

F. M. KIRBY FOUNDATION SOLICITATION EVALUATION FORM

DATE: April 11, 2024
Program Area: Education
Grant Type: Board Grant

REQUEST DATE: February 23, 2024

APPLICANT:
Fuqua School of Business, The
100 Fuqua Drive
Durham, NC 27705

CONTACT: Dr. William Boulding, Dean, J.B. Fuqua Professor of Business Administration

AMOUNT REQUESTED: \$1,250,000
BUDGETED AMOUNT: \$250,000

NATURE OF REQUEST: Support of the Annual Fund and Support of the William Boulding Fuqua Opportunity Fund

GRANT HISTORY

SUPPORT: 1986-2023

OF APPROVED GRANTS: 34

TOTAL DOLLARS: \$9,935,241

LAST GRANT DATE: 05/01/2023

LAST GRANT AMOUNT: \$250,000

FYE DATE: 06/30

AFS DATE: 10/03/2023

Year Approved	Approved Amount	Approval Date	Grant Purpose
2023	\$250,000	05/01/2023	The Annual Fund-\$50,000; for Reserved for Future Decision Fund-\$200,000
2022	\$250,000	09/12/2022	The Annual Fund-\$50,000; Reserved for Future Decision Fund-\$200,000
2021	\$275,00	05/03/2021	The Annual Fund-\$50,000; Reserved for Future Decision Fund-\$225,000
2020	\$50,000.	05/29/2020	The Annual Fund
2019	\$40,000	07/31/2019	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

LAST SITE VISIT DATE: N/A

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ENDORSEE: Jefferson W. Kirby

FINANCIAL ANALYSIS COMMENTS: The FY24 expense budget for The Fuqua School of Business (Fuqua) at Duke University projects an 8% increase over the prior year actuals. Operating expenses are projected to increase across all line items, except debt service, with the largest increases to faculty, instructional support, and centers. The FY24 revenue budget projects a \$6.5M surplus – compared to a \$4.3M surplus in FY22 – and a 10% increase over the prior year actuals. The FY23 Duke University audit, which includes the Duke University Health System (DUHS) shows unrestricted net assets totaling \$12.3B, and a cash position of \$180.5M. Investments are valued at \$18.2B – challenging marketing conditions led to an unfortunate overall investment return of -1.0%. While this reflects a second year of slightly negative investment returns for Duke, over the last five years, the University’s investment return has averaged 12.2%. Total endowment value is \$11.6B, a 4% decrease from FY22. Total assets available for general expenditures within 12 months are \$3.9B. Expense growth outpaced revenue growth at both the University and DUHS driven by increased labor costs and the long-lasting inflationary environment. As a result, Duke ended the year with an overall operating deficit, reflecting an operating loss at DUHS, offset in part by the University’s positive operating results. Grants and contracts revenue represents the largest component of University revenue - \$1.4B and 40%. Revenue from these sources grew 5% from FY22 levels. As of June 30, 2023, the University held long-term debt in the form of notes and bonds payable totaling \$4.5B. FMKF last approved a grant to Fuqua in FY22. The amount accounted for 2.6% of non-program income in FY22.

ORGANIZATION DESCRIPTION: Formed in 1969, the Graduate School of Business Administration enrolled its first class of 20 students in 1970. In 1974, Thomas Keller, a 1953 Duke graduate became the school’s new dean. Keller ran a successful, three-year, \$24M capital campaign, \$10M of which came from businessman and philanthropist J.B. Fuqua, after which the school’s name was changed to the Fuqua School of Business (Fuqua).

Fuqua is the business school of Duke University located in Durham, North Carolina. It enrolls more than 1,900 students each year across ten degree-programs and eleven non-degree programs, which offer a wide range of formats and flexibility for working professionals and full-time students. For the daytime MBA class of 2024, Fuqua had a 20.5% acceptance rate with 3,539 applications received. Approximately 55% of those accepted into the MBA program enrolled to fill a class of 399. The school has long-standing relationships with firms in key industries, including health care, financial services, consulting, technology, and media and entertainment, as well as a focus in the areas of entrepreneurship and social impact. Their network of over 28,000 alumni, many of whom maintain a high level of engagement with the school, have both functional breadth and industry depth, and continue to make a significant impact in their organizations and beyond.

