



**NORTHWEST CONNECTICUT LAND
CONSERVANCY, INC.**

Financial Statements

Years Ended December 31, 2022 and 2021

NORTHWEST CONNECTICUT LAND CONSERVANCY, INC.

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Independent Auditor's Report

The Board of Directors
Northwest Connecticut Land Conservancy, Inc.
Kent, Connecticut

Opinion

We have audited the accompanying financial statements of Northwest Connecticut Land Conservancy, Inc. (the Land Trust) which comprise the statements of financial position as of December 31, 2022 and 2021, and the related statements of activities, cash flows, and functional expenses for the years 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 Land Trust as of December 31, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (U.S. 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 Land Trust and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. 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 U.S. GAAP, 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 Land Trust's ability to continue as a going concern for one year after the date that the financial statements are 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 U.S. GAAS 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 U.S. 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 Land Trust'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 Land Trust'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.

Cirone Friedberg, LLP

Shelton, Connecticut
August 22, 2023

NORTHWEST CONNECTICUT LAND CONSERVANCY, INC.

STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
ASSETS		
<u>Current Assets</u>		
Cash and Cash Equivalents	\$ 1,185,632	\$ 594,461
Investments	2,733,433	3,038,933
Contributions and Other Receivables	870,755	52,483
Prepaid Expenses	27,465	-
Total Current Assets	<u>4,817,285</u>	<u>3,685,877</u>
<u>Property, Equipment and Leasehold Improvements</u>		
Land	-	125,000
Building	192,200	392,200
Equipment	26,731	48,166
Leasehold Improvements	14,283	14,283
	<u>233,214</u>	<u>579,649</u>
Accumulated Depreciation and Amortization	(51,877)	(93,442)
Conservation Land and Easements	57,162,269	55,818,047
Net Property, Equipment and Leasehold Improvements	<u>57,343,606</u>	<u>56,304,254</u>
<u>Other Assets</u>		
Other Donor Restricted Investments	1,161,255	1,317,092
Donor Restricted Investments in Perpetuity	2,017,410	2,100,000
Total Other Assets	<u>3,178,665</u>	<u>3,417,092</u>
Total Assets	<u>\$ 65,339,556</u>	<u>\$ 63,407,223</u>
LIABILITIES AND NET ASSETS		
<u>Current Liabilities</u>		
Accounts Payable and Accrued Expenses	\$ 67,193	\$ 74,195
<u>Long-Term Liabilities</u>		
Note Payable	250,000	250,000
Security Deposit	-	2,000
Total Long-Term Liabilities	<u>250,000</u>	<u>252,000</u>
Total Liabilities	<u>317,193</u>	<u>326,195</u>
Net Assets		
Without Donor Restriction:		
Board Designated Stewardship Reserve Fund	371,111	371,111
Board Designated Public Lands Management	34,221	53,121
Property, Equipment and Leasehold Improvements	57,343,606	56,304,254
Undesignated - Available for Operations	3,269,953	2,604,644
Total Without Donor Restriction	<u>61,018,891</u>	<u>59,333,130</u>
With Donor Restriction	4,003,472	3,747,898
Total Net Assets	<u>65,022,363</u>	<u>63,081,028</u>
Total Liabilities and Net Assets	<u>\$ 65,339,556</u>	<u>\$ 63,407,223</u>

See notes to financial statements.

NORTHWEST CONNECTICUT LAND CONSERVANCY, INC.

STATEMENTS OF ACTIVITIES
YEARS ENDED DECEMBER 31, 2022 AND 2021

	2022			2021		
	Without Donor Restriction	With Donor Restriction	Total	Without Donor Restriction	With Donor Restriction	Total
Revenue, Gains and Other Changes						
Contributions - Conservation Land and Easements	\$ 1,553,102	\$ -	\$ 1,553,102	\$ 748,502	\$ -	\$ 748,502
Contributions - Cash and Contributions Receivable	919,352	791,089	1,710,441	1,054,271	214,970	1,269,241
Grants	149,000	-	149,000	124,000	-	124,000
Program Service Income	9,381	-	9,381	28,664	-	28,664
Rental Income	24,900	-	24,900	36,261	-	36,261
Investment Return	(221,375)	(349,269)	(570,644)	205,899	334,975	540,874
Other Income	183,541	-	183,541	21,421	-	21,421
Special Events Revenue	393,470	-	393,470	549,592	-	549,592
Special Events Direct Benefit to Donors	(178,755)	-	(178,755)	(190,842)	-	(190,842)
Total	2,832,616	441,820	3,274,436	2,577,768	549,945	3,127,713
Net Assets Released from Restrictions	186,246	(186,246)	-	349,257	(349,257)	-
Total Revenue, Gains and Other Changes	3,018,862	255,574	3,274,436	2,927,025	200,688	3,127,713
Expenses						
Programs:						
Stewardship	375,953	-	375,953	373,966	-	373,966
Education and Outreach	544,804	-	544,804	360,782	-	360,782
Acquisitions	189,161	-	189,161	165,066	-	165,066
Partnership	98,530	-	98,530	74,270	-	74,270
Total Programs	1,208,448	-	1,208,448	974,084	-	974,084
Management and General	96,960	-	96,960	181,021	-	181,021
Fundraising	27,693	-	27,693	67,514	-	67,514
Total Expenses	1,333,101	-	1,333,101	1,222,619	-	1,222,619
Change in Net Assets	1,685,761	255,574	1,941,335	1,704,406	200,688	1,905,094
Net Assets - Beginning of Year	59,333,130	3,747,898	63,081,028	57,628,724	3,547,210	61,175,934
Net Assets - End of Year	\$ 61,018,891	\$ 4,003,472	\$ 65,022,363	\$ 59,333,130	\$ 3,747,898	\$ 63,081,028

See notes to financial statements.

