

**New Mexico Land Conservancy**

**FINANCIAL STATEMENTS**

**June 30, 2021 and 2020**

## INDEPENDENT AUDITORS' REPORT

To the Board of Directors of  
New Mexico Land Conservancy

### ***Report on the Financial Statements***

We have audited the accompanying financial statements of New Mexico Land Conservancy (NMLC) (a non-profit organization), which comprise the statements of financial position as of June 30, 2021 and 2020, and the related statements of activities and changes in net assets, functional expenses and cash flows 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.

### ***Auditors' 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 auditors' 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 NMLC'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 NMLC'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 present fairly, in all material respects, the financial position of NMLC as of June 30, 2021 and 2020, 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.

### **Supplemental and Other Matters**

#### ***Other Information***

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

#### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 10, 2021 on our consideration of NMLC's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering NMLC's internal control over financial reporting and compliance.

December 10, 2021

*Pulakos CPAs, PC*

Pulakos CPAs, PC

**New Mexico Land Conservancy**  
**STATEMENTS OF FINANCIAL POSITION**  
**June 30, 2021 and 2020**

**Assets**

	<b>2021</b>	<b>2020</b>
Current assets		
Cash and cash equivalents	\$ 490,583	\$ 306,820
Funds held-for-others	82,988	121,366
Accounts receivable	-	55,219
Prepaid expenses	1,030	9,686
Total current assets	574,601	493,091
Non-current assets		
Investments - endowment	363,137	315,657
Investments - designated for stewardship fund	841,484	696,414
Office, land, building and equipment	626,690	565,989
El Prado land	675,000	675,000
Petchesky land	694,000	694,000
Total assets	<u>\$ 3,774,912</u>	<u>\$ 3,440,151</u>

**Liabilities and Net Assets**

Current liabilities		
Accounts payable	\$ 103,855	\$ 21,564
Accrued expenses	22,270	11,669
Refundable advances -		
Paycheck Protection Program	87,500	103,320
Funds held-for-others	82,988	121,366
Total current liabilities	296,613	257,919
Net assets		
Without donor restrictions		
General unrestricted	2,214,095	2,052,836
Board designated stewardship fund	841,484	696,414
Board designated Petchesky Conservation		
Center maintenance fund	59,583	114,418
Total unrestricted	3,115,162	2,863,668
With donor restrictions	363,137	318,564
Total net assets	<u>3,478,299</u>	<u>3,182,232</u>
Total liabilities and net assets	<u>\$ 3,774,912</u>	<u>\$ 3,440,151</u>

# New Mexico Land Conservancy

## STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

For the Year Ended June 30, 2021

	2021		
	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenue			
Landowner contributions	\$ 443,200	\$ -	\$ 443,200
Government grants	3,123,194	-	3,123,194
Other grants and contributions	328,913	-	328,913
Investment income, net	85,036	49,492	134,528
Fees for services	64,824	-	64,824
Net assets released from restrictions	4,919	(4,919)	-
Total support and revenue	4,050,086	44,573	4,094,659
Expenses			
Program services	3,606,447	-	3,606,447
Management and general	131,182	-	131,182
Fundraising	60,963	-	60,963
Total expenses	3,798,592	-	3,798,592
Change in net assets	251,494	44,573	296,067
Net assets, beginning of year	2,863,668	318,564	3,182,232
Net assets, end of year	\$ 3,115,162	\$ 363,137	\$ 3,478,299

# New Mexico Land Conservancy

## STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

For the Year Ended June 30, 2020

	<b>2020</b>		
	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
Support and Revenue			
Landowner contributions	\$ 583,600	\$ -	\$ 583,600
Government grants	3,491,727	-	3,491,727
Other grants and contributions	253,497	357,645	611,142
Investment loss, net	(16,594)	(41,988)	(58,582)
Fees for services	6,150	-	6,150
In-kind contributions	675,000	-	675,000
Net assets released from restrictions	92,913	(92,913)	-
Total support and revenue	5,086,293	222,744	5,309,037
Expenses			
Program services	4,132,622	-	4,132,622
Fundraising	110,852	-	110,852
Management and general	60,592	-	60,592
Total expenses	4,304,066	-	4,304,066
Change in net assets	782,227	222,744	1,004,971
Net assets, beginning of year	2,081,441	95,820	2,177,261
Net assets, end of year	\$ 2,863,668	\$ 318,564	\$ 3,182,232

