

**EISNERAMPER**

**NEW JERSEY CONSERVATION  
FOUNDATION AND SUBSIDIARY**

(New Jersey Not-for-Profit Organizations)

**CONSOLIDATED FINANCIAL STATEMENTS**

**DECEMBER 31, 2018 and 2017**



**NEW JERSEY CONSERVATION FOUNDATION AND SUBSIDIARY**  
(New Jersey Not-for-Profit Organizations)

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## **INDEPENDENT AUDITORS' REPORT**

To the Board of Trustees of  
New Jersey Conservation Foundation and Subsidiary  
(New Jersey Not-for-Profit Organizations)

### **Report on the Consolidated Financial Statements**

We have audited the accompanying consolidated financial statements of New Jersey Conservation Foundation and Subsidiary (collectively, the "Foundation"), which comprise the consolidated statements of financial position as of December 31, 2018 and 2017, and the related consolidated statements of activities and cash flows for each of the years then ended, the consolidated statement of functional expenses for the year ended December 31, 2018, and the related notes to the consolidated financial statements.

#### ***Management's Responsibility for the Consolidated Financial Statements***

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

#### ***Auditor's Responsibility***

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Foundation's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



## *Opinion*

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Foundation as of December 31, 2018 and 2017, and the consolidated changes in their net assets and their cash flows for each of the years then ended in accordance with accounting principles generally accepted in the United States of America.

*EisnerAmper LLP*

EISNERAMPER LLP  
Iselin, New Jersey  
June 19, 2019

EISNERAMPER  
LLP



**NEW JERSEY CONSERVATION FOUNDATION AND SUBSIDIARY**  
(New Jersey Not-for-Profit Organizations)

**Consolidated Statements of Financial Position**

	<b>December 31,</b>	
	<b>2018</b>	<b>2017</b>
	<hr/>	<hr/>
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	<b>\$ 8,593,807</b>	\$ 2,880,298
Investments	<b>6,045,952</b>	13,261,177
Unconditional promises to give	<b>107,127</b>	480,361
Prepaid expenses and other current assets	<b>460,058</b>	205,175
	<hr/>	<hr/>
	<b>15,206,944</b>	16,827,011
	<hr/>	<hr/>
Other assets:		
Unconditional promises to give, net of current portion, and allowance and discount	<b>48,898</b>	74,442
Beneficial interest in split-interest agreements	<b>194,003</b>	283,168
Land, buildings and easements	<b>37,450,385</b>	36,569,773
Office furniture and equipment, net	<b>18,849</b>	18,723
	<hr/>	<hr/>
	<b>37,712,135</b>	36,946,106
	<hr/>	<hr/>
	<b>\$ 52,919,079</b>	\$ 53,773,117
	<hr/>	<hr/>
<b>LIABILITIES</b>		
Current liabilities:		
Accounts payable and accrued expenses	<b>\$ 238,211</b>	\$ 199,236
Refundable advance	<b>-</b>	243,000
	<hr/>	<hr/>
	<b>238,211</b>	442,236
	<hr/>	<hr/>
Commitments		
<b>NET ASSETS</b>		
Without donor restrictions	<b>46,856,609</b>	46,150,321
With donor restrictions	<b>5,824,259</b>	7,180,560
	<hr/>	<hr/>
Total net assets	<b>52,680,868</b>	53,330,881
	<hr/>	<hr/>
	<b>\$ 52,919,079</b>	\$ 53,773,117
	<hr/>	<hr/>

**NEW JERSEY CONSERVATION FOUNDATION AND SUBSIDIARY**

(New Jersey Not-for-Profit Organizations)

**Consolidated Statements of Activities**

	Year Ended December 31,					
	2018			2017		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
<b>Support and revenue:</b>						
Contributions	\$ 2,687,965	\$ 3,272,604	\$ 5,960,569	\$ 3,337,350	\$ 6,969,954	\$ 10,307,304
Government grants	3,321,446	-	3,321,446	1,894,251	-	1,894,251
Donated services	1,728,153	-	1,728,153	953,500	-	953,500
Investment income, net	108,227	14,396	122,623	125,722	19,995	145,717
Miscellaneous	116,908	148,804	265,712	64,660	70,244	134,904
Special events	317,981	-	317,981	9,220	500	9,720
Net assets released from restrictions	4,635,778	(4,635,778)	-	6,876,448	(6,876,448)	-
Total support and revenue	<u>12,916,458</u>	<u>(1,199,974)</u>	<u>11,716,484</u>	<u>13,261,151</u>	<u>184,245</u>	<u>13,445,396</u>
<b>Expenses:</b>						
Program expenses:						
Conservation program services	<u>10,012,880</u>	-	<u>10,012,880</u>	<u>9,107,039</u>	-	<u>9,107,039</u>
Supporting services:						
Management and general	512,345	-	512,345	479,545	-	479,545
Fundraising	<u>659,265</u>	-	<u>659,265</u>	<u>501,257</u>	-	<u>501,257</u>
Total supporting services	<u>1,171,610</u>	-	<u>1,171,610</u>	<u>980,802</u>	-	<u>980,802</u>
Total expenses	<u>11,184,490</u>	-	<u>11,184,490</u>	<u>10,087,841</u>	-	<u>10,087,841</u>
Excess (deficiency) support and revenue over expenses before other additions (deductions)	<u>1,731,968</u>	<u>(1,199,974)</u>	<u>531,994</u>	<u>3,173,310</u>	<u>184,245</u>	<u>3,357,555</u>

