



FINANCIAL STATEMENTS
MARCH 31, 2022 AND 2021

THE STUDENT CONSERVATION ASSOCIATION, INC.

Contents
March 31, 2022 and 2021

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Independent Auditor's Report

To the Board of Directors of
The Student Conservation Association, Inc.:

Opinion

We have audited the financial statements of The Student Conservation Association, Inc. (a New York nonprofit corporation) (the Association), which comprise the statements of financial position as of March 31, 2022 and 2021, and the related statements of activities, changes in net assets, cash flows, and functional expenses for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of The Student Conservation Association, Inc. as of March 31, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Association and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. 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, which raise substantial doubt about the Association's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's 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 auditor's 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 GAAS 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 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.

Auditor's Responsibilities for the Audit of the Financial Statements (Continued)

In performing an audit in accordance with GAAS, 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 Association'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, which raise substantial doubt about the Association'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.

AAFCPA, Inc.

Westborough, Massachusetts
November 1, 2022

THE STUDENT CONSERVATION ASSOCIATION, INC.

Statements of Financial Position
March 31, 2022 and 2021

Assets	2022			2021		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Assets						
Current Assets:						
Cash	\$ 3,026,650	\$ 2,267,672	\$ 5,294,322	\$ 3,947,948	\$ 1,951,969	\$ 5,899,917
Government contracts and other receivables, net	4,027,063	-	4,027,063	3,384,463	-	3,384,463
Current portion of pledges receivable, net	30,049	709,973	740,022	117,158	318,949	436,107
Prepaid expenses and other assets	741,568	-	741,568	783,779	-	783,779
Total current assets	7,825,330	2,977,645	10,802,975	8,233,348	2,270,918	10,504,266
Other Assets:						
Pledges receivable, net of current portion	-	43,750	43,750	-	86,646	86,646
Investments	4,590,816	6,659,396	11,250,212	2,747,173	6,790,946	9,538,119
Beneficial interests in trusts	-	761,228	761,228	-	744,451	744,451
Property and equipment, net	1,587,563	-	1,587,563	1,824,060	-	1,824,060
Total assets	\$ 14,003,709	\$ 10,442,019	\$ 24,445,728	\$ 12,804,581	\$ 9,892,961	\$ 22,697,542
Liabilities and Net Assets						
Current Liabilities:						
Current portion of note payable, net	\$ 46,161	\$ -	\$ 46,161	\$ 56,734	\$ -	\$ 56,734
Current portion of capital lease obligations	40,046	-	40,046	45,209	-	45,209
Accounts payable	882,777	-	882,777	204,582	-	204,582
Accrued expenses	1,429,506	-	1,429,506	964,650	-	964,650
Deferred revenue	292,622	-	292,622	213,697	-	213,697
Total current liabilities	2,691,112	-	2,691,112	1,484,872	-	1,484,872
Other Liabilities:						
Note payable, net of current portion and unamortized debt issuance costs	2,327,828	-	2,327,828	2,364,667	-	2,364,667
Capital lease obligations, net of current portion	65,307	-	65,307	105,348	-	105,348
Split-interest agreements	1,355,256	-	1,355,256	1,485,268	-	1,485,268
Conditional advance	-	-	-	1,917,900	-	1,917,900
Accrued rent	379,972	-	379,972	410,757	-	410,757
Total liabilities	6,819,475	-	6,819,475	7,768,812	-	7,768,812
Net Assets:						
Without donor restrictions:						
Operating	3,120,129	-	3,120,129	1,078,198	-	1,078,198
Board designated	3,359,110	-	3,359,110	3,077,965	-	3,077,965
Property and equipment	704,995	-	704,995	879,606	-	879,606
Total without donor restrictions	7,184,234	-	7,184,234	5,035,769	-	5,035,769
With donor restrictions	-	10,442,019	10,442,019	-	9,892,961	9,892,961
Total net assets	7,184,234	10,442,019	17,626,253	5,035,769	9,892,961	14,928,730
Total liabilities and net assets	\$ 14,003,709	\$ 10,442,019	\$ 24,445,728	\$ 12,804,581	\$ 9,892,961	\$ 22,697,542

The accompanying notes are an integral part of these statements.

THE STUDENT CONSERVATION ASSOCIATION, INC.

Statements of Activities
For the Years Ended March 31, 2022 and 2021

	2022			2021		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Operating Revenue:						
Government contract revenue	\$ 26,750,245	\$ -	\$ 26,750,245	\$ 18,109,876	\$ -	\$ 18,109,876
Grants and contributions	8,131,212	2,603,169	10,734,381	7,753,398	1,863,401	9,616,799
Donated goods and services	739,977	-	739,977	483,227	-	483,227
Other income	273,845	-	273,845	12,118	-	12,118
Investment return designated for current operations	265,000	-	265,000	254,178	-	254,178
Gain on sale of property and equipment	3,002	-	3,002	366,194	-	366,194
Net assets released from restrictions	1,939,340	(1,939,340)	-	2,698,566	(2,698,566)	-
Total operating revenue	<u>38,102,621</u>	<u>663,829</u>	<u>38,766,450</u>	<u>29,677,557</u>	<u>(835,165)</u>	<u>28,842,392</u>
Operating Expenses:						
Program expenses:						
Community	4,120,757	-	4,120,757	3,638,941	-	3,638,941
Corps	13,452,346	-	13,452,346	8,657,314	-	8,657,314
Internship	7,524,828	-	7,524,828	6,643,981	-	6,643,981
Other programs	438,437	-	438,437	214,842	-	214,842
Total program expenses	<u>25,536,368</u>	<u>-</u>	<u>25,536,368</u>	<u>19,155,078</u>	<u>-</u>	<u>19,155,078</u>
General and administrative	6,841,544	-	6,841,544	5,678,007	-	5,678,007
Fundraising	3,525,597	-	3,525,597	3,257,444	-	3,257,444
Total operating expenses	<u>35,903,509</u>	<u>-</u>	<u>35,903,509</u>	<u>28,090,529</u>	<u>-</u>	<u>28,090,529</u>
Changes in net assets from operations	<u>2,199,112</u>	<u>663,829</u>	<u>2,862,941</u>	<u>1,587,028</u>	<u>(835,165)</u>	<u>751,863</u>
Non-Operating Revenue (Expenses):						
Investment return, net	(50,647)	202,200	151,553	184,851	1,768,437	1,953,288
Change in value of beneficial interests in trusts	-	16,777	16,777	-	200,333	200,333
Charitable gift annuity contributions	-	12,000	12,000	-	17,500	17,500
Endowment contributions	-	6,012	6,012	-	31,500	31,500
Change in value of split-interest agreements	-	(86,760)	(86,760)	-	(148,206)	(148,206)
Investment return designated for current operations	-	(265,000)	(265,000)	-	(254,178)	(254,178)
Impairment loss	-	-	-	(1,065,629)	-	(1,065,629)
Total non-operating revenue (expenses)	<u>(50,647)</u>	<u>(114,771)</u>	<u>(165,418)</u>	<u>(880,778)</u>	<u>1,615,386</u>	<u>734,608</u>
Changes in net assets	<u>\$ 2,148,465</u>	<u>\$ 549,058</u>	<u>\$ 2,697,523</u>	<u>\$ 706,250</u>	<u>\$ 780,221</u>	<u>\$ 1,486,471</u>

The accompanying notes are an integral part of these statements.

