

F.M. KIRBY FOUNDATION SOLICITATION EVALUATION FORM

DATE: April 18, 2020

REQUEST DATE: March 24, 2020

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: \$300,000 over two years **NATURE OF REQUEST:** For general operation support - \$100,000; toward the New Jersey Chapter Operations endowment - \$50,000

GRANT HISTORY

LAST GRANT DATE: 4/15/2019

LAST GRANT AMOUNT: \$130,000

FYE DATE: 6/30/2019

AFS DATE: 12/20/2019

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
2019	\$130,000	4/15/2019	Toward the New Jersey Chapter Operations endowment-\$50,000

DLK COMMENTS: See financial analysis.

ECC COMMENTS: TNC-NJ pitched this campaign ask to us a few months ago when JJK and I met with Erin Daly and Bob Allen in January. A few options were thrown around of how to designate or handle a multi-year pledge here, so I'll offer the background information here but defer to JJK and SDK for final designations as I am not sure how the current COVID-19 stock market impact will influence budgeting for next year and/or our current approach to pledges.

The conversation began in 2015 with the campaign feasibility study during which WHB indicated FMKF would consider support on the tail-end of the campaign. As SDK has pointed out in past EFs, our GOS funding in recent years has already been fully counted in the campaign. As the current request indicates, as of December 31, 2019, TNC-NJ has reached 95% of the \$80 million goal. They express that the "home stretch of a campaign is always a challenge and will be more so

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in light of the economic impacts of the COVID-19 pandemic” and that the anticipated campaign end date will be June 30, 2020. The two-year, \$300K grant requested would be split as \$200K GOS (\$100K annually funding operations focused primarily in the northwestern part of the state) and \$100K for the New Jersey Chapter Operations endowment (\$50K annually over the two-year period) with the ultimate goal of allowing the NJ chapter to focus fundraising almost exclusively on conservation work.

We targeted \$140K for this year, so theoretically we could designate \$100K towards GOS and \$40K towards NJ Chapter Operations endowment. If we’re avoiding multi-year pledges as SDK mentioned in previous EFs, an option might be simply targeting the same for next year and communicating our rationale for not pledging?

Finally, I’ll just add that TNC-National just announced Jennifer Morris as its next CEO, starting in May. Previously the President of Conservation International, she certainly brings with her expertise in global conservation and economic development, both of which are essential in guiding TNC and its chapters through its new strategic plan.

JJK COMMENTS: Nature Conservancy is just about at the finish line here with a really impressive “Campaign for the Real Nature of New Jersey.” The Dashboard indicates that, on their way to \$80M, they netted 53 \$100K+ gifts. Another \$13.5M has been promised in planned giving, exceeding their original goal by 139%.

This campaign will permit NCNJ to focus on their strategic conservation targets and resiliency projects. First, I will note that ECC has been very good about getting reactions from other environmental non-profits about the Conservation Blueprint, and we have heard very positive responses. Obviously, the Blueprint has manifold in-house applications for NCNJ. As such, the Blueprint has identified as a high priority the Bobcat Alley / Kittatinny Ridge, which stretches across the Northwestern region of the state, connecting New Jersey to New York and Pennsylvania. This corridor – relatively undeveloped for NJ standards – provides essential migration routes for animals and birds, while also having a high-volume of trees for carbon sequestration. Furthermore, this region offers protection for several important watersheds, including the Delaware river valley and the Highlands watersheds. As stated in the application, this region has “unusual capacity to sustain the richness of nature as temperature and precipitation become more unpredictable.” We know there are several other FMKF-grantees working to protect this area, but few have the resources and clout as NCNJ.

I am happy to see partnerships with corporations as an essential ingredient to their climate resilience work. Like NJ Audubon, they seem to know how to bring business into efforts to mitigate climate change, especially given that, as the request states, transportation and residential, commercial, and industrial buildings contribute to a combined 75% of New Jersey’s greenhouse gas emissions. Helping corporations like Novartis switch to electric vehicle fleets is evidence of this work.

