



**FINANCIAL STATEMENTS
MARCH 31, 2020 AND 2019**

THE STUDENT CONSERVATION ASSOCIATION, INC.

Contents
March 31, 2020 and 2019

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Independent Auditor's Report

To the Board of Directors of
The Student Conservation Association, Inc.:

Report on the Financial Statements

We have audited the accompanying financial statements of The Student Conservation Association, Inc. (a New York corporation, not for profit) (the Association), which comprise the statements of financial position as of March 31, 2020 and 2019, and the related statements of activities, changes in net assets, cash flows and functional expenses for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Student Conservation Association, Inc. as of March 31, 2020 and 2019, 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.

AAFCPAs, Inc.

Westborough, Massachusetts
October 8, 2020

THE STUDENT CONSERVATION ASSOCIATION, INC.

Statements of Financial Position
March 31, 2020 and 2019

Assets	2020			2019		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Current Assets:						
Cash	\$ 836,662	\$ 2,536,538	\$ 3,373,200	\$ 124,011	\$ -	\$ 124,011
Government contracts and other receivables, net	4,893,263	-	4,893,263	4,717,412	-	4,717,412
Current portion of pledges receivable, net	81,700	467,493	549,193	443,778	350,369	794,147
Prepaid expenses and other assets	501,464	-	501,464	712,424	-	712,424
Due (to) from	-	-	-	(3,259,465)	3,259,465	-
Total current assets	6,313,089	3,004,031	9,317,120	2,738,160	3,609,834	6,347,994
Other Assets:						
Pledges receivable, net of current portion	-	188,699	188,699	-	169,927	169,927
Investments	2,132,077	5,375,892	7,507,969	2,292,112	5,728,732	8,020,844
Beneficial interests in trusts	-	544,118	544,118	-	323,532	323,532
Property and equipment, net	3,213,017	-	3,213,017	3,544,741	-	3,544,741
Total assets	\$ 11,658,183	\$ 9,112,740	\$ 20,770,923	\$ 8,575,013	\$ 9,832,025	\$ 18,407,038
Liabilities and Net Assets						
Current Liabilities:						
Line of credit	\$ 2,813,747	\$ -	\$ 2,813,747	\$ 489,530	\$ -	\$ 489,530
Current portion of note payable, net	99,996	-	99,996	99,996	-	99,996
Current portion of capital lease obligations	133,082	-	133,082	188,285	-	188,285
Accounts payable	322,726	-	322,726	347,917	-	347,917
Accrued expenses	951,468	-	951,468	752,000	-	752,000
Deferred revenue	209,227	-	209,227	86,305	-	86,305
Total current liabilities	4,530,246	-	4,530,246	1,964,033	-	1,964,033
Other Liabilities:						
Note payable, net of current portion and unamortized debt issuance costs	791,671	-	791,671	875,326	-	875,326
Capital lease obligations, net of current portion	86,654	-	86,654	114,343	-	114,343
Accrued rent	337,200	-	337,200	-	-	-
Split-interest agreements	1,582,893	-	1,582,893	1,681,877	-	1,681,877
Total liabilities	7,328,664	-	7,328,664	4,635,579	-	4,635,579
Net Assets:						
Without donor restrictions:						
Operating	41,403	-	41,403	(241,755)	-	(241,755)
Board designated	2,186,502	-	2,186,502	1,914,398	-	1,914,398
Property and equipment	2,101,614	-	2,101,614	2,266,791	-	2,266,791
Total without donor restrictions	4,329,519	-	4,329,519	3,939,434	-	3,939,434
With donor restrictions	-	9,112,740	9,112,740	-	9,832,025	9,832,025
Total net assets	4,329,519	9,112,740	13,442,259	3,939,434	9,832,025	13,771,459
Total liabilities and net assets	\$ 11,658,183	\$ 9,112,740	\$ 20,770,923	\$ 8,575,013	\$ 9,832,025	\$ 18,407,038

The accompanying notes are an integral part of these statements.

THE STUDENT CONSERVATION ASSOCIATION, INC.

Statements of Activities

For the Years Ended March 31, 2020 and 2019

	2020			2019		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Operating Revenue:						
Government contract revenue	\$ 26,200,077	\$ -	\$ 26,200,077	\$ 26,311,087	\$ -	\$ 26,311,087
Grants and contributions	7,602,825	2,731,590	10,334,415	7,394,852	2,276,112	9,670,964
Donated goods and services	684,963	-	684,963	796,795	-	796,795
Investment return designated for current operations	178,605	-	178,605	229,616	-	229,616
Other income	96,374	-	96,374	298,460	-	298,460
Net assets released from restrictions	3,318,622	(3,318,622)	-	4,121,077	(4,121,077)	-
Total operating revenue	<u>38,081,466</u>	<u>(587,032)</u>	<u>37,494,434</u>	<u>39,151,887</u>	<u>(1,844,965)</u>	<u>37,306,922</u>
Operating Expenses:						
Program expenses:						
Community	6,992,965	-	6,992,965	8,028,592	-	8,028,592
Corps	9,971,403	-	9,971,403	11,720,614	-	11,720,614
Crew	540,662	-	540,662	1,090,300	-	1,090,300
Internship	9,652,755	-	9,652,755	10,951,196	-	10,951,196
Leader	363,454	-	363,454	420,994	-	420,994
Youth conservation corps	52,766	-	52,766	141,547	-	141,547
Total program expenses	<u>27,574,005</u>	<u>-</u>	<u>27,574,005</u>	<u>32,353,243</u>	<u>-</u>	<u>32,353,243</u>
General and administrative	6,563,037	-	6,563,037	6,949,596	-	6,949,596
Fundraising	3,364,330	-	3,364,330	3,553,802	-	3,553,802
Total operating expenses	<u>37,501,372</u>	<u>-</u>	<u>37,501,372</u>	<u>42,856,641</u>	<u>-</u>	<u>42,856,641</u>
Changes in net assets from operations	<u>580,094</u>	<u>(587,032)</u>	<u>(6,938)</u>	<u>(3,704,754)</u>	<u>(1,844,965)</u>	<u>(5,549,719)</u>
Non-Operating Revenue (Expenses):						
Beneficial interests in trust contribution	-	247,742	247,742	-	-	-
Charitable gift annuity contributions	-	67,500	67,500	-	644,200	644,200
Endowment contributions	-	28,149	28,149	-	81,870	81,870
Collection of previously written off bad debt	21,498	-	21,498	-	-	-
Release from endowment	-	-	-	1,040,117	(1,040,117)	-
Loss on disposal of property and equipment	-	-	-	(60,058)	-	(60,058)
Change in value of beneficial interests in trusts	-	(27,156)	(27,156)	-	67,199	67,199
Change in value of split-interest agreements	-	(144,011)	(144,011)	-	(546,182)	(546,182)
Investment return designated for current operations	-	(178,605)	(178,605)	-	(229,616)	(229,616)
Investment return, net	(51,507)	(285,872)	(337,379)	102,215	125,520	227,735
Total non-operating revenue (expenses)	<u>(30,009)</u>	<u>(292,253)</u>	<u>(322,262)</u>	<u>1,082,274</u>	<u>(897,126)</u>	<u>185,148</u>
Changes in net assets	<u>\$ 550,085</u>	<u>\$ (879,285)</u>	<u>\$ (329,200)</u>	<u>\$ (2,622,480)</u>	<u>\$ (2,742,091)</u>	<u>\$ (5,364,571)</u>

The accompanying notes are an integral part of these statements.

THE STUDENT CONSERVATION ASSOCIATION, INC.

