FINANCIAL STATEMENTS

Year Ended December 31, 2020

ARIZONA TRAIL ASSOCIATION
FINANCIAL STATEMENTS

Year Ended December 31, 2020

CONTENTS

GREGORY MICHAEL COY
CPA, PLLC

**Audit, Tax, Management Advisory,
Forensic and Internal Control Consulting**

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of the **Arizona Trail Association:**

Opinion

I have audited the accompanying financial statements of Arizona Trail Association (a nonprofit organization), which comprise the statement of financial position as of December 31, 2020, and the related statements of activities, functional expense and cash flows for the year then ended, and the related notes to the financial statements.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Arizona Trail Association as of December 31, 2020, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

I conducted my audit in accordance with auditing standards generally accepted in the United States of America. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. I am required to be independent of Arizona Trail Association and to meet my other ethical responsibilities in accordance with the relevant ethical requirements relating to my audit. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

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. 2018-13. My opinion is not modified with respect to these matters.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

In performing an audit in accordance with generally accepted auditing standards, I:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Arizona Trail Association's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in my judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Arizona Trail Association's ability to continue as a going concern for a reasonable period of time.

I am required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that I identified during the audit.

Gregory Michael Coy, CPA, PLLC

Gregory Michael Coy, CPA, PLLC
Phoenix, AZ

March 21, 2021

ARIZONA TRAIL ASSOCIATION

STATEMENT OF FINANCIAL POSITION

December 31, 2020

ASSETS

	2020
CURRENT ASSETS	
Cash	$ 65,590
Governmental grants receivable	129,978
Unconditional contributions receivable	37,872
Accounts receivable	2,621
Other assets	1,200
TOTAL CURRENT ASSETS	237,261
INVESTMENTS	346,375
INVENTORY	14,601
PROPERTY AND EQUIPMENT, NET	31,160
TOTAL ASSETS	$ 629,397

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES	
Accounts payable	$ 95,571
Accrued expenses	22,398
TOTAL CURRENT LIABILITIES	117,969
NET ASSETS	
Net assets without donor restrictions	419,019
Net assets with donor time and purpose restrictions	87,409
Net assets with donor restrictions in perpetuity	5,000
TOTAL NET ASSETS	511,428
TOTAL LIABILITIES AND NET ASSETS	$ 629,397

See Accompanying Notes to Financial Statements

ARIZONA TRAIL ASSOCIATION

STATEMENT OF ACTIVITIES

For the year ended December 31, 2020

	Net Assets without Donor Restrictions	Net Assets with Donor Restrictions	Total
SUPPORT AND REVENUE			
Contributions	$ 362,621	$ 85,691	$ 448,312
Governmental grant revenue	365,623	-	365,623
Membership fees	132,353	-	132,353
Donated materials and services	3,460	-	3,460
Product sales, less cost of sales of $22,731	24,404	-	24,404
Investment income	2,553	-	2,553
Other income	8,235	-	8,235
Total support and revenue before special events and net assets released from restrictions	899,249	85,691	984,940
Special events:			
Revenue from special events	52,953	-	52,953
Less costs of direct donor benefits	(26,939)	-	(26,939)
Gross profit (loss) on special events	26,014	-	26,014
Net assets released from restrictions	50,216	(50,216)	-
TOTAL SUPPORT AND REVENUE	975,479	35,475	1,010,954
EXPENSES			
Program services	666,260		666,260
Supporting services:			
Management and general	99,976	-	99,976
Fundraising	83,148	-	83,148
Total supporting services	183,124	-	183,124
TOTAL EXPENSES	849,384	-	849,384
CHANGE IN NET ASSETS	126,095	35,475	161,570
NET ASSETS, BEGINNING OF YEAR	292,924	56,934	349,858
NET ASSETS, END OF YEAR	$ 419,019	$ 92,409	$ 511,428

ARIZONA TRAIL ASSOCIATION

STATEMENT OF FUNCTIONAL EXPENSE

For the year ended December 31, 2020

		Supporting Services			
	Total Program Services	Management and General	Fundraising	Total Supporting Services	Total
Salaries and wages	$ 233,550	$ 62,484	$ 46,849	$ 109,333	$ 342,883
Payroll taxes and benefits	29,777	7,966	5,973	13,939	43,716
Professional fees	260,558	3,404	1,126	4,530	265,088
Supplies and materials	11,427	3,057	2,292	5,349	16,776
Travel	16,945	4,336	-	4,336	21,281
Postage and printing	20,408	1,418	2,272	3,690	24,098
Insurance	13,108	3,507	2,629	6,136	19,244
Improvements to public lands	29,317	-	-	-	29,317
Telephone and internet	14,598	3,906	2,928	6,834	21,432
Depreciation	14,570	3,898	2,923	6,821	21,391
Rent	13,305	3,560	2,669	6,229	19,534
Food and beverage	1,294	-	-	-	1,294
Member costs	-	-	2,946	2,946	2,946
Bank and merchant fees	113	144	7,820	7,964	8,077
Dues and subscriptions	4,459	1,193	894	2,087	6,546
Small equipment and repairs	1,498	401	301	702	2,200
Other expense	1,333	702	1,526	2,228	3,561
	$ 666,260	$ 99,976	$ 83,148	$ 183,124	$ 849,384

