



**NORTHWEST CONNECTICUT LAND
CONSERVANCY, INC. AND SUBSIDIARY**

Consolidated Financial Statements

Years Ended December 31, 2023 and 2022

NORTHWEST CONNECTICUT LAND CONSERVANCY, INC. AND SUBSIDIARY

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Independent Auditor's Report

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

Opinion

We have audited the accompanying consolidated financial statements of Northwest Connecticut Land Conservancy, Inc. and Subsidiary (the Land Trust) which comprise the consolidated statements of financial position as of December 31, 2023 and 2022, and the related consolidated statements of activities, cash flows, and functional expenses for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Land Trust as of December 31, 2023 and 2022, 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 Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated 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 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 Land Trust's ability to continue as a going concern for one year after the date that the consolidated financial statements are issued.

Auditor's 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 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 consolidated 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 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 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 consolidated 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
September 11, 2024

NORTHWEST CONNECTICUT LAND CONSERVANCY, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2023 AND 2022

	<u>2023</u>	<u>2022</u>
ASSETS		
<u>Current Assets</u>		
Cash and Cash Equivalents	\$ 5,439,970	\$ 1,185,632
Investments	2,748,741	2,733,433
Contributions and Other Receivables	766,334	870,755
Prepaid Expenses	60,000	27,465
Total Current Assets	<u>9,015,045</u>	<u>4,817,285</u>
<u>Property, Equipment and Leasehold Improvements</u>		
Building	192,200	192,200
Equipment	26,731	26,731
Leasehold Improvements	14,283	14,283
Construction in Progress	34,827	-
	<u>268,041</u>	<u>233,214</u>
Accumulated Depreciation and Amortization	(57,387)	(51,877)
Conservation Land and Easements	<u>60,462,150</u>	<u>57,162,269</u>
Net Property, Equipment and Leasehold Improvements	<u>60,672,804</u>	<u>57,343,606</u>
<u>Other Assets</u>		
Other Donor Restricted Investments	1,192,829	1,161,255
Donor Restricted Investments in Perpetuity	2,100,000	2,017,410
Right-of-Use Asset - Operating Lease	852,013	-
Total Other Assets	<u>4,144,842</u>	<u>3,178,665</u>
Total Assets	<u>\$ 73,832,691</u>	<u>\$ 65,339,556</u>

See notes to financial statements.

NORTHWEST CONNECTICUT LAND CONSERVANCY, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2023 AND 2022

	<u>2023</u>	<u>2022</u>
LIABILITIES AND NET ASSETS		
<u>Current Liabilities</u>		
Accounts Payable and Accrued Expenses	\$ 63,358	\$ 67,193
<u>Long-Term Liabilities</u>		
Note Payable	250,000	250,000
Loan Payable	3,000,000	-
Deferred Income	348,180	-
Operating Lease Liability	865,479	-
Total Long-Term Liabilities	<u>4,463,659</u>	<u>250,000</u>
 Total Liabilities	 <u>4,527,017</u>	 <u>317,193</u>
 Net Assets		
Without Donor Restriction:		
Board Designated Stewardship Reserve Fund	371,111	371,111
Board Designated Public Lands Management	10,867	34,221
Property, Equipment and Leasehold Improvements	60,672,804	57,343,606
Undesignated - Available for Operations	3,991,747	3,269,953
Total Without Donor Restriction	65,046,529	61,018,891
With Donor Restriction	4,259,145	4,003,472
Total Net Assets	<u>69,305,674</u>	<u>65,022,363</u>
 Total Liabilities and Net Assets	 <u>\$ 73,832,691</u>	 <u>\$ 65,339,556</u>

See notes to financial statements.