Statements of Changes in Net Assets
For the Years Ended March 31, 2020 and 2019

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Net Assets, March 31, 2018	\$ 6,561,914	\$ 12,574,116	\$ 19,136,030
Changes in net assets	<u>(2,622,480)</u>	<u>(2,742,091)</u>	<u>(5,364,571)</u>
Net Assets, March 31, 2019	3,939,434	9,832,025	13,771,459
Changes in net assets	550,085	(879,285)	(329,200)
Net asset transfer	<u>(160,000)</u>	<u>160,000</u>	<u>-</u>
Net Assets, March 31, 2020	<u><u>\$ 4,329,519</u></u>	<u><u>\$ 9,112,740</u></u>	<u><u>\$ 13,442,259</u></u>

THE STUDENT CONSERVATION ASSOCIATION, INC.

Statements of Cash Flows

For the Years Ended March 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Cash Flows from Operating Activities:		
Changes in net assets	\$ (329,200)	\$ (5,364,571)
Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities:		
Depreciation	589,068	1,007,298
Amortization of debt issuance costs	16,345	12,199
Bad debts	-	668,468
Collection of previously written off bad debt	(21,498)	-
Realized and unrealized losses on investments	564,027	83,908
Endowment contributions	(28,149)	(81,870)
Beneficial interests in trust contribution	(247,742)	-
Charitable gift annuity contributions	(67,500)	(644,200)
Change in value of split-interest agreements	144,011	546,182
Change in value of beneficial interests in trusts	27,156	(67,199)
Loss on disposal of property and equipment	-	60,058
Changes in operating assets and liabilities:		
Government contracts and other receivables	(282,871)	2,060,531
Pledges receivable	354,700	943,749
Prepaid expenses and other assets	210,960	432,390
Accounts payable	(25,191)	(810,191)
Accrued expenses	199,468	(39,288)
Deferred revenue	122,922	86,305
Accrued rent	337,200	-
Net cash provided by (used in) operating activities	<u>1,563,706</u>	<u>(1,106,231)</u>
Cash Flows from Investing Activities:		
Purchase of property and equipment	(131,145)	(157,183)
Charitable gift annuity contributions	67,500	644,200
Purchase of investments	(1,174,798)	(10,786,036)
Proceeds from sale of investments	1,123,646	14,687,347
Net proceeds from liquidation of life insurance policy	-	144,406
Payments to annuitants	(242,995)	(224,363)
Net cash provided by (used in) investing activities	<u>(357,792)</u>	<u>4,308,371</u>
Cash Flows from Financing Activities:		
Net (payments on) proceeds from line of credit	2,324,217	(2,543,299)
Endowment contributions	28,149	81,870
Principal payments on capital lease obligations	(209,091)	(356,164)
Principal payments on note payable	(100,000)	(1,282,816)
Debt issuance costs	-	(16,345)
Net cash provided by (used in) financing activities	<u>2,043,275</u>	<u>(4,116,754)</u>
Net Change in Cash	3,249,189	(914,614)
Cash:		
Beginning of year	<u>124,011</u>	<u>1,038,625</u>
End of year	<u>\$ 3,373,200</u>	<u>\$ 124,011</u>
Supplemental Disclosure of Cash Flow Information:		
Cash paid for interest	<u>\$ 170,344</u>	<u>\$ 403,481</u>
Supplemental Disclosure of Non-Cash Transaction:		
Property and equipment acquired through capital leases	<u>\$ 126,199</u>	<u>\$ -</u>

THE STUDENT CONSERVATION ASSOCIATION, INC.

Statement of Functional Expenses
 For the Year Ended March 31, 2020
 (With Comparative Totals for the Year Ended March 31, 2019)

	2020										2019	
	Program					Support					Total	
	Community	Corps	Crew	Internship	Leader	Youth Conservation Corps	Total Program	General and Administrative	Fundraising	Total Support	Total	
Personnel and Related Costs:												
Salaries and wages	\$ 3,839,470	\$ 6,176,046	\$ 229,816	\$ 4,296,387	\$ 140,557	\$ 31,448	\$ 14,713,724	\$ 2,644,023	\$ 1,528,432	\$ 4,172,455	\$ 18,886,179	\$ 19,599,050
Payroll taxes	403,409	323,076	26,458	788,989	16,508	3,071	1,561,511	166,819	117,659	284,478	1,845,989	2,002,332
Contracted services	153,502	766	61	5,174	38	8	159,549	817,854	9,534	827,388	986,937	663,102
Fringe benefits	153,607	208,239	-	-	6,576	-	368,422	453,256	44,327	497,583	866,005	922,368
Total personnel and related costs	<u>4,549,988</u>	<u>6,708,127</u>	<u>256,335</u>	<u>5,090,550</u>	<u>163,679</u>	<u>34,527</u>	<u>16,803,206</u>	<u>4,081,952</u>	<u>1,699,952</u>	<u>5,781,904</u>	<u>22,585,110</u>	<u>23,186,852</u>
Occupancy:												
Rent	209,255	87,838	18,349	116,978	14,774	449	447,643	192,259	157,302	349,561	797,204	823,458
Depreciation	29,234	30,977	2,711	41,431	1,549	775	106,677	47,819	39,108	86,927	193,604	192,710
Utilities	-	62,490	-	37	-	-	62,527	13,468	8,664	22,132	84,659	78,480
Interest	-	-	-	-	-	-	-	44,740	19,521	64,261	64,261	77,636
Property insurance	-	-	-	-	-	-	-	6,700	3,451	10,151	10,151	56,346
Repairs and maintenance	-	-	-	-	-	-	-	4,375	2,254	6,629	6,629	51,191
Total occupancy	<u>238,489</u>	<u>181,305</u>	<u>21,060</u>	<u>158,446</u>	<u>16,323</u>	<u>1,224</u>	<u>616,847</u>	<u>309,361</u>	<u>230,300</u>	<u>539,661</u>	<u>1,156,508</u>	<u>1,279,821</u>
Other:												
Professional Fees	142,264	121,672	9,652	188,839	5,969	1,298	469,694	1,056,825	954,879	2,011,704	2,481,398	2,366,396
Participant housing and meals	95,123	621,239	27,012	1,647,147	19,378	3,989	2,413,888	81	502	583	2,414,471	2,796,459
Field travel and transportation	523,210	562,149	116,750	1,125,687	70,714	3,909	2,402,419	-	1,889	1,889	2,404,308	2,796,661
Insurance	324,052	242,822	19,374	540,157	15,097	2,658	1,144,160	128,736	17,378	146,114	1,290,274	1,323,562
Conferences and training	146,814	481,947	9,619	121,386	4,057	570	764,393	129,432	50,911	180,343	944,736	1,446,496
Staff travel	93,195	291,265	5,057	66,185	19,822	28	475,552	288,970	131,474	420,444	895,996	1,159,361
Supplies and equipment	369,182	222,657	10,117	68,756	6,254	95	677,061	41,384	15,427	56,811	733,872	793,513
Advertising	144,787	123,830	9,823	192,188	6,075	1,321	478,024	22,910	14,535	37,445	515,469	575,116
Technology	81,590	112,624	15,517	150,665	6,007	1,502	367,905	76,582	56,062	132,644	500,549	1,634,348
Depreciation	85,550	79,949	6,629	116,540	3,955	1,356	293,979	57,088	44,397	101,485	395,464	814,588
Uniforms	54,580	69,998	20,194	157,320	15,405	144	317,641	239	-	239	317,880	545,697
Telephone	49,519	122,782	196	1,890	5,217	-	179,604	95,102	8,238	103,340	282,944	403,216
Miscellaneous	2,860	2,643	194	6,291	120	26	12,134	155,493	13,320	168,813	180,947	226,280
Printing and postage	10,553	15,651	12,266	3,745	4,846	2	47,063	49,370	83,615	132,985	180,048	299,780
Interest	12,561	10,743	852	16,674	527	115	41,472	47,261	27,093	74,354	115,826	355,049
Memberships and subscriptions	68,648	-	15	289	9	2	68,963	22,251	14,358	36,609	105,572	184,978
Bad debts	-	-	-	-	-	-	-	-	-	-	-	668,468
Total other	<u>2,204,488</u>	<u>3,081,971</u>	<u>263,267</u>	<u>4,403,759</u>	<u>183,452</u>	<u>17,015</u>	<u>10,153,952</u>	<u>2,171,724</u>	<u>1,434,078</u>	<u>3,605,802</u>	<u>13,759,754</u>	<u>18,389,968</u>
Total expenses	<u>\$ 6,992,965</u>	<u>\$ 9,971,403</u>	<u>\$ 540,662</u>	<u>\$ 9,652,755</u>	<u>\$ 363,454</u>	<u>\$ 52,766</u>	<u>\$ 27,574,005</u>	<u>\$ 6,563,037</u>	<u>\$ 3,364,330</u>	<u>\$ 9,927,367</u>	<u>\$ 37,501,372</u>	<u>\$ 42,856,641</u>

The accompanying notes are an integral part of these statements.