See accompanying notes to consolidated financial statements

**NEW JERSEY CONSERVATION FOUNDATION AND SUBSIDIARY**

(New Jersey Not-for-Profit Organizations)

**Consolidated Statements of Activities (continued)**

	Year Ended December 31,					
	2018			2017		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Excess (deficiency) support and revenue over expenses before other additions (deductions) (brought forward)	\$ 1,731,968	\$ (1,199,974)	\$ 531,994	\$ 3,173,310	\$ 184,245	\$ 3,357,555
<b>Other additions (deductions):</b>						
Change in value of split-interest agreements	(37,751)	(51,414)	(89,165)	-	69,829	69,829
Contributions of land	2,208,129	-	2,208,129	75,300	-	75,300
Loss on disposition of land	(100,394)	-	(100,394)	(2)	-	(2)
Change in value of land, buildings and easements	(2,567,104)	-	(2,567,104)	(1,236,853)	-	(1,236,853)
Bad debt expense	-	(500)	(500)	-	(15,000)	(15,000)
Realized gain on investments	2,278,202	230,232	2,508,434	300,800	119,260	420,060
Unrealized (loss) gain on investments	(2,806,762)	(334,645)	(3,141,407)	837,961	-	837,961
	<u>(1,025,680)</u>	<u>(156,327)</u>	<u>(1,182,007)</u>	<u>(22,794)</u>	<u>174,089</u>	<u>151,295</u>
<b>Change in net assets</b>	<b>706,288</b>	<b>(1,356,301)</b>	<b>(650,013)</b>	<b>3,150,516</b>	<b>358,334</b>	<b>3,508,850</b>
Net assets at beginning of year	<u>46,150,321</u>	<u>7,180,560</u>	<u>53,330,881</u>	<u>42,999,805</u>	<u>6,822,226</u>	<u>49,822,031</u>
<b>Net assets at end of year</b>	<b>\$ 46,856,609</b>	<b>\$ 5,824,259</b>	<b>\$ 52,680,868</b>	<b>\$ 46,150,321</b>	<b>\$ 7,180,560</b>	<b>\$ 53,330,881</b>

See accompanying notes to consolidated financial statements

**NEW JERSEY CONSERVATION FOUNDATION AND SUBSIDIARY**  
(New Jersey Not-for-Profit Organizations)

**Consolidated Statement of Functional Expenses**  
**Year Ended December 31, 2018, with Comparative Totals for 2017**

	Conservation Program Services	Supporting Services		2018 Total	Unaudited 2017 Total
		Management and General	Fundraising		
Salaries	\$ 1,705,388	\$ 246,832	\$ 306,652	\$ 2,258,872	\$ 2,156,309
Employee benefits and payroll taxes	377,298	56,400	64,538	498,236	488,827
Program grants and contributions	2,583,620	61,537	5,000	2,650,157	4,634,445
Write down of purchased easements	2,586,866	-	-	2,586,866	741,656
Professional fees	431,895	83,242	26,817	541,954	381,778
Donated professional fees	1,728,153	-	-	1,728,153	953,500
Field supplies	168,265	-	-	168,265	42,022
Office expense	8,438	744	906	10,088	15,125
Postage and printing	25,863	545	52,889	79,297	94,842
Occupancy	57,225	7,354	8,691	73,270	72,077
Insurance	73,076	9,669	11,427	94,172	78,131
Real estate taxes	40,389	-	-	40,389	38,286
Equipment rental and maintenance	10,846	1,570	1,855	14,271	15,359
Information technology	52,898	3,481	4,263	60,642	40,620
Travel	44,247	3,278	1,874	49,399	51,531
Conferences and meetings	39,125	11,578	547	51,250	53,835
Depreciation	4,362	631	746	5,739	9,892
Special events	-	-	162,586	162,586	14,804
Advertising	-	-	2,408	2,408	940
Miscellaneous	74,926	25,484	8,066	108,476	203,862
	<b>\$ 10,012,880</b>	<b>\$ 512,345</b>	<b>\$ 659,265</b>	<b>\$ 11,184,490</b>	<b>\$ 10,087,841</b>



**NEW JERSEY CONSERVATION FOUNDATION AND SUBSIDIARY**  
(New Jersey Not-for-Profit Organizations)

**Consolidated Statements of Cash Flows**

	<b>Year Ended December 31,</b>	
	<b>2018</b>	<b>2017</b>
<b>Cash flows from operating activities:</b>		
Change in net assets	<u>\$ (650,013)</u>	<u>\$ 3,508,850</u>
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	5,739	9,892
Change in value of land, buildings and easements	2,567,104	1,236,853
Write-down of purchased and donated easements	2,586,866	741,656
Contributions of investments	(59,516)	(156,326)
Proceeds from sales of contributions of investments	48,437	157,952
Contributions of land	(2,208,129)	(75,300)
Bad debt expense	(500)	(15,000)
Net loss on disposition of land and easements	100,394	2
Net realized and unrealized gain (loss) on investments	632,973	(1,258,021)
Change in beneficial interest in split-interest agreements	89,165	(81,459)
Change in assets and liabilities:		
Unconditional promises to give, net	399,278	298,666
Prepaid expenses and other current assets	(254,883)	(82,104)
Accounts payable and accrued expenses	38,975	(91,127)
Refundable advance	(243,000)	243,000
	<u>3,702,903</u>	<u>928,684</u>
Total adjustments		
	<u>3,052,890</u>	<u>4,437,534</u>
Net cash provided by operating activities		
<b>Cash flows from investing activities:</b>		
Purchases of investments	(5,522,983)	(4,930,453)
Proceeds from sale of investments	12,116,314	3,375,423
Payments for purchases of land and easements	(3,926,847)	(2,893,044)
Payments for purchases of office furniture and equipment	(5,865)	(17,128)
	<u>2,660,619</u>	<u>(4,465,202)</u>
Net cash provided by (used in) investing activities		
<b>Cash flows from financing activities:</b>		
Payments received on note receivable	-	100,000
	<u>-</u>	<u>100,000</u>
Net cash provided by financing activities		
<b>Net change in cash and cash equivalents</b>	<b>5,713,509</b>	<b>72,332</b>
Cash and cash equivalents at beginning of year	<u>2,880,298</u>	<u>2,807,966</u>
<b>Cash and cash equivalents at end of year</b>	<b><u>\$ 8,593,807</u></b>	<b><u>\$ 2,880,298</u></b>

