

**MEADOWLANDS CONSERVATION TRUST**  
**(A Component Unit of the State of New Jersey)**

FINANCIAL STATEMENTS  
AND  
SUPPLEMENTARY INFORMATION  
AND  
COMPREHENSIVE ANNUAL FINANCIAL REPORT

December 31, 2019

**MEADOWLANDS CONSERVATION TRUST  
(A Component Unit of the State of New Jersey)**

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## **LETTER OF TRANSMITTAL**

*Protecting the Environment*



## MEADOWLANDS CONSERVATION TRUST

May 19, 2020

The Board of Trustees  
Meadowlands Conservation Trust

RE: 2019 Annual Report and Comprehensive Annual Financial Report

Letter of Transmittal - Chairman

The Comprehensive Annual Financial Report of the Meadowlands Conservation Trust ("MCT") for the year ended December 31, 2019 is submitted herein. Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the Trust. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner designed to present fairly the MCT's financial position, results of operations, and cash flows in accordance with generally accepted accounting principles. In accordance with the accounting principles, Meadowlands Conservation Trust is a component unit of the State of New Jersey, and as such, is included in the State of New Jersey's Annual Report. The accompanying Management Discussion and Analysis provides detailed narrative information on the financial statements provided in the Comprehensive Annual Financial Report.

### **Profile of the Trust**

The Meadowlands Conservation Trust was established within the former New Jersey Meadowlands Commission, now the New Jersey Sports and Exposition Authority, through an Act of Legislation in 1999 to acquire land through either fee simple acquisition or conservation easements with the purpose of permanently preserving wetlands, water ways and open space in the Hackensack River Watershed. The Trust operates with a seven member board of trustees<sup>1</sup> and is generally a land trust in the Hackensack River Watershed. The New Jersey Sports & Exposition Authority ("NJSEA") provides operational staff, and assistance to the board of trustees.

### **Accounting System and Budgetary Controls**

The MCT's financial statements are prepared by NJSEA's Chief Financial Officer and financial staff in accordance with generally accepted accounting principles. The MCT financial statements are prepared using the principles of Fiduciary Funds as prescribed by Government Accounting Standard Board Statement #34. In an effort to ensure compliance with the NJSEA's and the Trust's By-Laws and to safeguard its assets, an internal control structure has been developed and implemented by management.

Under the direction of NJSEA's Chief Financial Officer and the financial department, the Trust's internal control areas include:

- Authorization levels for expenditures of Trust's funds;
- Specific procedures to follow when initiating purchase requisitions, purchase orders, receiving goods and payments for services;
- Separation of accounts payable and receivable functions;
- Bank reconciliation review;
- Controls over deposits; and
- Production of system-generated and manual checks.

The internal control structure also includes approved organization structures and Board approved budgets for capital and operating expenditures.

The MCT follows the procurement policies and procedures established by New Jersey State Contract Law. The standards include a threshold, over which the board of trustees must approve all transactions.

#### **Independent Audit**

The certified public accounting firm of Mercadien, P.C. was retained to perform an audit of the 2019 fiscal year in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States. In June 1999, the GASS adopted their Statement No. 34, Basic Financial Statements and Management Discussion and Analysis for state and local governments. The Meadowlands Conservation Trust adopted GASS Statement No. 34 in fiscal year 2004, including the Management Discussion and Analysis (MD&A). The MD&A is considered to be required supplemental data and precedes the financial statements. This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The audit firm of Mercadien, P.C. reports directly to the three-member audit committee of the board of trustees. An initial meeting prior to the start of the audit and a subsequent exit conference was held to discuss the results of the audit. The results show that subsequent to the appropriation of \$1,490,000 in the FY2020 State Budget, the MCT is in a position to continue as a viable organization through 2020. The MCT continues to urge the Treasury and Legislature to have the remaining \$1.59 million in Trust funds returned to ensure that the MCT can continue its important work of protecting the ecosystem of the Hackensack River and Watershed area beyond 2020.

Regards,



Captain William Sheehan, Chairman

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<sup>1</sup> While the enabling legislation provides for seven Trustees, currently, the MCT only has five Trustees and has requested appointments for the remaining two Trustees.

## **INDEPENDENT AUDITORS' REPORT**

## **INDEPENDENT AUDITORS' REPORT**

### **Board of Trustees Meadowlands Conservation Trust**

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the Meadowlands Conservation Trust ("MCT") (a component unit of the State of New Jersey) as of and for the years ended December 31, 2019 and 2018, and the related notes to the financial statements, which comprise the MCT's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement whether due to fraud or error.

