

**NEW JERSEY CONSERVATION FOUNDATION AND
SUBSIDIARY**

CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2022 and 2021



CPAs | CONSULTANTS | WEALTH ADVISORS

CLAcconnect.com

NEW JERSEY CONSERVATION FOUNDATION AND SUBSIDIARY

DECEMBER 31, 2022 and 2021

CONTENTS

	<u>Page</u>
Independent Auditors' Report.....	1-2
Consolidated Financial Statements:	
Consolidated Statements of Financial Position.....	3
Consolidated Statements of Activities and Changes in Net Assets	4
Consolidated Statements of Functional Expenses	5-6
Consolidated Statements of Cash Flows	7
Notes to Consolidated Financial Statements	8-27



INDEPENDENT AUDITORS' REPORT

Board of Trustees
New Jersey Conservation Foundation and Subsidiary
Far Hills, New Jersey

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of New Jersey Conservation Foundation and Subsidiary, (collectively, the Foundation), which comprise the consolidated statement of financial position as of December 31, 2022, and the related consolidated statement of activities and changes in net assets, functional expense, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of New Jersey Conservation Foundation and Subsidiary as of December 31, 2022, and the consolidated 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of New Jersey Conservation Foundation and Subsidiary 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.

Change in Accounting Principle

As discussed in Note 2 to the consolidated financial statements, in 2022, New Jersey Conservation Foundation and Subsidiary adopted new accounting guidance for leases. The guidance requires lessees to recognize a right-of-use asset and corresponding liability for all operating and finance leases with lease terms greater than one year. Our opinion is not modified with respect to this matter.

Other Matter

The consolidated financial statements of the Foundation as of December 31, 2022 were audited by Sobel & Co., LLC, whose shareholders and professional staff joined CliftonLarsonAllen LLP as of February 1, 2023, and has subsequently ceased operations. Sobel & Co., LLC's report dated June 23, 2022, expressed an unmodified opinion on those statements. The 2021 schedule of expenditures of federal and state awards and schedules of budgeted and incurred costs were subjected to the auditing procedures applied in the 2021 audit of the basic consolidated financial statements by Sobel & Co., LLC, whose report on such information stated that it was fairly stated in all material respects in relation to the 2021 consolidated financial statements as a whole.

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that an audit conducted GAAS and *Government 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, including omissions, 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 consolidated financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated 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 consolidated 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 Foundation'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 consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation'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.



CliftonLarsonAllen LLP

NEW JERSEY CONSERVATION FOUNDATION AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	December 31,	
	2022	2021
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 3,473,330	\$ 3,187,209
Investments	15,210,938	17,471,096
Unconditional promises to give	1,555,669	387,250
Grant receivable	128,356	-
Prepaid expenses and other current assets	195,356	227,923
Total Current Assets	20,563,649	21,273,478
OTHER ASSETS:		
Other receivable	920,188	-
Beneficial interest in split-interest agreements	148,035	172,941
Land, buildings, and easements	41,151,672	41,115,111
Property and equipment, net	67,639	27,165
Total Other Assets	42,287,534	41,315,217
Operating ROU Asset	169,140	-
Financing ROU Asset	41,949	-
	211,089	-
Total Assets	\$ 63,062,272	\$ 62,588,695
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Accounts payable and accrued expenses	\$ 380,575	\$ 271,094
Current lease liability - Operating	51,171	-
Current lease liability - Financing	12,585	-
Total Current Liabilities	444,331	271,094
LONG-TERM LIABILITIES:		
Long-term lease liability - Operating	120,554	-
Long-term lease liability - Financing	29,642	-
Total Long-Term Liabilities	150,196	-
Total Liabilities	594,527	271,094
NET ASSETS - WITHOUT DONOR RESTRICTIONS	52,860,405	54,293,694
NET ASSETS - WITH DONOR RESTRICTIONS	9,607,340	8,023,907
	62,467,745	62,317,601
Total Liabilities and Net Assets	\$ 63,062,272	\$ 62,588,695

The accompanying notes are an integral part of these financial statements.

NEW JERSEY CONSERVATION FOUNDATION AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS

	Year Ended December 31, 2022			Year Ended December 31, 2021		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT & REVENUE:						
Contributions	\$ 2,927,093	\$ 4,443,398	\$ 7,370,491	\$ 1,622,678	\$ 6,174,675	\$ 7,797,353
Government grants	1,090,608	-	1,090,608	1,434,409	-	1,434,409
Donated services	183,170	-	183,170	500,000	-	500,000
Investment income, net	411,265	38,981	450,246	360,733	25,780	386,513
Miscellaneous	103,110	20,500	123,610	109,262	21,473	130,735
Special events	256,021	-	256,021	198,281	-	198,281
Net assets released from restrictions	2,669,138	(2,669,138)	-	3,952,770	(3,952,770)	-
Total Support and Revenue	7,640,405	1,833,741	9,474,146	8,178,133	2,269,158	10,447,291
EXPENSES:						
Program expenses:						
Conservation program services	4,270,199	-	4,270,199	6,794,604	-	6,794,604
Supporting services:						
Management and general	532,674	-	532,674	486,680	-	486,680
Fundraising	891,072	-	891,072	616,821	-	616,821
Total Expenses	5,693,945	-	5,693,945	7,898,105	-	7,898,105
Excess support & revenue over expenses before other additions (deductions):	1,946,460	1,833,741	3,780,201	280,028	2,269,158	2,549,186
Other Additions (deductions):						
Change in value of split-interest agreements	-	(24,906)	(24,906)	-	(384,607)	(384,607)
Contributions of land	152,200	-	152,200	288,675	-	288,675
Loss on disposition of land	(821,604)	-	(821,604)	(43,737)	-	(43,737)
Change in value of land, buildings and easements	(244,999)	-	(244,999)	(355,304)	-	(355,304)
Realized gain (loss) on investments, net	52,006	(5,801)	46,205	726,866	108,482	835,348
Unrealized (loss) gain on investments, net	(2,517,352)	(219,601)	(2,736,953)	317,097	20,641	337,738
Total of other additions (deductions):	(3,379,749)	(250,308)	(3,630,057)	933,597	(255,484)	678,113
CHANGE IN NET ASSETS	(1,433,289)	1,583,433	150,144	1,213,625	2,013,674	3,227,299
NET ASSETS - Beginning of year	54,293,694	8,023,907	62,317,601	53,080,069	6,010,233	59,090,302
NET ASSETS - End of year	\$ 52,860,405	\$ 9,607,340	\$ 62,467,745	\$ 54,293,694	\$ 8,023,907	\$ 62,317,601

The accompanying notes are an integral part of these financial statements.