THE STUDENT CONSERVATION ASSOCIATION, INC.

Statements of Changes in Net Assets
For the Years Ended March 31, 2022 and 2021

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Net Assets, March 31, 2020	\$ 4,329,519	\$ 9,112,740	\$ 13,442,259
Changes in net assets	<u>706,250</u>	<u>780,221</u>	<u>1,486,471</u>
Net Assets, March 31, 2021	5,035,769	9,892,961	14,928,730
Changes in net assets	<u>2,148,465</u>	<u>549,058</u>	<u>2,697,523</u>
Net Assets, March 31, 2022	<u>\$ 7,184,234</u>	<u>\$ 10,442,019</u>	<u>\$ 17,626,253</u>

THE STUDENT CONSERVATION ASSOCIATION, INC.

Statements of Cash Flows
For the Years Ended March 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Cash Flows from Operating Activities:		
Changes in net assets	\$ 2,697,523	\$ 1,486,471
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation	220,733	445,601
Amortization of debt issuance costs	8,515	-
Bad debts	83,391	242,224
Gain on sale of property and equipment	(3,002)	(366,194)
Change in value of beneficial interests in trusts	(16,777)	(200,333)
Endowment contributions	(6,012)	(31,500)
Charitable gift annuity contributions	(12,000)	(17,500)
Change in value of split-interest agreements	86,760	148,206
Realized and unrealized gains on investments	(58,759)	(1,752,730)
Impairment loss	-	1,065,629
Changes in operating assets and liabilities:		
Government contracts and other receivables	(703,131)	1,325,426
Pledges receivable	(283,879)	156,289
Prepaid expenses and other assets	42,211	(282,315)
Accounts payable	678,195	(118,144)
Accrued expenses	464,856	13,182
Deferred revenue	78,925	4,470
Conditional advance	(1,917,900)	1,917,900
Accrued rent	(30,785)	73,557
Net cash provided by operating activities	<u>1,328,864</u>	<u>4,110,239</u>
Cash Flows from Investing Activities:		
Purchase of property and equipment	-	(55,764)
Proceeds from sale of property and equipment	18,766	370,973
Charitable gift annuity contributions	12,000	17,500
Purchase of investments	(1,964,106)	(2,326,808)
Proceeds from sale of investments	310,772	2,049,388
Payments to annuitants	(216,772)	(245,831)
Net cash used in investing activities	<u>(1,839,340)</u>	<u>(190,542)</u>
Cash Flows from Financing Activities:		
Payments on line of credit	-	(2,813,747)
Endowment contributions	6,012	31,500
Principal payments on capital lease obligations	(45,204)	(140,467)
Principal payments on note payable	(55,927)	(891,667)
Proceeds from note payable	-	2,421,401
Net cash used in financing activities	<u>(95,119)</u>	<u>(1,392,980)</u>
Net Change in Cash	(605,595)	2,526,717
Cash:		
Beginning of year	<u>5,899,917</u>	<u>3,373,200</u>
End of year	<u>\$ 5,294,322</u>	<u>\$ 5,899,917</u>
Supplemental Disclosure of Cash Flow Information:		
Cash paid for interest	<u>\$ 93,619</u>	<u>\$ 42,310</u>
Supplemental Disclosure of Non-Cash Transaction:		
Property and equipment acquired through capital leases	<u>\$ -</u>	<u>\$ 71,288</u>

THE STUDENT CONSERVATION ASSOCIATION, INC.

Statement of Functional Expenses
 For the Year Ended March 31, 2022
 (With Comparative Totals for the Year Ended March 31, 2021)

	2022							2021		
	Program				Total Program	Support		Total	Total	
	Community	Corps	Internship	Other Programs		General and Administrative	Fundraising			Total Support
Personnel and Related Costs:										
Salaries and wages	\$ 2,734,880	\$ 7,668,239	\$ 4,191,071	\$ 160,814	\$ 14,755,004	\$ 2,677,342	\$ 1,081,256	\$ 3,758,598	\$ 18,513,602	\$ 14,888,059
Payroll taxes	264,068	738,939	552,461	14,858	1,570,326	148,895	87,511	236,406	1,806,732	1,378,632
Fringe benefits	80,769	308,833	45,348	7,760	442,710	527,919	69,335	597,254	1,039,964	885,314
Contracted services	37,495	143,303	49,026	-	229,824	310,320	62,331	372,651	602,475	275,497
Total personnel and related costs	<u>3,117,212</u>	<u>8,859,314</u>	<u>4,837,906</u>	<u>183,432</u>	<u>16,997,864</u>	<u>3,664,476</u>	<u>1,300,433</u>	<u>4,964,909</u>	<u>21,962,773</u>	<u>17,427,502</u>
Occupancy:										
Rent	135,955	90,635	67,072	2,394	296,056	429,638	4,634	434,272	730,328	686,369
Depreciation	26,344	28,101	36,882	3,513	94,840	80,788	-	80,788	175,628	194,850
Interest	-	-	-	-	-	92,159	-	92,159	92,159	29,650
Utilities	12,242	39,544	10,130	-	61,916	21,677	-	21,677	83,593	79,844
Repairs and maintenance	30	25,639	53	-	25,722	17,725	-	17,725	43,447	8,741
Property insurance	-	-	-	-	-	12,780	-	12,780	12,780	17,197
Total occupancy	<u>174,571</u>	<u>183,919</u>	<u>114,137</u>	<u>5,907</u>	<u>478,534</u>	<u>654,767</u>	<u>4,634</u>	<u>659,401</u>	<u>1,137,935</u>	<u>1,016,651</u>
Other:										
Field travel and transportation	215,690	1,581,264	793,019	577	2,590,550	-	-	-	2,590,550	1,352,326
Participant housing and meals	85,018	1,126,310	1,352,206	43	2,563,577	-	-	-	2,563,577	1,846,524
Professional fees	48	42,026	85	141,284	183,443	878,849	1,298,565	2,177,414	2,360,857	1,909,521
Insurance	102,703	331,117	115,372	4,639	553,831	340,726	16,861	357,587	911,418	797,651
Supplies and equipment	224,153	389,977	64,827	2,191	681,148	164,366	35,880	200,246	881,394	455,534
Advertising	-	-	-	16,100	16,100	73,882	676,889	750,771	766,871	575,703
Conferences and training	78,728	503,903	97,046	27,574	707,251	39,616	5,592	45,208	752,459	380,901
Technology	225	702	398	-	1,325	507,545	-	507,545	508,870	843,022
Uniforms	43,546	154,591	94,969	11	293,117	-	-	-	293,117	201,616
Memberships and subscriptions	13,288	45,263	21,371	16,363	96,285	160,236	21,237	181,473	277,758	110,717
Printing and postage	10,449	47,670	5,427	7,911	71,457	79,137	84,575	163,712	235,169	205,518
Staff travel	19,849	83,225	9,894	30,230	143,198	32,797	46,660	79,457	222,655	177,490
Telephone	30,705	85,077	17,648	1,662	135,092	25,687	8,787	34,474	169,566	147,741
Miscellaneous	4,403	3,420	523	513	8,859	97,449	25,484	122,933	131,792	141,589
Bad debts	-	299	-	-	299	83,092	-	83,092	83,391	242,224
Depreciation	-	14,017	-	-	14,017	31,088	-	31,088	45,105	250,751
Interest	169	252	-	-	421	7,831	-	7,831	8,252	7,548
Total other	<u>828,974</u>	<u>4,409,113</u>	<u>2,572,785</u>	<u>249,098</u>	<u>8,059,970</u>	<u>2,522,301</u>	<u>2,220,530</u>	<u>4,742,831</u>	<u>12,802,801</u>	<u>9,646,376</u>
Total expenses	<u>\$ 4,120,757</u>	<u>\$ 13,452,346</u>	<u>\$ 7,524,828</u>	<u>\$ 438,437</u>	<u>\$ 25,536,368</u>	<u>\$ 6,841,544</u>	<u>\$ 3,525,597</u>	<u>\$ 10,367,141</u>	<u>\$ 35,903,509</u>	<u>\$ 28,090,529</u>