### **Auditors' Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the MCT as of December 31, 2019 and 2018, and the changes in financial position for the years then ended in accordance with accounting principles generally accepted in the United States of America.

## **INDEPENDENT AUDITORS' REPORT (CONTINUED)**

### **Other Matters**

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages five through seven be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### *Supplementary Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements that comprise the MCT's basic financial statements. The supplementary information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated May 19, 2020, on our consideration of the MCT's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the MCT's internal control over financial reporting and compliance.

*Meradian, P.C.*

*Certified Public Accountants*

May 19, 2020

**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)**

**MEADOWLANDS CONSERVATION TRUST  
(A Component Unit of the State of New Jersey)**

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
December 31, 2019

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This section of the Meadowlands Conservation Trust (MCT) annual financial report represents our discussion and analysis of the MCT's financial performance during the fiscal year that ended December 31, 2019. Please read it in conjunction with the MCT's financial statements and accompanying notes.

**Overview of the Financial Report**

The annual financial report consists of three parts: Management's Discussion and Analysis (this section), the Financial Statements and Notes to the Financial Statements; and required supplementary information. The MCT accounts for its financial activities under the fiduciary fund type, where the MCT acts as trustee of assets for the benefit of the citizens of the State of New Jersey.

Management's Discussion and Analysis:

This discussion and analysis is intended to present an overview of the MCT's financial performance for the years ended December 31, 2019 and 2018. It is intended to provide an assessment of how the MCT's financial position has improved or deteriorated and identify factors that, in management's view, significantly affected the MCT's overall financial position. It may contain opinions, assumptions or conclusions by the MCT's management that should not be considered a replacement for the financial statements included in this report.

Basic Financial Statements:

The Statements of Fiduciary Net Position provide information about the nature and amount of investments in resources (assets) and the obligations to MCT creditors (liabilities).

The Statements of Fiduciary Changes in Net Position measure the MCT's operations for the periods presented and can be used to determine how MCT has funded its costs.

Notes to the Financial Statements:

The notes to financial statements provide information that is essential to understanding the MCT's basic financial statements, such as the MCT's accounting methods and policies. It also provides details of significant assets, liabilities, net position, contractual obligations, future commitments and contingencies, as well as other events or other matters that could impact the MCT's financial position.

**Financial Highlights**

**2019**

- In CY2019, the MCT's net position increased \$1,388,421. The key component of this increase was an appropriation of \$1,490,000 in the State of New Jersey FY2020 Budget. The appropriation was to reinstate a portion of the funds that were previously re-appropriated in the State of New Jersey FY2018 Budget.
- Total revenues for the MCT increased \$7,824 in 2019 due primarily to an increase in license plate sales and interest income. In CY2019, the MCT's revenues were \$134,665, consisting of Kane Tract Maintenance funds from Ameream, LLC of \$100,000; license plate sales from the New Jersey Motor Vehicle Commission (NJMVC) of \$20,458, and \$14,207 of other earnings.

**MEADOWLANDS CONSERVATION TRUST  
(A Component Unit of the State of New Jersey)**

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
December 31, 2019

**Financial Highlights (Continued)**

**2018**

- In CY2018, the MCT's net position decreased \$151,883. This was in line with anticipated results for 2018.
- Total revenues for the MCT decreased \$618,078 in 2018 due primarily to the collection of significant long term outstanding receivables from Ameream in 2017. In CY2018, the MCT's revenues were \$126,841, consisting of Kane Tract Maintenance funds from Ameream, LLC of \$100,000; license plate sales from the New Jersey Motor Vehicle Commission (NJMVC) of \$17,326, and \$9,515 of other earnings.

**Financial Summary**

The MCT's comparative condensed summary of Net Position at December 31 is shown below in Figure 1.

