Sky Island Alliance
Financial Statements
For the Year Ended December 31, 2025

Sky Island Alliance

Financial Statements
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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, 2025, 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, 2025, 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 auditopinion.

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 2024 financial statements, and our report dated August 5, 2025, 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, 2024, 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
November 6, 2026

Sky Island Alliance
Statement of Financial Position
December 31, 2025
(with Comparative Totals for the Year Ended December 31, 2024)

Assets	2025	2024
Cash and cash equivalents	$ 505,346	$ 576,625
Investments	689,416	61,885
Employee retention tax credit receivable		257,981
Contracts and agreements receivable	94,474	115,664
Contributions and foundation grants receivable	4,279	
Prepaid expenses	24,843	17,255
Other current assets	347	
Property and equipment, net	33,238	14,132
Operating lease right of use asset	28,272	37,896
Total assets	$ 1,380,215	$ 1,081,438
Liabilities		
Accounts payable	$ 57,362	$ 56,451
Accrued payroll	42,906	38,435
Operating lease liability	28,272	37,896
Refundable advances	98,430	161,211
Total liabilities	226,970	293,993
Net assets		
Without donor restrictions:		
Undesignated	1,030,967	723,669
Designated by the Board	107,954	61,885
With donor restrictions:		
Purpose restricted	14,324	1,891
Total net assets	1,153,245	787,445
Total liabilities and net assets	$ 1,380,215	$ 1,081,438

See accompanying notes to financial statements.

Sky Island Alliance
Statement of Activities
For the Year Ended December 31, 2025
(with Comparative Totals for the Year Ended December 31, 2024)

	Without Donor Restrictions	With Donor Restrictions	Totals 2025	Totals 2024
Revenue, support, and gains:				
Contracts and agreements	$ 331,616	$	$ 331,616	$ 291,212
Contributions	597,528	45,319	642,847	448,331
Contributions - in kind	4,847		4,847	
Foundation grants	570,952	75,016	645,968	260,839
Employee retention tax credit	44,040		44,040	257,981
Investment return, net	21,217		21,217	9,032
Other income	6,116		6,116	1,486
Merchandise sales	5,696		5,696	4,186
Less: cost of goods sold	(7,899)		(7,899)	(3,368)
Net assets released from restrictions	107,902	(107,902)		
Total revenue, support, and gains	1,682,015	12,433	1,694,448	1,269,699
Expenses:				
Program services	980,860		980,860	904,603
Management and general	175,447		175,447	230,261
Fundraising	172,341		172,341	85,406
Total expenses	1,328,648		1,328,648	1,220,270
Change in net assets	353,367	12,433	365,800	49,429
Net assets, beginning of year	785,554	1,891	787,445	738,016
Net assets, end of year	$ 1,138,921	$ 14,324	$ 1,153,245	$ 787,445

See accompanying notes to financial statements.

Sky Island Alliance
Statement of Functional Expenses
For the Year Ended December 31, 2025
(with Comparative Totals for the Year Ended December 31, 2024)

	Program Services	Supporting Services: Management and General	Supporting Services: Fundraising	Totals: 2025	Totals: 2024
Salaries and wages	$ 557,657	$ 25,834	$ 82,943	$ 666,434	$ 608,639
Employee benefits	152,329	6,670	18,738	177,737	143,398
Subscriptions and dues	14,728	15,431	22,525	52,684	31,974
Contributions to others	500			500	5,530
Fees and permits		3,958	4,398	8,356	6,604
Professional fees		99,998		99,998	103,422
Contract services	119,105	2,900	13,658	135,663	158,695
Merchandise	7,899			7,899	3,368
Supplies	31,217	7,396	2,181	40,794	38,350
Postage and printing	15,503		12,639	28,142	22,576
Occupancy	22,520	1,052	2,957	26,529	25,513
Depreciation	7,895			7,895	5,195
Travel	28,976	1,539	4,323	34,838	24,543
Meetings	4,436	7,988	1,219	13,643	19,047
Bank fees					172
Insurance	13,468	681	1,913	16,062	20,926
Advertising	12,126			12,126	5,686
Miscellaneous	400	2,000	4,847	7,247	
Total expenses	988,759	175,447	172,341	1,336,547	1,223,638
Less: expenses netted against revenue on Statement of Activities					
Cost of goods sold	(7,899)			(7,899)	(3,368)
Total expenses	$ 980,860	$ 175,447	$ 172,341	$ 1,328,648	$ 1,220,270

See accompanying notes to financial statements.

