MCDOWELL SONORAN CONSERVANCY

FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2022
(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED JUNE 30, 2021)

MCDOWELL SONORAN CONSERVANCY
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YEAR ENDED JUNE 30, 2022
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2021)

CliftonLarsonAllen LLP
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INDEPENDENT AUDITORS' REPORT

Board of Directors
McDowell Sonoran Conservancy
Scottsdale, Arizona

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of McDowell Sonoran Conservancy (the Organization), which comprise the statement of financial position as of June 30, 2022, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

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, 2022, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of McDowell Sonoran Conservancy and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about McDowell Sonoran Conservancy's ability to continue as a going concern for one year after the date the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of McDowell Sonoran Conservancy's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about McDowell Sonoran Conservancy's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Other Matters

We have previously audited the McDowell Sonoran Conservancy 2021 financial statements, and we expressed an unmodified audit opinion of those audited financial statements in our report dated December 10, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2021, is consistent, in all material respects, with the audited financial statements which it has been derived.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Phoenix, Arizona
November 4, 2022

MCDOWELL SONORAN CONSERVANCY
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2022
(WITH SUMMARIZED INFORMATION FOR THE YEAR ENDED JUNE 30, 2021)

	2022	2021
ASSETS		
CURRENT ASSETS		
Cash	$ 853,755	$ 445,855
Contributions Receivable	1,083,816	1,228,267
Accounts Receivable	30,348	11,584
Inventory	22,705	27,278
Prepaid Expenses	5,037	13,116
Total Current Assets	1,995,661	1,726,100
NONCURRENT ASSETS		
Contributions Receivable, Net of Current Portion	96,984	466,411
Investments	334,235	364,751
Other Assets	16,200	4,527
Property and Equipment, Net	85,787	17,141
Intangible Assets, Net	65,604	78,441
Land Held for Conservation	383,500	383,500
Total Noncurrent Assets	982,310	1,314,771
Total Assets	$ 2,977,971	$ 3,040,871
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable	$ 45,251	$ 7,268
Accrued Expenses	53,038	75,125
Economic Injury Disaster Loan	8,914	3,522
Total Current Liabilities	107,203	85,915
NONCURRENT LIABILITIES		
Deferred Rent	16,967	4,117
Paycheck Protection Program Loan	-	114,709
Economic Injury Disaster Loan	342,246	151,213
Total Noncurrent Liabilities	359,213	270,039
Total Liabilities	466,416	355,954
NET ASSETS		
Without Donor Restrictions:	437,405	286,162
With Donor Restrictions	2,074,150	2,398,755
Total Net Assets	2,511,555	2,684,917
Total Liabilities and Net Assets	$ 2,977,971	$ 3,040,871

See accompanying Notes to Financial Statements.

MCDOWELL SONORAN CONSERVANCY
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2022
(WITH SUMMARIZED INFORMATION FOR THE YEAR ENDED JUNE 30, 2021)

	Without Donor Restrictions	With Donor Restrictions	Totals 2022	Totals 2021
SUPPORT AND REVENUE				
Contributed Volunteer Services	$ 1,617,791	$ -	$ 1,617,791	$ 1,149,906
Other Contributed Materials and Services	1,500	-	1,500	20,818
Contributions and Grants	1,167,770	324,677	1,492,447	2,278,587
Program Service Revenue	116,900	-	116,900	108,607
Paycheck Protection Loan Forgiveness	114,709	-	114,709	-
Investment Income, Net	(574)	(19,571)	(20,145)	57,356
Merchandise Sales, Net of Cost of Sales of $14,383	5,960	-	5,960	2,922
Subtotal	3,024,056	305,106	3,329,162	3,618,196
Special Events:				
Revenue from Special Events	22,925	-	22,925	20,237
Less: Costs of Direct Donor Benefits	-	-	-	-
Gross Profit on Special Events	22,925	-	22,925	20,237
Net Assets Released from Restrictions	629,711	(629,711)	-	-
Total Support and Revenue	3,676,692	(324,605)	3,352,087	3,638,433
EXPENSES				
Program Services	2,420,700	-	2,420,700	1,609,886
Supporting Services:				
Management and General	550,151	-	550,151	309,715
Fundraising	554,598	-	554,598	353,478
Total Supporting Services	1,104,749	-	1,104,749	663,193
Total Expenses	3,525,449	-	3,525,449	2,273,079
CHANGE IN NET ASSETS	151,243	(324,605)	(173,362)	1,365,354
Net Assets - Beginning of Year	286,162	2,398,755	2,684,917	1,319,563
NET ASSETS - END OF YEAR	$ 437,405	$ 2,074,150	$ 2,511,555	$ 2,684,917

See accompanying Notes to Financial Statements.

