



Financial Statements

For the Year Ended December 31, 2018

(With Summarized Financial Information for the Year Ended December 31, 2017)



**and
Report Thereon**



**Reports Required in Accordance with
Uniform Guidance**

For the Year Ended December 31, 2018



CONSERVATION LEGACY

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Conservation Legacy

Report on the Financial Statements

We have audited the accompanying financial statements of Conservation Legacy, which comprise the statement of financial position as of December 31, 2018, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Continued

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Opinion

In our opinion, the 2018 financial statements referred to above present fairly, in all material respects, the financial position of Conservation Legacy as of December 31, 2018, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Summarized Prior Period Financial Statements

Conservation Legacy's 2017 financial statements were audited by Raffa, P.C., whose practice was combined with Marcum LLP as of October 1, 2018, and whose report dated August 1, 2018, expressed an unmodified opinion on those financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2017, is consistent, in all material respects, with the financial statements from which it has been derived.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 28, 2019, on our consideration of Conservation Legacy's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Conservation Legacy's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Conservation Legacy's internal control over financial reporting and compliance.

Marcum LLP

Washington, DC
August 28, 2019

CONSERVATION LEGACY

STATEMENT OF FINANCIAL POSITION

December 31, 2018

(With Summarized Financial Information as of December 31, 2017)

	2018	2017
ASSETS		
Current assets		
Cash and cash equivalents	\$ 2,154,247	\$ 1,196,595
Project fee contracts and grants receivable	4,560,157	4,721,199
Prepaid expenses	123,065	90,165
Note receivable, current portion	13,058	12,889
Total Current Assets	6,850,527	6,020,848
Note receivable, net of current portion	96,290	113,234
Other assets	56,823	71,611
Investment in SIEC	1,358,435	1,377,479
Property and equipment, net	3,601,403	3,282,639
TOTAL ASSETS	\$ 11,963,478	\$ 10,865,811
LIABILITIES AND NET ASSETS		
Liabilities		
Current liabilities		
Accounts payable and accrued expenses	\$ 468,270	\$ 429,372
Accrued payroll expenses	530,378	495,023
Deferred revenue	119,775	60,483
Capital lease obligations, current portion	238,647	162,118
Notes payable, current portion	74,920	71,049
Total Current Liabilities	1,431,990	1,218,045
Capital lease obligations, net of current portion	613,684	475,839
Notes payable, net of current portion	1,086,329	1,161,245
TOTAL LIABILITIES	3,132,003	2,855,129
Net Assets		
Without donor restrictions	8,401,533	7,907,407
With donor restrictions	429,942	103,275
TOTAL NET ASSETS	8,831,475	8,010,682
TOTAL LIABILITIES AND NET ASSETS	\$ 11,963,478	\$ 10,865,811

The accompanying notes are an integral part of these financial statements.

CONSERVATION LEGACY

STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2018

(With Summarized Financial Information for the Year Ended December 31, 2017)

	Without Donor Restrictions	With Donor Restrictions	2018 Total	2017 Total
OPERATING REVENUE AND SUPPORT				
Grants and contracts	\$ 24,390,359	\$ -	\$ 24,390,359	\$ 21,500,322
Contributions	192,488	916,984	1,109,472	310,042
SIEC building management fees	74,148	-	74,148	80,099
Other income	46,735	-	46,735	49,617
Rental income	37,396	-	37,396	39,816
Net assets released from purpose restrictions	590,317	(590,317)	-	-
TOTAL OPERATING REVENUE AND SUPPORT	25,331,443	326,667	25,658,110	21,979,896
OPERATING EXPENSES				
Program Services	23,057,334	-	23,057,334	19,671,899
Supporting Services:				
Management and general	1,767,515	-	1,767,515	1,175,650
Fundraising	8,348	-	8,348	7,144
TOTAL OPERATING EXPENSES	24,833,197	-	24,833,197	20,854,693
Change in net assets from operations	498,246	326,667	824,913	1,125,203
NONOPERATING ACTIVITIES				
Gain on the sale of property and equipment	14,924	-	14,924	26,151
Equity loss on investment	(19,044)	-	(19,044)	(2,363)
CHANGE IN NET ASSETS	494,126	326,667	820,793	1,148,991
NET ASSETS, BEGINNING OF YEAR	7,907,407	103,275	8,010,682	6,861,691
NET ASSETS, END OF YEAR	\$ 8,401,533	\$ 429,942	\$ 8,831,475	\$ 8,010,682

The accompanying notes are an integral part of these financial statements.

