

## F.M. KIRBY FOUNDATION SOLICITATION EVALUATION FORM

**DATE:** March 24<sup>th</sup>, 2023  
**Last grant acknowledgment:** Yes  
**Program Area:** Education

**REQUEST DATE:** March 1, 2023

**APPLICANT:**  
The Fuqua School of Business  
Duke University  
100 Fuqua Drive  
Box 90120  
Durham, NC 27708-0120

**CONTACT:** Dr. William Boulding, Dean, J.B. Fuqua Professor of Business Administration  
**PHONE:** 919-660-7822  
**PAYEE OTHER THAN ADDRESSEE:** Duke University

**AMOUNT REQUESTED:** \$350,000 **NATURE OF REQUEST:** Toward the Fuqua Annual Fund - \$50,000; toward the upcoming Duke fundraising campaign - \$300,000

### GRANT HISTORY

**SUPPORT:** 1986 - 2022    **# OF GRANTS:** 33    **TOTAL DOLLARS:** \$9,685,241

**LAST GRANT DATE:** 9/12/2022  
**FYE DATE:** 6/30/2022

**LAST GRANT AMOUNT:** \$250,000  
**AFS DATE:** 10/4/2022

2016	\$660,000	12/8/2016	To establish the Rex D. and Ellen Adams Loan Assistance Endowment-\$300,000 in 2016 and 2017, along with all funds in the Reserved for Future Decision Fund (approximately \$1.9 million); for the Annual Fund-\$30,000 in 2016 and 2017
2019	\$40,000	7/31/2019	For: The Annual Fund
2019	\$405,750	12/16/2019	Toward the establishment of the Fred Morgan Kirby Prize for Scaling Social Impact-\$135,250 (\$100,000 prize; \$35,250 for program budget) in 2020, 2021, and 2022
2020	\$50,000	5/29/2020	For: The Annual Fund
2021	\$275,000	5/3/2021	For: The Annual Fund-\$50,000; Reserved for Future Decision Fund-\$225,000
2022	\$250,000	9/12/2022	For: The Annual Fund-\$50,000; Reserved for Future Decision Fund-\$200,000

**JWK endorsement received.**

**DLK COMMENTS:** Financial analysis attached.

**ECP COMMENTS:** In FY23, the Fuqua School of Business at Duke University seeks a \$350K grant - \$50K in support of the Annual Fund and \$300K RFD in anticipation of a 2024 centennial campaign. The Annual Fund supports core priorities like scholarships, faculty research, and student experiences, and provides Fuqua the flexibility to pursue new opportunities and address unforeseen challenges. In 2021-2022, 6K alumni and friends contributed a record-high \$4.9M to the Annual Fund. This total was bolstered by the minimum threshold increase for leadership level grants from

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\$1K to \$2.5K, which was met by 1,618 members, exceeding the 1.5K goal. Despite that banner year, fundraising in 2022-2023 has been more challenging with giving totals and the number of donors lagging – Fuqua is down 37% in new philanthropic commitments. This isn't entirely surprising, as we all rode the high of the 2021 economic boom and are now white knuckling through the bust of 2022 and 2023. The reduction is also due in part to the successful completion of a recent challenge gift that attracted a good deal of support, and likely led to some donor fatigue. Fuqua has an ambitious goal of \$5M for the 2022-2023 Annual Fund.

