



Sky Island Alliance
Financial Statements
For the Year Ended December 31, 2023

Sky Island Alliance

Financial Statements
Year Ended December 31, 2023

Sky Island Alliance

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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, 2023, 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, 2023, 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 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 2022 financial statements, and our report dated September 22, 2023, 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, 2022, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Heinfeld Meech & Co. PC

Heinfeld, Meech & Co., P.C.
Tucson, Arizona
August 5, 2024

Sky Island Alliance
Statement of Financial Position
December 31, 2023
(with Comparative Totals for the Year Ended December 31, 2022)

<u>Assets</u>	2023	2022
Cash and cash equivalents	\$ 642,052	\$ 632,622
Investments	39,901	28,552
Contracts and agreements receivable	43,041	54,702
Contributions and foundation grants receivable	25,146	19,564
Prepaid expenses	15,559	1,963
Other current assets	4,530	4,433
Property and equipment, net	19,327	13,000
Operating lease right of use asset	24,276	32,879
Total assets	\$ 813,832	\$ 787,715
<u>Liabilities</u>		
Accounts payable	\$ 19,962	\$ 13,454
Accrued payroll	31,578	22,593
Operating lease liability	24,276	32,879
Total liabilities	75,816	68,926
<u>Net assets</u>		
Without donor restrictions:		
Undesignated	483,324	442,278
Designated by the Board	39,901	28,552
With donor restrictions:		
Purpose restricted	214,791	247,959
Total net assets	738,016	718,789
Total liabilities and net assets	\$ 813,832	\$ 787,715

See accompanying notes to financial statements.

Sky Island Alliance
Statement of Activities
For the Year Ended December 31, 2023
(with Comparative Totals for the Year Ended December 31, 2022)

	Without Donor	With Donor	Totals	
	Restrictions	Restrictions	2023	2022
Revenue, support, and gains:				
Contracts and agreements	\$ 315,940	\$	\$ 315,940	\$ 195,404
Contributions	413,378	27,000	440,378	324,673
Contributions - in kind	15,299		15,299	
Foundation grants	234,000	265,272	499,272	570,590
Investment return, net	6,307		6,307	(719)
Other income	1,363		1,363	
Merchandise sales	3,102		3,102	
Less: cost of goods sold	(2,450)		(2,450)	
Net assets released from restrictions	298,688	(298,688)		
Total revenue, support, and gains	<u>1,285,627</u>	<u>(6,416)</u>	<u>1,279,211</u>	<u>1,089,948</u>
Expenses:				
Program services	975,465		975,465	849,071
Management and general	191,805		191,805	143,523
Fundraising	92,714		92,714	131,803
Total expenses	<u>1,259,984</u>		<u>1,259,984</u>	<u>1,124,397</u>
Change in net assets	25,643	(6,416)	19,227	(34,449)
Net assets, beginning of year, as reclassified	<u>497,582</u>	<u>221,207</u>	<u>718,789</u>	<u>753,238</u>
Net assets, end of year	<u>\$ 523,225</u>	<u>\$ 214,791</u>	<u>\$ 738,016</u>	<u>\$ 718,789</u>

See accompanying notes to financial statements.

Sky Island Alliance
Statement of Functional Expenses
For the Year Ended December 31, 2023
(with Comparative Totals for the Year Ended December 31, 2022)