Sky Island Alliance
Statement of Cash Flows
For the Year Ended December 31, 2025
(with Comparative Totals for the Year Ended December 31, 2024)

	2025	2024
Cash flows from operating activities:		
Change in net assets	$ 365,800	$ 49,429
Adjustments to reconcile change in net assets to net cash provided by/used for operating activities:		
Depreciation	7,895	5,195
Net (gain)/loss on investments	(12,592)	(4,484)
Changes in assets and liabilities:		
Contracts and agreements receivable	21,190	(72,623)
Employee retention tax credit receivable	257,981	(257,981)
Contributions and foundation grants receivable	(4,279)	25,146
Prepaid expenses	(7,588)	(1,696)
Other current assets	(347)	4,530
Operating lease right of use asset	9,624	(13,620)
Accounts payable	911	36,489
Accrued payroll	4,471	6,857
Operating lease liability	(9,624)	13,620
Refundable advances	(62,781)	161,211
Net cash provided by/used for operating activities	570,661	(47,927)
Cash flows from investing activities:		
Purchases of property and equipment	(27,000)	
Purchases of investments	(614,940)	(17,500)
Net cash provided by/used for investing activities	(641,940)	(17,500)
Net increase/decrease in cash and cash equivalents	(71,279)	(65,427)
Cash and cash equivalents, beginning of year	576,625	642,052
Cash and cash equivalents, end of year	$ 505,346	$ 576,625
Supplemental disclosure of cash flow information		
Cash paid for amounts included in the measurement of operating leases	$ 8,100	$ 9,450
Noncash investing and financing activity		
Right-of-use assets obtained through operating leases	$	$ 22,621

See accompanying notes to financial statements.

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.

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 accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Alliance's financial statements for the year ended December 31, 2024, 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 $346,013 and the bank balance was $328,930. At year end, $51,395 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.

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, 2025.

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 awarded are recognized as revenue when the Alliance has incurred expenses in compliance with specific contract or agreement provisions. The Alliance was awarded cost-reimbursable contracts of $1,045,033 that have not been recognized at December 31, 2025, because qualifying expenses have not yet been incurred. Amounts received prior to incurring qualifying expenses are reported as refundable advances in the statement of financial position. For the year ended December 31, 2025, the Alliance reported refundable advances of $98,430.

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, or has collected subsequent to year end. At December 31, 2025, management believes all contracts and agreements receivable are fully collectible and accordingly has recorded no valuation allowance.

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 $7,895.

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, 2025

Note 1 – Summary of Significant Accounting Policies

During the year, the Alliance received the donation of a used vehicle with a fair value of $4,847, that was valued using current prices located on publicly available websites for similar vehicles. The vehicle is utilized for the Alliance's program services. There were no donor imposed restrictions on the donated asset.

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:

Expense	Method of Allocation
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 $12,126.

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.

Date of Management's Review

In preparing these financial statements, the Alliance has evaluated events and transactions for potential recognition or disclosure through November 6, 2026, 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	$ 505,346
Investments	689,416
Contracts and agreements receivable	94,474
Contracts and foundation grants receivable	4,279
Total financial assets	$ 1,293,515
Less amounts not available to be used within one year:	
Net assets with donor restrictions	14,324
Less: Net assets with purpose restrictions to be met in less than a year	(14,324)
Quasi-endowment established by the Board	107,954
Financial assets available for general expenditure over the next twelve months	$ 1,185,561

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 $70,000 credit line available to meet cash flow needs. The interest rate is 7.25 percent as of December 31, 2025, 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.

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.

