THE ARCHAEOLOGICAL CONSERVANCY

FINANCIAL STATEMENTS

FOR THE YEAR ENDED JULY 31, 2020

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, 2020

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TAYLORROTH
Certified Public Accountants
WORKING EXCLUSIVELY WITH NONPROFITS

December 17, 2020

INDEPENDENT AUDITORS' REPORT

Board of Directors
The Archaeological Conservancy
Albuquerque, New Mexico

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, 2020, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

800 Grant Street, Suite 205, Denver, CO 80203-2944 · 1540 Juan Tabo Blvd. NE, Suite H, Albuquerque, NM 87112-4469
www.TaylorRoth.com

Opinion

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, 2020, and the changes in its net assets and its cash flows for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited The Archaeological Conservancy's financial statements for the year ended July 31, 2019, and we expressed an unmodified audit opinion on those audited financial statements in our report dated December 12, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended July 31, 2019, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Taylor, Roth & Company PLLC

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

THE ARCHAEOLOGICAL CONSERVANCY

STATEMENT OF FINANCIAL POSITION
JULY 31, 2020
(WITH COMPARATIVE TOTALS FOR 2019)

	2020			2019
	Without Donor Restrictions	With Donor Restrictions	Total	Total
Assets				
Cash and cash equivalents	$ 511,180	$ 359,767	$ 870,947	$ 576,797
Receivables (Note 4)	-	-	-	496,570
Prepaid expenses	29,033	-	29,033	49,922
Other assets	25,839	-	25,839	25,839
Property and equipment, net (Note 5)	319,898	-	319,898	327,915
Investments (Note 6)	489,589	2,800,828	3,290,417	3,224,736
Archaeological sites and easements held for conservation, partially pledged (Note 7)	42,994,644	-	42,994,644	41,605,491
Total assets	$ 44,370,183	$ 3,160,595	$ 47,530,778	$ 46,307,270
Liabilities and net assets				
Liabilities				
Accounts payable	$ 37,082	$ -	$ 37,082	$ 6,512
Accrued payroll expenses	134,865	-	134,865	139,204
Deferred revenue (Note 8)	6,100	-	6,100	218,356
Deposit held - sale of archaeological site	30,000	-	30,000	30,000
Payable under escrow agreement	-	-	-	50,000
Charitable gift split-interest annuity obligations (Note 9)	345,660	-	345,660	342,595
Notes payable (Note 10)	507,679	-	507,679	319,859
Total liabilities	1,061,386	-	1,061,386	1,106,526
Net assets				
Without donor restrictions				
Undesignated	42,988,899	-	42,988,899	41,488,918
Net investment in property and equipment	319,898	-	319,898	327,915
	43,308,797	-	43,308,797	41,816,833
With donor restrictions (Note 11)	-	3,160,595	3,160,595	3,383,911
Total net assets	43,308,797	3,160,595	46,469,392	45,200,744
Total liabilities and net assets	$ 44,370,183	$ 3,160,595	$ 47,530,778	$ 46,307,270

The accompanying notes are an integral part of these financial statements

THE ARCHAEOLOGICAL CONSERVANCY

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JULY 31, 2020
(WITH COMPARATIVE TOTALS FOR 2019)

	2020			2019
	Without Donor Restrictions	With Donor Restrictions	Total	Total
Revenue and other support				
Contributions	$ 1,977,074	$ 227,692	$ 2,204,766	$ 2,788,523
Contributions of archaeological sites	939,607	-	939,607	108,500
Seminars	610,450	-	610,450	766,294
Grants	-	180,134	180,134	-
Investment income (Note 6)	(127,369)	221,718	94,349	147,454
Site rental	34,297	-	34,297	32,223
Magazine sales and advertising	31,336	-	31,336	14,178
Change in value of annuities (Note 9)	(14,729)	-	(14,729)	90,463
All other	26,397	-	26,397	42,393
Net assets released from donor restrictions (Note 12)	852,860	(852,860)	-	-
Total revenue and support	4,329,923	(223,316)	4,106,607	3,990,028
Expense				
Program services				
Acquisition, conservation, and management	1,265,107	-	1,265,107	1,202,639
Education	991,654	-	991,654	1,222,365
Total program services expense	2,256,761	-	2,256,761	2,425,004
Supporting services				
Management and general	253,271	-	253,271	253,236
Fund-raising	327,927	-	327,927	329,201
Total expense	2,837,959	-	2,837,959	3,007,441
Change in net assets	1,491,964	(223,316)	1,268,648	982,587
Net assets, beginning of year	41,816,833	3,383,911	45,200,744	44,218,157
Net assets, end of year	$ 43,308,797	$ 3,160,595	$ 46,469,392	$ 45,200,744

