



Natural Areas Conservancy

Audited Financial Statements

December 31, 2022



Independent Auditor's 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, 2022, 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, 2022, 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 Auditor's 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.

Auditor's 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 auditor's 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

The financial statements of the Conservancy as of and for the year ended December 31, 2021, were audited by other auditors whose report dated June 14, 2022 expressed an unmodified opinion on those statements. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2021, is consistent, in all material respects with the audited financial statements from which it was derived.

Sax CPAs LLP

June 13, 2023
New York, NY

NATURAL AREAS CONSERVANCY, INC.
STATEMENT OF FINANCIAL POSITION
AT DECEMBER 31, 2022
(With comparative totals at December 31, 2021)

	<u>12/31/22</u>	<u>12/31/21</u>
Assets		
Cash and cash equivalents	\$1,561,120	\$1,455,226
Investments (Note 3)	2,304,073	2,525,662
Pledges receivable (Note 4)	1,244,483	1,476,021
Prepaid expenses and other assets	<u>5,317</u>	<u>3,562</u>
 Total assets	 <u><u>\$5,114,993</u></u>	 <u><u>\$5,460,471</u></u>
 Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses	<u>\$166,902</u>	<u>\$50,666</u>
Total liabilities	<u>166,902</u>	<u>50,666</u>
Net assets:		
Without donor restrictions	3,041,507	2,487,013
With donor restrictions (Note 5)	<u>1,906,584</u>	<u>2,922,792</u>
Total net assets	<u>4,948,091</u>	<u>5,409,805</u>
 Total liabilities and net assets	 <u><u>\$5,114,993</u></u>	 <u><u>\$5,460,471</u></u>

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, 2022
(With comparative totals for the year ended December 31, 2021)

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total 12/31/22</u>	<u>Total 12/31/21</u>
Public support and revenue:				
Contributions	\$901,171	\$1,470,485	\$2,371,656	\$1,656,650
Government grants	156,406		156,406	147,190
Paycheck Protection Program loan forgiveness (Note 6)			0	485,306
In-kind contributions (Note 7)	57,055		57,055	17,055
Investment return (Note 3)	(218,603)		(218,603)	17,686
Other income	152		152	0
Net assets released from restrictions (Note 5)	2,486,693	(2,486,693)	0	0
Total public support and revenue	<u>3,382,874</u>	<u>(1,016,208)</u>	<u>2,366,666</u>	<u>2,323,887</u>
Expenses:				
Program services	<u>1,981,599</u>		<u>1,981,599</u>	<u>1,722,734</u>
Supporting services:				
Management and general	517,617		517,617	409,367
Fundraising	<u>329,164</u>		<u>329,164</u>	<u>211,375</u>
Total supporting services	<u>846,781</u>	<u>0</u>	<u>846,781</u>	<u>620,742</u>
Total expenses	<u>2,828,380</u>	<u>0</u>	<u>2,828,380</u>	<u>2,343,476</u>
Change in net assets	554,494	(1,016,208)	(461,714)	(19,589)
Net assets - beginning of year	<u>2,487,013</u>	<u>2,922,792</u>	<u>5,409,805</u>	<u>5,429,394</u>
Net assets - end of year	<u><u>\$3,041,507</u></u>	<u><u>\$1,906,584</u></u>	<u><u>\$4,948,091</u></u>	<u><u>\$5,409,805</u></u>

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, 2022

(With comparative totals for the year ended December 31, 2021)

