FINANCIAL STATEMENTS

Year Ended December 31, 2019

ARIZONA TRAIL ASSOCIATION
FINANCIAL STATEMENTS

Year Ended December 31, 2019

CONTENTS

	Pages
INDEPENDENT ACCOUNTANT'S REVIEW REPORT	1
FINANCIAL STATEMENTS	
Statement of Financial Position	2
Statement of Activities	3
Statement of Functional Expense	4
Statement of Cash Flows	5
Notes to Financial Statements	6 – 15

GREGORY MICHAEL COY
CPA, PLLC
**Audit, Tax, Management Advisory,
Forensic and Internal Control Consulting**

INDEPENDENT ACCOUNTANT'S REVIEW REPORT

To the Board of Directors of
Arizona Trail Association:

I have reviewed the accompanying financial statements of Arizona Trail Association (a nonprofit organization), which comprise the statement of financial position as of December 31, 2019, and the related statement of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, I do not express such an opinion.

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.

Accountant's Responsibility.

My responsibility is to conduct the review in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require me to perform procedures to obtain limited assurance as a basis for reporting whether I am aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. I believe that the results of my procedures provide a reasonable basis for my conclusion.

Accountant's Conclusion

Based on my review, I am not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 2 to the financial statements, *Arizona Trail Association* adopted the new accounting standards as required by FASB Accounting Standard Update (ASU) No. 2014-09, ASU No. 2016-01, ASU 2018-03, and ASU 2018-08. My conclusion is not modified with respect to this matter.

Gregory Michael Coy, CPA, PLLC

Gregory Michael Coy, CPA, PLLC
Phoenix, AZ

September 25, 2020

P.O. Box 32875 Phoenix, Arizona 85064 (480) 466-1348 greg@gregorycoycpa.com

ARIZONA TRAIL ASSOCIATION

STATEMENT OF FINANCIAL POSITION

December 31, 2019

A S S E T S

	2019
CURRENT ASSETS	
Cash	$ 138,035
Governmental grants receivable	63,087
Unconditional contributions receivable	11,513
Other assets	2,415
TOTAL CURRENT ASSETS	215,050
INVESTMENTS	450,533
INVENTORY	9,864
PROPERTY AND EQUIPMENT, NET	52,551
TOTAL ASSETS	$ 727,998

L I A B I L I T I E S   A N D   N E T   A S S E T S

CURRENT LIABILITIES	
Accounts payable	$ 363,995
Accrued expenses	14,145
TOTAL CURRENT LIABILITIES	378,140
NET ASSETS	
Net assets without donor restrictions	292,924
Net assets with donor time and purpose restrictions	51,934
Net assets with donor restrictions in perpetuity	5,000
TOTAL NET ASSETS	349,858
TOTAL LIABILITIES AND NET ASSETS	$ 727,998

ARIZONA TRAIL ASSOCIATION

STATEMENT OF ACTIVITIES

For the year ended December 31, 2019

	Net Assets without Donor Restrictions	Net Assets with Donor Restrictions	Total
SUPPORT AND REVENUE			
Contributions	$ 347,096	$ 68,889	$ 415,985
Governmental grant revenue	194,007	-	194,007
Membership fees	105,867	-	105,867
Donated materials and services	37,546	-	37,546
Product sales, less cost of sales of $22,731	26,622	-	26,622
Investment income	6,167	-	6,167
Other income	6,908	-	6,908
Total support and revenue before special events and net assets released from restrictions	724,213	68,889	793,102
Special events:			
Revenue from special events	163,974	-	163,974
Less costs of direct donor benefits	(107,825)	-	(107,825)
Gross profit (loss) on special events	56,149	-	56,149
Net assets released from restrictions	35,284	(35,284)	-
TOTAL SUPPORT AND REVENUE	815,646	33,605	849,251
EXPENSES			
Program services	696,797		696,797
Supporting services:			
Management and general	94,978	-	94,978
Fundraising	82,723	-	82,723
Total supporting services	177,701	-	177,701
TOTAL EXPENSES	874,498	-	874,498
CHANGE IN NET ASSETS	(58,852)	33,605	(25,247)
NET ASSETS, BEGINNING OF YEAR	351,776	23,329	375,105
NET ASSETS, END OF YEAR	$ 292,924	$ 56,934	$ 349,858