The accompanying notes are an integral part of these financial statements

THE ARCHAEOLOGICAL CONSERVANCY

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JULY 31, 2020
(WITH COMPARATIVE TOTALS FOR 2019)

	2020						2019
	Program Services			Supporting Services			
	Acquisition, Conservation, and Management	Education	Total	Management and General	Fund-raising	Total	Total
Salaries	$ 777,631	$ 121,505	$ 899,136	$ 162,816	$ 153,096	$ 1,215,048	$ 1,197,925
Payroll taxes and benefits	148,605	23,220	171,825	31,112	29,257	232,194	213,558
Seminars	-	392,090	392,090	-	-	392,090	563,111
Member mailings	-	192,469	192,469	-	40,641	233,110	318,843
Magazine	-	180,361	180,361	-	20,040	200,401	210,566
Archaeological sites maintenance	130,095	.	130,095	-	-	130,095	82,151
Donor services	-	43,772	43,772	-	43,771	87,543	60,239
Archaeological sites property tax	72,535	-	72,535	-	-	72,535	77,125
Regional office expense	59,571	6,927	66,498	2,078	693	69,269	75,333
Office supplies	30,319	3,526	33,845	1,057	353	35,255	24,212
Accounting services	-	-	-	28,371	-	28,371	27,832
Insurance	10,177	2,262	12,439	9,046	1,131	22,616	21,453
Educational communications	-	22,194	22,194	-	-	22,194	18,690
Travel, meals and meetings	8,289	1,256	9,545	6,567	1,507	17,619	26,468
Fundraising communications	-	-	-	-	15,458	15,458	18,693
All other	22,594	1,270	23,864	11,262	21,018	56,144	63,225
Total before depreciation	1,259,816	990,852	$ 2,250,668	252,309	326,965	2,829,942	2,999,424
Depreciation	5,291	802	6,093	962	962	8,017	8,017
Total	$ 1,265,107	$ 991,654	$ 2,256,761	$ 253,271	$ 327,927	$ 2,837,959	$ 3,007,441

The accompanying notes are an integral part of these financial statements

THE ARCHAEOLOGICAL CONSERVANCY

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JULY 31, 2020
(WITH COMPARATIVE TOTALS FOR 2019)

	2020	2019
Cash flows from operating activities		
Change in net assets	$ 1,268,648	$ 982,587
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
(Gains)losses on investments	27,440	(39,388)
Donated stock	(18,374)	(105,022)
Donated archaeological sites	(939,607)	(108,500)
Change in value of charitable gift split-interest annuity obligations	(3,057)	(12,534)
Amortization of charitable annuity obligation discount	14,825	11,963
Depreciation	8,017	8,017
Changes in operating assets and liabilities		
(Increase)decrease in receivables	496,570	(425,254)
(Increase)decrease in prepaid expenses	20,889	14,530
Increase(decrease) in accounts payable and accrued payroll expenses	26,231	8,649
Increase(decrease) in deferred revenue	(212,256)	94,131
Net cash provided(used) by operating activities	689,326	429,179
Cash flows from investing activities		
Purchases of investments	(2,843,369)	(5,642,965)
Proceeds from sales of investments	2,768,622	4,260,017
Purchases of archaeological sites	(449,546)	(444,288)
Net cash provided(used) by investing activities	(524,293)	(1,827,236)
Cash flows from financing activities		
Charitable gift split-interest annuity obligation undertaken	17,194	126,339
Payments against charitable gift split-interest annuity obligations	(25,897)	(19,273)
Principal payments on notes payable and escrow payable	(70,908)	(7,953)
Proceeds from notes payable	208,728	-
Net cash provided(used) by financing activities	129,117	99,113
Net increase(decrease) in cash and cash equivalents	294,150	(1,298,944)
Cash and cash equivalents, beginning of year	576,797	1,875,741
Cash and cash equivalents, end of year	$ 870,947	$ 576,797
Supplemental disclosures		
Cash paid during the period for interest	$ 11,676	$ 16,214

The accompanying notes are an integral part of these financial statements

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

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. Contributions

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

6. Real Estate Held for Sale

Real estate held for sale, which results from the Conservancy’s acceptance of noncash 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.

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.

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

7. Archaeological Sites and Easements (concluded)

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	*Time and effort*
Member mailings	*Joint costs - analysis based on content and audience*
Magazine	*Joint costs - analysis based on content and audience*
Office expenses	*Analysis of usage by function benefitted*
Travel, meals and meetings	*Analysis of usage by function benefitted*
Insurance	*Analysis of usage by function benefitted*
Occupancy related costs	*Square footage*

12. New Accounting Pronouncement

The Conservancy has adopted Accounting Standards Update (ASU) No. 2018-08 Not-for-Profit Entities: *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made* (Topic 605) as management believes the standard improves the usefulness and understandability of the Organization's financial reporting.

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

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, 2019, 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.

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 l); 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, 2020.