# New Mexico Land Conservancy

## STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended June 30, 2021

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total Expenses</u>
Salaries and wages	\$ 354,945	\$ 44,368	\$ 44,368	\$ 443,681
Payroll taxes	28,285	3,536	3,536	35,357
Employee benefits	42,108	5,264	5,264	52,636
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Total personnel expenses	425,338	53,168	53,168	531,674
Project costs	2,982,317	-	-	2,982,317
Operation and administrative expense	62,848	62,848	-	125,696
Consultants and professional services	21,251	1,118	-	22,369
Facility and fleet	52,678	6,585	6,585	65,848
Travel	13,262	1,474	-	14,736
Business fees and dues	1,968	656	-	2,624
Equipment	9,074	1,008	-	10,082
Meetings, events and workshops	-	-	-	-
Other expenses	9,676	1,210	1,210	12,096
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Total operating expenses	3,578,412	128,067	60,963	3,767,442
Depreciation	28,035	3,115	-	31,150
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Total expenses	<u>\$ 3,606,447</u>	<u>\$ 131,182</u>	<u>\$ 60,963</u>	<u>\$ 3,798,592</u>

# New Mexico Land Conservancy

## STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended June 30, 2020

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total Expenses</u>
Salaries and wages	\$ 355,870	\$ 44,484	\$ 44,483	\$ 444,837
Payroll taxes	28,407	3,551	3,551	35,509
Employee benefits	<u>57,335</u>	<u>7,167</u>	<u>7,167</u>	<u>71,669</u>
Total personnel expenses	441,612	55,202	55,201	552,015
Project costs	3,504,883	-	-	3,504,883
Operation and administrative expense	33,653	33,653	-	67,306
Facility (PCC)	32,958	4,120	4,120	41,198
Business fees and dues	26,779	8,926	-	35,705
Consultants and professional services	25,496	1,342	-	26,838
Travel	14,341	1,593	-	15,934
Fleet	9,971	1,108	-	11,079
Equipment	9,945	1,105	-	11,050
Meetings, events and workshops	6,274	784	784	7,842
Other expenses	<u>3,899</u>	<u>487</u>	<u>487</u>	<u>4,873</u>
Total operating expenses	4,109,811	108,320	60,592	4,278,723
Depreciation	<u>22,811</u>	<u>2,532</u>	<u>-</u>	<u>25,343</u>
Total expenses	<u><u>\$ 4,132,622</u></u>	<u><u>\$ 110,852</u></u>	<u><u>\$ 60,592</u></u>	<u><u>\$ 4,304,066</u></u>



# New Mexico Land Conservancy

## STATEMENTS OF CASH FLOWS

For the Years Ended June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Operating activities		
Change in net assets	\$ 296,067	\$ 1,004,971
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	31,150	25,343
Net (gain) loss on investments	(134,528)	58,582
Contribution of land	-	(675,000)
Change in assets and liabilities		
Accounts receivable	55,219	(22,039)
Prepaid expenses	8,656	186
Accounts payable	82,291	(1,181)
Accrued expenses	10,601	(15,679)
Refundable advances - Paycheck Protection Program	(15,820)	103,320
Net cash provided by operating activities	333,636	478,503
Investing activities		
Purchase of property and equipment	(91,851)	(48,673)
Purchase of investments	(338,798)	(383,790)
Sale of investments	280,776	-
Net cash used by investing activities	(149,873)	(432,463)
Net change in cash and cash equivalents	183,763	46,040
Cash and cash equivalents, beginning of year	306,820	260,780
Cash and cash equivalents, end of year	<u>\$ 490,583</u>	<u>\$ 306,820</u>

**New Mexico Land Conservancy**  
**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2021 and 2020**

**NOTE 1 – ORGANIZATION AND NATURE OF ACTIVITIES**

New Mexico Land Conservancy (NMLC) is a New Mexico nonprofit corporation founded in 2002. The mission of NMLC is to preserve New Mexico's land heritage by helping people conserve the places they love. As a statewide organization, NMLC works with private landowners, community groups, public agencies and other partners to protect significant wildlife habitat, productive agricultural lands, scenic open space, cultural and historic resources and recreational lands at community, watershed and landscape scales. As a member of the National Land Trust Alliance, NMLC is an accredited land trust and adheres to best established standards and practices of the industry.