NORTHWEST CONNECTICUT LAND CONSERVANCY, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF ACTIVITIES
YEARS ENDED DECEMBER 31, 2023 AND 2022

	2023			2022		
	Without Donor Restriction	With Donor Restriction	Total	Without Donor Restriction	With Donor Restriction	Total
Revenue, Gains and Other Changes						
Contributions - Conservation Land and Easements	\$ 2,949,881	\$ -	\$ 2,949,881	\$ 1,553,102	\$ -	\$ 1,553,102
Contributions - Cash and Contributions Receivable	715,012	803,885	1,518,897	794,352	791,089	1,585,441
Grants	319,820	-	319,820	274,000	-	274,000
Program Service Income	5,605	-	5,605	9,381	-	9,381
Rental Income	9,100	-	9,100	24,900	-	24,900
Investment Return	348,435	310,870	659,305	(221,375)	(349,269)	(570,644)
Other Income	28,135	-	28,135	183,541	-	183,541
Special Events Revenue	709,050	-	709,050	393,470	-	393,470
Special Events Direct Benefit to Donors	(142,839)	-	(142,839)	(178,755)	-	(178,755)
Total	4,942,199	1,114,755	6,056,954	2,832,616	441,820	3,274,436
Net Assets Released from Restrictions	859,082	(859,082)	-	186,246	(186,246)	-
Total Revenue, Gains and Other Changes	5,801,281	255,673	6,056,954	3,018,862	255,574	3,274,436
Expenses						
Programs:						
Stewardship	479,360	-	479,360	375,953	-	375,953
Education and Outreach	641,184	-	641,184	544,804	-	544,804
Acquisitions	172,550	-	172,550	189,161	-	189,161
Partnership	154,892	-	154,892	98,530	-	98,530
Total Programs	1,447,986	-	1,447,986	1,208,448	-	1,208,448
Management and General	216,538	-	216,538	96,960	-	96,960
Fundraising	109,119	-	109,119	27,693	-	27,693
Total Expenses	1,773,643	-	1,773,643	1,333,101	-	1,333,101
Change in Net Assets	4,027,638	255,673	4,283,311	1,685,761	255,574	1,941,335
Net Assets - Beginning of Year	61,018,891	4,003,472	65,022,363	59,333,130	3,747,898	63,081,028
Net Assets - End of Year	\$ 65,046,529	\$ 4,259,145	\$ 69,305,674	\$ 61,018,891	\$ 4,003,472	\$ 65,022,363

See notes to financial statements.

NORTHWEST CONNECTICUT LAND CONSERVANCY, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2023 AND 2022

	<u>2023</u>	<u>2022</u>
Cash Flows from Operating Activities		
Change in Net Assets	\$ 4,283,311	\$ 1,941,335
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation and Amortization	5,510	9,358
Unrealized (Gain) Loss on Investments	(392,314)	708,211
Gain on the Sale of Property and Equipment	-	(152,353)
Amortization of Right-of-Use Asset - Operating Lease	44,769	-
Contributions of Conservation Land and Easements	(2,949,881)	(1,553,102)
Contributions Restricted for Long-Term Investment	(12,500)	(17,000)
Change in:		
Contributions and Other Receivables	104,421	(609,392)
Prepaid Expenses	(32,535)	(27,465)
Accounts Payable and Accrued Expenses	(3,835)	(7,002)
Deferred Income	348,180	-
Security Deposit	-	(2,000)
Operating Lease Liability	(31,303)	-
Net Cash Provided by Operating Activities	<u>1,363,823</u>	<u>290,590</u>
Cash Flows from Investing Activities		
Purchases of Property and Equipment	(34,827)	-
Purchases of Conservation Land and Easements	(350,000)	-
Purchase of Investments	(1,397,604)	(164,284)
Proceeds from Sale of Investments	1,660,446	-
Proceeds from Sale of Property and Equipment	-	447,865
Proceeds from Loan	3,000,000	-
Net Cash Provided by Investing Activities	<u>2,878,015</u>	<u>283,581</u>
Cash Flows from Financing Activities		
Proceeds From Restricted Contributions	<u>12,500</u>	<u>17,000</u>
Net Increase in Cash and Cash Equivalents	4,254,338	591,171
Cash and Cash Equivalents - Beginning of Year	<u>1,185,632</u>	<u>594,461</u>
Cash and Cash Equivalents - End of Year	<u>\$ 5,439,970</u>	<u>\$ 1,185,632</u>

Supplemental Cash Flow Information:

During the year ended December 31, 2023, the Land Trust recognized a right-of-use asset - operating lease of \$896,782 in exchange for an operating lease liability of the same amount.

See notes to financial statements.