See accompanying notes to consolidated financial statements

# NEW JERSEY CONSERVATION FOUNDATION AND SUBSIDIARY

(New Jersey Not-for-Profit Organizations)

## Notes to Consolidated Financial Statements December 31, 2018 and 2017

### NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### [1] Organization:

New Jersey Conservation Foundation ("NJ Conservation") is a statewide, not-for-profit corporation incorporated in the State of New Jersey. The mission of NJ Conservation is to preserve New Jersey's land and natural resources for the benefit of all. As a leading innovator and catalyst for saving land, NJ Conservation protects strategic lands through acquisition and stewardship, promotes strong land use policies, and forges partnerships to achieve conservation goals.

NJCF Preserves, LLC ("Preserves") is a single member limited liability company, incorporated in the State of New Jersey, with NJ Conservation as the sole member. There were no operations during the years ended December 31, 2018 and 2017. The LLC is a "disregarded entity" for tax reporting purposes.

#### [2] Principles of consolidation:

The consolidated financial statements include the accounts of NJ Conservation and its 100% wholly-owned subsidiary, Preserves (collectively, the "Foundation"). All significant intercompany accounts and transactions have been eliminated in consolidation.

#### [3] Adoption of new accounting pronouncement:

In August 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities (Topic 958)*. The ASU amends the current reporting model for nonprofit organizations and enhances the required disclosures. The major changes include: (a) requiring the presentation of only two classes of net assets now entitled "net assets without donor restrictions" and "net assets with donor restrictions", (b) modifying the presentation of underwater endowment funds and related disclosures, (c) requiring the placed in service approach to recognize the expirations of restrictions on gifts used to acquire or construct long-lived assets absent explicit donor stipulations otherwise, (d) requiring that all nonprofits present an analysis of expenses by function and nature and disclose a summary of the allocation methods used to allocate costs, (e) requiring the disclosure of quantitative and qualitative information regarding liquidity and availability of resources, (f) presenting investment return net of external and direct internal expenses, and (g) modifying other financial statement reporting requirements and disclosures intended to increase the usefulness of nonprofit financial statements. The Foundation has adopted the ASU as of and for the year ended December 31, 2018, and has retroactively applied its provisions to all periods presented.

#### [4] Use of estimates:

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America ("US GAAP") requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosures of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

#### [5] Operating indicator:

The operating activities of the Foundation include all income and expenses related to carrying out its services. Items not included in the Foundation's operating measure are the change in value of split-interest agreements, contributions of and loss on disposition of land, change in value of land, building and easements, bad debt expense and realized and unrealized gains and losses on investments.

**NEW JERSEY CONSERVATION FOUNDATION AND SUBSIDIARY**  
(New Jersey Not-for-Profit Organizations)

**Notes to Consolidated Financial Statements**  
**December 31, 2018 and 2017**

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**[6] Basis of presentation:**

The consolidated financial statements, which are prepared on the accrual basis of accounting, have been prepared to focus on the Foundation as a whole and to present balances and transactions based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified as follows:

- **Net assets without donor restrictions:** Net assets available for use in general operations and not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Foundation. The governing board has designated, from net assets without donor restrictions, net assets for a board-designated endowment.
- **Net assets with donor restrictions:** Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

**[7] Functional allocation of expenses:**

The costs of program and supporting services activities have been summarized on a functional basis in the consolidated statements of activities. The consolidated statement of functional expenses presents the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the program and supporting services benefited. The expenses that are allocated include occupancy, repairs and maintenance, depreciation, salaries and wages, benefits, and payroll taxes, technology, insurance, printing and supplies which are allocated on the basis of time and effort spent in each department. Professional fees, program grants and contributions, conferences and other expenses are allocated to programs and supporting services, directly, according to the department that incurred the expense.

**[8] Concentration of credit risk:**

The Foundation maintains cash in accounts with federally insured banks in amounts, which, at times, may exceed federally insured limits. The Foundation has not experienced any losses in such accounts, and as such, believes it is not exposed to any significant credit risk on cash.

**[9] Cash and cash equivalents:**

Cash equivalents are short-term, highly liquid investments with original maturities of three months or less.

**[10] Promises to give:**

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are reported at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-free interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in contribution revenue. NJ Conservation determines the allowance for uncollectible promises to give based on historical experience, an assessment of economic conditions and a review of subsequent collections. Promises to give are written off when deemed uncollectible.

