Natural Areas Conservancy, Inc.

Audited Financial Statements

December 31, 2023

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C O N T E N T S

Independent Auditor's Report

Board of Directors
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, 2023, 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, 2023, 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 the 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 Responsibilities 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 there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, 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 2022 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated June 13, 2023. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2022, is consistent, in all material respects with the audited financial statements from which they were derived.

Sax CPAs LLP

New York, NY
June 20, 2024

Natural Areas Conservancy, Inc.

Statement of Financial Position

At December 31, 2023
(With comparative totals at December 31, 2022)

	December 31, 2023	December 31, 2022*
ASSETS		
Cash and cash equivalents	$ 1,283,793	$ 1,577,194
Investments	3,396,791	2,287,999
Pledges receivable, net	1,479,507	1,244,483
Prepaid expenses and other assets	12,658	5,317
Property and equipment, net	3,231	-
TOTAL ASSETS	**$ 6,175,980**	**$ 5,114,993**
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable and accrued expenses	$ 107,462	$ 166,902
Deferred revenue	49,956	-
Total liabilities	157,418	166,902
NET ASSETS		
Without donor restrictions	3,196,043	3,041,507
With donor restrictions	2,822,519	1,906,584
Total net assets	6,018,562	4,948,091
TOTAL LIABILITIES AND NET ASSETS	**$ 6,175,980**	**5,114,993**

* - Reclassified for comparative purposes

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, 2023
(With comparative totals for the year ended December 31, 2022)

	Without Donor Restrictions	With Donor Restrictions	Total 12/31/23	Total 12/31/22*
PUBLIC SUPPORT AND REVENUE				
Contributions	$ 380,982	$ 2,720,000	$ 3,100,982	$ 1,802,167
Government grants	86,118	-	86,118	156,406
Special event income (net of expenses with a direct benefit to donors)	346,914	-	346,914	548,517
In-kind contributions	20,585	-	20,585	57,055
Fee for service revenue	252,058	-	252,058	-
Investment return	290,197	-	290,197	(218,603)
Other income	-	-	-	152
Net assets released from restrictions	1,804,065	(1,804,065)	-	-
Total public support and revenue	3,180,919	915,935	4,096,854	2,345,694
EXPENSES				
Program services	2,211,586	-	2,211,586	1,981,599
Supporting Services:				
Management and general	422,480	-	422,480	517,617
Fundraising	392,317	-	392,317	308,192
Total supporting services	814,797	-	814,797	825,809
Total expenses	3,026,383	-	3,026,383	2,807,408
Change in net assets	**154,536**	**915,935**	**1,070,471**	**(461,714)**
NET ASSETS, ***beginning of year***	3,041,507	1,906,584	4,948,091	5,409,805
NET ASSETS, ***end of year***	**$ 3,196,043**	**$ 2,822,519**	**$ 6,018,562**	**$ 4,948,091**

* - Reclassified for comparative purposes

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, 2023
(With comparative totals for the year ended December 31, 2022)

	Program Services	Supporting Services: Management and General	Supporting Services: Fundraising	Supporting Services: Total Supporting Services	Total Expenses 12/31/23	Total Expenses 12/31/2022*
Salaries	$ 1,447,829	$ 225,444	$ 263,526	$ 488,970	$ 1,936,799	$ 1,676,880
Payroll taxes and employee benefits	289,954	45,640	47,669	93,309	383,263	324,497
Professional fees	206,838	123,907	21,608	145,515	352,353	385,577
In-kind professional fees	-	-	-	-	-	40,000
In-kind occupancy	15,388	2,396	2,801	5,197	20,585	17,055
Materials and supplies	89,342	1,831	661	2,492	91,834	39,869
Office expenses	8,632	420	776	1,196	9,828	13,618
Travel and meetings	56,878	2,018	3,578	5,596	62,474	133,987
Insurance	3,826	663	777	1,440	5,266	5,060
Staff development	36,352	955	1,119	2,074	38,426	22,779
Bad debt expense	-	-	-	-	-	64,512
Depreciation	-	1,114	-	1,114	1,114	-
Other expenses	56,547	18,092	73,714	91,806	148,353	104,546
Total expenses	2,211,586	422,480	416,229	838,709	3,050,295	2,828,380
Less: direct special event expenses netted with revenue	-	-	(23,912)	(23,912)	(23,912)	(20,972)
Total functional expenses	**$ 2,211,586**	**$ 422,480**	**$ 392,317**	**$ 814,797**	**$ 3,026,383**	**$ 2,807,408**

