



Sky Island Alliance
Financial Statements
For the Year Ended December 31, 2020

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**SKY ISLAND ALLIANCE
YEAR ENDED DECEMBER 31, 2020
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INDEPENDENT AUDITOR'S REPORT

The Board of Directors
Sky Island Alliance

Report on Audit of Financial Statements

Opinion

We have audited the accompanying financial statements of Sky Island Alliance (Alliance), which comprise the statement of financial position as of December 31, 2020, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Sky Island Alliance as of December 31, 2020, 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.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Alliance'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 misstatements, 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 generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

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

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

Report on Summarized Comparative Information

We have previously audited the Sky Island Alliance's 2019 financial statements, and our report dated August 21, 2020, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2020, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Heinfeld, Meech & Co., P.C.
Tucson, Arizona
August 30, 2021

SKY ISLAND ALLIANCE
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2020
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2019)

<u>Assets</u>	2020	2019
Cash and cash equivalents	\$ 642,171	\$ 581,187
Contracts and agreements receivable	67,329	64,507
Contributions and foundation grants receivable	12,175	22,256
Prepaid expenses	8,542	12,987
Other current assets		4,000
Property and equipment, net		4,500
Total assets	<u>\$ 730,217</u>	<u>\$ 689,437</u>
<u>Liabilities</u>		
Accounts payable	\$ 14,751	\$ 8,776
Accrued payroll	22,801	7,393
Total liabilities	<u>37,552</u>	<u>16,169</u>
<u>Net assets</u>		
Without donor restrictions:		
Undesignated	644,627	600,707
Net investment in property and equipment		4,500
With donor restrictions:		
Purpose restricted	<u>48,038</u>	<u>68,061</u>
Total net assets	<u>692,665</u>	<u>673,268</u>
Total liabilities and net assets	<u>\$ 730,217</u>	<u>\$ 689,437</u>

See accompanying notes to financial statements.

SKY ISLAND ALLIANCE
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2020
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2019)

	Without Donor Restrictions	With Donor Restrictions	Totals	
			2020	2019
Revenue, support, and gains:				
Contracts and agreements	\$ 189,694	\$	\$ 189,694	\$ 222,718
Contributions	189,726	5,000	194,726	201,062
Foundation grants	241,000	130,000	371,000	321,500
Project income				5,060
Paycheck protection program funding	102,932		102,932	
Interest and dividends	66		66	356
Other income				20
Net assets released from restrictions	155,023	(155,023)		
Total revenue, support, and gains	<u>878,441</u>	<u>(20,023)</u>	<u>858,418</u>	<u>750,716</u>
 Expenses and losses:				
Program services	611,197		611,197	536,473
Supporting services:				
Management and general	116,152		116,152	90,590
Fundraising	111,672		111,672	106,383
Total supporting services	<u>227,824</u>		<u>227,824</u>	<u>196,973</u>
 Total expenses and losses	839,021		839,021	733,446
 Change in net assets	39,420	(20,023)	19,397	17,270
 Net assets, beginning of year	<u>605,207</u>	<u>68,061</u>	<u>673,268</u>	<u>655,998</u>
 Net assets, end of year	<u>\$ 644,627</u>	<u>\$ 48,038</u>	<u>\$ 692,665</u>	<u>\$ 673,268</u>

See accompanying notes to financial statements.

SKY ISLAND ALLIANCE
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2020
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2019)

	Supporting Services			Totals	
	Program Services	Management and General	Fundraising	2020	2019
Salaries and wages	\$ 376,723	\$ 74,993	\$ 72,690	\$ 524,406	\$ 493,877
Fees and permits	64,031	2,372	11,642	78,045	22,611
Professional fees	3,690	14,953	50	18,693	14,857
Contract services	38,457	3,837	8,074	50,368	41,515
Supplies	35,150	4,347	724	40,221	13,566
Postage and printing	10,391	3,243	6,001	19,635	13,615
Occupancy	54,294	7,966	8,843	71,103	67,356
Depreciation	3,421	502	577	4,500	4,501
Travel	11,222	543	455	12,220	41,519
Meetings	2,420	673	124	3,217	6,844
Insurance	11,388	2,723	1,442	15,553	13,175
Advertising	10		1,050	1,060	10
Total expenses	<u>\$ 611,197</u>	<u>\$ 116,152</u>	<u>\$ 111,672</u>	<u>\$ 839,021</u>	<u>\$ 733,446</u>

See accompanying notes to financial statements.