NORTHWEST CONNECTICUT LAND CONSERVANCY, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2023

	Program Services				Supporting Services		Total
	Stewardship	Education and Outreach	Acquisitions	Partnership	Management General	Development and Fundraising	
Personnel Costs	\$ 257,673	\$ 358,141	\$ 70,395	\$ 91,210	\$ 156,080	\$ 37,401	\$ 970,900
Consulting and Outside Services	21,369	144,130	36,478	13,387	1,017	51,426	267,807
Professional Fees	75,982	-	45,738	33	42,657	1,180	165,590
Lease Expense	23,936	35,218	6,939	8,967	6,232	3,664	84,956
Insurance	27,545	11,442	2,254	2,913	2,024	1,190	47,368
Land Maintenance	41,984	560	1,000	-	-	-	43,544
Event Expenses	3,785	24,675	87	1,100	20	4,796	34,463
Contributed Services	7,638	11,237	2,214	2,861	1,988	1,169	27,107
Office Expenses	1,531	13,179	209	432	3,610	5,035	23,996
Printing	874	14,707	-	7,021	-	586	23,188
Travel and Meals	7,935	8,505	738	2,932	63	432	20,605
Dues and Memberships	-	-	-	17,163	-	-	17,163
Utilities	3,982	4,997	984	1,272	885	520	12,640
Credit Card and Other Fees	2,820	3,740	1,065	952	1,456	1,130	11,163
Postage and Shipping	233	5,943	43	524	5	352	7,100
Meetings	300	1,727	390	3,167	-	-	5,584
Depreciation and Amortization	1,553	2,285	450	582	402	238	5,510
Property Taxes	-	-	3,566	-	75	-	3,641
Advertising	220	698	-	376	-	-	1,294
Miscellaneous	-	-	-	-	24	-	24
Total Functional Expenses	\$ 479,360	\$ 641,184	\$ 172,550	\$ 154,892	\$ 216,538	\$ 109,119	\$ 1,773,643

See notes to financial statements.

NORTHWEST CONNECTICUT LAND CONSERVANCY, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENT 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
Professional Fees	525	773	234	192	37,809	40	39,573
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
Event Expenses	-	10,958	-	34	-	-	10,992
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
Travel and Meals	1,301	6,217	222	2,194	4	193	10,131
Dues and Memberships	-	-	-	6,553	-	-	6,553
Utilities	3,925	4,382	1,326	1,087	540	224	11,484
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
Meetings	5	844	-	-	-	-	849
Depreciation and Amortization	2,644	3,891	1,177	965	482	199	9,358
Advertising	-	1,322	-	-	-	-	1,322
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. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2023 AND 2022

NOTE 1 - NATURE OF OPERATIONS AND PRINCIPLES OF CONSOLIDATION

Northwest Connecticut Land Conservancy, Inc. (NCLC) 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. NCLC 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.

On July 31, 2023, NCLC formed a wholly-owned subsidiary, a single-member Limited Liability Company, Green Terra, LLC, (LLC). The purpose of the LLC is to facilitate the future acquisition of conservation land in Northwestern Connecticut.

Principles of Consolidation

The consolidated financial statements include the activities of NCLC and the LLC (collectively, the Land Trust). All intercompany accounts and transactions have been eliminated during consolidation.

Program Services

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

Acquisitions

As Connecticut's largest land trust and the 18th 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 22 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.

NORTHWEST CONNECTICUT LAND CONSERVANCY, INC. AND SUBSIDIARY

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022**

NOTE 1 - NATURE OF OPERATIONS AND PRINCIPLES OF CONSOLIDATION (CONTINUED)

Program Services (continued)

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 22 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.

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, Litchfield Hills Greenprint Collaborative, and Working Lands Alliance. The Land Trust also convenes Meet Your Greens, Litchfield County's Green Drinks, a bi-monthly gathering for environmental professionals and enthusiasts and Small Area Land Trusts (SALT), a bi-annual meeting of partner land trusts, conservation organizations, and agencies to discuss acquisition, stewardship, governance and outreach issues.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Newly Adopted Accounting Standard

Effective January 1, 2023, the Land Trust adopted Accounting Standard Codification (ASC) 326, *Financial Instruments - Credit Losses* (ASC 326), which significantly changes how entities measure credit losses for most financial assets and certain other instruments that are not measured at fair value through net income. The most significant change in ASC 326 is a shift from the incurred loss model to the expected loss model, which requires consideration of a broader range of reasonable and supportable information to inform users of the consolidated financial statements about credit loss estimates, including an entity's exposure to credit risk and the measurement of credit losses. Financial assets held by the Land Trust that are subject to the guidance in ASC 326 are comprised of accounts receivable. The impact of the adoption of ASC 326 was not considered material to the consolidated financial statements.

