

SANTA FE CONSERVATION TRUST

A Non Profit Corporation

Financial Statements

For the Years Ended December 31, 2022 and 2021

With Independent Auditor's Report Thereon

SANTA FE CONSERVATION TRUST

Financial Statements

December 31, 2022 and 2021

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
of Santa Fe Conservation Trust

Opinion

We have audited the accompanying financial statements of Santa Fe Conservation Trust (a nonprofit organization), which comprise the statements of financial position as of December 31, 2022, and 2021, and the related statements of activities, functional expenses, and cash flows for the years 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 Santa Fe Conservation Trust as of December 31, 2022, and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. 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 Santa Fe Conservation Trust and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Santa Fe Conservation Trust's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with 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 Santa Fe Conservation Trust'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 Santa Fe Conservation Trust'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.

Swain & Grieco, LLC

Santa Fe, New Mexico
November 15, 2023

SANTA FE CONSERVATION TRUST
Statements of Financial Position
For the Years Ended December 31, 2022 and 2021

ASSETS

	2022	2021
Current assets, note 2		
Cash and cash equivalents, note 3	\$ 459,872	\$ 458,589
Restricted cash for stewardship, notes 10 and 18	34,289	42,337
Contracts, grants, and contributions receivable, note 9	216,605	197,025
Prepaid expenses	3,029	6,615
Total current assets	713,795	704,566
Non-current assets		
Land, planning, and fixed assets, net, note 12	3,653,139	3,654,614
Deposits and advances	2,500	2,500
Cash held for fiscal agency funds, note 5	6,815	7,860
Right-of-use operating lease asset, note 15	249,196	-
Operating investments, note 3	729,628	754,596
Restricted for stewardship, easements, and in perpetuity, notes 10, 13 and 17:		
Beneficial interest in trust held by a community foundation	145,138	188,255
Investments for stewardship	604,810	693,693
SFCT endowment funds perpetual in nature	1,229,739	1,250,000
Board designated for stewardship and special initiatives, note 17	296,867	42,385
Total non-current assets	6,917,832	6,593,903
Total assets	\$ 7,631,627	\$ 7,298,469

LIABILITIES AND NET ASSETS

Current liabilities		
Accounts payable and accrued expenses	\$ 60,221	\$ 61,897
Cash held for fiscal agency funds, note 5	6,815	7,860
Total current liabilities	67,036	69,757
Non-current liabilities		
Right-of-use operating lease liability, note 15	249,196	-
Total non-current liabilities	249,196	-
Total liabilities	316,232	69,757
Net assets, note 2		
Without donor restrictions		
Undesignated	1,186,799	1,176,194
Invested in land, planning, and fixed assets	3,653,139	3,654,614
Board designated for stewardship and special initiatives, note 17	296,867	42,385
Total net assets without restrictions	5,136,805	4,873,193
With donor restrictions, notes 10, 13, and 17:		
Grants and contributions	164,614	181,234
Restricted cash for stewardship	34,289	42,337
Beneficial interest in trust held by a community foundation	145,138	188,255
Investments for stewardship	604,810	693,693
SFCT endowment funds perpetual in nature	1,250,000	1,250,000
Underwater endowment fund	(20,261)	-
Total restricted net assets	2,178,590	2,355,519
Total net assets	7,315,395	7,228,712
Total liabilities and net assets	\$ 7,631,627	\$ 7,298,469

The Accompanying Notes Are An Integral Part of These Financial Statements

SANTA FE CONSERVATION TRUST
Statements of Activities and Changes in Net Assets
For the Year Ended December 31, 2022

	2022		
	Without Donor Restrictions	With Donor Restrictions	Total
Operating revenues, <i>note 2</i>			
Contributions and grants	\$ 696,000	\$ 124,200	\$ 820,200
Government grants and contracts	205,782	-	205,782
Project fees	46,885	-	46,885
Special events, net, <i>note 18</i>	116,733	-	116,733
Total operating revenues	1,065,400	124,200	1,189,600
Net assets released from restrictions	140,820	(140,820)	-
Total operating revenues after release from restrictions	1,206,220	(16,620)	1,189,600
Operating expenses			
<i>Programmatic services:</i>			
Mission	699,271	-	699,271
Development	73,176	-	73,176
<i>Supporting services:</i>			
Management and general	73,176	-	73,176
Total operating expenses	845,622	-	845,622
Change in net assets from operating activities	360,598	(16,620)	343,978
Non-operating support			
Interest and dividends	68,068	-	68,068
Net realized and unrealized income on investments, net of fees	(166,462)	(160,309)	(326,771)
In-kind contributions, <i>note 16</i>	1,408	-	1,408
Total non-operating support	(96,986)	(160,309)	(257,295)
Total change in net assets	263,612	(176,929)	86,683
Net assets, beginning of year	4,873,193	2,355,519	7,228,712
Net assets, end of year	\$ 5,136,805	\$ 2,178,590	\$ 7,315,395

The Accompanying Notes Are An Integral Part of These Financial Statements

SANTA FE CONSERVATION TRUST
Statements of Activities and Changes in Net Assets
For the Year Ended December 31, 2021

	2021		
	Without Donor Restrictions	With Donor Restrictions	Total
Operating revenues, <i>note 2</i>			
Contributions and grants	\$ 504,720	\$ 2,539,387	\$ 3,044,107
Government grants and contracts	103,524	-	103,524
Project fees	48,567	-	48,567
Special events, net, <i>note 18</i>	105,585	-	105,585
Total operating revenues	762,396	2,539,387	3,301,783
Net assets released from restrictions	1,095,955	(1,095,955)	-
Total operating revenues after release from restrictions	1,858,351	1,443,432	3,301,783
Operating expenses			
<i>Programmatic services:</i>			
Mission	590,880	-	590,880
Development	74,583	-	74,583
<i>Supporting services:</i>			
Management and general	74,583	-	74,583
Total operating expenses	740,046	-	740,046
Change in net assets from operating activities	1,118,305	1,443,432	2,561,737
Non-operating support			
Interest and dividends	35,337	-	35,337
Net realized and unrealized income on investments, net of fees	74,977	-	74,977
In-kind contributions, <i>note 16</i>	3,498	-	3,498
Total non-operating support	113,812	-	113,812
Total change in net assets	1,232,117	1,443,432	2,675,549
Net assets, beginning of year	3,555,694	912,087	4,467,781
Prior period adjustment, <i>note 19</i>	85,382	-	85,382
Net assets, end of year	\$ 4,873,193	\$ 2,355,519	\$ 7,228,712

The Accompanying Notes Are An Integral Part of These Financial Statements

SANTA FE CONSERVATION TRUST

Statements of Functional Expenses

For the Year Ended December 31, 2022

	<u>Programmatic Services</u>		<u>Management and General</u>	<u>Total</u>
	<u>Mission</u>	<u>Development</u>		
Salary and related expenses				
Salaries	\$ 366,878	\$ 51,739	\$ 51,739	\$ 470,356
Payroll taxes	27,205	3,837	3,837	34,878
Employee benefits	42,262	5,960	5,960	54,182
Total personnel expenses	436,344	61,536	61,536	559,416
Other expenses				
Advertising	2,154	304	304	2,761
Equipment lease and maintenance	2,168	306	306	2,779
Events, meetings, and conferences	5,890	-	-	5,890
Gifts	1,034	146	146	1,325
Information technology	2,870	405	405	3,679
Insurance	7,824	1,103	1,103	10,031
Investment fees	2,280	581	581	3,442
Licenses and fees	7,728	1,090	1,090	9,908
Occupancy	26,332	3,713	3,713	33,759
Postage	2,106	297	297	2,700
Printing and production	9,950	1,403	1,403	12,757
Professional services	13,587	1,916	1,916	17,419
Supplies	840	118	118	1,077
Trails, easements, and outreach	170,580	-	-	170,580
Telephone & internet	4,222	595	595	5,413
Travel	2,445	-	-	2,445
Total other expenses	262,009	11,978	11,978	285,965
Total salary and other expenses before non-cash expenses	698,354	73,514	73,514	845,381
Non-cash expenses				
Bad debt expense	624	88	88	800
In-kind expenses	1,098	155	155	1,408
Depreciation and amortization	1,475	-	-	1,475
Total non-cash expenses	3,197	243	243	3,683
Total functional expenses	701,551	73,757	73,757	849,064
Less expenses included on statement of activities				
Investment fees	(2,280)	(581)	(581)	(3,442)
Total expenses shown on statement of activities	\$ 699,271	\$ 73,176	\$ 73,176	\$ 845,622