	Supporting Services			Total Supporting Services	Total Expenses 12/31/22	Total Expenses 12/31/21
	Program Services	Management and General	Fundraising			
Salaries	\$1,266,346	\$182,481	\$228,053	\$410,534	\$1,676,880	\$1,508,422
Payroll taxes and benefits	258,842	30,338	35,317	65,655	324,497	314,255
Professional fees	181,756	184,071	19,750	203,821	385,577	241,626
In-kind professional fees (Note 7)	40,000			0	40,000	0
Contractor expense				0	0	110,373
In-kind occupancy (Note 7)	12,791	2,388	1,876	4,264	17,055	17,055
Materials and supplies	39,769	100		100	39,869	39,614
Office expenses	6,940	6,085	593	6,678	13,618	9,318
Travel and meetings	129,544	4,309	134	4,443	133,987	22,982
Insurance		5,060		5,060	5,060	3,757
Interest				0	0	2,214
Staff development	4,896	17,883		17,883	22,779	22,003
Bad debt expense		64,512		64,512	64,512	0
Other expenses	40,715	20,390	43,441	63,831	104,546	51,857
Total expenses	\$1,981,599	\$517,617	\$329,164	\$846,781	\$2,828,380	\$2,343,476

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, 2022
(With comparative totals for the year ended December 31, 2021)

	<u>12/31/22</u>	<u>12/31/21</u>
Cash flows from operating activities:		
Change in net assets	(\$461,714)	(\$19,589)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Forgiveness of Paycheck Protection Program loan	0	(485,306)
Donated securities	(25,277)	0
Proceeds from sale of donated stock	30,742	142,609
Realized and unrealized loss on investments	255,365	4,507
Changes in assets and liabilities:		
Pledges receivable	231,538	1,226,271
Prepaid expenses and other assets	(1,755)	(1,665)
Accounts payable and accrued expenses	116,236	17,996
Net cash flows provided by operating activities	<u>145,135</u>	<u>884,823</u>
Cash flows from investing activities:		
Investment income reinvested	(33,312)	(22,193)
Sales of investments	111,520	1,117,562
Purchase of investments	(117,449)	(1,285,171)
Net cash flows used for investing activities	<u>(39,241)</u>	<u>(189,802)</u>
Cash flows from financing activities:		
Proceeds from Paycheck Protection Program loan	0	245,706
Net cash flows provided by financing activities	<u>0</u>	<u>245,706</u>
Net increase in cash and cash equivalents	105,894	940,727
Cash and cash equivalents - beginning of year	<u>1,455,226</u>	<u>514,499</u>
Cash and cash equivalents - end of year	<u><u>\$1,561,120</u></u>	<u><u>\$1,455,226</u></u>
Supplemental information:		
Interest and taxes paid	<u><u>\$0</u></u>	<u><u>\$0</u></u>

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

NATURAL AREAS CONSERVANCY, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

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.

The Conservancy’s primary sources of revenue are contributions and government grants.

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 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.

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 investment return on the statement of activities.

g. In-Kind Contributions

The Conservancy recognizes contributions of services that create or enhance non-financial assets or require specialized skills, that are provided by those possessing those skills, and would have been paid if not contributed.

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, 2021**, 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. Advertising Costs

Advertising costs are expensed as incurred.

l. 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, 2019 are subject to examination by applicable taxing authorities.

m. New Accounting Pronouncements

Effective January 1, 2022, FASB issued Accounting Standards Update ("ASU") No. 2016-02, *Leases*, which 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. This standard had no material impact on the Conservancy's financial statements as presented.

Effective January 1, 2022, the Conservancy adopted the requirements of FASB ASU 2020-07, Not-for-Profit Entities (Topic 958): *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. 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 qualitative and quantitative disclosures. Adoption of the standard did not have a material impact on the Conservancy's 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 1 securities are valued at the closing price reported on the active market they are traded on.