NMLC defines its program services as follows:

*Land Conservation* – NMLC works to identify and protect the most important and threatened lands by working with willing landowners to find ways to protect the conservation values of their land for conservation purposes and public benefit. NMLC uses conservation easements and other private, voluntary land conservation methods to achieve its conservation goals and uses evaluation and selection criteria to assess the status of conservation values, the threats to these values and the potential for their successful conservation on each of the properties it works to protect.

*Land Stewardship* – NMLC provides stewardship for all of its land and easement holdings through baseline assessment, management planning, monitoring and legal defense. Annual monitoring is completed to ensure landowner compliance with the terms of the easements and that the conservation values are being adequately protected.

*Communications, Outreach and Education* – NMLC increases awareness about the benefits of private land conservation and the mission of NMLC. NMLC provides accurate and timely information about the techniques and benefits of private land conservation, educates landowners, public policy makers and the general public on the value of preserving land.

*Capacity Building* – NMLC periodically engages in policy and legislative initiatives that promote land conservations, restoration and stewardship; and create or enhance tax and financial incentives to encourage private landowners to engage in land conservation.

NMLC is primarily supported by contributions from the public, including landowners, foundations and individual donors.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**New Mexico Land Conservancy**  
**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2021 and 2020**

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Financial Statement Presentation

NMLC classifies net assets and revenues, expenses, gains and losses based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of NMLC and the changes therein are classified and reported as follows:

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of NMLC. These net assets may be used at the discretion of NMLC's management and the board of directors.

Net assets with donor restrictions: assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of NMLC or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statements of activities and changes in net assets.

Cash and Cash Equivalents

Cash and cash equivalents include all monies in banks and highly liquid investments and maturity dates of three months or less. For purposes of the statements of cash flows, NMLC considers all cash accounts to be cash equivalents. At times, these balances may exceed insured limits. NMLC has not experienced any losses in these accounts and believes it is not exposed to any significant credit risk related to uninsured cash balances.

Accounts Receivable

Accounts receivable represents revenue earned from services performed, but not yet collected. NMLC considers all amounts to be fully collectible as of June 30, 2021 and 2020 and accordingly, no allowance for doubtful accounts was recorded.

Investments

Investments in equity securities with readily determinable fair values and all investments in debt securities are measured at fair value in the statements of financial position. Investment income or loss (including gains and losses on investments, interest, and dividends) is included in the statements of activities and changes in net assets as increases or decreases in without donor restrictions net assets unless the income or loss is restricted by donor or law.

**New Mexico Land Conservancy**  
**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2021 and 2020**

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

Revenue Recognition

Revenue for grants and contributions is recorded when cash, securities or other assets, an unconditional promise to give or a notification of a beneficial interest is received. Revenue for cost-reimbursable contracts and grants is recorded when expenditures are incurred in compliance with the specific contract and grant provisions. Revenue for landowner easement projects is recognized as services provided by NMLC are performed, based on milestones included in the letters of intent for each project.

Funds Held-for-Others

NMLC enters into agreements with other organizations in which NMLC acts as a fiscal agent by receiving and disbursing funds on behalf of these organizations. In return for these services, NMLC typically retains a 1% management fee. As of June 30, 2021 and 2020, the amount of funds held-for-others was \$82,988 and \$121,366, respectively.

