

THE ARCHAEOLOGICAL CONSERVANCY

FINANCIAL STATEMENTS

FOR THE YEAR ENDED JULY 31, 2022

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, 2022

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INDEPENDENT AUDITORS' REPORT

Board of Directors
The Archaeological Conservancy
Albuquerque, New Mexico

Opinion

We have audited the accompanying financial statements of **The Archaeological Conservancy** (a California nonprofit corporation), which comprise the statement of financial position as of July 31, 2022, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Archaeological Conservancy as of July 31, 2022, and the changes in net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about The Archaeological Conservancy's ability to continue as a going concern within one year after the date that the financial statements are available to be issued. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Auditors' Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of The Archaeological Conservancy's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about The Archaeological Conservancy's ability to continue as a going concern for a reasonable period of time.

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

Report on Summarized Comparative Information

We have previously audited The Archaeological Conservancy's financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated December 6, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended July 31, 2021, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Taylor Roth and Company PLLC

Taylor, Roth and Company, PLLC
Certified Public Accountants
Albuquerque, New Mexico
December 6, 2022

THE ARCHAEOLOGICAL CONSERVANCY
STATEMENT OF FINANCIAL POSITION
JULY 31, 2022
(WITH COMPARATIVE TOTALS FOR 2021)

	2022			2021
	Without Donor Restrictions	With Donor Restrictions	Total	Total
<u>Assets</u>				
Cash and cash equivalents	\$ 3,221,278	\$ 1,766,619	\$ 4,987,897	\$ 1,696,182
Receivables (Note 4)	-	3,023,000	3,023,000	85,968
Prepaid expenses	15,478	-	15,478	36,305
Other assets	25,839	-	25,839	25,839
Property and equipment, net (Note 5)	303,862	-	303,862	311,880
Investments (Note 6)	1,253,524	1,357,677	2,611,201	4,043,286
Archaeological sites and easements held for conservation, partially pledged (Note 7)	45,749,923	-	45,749,923	44,090,939
Total assets	<u>\$ 50,569,904</u>	<u>\$ 6,147,296</u>	<u>\$ 56,717,200</u>	<u>\$ 50,290,399</u>
<u>Liabilities and net assets</u>				
<u>Liabilities</u>				
Accounts payable	\$ 9,637	\$ -	\$ 9,637	\$ 4,800
Accrued payroll expenses	161,191	-	161,191	142,184
Deferred revenue (Note 8)	71,813	-	71,813	155,152
Deposit held - sale of archaeological site	30,000	-	30,000	30,000
Charitable gift split-interest annuity obligations (Note 9)	359,993	-	359,993	397,416
Notes payable (Note 10)	383,873	-	383,873	499,497
Total liabilities	<u>1,016,507</u>	<u>-</u>	<u>1,016,507</u>	<u>1,229,049</u>
<u>Net assets</u>				
Without donor restrictions				
Undesignated	49,249,535	-	49,249,535	45,378,660
Net investment in property and equipment	303,862	-	303,862	311,880
	<u>49,553,397</u>	<u>-</u>	<u>49,553,397</u>	<u>45,690,540</u>
With donor restrictions (Note 11)	<u>-</u>	<u>6,147,296</u>	<u>6,147,296</u>	<u>3,370,810</u>
Total net assets	<u>49,553,397</u>	<u>6,147,296</u>	<u>55,700,693</u>	<u>49,061,350</u>
Total liabilities and net assets	<u>\$ 50,569,904</u>	<u>\$ 6,147,296</u>	<u>\$ 56,717,200</u>	<u>\$ 50,290,399</u>

The accompanying notes are an integral part of these financial statements

THE ARCHAEOLOGICAL CONSERVANCY

STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JULY 31, 2022 (WITH COMPARATIVE TOTALS FOR 2021)