	Supporting Services			Totals	
	Program Services	Management and General	Fundraising	2023	2022
Salaries and wages	\$ 508,824	\$ 51,733	\$ 48,763	\$ 609,320	\$ 653,400
Employee benefits	122,007	12,366	11,655	146,028	133,391
Subscriptions and dues	6,268	22,097		28,365	26,110
Contributions to others					4,750
Fees and permits	5,106	617	862	6,585	7,476
Professional fees	18,811	72,533	1,897	93,241	22,919
Contract services	142,204	8,690	17,473	168,367	128,888
Merchandise	2,450			2,450	
Supplies	76,639	4,870	2,961	84,470	32,860
Postage and printing	15,587	1,059	3,096	19,742	22,292
Occupancy	24,539	2,065	2,065	28,669	26,817
Depreciation	4,646			4,646	2,000
Travel	41,488	10,091	2,009	53,588	40,169
Meetings	3,542	1,270	1,059	5,871	6,910
Bank fees		667		667	154
Insurance	5,444	867	867	7,178	10,791
Advertising	320	2,873		3,193	5,470
Miscellaneous	40	7	7	54	
Total expenses	<u>977,915</u>	<u>191,805</u>	<u>92,714</u>	<u>1,262,434</u>	<u>1,124,397</u>
Less: expenses netted against revenue on Statement of Activities					
Cost of goods sold	(2,450)			(2,450)	
Total expenses	<u>\$ 975,465</u>	<u>\$ 191,805</u>	<u>\$ 92,714</u>	<u>\$ 1,259,984</u>	<u>\$ 1,124,397</u>

See accompanying notes to financial statements.

Sky Island Alliance
Statement of Cash Flows
For the Year Ended December 31, 2023
(with Comparative Totals for the Year Ended December 31, 2022)

	2023	2022
Cash flows from operating activities:		
Change in net assets	\$ 19,227	\$ (34,449)
Adjustments to reconcile change in net assets to net cash provided by/used for operating activities:		
Depreciation	4,646	2,000
Net (gain)/loss on investments	(3,849)	
Changes in assets and liabilities:		
Contracts and agreements receivable	11,661	16,684
Contributions and foundation grants receivable	(5,582)	(926)
Prepaid expenses	(13,596)	3,924
Other current assets	(97)	(4,433)
Operating lease right of use asset	8,603	(32,879)
Accounts payable	6,508	(10,358)
Accrued payroll	8,985	3,259
Operating lease liability	(8,603)	32,879
Net cash provided by/used for operating activities	27,903	(24,299)
Cash flows from investing activities:		
Purchases of property and equipment	(10,973)	(15,000)
Purchases of investments	(7,500)	(28,552)
Net cash provided by/used for investing activities	(18,473)	(43,552)
Net increase/decrease in cash and cash equivalents	9,430	(67,851)
Cash and cash equivalents, beginning of year	632,622	700,473
Cash and cash equivalents, end of year	\$ 642,052	\$ 632,622
Supplemental disclosure of cash flow information		
Cash paid for amounts included in the measurement of operating leases	\$ 9,000	\$ 9,000

See accompanying notes to financial statements.

Sky Island Alliance
Notes to Financial Statements
December 31, 2023

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. The Governing Board has designated, from net assets without donor restrictions, net assets for a board designated quasi-endowment.

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. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as restricted revenue when received and released from restrictions when the assets are placed in service.

Sky Island Alliance
Notes to Financial Statements
December 31, 2023

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, 2022, 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.

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 \$639,133 and the bank balance was \$637,238. At year end, \$354,650 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 \$1,546.

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, 2023.

Sky Island Alliance
Notes to Financial Statements
December 31, 2023

Note 1 – Summary of Significant Accounting Policies

Foundation Grants. The Alliance is funded by foundation grants for general support, protecting and studying wildlife, and protecting and studying water. 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 \$109,356 in contracts that have not been recognized at December 31, 2023, 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.

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 \$4,646.

Sky Island Alliance
Notes to Financial Statements
December 31, 2023

Note 1 – Summary of Significant Accounting Policies

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.

Leases

The Alliance determines if an arrangement is or contains a lease at inception. All leases are recorded on the statement of financial position except for leases with an initial term less than 12 months. Lease assets and obligations are recognized based on the present value of future lease payments over the lease terms. The Alliance has made an accounting policy election to use a risk-free rate in lieu of its incremental borrowing rate to discount future lease payments.

Operating lease right-of-use assets (ROU) include adjustments related to lease payments made and lease incentives received at or before the commencement date. The assets resulting from operating leases are included in right-of-use assets and the related liabilities are included in operating leases payable on the statement of financial position.

Operating lease expense is recognized on a straight-line basis over the lease term. The Alliance has elected to not separate lease and non-lease components for real estate. Lease terms may include options to extend or terminate the lease when it is reasonably certain that the Alliance will exercise that option.