NEW JERSEY CONSERVATION FOUNDATION AND SUBSIDIARY
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2022

	Supporting Services			Total Support Services
	Conservation Program Services	Management and General	Fundraising	
Salaries	\$ 1,497,738	\$ 336,537	\$ 381,408	\$ 2,215,683
Employee benefits and payroll taxes	367,367	81,037	91,841	540,245
Program grants and contributions	1,155,493	-	-	1,155,493
Professional fees	502,083	48,944	178,694	729,721
Donated professional fees	183,170	-	-	183,170
Field supplies	200,083	-	-	200,083
Office expenses	4,531	542	622	5,695
Postage and printing	21,121	920	58,621	80,662
Occupancy	64,961	9,247	10,479	84,687
Insurance	69,037	13,738	15,569	98,344
Real estate taxes	36,538	-	-	36,538
Equipment rental and maintenance	226	50	57	333
Information technology	39,013	5,825	6,852	51,690
Travel	22,642	420	3,235	26,297
Conferences and meetings	3,725	491	3,729	7,945
Telephone	19,606	2,562	3,818	25,986
Depreciation	11,976	2,642	2,994	17,612
Facility rental, food and beverage and entertainment for special event	-	-	115,005	115,005
Bad debt expense	-	5,000	-	5,000
Interest	-	635	-	635
Amortization	-	12,702	-	12,702
Miscellaneous	70,889	11,382	18,148	100,419
Total Functional Expenses	\$ 4,270,199	\$ 532,674	\$ 891,072	\$ 5,693,945

The accompanying notes are an integral part of these financial statements.

NEW JERSEY CONSERVATION FOUNDATION AND SUBSIDIARY
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2021

	Supporting Services			Total Support Services
	Conservation Program Services	Management and General	Fundraising	
Salaries	\$ 1,478,312	\$ 316,781	\$ 316,781	\$ 2,111,874
Employee benefits and payroll taxes	348,648	74,710	74,710	498,068
Program grants and contributions	2,348,810	-	-	2,348,810
Write down of purchased easements	1,317,906	-	-	1,317,906
Professional fees	370,905	44,670	62,380	477,955
Donated professional fees	500,000	-	-	500,000
Field supplies	79,694	-	-	79,694
Office expenses	3,875	613	662	5,150
Postage and printing	22,500	3,207	57,650	83,357
Occupancy	58,662	12,570	12,570	83,802
Insurance	63,059	12,075	12,075	87,209
Real estate taxes	38,092	-	-	38,092
Equipment rental and maintenance	8,709	1,866	1,866	12,441
Information technology	39,188	7,099	7,672	53,959
Travel	17,885	857	1,221	19,963
Conferences and meetings	4,090	140	-	4,230
Telephone	17,790	2,085	2,805	22,680
Depreciation	9,402	2,015	2,015	13,432
Facility rental, food and beverage and entertainment for special event	-	-	53,930	53,930
Miscellaneous	67,077	7,992	10,484	85,553
Total Functional Expenses	\$ 6,794,604	\$ 486,680	\$ 616,821	\$ 7,898,105

The accompanying notes are an integral part of these financial statements.

NEW JERSEY CONSERVATION FOUNDATION AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year Ended December 31,	
	2022	2021
CASH FLOWS PROVIDED BY (USED FOR):		
<u>OPERATING ACTIVITIES:</u>		
Change in net assets	\$ 150,144	\$ 3,227,299
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	17,612	13,432
Amortization of right-of-use asset	2,863	-
Change in value of land, buildings, and easements	244,999	355,304
Write-down of purchases and donated easements	-	1,317,906
Contributions of investments	(405,684)	(1,898,823)
Proceeds from sales of contributions of investments	393,530	1,966,760
Contributions of land	(152,200)	(288,675)
Net loss on disposition of land	821,604	43,737
Net realized and unrealized loss (gain) on investments	2,690,748	(1,173,086)
Change in beneficial interest in split interest agreements	24,906	384,607
Change in assets and liabilities:		
Unconditional promises to give, net	(1,168,419)	(103,670)
Grant receivable	(128,356)	-
Prepaid expenses and other current assets	32,567	(64,384)
Other receivable	(920,188)	-
Accounts payable and accrued expenses	109,481	5,492
Net Cash Provided by Operating Activities	<u>1,713,607</u>	<u>3,785,899</u>
<u>INVESTING ACTIVITIES:</u>		
Purchase of investments	(4,693,541)	(4,513,032)
Proceeds from sale of investments	4,275,105	4,429,463
Payment for purchases of land and easements	(950,964)	(1,942,585)
Payments for purchases of office furniture and equipment	(58,086)	(3,498)
Net Cash Used for Investing Activities	<u>(1,427,486)</u>	<u>(2,029,652)</u>
 NET INCREASE IN CASH AND CASH EQUIVALENTS	 286,121	 1,756,247
CASH AND CASH EQUIVALENTS:		
Beginning of year	<u>3,187,209</u>	<u>1,430,962</u>
End of year	<u>\$ 3,473,330</u>	<u>\$ 3,187,209</u>

The accompanying notes are an integral part of these financial statements.

NEW JERSEY CONSERVATION FOUNDATION AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

NOTE 1 - NATURE OF FOUNDATION:

New Jersey Conservation Foundation (“NJ Conservation”) is a statewide, not-for-profit corporation incorporated in the state of New Jersey. The mission of NJ Conservation is to preserve New Jersey’s land natural resources for the benefit of all. As a leading innovator and catalyst for saving land, New Jersey Conservation protects strategic lands through acquisition and stewardship, promotes strong land use policies, and forges partnerships to achieve conservation goals.