* - Reclassifed for comparative purposes

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, 2023
(With comparative totals for the year ended December 31, 2022)

	December 31, 2023	December 31, 2022*
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ 1,070,471	$ (461,714)
Adjustments to reconcile change in net assets to net cash provided by/(used for) operating activities		
Donated securities	(3,179)	(25,277)
Proceeds from sale of donated stock	24,849	30,742
Realized and unrealized (gain)/loss on investments	(172,571)	255,365
Depreciation	1,114	-
Changes in assets and liabilities:		
Pledges receivable	(235,024)	231,538
Prepaid expenses and other assets	(7,341)	(1,755)
Accounts payable and accrued expenses	(59,440)	116,236
Deferred revenue	49,956	-
Total adjustments	(401,636)	606,849
Net cash provided by/(used for) operating activities	668,835	(145,135)
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment income reinvested	(57,891)	(16,949)
Sale of investments	-	102,020
Purchase of investments	(900,000)	(117,449)
Purchase of equipment	(4,345)	-
Net cash flows used for investing activities	(962,236)	(32,378)
Net (decrease)/increase in cash and cash equivalents	**(293,401)**	**112,757**
CASH AND CASH EQUIVALENTS, *beginning of year*	1,577,194	1,464,437
CASH AND CASH EQUIVALENTS, *end of year*	**$ 1,283,793**	**$ 1,577,194**

SUPPLEMENTAL CASH FLOW INFORMATION

No interest or taxes were paid

* - Reclassified for comparative purposes

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

Note 1 - Nature of Activities

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, fee for service income, 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. Recently Adopted Accounting Standards

On January 1, 2023, the Conservancy adopted Financial Accounting Standards Board ("FASB") Accounting Standards Update ("ASU") 2016-13, *Financial Instruments - Credit Losses* ("Topic 326"). Financial assets, which potentially subject the Conservancy to credit losses, consist primarily of held-to-maturity marketable securities and fee for service receivables. Expected losses are recorded to an allowance for credit losses valuation account that is net against the corresponding asset to present the net amount expected to be collected on the financial asset. The credit loss allowance is determined through analysis of the financial assets and assessments of risk that are based on historical trends and evaluation of the impact of current and projected economic conditions.

Based on the analysis performed on the open fee for service receivable aging and detail analysis of its program participants, the Conservancy did not record an allowance for bad debt as of December 31, 2023. The impact of the adoption was not considered material to the financial statements and primarily results in new/enhanced disclosures only.

c. Basis of Presentation

The financial statements are presented in accordance with the provisions of the FASB Accounting Standards Codification ("ASC") 958 - *Presentation of Financial Statements of Not-For-Profit Entities*. FASB ASC 958 requires the Conservancy to report information regarding its financial position and activities according to the following specific 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.

Note 2 - Summary of Significant Accounting Policies - Continued

c. *Basis of Presentation - Continued*

- *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.

d. *Revenue Recognition*

The Conservancy follows the requirements of the FASB ASC 958-605 - *Revenue Recognition* 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 government grant advances.

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.

The Conservancy follows FASB ASC 606 - *Revenue from Contracts with Customers* for recording fee for service income. The Conservancy analyzes each source of revenue to determine that it has a contract with the customer that identifies both the performance obligation and the transaction price. Fee for service income is recognized as program deliverables or key project activites are completed and the performance obligations are considered complete. Fee for service income that has not been collected at year end are reflected as fee for service receivable. Amounts collected in advance are treated as deferred revenue.

e. *Cash and Cash Equivalents*

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

Note 2 - Summary of Significant Accounting Policies - Continued

f. 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. Investments are subject to market value fluctuations and principal is not guaranteed. The Conservancy maintains its cash balances in financial institutions which are insured by the Federal Deposit Insurance Corporation ("FDIC") up to $250,000. 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.

The market value of investments is subject to fluctuation; however, management believes that their investment policy is prudent for the long-term welfare of the Conservancy.

g. 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.

h. Capitalization Policies

Items of property and equipment that have a long-term benefit are recorded at cost. Routine maintenance and repair costs that do not materially extend the estimated useful lives of property and equipment are expensed as incurred. Property and equipment are depreciated over their useful lives using the straight-line method.

i. In-kind Contributions

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

j. 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, 2022, from which the summarized information was derived.

k. 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.