MCDOWELL SONORAN CONSERVANCY
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2022
(WITH SUMMARIZED INFORMATION FOR THE YEAR ENDED JUNE 30, 2021)

		Supporting Services				Totals	
	Total Program Services	Management and General	Fundraising	Total Supporting Services	Direct Donor Benefits	2022	2021
Salaries, Payroll Taxes, and Benefits	$ 489,399	$ 251,787	$ 361,731	$ 613,518	$ -	$ 1,102,917	$ 716,002
Equipment and Equipment Leases	169	-	2,569	2,569	-	2,738	1,186
Telephone and Internet	-	8,783	-	8,783	-	8,783	7,344
Depreciation and Amortization	19,957	1,966	2,209	4,175	-	24,132	13,183
Occupancy	48,893	25,155	36,138	61,293	-	110,186	56,824
Supplies and Materials	116,117	80,204	32,175	112,379	-	228,496	29,151
Event Expenses	8,536	16,432	-	16,432	-	24,968	-
Contributed Volunteer Services and Contributed Goods	1,619,291	-	-	-	-	1,619,291	1,149,906
Professional Fees	83,970	142,533	98,670	241,203	-	325,173	245,988
Dues, Subscriptions, and Meetings	8,749	10,640	2,124	12,764	-	21,513	11,091
Insurance	7,361	3,787	5,441	9,228	-	16,589	9,230
Travel	16,035	11,389	2,514	13,903	-	29,938	3,315
Bank, Credit Card, and Payroll Fees	-	12,721	-	12,721	-	12,721	7,468
Bad Debt Expense	-	(20,572)	8,300	(12,272)	-	(12,272)	9,825
Other Expense	2,223	5,326	2,727	8,053	-	10,276	12,566
Special Event - Direct Donor Benefits	-	-	-	-	-	-	-
Total Expenses by Function	2,420,700	550,151	554,598	1,104,749	-	3,525,449	2,273,079
Less: Expenses Netted Against Revenues on the Statement of Activities:							
Special Event Expenses	-	-	-	-	-	-	-
Total Expenses Included in the Expense Section of the Statement of Activities	$ 2,420,700	$ 550,151	$ 554,598	$ 1,104,749	$ -	$ 3,525,449	$ 2,273,079

See accompanying Notes to Financial Statements.

MCDOWELL SONORAN CONSERVANCY
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2022
(WITH SUMMARIZED INFORMATION FOR THE YEAR ENDED JUNE 30, 2021

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	$ (173,362)	$ 1,365,354
Adjustments to Reconcile Change in Net Assets to Net Cash Used by Operating Activities:		
Depreciation and Amortization	24,132	13,183
Bad Debt Expense	(12,272)	9,825
Contribution Revenue Restricted to Endowment	(2,658)	-
Net Realized and Unrealized (Gain) Loss on Investments	21,102	(56,177)
Change in Discount to Present Value of Contributions Receivable	2,627	15,687
Paycheck Protection Program Loan Forgiveness	(114,709)	-
(Increase) Decrease in Assets:		
Contributions Receivable	461,023	(1,457,629)
Accounts Receivable	(18,764)	(11,584)
Inventory	4,573	(4,167)
Prepaid Expenses	(3,594)	3,091
Increase (Decrease) in Liabilities:		
Accounts Payable	37,983	(47,894)
Accrued Expenses	(25,662)	31,020
Deferred Rent	12,850	(4,812)
Net Cash Provided (Used) by Operating Activities	213,269	(144,103)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of Investments	(886)	(1,131)
Proceeds from Investments	10,300	56,700
Purchases of Property and Equipment	(79,941)	(19,845)
Purchases of Intangible Assets	-	(25,000)
Net Cash Provided (Used) by Investing Activities	(70,527)	10,724
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from Paycheck Protection Program Loan	-	114,709
Proceeds from Economic Injury Disaster Loan	350,000	-
Payments to Economic Injury Disaster Loan	(150,000)	-
Collections of Contributions Restricted to Endowment	65,158	-
Net Cash Provided by Financing Activities	265,158	114,709
CHANGE IN CASH	407,900	(18,670)
Cash - Beginning of Year	445,855	464,525
CASH - END OF YEAR	$ 853,755	$ 445,855
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Noncash Addition of Accrued Interest in Notes Payable Balance	$ 1,160	$ 4,125

See accompanying Notes to Financial Statements.