See Accompanying Notes to Financial Statements

ARIZONA TRAIL ASSOCIATION

STATEMENT OF CASH FLOWS

For the year ended December 31, 2020

		2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$	161,570
Adjustment to reconcile change in net assets to net cash provided by operating activities:		
Realized and unrealized gains and losses		(507)
Depreciation		21,391
Changes in operating assets and liabilities:		
Decrease (increase) in:		
Governmental grants receivable		(66,891)
Unconditional contributions receivable		(26,359)
Accounts receivable		(2,621)
Inventory		(4,737)
Other assets		1,215
Increase (decrease) in:		
Accounts payable		(268,424)
Accrued expenses		8,253
Net cash provided by (used in) operating activities		(177,110)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sales of investments		306,711
Purchases of investments		(202,046)
Purchases of property and equipment		-
Net cash provided (used) by investing activities		104,665
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments of long-term debt		-
Net cash provided (used) by investing activities		-
NET CHANGE IN CASH		(72,445)
CASH, BEGINNING OF YEAR		138,035
CASH, END OF YEAR	$	65,590
SUPPLEMENTAL DISCLOSURES:		
Cash paid for interest	$	-
Cash paid for income taxes	$	-

See Accompanying Notes to Financial Statements

(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.

COVID-19 pandemic - 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 have faced 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.

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.

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.

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).

Accounts receivable – Accounts receivable consist primarily of product sales revenue due within one year. The Association, at times, grants credit without collateral to its customers. Management provides for probable uncollectible amounts through a charge to bad debt expense and a credit to a valuation allowance based on its assessment of the current status of individual balances. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable. Although the Association does not require collateral on its accounts receivable, credit risk with respect to accounts receivable is limited due to the fact that accounts receivable are typically fully collectible in less than one year. Management has determined that accounts receivable are fully collectible at December 31, 2020, accordingly, management has determined that an allowance for doubtful accounts is not necessary.

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

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, 2020, all governmental grants receivable were due within one year.

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, 2020, all contributions receivable were due within one year.

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.

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

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 met 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.

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 Association 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.

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

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

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 $3,460 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.

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 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.

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 liabilities, related to product sales at December 31, 2020. 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.

Contract assets consist of accounts receivable on product sales of $2,621 at December 31, 2020. There were no contract assets or accounts receivable related to product sales at the beginning of the year.

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.

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

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 2017, 2018, and 2019 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.

Subsequent events - The Association evaluated subsequent events after the statement of financial position date of December 31, 2020 through March 21 2021, which was the date the Association's financial statements were available to be issued. No conditions were noted which did not exist as of December 31, 2020, but arose subsequent to that date.

(2) Adoption of 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 adopted the requirements of the new standard as of January 1, 2020. The cumulative effect of applying the new standard did not have a material effect on the disclosures of fair value.

(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:

	2020
Cash	$ 65,590
Investments	346,375
Governmental grants receivable, due in next 12 months	129,978
Contributions receivable, due in next 12 months	37,872
Accounts receivable, due in next 12 months	2,621
	582,436
Donor imposed restrictions	(92,409)
Financial assets available to meet general expenditures within one year	$ 490,027

(4) Investments and fair value measurements

Investments consist of:

		2020
Unrestricted investments	$	341,375
Investments with perpetual restrictions		5,000
Total	$	346,375

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, 2020 are measured as follows:

2020

		Level 1		Level 2		Total
Marketable domestic equity mutual funds	$	5,682	$	-	$	5,682
Money market funds		340,693		-		340,693
Total	$	346,375	$	-	$	346,375

(5) Property and equipment

Property and equipment consist of:		2020
Cost or donated value:		
Furniture, fixtures and equipment	$	21,949
Vehicles		161,108
Total cost or donated value		183,057
Accumulated depreciation		(151,897)
Net property and equipment	$	31,160

Depreciation expense charged to operations is $21,391 for the year ended December 31, 2020.

(6) Net assets with donor restrictions,

Net assets with donor restrictions consist of the following:		2020
Purpose restrictions:		
Sustaining Seeds	$	20,687
Girls Gear		18,909
Trail improvements and maintenance		9,941
Time restrictions:		
Contributions receivable		37,872
Donor restrictions in perpetuity		5,000
Total net assets with donor restrictions	$	92,409

Net assets released from restrictions consist of the following:		2020
Purpose restrictions:		
Trail improvements and maintenance	$	28,104
Girls Gear		6,091
Sustaining Seeds		2,132
Other		2,376
Time restrictions:		
Contributions receivable		11,513
Total net assets released from restrictions	$	50,216

(7) 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.

(7) 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 with 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 December 31, 2020 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)	-	6	-	6
Interest income	-	26	-	26
Contributions	-	-	-	-
Amounts appropriated for expenditure	-	(32)	-	(32)
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, 2020, all investment earnings 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, 2020, the Association had sufficient funds allocated to the endowment.

(8) 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, 2020, are as follows:

Years Ending December 31,		
2021	$	14,760
2022		15,120
Total minimum future lease payments	$	29,880

(9) Concentrations

Investments are held at a single investment brokerage company and are 55% of total assets at December 31, 2020.

The Association has entered into certain grant agreements with the US Forest Service (USFS). Grant revenue from USFS is approximately 24% of total revenue and support for the year ended December 31, 2020.

(10) New accounting pronouncements

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.