Note 2 - Summary of Significant Accounting Policies - Continued

l. 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 employee benefits
- Professional fees
- In-kind occupancy
- Office expenses
- Travel and meeting
- Insurance
- Staff development
- Other expenses

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

m. Advertising Costs

Advertising costs are expensed as incurred.

n. 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, 2020 are subject to examination by applicable taxing authorities.

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.

Note 3 - Investments - Continued

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

	December 31, 2023	December 31, 2022
Money market accounts	$ 911,060	$ -
U.S. fixed income	759,788	722,336
Global fixed income	631,229	597,448
Equities	1,094,714	968,215
Total investments	$ 3,396,791	$ 2,287,999

The following summarizes net investment return:

	December 31, 2023	December 31, 2022
Realized and unrealized gain/(loss)	$ 172,571	$ (255,365)
Interest and dividends	117,626	36,762
Net investment return	$ 290,197	$ (218,603)

Note 4 - Pledges Receivable

At December 31, 2023, pledges receivable are due as follows:

Year ending:	
December 31, 2024	$ 1,379,507
December 31, 2025	100,000
Total	$ 1,479,507

Pledges receivable at December 31, 2023 have not been discounted using present value techniques due to the immaterial nature of the discount.

Note 5 - Property and Equipment

At December 31, 2023, property and equipment were as follows:

Equipment - *3 years*	$ 4,345
Less: accumulated depreciation	(1,114)
Total property and equipment, net	$ 3,231

Note 6 - Net Assets with Donor Restrictions

Net assets with donor restrictions can be summarized as follows:

	December 31, 2023			
	Beginning Balance 1/1/23	Contributions	Released from Restrictions	Ending Balance 12/31/23
Program restricted:				
Conservancy engagement	$ 50,182	$ 5,000	$ (50,182)	$ 5,000
CUNY	1,046,550	300,000	(571,613)	774,937
Forests in Cities	136,448	900,000	(427,226)	609,222
Natural Areas Restoration	21,184	75,000	(14,372)	81,812
Research	374,020	475,000	(272,677)	576,343
Trails	225,200	715,000	(324,990)	615,210
Other	28,000	250,000	(118,005)	159,995
Total program	1,881,584	2,720,000	(1,779,065)	2,822,519
Time restrictions	25,000	-	(25,000)	-
Total	$ 1,906,584	$ 2,720,000	$ (1,804,065)	$ 2,822,519

	December 31, 2022			
	Beginning Balance 1/1/22	Contributions	Released from Restrictions	Ending Balance 12/31/22
Program restricted:				
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	-	(24,329)	-
Research	271,958	324,500	(222,438)	374,020
Trails	958,862	76,673	(810,335)	225,200
Other	16,338	28,000	(16,338)	28,000
Total program	2,726,780	1,420,485	(2,265,681)	1,881,584
Time restrictions	196,012	50,000	(221,012)	25,000
Total	$ 2,922,792	$ 1,470,485	$ (2,486,693)	$ 1,906,584

Note 7 - Special Events

The Conservancy holds an annual fundraising event. A summary of the special event is as follows:

	December 31,	
	2023	2022
Event income	$ 370,826	$ 569,489
Less: expenses with a direct benefit to donor	(23,912)	(20,972)
	346,914	548,517
Less: other event expenses	(35,048)	(5,421)
Total	$ 311,866	$ 543,096

Note 8 - 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, 2023 and 2022, the estimated fair values of $20,585 and 17,055, respectively, have 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.

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 9 - 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, 2023 and 2022, the Conservancy made contributions totaling $65,806 and $40,040, respectively.

Note 10 - Liquidity and Availability of Financial Resources

The following reflects the Conservancy's financial assets at December 31, 2023, reduced by amounts that have donor-imposed restrictions within one year of the statement of financial position date, as well as pledges receivable that are due beyond 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.

Note 10 - Liquidity and Availability of Financial Resources - Continued

Financial assets available within one year of the statement of financial position date for general expenditures are as follows:

Cash and cash equivalents	$ 1,283,793	
Investments	3,396,791	
Pledges receivable, net	1,479,507	
Total financial assets		6,160,091
Less:		
Net assets with donor restrictions - purpose restrictions		(2,822,519)
Pledges receivable due beyond one year, net		(100,000)
Financial assets available to meet cash needs for general expenditures within one year		$ 3,237,572

Note 11 - Subsequent Events

Subsequent events have been evaluated through June 20, 2024, 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.