**SKY ISLAND ALLIANCE
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2020
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2019)**

	2020	2019
Cash flows from operating activities:		
Change in net assets	\$ 19,397	\$ 17,270
Adjustments to reconcile change in net assets to net cash provided by (used for) operating activities:		
Depreciation	4,500	4,501
Changes in assets and liabilities:		
Contracts and agreements receivable	(2,822)	13,952
Contributions and foundation grants receivable	10,081	44,635
Prepaid expenses	4,445	1,699
Other current assets	4,000	
Accounts payable	5,975	(1,141)
Accrued payroll	15,408	(6,607)
	60,984	74,309
Net cash provided by (used for) operating activities		
Cash flows from investing activities:		
Proceeds from sale of investments		2,982
		2,982
Net cash provided by (used for) investing activities		
Net increase (decrease) in cash and cash equivalents	60,984	77,291
Cash and cash equivalents, beginning of year	581,187	503,896
Cash and cash equivalents, end of year	\$ 642,171	\$ 581,187

See accompanying notes to financial statements.

SKY ISLAND ALLIANCE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

Sky Island Alliance (Alliance) works to ensure the Sky Island region is a place where nature thrives, where open space and clean water are available to all, and where people are connected to the region and its innate ability to enrich our lives. The Alliance's programs protect and restore the diversity of life and lands in the region. Major programs include protecting water, conserving wildlife, fostering collaborative stewardship of the land, and connecting people to the region. The Alliance works across borders using science, community engagement, on-the-ground conservation work, and advocacy to connect lands, people, and wildlife. Cooperative efforts between the Alliance staff, volunteers, property owners, scientists, and government agencies are a hallmark of the organization's approach. The majority of the Alliance's revenues are from individual contributions, and government and foundation grants. The organization was incorporated in Arizona in September 1995.

Basis of Accounting

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

Basis of Presentation

The financial statements of the Alliance have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to not-for-profit entities. The Financial Accounting Standards Board (FASB) is the accepted standard-setting body for establishing not-for-profit accounting and financial reporting principles. The Alliance is required to report information regarding its financial position and activities according to two classes based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Alliance and changes therein are classified as follows:

Net assets without donor restrictions – Net assets that are not subject to donor-imposed stipulations.

Net assets with donor restrictions – Net assets subject to donor-imposed stipulations. Some donor restrictions are temporary in nature; those restrictions will be met either by actions of the Alliance and/or the passage of time. Other donor restrictions are perpetual in nature, where by the donor has stipulated the funds must be maintained in perpetuity.

Donor-restricted contributions are reported as an increase in net assets with donor restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets are reclassified to net assets without donor restrictions and reported in the Statement of Activities as net assets released from restrictions.

SKY ISLAND ALLIANCE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Use of Estimates

In preparing financial statements in conformity with accounting principles generally accepted in the United States of America, management is required to make estimates and assumptions. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from those estimates.

Comparative Financial Information

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Alliance's financial statements for the year ended December 31, 2019, from which the summarized information was derived.

Cash and Cash Equivalents

For purposes of the Statement of Cash Flows, the Alliance considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents.

Investments

The Alliance reports investments at fair value. Net investment income return is reported in the Statement of Activities and consists of interest and dividend income, realized and unrealized capital gains and losses, less investment expense. The Alliance had no investments at year-end.

Concentrations of Credit and Market Risk

Financial instruments that potentially expose the Alliance to concentrations of credit and market risk consist primarily of cash equivalents and investments. The Alliance maintains its cash and cash equivalents in bank deposit accounts, which, for short periods of time, may exceed federally insured limits. At year end, the carrying amount of the Alliance's deposits was \$639,727 and the bank balance was \$643,641. At year end, \$57,888 of the Alliance's deposits were uninsured and uncollateralized. To minimize risk, cash accounts are maintained at high-quality financial institutions and credit exposure is limited to any one institution. Additionally, the Alliance had cash on hand of \$2,444.

Revenue Recognition

Contributions. The Alliance recognizes contributions when cash, securities or other assets; an unconditional promise to give; or a notification of a beneficial interest is received. Conditional promises to give – that is, those with a measurable performance or other barrier and a right of return – are not recognized until the conditions on which they depend have been met. The Alliance did not have any conditional promises to give at December 31, 2020.