**NEW JERSEY CONSERVATION FOUNDATION AND SUBSIDIARY**  
(New Jersey Not-for-Profit Organizations)

**Notes to Consolidated Financial Statements**  
**December 31, 2018 and 2017**

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**[11] Investments:**

Investments in equity securities with readily determinable fair values are stated at their fair value. Investments received by gift are recorded at fair value at the date of receipt. Fair value for mutual and exchange traded funds are based on quoted market prices. Investments in limited partnerships (the "partnerships") which are exchange traded are stated at market prices, and for those that are non-marketable, at management's estimated fair value using the net asset value ("NAV") of the Foundation's ownership interest in partner's capital as provided by management of the partnerships. The preceding methods described may produce a fair value estimate that may not be indicative of the net realizable values or reflective of future values. Furthermore, although management believes its valuation methods are appropriate and consistent with the practices of other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date. The fair values assigned to these assets do not necessarily represent amounts that might ultimately be realized and the differences may be material.

Gains and losses on sales of investments are determined using the average cost method. Unrealized (losses) gains are included in change in net assets in the consolidated statements of activities. Net investment income is reported in the consolidated statements of activities and consists of interest and dividend income less external and direct internal investment expenses.

**[12] Office furniture and equipment:**

Office furniture and equipment are recorded at cost, if purchased, or at fair value at the date of receipt, if acquired by gift, less accumulated depreciation. All furniture and equipment valued over \$1,000 are capitalized and recognized in the consolidated statements of financial position. Depreciation is provided on the straight-line method based upon the estimated useful lives of the assets, which range from three to ten years.

Depreciation was \$5,739 and \$9,892 for the years ended December 31, 2018 and 2017, respectively.

**[13] Land, buildings and easements:**

Land and buildings are recorded at cost or, if acquired by gift, at fair value at the date of the gift. As of December 31, 2018 and 2017, there are two and three properties included in land and buildings that are subject to life estates totaling approximately \$1,103,000 and \$2,403,000, respectively. Life estates are included in net assets with donor restrictions. Gains and losses, if any, are recognized upon disposition.

Easements are stated at a nominal value of \$1. Since the benefits of such easements accrue to the public upon acquisition, the fair value of easements acquired is recorded in the year of acquisition as an addition to net assets, and, unless conveyed to a public agency for consideration, shown as a reduction in net assets to recognize that these easements have no marketable value once severed from the land and held by the Foundation. As of December 31, 2018, there were 31 purchased and 77 donated easements. As of December 31, 2017, there were 29 purchased and 77 donated easements.

Costs directly associated with the acquisition of land, buildings, and easements are deferred and included in the consolidated statements of financial position under land, buildings and easements.

## **NEW JERSEY CONSERVATION FOUNDATION AND SUBSIDIARY**

(New Jersey Not-for-Profit Organizations)

### **Notes to Consolidated Financial Statements December 31, 2018 and 2017**

#### **NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

##### **[14] Impairment of long-lived assets:**

Management evaluates the recoverability of the investment in long-lived assets on an ongoing basis and recognizes any impairment in the year of determination. Long-lived assets were tested for impairment as of December 31, 2018 and 2017, and in the opinion of management, there was no impairment. It is reasonably possible that relevant conditions could change in the near term and necessitate a change in management's estimate of the recoverability of these assets.

##### **[15] Beneficial interest in split-interest agreements:**

Beneficial interest in split-interest agreements consists of charitable remainder trusts and charitable gift annuities. The Foundation is not the trustee of these trusts or annuities.

Charitable remainder trusts are arrangements in which the donor establishes and funds a trust with specified distributions to be made to a designated beneficiary or beneficiaries over the trust's term. Upon termination of the trust, the Foundation receives all or a portion of the assets remaining in the trust. The fair value of the trusts are computed at the present value (discount rates of 2.26% at December 31, 2018 and ranging from 1.18% to 1.65% at December 31, 2017) of the estimated cash flows to be received from the trusts. The trusts are recorded as net assets with donor restrictions and the changes in the value of the trusts have been recorded in the consolidated statements of activities. The amount of the Foundation's beneficial interest in the charitable remainder trusts as of December 31, 2018 and 2017 was \$76,745 and \$126,089, respectively, and is recorded in the consolidated statements of financial position.

A charitable gift annuity is an arrangement whereby the donor contributes assets to an organization in exchange for a promise by the organization to pay a fixed amount for a specified period of time to the donor, or to individuals or organizations designated by the donor. Under the terms of the agreements, the Foundation is to receive an amount equal to the residuum of the gifts, but the residuum is not to be more than the initial deposit. The amount of the Foundation's beneficial interest in the residuum as of December 31, 2018 and 2017 was \$117,258 and \$157,079, respectively, and is recorded in the consolidated statements of financial position.

##### **[16] Income taxes:**

The Internal Revenue Service (the "IRS") has recognized the Foundation as tax exempt under Section 501(c)(3) of the Internal Revenue Code. Management has analyzed the tax positions taken by the Foundation and has concluded that as of December 31, 2018 and 2017, there are no uncertain tax positions taken or expected to be taken that would require the recognition of a liability or disclosure in the consolidated financial statements. The Foundation recognizes accrued interest and penalties associated with uncertain tax provisions, if any. There were no income tax-related interest and penalties recorded for the years ended December 31, 2018 and 2017.

##### **[17] Revenue recognition:**

The Foundation receives its support in the form of contributions from corporations, foundations and individuals as well as from government grants. Contributions, including unconditional promises to give, are recognized as revenue in the period received. Contributions of assets other than cash are recorded at their fair value at the date of donation. Contributions to be received after one year are discounted at a rate commensurate with the risk involved. Government grant revenue is recognized as expenditures are made for the particular grant.