The accompanying notes are an integral part of these statements.

THE STUDENT CONSERVATION ASSOCIATION, INC.

Statement of Functional Expenses
For the Year Ended March 31, 2021

	Program				Total Program	Support		Total Support	Total
	Community	Corps	Internship	Other Programs		General and Administrative	Fundraising		
Personnel and Related Costs:									
Salaries and wages	\$ 2,117,303	\$ 5,780,110	\$ 2,993,742	\$ 85,462	\$ 10,976,617	\$ 2,520,620	\$ 1,390,822	\$ 3,911,442	\$ 14,888,059
Payroll taxes	231,063	296,171	563,249	9,759	1,100,242	175,735	102,655	278,390	1,378,632
Fringe benefits	128,120	175,489	2,766	1,397	307,772	507,706	69,836	577,542	885,314
Contracted services	9,194	10,653	4,274	122	24,243	207,259	43,995	251,254	275,497
Total personnel and related costs	2,485,680	6,262,423	3,564,031	96,740	12,408,874	3,411,320	1,607,308	5,018,628	17,427,502
Occupancy:									
Rent	30,235	182,993	10,984	313	224,525	275,355	186,489	461,844	686,369
Depreciation	29,422	31,176	41,698	5,066	107,362	48,128	39,360	87,488	194,850
Interest	-	-	-	-	-	19,569	10,081	29,650	29,650
Utilities	-	64,124	-	-	64,124	8,646	7,074	15,720	79,844
Repairs and maintenance	-	741	-	-	741	8,000	-	8,000	8,741
Property insurance	-	-	-	-	-	11,350	5,847	17,197	17,197
Total occupancy	59,657	279,034	52,682	5,379	396,752	371,048	248,851	619,899	1,016,651
Other:									
Field travel and transportation	259,193	390,879	667,694	28,614	1,346,380	5,946	-	5,946	1,352,326
Participant housing and meals	28,092	472,840	1,327,982	11,620	1,840,534	5,990	-	5,990	1,846,524
Professional fees	21,147	25,250	29,879	853	77,129	807,530	1,024,862	1,832,392	1,909,521
Insurance	91,267	99,345	161,864	4,404	356,880	425,121	15,650	440,771	797,651
Supplies and equipment	188,864	145,148	56,356	2,338	392,706	58,471	4,357	62,828	455,534
Advertising	132,493	158,199	187,199	5,336	483,227	39,569	52,907	92,476	575,703
Conferences and training	19,483	254,266	69,866	2,627	346,242	28,843	5,816	34,659	380,901
Technology	135,090	194,071	253,065	33,668	615,894	134,594	92,534	227,128	843,022
Uniforms	30,915	65,863	95,079	9,396	201,253	363	-	363	201,616
Memberships and subscriptions	36,584	5,018	5,937	168	47,707	46,271	16,739	63,010	110,717
Printing and postage	4,400	18,338	2,104	1,390	26,232	85,175	94,111	179,286	205,518
Staff travel	19,737	58,746	15,013	5,357	98,853	52,842	25,795	78,637	177,490
Telephone	17,858	98,367	1,959	2,583	120,767	19,004	7,970	26,974	147,741
Miscellaneous	4,335	5,176	6,124	174	15,809	100,302	25,478	125,780	141,589
Bad debts	36,475	43,551	51,535	1,469	133,030	76,694	32,500	109,194	242,224
Depreciation	67,671	80,800	95,612	2,726	246,809	3,942	-	3,942	250,751
Interest	-	-	-	-	-	4,982	2,566	7,548	7,548
Total other	1,093,604	2,115,857	3,027,268	112,723	6,349,452	1,895,639	1,401,285	3,296,924	9,646,376
Total expenses	\$ 3,638,941	\$ 8,657,314	\$ 6,643,981	\$ 214,842	\$ 19,155,078	\$ 5,678,007	\$ 3,257,444	\$ 8,935,451	\$ 28,090,529

The accompanying notes are an integral part of these statements.

THE STUDENT CONSERVATION ASSOCIATION, INC.

Notes to Financial Statements
March 31, 2022 and 2021

1. OPERATIONS AND NONPROFIT STATUS

Operations

The Student Conservation Association, Inc. (the Association) is a New York nonprofit corporation established for the purposes of building the next generation of conservation leaders and inspiring lifelong stewardship of our environment and communities. The Association engages young people in hands-on service to the land, offering opportunities for education, leadership, and personal development in projects conducted throughout the United States of America.

Nonprofit Status

The Association is exempt from Federal income taxes as an organization (not a private foundation) formed for charitable purposes under Section 501(c)(3) of the Internal Revenue Code (IRC). The Association is also exempt from state income taxes. Donors may deduct contributions made to the Association within IRC requirements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Association prepares its financial statements in accordance with generally accepted accounting standards and principles (U.S. GAAP) established by the Financial Accounting Standards Board (FASB). References to U.S. GAAP in these notes are to the FASB Accounting Standards Codification (ASC).

Estimates

The preparation of financial statements in accordance with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Government Contracts and Other Receivables and Allowance for Doubtful Accounts

Government contracts and other receivables are recorded at the invoiced amount and do not bear interest. The allowance for doubtful accounts, if any, is based on management's best estimate of the amount of probable credit losses in accounts receivable, specific identification of probable losses, and an estimate of additional losses based on historical write-off experience. The allowance for doubtful accounts at March 31, 2022 and 2021, totaled \$73,470 and \$48,208, respectively.

Pledges Receivable and Allowance for Uncollectible Pledges

Pledges receivable at March 31, 2022 and 2021, consist of unconditional grants and contributions committed to the Association (see Note 13). Pledges are recorded at their net present value when unconditionally committed. The reserve for uncollectible pledges is based on past collection experience together with a review of the current status of the existing pledges. Pledge balances are charged off against the reserve when it is probable the pledge will not be recovered. The allowance for uncollectible pledges receivable at March 31, 2022 and 2021, totaled \$163,439 and \$140,579, respectively.

THE STUDENT CONSERVATION ASSOCIATION, INC.

