

## F.M. KIRBY FOUNDATION SOLICITATION EVALUATION FORM

**DATE:** March 26, 2019

**REQUEST DATE:** March 19, 2019

**Last grant acknowledgement:** Yes

**Program Area:** Environment/Animals

**APPLICANT:**

The Nature Conservancy in New Jersey  
New Jersey Chapter Office  
Elizabeth D. Kay Environmental Center  
200 Pottersville Road  
Chester, NJ 07930

**CONTACT:** Barbara Brummer, Ph.D., State Director

**PHONE:** 908-879-7262 x 350

**PAYEE OTHER THAN ADDRESSEE:** The Nature Conservancy

**AMOUNT REQUESTED:** \$150,000 **NATURE OF REQUEST:** For general operating support - \$100,000; toward the New Jersey Chapter Operations endowment - \$50,000

### GRANT HISTORY

**LAST GRANT DATE:** 4/23/2018 **LAST GRANT AMOUNT:** \$135,000 **AFS DATE:** 10/22/2018

2014	\$120,000	12/15/2014	Toward the stewardship endowment-\$20,000
2015	\$135,000	12/11/2015	Toward the creation of a land protection blueprint to be shared by New Jersey conservation organizations-\$35,000
2016	\$135,000	12/8/2016	Toward the continued formation of the land protection blueprint to be shared by New Jersey conservation organizations-\$35,000
2017	\$115,000	4/28/2017	Toward support for a stewardship endowment for acquired land in northwestern New Jersey-\$25,000
2018	\$135,000	4/23/2018	Toward the Campaign for the Real Nature of New Jersey-\$25,000 toward stewardship endowment for land acquired in northwestern New Jersey; toward the New Jersey Chapter Operations endowment-\$35,000

**DLK COMMENTS:** See financial analysis.

**ECC COMMENTS:** Attending TNC-NJ's formal strategic planning session a few weeks ago certainly provided some additional color to this year's request in the context of TNC-National's overarching goals. Each chapter was tasked with determining the environmental strengths and weaknesses of its state, as well as 10-year goals to be achieved in what TNC considers the upcoming "critical decade" as far as minimizing impact of climate change. TNC-NJ has chosen the conservationist theme of "People and Nature Can Thrive Together" and will focus primarily on protecting lands and waters against the "build-out clock," inspiring corporate climate action and policy change, and making our cities more resilient and adaptable to flooding and storms. A challenge I see this chapter facing in achieving these goals would be generating a "state-wide" and "nation-wide" mentality in a home-rule state (especially in regard to coastal and city adaptation).

Within the past couple of years, TNC-NJ has realized quite a few significant projects that not only this chapter, but several of our grantees have been working towards, including securing priority

## **APPLICANT: The Nature Conservancy in New Jersey**

parcels within “Bobcat Alley” and removal of the Columbia Dam. They are working to leverage these successes and lessons learned towards further dam removal along the Delaware and further floodplain restoration within the Paulinskill and other essential watersheds. These efforts will be partially supported by the William Penn Foundation’s Watershed Initiative which, according to many of our larger environmental grantees, brings on a bit more bureaucratic hassle than they’d like to deal with. However, smaller environmental organizations in the state certainly have a different opinion given the expanded funding and access to resources and connections available to these larger nonprofits.

Finally, happy to read that the NJ Conservation Blueprint continues to grow with an average of 430 new users per month. Importantly, TNC-NJ achieved their goal of bringing the program to a county-level with three counties so far using it to inform updates of Open Space Plans. (They are actively in discussions with Mercer County, as well, which would be hugely influential towards the city adaptation goal.) Trenton generated the highest number of users indicating usage of the Blueprint by state agencies (NJDEP, State Agriculture Development Committee, Department of Transportation, etc.) at a higher rate and duration than the average user.

Overall, TNC-NJ is one of the leading environmental organizations, both in our docket and in New Jersey as a whole, for a reason and continually produces tangible results in a state where timing is essential. I will be interested to see the breakdown of deliverables when the strategic plan is finalized later this year.

**SDK COMMENTS:** I think we have had some real good communications over the past two years and glad to see ECC become engaged here. (ECC- you don’t make any specific dollar or insert language recommendation). Like last year, I think their accounting of the “campaign” is a bit misleading as all the dollars raised in recent years (including operating support) is being counted toward the “campaign.” I think we are seeing that tactic taken more often now.