NORTHWEST CONNECTICUT LAND CONSERVANCY, INC.

STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
Cash Flows from Operating Activities		
Change in Net Assets	\$ 1,941,335	\$ 1,905,094
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation and Amortization	9,358	12,375
Unrealized Loss (Gain) on Investments	708,211	(435,508)
Gain on the Sale of Property and Equipment	(152,353)	-
Contributions of Conservation Land and Easements	(1,553,102)	(748,502)
Contributions Restricted for Long-Term Investment	(17,000)	(10,000)
Change in:		
Contributions and Other Receivables	(609,392)	(19,913)
Prepaid Expenses	(27,465)	10,935
Accounts Payable and Accrued Expenses	(7,002)	(36,855)
Refundable Advances - PPP	-	(142,192)
Security Deposit	(2,000)	(1,800)
Net Cash Provided by Operating Activities	<u>290,590</u>	<u>533,634</u>
Cash Flows from Investing Activities		
Purchase of Investments	(164,284)	(874,624)
Proceeds from Sale of Property and Equipment	447,865	-
Net Cash Provided (Used) by Investing Activities	<u>283,581</u>	<u>(874,624)</u>
Cash Flows from Financing Activities		
Proceeds From Restricted Contributions	<u>17,000</u>	<u>10,000</u>
Net Increase (Decrease) in Cash and Cash Equivalents	591,171	(330,990)
Cash and Cash Equivalents - Beginning of Year	<u>594,461</u>	<u>925,451</u>
Cash and Cash Equivalents - End of Year	<u>\$ 1,185,632</u>	<u>\$ 594,461</u>

See notes to financial statements.

NORTHWEST CONNECTICUT LAND CONSERVANCY, INC.

STATEMENTS OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2022

	Program Services				Supporting Services		Total
	Stewardship	Education and Outreach	Acquisitions	Partnership	Management General	Development and Fundraising	
Personnel Costs	\$ 204,974	\$ 309,402	\$ 93,031	\$ 76,207	\$ 42,435	\$ 15,762	\$ 741,811
Consulting and Outside Services	72,413	132,741	80,599	1,033	4,834	1,255	292,875
Lease Expense	14,742	21,694	6,564	5,382	2,677	1,108	52,167
Insurance	27,890	12,320	3,728	3,056	1,519	629	49,142
Land Maintenance	40,691	79	-	-	-	-	40,770
Professional Fees	525	773	234	192	37,809	40	39,573
Office Expenses	6,019	22,571	1,833	223	1,653	2,783	35,082
Printing	55	13,781	-	1,575	-	4,080	19,491
Utilities	3,925	4,382	1,326	1,087	540	224	11,484
Event Expenses	-	10,958	-	34	-	-	10,992
Travel and Meals	1,301	6,217	222	2,194	4	193	10,131
Depreciation and Amortization	2,644	3,891	1,177	965	482	199	9,358
Dues and Memberships	-	-	-	6,553	-	-	6,553
Credit Card and Other Fees	14	-	430	4	5,007	59	5,514
Postage and Shipping	118	3,829	17	25	-	1,361	5,350
Advertising	-	1,322	-	-	-	-	1,322
Meetings	5	844	-	-	-	-	849
Vehicle Expense	637	-	-	-	-	-	637
Total Functional Expenses	\$ 375,953	\$ 544,804	\$ 189,161	\$ 98,530	\$ 96,960	\$ 27,693	\$ 1,333,101

See notes to financial statements.

NORTHWEST CONNECTICUT LAND CONSERVANCY, INC.

STATEMENTS OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2021

	Program Services				Supporting Services		Total
	Stewardship	Education and Outreach	Acquisitions	Partnership	Management General	Development and Fundraising	
Personnel Costs	\$ 209,003	\$ 250,000	\$ 74,965	\$ 58,129	\$ 120,672	\$ 42,674	\$ 755,443
Consulting and Outside Services	50,511	37,390	48,122	416	333	3,121	139,893
Lease Expense	13,117	16,396	5,622	4,685	3,748	3,279	46,847
Insurance	25,838	10,880	3,730	3,109	4,340	2,176	50,073
Land Maintenance	52,768	42	-	-	-	-	52,810
Professional Fees	10,388	741	29,363	859	39,585	148	81,084
Office Expenses	954	7,301	380	316	2,701	1,169	12,821
Printing	-	13,463	-	-	-	10,084	23,547
Utilities	4,680	1,884	646	831	430	377	8,848
Event Expenses	-	4,122	-	100	-	-	4,222
Travel and Meals	1,063	2,235	459	30	6	86	3,879
Depreciation and Amortization	3,465	4,331	1,485	1,237	991	866	12,375
Dues and Memberships	250	454	-	4,500	-	-	5,204
Credit Card and Other Fees	1,251	4,813	183	-	7,740	1,240	15,227
Postage and Shipping	163	4,462	3	58	3	2,294	6,983
Advertising	-	315	-	-	-	-	315
Meetings	-	1,953	-	-	472	-	2,425
Vehicle Expense	515	-	-	-	-	-	515
Property Taxes	-	-	108	-	-	-	108
Total Functional Expenses	\$ 373,966	\$ 360,782	\$ 165,066	\$ 74,270	\$ 181,021	\$ 67,514	\$ 1,222,619

See notes to financial statements.

