

F. M. KIRBY FOUNDATION SOLICITATION EVALUATION FORM

DATE: November 21, 2023
Program Area: Education

REQUEST DATE: October 20, 2023

APPLICANT:

Durham Academy, Inc.
Office of Philanthropy
3601 Ridge Road
Durham, NC 27705-5599

CONTACT: Mr. Michael Ulku-Steiner, Head of School

AMOUNT REQUESTED: \$145,000

NATURE OF REQUEST: Support of the Durham Academy Fund - \$45,000; Support to establish the F. M. Kirby Facilities Endowment Fund - \$100,000

GRANT HISTORY

SUPPORT: 1985-2022

OF APPROVED GRANTS: 30

TOTAL DOLLARS: \$4,065,000

LAST GRANT DATE: 11/30/2022

LAST GRANT AMOUNT: \$45,000

FYE DATE: 06/30

AFS DATE: 11/17/2023

Year Approved	Approved Amount	Approval Date	Grant Purpose
2022	\$45,000	11/30/2022	Durham Academy Fund
2021	\$45,000	11/30/2021	Durham Academy Fund
2020	\$20,000	11/30/2020	Durham Academy Fund
2019	\$1,670,000	09/16/2019	Toward A Campaign for Durham Academy-\$412,500 (along with \$350,000 released from RFD fund established in 2018) in 2019 & \$825,000 in 2020 & \$412,500 in 2021 thereby naming Horton Hall (the Middle School Fine Arts and Language Building)
2018	\$370,000	12/10/2018	Reserved for Future Decision fund-\$350,000

ENDORSEE: Alice K. Horton, Ashley H. Freedman and Laura H. Virkler

HELEN BENSON COMMENTS: See financial analysis.

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EMILY PRINCE COMMENTS: Durham Academy (DA) is an independent, coeducational day school with 1,245 students in pre-k through grade 12. Admission is highly selective and based on a student's ability to perform satisfactorily in a college preparatory curriculum. Applications were at a historic high this year, reaching more than seven hundred, with DA admitting approximately 23% of applicants. In FY23, DA seeks \$145K for the following purposes: \$45K in support of the Durham Academy Fund and \$100K to establish the F. M. Kirby Foundation Facilities Endowment Fund.

The purpose of a DA education is to prepare each student to live a moral, happy, and productive life. The development of intellect is central to such a life and, thus, intellectual endeavor and growth are the primary work of the school. The acquisition of knowledge; the development of skills, critical judgment, and intellectual curiosity; and increased understanding are the goals of the school's academic program. In addition to offering a rigorous and challenging curriculum, DA has robust athletic offerings, a vibrant and dynamic arts program, and a diversity of academic teams including speech, debate, chess, and Science Olympiad. Overseeing these exceptional offerings are DA's highly experienced faculty, many of whom have spent their careers at the school. On average, faculty tenure is 11.7 years, and teachers have on average 18 years of experience in the classroom. Currently, 86% of full-time faculty have advanced degrees and twenty teachers have a Ph.D. DA's top priority is recruiting and retaining a diverse and exceptional faculty. The school places a strong emphasis on continued growth and provides a myriad of professional development opportunities on and off campus annually as well as tuition assistance to support faculty in pursuit of higher education.

The DA experience is not limited to the classroom, in fact, opportunities outside of the classroom are important contributors to DA students' intellectual and moral growth. Community service and character education are integral parts of the curriculum across all grades. Experiential education, including a six-day wilderness adventure in the North Carolina mountains for Seniors, helps challenge students both physically and emotionally to help them better discern who they are, understand how they can serve others, and appreciate what they can accomplish. International travel and exchange programs instill a global perspective in students through real-world, firsthand experiences. This commitment to instilling their students with character and a global perspective, ties into DA's work to prepare them to thrive in a diverse world. Each division of the school has age-appropriate programming in which students learn more about themselves and the lived experiences of others. Some initiatives include: the celebration of holidays and heritage months, affinity groups for students grades 4-12 and parents/caregivers, the Student Diversity Leadership Conference, and Triangle Diversity Alliance Conferences. DA also enjoys valuable partnerships with FMKF grantees Durham Nativity School, Hill Learning Center, and Student U.

In the fall of 2021, DA announced the latest iteration of its strategic vision, informed by conversations with students, faculty, staff, parents, trustees, and alumni. Since that time, design teams of faculty, staff and administrators have worked to translate the overarching strategic goals into achievable, goal-focused recommendations. The design teams identified learning support and wellness as two areas in which the school needed radical catching-up. In just two years, DA doubled the size of the learning support team to six and added diagnostic assessments for the youngest learners. The impact of COVID on physical and mental health also highlighted the growing need for additional personnel in these areas. DA is now providing proactive programming

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to students in all grades based on areas of greatest need and launched the Family Matters Series this fall, offering parallel programming and parent education to strengthen the home-school partnership. Beginning July 2024, a newly appointed Director of Student Support and Wellness will work to create a department that connects the school divisions and the student support areas.

FMKF has a long history of supporting DA's philanthropic capital endeavors, beginning with a \$5K gift to the Commitment to Excellence Campaign in 1985. Decades of dedicated facilities support spanning four capital campaigns followed, paving the way for the school to fulfill its mission and deliver on its promise to foster the highest levels of academic excellence. These gifts had direct and immediate impact on the DA community then and now as they provided the funding for some of their most useful and beloved spaces across three campuses: Kirby-Horton Library (Preschool/Lower School), Kirby Gymnasium (Upper School) and Horton Hall (Middle School). FMKF's continued support of the DA Fund also stands as the single largest gift the Fund receives annually. In addition to the long history of financial support provided by FMKF, DA has benefited from the time and talents that Kirby family members have shared over the years, including serving as trustees, campaign chairs, and committee chairs many times over.