NJCF Preserves, LLC (“Preserves”) is a single member limited liability company, incorporated in the state of New Jersey, with NJ Conservation as the sole member. There were no operations during the years ended December 31, 2022 and 2021. The LLC is a disregarded entity for tax purposes.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Basis of Accounting:

The consolidated financial statements of the Foundation have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Consolidated Financial Statement Presentation:

Net assets and revenue, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Foundation and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions - Net assets not subject to donor-imposed stipulations. The governing board has designated, from net assets without donor restrictions, net assets for a board-designated endowment.

Net Assets With Donor Restrictions - Net assets subject to donor-imposed stipulations that may or will be met, either by actions of the Foundation and/or the passage of time. Also, other net assets subject to donor-imposed stipulations that they be maintained permanently by the Foundation. Generally, the donors of these assets permit the Foundation to use all or part of the income earned on any related investments for general or specific purposes. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities and change in net assets as net assets released from restrictions.

Principles of Consolidation:

The consolidated financial statements include the accounts of NJ Conservation and it’s 100% wholly owned subsidiary, Preserves (collectively, the “Foundation”). All significant intercompany accounts and transactions have been eliminated in consolidation.

NEW JERSEY CONSERVATION FOUNDATION AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Cash and cash equivalents:

Cash and cash equivalents include all cash on hand, in banks, and short-term, highly liquid investments with original maturities of three months or less.

Fair Value:

Fair value measurements are defined as the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. There are three defined hierarchical levels based on the quality of inputs used that directly relate to the amount of subjectivity associated with the determination of fair value.

The fair value hierarchy defines the three levels as follows:

Level 1: Valuations based on quoted prices (unadjusted) in an active market that are accessible at the measurement date for identical assets or liabilities. The fair value hierarchy gives the highest priority to Level 1 inputs.

Level 2: Valuations based on observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities, quoted prices in inactive markets, or model-derived valuations in which all significant inputs are observable or can be derived principally from, or corroborated with observable market data.

Level 3: Valuations based on unobservable inputs are used when little or no market data is available. The fair value hierarchy gives lowest priority to Level 3 inputs.

Gains and losses, both realized and unrealized, resulting from increases or decreases in the fair value of investments are reflected in the statement of activities and changes in net assets as increases or decreases in net assets without donor restrictions unless the use was restricted by explicit donor stipulations or by law.

The fair value of investments is as follows:

Equity securities - Readily determinable fair values are stated at their fair value. Investments received by gift are recorded at fair value at the date of receipt and liquidated soon after receipt.

Mutual funds – Based on quoted market prices.

Small cap equity fund – Valued at management's estimated fair value, using the net asset value, of the Foundation's ownership interest as provided by management of the fund. There are no unfunded commitments and no redemption notice period or redemption frequency.

NEW JERSEY CONSERVATION FOUNDATION AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Fair Value: (Continued)

The preceding method described may produce fair value estimates that may not be indicative of the net realizable values and reflective of future values. Furthermore, although management believes its valuation methods are appropriate and consistent with the practices of other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date. The fair values assigned to these assets do not necessarily represent amounts that might ultimately be realized and the differences may be material.

The availability of observable market data is monitored to assess the appropriate classification of financial instruments within the fair value hierarchy. Changes in economic conditions or model-based valuation techniques may require the transfer of financial instruments from one fair value level to another. In such instances, the transfer is reported at the beginning of the reporting period.

Management evaluated the significance of transfers between levels based upon the nature of the financial instruments and size of the transfer relative to total net assets available for benefits. For the years ended December 31, 2022 and 2021, there were no significant transfers in or out of Levels 1, 2, or 3.

Promises to Give:

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are reported at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-free interest rates applicable to the years in which promises are received. Amortization of the discounts is included in contribution revenue. The Foundation determines the allowance for uncollectible promises to give based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Promises to give are written off when deemed uncollectible. At December 31, 2022 and 2021, no allowance was considered necessary.

Office Furniture and Equipment:

Office furniture and equipment are recorded at cost on the date of acquisition, or at the fair value of the asset, based on values of comparable assets at the date of gift for donated assets. The Foundation capitalizes assets with a cost or fair value exceeding \$1,000 and a useful life of more than one year. Depreciation is computed on a straight-line basis over the estimated useful life as follows:

Office furniture and equipment	5 years
--------------------------------	---------

In the absence of donor-imposed restrictions on the use of the asset, gifts of long-lived assets are reported as support without donor restrictions. When an asset is sold or retired, the cost and accumulated depreciation are removed from the respective accounts. Maintenance, repairs, and minor renewals are charged to operations as incurred. Significant renewals and betterments that extend the useful life of the assets are capitalized.

NEW JERSEY CONSERVATION FOUNDATION AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Land and Easements:

Land is recorded at cost on the date of acquisition, or at the fair value of the asset, based on values of comparable assets at the date of gift for donated assets. For the years ended December 31, 2022 and 2021, there were two properties included in land and easements that are subject to life estates totaling approximately \$1,103,000. Life estates are included in net assets with donor restrictions. Gains and losses, if any, are recognized upon disposition.

Easements are stated at a nominal value of \$1. Since the benefits of such easements accrue to the public upon acquisition, the fair value of easements acquired is recorded in the year of acquisition as an addition to net assets, and, unless conveyed to a public agency for consideration, shown as a reduction in net assets to recognize that these easements have no marketable value once severed from the land and held by the Foundation. As of December 31, 2022 and 2021, there were 36 purchased and 77 donated easements.

Costs directly associated with the acquisition of land and easements are deferred and included in the consolidated statements of financial position under land and easements.

Valuation of Long-lived Assets:

The Foundation reviews long-lived assets, including property and equipment, for impairment whenever events or changes in business circumstances indicate that the carrying amount of the assets may not be fully recoverable. Management has determined that no adjustment was required for the periods presented in these financial statements.