	2022			2021
	Without Donor Restrictions	With Donor Restrictions	Total	Total
<u>Revenue and other support</u>				
Contributions and bequests	\$ 4,329,469	\$ 4,083,994	\$ 8,413,463	\$ 3,129,894
Contributions - archaeological sites (Note 12)	799,807	-	799,807	846,482
Seminars	411,980	-	411,980	113,576
Grants	-	345,763	345,763	255,003
Site rental	25,884	-	25,884	29,204
Magazine sales and advertising	16,467	-	16,467	16,996
Change in value of annuities (Note 9)	(1,419)	-	(1,419)	(1,475)
Investment income(loss) (Note 6)	3,864	(307,927)	(304,063)	721,881
All other	55,915	-	55,915	38,113
Net assets released from donor restrictions (Note 13)	1,345,344	(1,345,344)	-	-
Total revenue and support	6,987,311	2,776,486	9,763,797	5,149,674
<u>Expense</u>				
Program services				
Acquisition, conservation, and management	1,418,149	-	1,418,149	1,280,150
Education	1,066,969	-	1,066,969	705,959
Total program services expense	2,485,118	-	2,485,118	1,986,109
Supporting services				
Management and general	264,100	-	264,100	244,276
Fund-raising	375,236	-	375,236	327,331
Total expense	3,124,454	-	3,124,454	2,557,716
Change in net assets	3,862,857	2,776,486	6,639,343	2,591,958
Net assets, beginning of year	45,690,540	3,370,810	49,061,350	46,469,392
Net assets, end of year	\$ 49,553,397	\$ 6,147,296	\$ 55,700,693	\$ 49,061,350

The accompanying notes are an integral part of these financial statements

THE ARCHAEOLOGICAL CONSERVANCY
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JULY 31, 2022
(WITH COMPARATIVE TOTALS FOR 2021)

	2022						2021
	Program Services			Supporting Services			
	Acquisition, Conservation, and Management	Education	Total	Management and General	Fund- raising	Total	Total
Salaries	\$ 815,248	\$ 127,383	\$ 942,631	\$ 170,692	\$ 160,502	\$ 1,273,825	\$ 1,186,974
Payroll taxes and benefits	186,661	29,166	215,827	39,082	36,749	291,658	221,090
Seminars	-	358,008	358,008	-	-	358,008	101,604
Member mailings	-	258,462	258,462	-	57,199	315,661	243,296
Magazine	-	197,344	197,344	-	21,927	219,271	205,260
Archaeological sites maintenance	180,184	.	180,184	-	-	180,184	171,362
Archaeological sites property tax	81,049	-	81,049	-	-	81,049	70,883
Donor services	-	39,285	39,285	-	39,285	78,570	88,913
Communications	-	39,284	39,284	-	39,285	78,569	38,857
Regional office expense	62,348	7,250	69,598	2,175	725	72,498	54,846
Office supplies	34,977	4,067	39,044	1,220	407	40,671	34,328
Accounting services	-	-	-	29,962	-	29,962	29,261
Travel, meals and meetings	15,455	2,342	17,797	6,768	2,810	27,375	13,027
Insurance	9,778	2,173	11,951	8,691	1,086	21,728	21,414
Amortization of charitable annuities	-	-	-	-	14,159	14,159	14,038
All other	27,157	1,403	28,560	4,548	140	33,248	54,545
Total before depreciation	1,412,857	1,066,167	\$ 2,479,024	263,138	374,274	3,116,436	2,549,698
Depreciation	5,292	802	6,094	962	962	8,018	8,018
Total	<u>\$ 1,418,149</u>	<u>\$ 1,066,969</u>	<u>\$ 2,485,118</u>	<u>\$ 264,100</u>	<u>\$ 375,236</u>	<u>\$ 3,124,454</u>	<u>\$ 2,557,716</u>

The accompanying notes are an integral part of these financial statements

THE ARCHAEOLOGICAL CONSERVANCY

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED JULY 31, 2022 (WITH COMPARATIVE TOTALS FOR 2021)