**Figure 1  
Condensed Summary of Statements of Fiduciary Net Position**

	<b><u>2019</u></b>	<b><u>2018</u></b>	<b><u>2017</u></b>
Current assets	\$ 3,191,588	\$ 1,937,362	\$ 2,064,559
Non-Current assets	5,900,000	6,000,000	6,100,000
Capital assets	27,898,760	27,911,260	27,923,760
Total assets	<u>\$ 36,990,348</u>	<u>\$ 35,848,622</u>	<u>\$ 36,088,319</u>
Other Liabilities	<u>\$ 6,082,338</u>	<u>\$ 6,329,033</u>	<u>\$ 6,416,847</u>
Total liabilities	<u>6,082,338</u>	<u>6,329,033</u>	<u>6,416,847</u>
Invested in capital assets	27,898,760	27,911,260	27,923,760
Restricted	3,009,250	1,608,329	1,747,712
Total net position	<u>30,908,010</u>	<u>29,519,589</u>	<u>29,671,472</u>
Total Liabilities and Net Position	<u>\$ 36,990,348</u>	<u>\$ 35,848,622</u>	<u>\$ 36,088,319</u>

**Revenue and Expense Highlights**

**2019**

Total operating revenues for the years ended December 31, 2019 and 2018, were \$134,665 and 126,841, respectively, an increase of \$7,824. Operating expenses for the same periods were \$250,004 and \$278,724, respectively, a decrease of \$28,719 compared to 2018. A comparative condensed summary of the Statements of Changes in Fiduciary Net Position is shown in Figure 2.

**MEADOWLANDS CONSERVATION TRUST  
(A Component Unit of the State of New Jersey)**

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
December 31, 2019

**Revenue and Expense Highlights (Continued)**

**2018**

Total operating revenues for the years ended December 31, 2018 and 2017, were \$126,841 and \$744,919, respectively, a decrease of \$618,078. Operating expenses for the same periods were \$278,724 and \$280,484, respectively, a decrease of \$1,760 compared to 2017. A comparative condensed summary of the Statements of Changes in Fiduciary Net Position is shown in Figure 2.

**Figure 2  
Condensed Summary of the Statements of  
Changes in Fiduciary Net Position**

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Revenue Restricted for Kane Tract Maintenance	\$ 100,000	\$ 100,000	\$ 700,000
Donation of Cash	-	-	3,401
NJDMV - Plate Sales	20,458	17,326	20,346
Other	14,207	9,515	21,173
Total Revenues	<u>134,665</u>	<u>126,841</u>	<u>744,919</u>
Operating Costs	<u>250,004</u>	<u>278,724</u>	<u>280,484</u>
Total Operating Costs	250,004	278,724	280,484
Reappropriation of funds in the State of New Jersey FY 2018 Budget	-	-	(3,080,458)
Appropriation of funds in the State of New Jersey FY 2020 Budget	1,490,000	-	-
Insurance Proceeds	<u>13,760</u>	<u>-</u>	<u>-</u>
Changes in Net Position	1,388,421	(151,883)	(2,616,023)
Beginning Net Position	<u>29,519,589</u>	<u>29,671,472</u>	<u>32,287,496</u>
Ending Net Position	<u>\$ 30,908,010</u>	<u>\$ 29,519,589</u>	<u>\$ 29,671,473</u>

**Contacting Financial Management**

The financial management report is designed to provide citizens, people served by the MCT, vendors, and creditors with a general overview of the MCT's finances. If you have any questions about this report or need additional financial information, contact Christine Sanz, Chief Executive Officer, Meadowlands Conservation Trust at One DeKorte Park Plaza, Lyndhurst, New Jersey.

## **BASIC FINANCIAL STATEMENTS**

**MEADOWLANDS CONSERVATION TRUST**  
**(A Component Unit of the State of New Jersey)**

STATEMENTS OF FIDUCIARY NET POSITION

	December 31,	
	2019	2018
<b>ASSETS</b>		
Cash - on hand	\$ 1,659,033	\$ 497,185
Cash - Restricted for Kane Tract Maintenance	1,432,555	1,340,177
Kane Tract Maintenance Receivable - Current	100,000	100,000
Kane Tract Maintenance Receivable - Non-Current	5,900,000	6,000,000
Capital Assets - Net	27,898,760	27,911,260
<b>TOTAL ASSETS</b>	<b>\$ 36,990,348</b>	<b>\$ 35,848,622</b>
<b>LIABILITIES</b>		
Accounts Payable and Accrued Liabilities	\$ 82,338	\$ 229,033
Unearned Revenue	6,000,000	6,100,000
<b>TOTAL LIABILITIES</b>	<b>6,082,338</b>	<b>6,329,033</b>
<b>NET POSITION</b>		
Net Investment in Capital Assets	27,898,760	27,911,260
Restricted for Kane Tract Maintenance	1,432,555	1,340,177
Restricted for Other Trust Activities	1,576,695	268,152
<b>TOTAL NET POSITION</b>	<b>30,908,010</b>	<b>29,519,589</b>
<b>TOTAL LIABILITIES AND NET POSITION</b>	<b>\$ 36,990,348</b>	<b>\$ 35,848,622</b>