CONSERVATION LEGACY

STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended December 31, 2018

(With Summarized Financial Information for the Year Ended December 31, 2017)

	Program Services						Supporting Services			2018 Total	2017 Total	
	Southwest Conservation Corps	Arizona Conservation Corps	Appalachian Conservation Corps	Southeast Conservation Corps	Stewards Individual Placements	Preserve America Youth Summit	Total Program Services	Management and General	Fundraising			Total Supporting Services
Stipends of corps members	\$ 2,149,290	\$ 2,452,052	\$ 129,579	\$ 271,059	\$ 5,496,107	\$ -	\$ 10,498,087	\$ -	\$ -	\$ -	\$ 10,498,087	\$ 8,792,917
Staff wages	2,012,618	1,620,357	166,436	218,450	1,079,930	-	5,097,791	876,437	391	876,828	5,974,619	5,304,064
Payroll taxes and benefits	745,000	716,829	47,633	84,464	930,385	-	2,524,311	182,997	82	183,079	2,707,390	2,191,331
Contracted services	647,051	52,694	5,649	2,899	309,155	36,823	1,054,271	131,767	7,674	139,441	1,193,712	339,896
Program equipment and supplies	509,498	419,920	38,823	46,800	62,228	-	1,077,269	-	-	-	1,077,269	1,126,027
Travel and meetings	258,816	148,772	38,272	25,146	275,473	37,471	783,950	-	-	-	783,950	629,281
Vehicle expense	310,386	239,594	17,509	16,773	2,722	-	586,984	20,281	9	20,290	607,274	652,687
Depreciation and amortization	163,018	212,050	16,197	20,298	13,000	-	424,563	23,859	11	23,870	448,433	373,411
Occupancy	123,780	132,661	12,633	17,133	83,180	-	369,387	26,252	9	26,261	395,648	307,028
Corps member development	44,598	73,899	738	10,304	113,475	3,329	246,343	-	-	-	246,343	298,467
Office and computer supplies	55,531	60,417	3,322	8,723	45,477	-	173,470	9,748	4	9,752	183,222	227,258
Miscellaneous	9,113	10,831	469	2,649	8,681	-	31,743	122,767	156	122,923	154,666	112,137
Insurance	1,722	3,586	58	147	427	-	5,940	134,474	-	134,474	140,414	99,866
Professional services	-	-	-	-	-	-	-	122,850	4	122,854	122,854	125,917
Interest expense	-	-	-	-	-	-	-	93,176	-	93,176	93,176	87,400
Staff development and incentives	29,119	27,243	872	1,604	19,996	-	78,834	17,653	6	17,659	96,493	82,564
Background searches	16,487	10,459	2,489	5,432	25,959	-	60,826	5,254	2	5,256	66,082	66,933
Recruitment	8,326	25,614	2,213	3,322	4,090	-	43,565	-	-	-	43,565	37,509
TOTAL EXPENSES	\$ 7,084,353	\$ 6,206,978	\$ 482,892	\$ 735,203	\$ 8,470,285	\$ 77,623	\$ 23,057,334	\$ 1,767,515	\$ 8,348	\$ 1,775,863	\$ 24,833,197	\$ 20,854,693

The accompanying notes are an integral part of these financial statements.

CONSERVATION LEGACY

STATEMENT OF CASH FLOWS

For the Year Ended December 31, 2018

(With Summarized Financial Information for the Year Ended December 31, 2017)

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 820,793	\$ 1,148,991
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	448,433	373,411
Gain on the sale of property	(14,924)	(26,151)
Equity loss on investment	19,044	2,363
Changes in assets and liabilities:		
Project fee contracts and grants receivable	161,042	(1,492,628)
Prepaid expenses	(32,900)	55,356
Other assets	14,788	(20,117)
Accounts payable and accrued expenses	38,898	132,155
Accrued payroll expenses	35,355	131,062
Deferred revenue	59,292	30,043
NET CASH PROVIDED BY OPERATING ACTIVITIES	1,549,821	334,485
CASH FLOWS FROM INVESTING ACTIVITIES		
Collections on note receivable	16,775	14,266
Purchases of property and equipment	(249,085)	(230,904)
Proceeds from the sale of property and equipment	138,351	63,994
NET CASH USED IN INVESTING ACTIVITIES	(93,959)	(152,644)
CASH FLOWS FROM FINANCING ACTIVITIES		
Borrowings under line of credit	-	848,399
Payments on line of credit	-	(848,399)
Principal payments on capital leases	(427,165)	(275,273)
Repayments of long-term debt	(71,045)	(67,376)
NET CASH USED IN FINANCING ACTIVITIES	(498,210)	(342,649)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	957,652	(160,808)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	1,196,595	1,357,403
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 2,154,247	\$ 1,196,595
SUPPLEMENTAL INFORMATION		
Interest paid	\$ 93,176	\$ 86,412
NONCASH FINANCING AND INVESTING ACTIVITIES		
Equipment acquired under a capital lease	641,539	450,999
Obligation of equipment acquired under a capital lease	(641,539)	(450,999)
	\$ -	\$ -

The accompanying notes are an integral part of these financial statements.