After 13 years as Dean, William “Bill” Boulding will be stepping down from his role this year. The School is in the middle of a search for his replacement, and expects to have a candidate in place at the beginning of the new fiscal year, July 1, 2024, or soon after.

EMILY PRINCE COMMENTS: FMKF has been a foundational investor in Fuqua across many areas, with our support continuing to have a positive impact across the institution. The Center for Advancement of Social Entrepreneurship (CASE), which operates the Fred Morgan Kirby Prize for

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Scaling Social Impact launched the fourth year of the Prize, receiving 236 applications (an increase over last year's 180 submissions). Simultaneously, they launched the first year of the Kirby Prize Lab – a unique experiential learning program in which Fuqua students participate in the review and evaluation of Prize applications. A total of 12 second-year MBA students are working closely with the CASE team and they expect to announce the subset of approximately 20 applicants that will move on to Phase 2 of the Prize application shortly. The F. M. Kirby Professorship in Investment Banking continues to be held by S. “Vish” Viswanathan, a senior member in the school's finance area, while the F. M. Kirby Professor of the Practice continues to be held by Russ Morgan, Senior Associate Dean for Full-time Programs and Professor of the Practice of Marketing. Gifts from FMKF have also generously supported several of Fuqua's most prominent facilities. The Kirby Reading Room is a sought after meeting and event space, The Kirby Winter Garden hosts near-daily events, including orientation and graduation activities, and the front door to the school, Fuqua's Admission's Office Suite, bears the FMKF name.

The Rex and Ellen Adams Loan Assistance Program: This program provides student loan relief for alumni who work full-time for eligible non-profit and government organizations or certified B-Corporations. Applicants are eligible to receive up to \$15K per year while employed with a qualifying organization within eight years of their graduation, which makes this program among the most generous amongst such programs in graduate management education. In 2021, Fuqua streamlined its application process for loan assistance candidates, shifting the application date from October to April to coincide with the timeline for U.S. tax preparation. This process improvement ensures that the school receives more accurate financial information. New loan assistance recipients are now awarded in June each year. In 2023, endowed funds from FMKF supported four alumni. Although this endowment has had a lasting impact on many Fuqua graduates, Fuqua is reporting that they are encountering challenges in distributing all the funds available each year, due to two key factors: 1) A significant increase in the amount of merit scholarships awarded has reduced student borrowing and limited the number of individuals in need of loan assistance; and, 2) The market has evolved to where there are more social impact positions at for-profit companies with higher salaries available for students to consider. In order to make the most of this investment, Fuqua is proposing an adjustment to the endowment language to allow for broader support for CASE, which would have a first preference for loan assistance, a second preference for CASE Fellow scholarships, and third preference for CASE internships. Fuqua also proposes changing the name of the endowment to the Rex and Ellen Adams CASE Fund. If agreed upon, a new endowment agreement will be drafted for signature.

In FY24, Fuqua is requesting a three-year, \$1.25M grant. The \$1.25M request includes \$150K (\$50K per year for three years) to continue FMKF's support of the Annual Fund; \$500K in support of the William Boulding Fuqua Opportunity Fund (\$175K payable in years 1 and 2, \$150K payable in year 3); and \$600K (\$200K per year for three years) reserved for future decision. Fuqua is engaged in an ambitious campaign that will finish on June 30, 2029, with \$122M raised thus far. The final fundraising goal and priorities have yet to be released, but they anticipate the number being in the \$275M-\$300M range. This multi-year request is laying the groundwork for what Fuqua hopes will be significant FMKF support of the campaign initiative.

Annual Fund: The Annual Fund supports the school's core priorities and allows them to address challenges and opportunities as they arise. Gifts to the Annual Fund are an unrestricted source of

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support and are used to meet the school's most immediate needs. This critical resource enables Fuqua to recruit students and faculty of great talent, and provide the exceptional student experience and world-class research and teaching for which the school is known. Support of the Annual Fund also enables the school to increase the breadth and depth of programming. One such example was the move to house Duke Innovation and Entrepreneurship within Fuqua, a move that complements the robust entrepreneurial offerings coming out of CASE. In 2022-23, over 4,500 gifts were made by alumni and friends totaling \$4.8M to the Annual Fund – a slight decrease from the record high \$4.9M raised from 6K gifts in 2021-22. With current economic uncertainty, fundraising in 2023-24 to date has been more challenging – it is worth noting Fuqua stated the same in the FY23 narrative, and though they came in under their goal of \$5M, they still performed admirably. Both giving totals and number of donors to the Annual Fund are lagging year over year. The narrative notes that in conversations with donors, they are hearing that alumni are hesitant to commit to multi-year pledges given the uncertainty in the markets and highly publicized layoffs, but their most loyal donors have maintained their giving thus far through single-year gifts. Of course, fewer multi-year pledges means that the school is less able to anticipate future giving and plan for long-term projects, but I don't necessarily find this argument compelling since Annual giving is generally done annually, whereas campaigns and other giving vehicles tend to help organizations go the distance. That said, at a time of market uncertainty, with a leadership transition looming, and a major campaign underway, I don't think Fuqua is off base with the multi-year Annual Fund request in FY24.

Boulding Endowment: The Boulding Endowment was recently formed by a Fuqua Board of Visitor member to honor Bill Boulding's 13 years as Dean of Fuqua. His is the second-longest stint in school history only to Dean Keller noted above. A member of the Fuqua faculty since 1984, Bill's impact on the school has been significant. To highlight a few accomplishments, after taking over the school following 13-consecutive years operating at a deficit, Bill has ended all 13 years as Dean with a surplus; Bill will step down with Fuqua now among the top five most selective MBA programs; and, Bill led the school through a highly successful seven-year campaign that ended in 2017 and exceeded its stretch goal to end at \$126.8M. Two initiatives have been launched in his honor. The first was to raise \$1M to name the Fuqua Dean's Suite, an effort that took just three weeks to complete. The second was to establish the William Boulding Fuqua Opportunity Fund, an endowment that will be used at the discretion of future deans to address challenges and opportunities as they arise over time. With the majority of Fuqua's endowment income purpose restricted, this fund would offer current and future leadership flexible dollars to tap when needed for program development, curriculum updates, course development, and other needs – candidly, I view this as an endowed Annual Fund, and think this could eventually alleviate some of the fundraising challenges the school has faced if it grows to a substantial enough size to generate real income. A generous donor has committed \$500K to establish the endowment and Fuqua hopes to raise \$1M or more for the fund. Though we had not initially budgeted for the endowment, both LHV and JWK would like to see FMKF participate in honoring Bill Boulding, and the intended purpose of the endowment is unquestionably compelling and worthy of support.

Reserved for Future Decision: Currently Fuqua has \$625K held in RFD. Were FMKF to consider the three-year commitment before it, that would bring the total fund balance to \$1.225M at the conclusion of the grant period. We are still awaiting a designation, and suspect that will occur under the new Dean. The narrative suggests that two opportunities highly likely to be discussed

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with FMKF would be establishing an endowed scholarship fund and/or supporting the addition of a new facility to the Fuqua campus. Candidly, initial mentions of the new facility haven't been terribly inspiring thus far, and the Kirby name is already prominently displayed in several spaces on Fuqua's campus, so this could be a good time to pause on the RFD and meet the interest of other priority projects while awaiting a designation.

With the education docket stretched thin this fiscal year, JJK and I worked hard to come up with some reasonable solutions for this request that we hope will satisfy all parties. We developed the FY24 budget before having visibility into some of Fuqua's current priorities, including the Boulding endowment. As such, we had only budgeted \$250K, with \$50K designated for Annual Fund support and \$200K for RFD. We could look at the next three years as a time to build the RFD slowly to a total of \$1M, for release upon a project that appeals to FMKF when Duke shares more about the campaign goals and priorities. Therefore, we recommend the **\$650K** multi-year plan below:

FY24 \$250K:

- \$50K Annual Fund (\$150K over three years)
- \$200K Boulding Endowment (\$500K over three years)

FY25 \$200K:

- \$50K Annual Fund
- \$150K Boulding Endowment

FY26 \$200K:

- \$50K Annual Fund
- \$150K Boulding Endowment

In addition to the multi-year plan outlined above, we would encourage Fuqua to apply for RFD funding in FY25 (\$200K) and FY26 (\$175K) to bring the sum of the fund to \$1M. While the above plan falls short of Fuqua's full request by \$225K, it is still incredibly generous.