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>12/31/22</u>	<u>12/31/21</u>
Cash and money market accounts	\$16,074	\$9,211
U.S. fixed income	722,336	828,968
Global fixed income	597,448	599,546
U.S. large cap equities	313,210	279,751
U.S. mid cap equities	234,679	274,370
U.S. small cap equities	205,396	262,046
Emerging market equities	191,585	246,937
Other equities	<u>23,345</u>	<u>24,833</u>
Total investments	<u>\$2,304,073</u>	<u>\$2,525,662</u>

The following summarizes net investment return:

	<u>12/31/22</u>	<u>12/31/21</u>
Realized and unrealized loss	(\$255,365)	(\$4,507)
Interest and dividends	<u>36,762</u>	<u>22,193</u>
Net investment return	<u>(\$218,603)</u>	<u>\$17,686</u>

Note 4 - Pledges Receivable

At December 31, 2021, all contributions were due within one year. At December 31, 2022, pledges receivable are due as follows:

Year ending:	December 31, 2023	\$944,483
	December 31, 2024	<u>300,000</u>
Total		<u>\$1,244,483</u>

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

Note 5 - Net Assets with Donor Restrictions

Net assets with donor restrictions can be summarized as follows:

	<u>December 31, 2022</u>			
	Balance		Released	Balance
	<u>1/1/22</u>	<u>Contributions</u>	from	<u>12/31/22</u>
			<u>Restrictions</u>	
Program restrictions				
Conservancy engagement	\$113,954	\$9,718	(\$73,490)	\$50,182
CUNY	629,024	925,000	(507,474)	1,046,550
Forests in Cities	512,155	43,000	(418,707)	136,448
Natural Areas Restoration	200,160	13,594	(192,570)	21,184
Public engagement	24,329	0	(24,329)	0
Research	271,958	324,500	(222,438)	374,020
Trails	958,862	76,673	(810,335)	225,200
Other	<u>16,338</u>	<u>28,000</u>	<u>(16,338)</u>	<u>28,000</u>
Total program	2,726,780	1,420,485	(2,265,681)	1,881,584
Time restrictions	<u>196,012</u>	<u>50,000</u>	<u>(221,012)</u>	<u>25,000</u>
Total	<u>\$2,922,792</u>	<u>\$1,470,485</u>	<u>(\$2,486,693)</u>	<u>\$1,906,584</u>

	<u>December 31, 2021</u>			
	Balance		Released	Balance
	<u>1/1/21</u>	<u>Contributions</u>	from	<u>12/31/21</u>
			<u>Restrictions</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>

Note 6 - Paycheck Protection Program Loan

During the year ended December 31, 2021, the Conservancy obtained a loan from the Small Business Administration (“SBA”) in the amount of \$245,706 through the Paycheck Protection Program (“PPP”). Terms of the loan indicated that if certain conditions were met, that the loan, or a portion thereof, would be forgiven. The Conservancy treated the PPP proceeds as a loan payable in accordance with FASB ASC 470. Under this treatment, the proceeds from the loan remained as a liability until the loan was forgiven by the SBA. During the year ended December 31, 2021, the loan was fully forgiven by the SBA and was recognized as revenue.

Note 7 - 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, 2022 and 2021, the estimated fair value of \$17,055 has been recorded as in-kind occupancy. In addition, for the year ended December 31, 2022, the Conservancy received in-kind professional fees consisting of consulting work with an estimated fair value of \$40,000, for a total of \$57,055 of in-kind contributions.

Donated office space, which is allocated across program services , management and general, and fundraising on the statement of functional expenses, is valued at the amount that could be charged to renters for that space. In-kind professional fees, which are allocated to program services on the statement of functional expenses, are valued at the standard hourly rates charged for those services.

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.

Note 8 - 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, 2022 and 2021, the Conservancy made contributions totaling \$40,040 and \$143,585, respectively.

Note 9 - Liquidity and Availability of Financial Resources

The following reflects the Conservancy’s financial assets at December 31, 2022, 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	\$1,561,120	
Investments	2,304,073	
Pledges receivable, net	<u>1,244,483</u>	
Total financial assets		\$5,109,676
Less: net assets with donor restrictions – purpose restrictions		<u>(1,881,584)</u>
Financial assets available to meet cash needs for general expenditures within one year		<u>\$3,228,092</u>

Note 10 - Subsequent Events

Subsequent events have been evaluated through June 13, 2023, 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.