

THE ARCHAEOLOGICAL CONSERVANCY

FINANCIAL STATEMENTS

FOR THE YEAR ENDED JULY 31, 2023

TOGETHER WITH INDEPENDENT AUDITORS' REPORT



The Archaeological Conservancy

Preserving the past...for the future.

THE ARCHAEOLOGICAL CONSERVANCY

FINANCIAL STATEMENTS
FOR THE YEAR ENDED JULY 31, 2023

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TAYLORROTH

Certified Public Accountants

WORKING EXCLUSIVELY WITH NONPROFITS

INDEPENDENT AUDITORS' REPORT

Board of Directors
The Archaeological Conservancy
Albuquerque, New Mexico

Opinion

We have audited the accompanying financial statements of **The Archaeological Conservancy** (a California nonprofit corporation), which comprise the statement of financial position as of July 31, 2023, 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 The Archaeological Conservancy as of July 31, 2023, and the changes in net assets 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. 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 The Archaeological Conservancy and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. 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 The Archaeological Conservancy's ability to continue as a going concern within one year after the date that the financial statements are available to be issued. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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 generally accepted auditing standards 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, including omissions, 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 generally accepted auditing standards, 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 The Archaeological 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 The Archaeological 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.

Report on Summarized Comparative Information

We have previously audited The Archaeological Conservancy's financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated December 6, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended July 31, 2022, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Taylor Roth and Company PLLC

Taylor, Roth and Company, PLLC
Certified Public Accountants
Albuquerque, New Mexico
December 11, 2023

THE ARCHAEOLOGICAL CONSERVANCY

STATEMENT OF FINANCIAL POSITION

JULY 31, 2023

(WITH COMPARATIVE TOTALS FOR 2022)

	2023			2022
	Without Donor Restrictions	With Donor Restrictions	Total	Total
<u>Assets</u>				
Cash and cash equivalents	\$ 3,675,005	\$ 1,094,606	\$ 4,769,611	\$ 4,987,897
Receivables (Note 4)	289,478	264,336	553,814	3,023,000
Prepaid expenses	16,423	-	16,423	15,478
Other assets	-	-	-	25,839
Property and equipment, net (Note 5)	295,845	-	295,845	303,862
Investments (Note 6)	5,106,801	1,432,354	6,539,155	2,611,201
Operating lease right-of-use asset (Note 7)	24,158	-	24,158	-
Archaeological sites and easements held for conservation, partially pledged (Note 8)	47,783,542	-	47,783,542	45,749,923
Total assets	\$ 57,191,252	\$ 2,791,296	\$ 59,982,548	\$ 56,717,200
<u>Liabilities and net assets</u>				
<u>Liabilities</u>				
Accounts payable	\$ 285	\$ -	\$ 285	\$ 9,637
Accrued payroll expenses	164,382	-	164,382	161,191
Deferred revenue (Note 9)	124,511	-	124,511	71,813
Deposit held - sale of archaeological site	30,000	-	30,000	30,000
Operating lease liability (Note 7)	24,444	-	24,444	-
Charitable gift split-interest annuity obligations (Note 10)	322,910	-	322,910	359,993
Notes payable (Note 11)	341,956	-	341,956	383,873
Total liabilities	1,008,488	-	1,008,488	1,016,507
<u>Net assets</u>				
<u>Without donor restrictions</u>				
Undesignated	52,886,919	-	52,886,919	49,249,535
Board-designated endowment (Note 12)	3,000,000	-	3,000,000	-
Net investment in property and equipment	295,845	-	295,845	303,862
	56,182,764	-	56,182,764	49,553,397
<u>With donor restrictions (Note 12)</u>	<u>-</u>	<u>2,791,296</u>	<u>2,791,296</u>	<u>6,147,296</u>
Total net assets	56,182,764	2,791,296	58,974,060	55,700,693
Total liabilities and net assets	\$ 57,191,252	\$ 2,791,296	\$ 59,982,548	\$ 56,717,200

The accompanying notes are an integral part of these financial statements

THE ARCHAEOLOGICAL CONSERVANCY

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JULY 31, 2023
(WITH COMPARATIVE TOTALS FOR 2022)

	2023			2022
	Without Donor Restrictions	With Donor Restrictions	Total	Total
<u>Revenue and other support</u>				
Contributions and bequests	\$ 3,576,230	\$ 269,436	\$ 3,845,666	\$ 8,413,463
Contributions - archaeological sites (Note 13)	1,445,354	-	1,445,354	799,807
Grants (Note 14)	289,478	177,335	466,813	345,763
Investment income(loss) (Note 6)	181,356	214,978	396,334	(304,063)
Seminars	391,756	-	391,756	411,980
Site rental	34,037	-	34,037	25,884
Magazine sales and advertising	12,571	-	12,571	16,467
All other	109,896	-	109,896	54,496
Net assets released from donor restrictions (Note 15)	4,017,749	(4,017,749)	-	-
Total revenue and support	10,058,427	(3,356,000)	6,702,427	9,763,797
<u>Expense</u>				
Program services				
Acquisition, conservation, and management	1,445,043	-	1,445,043	1,418,149
Education	1,233,778	-	1,233,778	1,066,969
Total program services expense	2,678,821	-	2,678,821	2,485,118
Supporting services				
Management and general	307,682	-	307,682	264,100
Fund-raising	442,557	-	442,557	375,236
Total expense	3,429,060	-	3,429,060	3,124,454
Change in net assets	6,629,367	(3,356,000)	3,273,367	6,639,343
Net assets, beginning of year	49,553,397	6,147,296	55,700,693	49,061,350
Net assets, end of year	\$ 56,182,764	\$ 2,791,296	\$ 58,974,060	\$ 55,700,693