ARIZONA TRAIL ASSOCIATION

STATEMENT OF FUNCTIONAL EXPENSE

For the year ended December 31, 2019

		Supporting Services			
	Total Program Services	Management and General	Fundraising	Total Supporting Services	Total
Salaries and wages	$ 241,418	$ 44,455	$ 47,878	$ 92,333	$ 333,751
Payroll taxes and benefits	22,717	4,183	4,505	8,688	31,405
Professional fees	255,502	20,605	1,525	22,130	277,632
Supplies and materials	13,138	2,419	2,606	5,025	18,163
Travel	23,714	5,290	1,963	7,253	30,967
Postage and printing	11,241	6,055	-	6,055	17,296
Insurance	18,804	3,463	3,729	7,192	25,996
Improvements to public lands	24,650	-	-	-	24,650
Telephone and internet	16,803	3,094	3,332	6,426	23,229
Program outreach	20,799	-	-	-	20,799
Depreciation	13,168	2,425	2,611	5,036	18,204
Rent	9,683	1,783	1,920	3,703	13,386
Food and beverage	15,449	-	-	-	15,449
Member costs	-	-	6,397	6,397	6,397
Bank and merchant fees	-	323	4,721	5,044	5,044
Dues and subscriptions	4,302	505	-	505	4,807
Small equipment and repairs	1,186	218	235	453	1,639
Other expense	4,223	160	1,301	1,461	5,684
	$ 696,797	$ 94,978	$ 82,723	$ 177,701	$ 874,498

See Accompanying Notes to Financial Statements and Independent Accountant's Review Report

ARIZONA TRAIL ASSOCIATION

STATEMENT OF CASH FLOWS

For the year ended December 31, 2019

		2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$	(25,247)
Adjustment to reconcile change in net assets to net cash provided by operating activities:		
Realized and unrealized gains and losses		(523)
Depreciation		18,204
Changes in operating assets and liabilities:		
Decrease (increase) in:		
Governmental grants receivable		27,525
Uncondtional contributions receivable		(11,513)
Inventory		(9,864)
Other assets		(1,700)
Increase (decrease) in:		
Accounts payable		355,972
Accrued expenses		14,145
Net cash provided by (used in) operating activities		366,999
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sales of investments		50,000
Purchases of investments		(405,645)
Purchases of property and equipment		(34,690)
Net cash provided (used) by investing activities		(390,335)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments of long-term debt		(5,280)
Net cash provided (used) by investing activities		(5,280)
NET CHANGE IN CASH		(28,616)
CASH, BEGINNING OF YEAR		166,651
CASH, END OF YEAR	$	138,035
SUPPLEMENTAL DISCLOSURES:		
Cash paid for interest	$	-
Cash paid for income taxes	$	-

See Accompanying Notes to Financial Statements and Independent Accountant's Review Report

(1) Association purpose and summary of significant accounting policies

Association purpose **–** Arizona Trail Association (the Association) was formed February 1994, in the state of Arizona, as a 501(c)(3) not-for-profit organization. The mission of the Association is to protect, maintain, enhance, promote and sustain the Arizona Trail as a unique encounter with the land. The Association coordinates the planning, development, and promotion of the Arizona Trail for the recreational and educational experiences of non-motorized trail users. The Association supports their program activities primarily through private contributions, federal grants, memberships and special events .

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

Basis of presentation - The financial statement presentation reports information regarding its financial position and activities according to two classes of net assets:

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

Net Assets with Donor Restrictions - Assets subject to usage limitations based on donor imposed or grantor restrictions. These restrictions may be temporary or may be based on a particular use. Restrictions may be met by the passage of time or by actions of the Association. Certain restrictions may need to be maintained in perpetuity.

Cash - Cash includes cash and, at times, cash equivalents consisting of highly liquid financial instruments purchased with original maturities of three months or less. Deposits at financial institutions are insured in limited amounts by the Federal Deposit Insurance Corporation (FDIC).