The Accompanying Notes Are An Integral Part of These Financial Statements

SANTA FE CONSERVATION TRUST

Statements of Functional Expenses

For the Year Ended December 31, 2021

	<u>Programmatic Services</u>		<u>Management and General</u>	<u>Total</u>
	<u>Mission</u>	<u>Development</u>		
Salary and related expenses				
Salaries	\$ 287,576	\$ 50,520	\$ 50,520	\$ 388,616
Payroll taxes	21,962	3,858	3,858	29,678
Employee benefits	32,558	5,720	5,720	43,998
Total personnel expenses	<u>342,096</u>	<u>60,098</u>	<u>60,098</u>	<u>462,292</u>
Other expenses				
Advertising	511	90	90	691
Equipment lease and maintenance	1,708	300	300	2,308
Events, meetings, and conferences	977	171	171	1,319
Gifts	814	143	143	1,100
Information technology	2,304	405	405	3,114
Insurance	7,201	1,265	1,265	9,731
Investment fees	2,510	354	354	3,218
Licenses and fees	4,610	810	810	6,230
Occupancy	27,956	4,911	4,911	37,778
Postage	2,180	383	383	2,946
Printing and production	10,238	1,799	1,799	13,836
Professional services	10,775	1,893	1,893	14,561
Supplies	2,025	355	355	2,735
Trails, easements, and outreach	166,440	-	-	166,440
Travel	1,397	245	245	1,887
Total other expenses	<u>241,646</u>	<u>13,124</u>	<u>13,124</u>	<u>267,894</u>
Total salary and other expenses before non-cash expenses	<u>583,742</u>	<u>73,222</u>	<u>73,222</u>	<u>730,186</u>
Non-cash expenses				
Bad debt expense	6,301	1,107	1,107	8,515
In-kind expenses	2,310	427	427	3,164
Depreciation and amortization	1,037	181	181	1,399
Total non-cash expenses	<u>9,648</u>	<u>1,715</u>	<u>1,715</u>	<u>13,078</u>
Total functional expenses	593,390	74,937	74,937	743,264
Less expenses included on statement of activities				
Investment fees	<u>(2,510)</u>	<u>(354)</u>	<u>(354)</u>	<u>(3,218)</u>
Total expenses shown on statement of activities	<u>\$ 590,880</u>	<u>\$ 74,583</u>	<u>\$ 74,583</u>	<u>\$ 740,046</u>

The Accompanying Notes Are An Integral Part of These Financial Statements

SANTA FE CONSERVATION TRUST
 Statements of Cash Flows
 For the Years Ended December 31, 2022 and 2021

	2022	2021
Cash flows from operating activities:		
Change in net assets	\$ 86,683	\$ 2,675,549
Adjustments to reconcile the change in net assets to net cash flows provided by operating activities:		
Depreciation and amortization	1,475	1,399
Unrealized loss(gain) on investments	270,602	(78,196)
Changes in assets and liabilities:		
Contracts, grants, and contributions receivable	(19,580)	(103,823)
Advances	-	9,813
Prepaid expenses	3,586	318
Accounts payable	(1,676)	32,152
Net cash flows provided by operating activities	341,090	2,537,212
Cash flows from investing activities:		
Purchases of investments	(1,640,935)	(2,011,111)
Proceeds from investments	803,775	394,405
Net cash flows (used) provided by investing activities	(837,160)	(1,616,706)
Net change in cash and cash equivalents	(496,070)	920,506
Cash equivalents, and restricted cash beginning of year	1,508,156	587,650
Cash equivalents, and restricted cash end of year	\$ 1,012,086	\$ 1,508,156
Supplemental disclosures:		
Interest paid	-	-
Taxes paid	-	-
Non-cash investing activity:		
Donated stock	180	16,109
	\$ 180	\$ 16,109

The Accompanying Notes Are An Integral Part of These Financial Statements

SANTA FE CONSERVATION TRUST

Notes to the Financial Statements

December 31, 2022 and 2021

(1) Organization and Nature of Activities

Santa Fe Conservation Trust (SFCT) is a charitable, not-for-profit organization that partners with its community to keep northern New Mexico's living lands and people flourishing together. SFCT protects culturally and environmentally significant landscapes, ignites people's passion for nature and enables the continual regeneration of northern New Mexico's healthy place.

Programs and services. During the year ended December 31, 2022 and 2021, SFCT incurred program and service expenses in the following major categories:

Land Conservation - SFCT works to identify and protect the most important and threatened lands in Santa Fe, Rio Arriba and San Miguel Counties in northern New Mexico. SFCT uses a variety of land protection methods to achieve its conservation goals, including conservation easements, fee donations and acquisitions, land exchanges and management agreements. SFCT uses evaluation and selection criteria to assess the status of conservation values, the threats to these values and the potential for their successful conservation on each of the properties it works to protect.

Land Stewardship - SFCT provides stewardship for all its land and easement holdings through baseline assessment, management planning, monitoring, and legal defense. Annual monitoring is completed to ensure landowner compliance with the terms of the easements and that the conservation values are being adequately protected. Stewardship gifts are accepted into a donor restricted stewardship fund as lands and easements are conserved. This fund is comingled with the operating reserve and the board-designated special initiatives fund for investment purposes. Separate balances are maintained for balance sheet purposes. The Stewardship and Defense fund is used to provide for future annual monitoring expenses as well as the future potential costs of restoration, and the legal defense of its land and easement holdings.

The Conservation Homestead - SFCT is showcasing the power of conservation in the Galisteo Basin at SFCT's Conservation Homestead. In March 2020, thanks to the support of the Eugene V. and Clare E. Thaw Charitable Trust, SFCT was able to purchase this 300-acre parcel in the Galisteo Basin that, had it been developed, would have created a housing cluster in an otherwise wide-open landscape. Surrounded by almost 6,000 acres of adjoining SFCT conservation easements, the purchase of The Conservation Homestead is a huge leap forward in protecting a wildlife corridor from The Conservation Homestead to the headwaters of the watershed in the Sangre de Cristo Mountains. The Thaw Charitable Trust wanted to see the land return to a more natural state, so part of their support helped SFCT address the health of the land by reseeding the homestead area to revive the grasslands to support habitat for wildlife and migratory birds. Workshops and workdays on land restoration techniques teach trail builders and other landowners how to mitigate the effects of climate change on a wider level. Four miles of trails have been constructed and a half-mile accessible loop is being designed to allow for public access. These trails will connect to a nearby 50-mile trail system in the Galisteo Basin Preserve. SFCT finalized the 10-year stewardship plan, and placed a conservation easement on the property in 2021.