CONSERVATION LEGACY

NOTES TO FINANCIAL STATEMENTS For the Year Ended December 31, 2018

1. Organization and Summary of Significant Accounting Policies

Organization

Conservation Legacy (the Organization), formerly Southwest Conservation Corps, is a national nonprofit organization, incorporated in Colorado in 1998, dedicated to supporting locally based conservation service programs. The Organization's mission statement is: "Fostering conservation service in support of communities and ecosystems."

Conservation Legacy accomplishes its mission statement in two ways:

- Conservation Legacy provides service and work opportunities for a diverse group of individuals to complete community and conservation projects for public benefit.
- Conservation Legacy completes conservation projects on public lands which include the maintenance of recreational trails and open space, the protection of communities from wildfire, and safeguarding wildlife.

Conservation Legacy's conservation program is accomplished through various projects, including:

- Arizona Conservation Corps with offices in Flagstaff and Tucson;
- Stewards Individual Placements, a national individual placement program with offices in Durango, Colorado, and Beckley, West Virginia;
- Preserve America Youth Summit based in Durango, Colorado;
- Southeast Conservation Corps based in Chattanooga, Tennessee;
- Southwest Conservation Corps with offices in Durango and Salida, Colorado; and Acoma Pueblo, Pueblo of Zuni, Las Cruces, Albuquerque and Gallup, New Mexico;
- Appalachian Valley Conservation Corps based in New Market, Virginia.

Conservation Legacy is primarily funded through partnership agreements with public land management agencies.

Basis of Accounting

Conservation Legacy reports on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP). As such, revenues are recognized when earned and expenses are recognized when the underlying obligations are incurred.

Cash and Cash Equivalents

Conservation Legacy considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents.

CONSERVATION LEGACY

NOTES TO FINANCIAL STATEMENTS For the Year Ended December 31, 2018

1. Organization and Summary of Significant Accounting Policies (continued)

Project Fee Contracts and Grants Receivable

Contracts and grants receivable are stated at their net realizable value, and are due under various federal and nonfederal awards and agreements. Conservation Legacy does not maintain an allowance for doubtful accounts, as all amounts are deemed to be collectible. All amounts are due within one year.

Investment in SIEC

Conservation Legacy owns a 50% interest in Southwest Institute for Education and Conservation (SIEC) and accounts for this investment using the equity method of accounting. There is no consolidation due to lack of control even though there is economic interest. Conservation Legacy's share of the net income of SIEC is recognized as investment income in Conservation Legacy's statement of activities and included in the investment in SIEC in the accompanying statement of financial position. Distributions received from SIEC are treated as a reduction of the investment account.

Property and Equipment and Related Depreciation and Amortization

Property and equipment are recorded at cost. Conservation Legacy follows a practice of capitalizing all expenditures for property and equipment in excess of \$5,000 and having an economic life in excess of one year. The estimated fair value of donated assets is similarly capitalized. Depreciation on buildings and improvements is recognized on a straight-line basis over the estimated useful life of 30 years. Depreciation and amortization on vehicles and equipment are recognized on a straight-line basis over the estimated useful lives of five to 10 years. The cost of property and equipment that is retired or disposed of is removed from the accounts along with the related accumulated depreciation or amortization. Any gain or loss is determined as the difference between the disposal proceeds, if any, and the carrying amount of the asset and is recognized within revenue and support or expenses within the accompanying statement of activities. Major additions are capitalized, while replacements, maintenance and repairs that do not improve or extend the lives of the respective assets are expensed as incurred.

Net Assets

The net assets of Conservation Legacy are reported as follows:

- Net assets without donor restrictions represent the portion of expendable funds that are available for support of Conservation Legacy's operations.
- Net assets with donor restrictions represent funds that are specifically restricted by donors for use in various programs and/or for specific periods of time. These donor restrictions can be temporary in nature in that they will be met by actions of Conservation Legacy or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated that the funds be maintained in perpetuity. As of December 31, 2018, Conservation Legacy had no net assets with donor restrictions that are required to be maintained in perpetuity.

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CONSERVATION LEGACY

NOTES TO FINANCIAL STATEMENTS For the Year Ended December 31, 2018

1. Organization and Summary of Significant Accounting Policies (continued)

Revenue Recognition

Conservation Legacy has grants and contracts with U.S. government agencies and other organizations in exchange for services. Revenue from cost-reimbursable grants and contracts is recognized as costs are incurred on the basis of direct costs plus allowable indirect costs. Revenue recognized on grants and contracts for which payments have not been received is reflected as project fee contracts and grants receivable in the accompanying statement of financial position. Grant and contract awards received in advance, but not yet expended, are reflected as deferred revenue in the accompanying statement of financial position.

Conservation Legacy also has firm fixed-price contracts with the U.S. federal government, state government agencies and private companies in exchange for services. Revenue from firm fixed-price contracts is recognized on the percentage of completion method. Under this method, individual contract revenue is earned on the basis of applying management's estimate of the percentage of the total contract work completed during the year to the total contract price. Revenue recognized on firm fixed-price contracts for which payments have not been received is reflected as project fee contracts and grants receivable in the accompanying statement of financial position. Contract payments received but not yet expended for the purpose of the contract are reflected as deferred revenue in the accompanying statement of financial position.