**MEADOWLANDS CONSERVATION TRUST**  
**(A Component Unit of the State of New Jersey)**

STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION

	Years ended December 31,	
	2019	2018
<b>Additions</b>		
MCT Restricted Revenue	\$ 100,000	\$ 100,000
NJDMV - Plate Sales	20,458	17,326
Interest	14,207	9,515
Total Additions	<u>134,665</u>	<u>126,841</u>
<b>Deductions</b>		
Insurance	11,767	11,304
Program Expenses	21,382	26,710
Professional Fees	29,355	42,136
Buildings & Ground Maintenance	-	8,300
Mehrhof Project	-	278
Administrative Services - NJSEA	175,000	175,000
Other	-	2,496
Depreciation	12,500	12,500
	<u>250,004</u>	<u>278,724</u>
<b>Other Changes</b>		
State Appropriation	1,490,000	-
Insurance Claim Proceeds	13,760	-
Total Other Changes	<u>1,503,760</u>	<u>-</u>
Changes in Net Position	1,388,421	(151,883)
Net Position, Beginning of Year	<u>29,519,589</u>	<u>29,671,472</u>
Net Position, End of Year	<u>\$ 30,908,010</u>	<u>\$ 29,519,589</u>

**MEADOWLANDS CONSERVATION TRUST  
(A Component Unit of the State of New Jersey)**

NOTES TO FINANCIAL STATEMENTS

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**A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Financial Reporting Entity**

The Meadowlands Conservation Trust (the "MCT"), which is a component unit of the State of New Jersey, was established in 1999. The MCT operates with a board of trustees whose main objectives are to acquire and hold or convey to other governmental entities or qualified non-profit organizations, environmentally important, valuable or sensitive lands located in the Hackensack Meadowlands or within the Hackensack River Watershed, and to preserve and manage those lands in their natural state or in a largely natural or undeveloped state for the purposes of conserving and enhancing natural resources, protecting elements of natural diversity, providing open space, or providing public outdoor passive recreational opportunities.

There is established in the MCT, a trust fund, to be known as the "Meadowlands Conservation Trust Fund," and the monies therein are to be held in those depositories as the State Treasurer may select. The State Treasurer shall deposit into the trust fund all monies: (1) received as a grant or other form of aid by the trust or by the State and designated for the trust; (2) given, donated, bequeathed, or endowed to the trust from public or private sources; (3) received as rent or as a royalty by the trust or by the State on behalf of the trust; (4) received as net revenues from the Division of Motor Vehicles in the Department of Transportation in connection with the issuance of Meadowlands conservation license plates as provided pursuant to sections 9 through 14 of P.L. 1999, c. 31 (C.39:3-27.100 C.39:3-27.105); and (5) appropriated or otherwise made available to the trust by the State. The monies in the trust fund are specifically dedicated and shall be utilized only for the purposes of the trust as set forth in this act. Such grants, contributions, donations and reimbursements from federal aid programs as may be lawfully used for the purposes of the trust as set forth in this act shall also be held in the trust fund. Monies in the trust fund shall not be expended except in accordance with appropriations from the trust fund made by law. Any act appropriating monies from the trust fund to acquire land shall identify the particular project or projects to be funded by the monies, and any expenditure for a land acquisition project for which the location is not identified by municipality and county in the appropriation shall require the approval of the Joint Budget Oversight Committee or its successor. Pending their application to the purposes set forth in this act, the monies in the trust fund shall be invested and reinvested as are trust funds in the custody of the State Treasurer, in the manner provided by law. Net earnings received from the investment or deposit of monies in the trust fund shall be deposited therein and become part of the trust fund to be used only for the purposes of the trust.

Money in the Meadowlands Conservation Trust Fund shall not be utilized for the development of any land for any purpose or for the acquisition of land that will not remain in a natural or largely natural or undeveloped state, except that up to 5% of the monies annually received and deposited into the trust fund may be utilized to pay for development of sites to allow for public access, and environmental education and interpretation, and for the development of trails, and up to 2% of the monies annually received and deposited into the trust fund may be utilized to pay for promotional and program awareness efforts.