NORTHWEST CONNECTICUT LAND CONSERVANCY, INC. AND SUBSIDIARY

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation

The consolidated 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 consolidated 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 consolidated 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. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2023 AND 2022

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 consolidated 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 consolidated financial statements. Contributions or promises to give with donor-imposed conditions are not recognized as contributions or promises to give in the accompanying consolidated financial statements until the period when the conditions are met.

Contributions receivable that are expected to be received within one year of the consolidated financial statement dates 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 consolidated financial statement dates 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, 2023 and 2022, no contributed goods or services were received by the Land Trust that meet the above criteria.

NORTHWEST CONNECTICUT LAND CONSERVANCY, INC. AND SUBSIDIARY

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Use of Estimates

The preparation of consolidated 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 consolidated 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 that no allowance for credit losses is necessary at December 31, 2023 and 2022. Accounts receivable as of December 31, 2021 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 greater than \$2,500 and a useful life greater than 1 year are capitalized and 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. AND SUBSIDIARY

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Conservation Land and Easements

Purchased land and conservation easements are 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 donated 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 consolidated 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 ASC 842, *Leases* (ASC 842). The Land Trust is a lessee under an operating lease for office and storage space (see Note 16). The Land Trust is also a lessor to a tenant 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 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 right-of-use (ROU) asset at the commencement date of leases.

ROU Assets

An ROU asset is measured at the commencement date at the amount of the initially measured liability plus any lease payments made to the lessor before or after commencement date, minus any lease incentives received, plus any initial direct costs.

Unless impaired, the ROU asset is subsequently measured throughout the lease term at the amount of the lease liability (that is the present value of the remaining lease payments), plus unamortized initial direct costs, plus (minus) any prepaid (accrued) lease payments, less the unamortized balance of lease incentives received. Lease cost for lease payments is recognized on a straight-line basis over the lease term as lease expense.

NORTHWEST CONNECTICUT LAND CONSERVANCY, INC. AND SUBSIDIARY

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leases (continued)

Lease Liabilities

A lease liability is measured based on the present value of its future lease payments. Variable payments are included in the future lease payments when those variable payments depend on an index or rate and are measured using the index or rate in effect at the commencement date. Lease payments, including variable payments made based on an index rate, are remeasured when any of the following occur: (1) the lease is modified (and the modification is not accounted for as a separate contract), (2) certain contingencies related to variable lease payments are resolved, or (3) there is a reassessment of any of the following: the lease term, purchase options, or amounts that are probable of being owed under a residual value guarantee. The discount rate is the rate implicit in the lease if it is readily determinable; otherwise, the Land Trust uses a risk-free discount rate based on U.S. Treasury instruments for a comparable lease term based on the information available at the commencement date for each lease. The Land Trust used a risk-free rate for its operating lease.

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.

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 consolidated financial statements.

Subsequent Events

Management has evaluated all transactions and events that occurred through September 11, 2024, 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 per institution 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.

NORTHWEST CONNECTICUT LAND CONSERVANCY, INC. AND SUBSIDIARY

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022**

NOTE 3 - CONCENTRATIONS OF RISK (CONTINUED)

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 consolidated statements of financial position as of December 31, 2023 and 2022.

The investment accounts are insured by the Securities Investor Protection Corporation up to \$500,000. At times during the year, the investment accounts exceeded the insured limits. The Land Trust believes it is not exposed to any significant credit risk on investments.

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, 2023 and 2022.

NOTE 4 - LIQUIDITY AND AVAILABILITY OF RESOURCES

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

	<u>2023</u>	<u>2022</u>
Cash and Cash Equivalents	\$5,439,970	\$1,185,632
Investments	2,748,741	2,650,844
Contributions and Other Receivables	<u>173,150</u>	<u>135,286</u>
Total Financial Assets Available	<u>8,361,861</u>	<u>3,971,762</u>
Less Amounts Unavailable for General Expenditures		
Within One Year, Due to:		
Restricted by Donors With Purpose Restriction	<u>(447,012)</u>	<u>(198,218)</u>
Total Financial Assets Available to Management for General Expenditure Within One Year	<u>\$7,914,849</u>	<u>\$3,773,544</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.