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.

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, 2021, 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.

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, 2022, 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.

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	Shorter of Useful Life or Lease Term

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, 2022.

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 $16,967 June 30, 2022.

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.

NOTE 1 PRINCIPAL ACTIVITY AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition (Continued)

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 $1,617,791 (48% of total revenue) of time that was contributed during the year ended June 30, 2022, 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. The Conservancy received $1,500 of donated equipment during the year ended June 30, 2022

The Conservancy's estimates the fair value of in-kind assets and materials on the basis of estimates of the purchasing similar assets and materials in the Conservancy's market. Professional services are valued and reported at the estimated fair value based on current rates for similar services.

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).

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, 2019, 2020, and 2021 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 September 2020, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. This standard requires that contributed nonfinancial assets are reported on a separate line item in the statements of activities, apart from contributions of cash and other financial assets. It also requires disclosure of disaggregated amounts of contributed nonfinancial assets by category that depicts the type of contributed nonfinancial assets along with additional qualitative information about the monetization of such assets, donor restrictions and valuation techniques. The adoption of this standard did not have any significant impact on the accompanying financial statements or disclosures.

Subsequent Events

The Conservancy evaluated subsequent events through November 4, 2022, 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.

NOTE 2 LIQUIDITY AND AVAILABILITY (CONTINUED)

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, 2022:

Cash and Cash Equivalents	$ 853,755
Contributions Receivable	1,180,800
Accounts Receivable	30,348
Investments	334,235
Total Financial Assets	2,399,138
Less:	
Donor-Imposed Purpose Restrictions and Endowment	(1,303,507)
Long-Term Receivables	(96,984)
Board-Designated Operating Reserve Fund	(103,000)
Financial Assets Available to Meet General Expenditures Within One Year	$ 895,647

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, 2022:

Contributions Due in Less than One Year	$ 1,083,816
Contributions Due in One to Five Years	101,299
Gross Contributions Receivable	1,185,115
Less:	
Allowance	(1,688)
Discount at 1.25%	(2,627)
Contributions Receivable, Net	$ 1,180,800

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, 2022:

	Level 1	Level 2	Level 3	Total
Investments:				
Community Foundation Investment Pools	$ -	$ -	$ 334,235	$ 334,235

NOTE 4 INVESTMENTS AND FAIR VALUE MEASUREMENTS (CONTINUED)

Purchases, sales, transfers in and transfers out of Level 3 investments consist of following for the year ended June 30, 2022:

			Principal Valuation Technique	Unobservable Inputs
Purchases	$	886	Fair Market	Value of
Sales		10,300	Value of	Underlying
Transfers-In		-	Investments	Assets
Transfers-Out		-		

NOTE 5 PROPERTY AND EQUIPMENT

Property and equipment consists of the following at June 30, 2022:

Furniture, Fixtures, Equipment, and Leasehold Improvements	$	195,669
Less: Accumulated Depreciation		(109,882)
Property and Equipment, Net	$	85,787

Depreciation expense charged to operations was $11,295 for the year ended June 30, 2022.

NOTE 6 INTANGIBLE ASSETS

Intangible assets consist of the following at June 30, 2022:

Logo	$	24,201
Children's Learning and Play Festival		36,500
Video Game		25,000
Total		85,701
Less: Accumulated Amortization		(20,097)
Intangible Assets, Net	$	65,604

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 $12,837 for the year ended June 30, 2022.

NOTE 7 ECONOMIC INJURY DISASTER AND PAYCHECK PROTECTION PROGRAM LOANS

The Conservancy applied for and was approved a $500,000 under the Economic Injury Disaster Loan (EIDL) administered by the Small Business Administration. The Conservancy repaid $150,000 plus accrued interest of $4,735 during the year ended June 30, 2022.

