



**Natural Areas
Conservancy**

Audited Financial Statements

December 31, 2020



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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, 2020, 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.

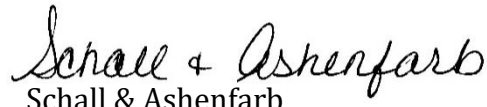
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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, 2020, 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.

Report on Summarized Comparative Information

We have previously audited the Conservancy's December 31, 2019 financial statements and we expressed an unmodified audit opinion on those audited financial statements, in our report dated August 6, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2019 is consistent, in all material respects, with the audited financial statements from which it has been derived.


Schall & Ashenfarb
Certified Public Accountants, LLC

June 15, 2021

NATURAL AREAS CONSERVANCY, INC.
STATEMENT OF FINANCIAL POSITION
AT DECEMBER 31, 2020
(With comparative totals as of December 31, 2019)

	<u>12/31/20</u>	<u>12/31/19</u>
Assets		
Cash and cash equivalents	\$514,499	\$2,814,808
Investments (Note 3)	2,482,976	0
Pledges receivable (Note 4)	2,702,292	1,558,007
Prepaid expenses and other assets	<u>1,897</u>	<u>20,397</u>
 Total assets	 <u><u>\$5,701,664</u></u>	 <u><u>\$4,393,212</u></u>
 Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses	\$32,670	\$108,175
Paycheck Protection Program loan payable (Note 5)	<u>239,600</u>	<u>0</u>
Total liabilities	<u><u>272,270</u></u>	<u><u>108,175</u></u>
Net assets:		
Without donor restrictions	1,787,556	1,700,072
With donor restrictions (Note 6)	<u>3,641,838</u>	<u>2,584,965</u>
Total net assets	<u><u>5,429,394</u></u>	<u><u>4,285,037</u></u>
 Total liabilities and net assets	 <u><u>\$5,701,664</u></u>	 <u><u>\$4,393,212</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, 2020
(With comparative totals for the year ended December 31, 2019)

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total 12/31/20</u>	<u>Total 12/31/19</u>
Public support and revenue:				
Contributions	\$462,607	\$2,242,125	\$2,704,732	\$3,289,027
Government grants	470,960		470,960	75,627
In-kind contributions	45,000		45,000	45,000
Interest and other income	8,837		8,837	3,172
Net assets released from restrictions	<u>1,185,252</u>	<u>(1,185,252)</u>	<u>0</u>	<u>0</u>
Total public support and revenue	<u>2,172,656</u>	<u>1,056,873</u>	<u>3,229,529</u>	<u>3,412,826</u>
Expenses:				
Program services	<u>1,537,060</u>		<u>1,537,060</u>	<u>2,137,531</u>
Supporting services:				
Management and general	356,601		356,601	325,272
Fundraising	<u>191,511</u>		<u>191,511</u>	<u>186,065</u>
Total supporting services	<u>548,112</u>	<u>0</u>	<u>548,112</u>	<u>511,337</u>
Total expenses	<u>2,085,172</u>	<u>0</u>	<u>2,085,172</u>	<u>2,648,868</u>
Change in net assets	87,484	1,056,873	1,144,357	763,958
Net assets - beginning of year	<u>1,700,072</u>	<u>2,584,965</u>	<u>4,285,037</u>	<u>3,521,079</u>
Net assets - end of year	<u><u>\$1,787,556</u></u>	<u><u>\$3,641,838</u></u>	<u><u>\$5,429,394</u></u>	<u><u>\$4,285,037</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, 2020

(With comparative totals for the year ended December 31, 2019)

	Supporting Services			Total Supporting Services	Total Expenses 12/31/20	Total Expenses 12/31/19
	Program Services	Management and General	Fundraising			
Salaries	\$1,012,413	\$142,896	\$157,588	\$300,484	\$1,312,897	\$1,100,125
Payroll taxes and benefits	206,194	33,391	26,493	59,884	266,078	218,656
Professional fees	134,967	120,783	1,270	122,053	257,020	449,311
Contractor expense	99,574			0	99,574	605,000
In-kind occupancy	34,700	4,900	5,400	10,300	45,000	45,000
Materials and supplies	14,250	218	46	264	14,514	30,802
Office expenses	459	19,979		19,979	20,438	18,189
Travel and meetings	9,595	1,534		1,534	11,129	91,362
Insurance		8,136		8,136	8,136	7,015
Interest		1,723		1,723	1,723	0
Other expenses	24,908	23,041	714	23,755	48,663	83,408
Total expenses	\$1,537,060	\$356,601	\$191,511	\$548,112	\$2,085,172	\$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, 2020
(With comparative totals for the year ended December 31, 2019)