Property and Equipment

Property and equipment are stated at cost. Property and equipment that are received by donation are recorded at the estimated fair value on the date of donation. Such donations are reported as without donor restrictions support unless the donor has restricted the donated assets to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, NMLC reports the expiration of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. NMLC reclassifies with donor restrictions net assets to without donor restrictions net assets at that time. Purchased or donated property and equipment in excess of \$1,000 is capitalized. Depreciation is calculated on a straight-line basis in amounts sufficient to relate the costs of depreciable assets to operations over their estimated useful lives, which range from three to thirty-nine years.

Donated Services, Land Use, Storage, Equipment, and Materials

NMLC recognizes contributed services if the services create or enhance non-financial assets or require specialized skills provided by individuals possessing those skills and would need to be purchased if not provided by donation. Recognized contributed services, land use, storage, equipment, and materials are recorded at the fair value on the date of donation.

Income Tax Status

NMLC is a nonprofit charitable corporation and has been recognized as tax-exempt under Section 501(c)(3) of the Internal Revenue Code. NMLC has adopted accounting principles generally accepted in the United States of America, as they relate to uncertain tax positions, and has evaluated its tax positions taken for open tax years. Management believes that the activities of NMLC are within their tax-exempt purpose, and that there are no uncertain tax positions that require disclosure or recognition in the financial statements.

**New Mexico Land Conservancy**  
**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2021 and 2020**

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

Conservation Easements Property Interests

NMLC has acquired and holds a number of conservation easements, each representing a legal interest in land owned by another person or entity and representing NMLC's right to monitor and protect the land for conservation purposes. NMLC evaluates each easement for its conservation values and then ensures that the terms of the easement will adequately protect these values. Due to the lack of foreseeable future cash flow benefits from the easements and the absence of a secondary easement market, the accompanying financial statements do not include any recorded amounts for these property interests. This accounting policy is consistent with the practices followed by many environmental land trusts. NMLC completed 11 conservation easements in 2021 (Coyote Creek Bank, Ranney Ranch, Wells Ranch, Coyote Creek Headwaters, Museo del Carrizito Phase 1, Gran Quivira Ranch, Lawson Springs, Haslam Farm, Ute Lake Ranch Phase 1, Rio Abajo and Ft. Union Ranch Phase 8) protecting 35,473 acres and increasing its total portfolio from 99 easements over 282,744 acres to 110 easements over 318,217 acres at the end of fiscal year 2021. While the easement donations represent value to the grantors based upon the appraised value of the development rights foregone through the conservation easements (which form the basis of their charitable tax deductions), the easements have no real financial or marketable value once they are donated to the land trust. The combined value of the non-cash conservation easement contributions granted to NMLC for the year ended June 30, 2021 was \$4,091,000, as compared to \$7,052,197 for the year ended June 30, 2020. However, NMLC does not report the appraised value of these non-cash conservation easement donations as revenue as this would result in an overstatement of NMLC's actual financial assets.

Conservation Easement Acquisition Funding Agreements

In certain circumstances, NMLC will enter into agreements with governmental entities as a cooperating/sponsorship organization to facilitate the governmental entity or entities participation in acquisition of conservation easements. Upon closing a conservation easement acquisition, where land title is passed through NMLC, NMLC will record revenue and an equal conservation easement acquisition expenditure for amounts that NMLC has passed through the landowner.

In addition, NMLC facilitates the acquisition of conservation easements in partnership with the U.S. Department of Defense (DOD), U.S. Natural Resources Conservation Service (NRCS), U.S. Fish & Wildlife Service (USFWS) and other federal, state and local agencies. During the years ended June 30, 2021 and 2020, NMLC facilitated \$3,472,000 and \$3,922,000, respectively, of public funds through Department of Defense (DOD) and the Village of Corrales which were paid directly to landowners for conservation easement acquisitions.

Functional Allocation of Expenses

Expenses are charged directly to program and supporting services based on specific identification. Costs benefiting more than one service are allocated based on measures such as management's estimates of time spent, square footage, etc.

**New Mexico Land Conservancy**  
**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2021 and 2020**

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

**Fair Value Measurements**

Accounting Standards Codification Topic 820 establishes 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 and liabilities (Level 1 measurements) and the lowest priority to measurements involving significant unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are as follows:

Level 1 – Unadjusted quoted prices in active markets for identical investments that NMLC has the ability to access at the measurement date.

