THE ARCHAEOLOGICAL CONSERVANCY

FINANCIAL STATEMENTS

FOR THE YEAR ENDED JULY 31, 2018

TOGETHER WITH INDEPENDENT AUDITORS' REPORT

THE ARCHAEOLOGICAL CONSERVANCY

FINANCIAL STATEMENTS
FOR THE YEAR ENDED JULY 31, 2018

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Taylor, Roth and Company, PLLC
Certified Public Accountants
working exclusively with nonprofit organizations

December 12, 2018

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, 2018, 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.

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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, 2018, 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.

Taylor, Roth and Company PLLC

TAYLOR, ROTH AND COMPANY, PLLC
CERTIFIED PUBLIC ACCOUNTANTS

THE ARCHAEOLOGICAL CONSERVANCY

STATEMENT OF FINANCIAL POSITION
JULY 31, 2018

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Assets				
Cash and cash equivalents	$ 679,315	$ 1,196,426	$ -	$ 1,875,741
Receivables (Note 3)	7,238	64,078	-	71,316
Prepaid expenses	64,452	-	-	64,452
Real estate held for sale	25,839	-	-	25,839
Property and equipment, net (Note 4)	335,932	-	-	335,932
Investments (Note 5)	136,844	608,667	951,867	1,697,378
Archaeological sites and easements held for conservation, partially pledged (Note 6)	41,052,703	-	-	41,052,703
Total assets	$ 42,302,323	$ 1,869,171	$ 951,867	$ 45,123,361
Liabilities and net assets				
Liabilities				
Accounts payable	$ 3,040	$ -	$ -	$ 3,040
Accrued payroll expenses	134,027	-	-	134,027
Deferred revenue (Note 7)	124,225	-	-	124,225
Deposit held - sale of archaeological site	30,000	-	-	30,000
Payable under escrow agreement	50,000	-	-	50,000
Charitable gift split-interest annuity obligations (Note 8)	236,100	-	-	236,100
Note payable (Note 9)	327,812	-	-	327,812
Total liabilities	905,204	-	-	905,204
Net assets				
Unrestricted				
Operating	41,061,187	-	-	41,061,187
Net investment in property and equipment	335,932	-	-	335,932
Temporarily restricted (Note 10)	-	1,869,171	-	1,869,171
Permanently restricted (Note 11)	-	-	951,867	951,867
Total net assets	41,397,119	1,869,171	951,867	44,218,157
Total liabilities and net assets	$ 42,302,323	$ 1,869,171	$ 951,867	$ 45,123,361

The accompanying notes are an integral part of these financial statements

THE ARCHAEOLOGICAL CONSERVANCY

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JULY 31, 2018

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenue and other support				
Contributions	$ 1,780,724	$ 1,495,195	$ -	$ 3,275,919
Seminars	816,841	-	-	816,841
Contributions of archaeological sites	529,100	-	-	529,100
Grants	-	452,613	-	452,613
Investment income (Note 5)	27,519	187,469	-	214,988
Oil and gas royalties and lease bonuses	44,231	-	-	44,231
Magazine sales and advertising	39,928	-	-	39,928
Site rental	33,669	-	-	33,669
Change in value of annuities (Note 8)	18,890	-	-	18,890
All other	11,226	-	-	11,226
Net assets released from restrictions (Note 12)	956,116	(956,116)	-	-
Total revenue and support	4,258,244	1,179,161	-	5,437,405
Expense				
Program services				
Acquisition, conservation, and management	1,506,236	-	-	1,506,236
Education	946,232	-	-	946,232
Supporting services				
Management and general	248,009	-	-	248,009
Fund-raising	470,711	-	-	470,711
Total expense	3,171,188	-	-	3,171,188
Change in net assets	1,087,056	1,179,161	-	2,266,217
Net assets, beginning of year	40,310,063	690,010	951,867	41,951,940
Net assets, end of year	$ 41,397,119	$ 1,869,171	$ 951,867	$ 44,218,157