THE STUDENT CONSERVATION ASSOCIATION, INC.

Statement of Functional Expenses
For the Year Ended March 31, 2019

	Program						Support				Total
	Community	Corps	Crew	Internship	Leader	Youth Conservation Corps	Total Program	General and Administrative	Fundraising	Total Support	
Personnel and Related Costs:											
Salaries and wages	\$ 4,789,397	\$ 6,066,357	\$ 365,360	\$ 4,358,648	\$ 164,410	\$ 93,141	\$ 15,837,313	\$ 2,333,334	\$ 1,428,403	\$ 3,761,737	\$ 19,599,050
Payroll taxes	400,366	407,921	38,405	863,247	20,288	10,580	1,740,807	151,955	109,570	261,525	2,002,332
Fringe benefits	36,616	321,117	6,654	635	-	-	365,022	482,890	74,456	557,346	922,368
Contracted services	66,648	87,292	41,355	22,638	347	177	218,457	440,905	3,740	444,645	663,102
Total personnel and related costs	5,293,027	6,882,687	451,774	5,245,168	185,045	103,898	18,161,599	3,409,084	1,616,169	5,025,253	23,186,852
Occupancy:											
Rent	200,105	231,383	16,025	72,077	15,780	138	535,508	158,373	129,577	287,950	823,458
Depreciation	29,189	30,919	2,779	41,245	1,508	767	106,407	47,467	38,836	86,303	192,710
Utilities	-	57,398	-	461	-	-	57,859	11,341	9,280	20,621	78,480
Interest	-	-	-	-	-	-	-	55,612	22,024	77,636	77,636
Property insurance	-	-	-	-	-	-	-	37,188	19,158	56,346	56,346
Repairs and maintenance	3,385	3,586	322	4,783	175	89	12,340	25,642	13,209	38,851	51,191
Total occupancy	232,679	323,286	19,126	118,566	17,463	994	712,114	335,623	232,084	567,707	1,279,821
Other:											
Professional fees	133,423	141,329	12,704	188,529	6,896	3,508	486,389	929,519	950,488	1,880,007	2,366,396
Participant housing and meals	179,249	831,000	102,911	1,649,821	32,342	982	2,796,305	-	154	154	2,796,459
Field travel and transportation	519,460	544,607	192,959	1,469,653	62,369	7,313	2,796,361	-	300	300	2,796,661
Insurance	218,065	188,335	20,497	391,771	13,174	4,720	836,562	475,651	11,349	487,000	1,323,562
Conferences and training	97,431	852,774	9,084	170,999	3,829	852	1,134,969	252,803	58,724	311,527	1,446,496
Staff travel	143,607	356,798	71,754	221,699	8,330	1,393	803,581	114,504	241,276	355,780	1,159,361
Supplies and equipment	301,113	281,062	26,858	25,360	9,170	315	643,878	147,259	2,376	149,635	793,513
Advertising	122,111	129,347	11,627	172,545	6,311	3,210	445,151	127,301	2,664	129,965	575,116
Technology	266,153	367,652	50,415	492,082	18,947	5,708	1,200,957	250,471	182,920	433,391	1,634,348
Depreciation	155,669	164,893	14,822	219,962	8,046	4,093	567,485	157,441	89,662	247,103	814,588
Uniforms	67,584	137,449	41,300	271,398	27,648	287	545,666	-	31	31	545,697
Telephone	69,700	168,921	7,610	2,920	4,699	34	253,884	144,177	5,155	149,332	403,216
Miscellaneous	9,577	38,700	15	1,850	8	3	50,153	171,814	4,313	176,127	226,280
Printing and postage	18,469	39,894	27,800	8,359	5,293	255	100,070	74,971	124,739	199,710	299,780
Interest	20,382	21,590	1,941	28,801	1,053	536	74,303	280,746	-	280,746	355,049
Memberships and subscriptions	26,958	47,367	783	240	-	-	75,348	78,232	31,398	109,630	184,978
Bad debts	153,935	202,923	26,320	271,473	10,371	3,446	668,468	-	-	-	668,468
Total other	2,502,886	4,514,641	619,400	5,587,462	218,486	36,655	13,479,530	3,204,889	1,705,549	4,910,438	18,389,968
Total expenses	\$ 8,028,592	\$ 11,720,614	\$ 1,090,300	\$ 10,951,196	\$ 420,994	\$ 141,547	\$ 32,353,243	\$ 6,949,596	\$ 3,553,802	\$ 10,503,398	\$ 42,856,641

The accompanying notes are an integral part of these statements.

THE STUDENT CONSERVATION ASSOCIATION, INC.

Notes to Financial Statements
March 31, 2020 and 2019

1. OPERATIONS AND NONPROFIT STATUS

Operations

The Student Conservation Association, Inc. (the Association) is a New York nonprofit corporation established for the purposes of building the next generation of conservation leaders and inspiring lifelong stewardship of our environment and communities. The Association engages young people in hands-on service to the land, offering opportunities for education, leadership, and personal development in projects conducted throughout the United States of America.

Nonprofit Status

The Association is exempt from Federal income taxes as an organization (not a private foundation) formed for charitable purposes under Section 501(c)(3) of the Internal Revenue Code (IRC). The Association is also exempt from state income taxes. Donors may deduct contributions made to the Association within IRC requirements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Association prepares its financial statements in accordance with generally accepted accounting standards and principles (U.S. GAAP) established by the Financial Accounting Standards Board (FASB). References to U.S. GAAP in these notes are to the FASB Accounting Standards Codification (ASC).

Recently Adopted Accounting Pronouncements

In fiscal year 2020, the Association adopted FASB's Accounting Standards Update (ASU) 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This ASU clarifies and improves guidance for contributions received and contributions made and provides guidance to organizations on how to account for certain exchange transactions. In addition, it clarifies whether a contribution is conditional. As a result, it enhances comparability of financial information among not-for-profit entities. The adoption of this standard did not have a significant impact on the Association's financial statements as the recognition of grants and contributions revenue did not change as a result of the new standard.

During fiscal year 2020, the Association also adopted ASC Topic 606, Revenue from Contracts with Customers, with respect to its revenue recognition policies. The core principal of the new accounting guidance is that an entity should recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The adoption of this standard did not have a significant impact on the Association's financial statements as the Association's primary source of revenue are grants and contributions, which are not subject to this accounting standard. Government contract revenue is recognized in accordance with Topic 958.

Estimates

The preparation of financial statements in accordance with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent 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.

THE STUDENT CONSERVATION ASSOCIATION, INC.