In-Kind Contributions

Contributed nonfinancial assets include donated professional services, donated equipment, and other in-kind contributions which are recorded at the respective fair values of the goods or services received. The Alliance does not sell donated gifts-in-kind it receives. In addition to contributed nonfinancial assets, volunteers may contribute significant amounts of time to program services, administration, and fundraising and development activities; however, the financial statements do not reflect the value of these contributed services because they do not meet recognition criteria prescribed by generally accepted accounting principles. Contributed goods are recorded at fair value at the date of donation.

Sky Island Alliance
Notes to Financial Statements
December 31, 2023

Note 1 – Summary of Significant Accounting Policies

During the year, the Alliance received donated cameras and accessories with a fair value of \$15,299, that were valued using estimated U.S. wholesale prices (principal market) for identical equipment. The equipment was utilized for the Alliance's program services. There were no donor-imposed restrictions on the donated assets.

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

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 \$3,193.

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.

Reclassifications

Certain accounts in the prior-year financial statements have been reclassified for comparative purposes to conform with the presentation in the current-year financial statements.

Sky Island Alliance
Notes to Financial Statements
December 31, 2023

Note 1 – Summary of Significant Accounting Policies

Date of Management’s Review

In preparing these financial statements, the Alliance has evaluated events and transactions for potential recognition or disclosure through August 5, 2024, which is the date the financial statements were available to be issued.

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	\$ 642,052
Investments	39,901
Contracts and agreements receivable	43,041
Contributions and foundation grants receivable	25,146
Total financial assets	750,140
Less amounts not available to be used within one year:	
Net assets with donor restrictions	214,791
Less: Net assets with purpose restrictions to be met in less than a year	(214,791)
Quasi-endowment established by the Board	39,901
Financial assets available to meet general expenditures over the next twelve months	\$ 710,239

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’s goal is generally to maintain 25-50 percent of its annual revenue on hand to meet expenses. Any excess unrestricted funds at year-end are assessed for future investment. The Alliance has a \$15,000 credit line available to meet cash flow needs. The interest rate is 15.75 percent as of December 31, 2023, with interest due monthly and principal due upon maturity. The Alliance had no outstanding balance on its line of credit at fiscal year end.

Additionally, the Alliance has a quasi-endowment that was established according to Board policy. Although the Alliance does not intend to spend from its quasi-endowment other than amounts appropriated for general expenditure as part of its annual budget approval and appropriation process, amounts from its quasi-endowment could be made available if necessary.

Sky Island Alliance
Notes to Financial Statements
December 31, 2023

Note 3 – Investments and Fair Value Measurements

Fair value is defined as the price that the Alliance would receive to sell an asset or pay to transfer a liability in an orderly transaction between market participants at the measurement date.

Accounting standards establish a three-tier fair value hierarchy that prioritizes the inputs to valuation techniques. Inputs refer broadly to the assumptions that market participants use to make valuation decisions, including assumptions about risk. Observable inputs are those that reflect the assumptions that market participants would use in pricing the asset and are based on market data obtained from independent sources. Unobservable inputs reflect the Alliance's assumptions about the inputs market participants would use in pricing the asset or liability developed based on the best information available in the circumstances. The three-tier hierarchy of inputs is summarized in the three broad levels listed below:

- Level 1: Quoted prices in active markets for identical investments.
- Level 2: Quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in inactive markets, inputs other than quoted prices that are observable for the asset or liability.
- Level 3: Unobservable inputs for the asset or liability.

The level of fair value hierarchy within which a fair value measurement in its entirety falls is based on the lowest level input that is significant to the fair value measurement in its entirety.

Fair Values Measured on Recurring Basis

The Alliance's investment balance of \$39,901 is invested with the Arizona Community Foundation, in a pool comprised of fixed income and equity securities. The fair value of the Alliance's interest in the pool is reported by the Community Foundation based on the quoted net asset values of the underlying investments in the pool, adjusted by an asset charge. This is considered to be a Level 3 measurement.

See Note 5 for a reconciliation of the beginning and ending balance of assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3), as the investment with the Community Foundation is also reported by the Alliance as a board-designated endowment fund.