Given that it was mentioned last year that we might want to eventually get to the \$150K mark for support of the NJ Center Operations endowment, I recommend we go with a total of \$130K this year (versus \$135K last year and yet higher than our \$115K target for this year) and earmark \$80K for unrestricted and \$50K toward the NJ endowment.

Did not know that friend, Lisa Welsh (think David Welsh’s wife and previously on NABE Board) has joined the Board.

**(ECC: Will do, moving forward. I agree with the above designation and bump up from target.)**

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<b>FM KIRBY FOUNDATION</b>			
<b>Financial Statement Analysis</b>			
<b>Grantee Name:</b>	The Nature Conservancy in New Jersey	<b>Date:</b>	3/21/2019
<b>Prepared By:</b>	DLK		
<b>Grant Request Amt.</b>	\$ 150,000	<b>Type of Financial Report Submitted</b>	Audit (parent co.)
<b>Recommended Amt.</b>	\$ 115,000	<b>Period Covered in Financial Report</b>	6/30/2018
<b>Board Approved Amt.</b>		<b>Date of Report Issuance</b>	10/22/2018
<b>Audit Firm</b>	Pricewaterhousecoopers		
<b>Opinion</b>	Present fairly		
<b>Basis of Acctg.</b>	GAAP		
<b>Current Ratio (Liquidity Ratio/Working Capital Ratio)</b>	4.37	<b>Amount of Unrestricted Net Assets (Operating Reserve)</b>	\$ 80,165,005
	(TNC-NJ)		(TNC-NJ)
<p><b>Note:</b> 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>			
<b>Allocation of Functional Expenses</b>	6/30/2018	%	Must Read Financial Statement Notes
<b>A. Program Service Expenses</b>	\$ 622,699,000.00	68%	Ideally program expenses should be at least 70% of total budget.
<b>B. Management and General</b>	\$ 163,778,000.00	18%	
<b>C. Fundraising</b>	\$ 125,350,000.00	14%	
<b>D. Total Expenses</b>	\$ 911,827,000.00	100%	
(PARENT COMPANY - NOT AVAIL FOR TNC-NJ)			
<b>Comments/ Notes:</b>			
<p><u>Budget:</u> The FY19 Budget projects a \$1.5M deficit vs a \$577K deficit for FY18. Revenues are fairly flat to to prior year but expenses are projected to grow by \$927K (15%), with \$377K in personnel/fringe benefits and \$409K in contractual expenses. The rest of the increase is spread between line items.</p>			
<p><u>FY18 Financials:</u> TNC-NJ had an operating deficit of \$577K for FY18 versus a surplus of \$2.6M for FY17. Donor support decreased by \$1.0M or 16%. Government grants/contracts decreased by \$141K (28%) and private contracts/mitigation revenue decreased by \$77K or 5%. Intra-company transfers (out) of \$2.5M also reduced revenue vs intra-company transfers (in) of \$601K in FY17.</p>			
<p>The audit is for the parent company. There was a \$376.7M operating surplus as of June 30, 2018, with \$58.6M cash used for operating activities and a net positive change in cash of \$11M. TNC had investments totaling \$2.5B, of which \$1.3B were endowment-related. To maintain diversification and mitigate risk, The Conservancy's portfolio is divided among 55 to 65 separate managers! The Conservancy uses debt to finance the acquisition of conservation lands and easements. At June 30, 2018, the Conservancy was in compliance with all debt covenants. Interest expense incurred on total notes payable for 2018 was \$14.2M. The Conservancy received \$4M in contribution revenue and \$210K in pledges receivable from current and former Board members (impressive), and also has an unsecured zero-interest loan agreement payable of \$10M to a current Board member. One interesting note: the Conservancy has <u>\$90.4M</u> of pledges receivable (\$15M from current and former Board members) that <u>have not been recorded</u> as they are conditioned upon The Conservancy raising matching gifts or acquiring certain conservation lands. No red flags raised as a result of my review (besides perhaps the compensation levels of their key execs - WOW).</p>			

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**DISPOSITION:**

- Rejection
- Hold for review on/about:
- Approval for: **\$130,000**
- Hold for Board Review
- Insert Information: **Toward the New Jersey Chapter Operations endowment-  
\$50,000**
- Other:

Initials:   *rdc*  

Date:   3/27/19  

Check #: \_\_\_\_\_

Date: \_\_\_\_\_