Notes to Financial Statements
March 31, 2020 and 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Government Contracts and Other Receivables and Allowance for Doubtful Accounts

Government contracts and other receivables are recorded at the invoiced amount and do not bear interest. The allowance for doubtful accounts, if any, is based on management's best estimate of the amount of probable credit losses in accounts receivable, specific identification of probable losses, and an estimate of additional losses based on historical write-off experience. The allowance for doubtful accounts at March 31, 2020 and 2019, totaled \$29,098 and \$366,218, respectively.

Pledges Receivable and Allowance for Uncollectible Pledges

Pledges receivable at March 31, 2020 and 2019, consist of unconditional grants and contributions committed to the Association (see Note 14). Pledges are recorded at their net present value when unconditionally committed. The reserve for uncollectible pledges is based on past collection experience together with a review of the current status of the existing pledges. Pledge balances are charged off against the reserve when it is probable the pledge will not be recovered. The allowance for uncollectible pledges receivable at March 31, 2020 and 2019, was \$81,729 and \$213,576, respectively.

Investment Return

Interest, dividends and mutual fund distributions are recorded when earned. Gains and losses are recognized as incurred upon sale or based on fair value changes during the period. Investment return on the Association's endowment is included in net assets with donor restrictions (see Note 5). Investments without donor restrictions are classified as long-term based on management's intent to hold these investments for long-term purposes.

Property and Equipment and Depreciation

Property and equipment (see Note 6) having a value of \$10,000 or more and a useful life of greater than one year are capitalized, while repairs and maintenance are expensed as incurred. Property and equipment are recorded at cost when purchased or constructed and at fair value when donated. Depreciation is computed using the straight-line method over the following estimated useful lives:

Buildings and improvements	30 years
Computer and office equipment	2 - 10 years
Program equipment	2 - 5 years
Motor vehicles	5 years
Leasehold improvements	Life of the lease
Equipment under capital lease	Lesser of estimated useful life or lease term

The Association accounts for the carrying value of its property and equipment in accordance with ASC Topic, *Property, Plant and Equipment*. The Association has not recognized any reduction in the carrying value of its property and equipment when considering this standard during fiscal years 2020 and 2019.

THE STUDENT CONSERVATION ASSOCIATION, INC.

Notes to Financial Statements
March 31, 2020 and 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Split-Interest Agreements

Charitable remainder trusts were donated to the Association on the condition that the Association commit to making periodic stipulated payments to the donor or other designated individuals at a stated percentage of the fair value of the trust. Gift annuities were given to the Association also on the condition that the Association commit to making periodic stipulated payments to the donor or other designated individuals. Payments terminate at a time specified in the gift annuity and charitable remainder trust agreements, usually upon death of the donor or designated individuals.

Debt Issuance Costs

Debt issuance costs are amortized using the effective interest method over the term of the related notes payable (see Note 7).

Fair Value Measurements

The Association follows the accounting and disclosure standards pertaining to ASC Topic, *Fair Value Measurements*, for qualifying assets and liabilities. Fair value is defined as the price that the Association would receive upon selling an asset or pay to settle a liability in an orderly transaction between market participants.

The Association uses a framework for measuring fair value that includes a hierarchy that categorizes and prioritizes the sources used to measure and disclose fair value. This hierarchy is broken down into three levels based on inputs that market participants would use in valuing the financial instruments based on market data obtained from sources independent of the Association. Inputs refer broadly to the assumptions that market participants would use in pricing the financial instrument, 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 financial instrument developed based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset developed based on the best information available. The three-tier hierarchy of inputs is summarized in the three broad levels as follows:

Level 1 - Inputs that reflect unadjusted quoted prices in active markets for identical assets at the measurement date.

Level 2 - Inputs other than quoted prices that are observable for the asset either directly or indirectly, including inputs in markets that are not considered to be active.

Level 3 - Inputs that are unobservable and which require significant judgment or estimation.

An asset or liability's level within the framework is based upon the lowest level of any input that is significant to the fair value measurement.

THE STUDENT CONSERVATION ASSOCIATION, INC.

Notes to Financial Statements
March 31, 2020 and 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair Value Measurements (Continued)

Investments

The Association records investments at fair value (see Note 4) using Level 1 inputs. Marketable securities are recorded at fair values as derived directly from quotations on major trading exchanges. Split-interest planned giving instruments (see Note 9) are stated at fair value of the underlying investments. Reported fair values of shares in mutual funds are based on share prices reported by the funds as of the last business day of the fiscal year. The Association maintains a portion of its investments with and without donor restrictions in a common pool. The unit-share (market value) method of accounting is used for additions to and withdrawals from the pool and for allocating income and gains and losses. Investments are not insured and are subject to ongoing market fluctuations.

Beneficial Interests in Trusts

The Association has beneficial interests in charitable remainder trusts held and invested by third party trustees (see Note 10). Gains and losses on investments are considered changes in the present value of expected cash flows and are recognized as gains or losses in net assets with donor restriction. These inputs to the fair value estimate are considered Level 3 in the fair value hierarchy.

Cash Surrender Value of Life Insurance Policy

The Association recorded the cash surrender value of its life insurance policy using Level 2 inputs which included valuations provided by an insurance company (see Note 13).

Split-Interest Liabilities

The Association has entered into charitable gift annuity contracts with various donors as described on page 10. Contributions implicit in these split-interest agreements are generally recorded as increases in net assets with donor restrictions given the inherent time limitation imposed on the transferred assets.

The present value of payments to beneficiaries of charitable gift annuities are calculated based on the donors' life expectancies and discount rates which represent the risk adjusted rates in existence at the date of the gifts. Gains or losses resulting from changes in actuarial assumptions and accretions of the discount are recorded as increases or decreases in net assets with donor restrictions in the statements of activities. These inputs to the fair value estimate are considered Level 3 in the fair value hierarchy.

All Other Assets and Liabilities

The carrying value of all other assets and liabilities, including notes payable, does not differ materially from its estimated fair value and are considered Level 1 in the fair value hierarchy.

THE STUDENT CONSERVATION ASSOCIATION, INC.

Notes to Financial Statements
March 31, 2020 and 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Assets

Without Donor Restrictions

Net assets without donor restrictions are those net resources that bear no external restrictions and are generally available for use by the Association. The Association has grouped its net assets without donor restrictions into the following categories:

Operating - represent funds available to carry on the operations of the Association.

Property and equipment - represent resources that serve as collateral and expended on property and equipment, net of related note payable and capital lease obligations.

Board designated - consists of the following:

Board designated funds functioning as endowment - consists of net assets which are part of the endowment set aside by the Board of Directors for various purposes. These funds may only be used with the approval of the Board of Directors (see Note 5) and totaled \$835,680 and \$868,582 at March 31, 2020 and 2019, respectively.

Board designated other - consists of non-endowment net assets of the Association that have been set aside by the Board of Directors to fund various initiatives and working capital needs. These funds may only be used with the approval of the Board of Directors and totaled \$1,350,822 and \$1,045,816 at March 31, 2020 and 2019, respectively.

With Donor Restrictions

Net assets with donor restrictions represent amounts received or committed with donor restrictions which have not yet been expended for their designated purposes (purpose restricted), amounts for unrestricted use in future periods (time restricted), and amounts received from donors with the stipulation that the principal will be held in perpetuity and only the investment income can be spent. In accordance with New York State law, all earnings and appreciation of a donor restricted endowment are restricted until appropriated by the Board of Directors.

THE STUDENT CONSERVATION ASSOCIATION, INC.