Notes to Financial Statements
March 31, 2022 and 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investment Return

Interest, dividends and mutual fund distributions are recorded when earned. Gains and losses are recognized as incurred upon sale or based on fair value changes during the period. Investment return on the Association's endowment is included in net assets with donor restrictions (see Note 5). Investments without donor restrictions are classified as long-term based on management's intent to hold these investments for long-term purposes.

Property and Equipment and Depreciation

Property and equipment (see Note 6) having a value of \$10,000 or more and a useful life of greater than one year is capitalized, while repairs and maintenance are expensed as incurred. Property and equipment is recorded at cost when purchased or constructed and at fair value when donated. Depreciation is computed using the straight-line method over the following estimated useful lives:

Buildings and improvements	30 years
Program, computer and office equipment	2 - 10 years
Motor vehicles	5 years
Leasehold improvements	Life of the lease
Equipment under capital lease	Lesser of estimated useful life or lease term

The Association accounts for the carrying value of its property and equipment in accordance with ASC Topic, *Property, Plant and Equipment*. During fiscal year 2021, the Association recognized an impairment loss on the carrying value of land and buildings located in Charlestown, New Hampshire (the Charlestown Property) (see Note 6).

Split-Interest Agreements

Charitable remainder trusts were donated to the Association on the condition that the Association commit to making periodic stipulated payments to the donor or other designated individuals at a stated percentage of the fair value of the trust. Gift annuities were given to the Association also on the condition that the Association commit to making periodic stipulated payments to the donor or other designated individuals. Payments terminate at a time specified in the gift annuity and charitable remainder trust agreements, usually upon death of the donor or designated individuals.

Debt Issuance Costs

Debt issuance costs are amortized using the straight-line method, which approximates the effective interest method, over the term of the related debt (see Note 7).

Fair Value Measurements

The Association follows the accounting and disclosure standards pertaining to ASC Topic, *Fair Value Measurements*, for qualifying assets and liabilities. Fair value is defined as the price that the Association would receive upon selling an asset or pay to settle a liability in an orderly transaction between market participants.

THE STUDENT CONSERVATION ASSOCIATION, INC.

Notes to Financial Statements
March 31, 2022 and 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair Value Measurements (Continued)

The Association uses a framework for measuring fair value that includes a hierarchy that categorizes and prioritizes the sources used to measure and disclose fair value. This hierarchy is broken down into three levels based on inputs that market participants would use in valuing the financial instruments based on market data obtained from sources independent of the Association. Inputs refer broadly to the assumptions that market participants would use in pricing the financial instrument, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the financial instrument developed based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset developed based on the best information available. The three-tier hierarchy of inputs is summarized in the three broad levels as follows:

Level 1 - Inputs that reflect unadjusted quoted prices in active markets for identical assets at the measurement date.

Level 2 - Inputs other than quoted prices that are observable for the asset either directly or indirectly, including inputs in markets that are not considered to be active.

Level 3 - Inputs that are unobservable and which require significant judgment or estimation.

An asset or liability's level within the framework is based upon the lowest level of any input that is significant to the fair value measurement.

Investments

The Association records investments at fair value (see Note 4) using Level 1 inputs. Marketable securities are recorded at fair values as derived directly from quotations on major trading exchanges. Split-interest planned giving instruments (see Note 9) are stated at fair value of the underlying investments. Reported fair values of shares in mutual funds are based on share prices reported by the funds as of the last business day of the fiscal year. The Association maintains a portion of its investments with and without donor restrictions in a common pool. The unit-share (market value) method of accounting is used for additions to and withdrawals from the pool and for allocating income and gains and losses. Investments are not insured and are subject to ongoing market fluctuations.

Beneficial Interests in Trusts

The Association has beneficial interests in charitable remainder trusts held and invested by third party trustees (see Note 10). Gains and losses on investments are considered changes in the present value of expected cash flows and are recognized as gains or losses in net assets with donor restriction. These inputs to the fair value estimate are considered Level 3 in the fair value hierarchy.

Split-Interest Liabilities

The Association has entered into charitable gift annuity contracts with various donors as described on page 9. Contributions implicit in these split-interest agreements are generally recorded as increases in net assets with donor restrictions given the inherent time limitation imposed on the transferred assets.

THE STUDENT CONSERVATION ASSOCIATION, INC.

Notes to Financial Statements
March 31, 2022 and 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair Value Measurements (Continued)

Split-Interest Liabilities (Continued)

The present value of payments to beneficiaries of charitable gift annuities are calculated based on the donors' life expectancies and discount rates which represent the risk adjusted rates in existence at the date of the gifts. Gains or losses resulting from changes in actuarial assumptions and accretions of the discount are recorded as increases or decreases in net assets with donor restrictions in the statements of activities. These inputs to the fair value estimate are considered Level 3 in the fair value hierarchy.

All Other Assets and Liabilities

The carrying value of all other assets and liabilities, including notes payable, does not differ materially from its estimated fair value and are considered Level 1 in the fair value hierarchy.

Net Assets

Without Donor Restrictions

Net assets without donor restrictions are those net resources that bear no external restrictions and are generally available for use by the Association. The Association has grouped its net assets without donor restrictions into the following categories:

Operating - represent funds available to carry on the operations of the Association.

Property and equipment - represent resources that serve as collateral and expended on property and equipment, net of related debt.

Board designated - consists of the following:

Board designated funds functioning as endowment - consists of net assets which are part of the endowment set aside by the Board of Directors for various purposes. These funds may only be used with the approval of the Board of Directors (see Note 5) and totaled \$1,007,599 and \$1,274,709 at March 31, 2022 and 2021, respectively.

Board designated other - consists of non-endowment net assets of the Association that have been set aside by the Board of Directors to fund various initiatives and working capital needs. These funds may only be used with the approval of the Board of Directors and totaled \$2,351,511 and \$1,803,256 at March 31, 2022 and 2021, respectively.

With Donor Restrictions

Net assets with donor restrictions represent amounts received or committed with donor restrictions which have not yet been expended for their designated purposes (purpose restricted), amounts for unrestricted use in future periods (time restricted), and amounts received from donors with the stipulation that the principal will be held in perpetuity and only the investment income can be spent. In accordance with New York State law, all earnings and appreciation of a donor restricted endowment are restricted until appropriated by the Board of Directors.

THE STUDENT CONSERVATION ASSOCIATION, INC.

Notes to Financial Statements
March 31, 2022 and 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Assets (Continued)

With Donor Restrictions (Continued)

Net assets with donor restrictions are restricted as follows at March 31:

	<u>2022</u>	<u>2021</u>
Subject to expenditure for specific purposes:		
Program development	\$ 1,160,000	\$ 1,050,000
Restricted to geographic region	1,116,812	640,597
Crews	309,000	417,969
Nationwide projects	199,887	-
Restricted to geographic region and position	120,000	106,917
Other programmatic functions	<u>90,696</u>	<u>142,082</u>
	<u>2,996,395</u>	<u>2,357,565</u>
Subject to the passage of time:		
Net position in charitable gift annuities, inherently restricted for future use	1,449,778	1,467,331
Beneficial interests in trusts, inherently restricted for future use	761,228	744,451
Restricted for use in future fiscal years	<u>25,000</u>	<u>-</u>
	<u>2,236,006</u>	<u>2,211,782</u>
Subject to the Association's endowment spending policy and appropriation:		
Investment in perpetuity	4,577,961	4,571,949
Accumulated earnings on endowment	<u>631,657</u>	<u>751,665</u>
	<u>5,209,618</u>	<u>5,323,614</u>
	<u>\$ 10,442,019</u>	<u>\$ 9,892,961</u>

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of the passage of time or other events specified by the donors as follows for the years ended March 31:

	<u>2022</u>	<u>2021</u>
Satisfaction of purpose restrictions	\$ 1,939,340	\$ 2,511,066
Expiration of time restrictions	<u>-</u>	<u>187,500</u>
	1,939,340	2,698,566
Investment return designated for current operations	<u>265,000</u>	<u>254,178</u>
	<u>\$ 2,204,340</u>	<u>\$ 2,952,744</u>

THE STUDENT CONSERVATION ASSOCIATION, INC.