	<u>2022</u>	<u>2021</u>
<u>Cash flows from operating activities</u>		
Change in net assets	\$ 6,639,343	\$ 2,591,958
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
(Gains)losses on investments	525,363	(552,797)
Donated stock	(16,887)	(26,851)
U.S. SBA Paycheck Protection Program loan forgiveness	(228,725)	(208,728)
Donated archaeological sites	(799,807)	(846,482)
Amortization and change in charitable gift split-interest annuity obligations	(5,010)	1,475
Depreciation	8,018	8,018
<u>Changes in operating assets and liabilities</u>		
(Increase)decrease in receivables	(2,937,032)	(85,968)
(Increase)decrease in prepaid expenses	20,827	(7,272)
Increase(decrease) in accounts payable and accrued payroll expenses	23,844	(24,963)
Increase(decrease) in deferred revenue	(83,339)	149,052
Net cash provided(used) by operating activities	<u>3,146,595</u>	<u>997,442</u>
<u>Cash flows from investing activities</u>		
Purchases of investments	(5,213,201)	(1,965,271)
Proceeds from sales of investments	6,136,810	1,792,050
Purchases of archaeological sites	(707,577)	(249,813)
Net cash provided(used) by investing activities	<u>216,032</u>	<u>(423,034)</u>
<u>Cash flows from financing activities</u>		
Charitable gift split-interest annuity obligation undertaken	5,010	81,430
Payments against charitable gift split-interest annuity obligations	(37,423)	(31,149)
Principal payments on notes payable and escrow payable	(38,499)	(28,179)
Proceeds from notes payable	-	228,725
Net cash provided(used) by financing activities	<u>(70,912)</u>	<u>250,827</u>
Net increase(decrease) in cash and cash equivalents	3,291,715	825,235
Cash and cash equivalents, beginning of year	1,696,182	870,947
Cash and cash equivalents, end of year	<u>\$ 4,987,897</u>	<u>\$ 1,696,182</u>
<u>Supplemental disclosures</u>		
Cash paid during the period for interest	<u>\$ 15,095</u>	<u>\$ 8,583</u>
Purchase of archaeological site financed with note payable	<u>\$ 151,600</u>	<u>\$ -</u>

The accompanying notes are an integral part of these financial statements

THE ARCHAEOLOGICAL CONSERVANCY

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JULY 31, 2022

NOTE 1 - DESCRIPTION OF THE ORGANIZATION

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

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

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND PROCEDURES

1. Basis of Accounting

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

2. Basis of Presentation

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

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

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

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

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

3. Cash and Cash Equivalents

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

4. Receivables

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

5. Revenue Recognition

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

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

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

6. Real Estate Held for Sale

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

7. Archaeological Sites and Easements

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

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

7. Archaeological Sites and Easements (concluded)

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

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

8. Capitalization and Depreciation

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

9. Estimates

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

10. Income Taxes

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

11. Functional Reporting of Expenses

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

Significant expenses that are allocated include the following:

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

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

12. 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, 2021, from which the summarized information was derived.

13. 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.

14. 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.

15. Fair Value Measurements

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

16. 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, 2022.

17. Subsequent Events

Management has evaluated subsequent events through December 6, 2022, 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, 2022:

<u>Description</u>	<u>Amount</u>
Cash and cash equivalents	\$ 4,987,897
Receivables	3,023,000
Investments	<u>2,611,201</u>
Total financial assets	<u>10,622,098</u>
Less amounts not available or budgeted for operational use within one year:	
Net assets with donor restrictions —	
Endowment restricted for perpetuity	951,867
Endowment earnings not appropriated for use during the next 12 months	345,810
Donor restricted for specific acquisitions, maintenance or repairs	434,664
Long-term stewardship - Teapot Dome site	268,078
Deposit held - sale of archaeological site	30,000
Charitable gift split-interest annuity obligation, less payments due in next 12 months	<u>304,993</u>
	<u>2,335,412</u>
Financial assets available to meet general expenditures over the next 12 months	<u><u>\$ 8,286,686</u></u>

The Conservancy's goal is generally to maintain financial assets to meet approximately 3 months of operating expenses, estimated at \$750,000. These funds can be used to support operations in the event of unexpected circumstances, such as reductions in contributions or urgent conservation needs at a site. Included in available financial assets at year-end is \$1,071,877 which is donor-restricted for the "POINT6" program (the sixth phase of the "Protect Our Irreplaceable National Treasures Program"). These funds are restricted for the purchase and preservation of significant sites in immediate danger of destruction, and because this is the primary mission and activity of the Conservancy, management considers these funds as available for operational use during the next 12 months.

NOTE 4 - RECEIVABLES

Throughout the year, management may be notified that the Conservancy is a beneficiary of a bequest. Management will record a receivable at the time of notification if the amount is estimable. Included in contributions receivable of July 31, 2022 is a \$3,000,000 bequest receivable which was received in August 2022.