Conservation Legacy recognizes all unconditional contributed support in the accounting period in which the commitment is made. Grants and contributions are considered unrestricted revenue and support and are available for general operations unless specifically restricted by the donor. Conservation Legacy reports grants of cash and other assets as revenue and support with donor restrictions if they are received with donor stipulations that limit the use of the donated assets to particular purposes or to future periods. When the stipulated time restriction ends or the purpose of the restriction is met, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the accompanying statement of activities as net assets released from restrictions.

Functional Allocation of Expenses

The costs of providing the various program and other activities have been summarized on a functional basis in the statements of activities and functional expenses. Accordingly, certain costs have been allocated among the program and supporting services benefited on the basis of personnel costs. Conservation Legacy allocates all direct costs directly to programs. Costs that can be allocated to more than one program such as transportation, supplies, communications and equipment (tool and gear) are prorated individually as direct costs using the level of program impact as measured by crew work weeks. The crew work weeks are based on a standard eight-person crew work week for most programs and an individual work week for individual placement programs. Conservation Legacy calculates the cost of a program or project by summing up the expenses by categories for each fiscal year and dividing it by total weeks of conservation crew work completed in recent years to obtain the weekly cost by category. The weekly cost by category is then applied to number of weeks to determine the cost to be allocated to the respective program.

CONSERVATION LEGACY

NOTES TO FINANCIAL STATEMENTS For the Year Ended December 31, 2018

1. Organization and Summary of Significant Accounting Policies (continued)

Estimates

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

Measure of Operations

Operating revenue and expenses generally reflect those revenues and expenses that management can influence. Nonoperating activities include investment income and any gains from the sale of property and equipment.

New Accounting Pronouncement

On August 18, 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return for nonprofit organizations. Conservation Legacy has adjusted the presentation of these statements accordingly. The ASU has been applied retrospectively to the summarized comparative information presented for the year ended December 31, 2017. The major change of the ASU affecting the Organization includes requiring the disclosure of qualitative and quantitative information regarding the liquidity and availability of resources.

2. Project Fee Contracts and Grants Receivable

Project fee contracts and grants receivable as of December 31, 2018, were as follows:

Billed	\$ 1,414,706
Unbilled	<u>3,145,451</u>
Total Project Fee Contracts and Grants Receivable	<u>\$ 4,560,157</u>

3. Investment in SIEC

During 2007, Conservation Legacy and Durango Education Center formed SIEC, a 501(c)(25) *Title-Holding Corporation for Multiple Parents*, to provide office space and facilities to educational agencies and nonprofit organizations. Conservation Legacy and Durango Education Center have guaranteed the debt of SIEC. SIEC purchased a building at 701 Camino Del Rio, Durango, Colorado, in February 2007 for \$4,875,000. The investment in SIEC is accounted for using the equity method and, accordingly, Conservation Legacy records its share of SIEC's income or loss. For the year ended December 31, 2018, Conservation

Continued

CONSERVATION LEGACY

NOTES TO FINANCIAL STATEMENTS For the Year Ended December 31, 2018

3. Investment in SIEC (continued)

Legacy's net share of SIEC's loss was \$19,044. For the year ended December 31, 2018, there were no distributions received from SIEC. SIEC owns the building in Durango, Colorado, where Conservation Legacy is headquartered. In 2018, Conservation Legacy paid \$77,836 in office rent, \$2,002 for a security deposit and \$13,797 in utilities to SIEC. Conservation Legacy managed the building and provided bookkeeping services to SIEC and was paid management fees of \$54,000, and was reimbursed for costs incurred of \$20,148, for the year ended December 31, 2018.

The table below contains the summarized financial information of this unconsolidated entity based on unaudited estimates as of and for the year ended December 31, 2018.

Condensed income statement:	
Revenues	\$ 473,376
Expenses	<u>(534,402)</u>
Net Loss	<u>\$ (61,026)</u>
Condensed balance sheet:	
Current assets	\$ 469,624
Noncurrent assets	<u>6,529,865</u>
Total Assets	<u>\$ 6,999,489</u>
Current liabilities	\$ 114,503
Noncurrent liabilities	4,168,116
Stockholders' equity	<u>2,716,870</u>
Total Liabilities and Stockholders' Equity	<u>\$ 6,999,489</u>

4. Property and Equipment and Accumulated Depreciation and Amortization

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

Vehicles and equipment	\$ 3,195,289
Building and improvements	1,649,350
Land	263,758
Software and other intangibles	<u>50,392</u>
Total Property and Equipment	5,158,789
Less: Accumulated Depreciation and Amortization	<u>(1,557,386)</u>
Property and Equipment, Net	<u>\$ 3,601,403</u>

Depreciation and amortization expense for the year ended December 31, 2018, was \$448,433.