The accompanying notes are an integral part of these financial statements

THE ARCHAEOLOGICAL CONSERVANCY
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JULY 31, 2023
(WITH COMPARATIVE TOTALS FOR 2022)

	2023						2022
	Program Services			Supporting Services			Total
	Acquisition, Conservation, and Management	Education	Total	Management and General	Fund- raising	Total	
Salaries	\$ 922,634	\$ 144,162	\$ 1,066,796	\$ 193,176	\$ 181,644	\$ 1,441,616	\$ 1,273,825
Payroll taxes and benefits	163,832	25,599	189,431	34,302	32,255	255,988	291,658
Member mailings	-	385,412	385,412	-	88,849	474,261	315,661
Seminars	-	344,998	344,998	-	-	344,998	358,008
Magazine	-	221,108	221,108	-	24,568	245,676	219,271
Archaeological sites maintenance	118,231	.	118,231	-	-	118,231	180,184
Communications	-	50,571	50,571	-	50,570	101,141	78,569
Donor services	-	42,831	42,831	-	42,830	85,661	78,570
Archaeological sites property tax	82,166	-	82,166	-	-	82,166	81,049
Regional office expense	65,466	7,612	73,078	2,284	761	76,123	72,498
Travel, meals and meetings	27,051	4,099	31,150	19,663	4,918	55,731	27,375
Accounting services	-	-	-	33,699	-	33,699	29,962
Insurance	12,400	2,756	15,156	11,021	1,378	27,555	21,728
Office supplies	20,968	2,438	23,406	731	244	24,381	40,671
Interest expense	15,045	-	15,045	-	-	15,045	15,095
All other	11,959	1,390	13,349	11,844	13,578	38,771	32,312
Total before depreciation	1,439,752	1,232,976	\$ 2,672,728	306,720	441,595	3,421,043	3,116,436
Depreciation	5,291	802	6,093	962	962	8,017	8,018
Total	<u>\$ 1,445,043</u>	<u>\$ 1,233,778</u>	<u>\$ 2,678,821</u>	<u>\$ 307,682</u>	<u>\$ 442,557</u>	<u>\$ 3,429,060</u>	<u>\$ 3,124,454</u>

The accompanying notes are an integral part of these financial statements

THE ARCHAEOLOGICAL CONSERVANCY

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JULY 31, 2023
(WITH COMPARATIVE TOTALS FOR 2022)

	<u>2023</u>	<u>2022</u>
<u>Cash flows from operating activities</u>		
Change in net assets	\$ 3,273,367	\$ 6,639,343
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
(Gains)losses on investments and other assets	(100,340)	525,363
Donated stock and archaeological sites	(1,455,573)	(816,694)
Operating lease right-of-use amortization	8,829	-
Depreciation	8,017	8,018
Amortization and change in charitable gift split-interest annuity obligations	(3,027)	(5,010)
U.S. SBA Paycheck Protection Program loan forgiveness	-	(228,725)
<u>Changes in operating assets and liabilities</u>		
(Increase)decrease in receivables	2,469,186	(2,937,032)
(Increase)decrease in prepaid expenses	(945)	20,827
Increase(decrease) in accounts payable and accrued payroll expenses	(6,161)	23,844
Increase(decrease) in deferred revenue	52,698	(83,339)
Increase(decrease) in operating lease liability	(8,543)	-
Net cash provided(used) by operating activities	<u>4,237,508</u>	<u>3,146,595</u>
<u>Cash flows from investing activities</u>		
Purchases of investments	(4,238,062)	(5,213,201)
Proceeds from sales of investments and other assets	446,506	6,136,810
Purchases of archaeological sites	(588,265)	(707,577)
Net cash provided(used) by investing activities	<u>(4,379,821)</u>	<u>216,032</u>
<u>Cash flows from financing activities</u>		
(Payments) obligations against charitable gift split-interest annuity obligations	(34,056)	(32,413)
Principal payments on notes payable and escrow payable	(41,917)	(38,499)
Net cash provided(used) by financing activities	<u>(75,973)</u>	<u>(70,912)</u>
Net increase(decrease) in cash and cash equivalents	(218,286)	3,291,715
Cash and cash equivalents, beginning of year	4,987,897	1,696,182
Cash and cash equivalents, end of year	<u>\$ 4,769,611</u>	<u>\$ 4,987,897</u>
Supplemental disclosures:		
Cash paid during the period for interest	<u>\$ 15,045</u>	<u>\$ 15,095</u>
Purchase of archaeological site financed with note payable	<u>\$ -</u>	<u>\$ 151,600</u>
Right-of-use asset obtained in exchange for new operating lease liability	<u>\$ 32,897</u>	<u>\$ -</u>
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows—operating leases	<u>\$ 9,450</u>	<u>\$ -</u>