Notes to Financial Statements
March 31, 2020 and 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Assets (Continued)

***With Donor Restrictions* (Continued)**

Net assets with donor restrictions are restricted as follows at March 31:

	<u>2020</u>	<u>2019</u>
Subject to expenditure for specific purposes:		
Program development	\$ 1,200,000	\$ 2,354,333
Restricted to geographic region	756,425	515,347
Restricted to geographic region and position	633,955	332,500
Other programmatic functions	339,381	119,339
Crews	75,469	15,000
Sustainability initiative	-	179,170
Tree conservation project	-	40,000
	<u>3,005,230</u>	<u>3,555,689</u>
Subject to the passage of time:		
Net position in charitable gift annuities, inherently restricted for future use	835,443	1,014,798
Beneficial interests in trusts, inherently restricted for future use	544,118	323,532
Restricted for use in future fiscal years	<u>187,500</u>	<u>224,072</u>
	<u>1,567,061</u>	<u>1,562,402</u>
Subject to the Association's endowment spending policy and appropriation:		
Investment in perpetuity	4,540,449	4,352,300
Accumulated earnings on endowment	-	361,634
	<u>4,540,449</u>	<u>4,713,934</u>
	<u>\$ 9,112,740</u>	<u>\$ 9,832,025</u>

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of the passage of time or other events specified by the donors as follows for the years ended March 31:

	<u>2020</u>	<u>2019</u>
Satisfaction of purpose restrictions	\$ 3,094,550	\$ 3,404,280
Expiration of time restrictions	<u>224,072</u>	<u>716,797</u>
	3,318,622	4,121,077
Investment return designated for current operations	<u>178,605</u>	<u>229,616</u>
	<u>\$ 3,497,227</u>	<u>\$ 4,350,693</u>

THE STUDENT CONSERVATION ASSOCIATION, INC.

Notes to Financial Statements
March 31, 2020 and 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Assets (Continued)

With Donor Restrictions (Continued)

One gift for \$160,000 previously recorded as an addition to net assets with donor restrictions and released to net assets without donor restrictions prior to fiscal year 2019, was reclassified to net assets restricted in perpetuity due to changes in facts and circumstances of the gift related to the donor's intentions. This gift is shown as a net asset transfer in the accompanying 2020 statement of changes in net assets. In addition, certain gifts totaling \$1,040,117 whose principal was previously restricted in perpetuity were transferred to net assets without donor restrictions due to changes in facts and circumstances, including the donors' intentions related to the previously contributed gifts, which is reflected as release from endowment in the accompanying 2019 statement of activities.

Revenue Recognition

Contributed income may include gifts of cash, collection items, or promises to give. Contributions and grants, including unconditional promises to give, are recognized as revenues in the period received and recorded in the appropriate net asset category in accordance with donor-imposed restrictions. Conditional promises to give are not recognized until they become unconditional, that is, at the time when the conditions are substantially met. Contributions of assets other than cash are reported at their estimated fair value. When considered material, contributions and grants to be received after one (1) year are discounted at an appropriate discount rate commensurate with the risk involved. Multi-year commitments are recorded during the year of the initial pledge.

In accordance with ASC Subtopic 958-605, *Revenue Recognition*, Efficiency Forward must determine whether a contribution (or a promise) is conditional or unconditional for transactions deemed to be a contribution. A contribution is considered to be a conditional contribution if an agreement includes a barrier that must be overcome and either a right of return of assets or a right of release of a promise to transfer assets exists. Indicators of a barrier include a measurable performance-related barrier or other measurable barrier, a stipulation that limits discretion by the recipient on the conduct of an activity, and stipulations that are related to the purpose of the agreement. Topic 958 prescribes that the Association should not consider probability of compliance with the barrier when determining if such awards are conditional and should be reported as conditional grant advance liabilities until such conditions are met. These amounts are included in deferred revenue in the accompanying statements of financial position.

Grants and contributions are recognized when the donor makes a promise to give to the Association that is, in substance, unconditional. Unconditional grants and contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. Grants and contributions with donor-imposed restrictions and conditions are reported as an increase in net assets without donor restrictions if the restrictions and conditions expire in the reporting period in which the grant and contribution is recognized. All other donor restricted grants and contributions are reported as an increase in net assets with donor restrictions, depending on the nature of restriction. When a 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 statements of activities as net assets released from restrictions.

THE STUDENT CONSERVATION ASSOCIATION, INC.

Notes to Financial Statements
March 31, 2020 and 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition (Continued)

Government contract revenue is recognized as expenditures are incurred or services rendered due to the conditional nature of the contracts. Amounts billed and collected before services are rendered are included in deferred revenue. Revenue from bequests is recorded when there is an irrevocable right to the bequest, and it is unconditionally pledged or received. All other revenue is recognized when earned.

Donated Goods and Services

The Association receives donated goods and services. These amounts, which are based upon information provided by the donors who contributed these goods and services, are recorded at their estimated fair value determined on the date of contribution and are included in donated goods and services in the accompanying statements of activities.

Donated goods and services consisted of the following for the years ended March 31:

	<u>2020</u>	<u>2019</u>
Advertising	\$ 478,023	\$ 480,000
Airline tickets	160,000	160,000
Rent	46,940	23,470
Salaries	<u>-</u>	<u>133,325</u>
	<u>\$ 684,963</u>	<u>\$ 796,795</u>

Donated services are included in advertising, staff travel, rent, and salaries and wages in the accompanying statements of functional expenses.

The Association also receives the services of volunteers who have made significant contributions of their time in furtherance of the Association's mission. These services were not reflected in the accompanying statements of activities because they do not meet the necessary criteria for recognition under U.S. GAAP.

Advertising Costs

Advertising costs are expensed as incurred by the Association.

Expense Allocation

Expenses related directly to a program are distributed to that program, while other expenses are allocated to programs based upon management's estimate of the percentage attributable to each function. The financial statements contain certain categories of expenses that are attributable to program and supporting functions. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include personnel and related costs, technology, telephone, and printing and postage, which are allocated based on an estimate of time and level of effort spent on the Association's program and supporting functions. In addition, occupancy and depreciation are allocated on a square footage basis.

THE STUDENT CONSERVATION ASSOCIATION, INC.

Notes to Financial Statements
March 31, 2020 and 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income Taxes

The Association accounts for uncertainty in income taxes in accordance with ASC Topic, *Income Taxes*. This standard clarifies the accounting for uncertainty in tax positions and prescribes a recognition threshold and measurement attribute for the financial statements regarding a tax position taken or expected to be taken in a tax return. The Association has determined that there are no uncertain tax positions which qualify for either recognition or disclosure in the financial statements at March 31, 2020 and 2019. The Association's information returns are subject to examination by the federal and state jurisdictions.

Statements of Activities

Transactions deemed by management to be ongoing, major, or central to the provision of program services are reported as operating revenue and operating expenses in the accompanying statements of activities. Non-operating revenue (expenses) include activities relating to the Association's investment portfolio and planned giving instruments, and capital activity.

Subsequent Events

Subsequent events have been evaluated through October 8, 2020, which is the date the financial statements were available to be issued. There were no events that met the criteria for disclosure in the financial statements, other than those disclosed in Notes 7, 8, and 19.

3. LIQUIDITY

Financial assets available for use by the Association within one year from the statements of financial position date are as follows:

	<u>2020</u>	<u>2019</u>
Cash	\$ 3,373,200	\$ 124,011
Contracts and other receivables, net	4,893,263	4,717,412
Current portion of pledges receivable, net	<u>549,193</u>	<u>794,147</u>
	8,815,656	5,635,570
Add - investment return designated for fiscal years 2020 operations	-	178,605
Less - Board designated funds not in investments	(1,637,318)	(1,304,163)
Less - contracts and other receivables held as collateral on the line of credit as of March 31	(2,813,747)	(489,530)
Less - donor contributions restricted for specific purposes	<u>(2,816,531)</u>	<u>(3,385,762)</u>
Financial assets available to meet cash needs for service expenses within one year	<u>\$ 1,548,060</u>	<u>\$ 634,720</u>

The Association has a policy to structure its financial assets to be available and liquid as its obligations become due. As of March 31, 2020 and 2019, the Association also has \$1,350,822 and \$1,045,816, respectively, of other Board designated funds that could be spent to fund initiatives or working capital needs with Board approval. In addition, the Association has a line of credit agreement which allows for available borrowings up to \$5,000,000 (see Note 8). The available balance on the line of credit can be used to repay the funds borrowed from donor restrictions.