NORTHWEST CONNECTICUT LAND CONSERVANCY, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2022 AND 2021

NOTE 1 - NATURE OF OPERATIONS

Northwest Connecticut Land Conservancy, Inc. (the Land Trust) is a non-profit land trust that promotes the permanent protection of natural areas, fish and wildlife, and working farmland through the acquisition and stewardship of conservation lands. The Land Trust accepts both contributions of title to property and contributions of conservation easements, which are then monitored. Sources of revenue include contributions and special fundraising events, investment earnings, grants, lease income, and fees for certain services related to land preservation.

Program Services

The Land Trust offers various programs designated to fulfill its mission.

Acquisitions

As Connecticut's largest land trust and the 12th largest in the nation, the Land Trust protects 13,300 acres (and growing) of vast, connected natural areas in Litchfield and northern Fairfield Counties. The Land Trust's conserved lands include 21 public hiking preserves, 49 working farms, over 3,000 acres of habitat for rare, threatened, and endangered species, and 45 miles of rivers, lakes, and streams. The Land Trust is Connecticut's land acquisition leader, protecting more properties for conservation each year than any other organization statewide. Over the course of the Land Trust's history, it has conserved on average 9 properties a year.

Education and Outreach

The Land Trust's conserved lands serve a resident population of 200,000 people. Each year, the Land Trust provides free educational and recreational programming to more than 2,000 people. These programs are designed to connect people to nature and help demonstrate benefits of natural and working lands. The Land Trust's programs include guided hikes, lectures, and other free public events. In addition, the Land Trust provides internship and volunteer opportunities which include education as a leading component. Lastly, the Land Trust also works in partnership with local libraries, schools, and education-based non-profits to reach further into the communities served and create opportunities for discussions on environmental topics for all ages and physical abilities.

Stewardship

The Land Trust's stewardship program ensures the conserved properties are protected and cared for in perpetuity. The Land Trust's staff perform annual inspections of each conservation property to confirm there are no encroachments or violations and the conservation values are protected. The Land Trust defends its conservation interests when necessary. In addition, the Land Trust maintains 21 public preserves and manages, leases, or protects through fee ownership and easement 42 working farms. Stewardship also entails invasive plant removal, building maintenance, active protection for rare and endangered species, land maintenance, such as mowing and hazard tree removal, and water quality testing and protection.

NORTHWEST CONNECTICUT LAND CONSERVANCY, INC.

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

NOTE 1 - NATURE OF OPERATIONS (CONTINUED)

Program Services (continued)

Partnership

The Land Trust safeguards natural lands and waters, conserves working farmland, and creates healthy communities by connecting people to nature. In working to achieve its mission, the Land Trust invests in regional partnerships that foster conservation, support the work of partner land trusts, towns and government agencies, and provide conservation benefits to the communities served. Annually, the Land Trust provides hundreds of hours of staff support to its nonprofit and governmental partners for acquisitions, advocacy, education and trainings, events, grant writing, and stewardship. The Land Trust's staff serve in leadership positions with the Connecticut Land Conservation Council, Land Trust Accreditation Commission, Land Trust Alliance Conservation Defense Advisory Council, Litchfield Hills Greenprint Collaborative, and Working Lands Alliance. The Land Trust also convenes Meet Your Greens, Litchfield County's Green Drinks, a monthly gathering for environmental professionals and enthusiasts.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Newly Adopted Accounting Standard

Effective January 1, 2022, the Land Trust adopted Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2016-02 (ASU 2016-02), *Leases (Topic 842)*. Under ASU 2016-02, lessees are required to recognize assets and liabilities on the statements of financial position for most leases and provide enhanced disclosures. The Land Trust adopted ASU 2016-02 using the modified retrospective transition approach and using the additional (and optional) transition method provided by FASB ASU 2018-11, *Leases (Topic 842): Targeted Improvements*. The Land Trust did not restate prior comparative periods as presented under FASB Accounting Standards Codification (ASC) 840, *Leases*, and instead evaluated whether a cumulative effect adjustment to net assets as of January 1, 2022 was necessary for the cumulative impact of adoption of ASU 2016-02. There was no significant impact of adopting ASU 2016-02 as of January 1, 2022 as the Land Trust only had one short-term lease as of that date. As such, no cumulative effect adjustment to net assets was necessary. ASU 2016-02 did not have a significant effect on the results of operations or cash flows for the year ended December 31, 2022.