The accompanying notes are an integral part of these financial statements

THE ARCHAEOLOGICAL CONSERVANCY

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JULY 31, 2018

	Program Services			Supporting Services		
	Acquisition, Conservation, and Management	Education	Total	Management and General	Fund-raising	Total
Salaries	$ 706,632	$ 110,809	$ 817,441	$ 149,149	$ 141,504	$ 1,108,094
Payroll taxes and benefits	156,340	24,516	180,856	32,998	31,307	245,161
Seminars	-	513,265	513,265	-	-	513,265
Member mailings	-	97,169	97,169	-	231,529	328,698
Archaeological sites contributed to others	246,812	-	246,812	-	-	246,812
Magazine	-	164,277	164,277	-	41,069	205,346
Archaeological sites maintenance	179,265	-	179,265	-	-	179,265
Regional office expense	71,772	8,346	80,118	2,503	835	83,456
Archaeological sites property tax	72,752	-	72,752	-	-	72,752
Accounting services	-	-	-	30,423	-	30,423
Travel and meals	16,594	2,514	19,108	3,018	3,017	25,143
Office supplies	14,515	2,199	16,714	2,640	2,639	21,993
Insurance	9,108	2,024	11,132	8,095	1,012	20,239
Interest expense	18,774	-	18,774	-	-	18,774
Educational communications	-	16,998	16,998	-	-	16,998
Amortization of charitable annuities	-	-	-	-	10,957	10,957
Dues and subscriptions	-	-	-	4,355	4,356	8,711
All other	8,381	3,313	11,694	13,866	1,524	27,084
Total before depreciation	1,500,945	945,430	2,446,375	247,047	469,749	3,163,171
Depreciation	5,291	802	6,093	962	962	8,017
Total	$ 1,506,236	$ 946,232	$ 2,452,468	$ 248,009	$ 470,711	$ 3,171,188

The accompanying notes are an integral part of these financial statements

THE ARCHAEOLOGICAL CONSERVANCY

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JULY 31, 2018

	Amount
Cash flows from operating activities	
Change in net assets	$ 2,266,217
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Unrealized (gains)losses on investments	(55,732)
Donated stock	(56,061)
Donated archaeological sites	(529,100)
Archaeological sites contributed to others	246,812
Change in value of charitable gift split-interest annuity obligations	(18,890)
Amortization of charitable annuity obligation discount	10,957
Depreciation	8,017
Changes in operating assets and liabilities	
(Increase)decrease in receivables	26,584
(Increase)decrease in prepaid expenses	(17,792)
Increase(decrease) in accounts payable	(1,678)
Increase(decrease) in accrued payroll expenses	(5,277)
Increase(decrease) in deferred revenue	(50,028)
Net cash provided(used) by operating activities	1,824,029
Cash flows from investing activities	
Purchases of investments	(949,060)
Proceeds from sales of investments	933,415
Purchases of archaeological sites	(542,750)
Net cash provided(used) by investing activities	(558,395)
Cash flows from financing activities	
Charitable gift split-interest annuity obligation undertaken	18,398
Payments against charitable gift split-interest annuity obligations	(30,257)
Principal payments on notes payable	(155,861)
Net cash provided(used) by financing activities	(167,720)
Net increase(decrease) in cash and cash equivalents	1,097,914
Cash and cash equivalents, beginning of year	777,827
Cash and cash equivalents, end of year	$ 1,875,741
Supplemental disclosures	
Cash paid during the period for interest	$ 22,770

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; Columbus, Ohio; 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 Conservancy is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

3. Restricted and Unrestricted Revenue

   Contributions received are recorded as increases in unrestricted, temporarily restricted, or permanently restricted net assets, depending on the existence and/or nature of any donor restrictions.

4. 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.

5. 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.

6. Donations

The Conservancy reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

The Conservancy reports gifts of land, buildings, and equipment as unrestricted support unless the explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent donor stipulations regarding how long those long-lived assets must be maintained, the Conservancy reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

7. 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.

8. 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.

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.

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

9. 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.

10. 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.

11. 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.

12. Functional Reporting of Expenses

For the year ended July 31, 2018, the costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

13. 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.

14. 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).

15. 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, 2018.

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

16. Subsequent Events

Management has evaluated subsequent events through December 12, 2018, the date the financial statements were available to be issued.

NOTE 3 - RECEIVABLES

Amounts included receivables are expected to be collected in the following year, and no discount has been recorded.