**NEW JERSEY CONSERVATION FOUNDATION AND SUBSIDIARY**  
(New Jersey Not-for-Profit Organizations)

**Notes to Consolidated Financial Statements**  
**December 31, 2018 and 2017**

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**[18] Revenue with and without donor restriction:**

Contributions and other revenue are reported with donor restriction if they are received with donor restrictions that limit the use of the donated assets. When a donor restriction expires, that is, when a time restriction ends or purpose restriction is accomplished, net assets with donor restriction are reclassified to net assets without donor restriction and reported in the consolidated statements of activities as net assets released from restrictions. Donor-restricted contributions, whose restrictions are met in the same reporting period are reported as revenue without donor restriction.

**[19] Donated services:**

Donated services are recognized as contributions if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Foundation. The Foundation received donated legal fees, which amounted to approximately \$1,728,153 and \$953,500 for the years ended December 31, 2018 and 2017, respectively. Contributions of services are recognized by the Foundation as both revenue and expense in the consolidated statements of activities.

**[20] New accounting pronouncements:**

In June 2018, the FASB issued ASU No. 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. ASU 2018-08 clarifies and improves guidance concerning, 1) the determination whether a transaction should be accounted for as an exchange transaction or as a contribution, and 2) whether a contribution received is conditional. ASU 2018-08 is effective for annual periods beginning after December 15, 2018 for entities that are resource recipients (which will be the year beginning January 1, 2019 for the Foundation). ASU 2018-08 should be applied on a modified prospective basis. The Foundation is currently evaluating the effect that the new standard will have on its consolidated financial statements and related disclosures.

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)*. ASU 2016-02 requires lessees to recognize all leases (with terms more than 12 months) at the commencement date the following, i) a lease liability, which is a lessee's obligation to make lease payments arising from a lease, measured on a discounted basis, and ii) a right-of-use asset, which is an asset that represents the lessee's right to use, or control the use of, a specified lease term. The new lease guidance also simplifies the accounting for sale and leaseback transactions. Lessees will no longer be provided with a source of off-balance sheet financing. For nonpublic business entities, ASU 2016-02 is effective for fiscal years beginning after December 15, 2019, with early adoption permitted. The Foundation is currently evaluating the effect that the new standard will have on its consolidated financial statements and related disclosures.

**[21] Reclassification:**

Certain amounts in the prior period have been reclassified to reflect adoption of ASU No. 2016-14. These reclassifications have no effect on the previously reported net assets.

**[22] Subsequent events:**

The Foundation has evaluated subsequent events through June 19, 2019, the date the consolidated financial statements were available to be issued.

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**NOTE B - INVESTMENTS, CASH AND CASH EQUIVALENTS**

As of December 31, 2018 and 2017, investments consist of the following:

	<u>2018</u>	<u>2017</u>
Equity securities	\$ 11,396	\$ -
Mutual funds - bonds	259,569	3,929,718
Mutual funds - equities	624,031	2,815,037
Mutual funds - other	-	525,178
Exchange traded funds	4,070,954	-
Limited partnerships	499,640	5,991,244
Receivable on investments *	<u>580,362</u>	<u>-</u>
Total investments	<b>6,045,952</b>	13,261,177
Cash and cash equivalents	<u>8,593,807</u>	<u>2,880,298</u>
Total investments, cash and cash equivalents	<b><u>\$ 14,639,759</u></b>	<b><u>\$ 16,141,475</u></b>

\* Effective December 31, 2018, the Foundation redeemed \$580,362 of a limited partnership. The funds were distributed on January 1, 2019 and were subsequently reinvested.

Investments, cash and cash equivalents are comprised of:

	<u>2018</u>	<u>2017</u>
General operating funds	\$ 1,183,262	\$ 1,351,556
Program, capital campaign and land acquisition funds	6,788,369	7,531,942
Board-designated endowment funds	6,561,854	7,151,703
Donor restricted endowment funds	<u>106,274</u>	<u>106,274</u>
	<b><u>\$ 14,639,759</u></b>	<b><u>\$ 16,141,475</u></b>

**NOTE C - UNCONDITIONAL PROMISES TO GIVE**

Unconditional promises to give as of December 31, 2018 and 2017 are as follows:

	<u>2018</u>	<u>2017</u>
Receivable in less than one year	\$ 107,127	\$ 480,361
Receivable in one year to five years	64,165	97,943
Present value discount of 2.52%	(4,985)	(6,369)
Allowance for uncollectible promises to give	<u>(10,282)</u>	<u>(17,132)</u>
	<b><u>\$ 156,025</u></b>	<b><u>\$ 554,803</u></b>

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**NOTE D - REFUNDABLE ADVANCES**

The Foundation received money from an organization for a land transaction. Amounts received in this manner are in effect refundable advances and would be repayable to the funding source, if not expended. Refundable advances as of December 31, 2018 and 2017 were \$0 and \$243,000, respectively.