Note 3 – Investments and Fair Value Measurements

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

Fair values of assets measured on a recurring basis at year end are as follows:

	Hierarchy Level	Fair Value
Cash and cash equivalents		
Money market funds	Level 1	$ 147,343
Investments		
Certificates of deposit	Level 2	581,462
Arizona Community Foundation investment pool	Level 3	107,954
Total assets		$ 836,759

Investments – Fair values for Level 1 and 2 investments are determined by reference to quoted market prices and other relevant information generated by market transactions. The fair value of the Alliance's interest in the investment pool classified in Level 3 is reported by the Community Foundation based on the quoted net asset values of underlying investments in the pool, adjusted by an asset charge. The underlying investments held in the investment pool are composed primarily of equity securities.

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		75,473
Total property and equipment		80,783
Less: Accumulated depreciation		(47,545)
Net property and equipment	$	33,238

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.

Note 5 – Endowment Fund

Changes in Endowment Net Assets as of year end:

	Without Donor Restriction
Endowment net assets, beginning of year	$ 61,885
Contributions	37,283
Investment return, net	9,536
Amounts appropriated for expenditure	(750)
Endowment net assets, end of year	$ 107,954

Note 6 – Net Assets

Net assets with donor restrictions are as follows:

Specific Purpose:	
Border Wildlife Study	$ 10,365
Protect Water	3,959
Total	$ 14,324

Net assets released from donor restrictions are as follows:

Specific Purpose	
Connect People to the Region	$ 10,306
Protect Wildlife	62,117
Border Wildlife Study	34,979
Protect Water	500
Total	$ 107,902

Note 7 – Leases

The Alliance leases office space under a noncancelable operating lease through September 2026, 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 $8,100 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 3.51 percent.

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:	
2026	$ 10,800
2027	10,800
2028	8,100
Total minimum lease payments	29,700
Less: Discount to present value	1,428
Present value of lease liabilities	$ 28,272
Weighted average remaining lease term	33 months
Weighted average discount rate	3.51%

Note 8 – Concentrations

The Alliance received approximately 20 percent of its revenue from the Wilburforce Foundation. Approximately 28 percent of total receivables are due from the Arizona Department of Forestry and Fire Management, 26 percent is due from the Water Infrastructure Finance Authority of Arizona, and 17 percent is due from the US Department of the Interior.

Note 9 – Employee Benefit Plans

The Alliance maintains a 401(k) plan that covers all eligible employees. An eligible employee becomes a participant in the plan immediately upon employment. The Alliance may match up to three percent of the employee's contribution. Employer contributions to the plan for the year ended December 31, 2025 were $19,145.

Note 10 – Employee Retention Tax Credit

Under the provisions of the Coronavirus Aid, Relief, and Economic Security Act (the "CARES Act") signed into law on March 27, 2020 and the subsequent extension of the CARES Act, the Alliance was eligible for a refundable employee retention tax credit subject to certain criteria. Employers were eligible for the credit if the Alliance sustained a full or partial suspension of operations limiting commerce, travel or group meetings due to COVID-19 and orders from an appropriate governmental authority or experienced a significant decline in gross receipts during 2020 or a decline in gross receipts during the first three quarters of 2021. The tax credit was equal to 50 percent of qualified wages paid to employees during a quarter, capped at $10,000 of qualified wages per employee through December 31, 2020. Additional relief provisions were passed by the United States government, which extended and slightly expanded the qualified wage caps on these credits through December 31, 2021. Based on these additional provisions, the tax credit for the first three quarters of 2021 was equal to 70 percent of qualified wages paid to employees during a quarter, and the limit on qualified wages per employee has been increased to $10,000 of qualified wages per quarter. The Alliance qualified for the credit under the provision for experiencing a significant decline in gross receipts. In January 2024, the Alliance filed *Form 941-X Adjusted Employer's Quarterly Federal Tax Return or Claim for Refund* for six quarters from April 2020 through September 2021. During the year ended December 31, 2024, the Alliance recognized $257,981 in revenue and receivable from the employer retention credit. In June 2025, the Alliance received the employer retention credit, plus an additional $44,040 of interest recognized in the year ended December 31, 2025. The credits are subject to audit from the Internal Revenue Service for up to three years.