Notes to Financial Statements
March 31, 2022 and 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition

Contributed income may include gifts of cash, collection items or promises to give. Contributions and grants, including unconditional promises to give, are recognized as revenues in the period received and recorded in the appropriate net asset category in accordance with donor-imposed restrictions. Conditional promises to give are not recognized until they become unconditional, that is, at the time when the conditions are substantially met. Contributions of assets other than cash are reported at their estimated fair value. When considered material, contributions and grants to be received after one (1) year are discounted at an appropriate discount rate commensurate with the risk involved. Multi-year commitments are recorded during the year of the initial pledge.

In accordance with ASC Subtopic 958-605, *Revenue Recognition* (Topic 958), the Association must determine whether a contribution (or a promise) is conditional or unconditional for transactions deemed to be a contribution. A contribution is considered to be a conditional contribution if an agreement includes a barrier that must be overcome and either a right of return of assets or a right of release of a promise to transfer assets exists. Indicators of a barrier include a measurable performance-related barrier or another measurable barrier, a stipulation that limits discretion by the recipient on the conduct of an activity, and stipulations that are related to the purpose of the agreement. Topic 958 prescribes that the Association should not consider probability of compliance with the barrier when determining if such awards are conditional and should be reported as conditional grant advance liabilities until such conditions are met. These amounts are included in deferred revenue in the accompanying statements of financial position.

Grants and contributions are recognized when the donor makes a promise to give to the Association that is, in substance, unconditional. Unconditional grants and contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. Grants and contributions with donor-imposed restrictions and conditions are reported as an increase in net assets without donor restrictions if the restrictions and conditions expire in the reporting period in which the grant and contribution is recognized. All other donor restricted grants and 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 statements of activities as net assets released from restrictions.

Government contract revenue is recognized as expenditures are incurred or services rendered due to the conditional nature of the contracts, in accordance with Topic 958. Amounts billed and collected before services are rendered are included in deferred revenue. Revenue from bequests is recorded when there is an irrevocable right to the bequest, and it is unconditionally pledged or received. All other revenue is recognized when earned.

Donated Goods and Services

The Association receives donated goods and services. These amounts, which are based upon information provided by the donors who contributed these goods and services, are recorded at their estimated fair value determined on the date of contribution and are included in donated goods and services in the accompanying statements of activities.

THE STUDENT CONSERVATION ASSOCIATION, INC.

Notes to Financial Statements
March 31, 2022 and 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Donated Goods and Services (Continued)

Donated goods and services consisted of the following for the years ended March 31:

	<u>2022</u>	<u>2021</u>
Advertising	\$ 668,927	\$ 483,227
Airline tickets	40,000	-
Supplies	<u>31,050</u>	<u>-</u>
	<u>\$ 739,977</u>	<u>\$ 483,227</u>

Donated goods and services are included in advertising, staff travel and supplies and equipment in the accompanying statements of functional expenses.

The Association also receives the services of volunteers who have made significant contributions of their time in furtherance of the Association's mission. These services were not reflected in the accompanying statements of activities because they do not meet the necessary criteria for recognition under U.S. GAAP.

Advertising Costs

Advertising costs are expensed as incurred by the Association.

Expense Allocation

Expenses related directly to a program are distributed to that program, while other expenses are allocated to programs based upon management's estimate of the percentage attributable to each function. The financial statements contain certain categories of expenses that are attributable to program and supporting functions and are allocated on a reasonable basis that is consistently applied. The expenses that are allocated include personnel and related costs, technology, telephone, and printing and postage, which are allocated based on an estimate of time and level of effort spent on the Association's program and supporting functions. In addition, occupancy and depreciation are allocated on a square footage basis.

Income Taxes

The Association accounts for uncertainty in income taxes in accordance with ASC Topic, *Income Taxes*. This standard clarifies the accounting for uncertainty in tax positions and prescribes a recognition threshold and measurement attribute for the financial statements regarding a tax position taken or expected to be taken in a tax return. The Association has determined that there are no uncertain tax positions which qualify for either recognition or disclosure in the financial statements at March 31, 2022 and 2021. The Association's information returns are subject to examination by the Federal and state jurisdictions.

Statements of Activities

Transactions deemed by management to be ongoing, major or central to the provision of program services are reported as operating revenue and operating expenses in the accompanying statements of activities. Non-operating revenue (expenses) include activities relating to the Association's investment portfolio and planned giving instruments, and capital activity.

THE STUDENT CONSERVATION ASSOCIATION, INC.

Notes to Financial Statements
March 31, 2022 and 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Subsequent Events

Subsequent events have been evaluated through November 1, 2022, which is the date the financial statements were available to be issued. See Notes 6 and 7 for events that met the criteria for disclosure in the financial statements.

3. LIQUIDITY

Financial assets available for use by the Association within one year from the statements of financial position date are as follows:

	<u>2022</u>	<u>2021</u>
Cash	\$ 5,294,322	\$ 5,899,917
Contracts and other receivables, net	4,027,063	3,384,463
Current portion of pledges receivable, net	<u>740,022</u>	<u>436,107</u>
	10,061,407	9,720,487
Add - investment return designated for fiscal years 2023 and 2022 operations	32,005	265,000
Less - Board designated funds not in investments	(1,942,384)	(1,790,452)
Less - donor contributions restricted for specific purposes	<u>(2,952,645)</u>	<u>(2,270,929)</u>
Financial assets available to meet cash needs for service expenses within one year	<u>\$ 5,198,383</u>	<u>\$ 5,924,116</u>

The Association has a policy to structure its financial assets to be available and liquid as its obligations become due. As of March 31, 2022 and 2021, the Association also has \$2,351,511 and \$1,803,256, respectively, of other Board designated funds that could be spent to fund initiatives or working capital needs with Board approval. In addition, the Association has a line of credit agreement which allows for available borrowings up to \$6,500,000 (see Note 8).

4. INVESTMENTS

Investments consist of the following at March 31:

	<u>2022</u>	<u>2021</u>
Cash and equivalents	\$ 105,532	\$ 1,007,406
Fixed income funds	5,172,313	2,996,957
Equity securities	2,443,765	-
Equity funds:		
International equities	1,115,194	1,067,898
Large cap domestic equities	897,607	2,852,511
Other mutual funds	756,533	385,808
Small and mid-cap domestic equities	<u>719,268</u>	<u>1,227,539</u>
	<u>\$ 11,250,212</u>	<u>\$ 9,538,119</u>

THE STUDENT CONSERVATION ASSOCIATION, INC.