The accompanying notes are an integral part of these financial statements

THE ARCHAEOLOGICAL CONSERVANCY

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JULY 31, 2023

NOTE 1 - DESCRIPTION OF THE ORGANIZATION

The Archaeological Conservancy (the Conservancy) is a charitable non-profit entity established primarily for the purpose of acquiring and preserving archaeological sites throughout the United States. The Conservancy was incorporated as a non-profit entity under the laws of California on August 3, 1979. The administrative and southwest regional office is located in Albuquerque, New Mexico, and other regional offices are located in Reno, Nevada; Madison, Wisconsin; Frederick, Maryland; and Marks, Mississippi. All of the offices participate in the acquisition and preservation efforts of the organization.

The Conservancy's major programs and services include the acquisition, conservation, and management of archaeological sites and the education of the general public about preserving our cultural and natural heritage.

The Conservancy's major sources of revenue are contributions from the public (including gifts of archaeological sites and easements).

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND PROCEDURES

1. Basis of Accounting

The financial statements of the Conservancy have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities.

2. Basis of Presentation

The financial statements of the Conservancy have been prepared in accordance with U.S. generally accepted accounting principles, which require the Organization to report information regarding its financial position and activities according to the following net asset classifications:

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the organization. These net assets may be used at the discretion of the organization's management and the board of directors.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the organization or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Donor-restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statement of activities

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND PROCEDURES (continued)

3. Cash and Cash Equivalents

Cash and cash equivalents include cash deposited with financial institutions and also amounts held in short-term cash investments in brokerage accounts. For purposes of the statement of cash flows, the Conservancy considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents. The Conservancy maintains cash and cash equivalents in three distinct categories: (1) preservation/operations, (2) annuity (split interest agreements), and (3) endowment funds.

4. Receivables

The Conservancy records pledges and bequests receivable as contribution revenue in the year of notification when the gift is irrevocable and the value can be reasonably estimated. The Conservancy considers all receivables to be fully collectible. Accordingly, no allowance for doubtful accounts is required.

5. Revenue Recognition

Contributions received are recorded as net assets without donor restrictions or with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. Donor-restricted contributions are reported as an increase in net assets with donor restrictions, depending on the nature of restriction. When a restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restriction.

Contributed property and equipment are recorded at fair value at the date of donation. Contributions with donor-imposed stipulations regarding how long the contributed assets must be used are recorded as net assets with donor restrictions; otherwise, the contributions are recorded as net assets without donor restrictions.

The Conservancy recognizes revenue for archaeological seminar tours when the event takes place. Deposits and other payments received in advance of the seminar are recorded as deferred revenue until the tour is completed.

6. Real Estate Held for Sale

Real estate held for sale, which results from the Conservancy's acceptance of non-cash contributions in the form of real estate, is stated at the lower of the estimated fair market value at the date of donation or an estimate of the amount to be realized on sale of the property.

7. Archaeological Sites and Easements

The Conservancy records archaeological sites and easements at cost if purchased or at fair value at the date of acquisition if all or part of the site was received as a donation. Fair value is generally determined by appraisal at the time of acquisition and is not subsequently adjusted. Costs associated with site or easement purchases or donations, such as appraisals, surveys, and fees, are capitalized as costs of the site or easement. Upon sale or gift, the book value of the land, land interest, or easement is reported as a program expense and the related proceeds, if any, are reported as revenue in the statement of activities. It is the Conservancy's intention to preserve sites and easements indefinitely, which is generally accomplished by retaining ownership of the sites and easements or by resale or transfer to various governmental agencies or public charities.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND PROCEDURES (continued)

7. Archaeological Sites and Easements (concluded)

Archaeological easements are comprised of listed rights and/or restrictions over properties that are conveyed by a property owner to the Conservancy in order to protect the owned property as a significant archaeological site.

Archaeological sites in process of acquisition include amounts paid for down payments, appraisals, surveys, and other pre-closing costs as well as non-cash donations accepted pending final escrow and transfer of title. The properties for which down payment deposits have been made do not represent purchase commitments as the Conservancy can terminate all such contracts by merely forfeiting the deposit.

8. Capitalization and Depreciation

Property and equipment is stated at cost or, if donated, at the estimated fair value on the date of donation. Expenditures for property and equipment in excess of \$1,000 are capitalized and depreciated over the estimated useful lives of the respective assets, ranging from 3 to 39 years, using the straight-line method. Maintenance and repairs are charged to expense in the period incurred.

9. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

10. Income Taxes

The Conservancy is exempt from federal and state income taxes under the provisions of Internal Revenue Code Section 501(c)(3). Accordingly, no provision or liability for income taxes has been provided in the accompanying financial statements.

11. Functional Reporting of Expenses

The costs of providing program and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among program services and supporting services benefited. Such allocations are determined by management on an equitable basis.

Significant expenses that are allocated include the following:

Expense	Method of Allocation
Salaries, wages, and benefits	<i>Time and effort</i>
Member mailings	<i>Joint costs - analysis based on content and audience</i>
Magazine	<i>Joint costs - analysis based on content and audience</i>
Office expenses	<i>Analysis of usage by function benefitted</i>
Travel, meals, and meetings	<i>Analysis of usage by function benefitted</i>
Insurance	<i>Analysis of usage by function benefitted</i>
Occupancy-related costs	<i>Square footage</i>

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND PROCEDURES (continued)

12. Leases

The Conservancy accounts for leases in accordance with Accounting Standards Update (ASU) No. 2016-02, *Leases* (ASC 842), as amended. The determination of whether an arrangement is a lease is made at the lease's inception. Under ASC 842, a contract is (or contains) a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is defined under the standard as having both the right to obtain substantially all of the economic benefits from use of the asset and the right to direct the use of the asset. Management only reassesses its determination if the terms and conditions of the contract are changed.

Operating leases are included in operating lease right-of-use (ROU) assets and operating lease liabilities in the statement of financial position. Finance leases are included in property and equipment and finance lease liabilities on the statement of financial position. ROU assets represent the Conservancy's right to use an underlying asset for the lease term, and lease liabilities represent the obligation to make lease payments. Operating lease ROU assets and liabilities are recognized at the lease commencement date based on the present value of lease payments over the lease term. The Conservancy uses the rate implicit in the lease if it is determinable. When the rate implicit in the lease is not determinable, the Conservancy has made an accounting policy election by asset class to use a risk-free rate in lieu of its incremental borrowing rate to discount future lease payments. Operating lease ROU assets also include any lease payments made and exclude any lease incentives. Lease expense for lease payments is recognized on a straight-line basis over the lease term. The Conservancy's lease terms may include options to extend or terminate the lease when it is reasonably certain that the Conservancy will exercise the option.

The Conservancy may have lease agreements with lease and non-lease components, which are generally accounted for separately with amounts allocated to the lease and non-lease components based on stand-alone prices. The Conservancy does not report ROU assets and lease liabilities for its short-term leases (leases with a term of 12 months or less). Instead, the lease payments of those leases are reported as lease expense on a straight-line basis over the lease term.

13. Summarized Prior-Year 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 generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Conservancy's financial statements for the year ended July 31, 2022, from which the summarized information was derived.

14. Reclassifications

Certain amounts in the prior-year financial statements have been reclassified for comparative purposes to conform to the presentation in the current-year financial statements.

15. Joint Costs

Joint costs are costs related to fund-raising activities in which program or administrative activities can be identified and allocated as such. For example, the cost of producing and mailing the Conservancy's magazine, which gives general program information but also includes a fund-raising appeal, would be considered a joint cost. Joint costs are allocated between the appropriate program, management and general, and fund-raising expense categories based on management's allocation plan in accordance with generally accepted accounting principles.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND PROCEDURES (concluded)

16. Fair Value Measurements

The Conservancy follows the provisions of the Fair Value Measurements and Disclosures Topic of FASB ASC, which requires use of a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value into three levels: quoted market prices in active markets for identical assets and liabilities (Level 1); inputs other than quoted market prices that are observable for the asset or liability, either directly or indirectly (Level 2); and unobservable inputs for the asset or liability (Level 3).

17. Impairment of Long-Lived Assets

The Conservancy accounts for long-lived assets in accordance with the provisions of FASB ASC 360-10 and subsections. FASB ASC 360-10 requires that long-lived assets be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of assets may not be recoverable. If such assets are considered impaired, the recognized impairment is measured by the amount by which the carrying amount of the asset exceeds the fair value of the asset. Management does not believe impairment indicators are present as of July 31, 2023.

18. New Accounting Pronouncements

Effective August 1, 2022, the Conservancy adopted Accounting Standards Update (ASU) No. 2016-02, *Leases* (ASC 842), as amended, which requires lessees to recognize leases on the statement of financial position and disclose key information about leasing arrangements. The Conservancy elected not to reassess at adoption:

- expired or existing contracts to determine whether they are or contain a lease,
- the lease classification of any existing leases, or
- initial direct costs for existing leases.

As a result of implementing ASU No. 2016-02 on August 1, 2022, the Conservancy recognized an operating lease right-of-use asset of \$32,897 and an operating lease liability of the same amount in its statement of financial position. There was no effect on net assets. In addition, the Conservancy did not have any short-term operating leases at this date.