Public Outreach - SFCT increases awareness about the benefits of private land conservation and the mission of SFCT. SFCT dedicates time to serving as an information resource, conducting outreach and engaging in relevant policy and legislative initiatives. SFCT's outreach efforts target landowners, their advisors, community groups, conservation organizations and public agencies.

SANTA FE CONSERVATION TRUST

Notes to the Financial Statements

December 31, 2022 and 2021

(1) Organization and Nature of Activities (Continued)

Accreditation - In 2014, SFCT became accredited by the Land Trust Alliance, the national organization that works with land trusts nationwide on improving their nonprofit organizations and strengthening their conservation work. It is a rigorous process which looks at every aspect of the nonprofit, from its policies and procedures, to its land transactions and financials. Accredited land trusts must renew their status every five years and show compliance with the Land Trust Alliance's Standards and Practices. Accreditation means there is third party verification that SFCT operates legally, ethically and in the public interest, with a sound program of land transactions and land stewardship to ensure its long-term sustainability. SFCT was awarded accreditation renewal in 2019, continuing its commitment to transparency and accountability.

Trails Program - SFCT has been involved in the creation of over 80 miles of trails, including: the Dale Ball Trails, Atalaya Trail, Santa Fe Rail Trail, The Spur Trail, La Tierra Trails, La Piedra Trail and, along with Commonweal Conservancy, the Galisteo Basin Preserve Trails. SFCT Trails Program works in partnership with the City of Santa Fe, and its volunteer group, The Trails Alliance of Santa Fe, along with other entities, to coordinate trail development and construction, organize volunteer trail work, identify and prioritize trail linkages, promote the trails, and provide the public with trail information and access through educational programs and events. SFCT is also leading a partnership support for the Grand Unified Santa Fe Trail Organization (GUSTO). SFCT is in charge of convening partners, researching and mapping existing trails, identifying gaps and opportunities for new trails, and prioritizing and implementing the trail connections that are identified in the planning process. The vision of the GUSTO initiative is an interconnected system of natural-surface trails that allows non-motorized users to travel in a loop around the greater Santa Fe area, as well as between the city center and the periphery. The GUSTO Initiative has brought together many community partners who aim to have a unified, sustainable trail system around the entire metropolitan area.

Community Conservation - Because conservation easements are permanent and run with the land, SFCT must monitor and enforce its conservation easements forever. This duty of perpetual care presents unique challenges to land trusts everywhere. SFCT must have broad community support to ensure its longevity and viability. SFCT is working to strengthen the organization through the implementation of "community conservation programs" that help SFCT broaden and diversify its constituency. SFCT programs are designed to give everyone outdoor experiences that will help them become passionate defenders of nature and of conservation. SFCT's legacy of trails work is the natural way to implement community conservation programs. As such, SFCT offers programs to ensure equitable access to nature and Santa Fe's trail resources. Since 2014, SFCT has introduced over 4,000 south side kids and their families to Santa Fe's trail system (Passport to Trails). In 2018, SFCT started an in-town walking program (Vamonos: Santa Fe Walks) for those whose access to nature is more challenging: the elderly, infirm, transportation limited, immigrant community, or to those afraid to walk alone. Through 2022, SFCT had 1,800 people walk on these trails, ranging in age from 98 to 2 years old. By working to ignite a passion for nature in everyone and give them access to the foothill trails and urban trails, SFCT works to improve public health, build community on the trails and create the next generation of conservationists while promoting access to the life-enhancing qualities of the outdoors.

Safe Routes - Santa Fe Conservation Trust is pursuing "Safe Routes to School" – the promotion of walking and bicycling to school – through a federally-funded contract with the City of Santa Fe,

SANTA FE CONSERVATION TRUST

Notes to the Financial Statements

December 31, 2022 and 2021

(1) Organization and Nature of Activities (Continued)

complemented by efforts of staff of the Santa Fe Metropolitan Planning Organization, Santa Fe Public Schools, and other partners. The objective of Santa Fe Safe Routes to School (SRTS) is to establish a city-wide SRTS Action Plan founded on development of pilot activities in the areas of the “Four Es” – Education, Encouragement, Enforcement, and Engineering, along with additional emphasis on Equity and Evaluation. The end result after two school years will be a fundable and sustainable community-wide SRTS program adopted by Santa Fe Public Schools with a full-time investment coordinator implementing it throughout Santa Fe's K-12 public schools. Encouraging Santa Fe's families to walk or ride a bicycle in the community is a natural extension of SFCT's “community conservation” approach. Just like the natural-surface, recreational trails that SFCT has helped develop and maintain in public and private open space in practically every direction from town, the walkways and bikeways where we live, work, and go to school represent opportunities for healthier people, environment, and economy for Santa Fe.

(2) Summary of Significant Accounting Principles

This summary of significant accounting policies of SFCT is presented to assist in the understanding of SFCT's financial statements. The financial statements and notes are the representations of SFCT's management who is responsible for their integrity and objectivity.

Recent Accounting Pronouncements. SFCT adopted the following accounting pronouncements which were effective during the year ending December 31, 2021:

In June 2018, the FASB issued ASU No. 2018-08, Not-for-Profit Entities (Topic 958). The ASU clarifies the scope and the accounting guidance for contributions received and contributions made. The ASU is designed to help entities evaluate whether transactions should be accounted for as contributions (nonreciprocal transactions), or as exchange (reciprocal) transactions, and determining whether a contribution is conditional. The ASU will not have a material impact on SFCT's financial statements.

In August 2018, the FASB issued ASU No. 2018-13, Fair Value Measurement (Topic 820). The ASU changed the disclosure requirements for assets and liabilities accounted for at fair value. The ASU will not have a material impact on SFCT's financial statements.

In January 2022, SFCT adopted ASU No. 2016-02, Leases (Topic 842), which requires lessees to recognize leases on the statement of financial position and disclose key information about leasing arrangements. SFCT elected not to restate the comparative period (2021). It also elected not to reassess at adoption (i) expired or existing contracts to determine whether they are or contain a lease, (ii) the lease classification of any existing leases, or (iii) initial direct costs for existing leases. As a result of implementing ASU No. 2016-02, SFCT recognized right-of-use assets of \$249,196 and lease liabilities totaling \$249,196 in its statement of financial position as of December 31, 2022. The adoption did not result in a significant effect on amounts reported in the statement of activities for the year ended December 31, 2022.

Functional Expense Allocation. The costs of program and supporting services activities have been summarized on a functional basis in the statements of activities. The statements of functional

SANTA FE CONSERVATION TRUST

Notes to the Financial Statements

December 31, 2022 and 2021

(2) Summary of Significant Accounting Principles (Continued)

expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Costs are allocated on the basis of time and effort.

Contracts, Grants, and Contributions Receivable (Receivables). Contributions and pledge receivables are recognized on the date a donor makes an unconditional promise to give to SFCT. SFCT records unconditional promises to give that are expected to be collected within one year at net realizable value. Unconditional promises to give expected to be collected in future years are initially recorded at fair value using present value techniques incorporating risk-adjusted discount rates designed to reflect the assumptions market participants would use in pricing the asset. In subsequent years, amortization of the discounts is included in contribution revenue in the statements of activities. SFCT determines the allowance for uncollectable receivables based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Receivables are written off when deemed uncollectable. Management feels that all receivables are fully collectible and, accordingly, no allowance for uncollectible accounts is considered necessary.