The accounting policies of the MCT conform to accounting principles generally accepted in the United States of America as applicable to governmental entities. The Governmental Accounting Standards Board ("GASB") is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the more significant policies:

**MEADOWLANDS CONSERVATION TRUST  
(A Component Unit of the State of New Jersey)**

NOTES TO FINANCIAL STATEMENTS

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**A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Basis of Presentation – Fund Accounting**

**Fiduciary Fund**

This fund accounts for the receipt of funds designated for the purpose of acquiring and holding environmentally sensitive property within the Hackensack Meadowlands or Hackensack River Watershed area.

The accounts of the MCT are maintained in accordance with the principles of fund accounting to ensure observance of limitations and restrictions on the resources available. The principles of fund accounting require that resources be classified for accounting and reporting purposes into funds or in accordance with activities or objectives specified for the resources. Each fund is a separate accounting entity with a self-balancing set of accounts.

**Measurement Focus/Basis of Accounting**

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as current financial resources (current assets less current liabilities) or economic resources (all assets and liabilities). The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The MCT financial statements are reported using the economic resources measurement focus and the accrual basis of accounting.

**Assets, Liabilities and Net Position**

**Cash**

Cash includes cash in banks and certificates of deposit with original maturities of less than ninety days from date of purchase.

***Custodial Credit Risk - Deposits***

Custodial credit risk is the risk that in the event of a bank failure, the government's deposit may not be returned to it. The MCT's policy is based on New Jersey statutes requiring cash be deposited only in New Jersey based banking institutions that participate in the New Jersey Governmental Unit Depository Protection Act (GUDPA) or in a qualified investment established in New Jersey Statutes 40A:5-15.1(a) that are treated as cash equivalents. As of December 31, 2019 and 2018, there were no amounts exposed to custodial credit risk.

**MEADOWLANDS CONSERVATION TRUST  
(A Component Unit of the State of New Jersey)**

NOTES TO FINANCIAL STATEMENTS

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**A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Investments**

***Interest Rate Risk***

The MCT does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. However, New Jersey Statute 40A:5-15.1(a) limits the length of time for most investments to 397 days.

***Credit Risk***

New Jersey Statute 40A:5-15.1(a) limits municipal investment maturities to those specified in the Statute. The type of allowable investments are Bonds of the United States of America, bonds or other obligations of the towns or bonds or other obligations of the local unit or units within which the town is located; obligations of federal agencies not exceeding 397 days; government money market mutual funds; the State of New Jersey Cash Management Plan; local government investment pools; or repurchase of fully collateralized securities.

***Concentration of Credit Risk***

The MCT places no limit on the amount which can be invested with any one issuer.

**Accounts Receivable, Net of Allowance for Doubtful Accounts**

The MCT evaluates all accounts receivable on an annual basis. An allowance for doubtful accounts is set up by charging expense. Amounts are charged against the allowance for doubtful accounts when management believes that collectability of certain receivables are uncertain.

**Capital Assets**

Capital assets are stated at cost. Land is considered inexhaustible and, therefore, not depreciated. Depreciation is provided using the straight-line method over the estimated useful lives of the related assets as follows:

Buildings      20 years

Expenditures for maintenance and repairs are charged to expense, and renewals and betterments are capitalized. Upon sale or retirement, the cost of the asset and the related accumulated depreciation are removed from the accounts, and the resulting gain or loss is included in the results of operations.

**MEADOWLANDS CONSERVATION TRUST**  
**(A Component Unit of the State of New Jersey)**

NOTES TO FINANCIAL STATEMENTS

**A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Net Position**

Net position represents the equity generated from the operation of the MCT. The components of net position are detailed below:

*Net Investment in Capital Assets* - the component of net position that reports the difference between capital assets less accumulated depreciation, excluding unexpended proceeds, that is directly attributable to the acquisition, construction or improvement of those assets.

*Restricted* - the difference between the assets and liabilities that is not reported in the net investment in capital assets.

**Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities and deferred inflows of resources and disclosures of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**B. CAPITAL ASSETS**

Capital asset activity as of December 31, 2019 and 2018, was as follows:

	January 1, 2019	Additions	Disposals	December 31, 2019
Capital assets being depreciated				
Buildings	\$ 250,000	\$ -	\$ -	\$ 250,000
Less accumulated depreciation	<u>(100,000)</u>	<u>(12,500)</u>	<u>-</u>	<u>(112,500)</u>
	150,000	(12,500)	-	137,500
Capital assets not depreciated				
Land	<u>27,761,260</u>	<u>-</u>	<u>-</u>	<u>27,761,260</u>
Capital assets, net	<u>\$ 27,911,260</u>	<u>\$ (12,500)</u>	<u>\$ -</u>	<u>\$ 27,898,760</u>
	January 1, 2018	Additions	Disposals	December 31, 2018
Capital assets being depreciated				
Buildings	\$ 250,000	\$ -	\$ -	\$ 250,000
Less accumulated depreciation	<u>(87,500)</u>	<u>(12,500)</u>	<u>-</u>	<u>(100,000)</u>
	162,500	(12,500)	-	150,000
Capital assets not depreciated				
Land	<u>27,761,260</u>	<u>-</u>	<u>-</u>	<u>27,761,260</u>
Capital assets, net	<u>\$ 27,923,760</u>	<u>\$ (12,500)</u>	<u>\$ -</u>	<u>\$ 27,911,260</u>