The FY23 narrative mirrors FY22, with updates on the F. M. Kirby Prize for Scaling Social Impact, Rex and Ellen Adams Loan Assistance Program, F. M. Kirby Professorship in Investment Banking, and facilities. In February 2023, the Center for the Advancement of Social Entrepreneurship (CASE) named India-based Essmart as the third recipient of the Kirby Prize. Additional details can be found in the Prize EF, but I will note here that Essmart's tech-enabled business model is supporting entrepreneurial retailers outside of major cities to grow their local businesses. In 2022, endowed funds from FMKF supported six alumni through the Rex and Ellen Adams Loan Assistance Program. These alumni received up to \$15K in loan forgiveness, allowing them to bring their leadership and MBA skills to nonprofit and public service organizations without concern for the burden of loan debt. The program has provided \$2.1M to 102 alumni since its inception in 2001, but I do not have information specific to distribution from the FMKF endowment, which was established in 2017. S. "Vish" Viswanathan continues to hold the Kirby Professorship of Investment Banking, established in 1993. In 2022, he taught four courses, including one through Fuqua's partnership with Nazarbayev University in Kazakhstan. Russ Morgan continues as the Kirby Professor of the Practice, which was created in 2017. Fun fact, he is a "triple-Dukie," having received his undergraduate, MBA, and Ph.D degrees from the school. His work throughout 2022 was focused on administering the school's four full-time residential programs. Lastly, on the facilities front, the Kirby Reading Room and Kirby Winter Garden have roared back to life after the quiet of the pandemic. Both spaces are popular gathering spots for students, prospective students, and alumni, hosting a variety of near-daily events.

In May 2023, more than 1K students will celebrate their graduation from Fuqua. The school offers 8 degree programs, the largest being the Daytime MBA. Despite economic volatility leading to employer layoffs, Fuqua has fared well relative to its peer schools. While most top schools saw double-digit declines in full-time MBA applications, Fuqua had a net increase in applications over the past two years. This increase resulted in Fuqua ranking in the top five schools for selectivity (I assume this refers to U.S. News & World Report's rankings?). Interestingly, they note the School's STEM designation for all degree programs as a major draw, particularly for international students who can then access extended visas for postgraduate work in the States. Postgraduate salary and employment rates for the class of 2022 set new records, with a \$160K median salary and 97% employment rate within 3-6 months of graduation for the Daytime MBA program. While the school celebrates these achievements, they are seeing fewer offers and even some jobs rescinded for the class of 2023 as they prepare to enter a changed employment landscape. The Career Management Center is working diligently with these students and even some alumni, to ensure they find a place to land.

Missing from the request entirely was mention of a major leadership change at the school. In November 2022, Provost Kornbluth alerted the Fuqua community that Dean William (Bill) Boulding would not be taking on a third term as Dean. Boulding has served as Dean since 2011. The search for his successor is expected to begin in the spring, and he has graciously agreed to stay on until the search is concluded. As per an interview with Boulding shortly after this announcement, the transition will most likely occur in summer 2024.

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Considering JWK's endorsement, I recommend a \$250K approval - \$50K for the Annual Fund and \$200K Reserved for Future Decision. This grant would give us a balance of \$625K RFD and allow for increased flexibility as we finalize what will likely be an increased Prize award and await further campaign and leadership updates.

**JJK COMMENTS:** With a centennial coming up in 2024, I am a bit surprised that, as the request states, priorities are still "taking shape" and being "finalized." Dean Boulding mentioned this campaign in 2021 in a Zoom with SDK and me. I am a bit surprised a fundraising powerhouse like Duke has not released details yet on this.

While we know that Dean Boulding has expressed some concern about the possibility of Impact Prize funding "cannibalizing" our support for Fuqua, I found that the proposal itself acknowledges the synergy possible in funding both and is respectful of the foundation's interest in the Prize. To quote: "Our hope is to develop a fund for future designation that will build on the legacy of support of the F. M. Kirby Foundation and bridge newer interests in social entrepreneurship."

What I appreciate about our relationship with Fuqua is that it offers, from my perspective, a case study for what a philanthropic relationship can look like with higher education. The history of our support reveals a multi-faceted, comprehensive approach, including capital, endowment, general operating, and program support, and the nature of that funding is both traditional and time-honored (annual fund) and innovative (Kirby Impact Prize). That said, while we have frequent communication with Erin Worsham, communication between the Foundation team with Hank and Dean Boulding is less frequent (or nonexistent, in the case of the last 12 months). Perhaps a new dean will offer an opportunity to renew and strengthen the relationship.

I recommend a \$250K approval, with \$50K to the annual fund and \$200K reserved for future decision.