Land and Fixed Assets. SFCT capitalizes expenditures over \$5,000 with a useful life greater than one year. Property and equipment are recorded at cost if purchased or fair value if donated. If donors stipulate how long the assets must be used, the contributions are recorded as restricted support. In the absence of such stipulations, contributions of property and equipment are recorded as unrestricted support. Depreciation is provided for using the straight-line method over the estimated useful lives of the assets or lease term, whichever is shorter. The estimated useful life of all fixed assets is five years.

Investments. SFCT records investment purchases at cost, or if donated, at fair value on the date of donation. Thereafter, investments are reported at their fair values in the statements of financial position. Net investment return/(loss) is reported in the statements of activities and consists of interest and dividend income, realized and unrealized capital gains and losses, less external and direct internal investment expenses.

Beneficial Interest in Assets Held by a Community Foundation. SFCT has established and names itself beneficiary of two endowment funds held and managed by the Santa Fe Community Foundation (Foundation). The endowment funds are held and invested by the Foundation for SFCT's benefit and are reported at fair value in the statements of financial position, with changes in fair value recognized in the statements of activities.

Endowments. On December 17, 2021, SFCT was granted \$1,000,000 and \$250,000 of corpus endowment funding by the Eugene V. and Clare E. Thaw Charitable Trust to remain permanently restricted in perpetuity (see note 13).

Basis of Presentation. SFCT's financial statements are presented in accordance with the Financial Accounting Standards Board Accounting Standards Codification (ASC) 958-205, Not-for-Profit Entities, Presenting Financial Statements. Under ASC 958-205, SFCT is required to report information regarding its financial position and activities according to two classes of net assets; net assets without donor restrictions and net assets with donor restrictions.

Basis of Accounting. The financial statements of SFCT are prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables and other liabilities.

SANTA FE CONSERVATION TRUST

Notes to the Financial Statements

December 31, 2022 and 2021

(2) Summary of Significant Accounting Principles (Continued)

Cash Flow Information. SFCT considers all cash and highly liquid financial instruments with original maturities of three months or less, which are neither held for nor restricted by donors for long-term purposes, to be cash and cash equivalents. Cash and highly liquid financial instruments restricted to endowments that are perpetual in nature, or other long-term purposes are excluded from this definition.

Net Assets. Net assets are composed of the following:

Net Assets Without Donor Restrictions. Net assets that are not subject to usage restrictions based on donor-imposed requirements. This class also includes assets previously restricted where restrictions have expired or have been met.

The board has designated, from net assets without donor restrictions, net assets for special initiative outlays that the board considers appropriate.

Net Assets With Donor Restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates those resources be maintained in perpetuity. SFCT reports contributions restricted by donors as increases in net assets with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends, or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statements of activities as net assets released from restrictions. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Revenue and Revenue Recognition.

Contributions. SFCT's programs are supported primarily by contributions and grants. All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Unconditional promises to give cash and other assets to SFCT are reported at fair value at the date the promise is received. Conditional promises to give and indications of intentions to give are reported at fair value at the date the gift is received. Gifts received with donor stipulations that limit the use of the donated assets are reported as support with donor restrictions. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished by SFCT, restricted net assets are reclassified as unrestricted net assets and reported in the statements of operations as net assets released from restrictions. Donor-restricted contributions whose restrictions are met within the same year as received are reported as unrestricted contributions in the accompanying financial statements.

Contributions of Long-Lived Assets. Contributions of equipment and other long-lived assets without donor-imposed stipulations concerning the use of such assets are reported as revenues of the unrestricted net asset class. Contributions of cash or other assets to be used to acquire equipment and other long-lived assets with such donor stipulations are recorded as revenues of the temporarily restricted net asset class; the restrictions are considered to be released at the time of the acquisition of such long-lived assets.

Donated Services and In-Kind Contributions. Volunteers contribute significant amounts of time

SANTA FE CONSERVATION TRUST

Notes to the Financial Statements

December 31, 2022 and 2021

(2) Summary of Significant Accounting Principles (Continued)

to SFCT's 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. SFCT records donated professional services at the respective fair values of the services received.

Advertising. The cost of advertising is expensed in the year incurred.

Income Taxes. SFCT is organized as a New Mexico nonprofit corporation and has been recognized by the IRS as exempt from federal income taxes under IRC Section 501(a) as organization described in IRC Section 501(c)(3), qualify for the charitable contribution deduction under IRC Sections 170(b)(1)(A)(vi) and (viii), and has been determined not to be private foundation under IRC Sections 509(a)(1) and (3). SFCT is annually required to file a Return of Organization Exempt from Income Tax (Form 990) with the IRS. In addition, SFCT is subject to income tax on net income that is derived from business activities that are unrelated to its exempt purposes. SFCT has determined that it is not subject to unrelated business income tax and has not filed an Exempt Organization Business Income Tax Return (Form 990-T) with the IRS. SFCT's open audit periods are 2018 through 2020.

SFCT evaluates uncertain tax positions in accordance with ASC 740 whereby the effect of the uncertainties in tax positions would be recorded if the outcome was considered probable and reasonably estimable. SFCT believes that it has appropriate support for any tax positions taken, and as such, does not have any uncertain tax positions that are material to the financial statements.

Use of Estimates. The preparation of financial statements in conformity with generally accepted accounting principles requires SFCT to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates, and those differences could be material.

Financial Instruments and Credit Risk. SFCT manages deposit concentration risk by placing cash, money market accounts, and certificates of deposit with financial institutions believed to be creditworthy. At times, amounts on deposit may exceed insured limits or include uninsured investments in money market mutual funds. To date, SFCT has not experienced losses in any of these accounts. Credit risk associated with accounts receivable and promises to give is considered to be limited due to high historical collection. Investments are made by diversified investment managers whose performance is monitored by SFCT and the Finance Committee of the Board of Directors. Although the fair values of investments are subject to fluctuation on a year-to-year basis, SFCT and the Finance Committee believe that the investment policies and guidelines are prudent for the long-term welfare of SFCT.

Risk Management. SFCT is exposed to various risks of loss from torts; theft of, damage to, and destruction of assets; business interruption; errors and omissions; employee injuries and illnesses; natural disasters; and employee health, dental, and accident benefits. SFCT has obtained commercial insurance coverage to protect itself against such losses.

Intangible Assets. SFCT capitalizes certain costs related to long-term planning for land projects. The cost of acquiring and developing intangible assets are amortized straight-line over the respective life of the asset.

SANTA FE CONSERVATION TRUST

Notes to the Financial Statements

December 31, 2022 and 2021

(2) Summary of Significant Accounting Principles (Continued)

Subsequent Events. Subsequent events are events or transactions that occur after the balance sheet date but before the financial statements the effects of all subsequent events that provide additional evidence about conditions that existed at the date of the balance sheet, including the estimates inherent in the process of preparing the financial statements. SFCT's financial statements do not recognize subsequent events that provide evidence about conditions that did not exist at the date of the balance sheet but arose after the balance sheet date and before financial statements are available to be issued.

Leases. SFCT determines if an arrangement is or contains a lease at inception. Leases are included in right-of-use (ROU) assets and lease liabilities in the statement of financial position. ROU assets and lease liabilities reflect the present value of the future minimum lease payments of the lease term, and ROU assets also include prepaid or accrued rent. Additionally, any renewal options expressed in the lease are included in the determination of the ROU asset and liability when they are reasonably certain to be exercised. Operating lease expense is recognized on a straight-line basis over the lease term. SFCT has elected the short-term practical expedient and does not report ROU assets and lease liabilities for its short-term leases (leases with a term of 12 months or less). Instead, the lease payments of those leases are reported as lease expense on a straight-line basis over the lease term.

