

MCDOWELL SONORAN CONSERVANCY
FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2020
(WITH SUMMARIZED FINANCIAL INFORMATION
FOR THE YEAR ENDED JUNE 30, 2019)



CLAconnect.com

WEALTH ADVISORY
OUTSOURCING
AUDIT, TAX, AND
CONSULTING

**MCDOWELL SONORAN CONSERVANCY
TABLE OF CONTENTS
YEAR ENDED JUNE 30, 2020
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2019)**

INDEPENDENT AUDITORS' REPORT	1
FINANCIAL STATEMENTS	
STATEMENT OF FINANCIAL POSITION	3
STATEMENT OF ACTIVITIES	4
STATEMENT OF FUNCTIONAL EXPENSES	5
STATEMENT OF CASH FLOWS	6
NOTES TO FINANCIAL STATEMENTS	7



INDEPENDENT AUDITORS' REPORT

Board of Directors
McDowell Sonoran Conservancy
Scottsdale, Arizona

We have audited the accompanying financial statements of McDowell Sonoran Conservancy (a nonprofit corporation), which comprise the financial position as of June 30, 2020, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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.

Board of Directors
McDowell Sonoran Conservancy

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of McDowell Sonoran Conservancy as of June 30, 2020, and the results of its activities and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

The 2019 financial statements of McDowell Sonoran Conservancy were audited by other auditors whose report dated March 20, 2020 expressed an unmodified opinion on those statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2019, is consistent, in all material respects, with the audited financial statements which it has been derived.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Phoenix, Arizona
May 25, 2021

MCDOWELL SONORAN CONSERVANCY
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2020
(WITH SUMMARIZED INFORMATION FOR THE YEAR ENDED JUNE 30, 2019)

ASSETS	2020	2019
CURRENT ASSETS		
Cash	\$ 464,525	\$ 220,889
Contributions Receivable	148,812	69,539
Inventory	23,111	14,374
Prepaid Expenses	16,407	19,978
Total Current Assets	652,855	324,780
NONCURRENT ASSETS		
Contributions Receivable, Net of Current Portion	113,749	185,339
Investments	364,143	532,240
Other Assets	4,327	4,327
Property and Equipment, Net	8,059	25,634
Intangible Assets, Net	55,861	21,781
Land Held for Conservation	383,500	383,500
Total Noncurrent Assets	929,639	1,152,821
Total Assets	\$ 1,582,494	\$ 1,477,601
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable	\$ 55,162	\$ 9,304
Accrued Expenses	48,230	42,363
Total Current Liabilities	103,392	51,667
NONCURRENT LIABILITIES		
Deferred Rent	8,929	12,886
Economic Injury Disaster Loan	150,610	-
Total Noncurrent Liabilities	159,539	12,886
Total Liabilities	262,931	64,553
NET ASSETS		
Without Donor Restrictions:	294,041	100,745
With Donor Restrictions	1,025,522	1,312,303
Total Net Assets	1,319,563	1,413,048
Total Liabilities and Net Assets	\$ 1,582,494	\$ 1,477,601

See accompanying Notes to Financial Statements.

**MCDOWELL SONORAN CONSERVANCY
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2020
(WITH SUMMARIZED INFORMATION FOR THE YEAR ENDED JUNE 30, 2019)**

	Without Donor Restrictions	With Donor Restrictions	Totals	
			2020	2019
SUPPORT AND REVENUE				
Contributed Volunteer Services	\$ 1,502,813	\$ -	\$ 1,502,813	\$ 1,405,971
Other Contributed Materials and Services	2,450	-	2,450	64,910
Contributions and Grants	960,047	7,683	967,730	877,859
Program Service Revenue	126,265	-	126,265	128,911
Investment Income, Net	(6,949)	8,114	1,165	8,118
Merchandise Sales, Net of Cost of Sales of \$14,005	7,694	-	7,694	(13,743)
Subtotal	<u>2,592,320</u>	<u>15,797</u>	<u>2,608,117</u>	<u>2,472,026</u>
Special Events:				
Revenue from Special Events	97,295	-	97,295	44,753
Less: Costs of Direct Donor Benefits	<u>(25,744)</u>	<u>-</u>	<u>(25,744)</u>	<u>(39,147)</u>
Gross Profit (Loss) on Special Events	71,551	-	71,551	5,606
Net Assets Released from Restrictions	<u>302,578</u>	<u>(302,578)</u>	<u>-</u>	<u>-</u>
Total Support and Revenue	<u>2,966,449</u>	<u>(286,781)</u>	<u>2,679,668</u>	<u>2,477,632</u>
EXPENSES				
Program Services	2,064,772	-	2,064,772	1,877,833
Supporting Services:				
Management and General	356,029	-	356,029	195,178
Fundraising	<u>352,352</u>	<u>-</u>	<u>352,352</u>	<u>360,636</u>
Total Supporting Services	708,381	-	708,381	555,814
Total Expenses	<u>2,773,153</u>	<u>-</u>	<u>2,773,153</u>	<u>2,433,647</u>
CHANGE IN NET ASSETS	193,296	(286,781)	(93,485)	43,985
Net Assets - Beginning of Year	<u>100,745</u>	<u>1,312,303</u>	<u>1,413,048</u>	<u>1,369,063</u>
NET ASSETS - END OF YEAR	<u>\$ 294,041</u>	<u>\$ 1,025,522</u>	<u>\$ 1,319,563</u>	<u>\$ 1,413,048</u>

See accompanying Notes to Financial Statements.

**MCDOWELL SONORAN CONSERVANCY
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2020
(WITH SUMMARIZED INFORMATION FOR THE YEAR ENDED JUNE 30, 2019)**

	Total Program Services	Supporting Services		Total Supporting Services	Direct Donor Benefits	Totals	
		Management and General	Fundraising			2020	2019
Salaries, Payroll Taxes and Benefits	\$ 339,548	\$ 175,588	\$ 236,605	\$ 412,193	\$ -	\$ 751,741	\$ 554,249
Equipment and Equipment Leases	7,053	1,681	-	1,681	-	8,734	6,538
Telephone and Internet	3,558	1,840	2,479	4,319	-	7,877	7,209
Depreciation and Amortization	13,997	2,999	2,999	5,998	-	19,995	22,482
Occupancy	26,513	13,711	18,475	32,186	-	58,699	58,338
Supplies and Materials	29,873	27,137	48,106	75,243	-	105,116	55,895
Event Expenses	25,169	-	-	-	-	25,169	-
Contributed Volunteer Services	1,502,813	-	-	-	-	1,502,813	1,405,971
Professional Fees	97,084	92,817	26,279	119,096	-	216,180	236,157
Dues, Subscriptions, and Meetings	3,602	2,593	2,313	4,906	-	8,508	3,874
Insurance	4,744	2,454	3,306	5,760	-	10,504	8,007
Travel	7,483	6,670	5,780	12,450	-	19,933	16,700
Bank, Credit Card, and Payroll Fees	-	11,541	-	11,541	-	11,541	10,538
Bad Debt Expense	-	10,195	-	10,195	-	10,195	22,285
Other Expense	3,335	6,803	6,010	12,813	-	16,148	25,404
Special Event - Direct Donor Benefits	-	-	-	-	25,744	25,744	39,147
Total Expenses by Function	<u>2,064,772</u>	<u>356,029</u>	<u>352,352</u>	<u>708,381</u>	<u>25,744</u>	<u>2,798,897</u>	<u>2,472,794</u>
Less: Expenses Netted Against Revenues on the Statement of Activities:							
Special Event Expenses	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(25,744)</u>	<u>(25,744)</u>	<u>(39,147)</u>
Total Expenses Included in the Expense Section of the Statement of Activities	<u>\$ 2,064,772</u>	<u>\$ 356,029</u>	<u>\$ 352,352</u>	<u>\$ 708,381</u>	<u>\$ -</u>	<u>\$ 2,773,153</u>	<u>\$ 2,433,647</u>

See accompanying Notes to Financial Statements.

MCDOWELL SONORAN CONSERVANCY
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2020
(WITH SUMMARIZED INFORMATION FOR THE YEAR ENDED JUNE 30, 2019)

