



**Natural Areas
Conservancy**

Audited Financial Statements

December 31, 2021

Independent Auditors' Report

To the Board of Directors of
Natural Areas Conservancy, Inc.

Opinion

We have audited the accompanying financial statements of Natural Areas Conservancy, Inc. (the "Conservancy"), which comprise the statement of financial position as of December 31, 2021, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Conservancy as of December 31, 2021, and the changes in net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Conservancy and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Conservancy's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' Responsibility for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users on the basis of these financial statements.

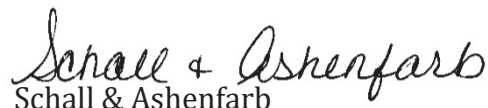
In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Conservancy's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Conservancy's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Report on Summarized Comparative Information

We have previously audited the Conservancy's 2020 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated June 15, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2020 is consistent, in all material respects, with the audited financial statements from which it has been derived.


Schall & Ashenfarb
Certified Public Accountants, LLC

June 14, 2022

NATURAL AREAS CONSERVANCY, INC.
STATEMENT OF FINANCIAL POSITION
AT DECEMBER 31, 2021
(With comparative totals at December 31, 2020)

	<u>12/31/21</u>	<u>12/31/20</u>
Assets		
Cash and cash equivalents	\$1,455,226	\$514,499
Investments (Note 3)	2,525,662	2,482,976
Pledges receivable (Note 4)	1,476,021	2,702,292
Prepaid expenses and other assets	<u>3,562</u>	<u>1,897</u>
Total assets	<u><u>\$5,460,471</u></u>	<u><u>\$5,701,664</u></u>
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses	\$50,666	\$32,670
Paycheck Protection Program loan payable (Note 5)	<u>0</u>	<u>239,600</u>
Total liabilities	<u><u>50,666</u></u>	<u><u>272,270</u></u>
Net assets:		
Without donor restrictions	2,487,013	1,787,556
With donor restrictions (Note 6)	<u>2,922,792</u>	<u>3,641,838</u>
Total net assets	<u><u>5,409,805</u></u>	<u><u>5,429,394</u></u>
Total liabilities and net assets	<u><u>\$5,460,471</u></u>	<u><u>\$5,701,664</u></u>

The attached notes and auditors' report are an integral part of these financial statements.

NATURAL AREAS CONSERVANCY, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2021
(With comparative totals for the year ended December 31, 2020)

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total 12/31/21</u>	<u>Total 12/31/20</u>
Public support and revenue:				
Contributions	\$811,279	\$845,371	\$1,656,650	\$2,704,732
Government grants	147,190		147,190	470,960
Paycheck Protection Program loan forgiveness (Note 5)	485,306		485,306	0
In-kind contributions (Note 2g)	17,055		17,055	45,000
Investment income (Note 3)	17,686		17,686	8,837
Net assets released from restrictions	1,564,417	(1,564,417)	0	0
Total public support and revenue	<u>3,042,933</u>	<u>(719,046)</u>	<u>2,323,887</u>	<u>3,229,529</u>
Expenses:				
Program services	<u>1,722,734</u>		<u>1,722,734</u>	<u>1,537,060</u>
Supporting services:				
Management and general	409,367		409,367	356,601
Fundraising	<u>211,375</u>		<u>211,375</u>	<u>191,511</u>
Total supporting services	<u>620,742</u>	0	<u>620,742</u>	<u>548,112</u>
Total expenses	<u>2,343,476</u>	<u>0</u>	<u>2,343,476</u>	<u>2,085,172</u>
Change in net assets	699,457	(719,046)	(19,589)	1,144,357
Net assets - beginning of year	<u>1,787,556</u>	<u>3,641,838</u>	<u>5,429,394</u>	<u>4,285,037</u>
Net assets - end of year	<u><u>\$2,487,013</u></u>	<u><u>\$2,922,792</u></u>	<u><u>\$5,409,805</u></u>	<u><u>\$5,429,394</u></u>

The attached notes and auditors' report are an integral part of these financial statements.

