THE ARCHAEOLOGICAL CONSERVANCY

FINANCIAL STATEMENTS

FOR THE YEAR ENDED JULY 31, 2019

TOGETHER WITH INDEPENDENT AUDITORS' REPORT

THE ARCHAEOLOGICAL CONSERVANCY

FINANCIAL STATEMENTS
FOR THE YEAR ENDED JULY 31, 2019

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

December 12, 2019

INDEPENDENT AUDITORS' REPORT

Board of Directors
The Archaeological Conservancy
Albuquerque, New Mexico

We have audited the accompanying financial statements of **The Archaeological Conservancy** (a New Mexico nonprofit corporation), which comprise the statement of financial position as of July 31, 2019, 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, 2019, 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, 2018, and we expressed an unmodified audit opinion on those audited financial statements in our report dated December 12, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended July 31, 2018 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

THE ARCHAEOLOGICAL CONSERVANCY

STATEMENT OF FINANCIAL POSITION
JULY 31, 2019
(WITH COMPARATIVE TOTALS FOR 2018)

	2019			2018
	Without Donor Restrictions	With Donor Restrictions	Total	Total
Assets				
Cash and cash equivalents	$ 464,071	$ 112,726	$ 576,797	$ 1,875,741
Receivables (Note 4)	-	496,570	496,570	71,316
Prepaid expenses	49,922	-	49,922	64,452
Real estate held for sale	25,839	-	25,839	25,839
Property and equipment, net (Note 5)	327,915	-	327,915	335,932
Investments (Note 6)	450,121	2,774,615	3,224,736	1,697,378
Archaeological sites and easements held for conservation, partially pledged (Note 7)	41,605,491	-	41,605,491	41,052,703
Total assets	$ 42,923,359	$ 3,383,911	$ 46,307,270	$ 45,123,361
Liabilities and net assets				
Liabilities				
Accounts payable	$ 6,512	$ -	$ 6,512	$ 3,040
Accrued payroll expenses	139,204	-	139,204	134,027
Deferred revenue (Note 8)	218,356	-	218,356	124,225
Deposit held - sale of archaeological site	30,000	-	30,000	30,000
Payable under escrow agreement	50,000	-	50,000	50,000
Charitable gift split-interest annuity obligations (Note 9)	342,595	-	342,595	236,100
Note payable (Note 10)	319,859	-	319,859	327,812
Total liabilities	1,106,526	-	1,106,526	905,204
Net assets				
Without donor restrictions				
Undesignated	41,488,918	-	41,488,918	41,061,187
Net investment in property and equipment	327,915	-	327,915	335,932
	41,816,833	-	41,816,833	41,397,119
With donor restrictions (Note 11)	-	3,383,911	3,383,911	2,821,038
Total net assets	41,816,833	3,383,911	45,200,744	44,218,157
Total liabilities and net assets	$ 42,923,359	$ 3,383,911	$ 46,307,270	$ 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, 2019
(WITH COMPARATIVE TOTALS FOR 2018)

	2019			2018
	Without Donor Restrictions	With Donor Restrictions	Total	Total
Revenue and other support				
Contributions	$ 1,809,554	$ 978,969	$ 2,788,523	$ 3,275,919
Seminars	766,294	-	766,294	816,841
Investment income (Note 6)	107,646	39,808	147,454	214,988
Contributions of archaeological sites	108,500	-	108,500	529,100
Change in value of annuities (Note 9)	90,463	-	90,463	18,890
Site rental	32,223	-	32,223	33,669
Oil and gas royalties and lease bonuses	30,581	-	30,581	44,231
Magazine sales and advertising	14,178	-	14,178	39,928
Grants	-	-	-	452,613
All other	11,812	-	11,812	11,226
Net assets released from donor restrictions (Note 12)	455,904	(455,904)	-	-
Total revenue and support	3,427,155	562,873	3,990,028	5,437,405
Expense				
Program services				
Acquisition, conservation, and management	1,202,639	-	1,202,639	1,506,236
Education	1,222,365	-	1,222,365	946,232
Total program services expense	2,425,004	-	2,425,004	2,452,468
Supporting services				
Management and general	253,236	-	253,236	248,009
Fund-raising	329,201	-	329,201	470,711
Total expense	3,007,441	-	3,007,441	3,171,188
Change in net assets	419,714	562,873	982,587	2,266,217
Net assets, beginning of year	41,397,119	2,821,038	44,218,157	41,951,940
Net assets, end of year	$ 41,816,833	$ 3,383,911	$ 45,200,744	$ 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, 2019
(WITH COMPARATIVE TOTALS FOR 2018)