Continued

CONSERVATION LEGACY

NOTES TO FINANCIAL STATEMENTS For the Year Ended December 31, 2018

5. Capital Leases

Conservation Legacy is the lessee of vehicles under capital leases expiring in various years through 2022. The assets and liabilities under capital leases are recorded at the lower of the present value of the minimum lease payments or the fair value of the asset. The assets are amortized over the estimated productive lives. The leased vehicles are included in property and equipment in the accompanying statement of financial position at a cost of \$1,889,125, with accumulated amortization of \$424,700 as of December 31, 2018. Amortization of assets under capital leases of \$216,861 is included in depreciation and amortization expense for the year ended December 31, 2018.

The future scheduled minimum payments for the capital leases were as follows at December 31, 2018:

<u>For the Year Ending December 31,</u>	
2019	\$ 238,647
2020	338,926
2021	211,732
2022	<u>98,004</u>
Total Payments	887,309
Amount Representing Interest	<u>(34,978)</u>
Capital Lease Obligations (Present Value of Minimum Lease Payments)	852,331
Less: Current Portion	<u>(238,647)</u>
Capital Lease Obligations, Net of Current Portion	<u>\$ 613,684</u>

Interest rates on capitalized leases vary and are imputed on the basis of the lower of the Conservation Legacy's incremental borrowing rate at the inception of each lease or the lessor's implicit rate of return. Interest expense on the capital leases totaled \$26,651 for the year ended December 31, 2018.

Certain capital leases provide renewal or purchase options. Generally, purchase options are prices representing the expected fair value of the property at the expiration of the lease term.

CONSERVATION LEGACY

NOTES TO FINANCIAL STATEMENTS For the Year Ended December 31, 2018

6. Notes Payable

As of December 31, 2018, Conservation Legacy was obligated under the following notes payable to Wells Fargo and the Colorado Housing Finance Authority:

	2018
Wells Fargo Bank: Original amount \$881,000; dated May 31, 2016, with a maturity date of June 1, 2026, monthly payments of \$7,071 with interest at 5.15%, secured by first deed of trust on real property located on Rose Street, Flagstaff, Arizona.	\$ 777,710
Colorado Housing Finance Authority: Original amount \$290,000; dated December 30, 2009, with a maturity date of January 1, 2030; monthly principal and interest payments of \$1,995 with interest at 5.5%, secured by first deed of trust on real property located in Salida, Colorado.	198,327
Wells Fargo Bank: Original amount \$265,200; dated January 15, 2013, with a maturity date of January 15, 2028; monthly principal and interest payments of \$2,157 with interest at 5.35% secured by first deed of trust on real property located on Prince Road, Tucson, Arizona.	<u>185,212</u>
Total Notes Payable	1,161,249
Less: Current Portion	<u>(74,920)</u>
Notes Payable, Net of Current Portion	<u>\$ 1,086,329</u>

Interest expense for the year ended December 31, 2018, was \$66,525.

The future scheduled maturities as of December 31, 2018, were:

For the Year Ending December 31,	Flagstaff Office	Salida Office	Tucson Property	Total
2019	\$ 45,319	\$ 13,364	\$ 16,237	\$ 74,920
2020	47,635	14,118	17,114	78,867
2021	50,290	14,914	18,091	83,295
2022	52,980	15,756	19,097	87,833
2023	55,814	16,664	20,159	92,637
Thereafter	<u>525,672</u>	<u>123,511</u>	<u>94,514</u>	<u>743,697</u>
Total	<u>\$ 777,710</u>	<u>\$ 198,327</u>	<u>\$ 185,212</u>	<u>\$ 1,161,249</u>

Continued

CONSERVATION LEGACY

NOTES TO FINANCIAL STATEMENTS For the Year Ended December 31, 2018

7. Net Assets With Donor Restrictions

Net assets with donor restrictions as of December 31, 2018, were available for the following projects or programs:

Stewards Individual Placements	\$ 124,877
Southeast Conservation Corps	100,418
Ancestral Lands	90,508
Appalachian Conservation Corps	50,000
Southwest Conservation Corps	32,196
Arizona Conservation Corps	27,593
Other Program Initiatives	<u>4,350</u>
Total Net Assets With Donor Restrictions	<u>\$ 429,942</u>

8. Commitments, Risks and Contingencies

Office and Property Leases

Conservation Legacy leases the office space for its headquarters in Durango, Colorado, from SIEC, a related party. In 2018, additional space was occupied by Conservation Legacy, resulting in an addendum to the original lease and a new executed lease agreement for additional space on the third floor. The lease term for both leases is from July 1, 2018, to June 30, 2023, at a total rate of \$8,312 per month plus utilities. The rent and utilities expenses on these leases were \$77,836 and \$13,797, respectively, for the year ended December 31, 2018. The lease may be canceled by either party with three months' notice.