19. Change in Accounting Principle

The Center changed its method of accounting for lease transactions due to adoption of the new accounting standard for leases (ASU No. 2016-02). The change has been applied as of August 1, 2022.

20. Subsequent Events

Management has evaluated subsequent events through December 11, 2023, the date the financial statements were available to be issued.

NOTE 3 - AVAILABILITY AND LIQUIDITY

The following represents the Conservancy’s financial assets at July 31, 2023:

<u>Description</u>	<u>Amount</u>
Cash and cash equivalents	\$ 4,769,611
Receivables	264,336
Investments	<u>6,539,155</u>
Total financial assets	<u>11,573,102</u>
Less amounts not available or budgeted for operational use within one year:	
Net assets with donor restrictions —	
Endowment restricted for perpetuity	951,867
Endowment earnings not appropriated for use during the next 12 months	420,487
Endowment - Board-designated	3,000,000
Donor restricted for specific acquisitions, maintenance or repairs	83,060
Long-term stewardship - Teapot Dome site	265,402
Deposit held - sale of archaeological site	30,000
Charitable gift split-interest annuity obligation, less payments due in next 12 months	<u>267,910</u>
	<u>5,018,726</u>
Financial assets available to meet general expenditures over the next 12 months	<u><u>\$ 6,554,376</u></u>

The Conservancy’s goal is generally to maintain financial assets to meet approximately 3 months of operating expenses, estimated at \$750,000. These funds can be used to support operations in the event of unexpected circumstances, such as reductions in contributions or urgent conservation needs at a site. Included in available financial assets at year-end is \$746,144 which is donor-restricted for the “POINT6” program (the sixth phase of the “Protect Our Irreplaceable National Treasures Program”). These funds are restricted for the purchase and preservation of significant sites in immediate danger of destruction, and because this is the primary mission and activity of the Conservancy, management considers these funds as available for operational use during the next 12 months.

NOTE 4 - RECEIVABLES

Throughout the year, management may be notified that the Conservancy is a beneficiary of a bequest. Management will record a receivable at the time of notification if the amount is estimable. Included in contributions receivable of July 31, 2023 are three bequests receivable which were received in the months subsequent to year-end. Five bequests were pending at year-end; however, these gifts are not recognized as of July 31, 2023 because the amounts are not estimable.

NOTE 5 - PROPERTY AND EQUIPMENT

Property and equipment consisted of the following as of July 31, 2023:

<u>Description</u>	<u>Amount</u>
Land	\$ 60,000
Building and improvements	312,678
Office furniture and equipment	11,577
Software	13,881
	<u>398,136</u>
Less: accumulated depreciation	<u>(102,291)</u>
Net furniture and equipment	<u>\$ 295,845</u>

Depreciation expense was \$8,017 for the year.

NOTE 6 - INVESTMENTS

Investments are carried at market value and consisted of the following as of July 31, 2023:

<u>Description</u>	<u>Cost Basis</u>	<u>Fair Value</u>	<u>Unrealized Appreciation (Depreciation)</u>
Preservation/Operations			
Bonds - corporate fixed income	\$ 1,541,528	\$ 1,538,823	\$ (2,705)
Certificates of deposit	1,009,428	1,007,278	(2,150)
Government securities	509,316	501,048	(8,268)
	<u>\$ 3,060,272</u>	<u>\$ 3,047,149</u>	<u>\$ (13,123)</u>
Corporate Fund for Annuities			
Equities	\$ 263,988	\$ 359,576	\$ 95,588
Mutual funds	183,400	167,932	(15,468)
Bonds - corporate fixed income	6,842	7,813	971
	<u>\$ 454,230</u>	<u>\$ 535,321</u>	<u>\$ 81,091</u>
Endowment Fund			
Equities	\$ 1,398,581	\$ 1,470,608	\$ 72,027
ETFs - equities	651,434	669,260	17,826
Mutual funds	607,126	616,047	8,921
Certificates of deposit	203,471	200,770	(2,701)
	<u>\$ 2,860,612</u>	<u>\$ 2,956,685</u>	<u>\$ 96,073</u>

NOTE 6 - INVESTMENTS (continued)

<u>Description</u>	<u>Cost Basis</u>	<u>Fair Value</u>	<u>Unrealized Appreciation (Depreciation)</u>
Total Investments			
Equities	\$ 1,662,569	\$ 1,830,184	167,615
Bonds - corporate fixed income	1,548,370	1,546,636	(1,734)
Certificates of deposit	1,212,899	1,208,048	(4,851)
Mutual funds	790,526	783,979	(6,547)
ETFs - equities	651,434	669,260	17,826
Government securities	509,316	501,048	(8,268)
Total	<u>\$ 6,375,114</u>	<u>\$ 6,539,155</u>	<u>\$ 164,041</u>

Investment returns for the year ended July 31, 2023, are summarized as follows:

<u>Description</u>	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Interest and dividends	\$ 186,044	\$ 143,542	\$ 329,586
Realized gains(losses)	6,125	(24,037)	(17,912)
Unrealized gains(losses)	(3,764)	95,473	91,709
Investment fees	(7,049)	-	(7,049)
Total	<u>\$ 181,356</u>	<u>\$ 214,978</u>	<u>\$ 396,334</u>

The Conservancy classifies its investments based on an established fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements).