SKY ISLAND ALLIANCE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Foundation Grants. The Alliance is funded by foundation grants for general support, border wildlife studies, and the safe movement of wildlife over borders. These grants are unconditional in nature and recognized as revenue when cash is received. A portion of foundation grants are restricted for a specific purpose and are reclassified to without donor restrictions when expenses have been incurred in compliance with the grant provisions.

Contracts and Agreements. Contracts and agreements revenue is derived from cost-reimbursable federal and state contracts and agreements, which are conditioned upon certain performance requirements and/ or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the Alliance has incurred expenses in compliance with specific contract or agreement provisions. Amounts received prior to incurring qualifying expenses are reported as refundable advances in the statement of financial position. The Alliance was awarded \$135,267 in contracts that have not been recognized at December 31, 2020, because qualifying expenses have not yet been incurred. The Alliance did not have an advance payment at year-end.

Contributions and Foundation Grants Receivable

Unconditional promises to give that are expected to be collected in less than one year are reported at the net realizable value. Unconditional promises to give that are expected to be collected in periods greater than one year are recorded at net present value of expected cash flows. Management does not believe an allowance for uncollectible amounts is necessary based on historical experience with donors, and accordingly has made no allowance for doubtful accounts.

Contracts and Agreements Receivable

Contracts and agreements receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable. Contracts and agreements receivable are considered by management to be collectible in full and, accordingly, an allowance for doubtful accounts is not considered necessary.

SKY ISLAND ALLIANCE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Property and Equipment

All acquisitions of property and equipment with a cost in excess of \$5,000 and all expenses for repairs, maintenance, renewals, and betterments that materially prolong the useful lives of assets are capitalized. Property and equipment are carried at cost or, if donated, at the approximate fair market value at the date of donation. Depreciation is computed using the straight-line method over the estimated useful lives of the respective assets, ranging from three to five years. Depreciation expense for the current fiscal year was \$4,500.

The Alliance reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or fair value less costs to sell. Management does not believe impairment indicators are present.

Compensated Absences

Employees are entitled to personal time off (PTO), depending on job classification, length of service, and other factors. It is the Alliance's policy to recognize the cost of compensated absence when leave is earned by employees.

Donated Services and In-Kind Contributions

Donations of property and equipment are recorded as contributions at fair value at the date of donation. Such donations are reported as increases in net assets without donor restrictions unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as increases in net assets with donor restrictions. Absent donor stipulations regarding how long those donated assets must be maintained, the Alliance reports expirations of donor restrictions when the donated or acquired assets are placed in service. The Alliance reclassifies net assets with donor restrictions to net assets without restrictions at that time.

Volunteers contribute significant amounts of time to the Alliance's program services, administration, and fundraising activities; however the financial statements do not reflect the value of these contributed services because they do not meet recognition criteria prescribed in generally accepted accounting principles.

SKY ISLAND ALLIANCE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Functional Allocation of Expenses

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

The expenses that are allocated include the following:

<u>Expense</u>	<u>Method of Allocation</u>
Salaries and benefits	Time and effort
Occupancy	Time and effort
Travel	Time and effort
Depreciation	Time and effort

Advertising

The Alliance uses advertising to promote its programs among the audiences it serves. The production costs of advertising are expensed as incurred. During the current fiscal year, advertising costs totaled \$1,060.

Income Tax Status

The Alliance is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code and similar State of Arizona tax provisions. In addition, the Alliance qualifies for the charitable contribution deduction under Section 170(b)(1)(A)(vi) and has been classified as an organization other than a private foundation under Section 509(a)(1). The Alliance's Form 990, *Return of Organization Exempt from Income Taxes* is generally subject to examination by the Internal Revenue Service for three years after the date filed.

Management has evaluated the tax positions taken or expected to be taken, if any, on its exempt organization filings, and the likelihood that upon examination those positions would be sustained. Based on the results of this evaluation, management believes there are no uncertain tax positions.

Recent Accounting Pronouncements Issued Not Yet Effective

In February 2016, the FASB issued ASU Update 2016-02, *Leases (Topic 842)*. The ASU will require entities to recognize assets and liabilities for both capital and operating leases with lease terms of more than 12 months on the statement of financial position. This ASU is effective for fiscal years beginning after December 15, 2021. The Alliance is currently evaluating the effect that this pronouncement will have on its consolidated financial statements and related disclosures.