NOTE 5 - PROPERTY AND EQUIPMENT

Property and equipment consisted of the following as of July 31, 2022:

<u>Description</u>	<u>Amount</u>
Land	\$ 60,000
Building and improvements	312,678
Office furniture and equipment	11,577
Software	13,881
	<u>398,136</u>
Less: accumulated depreciation	<u>(94,274)</u>
Net furniture and equipment	<u>\$ 303,862</u>

Depreciation expense was \$8,018 for the year.

NOTE 6 - INVESTMENTS

Investments are carried at market value and consisted of the following as of July 31, 2022:

<u>Description</u>	<u>Cost Basis</u>	<u>Fair Value</u>	<u>Unrealized Appreciation (Depreciation)</u>
Preservation/Operations			
Government securities	\$ 996,584	\$ 997,400	\$ 816
Bonds - corporate fixed income	23,889	25,310	1,421
	<u>\$ 1,020,473</u>	<u>\$ 1,022,710</u>	<u>\$ 2,237</u>
Corporate Fund for Annuities			
Equities	\$ 232,227	\$ 306,079	\$ 73,852
Government securities	177,718	177,900	182
Mutual funds	175,169	168,775	(6,394)
Bonds - corporate fixed income	6,842	7,574	732
Preferred stocks	4,916	6,041	1,125
	<u>\$ 596,872</u>	<u>\$ 666,369</u>	<u>\$ 69,497</u>
Endowment Fund			
Mutual funds	\$ 791,407	\$ 821,078	\$ 29,671
Equities	73,940	85,804	11,864
Bonds - corporate fixed income	15,233	15,240	7
	<u>\$ 880,580</u>	<u>\$ 922,122</u>	<u>\$ 41,542</u>

NOTE 6 - INVESTMENTS (continued)

<u>Description</u>	<u>Cost Basis</u>	<u>Fair Value</u>	<u>Unrealized Appreciation (Depreciation)</u>
Total Investments			
Government securities	\$ 1,174,302	\$ 1,175,300	\$ 998
Mutual funds	966,576	989,853	23,277
Equities	306,167	391,883	85,716
Bonds - corporate fixed income	45,964	48,124	2,160
Preferred stocks	4,916	6,041	1,125
Total	<u>\$ 2,497,925</u>	<u>\$ 2,611,201</u>	<u>\$ 113,276</u>

Investment returns for the year ended July 31, 2022, are summarized as follows:

<u>Description</u>	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Interest and dividends	\$ 82,618	\$ 146,572	\$ 229,190
Realized gains(losses)	11,897	251,013	262,910
Unrealized gains(losses)	(82,761)	(705,512)	(788,273)
Investment fees	(7,890)	-	(7,890)
Total	<u>\$ 3,864</u>	<u>\$ (307,927)</u>	<u>\$ (304,063)</u>

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

The three levels of fair value hierarchy are:

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

The asset's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. The carrying 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)

As of July 31, 2022, the Conservancy's investments were included in the following categories:

<u>Description</u>	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Government securities	\$ 1,175,300	\$ -	\$ 1,175,300	\$ -
Mutual funds	989,853	989,853	-	-
Equities	391,883	391,883	-	-
Bonds - corporate	48,124	48,124	-	-
Preferred stocks	6,041	6,041	-	-
Total	<u>\$ 2,611,201</u>	<u>\$ 1,435,901</u>	<u>\$ 1,175,300</u>	<u>\$ -</u>

NOTE 7 - ARCHAEOLOGICAL SITES AND EASEMENTS

Archaeological sites and easements held for conservation were as follows as of July 31, 2022:

<u>Description</u>	<u>Amount</u>
Archaeological sites held for conservation, partially pledged	\$ 42,977,559
Archaeological easements held for conservation	2,707,767
Archaeological sites in process	64,597
Total	<u>\$ 45,749,923</u>

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, 2022, was \$71,813.