	2019						2018
	Program Services			Supporting Services			
	Acquisition, Conservation, and Management	Education	Total	Management and General	Fund-raising	Total	Total
Salaries	$ 766,672	$ 119,793	$ 886,465	$ 160,521	$ 150,939	$ 1,197,925	$ 1,108,094
Payroll taxes and benefits	136,677	21,356	158,033	28,617	26,908	213,558	245,161
Seminars	-	563,111	563,111	-	-	563,111	513,265
Member mailings	-	293,873	293,873	-	85,209	379,082	328,698
Magazine	-	189,509	189,509	-	21,057	210,566	205,346
Archaeological sites maintenance	82,151	.	82,151	-	-	82,151	179,265
Archaeological sites property tax	77,125	-	77,125	-	-	77,125	72,752
Regional office expense	64,786	7,533	72,319	2,261	753	75,333	83,456
Accounting services	-	-	-	27,832	-	27,832	30,423
Travel, meals and meetings	12,193	1,847	14,040	10,211	2,217	26,468	25,143
Office supplies	20,822	2,421	23,243	727	242	24,212	21,993
Insurance	9,654	2,145	11,799	8,581	1,073	21,453	20,239
Educational communications	-	18,690	18,690	-	-	18,690	16,998
Dues and subscriptions	-	-	-	9,055	9,056	18,111	8,711
Interest expense	16,214	-	16,214	-	-	16,214	18,774
Amortization of charitable annuities	-	-	-	-	11,963	11,963	10,957
Archaeological sites contributed to others	-	-	-	-	-	-	246,812
All other	11,054	1,285	12,339	4,469	18,822	35,630	27,084
Total before depreciation	1,197,348	1,221,563	2,418,911	252,274	328,239	2,999,424	3,163,171
Depreciation	5,291	802	6,093	962	962	8,017	8,017
Total	$ 1,202,639	$ 1,222,365	$ 2,425,004	$ 253,236	$ 329,201	$ 3,007,441	$ 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, 2019
(WITH COMPARATIVE TOTALS FOR 2018)

	2019	2018
Cash flows from operating activities		
Change in net assets	$ 982,587	$ 2,266,217
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
(Gains)losses on investments	(39,388)	(173,662)
Donated stock	(105,022)	(56,061)
Donated archaeological sites	(108,500)	(529,100)
Archaeological sites contributed to others	-	246,812
Change in value of charitable gift split-interest annuity obligations	(12,534)	(18,890)
Amortization of charitable annuity obligation discount	11,963	10,957
Depreciation	8,017	8,017
Changes in operating assets and liabilities		
(Increase)decrease in receivables	(425,254)	26,584
(Increase)decrease in prepaid expenses	14,530	(17,792)
Increase(decrease) in accounts payable and accrued payroll expenses	8,649	(6,955)
Increase(decrease) in deferred revenue	94,131	(50,028)
Net cash provided(used) by operating activities	429,179	1,706,099
Cash flows from investing activities		
Purchases of investments	(5,642,965)	(831,130)
Proceeds from sales of investments	4,260,017	933,415
Purchases of archaeological sites	(444,288)	(542,750)
Net cash provided(used) by investing activities	(1,827,236)	(440,465)
Cash flows from financing activities		
Charitable gift split-interest annuity obligation undertaken	126,339	18,398
Payments against charitable gift split-interest annuity obligations	(19,273)	(30,257)
Principal payments on notes payable	(7,953)	(155,861)
Net cash provided(used) by financing activities	99,113	(167,720)
Net increase(decrease) in cash and cash equivalents	(1,298,944)	1,097,914
Cash and cash equivalents, beginning of year	1,875,741	777,827
Cash and cash equivalents, end of year	$ 576,797	$ 1,875,741
Supplemental disclosures		
Cash paid during the period for interest	$ 16,214	$ 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 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