As part of the transition, Land Trust elected to apply the following practical expedients:

- Election not to reassess whether any expired or existing contracts are or contain leases;
- Election not to assess the lease classification for any expired or existing leases;
- Election not to assess initial direct costs on any existing leases;
- Election not to record right-of-use assets (ROU Assets) and corresponding lease liabilities for short-term leases with a lease term of 12 months or less, but greater than 1 month. Leases of 1 month or less are not included in short-term lease costs; and
- Election to continue to treat expired or existing land easements in accordance with other standards, by not applying the new lease standard at transition.

NORTHWEST CONNECTICUT LAND CONSERVANCY, INC.

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation

The financial statements of the Land Trust have been prepared on the accrual basis in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP) which require the Land Trust to report information regarding its financial position and activities according to the following net asset classifications:

Net Assets Without Donor Restriction

Net assets without donor restriction consist of net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Land Trust. These net assets may be used at the discretion of the Land Trust's board of directors.

Net Assets With Donor Restriction

Net assets with donor restriction consist of net assets subject to stipulations imposed by donors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Land Trust or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity and that only the income from investment thereof be expended either for general purposes or purposes specified by the donor.

Donor restricted contributions are reported as an increase in net assets with donor restriction. When a restriction expires or the restricted purpose is satisfied, net assets are reclassified from net assets with donor restriction to net assets without donor restriction in the statements of activities.

Revenue Recognition

The Land Trust recognizes contributions when cash, securities, an unconditional promise to give, or other assets, are received. Conditional promises to give, that is, those with measurable performance or other barriers and right of return, are not recognized until the conditions on which they depend have been met.

The Land Trust recognizes program service income and event fees at a point in time, when they have satisfied their performance obligations, which is when the program or event takes place. Amounts received prior to the performance of the programs or events are reported as revenues received in advance and deposits in the statements of financial position.

The Land Trust enters into contracts to provide services to partner land trusts and the state of Connecticut. The payment terms and conditions in the contracts require payment to be received when billed. When the timing of the Land Trust's delivery of services is different from the timing of payments made by customers the Land Trust recognizes a contract liability (payment precedes performance) until the performance obligations are satisfied. Contracts with payments in arrears are recognized as receivables.

NORTHWEST CONNECTICUT LAND CONSERVANCY, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2022 AND 2021

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition (continued)

At contract inception the Land Trust assesses the services promised to its customers and identifies a performance obligation for each promise to transfer to the customer a service (or bundle of goods or services) that is distinct. To identify the performance obligations, the Land Trust considers all of the services promised in the contract regardless of whether they are explicitly stated or implied by customary business practices. The Land Trust determined that the following distinct services represent separate performance obligations:

- Property Inspections
- Baseline Document Reports
- Surveys
- Appraisals

The Land Trust satisfies its performance obligations at a point in time when performed. The stated rates do not vary over the contracts; therefore the contracts do not contain variable consideration. The Land Trust does not require deposits on contracts or offer discounts for early payment. The Land Trust does not provide customers with a right to a refund.

Contributions

Contributions received or promises to give without donor-imposed restrictions are determined to be support without donor restriction and are reflected in the accompanying financial statements as contributions and promises to give. Contributions received or promises to give with donor-imposed restrictions are determined to be support with donor restriction in the accompanying financial statements. Contributions or promises to give with donor-imposed conditions are not recognized as contributions or promises to give in the accompanying financial statements until the period when the conditions are met.

Contributions receivable that are expected to be received within one year of the financial statement date are reflected at their net realizable value (the gross amount of contributions receivable, net of an allowance for uncollectible amounts). Contributions receivable that are expected to be collected more than one year after the financial statement date are reflected at the present value of their estimated future cash flows using a discount rate at the date the promise to give is received commensurate with risks involved.

Contributed Goods or Services

Goods or services have been provided by volunteers who contribute their time to the Land Trust. Contributions are recognized if the goods or services received either create or enhance nonfinancial assets or require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. During each of the years ended December 31, 2022 and 2021, no contributed goods or services were received by the Land Trust that meet the above criteria.

NORTHWEST CONNECTICUT LAND CONSERVANCY, INC.

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

Cash and cash equivalents include cash in banks and certain highly liquid investments with original maturities of 90 days or less, exclusive of amounts held by brokers, which are considered to be investments.

Receivables

Receivables represent amounts due from attendees and sponsors of special events. Management has determined an allowance for doubtful accounts is not necessary at December 31, 2022 and 2021. Accounts receivable as of December 31, 2020 was \$-0-.

Investment Valuation and Income Recognition

Investments are reported at fair value. Fair value is the price 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. See Note 5 for a discussion of fair value measurements.

Purchases and sales of securities are recorded on the trade date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date. Realized and unrealized gains include the Land Trust's gains and losses on investments bought and sold as well as held during the year, and are reported in the statements of activities as increases or decreases in net assets without donor restriction or net assets with donor restriction as appropriate based on explicit donor stipulations or by law.

Property, Equipment and Leasehold Improvements

Property, equipment and leasehold improvements are stated at cost or, in the case of contributed assets, at their fair market value at the date of receipt as determined by the Land Trust. Property and equipment acquisitions and improvements are depreciated on a straight-line basis over their estimated useful lives of 5 to 39 years. Leasehold improvements are amortized over the shorter of the useful life or the remaining life of the lease. Repairs and maintenance are charged to expense as incurred.