**SKY ISLAND ALLIANCE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020**

NOTE 2 – LIQUIDITY AND AVAILABILITY

The following represents the Alliance’s financial assets at fiscal year end:

Financial assets at year-end:	
Cash and cash equivalents	\$ 642,171
Contracts and agreements receivable	67,329
Contributions and foundation grants receivable	<u>12,175</u>
Total financial assets	<u>721,675</u>
Less amounts not available to be used within one year:	
Net assets with donor restrictions	48,038
Less: net assets with purpose restrictions to be met in less than a year	<u>(48,038)</u>
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 721,675</u>

The Alliance regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. The Alliance has a \$15,000 credit line available to meet cash flow needs. The interest rate is 10.5 percent as of December 31, 2020, with interest due monthly and principal due upon maturity. No funds were borrowed under this agreement during the fiscal year.

NOTE 3 – PROPERTY AND EQUIPMENT

Property and equipment consist of the following.

Computer and office equipment	\$ 11,117
Vehicles	<u>24,535</u>
Total property and equipment	35,652
Less: Accumulated depreciation and amortization	<u>(35,652)</u>
Net property and equipment	<u>\$ _____</u>

**SKY ISLAND ALLIANCE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020**

NOTE 4 – PAYCHECK PROTECTION PROGRAM (PPP) LOAN

The Alliance received approval for a Payroll Protection Program (PPP) loan under the CARES Act on April 7, 2020 in the amount of \$102,932. The Alliance met all the criteria required for the loan to be forgiven, as such, the Small Business Administration forgave the loan on December 2, 2020, and the Alliance recorded it as paycheck protection program funding in the Statement of Activities.

The Alliance must retain all records relating to the PPP loan, including documentation necessary to support the loan forgiveness application and documentation supporting material compliance with program requirements. The Alliance must retain all documentation for six years after the loan is forgiven. The loan forgiveness is subject to audit and adjustment by the SBA. Any ineligible loan amounts may result in the SBA requiring the Alliance repay the loan forgiven in part, or in whole.

NOTE 5 – NET ASSETS

For the current fiscal year, the Alliance had net assets with donor restrictions in the amount of \$48,038 for the specific purpose to conserve wildlife.

Net assets released from donor restrictions are as follows:

Specific Purpose	
Conserve Wildlife	\$ 149,515
Protect Water	<u>5,508</u>
Total	<u>\$ 155,023</u>

NOTE 6 – OPERATING LEASE COMMITMENTS

The Alliance leases their office space under the provisions of a long-term lease classified as an operating lease for accounting purposes. The operating lease has a remaining non-cancelable lease term of 1.75 years. Total rent expense incurred under operating leases totaled \$52,103 during the fiscal year.

The following is a schedule by years of future minimum rental payments under the leases at year end:

Year End:		
	2021	\$ 9,000
	2022	<u>6,750</u>
Total		<u>\$ 15,750</u>

**SKY ISLAND ALLIANCE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020**

NOTE 7 – EMPLOYEE BENEFIT PLANS

Tax-deferred Annuity Plan

The Alliance has a tax-deferred annuity plan that qualifies under Section 403(b) of the Internal Revenue Code. The plan covers eligible employees of the Alliance. Employees may make contributions to the plan up to the maximum amount allowed by the Internal Revenue Code if they wish. Contributions to the plan by the Alliance can be made at the discretion of the Board of Directors. The Alliance did not make any contributions during the fiscal year.

NOTE 8 – CONCENTRATIONS

The Alliance received approximately 29 percent of its revenue from the Wilburforce Foundation.

NOTE 9 – RELATED PARTY TRANSACTIONS

The Alliance procures facilitation and planning services for meetings and workshops through Southwest Decision Resources. Southwest Decision Resources employs a Board member for the Alliance and the Board member's spouse. During 2020, expenses totaling \$2,556 were made with Southwest Decision Resources.

NOTE 10 – SUBSEQUENT EVENT

Subsequent events have been evaluated through August 30, 2021, which is the date the financial statements were available to be issued.

On July 21, 2021, the Alliance received an unexpected, unrestricted legacy gift of \$100,000.