Beneficial Interest in Split-interest Agreements:

Beneficial interest in split-interest agreements consists of charitable remainder trusts and charitable gift annuities. The Foundation is not the trustee of these trusts or annuities.

Charitable remainder trusts are arrangements in which the donor establishes and funds a trust with specified distributions to be made to a designated beneficiary or beneficiaries over the trust's term. Upon termination of the trust, the Foundation receives all, or a portion of, the assets remaining in the trust. The fair value of the trusts is computed at the present value (discount rates of approximately 2.3% and 1.5% at December 31, 2022 and 2021, respectively) of the estimated cash flows to be received from the trusts. The trusts are recorded as net assets with donor restrictions and the changes in the value of the trust have been recorded in the consolidated statements of activities. The amount of the foundation's beneficial interest in the charitable remainder trusts as of December 31, 2022 and 2021 was \$94,882 and \$119,685, respectively, and is recorded in the consolidated statements of financial position.

NEW JERSEY CONSERVATION FOUNDATION AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Beneficial Interest in Split-interest Agreements: (Continued)

A charitable gift annuity is an arrangement whereby the donor contributes assets to a Foundation in exchange for a promise by the Foundation to pay a fixed amount for a specified period of time to the donor, or to individuals or Foundations designated by the donor. Under the terms of the agreements, the foundation is to receive an amount equal to the residuum of the gifts, but the residuum is not to be more than the initial deposit. The amount of the foundation's beneficial interest in the residuum as of December 31, 2022 and 2021 was \$53,153 and \$53,256, respectively, and is recorded in the consolidated statements of financial position.

Revenue Recognition:

The Foundation receives its support in the form of contributions from corporations, foundations, and individuals, as well as from government grants. Contributions, including unconditional promises to give, are recognized as revenue in the period received. Contributions of assets other than cash are recorded at their fair value at the date of donation. Contributions to be received after one year are discounted at a rate commensurate with the risk involved. Conditional promises to give, that is, those with a measurable performance or other barrier and a right of return, are not recognized until the conditions on which they depend have been met.

A portion of the Foundation's revenue is derived from cost-reimbursable federal and state contracts and grants. The grants and contracts provide funding to support the mission of the Foundation. As the government is not receiving a benefit as a result of the contracts and grants, the government funding is considered a contribution. The grants and contracts are conditioned upon certain performance requirements and or the incurrence of allowable qualifying expenses and, therefore, are considered conditional promises to give. Contribution revenue is recorded when expenditures have been incurred in compliance with the terms of each grant or contract. Cost reimbursable grants and contract amounts not yet recognized as of December 31, 2022 and 2021 were approximately \$2,555,000 and \$2,362,000, respectively, because qualifying expenditures had not yet been incurred. Amounts received prior to incurring qualifying expenditures are reported as grants payable in the consolidated statements of financial position within accounts payable and accrued expenses. For the years ended December 31, 2022 and 2021, no amounts were received prior to incurring qualifying expenditures.

The Foundation records special events revenue equal to the cost of direct benefits to donors, and contribution revenue (difference of cash receipt and the direct benefit), which is included in special events in the statements of activities and changes in net assets. The recognition of revenue is conditional on the event taking place, as this is the point in time when the performance obligation of hosting the event occurs, and attendees can no longer request a refund for their tickets purchased. As of December 31, 2022 and 2021, contributions associated with special events of \$178,266 and \$198,281, respectively, are included in the consolidated statements of activities.

NEW JERSEY CONSERVATION FOUNDATION AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Donated Services:

Donated services are recognized as contributions if the services (a) create or enhance nonfinancial assets, or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Foundation. The Foundation received donated legal fees, which amounted to approximately \$180,000 and \$500,000 for the years ended December 31, 2022 and 2021, respectively. Contributions of services are recognized by the Foundation as donated services without donor restrictions and are included as program expenses in the consolidated statements of activities.

Income Taxes:

The Foundation is a not-for-profit Foundation that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and, accordingly, is not liable for federal and state income taxes.

The Foundation follows standards that provide clarification on accounting for uncertainty in income taxes recognized in the Foundation's consolidated financial statements. The guidance prescribes a recognition threshold and measurement attribute for the recognition and measurement of a tax position taken, or expected to be taken, in a tax return, and also provides guidance on derecognition, classification, interest and penalties, disclosure and transition. The Foundation's policy is to recognize interest and penalties on unrecognized tax benefits in income tax expense. No interest and penalties were recorded during 2022 and 2021. At December 31, 2022 and 2021, there are no significant income tax uncertainties.

Use of Estimates:

In preparing consolidated financial statements in conformity with accounting principles generally accepted in the United States of America, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and revenues and expenses during the reporting period. Actual results could differ from those estimates.

Adoption of New Accounting Standard—Leases:

In July 2020, the Financial Accounting Standards Board ("FASB") issued an accounting standard update ("ASU"), *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, intended to increase the transparency of contributed nonfinancial assets for not-for-profit entities through enhancements to presentation and disclosure. This ASU requires organizations to present contributed nonfinancial assets as a separate line item in the statements of activities and changes in net assets apart from contributions of cash or other financial assets. Additional disclosure is required regarding the valuation techniques used, as well as any donor restrictions for the contributed nonfinancial assets.

In February 2016, the Financial Accounting Standards Board issued accounting Standards Update 2016-02, *Leases* (ASC 842). The new standard increases transparency and comparability among organizations requiring the recognition of right-of-use (ROU) assets and lease liabilities on the statements of financial position. Most prominent of the changes is the recognition of ROU asset and lease liabilities by lessees for those leases classified as operating leases. Under the standard, disclosures are required to meet the objective of enabling users of the financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases.

NEW JERSEY CONSERVATION FOUNDATION AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Adoption of New Accounting Standard—Leases: (continued)

The Foundation adopted the requirements of the guidance effective January 1, 2022, and has elected to apply the provision of this standard to the beginning of the period of adoption, through a cumulative effect adjustment, with certain practical expedients available. Lease disclosures for the year ended December 31, 2021, are made under prior lease guidance in FASB ASC 840.