**NOTE E - NET ASSETS WITHOUT DONOR RESTRICTIONS**

The Foundation's net assets without donor restrictions is comprised of undesignated and Board designated amounts for the following purposes at December 31, 2018 and 2017, respectively:

	<u>2018</u>	<u>2017</u>
Undesignated	<b>\$ 40,199,005</b>	\$ 38,946,119
Board-designated for stewardship funds	<b>2,909,086</b>	3,155,963
Board-designated for endowment for long-term financial purposes	<b>3,748,518</b>	4,048,239
Total net assets without donor restrictions	<b><u>\$ 46,856,609</u></b>	<b><u>\$ 46,150,321</u></b>

**NOTE F - NET ASSETS WITH DONOR RESTRICTIONS**

Net assets with donor restrictions are restricted for the following purposes as of December 31, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Subject to expenditures for a specified purpose:		
Land acquisition	<b>\$ 2,031,153</b>	\$ 2,269,406
Stewardship of land and easements	<b>984,248</b>	941,926
Program management	<b>1,319,973</b>	1,086,522
	<b><u>4,335,374</u></b>	<u>4,297,854</u>
Subject to the passage of time:		
Beneficial interest in split interest agreements	<b>194,003</b>	283,170
Life estates	<b>1,102,798</b>	2,402,795
	<b><u>1,296,801</u></b>	<u>2,685,965</u>
Endowments:		
Subject to appropriation and expenditure when a specific event occurs:		
Restricted by donor use for stewardship of lands	<b>85,810</b>	90,467
Subject to foundation endowment spending policy and appropriation:		
Permanently restricted for long-term financial uses and to fund internship program	<b>106,274</b>	106,274
Total	<b><u>\$ 5,824,259</u></b>	<b><u>\$ 7,180,560</u></b>



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**NOTE F - NET ASSETS WITH DONOR RESTRICTIONS (CONTINUED)**

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of the passage of time or other events specified by the donors as follows for the years ended December 31, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Expiration of time restrictions	\$ 1,300,000	\$ -
Distributions (proceeds are not restricted by donors)	37,751	-
Satisfaction of purpose restriction:		
Land acquisition	-	882,518
Stewardship of land and easements	83,216	49,599
Program management	<u>3,214,811</u>	<u>5,946,371</u>
	<u>\$ 4,635,778</u>	<u>\$ 6,876,488</u>

**NOTE G - RETIREMENT PLAN**

The Foundation maintains a 401(k) profit-sharing plan (the "Plan") covering all eligible employees, as defined by the Plan. The Foundation partially matches employee contributions and may make a discretionary contribution to the Plan up to 3% of employees' eligible compensation. The Foundation matches the employee contribution up to 6% of eligible compensation. The Foundation did not make a discretionary contribution in 2018 or 2017. The Foundation's expense related to the Plan was \$116,334 and \$107,034 in 2018 and 2017, respectively.

**NOTE H - FAIR VALUE MEASUREMENTS**

*Fair Value Measurements and Disclosures* establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. *Fair Value Measurements and Disclosures* defines fair value as the price that would be received to sell an asset or paid to transfer a liability (i.e., the "exit price"), in an orderly transaction between market participants.

In determining fair value, the Foundation uses various valuation approaches, including market, income and/or cost approaches. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements), and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under *Fair Value Measurements and Disclosures* and the Foundation's related types are described below:

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**NOTE H - FAIR VALUE MEASUREMENTS (CONTINUED)**

*Level 1* – Values are based on unadjusted quoted prices for identical assets or liabilities in active markets. The Foundation's assets included in Level 1 are equity securities, exchange-traded funds and mutual funds.

*Level 2* – Values are based on quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in inactive markets; or inputs that are derived principally from or corroborated by observable market data. The Foundation does not have any Level 2 assets.

*Level 3* – Inputs to the valuation methodology are unobservable and significant to the fair value measurement. The Foundation's assets included in Level 3 are beneficial interest in split-interest agreements.

The financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. The classification of investments in the fair value hierarchy is not necessarily an indication of the risks, liquidity, or degree of difficulty in estimating the fair value of each investment's underlying assets and liabilities.

The availability of observable market data is monitored to assess the appropriate classifications of financial instruments within the fair value hierarchy. Changes in economic conditions or model-based valuation techniques may require the transfer of financial instruments from one fair value level to another. In such circumstances, the transfer is reported at the beginning of the reporting period. For the years ended December 31, 2018 and 2017 there were no transfers into or out of Levels 1, 2 or 3.

The following tables set forth, by level, the Foundation's assets at fair value, within the fair value hierarchy, as of December 31, 2018 and 2017:

	<b>Assets at Fair Value as of December 31, 2018</b>			
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Investments:				
Equity securities	\$ 11,396	\$ -	\$ -	\$ 11,396
Mutual funds - bonds	259,569	-	-	259,569
Mutual funds - equity	624,031	-	-	624,031
Exchange traded funds	4,070,954	-	-	4,070,954
Limited partnerships (A):				
Long/short credit	-	-	-	499,640
	<b>4,965,950</b>	-	-	<b>5,465,590</b>
Beneficial interest in charitable remainder trusts	-	-	76,745	76,745
Totals	<b>\$ 4,965,950</b>	<b>\$ -</b>	<b>\$ 76,745</b>	<b>\$ 5,542,335</b>

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**NOTE H - FAIR VALUE MEASUREMENTS (CONTINUED)**

	<b>Assets at Fair Value as of December 31, 2017</b>			
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Investments:				
Mutual funds - bonds	\$ 3,929,718	\$ -	\$ -	\$ 3,929,718
Mutual funds - equity	2,815,037	-	-	2,815,037
Mutual funds - other	525,178	-	-	525,178
Limited partnerships (A):				
Fixed income	-	-	-	558,387
Equity	-	-	-	4,929,058
Long/short credit	-	-	-	503,799
	<u>7,269,933</u>	<u>-</u>	<u>-</u>	<u>13,261,177</u>
Beneficial interest in charitable remainder trusts	<u>-</u>	<u>-</u>	<u>126,089</u>	<u>126,089</u>
Totals	<u>\$ 7,269,933</u>	<u>\$ -</u>	<u>\$ 126,089</u>	<u>\$ 13,387,266</u>

(A) Certain investments that are measured at fair value using the net asset value per share (or its equivalent) practical expedient have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the consolidated statements of financial position.