THE STUDENT CONSERVATION ASSOCIATION, INC.

Notes to Financial Statements
March 31, 2020 and 2019

4. INVESTMENTS

Investments consist of the following at March 31:

	<u>2020</u>	<u>2019</u>
Cash and equivalents	\$ 2,117,678	\$ 2,153,423
Fixed income funds	2,346,551	1,435,868
Equity funds:		
Large cap domestic equities	1,430,235	1,537,252
International equities	897,251	1,155,423
Small and mid cap domestic equities	617,243	727,636
Other mutual funds	<u>99,011</u>	<u>1,011,242</u>
	<u>\$ 7,507,969</u>	<u>\$ 8,020,844</u>

Included in investments is one fund that is restricted in nature and could not be applied toward payment of other obligations of the Association, whereby is maintained for satisfying the Association's obligation under its split-interest liabilities. This fund had a balance of \$2,418,336 and \$2,696,675 at March 31, 2020 and 2019, respectively.

New York Insurance Code requires the Association to maintain a reserve fund adequate to meet the future payments under its outstanding charitable gift annuity contracts. In addition, the law requires that the reserve be invested in accordance with a prudent investor standard. As of March 31, 2020 and 2019, the Association had sufficient funds in its reserve and those funds were invested in accordance with the New York Insurance Code.

5. ENDOWMENT

The Association's endowment fund (the Fund) includes donor-restricted endowment funds and funds designated by the Board of Directors to function as endowments. As required by U.S. GAAP, 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.

Interpretation of Relevant Law

The Board of Directors of the Association has interpreted the New York Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Association classifies as net assets with donor restrictions (a) the original value of gifts donated to the perpetual endowment, (b) the original value of subsequent gifts to the perpetual endowment, and (c) accumulations to the perpetual endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. In accordance with UPMIFA, the Association considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the various funds, (2) the purposes of the donor-restricted endowment funds, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of the Association, and (7) the Association's investment policies.

THE STUDENT CONSERVATION ASSOCIATION, INC.

Notes to Financial Statements
March 31, 2020 and 2019

5. ENDOWMENT (Continued)

Investment Return Objectives, Risk Parameters and Strategies

The Association has adopted investment and spending policies, approved by the Board of Directors, 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, which exceeds the annual distribution with acceptable levels of risk. Endowment assets are invested in a well-diversified asset mix, which includes equity and fixed income securities that is intended to result in a consistent inflation-protected rate of return that has sufficient liquidity to make an annual distribution of 4.5%, while growing the funds if possible. 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 Association has a policy of appropriating for distribution each year 4.5% of its endowment fund's average fair value of the prior three fiscal years through the calendar year-end preceding the fiscal year in which the distribution is planned. The spending policy appropriation is calculated at the beginning of each fiscal year. In establishing this policy, the Association considered the long-term expected return on its investment assets, the nature and duration of the individual endowment funds, many of which must be maintained in perpetuity because of donor-restrictions, and the possible effects of inflation. For the years ended March 31, 2020 and 2019, the Association appropriated a total of \$178,605 and \$229,616, respectively, for operations which is reflected as investment return designated for current operations in the accompanying statements of activities.

In addition to the endowment spending policy, the Board of Directors may designate spending from net assets without donor restrictions, into its general budget. This spending is part of the Finance Committee's decisions as outlined in the budget. In fiscal years 2020 and 2019, there were no special Board designations.

Endowment Funds with Deficiencies

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). The Board of Directors of the Association has interpreted UPMIFA to permit spending from underwater endowments in accordance with prudent measures required under law. However, the Association has a policy that prohibits spending from endowments funds that are underwater. The endowment funds of the Association were not underwater at March 31, 2020 and 2019.

THE STUDENT CONSERVATION ASSOCIATION, INC.Notes to Financial Statements
March 31, 2020 and 2019**5. ENDOWMENT (Continued)***Endowment Activity*

Changes in endowment net assets for fiscal years 2020 and 2019 are as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total Net Endowment Assets</u>
Endowment net assets, March 31, 2018	\$ 4,129,425	\$ 5,813,608	\$ 9,943,033
Contributions	269,733	81,870	351,603
Investment return, net	102,215	88,189	190,404
Release from endowment	-	(1,040,117)	(1,040,117)
Amounts appropriated to pay down the line of credit	(3,632,791)	-	(3,632,791)
Amounts appropriated for expenditure in accordance with spending policy	<u>-</u>	<u>(229,616)</u>	<u>(229,616)</u>
Endowment net assets, March 31, 2019	868,582	4,713,934	5,582,516
Contributions	178,605	28,149	206,754
Net asset transfer	(160,000)	160,000	-
Investment return, net	(51,507)	(183,029)	(234,536)
Amounts appropriated for expenditure in accordance with spending policy	<u>-</u>	<u>(178,605)</u>	<u>(178,605)</u>
Endowment net assets, March 31, 2020	<u>\$ 835,680</u>	<u>\$ 4,540,449</u>	<u>\$ 5,376,129</u>

6. PROPERTY AND EQUIPMENT

Property and equipment, net consist of the following at March 31:

	<u>2020</u>	<u>2019</u>
Building and improvements	\$ 5,614,609	\$ 5,550,256
Program, computer and office equipment	1,139,276	1,229,592
Motor vehicles	561,132	1,052,189
Leasehold improvements	176,334	65,611
Land	<u>34,500</u>	<u>34,500</u>
	7,525,851	7,932,148
Less - accumulated depreciation	<u>4,312,834</u>	<u>4,387,407</u>
Property and equipment, net	<u>\$ 3,213,017</u>	<u>\$ 3,544,741</u>

For the years ended March 31, 2020 and 2019, depreciation expense totaled \$589,068 and \$1,007,298, respectively.

THE STUDENT CONSERVATION ASSOCIATION, INC.

Notes to Financial Statements
March 31, 2020 and 2019

6. PROPERTY AND EQUIPMENT (Continued)

The cost of motor vehicles acquired under capital leases as of March 31, 2020 and 2019, was \$561,132 and \$1,052,189, respectively. The cost of office equipment acquired under capital leases as of March 31, 2020 and 2019, was \$170,711 and \$261,026, respectively (see Note 11). Accumulated depreciation of motor vehicles acquired under capital leases as of March 31, 2020 and 2019, was \$418,321 and \$800,079, respectively. Accumulated depreciation of office equipment acquired under capital leases as of March 31, 2020 and 2019, was \$75,926 and \$182,133, respectively. Depreciation expense on motor vehicles acquired under capital leases for the years ended March 31, 2020 and 2019, was \$151,350 and \$317,967, respectively. Depreciation expense on office equipment acquired under capital leases for the years ended March 31, 2020 and 2019, was \$24,325 and \$52,205, respectively.

7. NOTE PAYABLE

Note payable consist of the following at March 31:

	<u>2020</u>	<u>2019</u>
Note payable to a bank, due in monthly principal installments of \$8,333, bearing interest at a rate per annum equal to the bank's prime rate (3.25% and 5.5% at March 31, 2020 and 2019, respectively). In September 2020, the bank extended this note through October 2021. This note requires a balloon principal payment of approximately \$742,000 on October 1, 2021. This note is secured by a first security interest in property located at 689 River Road, Charlestown, New Hampshire.	\$ 891,667	\$ 991,667
Less - unamortized debt issuance costs	<u>-</u>	<u>16,345</u>
Total notes payable	891,667	975,322
Less - current portion	<u>99,996</u>	<u>99,996</u>
	<u>\$ 791,671</u>	<u>\$ 875,326</u>

Debt issuance costs of \$110,086 were fully amortized as of the end of fiscal year 2020. Imputed interest totaled \$16,345 and \$12,199 for the years ended March 31, 2020 and 2019, respectively, which is included in interest in the accompanying statements of functional expenses.