Contributions receivable - Unconditional promises to give (contributions receivable) are recognized as support in the period the promise is received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Conditional contributions receivable contain a donor-imposed condition that represents a barrier that must be overcome before the Association is entitled to the assets promised. Failure to overcome the barrier gives the promisor a right of release from its obligation to transfer its assets. Conditional contributions receivable are recognized only when the conditions on which they depend are substantially met. Unconditional contributions receivable that are to be collected within one year are recorded at net realizable value. Unconditional contributions receivable that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using rates applicable to the years in which the promises are received. Receivables are stated at the amount management expects to collect. Management provides for probable uncollectible amounts through a charge to earnings and a credit to a valuation allowance based on their assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to receivables. Contributions receivable are considered by management to be collectible in full and, accordingly, an allowance for doubtful accounts is not considered necessary. At December 31, 2019, all contributions receivable were due within one year.

Governmental grants receivable – Governmental grants receivable consists of unconditional contributions receivable from local government agencies under grant agreements. The grant agreements contain significant donor-imposed conditions and were initially conditional contributions. Governmental grants receivable are not recognized until the donor-imposed conditions are substantially met. Governmental grants receivable are considered by management to be collectible in full and, accordingly, an allowance for doubtful accounts is not considered necessary. At December 31, 2019, all governmental grants receivable were due within one year.

(1) Association purpose and summary of significant accounting policies (continued)

Inventory – Inventories consists of items held for sale (primarily books, clothing, posters and other small items) and are recorded at cost on a first-in first-out basis.

Property and equipment and related depreciation - Purchased property and equipment is valued at cost and donated property and equipment is recorded at fair value at the date of the gift to the Association. Maintenance and repairs are charged to operations when incurred. Betterments and renewals in excess of $1,000 are capitalized. When property and equipment is sold or otherwise disposed of, the asset account and related accumulated depreciation account are relieved, and any gain or loss is included in operations. Depreciation of property and equipment is computed on a straight-line basis over the following estimated useful lives:

Furniture, fixtures and equipment	3 to 7 years
Vehicles	5 years

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

Impairment of long-lived assets – The Association accounts for long-lived assets in accordance with the provisions of Accounting for the Impairment of Long-Lived Assets. This accounting standard requires that long-lived assets be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying value of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or fair value less costs to sell. Management believes that no long-lived assets have any impairment of value.

Contributions - Contributions received are recorded as support with donor restrictions or without donor restrictions depending on the existence and/or nature of any donor restrictions. All donor-restricted support is reported as an increase in net assets with donor restrictions or without donor restrictions depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions on unconditional contributions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. Restrictions that are in the same period as the contribution is received are reported as net assets without donor restrictions.

Conditional contributions – Conditional contributions contain a donor-imposed condition that represents a barrier that must be overcome before the Association is entitled to the assets transferred or promised. Failure to overcome the barrier gives the donor a right of return of the assets it has transferred or gives the promisor a right of release from its obligation to transfer its assets. Conditional contributions are recognized as support, either with or without donor restrictions, when donor-imposed conditions are substantially met (i.e. barriers are overcome). Restrictions on conditional contributions that are met in the same reporting period as the revenue is recognized are reported in the statement of activities as support within net assets without donor restrictions.

(1) Association purpose and summary of significant accounting policies (continued)

Governmental grant revenue – Governmental grant revenue consists of donor restricted contributions received from governmental agencies. The grant agreements contain substantial conditions that must be met prior to recognition of the support. The donor-imposed conditions primarily consist of qualifying expenditures that must be incurred by the Association before the governmental agency will reimburse those expenditures. Conditional contributions are recognized as support, either with or without donor restrictions, when donor-imposed conditions are substantially met (i.e. barriers are overcome). These contributions are restricted by the agency to support certain programs. Donor restrictions are also satisfied when qualifying expenditures are incurred for the donor-specified program. Accordingly, governmental grant revenue is reported as support within net assets without donor restrictions.

Special events revenue – The Association conducts special events in which a portion of the gross proceeds paid by the participant represents payment for the direct cost of the benefits received by the participant at the event. Unless a verifiable, objective means exists to demonstrate otherwise, the fair value of meals and entertainment provided at special events is measured at the actual cost to the Association. The direct costs of the special events, which ultimately benefit the donor rather than the Association, are recorded as costs of direct donor benefits in the accompanying consolidated statement of changes in net assets. All proceeds received in excess of the direct costs are recorded as special events contributions in the accompanying statement of activities.