NATURAL AREAS CONSERVANCY, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2021

(With comparative totals for the year ended December 31, 2020)

	Supporting Services			Total Expenses 12/31/21	Total Expenses 12/31/20*	
	Program Services	Management and General	Fundraising			Total Supporting Services
Salaries	\$1,133,595	\$215,522	\$159,305	\$374,827	\$1,508,422	\$1,312,897
Payroll taxes and benefits	241,553	47,956	24,746	72,702	314,255	266,078
Professional fees	111,893	109,458	20,275	129,733	241,626	257,020
Contractor expense	110,373			0	110,373	99,574
In-kind occupancy (Note 2g)	12,791	2,388	1,876	4,264	17,055	45,000
Materials and supplies	39,614			0	39,614	14,514
Office expenses	6,461	2,849	8	2,857	9,318	20,438
Travel and meetings	17,045	5,784	153	5,937	22,982	11,129
Insurance		3,757		3,757	3,757	8,136
Interest		2,214		2,214	2,214	1,723
Staff development	9,913	11,690	400	12,090	22,003	2,250
Other expenses	39,496	7,749	4,612	12,361	51,857	46,413
Total expenses	\$1,722,734	\$409,367	\$211,375	\$620,742	\$2,343,476	\$2,085,172

*Reclassified for comparative purposes

The attached notes and auditors' report are an integral part of these financial statements.

NATURAL AREAS CONSERVANCY, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2021
(With comparative totals for the year ended December 31, 2020)

	<u>12/31/21</u>	<u>12/31/20</u>
Cash flows from operating activities:		
Change in net assets	(\$19,589)	\$1,144,357
Adjustments to reconcile change in net assets to net cash provided by/(used for) operating activities:		
Forgiveness of Paycheck Protection Program loan	(485,306)	0
Donated securities	0	(31,031)
Realized loss on investments	3,446	189
Unrealized loss on investments	1,061	744
Changes in assets and liabilities:		
Pledges receivable	1,226,271	(1,144,285)
Prepaid expenses and other assets	(1,665)	18,500
Accounts payable and accrued expenses	17,996	(75,505)
Net cash flows provided by/(used for) operating activities	<u>742,214</u>	<u>(87,031)</u>
 Cash flows from investing activities:		
Investment income reinvested	(22,193)	(9,112)
Sales of investments	1,117,562	0
Purchase of investments	(1,285,171)	(2,475,000)
Proceeds from sale of donated stock	142,609	31,234
Net cash flows used for investing activities	<u>(47,193)</u>	<u>(2,452,878)</u>
 Cash flows from financing activities:		
Proceeds from Paycheck Protection Program loan	245,706	239,600
Net cash flows provided by financing activities	<u>245,706</u>	<u>239,600</u>
 Net increase/(decrease) in cash and cash equivalents	940,727	(2,300,309)
 Cash and cash equivalents - beginning of year	<u>514,499</u>	<u>2,814,808</u>
 Cash and cash equivalents - end of year	<u>\$1,455,226</u>	<u>\$514,499</u>
 Supplemental information:		
Interest and taxes paid	<u>\$0</u>	<u>\$0</u>

The attached notes and auditors' report are an integral part of these financial statements.

NATURAL AREAS CONSERVANCY, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

Note 1 - Organization

Natural Areas Conservancy, Inc. (“the Conservancy”) is a not-for-profit organization incorporated in New York. The Conservancy is a champion of New York City’s 20,000 acres of forests and wetlands for the benefit and enjoyment of all. The Conservancy’s team of scientists and experts promote nature’s diversity and resilience across the five boroughs, working in close partnership with the City of New York.

Prior to separation, the City Parks Foundation, Inc., (“CPF”) a New York not-for-profit corporation, had acted as the Conservancy’s fiscal sponsor. On July 26, 2019, the Conservancy and CPF entered into a separation agreement; whereby, on August 1, 2019, the assets and liabilities that had accumulated up through that date were transferred from CPF as the sponsor to the Conservancy.