A summary of the changes in Level 3 assets measured at fair value for the years ended December 31, 2018 and 2017 is as follows:

	<b>Charitable Remainder Trusts</b>	
	<b>2018</b>	<b>2017</b>
Beginning balance	\$ 126,089	\$ 101,128
Distribution	(37,751)	-
Change in value of charitable remainder trusts	<u>(11,593)</u>	<u>24,961</u>
Ending balance	<u>\$ 76,745</u>	<u>\$ 126,089</u>

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**NOTE H - FAIR VALUE MEASUREMENTS (CONTINUED)**

Information regarding the nature and risk of investments measured at fair value based on NAV as of December 31, 2018, is as follows:

	<u>Fair Value</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency (if currently eligible)</u>	<u>Redemption Notice Period</u>
Limited partnerships:				
Long/short credit (a)	<u>\$ 499,640</u>	<u>\$ -</u>	Quarterly	90 days

- (a) This category includes investments in companies that have less than investment grade credit. Management of the fund has the ability to shift investments from a net long position to a net short position.

The Foundation discusses and assesses fair value measurements with internally responsible personnel, including the methodology used to develop and substantiate unobservable inputs used in the Level 3 fair value measurements.

**NOTE I - COMMITMENTS**

The Foundation leases its main office in Chester Township, New Jersey for a five-year period ending December 31, 2021, which is renewable, with certain conditions, for up to three additional five-year terms. Future minimum lease payments are \$34,980 per year, with annual increases equal to the Consumer Price Index. The Foundation also leases office space on a month-to-month basis, in Camden, New Jersey, with monthly payments of \$789 and additional office space in Stockton, New Jersey for a term of 12 years, with future minimum lease payments of \$12,000 per year through April 2025. The Foundation also leases office equipment through 2022. Total rent expense was \$66,758 and \$68,074 for the years ended December 31, 2018 and 2017, respectively.

Minimum future rentals to be paid on noncancelable leases subsequent to December 31, 2018, are as follows:

2019	\$ 58,700
2020	58,000
2021	58,000
2022	13,400
Thereafter	29,000

In 2017, the Foundation entered into an agreement with a nonprofit law center to provide a grant, which will be used for legal services in relation to the collaborative pipeline campaign organized by NJ Conservation, for an amount approximating \$314,600. As of December 31, 2018 and 2017, cumulative payments made on the grant were \$264,600. In 2018, the Foundation entered into a new agreement with this organization to provide a grant, through December 31, 2018, for the same purpose up to \$325,000, which included the \$50,000 remaining from the 2017 agreement. As of December 31, 2018, payments on this grant were \$225,000 and there is no remaining balance due.

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**NOTE J - ENDOWMENT AND BOARD-DESIGNATED FUNDS**

The Foundation's endowment includes three donor-restricted stewardship and endowment funds. The funds were established by donor to provide annual funding for land conservations and general operations. The endowment also includes funds designated by the Board of Trustees to function as endowments ("Board-designated funds"). As required by US GAAP, net assets associated with endowment funds, including Board-designated funds, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board of Trustees has interpreted the Uniform Prudent Management of Institutional Funds Act ("UPMIFA") as requiring the preservation of the fair value of the original gift as of the gift date to the donor-restricted endowment fund, absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as net assets with donor restriction (a) the original value of gifts donated to the endowment, (b) the original value of subsequent gifts to the endowment, and (c) accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. Donor-restricted amounts not retained in perpetuity are subject to appropriation for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund;
- The purposes of the Foundation and the donor-restricted endowment fund;
- General economic conditions;
- The possible effect of inflation and deflation;
- The expected total return from income and the appreciation of investments;
- Other resources of the Foundation; and
- The investment policies of the Foundation.

Endowment and Board-designated net assets composition by type of fund as of December 31, 2018, is as follows:

	<b>2018</b>		
	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
Board-designated endowment funds	\$ 3,748,518	\$ -	\$ 3,748,518
Board-designated stewardship funds	2,909,086	-	2,909,086
Donor-restricted endowment funds:			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	-	106,274	106,274
Original donor-restricted stewardship fund	-	71,557	71,557
Accumulated investment gain	-	14,253	14,253
Total fund	<u>\$ 6,657,604</u>	<u>\$ 192,084</u>	<u>\$ 6,849,688</u>

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**NOTE J - ENDOWMENT AND BOARD-DESIGNATED FUNDS (CONTINUED)**

As of December 31, 2018, the Foundation's endowment and Board-designated net assets had the following activity:

	<b>2018</b>		
	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
Endowment net assets, beginning of year	<u>\$ 7,204,202</u>	<u>\$ 196,741</u>	<u>\$ 7,400,943</u>
Investment return:			
Investment gain, net of fees	73,340	852	74,192
Net depreciation (realized and unrealized)	<u>(377,938)</u>	<u>(5,509)</u>	<u>(383,447)</u>
Total investment return	<u>(304,598)</u>	<u>(4,657)</u>	<u>(309,255)</u>
Distribution from Board-designated endowment pursuant to spending policy	<u>(242,000)</u>	<u>-</u>	<u>(242,000)</u>
Endowment net assets, end of year	<u>\$ 6,657,604</u>	<u>\$ 192,084</u>	<u>\$ 6,849,688</u>