Note 4 – Property and Equipment

Property and equipment consist of the following.

Computer and office equipment	\$ 5,310
Vehicles	<u>50,508</u>
Total property and equipment	55,818
Less: Accumulated depreciation and amortization	<u>(36,491)</u>
Net property and equipment	<u><u>\$ 19,327</u></u>

Sky Island Alliance
Notes to Financial Statements
December 31, 2023

Note 5 – Endowment Fund

The Alliance maintains a board-designated endowment fund. As required by accounting principles generally accepted in the United States of America, 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. The board-designated endowment fund is classified with net assets without restrictions as there are no donor-imposed restrictions on the underlying funds of the endowment.

Investment Return Objectives, Risk Parameters and Strategies

The Alliance has adopted investment and spending policies, approved by the Board, 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. Actual returns in any given year may vary from this amount. Investment risk is measured in terms of the total endowment fund; investment assets and allocation between asset classes and strategies are managed to not expose the fund to unacceptable levels of risk.

Spending Policy

The Alliance’s policy states that all investment earnings are to be reinvested as additional corpus. Appropriations require two-thirds majority board approval. The Alliance expects the current spending policy to allow its endowment funds to grow at a nominal average rate. This is consistent with the Alliance’s objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through investment returns.

Changes in Endowment Net Assets as of year end:

	Without Donor Restriction
Endowment net assets, beginning of year	\$ 28,552
Contributions	7,500
Investment return, net	4,599
Amounts appropriated for expenditure	(750)
Endowment net assets, end of year	<u>\$ 39,901</u>

Sky Island Alliance
Notes to Financial Statements
December 31, 2023

Note 6 – Net Assets

Net assets with donor restrictions are as follows:

Specific Purpose	
Connect People to the Region	\$ 6,545
Conserve Wildlife	159,052
Protect Water	49,194
Total	<u>\$ 214,791</u>

Net assets released from donor restrictions are as follows:

Specific Purpose	
Connect People to the Region	\$ 18,443
Conserve Wildlife	233,335
Protect Water	46,910
Total	<u>\$ 298,688</u>

Note 7 – Leases

The Alliance leases office space under a noncancelable operating lease through September 2024, with two options to extend the lease term for one year periods. The renewal options have been included in the determination of the right-of-use asset and lease liability as they are reasonably certain to be exercised. Lease payments are due on a monthly basis, and total operating lease expense for the fiscal year included \$9,000 recognized straight-line over the term of the lease.

The Alliance has not included the possibility of early termination in the calculation of the right-of-use asset and lease liability since the Alliance does not intend to terminate the lease before the expiration of the term. The Alliance has also determined that there were no nonlease components to be allocated to the lease. In determining the value of the right-of-use asset and lease liability, future lease payments were discounted applying the risk-free discount rate of 1.37 percent.

Sky Island Alliance
Notes to Financial Statements
December 31, 2023

Note 7 – Leases

The following table provides a schedule of future lease payments and other supplemental information for the Alliance’s operating lease as of year end:

Year End:				
	2024	\$	9,000	
	2025		9,000	
	2026		6,750	
Total minimum lease payments			24,750	
Less: Discount to present value			474	
Present value of lease liability		\$	24,276	
Weighted average remaining lease term			33 months	
Weighted average discount rate			1.37%	

There were no noncash investing and financing transactions related to leasing.

Note 8 – Concentrations

The Alliance received approximately 24 percent of its revenue from the Wilburforce Foundation and approximately 34 percent of total receivables are due from the USDA Forest Service.

Note 9 – Prior Period Reclassification

The January 1, 2023, beginning net asset classifications do not agree to the prior year financial statements due to the correction of an error related to restrictions that should have been released in the prior year.

	Statement of Activities		
	Without Donor Restriction	With Donor Restriction	Total
Ending net assets, December 31, 2022, as previously reported	\$ 450,830	\$ 267,959	\$ 718,789
Net assets released from restrictions	46,752	(46,752)	
Beginning net assets, January 1, 2023 as reclassified	\$ 497,582	\$ 221,207	\$ 718,789