SCHALL & ASHENFARB Certified Public Accountants, LLC

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Natural Areas Conservancy

Audited Financial Statements

December 31, 2019

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Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of Natural Areas Conservancy, Inc. which comprise the statement of financial position as of December 31, 2019, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility 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; this includes 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.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the 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 entity'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 financial statements.

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

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Natural Areas Conservancy, Inc. as of December 31, 2019, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Schall & Ashenfarb

Schall & Ashenfarb
Certified Public Accountants, LLC

August 6, 2020

NATURAL AREAS CONSERVANCY, INC.
STATEMENT OF FINANCIAL POSITION
AT DECEMBER 31, 2019

Assets

Cash and cash equivalents	$2,814,808
Pledges receivable (Note 3)	1,558,007
Prepaid expenses and other assets	20,397
Total assets	$4,393,212

Liabilities and Net Assets

Liabilities:	
Accounts payable and accrued expenses	$108,175
Total liabilities	108,175
Net assets:	
Without donor restrictions	1,700,072
With donor restrictions (Note 4)	2,584,965
Total net assets	4,285,037
Total liabilities and net assets	$4,393,212

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

NATURAL AREAS CONSERVANCY, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
Public support and revenue:			
Contributions	$588,027	$2,701,000	$3,289,027
Government grants	75,627		75,627
In-kind contributions	45,000		45,000
Interest and other income	3,172		3,172
Net assets released from restrictions	2,548,577	(2,548,577)	0
Total public support and revenue	3,260,403	152,423	3,412,826
Expenses:			
Program services	2,137,531		2,137,531
Supporting services:			
Management and general	325,272		325,272
Fundraising	186,065		186,065
Total supporting services	511,337	0	511,337
Total expenses	2,648,868	0	2,648,868
Change in net assets	611,535	152,423	763,958
Net assets - beginning of year	1,088,537	2,432,542	3,521,079
Net assets - end of year	$1,700,072	$2,584,965	$4,285,037

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

NATURAL AREAS CONSERVANCY, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2019

		Supporting Services			
	Program Services	Management and General	Fundraising	Total Supporting Services	Total Expenses
Salaries	$850,069	$123,874	$126,182	$250,056	$1,100,125
Payroll taxes and benefits	171,216	26,055	21,385	47,440	218,656
Professional fees	356,296	88,775	4,240	93,015	449,311
Contractor expense	605,000			0	605,000
In-kind occupancy	34,886	5,010	5,104	10,114	45,000
Materials and supplies	24,272	5,829	701	6,530	30,802
Office expenses	8,665	8,829	695	9,524	18,189
Travel and meetings	71,078	19,479	805	20,284	91,362
Insurance		7,015		7,015	7,015
Other expenses	16,049	40,406	26,953	67,359	83,408
Total expenses	$2,137,531	$325,272	$186,065	$511,337	$2,648,868

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

NATURAL AREAS CONSERVANCY, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2019

Cash flows from operating activities:	
Change in net assets	$763,958
Adjustments to reconcile change in net assets to net cash used for operating activities:	
Donated securities	(25,300)
Realized gain on investments	(634)
Changes in assets and liabilities:	
Pledges receivable	(892,879)
Prepaid expenses and other assets	(1,193)
Accounts payable and accrued expenses	62,584
Net cash flows used for operating activities	(93,464)
Cash flows from investing activities:	
Investment income reinvested	(352)
Proceeds from sale of donated stock	42,268
Net cash flows provided by investing activities	41,916
Net decrease in cash and cash equivalents	(51,548)
Cash and cash equivalents - beginning of year	2,866,356
Cash and cash equivalents - end of year	$2,814,808
Supplemental information:	
Interest and taxes paid	$0

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

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, 2018, the Conservancy and CPF entered into a separation agreement; whereby, on August 1, 2018, 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 and Revenue Recognition
The 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.

Effective January 1, 2019 the Conservancy adopted the requirements of the Financial Accounting Standards Board's ("FASB") Accounting Standards Update ("ASU") No. 2014-09, *Revenue from Contracts with Customers* and all subsequent amendments to the ASU (collectively, "Topic 606"). This provides the framework for recognizing revenue by highlighting the identification of performance obligations of a contract, determining the price and then allocating the price to each of the performance obligations so that revenue is recognized as each of those performance obligations are satisfied.