NORTHWEST CONNECTICUT LAND CONSERVANCY, INC.

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Conservation Land and Easements

Purchased land is recorded at cost.

Donated land and conservation easements are recorded as net assets without donor restriction. Donated properties are valued at estimated fair value and recorded on the date the deed is filed in the municipal land records. All conservation easements acquired are valued at one dollar and recorded by the Land Trust on the date the deed restriction is filed in the municipal land records. Contributions of funds for stewardship and defense of land and easements are reported as net assets with donor restriction until utilized for the restricted purpose. It is the Land Trust's policy to place these contributions in the Stewardship Reserve Fund. The Stewardship Reserve Fund is classified as a quasi-endowment net asset with donor restriction.

Functional Expense Allocation

The costs of providing the various programs and other activities of the Land Trust have been summarized on a functional basis in the statements of functional expenses. Accordingly, certain costs have been allocated among the program and supporting services benefited. The expenses that are allocated include compensation and benefits which are allocated on the basis of estimates of time and effort. Any other costs that cannot be specifically identified to a functional area are allocated based on the percentage of total compensation and benefits.

Leases

The Land Trust accounts for leases in accordance with ASU 2016-02. The Land Trust leases its office space on a month-to-month basis (see Note 14). The Land Trust is also a lessor to tenants under various operating leases (see Note 16). Leases for other equipment are evaluated using the criteria outlined in ASC 842 to determine whether they will be classified as an operating lease or finance lease. The Land Trust determines if an arrangement is a lease, or contains a lease, at inception of a contract and when terms of an existing contract are changed. The Land Trust determines if an arrangement conveys the right to use an identified asset and whether the Land Trust obtains substantially all of the economic benefits from and has the ability to direct the use of the asset. The Land Trust recognizes a lease liability and ROU Asset at the commencement date of leases.

Accounting Policy Election for Short-Term Leases

The Land Trust has elected for all underlying classes of assets, to not recognize ROU Assets and lease liabilities for short-term leases that have a lease term of 12 months or less, but greater than 1 month at lease commencement, and do not include an option to purchase the underlying asset that the Land Trust is reasonably certain to exercise. The Land Trust recognizes lease cost associated with their short-term leases on a straight-line basis over the lease term.

NORTHWEST CONNECTICUT LAND CONSERVANCY, INC.

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Taxes

The Land Trust qualifies as a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes is included in the accompanying financial statements.

Subsequent Events

Management has evaluated all transactions and events that occurred through August 22, 2023, the date these financial statements were available to be issued. Through that date, there were no material events that would require recognition or additional disclosure in the financial statements.

NOTE 3 - CONCENTRATIONS OF RISK

Cash and Cash Equivalents

The Land Trust maintains cash accounts with credit-quality institutions. Cash accounts are insured up to \$250,000 by the Federal Deposit Insurance Corporation. At times during the year, the cash balances may have exceeded the insured limits. However, management believes that the Land Trust's deposits are not subject to significant credit risk.

Investments

The Land Trust's invested assets consist of equities, equity funds, and money market funds. Investment securities are exposed to various risks, including interest rate, market and credit risks. Due to the level of uncertainty related to changes in interest rates, credit and market volatility, it is at least reasonably possible that changes could materially affect the fair value of investments reported in the statements of financial position as of December 31, 2022 and 2021.

Contingencies

The Land Trust can be party to lawsuits arising in the ordinary course of business. Management believes the Land Trust has adequate insurance to reduce its risk of loss. The Land Trust accrues for loss contingencies when the matter becomes known, is deemed a probable loss and can be reasonably estimated. No accrual for a loss contingency was considered necessary at December 31, 2022 and 2021.

NORTHWEST CONNECTICUT LAND CONSERVANCY, INC.

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021**

NOTE 4 - LIQUIDITY AND AVAILABILITY OF RESOURCES

The Land Trust's financial assets available within one year of the statements of financial position date for general expenditure are as follows:

	<u>2022</u>	<u>2021</u>
Cash and Cash Equivalents	\$ 1,185,632	\$ 594,461
Investments	2,650,844	3,038,933
Contributions and Other Receivables	<u>135,286</u>	<u>52,483</u>
Total Financial Assets Available	<u>3,971,762</u>	<u>3,685,877</u>
Less Amounts Unavailable for General Expenditures Within One Year, Due to:		
Restricted by Donors With Purpose Restriction	<u>(198,218)</u>	<u>(167,568)</u>
Total Financial Assets Available to Management for General Expenditure Within One Year	<u>\$3,773,544</u>	<u>\$3,518,309</u>

The Land Trust regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. The Land Trust has various sources of liquidity at its disposal, including cash and cash equivalents and investments.

For purposes of analyzing resources available to meet general expenditures over a 12-month period, The Land Trust considers all expenditures related to its ongoing activities to operate the land, as well as the conduct of services undertaken to support those activities, to be general expenditures.

In addition to financial assets available to meet general expenditures over the next 12 months, the Land Trust operates with a cash flow budget and anticipates collecting sufficient revenue to cover general expenditures. Refer to the statements of cash flows which identifies the sources and uses of the Land Trust's cash and shows positive cash generated by operations for fiscal years 2022 and 2021.