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the investment, either directly or indirectly. These inputs may include quoted prices for the identical instrument in an inactive market, inputs other than observable quoted prices, or inputs derived principally from or corroborated by observable market data by correlation or other means.

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

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

**Financial Instruments**

The carrying amounts of cash, receivables, payables, debt and other obligations approximate fair value due to the short-term nature of these instruments.

**Reclassifications**

Certain reclassifications have been made to the prior year financial statements in order for them to be in conformity with the current year presentation.

**Subsequent Events**

NMLC has evaluated all events occurring subsequent to June 30, 2021 through December 10, 2021, which is the date that the financial statements were issued and believes that all events occurring during this period that require either recognition or disclosure in the accompanying financial statements have been properly disclosed and recognized as applicable.

# New Mexico Land Conservancy

## NOTES TO FINANCIAL STATEMENTS

June 30, 2021 and 2020

### NOTE 3 – LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

	<u>2021</u>	<u>2020</u>
Financial assets:		
Cash and cash equivalents	\$ 490,583	\$ 306,820
Accounts receivable, net	-	55,219
Investments	<u>1,204,625</u>	<u>1,012,071</u>
Total financial assets	1,695,208	1,374,110
Less amounts not available to be used within one year:		
Net assets with donor restrictions	(363,137)	(318,564)
Board designated funds	<u>(901,067)</u>	<u>(810,832)</u>
	<u>(1,264,204)</u>	<u>(1,129,396)</u>
Financial assets available to meet cash needs for general expenditure within one year from June 30, 2021 and 2020	<u>\$ 431,004</u>	<u>\$ 244,714</u>

NMLC manages its cash flow and liquidity on an on-going basis to ensure that sufficient funds are available to cover current operational needs. NMLC's goal is generally to maintain a level of financial assets sufficient to cover 120 days of average operating expenses. These amounts are designated by the Board each year, based on the approved operating budget. As part of its liquidity plan, NMLC is continuously evaluating the amount of cash on hand and expected to be collected within 30 days, against current financial obligations.

### NOTE 4 – INVESTMENTS

The following tables set forth by level, within the fair value hierarchy, NMLC's assets at fair value as of June 30, 2021 and 2020:

<u>Assets at Fair Value as of June 30, 2021</u>				
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Money market funds	\$ 35,112	\$ -	\$ -	\$ 35,112
Mutual funds – equities	613,296	-	-	613,296
Mutual funds – bonds	<u>556,217</u>	<u>-</u>	<u>-</u>	<u>556,217</u>
	<u>\$ 1,204,625</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,204,625</u>

**New Mexico Land Conservancy**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2021 and 2020**

**NOTE 4 – INVESTMENTS – CONTINUED**

<b>Assets at Fair Value as of June 30, 2020</b>				
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Money market funds	\$ 113,295	\$ -	\$ -	\$ 113,295
Mutual funds – equities	386,412	-	-	386,412
Mutual funds – bonds	512,364	-	-	512,364
	<u>\$ 1,012,071</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,012,071</u>

Management determines the fair value measurement valuation policies and procedures, including those for Level 3 recurring measurements. At least, annually, management determines if the current valuation techniques used in fair value measurements are still appropriate and evaluates and adjusts unobservable inputs used in the fair value measurements based on current market conditions and third-party information. If applicable, NMLC recognizes transfers between levels in the fair value hierarchy at the end of the reporting period.

The following is a description of the valuation methodologies used for assets and liabilities measured at fair value.

*Money Market Funds and Mutual Funds:* Fair value determined using quoted market prices.

**NOTE 5 – OFFICE, LAND, BUILDING AND EQUIPMENT**

Office, land, building and equipment consisted of the following as of June 30, 2021 and 2020:

	<b>2021</b>	<b>2020</b>
Land	\$ 98,000	\$ 98,000
Buildings and improvements	642,445	592,183
Office equipment	38,504	47,070
Vehicles	<u>121,914</u>	<u>102,614</u>
	900,863	839,867
Less accumulated depreciation	<u>(274,173)</u>	<u>(273,878)</u>
Net office land, buildings and equipment	<u>\$ 626,690</u>	<u>\$ 565,989</u>

Depreciation expense for the years ended June 30, 2021 and 2020 was \$31,150 and \$25,343, respectively. Land and buildings and improvements are partially pledged for the line-of-credit.