Continued support of \$45K for the DA Fund provides critical operational support for all areas of the school. One such area is need-based financial aid, which has grown significantly over the past decade. Students are awarded aid based on financial need and grade-level enrollment goals. For the 2023-24 school year, DA awarded more than \$4.7M to 255 students, with an average award of \$18,645. DA's financial foundation is sound because of stringent fiscal controls, a balanced budget, and a healthy culture of philanthropy. Like most independent schools, DA depends on unrestricted gifts to fulfill the operational budget. The 2022-23 philanthropic report reveals a community deeply dedicated to "paying it forward" for the next generation of students: alumni contributed \$341,684 to the DA Fund; 1,025 donors donated a record-setting \$427,747 on Giving Day; 1,316 community members donated to the DA Fund; and DA raised \$4,311,358 which included support for facilities improvements across the Middle and Upper School campuses.

New consideration of \$100K to establish The F.M. Kirby Foundation Facilities Endowment Fund will provide ongoing support for the maintenance and development of significant spaces on campus made possible by FMKF's past generosity: Kirby-Horton Library, Kirby Gymnasium, and Horton Hall, as well as any future spaces named by FMKF. Ongoing needs include projects like refinishing floors, installing LED lights, replacing furniture and equipment, and HVAC maintenance. Many schools aspire to create endowment funds to maintain their facilities, but few do so – in my philanthropic experience, FMKF is one of a small group willing to establish endowments for their named facilities, and I applaud it for that. The creation of this fund would set a precedent for DA and inspire others to do the same to help maintain the long-term financial health of the school. Though not needed to move this request forward to the Board, the request makes no mention of the following information, which I will request from DA later: What is DA's funding goal for the endowment? Will there be other funders of the endowment?

I recommend \$145K as follows - \$45K in support of the Durham Academy Fund and \$100K to establish the F. M. Kirby Foundation Facilities Endowment Fund.

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JUSTIN J. KICZEK COMMENTS: What an excellent proposal this year from DA. I appreciate the way in which it gives me a sense of the life of the school and the greater community that supports it. It also itself offers a strong appreciation of the impact FMKF and the Horton-Kirby family has had on the Board. Moreover, I appreciate the inside look at the faculty, the strategic plan, and the school's philanthropy. Truly, a model report and proposal. Kudos to Chris Farr and the team there.

I wanted to highlight, too, DA's diversity, equity, and engagement commitments. We learn here that, with a concerted effort in outreach, the student body has increased its number of students identifying as people of color by 25% since 2013 (48% of students). This puts them, according to their report, in the top 1/3 nationally, compared against peer independent schools. Additionally, 22% of faculty identify as such, and DA continues to make concerted efforts in recruiting diverse candidates.

While we did not foresee this request when we budgeted in late 2022, given the significant FMKF investments in the school's buildings and grounds, and with some dry powder fortuitously left in our 2023 budget, I think this is a golden opportunity to build in sustainability for these buildings and match similar endowment funds for FMKF or Kirby family named buildings, such as at Lawrenceville, Summit Speech School, Lafayette, etc.

Given these considerations, I am pleased to recommend \$145K as designated below.

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FM KIRBY FOUNDATION			
Financial Statement Analysis			
Grantee Name:	Durham Academy	Date:	11/21/2023
Prepared By:	ECP		
Grant Request Amt.	\$145,000.00		
Budgeted Amt.	\$45,000.00	Report Submitted	DRAFT AUDIT
		Period Covered	June 30, 2023 and 2022
Audit Firm	UNKNOWN - DRAFT		
Opinion	Present Fairly - DRAFT		
Basis of Acctg.	GAAP	Date of Report	DRAFT
Current Ratio (Liquidity Ratio/Working Capital Ratio)	3.81	Amount of Unrestricted Net Assets (Operating Reserve)	\$68,511,477.00
<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		%	
A. Program Service Expenses	\$ 27,644,869	74%	Ideally program expenses should be at least 70% of total budget.
B. Management and General	\$ 8,632,487	23%	
C. Fundraising	\$ 1,111,742	3%	
D. Total Expenses	\$ 37,389,098	100%	
Comments/ Notes:			
<p><u>FY24 BUDGET:</u> Revenue and Expense budgets are projected to increase by 7% over FY23. Modest increases present across all budget and revenue lines, with a new revenue line for Family Association. As in previous years, DA is projecting a deficit which will be funded by Annual Fund Gifts. Tuition accounts for approximately 80% of revenue, and student financial aid accounts for approximately 6.5% of expenses.</p>			
<p><u>FY23 AUDIT:</u> The audit shows unrestricted net assets of \$68.5M, and a cash position of \$813K - a significant decrease from the prior year when they had \$3.8M cash on hand. Looking at cash flows between FY22 and FY23, there were major capital and investment purchases, as well as investment losses, which likely account for the decrease. Investments are valued at \$44M. Total endowments are valued at \$15.7M. Total financial assets available to meet general expenditures within one year is \$29.9M. As has been noted in previous EFs and financial analysis, there are significant liabilities on the balance sheet, including a \$7.5M note and \$15.9M in bonds payable - this is a healthy decrease from the \$18M payable as of the FY22 audit. DA builds \$2M+ into its expense budget for debt service annually.</p>			

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DISPOSITION:

- Declination
- Hold for review on/about:
- Approval for: **\$145,000**
- Hold for Board Review
- Payee Other Than Addressee:
- Insert Information: **Support of the Durham Academy Fund - \$45,000; Support to establish the F. M. Kirby Facilities Endowment Fund - \$100,000**
- Other:

Initials: JK

Date: 11/29/2023

Check #

Date: