

**F. M. KIRBY FOUNDATION SOLICITATION EVALUATION FORM**

**DATE:** April 12, 2024

**REQUEST DATE:** February 9, 2024

**Program Area:** Human Services > Supportive Services

**Grant Type:** Board Grant

**APPLICANT:**

United Way of the Greater Triangle, Inc.

P.O. Box 110583

Durham, NC 27709-0962

**CONTACT:** Mr. Eric Guckian, President & CEO

**AMOUNT REQUESTED:** \$200,000

**BUDGETED AMOUNT:** \$200,000

**NATURE OF REQUEST:** Support of Community Impact Initiatives

**GRANT HISTORY**

**SUPPORT:** 1997-2023

**# OF APPROVED GRANTS:** 27

**TOTAL DOLLARS:** \$4,107,500

**LAST GRANT DATE:** 05/01/2023

**LAST GRANT AMOUNT:** \$250,000

**FYE DATE:** 06/30

**AFS DATE:** 01/03/2024

<b>Year Approved</b>	<b>Approved Amount</b>	<b>Approval Date</b>	<b>Grant Purpose</b>
2023	\$250,000	05/01/2023	Healthy Families and Cradle to Career impact pillars in Orange and Durham Counties-\$150,000; for 10 to Watch and Anti-Racism Community Fund Initiatives within the Equity in Leadership pillar-\$100,000
2022	\$250,000	05/02/2022	Healthy Families and Cradle to Career impact pillars in Orange and Durham counties-\$150,000; for 10 to Watch and Anti-Racism Community Fund Initiatives within the Equity in Leadership pillar-\$100,000
2021	\$250,000	05/03/2021	Orange and Durham counties collaborative partnership support-\$150,000; for the 10 to Watch initiative-\$50,000; for the Anti-Racism Community Fund-\$50,000
2020	\$225,000	04/29/2020	Orange and Durham counties collaborative partnership support-\$160,000; for Orange and Durham counties Basic Needs support-\$20,000; for the 10 to Watch initiative-\$20,000; for Rapid Response Fund-\$25,000

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2019	\$200,000	12/16/2019	Orange and Durham counties collaborative partnership support-\$160,000; for Orange and Durham counties Basic Needs support-\$20,000; for the 10 to Watch initiative-\$20,000
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**LAST SITE VISIT DATE:** N/A

**ENDORSEE:** Laura H. Virkler

**FINANCIAL ANALYSIS COMMENTS:** The audit is for Fiscal Year 2023 which ended on June 30, 2023, though the report was just completed in January of 2024. The auditors issued an unqualified opinion. The audit reveals a 22.4% (\$1.94M) decrease in revenue and a 21.35% (\$2.3M) decrease in expenses. The decrease in revenue over the previous fiscal year is largely due to an 81% (\$2.4M) decrease in grants. In total, \$4.17M was made in distributions to community agencies which is a 37% decrease over the previous fiscal year. Distributions comprised 48% of total expenses versus 61% in FY22. Total assets decreased by 41.94% over the previous fiscal year primarily attributed to a decrease in cash of \$3.0M. Net assets decreased by 64% (\$1.9M) over the previous fiscal year, but by 80% (\$4.16M) since the beginning of FY22. Program Services comprised 71.29% of total operating expenses. The Executive Director's compensation (\$318,683) comprised ~4% of total expenses and ~15% of total staffing expenses. At the time of the audit, the organization had enough liquidity to account for approximately 3 months of expenses. There are currently 25 members of the Board of Directors. In FY23, Board members contributed \$111,806.

**ORGANIZATIONAL DESCRIPTION:** United Way of the Greater Triangle (UWGT) urgently pursues its mission to invest in community driven solutions that advance racial and economic justice. As such, UWGT operates through three interconnected pillars of community impact:

1. Cradle to Career: The Cradle to Career pillar supports interventions from early childhood development through essential educational milestones extending to workforce preparedness and re-entry.
2. Healthy Families: Healthy Families strengthens the safety net for families experiencing hunger, housing instability, and health/mental health needs.
3. Equity in Leadership: The Equity in Leadership pillar provides leadership and capacity development for nonprofit leaders of color and female leaders, supports anti-racist organizations, and empowers proximate leaders to implement innovative solutions at the neighborhood level.

UWGT's multifaceted approach aims to meet immediate needs while fostering long-term change essential for equitable economic mobility. By providing strategic opportunities for community engagement, we seek to shift the social consciousness towards enduring solutions. Through rigorous performance management focusing on equity and impact, they aim to measure and accelerate community progress.

**LIZ CROWLEY COMMENTS:** A few of my findings in the audit left me with some questions, namely, the large decrease in grants made, the lack of liquidity, the decrease in assets (cash), and

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the decrease in revenue. Knowing that UWGT had received the large Mackenzie Scott Grant in 2020 (which was on their books as of 2021), I thought that this could potentially account for some of the discrepancies in the audit. Considering I had just spoken with Erick and Olivia Sonnefeld on the Zoom a couple of weeks prior, I fully expected that UWGT would be able to address my concerns in a satisfactory manner. I followed up with Erick Guckian who directed me to their CFO, David Mills, but also requested a phone call.

In my phone call with Erick he revealed the following information (follow-up emails with Mr. Mills confirmed and provided more detail, so I will include the summary of both the emails and the phone call here):

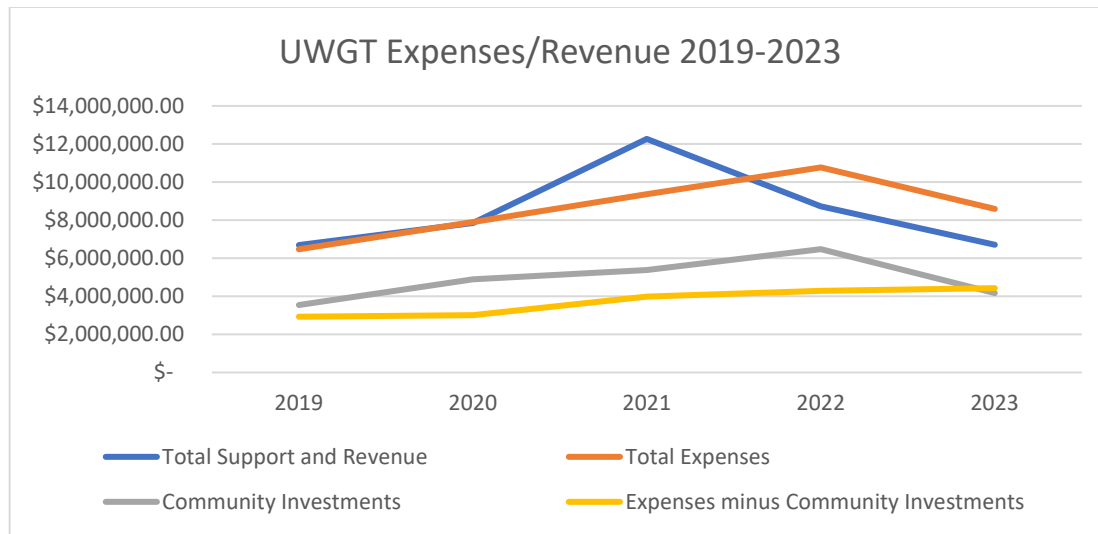
- Since my conversation with Erick and Olivia, UWGT realized that they were approaching a \$360,000 budget shortfall for the remainder of FY24. For FY25, they realized that they were coming up against a \$2M shortfall.
- The shortfall was “primarily due to the expiration of two large multiyear grants, from MacKenzie Scott and from the NoVo Foundation” which were granted in 2020 but booked in FY21-22 and spent down in FY23-24.
- While UWGT had “been anticipating the new reality presented by the expiration of these grants for many months”, they had planned on growing their campaign revenue to maintain the increased spending. This did not happen, and, in fact, some revenue line items decreased.
- In order to cut costs for the rest of FY24 and for FY25, UWGT has implemented the following measures:
  - A \$700K cut from payroll
  - \$1.25M cut from Community Impact Fund (spending in the community via pass-through grants),
  - \$250K cut from Neighborhood Impact Program,
  - \$300K cut from contracts with outside vendors (which had grown to nearly \$650K in recent years).

The \$700K cut from payroll resulted in the immediate termination of 8 full-time staff members (mostly development staff, including my primary contact, Olivia Sonnefeld). The \$1.25M cut to Community Impact Funding resulted in a 50% reduction in the second part of all two-year grants awarded in FY24/25. This resulted in \$25,000 less to each grantee that FMKF also supports for UWGT’s FY25 (calendar year 2024).

The original board-approved budget submitted for FY2024 (7/1/23-6/30/24) projected, after accounting for \$1.85M in multi-year grant revenue, a \$391.9K surplus. David Mills sent me the revised budget that projects a \$202,500 deficit for FY24 and a \$689K surplus in FY25 (after the aforementioned cost-cutting measures are implemented).

I created the following graph from information found in the FY2019-FY2023 audits:

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The graph depicts clearly that, with the expiration of the Mackenzie Scott and Novo Foundation grants (they also experienced additional injections of revenue as a result of a general increase in donations during the pandemic), UGWT saw support and revenue go below pre-2020 levels. While UWGT’s decision to reinvest the grant funds in the community via grants was admirable, they overcommitted the dollars and, as a result, the multi-year grants that were pledged for 2024/2025 were essentially pledges of money that did not exist. Simultaneously, the organization has increased its non-grant spending by approximately 50% since 2019 (salaries alone increased by about \$200K per year since 2019). When the grants and pandemic giving were depleted, UWGT was facing a large cliff in both program funds and administrative costs. Candidly, it’s a bit hard to imagine how UWGT’s financial team did not account for the fact that they had spent down the NoVo Foundation Funds and the Mackenzie Scott grant which would lead to a massive budget shortfall. While Erick and David have assured me that the Executive Team and the Board are working towards improved financial stability and a more responsible budgeting process, I have to imagine that this is the beginning of a longer organizational “restructuring” that we will see play out over the next few months.

I have gone back and forth with the UWGT financial team and conducted a fairly extensive review of their audited financials for the past five years. While I can only speculate on how exactly this happened, I do think it was due to poor planning and not anything nefarious. We know that much of the large grant dollars were, in fact, re-granted to community organizations and we also know, despite whatever internal challenges they face, UWGT’s grantees report their experience with UWGT’s programs to be generally positive and they enjoy a good reputation in the Greater Durham nonprofit ecosystem. Of course poor planning on management’s part is cause for concern for a donor; especially when the grantee in question is one of the largest in the Human Services docket. I also must mention that Erick Guckian’s compensation did increase by approximately \$50,000 over 2021, which put him at nearly twice the salary of the ED of United Way of Northern New Jersey, Kiran Gaudosio, (arguably, a much more stable organization), but this is not necessarily a red flag.

Regarding the actual program updates, the report and proposal were sent before the organization discovered the shortfall. In these documents, UWGT proudly reports that they introduced 52 new

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organizations into their grant portfolio and impacted over 350,000 people through the Cradle to Career and Healthy Families Pillars (these are the “pass-through” grants). In other words, as previously mentioned, UWGT *has indeed* invested greatly in the community via its Community Impact initiative and this should not be discounted. Additionally, the 10 to Watch program continues to address racial disparities by supporting minority leaders of small nonprofits in the Greater Durham community (to qualify, the organizations must have an annual budget of \$1M or less). This year’s cohort is impressive, and I will highlight three of ten that I find especially interesting and relevant

- [Maame, Inc](#): A BIPOC-led nonprofit that provides culturally competent pregnancy and postpartum services to birthing people of color in the Durham area.
- [Transplanting Traditions](#): A completely women-run, BIPOC-led community farming project that supports refugee farmers and families from Burma.
- [100 Black Men of Triangle East](#): A nonprofit led by Black men that works to provide mentorship for Black youth grades 6-12 in Durham and Orange Counties.

I am so impressed by these organizations and grateful for the work that they do in the Durham community. While we would love to be able to support these organizations individually, we simply do not have the capacity to vet the organizations and provide the non-financial support that UWGT’s can offer to each cohort. This continues to be a worthwhile investment.

I am less impressed by the Community Driven Solutions program implemented in 2023 as part of the Anti-Racism Community Fund. In way of an update, the grant report mentioned a “liberatory design process around housing in Orange County, under the leadership of our Director of Justice Philanthropy,” but did not really delve into what this consisted of. After further inquiry, I was sent a [report](#) on what appears to be, essentially, a sort of community-engagement design charette. UWGT held four collaborative sessions with a group of about a dozen Orange County community members to discuss housing policy concepts. The result of the sessions was a few policy recommendations regarding issues such as government incentive programs for developers and down payment assistance programs. While I generally admire the spirit behind these types of collaborations, it’s hard for me to gauge how UWGT intends to turn these sessions into actualities, especially in light of their recently discovered budget shortfall which will result in a \$250K cut to the Neighborhood Impact program. UWGT is certainly not in a place to bankroll these recommendations and it is not clear to me how they would be utilized in a larger context. That being said, I will continue to monitor this initiative.

In summary, I feel that UWGT’s function as a grantmaker remains valuable in the Greater Durham Triangle community, and I believe that their 10 to Watch program is useful and admirable. From a “pass through grant” perspective, I personally feel that our investment in the 10 to Watch program is solid. I am unclear about their Neighborhood Impact work; while the intent is admirable, I am skeptical about whether it has the ability to lead to concrete outcomes for the neighborhoods that UWGT hopes to affect.

In terms of our 2024 grant, it is complicated by the fact that at least \$150K of this grant is requested for the regranting program and we certainly would not want UWGT to have to reduce this funding any further, as it could affect small local organizations who benefit from the

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Community Investments. While I am certainly concerned about what seems to be a lack of financial foresight on the part of the United Way of Greater Triangle (especially as it resulted in such a drastic loss of employment for eight individuals), I am not concerned about whether our grant for 2024 will be spent inappropriately. I recommend that we “stay the course” for 2024 in terms of the designated \$150,000 to the Healthy Families and Cradle to Career Impact Pillars. In light of our cutback from \$100,000 to \$50,000 for the Equity in Leadership programs, I recommend that we designate the entire \$50,000 to the 10 to Watch program.

For future consideration, as we review our 2025 budget, I think it is worthwhile to consider that our grant of \$150,000 comprises ~3% of the distributions to over 50 community agencies, some of which we directly fund already. While the use of a “pass-through” organization for grants in the Durham Triangle area has been useful when we had less staff capacity, we currently have more capacity and an increased commitment to the Durham community via our Board members and guests and, potentially, our future Community Advisory Committee. Additionally, when we provide direct grants to organizations, especially smaller organizations, they benefit from not only the funds but also the connection to the F. M. Kirby Foundation and our “emotional investment” into their organization. Therefore, if we were inclined to redistribute the \$150,000 that we have designated to the Community Impact Pillars to (for example) increase some grants to our already-loved nonprofits and bring one or two more “into the fold”, this may be more impactful than the indirect investment through UWGT. I look forward to discussing the future of this grant with FMKF leadership and I will continue to monitor the organization’s financial situation and organizational restructuring in the upcoming months.

**RECOMMENDATION:** I recommend \$150,000 in support of the Healthy Families and Cradle to Career impact pillars in Orange and Durham Counties and \$50,000 in support of the 10 to Watch program.

**JUSTIN J. KICZEK COMMENTS:** Beyond my gratitude for LDC’s due diligence and thorough reporting on this grant, I have little more to add. While I do appreciate FMKF’s support for United Ways as a means of deepening and extending our support for the communities we serve, I appreciate the point LDC makes about the impact that a FMKF relationship can have on individual non-profits. In other words, I support the idea of us debating a potential reallocation of some of UWGT’s funds to other individual non-profits in the region. Of course, such a conversation must include Board directors and guests with an interest in this region.

For now, I agree with the approach of maintaining support for the Cradle to Career and Healthy Families pillars, as well as 10 to Watch. As I have mentioned before, the 10 to Watch program is a powerful response to the many decades of struggle that leaders of color have faced in terms of commanding the attention of donors and the general public.

**RECOMMENDATION:** I recommend \$200,000 in total, with \$150,000 in support of the Healthy Families and Cradle to Career impact pillars in Orange and Durham Counties and \$50,000 in support of the 10 to Watch program.

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**DISPOSITION:**

- Declination
- Hold for review on/about:
- Approval for: **\$200,000**
- Recommended Grant Payment(s):  
**2024:**  
**2025:**  
**2026:**
- Hold for Board Review: **April 26, 2024**
- Payee Other Than Addressee:
- Insert Information:  
**Support of the Healthy Families and Cradle to Career impact pillars in Orange and Durham Counties - \$150,000**  
**Support of the 10 to Watch program - \$50,000**
- Other:

Initials: JK

Date: 04/15/2024

Check #                     

Date: