

MCDOWELL SONORAN CONSERVANCY
FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2021
(WITH SUMMARIZED FINANCIAL INFORMATION
FOR THE YEAR ENDED JUNE 30, 2020)



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**MCDOWELL SONORAN CONSERVANCY
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YEAR ENDED JUNE 30, 2021
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2020)**

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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, 2021, 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, 2021, 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

We have previously audited the McDowell Sonoran Conservancy 2020 financial statements, and we expressed an unmodified audit opinion of those audited financial statements in our report dated May 25, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2020, is consistent, in all material respects, with the audited financial statements which it has been derived.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Phoenix, Arizona
December 10, 2021

MCDOWELL SONORAN CONSERVANCY
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2021
(WITH SUMMARIZED INFORMATION FOR THE YEAR ENDED JUNE 30, 2020)

ASSETS	2021	2020
CURRENT ASSETS		
Cash	\$ 445,855	\$ 464,525
Contributions Receivable	1,228,267	148,812
Accounts Receivable	11,584	-
Inventory	27,278	23,111
Prepaid Expenses	13,116	16,407
Total Current Assets	1,726,100	652,855
NONCURRENT ASSETS		
Contributions Receivable, Net of Current Portion	466,411	113,749
Investments	364,751	364,143
Other Assets	4,527	4,327
Property and Equipment, Net	17,141	8,059
Intangible Assets, Net	78,441	55,861
Land Held for Conservation	383,500	383,500
Total Noncurrent Assets	1,314,771	929,639
Total Assets	\$ 3,040,871	\$ 1,582,494
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable	\$ 7,268	\$ 55,162
Accrued Expenses	75,125	48,230
Total Current Liabilities	82,393	103,392
NONCURRENT LIABILITIES		
Deferred Rent	4,117	8,929
Paycheck Protection Program Loan	114,709	-
Economic Injury Disaster Loan	154,735	150,610
Total Noncurrent Liabilities	273,561	159,539
Total Liabilities	355,954	262,931
NET ASSETS		
Without Donor Restrictions:	286,162	294,041
With Donor Restrictions	2,398,755	1,025,522
Total Net Assets	2,684,917	1,319,563
Total Liabilities and Net Assets	\$ 3,040,871	\$ 1,582,494

See accompanying Notes to Financial Statements.

MCDOWELL SONORAN CONSERVANCY
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2021
(WITH SUMMARIZED INFORMATION FOR THE YEAR ENDED JUNE 30, 2020)

	Without Donor Restrictions	With Donor Restrictions	Totals	
			2021	2020
SUPPORT AND REVENUE				
Contributed Volunteer Services	\$ 1,149,906	\$ -	\$ 1,149,906	\$ 1,502,813
Other Contributed Materials and Services	20,818	-	20,818	2,450
Contributions and Grants	415,329	1,863,258	2,278,587	967,730
Program Service Revenue	108,607	-	108,607	126,265
Investment Income, Net	15,771	41,585	57,356	1,165
Merchandise Sales, Net of Cost of Sales of \$5,678	2,922	-	2,922	7,694
Subtotal	<u>1,713,353</u>	<u>1,904,843</u>	<u>3,618,196</u>	<u>2,608,117</u>
Special Events:				
Revenue from Special Events	20,237	-	20,237	97,295
Less: Costs of Direct Donor Benefits	-	-	-	(25,744)
Gross Profit on Special Events	<u>20,237</u>	<u>-</u>	<u>20,237</u>	<u>71,551</u>
Net Assets Released from Restrictions	<u>531,610</u>	<u>(531,610)</u>	<u>-</u>	<u>-</u>
Total Support and Revenue	<u>2,265,200</u>	<u>1,373,233</u>	<u>3,638,433</u>	<u>2,679,668</u>
EXPENSES				
Program Services	1,609,886	-	1,609,886	2,064,772
Supporting Services:				
Management and General	309,715	-	309,715	356,029
Fundraising	<u>353,478</u>	<u>-</u>	<u>353,478</u>	<u>352,352</u>
Total Supporting Services	663,193	-	663,193	708,381
Total Expenses	<u>2,273,079</u>	<u>-</u>	<u>2,273,079</u>	<u>2,773,153</u>
CHANGE IN NET ASSETS	(7,879)	1,373,233	1,365,354	(93,485)
Net Assets - Beginning of Year	<u>294,041</u>	<u>1,025,522</u>	<u>1,319,563</u>	<u>1,413,048</u>
NET ASSETS - END OF YEAR	<u>\$ 286,162</u>	<u>\$ 2,398,755</u>	<u>\$ 2,684,917</u>	<u>\$ 1,319,563</u>

See accompanying Notes to Financial Statements.

MCDOWELL SONORAN CONSERVANCY
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2021
(WITH SUMMARIZED INFORMATION FOR THE YEAR ENDED JUNE 30, 2020)

	Total Program Services	Supporting Services			Direct Donor Benefits	Totals	
		Management and General	Fundraising	Total Supporting Services		2021	2020
Salaries, Payroll Taxes, and Benefits	\$ 321,182	\$ 150,600	\$ 244,220	\$ 394,820	\$ -	\$ 716,002	\$ 751,741
Equipment and Equipment Leases	454	732	-	732	-	1,186	8,734
Telephone and Internet	-	7,344	-	7,344	-	7,344	7,877
Depreciation and Amortization	10,151	1,516	1,516	3,032	-	13,183	19,995
Occupancy	26,744	10,186	19,894	30,080	-	56,824	58,699
Supplies and Materials	19,780	6,957	2,414	9,371	-	29,151	105,116
Event Expenses	-	-	-	-	-	-	25,169
Contributed Volunteer Services	1,149,906	-	-	-	-	1,149,906	1,502,813
Professional Fees	72,236	105,017	68,735	173,752	-	245,988	216,180
Dues, Subscriptions, and Meetings	1,045	5,148	4,898	10,046	-	11,091	8,508
Insurance	4,344	1,655	3,231	4,886	-	9,230	10,504
Travel	1,290	1,514	511	2,025	-	3,315	19,933
Bank, Credit Card, and Payroll Fees	-	7,468	-	7,468	-	7,468	11,541
Bad Debt Expense	-	4,305	5,520	9,825	-	9,825	10,195
Other Expense	2,754	7,273	2,539	9,812	-	12,566	16,148
Special Event - Direct Donor Benefits	-	-	-	-	-	-	25,744
Total Expenses by Function	1,609,886	309,715	353,478	663,193	-	2,273,079	2,798,897
Less: Expenses Netted Against Revenues on the Statement of Activities:							
Special Event Expenses	-	-	-	-	-	-	(25,744)
Total Expenses Included in the Expense Section of the Statement of Activities	\$ 1,609,886	\$ 309,715	\$ 353,478	\$ 663,193	\$ -	\$ 2,273,079	\$ 2,773,153

See accompanying Notes to Financial Statements.

MCDOWELL SONORAN CONSERVANCY
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2021
(WITH SUMMARIZED INFORMATION FOR THE YEAR ENDED JUNE 30, 2020)

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 1,365,354	\$ (93,485)
Adjustments to Reconcile Change in Net Assets to Net Cash Used by Operating Activities:		
Depreciation and Amortization	13,183	19,995
Bad Debt Expense	9,825	10,195
Net Realized and Unrealized (Gain) Loss on Investments	(56,177)	3,135
Change in Discount to Present Value of Contributions Receivable	15,687	(15,567)
(Increase) Decrease in Assets:		
Contributions Receivable	(1,457,629)	(2,311)
Accounts Receivable	(11,584)	-
Inventory	(4,167)	(8,737)
Prepaid Expenses	3,091	3,571
Increase (Decrease) in Liabilities:		
Accounts Payable	(47,894)	45,858
Accrued Expenses	31,020	5,867
Deferred Rent	(4,812)	(3,957)
Net Cash Used by Operating Activities	(144,103)	(35,436)
 CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of Investments	(1,131)	(4,267)
Proceeds from Investments	56,700	169,229
Purchases of Property and Equipment	(19,845)	-
Purchases of Intangible Assets	(25,000)	(36,500)
Net Cash Provided by Investing Activities	10,724	128,462
 CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from Paycheck Protection Program Loan	114,709	-
Proceeds from Notes Payable	-	150,610
Net Cash Provided by Financing Activities	114,709	150,610
 CHANGE IN CASH	(18,670)	243,636
Cash - Beginning of Year	464,525	220,889
 CASH - END OF YEAR	\$ 445,855	\$ 464,525
 SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Noncash Addition of Accrued Interest in Notes Payable Balance	\$ 4,125	\$ -

See accompanying Notes to Financial Statements.

**MCDOWELL SONORAN CONSERVANCY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

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 45,000 hours yearly valued at more than \$1.1 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, 2021

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, 2020, 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, 2021**

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, 2021, 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, 2021**

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, Arizona 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, 2021.

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 \$4,117 June 30, 2021.

**MCDOWELL SONORAN CONSERVANCY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 1 PRINCIPAL ACTIVITY AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition

Program Revenues: Program revenue is recognized as services are rendered to satisfy the contract obligations over the contract term. Payments under contracts received in advance are deferred to the applicable period in which the related services are performed or expenditures are incurred, respectively.

Merchandise Sales: Merchandise sales consist of retail sales which are recognized when goods are sold.

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 \$1,149,906 (32% of total revenue) of time that was contributed during the year ended June 30, 2021, 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).

MCDOWELL SONORAN CONSERVANCY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 1 PRINCIPAL ACTIVITY AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Tax Status (Continued)

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, 2018, 2019, and 2020 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.

Change in Accounting Principle

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-19, *Revenue from Contracts with Customers (Topic 606)*. Subsequent to May 2014, the FASB issues six ASUs to clarify certain matters related to Topic 606. Topic 606 supersedes the revenue recognition requirements in FASB ASC 605, *Revenue Recognition*, and requires the recognition of revenue when promised goods or services are transferred to customers in an amount that reflects the consideration to which an entity expects to be entitled in exchange for those goods or services. The updates address the complexity of revenue recognition and provide sufficient information to enable financial statements users to understand the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. The Conservancy's financial statements reflect the adoption of ASU 2014-09 guidance beginning in fiscal year 2021. The adoption of 2014-09 did not impact the Conservancy's reported revenue.

In August 2018, the Financial Accounting Standards Board issued Accounting Standards Update (ASU) 2018-13, *Fair Value Measurement (Topic 820) – Changes to the Disclosure Requirements for Fair Value Measurement*. The update is to improve the effectiveness of disclosures in the notes to the financial statements. The Conservancy's financial statements reflect adoption of ASU 2018-13 guidance beginning in for the year-ended June 30, 2021. The adoption of ASU 2018-13 did not impact the Conservancy's reported change in net assets.

Subsequent Events

The Conservancy evaluated subsequent events through December 10, 2021, the date the financial statements were available to be issued.

**MCDOWELL SONORAN CONSERVANCY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

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, 2021:

Cash and Cash Equivalents	\$ 445,855
Contributions Receivable	1,694,678
Accounts Receivable	11,584
Investments	<u>364,751</u>
Total Financial Assets	2,516,868
Less:	
Donor-Imposed Purpose Restrictions and Endowment	(376,316)
Long-Term Receivables	(466,411)
Board-Designated Operating Reserve Fund	<u>(103,000)</u>
Financial Assets Available to Meet General Expenditures Within One Year	<u><u>\$ 1,571,141</u></u>

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

NOTE 3 CONTRIBUTIONS RECEIVABLE

Contributions receivable consist of the following at June 30, 2021:

Contributions Due in Less than One Year	\$ 1,228,267
Contributions Due in One to Five Years	<u>508,299</u>
Gross Contributions Receivable	1,736,566
Less:	
Allowance	(22,280)
Discount at 1.25%	<u>(19,608)</u>
Contributions Receivable, Net	<u><u>\$ 1,694,678</u></u>

**MCDOWELL SONORAN CONSERVANCY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

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, 2021:

	<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>\$ 364,751</u>	<u>\$ 364,751</u>

Purchases, sales, transfers in and transfers out of Level 3 investments consist of following for the year ended June 30, 2021:

		<u>Principal Valuation Technique</u>	<u>Unobservable Inputs</u>
Purchases	\$ 1,131	Fair Market	Value of
Sales	56,700	Value of	Underlying
Transfers-In	-	Investments	Assets
Transfers-Out	-		

NOTE 5 PROPERTY AND EQUIPMENT

Property and equipment consists of the following at June 30, 2021:

Furniture, Fixtures, and Equipment	<u>\$ 115,727</u>
Total	115,727
Less: Accumulated Depreciation	<u>(98,586)</u>
Property and Equipment, Net	<u>\$ 17,141</u>

Depreciation expense charged to operations was \$10,763 for the year ended June 30, 2021.

**MCDOWELL SONORAN CONSERVANCY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 6 INTANGIBLE ASSETS

Intangible assets consist of the following at June 30, 2021:

Logo	\$ 24,201
Children's Learning and Play Festival	36,500
Video Game	<u>25,000</u>
Total	85,701
Less: Accumulated Amortization	<u>(7,260)</u>
Intangible Assets, Net	<u><u>\$ 78,441</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 36,500 for the year ended June 30, 2021.

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) 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, 2021 includes accrued interest of \$4,735. Future principal maturities on the EIDL loan are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2022	\$ 3,522
2023	3,620
2024	3,721
2025	3,824
2026	3,824
Thereafter	<u>136,224</u>
Total	<u><u>\$ 154,735</u></u>

Subsequent to year-end, the Conservancy repaid the EIDL in full, including accrued interest.

MCDOWELL SONORAN CONSERVANCY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

**NOTE 7 ECONOMIC INJURY DISASTER AND PAYCHECK PROTECTION PROGRAM LOANS
(CONTINUED)**

On January 21, 2021, the Conservancy received proceeds in the amount of \$114,240 to fund payroll, rent, utilities, and interest on mortgages and existing debt through the Paycheck Protection Program (the PPP Loan). The PPP loan may be forgiven by the U.S. Small Business Administration (SBA) subject to certain performance barriers, as outlined in the loan agreement and the CARES Act. Therefore, the Conservancy has classified this loan as a conditional contribution for accounting purposes. As of June 30, 2021, the Conservancy has not satisfied the performance barriers attributable to \$114,240 of the PPP loan proceeds, and this amount is classified as Paycheck Protection Program Loan in the accompanying statement of financial position. Payment of principal and interest is deferred until the date on which the amount of forgiveness is remitted to the lender or, if the Conservancy fails to apply for forgiveness within 10 months after the covered period, then payment of principal and interest shall begin on that date. The covered period from January 21, 2021 to July 8, 2021 is the time that the Conservancy has to spend their PPP Loan funds. Subsequent to year-end, the loan was forgiven on August 17, 2021.

The SBA may review funding eligibility and usage of funds for compliance with program requirements based on dollar thresholds and other factors. The amount of liability, if any, from potential noncompliance cannot be determined with certainty; however, management is of the opinion that any review will not have a material adverse impact on the Conservancy's financial position.

NOTE 8 NET ASSETS

Net Assets Without Donor Restrictions

Board-designated net assets consist of the following at June 30, 2021:

Board-Designated Reserve Fund	<u>\$ 103,000</u>
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**MCDOWELL SONORAN CONSERVANCY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 8 NET ASSETS (CONTINUED)

Net Assets With Donor Restrictions

Net assets with donor restrictions are restricted for the following purposes or periods
June 30, 2021:

Subject to Expenditure for Specified Purpose:	
Education	\$ 26,621
Stewardship	25,000
Total	<u>51,621</u>
Subject to the Passage of Time:	
Promises to Give are Not Restricted by Donors but Which are Unavailable for Expenditure Until Due	<u>1,638,939</u>
Total	1,638,939
Endowments:	
Subject to Endowment Spending Policy and Appropriation:	
Earnings on Endowment Funds	53,536
Restricted in Perpetuity:	
Land Held for Conservation	383,500
Endowment Pledge Receivable	62,500
Endowment	<u>208,659</u>
Total	<u>654,659</u>
Total Net Assets with Donor Restrictions	<u><u>\$ 2,398,755</u></u>

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.

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.

MCDOWELL SONORAN CONSERVANCY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 9 ENDOWMENT (CONTINUED)

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, 2021 are as follows:

	Without Donor Restrictions	Purpose Restricted	Restricted in Perpetuity	Total
Endowment Net Assets - Beginning of Year	\$ -	\$ 11,951	\$ 208,659	\$ 220,610
Net Realized and Unrealized Gains	-	56,139	-	56,139
Interest Income	-	2,146	-	2,146
Amounts Appropriated for Expenditure	-	(16,700)	-	(16,700)
Endowment Net Assets - End of Year	<u>\$ -</u>	<u>\$ 53,536</u>	<u>\$ 208,659</u>	<u>\$ 262,195</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, 2021**

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, 2021, investment earnings of \$16,700 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, 2021, 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 \$47,574 for the year ended June 30, 2021.

Subsequent to year end, the Conservancy entered into lease agreement for office space under noncancelable operating leases that expire in 2027. The minimum lease payment is reflected in the following schedule.

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>
2022	\$ 79,976
2023	173,580
2024	177,920
2025	182,368
2026	186,927
Thereafter	142,807
Total	<u>\$ 943,578</u>

NOTE 11 RELATED PARTY TRANSACTIONS

During the year ended June 30, 2021, the Conservancy received contributions, both cash and in-kind, from board members totaling \$38,286. As of June 30, 2021, amounts due from board members totaled \$14,000, and are included in contributions receivable in the accompanying statement of financial position.

**MCDOWELL SONORAN CONSERVANCY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 12 CONCENTRATIONS OF CREDIT RISK

One donor gave cash contributions which represent 66% of total contributions and grants revenue for the year ended June 30, 2021. One organization represents 100% of program service revenue for the year ended June 30, 2021. One donor represented 86% of the contribution receivable balance. Should these contribution levels decrease, the Conservancy may be adversely affected.

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 impacted various parts of its 2021 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.

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