The Foundation has elected to adopt the package of practical expedients available in the year of adoption. The Foundation has not elected to adopt the available practical expedient to use hindsight in determining the lease term and in assessing impairment of the Foundation's ROU assets.

The Foundation elected the available practical expedients to account for existing capital leases and operating leases as finance leases and operating leases, respectively, under the new guidance without reassessing (a) whether the contracts contain leases under the new standard, (b) whether classificational of capital leases or operating leases would be different in accordance with the new guidance, or (c) whether the unamortized initial direct costs before transition adjustments would have met the definition of initial direct costs in the new guidance at lease commencement.

As a result of the adoption of the new lease accounting guidance, the Foundation recognized on January 1, 2022, a lease liability at the carrying amount of the capital lease obligations on December 31, 2022, of \$42,227 and a right-of-use asset at the carrying amount of the capital lease asset of \$54,651. The Foundation also recognized on January 1, 2022, a lease liability of \$171,725, which represents the present value of the remaining operating lease payments of \$225,590, discounted using the Foundation's risk-free discount rate comparable to the corresponding lease terms, and a right of use-asset of \$218,626.

The standard had a material impact on the statements of financial position but did not have an impact on the statements of activities and changes in net assets, nor the statements of cash flows. The most significant impact was the recognition of ROU assets and lease liabilities for operating leases.

Leases:

The Foundation leases office space and equipment. The Foundation determines if an arrangement is a lease at inception. Operating leases are included in the operating lease right-of-use assets, other current liabilities, and operating leases on the statements of financial position.

ROU assets represent the Foundation's right to use an underlying asset for the lease term and the lease liabilities present the Foundation's obligation to make lease payments arising from the lease. ROU assets and liabilities are recognized at the lease commencement date based on the present value of lease payments over the lease term. As most leases do not provide an implicit rate, the Foundation uses a risk-free rate based on the information available at commencement date in determining the present value of lease payments. The operating lease ROU asset also includes any lease payments made and excludes lease incentives. The lease terms may include options to extend or terminate the lease when it is reasonably certain that the Foundation will exercise that option. The lease expense for lease payments is recognized on a straight-line basis over the lease term. The Foundation has elected to recognize payments for short-term leases with a lease term of 12 months or less as expense as incurred and the leases are not included as lease liabilities or right of use assets on the statements of financial position.

NEW JERSEY CONSERVATION FOUNDATION AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Leases: (continued)

The Foundation's lease agreements do not contain any material residual value guarantees or material restrictive covenants.

In evaluating contracts to determine if they qualify as a lease, the Foundation considers factors such as if the Foundation obtained substantially all of the rights to the underlying asset through exclusivity, if the Foundation can direct the use of the asset by making decisions about how and for what purpose the asset will be used and if the lessor has substantive substation rights. This evaluation may require significant judgment.

Subsequent Events:

The Foundation has evaluated its subsequent events and transactions occurring after December 31, 2022 through June 29, 2023, the date that the consolidated financial statements were available to be issued.

NOTE 3 - INVESTMENTS:

As of December 31, 2022 and 2021, investments consist of the following:

	December 31,	
	2022	2021
Mutual funds – bonds	\$ 6,896,826	\$ 8,306,536
Mutual funds – equities	7,504,218	8,299,398
Small cap equity fund	809,894	865,162
Total investments	<u>15,210,938</u>	<u>17,471,096</u>
Cash and cash equivalents	3,473,330	3,187,209
Total investments, cash, and cash equivalents	<u>\$ 18,684,268</u>	<u>\$ 20,658,305</u>

Investments, cash, and cash equivalents are comprised of:

	December 31,	
	2022	2021
General operating funds	\$ 1,707,489	\$ 2,095,828
Program, capital campaign, and land acquisition funds	9,521,278	9,577,363
Endowment funds (Board-designated and donor-restricted)	7,455,501	8,985,114
	<u>\$ 18,684,268</u>	<u>\$ 20,658,305</u>

NEW JERSEY CONSERVATION FOUNDATION AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

NOTE 3 - INVESTMENTS: (Continued)

Fair value measurements of investments as of December 31, 2022, are as follows:

	Level 1	Level 2	Level 3	Total
Investments:				
Mutual funds – bonds	\$ 6,896,826	\$ -	\$ -	\$ 6,896,826
Mutual funds – equity	7,504,218	-	-	7,504,218
Small cap equity fund (A)	-	-	-	809,894
	<u>14,401,044</u>	<u>-</u>	<u>-</u>	<u>15,210,938</u>
Beneficial interest in charitable remainder trusts	-	-	94,882	94,882
Charitable gift annuities	-	-	53,153	53,153
Totals	<u>\$ 14,401,044</u>	<u>\$ -</u>	<u>\$ 148,035</u>	<u>\$ 15,358,973</u>

Fair value measurements of investments as of December 31, 2021, are as follows:

	Level 1	Level 2	Level 3	Total
Investments:				
Mutual funds – bonds	\$ 8,306,536	\$ -	\$ -	\$ 8,306,536
Mutual funds – equity	8,299,398	-	-	8,299,398
Small cap equity fund (A)	-	-	-	865,162
	<u>16,605,934</u>	<u>-</u>	<u>-</u>	<u>17,471,096</u>
Beneficial interest in charitable remainder trusts	-	-	119,685	119,685
Charitable gift annuities	-	-	53,256	53,256
Totals	<u>\$ 16,605,934</u>	<u>\$ -</u>	<u>\$ 172,941</u>	<u>\$ 17,644,037</u>

(A) Certain investments that are measured at fair value using the net asset value per share (or its equivalent) practical expedient have not been classified in the fair value hierarchy. The fair value amounts presented in this table intended to permit reconciliation of the fair value hierarchy to the amounts presented in the consolidated statements of financial position.