Notes to Financial Statements
March 31, 2022 and 2021

4. INVESTMENTS (Continued)

Included in investments is one fund that is restricted in nature and could not be applied toward payment of other obligations of the Association, whereby is maintained for satisfying the Association's obligation under its split-interest liabilities. This fund had a balance of \$2,805,034 and \$2,952,599 at March 31, 2022 and 2021, respectively.

New York Insurance Code requires the Association to maintain a reserve fund adequate to meet the future payments under its outstanding charitable gift annuity contracts. In addition, the law requires that the reserve be invested in accordance with a prudent investor standard. As of March 31, 2022 and 2021, the Association had sufficient funds in its reserve and those funds were invested in accordance with the New York Insurance Code.

5. ENDOWMENT

The Association's endowment fund (the Fund) includes donor-restricted endowment funds and funds designated by the Board of Directors to function as endowments. As required by U.S. GAAP, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

The Board of Directors of the Association has interpreted the New York Uniform Prudent Management of Institutional Funds Act (NYPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Association classifies as net assets with donor restrictions (a) the original value of gifts donated to the perpetual endowment, (b) the original value of subsequent gifts to the perpetual endowment, and (c) accumulations to the perpetual endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. In accordance with NYPMIFA, the Association 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 Association, and (7) the Association's investment policies.

Investment Return Objectives, Risk Parameters and Strategies

The Association has adopted investment and spending policies, approved by the Board of Directors, for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment funds while also maintaining the purchasing power of those endowment assets over the long-term. Accordingly, the investment process seeks to achieve an after-cost total real rate of return, including investment income, as well as capital appreciation, which exceeds the annual distribution with acceptable levels of risk. Endowment assets are invested in a well-diversified asset mix, which includes equity and fixed income securities that is intended to result in a consistent inflation-protected rate of return that has sufficient liquidity to make an annual distribution of 4.5%, while growing the funds if possible. 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.

THE STUDENT CONSERVATION ASSOCIATION, INC.

Notes to Financial Statements
March 31, 2022 and 2021

5. ENDOWMENT (Continued)

Spending Policy

The Association has a policy of appropriating for distribution each year 4.5% of its endowment fund's average fair value of the prior three fiscal years through the calendar year-end preceding the fiscal year in which the distribution is planned. The spending policy appropriation is calculated at the beginning of each fiscal year. In establishing this policy, the Association considered the long-term expected return on its investment assets, the nature and duration of the individual endowment funds, many of which must be maintained in perpetuity because of donor-restrictions, and the possible effects of inflation. For the years ended March 31, 2022 and 2021, the Association appropriated a total of \$265,000 and \$254,178, respectively, for operations which is reflected as investment return designated for current operations in the accompanying statements of activities.

In addition to the endowment spending policy, the Board of Directors may designate spending from net assets without donor restrictions, into its general budget. This spending is part of the Finance Committee's decisions as outlined in the budget. In fiscal years 2022 and 2021, there were no special Board designations.

Endowment Funds with Deficiencies

From time-to-time, certain donor-restricted endowment funds may have fair values less than the amount required to be maintained by donors or by law (underwater endowments). The Board of Directors of the Association has interpreted NYPMIFA to permit spending from underwater endowments in accordance with prudent measures required under law. However, the Association has a policy that prohibits spending from endowments funds that are underwater. The endowment funds of the Association were not underwater at March 31, 2022 and 2021.

Endowment Activity

Changes in endowment net assets for fiscal years 2022 and 2021 are as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total Net Endowment Assets</u>
Endowment net assets, March 31, 2020	\$ 835,680	\$ 4,540,449	\$ 5,376,129
Contributions/redesignations	254,178	31,500	285,678
Investment return, net	184,851	1,005,843	1,190,694
Amounts appropriated for expenditure in accordance with spending policy	<u>-</u>	<u>(254,178)</u>	<u>(254,178)</u>
Endowment net assets, March 31, 2021	1,274,709	5,323,614	6,598,323
Contributions/redesignations	265,000	6,012	271,012
Investment return, net	(12,932)	144,992	132,060
Drawdowns based on fiscal years 2021 and 2022 appropriations	(519,178)	-	(519,178)
Amounts appropriated for expenditure in accordance with spending policy	<u>-</u>	<u>(265,000)</u>	<u>(265,000)</u>
Endowment net assets, March 31, 2022	<u>\$ 1,007,599</u>	<u>\$ 5,209,618</u>	<u>\$ 6,217,217</u>

THE STUDENT CONSERVATION ASSOCIATION, INC.

Notes to Financial Statements
March 31, 2022 and 2021

6. PROPERTY AND EQUIPMENT

Property and equipment, net consist of the following at March 31:

	<u>2022</u>	<u>2021</u>
Building and improvements	\$ 4,588,980	\$ 4,604,744
Program, computer and office equipment	1,124,003	1,124,003
Motor vehicles	42,051	42,051
Leasehold improvements	176,334	176,334
Land	34,500	34,500
	<u>5,965,868</u>	<u>5,981,632</u>
Less - accumulated depreciation	<u>4,378,305</u>	<u>4,157,572</u>
Property and equipment, net	<u>\$ 1,587,563</u>	<u>\$ 1,824,060</u>

For the years ended March 31, 2022 and 2021, depreciation expense totaled \$220,733 and \$445,601, respectively.

The Association recognized a \$1,065,629 loss on impairment of the Charlestown Property during fiscal year 2021, which is presented as impairment loss in the accompanying fiscal year 2021 statement of activities. The Charlestown Property consists of land and three buildings and was determined to be impaired during fiscal year 2021, based on an appraisal of the Charlestown Property in relation to a debt refinance and the anticipated market price from the realtor being used to sell the Charleston Property. In May 2022, the Association sold the property for \$1,500,000 and entered into a lease-back agreement with the purchaser to rent the property. The Association used \$875,000 of the sale proceeds to pay down a portion of the note payable (see Note 7).

Motor vehicles and office equipment under capital leases had a cost basis and accumulated depreciation and depreciation expense as of and for the years ended March 31:

	<u>Motor Vehicles</u>		<u>Office Equipment</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Cost	\$ 42,051	\$ 42,051	\$ 155,438	\$ 155,438
Accumulated depreciation	\$ 31,538	\$ 17,521	\$ 58,160	\$ 27,072
Depreciation expense	\$ 14,017	\$ 113,502	\$ 31,088	\$ 37,707

7. NOTE PAYABLE

Note payable consists of the following at March 31:

	<u>2022</u>	<u>2021</u>
3.45% note payable to a bank, due in monthly installments of \$12,449 through March 24, 2031 at which time the outstanding balance of \$1,127,098 and any accrued interest are due. This note is secured by all assets of the Association.	\$ 2,444,073	\$ 2,500,000
Less - unamortized debt issuance costs	<u>70,084</u>	<u>78,599</u>
Total notes payable	2,373,989	2,421,401
Less - current portion	<u>46,161</u>	<u>56,734</u>
	<u>\$ 2,327,828</u>	<u>\$ 2,364,667</u>

THE STUDENT CONSERVATION ASSOCIATION, INC.