18. Subsequent Events

Management has evaluated subsequent events through December 17, 2020, 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, 2020:

Description	Amount
Cash and cash equivalents	$ 870,947
Investments	3,290,417
Total financial assets	4,161,364
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	413,409
Long-term stewardship - Teapot Dome site	273,111
Deposit held - sale of archaeological site	30,000
Charitable gift split-interest annuity obligation, less payments due in next 12 months	304,660
	1,973,047
Financial assets available to meet general expenditures over the next 12 months	$ 2,188,317

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 $1,341,889 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 well as other contributions restricted by donors for acquisition, as available for operational use during the next 12 months..

NOTE 4 - RECEIVABLES

The Conservancy did not have any receivables due as of July 31, 2020. However, management has been notified of three bequests that were in the process of final settlement, but no amounts are recorded for these bequests because the amounts due are not estimable. In addition, the Conservancy has a balance of $34,750 on a grant from a state government, funds which will be recorded as revenue when the qualifying conditions are met.

NOTE 5 - PROPERTY AND EQUIPMENT

Property and equipment consisted of the following as of July 31, 2020:

Description	Amount
Land	$ 60,000
Building and improvements	312,678
Office furniture and equipment	11,577
Software	13,881
	398,136
Less: accumulated depreciation	(78,238)
Net furniture and equipment	$ 319,898

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, 2020:

Description	Cost Basis	Fair Value	Unrealized Appreciation (Depreciation)
Preservation/Operations			
Bonds - corporate fixed income	$ 847,940	$ 761,093	$ (86,847)
Mutual funds	575,587	605,710	30,123
Government securities	61,985	55,438	(6,547)
Equities	50,000	55,400	5,400
	$ 1,535,512	$ 1,477,641	$ (57,871)
Trust (Annuities)			
Equities	$ 262,276	$ 266,138	$ 3,862
Bonds - corporate fixed income	98,748	110,566	11,818
Exchange-traded funds	54,099	59,089	4,990
Mutual funds	50,414	53,796	3,382
	$ 465,537	$ 489,589	$ 24,052
Endowment Fund			
Mutual funds	$ 645,356	$ 1,101,386	$ 456,030
Bonds - corporate fixed income	98,787	115,603	16,816
Government securities	69,804	84,038	14,234
Equities	20,000	22,160	2,160
	$ 833,947	$ 1,323,187	$ 489,240

NOTE 6 - INVESTMENTS (continued)

Description	Cost Basis	Fair Value	Unrealized Appreciation (Depreciation)
Total Investments			
Mutual funds	$ 1,271,357	$ 1,760,892	$ 489,535
Bonds - corporate fixed income	1,045,475	987,262	(58,213)
Equities	332,276	343,698	11,422
Government securities	131,789	139,476	7,687
Exchange-traded funds	54,099	59,089	4,990
Total	$ 2,834,996	$ 3,290,417	$ 455,421

Investment returns for the year ended July 31, 2020, are summarized as follows:

Description	Without Donor Restrictions	With Donor Restrictions	Total
Interest and dividends	$ 75,487	$ 51,201	$ 126,688
Realized gains(losses)	(128,929)	40,952	(87,977)
Unrealized gains(losses)	(69,028)	129,565	60,537
Investment fees	(4,899)	-	(4,899)
Total	$ (127,369)	$ 221,718	$ 94,349

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 amount 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)

The following table summarizes the levels in the fair value hierarchy into which the Conservancy's investments fall as of July 31, 2020:

Description	Total	Level 1	Level 2	Level 3
Mutual funds	$ 1,760,892	$ 1,760,892	$ -	$ -
Bonds - corporate	987,262	987,262	-	-
Equities	343,698	343,698	-	-
Government securities	139,476	-	139,476	
Exchange-traded funds	59,089	59,089	-	-
Total	$ 3,290,417	$ 3,150,941	$ 139,476	$ -

NOTE 7 - ARCHAEOLOGICAL SITES AND EASEMENTS

Archaeological sites and easements held for conservation were as follows as of July 31, 2020:

Description	Amount
Archaeological sites held for conservation, partially pledged	$ 40,262,517
Archaeological easements held for conservation	2,701,239
Archaeological sites in process	30,888
Total	$ 42,994,644

NOTE 8 - 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. Deferred seminar revenue as of July 31, 2020, was $6,100.

NOTE 9 - 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 $17,194 for the year ended July 31, 2020. Assets of the Conservancy derived from these charitable gift annuities are invested as described in Note 6 [Trust (Annuities)].