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<b>FM KIRBY FOUNDATION</b>			
<b>Financial Statement Analysis</b>			
<b>Grantee Name:</b>	Fuqua School of Business	<b>Date:</b>	3/10/2023
<b>Prepared By:</b>	DLK		
<b>Grant Request Amt.</b>	\$ 350,000	<b>Type of Financial Report Submitted</b>	Audit - Duke University
<b>Budgeted Amt.</b>	\$ 250,000 (\$50 AF, \$200 RFD)	<b>Period Covered in Financial Report</b>	FYE 6/30/22
<b>Audit Firm</b>	KPMG	<b>Date of Report Issuance</b>	10/4/2022
<b>Opinion</b>	Present fairly		
<b>Basis of Acctg.</b>	GAAP		
<b>Current Ratio (Liquidity Ratio/Working Capital Ratio)</b>	2.51	<b>Amount of Unrestricted Net Assets (Operating Reserve)</b>	\$ 12,832,021 (in thousands)

**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>6/30/2022</b>	<b>%</b>	<b>Must Read Financial Statement Notes</b>
<b>A. Academic Instrution</b>	\$ 2,890,173	37%	Ideally program expenses should be at least 70% of total budget.
<b>B. Healthcare Svcs.</b>	\$ 3,722,927	48%	
<b>C. General Admin.</b>	\$ 1,133,339	15%	
<b>D. Total Expenses</b>	\$ 7,746,439	100%	
	(in thousands)	Note 15 - Functional Expenses	

### Comments/ Notes:

**FY23 Budget (Fuqua School of Business):** The most recent FY23 forecast predicts a surplus of \$700K vs a surplus of \$18.3M for FY22. The Program surplus of \$90.4M is \$12M (12%) below FY22. Educational services income is forecasted at \$3.1M, down \$300K from FY22. Allocated income from Duke (\$2.3M) is up \$300K from FY22. Total income is forecasted to decline \$12.0M (10%). Total indirect expenses are forecasted up \$5.8M (6%), primarily in support services and faculty/instructional support/centers. The Fuqua Annual Fund has a fundraising goal of \$5.0M to grow its endowment income and is requesting \$50K from FMKF. In addition, Fuqua has requested \$300K to be used for a fund for future designation.

**FY22 Audit:** The University (including Duke University Health Systems) had an operating deficit of \$33.5M for FY22 vs. a surplus of \$68.4M for FY21. Operating revenues were up \$574M (8%), while operating expenses grew by \$676M (10%), with increases across all line items. Overall net assets declined by \$272M, primarily due to negative investment returns. The management notes presented financial information for both Duke University and Duke University Health System (DUHS). The following comments pertain solely to Duke University. Operating results for FY22 improved \$24M relative to FY21, primarily due to larger increases in operating revenues than expenses. Total operating revenues increased \$354M (11.7%) to \$3.4B in FY22, with grants/contracts revenue (the largest component of University revenue) up 15%, gross tuition and fees up 14% and auxiliary revenues (athletics, residential life, dining, parking, hotels, etc) up 58%. Operating expenses increased \$330M (11.3%) in FY22, primarily in labor-related expenses (up \$142M) and other expenses such as travel and entertainment (up \$142M). While those expenses were up compared to FY21 (rigorous spending controls that year), they are still below pre-pandemic levels. Duke's (combined entities) investments totaled \$20.3B as of June 30, 2022, of which \$12.1B were endowment-related. Investment returns supporting operations totaled \$610M in FY22, a \$46M decrease from FY21. Enrollment for Fall 2022 was 17,430 students (up 1,637 students from Fall 2021) and 6,074 degrees were conferred (an increase of 318, with increases in the baccalaureate and masters degrees and a decrease in doctorate degrees). There were no red flags as a result of my review.

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**DISPOSITION:**

- Declination
- Hold for review on/about:
- Approval for: **\$250,000**
- Hold for Board Review
- Insert Information: **For: The Annual Fund-\$50,000; Reserved for Future Decision Fund-\$200,000**
- Other:

Initials: Jgk Date: 3/29/23  
Check #: \_\_\_\_\_ Date: \_\_\_\_\_