

## F.M. KIRBY FOUNDATION SOLICITATION EVALUATION FORM

**DATE:** November 25, 2019

**REQUEST DATE:** October 21, 2019

**Last grant acknowledgement:** Yes

**Program Area:** Environment/Animals

**APPLICANT:**

The Nature Conservancy  
Adirondack Chapter  
Barnett Center for Conservation  
8 Nature Way  
PO Box 65  
Keene Valley, NY 12943

**CONTACT:** Peg R. Olsen, Ph.D., Adirondack Chapter Director

**PHONE:** 518-424-2979

**PAYEE OTHER THAN ADDRESSEE:**

**AMOUNT REQUESTED:** \$280,000 **NATURE OF REQUEST:** Toward general operating support - \$30,000; Toward the conservation of the Follensby Landscape - \$250,000

### GRANT HISTORY

**LAST GRANT DATE:** 9/28/2018

**LAST GRANT AMOUNT:** \$30,000 **AFS DATE:** 10/22/2018

2012	\$55,000	5/31/2012	
2013	\$60,000	5/31/2013	
2014	\$60,000	4/30/2014	
2014	\$2,000,000	12/15/2014	To establish The Fred M. and Walker D. Kirby Land Stewardship Endowment at the Adirondack Land Trust- \$1,000,000 in 2014 and \$500,000 in 2015 and 2016
2017	\$30,000	7/31/2017	For: Support of the Adirondack Chapter's ongoing activities and programs
2018	\$30,000	9/28/2018	

**DLK COMMENTS:** The Follensby Freshwater Preserve sounds amazing. I'm impressed that they have secured \$8M of the \$11M in private funds needed. Financial analysis attached.

**ECC COMMENTS:** This request has been over a year in the making since my and WHB's initial meeting with Dr. Olsen in June 2018. Because the narrative is quite comprehensive in terms of outlining the urgency of conservation efforts for this property, Board investment, and demonstrated asking efforts, I'll just add some additional perspectives from my own research and previous conversations with Dr. Olsen. I was able to visit the property (and kayak on Follensby itself) this summer while in the Adirondacks for a conference and, of course, was stunned by the remote-nature and uniqueness of the ecosystem. It's quite rare to see such a grandiose natural system completely untouched by modern influence, and it was evident after speaking with Dr. Olsen that TNC and she feel not just a desire to preserve the property, but a *duty* to protect one of the most pristine and vulnerable lakes in the Adirondack Park. (Follensby is one of nine lakes remaining in the continental U.S. that support old-growth lake trout population along with other species listed as Greatest Conservation Need in New York.) It's reaffirming to read that TNC is emphasizing compromise and public-private partnerships to achieve this end, namely with the NY Dept. of

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Environmental Conservation (NYDEC). This partnership will allow for recreational access to an invulnerable portion of the property along the Raquette River, while the pond itself, the trout population of which would collapse in one year if accessible to uncontrolled fishing, is accessible only to scientists, conservationists, and supervised education groups (from elementary to doctorate levels).

I appreciate the holistic vision and realistic perspective Dr. Olsen brings to her new role as Adirondack Chapter Director, immediately following the separation of Adirondack Land Trust and with big shoes to fill. The missions of the two organizations are quite complementary, with ALT prioritizing smaller, vista-based preservation and TNC prioritizing scientific value and ecological vulnerability in its preservation approaches. However, I gathered from my many conversations with Dr. Olsen and key Adirondack funders that many of the “big hitters” previously on the TNC Board prior to separation followed Mr. Mike Carr to ALT; this has left TNC in a precarious position of donor exhaustion from some of the largest funders in the Park and forced them to be creative in its search for supplemental sources. Interestingly, Follensby was a massive project Dr. Olsen inherited a bit unexpectedly (see easement history in request) and a property of this scope is truly a baptism by fire, but the progress so far is affirming in regards to her and the Campaign’s success.

As discussed previously with SDK, I recommend a pledge of \$200K over three years (2019-2021: \$70K in 2019, \$70K in 2020, and \$60K in 2021) towards the campaign, in addition to continued, flat GOS at \$30K (for which we’ll receive an annual request during this three-year period). This would bring this year’s request to \$100K (\$70K toward the Campaign and \$30K toward GOS).

I highly recommend watching the video included to get a better sense of just how unique the property is. The private link and password (i.e. why it couldn’t be sent hard copy on a USB) is on page 10 of the request or I can email the clip to anyone interested.

**JJK COMMENTS:** I appreciate all the due diligence and consideration ECC has put into this request.

As I see it, the Follensby property offers three critical levers for long-term environmental preservation: (1) surrounded by forest, it’s uniquely capable of sustaining impacts from climate change and nutrient runoff; (2) its high-oxygenated waters, pristine wetlands, and “old growth” trout offer great value to researchers; (3) it has a storied connection to American intellectual history. The agreement with the NYDEC also appears to be a good example of private-public partnership – and how preserved lands can be both “untouched” and for public enjoyment.