NOTE 4 - PROPERTY AND EQUIPMENT

Property and equipment consisted of the following as of July 31, 2018:

Description	Amount
Land	$ 60,000
Building and improvements	312,678
Office furniture and equipment	11,577
Software	13,881
	398,136
Less: accumulated depreciation	(62,204)
Net furniture and equipment	$ 335,932

Depreciation expense was $ 8,017.

NOTE 5 - INVESTMENTS

Investments are carried at market value and consisted of the following as of July 31, 2018:

Description	Cost Basis	Fair Value	Unrealized Appreciation (Depreciation)
Preservation/operations			
Bonds - corporate fixed income	$ 141,612	$ 133,006	$ (8,606)
Bonds - municipal	-	9,467	9,467
Accrued interest	491	491	-
	142,103	142,964	861

NOTE 5 - INVESTMENTS (continued)

Description	Cost Basis	Fair Value	Unrealized Appreciation (Depreciation)
Trust (Annuity)			
Bonds - corporate fixed income	211,307	207,452	(3,855)
Equities	84,514	89,158	4,644
Bonds - municipal	25,331	24,970	(361)
Exchange-traded funds	19,325	18,880	(445)
Unit investment trust	8,982	7,925	(1,057)
Accrued interest	496	496	-
	349,955	348,881	(1,074)
Endowment Fund			
Mutual funds	571,021	950,321	379,300
Bonds - corporate fixed income	113,169	111,349	(1,820)
Equities	70,925	81,668	10,743
Bonds - municipal	62,601	61,416	(1,185)
Accrued interest	779	779	-
	818,495	1,205,533	7,738
Total Investments			
Mutual funds	$ 571,021	$ 950,321	$ 379,300
Bonds - corporate fixed income	466,088	451,807	(14,281)
Equities	155,439	170,826	15,387
Bonds - municipal	87,932	95,853	7,921
Exchange-traded funds	19,325	18,880	(445)
Unit investment trust	8,982	7,925	(1,057)
Accrued interest	1,766	1,766	-
Total	$ 1,310,553	$ 1,697,378	$ 386,825

Investment returns for the year ended July 31, 2018, are summarized as follows:

Description	Unrestricted	Temporarily Restricted	Total
Interest and dividends	$ 26,656	$ 15,864	$ 42,520
Unrealized gains(losses)	(10,445)	66,177	55,732
Realized gains(losses)	12,502	105,428	117,930
Investment fees	(1,194)	-	(1,194)
Total	$ 27,519	$ 187,469	$ 214,988

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).

NOTE 5 - INVESTMENTS (concluded)

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.

The following table summarizes the levels in the fair value hierarchy into which the Conservancy's investments fall as of July 31, 2018:

Description	Total	Level 1	Level 2	Level 3
Mutual funds	$ 950,321	$ 950,321	$ -	$ -
Bonds - corporate	451,807	451,807	-	-
Equities	170,826	170,826	-	-
Bonds - municipal	95,853	-	95,853	-
Exchange-traded funds	18,880	18,880	-	-
Unit investment trust	7,925	7,925	-	-
Accrued interest	1,766	1,766	-	-
Total	$ 1,697,378	$ 1,601,525	$ 95,853	$ -

NOTE 6 - ARCHAEOLOGICAL SITES AND EASEMENTS

Archaeological sites and easements held for conservation were as follows as of July 31, 2018:

Description	Amount
Archaeological sites held for conservation, partially pledged	$ 38,443,953
Archaeological easements held for conservation	1,906,302
Archaeological sites in process	702,448
Total	$ 41,052,703

NOTE 7 - DEFERRED REVENUE

The Conservancy sponsors approximately eight to ten 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, 2018, was $ 124,225 .

NOTE 8 - 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 unrestricted revenue upon receipt of the donated assets. Contribution revenue recognized under charitable gift annuities was $18,398 for the year ended July 31, 2018. Assets of the Conservancy derived from these charitable gift annuities are invested as described in Note 5 (Trust/Annuity).

Obligations of the Conservancy derived from these charitable gift annuities, valued at the estimated present value of the annuity obligations, totaled $ 236,100 at July 31, 2018, and during the current year, the Conservancy recognized amortization of the annuity discounts of $ 10,957 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. During the year ended July 31, 2018, annuity obligations were increased by $ 18,890 for changes in life expectancy assumptions. These changes are reflected in the statement of activities as changes in unrestricted net assets.