There is far less in the request itself about their urban work (telling that it is on the very last page), though it came up often in our January meeting with Bob Allen and Erin Daly. That said, NCNJ just hired their NJ Urban Director at the end of March, so perhaps that will gear up soon. I don’t see this as their strong suit; I think we can count on groups like Trust for Public Land to lead in this area.

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We heard at our meeting that g.o.s. is being wrapped into the campaign, which SDK noted last year makes it all a bit misleading. That being the case, we are reluctant to “pledge” g.o.s., especially given the volatile situation. With the campaign about to conclude, following ECC’s thoughts on this, I recommend a grant of \$140K total in 2020, designated as \$100K towards g.o.s. and \$40K towards NJ Chapter Operations endowment, without a pledge for next year; we have already made NJ Chapter Operations endowment contributions in 2018, and 2019.

SDK COMMENTS: I don’t think we need to totally avoid pledges but don’t think necessary in this case, and I believe the team has reached a good solution here.

FM KIRBY FOUNDATION
Financial Statement Analysis

Grantee Name:	The Nature Conservancy in New Jersey	Date:	4/2/2020
Prepared By:	DLK		
Grant Request Amt.	300,000 (2 yrs)	Type of Financial Report Submitted	Audit (parent co.)
Budgeted Amt.	\$ 140,000	Period Covered in Financial Report	6/30/2019
Audit Firm	Pricewaterhousecoopers	Date of Report Issuance	12/20/2019
Opinion	Present fairly		
Basis of Acctg.	GAAP		

Current Ratio (Liquidity Ratio/Working Capital Ratio)	1.30	Amount of Unrestricted Net Assets (Operating Reserve)	\$ 5,501,115 (in thousands)
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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.

Allocation of Functional Expenses	6/30/2019	%	Must Read Financial Statement Notes
A. Conservation	\$ 633,139.00	68%	Ideally program expenses should be at least 70% of total budget.
B. Management and General	\$ 161,705.00	17%	
C. Fundraising	\$ 142,548.00	15%	
D. Total Expenses	\$ 937,392.00	100%	

(in thousands)

Comments/ Notes:

FY21 Budget: The FY21 Budget projects a \$1.4M deficit for FY21 vs a budgeted deficit of \$1.9M for F20. Revenues are budgeted for a \$1.1M (21%) increase primarily in donor support and growth in government grants/contracts. Expenses are budgeted to grow by \$503K (8%).

FY19/FY20 Financials: TNC-NJ had an operating deficit of \$1.6M for FY19 and has a budgeted deficit of \$1.9M for FY20. Donor support is budgeted to decline by \$148K (6%) for FY20 and accounts for 62% of total contribution revenue, with world office membership making up the remaining portion. Total revenues are budgeted to decline by \$326.6K, with a drop of transfers in of \$138K making up the bulk of the remaining decrease. Base operating expenses are budgeted to decrease by \$147K (2.4%), with a noticeable drop in office supplies and equipment of \$371K! Other expenses are budgeted to decrease by \$171K (4.6%), while all other expense lines have modest increases. TNC-NJ noted that they are currently running an operating surplus due to a large bequest (\$1.2M), unbudgeted wetland mitigation credit sales (\$1.3M) and lower personnel expenses as 80% of Barbara Brummer's salary are being charged to TNC Caribbean, as well as several open positions.

The audit is for the parent company. There was a \$118M operating surplus as of June 30, 2019, with \$68M cash used for operating activities and a net increase in cash of \$127M. TNC had investments totaling \$2.4B, 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, 2019, the Conservancy was in compliance with all debt covenants. Interest expense incurred on total notes payable for the year ended at June 30, 2019 was \$17.4M. The Conservancy received **\$10.7M in contribution revenue and \$7.9M 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 (payable in full in 2026). The Conservancy has **\$123M** of pledges receivable that are conditioned upon The Conservancy raising matching gifts or acquiring certain conservation lands and will be booked as contribution revenue when the donor-imposed conditions are substantially met. No red flags raised as a result of my review (besides perhaps the **compensation levels of their key execs - WOW**).