The note payable has certain financial and non-financial covenants with which the Association must comply. The Association was in compliance with its covenants as of March 31, 2020.

Interest expense on the Association's note payable totaled \$47,916 and \$70,636 for the years ended March 31, 2020 and 2019, respectively, which is included in interest in the accompanying statements of functional expenses.

THE STUDENT CONSERVATION ASSOCIATION, INC.

Notes to Financial Statements
March 31, 2020 and 2019

8. LINE OF CREDIT

The Association has a revolving line of credit agreement with a bank which was amended during fiscal year 2020 and allows for borrowings up to \$5,000,000 and \$7,000,000 as of March 31, 2020 and 2019, respectively. Outstanding principal bears interest at a rate per annum equal to the bank's prime rate (3.25% and 5.5% at March 31, 2020 and 2019, respectively) through October 1, 2020. In September 2020, the bank extended line of credit through October 2021. The balance outstanding on this line of credit totaled \$2,813,747 and \$489,530 at March 31, 2020 and 2019, respectively. Interest expense totaled \$89,184 and \$273,061 for the years ended March 31, 2020 and 2019, respectively, which is included in interest in the accompanying statements of functional expenses. This note is secured by a shared first security interest in contracts and other receivables, beneficial interest in trusts, and pledges receivable. The line of credit agreement contains certain financial and non-financial covenants in which the Association must comply. As of March 31, 2020 and 2019, the Association was in compliance with these covenants.

The available borrowings on this line of credit agreement are as follows at March 31:

	<u>2020</u>	<u>2019</u>
Maximum borrowings	\$ 5,000,000	\$ 7,000,000
Less - outstanding balance	<u>(2,813,747)</u>	<u>(489,530)</u>
Available borrowings	<u>\$ 2,186,253</u>	<u>\$ 6,510,470</u>

9. SPLIT-INTEREST AGREEMENTS

The Association administers various charitable gift annuities. A charitable gift annuity provides for the payment of distributions to the donor or other designated beneficiaries for a specified period of time. The assets remaining at termination of the agreement are available for the Association's use for various purposes as determined by the donor. The Association's charitable gift annuity assets as of March 31, 2020 and 2019, do not contain restrictions by the donor as to use upon termination of the agreement. The estimated net present value of the liability under the agreements is recorded at the date of the gift using applicable discount rates ranging from 2.27% to 17.68%, and applicable mortality rates. The revenue attributable to the estimated present value of future benefits to be received by the Association is recorded as an increase in the net assets with donor restrictions of the Association in accordance with its policy for recording contribution revenue in the period in which the charitable gift annuity is established. The assets held by the Association are included in investments in the accompanying statements of financial position and are recorded at fair value, based on quoted market prices. The Association makes distributions to the designated beneficiaries based on agreement provisions.

The changes in split-interest liabilities were as follows for the fiscal years ended March 31:

	<u>2020</u>	<u>2019</u>
Beginning Balance	\$ 1,681,877	\$ 1,360,058
Payments	(242,995)	(224,363)
Change in value	<u>144,011</u>	<u>546,182</u>
Ending Balance	<u>\$ 1,582,893</u>	<u>\$ 1,681,877</u>

THE STUDENT CONSERVATION ASSOCIATION, INC.Notes to Financial Statements
March 31, 2020 and 2019

9. SPLIT-INTEREST AGREEMENTS (Continued)

Split-interest agreements are reflected in the accompanying financial statements as follows:

	<u>2020</u>	<u>2019</u>
Investments (see page 17)	\$ 2,418,336	\$ 2,696,675
Split-interest liabilities	<u>(1,582,893)</u>	<u>(1,681,877)</u>
Net position in charitable gift annuities, restricted for future use (see page 13)	<u>\$ 835,443</u>	<u>\$ 1,014,798</u>

10. BENEFICIAL INTERESTS IN TRUSTS

The Association was named as a beneficiary in two charitable remainder trusts as of March 31, 2019. During fiscal year 2020 the Association became aware of being a beneficiary in a third charitable remainder trust. The amount representing the net present value of this trust is reflected as beneficial interest in trust contribution in the accompanying fiscal year 2020 statement of activities. The income generated is paid to a designated beneficiary over their lifetime or for a predetermined period of time (the Benefit Period), as outlined in the trust documents. Upon the beneficiary's death or passage of the Benefit Period, the value of the donor's assets in the fund is transferred to the Association's net assets without donor restrictions, unless the donor has designated these funds for a restricted purpose. As of March 31, 2020 and 2019, the trusts' assets have not been restricted by the donors. The charitable remainder trust funds are included in net assets with donor restrictions at March 31, 2020 and 2019, based on the inherent time restriction associated with these funds. These funds have been discounted to their net present value based upon the donor's expected life or the remaining Benefit Period, the IRS Federal rate for determining the present value of an annuity (2.2% and 3.4% at March 31, 2020 and 2019, respectively), and expected future obligations to beneficiaries, as well as an estimated rate of return on the trusts' assets.

The changes in beneficial interests in trusts were as follows for the fiscal years ended March 31:

	<u>2020</u>	<u>2019</u>
Beginning Balance	\$ 323,532	\$ 256,333
Contribution	247,742	-
Change in value	<u>(27,156)</u>	<u>67,199</u>
Ending Balance	<u>\$ 544,118</u>	<u>\$ 323,532</u>

THE STUDENT CONSERVATION ASSOCIATION, INC.

Notes to Financial Statements
March 31, 2020 and 2019

11. LEASE AGREEMENTS

Operating Leases

The Association rents its facilities under various operating lease agreements. These leases expire at various dates through fiscal year 2031, with options to extend in some cases. Monthly payments under these lease agreements range from approximately \$1,000 to \$41,000. The Association is also responsible for certain operating costs under these lease agreements. Upon execution of one of the leases, the Association was obligated to provide a security deposit totaling \$32,300, which is included in prepaid expenses and other assets in the accompanying statements of financial position as of March 31, 2020 and 2019. This lease provided for twelve months of free rent from June 2019 to May 2020. In accordance with ASC Topic, *Leases*, the Association records rent expense on a straight line basis over the term of the leases regardless of actual cash payments. The Association has accrued \$337,200 of rent expense as of March 31, 2020, which is reflected as accrued rent in the accompanying fiscal year 2020 statement of financial position.

Future minimum cash payments under the non-cancellable portions of these operating leases are as follows for the fiscal years ending March 31:

2021	\$ 445,964
2022	418,282
2023	415,706
2024	426,099
2025	436,751
Thereafter	<u>2,435,794</u>
Total	<u>\$ 4,578,596</u>

Facility rent expense was \$797,204 and \$823,458 for the years ended March 31, 2020 and 2019, respectively, and is reflected as rent in the accompanying statements of functional expenses.

Capital Leases

The Association leases certain motor vehicles and office equipment under capital lease obligations, which are included in property and equipment, net (see Note 6). Discount rates ranging from 1.26% to 11.33% for the years ended March 31, 2020 and 2019, representing the interest rates implicit in the respective lease agreements, were used to discount the future minimum payments under these lease arrangements. Total capital lease interest expense was \$26,642 and \$76,789 for the years ended March 31, 2020 and 2019, respectively, which is included in interest in the accompanying statements of functional expenses. These agreements expire at various dates through October 2024.

THE STUDENT CONSERVATION ASSOCIATION, INC.