The Conservancy has been notified by the Internal Revenue Service that it is exempt from Federal income tax under Section 501(c)(3) of the Internal Revenue Code and has not been determined to be a private foundation as defined in Section 509(a).

Note 2 - Summary of Significant Accounting Policies

a. Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting which is the process of recognizing revenue and expenses when earned or incurred rather than received or paid.

b. Basis of Presentation

The Conservancy reports information regarding their financial position and activities according to the following classes of net assets:

- *Net Assets Without Donor Restrictions* – represents all activity without donor-imposed restrictions as well as activity with donor-imposed restrictions, which expire within the same period.
- *Net Assets With Donor Restrictions* – represents those resources, the uses of which have been restricted by donors to specific purposes or the passage of time and/or must remain intact, in perpetuity. The release from restrictions results from the satisfaction of the restricted purposes specified by the donor.

c. Revenue Recognition

The Conservancy follows the requirements of the Financial Accounting Standards Board’s (“FASB”) Accounting Standards Codification (“ASC”) 958-605 for recording contributions, which are recognized at the earlier of when cash is received or at the time a pledge becomes unconditional in nature. Contributions that do not contain donor restrictions are recorded in the class of net assets without donor restrictions.

Contributions that do contain donor restrictions are recorded in the class of net assets with donor restrictions. When a restriction expires, that is, when a stipulated time restriction ends, or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions. If donor restricted contributions are satisfied in the same period they were received, they are classified in the class of net assets without donor restrictions.

Contributions may be subject to conditions which are defined as both a barrier to entitlement and a right of return of payments or release from obligations and are recognized as income once the conditions have been substantially met.

The Conservancy's government grants are primarily conditional non-exchange transactions and fall under the scope of FASB ASC 958-605. Revenue from these transactions is recognized when qualifying expenditures are incurred, performance related outcomes are achieved, and other conditions under the agreements are met. Payments received in advance of conditions being met are recorded as deferred revenue.

Contributions expected to be received within one year are recorded at net realizable value. Long-term pledges are recorded at fair value, using risk-adjusted present value techniques.

Management reviews receivables to determine if any are unlikely to be collected based on historical experience and a review of activity subsequent to the statement of financial position date. Based on this review, management has determined that no allowance for uncollectable amounts is necessary. Write-offs will be made directly to operations in the period the receivable is deemed to be uncollectable.

d. Cash and Cash Equivalents

The Conservancy considers all liquid investments with a maturity of three months or less to be cash and cash equivalents.

e. Concentration of Credit Risk

Financial instruments which potentially subject the Conservancy to a concentration of credit risk consist of cash accounts which are placed with financial institutions that management deems to be creditworthy. At times, balances may exceed federally insured limits. While at year end the Conservancy had uninsured balances, management feels they have little risk and have not experienced any losses due to bank failure.

f. Investments

Investments are recorded at fair value, which is defined as the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date. Realized and unrealized gains and losses are included in income on the statement of activities.

g. In-Kind Contributions

Donated services are recognized in circumstances where those services create or enhance non-financial assets or require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided in-kind. Donated materials are recorded at the estimated fair value at the date of donation.

The Conservancy receives the use of office space without charge. For the years ended December 31, 2021 and 2020, the estimated fair value of \$17,055 and \$45,000, respectively has been recorded as in-kind rent.

Board members and other individuals volunteer their time and perform a variety of services that assist the Conservancy. These services have not been recorded in the financial statements, as they do not meet the criteria outlined above.

h. Comparative Financial Information

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Such information should be read in conjunction with the Conservancy's financial statements for the year ended December 31, 2020, from which the summarized information was derived.

i. Management Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

j. Functional Allocation of Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the financial statements. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Such allocations are determined by management on an equitable basis.