(3) Information Regarding Liquidity and Availability

Principal Operating Account: SFCT strives to maintain operating reserves in a checking account at a level roughly equal to three months of working reserve. If the operating account falls below this threshold, the Finance Committee will consider transferring funds from the Operating Reserve. This account is not comingled for investment purposes.

Unrestricted Operating Reserves: SFCT also maintains an unrestricted operating reserve account. For investment management purposes, this account shall be managed according to the SFCT's primary and secondary objectives of capital preservation and growth which shall be combined with the two board restricted funds. Optimally, the unrestricted operating reserve will contain at least six months of working reserve.

The Unrestricted Operating Reserve Fund is available to make up any shortfalls in the SFCT's annual operating expenses. Disbursements from the Operating Reserve Fund to the Principal Operating Account shall be approved by the Finance Committee.

Based upon the needs of the organization, SFCT will manage the investment assets to ensure that collecting sufficient revenue will cover general expenditures within each fiscal year.

Budgeting: In addition to its financial assets, SFCT operates with a balanced budget, and anticipates collecting sufficient revenue to cover general expenditures within each fiscal year.

Financial assets available for general expenditure, that is, *without donor restrictions*, within one year of the date of the statement of financial position, comprise the following:

	<u>2022</u>	<u>2021</u>
Unrestricted cash and cash equivalents	\$ 494,161	\$ 500,926
Contracts, grants, and contributions receivable	216,605	197,025
Operating investments	729,628	754,596
	<u>\$ 1,440,394</u>	<u>\$ 1,452,547</u>

SANTA FE CONSERVATION TRUST

Notes to the Financial Statements

December 31, 2022 and 2021

(4) Employee Benefits

SFCT sponsors a tax-deferred SIMPLE IRA plan (the Plan) qualified under IRC Section 408(a) covering all employees. Employees are immediately eligible upon hire. Employees may defer the lesser of 100% of earned income or the contribution limit of \$13,500. SFCT matches 100% of employee contributions up to 3% of employee's wages. Additional employer contributions are discretionary and are determined and authorized by the Board and Directors each plan year. During the years ended December 31, 2022 and 2021, SFCT matched employee voluntary contributions resulting in contributions to the plan of \$13,705 and \$10,405, respectively.

(5) Cash Held for Fiscal Agency Funds

SFCT acts as the fiscal agent for other organizations by providing sponsorship for smaller agencies with relative activities such as creating trails on easement properties. SFCT pays invoices for such activities and acts as a fiduciary for better tracking and stewardship of these projects.

	<u>2022</u>	<u>2021</u>
Trails Alliance of Santa Fe	\$ 3,318	\$ 4,363
Core Crew	2,538	2,538
Upper Watershed Alternative Recreation Management	959	959
	<u>\$ 6,815</u>	<u>\$ 7,860</u>

(6) Stewardship Commitment

Monitoring and, if necessary, legally defending the conservation lands and easements held by SFCT, and doing so in perpetuity, is an important aspect of SFCT's work. Current costs associated with SFCT's stewardship efforts are expensed as incurred and are composed of monitoring and defending easements, placing easements on properties, and purchasing fees associated with new properties. The costs of future obligations represent a commitment of SFCT and will be recorded as they are incurred.

(7) Conservation Easements

SFCT has acquired and holds a number of conservation easements and fee properties, each representing a legal interest in land owned by another person or entity, and representing SFCT's right to monitor and protect the land for conservation purposes. A property owner may sell or give away a bundle of rights to his or her property, or just a few of these rights. These may include, for example, the right to construct buildings, to subdivide the land, to restrict access, or to harvest timber. In order to give away certain rights while retaining others, a property owner grants an easement to an appropriate third party such as SFCT. SFCT evaluates each easement for its conservation values and then ensures that the terms of the easements will adequately protect and preserve these values.

SFCT has obtained conservation defense insurance that covers the cost of defending, including the cost of legal expenses, for claims or violations made on or against easements held by SFCT.

An easement runs with the property and is recorded at the appropriate records office so that all future owners and lenders will learn about the restrictions when they obtain a title report. The original owner or donor of the easement and all subsequent owners are bound by the restriction of the easement.

SFCT held 104 and 100 conservation easements and fee properties on approximately 45,445 and 43,725 acres of land at December 31, 2022 and 2021, respectively. These easements are held by

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Notes to the Financial Statements

December 31, 2022 and 2021

(7) Conservation Easements, (Continued)

SFCT in perpetuity, and SFCT assumes the legal obligation to uphold and defend them. Accordingly, SFCT monitors the conservation easements and fee properties on a regular basis, and maintains records of communication, land use activities, and site inspections. See Note 17 for assets held for the stewardship and legal defense of conservation easements held by SFCT.

Because of the unique nature of these assets, the impracticality of obtaining consistent and reliable estimates of the values ascribed to these interests, and consistent with the practices followed by environmental land trusts, they are not recorded as assets in the financial statements.

(8) Related Party Transactions

SFCT received \$43,521 and \$48,620 in contributions from board members for the years ended December 31, 2022 and 2021, respectively.

(9) Contracts, Grants and Contributions Receivable

Contracts, grants and contributions receivable consisted of the following at December 31:

	2022	2021
Contracts	\$ 64,623	\$ 37,670
Easement agreements	55,117	94,500
Grants and contributions	96,865	64,855
Total contracts, grants, and contributions receivable	<u>\$ 216,605</u>	<u>\$ 197,025</u>

(10) Net Assets with Donor Restrictions

As of December 31, 2022, and 2021, net assets with donor restrictions consisted of the following:

	2022	2021
Grants and contributions	\$ 164,614	\$ 181,234
Restricted cash for stewardship	34,289	42,337
Beneficial interest in trust held by a community foundation	145,138	188,255
Investments for stewardship	604,810	693,693
SFCT endowment funds perpetual in nature	1,250,000	1,250,000
Underwater fund	(20,261)	-
Total net assets with donor restrictions	<u>\$ 2,178,590</u>	<u>\$ 2,355,519</u>

The grants and contributions funds have been received by SFCT but had not been spent as of year-end. SFCT closely monitors grant restrictions and has met all such grant requirements.

(11) Fair Value Measurements and Disclosures

SFCT reports certain assets at fair value in the consolidated financial statements. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal, or most advantageous, market at the measurement date under current market conditions regardless of whether that price is directly observable or estimated using another valuation technique. Inputs used to determine fair value refer broadly to the assumptions that market

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Notes to the Financial Statements

December 31, 2022 and 2021

(11) Fair Value Measurements and Disclosures, (Continued)

participants would use in pricing the asset or liability, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset or liability based on the best information available. A three-tier hierarchy categorizes the inputs as follows:

- Level 1 Quoted prices (unadjusted) in active markets for identical assets or liabilities at the measurement date.
- Level 2 Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. These include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability, and market-corroborated inputs.
- Level 3 Unobservable inputs for the asset or liability. In these situations, inputs were developed using the best information available in the circumstances.

A significant portion of SFCT's investment assets are classified within Level 1 because they comprise open-end mutual funds and exchange traded funds with readily determinable fair values based on daily redemption values. The fair value of our beneficial interest in assets held by the community foundation is based on the fair value of fund investments as reported by the community foundation. These are considered to be Level 3 measurements.