NOTE 9 - NOTE PAYABLE

The Conservancy occasionally utilizes debt to finance the acquisition of an archaeological site. One note payable to an unrelated party was outstanding as of July 31, 2018, with a balance of $ 327,812 This note is secured by a site having a carrying value of $691,608 (SpikebuckTown), carries an interest rate of 5% with monthly installments of $2,014 and a scheduled maturity of March 2041. Future minimum principal payments due on this note are:

Years ending July 31st:	Amount
2019	$ 7,954
2020	8,361
2021	8,788
2022	9,238
2023	9,711
2024 and thereafter	283,760
Total	$ 327,812

Interest expense on notes payable was $ 18,774 for the year ended July 31, 2018.

NOTE 10 - TEMPORARILY RESTRICTED NET ASSETS

At year end, temporarily restricted net assets consisted of the following:

Description	Amount
Protect Our Irreplaceable National Treasures (POINT6)	$ 1,091,385
Endowment income (Note 11)	330,563
Stewardship - Teapot Dome easement	278,104
Specific site acquisition and maintenance	105,041
Bequests receivable - time restriction	64,078
Total	$ 1,869,171

NOTE 11 - PERMANENTLY RESTRICTED NET ASSETS

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 permanently restricted net assets the original value of gifts donated to the permanent endowment plus the original value of any subsequent gifts made to the permanent endowment. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are 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 - PERMANENTLY RESTRICTED NET ASSETS (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 5 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, 2018, are as follows:

Description	Temporarily Restricted	Permanently Restricted	Total
Endowment assets, beginning of year	$ 194,058	$ 951,867	$ 1,145,925
Contributions	-	-	-
Investment income	187,469	-	187,469
Appropriation of endowment assets for expenditure	(50,964)	-	(50,964)
Total	$ 330,563	$ 951,867	$ 1,282,430

NOTE 12 - NET ASSETS RELEASED FROM RESTRICTION

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

Description	Amount
Specific site acquisition and maintenance	$ 576,444
Protect Our Irreplaceable National Treasures (POINT6)	233,912
Bequests - time restriction	87,900
Endowment income	50,964
Stewardship - Teapot Dome easement	6,896
Total	$ 956,116

NOTE 13 - CONDITIONAL PROMISES TO GIVE

During the year ended July 31, 2017, the Conservancy established the "Point 6" program (the sixth phase of the "Protect Our Irreplaceable National Treasures Program"), intended to purchase and preserve significant sites in immediate danger of destruction. As part of the "Point 6" program, the Conservancy received a $1 million conditional promise to give from a Board member in the form of a challenge to raise $1 million before the program expires in June, 2019.

Conditional promises to give are not recorded until the conditions of the gift are substantially met. During the year ended July 31, 2018, the Conservancy recorded a contribution of $800,000 from this match pledge after raising a matching amount. The remainder of the pledge, $200,000, will be recorded as revenue by the Conservancy if and when the challenge is achieved.

NOTE 14 - 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 15 - 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 $40,207 to this plan during the year ended July 31, 2018, 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, 2018, were $34,867.

NOTE 16 - COMMITMENTS

In the normal course of operations, the Conservancy is continually engaged in the process of acquiring archaeological sites. At July 31, 2018, there were 12 sites in various stages of the acquisition process, for which expenditures totaling $21,833 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.

In addition, the contribution of an easement with a value of $680,615 has been accepted and included in sites and easements in process of acquisition. Final closing, including an escrow payment of $50,000, is required on this easement before title can transfer to the Conservancy.

NOTE 17 - RELATED PARTIES

During the year ended July 31, 2018, the Conservancy received two contributions from a donor-advised fund for which a board member is an advisor. Total contributions from this fund totaled $1.05 million.

NOTE 18 - 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 a local banking institution that exceeded the coverage offered by the Federal Deposit Insurance Corporation (FDIC). The uninsured balance was $49,727. In addition, cash held in a brokerage firm exceeded FDIC limits by $913,877.

Revenue

As more fully described in Note 17, a donor-advised fund for which a board member serves as an advisor contributed $1.05 million during the year ended July 31, 2018, which represents about 19% of all revenue for the year.