The three levels of fair value hierarchy are:

- Level 1 – unadjusted quoted prices for identical assets in active markets.
- Level 2 – quoted prices for similar assets in active markets; quoted prices for identical or similar assets in inactive markets; valuation methodology using other observable inputs or inputs derived from or corroborated by observable market data by correlation or other means.
- Level 3 – valuations methodology using unobservable inputs.

The asset's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. The carrying amounts of cash, receivables, payables, accrued expenses, and other liabilities approximates fair value due to the short maturities of these instruments. The fair value of long-term debt is the carrying value due to the market rate of interest reflecting current market conditions.

NOTE 6 - INVESTMENTS (concluded)

As of July 31, 2023, the Conservancy's investments were included in the following categories:

<u>Description</u>	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Equities	\$ 1,830,184	\$ 1,830,184	\$ -	\$ -
Bonds - corporate	1,546,636	1,546,636	-	-
Certificates of deposit	1,208,048	-	1,208,048	-
ETFs - equities	669,260	669,260	-	-
Mutual funds	783,979	783,979	-	-
Government securities	501,048	-	501,048	-
Total	<u>\$ 6,539,155</u>	<u>\$ 4,830,059</u>	<u>\$ 1,709,096</u>	<u>\$ -</u>

NOTE 7 - OPERATING LEASE RIGHT-OF-USE ASSETS

The Conservancy evaluated current contracts to determine which met the criteria of a lease. The right-of-use (ROU) assets represent the Conservancy's right to use underlying assets for the lease term, and the lease liabilities represent its obligation to make lease payments arising from these leases. The ROU assets and lease liabilities, which arose from operating leases, were calculated based on the present value of future lease payments over the lease terms. Operating lease cost is recognized on a straight-line basis over the lease term as *Regional office expense* on the Statement of Functional Expenses. The Conservancy has made an accounting policy election to use a risk-free rate in lieu of its incremental borrowing rate to discount future lease payments for office space.

The Conservancy leases office space under a long-term non-cancelable operating lease agreement. The lease expires in September 2025. There are no renewal options, and lease payments increase during the lease term at 3% per year.

Lease information included the following:

<u>Description</u>	<u>Amount</u>
<i>Components of lease costs in the Statement of Functional Expenses:</i>	
Operating lease cost included in <i>Regional office expense</i>	<u>\$ 9,736</u>
<i>Other information for leases:</i>	
Weighted-average remaining lease term	2.17 years
Weighted-average discount rate	4.11%
<i>Future maturities of lease liabilities:</i>	
<u>Fiscal years ending July 31st:</u>	
2024	\$ 11,624
2025	11,972
2026	<u>2,005</u>
Total lease payments	25,601
Less: present value discount	<u>(1,157)</u>
Present value of lease liabilities	<u>\$ 24,444</u>

NOTE 8 - ARCHAEOLOGICAL SITES AND EASEMENTS

Archaeological sites and easements held for conservation were as follows as of July 31, 2023:

<u>Description</u>	<u>Amount</u>
Archaeological sites held for conservation, partially pledged	\$ 45,039,871
Archaeological easements held for conservation	2,707,767
Archaeological sites in process	35,904
Total	<u>\$ 47,783,542</u>

NOTE 9 - DEFERRED REVENUE

The Conservancy sponsors approximately 8 to 10 educational seminars each fiscal year. Participants pay seminar fees prior to the event date, and the Conservancy defers the revenue from the seminars to the period in which the related expenses are incurred. Thus, payments collected in the current year for seminars held in the following year are deferred until the year in which the expense and occurrence of the seminar falls. The following provides information about significant changes in deferred revenue for the year ended July 31, 2023:

<u>Description</u>	<u>Amount</u>
Deferred revenue, beginning of year	\$ 71,813
Revenue recognized that was included in deferred revenue at the beginning of the year	(71,813)
Increases in deferred revenue due to cash received during the year	124,511
Deferred revenue, end of year	<u>\$ 124,511</u>

NOTE 10 - CHARITABLE GIFT SPLIT-INTEREST ANNUITY OBLIGATIONS

The Conservancy is frequently the recipient of charitable gift annuities in which a donor contributes assets in exchange for distributions of a fixed amount for the lifetime of the donor or other beneficiaries. These assets are contributed directly to the Conservancy, and the Conservancy maintains the assets as general assets of the Conservancy in separate investment accounts. A liability is recognized for the estimated present value of the annuity obligation using the discount rate and actuarial assumptions as provided in Internal Revenue Service guidelines and actuarial tables. Contribution revenue, which represents the fair value of assets donated less the annuity obligation, is recorded as revenue without donor restrictions upon receipt of the donated assets. Contribution revenue recognized under charitable gift annuities was \$4,429 for the year ended July 31, 2023. Assets of the Conservancy derived from these charitable gift annuities are invested as described in Note 6 (Corporate Fund for Annuities).

Obligations of the Conservancy derived from these charitable gift annuities, valued at the estimated present value of the annuity obligations, totaled \$322,910 at July 31, 2023, and during the current year, the Conservancy recognized amortization of the annuity discounts of \$13,438 as an expense. The discount rates used are based on Internal Revenue Service rates in effect at the time the annuity originated. The Conservancy also adjusts the value of annuity obligations periodically for changes in the life expectancy of annuitants, as based on mortality tables and actuarial assumptions.

NOTE 11 - NOTES PAYABLE

Site Acquisition Debt

On occasion, the Conservancy utilizes debt to finance the acquisition of archaeological sites. As of July 31, 2023, two promissory notes were in place, and included the following:

Spikebuck Town – Note payable to the seller of the property and carried a balance of \$211,813 as of July 31, 2023. This note is secured by the site which has a book value of \$691,608. In November 2019, this note was modified, and the new terms include an interest rate of 3.0% and monthly installments of \$3,064. Maturity of the note is scheduled for November 2029.

Montezuma Village – Note dated August 27, 2021 and payable to the seller of the property, and carried a balance of \$130,143 as of July 31, 2023. This note is secured by the site which has a book value of \$452,407. The terms include an interest rate of 6.0% and monthly installments of \$1,683. Maturity of the note is scheduled for September 2031.

Future minimum principal payments due on the notes are as follows:

<u>Fiscal years ending July 31st:</u>	<u>Amount</u>
2023	\$ 43,565
2024	45,289
2025	47,089
2026	48,970
2027	50,936
2028 and thereafter	106,107
Total	<u>\$ 341,956</u>

Interest expense on the note payables was \$15,045 for the year ended July 31, 2023.

NOTE 12 - NET ASSETS WITH DONOR RESTRICTIONS

Net Assets Restricted for Purpose and Time

At year end, net assets restricted by donors for purpose or time consisted of the following:

<u>Description</u>	<u>Amount</u>
Purpose restrictions	
Protect Our Irreplaceable National Treasures (POINT6)	\$ 746,144
Stewardship - Teapot Dome easement	265,402
Specific site acquisition and maintenance	83,060
Time restrictions	
Endowment income	480,487
Contributions and bequests receivable	264,336
Total	<u>\$ 1,839,429</u>

NOTE 12 - NET ASSETS WITH DONOR RESTRICTIONS (continued)

Net Assets Restricted for Perpetuity

The Conservancy's endowment fund was established in 1985, when \$1 million, less allowable fund-raising expenses of \$48,133, was raised via a National Endowment for the Humanities challenge grant of \$250,000 combined with matching contributions. As required by generally accepted accounting principles, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions. The Conservancy's endowment includes donor-restricted and board-designated assets.

The Board of the Conservancy has interpreted the State Prudent Management of Institutional Funds Act (SPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment absent explicit donor stipulations to the contrary. Accordingly, the Conservancy classifies as net assets restricted by the donor for perpetuity the original value of gifts donated to the endowment plus the original value of any subsequent gifts made to the endowment. The remaining portion of the donor-restricted endowment fund that is not classified as held for perpetuity is classified as net assets restricted by the donor for time, and those funds are released from restriction when appropriated for expenditure by the Conservancy in a manner consistent with the standard of prudence prescribed by SPMIFA.

In accordance with SPMIFA, the Conservancy considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the various funds, (2) the purposes of the donor-restricted endowment funds, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of the Conservancy, and (7) the Conservancy's investment policies.

Investment Return Objectives, Risk Parameters and Strategies: 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 funds while also maintaining the purchasing power of those endowment assets over the long-term. Accordingly, the investment process seeks to achieve an after-cost total real rate of return, including investment income as well as capital appreciation, which exceeds the annual distribution with acceptable levels of risk.

Endowment assets are invested in a well-diversified asset mix, which includes equity and debt securities, that is intended to result in a consistent inflation-protected rate of return that has sufficient liquidity to make an annual distribution of 5%, while growing the funds if possible. (See Note 6 for endowment investment asset details.) Therefore, the Conservancy expects its endowment assets, over time, to produce an average rate of return of approximately 8% annually. Actual returns in any given year may vary from this amount. Investment risk is measured in terms of the total endowment fund. Investment assets and allocation between asset classes and strategies are managed to not expose the fund to unacceptable levels of risk.

Spending Policy: The Conservancy has a policy of appropriating for distribution 5% of its endowment fund's average fair value at the beginning of the fiscal year in which the distribution is planned. In establishing this policy, the Conservancy considered the long-term expected return on its investment assets and the possible effects of inflation. The Conservancy expects the current spending policy to allow its endowment funds to grow at a nominal average rate of 3% annually, which is consistent with the Conservancy's objective to maintain the purchasing power of the endowment assets as well as to provide additional real growth through investment return.