Donated materials and services - Donated materials and services are recorded at their estimated values if they enhance the Association's nonfinancial assets or require specialized skills that the Association would normally purchase, if not provided by donation. Donated material and services of $37,546 consists primarily of a donated vehicle and professional fees. The Association utilizes and depends on the services of volunteers to perform a variety of tasks that assist the Association with specific programs and fundraising. No amounts have been reflected in the financial statements for these services, since they did not meet the recognition requirements under generally accepted accounting standards.

Investment income – Investment income includes interest, dividends, realized and unrealized gains and losses and is reflected net of direct investment fees and expenses.

Exchange transaction revenue recognition - Exchange transaction revenue is measured based on a consideration specified in a contract with a customer, and excludes any sales incentives and amounts collected on behalf of third parties. The Association recognizes revenue when it satisfies a performance obligation by transferring control over a product or service to a customer.

Since contracts in the year ended December 31, 2018 began and were completed during 2018, the Association has adopted the practical expedient under the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 606-10-65-1(f) and will not restate contracts in 2018. The Association has concluded application of the expedient does not have a material effect on these financial statements. Since the amortization period for any incremental costs of obtaining any contract is one year or less, the Association has elected the practical expedient under the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 606-10-65-1. The Association has elected to apply the practical expedient allowed under FASB ASC 606-10-10-4 for applying the revenue standard to a portfolio of contracts with similar characteristics. The Association accounts for the contracts within each portfolio as a collective group, rather than individual contracts, based on the payment pattern expected in each portfolio category and the similar nature and characteristics within each portfolio. Based on historical collection trends and other analysis, management has concluded that revenue for each portfolio type would not be materially different than if accounting for revenue on a contract-by-contract basis.

(1) <u>Association purpose and summary of significant accounting policies (continued)</u>

Exchange transaction revenue consists of the following:

Product sales – The Association sells certain merchandise to the public that is related to its mission. Performance obligations for product sales are satisfied at the point in time each sale is completed. The transaction price for the product sales is based upon a predetermined retail price for each item. Because the performance obligations relate to contracts with a duration of less than one year, the Association has elected to apply the exemption provided the FASB ASC 606-10-50-14(a), and is not required to disclose the aggregate amount of the transaction price allocated to the performance obligations that are unsatisfied or partially satisfied at the end of the reporting period. The Association did not have any unsatisfied or partially satisfied performance obligations, or any contract assets or liabilities, related to product sales at December 31, 2019. Since product sales are completed on a point of sales basis, there is no financing component related to these sales. Since product sales are at a predetermined retail sales price at the same time that the merchandise is received by the customer, the Association has elected to apply the "right to invoice" practical expedient as described in FASB ASC 606-10-55-18 and recognizes the revenue related to the product sales at the point in time that the sales transaction is completed. Product sales are recognized net of the related cost of goods sold on the accompanying statement of activities.

Functional expenses - The costs of providing programs and other activities have been presented on a functional basis in the statements of activities and functional expenses. Directly identifiable expenses are charged to programs and supporting services. Certain costs have been allocated among the program and supporting services benefited based on management's estimate of time and/or resources devoted to each activity.

Managements' use of estimates - The preparation of financial statements in conformity with U.S. generally accepted accounting principles 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 reported amounts of revenues and expenses during the reporting period. Due to their prospective nature, actual results could differ from those estimates.

Income tax status – The Association is organized as an Arizona non-profit corporation and has been recognized by the Internal Revenue Service (IRS) as exempt from federal income taxes under Section 501(a) of the Internal Revenue Code as an organization described in Section 501(c)(3) and has been determined not to be a private foundation under Sections 509(a)(1) and 170(b)(1)(A)(vi). Accordingly, contributions to the Association qualify for the charitable contribution deduction under Section 170. The Association is annually required to file a Return of Organization Exempt from Income Tax (Form 990) with the IRS. In addition, the Association is generally subject to income tax on net income that is derived from business activities that are unrelated to its exempt purpose. Management has determined the Association has no taxable unrelated business income related to the Association activities and it has not filed the Exempt Organization Business Income Tax Return (IRS Form 990-T), or its Arizona equivalent, Form 99-T. The tax years ended 2016, 2017, and 2018 are still open to audit for both federal and state purposes.