The following table presents the fair value measurements of assets and liabilities recognized in the accompanying Statements of Financial Position measured at fair value on a recurring basis at December 31, 2022:

	Total	Quoted Prices In Active Markets For Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Debt mutual funds	\$ 1,333,910	\$ 1,333,910	\$ -	\$ -
Equity mutual funds	898,020	898,020	-	-
Exchange traded funds	118,003	118,003	-	-
Money market	545,399	545,399	-	-
Beneficial interest in trust held by a community foundation	145,138	-	-	145,138
Total	\$ 3,040,470	\$ 2,895,332	\$ -	\$ 145,138

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Notes to the Financial Statements

December 31, 2022 and 2021

(11) Fair Value Measurements and Disclosures, (Continued)

The following table presents the fair value measurements of assets and liabilities recognized in the accompanying Statements of Financial Position measured at fair value on a recurring basis at December 31, 2021:

		Quoted Prices In Active Markets For Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
	Total			
Debt mutual funds	\$ 847,661	\$ 847,661	\$ -	\$ -
Equity mutual funds	551,528	551,528	-	-
Exchange traded funds	91,430	91,430	-	-
Money market	292,392	292,392		
Beneficial interest in trust held by a community foundation	188,255	-	-	188,255
Total	\$ 1,971,266	\$ 1,783,011	\$ -	\$ 188,255

(12) Land and Fixed Assets

Land and fixed assets, net, consisted of the following at December 31:

	2022	2021
Land	\$ 3,633,836	\$ 3,633,836
Planning	22,130	22,130
Vehicle	17,000	17,000
Furniture, fixtures, and equipment	4,493	4,493
Total	3,677,459	3,677,459
Less accumulated depreciation	(24,320)	(22,845)
Total land and fixed assets, net	\$ 3,653,139	\$ 3,654,614

Land consists of approximately seven acres of land that was donated in 1995. The fair market value of the land was estimated by management at \$7,947 using the notice of value from the Santa Fe County Assessor and was then adjusted to represent a discount because the land is unbuildable. Approximately 2.24 acres were donated in 2016. The appraised value of the land is \$1,125,000. An easement was placed on the land in 1999.

On June 3, 2020, SFCT received a grant from the Eugene V. and Clare E. Thaw Charitable Trust that included the funds to purchase 300 acres of land located in Lamy, New Mexico. Additional funds of \$195,999 were used for the demolition of preexisting structures and to place a conservation easement on the land. The value of the land was recorded at \$1,250,000, the purchase price on March 23, 2020. Survey and closing costs were \$7,894. Land remediation costs to improve land consist of \$38,931.

On June 16, 2022, SFCT received a fee land contribution that included the funds to purchase 614 acres of land located in the Apache Canyon region of Santa Fe County. Additional funds were awarded to place a conservation easement on the land. The value of the land was recorded at \$1,000,000, the purchase price on June 23, 2020. Lawyer fees were \$8,065.

SANTA FE CONSERVATION TRUST

Notes to the Financial Statements

December 31, 2022 and 2021

(12) Land and Fixed Assets, (Continued)

Planning consists of \$22,130 worth of planning fees to provide future value for land owned in the Galisteo Basin which is part of SFCT's Conservation Homestead program.

Depreciation and amortization expense was \$1,475 and \$1,399 for the years ended December 31, 2022 and 2021, respectively.

(13) Endowments

The State of New Mexico enacted the Uniform Prudent Management of Institutional Funds Act (UPMIFA), the provisions of which apply to SFCT's endowments. In addition, the Financial Accounting Standards Board's Staff Position 117-1, Endowments of Not-for-Profit Organizations: Net Asset Classifications of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Act requires enhanced disclosures for endowment funds.

SFCT has established and named itself beneficiary of two endowment funds held and managed by the Santa Fe Community Foundation (Foundation). The endowments are:

Santa Fe Conservation Trust Easement Fund - to assist private landowners with conservation easements to protect their open, natural lands in perpetuity.

Santa Fe Conservation Trust Stewardship Fund - to preserve the spirit of place among the communities of Northern New Mexico by protecting open spaces and critical wildlife habitat, by creating trails, and by protecting the traditional landscapes of Santa Fe's diverse cultures.

SFCT's Board of Directors has interpreted UPMIFA as requiring the preservation of the fair value of the original gift as of the date of the donor-restricted endowment funds, unless there are explicit donor stipulations to the contrary. At December 31, 2022 and 2021, there were no such donor stipulations. As a result of this interpretation, SFCT retains in perpetuity (a) the original value of the initial and subsequent gift amounts including promises to give net of discount and allowance for doubtful accounts donated to the endowment and (b) any accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added. Donor-restricted amounts not retained in perpetuity are subject to appropriation for expenditure by us in a manner consistent with the standard of prudence prescribed by UPMIFA. SFCT considers the following factors in making a determination appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund
- The purposes of the organization and the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the organization
- The investment policies of the organization

From time to time, certain donor-restricted endowment funds may have fair values less than the amount required to be maintained by donors or by law (underwater endowments). SFCT has interpreted UPMIFA to permit spending from underwater endowments in accordance with prudent measures required under law.

SANTA FE CONSERVATION TRUST

Notes to the Financial Statements

December 31, 2022 and 2021

(13) Endowments, (Continued)

Investment and Spending Policies

The funds are held and invested by the Foundation for SFCT's benefit and are reported at fair value in the statements of financial position, with changes in fair value recognized in the statement of activities. SFCT follows the Foundation's policies for the investment and spending of the endowment funds. The following policy information has been developed from the Foundation's audited financial statements:

The Foundation has adopted investment and spending policies for the endowment assets that attempt to provide a predictable stream of funds for programs supported by its endowments while seeking long term growth of the endowment assets; the Foundation's spending and investment policies work to achieve this objective. The investment policy establishes an achievable return through diversification of asset classes.

To satisfy its long-term rate-of-return objectives, the Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current income (interest and dividends). The Foundation targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk parameters.

The spending policy calculates the amount of money annually distributed from the Foundation's various endowed funds, for grant making an administration. The Foundation's Board of Directors approves a yearly distribution policy (currently approximately 10% to 11% yearly for SFCT). This is consistent with the Foundation's objective for long term growth of endowment assets as well as to provide additional real growth through new gifts and investment return.

On December 17, 2021, SFCT was granted \$1,000,000 of corpus endowment funding by the Eugene V. and Clare E. Thaw Charitable Trust to remain in perpetuity. Funding distribution terms in the award give SFCT up to 5% of the 3-year rolling average market value annually on September 30th. The first distribution should not be taken prior to 2023. These distributions can be used at the discretion of the board and will not be restricted. As of December 31, 2022, the endowment corpus is invested in bond and equity mutual funds and exchange traded funds.

On December 17, 2021, SFCT was granted \$250,000 of corpus endowment funding by the Eugene V. and Clare E. Thaw Charitable Trust to remain in perpetuity. Funding distribution terms in the award give SFCT up to 5% of the 3-year rolling average market value annually on September 30th. The first distribution should not be taken prior to 2022. These distributions are directed to be used for management and maintenance of the Conservation Homestead and are considered purpose restricted. As of December 31, 2022, the endowment corpus is invested in bond and equity mutual funds and exchange traded funds.

Net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions. Donor restricted endowment funds are reported as net assets with restrictions. All of SFCT's endowments are donor restricted.

From time to time, certain donor-restricted endowment funds may have fair values less than the amount required to be maintained by donors or by law (underwater endowments). At December 31, 2022, funds with an original gift value of \$1,000,000, fair value of \$979,739, and deficiency of \$20,261 are reported in net assets with donor restrictions.