The following table provides further details of Level 3 fair value measurements as of December 31, 2022 and 2021:

	Charitable Remainder Trusts	
	December 31,	
	2022	2021
Balance, Beginning of year	\$ 119,685	\$ 97,905
Change in value of charitable remainder trusts	(24,803)	21,780
Balance, End of year	<u>\$ 94,882</u>	<u>\$ 119,685</u>

The charitable remainder trust is within beneficial interest in split-interest agreements on the consolidated statements of financial position.

NEW JERSEY CONSERVATION FOUNDATION AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

NOTE 4 - UNCONDITIONAL PROMISES TO GIVE:

Unconditional promises to give as of December 31, 2022 and 2021 are as follows:

	December 31,	
	2022	2021
Receivable in less than one year	<u>\$ 1,555,669</u>	<u>\$ 387,250</u>

NOTE 5 - PROPERTY AND EQUIPMENT:

Property and equipment is comprised as follows:

	Useful Life	December 31,	
		2022	2021
Office equipment	5 years	\$ 286,790	\$ 228,704
Less: Accumulated depreciation		219,151	201,539
Property and Equipment, net		<u>\$ 67,639</u>	<u>\$ 27,165</u>

Depreciation expense for the years ended December 31, 2022 and 2021, was \$17,612 and \$13,432.

NOTE 6 - PAYCHECK PROTECTION PROGRAM:

In April 2020, the Foundation was granted a loan from a bank in the aggregate amount of \$593,100 of which \$40,600 was repaid prior to December 31 2020, pursuant to the Paycheck Protection Program ("PPP") under Division A, Title I of the Coronavirus Aid, Relief and Economic Security Act ("CARES Act"), which was enacted March 27, 2020. The Foundation received full forgiveness on the amount not repaid from the Small Business Administration as of April 22, 2021, based on the criteria for forgiveness.

The SBA reserves the right to audit loan forgiveness for six years from the date that forgiveness was rewarded.

NEW JERSEY CONSERVATION FOUNDATION AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

NOTE 7 - RETIREMENT PLAN:

The Foundation maintains a 401(k) profit-sharing plan (the “Plan”) covering all eligible employees as defined by the Plan. The Foundation partially matches employee contributions and may make a discretionary contribution to the plan up to 3% of employees’ eligible compensation. The Foundation matches the employee contributions up to 6% of eligible compensation. The Foundation did not make any discretionary contributions in 2022 or 2021. The Foundation’s expense related to the plan was \$121,355 and \$117,287 for the years ended December 31, 2022 and 2021, respectively, and is within employee benefits and payroll taxes in the consolidated statement of functional expenses.

NOTE 8 - RELATED-PARTY TRANSACTIONS:

During 2014, the Conservation Hunters Association Inc. (the “Association”), a 501(c)(7) Foundation was formed. The association’s board of trustees is comprised of a board member and two staff members of NJ Conservation in 2022 and 2021.

In November of 2015, Rethink Energy of NJ (“Rethink”) a 501(c)(4) was formed. Two of the Foundation’s board members and one staff member are members of the board of trustees of Rethink. The Foundation gave a grant to Rethink in the amount of \$421,454 and \$567,000 during the years ended December 31, 2022 and 2021, respectively. In January 2023, the Foundation committed to an additional grant to Rethink for 2023 in the amount of \$424,178.

NOTE 9 - LEASES—ASC 842:

The Foundation leases office space for various terms under long-term, non-cancelable lease agreements. The leases expire at various dates through 2026. In the normal course of business, it is expected that the leases will be renewed or replaced by similar leases. Certain facility leases provide for increases in future minimum annual rental payments based on defined increases in the Consumer Price Index, subject to certain minimum increases. Additionally, the agreements usually require the Foundation to pay real estate taxes, insurance, and repairs.

The following table provides quantitative information concerning the Foundation’s leases:

Lease Costs:		
Finance lease costs:		
Amortization of right-of-use assets	\$	12,702
Interest on lease liabilities		635
Operating lease costs		52,021
Short-term lease costs		<u>10,199</u>
Total lease costs	\$	<u>75,557</u>

NEW JERSEY CONSERVATION FOUNDATION AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

NOTE 9 - LEASES—ASC 842: (Continued)

Other information:	
Operating cash flows from financing leases	\$ 635
Operating cash flows from operating leases	49,436
Financing cash flows from financing leases	12,425
Right-of-use assets obtained in exchange for new financing lease liabilities	54,651
Right-of-use assets obtained in exchange for new operating lease liabilities	218,626
Weighted-average remaining lease term - financing leases	3.4 years
Weighted-average remaining lease term - operating leases	3.8 years
Weighted-average discount rate - financing leases	1.33%
Weighted-average discount rate - operating leases	1.33%

The Foundation classifies the total undiscounted lease payments that are used in the next 12 months as current. A maturity analysis of annual undiscounted cash flows for lease liabilities as of December 31, 2022 is as follows:

<u>Year</u>	Financing Leases	Operating Leases
2023	\$ 13,059	\$ 53,107
2024	12,309	39,907
2025	11,259	39,907
Thereafter	6,568	43,232
Total Lease Payments	43,195	176,153
Less: Interest	(968)	(4,428)
Present Value of Lease Liabilities	<u>\$ 42,227</u>	<u>\$ 171,725</u>

As of December 31, 2022, the Foundation has additional operating lease, primarily for facility rental, that has not yet commenced of \$17,136. The operating lease will commence fiscal year 2023 with lease terms of 2 years.

NEW JERSEY CONSERVATION FOUNDATION AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

NOTE 10 - OPERATING LEASE AGREEMENTS—ASC 840:

The Foundation elected to apply the provisions of FASB ASC 842 at the beginning of the period of adoption through a cumulative effect adjustment, with certain practical expedients available. The disclosures for the year ended December 31, 2021, are made under the prior lease guidance in FASB ASC 840.

The Foundation leases its main office in Chester Township, New Jersey for a five-year period ending December 31, 2021, which is renewable, with certain conditions, for up to three additional five-year terms. An additional five-year term was renewed and ends December 31, 2026. Future minimum lease payments are \$37,400 per year, with annual increases equal to the Consumer Price Index. The Foundation also leases office space on an annual basis, in Camden, New Jersey, with total future minimum lease payments of \$8,500 through October 2022, and additional office space in Stockton, New Jersey for a term of 12 years, with future minimum lease payments of \$12,000 per year through April 2025. The Foundation also leases office equipment through 2026.