Conservation Legacy is obligated under the terms of various noncancelable operating leases for office facilities, the last of which expires in 2022. Future minimum lease payments related to these leases as of December 31, 2018, are as follows:

<u>For the Year Ending</u> <u>December 31,</u>	
2019	\$ 69,523
2020	17,531
2021	13,113
2022	<u>13,506</u>
Total	<u>\$ 113,673</u>

Conservation Legacy rents a portion of the building located in Flagstaff, Arizona, to an unrelated organization. Subsequent to year-end, the lease term was renewed for a term of March 1, 2019, to February 28, 2021. The tenant may renew the lease for one additional year. Either party to the lease may cancel with written notice of at least six months. On each anniversary of the lease, the rent will increase by no more than 3%. Total rents received under this rental agreement were \$26,159 for fiscal year 2018.

Continued

CONSERVATION LEGACY

NOTES TO FINANCIAL STATEMENTS For the Year Ended December 31, 2018

8. Commitments, Risks and Contingencies (continued)

Office and Property Leases (continued)

Rent expense for operating leases for the year ended December 31, 2018, was \$191,472 and is included in occupancy expense in the accompanying statement of functional expenses.

Line of Credit

Conservation Legacy has a line of credit of \$2,500,000 with Alpine Bank, which matured on April 10, 2019. The line of credit is restricted by \$250,000, which secures credit cards issued by Alpine Bank. As a result, the total available to Conservation Legacy under the line of credit is \$2,250,000. The interest rate is based on 1.375 percentage points over the JP Morgan Chase Bank prime rate with a minimum of 5.125% (6.875% at December 31, 2018). The line of credit is collateralized by the assets of Conservation Legacy, excluding the real estate. The line of credit had no balance outstanding at December 31, 2018. Subsequent to December 31, 2018, the line of credit was extended through April 10, 2021. No other terms of the line of credit changed.

Concentration of Revenue

Conservation Legacy received 53% of its operating revenue and support from the Department of the Interior (DOI) and 14% from Corporation for National and Community Service. The DOI funding includes multiple small funding amounts from individual public land management units (e.g., National Parks, etc.) across the country. If these partnerships with DOI or the agreements with Corporation for National and Community Service were terminated, it would have a substantial effect on Conservation Legacy's operations.

Compliance Audit

Conservation Legacy has received federal grants that are subject to review, audit and adjustment by various federal agencies for qualified expenses charged to the grants. Such audits could lead to requests for reimbursement to the federal agencies for any expenditures which may be disallowed under the terms of the agreements. The amount of expenditures which may be disallowed by the federal agencies cannot be determined at this time, although Conservation Legacy expects such amounts, if any, to be insignificant.

Concentration of Credit Risk

As of December 31, 2018, Conservation Legacy maintained cash balances in excess of the federally insured limit. Accounts per depositor per institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. Amounts held in excess of FDIC insurance coverage as of December 31, 2018, were approximately \$1,869,000. Conservation Legacy monitors the creditworthiness of these financial institutions and has not experienced any losses on its cash.

CONSERVATION LEGACY

NOTES TO FINANCIAL STATEMENTS For the Year Ended December 31, 2018

9. Availability and Liquidity

Conservation Legacy regularly monitors liquidity required to meet its annual operating needs and other contractual commitments, while also striving to preserve the principal and return on the investment of its funds. Conservation Legacy's financial assets available within one year of the statement of financial position date for general expenditures at December 31, 2018, were as follows:

Cash and cash equivalents	\$ 2,154,247
Project fee contracts and grants receivable	4,560,157
Note receivable, current portion	<u>13,058</u>
Total Financial Assets Available Within One Year	6,727,462
Less:	
Amounts unavailable for general expenditures within one year due to donor's restriction with purpose restriction	<u>(429,942)</u>
Financial Assets Available to Meet General Expenditures Within One Year	<u>\$ 6,297,520</u>

Conservation Legacy has various sources of liquidity at its disposal, including cash and cash equivalents, which are available for general expenditures, liabilities and other obligations as they come due. Management is focused on sustaining the financial liquidity of Conservation Legacy throughout the year. This is done through monitoring and reviewing Conservation Legacy's cash flow needs on a weekly basis. As a result, management is aware of the cyclical nature of Conservation Legacy's cash flow related to Conservation Legacy's various funding sources and is therefore able to ensure that there is cash available to meet current liquidity needs. To help manage unanticipated liquidity needs, Conservation Legacy has a committed line of credit, more fully described in Note 8, of \$2,500,000 of which \$250,000 is restricted to secure credit cards issued by Alpine Bank. As of December 31, 2018, the total unrestricted balance of \$2,250,000 was unused and available to draw upon in the event of an unanticipated liquidity level.