SANTA FE CONSERVATION TRUST

Notes to the Financial Statements

December 31, 2022 and 2021

(13) Endowments, (Continued)

Changes in endowment net assets for the year ended December 31, 2022 are as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ -	\$ 1,438,255	\$ 1,438,255
Investment return:			
Interest and dividends	-	18,298	18,298
Net appreciation (realized and unrealized, net of fees)	-	(63,495)	(63,495)
Total investment return	-	(45,197)	(45,197)
Contributions	-	-	-
Appropriation of endowment assets for expenditure	-	(18,181)	(18,181)
Endowment net assets, end of year	<u>\$ -</u>	<u>\$ 1,374,877</u>	<u>\$ 1,374,877</u>

Changes in endowment net assets for the year ended December 31, 2021 are as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ -	\$ 187,904	\$ 187,904
Investment return:			
Interest and dividends	-	-	-
Net appreciation (realized and unrealized, net of fees)	-	19,413	19,413
Total investment return	-	19,413	19,413
Contributions	-	1,250,000	1,250,000
Appropriation of endowment assets for expenditure	-	(19,062)	(19,062)
Endowment net assets, end of year	<u>\$ -</u>	<u>\$ 1,438,255</u>	<u>\$ 1,438,255</u>

(14) Concentrations of Credit, Market and Business Risk

Revenue Concentration. SFCT received 63% and 92% of its revenue from donations and grants in the years ended December 31, 2022 and 2021, respectively. SFCT might not be able to continue to exist as a viable and sustainable organization if the donations and grants are not continued.

The Internal Revenue Service (IRS) and some state taxing authorities have provided tax benefits in the form of deductions and credits to individuals that donate conservation easements. These benefits represent a major incentive to individuals donating easements to SFCT. SFCT's ability to generate future donations would be impacted if the IRS and the State of New Mexico were to eliminate these tax benefits.

Other financial transactions that potentially subject SFCT to material concentrations of credit and market risk consist of cash and cash equivalents and accounts receivable. SFCT maintains cash balances at financial institutions. Cash balances held at banks during the year exceeded the FDIC insurance limit of \$250,000.

SANTA FE CONSERVATION TRUST

Notes to the Financial Statements

December 31, 2022 and 2021

(14) Concentrations of Credit, Market and Business Risk, (Continued)

The checking account balance as of December 31, 2022 was \$460,810. SFCT has not experienced any losses on its cash and cash equivalent deposits. SFCT manages market risk related to receivables through the use of a valuation allowance. Historically, there have not been material losses on receivables.

(15) Right-of-Use Operating Lease

SFCT leases office space under a non-cancelable operating lease. The building lease began on August 1, 2018 and ends July 31, 2025. The lease includes renewal options which extend the lease terms through July 31, 2030.

SFCT evaluated current contracts to determine which met the criteria of a lease. The right-of-use (ROU) assets represent SFCT's right to use underlying assets for the lease term, and the lease liabilities represent SFCT's obligation to make lease payments arising from these leases. The ROU assets and lease liabilities, all of which arise from operating leases, were calculated based on the present value of future lease payments over the lease terms, including renewal options if they are reasonably certain to be exercised. SFCT has made an accounting policy election to use a risk-free rate in lieu of its incremental borrowing rate to discount future lease payments. The weighted-average discount rate applied to calculate lease liabilities as of December 31, 2022, was 1.63%.

For the year ended December 31, 2022, total operating lease cost was \$32,050 and total short-term lease cost was approximately \$1,346. As of December 31, 2022, the weighted-average remaining lease term for SFCT's operating lease was approximately 7.58 years.

Future minimum rental payments including renewal options due under the lease are as follows:

Year ending December 31:	2023	\$	34,408
	2024		33,250
	2025		34,100
	2026		35,050
	2027		35,650
	Thereafter		94,800
	Total future lease payments		267,258
	Less present value discount		(18,062)
	Total future lease obligations		\$ 249,196

Rent expense under FASB ASC 840 (pre-adoption of the new standards) for operating leases totaled \$33,808 and \$33,063 for the years ended December 31, 2022 and 2021, respectively. The aggregate minimum lease payments under those operating leases as of December 31, 2022, were as follows:

Year ending December 31:	2023	\$	34,408
	2024		33,250
	2025		19,600
	2026		-
	2027		-
	Thereafter		-
	Total		\$ 87,258

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Notes to the Financial Statements

December 31, 2022 and 2021

(16) In-kind Contributions

Generally accepted accounting principles requires that professional service hours (attorney, accountants, doctors, etc.) be recorded in the financial statements, but not volunteer hours. Volunteers and board members have donated significant amounts of their time in SFCT's program and in its fund-raising campaigns. The value of these hours could not be estimated and is not recorded in the financial statements

In-kind contributions recorded in the statements of activities and changes in net assets consisted of land improvements, closing and survey costs, professional services, facilities, and gifts valued at \$1,408 and \$3,498 for the years ending December 31, 2022 and 2021, respectively.

	<u>2022</u>	<u>2021</u>
Donated services	\$ 23	\$ 1,560
Donated facilities	1,385	1,938
	<u>\$ 1,408</u>	<u>\$ 3,498</u>

(17) Restrictions and Limitations on Net Asset Balances

The Board of Directors has designated funds from operating reserves for special initiative projects to provide resources to assist in the completion of or the acquisition of conservation properties. Investment income is reinvested and is also designated. The Board of Directors requires designated funds to be maintained separately from operating funds. Board designated net assets for special initiative projects were \$296,866 and \$42,385 as of December 31, 2022 and 2021, respectively. SFCT had donor restricted net assets for stewardship of \$34,289 and \$42,337 in cash and cash equivalents, \$823,098 and \$943,693 in investments at December 31, 2022 and 2021, respectively.

The Board of Directors created two permanent endowments as a beneficial interest in trust to uphold and defend easements and for all other land stewardship. Revenues for these funds consist of contributions by landowners. Investment income is reinvested and is also restricted for its original purpose. Distributions from the fund are governed by the terms of the endowment contract (see Note 14). SFCT had restricted net assets for stewardship and easements of \$145,139 and \$188,255 in a beneficial interest in trust at December 31, 2022 and 2021, respectively.

On December 17, 2021, SFCT was granted \$1,000,000 of corpus endowment funding by the Eugene V. and Clare E. Thaw Charitable Trust to remain permanently restricted in perpetuity. Distributions from the fund are governed by the terms of the endowment contract (see Note 13). Distributions can be used at the discretion of the board and will not be restricted.

On December 17, 2021, SFCT was granted \$1,250,000 of corpus endowment funding by the Eugene V. and Clare E. Thaw Charitable Trust to remain permanently restricted in perpetuity. Distributions from the fund are governed by the terms of the endowment contract (see Note 13). Distributions are directed to be used for management and maintenance of the Conservation Homestead and are considered purpose restricted.

SANTA FE CONSERVATION TRUST

Notes to the Financial Statements

December 31, 2022 and 2021

(18) Special Events

Special events consisted of various fundraising events to benefit SFCT. Financial results recognized from the special events for the year ended December 31, 2022 and 2021 consisted of the following:

	<u>2022</u>	<u>2021</u>
Income	\$ 196,377	\$ 157,143
Expenses	(79,644)	(51,558)
	<u>\$ 116,733</u>	<u>\$ 105,585</u>

(19) Prior Period Adjustment

Demolition costs of \$85,382 that should have been capitalized were expensed in 2020. The auditors made a prior period adjustment in 2021 that is displayed on the Statement of Activities. These amounts are now included as land on the Statement of Financial Position and also in Note 12.

(20) Subsequent Events

In preparing these financial statements, SFCT has evaluated events and transactions that may be material in nature regarding financial conditions that existed as of the balance sheet date. Management has evaluated all subsequent events through November 15, 2023, the date on which the financial statements were available to be issued.