Endowment and Board-designated net assets composition by type of fund as of December 31, 2017, is as follows:

	<b>2017</b>		
	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
Board-designated endowment funds	\$ 4,048,239	\$ -	\$ 4,048,239
Board-designated stewardship funds	3,155,963	-	3,155,963
Donor-restricted endowment funds:			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	-	106,274	106,274
Original donor-restricted stewardship fund	-	71,557	71,557
Accumulated investment gain	<u>-</u>	<u>18,910</u>	<u>18,910</u>
Total fund	<u>\$ 7,204,202</u>	<u>\$ 196,741</u>	<u>\$ 7,294,669</u>

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**NOTE J - ENDOWMENT AND BOARD-DESIGNATED FUNDS (CONTINUED)**

As of December 31, 2017, the Foundation's endowment and Board-designated net assets had the following activity:

	<b>2017</b>		
	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
Endowment net assets, beginning of year	\$ 6,560,029	\$ 184,373	\$ 6,744,402
Contributions	-	1,500	1,500
Investment return:			
Investment loss, net of fees	(8,899)	-	(8,899)
Net appreciation (realized and unrealized)	841,072	10,868	851,940
Total investment return	832,173	10,868	843,041
Distribution from Board-designated endowment pursuant to spending policy	(188,000)	-	(188,000)
Endowment net assets, end of year	\$ 7,204,202	\$ 196,741	\$ 7,400,943

**[1] Funds with deficiencies:**

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or law requires the Foundation to retain as a fund of perpetual duration. The Foundation has determined to not spend from underwater endowments until amounts are fully recovered. There were no such deficiencies as of December 31, 2018 or 2017.

**[2] Return objectives/risk parameters and spending policy:**

The Board-designated endowment fund was established from net assets without donor restrictions contributions for the management and conservation of monies to be used in furtherance of the goals and purposes of the Foundation.

Three percent of the principal from Board-designated endowment fund assets shall be included in the annual budget of the Foundation, to be used for the general day-to-day operation of the Foundation. Upon the written request of the Executive Director of the Foundation, withdrawals from the principal of the Board-designated endowment fund may be made if authorized by the majority vote of the Board of Trustees. The Foundation also has donor-restricted endowment fund assets to be held in perpetuity. Both the Board-designated and donor-restricted endowment funds shall be overseen by the finance committee, with the objective of obtaining a long-term return on investment from income and capital appreciation consistent with prudent risk.

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**NOTE J - ENDOWMENT AND BOARD-DESIGNATED FUNDS (CONTINUED)**

**[3] Strategies employed for achieving objectives:**

The finance committee mitigates risk by diversifying investments among major asset categories and within such major categories. The major categories are cash and cash equivalents, fixed income, equity investments and alternative investments. Cash or cash equivalents should normally not exceed 15% of the total endowment fund assets, with a target of 9%. Fixed income should represent between 20.5% and 50.5% of the total endowment fund assets, with a target of 35.5%. Equity investments should represent 45.5% to 65.5%, with a target of 55.5%. Alternative investments should not exceed 10%, with a target of 0%.

**NOTE K - LIQUIDITY AND AVAILABILITY**

Financial assets available for general expenditure within one year of the balance sheet date are as follows:

Cash, cash equivalents and investments for general operating fund	\$ 1,183,262
Unconditional promises to give	107,127
Endowment spending rate distributions	215,000
Endowment Board approved distributions	65,315
Other investments appropriated for current use	<u>130,000</u>
Total	<u>\$ 1,700,704</u>

Endowment funds consist of donor-restricted endowments and Board-designated endowments (Note J). Income from donor-restricted endowments is restricted for specific purposes and, therefore, is not available for general expenditures. As described in Note J, the Board-designated endowment has a spending rate of 3%, and a balance of approximately \$7.2 million. Although the Foundation does not intend to spend from this fund other than amounts appropriated for general expenditures as part of its annual budget, amounts could be made available if necessary.

To help manage liquidity needs, the Foundation has an established arrangement with its bank that sweeps balances over \$100,000 in checking accounts daily into demand accounts at other banks, in increments under \$250,000 at each bank.

**NOTE L - RISKS AND UNCERTAINTIES**

Investments are exposed to various risks, such as interest rate, market risk and credit risk. Due to the level of risk associated with certain investments, it is at least reasonably possible that changes in values of investments will occur in the near term. Users of these consolidated financial statements should be aware that the financial markets' volatility may significantly impact the subsequent valuation of the Foundation's investments. Accordingly, the valuation of the investments as of December 31, 2018 and 2017 may not necessarily be indicative of amounts that could be realized in a current market exchange.



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#### **NOTE M - RELATED PARTY TRANSACTIONS**

During 2014, the Conservation Hunters Association, Inc. (the "Association"), a 501(c)(7) organization, was formed. The Association's Board of Trustees is comprised of a Board member and two staff members of NJ Conservation. There were no transactions between the Association and NJ Conservation in 2018 and 2017.

In November of 2015, Rethink Energy of NJ ("Rethink"), a 501(c)(4) was formed. Two of the Foundation's Board members and one staff member are members of the Board of Trustees of Rethink. The Foundation gave a grant to Rethink in the amount of \$1,090,000 and \$3,283,000 during the years ended December 31, 2018 and 2017, respectively. In January 2019, the Foundation committed to an additional grant to Rethink for 2019, in the amount of approximately \$1,267,000.