Notes to Financial Statements
March 31, 2022 and 2021

7. NOTE PAYABLE (Continued)

Debt issuance costs of \$78,599 were incurred in relation to the note payable during the year ended March 31, 2021. These costs began amortizing in fiscal year 2022. Imputed interest totaled \$8,515 for the year ended March 31, 2022, which is included in interest in the accompanying 2022 statement of functional expenses.

The notes payable have certain financial and non-financial covenants with which the Association must comply. The Association was in compliance with its covenants as of March 31, 2022 and 2021.

Interest expense on the Association's notes payable totaled \$83,644 and \$29,650 for the years ended March 31, 2022 and 2021, respectively, which is included in interest in the accompanying statements of functional expenses.

In May 2022, the Association used \$875,000 of proceeds from the sale of the Charlestown Property (see Note 6) to make a payment on the note payable. This payment reduced monthly installments to \$8,025.

Future minimum principal payments (taking into consideration the additional payment made in May 2022) and amortization of debt financing costs are as follows for the fiscal years ending March 31:

	<u>Principal Payments</u>	<u>Amortization of Debt Financing Costs</u>
2023	\$ 46,161	\$ 8,515
2024	\$ 43,563	\$ 8,515
2025	\$ 45,254	\$ 8,515
2026	\$ 46,682	\$ 8,515
2027	\$ 48,528	\$ 8,515

8. LINE OF CREDIT

The Association obtained a revolving line of credit agreement with a bank in March 2021 that allows for borrowings up to \$6,500,000, as defined in the agreement, the available balance is based on 80% of outstanding contract and pledges receivable. Outstanding principal bears interest at the *Wall Street Journal's* prime rate (3.5% and 3.25% at March 31, 2022 and 2021, respectively), with a floor of 3.25%. There was no outstanding balance on line of credit as of March 31, 2022 and 2021. The note is secured by a shared first security in all assets of the Association. The line of credit agreement contains certain financial and non-financial covenants in which the Association must comply. As of March 31, 2022 and 2021, the Association was in compliance with these covenants. This line of credit expires in March 2023.

The available borrowings on the line of credit agreements are \$3,800,603 and \$2,893,804 at March 31, 2022 and 2021, respectively.

THE STUDENT CONSERVATION ASSOCIATION, INC.

Notes to Financial Statements
March 31, 2022 and 2021

9. SPLIT-INTEREST AGREEMENTS

The Association administers various charitable gift annuities. A charitable gift annuity provides for the payment of distributions to the donor or other designated beneficiaries for a specified period of time. The assets remaining at termination of the agreement are available for the Association's use for various purposes as determined by the donor. The Association's charitable gift annuity assets as of March 31, 2022 and 2021, do not contain restrictions by the donor as to use upon termination of the agreement. The estimated net present value of the liability under the agreements is recorded at the date of the gift using applicable discount rates ranging from 0.8% to 6.2%, and applicable mortality rates. The revenue attributable to the estimated present value of future benefits to be received by the Association is recorded as an increase in the net assets with donor restrictions of the Association in accordance with its policy for recording contribution revenue in the period in which the charitable gift annuity is established. The assets held by the Association are included in investments in the accompanying statements of financial position and are recorded at fair value, based on quoted market prices. The Association makes distributions to the designated beneficiaries based on agreement provisions.

The changes in split-interest liabilities were as follows for the fiscal years ended March 31:

	<u>2022</u>	<u>2021</u>
Beginning Balance	\$ 1,485,268	\$ 1,582,893
Payments	(216,772)	(245,831)
Change in value	<u>86,760</u>	<u>148,206</u>
Ending Balance	<u>\$ 1,355,256</u>	<u>\$ 1,485,268</u>

Split-interest agreements are reflected in the accompanying financial statements as follows:

	<u>2022</u>	<u>2021</u>
Investments (see Note 4)	\$ 2,805,034	\$ 2,952,599
Split-interest liabilities	<u>(1,355,256)</u>	<u>(1,485,268)</u>
Net position in charitable gift annuities, restricted for future use (see Note 2)	<u>\$ 1,449,778</u>	<u>\$ 1,467,331</u>

10. BENEFICIAL INTERESTS IN TRUSTS

The Association is named as a beneficiary in three charitable remainder trusts as of March 31, 2022 and 2021. The income generated is paid to a designated beneficiary over their lifetime or for a predetermined period of time (the Benefit Period), as outlined in the trust documents. Upon the beneficiary's death or passage of the Benefit Period, the value of the donor's assets in the fund is transferred to the Association's net assets without donor restrictions, unless the donor has designated these funds for a restricted purpose. As of March 31, 2022 and 2021, the trusts' assets have not been restricted by the donors. The charitable remainder trust funds are included in net assets with donor restrictions at March 31, 2022 and 2021, based on the inherent time restriction associated with these funds. These funds have been discounted to their net present value based upon the donor's expected life or the remaining Benefit Period, the Internal Revenue Service (IRS) Federal rate for determining the present value of an annuity (2% and 0.8% at March 31, 2022 and 2021, respectively), and expected future obligations to beneficiaries, as well as an estimated rate of return on the trusts' assets.

THE STUDENT CONSERVATION ASSOCIATION, INC.

Notes to Financial Statements
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10. BENEFICIAL INTERESTS IN TRUSTS (Continued)

The changes in beneficial interests in trusts were as follows for the fiscal years ended March 31:

	<u>2022</u>	<u>2021</u>
Beginning Balance	\$ 744,451	\$ 544,118
Change in value	<u>16,777</u>	<u>200,333</u>
Ending Balance	<u>\$ 761,228</u>	<u>\$ 744,451</u>

11. LEASE AGREEMENTS

Operating Leases

The Association rents its facilities under various operating lease agreements. These leases expire at various dates through fiscal year 2031, with options to extend in some cases. Monthly payments under these lease agreements range from approximately \$400 to \$41,000. The Association is also responsible for certain operating costs under these lease agreements. Upon execution of one of the leases, the Association was obligated to provide a security deposit totaling \$32,300, which is included in prepaid expenses and other assets in the accompanying statements of financial position as of March 31, 2022 and 2021. This lease provided for twelve months of free rent from June 2019 to May 2020. In accordance with ASC Topic, *Leases*, the Association records rent expense on a straight-line basis over the term of the leases regardless of actual cash payments. The Association has accrued \$409,826 and \$410,757 of rent expense as of March 31, 2022 and 2021, respectively, which is included in accrued rent in the accompanying statements of financial position. Facility rent expense was \$730,328 and \$686,369 for the years ended March 31, 2022 and 2021, respectively, and is reflected as rent in the accompanying statements of functional expenses.

The Association rents certain vehicles under various operating lease agreements. These leases expire at various dates through fiscal year 2025. Monthly payments under these lease agreements range from approximately \$750 to \$1,141. The Association is also responsible for certain maintenance costs under these lease agreements. Vehicle rent expense was \$88,153 \$36,730 for the year ended March 31, 2022 and 2021, respectively, and is included in field travel and transportation in the accompanying statement of functional expenses.