NORTHWEST CONNECTICUT LAND CONSERVANCY, INC. AND SUBSIDIARY

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022**

NOTE 4 - LIQUIDITY AND AVAILABILITY OF RESOURCES (CONTINUED)

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 consolidated statements of cash flows which identify the sources and uses of the Land Trust's cash and shows positive cash generated by operations for fiscal years 2023 and 2022.

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.

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.

NORTHWEST CONNECTICUT LAND CONSERVANCY, INC. AND SUBSIDIARY

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022**

NOTE 5 - FAIR VALUE MEASUREMENTS (CONTINUED)

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

Money Market, Exchange Traded Funds and U.S. Treasury Bonds

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. U.S. Treasury bonds are treasury securities that are valued using quoted market prices reported in an active market in which bonds are traded.

There have been no changes in the methodologies used at December 31, 2023 and 2022.

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.

There were no transfers between levels of investments during the years ended December 31, 2023 and 2022.

The following tables set forth by level, within the fair value hierarchy, the Land Trust's assets at fair value as of December 31, 2023 and 2022:

<u>Description</u>	<u>2023</u>	<u>Fair Value Measurements Using</u>		
		<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Money Market Funds	\$ 80,075	\$ 80,075	\$ -	\$ -
Exchange Traded Funds	4,620,144	4,620,144	-	-
U.S. Treasury Bonds	<u>1,341,351</u>	<u>1,341,351</u>	-	-
Total Investments at Fair Value	<u>\$6,041,570</u>	<u>\$6,041,570</u>	\$ -	\$ -

<u>Description</u>	<u>2022</u>	<u>Fair Value Measurements Using</u>		
		<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Money Market Funds	\$1,814,869	\$1,814,869	\$ -	\$ -
Exchange Traded Funds	<u>4,097,229</u>	<u>4,097,229</u>	-	-
Total Investments at Fair Value	<u>\$5,912,098</u>	<u>\$5,912,098</u>	\$ -	\$ -

NORTHWEST CONNECTICUT LAND CONSERVANCY, INC. AND SUBSIDIARY

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022**

NOTE 6 - CONTRIBUTIONS RECEIVABLE

The Land Trust initiated a capital campaign during the year ended December 31, 2023 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, 2023, the capital campaign has raised a total of \$1,414,119 in cash and contributions receivable.

Contributions receivable as of December 31, 2023 and 2022 consist of the following:

	<u>2023</u>	<u>2022</u>
Due in Less Than 1 Year	\$135,000	\$ 100,000
Due in 1 to 5 Years	391,526	455,000
Thereafter	<u>50,000</u>	<u>225,000</u>
Total	576,526	780,000
Less: Discount to Net Present Value	<u>(57,222)</u>	<u>(153,411)</u>
Contributions Receivable	<u>\$519,304</u>	<u>\$626,589</u>

Contributions receivable are recorded at their present value using discount rates of 8.23% and 5% as of December 31, 2023 and 2022, respectively.

NOTE 7 - 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 8 - LOAN PAYABLE

On October 11, 2023, the Land Trust obtained a loan payable with Treasure Hill Foundation for \$3,000,000 (the Loan Payable). Proceeds from the Loan Payable were used to fund the purchase of a parcel of the west side of Midle farm land subsequent to year end. The interest rate on the Loan Payable is calculated at 1% per year, compounded annually, and will begin accruing in October 2025 through its maturity in October 2028. No payments are due until maturity. The Loan Payable is secured by the property located in Litchfield and Torrington, Connecticut (see Note 12).

NORTHWEST CONNECTICUT LAND CONSERVANCY, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

NOTE 9 - NET ASSETS WITH DONOR RESTRICTION

Net assets with donor restriction consist of the following at December 31, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Subject to Expenditure for Specific Purposes:		
Program Activities:		
Stewardship Reserve Fund	\$ 799,741	\$ 835,780
General Endowment	2,493,088	2,342,885
Other Conservation Funds	447,012	198,218
Subject to Time Restriction	<u>519,304</u>	<u>626,589</u>
Total Net Assets with Donor Restriction	<u>\$4,259,145</u>	<u>\$4,003,472</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, 2023 and 2022. 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 four fee simple gifts totaling 74.527 acres of land in New Milford, Washington, Sherman and Kent, Connecticut, during 2023 with an estimated fair value of approximately \$2,949,900. The Land Trust purchased one fee property totaling 4.06 acres for \$11,000 during 2023.