Also, effective January 1, 2019, the Conservancy adopted ("ASU") No. 2018-08 *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made* ("Topic 605"). Key provisions of this guidance include clarification regarding the accounting for grants and contracts as exchange transactions or contributions, and improved guidance for conditional versus unconditional contributions. In accordance with this new standard, the Conservancy evaluates whether a transfer of assets is an exchange transaction in which a resource provider is receiving a commensurate value in return for the transfer of resources or whether it is non-reciprocal. If the transaction is determined to be an exchange transaction, the Conservancy applies guidance under Topic 606. If the transaction is determined to be non-reciprocal, it is treated as a contribution under Topic 605.

The Conservancy evaluates whether contributions are conditional or unconditional. Contributions are considered to be conditional when both a barrier must be overcome for the Conservancy to be entitled to the revenue and a right of return of the asset or right of release from the obligation exists.

Analysis of the various provisions of both of these standards resulted in no significant changes in the way the Conservancy recognizes revenue.

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

Contributions are reported as an increase in net assets without donor restrictions, unless they contain a restriction by the donor for a specific program or time period, in which case they are reported in the net asset class 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 and reported in the statement of activities as net assets released from restrictions. However, if a restriction is satisfied in the period the contribution has been made, it is recorded as net assets without donor restrictions.

Contributions may be subject to conditions which are defined under ASU No. 2018-08 as both a barrier to entitlement and a right of return of payments or release from obligations.

Unconditional promises to give are recorded at net realizable value if expected to be received in one year or at fair value using a risk-adjusted discount rate if expected to be received after one year if material. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

The Conservancy's government grants are primarily conditional, non-exchange transactions and fall under the scope of Topic 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.

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 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. The estimated fair value of $45,000 has been recorded as in-kind rent.

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

h. 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.

i. Expense Allocation
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.

j. 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.

k. New Accounting Pronouncement
FASB issued Accounting Standards Update ("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 this standard will have on future financial statements.

Note 3 – Pledges Receivable

Contributions receivable are due as follows:

Year ending:	December 30, 2020	$933,007
	December 30, 2021	625,000
Total		$1,558,007

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

Note 4 - Net Assets With Donor Restrictions

Net assets with donor restrictions at December 31, 2019 can be summarized as follows:

	Balance 1/1/19	Contributions	Released from Restrictions	Balance 12/31/19
Program restrictions	$2,432,542	$2,701,000	($2,548,577)	$2,584,965

Note 5 - 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 year ended December 31, 2019 the Conservancy made contributions totaling $6,297.

Note 6 - Liquidity and Availability of Financial Resources

The following reflects the Conservancy's financial assets at December 31, 2019, 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	$2,814,808	
Pledges receivable	1,558,007	
Total financial assets		$4,372,815
Less amounts not available for general expenditure:		
Net assets with donor restrictions – purpose restrictions		(2,584,965)
Financial assets available to meet cash needs for general expenditures within one year		$1,787,850

Note 7 - Subsequent Events

Management has evaluated the impact of all subsequent events through August 6, 2020, which is the date that the financial statements were available to be issued.

In early 2020, the World Health Organization declared a novel coronavirus (COVID-19) outbreak a Public Health Emergency of International Concern. This could adversely affect the Conservancy's donors, program participants, and vendors as a result of quarantines, facility closures, and travel and logistics restrictions in connection with the outbreak. More broadly, the outbreak could affect workforces, economies and financial markets globally, potentially leading to an economic downturn. This could decrease spending, adversely affect demand for the Conservancy's services and harm the Conservancy's business and results of operations. Management continues to monitor the outbreak; however, as of the date of these financial statements, the potential impact of such on the Conservancy's business cannot be quantified.

On April 29, 2020, the Conservancy obtained a loan from the SBA in the amount of $239,600 through the Payroll Protection Program. Terms of the loan indicate that if certain conditions are met, which include maintaining average work forces during the covered period subsequent to receipt of the loan funds that are greater than pre-determined historical periods, that the loan, or a portion thereof, will be forgiven. Portions that are not forgiven will be payable over a two-year period, with a six-month deferral of payments and interest will accrue at 1%. The loan forgiveness amount has not been determined as of the date of these financial statements; however, management expects that the full loan amount will be forgiven.