On August 18, 2016, the Financial Accounting Standards Board issued ASU 2016-14, Not-for-Profit Entities (Topic 958) – *Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses net asset classification, information about liquidity, information provided about expenses, and consistency in reporting investment return. The Conservancy has adjusted the presentation of these statements accordingly. The ASU has been applied retrospectively to all periods presented.

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, 2018, 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, 2019.

18. Subsequent Events

Management has evaluated subsequent events through December 12, 2019, 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, 2019:

Description	Amount
Cash and cash equivalents	$ 576,797
Receivables	496,570
Investments	3,224,736
Total financial assets	4,298,103
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	212,727
Long-term stewardship - Teapot Dome site	270,000
Deposit held - sale of archaeological site	30,000
Payable under escrow agreement	50,000
Charitable gift split-interest annuity obligation, less payments due in next 12 months	300,311
	1,814,905
Financial assets available to meet general expenditures over the next 12 months	$ 2,483,198

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 $1,435,550 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 available for operational use during the next 12 months.

NOTE 4 - RECEIVABLES

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

NOTE 5 - PROPERTY AND EQUIPMENT

Property and equipment consisted of the following as of July 31, 2019:

Description	Amount
Land	$ 60,000
Building and improvements	312,678
Office furniture and equipment	11,577
Software	13,881
	398,136
Less: accumulated depreciation	(70,221)
Net furniture and equipment	$ 327,915

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, 2019:

Description	Cost Basis	Fair Value	Unrealized Appreciation (Depreciation)
Preservation/operations			
Mutual funds	$ 593,389	$ 604,472	$ 11,083
Bonds - corporate fixed income	564,812	568,622	3,810
Bonds - municipal	201,163	206,877	5,714
Certificates of deposit	159,000	159,000	-
Government securities	49,738	49,742	4
	$ 1,568,102	$ 1,588,713	$ 20,611

Description	Cost Basis	Fair Value	Unrealized Appreciation (Depreciation)
Trust (Annuity)			
Equities	$ 298,806	$ 310,865	$ 12,059
Exchange-traded funds	103,379	103,871	492
Mutual funds	109,539	111,134	1,595
Bonds - corporate fixed income	5,016	5,468	452
	$ 516,740	$ 531,338	$ 14,598

NOTE 6 - INVESTMENTS (continued)

Description	Cost Basis	Fair Value	Unrealized Appreciation (Depreciation)
Endowment Fund			
Mutual funds	$ 439,801	$ 781,863	$ 342,062
Equities	172,480	185,398	12,918
Bonds - municipal	82,173	83,448	1,275
Government securities	32,575	36,399	3,824
Bonds - corporate fixed income	17,981	17,577	(404)
	$ 745,010	$ 1,104,685	$ 359,675

Description	Cost Basis	Fair Value	Unrealized Appreciation (Depreciation)
Total Investments			
Mutual funds	$ 1,142,729	$ 1,497,469	$ 354,740
Bonds - corporate fixed income	587,809	591,667	3,858
Equities	471,286	496,263	24,977
Bonds - municipal	283,336	290,325	6,989
Certificates of deposit	159,000	159,000	-
Exchange-traded funds	103,379	103,871	492
Government securities	82,313	86,141	3,828
Total	$ 2,829,852	$ 3,224,736	$ 394,884

Investment returns for the year ended July 31, 2019, are summarized as follows:

Description	Without Donor Restrictions	With Donor Restrictions	Total
Interest and dividends	$ 57,393	$ 54,931	$ 112,324
Realized gains(losses)	30,487	842	31,329
Unrealized gains(losses)	24,024	(15,965)	8,059
Investment fees	(4,258)	-	(4,258)
Total	$ 107,646	$ 39,808	$ 147,454

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 6 - 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, 2019:

Description	Total	Level 1	Level 2	Level 3
Mutual funds	$ 1,497,469	$ 1,497,469	$ -	$ -
Bonds - corporate	591,667	591,667	-	-
Equities	496,263	496,263	-	-
Bonds - municipal	290,325	-	290,325	-
Certificates of deposit	159,000	159,000	-	-
Exchange-traded funds	103,871	103,871	-	-
Government securities	86,141	-	86,141	-
Total	$ 3,224,736	$ 2,848,270	$ 376,466	$ -

NOTE 7 - ARCHAEOLOGICAL SITES AND EASEMENTS

Archaeological sites and easements held for conservation were as follows as of July 31, 2019:

Description	Amount
Archaeological sites held for conservation, partially pledged	$ 38,870,863
Archaeological easements held for conservation	1,906,302
Archaeological sites in process	828,326
Total	$ 41,605,491

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, 2019, was $ 218,356.

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 $ 90,463 for the year ended July 31, 2019. Assets of the Conservancy derived from these charitable gift annuities are invested as described in Note 6 (Trust/Annuity).

Obligations of the Conservancy derived from these charitable gift annuities, valued at the estimated present value of the annuity obligations, totaled $ 342,595 at July 31, 2019, and during the current year, the Conservancy recognized amortization of the annuity discounts of $ 11,963 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 - NOTE PAYABLE

On occasion, the Conservancy occasionally utilizes debt to finance the acquisition of archaeological sites. One note was payable to an unrelated party and carried a balance of $ 319,859 as of July 31, 2019. The note was secured by a site having a carrying value of $691,608 (Spikebuck Town), the interest rate on the note is 5%, and monthly installments are $2,014. Maturity of the note is schedule for March 2041. Future minimum principal payments due on this note are:

Years ending July 31st:	Amount
2020	$ 8,361
2021	8,788
2022	9,238
2023	9,711
2024	10,207
2025 and thereafter	273,554
Total	$ 319,859

Interest expense on the note payable was $ 16,214 for the year ended July 31, 2019.

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)	$ 1,435,550
Stewardship - Teapot Dome easement	275,652
Specific site acquisition and maintenance	112,737
Time restrictions	
Endowment income	311,535
Bequests receivable	296,570
Total	$ 2,432,044

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, 2019, are as follows:

Description	Restricted for Time	Restricted for Perpetuity	Total
Endowment assets, beginning of year	$ 330,563	$ 951,867	$ 1,282,430
Contributions	-	-	-
Investment income	39,808	-	39,808
Appropriation of endowment assets for expenditure	(58,836)	-	(58,836)
Total	$ 311,535	$ 951,867	$ 1,263,402

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:

Description	Amount
Protect Our Irreplaceable National Treasures (POINT6)	$ 330,538
Bequests - time restriction	64,078
Endowment income	58,836
Stewardship - Teapot Dome easement	2,452
Total	$ 455,904

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 $40,684 to this plan during the year ended July 31, 2019, 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, 2019, were $38,553.

NOTE 15 - COMMITMENTS

In the normal course of operations, the Conservancy is continually engaged in the process of acquiring archaeological sites. At July 31, 2019, there were 16 sites in various stages of the acquisition process, for which expenditures totaling $35,211 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, two easements have been accepted and included in sites and easements in process of acquisition, with values of $680,615 and $112,500. Final closing, including an escrow payment of $50,000 for one of the easements, is required before titles can transfer to the Conservancy.

NOTE 16 - RELATED PARTIES

During the year ended July 31, 2019, the Conservancy received one contribution from a donor-advised fund for which a board member is an advisor. Total contributions from this fund totaled $250,000. Five other board members contributed approximately $125,000.

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 $190,547.