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 approximately \$1,553,100.

Conservation Easements

The Land Trust has 219 and 218 easements incorporating over 6,304 acres as of December 31, 2023 and 2022, respectively. During the year ended December 31, 2023, one conservation easement was purchased for \$339,000. The Land Trust accepted two conservation easements during the year ended December 31, 2022.

NORTHWEST CONNECTICUT LAND CONSERVANCY, INC. AND SUBSIDIARY

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022**

NOTE 10 - 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

Endowment Net Assets

Endowment net asset composition by type of fund as of December 31, 2023 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 Gain	-	74,345	74,345
Partnership Fund	-	318,743	318,743
Total	\$ -	\$2,493,088	\$2,493,088

NORTHWEST CONNECTICUT LAND CONSERVANCY, INC. AND SUBSIDIARY

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022**

NOTE 10 - ENDOWMENT (CONTINUED)

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

	<u>Without Donor Restriction</u>	<u>With Donor Restriction</u>	<u>Total</u>
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	<u>-</u>	<u>325,475</u>	<u>325,475</u>
Total	<u>\$ -</u>	<u>\$2,342,885</u>	<u>\$2,342,885</u>

Changes in endowment net assets for the years ended December 31, 2023 and 2022 are as follows:

	<u>Without Donor Restriction</u>	<u>With Donor Restriction</u>	<u>Total</u>
Endowment Net Assets - January 1, 2022	\$ -	\$2,717,154	\$2,717,154
Investment Return	-	(349,269)	349,269
Appropriation of Endowment Assets for Expenditure	<u>-</u>	<u>(25,000)</u>	<u>(25,000)</u>
Endowment Net Assets - December 31, 2022	<u>-</u>	<u>2,342,885</u>	<u>2,342,885</u>
Investment Return	-	310,870	310,870
Appropriation of Endowment Assets for Expenditure	<u>-</u>	<u>(160,667)</u>	<u>(160,667)</u>
Endowment Net Assets - December 31, 2023	<u>\$ -</u>	<u>\$2,493,088</u>	<u>\$2,493,088</u>

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, 2023, the total of value of original gifts is \$2,100,000, and the fair value of investments associated with profitable funds is \$2,174,345, resulting in a surplus of \$74,345. 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.

NORTHWEST CONNECTICUT LAND CONSERVANCY, INC. AND SUBSIDIARY

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022**

NOTE 10 - ENDOWMENT (CONTINUED)

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. The Land Trust only allowed the annual distribution of 5% of the original gift during the years ended December 31, 2023 and 2022, respectively.

NOTE 11 - 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.

NORTHWEST CONNECTICUT LAND CONSERVANCY, INC. AND SUBSIDIARY

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022**

NOTE 11 - STEWARDSHIP RESERVE FUND (CONTINUED)

The SRF activity for the years ended December 31, 2023 and 2022 are as follows:

	Without Donor Restriction	With Donor Restriction	Total
Endowment Net Assets - January 1, 2022	\$371,111	\$863,176	\$1,234,287
Contributions	-	17,000	17,000
Net Assets Released from Restrictions	-	<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>
Contributions	-	12,500	12,500
Net Assets Released from Restrictions	-	<u>(48,539)</u>	<u>(48,539)</u>
Endowment Net Assets - December 31, 2023	<u>\$371,111</u>	<u>\$799,741</u>	<u>\$1,170,852</u>

NOTE 12 - RELATED PARTY TRANSACTIONS

The Land Trust has a \$3,000,000 loan payable to Treasure Hill Foundation, a Delaware nonstock corporation, an officer of which is also an officer of the board of directors of the Land Trust. No payments have been made on the loan as of December 31, 2023 (see Note 8).