NOTE 12 - NET ASSETS WITH DONOR RESTRICTIONS (concluded)

Changes in endowment net assets by type of fund as of July 31, 2023, are as follows:

<u>Description</u>	<u>Board Designated</u>	<u>Restricted for Time</u>	<u>Restricted for Perpetuity</u>	<u>Total</u>
Beginning of year	\$ -	\$ 405,810	\$ 951,867	\$ 1,357,677
Contributions	3,000,000	-	-	-
Investment income(loss)	-	214,978	-	214,978
Appropriation of assets for expenditure	-	(140,301)	-	(140,301)
End of year	<u>\$ 3,000,000</u>	<u>\$ 480,487</u>	<u>\$ 951,867</u>	<u>\$ 1,432,354</u>

NOTE 13 - CONTRIBUTIONS – ARCHAEOLOGICAL SITES

During the year ended July 31, 2023, the Conservancy recorded \$1,445,354 in contributions from nine donors for archaeological sites. The value of the donated property recorded by the Conservancy is based on the difference between the sales price and the estimated value, a value which is typically determined by an independent appraiser. On occasion, for lower value site transactions when an independent appraisal is not available or is not a prudent use of funds, Conservancy staff will estimate the fair value of the donated property based on comparable sales of property in the area.

NOTE 14 - GRANTS – EMPLOYEE RETENTION CREDIT

During the year ended July 31, 2023, the Conservancy recognized \$289,478 from the Employee Retention Credit (ERC) established by the Coronavirus Aid, Relief, and Economic Security (CARES) Act. Laws and regulations concerning government programs, including the ERC, are complex and subject to varying interpretations. Claims made under the CARES Act may also be subject to retroactive audit and review. There can be no assurance that regulatory authorities will not challenge the Conservancy’s claim to the ERC, and it is not possible to determine the impact (if any) this would have upon the Conservancy.

NOTE 15 - NET ASSETS RELEASED FROM DONOR RESTRICTIONS

During the year, net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes, which included:

<u>Description</u>	<u>Amount</u>
Time restrictions	\$ 3,015,000
Specific site acquisition and maintenance	526,604
Protect Our Irreplaceable National Treasures (POINT6)	330,833
Endowment income	140,301
Stewardship - Teapot Dome easement	2,676
Other	2,335
Total	<u>\$ 4,017,749</u>

NOTE 16 - INTENTIONS TO GIVE - BEQUESTS

The Conservancy has received indications of gifts in the form of bequests which are revocable during the donor's lifetime. Due to the uncertain nature of these intentions, the Conservancy has not recognized an asset or contribution revenue relating to these gifts. The estimated total intentions to give cannot be currently estimated.

NOTE 17 - RETIREMENT PLANS

Defined Contribution Plan

The Conservancy established a retirement plan effective January 1, 1996, covering all employees who have attained age 21 and completed one year of service. Effective January 1, 2017, all salaried employees are eligible for the plan, while employees who are paid on an hourly basis or who are not eligible for health and welfare benefits are not eligible for the plan. Prior to January 1, 2017, the eligibility requirement was satisfied upon working 1,000 hours during a consecutive 12-month period. The plan provides a vesting schedule in accordance with federal regulations. The Conservancy made regular contributions totaling \$42,959 to this plan during the year ended July 31, 2023, which represents 4% of the gross wages paid during the year for all eligible employees.

Tax-deferred Annuity Plan

The Conservancy also established a Section 403(b) voluntary pension plan in 1996. This plan is funded with employee contributions. Effective January 1, 2009, the Conservancy began to match voluntary contributions on a dollar-for-dollar basis up to 4% of gross salary. Matching contributions for the year ended July 31, 2023, were \$34,202.

NOTE 18 - COMMITMENTS

In the normal course of operations, the Conservancy is continually engaged in the process of acquiring archaeological sites. At July 31, 2023, there were 17 sites in various stages of the acquisition process, for which expenditures totaling \$35,904 have been made in the current and prior years. Management believes that a firm purchase commitment does not exist on any of these sites. As such, no liability for future acquisition costs on sites in progress is reflected in the financial statements.

NOTE 19 - RELATED PARTIES

During the year ended July 31, 2023, the Conservancy received contributions totaling \$255,000 from board members, or from donor-advised funds for which a board member is an advisor.

NOTE 20 - CONCENTRATIONS OF RISK

Investments

The Conservancy has significant investments in bonds, equities, and mutual funds that are subject to market value fluctuation.

Bank Deposits

At year-end, the Conservancy maintained cash assets in three banking institutions that exceeded the coverage offered by the Federal Deposit Insurance Corporation (FDIC). The uninsured balances at each institution were \$448,412, \$1,001,507 and \$2,274,303, respectively.

NOTE 20 - CONCENTRATIONS OF RISK (concluded)

Revenue

During the fiscal year ended July 31, 2023, the Conservancy's revenues included a bequest that represented 20% of all revenue.