Future estimated minimum lease payments under operating leases for office space and equipment leases are as follows:

<u>December 31,</u>	
2022	\$ 71,140
2023	25,200
2024	24,390
2025	15,260
2026	6,570
Total	<u>\$ 142,420</u>

Rent expense under these operating leases was \$70,854 for the year ended December 31, 2021.

NOTE 11 - NET ASSETS WITHOUT DONOR RESTRICTIONS:

The Foundation's net assets without donor restrictions is comprised of undesignated and Board-designated amounts for the following purposes at December 31, 2022 and 2021, respectively:

	December 31,	
	2022	2021
Undesignated	\$ 45,559,915	\$ 45,465,714
Board-designated endowment for stewardship purposes	3,291,353	3,951,784
Board-designated for endowment for long-term financial purposes	4,009,137	4,876,196
Total net assets without donor restrictions	<u>\$ 52,860,405</u>	<u>\$ 54,293,694</u>

NEW JERSEY CONSERVATION FOUNDATION AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

NOTE 12 - NET ASSETS WITH DONOR RESTRICTIONS:

Net assets with donor restrictions are restricted for the following purposes as of December 31, 2022 and 2021:

	December 31,	
	2022	2021
Subject to expenditures for specified purpose:		
Land acquisition	\$ 1,188,164	\$ 1,241,833
Stewardship of land and easements	1,483,121	1,715,578
Program management	5,544,736	3,650,369
	<u>8,216,021</u>	<u>6,607,780</u>
Subject to the passage of time:		
Beneficial interest in split-interest agreements	148,035	172,943
Life estates	1,102,798	1,102,798
	<u>1,250,833</u>	<u>1,275,741</u>
Endowment:		
Perpetual in nature, the earnings from which are subject expenditures for a specific purpose:		
Internship program	40,486	40,386
Support of land acquisition	100,000	100,00
Total endowment	<u>140,486</u>	<u>140,386</u>
 Total net assets with donor restrictions	 <u>\$ 9,607,340</u>	 <u>\$ 8,023,907</u>

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of the passage of time or other events specified by the donors as follows for the years ended December 31, 2022 and 2021:

	December 31,	
	2022	2021
Endowment released by donor	\$ -	\$ -
Distributions from beneficial interest in split-interest agreements	-	-
Satisfaction of purpose restriction:		
Land acquisition	14,230	60,587
Stewardship of land and easements	230,725	172,286
Program management	2,424,183	3,719,897
	<u>\$ 2,669,138</u>	<u>\$ 3,952,770</u>

NEW JERSEY CONSERVATION FOUNDATION AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

NOTE 13 - ENDOWMENT AND BOARD-DESIGNATED FUNDS:

The Foundation's endowment includes a donor-restricted internship program endowment fund. The internship program endowment fund was established by the donors for an internship program. The investments are used for annual funding of the program. In 2021, an additional donor restricted gift in the amount of \$100,000 was added. The income from this gift is to be used to help further efforts to protect land in New Jersey.

The endowment also includes funds designated by the Board of trustees to function as endowments ("Board-designated funds"). There are two sub-funds: one for stewardship of land and easements and one for the long-term operations of the Foundation. As required by U.S. GAAP, net assets associated with endowment funds, including Board-designated funds, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board of Trustees has interpreted the Uniform Prudent Management of Institutional Funds Act ("UPMIFA") as requiring the preservation of the fair value of the original gift as the gift date to the donor-restricted endowment fund, absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as net assets with donor restrictions (a) the original value of gifts donated to the endowment, (b) the original value of subsequent gifts to the endowment, and (c) accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. Donor-restricted amounts not retained in perpetuity are subject to appropriation for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by UPMIFA.

In accordance with UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund;
- The purpose of the foundation and the donor-restricted endowment fund;
- General economic conditions;
- The possible effect of inflation and deflation;
- The expected total return from income and the appreciation of investments;
- Other resources of the Foundation; and
- The investment policies of the Foundation.

NEW JERSEY CONSERVATION FOUNDATION AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

NOTE 13 - ENDOWMENT AND BOARD-DESIGNATED FUNDS: (Continued)

Endowment and Board-designated endowment net assets composition by type of fund as of December 31, 2022 and 2021 is as follows:

	December 31, 2022		
	Without Donor Restriction	With Donor Restriction	Total
Board-designated endowment:			
Long-term operations	\$ 4,009,137	\$ -	\$ 4,009,137
Stewardship funds	3,291,353	-	3,291,353
Donor-restricted endowment funds required to be maintained in perpetuity	-	140,486	140,486
Total Fund	\$ 7,300,490	\$ 140,486	\$ 7,440,976

	December 31, 2021		
	Without Donor Restriction	With Donor Restriction	Total
Board-designated endowment:			
Long-term operations	\$ 4,876,196	\$ -	\$ 4,876,196
Stewardship funds	3,951,784	-	3,951,784
Donor-restricted endowment funds required to be maintained in perpetuity	-	140,386	140,386
Total Fund	\$ 8,827,980	\$ 140,386	\$ 8,968,366

As of December 31, 2022 and 2021, the Foundation's endowment and Board-designated net assets had the following activity:

	Year ended December 31, 2022		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ 8,827,980	\$ 140,386	\$ 8,968,366
Contributions	600	100	700
Investment return	(1,253,688)	-	(1,253,688)
	<u>7,574,892</u>	<u>140,486</u>	<u>7,715,378</u>
Distribution from Board-designated endowment pursuant to spending policy	(274,402)	-	(274,402)
Endowment net assets, end of year	\$ 7,300,490	\$ 140,486	\$ 7,440,976

NEW JERSEY CONSERVATION FOUNDATION AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

NOTE 13 - ENDOWMENT AND BOARD-DESIGNATED FUNDS: (Continued)

	Year ended December 31, 2021		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ 8,183,496	\$ 40,286	\$ 8,223,782
Contributions	1,050	100,100	101,150
Investment return	879,065	-	879,065
	9,063,611	140,386	9,203,997
Distribution from Board-designated endowment pursuant to spending policy	(235,631)	-	(235,631)
Endowment net assets, end of year	\$ 8,827,980	\$ 140,386	\$ 8,968,366

Funds with deficiencies:

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or law requires the Foundation to retain as a fund of perpetual duration. The Foundation has determined to not spend from underwater endowments until amounts are fully recovered. There were no such deficiencies as of December 31, 2022 or 2021.