	<u>2020</u>	<u>2019</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ (93,485)	\$ 43,985
Adjustments to Reconcile Change in Net Assets to Net Cash Used by Operating Activities:		
Contribution of Intangible Asset	-	(24,201)
Depreciation and Amortization	19,995	22,482
Bad Debt Expense	10,195	22,284
Net Realized and Unrealized (Gain) Loss on Investments	3,135	(2,690)
Change in Discount to Present Value of Contributions Receivable	(15,567)	-
(Increase) Decrease in Assets:		
Contributions Receivable	(2,311)	(137,748)
Inventory	(8,737)	(6,049)
Prepaid Expenses	3,571	(9,400)
Increase (Decrease) in Liabilities:		
Accounts Payable	45,858	(23,462)
Accrued Expenses	5,867	8,584
Deferred Rent	(3,957)	(2,246)
Net Cash Used by Operating Activities	<u>(35,436)</u>	<u>(105,921)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of Investments	(4,267)	(389,307)
Proceeds from Investments	169,229	8,100
Purchases of Intangible Assets	(36,500)	-
Net Cash Provided (Used) by Investing Activities	<u>128,462</u>	<u>(381,207)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from Notes Payable	150,610	-
Net Cash Provided by Financing Activities	<u>150,610</u>	<u>-</u>
CHANGE IN CASH	243,636	(487,128)
Cash - Beginning of Year	<u>220,889</u>	<u>708,017</u>
CASH - END OF YEAR	<u>\$ 464,525</u>	<u>\$ 220,889</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Contribution of Intangible Asset	<u>\$ -</u>	<u>\$ 24,201</u>

See accompanying Notes to Financial Statements.

**MCDOWELL SONORAN CONSERVANCY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 1 PRINCIPAL ACTIVITY AND SIGNIFICANT ACCOUNTING POLICIES

Organization

McDowell Sonoran Conservancy (the Conservancy) is an Arizona nonprofit corporation incorporated in January 1991 and is located in Scottsdale, Arizona. The Conservancy was previously known as the McDowell Sonoran Land Conservancy. The Conservancy changed its name to McDowell Sonoran Conservancy in May 2019. The Conservancy's mission is to preserve and advance natural open space through science, education and stewardship. As stewards, the Conservancy connects the community to the McDowell Sonoran Preserve (the Preserve) through education, research, advocacy, partnerships and safe, respectful access.

Program services include:

Stewardship

The Conservancy equips a collective of volunteers with tools and structures to discover, learn, and ultimately teach. More than 700 volunteers provide their time and talent across a wide range of programs, donating more than 65,000 hours yearly valued at more than \$1.5 Million.

Science

The Conservancy partners with scientists and actively involves volunteers in research as citizen scientists. The Conservancy uses research results to build best practices for long-term resource management and detect changes in plant and animal communities, provide educational opportunities for every age and contribute to the broader scientific knowledge of natural areas.

Education

The Conservancy focuses on providing information about the Sonoran Desert and the environment to recreationists, families, students, environmental enthusiasts and community leaders. Learning about the natural desert, its residents and its history enhance the enjoyment of visiting the desert and reveals the significance of this living treasure.

Advocacy

To take a written or spoken stance on matters that affect the acquisition and completion of the McDowell Sonoran Preserve, the Preserve's ecological integrity and appropriate public access and use.

The significant accounting policies followed by the Conservancy are as follows:

Basis of Presentation

The financial statement presentation reports information regarding the Conservancy's financial position and activities according to two classes of net assets:

Net Assets Without Donor Restrictions – Amounts that are not subject to usage restrictions based on donor-imposed requirements. This class also includes assets previously restricted where restrictions have expired or been met.

MCDOWELL SONORAN CONSERVANCY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 1 PRINCIPAL ACTIVITY AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation (Continued)

Net Assets With Donor Restrictions – Assets subject to usage limitations based on donor-imposed or grantor-imposed restrictions. These restrictions may be temporary or may be based on a particular use. Restrictions may be met by the passage of time or by actions of the Conservancy. Certain restrictions may need to be maintained in perpetuity. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as restricted revenue when received and released from restriction when the assets are placed in service. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP) requires management to make a number of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Prior Period Summarized Information

The financial statements include certain prior year summarized comparative information in total, but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with U.S. GAAP. Accordingly, such information should be read in conjunction with the financial statements for the year ended June 30, 2019, from which the summarized information was derived.

Fair Value Measurements

The Conservancy categorizes its assets and liabilities measured at fair value into a three-level hierarchy based on the priority of the inputs to the valuation technique used to determine fair value. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used in the determination of the fair value measurement fall within different levels of the hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement. Assets and liabilities valued at fair value are categorized based on the inputs to the valuation techniques as follows:

Level 1 – Inputs that utilize quoted prices (unadjusted) in active markets for identical assets (or liabilities) that the Conservancy has the ability to access.

Level 2 – Inputs that include quoted prices for similar assets and liabilities in active markets and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument. Fair values for these instruments are estimated using pricing models, quoted prices of securities with similar characteristics, or discounted cash flows.

**MCDOWELL SONORAN CONSERVANCY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 1 PRINCIPAL ACTIVITY AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair Value Measurements (Continued)

Level 3 – Inputs that are unobservable for the asset or liability, which are typically based on the Conservancy's own assumptions, as there is little, if any, related market activity.

Professional standards allow entities the irrevocable option to elect to measure certain financial instruments and other items at fair value for the initial and subsequent measurement on an instrument-by-instrument basis. The Conservancy has not elected to measure any existing financial instruments at fair value. However, it may elect to measure newly acquired financial instruments at fair value in the future.

Fair values are measured using independent pricing models or other model-based valuation techniques such as appraised values, adjusted for the security's credit rating, prepayment assumptions, and other factors such as credit loss assumptions. The Conservancy does not have any assets or liabilities that are valued using Level 1 or 2 inputs.

Cash

Cash includes cash and, at times, cash equivalents consisting of highly liquid financial instruments purchased with original maturities of three months or less. Deposits at financial institutions are insured in limited amounts by the Federal Deposit Insurance Corporation (FDIC). The Conservancy maintains cash balances at financial institutions which may, at times, exceed the amount insured by the FDIC, and therefore, the Conservancy is at risk of loss of these funds should the financial institution become insolvent.

Contributions Receivable

Contributions receivable are unconditional promises to give. Such promises that are expected to be collected within one year are recorded at expected net realizable value when the promise is received. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of estimated future cash flows. Contributions receivable are discounted using fair value rates and contributions are written off when deemed uncollectible. Conditional promises to give are not included as support until the conditions are substantially met.

As of June 30, 2020, the Conservancy does not have any conditional promises to give.

Inventory

Inventories consists of items held for sale (primarily books, clothing, posters and other small items) and are recorded at the lower of cost or net realizable value on a first-in, first-out basis.

Investments

The Conservancy holds assets in an agreement with a local community foundation. The funds are stated at fair value, which was determined based on quoted market prices of the underlying assets. Investments are exposed to various risks, such as interest rate, market, and credit risks.

**MCDOWELL SONORAN CONSERVANCY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 1 PRINCIPAL ACTIVITY AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property and Equipment

Property and equipment having a unit cost of greater than \$3,000 and a useful life of more than one year are capitalized at cost when purchased. Donated assets are capitalized at the estimated fair value at the date of receipt and restrictions are released once the asset has been placed into service. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend its life are expensed as incurred. Depreciation on property and equipment is provided on a straight-line basis over the estimated useful lives of the assets as follows:

Furniture, Fixtures, and Equipment	3 to 7 Years
Leasehold Improvements	10 Years
Website	3 Years

Intangible Assets

Intangible assets are valued at cost or, if donated, at fair value at the date of the gift to the Conservancy. The intangible assets are amortized on a straight-line basis over its estimated useful life of 10 years.

Land Held for Conservation

Land held for conservation consists of certain undeveloped desert land located in the City of Scottsdale, AZ and held for the purpose of conservation. The land was donated to the Conservancy and is recorded at the fair value of the land at the date of gift. The land is donor-restricted to be maintained in perpetuity and is included in the Conservancy's endowment at June 30, 2020.

Impairment of Long-Lived Assets

The Conservancy accounts for long-lived assets in accordance with the provisions of Accounting for the Impairment of Long-Lived Assets. This accounting standard requires that long-lived assets be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future cash flows to be expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying value of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or fair value less costs to sell. Management believes that no long-lived assets have any impairment of value.

Deferred Rent

The Conservancy accounts for rent expense evenly over the term of the lease using the straight-line method. The unamortized deferred rent was \$8,929 June 30, 2020.

Revenue Recognition

The Conservancy recognizes program service revenue as services are rendered. Merchandise sales consist of retail sales which are recognized when goods are sold.

**MCDOWELL SONORAN CONSERVANCY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 1 PRINCIPAL ACTIVITY AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Donated Materials and Services

Donated materials and professional services are recorded at their estimated values if they enhance the Conservancy's nonfinancial assets or require specialized skills that the Conservancy would normally purchase, if not provided by donation. The Conservancy recognized approximately \$1,502,813 (56% of total revenue) of time that was contributed during the year ended June 30, 2020, by the Conservancy's Stewards and others whose services met the recognition criteria. Other volunteers donate a significant amount of time to the Conservancy's program services. No amounts have been reflected in the financial statements for these other volunteer services, since they did not meet the recognition requirements under U.S. GAAP.

Special Events Revenue

The Conservancy conducts special events in which a portion of the gross proceeds paid by the participant represents payment for the direct cost of the benefits received by the participant at the event. Unless a verifiable, objective means exists to demonstrate otherwise, the fair value of meals and entertainment provided at special events is measured at the actual cost to the Conservancy. The direct costs of the special events, which ultimately benefit the donor rather than the Conservancy, are recorded as costs of direct donor benefits in the accompanying statement of activities.

Functional Allocation of Expenses

The costs of providing programs and other activities have been presented on a functional basis in the statements of activities and functional expenses. Directly identifiable expenses are charged to programs and supporting services. Certain costs have been allocated among the program and supporting services benefited based on management's estimate of time and/or resources devoted to each activity.

Income Tax Status

The Conservancy is organized as an Arizona nonprofit corporation and has been recognized by the Internal Revenue Service (IRS) as exempt from federal income taxes under Section 501(a) of the Internal Revenue Code as an organization described in Section 501(c)(3) and has been determined not to be a private foundation under Sections 509(a)(1) and 170(b)(1)(A)(vi). Accordingly, contributions to the Conservancy qualify for the charitable contribution deduction under Section 170. The Conservancy is annually required to file a Return of Organization Exempt from Income Tax (Form 990) with the IRS.

The Conservancy is generally subject to income tax on net income that is derived from business activities that are unrelated to its exempt purpose. Management has determined the Conservancy has no taxable unrelated business income related to the Conservancy's activities and it has not filed the Exempt Organization Business Income Tax Return (IRS Form 990-T), or its Arizona equivalent, Form 99-T. The tax years ended June 30, 2017, 2018, and 2019 are still open to audit for both federal and state purposes. Management believes that it has appropriate support for any income tax positions taken, and, as such, does not have any uncertain tax positions that are material to the financial statements. The Conservancy would recognize future accrued interest and penalties related to unrecognized tax benefits and liabilities in income tax expense if such interest and penalties are incurred.

**MCDOWELL SONORAN CONSERVANCY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 1 PRINCIPAL ACTIVITY AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Change in Accounting Principle

In June 2018, the Financial Accounting Standards Board issued Accounting Standards Update (ASU) 2018-08, *Not-for-Profit Entities (Topic 958) – Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The update clarifies and improves the scope and the accounting guidance for contributions received and contributions made. The amendments in the update assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) within the scope of Topic 958, *Not-for-Profit Entities*, or as exchange (reciprocal) transactions subject to other guidance and (2) determining whether a contribution is conditional.

The Conservancy's financial statements reflect adoption of ASU 2018-08 guidance beginning in fiscal year 2020. The adoption of ASU 2018-08 did not impact the Conservancy's reported revenue.

Subsequent Events

The Conservancy evaluated subsequent events through May 25, 2021, the date the financial statements were available to be issued.

NOTE 2 LIQUIDITY AND AVAILABILITY

The Conservancy regularly monitors liquidity required to meet its operating needs and other contractual commitments. The Conservancy has various sources of liquidity at its disposal, including cash, investments and contributions receivable, and structures its financial assets to be available to meet general expenditures, liabilities and other obligations as they come due. The Conservancy manages its liquid resources by investing excess cash in marketable securities and interest-bearing bank accounts. In addition to financial assets available to meet general expenditures over the next 12 months, the Conservancy prepares and strives to operate within an annual budget.

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following at June 30, 2020:

Cash and Cash Equivalents	\$ 464,525
Contributions Receivable	262,561
Investments	364,143
Total Financial Assets	<u>1,091,229</u>
Less:	
Donor-Imposed Purpose Restrictions and Endowment	(379,461)
Long Term Receivables	(113,749)
Board-Designated Operating Reserve Fund	<u>(103,000)</u>
Financial Assets Available to Meet General Expenditures Within One Year	<u>\$ 495,019</u>

Although, the Conservancy does not intend to spend from the board-designated Operating Reserve fund, these amounts could be made available if necessary.