Notes to Financial Statements
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11. LEASE AGREEMENTS (Continued)

Capital Leases (Continued)

Future minimum payments under the non-cancellable portions of these capital leases are as follows for the fiscal years ending March 31:

	<u>Motor Vehicles</u>	<u>Office Equipment</u>	<u>Total</u>
2021	\$ 135,678	\$ 35,395	\$ 171,073
2022	20,522	17,850	38,372
2023	9,735	17,504	27,239
2024	-	17,504	17,504
2025	<u>-</u>	<u>10,211</u>	<u>10,211</u>
Total future minimum payments	165,935	98,464	264,399
Less - amount representing interest	<u>40,252</u>	<u>4,411</u>	<u>44,663</u>
	125,683	94,053	219,736
Less - current portion	<u>98,968</u>	<u>34,114</u>	<u>133,082</u>
Capital lease obligations, net	<u>\$ 26,715</u>	<u>\$ 59,939</u>	<u>\$ 86,654</u>

12. CONCENTRATIONS

Credit Risk

The Association maintains its operating cash balances in certain banks in Virginia and New Hampshire, which are insured by the Federal Deposit Insurance Corporation (FDIC) up to certain amounts. At certain times during the year, cash balances exceeded the insured amounts. The Association has not experienced any losses in such accounts.

Funding

The Association receives funding under Federal and state contracts, which totaled approximately 70% and 71% of the Association's operating revenue for the years ended March 31, 2020 and 2019, respectively. Payments to the Association are subject to audit by the appropriate government agency. In the opinion of management, the results of such audits, if any, will not have a material effect on the financial position of the Association as of March 31, 2020 and 2019, or on its results of operations for the years then ended. As of March 31, 2020 and 2019, two and one agencies represented 38% and 12% of net government contracts and other receivables, respectively.

Approximately 43% and 68% of gross pledges receivable at March 31, 2020 and 2019, respectively, were due from three and two donors, respectively.

13. CASH SURRENDER VALUE OF LIFE INSURANCE POLICY

The Association was the owner and beneficiary of a life insurance policy which was liquidated in fiscal year 2019 and the Association received cash proceeds of \$144,406.

THE STUDENT CONSERVATION ASSOCIATION, INC.

Notes to Financial Statements
March 31, 2020 and 2019

14. PLEDGES RECEIVABLE

The Association's outstanding pledges receivable are due as follows at March 31:

	<u>2020</u>	<u>2019</u>
Due in less than one year	\$ 630,922	\$ 1,007,723
Due in more than one year	<u>188,699</u>	<u>169,927</u>
Total pledges receivable	819,621	1,177,650
Allowance for uncollectible accounts	<u>(81,729)</u>	<u>(213,576)</u>
Pledges receivable, net	<u>\$ 737,892</u>	<u>\$ 964,074</u>

These amounts are not discounted to present value as discounts would be immaterial to the accompanying financial statements.

15. RETIREMENT PLAN

The Association maintains a defined contribution retirement plan (the Plan) under IRC Section 403(b) covering all eligible employees who had attained the age of twenty-one and provided a minimum expected work schedule of 1,000 hours annually. The Plan calls for the Association to match up to 3% of an employee's salary. For the years ended March 31, 2020 and 2019, the Association's contributions to the Plan totaled approximately \$15,000 and \$156,000, respectively, which are included in fringe benefits in the accompanying statements of functional expenses.

16. CONTINGENCIES

From time to time, the Association is engaged in legal cases that rise in the normal course of its operations, some of which are covered by insurance. The Association believes that the outcome of these cases will not have a material adverse effect on the financial position of the Association.

17. RELATED PARTY TRANSACTIONS

A member of the Association's Board of Directors provided financial consulting services to the Association. The Association compensated this director \$273,036 for the year ended March 31, 2020. This Board member abstains from discussions and does not vote on matters relating to the financial consulting services.

A member of the Association's Board of Directors is the managing director of a company which the Association uses for technology services. The Association compensated this company \$340,427 for the year ended March 31, 2019. This Board member abstains from discussions and does not vote on matters relating to the technology services.

18. CONDITIONAL GRANTS

The Association has been awarded conditional grants from governmental agencies and foundations. Payment of these awards is conditional upon the Association meeting certain progress benchmarks, incurring allowable costs, and submission of specific financial reports, as defined in the grant agreements or contracts. Accordingly, \$14,605,596 and \$7,799,590 have not been reflected in the accompanying financial statements as of March 31, 2020 and 2019, respectively.

THE STUDENT CONSERVATION ASSOCIATION, INC.

Notes to Financial Statements
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19. SUBSEQUENT EVENTS

The COVID-19 coronavirus pandemic emerged in the U.S., triggering widespread government mandated and voluntary business closures, which in turn have led to substantial interruptions in financial markets, employment and the economy as a whole. Though the potential financial effects cannot be reasonably estimated at this time, these circumstances may have adverse effects on the Association, its operations and future financial statements. The accompanying financial statements have not been adjusted for any potential financial effects that may occur in the future related to the current uncertainty.

Management of the Association is monitoring these events closely to assess the potential financial impact of the situation and determine appropriate courses of action. As of the date of this report, the Association is unable to accurately predict how the coronavirus will affect the results of its operations because the disease's severity and the duration of the outbreak are uncertain.

Subsequent to March 31, 2020, the Association applied for and was awarded a loan of \$2,747,100 from the Paycheck Protection Program established by the Coronavirus Aid, Relief and Economic Security Act (CARES Act). The funds will be used to pay certain payroll costs including benefits as well as rent and utilities during a covered period as defined in the CARES Act. A portion of these funds may be forgiven, as defined in the agreement, at the end of the covered period and the remainder of the funds will be due over a two-year period with interest at 1%. Any repayment will be deferred until November 23, 2020, when the note, plus interest, will be due in equal monthly payments through April 23, 2022.

20. RECLASSIFICATION

Certain amounts in the fiscal year 2019 financial statements have been reclassified to conform with the fiscal year 2020 presentation.

21. CONTINUING OPERATIONS

In fiscal years 2020 and 2019, the Association had changes in net assets without donor restrictions from operations of \$580,094 and \$(3,704,754), respectively. Included in the Association's operating expenses were certain non-cash expenditures which include the following for the years ended March 31:

	<u>2020</u>	<u>2019</u>
Changes in net assets without donor restrictions from operations	\$ 580,094	\$ (3,704,754)
Depreciation	589,068	1,007,298
Bad debts	-	668,468
Donated expense in excess of donated revenue	-	197,516
Amortization of debt issuance costs	<u>16,345</u>	<u>12,199</u>
Changes in net assets without donor restrictions from operations, net of non-cash expenditures	<u>\$ 1,185,507</u>	<u>\$ (1,819,273)</u>

THE STUDENT CONSERVATION ASSOCIATION, INC.

Notes to Financial Statements
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21. CONTINUING OPERATIONS (Continued)

Beginning in November 2018, the Association took major strides to reduce operating costs, both at the programmatic level and in the indirect infrastructure. The Association did this through numerous efforts, including restructured workforce, renegotiated terms with several service vendors, and liquidated the collateralized investment fund to reduce the outstanding term debt. Beginning in April 2020, management assessed monthly operating expenses through the first two months of fiscal year 2021 and has seen a monthly cost reduction of approximately \$583,000. This would have an annual impact of approximately \$7,000,000 in cost reductions if the Association continued the year at the current monthly expense level.

Further, the Association has implemented several processes and tools to better monitor and anticipate changes in planned revenue to allow it to react on a more timely and effective basis to shortfalls driven by changes in policies and practices of the Federal government agencies it relies on for the majority of its business.

The steps taken by management have alleviated substantial doubt about the Association's ability to meet its obligations and operating requirements in a timely manner.