Future minimum cash payments under the non-cancellable portions of these operating leases are as follows for the fiscal years ending March 31:

	<u>Facilities</u>	<u>Vehicles</u>
2023	\$ 665,254	\$ 88,153
2024	618,172	88,153
2025	581,769	51,423
2026	463,342	-
2027	458,862	-
Thereafter	<u>1,529,262</u>	<u>-</u>
Total	<u>\$ 4,316,661</u>	<u>\$ 227,729</u>

THE STUDENT CONSERVATION ASSOCIATION, INC.

Notes to Financial Statements
March 31, 2022 and 2021

11. LEASE AGREEMENTS (Continued)

Sub-lease Agreement

In May 2021, the Association entered into a sub-lease agreement with an unrelated third party for office space included in the above operating leases. The sublease began in May 2021 and expires in May 2026. Rental income under this sub-lease agreement was \$245,157 for the year ended March 31, 2022, and is included in other income in the accompanying 2022 statement of activities. Deferred rent as of March 31, 2022, is \$29,854 and is included in accrued rent in the accompanying 2022 statement of financial position.

Future minimum cash receipts under the sub-lease are as follows for the fiscal years ending March 31:

2023	\$ 289,499
2024	299,632
2025	310,119
2026	320,973
2027	<u>54,586</u>
Total	<u>\$ 1,274,809</u>

Capital Leases

The Association leases certain motor vehicles and office equipment under capital lease obligations, which are included in property and equipment, net (see Note 6). Discount rates ranging from 0.34% to 2.83% for the years ended March 31, 2022 and 2021, representing the interest rates implicit in the respective lease agreements, were used to discount the future minimum payments under these lease arrangements. Total capital lease interest expense was \$8,252 and \$1,629 for the years ended March 31, 2022 and 2021, respectively, which is included in interest in the accompanying statements of functional expenses. These agreements expire at various dates through December 2026.

Future minimum payments under the non-cancellable portions of these capital leases are as follows at March 31, 2022:

	<u>Motor Vehicles</u>	<u>Office Equipment</u>	<u>Total</u>
2023	\$ 9,735	\$ 31,884	\$ 41,619
2024	-	31,884	31,884
2025	-	24,586	24,586
2026	-	<u>10,782</u>	<u>10,782</u>
Total future minimum payments	9,735	99,136	108,871
Less - amount representing interest	<u>696</u>	<u>2,822</u>	<u>3,518</u>
	9,039	96,314	105,353
Less - current portion	<u>9,039</u>	<u>31,007</u>	<u>40,046</u>
Capital lease obligations, net	<u>\$ -</u>	<u>\$ 65,307</u>	<u>\$ 65,307</u>

THE STUDENT CONSERVATION ASSOCIATION, INC.

Notes to Financial Statements
March 31, 2022 and 2021

12. CONCENTRATIONS

Credit Risk

The Association maintains its operating cash balances in various banks, which are insured by the Federal Deposit Insurance Corporation (FDIC) up to certain amounts. At certain times during the year, cash balances exceeded the insured amounts. The Association has not experienced any losses in such accounts.

Funding

The Association receives funding under Federal and state contracts, which totaled approximately 69% and 63% of the Association's operating revenue for the years ended March 31, 2022 and 2021, respectively. Payments to the Association are subject to audit by the appropriate government agency. In the opinion of management, the results of such audits, if any, will not have a material effect on the financial position of the Association as of March 31, 2022 and 2021, or on its results of operations for the years then ended. As of March 31, 2022 and 2021, three and two agencies represented 34% and 26%, respectively, of net government contracts and other receivables.

Approximately 52% and 34% of gross pledges receivable at March 31, 2022 and 2021, respectively, were due from one and two donors, respectively.

13. PLEDGES RECEIVABLE

The Association's outstanding pledges receivable are due as follows at March 31:

	<u>2022</u>	<u>2021</u>
Due in less than one year	\$ 903,461	\$ 576,686
Due in more than one year	<u>43,750</u>	<u>86,646</u>
Total pledges receivable	947,211	663,332
Allowance for uncollectible accounts	<u>(163,439)</u>	<u>(140,579)</u>
Pledges receivable, net	<u>\$ 783,772</u>	<u>\$ 522,753</u>

These amounts are not discounted to present value as the discounts would be immaterial to the accompanying financial statements.

14. RETIREMENT PLAN

The Association maintains a defined contribution retirement plan (the Plan) under IRC Section 403(b) covering all eligible employees who had attained the age of twenty-one and provided a minimum expected work schedule of 1,000 hours annually. The Plan calls for the Association to match up to 3% of an employee's salary. For the years ended March 31, 2022 and 2021, the Association's contributions to the Plan totaled approximately \$249,000 and \$182,000, respectively, which are included in fringe benefits in the accompanying statements of functional expenses.

THE STUDENT CONSERVATION ASSOCIATION, INC.

Notes to Financial Statements
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15. RELATED PARTY TRANSACTIONS

A member of the Association's Board of Directors provided financial consulting services to the Association. The Association compensated this Board member \$43,200 for the year ended March 31, 2021. This Board member abstained from discussions and did not vote on matters relating to the financial consulting services. A different member of the Association's Board of Directors served as interim Chief Executive Officer during the fiscal year ended March 31, 2021, and was compensated \$116,451.

16. CONDITIONAL GRANTS

The Association has been awarded conditional grants from governmental agencies and foundations. Payment of these awards is conditional upon the Association meeting certain progress benchmarks, incurring allowable costs, and submission of specific financial reports, as defined in the grant agreements or contracts. Accordingly, \$15,582,162 and \$31,303,553 have not been reflected in the accompanying financial statements as of March 31, 2022 and 2021, respectively.

The Association applied for and was awarded a loan (PPP I) of \$2,747,100, bearing interest at 1%, from the Paycheck Protection Program (PPP) established by the Coronavirus Aid, Relief and Economic Security Act (CARES Act) through a bank. The funds were used to pay certain payroll costs, including benefits, as well as rent and utilities during a covered period as defined in the CARES Act. On June 10, 2021, the balance of the loan, in addition to accrued interest of \$31,084, was forgiven by the Small Business Administration (SBA). The Association follows Topic 958 in accounting for PPP I. As the covered period fell in fiscal year 2021, the conditions of PPP I were met, and therefore, the revenue earned during the fiscal year. Revenue related to PPP I is included in grants and contributions in the accompanying statement of activities for the year ended March 31, 2021.

The Association also applied for and received a second draw PPP loan (PPP II) totaling \$1,917,900. PPP II has the same general loan terms as PPP I. A portion of these funds may be forgiven, as defined in the agreement, at the end of the covered period and the remainder of the funds will be due over a five-year period with interest at 1%. Any repayment will be deferred for a certain period from the end of the covered period as determined by the SBA. The balance of the note that is not forgiven, plus interest, will be due in equal monthly payments through the maturity date as defined by the bank. The forgiveness calculations are subject to review and approval by the lending bank and the SBA.

On November 3, 2021, the balance of the loan, in addition to accrued interest of \$13,977, was forgiven by the SBA. Revenue related to PPP II is included in grants and contributions in the accompanying statement of activities for the year ended March 31, 2022.

17. RECLASSIFICATION

Certain amounts in the fiscal year 2021 financial statements have been reclassified to conform with the fiscal year 2022 presentation.