NOTE 5 - FAIR VALUE MEASUREMENTS

U.S. GAAP has established a definition and framework for measuring fair value and disclosure about fair value measurements. That framework provides a fair value hierarchy that prioritizes the inputs used to measure fair value, requiring the Land Trust to maximize the use of markets or observable inputs. Observable inputs reflect market data obtained from independent sources, while unobservable inputs generally require significant management judgment.

NORTHWEST CONNECTICUT LAND CONSERVANCY, INC.

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021**

NOTE 5 - FAIR VALUE MEASUREMENTS (CONTINUED)

The three levels of the fair value hierarchy are as follows:

- Level 1 - Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Land Trust has the ability to access.
- Level 2 - Inputs to the valuation methodology include:
 - Quoted prices for similar assets or liabilities in active markets;
 - Quoted prices for identical or similar assets or liabilities in inactive markets;
 - Inputs other than quoted prices that are observable for the asset or liability;
 - Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

- Level 3 - Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The following is a description of the valuation methodologies used for financial instruments measured at fair value:

Money Market and Exchange Traded Funds

Money market and exchange traded funds are valued at the quoted net asset value of shares reported in the active market in which the funds are traded.

There have been no changes in the methodologies used at December 31, 2022 and 2021.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Land Trust believes its valuation methods are appropriate and consistent with 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 of all assets are determined using quoted prices for identical assets in active markets in which the Land Trust has access (Level 1). There were no transfers between levels of investments during the years ended December 31, 2022 and 2021.

NORTHWEST CONNECTICUT LAND CONSERVANCY, INC.

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021**

NOTE 5 - FAIR VALUE MEASUREMENTS (CONTINUED)

Investments at fair value as of December 31, 2022 and 2021 consist of the following:

	<u>2022</u>	<u>2021</u>
Money Market Funds	\$1,814,869	\$1,750,753
Exchange Traded Funds	<u>4,097,229</u>	<u>4,705,272</u>
Total Investments at Fair Value	<u>\$5,912,098</u>	<u>\$6,456,025</u>

NOTE 6 - CONTRIBUTIONS RECEIVABLE

The Land Trust initiated a capital campaign during the year ended December 31, 2022 for general operation purposes. The capital campaign is intended to enhance the Land Trust's long-term operational capabilities and support strategic goals. As of December 31, 2022, the capital campaign has raised a total of \$1,146,589 in cash and contributions receivable.

Contributions receivable consist of the following at December 31, 2022:

Due in Less Than 1 Year	\$ 100,000
Due in 1 to 5 Years	455,000
Thereafter	<u>225,000</u>
Total	780,000
Less: Discount to Net Present Value	<u>(153,411)</u>
Contributions Receivable	<u>\$ 626,589</u>

Contributions receivable are recorded at their present value using an 5% discount rate at December 31, 2022. There were no contributions receivable at December 31, 2021.

NOTE 7 - REFUNDABLE ADVANCE

The Land Trust received Paycheck Protection Program (PPP) loans totaling \$261,825 granted by the Small Business Administration (SBA) under the Coronavirus Aid, Relief, and Economic Security Act (CARES Act). The Land Trust's management considers the PPP loans to be conditional contributions, with a right of return in the form of an obligation to be repaid if barriers to entitlement are not met. These barriers include incurring qualifying expenses and maintaining certain levels of employee headcount and salary during a measurement period. The Land Trust's management considers the review of the Land Trust's application for forgiveness by the lender and the SBA, as well as potential audits, to be administrative in nature rather than barriers to entitlement.

In August 2021, the Land Trust's management applied for and received full forgiveness on all PPP loans. For the year ended December 31, 2021, the Land Trust recognized contributions of \$261,825 in the accompanying statements of activities.

NORTHWEST CONNECTICUT LAND CONSERVANCY, INC.

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021**

NOTE 8 - NOTE PAYABLE

The Land Trust has a note payable agreement with The Peter and Carmen Lucia Buck Foundation, Inc. for \$250,000 (the Note Payable). Proceeds from the Note Payable were used to fund the purchase of a parcel of West Aspetuck land. Effective January, 2020, interest on the Note Payable is calculated at .25% per year compounded annually through its maturity in December 2024. No payments are due until maturity. The Note Payable is secured by the property located in Kent, Connecticut.

NOTE 9 - EMPLOYEE BENEFIT PLAN

The Land Trust has a Simple IRA plan (Saving Incentive Match Plan for Employees) (the Plan). Under the Plan's adoption agreement, the Land Trust agreed to match participant contributions up to three percent of the eligible employee's compensation. Participants may contribute up to the yearly maximum allowed by the Internal Revenue Code. The Land Trust contributed matching funds to the Plan for its employees of \$14,680 and \$16,090 for the years ended December 31, 2022 and 2021, respectively.