	<u>12/31/20</u>	<u>12/31/19</u>
Cash flows from operating activities:		
Change in net assets	\$1,144,357	\$763,958
Adjustments to reconcile change in net assets to net cash used for operating activities:		
Donated securities	(31,031)	(25,300)
Realized loss on investments	189	(634)
Unrealized loss on investments	744	0
Changes in assets and liabilities:		
Pledges receivable	(1,144,285)	(892,879)
Prepaid expenses and other assets	18,500	(1,193)
Accounts payable and accrued expenses	<u>(75,505)</u>	<u>62,584</u>
Net cash flows used for operating activities	<u>(87,031)</u>	<u>(93,464)</u>
Cash flows from investing activities:		
Investment income reinvested	(9,112)	(352)
Purchase of investments	(2,475,000)	0
Proceeds from sale of donated stock	31,234	42,268
Net cash flows (used for)/provided by investing activities	<u>(2,452,878)</u>	<u>41,916</u>
Cash flows from financing activities:		
Paycheck Protection program loan	239,600	0
Net cash flows provided by financing activities	<u>239,600</u>	<u>0</u>
Net decrease in cash and cash equivalents	(2,300,309)	(51,548)
Cash and cash equivalents - beginning of year	<u>2,814,808</u>	<u>2,866,356</u>
Cash and cash equivalents - end of year	<u><u>\$514,499</u></u>	<u><u>\$2,814,808</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, 2020

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 and Revenue Recognition

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 Update (“ASU”) 2018-08 (“Topic 605”) for recording contributions. Contributions are recorded at the earlier of when cash is received or at the time a pledge becomes unconditional in nature.

Contributions are recorded in one of the classes of net assets described above, depending on the existence and/or nature of any donor-imposed restriction. 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 are received, they are classified as 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, and are recognized as income once the conditions have been substantially met. The Conservancy had no conditional pledges that had not yet been recognized during the year ending December 31, 2020.

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

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 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. 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, 2019, 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. 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.

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, 2017 (initial filing) are subject to examination by applicable taxing authorities.

i. New Accounting Pronouncements

FASB issued 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 with early adoption permitted. 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.

Additionally, 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 Organization 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 at December 31, 2020, which have all been determined to be Level 1 investments:

Cash	\$22
U.S. fixed income	1,481,869
Global fixed income	<u>1,001,085</u>
Total	<u>\$2,482,976</u>

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

Note 4 - Pledges Receivable

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 SBA in the amount of \$239,600 through the Paycheck Protection Program. The balance at December 31, 2020 reflects the loan amount and accrued interest. Terms of the loan indicate that if certain conditions are met, which include maintaining average work forces during periods subsequent to receipt of the loan funds that are greater than predetermined historical periods, that the loan, or a portion thereof, will be forgiven.

The Conservancy has opted to treat the Paycheck Protection Program proceeds as a loan payable in accordance with FASB ASC 470. Under this treatment, the proceeds from the loan will remain as a liability until the loan is forgiven by the SBA. The Conservancy was granted forgiveness of the full loan amount on June 7, 2021.

Subsequent to year-end, on February 28, 2021, the Conservancy received a second Paycheck Protection Program loan from the SBA for \$241,895.

Note 6 - Net Assets With Donor Restrictions

Net assets with donor restrictions can be summarized as follows:

	December 31, 2020			
	Balance		Released	Balance
	<u>1/1/20</u>	<u>Contributions</u>	from	<u>12/31/20</u>
			<u>Restrictions</u>	
Program restrictions	\$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>
	December 31, 2019			
	Balance		Released	Balance
	<u>1/1/19</u>	<u>Contributions</u>	from	<u>12/31/19</u>
			<u>Restrictions</u>	
Program restrictions	<u>\$2,432,542</u>	<u>\$2,701,000</u>	<u>(\$2,548,577)</u>	<u>\$2,584,965</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, 2020 and 2019 the Conservancy made contributions totaling \$23,668 and \$6,297, respectively.

Note 8 - Liquidity and Availability of Financial Resources

The following reflects the Conservancy's financial assets at December 31, 2020, 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	\$514,499	
Investments	2,482,976	
Pledges receivable	<u>2,702,292</u>	
Total financial assets		\$5,699,767
Less :net assets with donor restrictions – purpose restrictions and time restrictions due in more than one year		<u>(3,408,504)</u>
Financial assets available to meet cash needs for general expenditures within one year		<u>\$2,291,263</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 adverse impact on the economies and financial markets of many countries, including the geographical area in which the Conservancy operates. It is unknown how long these conditions will last and what the complete financial effect will be. 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

Management has evaluated the impact of all subsequent events through June 15, 2021, which is the date that the financial statements were available to be issued. All events that have occurred subsequent to the statement of financial position date through our evaluation date that would require adjustment to or disclosure in the financial statements have been made.