The EIDL loan accrues interest at 2.75% The note requires payments of $1,531 beginning May 2022 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, 2022 includes accrued interest of $1,160. Future principal maturities on the EIDL loan are as follows:

Year Ending June 30,	Amount
2023	$ 8,914
2024	9,162
2025	9,417
2026	9,679
2027	9,949
Thereafter	295,125
Total	$ 342,246

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. 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. 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, 2022:

Board-Designated Reserve Fund	$ 103,000

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, 2022:

Subject to Expenditure for Specified Purpose:	
Parson's Field Institute	$ 813,985
Stewardship	165,419
Education	26,621
Total	1,006,025
Subject to the Passage of Time:	
Promises to Give are Not Restricted by Donors but Which are Unavailable for Expenditure Until Due	387,143
Total	387,143
Endowments:	
Subject to Endowment Spending Policy and Appropriation:	
Earnings on Endowment Funds	23,665
Restricted in Perpetuity:	
Land Held for Conservation	383,500
Cash to be Invested in Endowment	65,158
Endowment	208,659
Total	657,317
Total Net Assets With Donor Restrictions	$ 2,074,150

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.

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, 2022 are as follows:

	Without Donor Restrictions	Purpose Restricted	Restricted in Perpetuity	Total
Endowment Net Assets - Beginning of Year	$ -	$ 53,536	$ 208,659	$ 262,195
Net Realized and Unrealized Losses	-	(21,163)	-	(21,163)
Interest Income	-	1,592	-	1,592
Amounts Appropriated for Expenditure	-	(10,300)	-	(10,300)
Endowment Net Assets - End of Year	$ -	$ 23,665	$ 208,659	$ 232,324

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.

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, 2022, investment earnings of $10,300 were appropriated for expenditure by the board.

NOTE 9 ENDOWMENT (CONTINUED)

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 AMCFA requires the Conservancy to retain as a fund of perpetual duration. As of June 30, 2022, the Conservancy had sufficient funds allocated to the endowment.

NOTE 10 PROGRAM SERVICE REVENUE AND RECEIVABLE

The following table provides information about significant changes in the contract receivables for the year ended June 30, 2022

Accounts Receivables - Beginning	$	11,584
Increases in Accounts Receivables Due to Services Performed but Uncollected		18,764
Accounts Receivables - Ending	$	30,348

NOTE 11 LEASE COMMITMENTS

The Conservancy leases office space under noncancelable operating leases expiring in years through 2027. The rental expense related to these leases is recorded on a straight-line basis over the lease term. Total rental expense was $94,126 for the year ended June 30, 2022.

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

Year Ending June 30,		Amount
2023	$	176,940
2024		181,280
2025		185,728
2026		190,287
2027		145,327
Total	$	879,562

NOTE 12 RELATED PARTY TRANSACTIONS

During the year ended June 30, 2022, the Conservancy received contributions, both cash and in-kind, from board members totaling $49,425. As of June 30, 2022, amounts due from board members totaled $3,000, and are included in contributions receivable in the accompanying statement of financial position.

NOTE 13 CONCENTRATIONS OF CREDIT RISK

One organization represents 100% of program service revenue for the year ended June 30, 2022. One donor represented 83% of the contribution receivable balance. Should these contribution levels decrease, the Conservancy may be adversely affected.

NOTE 14 EMPLOYEE RETENTION CREDIT

Grants from the government are recognized when all conditions of such grants are fulfilled or there is reasonable assurance that they will be fulfilled. During the year ended June 30, 2022 the Conservancy applied for Employee Retention Credit (ERC) grant funding from the Internal Revenue Service. The Conservancy recognized $132,393 and of grant revenue related to performance requirements being met in compliance with the program during the year ended June 30, 2022.

Eligibility and conditions for the ERC program may be audited by the Internal Revenue Service. The amount of liability, if any, from potential noncompliance cannot be determined with certainty; management is of the opinion that any audit will not have a material adverse impact on the Conservancy's financial position.

NOTE 15 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 Conservancy, COVID-19 impacted various parts of its 2022 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.

NOTE 16 SUBSEQUENT EVENT

Subsequent to year-end, the Conservancy entered into commitments for various professional services totaling $122,500.