The following expenses were allocated using time and effort as the basis:

- Salaries
- Payroll taxes and benefits
- In-kind occupancy

All other expenses have been charged directly to the applicable program or supporting services.

k. Accounting for Uncertainty of Income Taxes

The Conservancy does not believe its financial statements include any material, uncertain tax positions. Tax filings for the period ending December 31, 2018 (initial filing) are subject to examination by applicable taxing authorities.

I. New Accounting Pronouncements

FASB issued Accounting Standards Update (“ASU”) No. 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, which becomes effective for the December 31, 2022 year. This ASU focuses on improving transparency in the reporting of contributed nonfinancial assets and requires a separate line-item presentation on the statement of activities and additional disclosures.

FASB issued ASU No. 2016-02, *Leases*. The ASU which becomes effective for the December 31, 2022 year, requires the full obligation of long-term leases to be recorded as a liability with a corresponding “right to use asset” on the statement of financial position.

Management is in the process of evaluating the impact these standards will have on future financial statements.

Note 3 - Investments

Accounting standards have established a fair value hierarchy giving the highest priority to quoted market prices in active markets and the lowest priority to unobservable data. The fair value hierarchy is categorized into three levels based on the inputs as follows:

Level 1 – Valuations based on unadjusted quoted prices in active markets for identical assets or liabilities that the Conservancy has the ability to access.

Level 2 – Valuations based on quoted prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly.

Level 3 – Valuations based on inputs that are unobservable and significant to the overall fair value measurement.

The following summarizes the composition of investments, which have all been determined to be Level 1 investments:

	<u>12/31/21</u>	<u>12/31/20</u>
Cash and money market accounts	\$9,211	\$22
U.S. fixed income	828,968	1,481,869
Global fixed income	599,546	1,001,085
U.S. large cap equities	279,751	0
U.S. mid cap equities	274,370	0
U.S. small cap equities	262,046	0
Emerging market equities	246,937	0
Other equities	<u>24,833</u>	<u>0</u>
Total investment income	<u>\$2,525,662</u>	<u>\$2,482,976</u>

Level 1 securities are valued at the closing price reported on the active market they are traded on.

The following summarizes investment income:

	<u>12/31/21</u>	<u>12/31/20</u>
Realized and unrealized losses	(\$4,507)	(\$933)
Interest and dividends	<u>22,193</u>	<u>9,770</u>
Total investment gain	<u>\$17,686</u>	<u>\$8,837</u>

Note 4 - Pledges Receivable

At December 31, 2021, all contributions were due within one year. At December 31, 2020, contributions receivable are due as follows:

Year ending:	December 30, 2021	\$1,802,292
	December 30, 2022	<u>900,000</u>
Total		<u>\$2,702,292</u>

The amounts have not been discounted using present value techniques due to the immaterial nature.

Note 5 - Paycheck Protection Program Loan

During the year ended December 31, 2020, the Conservancy obtained a loan from the Small Business Administration (“SBA”) in the amount of \$239,600 through the Paycheck Protection Program (“PPP”). Terms of the loan indicated that if certain conditions were met, which included maintaining average work forces during periods subsequent to receipt of the loan funds that were greater than pre-determined historical periods, that the loan, or a portion thereof, would be forgiven. During the year ended December 31, 2021, the Conservancy obtained a second PPP loan in the amount \$245,706. Terms of the second loan were the same as described above.

The Conservancy treats the PPP proceeds as a loan payable in accordance with FASB ASC 470. Under this treatment, the proceeds from the loan remain as a liability until the loan is forgiven by the SBA. During the year ended December 31, 2021, both loans were fully forgiven by the SBA and have been recognized as revenue.