10. Pension Plan

Conservation Legacy has established a defined contribution plan (the Plan) under section 403(b) of the Internal Revenue Code (the IRC). Employees are eligible to participate in the Plan immediately upon hire. Under the terms of the Plan, participants may voluntarily elect to have a portion of their compensation deferred and contributed to the Plan. Conservation Legacy matches up to 3% of annual gross wages for all eligible employees who elect to participate. All eligible employees may participate on their date of hire. Participants are fully vested in all plan benefits. Retirement plan expense for 2018 was \$75,765.

CONSERVATION LEGACY

NOTES TO FINANCIAL STATEMENTS For the Year Ended December 31, 2018

11. Income Taxes

Conservation Legacy qualifies as a tax-exempt organization under Section 501(c)(3) of the IRC and is classified as a publicly supported organization under Section 509(a)(1) of the IRC. There is no accrual for income tax expense, as Conservation Legacy had no significant unrelated business income for the year ended December 31, 2018.

Conservation Legacy has adopted the authoritative guidance relating to accounting for uncertainty in income taxes included in FASB Accounting Standards Codification Topic 740, *Income Taxes*. Conservation Legacy has evaluated its uncertainty in income taxes for the year ended December 31, 2018, and determined that there were no matters that would require recognition in the financial statements or that may have any effect on its tax-exempt status. As of December 31, 2018, the statute of limitations for tax years 2015 through 2017 remained open with the U.S. federal jurisdiction or the various states and local jurisdictions in which Conservation Legacy files tax returns; however, there are no examinations in process. It is Conservation Legacy's policy to recognize interest and/or penalties related to uncertainty in income taxes, if any, in interest or income tax expense.

12. Prior Year Summarized Financial Information

The financial statements include certain prior year summarized comparative information in total but not by net asset class or functional expense. Such information does not include sufficient detail to constitute a presentation in conformity with GAAP. Accordingly, such information should be read in conjunction with Conservation Legacy's financial statements for the year ended December 31, 2017, from which the summarized information was derived.

13. Reclassification

Certain amounts in the 2017 financial statements have been reclassified for comparative purposes to conform to the presentation of the current year financial statements.

14. Subsequent Events

In preparing these financial statements, Conservation Legacy has evaluated events and transactions for potential recognition or disclosure through August 28, 2019, the date the financial statements were available to be issued. Except as disclosed in Note 8 regarding the extension of Conservation Legacy's sublease and renewal of line of credit, there were no events that required recognition or disclosure in these financial statements.

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED
ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Board of Directors of
Conservation Legacy

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Conservation Legacy, which comprise the statement of financial position as of December 31, 2018, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated August 28, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Conservation Legacy's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Conservation Legacy's internal control. Accordingly, we do not express an opinion on the effectiveness of Conservation Legacy's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Continued

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether Conservation Legacy's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Conservation Legacy's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Marcum LLP

Washington, D.C.
August 28, 2019

**INDEPENDENT AUDITORS' REPORT
ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY UNIFORM GUIDANCE**

To the Board of Directors of
Conservation Legacy

Report on Compliance for Each Major Federal Program

We have audited Conservation Legacy's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Conservation Legacy's major federal programs for the year ended December 31, 2018. Conservation Legacy's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of Conservation Legacy's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Conservation Legacy's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Conservation Legacy's compliance.

Continued
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Opinion on Each Major Federal Program

In our opinion, Conservation Legacy complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal programs for the year ended December 31, 2018.

Report on Internal Control Over Compliance

Management of Conservation Legacy is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Conservation Legacy's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Conservation Legacy's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Marcum LLP

Washington, D.C.
August 28, 2019

CONSERVATION LEGACY

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended December 31, 2018**

<u>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Passed Through to Subrecipients</u>	<u>Total Federal Expenditures</u>
U.S. DEPARTMENT OF THE INTERIOR				
National Park Service				
Rivers, Trails and Conservation Assistance	15.921	N/A	\$ -	\$ 638,200
Conservation Activities by Youth Service Organizations	15.931	N/A	88,200	8,664,487
<i>Pass-Through from Geological Society of America</i>				
Conservation Activities by Youth Service Organizations	15.931	P15AC1132	-	31,633
Total for CFDA 15.931			88,200	8,696,120
Natural Resource Stewardship	15.944	N/A	-	301,715
National Park Service				
Conservation, Protection, Outreach and Education	15.954	N/A	-	169,647
Bureau of Land Management				
Cultural and Paleontological Resources Management	15.224	N/A	-	39,395
Recreation and Visitor Services	15.225	N/A	-	923,829
<i>Pass-Through from CYCA</i>				
Recreation and Visitor Services	15.225	CYCA-SUB-SCCLV/ CYCA-SUB-SCCFC	-	49,300
Total for CFDA 15.225			-	973,129
BLM Wildland Urban Interface				
Community Fire Assistance	15.228	N/A	-	33,332
Invasive and Noxious Plant Management	15.230	N/A	32,670	64,670
Fish, Wildlife and Plant				
Conservation Resource Management	15.231	N/A	-	709,950
BLM Rural Fire Assistance	15.242	N/A	-	158,400
Youth Conservation Opportunities on Public Lands	15.243	N/A	351,612	762,995
<i>Pass-Through from CYCA</i>				
Youth Conservation Opportunities on Public Lands	15.243	CYCA-SUB-SCCLV/ CYCA-SUB-SCCFC	-	334,535
Total for CFDA 15.243			351,612	1,097,530
Secretary's Office				
21st Century Conservation Service Corps	15.154	N/A	-	134,136
Bureau of Indian Affairs				
Water Resources on Indian Lands	15.037	N/A	-	32,692
Cultural Resources Management	15.159	N/A	-	33,334
Office of Surface Mining				
OSM/VISTA AmeriCorps	15.254	N/A	-	107,527