NOTE 9 - CHARITABLE GIFT SPLIT-INTEREST ANNUITY OBLIGATIONS (concluded)

Obligations of the Conservancy derived from these charitable gift annuities, valued at the estimated present value of the annuity obligations, totaled $345,660 at July 31, 2020, and during the current year, the Conservancy recognized amortization of the annuity discounts of $14,825 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 10 - NOTES PAYABLE

Site Acquisition Debt

On occasion, the Conservancy utilizes debt to finance the acquisition of archaeological sites. At year-end, one promissory note was payable to an unrelated party and carried a balance of $298,951. This note is secured by a site having a carrying value of $691,608 (Spikebuck Town). 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. Future minimum principal payments due on this note are:

Years ending July 31st:	Amount
2021	$ 28,180
2022	29,038
2023	29,921
2024	30,831
2025	31,769
2026 and thereafter	149,212
Total	$ 298,951

Interest expense on the note payable was $11,676 for the year ended July 31, 2020.

U.S. Small Business Administration – Paycheck Protection Program Loan

In May 2020, the Conservancy received loan proceeds in the amount of $208,728 under the Paycheck Protection Program (PPP). Established as a part of the Coronavirus Aid, Relief and Economic Security Act ("CARES Act"), the PPP provides for loans to qualifying businesses in amounts up to 2.5 times the business's average monthly payroll expenses. PPP loans and accrued interest are forgivable after a "covered period" (8 or 24 weeks) as long as the borrower maintains its payroll levels and uses the loan proceeds for eligible purposes, including payroll, benefits, rent, and utilities.

The amount forgiven will be reduced if the borrower terminates employees or reduces salaries during the covered period. Any unforgiven portion of a PPP loan is payable over 2 or 5 years at an interest rate of 1%, with a deferral of payments for 10 months after the end of the covered period. The Conservancy intends to use PPP loan proceeds for purposes consistent with the PPP and apply for forgiveness within 10 months of the end of the covered period.

NOTE 11 - 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:

Description	Amount
Purpose restrictions	
Protect Our Irreplaceable National Treasures (POINT6)	$ 1,341,889
Stewardship - Teapot Dome easement	273,111
Specific site acquisition and maintenance	120,319
Time restrictions	
Endowment income	473,409
Total	$ 2,208,728

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 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 as 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.

NOTE 11 - NET ASSETS WITH DONOR RESTRICTIONS (concluded)

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.

Changes in endowment net assets by type of fund as of July 31, 2020, are as follows:

Description	Restricted for Time	Restricted for Perpetuity	Total
Endowment assets, beginning of year	$ 311,535	$ 951,867	$ 1,263,402
Contributions	-	-	-
Investment income	221,718	-	221,718
Appropriation of endowment assets for expenditure	(59,844)	-	(59,844)
Total	$ 473,409	$ 951,867	$ 1,425,276

NOTE 12 - NET ASSETS RELEASED FROM DONOR RESTRICTION

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

Description	Amount
Specific site acquisition and maintenance	$ 368,168
Bequests - time restriction	296,570
Protect Our Irreplaceable National Treasures (POINT6)	125,737
Endowment income	59,844
Stewardship - Teapot Dome easement	2,541
Total	$ 852,860

NOTE 13 - 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 14 - 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 of $38,829 to this plan during the year ended July 31, 2020, 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, 2020, were $36,089.

NOTE 15 - COMMITMENTS

In the normal course of operations, the Conservancy is continually engaged in the process of acquiring archaeological sites. At July 31, 2020, there were 17 sites in various stages of the acquisition process, for which expenditures totaling $30,888 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 16 - RELATED PARTIES

During the year ended July 31, 2020, the Conservancy received a contribution of $250,000 from a donor-advised fund for which a board member is an advisor. Four other board members contributed approximately $145,000.

NOTE 17 - CONCENTRATIONS OF RISK

Investments

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

NOTE 17 - CONCENTRATIONS OF RISK (concluded)

Bank Deposits

At year-end, the Conservancy maintained cash assets in a local banking institution that exceeded the coverage offered by the Federal Deposit Insurance Corporation (FDIC). The uninsured balance was $542,371.

NOTE 18 - COVID-19 PANDEMIC

The COVID-19 pandemic, whose effects first became known in January 2020, is having a broad and negative impact on commerce and financial markets around the world. The United States and global markets experienced significant declines in value resulting from uncertainty caused by the pandemic. The Conservancy is closely monitoring its investment portfolio and its liquidity and is actively working to minimize the impact of these declines. In addition, the pandemic has resulted in lost earnings for the Conservancy during the fiscal years ended July 31, 2020 and 2021, due to the cancellations of archaeological tours (seminars).

The extent of the impact of COVID-19 on the Conservancy's operational and financial performance will depend on certain developments, including the duration and spread of the outbreak and its impacts on the Conservancy's members, employees, and vendors, all of which at present, cannot be determined. Accordingly, the extent to which COVID-19 may impact the Conservancy's financial position and changes in net assets and cash flows is uncertain, and the accompanying financial statements include no adjustments relating to the effects of this pandemic.