NOTE 10 - NET ASSETS WITH DONOR RESTRICTION

Net assets with donor restriction consist of the following at December 31, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Subject to Expenditure for Specific Purposes:		
Program Activities:		
Stewardship Reserve Fund	\$ 835,780	\$ 863,176
General Endowment	2,342,885	2,717,154
Other Conservation Funds	198,218	167,568
Subject to Time Restriction	<u>626,589</u>	<u>-</u>
 Total Net Assets with Donor Restriction	 <u>\$4,003,472</u>	 <u>\$3,747,898</u>

Included in the general endowment is an endowment fund of \$2,100,000 created by the Land Trust to provide long-term general operating support to the Land Trust. There were no contributions to the perpetual endowment during the years ended December 31, 2022 and 2021. The general endowment also includes partnership funds that are not subject to perpetual restriction and may be spent based upon the donors' intent.

Land Held for Conservation

The Land Trust accepted three fee simple gifts totaling 171.485 acres of land in New Milford and Washington, Connecticut, during 2022 with an estimated fair value of \$1,553,100

The Land Trust accepted two fee simple gifts totaling 87.787 acres of land in Bridgewater and Washington, Connecticut, during 2021 with an estimated fair value of \$748,500.

NORTHWEST CONNECTICUT LAND CONSERVANCY, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2022 AND 2021

NOTE 11 - LAND AND CONSERVATION EASEMENTS

Conservation Easements

The Land Trust accepted two conservation easements for each of the years ended December 31, 2022 and 2021. The Land Trust has 218 and 216 easements incorporating over 6,300 acres as of December 31, 2022 and 2021, respectively.

NOTE 12 - ENDOWMENT

The Land Trust's endowment includes donor-restricted endowment funds. As required by U.S. GAAP, net assets associated with endowment funds, including funds designated by the board of directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

The board of directors of the Land Trust has interpreted the Connecticut Prudent Management of Institutional Funds Act (CTPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds, absent explicit donor stipulations to the contrary. As a result of this interpretation, the Land Trust classifies as net assets with donor restrictions (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

The remaining portion of the donor-restricted endowment fund that is not classified in permanent endowment is classified as net assets with donor restriction until those amounts are appropriated for expenditure by the Land Trust in a manner consistent with the standard of prudence prescribed by CTPMIFA.

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

- The duration and preservation of the fund
- The purposes of the Land Trust 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 Land Trust
- The investment policies of the Land Trust

NORTHWEST CONNECTICUT LAND CONSERVANCY, INC.

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021**

NOTE 12 - ENDOWMENT (CONTINUED)

Endowment Net Assets

Endowment net asset composition by type of fund as of December 31, 2022 is as follows:

	Without Donor Restriction	With Donor Restriction	Total
Donor-Restricted Endowment Funds			
Required to be Maintained In Perpetuity	\$ -	\$2,100,000	\$2,100,000
Accumulated Investment Loss	-	(82,590)	(82,590)
Partnership Fund	-	325,475	325,475
Total	\$ -	\$2,342,885	\$2,342,885

Endowment net asset composition by type of fund as of December 31, 2021 is as follows:

	Without Donor Restriction	With Donor Restriction	Total
Donor-Restricted Endowment Funds			
Required to be Maintained In Perpetuity	\$ -	\$2,100,000	\$2,100,000
Accumulated Investment Gains	-	213,678	213,678
Partnership Fund	-	403,476	403,476
Total	\$ -	\$2,717,154	\$2,717,154

Changes in endowment net assets for the years ended December 31, 2022 and 2021 are as follows:

	Without Donor Restriction	With Donor Restriction	Total
Endowment Net Assets - January 1, 2021	\$ -	\$2,553,925	\$2,553,925
Investment Return	-	334,975	334,975
Appropriation of Endowment Assets for Expenditure	-	(171,746)	(171,746)
Endowment Net Assets - December 31, 2021	-	2,717,154	2,717,154
Investment Return	-	(349,269)	(349,269)
Appropriation of Endowment Assets for Expenditure	-	(25,000)	(25,000)
Endowment Net Assets - December 31, 2022	\$ -	\$2,342,885	\$2,342,885

NORTHWEST CONNECTICUT LAND CONSERVANCY, INC.

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021**

NOTE 12 - ENDOWMENT (CONTINUED)

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 CTPMIFA requires the Land Trust to retain as a fund of perpetual duration. The Land Trust has a policy that permits spending from underwater endowment funds depending on the degree to which the fund is underwater, unless otherwise precluded by donor intent or relevant laws and regulations. As of December 31, 2022, the total of value of original gifts is \$2,100,000, and the fair value of investments associated with underwater funds is \$2,017,410, resulting in a deficiency of \$82,590. There were no funds with deficiencies as of December 31, 2021.

Return Objectives and Risk Parameters

The Land Trust has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Under this policy, endowment assets are to be invested with the objectives of preserving capital, achieving an inflation-adjusted return that will preserve the long-term, real purchasing power of assets and providing a predictable and growing stream of annual distributions in support of the Land Trust.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the Land Trust relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Land Trust targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Spending Policy and How the Investment Objectives Relate to Spending Policy

The Land Trust has a policy of appropriating for distribution each year no more than 5% of its endowment fund's average fair value without specific board approval. In establishing this policy, the Land Trust considered the long-term expected return on its endowment and expected rate of inflation.