**MCDOWELL SONORAN CONSERVANCY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 3 CONTRIBUTIONS RECEIVABLE

Contributions receivable consist of the following at June 30, 2020 :

Contributions Due in Less than One Year	\$ 148,812
Contributions Due in One to Five Years	<u>157,350</u>
Gross Contributions Receivable	306,162
Less:	
Allowance	(39,680)
Discount at 1.25%	<u>(3,921)</u>
Contributions Receivable, Net	<u><u>\$ 262,561</u></u>

NOTE 4 INVESTMENTS AND FAIR VALUE MEASUREMENTS

The Conservancy uses fair value measurements to record fair value adjustments to certain assets and liabilities and to determine fair value disclosures. For additional information on how the Conservancy measures fair value refer to Note 1 – Summary of Significant Accounting Policies. The following table presents the fair value hierarchy for the balances of the assets of the Conservancy measured at fair value on a recurring basis as of June 30, 2020:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments:				
Community Foundation				
Investment Pools	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 364,143</u>	<u>\$ 364,143</u>

The following table presents a rollforward of activity for investments measured at fair value using significant unobservable inputs (Level 3) for the years ended June 30, 2020:

Beginning Balance	\$ 532,240
Transfer Out of Level 3	(164,962)
Total Gains or Losses (Realized/Unrealized)	(7,410)
Purchases	<u>4,275</u>
Ending Balance	<u><u>\$ 364,143</u></u>

NOTE 5 PROPERTY AND EQUIPMENT

Property and equipment consists of the following at June 30, 2020:

Furniture, Fixtures, and Equipment	\$ 110,422
Website	<u>59,392</u>
Total	169,814
Less: Accumulated Depreciation	<u>(161,755)</u>
Property and Equipment, Net	<u><u>\$ 8,059</u></u>

Depreciation expense charged to operations was \$17,575 for the year ended June 30, 2020.

**MCDOWELL SONORAN CONSERVANCY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 6 INTANGIBLE ASSETS

Intangible assets consist of the following at June 30, 2020:

Logo	\$ 24,201
Children's Learning and Play Festival	<u>36,500</u>
Total	60,701
Less: Accumulated Amortization	<u>(4,840)</u>
Intangible Assets, Net	<u><u>\$ 55,861</u></u>

The acquisition of the Children's Learning & Play Festival in 2020 resulted in recognizing goodwill of \$36,500. This Goodwill is assessed annually by the Conservancy for any impairment.

Amortization expense charged to operations was \$2,420 for the year ended June 30, 2020.

NOTE 7 ECONOMIC INJURY DISASTER AND PAYCHECK PROTECTION PROGRAM LOANS

The Conservancy applied for and was approved a \$150,000 under the Economic Injury Disaster Loan (EIDL) and a \$114,239 loan under the Paycheck Protection Program (PPP) programs created as part of the relief efforts related to COVID-19 and administered by the Small Business Administration.

The EIDL loan accrues interest at 2.75% The note requires payments of \$641 beginning May 2021 through May 2050 and is secured by a continuing security interest in all tangible and intangible personal property of the Conservancy. The balance at June 30, 2020 includes accrued interest of \$610. Future principal maturities on the EIDL loan are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2021	\$ 610
2022	3,522
2023	3,620
2024	3,721
2025	3,824
Thereafter	<u>135,313</u>
Total	<u><u>\$ 150,610</u></u>

The PPP loan accrues interest at 1%, but payments are not required to begin for six months after the funding of the loan. The Conservancy is eligible for loan forgiveness of up to 100% of the loan, upon meeting certain requirements. The loan is uncollateralized and is fully guaranteed by the Federal government. Management has elected to recognize revenue of \$114,334 during the year ended June 30, 2020 for the amount of PPP Loan funds utilized in anticipation of forgiveness. Subsequent to year-end, the Conservancy received notification of forgiveness for the full balance of the loan.

**MCDOWELL SONORAN CONSERVANCY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 8 NET ASSETS

Net Assets Without Donor Restrictions

Board-designated net assets consist of the following at June 30, 2020:

Board-Designated Reserve Fund	\$ 103,000
-------------------------------	------------

Net Assets With Donor Restrictions

Net assets with donor restrictions are restricted for the following purposes or periods June 30, 2020:

Subject to Expenditure for Specified Purpose:	
Field Institute	\$ 129,500
Research	2,730
Stewardship	26,621
Total	158,851

Subject to the Passage of Time:	
Contributions Receivable	262,561
Total	262,561

Endowments:	
Subject to Endowment Spending Policy and	
Appropriation:	
Earnings on Endowment Funds	11,951

Restricted in Perpetuity:	
Land Held for Conservation	383,500
Endowment	208,659
Total	592,159

Total Net Assets with Donor Restrictions	\$ 1,025,522
--	--------------

NOTE 9 ENDOWMENT

The board of directors (board) of the Conservancy has adopted the Arizona Management of Charitable Funds Act of 2008 (AMCFA) (the Arizona version of the Uniform Prudent Management of Institutional Funds Act of 2006). The board has interpreted as requiring the preservation of the fair value of the original donation as of the donation date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Conservancy classifies as net assets with perpetual 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.