Conservation Homestead: SFCT continues its work on remediation of this special property in the Galisteo Basin, including wetland restoration and reseeded the grasslands, and is investing substantial resources in this project, organizing volunteers and even hiring goats! Four miles of new trails were constructed, and SFCT hosted a public opening in October 2022.

On January 19, 2023, SFCT was awarded a \$92,723 two-year grant from the New Mexico Economic Development Department/Outdoor recreation Division Trails+ grant for the design of a half-mile accessible trail at the Conservation Homestead, the construction of a parking lot with two accessible parking spots, and the design of interpretive signage.

Safe Routes to School: The two-year Safe Routes to School grant from the Department of Transportation, administered by SFCT through the City of Santa Fe, expired on June 30, 2023. The Santa Fe SRTS program is slated to be transferred to Santa Fe Public Schools in January of 2024. SFCT secured \$40,000 of interim funding from the NM EDD ORD Outdoor Equity Fund in September of 2023 to continue the SRTS program until the transition is complete.

Land Conservation: At the end of October 2023, SFCT completed the transfer of eight conservation easements from the Commonweal Conservancy, which increased the number of acres protected by SFCT by 1,116.98 acres.

SANTA FE CONSERVATION TRUST
Schedule of Conservation Easements Received (Unaudited)
December 31, 2022

The following schedule represents conservation easements and fee title properties held by SFCT:

Recorded	Property	Number of Acres	County
1992	Williamson	2.9	Santa Fe
1992	Grenfell	433.1	Santa Fe
1993	Goodwill	102.2	Santa Fe
1993	Rossiter	319.6	Santa Fe
1993	Stanley	162.9	Santa Fe
1993	Parker	50.0	Santa Fe
1993	Lipsett	0.8	Santa Fe
1994	Turner I	10.9	Santa Fe
1994	25	4,930.0	San Miguel
1995	Wagner	19.5	Santa Fe
1995	Turner II	66.8	Santa Fe
1995	Dant, J & M	24.0	Santa Fe
1995	Meem	13.1	Santa Fe
1995	Charles R Ranch	5,125.0	San Miguel
1995	Hyatt	1.9	Santa Fe
1995	Atalaya Fee (fee)	7.1	Santa Fe
1996	Stadevco	2.4	Santa Fe
1996	Wirth	25.0	Santa Fe
1996	Peterson	59.1	Santa Fe
1996	McDaniel	2,599.8	Rio Arriba
1996	Thompson	1,853.9	Rio Arriba
1996	Morris	655.5	Rio Arriba
1996	Sheesley	501.0	Rio Arriba
1996	Boyle	645.0	Rio Arriba
1997	Pecos River	832.2	San Miguel
1997	Field	0.5	Santa Fe
1998	Betts I	80.4	San Miguel
1998	Kelly	89.0	San Miguel
1998	Cook	2.0	Santa Fe
1998	Thomas	1.8	Santa Fe
1999	Durand	2.9	Santa Fe
1999	Betts II	193.0	San Miguel
1999	Tecolote	9,148.0	San Miguel
1999	The Hill	1.8	Santa Fe
2000	Dapples	14.3	Santa Fe
2000	Dant, D.	9.0	Santa Fe
2000	Crichton	94.1	Santa Fe
2001	Ortiz Mountains Education Preserve	1,350.0	Santa Fe
2001	Hitchcock	12.3	Santa Fe
2003	TPL Wells Thornton	45.7	Santa Fe

SANTA FE CONSERVATION TRUST
Schedule of Conservation Easements Received (Unaudited)
December 31, 2022

The following schedule represents conservation easements and fee title properties held by SFCT:

Recorded	Property	Number of Acres	County
2004	Railyard Park and Plaza	15.7	Santa Fe
2004	Thaw I	4.4	Santa Fe
2004	Thaw III	7.1	Santa Fe
2004	Thaw II	6.1	Santa Fe
2004	Thaw IV	16.0	Santa Fe
2004	Heart & Soul III	20.5	Santa Fe
2004	Heart & Soul II	20.5	Santa Fe
2004	Heart & Soul I	111.0	Santa Fe
2004	Charles R Ranch Lots	4.5	San Miguel
2004	Holian I	160.0	Santa Fe
2004	Cerrito Amarillo	32.0	San Miguel
2004	Los Trigos	603.6	San Miguel
2005	Dant/McQueen	1.6	Santa Fe
2005	Garden of the Gods	126.6	Santa Fe
2005	Swimming Hole	16.8	San Miguel
2005	Ross	41.4	Santa Fe
2006	Holian II	616.7	Santa Fe
2006	Greenfield	17.8	San Miguel
2008	GBP CC #1	320.0	Santa Fe
2008	Rio Hondo Park TLT	22.2	Taos
2008	PROS - Coonly	60.0	San Miguel
2008	Holmes	85.0	Rio Arriba
2008	Cerrillos West	40.4	Santa Fe
2009	Santa Rita	50.0	Rio Arriba
2009	GBP CC #2	330.0	Santa Fe
2009	Chandler Preserve	489.9	Santa Fe
2009	Pecos Canyon Sixteen	16.3	San Miguel
2009	GBP CC #3	600.0	Santa Fe
2010	GBP East Preserve Lot 1	160.0	Santa Fe
2010	Berg	204.5	San Miguel
2010	Sun Mountain TPL	11.1	Santa Fe
2011	GBP CC #4 West Canyon	798.0	Santa Fe
2011	GBP CC #5 Galisteo Springs	280.0	Santa Fe
2011	Allison-Ito	445.9	Santa Fe
2011	Walking Rein Ranch	354.0	Santa Fe
2011	GBP East Preserve Lot 2	160.0	Santa Fe
2011	GBP East Preserve Lot 3	160.0	Santa Fe
2013	GBP CC #6 Diablo Ridge	300.0	Santa Fe
2013	Reed	41.7	Santa Fe

SANTA FE CONSERVATION TRUST
Schedule of Conservation Easements Received (Unaudited)
December 31, 2022

The following schedule represents conservation easements and fee title properties held by SFCT:

Recorded	Property	Number of Acres	County
2013	GBP Conservation Ranch #2	477.0	Santa Fe
2014	GBP CC #7 Nathan's Trace	300.0	Santa Fe
2014	Lipscomb Viscoli Sun Mountain	10.5	Santa Fe
2015	GBP Conservation Ranch #1	318.2	Santa Fe
2015	Moldaw-Sze Jacona	13.4	Santa Fe
2016	Riverhaven (fee)	2.2	Santa Fe
2018	Fullerton I	37.2	Santa Fe
2018	Petchesky Ranch	240.4	Santa Fe
2018	Little Tesuque	51.9	Santa Fe
2018	Fullerton II	5.9	Santa Fe
2018	Lone Mountain	3,029.0	Santa Fe
2018	GBP CC #8 Liam's Lark	315.7	Santa Fe
2019	GBP CC #9 Mark's Reach	530.5	Lamy
2020	Big Fence Road	13.0	Santa Fe
2020	Tesuque View	1.0	Santa Fe
2020	Rio Fernando Park	20.0	Santa Fe
2020	Big Fence	372.0	Santa Fe
2020	Conservation Homestead (fee)	300.0	Santa Fe
2021	GBP CC#10 White Rock Grotto	822.6	Santa Fe
2021	Moonfrog	10.5	Santa Fe
2021	Apache Canyon (fee)	614.0	Santa Fe
2022	Dorothy Stewart	9.4	Santa Fe
2022	GBP CC#11 Astral Valley	1,382.5	Lamy
2022	Blum	37.8	Santa Fe
2022	Bill K. Brewster Honorary	290.0	Cerrillos

The total number of properties is 104. The total acres protected are 45,445.