The Land Trust has adopted a spending rate for the Partnership Fund that allows for an annual distribution of 5% of the original gift plus all interest and dividends plus 50% of realized and unrealized gains and losses for the support of regional partnerships during the year ended December 31, 2021. The Land Trust only allowed the annual distribution of 5% of the original gift during the year ended December 31, 2022.

NORTHWEST CONNECTICUT LAND CONSERVANCY, INC.

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021**

NOTE 13 - STEWARDSHIP RESERVE FUND

The Stewardship Reserve Fund (SRF) operates as a quasi-endowment and consists of board designated and donor funds that are restricted for purpose. The SRF consists of contributions with donor restriction for stewardship, monitoring, and enforcement of the Land Trust's conservation easements and fee-owned lands. The SRF is invested, managed, and disbursed in accordance with policies established by the Land Trust's board of directors. In addition to restricted contributions, the SRF also contains some investment income reinvested over prior years.

Contributions of funds for stewardship and defense of land and easements are reported as additions to the SRF and as support with donor restrictions. The earnings generated by the SRF are reported as income without donor restriction.

The Land Trust has adopted a spending rate for the SRF that allows for an annual distribution of between three and five percent of the average value of the fund's assets for easement and fee land stewardship, enforcement and defense, and monitoring expenses.

The SRF activity for the years ended December 31, 2022 and 2021 are as follows:

	Without Donor Restriction	With Donor Restriction	Total
Endowment Net Assets - January 1, 2021	\$371,111	\$898,124	\$1,269,235
Contributions	-	10,000	10,000
Net Assets Released from Restrictions	<u>-</u>	<u>(44,948)</u>	<u>(44,948)</u>
Endowment Net Assets - December 31, 2021	<u>371,111</u>	<u>863,176</u>	<u>1,234,287</u>
Contributions	-	17,000	17,000
Net Assets Released from Restrictions	<u>-</u>	<u>(44,396)</u>	<u>(44,396)</u>
Endowment Net Assets - December 31, 2022	<u>\$371,111</u>	<u>\$835,780</u>	<u>\$1,206,891</u>

NOTE 14 - RELATED PARTY TRANSACTIONS

The Land Trust leases office space in Kent, Connecticut, from a limited liability company, of which the president of the board of directors served as a member through May 2021. The lease terminated on January 31, 2021 and is on a month-to-month basis. The Land Trust paid lease payments of \$3,756 per month through September 2022 and \$3,869 through December 2022, plus a portion of common area maintenance, which is a fair value lease.

The total lease expense for the years ended December 31, 2022 and 2021 were \$52,167 and \$46,847, respectively. As of December 31, 2022 and 2021, there were no amounts due to the related party.

NORTHWEST CONNECTICUT LAND CONSERVANCY, INC.

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021**

NOTE 15 - REVENUES FROM CONTRACTS WITH CUSTOMERS

Disaggregated Revenue

For the years ended December 31, 2022 and 2021, the Land Trust's revenues recognized at a point in time were \$402,851 and \$578,256, respectively.

The Land Trust's revenues, results of activities, and cash flows are affected by a wide variety of factors, including general economic conditions and geographical region that they serve.

NOTE 16 - LEASE INCOME

The Land Trust leases approximately 145 acres of land including barns and storage buildings for farming and other agricultural activities. The lease had a 60-month term ending December 31, 2022. Payments of \$600 are due monthly, and has continued on a month to month basis.

The Land Trust leases approximately 80 acres of land including barns and storage buildings for farming and other agricultural activities. The lease had a 60-month term ended December 31, 2021. Payments of \$4,800 were due annually. In December 2021, the lease was renewed for another 60-month term and amended to change lease payments to quarterly payments of \$1,350. The amended lease allows the Land Trust to approve certain work projects to be performed by the tenants in lieu of lease payments.

The Land Trust leases approximately 10 acres of land for hay production. The lease has a 60-month term ending January 20, 2026, with an option for a five-year renewal. Payments of \$400 are due annually.

The Land Trust leased a house effective March 2021 expiring September 14, 2022 for \$2,000 per month. The lease was terminated on July 14, 2022. The house was sold in September 2022.

Total lease income was \$24,900 and \$36,261 for the years ended December 31, 2022 and 2021, respectively.

Future minimum lease payments for each of the next five years are as follows:

Years Ending December 31,

2023	\$ 5,800
2024	5,800
2025	5,800
2026	<u>5,400</u>
Total	<u>\$22,800</u>

NORTHWEST CONNECTICUT LAND CONSERVANCY, INC.

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021**

NOTE 17 - SUBSEQUENT EVENTS

On June, 1, 2023, the Land Trust entered into a new lease for office space in Kent, Connecticut, expiring May 31, 2028. The annual base rent is \$53,592.

On June, 1, 2023, the Land Trust entered into a new lease for additional office space and storage space in Kent, Connecticut, expiring May 31, 2028. The annual base rent is \$31,698.

Subsequent to December 31, 2022, the Land Trust is under contract to purchase one easement of 5,500 acres and property of 117.235 acres totaling \$2,485,000. The Land Trust also created a single member LLC to facilitate the potential acquisition of land in the future.

On July 31, 2023, the Land Trust formed a wholly owned subsidiary Green Terra, LLC to facilitate the future acquisition of conservation land in Northwestern Connecticut.