**MEADOWLANDS CONSERVATION TRUST  
(A Component Unit of the State of New Jersey)**

NOTES TO FINANCIAL STATEMENTS

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**B. CAPITAL ASSETS (CONTINUED)**

**Acquisition of the Richard P. Kane Natural Area**

On March 25, 2005, the MCT took full title to the Empire Tract (the "Tract"), located within Carlstadt and South Hackensack, through a transfer of deed from Mills Corporation. The Tract was later renamed the Richard P. Kane Natural Area. This 587-acre tract of the land was once slated to become a megamall before it was determined to be ecologically important and worthy of preservation. The developer Mills Corporation's original plans intended for the filling of the 206 acres of wetlands to be developed into a retail facility, office building, warehousing space and hotel. The remaining 381 acres would then be turned into a storm water retention basin. The Tract's acreage is predominantly comprised of wetlands with approximately twenty-five acres of uplands on the property.

Mills and its successors are required to pay \$100,000 per year, for a period of 75 years, to the MCT for costs related to implementation and maintenance of wetland preservation and enhancements associated with the perpetual preservation of the Tract. During 2017, MCT collected \$700,000 in funds from Ameream, LLC, representing payments for the years 2011-2017 and recorded a receivable for \$6.2 million. See Note A for more details on MCT's accounts receivable policy. Annual funding from Ameream, LLC of \$100,000 is current through December 31, 2019.

**C. RISK MANAGEMENT**

**Property and Liability Insurance**

The MCT maintains commercial insurance coverage for property, liability and surety bonds that covers the risks of loss related to torts; theft of, damages to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. There has been no significant reduction in insurance coverage from the previous year nor have there been any settlements in excess of insurance coverage.

**D. APPROPRIATION OF FUNDS IN THE STATE OF NEW JERSEY'S FY2020 BUDGET**

The FY2020 State Budget included an appropriation of \$1,490,000 to reinstate a portion of the \$3,080,458 Trust's funds that were swept into the General Fund's FY2018 State budget. The MCT and the NJSEA staff continue to urge Treasury and the Legislature to complete the reinstatement of the balance within the FY2021 State Budget.

**E. SUBSEQUENT EVENTS**

Management evaluated the activity of the Trust through May 19, 2020, the date the financial statements were available to be issued, and concluded that no subsequent events have occurred that would require recognition in the financial statements or disclosure in the notes to the financial statements, except for the following:

**MEADOWLANDS CONSERVATION TRUST  
(A Component Unit of the State of New Jersey)**

NOTES TO FINANCIAL STATEMENTS

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**E. SUBSEQUENT EVENTS (CONTINUED)**

On January 30, 2020, the World Health Organization declared the coronavirus outbreak a "Public Health Emergency of International Concern" and on March 10, 2020, declared it to be a pandemic. Actions taken around the world to help mitigate the spread of the coronavirus include restrictions on travel and quarantines in certain areas, and forced closures for certain types of public places and businesses. The coronavirus and actions taken to mitigate it have had and are expected to continue to have an adverse impact on the economies and financial markets of many countries, including the geographical area in which the Authority operates. Due to the impact of New Jersey Governor Murphy's Executive Order No. 107 dated March 21, 2020, mandating statewide stay-at-home practices and closure of all non-essential retail businesses, it is reasonably possible certain revenues will decrease, and related collections and appropriations will be adversely impacted. It is unknown how long these conditions will last and what the complete financial affect will be to MCT.