Lastly, I recommend the Board approve Fuqua's request, as outlined above, regarding the Rex and Ellen Adams Loan Assistance Program, contingent upon the execution of a new endowment agreement that is satisfactory to all parties.

RECOMMENDATION: In FY24, I recommend a three-year, \$650K grant, payable as follows:

FY24 \$250K:

- \$50K Annual Fund
- \$200K Boulding Endowment

FY25 \$200K:

- \$50K Annual Fund
- \$150K Boulding Endowment

FY26 \$200K:

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- \$50K Annual Fund
- \$150K Boulding Endowment

Further, I recommend approval of Fuqua's request, as outlined above, regarding the Rex and Ellen Adams Loan Assistance Program, contingent upon the execution of a new endowment agreement that is satisfactory to all parties.

JUSTIN J. KICZEK COMMENTS: In March 2021, JWK, SDK, and I joined a conference call with Dean Boulding. At the time, Fuqua and Duke were in the midst of a challenging time, as Covid cases were spreading and the University was enforcing lockdown procedures that had strong effects on Fuqua's ability to serve their students. When our conversation turned to a pending Duke capital campaign, Dean Boulding made the case that Fuqua was "ten years ahead of the rest of the university" when it came to being prepared for both that fundraising campaign and for the University's larger strategic goals. Dean Boulding noted that many of the major concerns of a modern, prestigious, research university like Duke, such as health care, sustainability, technology, and social justice are right in the wheelhouse of a business school. In other words, Dean Boulding was making the case that Fuqua was the entity within the University that was best poised to drive change in the direction that the university wanted to head.

As Dean Boulding prepares to step down, this proposal offers a chance to consider whether his claims had merit. I would start by saying that the prominence of CASE at Fuqua is evidence of the leadership's belief that business principles can create positive social good. Fuqua also has a center called the Center for Energy, Development, and the Global Environment. As Dean Boulding put it in the above-mentioned meeting, if the University wants to play a role in moving the needle on de-carbonization, the business world has to be at the table in order to help (think carbon markets, etc.). Furthermore, with artificial intelligence continuing to transform workplaces and the world, Fuqua's popular Master of Quantitative Management is evidence of the chips they have placed in data science.

By showing how business school has a role to play in meeting the contemporary needs of a society, Dean Boulding has certainly played his own role in Fuqua now being one of the top-tier business schools in the country. He has achieved this, I would surmise, by being responsive to new needs and adapting to change. As such, as supporters of Fuqua, we have an opportunity to allow his successor to also be responsive and adaptable, through the Boulding Opportunity Fund.

Given this, I concur with the prioritization of our the Boulding Opportunity Fund in our giving to Fuqua this year along with the annual fund pledge. I fully concur with the plan ECP outlines above.

RECOMMENDATION: In FY24, I recommend a three-year, \$650K grant, payable as follows:

FY24 \$250K:

- \$50K Annual Fund
- \$200K William Boulding Fuqua Opportunity Fund

FY25 \$200K:

- \$50K Annual Fund

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- \$150K William Boulding Fuqua Opportunity Fund

FY26 \$200K:

- \$50K Annual Fund
- \$150K William Boulding Fuqua Opportunity Fund

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DISPOSITION:

- Declination
- Hold for review on/about:
- Approval for: **\$650,000**
- Recommended Grant Payment(s):
 - 2024: \$250,000**
 - \$50,000 – Support of the Annual Fund**
 - \$200,000 – Support of the William Boulding Fuqua Opportunity Fund**
 - 2025: \$200,000**
 - \$50,000 – Support of the Annual Fund**
 - \$150,000 – Support of the William Boulding Fuqua Opportunity Fund**
 - 2026: \$200,000**
 - \$50,000 – Support of the Annual Fund**
 - \$150,000 – Support of the William Boulding Fuqua Opportunity Fund**
- Hold for Board Review: **April 26, 2024**
- Payee Other Than Addressee: **Duke University**
- Insert Information:
- Other: **Include multi-year grant letter.**
Include Fuqua School of Business on check memo.

Initials: JK

Date: 04/12/2024

Check # _____

Date: _____