As for the GOS, good to see collaborations with Trust for Public Land and The Conservation Fund. TNC appears to be a trusted player that knows how to operate between public and private entities and landowners.

I called Peg Olsen to learn more about the \$2M “intra-company” expense – which was \$0 in 2018 – in the FY20 budget. In essence, with this new accounting method, the Adirondack Chapter is trying to more accurately reflect their ongoing projects across the state. Ms. Olsen explained that they wanted to show the full cost for all projects (for example, she cited that they might have someone

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in Long Island helping them with climate adaptation. Previously, this work would not have shown up in the Adirondack chapter budget). In Ms. Olsen's words, they wanted to "push out full costs."

This is an exciting venture for TNC and FMKF. I hope to someday paddle in those waters like ECC!

Like ECC, I recommend to the Board a pledge of \$200K over three years, bringing this year's request to \$100K, with \$70K for the Follensby campaign and \$30K for GOS.

**SDK COMMENTS:** While we did not target for this campaign, we have had visibility and general agreement on this possible approach since last spring. Given our 2014 level of support, I imagine they were originally looking for a much larger figure from us. All things considered, this meaningful level of support seems like a good compromise.

P.S. I did watch the brief video clip; beautiful scenery, credible commentary.

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**FM KIRBY FOUNDATION**

**Financial Statement Analysis**

<b>Grantee Name:</b>	The Nature Conservancy / Adirondack Chapter	<b>Date:</b>	<u>11/8/2019</u>
<b>Prepared By:</b>	DLK		
<b>Grant Request Amt.</b>	<u>\$ 280,000</u>	<b>Type of Financial Report Submitted</b>	<u>Audit - Parent Company</u>
<b>Budgeted Amt.</b>	<u>\$ 100,000</u>	<b>Period Covered in Financial Report</b>	<u>6/30/2018</u>
<b>Audit Firm</b>	<u>PricewaterhouseCoopers LLP</u>	<b>Date of Report Issuance</b>	<u>10/22/2018</u>
<b>Opinion</b>	<u>Present Fairly</u>		
<b>Basis of Acctg.</b>	<u>GAAP</u>		
<b>Current Ratio (Liquidity Ratio/Working Capital Ratio)</b>	9.13	<b>Amount of Unrestricted Net Assets (Operating Reserve)</b>	<u>\$ 5,368,848,000</u>

**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>6/30/2018</b>	<b>%</b>	<b>Must Read Financial Statement Notes</b>
<b>A. Program Service Expenses</b>	\$ 622,699	68%	Ideally program expenses should be at least 70% of total budget.
<b>B. Management and General</b>	\$ 163,778	18%	
<b>C. Fundraising</b>	\$ 125,350	14%	
<b>D. Total Expenses</b>	<u>\$ 911,827</u>	<u>100%</u>	
	(in thousands)		

**Comments/ Notes:**

**Budget (Chapter):** The FY20 budget projects a deficit of \$1.6M vs \$880K deficit for FY19. Total revenue is budgeted to increase by \$1.3M (58%), broken between increased government awards - \$435K, increased donor support \$123K and allocated transfers \$812K. Total expenses are budgeted for a \$2M increase (64%), all of which is in the intra-company services line, which had \$0 expenses for FY19. The Follensby Freshwater Preserve sounds amazing! I'm impressed that they have raised almost \$8M of the \$11M in private funds needed.

**Audit (National):** FY18 had an operating surplus of \$377M, up from \$307M for FY2017. Total support and revenues were up \$145K (13%) from FY17, with dues and contributions comprising the entire increase. Program expenses increased by \$66K (12%) while supporting services were fairly flat, growing by \$8.6K (3%). TNC had investments of \$2.5B, of which \$1.2B were endowment-related. The Conservancy has a securities lending program to help offset custodial fees. At June 30, 2018, the Conservancy recorded \$52.5M in securities pledged. It also has three interest rate swap agreements to partially insulate itself from the interest rate variability on its outstanding debt. The Conservancy has \$345M in bonds and notes payables. With regards to related party transactions, \$4.1M in contribution revenue from current and former Board members was recorded during FY18. It also has an unsecured \$10M zero-interest loan agreement payable in full in 2026 to a current Board member. Overall, no red flags as a result of my review.

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**DISPOSITION:**

- Rejection
- Hold for review on/about:
- Approval for: **\$230,000**
- Hold for Board Review
- Insert Information: **Toward the conservation of the Follensby Landscape-  
\$70,000 enclosed herewith, and we hereby pledge \$70,000 for  
2020 and \$60,000 for 2021 for like use.**
- Other:

Initials: ADK Date: 11/27/19

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