## **SUPPLEMENTARY INFORMATION**

**MEADOWLANDS CONSERVATION TRUST**  
**(A Component Unit of the State of New Jersey)**

SCHEDULE OF NET POSITION BY COMPONENT – LAST TEN FISCAL YEARS  
 December 31, 2019

Net Position by Component, Last Ten Fiscal Years  
 (accrual basis of accounting)

	Year	Net Investment in Capital Assets	Restricted	Total Net Position
Fiduciary Activities	2010	\$ 27,731,680	\$ 1,289,997	\$ 29,021,677
	2011	27,969,180	1,976,181	29,945,361
	2012	27,956,680	3,357,037	31,313,717
	2013	27,944,180	5,520,018	33,464,198
	2014	27,931,680	5,275,757	33,207,437
	2015	27,919,180	4,710,201	32,629,381
	2016	27,936,260	4,351,236	32,287,496
	2017	27,923,760	1,747,712	29,671,472
	2018	27,911,260	1,608,329	29,519,589
	2019	27,898,760	3,009,250	30,908,010

\* Restricted Net Position contains funds restricted solely for the maintenance of Richard P. Kane Natural Area ("Tract"). Those funds at December 31, 2019 and December 31, 2018 are \$1,432,555 and \$1,340,177, respectively.

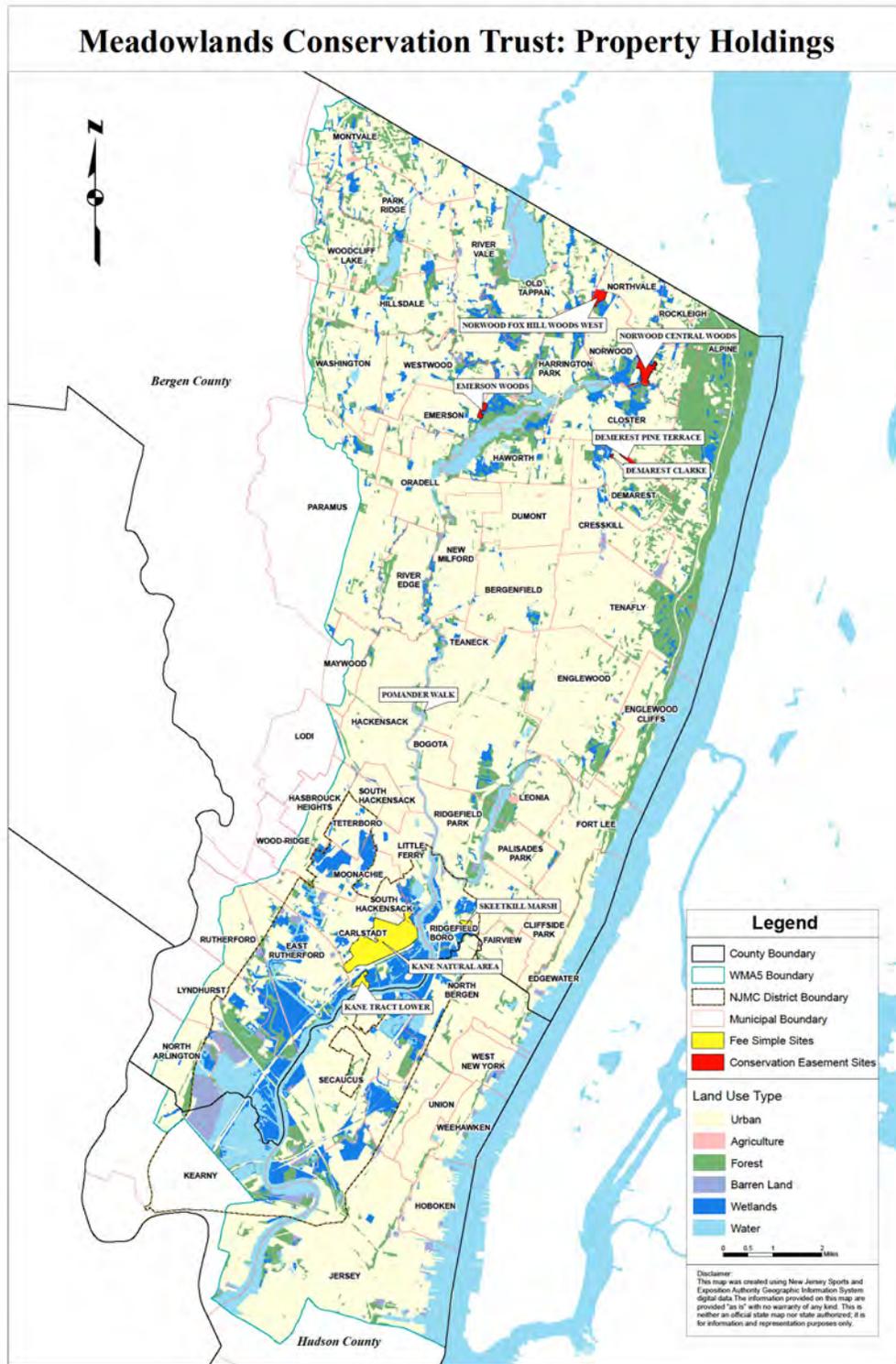
**MEADOWLANDS CONSERVATION TRUST**  
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**SCHEDULE OF CHANGES IN NET POSITION– LAST TEN FISCAL YEARS**  
**Year Ended December 31, 2019**