Management believes that it has appropriate support for any income tax positions taken, and, as such, does not have any uncertain tax positions that are material to the financial statements. The Association would recognize future accrued interest and penalties related to unrecognized tax benefits and liabilities in income tax expense if such interest and penalties are incurred.

(1) Association purpose and summary of significant accounting policies (continued)

Subsequent events - The Association evaluated subsequent events after the statement of financial position date of December 31, 2019 through September 25 2020, which was the date the Association's financial statements were available to be issued. No conditions were noted, other than those described below, which did not exist as of December 31, 2019, but arose subsequent to that date.

- At the time of this report's release, citizens and the economies of the United States and other countries have been impacted by the coronavirus (COVID-19) pandemic. The World Health Organization declared a Public Health Emergency on January 30, 2020. The evolution of the virus, the extent of its economic impact and the results of steps taken and yet to be taken by governments and financial institutions are unknown. Governments, businesses and non-profit organizations may face supply chain disruptions, labor shortages, revenue declines, an increase in bad debts, reduced cash flow, difficulties meeting loan covenants, goodwill and inventory impairment, credit difficulties, and other financial implications. Furthermore, the financial markets have experienced significant levels of volatility as a result of the pandemic. The significance and the duration of the pandemic's financial impact are indeterminable. These financial statements do not consider the potential financial implications of the pandemic.

- In connection with the COVID-19 pandemic, the Association entered into a promissory note (loan) with a financial institution dated April 15, 2020. The loan is through the Small Business Association Federal Paycheck Protection Program under the Coronavirus Aid, Relief, and Economic Security Act (CARES Act). The loan is in the amount of $68,000 and bears interest at a rate of 1%. The loan is to be repaid in 18 monthly payments of $3,827 beginning November 15, 2020. The final payment of all outstanding principle and accrued interest is due on April 15, 2022. The loan will be forgiven for all payroll costs, covered mortgage interest, covered rent payments and covered utility payments incurred during the 8 week period beginning the date of the initial disbursement of the loan (April 15, 2020). Not more than 25% of the amount forgiven can be attributable to non-payroll costs. The Association expects to incur sufficient payroll and other covered costs during the specified period to enable the entire principal balance of the loan to be forgiven.

(2) Adoption of accounting pronouncements

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers (Topic 606),* which requires the recognition of revenue when promised goods or services are transferred to customers in an amount that reflects the consideration to which the Association expects to be entitled in exchange for those goods or services. The new standard applies to exchange transaction revenue and does not apply to contribution revenue (Topic 958-605). In August 2015, the FASB issued 2015-014, *Revenue from Contracts with Customers (Topic 606*), which deferred the effective date of the new revenue recognition standard for one year. The new standards are effective for the Association's year ending December 31, 2019. The Association adopted the requirements of the new revenue recognition guidance as of January 1, 2019, utilizing the modified retrospective transition method. The initial application of this method is to be applied to all contracts as of the date of initial application. The Association's revenue consists of contributions which are excluded from the standard and are subject to the guidance in ASU No. 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. Accordingly, the cumulative effect of applying the new standard did not have a material effect on the recognition of revenue, changes in net assets or on the opening balance of net assets as compared with the previous guidance. The comparative information has not been restated and continues to be reported under the accounting standards in effect for that period, The Association expects the impact of the adoption of the new standard to be immaterial to changes in net assets on an ongoing basis. Adoption of the new standard did not result in any reclassifications or restatements to total net assets or changes in net assets.

(2) Adoption of accounting pronouncements (continued)

In January 2016, the FASB issued ASU No. 2016-01, *Financial Instruments—Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities*. Subsequent to the issuance of ASU 2016-01, the FASB issued ASU 2018-03, *Technical Corrections and Improvements to Financial Instruments—Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities,* to amend and clarify certain matters related to ASU 2016-01 and related guidance. The ASUs require that equity securities (including other ownership interests, such as partnerships, unincorporated joint ventures, and limited liability companies) to be measured at fair value with changes in the fair value recognized in the changes in net assets and allows equity investments that do not have readily determinable fair values to be remeasured at fair value either upon the occurrence of an observable price change or upon identification of an impairment. The standards also require enhanced disclosures about those investments. The new standards are effective for the Association's year ending December 31, 2019. The Association adopted the new standards effective January 1, 2019. The adoption of these new standards did not result in any changes in valuation of the Association's investments or require reclassifications or restatements to investment income, total net assets or changes in net assets.

In June 2018, the FASB issued ASU No. 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made,* which clarifies how entities will determine whether to account for a transfer of assets as an exchange transaction or a contribution. The distinction is important because contributions are accounted for under Accounting Standards Codification (ASC) 958-605 *Not-For-Profit Entities - Revenue Recognition*, while exchange transactions are accounted for under other guidance such as ASC 606, *Revenue from Contracts with Customers*. The guidance also clarifies how entities will determine whether a contribution is conditional. The timing of revenue and expense recognition depends upon whether a contribution is conditional or unconditional. The new standards are effective for the Association's year ending December 31, 2019. The Association adopted the requirements of the new standard as of January 1, 2019. The Association has retroactively adopted the standard for the year ended December 31, 2018, which is presented for comparative purposes. Adoption of the new standard did not result in any reclassifications or restatements to revenue, total net assets or changes in net assets.

(3) Liquidity and availability of financial assets

The Association regularly monitors liquidity required to meet its operating needs and other contractual commitments. The Association has various sources of liquidity at its disposal, including cash and receivables. The Association manages its liquid resources by investing cash in interest bearing bank accounts. In addition to financial assets available to meet general expenditures over the next 12 months, the Association prepares and strives to operate within a balanced annual budget.

Financial assets available to meet general expenditures within one year:

	2019
Cash	$ 138,035
Investments	450,533
Governmental grants receivable, due in next 12 months	63,087
Contributions receivable, due in next 12 months	11,513
	663,168
Donor imposed restrictions	(56,934)
Financial assets available to meet general expenditures within one year	$ 606,234

See Independent Accountant's Review Report

(4) Investments and fair value measurements

Investments consist of:

	2019
Unrestricted investments	$ 445,533
Investments with perpetual restrictions	5,000
Total	$ 450,533

The Association is required to report investments in equity securities (including other ownership interests, such as partnerships, unincorporated joint ventures, and limited liability companies) at fair value. The fair value of equity securities with readily determinable fair values is based on quoted market prices in active markets. Equity investments that do not have readily determinable fair values are re-measured at fair value either upon the occurrence of an observable price change or upon identification of impairment. The Association utilizes a valuation framework that provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

The three levels of the fair value hierarchy are as follows:

Level 1 Inputs to the valuation methodology are unadjusted quoted prices in active markets for identical assets or liabilities.

Level 2 Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability (i.e., interest rates, yield curves, etc.);
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

For assets and liabilities measured at fair value on a recurring basis, the fair value hierarchy requires the use of observable market data when available. In instances where inputs used to measure fair value fall into different levels of the fair value hierarchy, the fair value measurement has been determined based upon the lowest level input that is significant to the fair value measurement in its entirety,

Fair values of assets at December 31, 2018 are measured as follows:

	Level 1	Level 2	Total
Marketable domestic equity mutual funds	$ 5,181	$ -	$ 5,181
Marketable exchange traded funds	1,182	-	1,182
Money market funds	444,170	-	444,170
Total	$ 450,533	$ -	$ 450,533

(4) Property and equipment

Property and equipment consist of:	2019
Cost or donated value:	
Furniture, fixtures and equipment	$ 21,949
Vehicles	161,108
Total cost or donated value	183,057
Accumulated depreciation	(130,506)
Net property and equipment	$ 52,551

Depreciation expense charged to operations is $18,204 for the year ended December 31, 2019.