Note 6 - Net Assets with Donor Restrictions

Net assets with donor restrictions can be summarized as follows:

	December 31, 2021			
	Balance <u>1/1/21</u>	<u>Contributions</u>	Released from <u>Restrictions</u>	Balance <u>12/31/21</u>
Program restrictions				
Conservancy engagement	\$22,534	\$122,277	(\$30,857)	\$113,954
CUNY	489,070	440,660	(300,706)	629,024
Forests in Cities	774,034	0	(261,879)	512,155
Natural Areas Restoration	305,593	4,834	(110,267)	200,160
Public engagement	40,953	0	(16,624)	24,329
Research	201,125	252,600	(181,767)	271,958
Trails	1,425,195	25,000	(491,333)	958,862
Other	<u>50,000</u>	<u>0</u>	<u>(33,662)</u>	<u>16,338</u>
Total program	3,308,504	845,371	(1,427,095)	2,726,780
Time restrictions	<u>333,334</u>	<u>0</u>	<u>(137,322)</u>	<u>196,012</u>
Total	<u>\$3,641,838</u>	<u>\$845,371</u>	<u>(\$1,564,417)</u>	<u>\$2,922,792</u>

December 31, 2020

	Balance <u>1/1/20</u>	<u>Contributions</u>	Released from <u>Restrictions</u>	Balance <u>12/31/20</u>
Program restrictions				
Conservancy engagement	\$0	\$80,000	(\$57,466)	\$22,534
CUNY	400,000	356,000	(266,930)	489,070
Forests in Cities	0	920,000	(145,966)	774,034
Natural Areas Restoration	199,499	192,000	(85,906)	305,593
Public engagement	32,676	25,000	(16,723)	40,953
Research	0	201,125	(0)	201,125
Trails	1,952,790	18,000	(545,595)	1,425,195
Other	<u>0</u>	<u>50,000</u>	<u>(0)</u>	<u>50,000</u>
Total program	2,584,965	1,842,125	(1,118,586)	3,308,504
Time restrictions	<u>0</u>	<u>400,000</u>	<u>(66,666)</u>	<u>333,334</u>
Total	<u>\$2,584,965</u>	<u>\$2,242,125</u>	<u>(\$1,185,252)</u>	<u>\$3,641,838</u>

Note 7 - Retirement Plan

The Conservancy has adopted a tax deferred 401(k) retirement plan for their employees. All employees that meet certain age and time in service requirements are eligible to participate and can designate a percentage of their salaries, subject to regulatory limits, to be contributed to the plan on a pre-tax basis. The Conservancy provides matching contributions of up to 4% of employee's salary to the plan. During the years ended December 31, 2021 and 2020, the Conservancy made contributions totaling \$143,585 and \$23,668, respectively.

Note 8 - Liquidity and Availability of Financial Resources

The following reflects the Conservancy's financial assets at December 31, 2021, reduced by amounts that have donor-imposed restrictions within one year of the statement of financial position date. The Conservancy maintains cash on hand to be available for its general expenditures, liabilities, and other obligations for on-going operations. As part of its liquidity management plan, the Conservancy operates its programs within a balanced budget and relies on grants and contributions to fund its operations and program activities.

Cash and cash equivalents	\$1,455,226
Investments	2,525,662
Pledges receivable	<u>1,476,021</u>
Total financial assets	\$5,456,909
Less: net assets with donor restrictions – purpose restrictions	<u>(2,726,780)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$2,730,129</u>

Note 9 - Other Matters

On January 30, 2020, the World Health Organization declared the coronavirus outbreak a "Public Health Emergency of International Concern" and on March 10, 2020, declared it to be a pandemic. Actions taken around the world to help mitigate the spread of the coronavirus include restrictions on travel, quarantines in certain areas, and forced closures for certain types of public places and businesses. The coronavirus and actions taken to mitigate it have had and are expected to continue to have an impact on the economies and financial markets of many countries, including the geographical area in which the Conservancy operates. As of the date of these financial statements, many of the travel restrictions and stay at home orders have been lifted; however, supply chains remain impacted. Management continues to monitor the outbreak; however, as of the date of these financial statements, the potential impact cannot be quantified.

Note 10 - Subsequent Events

Subsequent events have been evaluated through June 14, 2022, the date the financial statements were available to be issued. There were no material events that have occurred that required adjustment to or disclosure to the financial statements.