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 \$4,990 for the year ended July 31, 2022. Assets of the Conservancy derived from these charitable gift annuities are invested as described in Note 6 (Corporate Fund for 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 \$359,993 at July 31, 2022, and during the current year, the Conservancy recognized amortization of the annuity discounts of \$14,159 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. As of July 31, 2022, two promissory notes were in place, and included the following:

Spikebuck Town – Note payable to the seller of the property and carried a balance of \$241,734 as of July 31, 2022. This note is secured by the site which has a book value of \$691,608. In November 2019, this note was modified, and the new terms include an interest rate of 3.0% and monthly installments of \$3,064. Maturity of the note is scheduled for November 2029.

Montezuma Village – Note dated August 27, 2021 and payable to the seller of the property, and carried a balance of \$142,139 as of July 31, 2022. This note is secured by the site which has a book value of \$452,407. The terms include an interest rate of 6.0% and monthly installments of \$1,683. Maturity of the note is scheduled for September 2031.

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

<u>Years ending July 31st:</u>	<u>Amount</u>
2023	\$ 41,916
2024	43,565
2025	45,289
2026	47,089
2027	48,970
2028 and thereafter	157,044
Total	<u>\$ 383,873</u>

Interest expense on the note payable was \$15,095 for the year ended July 31, 2022.

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

In April 2021, the Conservancy received proceeds of \$228,725 from the U.S. Small Business Administration's (SBA) Paycheck Protection Program (PPP). The proceeds were used for qualifying expenditures, and upon receiving forgiveness from the SBA, management recognized the loan as grant revenue during the fiscal year ended July 31, 2022.

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:

<u>Description</u>	<u>Amount</u>
Purpose restrictions	
Protect Our Irreplaceable National Treasures (POINT6)	\$ 1,071,877
Specific site acquisition and maintenance	434,664
Stewardship - Teapot Dome easement	268,078
Time restrictions	
Contributions and bequests receivable	3,015,000
Endowment income	405,810
Total	<u>\$ 5,195,429</u>

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, 2022, are as follows:

<u>Description</u>	<u>Restricted for Time</u>	<u>Restricted for Perpetuity</u>	<u>Total</u>
Endowment assets, beginning of year	\$ 798,349	\$ 951,867	\$ 1,750,216
Contributions	-	-	-
Investment income(loss)	(307,927)	-	(307,927)
Appropriation of endowment assets for expenditure	(84,612)	-	(84,612)
Total	<u>\$ 405,810</u>	<u>\$ 951,867</u>	<u>\$ 1,357,677</u>

NOTE 12 - CONTRIBUTIONS – ARCHAEOLOGICAL SITES

During the year ended July 31, 2022, the Conservancy recorded \$799,807 in contributions from five donors for archaeological sites. The value of the donated property recorded by the Conservancy is based on the difference between the sales price and the estimated value, a value which is typically determined by an independent appraiser. On occasion, for lower value site transactions when an independent appraisal is not available or is not a prudent use of funds, Conservancy staff will estimate the fair value of the donated property based on comparable sales of property in the area.

NOTE 13 - NET ASSETS RELEASED FROM DONOR RESTRICTIONS

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

<u>Description</u>	<u>Amount</u>
Specific site acquisition and maintenance	\$ 860,180
CARES Act funding - Paycheck Protection Program	228,725
Time restrictions	85,968
Endowment income	84,612
Protect Our Irreplaceable National Treasures (POINT6)	54,615
Haynie Pueblo site - easement	28,750
Stewardship - Teapot Dome easement	2,494
Total	<u>\$ 1,345,344</u>

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 totaling \$42,992 to this plan during the year ended July 31, 2022, 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, 2022, were \$33,662.

NOTE 16 - COMMITMENTS

In the normal course of operations, the Conservancy is continually engaged in the process of acquiring archaeological sites. At July 31, 2022, there were 18 sites in various stages of the acquisition process, for which expenditures totaling \$64,597 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 17 - RELATED PARTIES

During the year ended July 31, 2022, the Conservancy received contributions totaling \$295,000 from board members, or from donor-advised funds for which a board member is an advisor.

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 two banking institutions that exceeded the coverage offered by the Federal Deposit Insurance Corporation (FDIC). The uninsured balances were \$392,073 and \$3,721,625.

Revenue

During the fiscal year ended July 31, 2022, the Conservancy's revenues included three bequests that collectively represented 64% of all revenue.

NOTE 19 - 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, 2021 and 2022, 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.