(5) Net assets with donor restrictions,

Net assets with donor restrictions consist of the following:	2019
Purpose restrictions:	
Girls Gear	$ 25,000
Trail improvements and maintenance	13,045
Other	2,376
Time restrictions:	
Contributions receivable	11,513
Donor restrictions in perpetuity	5,000
Total net assets with donor restrictions	$ 56,934

Net assets released from restrictions consist of the following:	2019
Purpose restrictions:	
Rainwater catchment	$ 15,363
Trail improvements and maintenance	16,955
Other	2,966
Total net assets released from restrictions	$ 35,284

(6) Endowment

The Board of Directors of the Association has adopted the Arizona Management of Charitable Funds Act of 2008 (AMCFA) (the Arizona version of the Uniform Prudent Management of Institutional Funds Act of 2006). The Board has interpreted as requiring the preservation of the fair value of the original donation as of the donation 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 perpetual restrictions (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

(6) Endowment (continued)

The remaining portion of the donor-restricted endowment fund that is not classified as net assets with perpetual restrictions is classified as net assets donor purpose restrictions until those amounts are appropriated for expenditure by the Association in a manner consistent with the standard of prudence prescribed by AMCFA. In accordance with AMCFA, 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 fund
(2) The purposes of the Association and the donor-restricted endowment fund
(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
(7) The investment policies of the Association

The Association's endowments consist of donations restricted in perpetuity and purpose restricted investment earnings. As required by generally accepted accounting principles, net assets associated with the 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.

Changes in Endowment net assets for the year ended June 30, 2019 are as follows:

	Without donor restrictions	Purpose restricted	Restricted in perpetuity	Total
Endowment investments, beginning of year	$ -	$ -	$ 5,000	$ 5,000
Net realized & unrealized gains (losses)	-	10	-	10
Interest income	-	104	-	104
Contributions	-	-	-	-
Amounts appropriated for expenditure	-	(114)	-	(114)
Total, end of year	$ -	$ -	$ 5,000	$ 5,000

The Association has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Under this policy, the endowment assets are invested in a manner that is intended to produce results while assuming a moderate level of investment risk. The Association's spending and investment policies work together to achieve this objective.

The Association's annual appropriations are at the discretion of the Board unless specific instructions were provided by the endowment donors. The Board has approved a policy that allows for use of earnings from the endowment. Accumulated earnings on the endowment are released from net assets with donor restrictions when used by the Association for programs. All earnings may be used and released annually. The Association may expend less than the amount provided by spending policy in an effort for the endowment to grow in perpetuity for the enduring benefit and mission of the Association. For the year ended December 31, 2019, investment earnings of $114, were appropriated for expenditure by the Board. From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or AMCFA requires the Association to retain as a fund of perpetual duration. As of December 31, 2019, the Association had sufficient funds allocated to the endowment.

See Independent Accountant's Review Report

(7) Lease Commitments

The Association leases its facility under an operating lease agreement. The Association also leases storage space under a month-to-month lease arrangement. The rental expense related to these leases is recorded on a straight-line basis over the lease term. In the normal course of business, these operating leases are generally renewed or replaced by other leases.

Minimum future rental payments under non-cancellable operating leases having remaining terms in excess of one year at December 31, 2019, are as follows:

Years Ending December 31,		
2020	$	14,400
2021		14,760
2022		15,120
Total minimum future lease payments	$	44,280

(8) Concentrations

Investments are held at a single investment brokerage company and are 44% of total assets at December 31, 2019.

The Association has entered into certain grant agreements with the US Forest Service (USFS). Grant revenue from USFS is approximately 62% of total revenue and support for the year ended December 31, 2019.

(9) New accounting pronouncements

In August 2018, the FASB issued ASU No. 2018-13, *Fair Value Measurement (Topic 820*), which modifies the disclosure requirements on fair value measurements in Topic 820. The new standard is effective for the Association January 1, 2020. The Association is evaluating the effect that ASU No. 2018-13 will have on its financial statements and related disclosures.

In February 2016, the FASB issued ASU No. 2016-02, Leases (Topic 842), which requires recognition of rights and obligations from lease contracts longer than one year as assets and liabilities on the balance sheet. The new standard is effective for the Association January 1, 2021. The Association is evaluating the effect that ASU No. 2016-02 will have on its financial statements and related disclosures.

In June 2016, the FASB issued ASU No. 2016-13, *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments,* which modifies how expected credit losses on financial instruments are developed. In November 2018, the FASB issued ASU No. 2018-19, *Codification Improvements to Topic 326, Financial Instruments – Credit Losses (Topic 326)* which provides amendments to ASU No. 2016-13 and defers the effective date to years beginning after December 15, 2021. The new standards are effective for the Association January 1, 2022. The Association is evaluating the effect that ASU No. 2016-13 and ASU No 2018-19 will have on its financial statements and related disclosures.