Return objectives/risk parameters and spending policy:

The Board-designated endowment funds were established from contributions from net assets without donor restrictions for the management and conservation of monies to be used in furtherance of the goals and purposes of the Foundation. They are separated into two sub funds: a stewardship fund and a more general fund for long-term operations.

Three percent of the principal from Board-designated endowment fund assets shall be included in the annual budget of the Foundation, to be used for the general day-to-day operations of the Foundation. Upon written request of the executive director of the Foundation, withdrawals from the principal of the Board-designated endowment funds may be made if authorized by the majority vote of the Board of Trustees. The Foundation also has a donor-designated internship endowment fund. The internship endowment funds' principal is to be held in perpetuity, the earnings are to be spent on an internship program. Both Board-designated and donor-restricted endowment funds shall be overseen by the Finance Committee, with the objectives of obtaining a long-term return on investment from income and capital appreciation consistent with prudent risk.

Strategies employed for achieving objectives:

The Finance Committee mitigates risk by diversifying investments among major asset categories and within such major categories. The major categories are cash and cash equivalents, fixed income, equity investments, and alternative investments. Cash or cash equivalents should normally not exceed 15% of the total endowment fund assets, with a target of 0%. Fixed income should represent between 20.5% and 50.5% of the total endowment fund assets, with a target of 35.5%. Equity investments should represent 45.5% to 65.5%, with a target of 55.5%. Alternative investments should not exceed 10% with a target of 0%.

NEW JERSEY CONSERVATION FOUNDATION AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

NOTE 14 - CONCENTRATIONS OF CREDIT RISK:

The Foundation maintains cash and cash equivalents in accounts with federally insured institutions. At times, the balances in these accounts may exceed federally insured limits.

The Foundation received approximately 45% of its contributions from one individual donor as of December 31, 2022.

The Foundation received approximately 60% of its contributions from two individual donors as of December 31, 2021.

NOTE 15 - FUNCTIONAL EXPENSES:

The costs of program and supporting services activities have been summarized on a functional basis in the consolidated statement of activities and changes in net assets. The consolidated statements of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the program and supporting services benefited. The expenses that are allocated include occupancy, equipment rental and maintenance, depreciation, salaries, employee benefits and payroll taxes, information technology, insurance, and postage and printing, which are allocated on the basis of time and effort spent in each department. Professional fees, program grants and contributions, travel, conferences and meetings, telephone, and office expenses are allocated to programs and supporting services, directly, according to the department that incurred the expense.

NOTE 16 - LIQUIDITY AND AVAILABILITY:

The following represents the Foundation's financial assets reduced by amounts not available for general use within one year of the statement of financial position date because of contractual or donor-imposed restrictions or internal designations.

	December 31,	
	2022	2021
Cash and cash equivalents	\$ 1,707,489	\$ 2,095,828
Unconditional promises to give	1,555,669	387,250
Grant receivable	128,356	-
Board-designated endowment:		
Spending rate distributions	254,000	263,500
Other investments appropriated for current use	185,000	75,000
Financial assets available to meet general expenditures over the next 12 months	<u>\$ 3,830,514</u>	<u>\$ 2,821,578</u>

NEW JERSEY CONSERVATION FOUNDATION AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

NOTE 16 - LIQUIDITY AND AVAILABILITY: (Continued)

The Foundation has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

Endowment funds consist of a donor-restricted endowment and Board-designated endowments. Income from the donor-restricted endowment is restricted for specific purposes and, therefore, is not available for general expenditures. The Board-designated endowments have a spending rate of 3%, and a balance of approximately \$7.3 million. Although the Foundation does not intend to spend from this fund other than amounts appropriated for general expenditures as part of its annual budget, amounts could be made available if necessary.

As part of its liquidity plan, the Foundation has an established arrangement with its bank that sweeps balances over \$100,000 in checking accounts daily into demand accounts at other banks in increments under \$250,000 at each bank.

NOTE 17 - CONTRIBUTED NONFINANCIAL ASSETS:

Contributed nonfinancial assets received during the years ended December 31, 2022 and 2021 consisted of the following:

	Year Ended	
	December 31,	
	2022	2021
Pro-bono legal services	\$ 183,170	\$ 500,000

Valuation techniques and inputs utilized in valuing these contributed nonfinancial assets are as follows:

<u>Contributed Nonfinancial Asset</u>	<u>Valuation Techniques and Inputs</u>
Pro-bono legal services	Estimated based on current rates paid by the Foundation for similar services

The Foundation's mission to preserve New Jersey's land and natural resources is supported through securing pro-bono or in-kind goods and services for clients. The Foundation's policy related to gifts-in-kind is to utilize the assets given to carry out the mission of the Foundation. If an asset is provided that does not allow the Foundation to utilize it in its normal course of business, the asset will be sold at its fair market value. The difference between the fair market rental and the rent paid is included in contributed nonfinancial assets in the statements of activities and changes in net assets.

NEW JERSEY CONSERVATION FOUNDATION AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

NOTE 17 - CONTRIBUTED NONFINANCIAL ASSETS: (Continued)

All gifts-in-kind received by the Foundation for the years ended December 31, 2022 and 2021 were without donor restrictions and were available to be used by the Foundation as determined by management.

The Foundation also received donated services from volunteers, which are not reflected in the accompanying financial statements because the criteria for recognition under accounting principles generally accepted in the United States of America has not been satisfied.

The administrative effort needed to coordinate the logistics of such programs must be considered when attempting to understand the functioning of the Foundation.