NOTE 13 - REVENUES FROM CONTRACTS WITH CUSTOMERS

Disaggregated Revenue

For the years ended December 31, 2023 and 2022, the Land Trust's revenues recognized at a point in time were \$714,655 and \$402,851, 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 14 - CONTRIBUTION OF NON-FINANCIAL ASSETS

Services

Contributions of non-financial assets consist of contributed design services which are recorded at the estimated fair market value, which is determined using similar services provided by the donor. The donated services were used in the Land Trust's offices and the donor did not restrict the use of the donated services.

NORTHWEST CONNECTICUT LAND CONSERVANCY, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

NOTE 15 - 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 \$17,539 and \$14,680 for the years ended December 31, 2023 and 2022, respectively.

NOTE 16 - LEASES

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 which ended 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 which ended December 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 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 2022 for \$2,000 per month. The lease was terminated in July 2022. The house was sold in September 2022.

Total lease income was \$9,100 and \$24,900 for the years ended December 31, 2023 and 2022, respectively.

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

Years Ending December 31,

2024	\$ 5,800
2025	5,800
2026	<u>5,400</u>
Total	<u>\$17,000</u>

NORTHWEST CONNECTICUT LAND CONSERVANCY, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

NOTE 16 - LEASES (CONTINUED)

Operating Leases

On June 1, 2023, the Land Trust entered into a new operating lease for office space in Kent, Connecticut, through May 31, 2028. The lease requires monthly base lease payments of \$4,466. The operating lease includes provisions that allow for the Land Trust to renew the lease for one additional five-year term. The Land Trust intends to exercise the five-year renewal option, the optional period is included in determining the lease term, and associated payments under the renewal option are included in the lease payments used to determine the lease liability. The Land Trust is also responsible to pay its share of utilities. These variable expenses are not included in the lease payments used to determine lease liabilities and are recognized as variable lease costs when incurred. The lease does include termination options with written notice by either party. The lease does not include guaranteed residual values or restrictive financial or other covenants.

On June 1, 2023, the Land Trust also entered into an operating lease for additional office space and storage in Kent, Connecticut, through May 31, 2028. The lease requires monthly base lease payments of \$2,641. The operating lease includes provisions that allow for the Land Trust to renew the lease for one additional five-year term. The Land Trust intends to exercise the five-year renewal option, the optional period is included in determining the lease term, and associated payments under the renewal option are included in the lease payments used to determine the lease liability. The Land Trust is also responsible to pay its share of utilities. These variable expenses are not included in the lease payments used to determine lease liabilities and are recognized as variable lease costs when incurred. The lease does include termination options with written notice by either party. The lease does not include guaranteed residual values or restrictive financial or other covenants.

At December 31, 2023, the weighted-average remaining lease term and weighted-average discount rate for operating leases was 9.42 years and 3.61%, respectively. Cash paid for amounts included in the measurement of lease liabilities was \$71,489 for the year ended December 31, 2023.

Total operating lease and variable lease costs of \$84,956 and \$12,053, respectively, are included in lease expense and utilities in the statement of functional expenses for the year ended December 31, 2023.

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

<u>Years Ending December 31,</u>	
2024	\$ 87,800
2025	92,200
2026	96,800
2027	101,600
2028	106,700
Thereafter	<u>549,000</u>
	1,034,100
Less: Present Value Discount	<u>(168,621)</u>
Present Value of Operating Lease Liabilities	<u>\$ 865,479</u>

NORTHWEST CONNECTICUT LAND CONSERVANCY, INC. AND SUBSIDIARY

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022**

NOTE 17 - SUBSEQUENT EVENTS

Lease

On April, 2, 2024, the Land Trust leased land, including barns and storage buildings, for farming and other agricultural activities in Sherman and New Milford, Connecticut, as a lessor. The lease expires on December 31, 2028 with an annual base lease of \$7,200.

Land Acquisitions

NCLC has completed two purchases subsequent to year end. 45.31 acres for \$500,000 using \$125,000 in federal funds and \$325,000 in state funds and .25 acres for \$5,000. NCLC and the LLC entered into an additional loan agreement in the amount of \$2,000,000 from the foundation in Note 7. Proceeds from both loans' payable were used to fund the purchase of 670 acres of land by the LLC for \$5,975,000. During 2024, NCLC was awarded \$5,157,373 in state and federal funding through conditional grants to purchase the land from the LLC.