**MCDOWELL SONORAN CONSERVANCY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 9 ENDOWMENT (CONTINUED)

The remaining portion of the donor-restricted endowment fund that is not classified as net assets with perpetual restrictions is classified as net assets donor purpose restrictions until those amounts are appropriated for expenditure by the Conservancy in a manner consistent with the standard of prudence prescribed by AMCFA.

In accordance with AMCFA, the Conservancy 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 Conservancy 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 Conservancy
- The investment policies of the Conservancy

The Conservancy's endowments consist of land held for conservation, donations restricted in perpetuity and purpose restricted investment earnings. As required by U.S. GAAP, net assets associated with the endowment funds, including funds designated by the board to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Changes in Endowment net assets for the year ended June 30, 2020 are as follows:

	Without Donor Restrictions	Purpose Restricted	Restricted in Perpetuity	Total
Endowment Net Assets - Beginning of Year	\$ -	\$ 24,722	\$ 208,659	\$ 233,381
Net Realized and Unrealized (Losses)	-	(7,410)	-	(7,410)
Interest Income	-	2,839	-	2,839
Amounts Appropriated for Expenditure	-	(8,200)	-	(8,200)
Endowment Net Assets - End of Year	<u>\$ -</u>	<u>\$ 11,951</u>	<u>\$ 208,659</u>	<u>\$ 220,610</u>

The Conservancy 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, the endowment assets are invested in a manner that is intended to produce results while assuming a moderate level of investment risk. The Conservancy's spending and investment policies work together to achieve this objective.

MCDOWELL SONORAN CONSERVANCY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 9 ENDOWMENT (CONTINUED)

The Conservancy's annual appropriations are at the discretion of the board unless specific instructions were provided by the endowment donors. The current spending policy is 5% to 7% of the annual market value of the endowment, as determined annually by the board. In the event the current market value of the endowment is less than the historical gift value, spending will continue at 5% to 7% of the market value, unless donor agreements do not permit spending in this circumstance or as otherwise determined by the board. For the year ended June 30, 2020, investment earnings of \$8,200 were appropriated for expenditure by the board.

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 AMCFR requires the Conservancy to retain as a fund of perpetual duration. As of June 30, 2020, the Conservancy had sufficient funds allocated to the endowment.

NOTE 10 LEASE COMMITMENTS

The Conservancy leases office space and office equipment under noncancelable operating leases expiring in years through 2022. The rental expense related to these leases is recorded on a straight-line basis over the lease term. Total rental expense was \$46,629 for the year ended June 30, 2020.

Minimum future lease payments under noncancelable operating leases having remaining terms in excess of one year, are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2021	\$ 52,186
2022	26,521
Total	<u>\$ 78,707</u>

NOTE 11 RELATED PARTY TRANSACTIONS

During the year ended June 30, 2020, the Conservancy received contributions, both cash and in-kind, from board members totaling \$37,275. As of June 30, 2020, amounts due from board members totaled \$37,120, and are included in Contributions Receivable in the accompanying statement of financial position.

NOTE 12 CONCENTRATIONS OF CREDIT RISK

Two donors gave cash contributions which represent 22% of total contribution and grant revenue support for the year ended June 30, 2020. One organization represents 100% of program service revenue for the year ended June 30, 2020. Should these contribution levels decrease, the Conservancy may be adversely affected.

**MCDOWELL SONORAN CONSERVANCY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 13 RISKS AND UNCERTAINTIES

In December of 2019, the World Health Organization declared the spread of Coronavirus Disease (COVID-19) a worldwide pandemic. The COVID-19 pandemic is having significant effects on global markets, supply chains, businesses, and communities. Specific to the Organization, COVID-19 has impacted various parts of its 2020 operations and financial results. Management believes the Conservancy is taking appropriate actions to mitigate the negative impact. However, the full impact of COVID-19 is unknown and cannot be reasonably estimated as these events occurred are still developing.