<b>Deductions</b>	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
<b>Fiduciary Activities:</b>										
Salaries and Wages	\$ 98,432	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Fringe Benefits	40,746	15,715	12,043	337	347	355	357	361	2,496	-
Supplies	2,724	281	140	3,004	182	12,086	73	-	-	-
Services	83,278	61,553	48,091	204,409	239,499	176,143	380,761	243,824	252,300	234,804
Repairs and Maintenance	-	-	12,697	-	49,887	41,962	27,108	23,800	11,428	2,700
Land Tract Fees	78,330	-	-	-	-	-	-	-	-	-
Other	10,693	389	60	-	-	412,500	12,500	12,500	12,500	12,500
<b>Total Fiduciary activities deductions</b>	<b>\$ 314,203</b>	<b>\$ 77,938</b>	<b>\$ 73,031</b>	<b>\$ 207,750</b>	<b>\$ 289,915</b>	<b>\$ 643,046</b>	<b>\$ 420,799</b>	<b>\$ 280,484</b>	<b>\$ 278,724</b>	<b>\$ 250,004</b>
<b>Additions</b>										
<b>Fiduciary Activities:</b>										
Contributions:										
MCT Restricted Revenue	\$ 100,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 700,000	\$ 100,000	\$ 100,000
Sale of Mitigation Rights	-	930,268	1,378,156	2,330,584	3,924	38,702	22,126	-	-	-
Donations of Cash	-	100	250	-	-	-	-	3,401	-	-
Donations of Land	-	-	-	-	-	-	29,580	-	-	-
NJDMV -Plate Sales	21,117	19,866	20,147	21,026	19,844	20,924	17,497	20,346	17,326	20,458
Other	6,324	30,254	42,834	6,621	9,386	5,364	9,711	21,173	9,515	14,207
<b>Total Fiduciary activities additions</b>	<b>\$ 127,441</b>	<b>\$ 980,488</b>	<b>\$ 1,441,387</b>	<b>\$ 2,358,231</b>	<b>\$ 33,154</b>	<b>\$ 64,990</b>	<b>\$ 78,914</b>	<b>\$ 744,919</b>	<b>\$ 126,841</b>	<b>\$ 134,665</b>
Reappropriation of Funds in State of New Jersey FY 2018 Budget	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (3,080,458)	\$ -	\$ -
FY 2020 State of New Jersey Budget Appropriation	-	-	-	-	-	-	-	-	-	1,490,000
Other	-	-	-	-	-	-	-	-	-	13,760
<b>Change in Net Position</b>										
Total Fiduciary Trust	\$ (186,762)	\$ 902,550	\$ 1,368,356	\$ 2,150,481	\$ (256,761)	\$ (578,056)	\$ (341,885)	\$ (2,616,023)	\$ (151,883)	\$ 1,388,421

**MEADOWLANDS CONSERVATION TRUST  
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**PROPERTY HOLDINGS MAP**



**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

**Board of Trustees  
Meadowlands Conservation Trust**

**Report on the Financial Statements**

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Meadowlands Conservation Trust ("MCT"), as of and for the year ended December 31, 2019, and the related notes to financial statements, which comprise the basic financial statements, and have issued our report thereon dated May 19, 2020.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the MCT's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the MCT's internal control. Accordingly, we do not express an opinion on the effectiveness of the MCT's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the MCT's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the MCT's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS  
(CONTINUED)**

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Mercadieu, P.C.*

*Certified Public Accountants*

May 19, 2020

**MEADOWLANDS CONSERVATION TRUST**  
**(A Component Unit of the State of New Jersey)**

SCHEDULE OF CURRENT YEAR FINDINGS AND RECOMMENDATIONS  
Year Ended December 31, 2019

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None reported.

**MEADOWLANDS CONSERVATION TRUST**  
**(A Component Unit of the State of New Jersey)**

SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS  
Year Ended December 31, 2019

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None reported.