit Speech School	Date:	2/28/2023
Prepared By:	DLK		
Grant Request Amt.	\$ 165,000	Type of Financial Report Submitted	Audit
Budgeted Amt.	\$ 105,000	Period Covered in Financial Report	FYE 6/30/22
Audit Firm	Nisivoccia LLP	Date of Report Issuance	10/31/2022
Opinion	Present fairly		
Basis of Acctg.	GAAP (new auditor)		
Current Ratio (Liquidity Ratio/Working Capital Ratio)	9.07 Liquidity/(CL)	Amount of Unrestricted Net Assets (Operating Reserve)	\$ 3,590,150
<p>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.</p>			
Allocation of Functional Expenses	6/30/2022	%	Must Read Financial Statement Notes
A. Program Service Expenses	\$ 3,061,724	65%	Ideally program expenses should be
B. Management and General	\$ 1,076,717	23%	at least 70% of total budget.
C. Fundraising	\$ 563,074	12%	
D. Total Expenses	\$ 4,701,515	100%	
Comments/ Notes:			
<p>FY23 Budget: The FY23 budget projects a fundraising need of \$863K vs fundraising need of \$926K for FY20. Total revenues are budgeted to grow by \$92K (3%) due to increase in itineratant revenue rate increase. Expenses are budgeted to decline by \$458K (11%) due to no development office expenses (\$480K in FY22) and lower operational expenses (down \$113K/34%). Those decreases were partially offset by increased program salaries/benefits (up \$127K/5%). The budget noted benefit expense was up due to a move to family coverage and additional benefits. I assume prompted by the challenge of finding/retaining teachers!</p>			
<p>FY22 Audit: SSS has a new auditor and didn't restate last year's financials so I will only comment on year over year differences where presentation is comparable. SSS had an operating deficit of \$26.8K for FY22 vs a surplus of \$300.9K for FY21. However, FY21 included \$589K in PPP monies. When backed out, FY22 was a stronger fiscal year for SSS. Total revenues were \$34.9K higher than FY21, but regular operating revenues (excluding PPP) were \$624K (15%) higher than FY21. Grants/contributions grew \$362.7K (56%), contract fees rose by \$134.8K (11%) and public school tuition grew \$94.4K (7%).</p>			
<p>Total expenses grew by \$362.6K (8%). Program expenses decreased \$1.2M (28%), while support service expenses increased by \$1.5M (14%). Clearly the new auditors had a difference in opinion on how expenses should be classified. Last year's audit reflected <u>zero management/general expenses</u> and only \$95.6K in fundraising expenses. Total net assets declined by \$1.5M due to net investment losses of \$1.5M.</p>			
<p>The School's investments totaled \$5.1M as of June 30, 2022. The School had a \$250K line of credit which expired Nov 1, 2021 and was not renewed. As of June 30, 2022, there was no balance outstanding. The issue of \$101K in outstanding refunds to the NJ DOE is still pending. It seems that there has been no activity on the Board of Trustee's appeal and it is simply going to appear in every audit going forward. The audit revealed no deficiencies in internal control that would be considered material weaknesses. It complied with the types of compliance requirements outlined by the State of New Jersey that could have a direct and material effect on each of its major state programs. The School qualified as a low-risk auditee. No further action is required.</p>			

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DISPOSITION:

- Declination
- Hold for review on/about:
- Approval for: **\$165,000**
- Hold for Board Review
- Insert Information: **Toward support of the Endowment Campaign-\$30,000 enclosed herewith, and we hereby pledge for like use-\$35,000 in 2024 and 2025.**

Also enclosed is \$65,000 toward general operating support for 2023.

- Other:

Initials: JKR Date: 3/28/23
Check #: _____ Date: _____