See accompanying notes to this schedule.

Continued

CONSERVATION LEGACY

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended December 31, 2018**

(continued)				
Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Total Federal Expenditures
U.S. DEPARTMENT OF THE INTERIOR (continued)				
Bureau of Reclamation				
Youth Conservation	15.546	N/A	\$ -	\$ 123,583
United States Fish and Wildlife Service				
Youth Engagement, Education, and Employment	15.676	N/A	-	164,743
U.S. Geological Survey				
U.S. Geological Survey Research and Data Collection	15.808	N/A	-	64,405
Total U.S. Department of the Interior			472,482	13,542,508
U.S. DEPARTMENT OF AGRICULTURE				
Grants for Agricultural Research, Special Research Grants	10.200	N/A	-	12,771
<i>Pass-through from National Forest Foundation</i> National Forest Foundation	10.682	RK-302/RGNF/CK-223	-	15,540
Total U.S. Department of Agriculture			-	28,311
CORPORATION FOR NATIONAL AND COMMUNITY SERVICE				
AmeriCorps				
<i>Pass-Through from The Corps Network – OYSI</i> AmeriCorps	94.006	16NDHDC0040012	-	749,630
<i>Pass-Through from The Corps Network – TIP</i> AmeriCorps	94.006	18NDHDC0020001	-	33,330
Total for CFDA 94.006			-	782,960
Volunteers in Service to America (VISTA)				
Volunteers in Service to America	94.013	N/A	-	869,499
Disaster Preparedness				
CNCS Disaster Response Cooperative Agreement	94.020	N/A	-	668,292
Total Corporation for National and Community Service			-	2,320,751
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ 472,482	\$ 15,891,570

See accompanying notes to this schedule.

CONSERVATION LEGACY

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS For the Year Ended December 31, 2018

1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (SEFA) includes the federal award activity of Conservation Legacy under programs of the federal government for the year ended December 31, 2018. The information on the SEFA is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the SEFA presents only a selected portion of the operations of Conservation Legacy, it is not intended to and does not present the financial position, changes in net assets, or cash flows of Conservation Legacy.

2. Basis of Accounting

Expenditures reported on the SEFA are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

3. Indirect Cost Rate

Conservation Legacy has elected not to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance.

CONSERVATION LEGACY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended December 31, 2018

SECTION I – SUMMARY OF AUDITORS’ RESULTS

Financial Statements

Type of auditors’ report issued on whether the financial statements audited were prepared in accordance with GAAP:

X Unmodified Qualified
Adverse Disclaimer

Internal control over financial reporting:

- Material weakness(es) identified? Yes X No
Significant deficiency(ies) identified? Yes X None Reported

Noncompliance material to financial statements noted?

Yes X No

Federal Awards

Type of auditors’ report issued on compliance for major federal programs:

X Unmodified Qualified
Adverse Disclaimer

Internal control over major federal programs:

- Material weakness(es) identified? Yes X No
Significant deficiency(ies) identified? Yes X None Reported

Any audit findings disclosed that are required to be reported in accordance with 2 CFR, 200 516(a)?

Yes X No

Identification of Major Federal Programs:

Table with 2 columns: CFDA Numbers, Program Titles. Rows include 15.231 Fish, Wildlife and Plant Conservation Resource Management, 15.243 Youth Conservation Opportunities on Public Lands, 94.006 AmeriCorps, 94.020 CNCS Disaster Response Cooperative Agreement.

Dollar threshold used to distinguish between Type A and Type B programs: \$ 750,000

Auditee qualified as a low-risk auditee? X Yes No

SECTION II – FINDINGS – FINANCIAL STATEMENT AUDIT

None required to be reported.

CONSERVATION LEGACY

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended December 31, 2018**

**SECTION III – FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS
AUDIT**

None required to be reported.

SECTION IV – STATUS OF PRIOR YEAR FINDINGS

Financial Statement Audit Findings

None required to be reported.

Major Federal Award Programs Audit Findings and Questioned Costs

None required to be reported.