**New Mexico Land Conservancy**  
**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2021 and 2020**

**NOTE 6 – LAND**

Petchesky Land

In 2009, NMLC was the recipient of a gift of the 262-acre Petchesky Ranch, a landmark property near the Santa Fe Community College. Ranch acreage amounting to 249 of the 262 acres is subject to a conservation easement held by the Santa Fe Conservation Trust (240 acres) and trail easement held by Santa Fe County (9 acres). The ranch house and related structures and certain land acreage serve as the operating offices of NMLC. NMLC has allocated a portion of the acreage not used in NMLC operations, what was valued at \$374,000 as of June 30, 2021 and 2020, respectively. This land is partially pledged for the line-of-credit.

In 2011, NMLC was the recipient of a bequest of 20 acres of land adjacent to the Petchesky Ranch, from the Jane Petchesky will. The value of this land was \$320,000 as of June 30, 2021 and 2020, respectively. This land is partially pledged for the line-of-credit.

El Prado Land

In 2020, NMLC was the recipient of a gift of 70 acres of development land located north of the Millicent Rogers Museum in El Prado, NM. NMLC intends to dispose of the land when it can maximize the return from its sale in the real estate market and apply the eventual proceeds toward its conservation mission. The value of this land was \$675,000 as of June 30, 2021 and 2020, respectively.

**NOTE 7 – LINE-OF-CREDIT**

NMLC has a bank line-of-credit with a limit of \$200,000; borrowings are subject to a borrowing base formula. This agreement is collateralized by a right of cash offset on the NMLC's operating facility and excess land. Interest is payable at 5.75%. The line matures in April 2023 and has an outstanding balance of zero as of June 30, 2021 and 2020, respectively.

**NOTE 8 – NET ASSETS WITH DONOR RESTRICTIONS**

Net assets with donor restrictions consist of the following as of June 30, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Program specific purpose	\$ -	\$ 2,907
Endowment	<u>363,137</u>	<u>315,657</u>
Total net assets with donor restrictions	<u>\$ 363,137</u>	<u>\$ 318,564</u>

Net assets released from restrictions consists of collections of time restricted pledges, as well as expenditures of funds in accordance with donor restrictions. Net assets released from restrictions were \$4,919 and \$92,913 in 2021 and 2020, respectively.

# **New Mexico Land Conservancy**

## **NOTES TO FINANCIAL STATEMENTS**

**June 30, 2021 and 2020**

### **NOTE 9 – BOARD DESIGNATED NET ASSETS**

In 2013, NMLC's Board of Directors approved a policy to maintain "stewardship fund" at an amount approximating \$8,000 per easement. These amounts have been set aside from NMLC's operating asset accounts and are held in separate investment accounts. Applicable investment income has been added to the fund. NMLC has enrolled in a conservation easement insurance program covering \$500,000 of combined annual insurance coverage for the legal defense of the easement portfolio. Board designated stewardship funds total \$841,484 and \$696,414 at June 30, 2021 and 2020, respectively.

In 2014, NMLC's Board of Directors approved a designation of a Petchesky Conservation Center (PCC) maintenance fund. The PCC maintenance fund is to cover large expenditures for general maintenance costs of the operations facility. Board designated PCC maintenance funds were \$59,583 and \$114,418 at June 30, 2021 and 2020, respectively.

### **NOTE 10 – ENDOWMENTS**

The Uniform Prudent Management of Institutional Funds Act (UPMIFA) provides industry guidance to organizations similar to NMLC. The State of New Mexico adopted UPMIFA effective July 1, 2009. NMLC has determined that certain net assets meet the definition of endowment funds under UPMIFA.

NMLC's endowment fund was established in 2020 and consists entirely of a single donor-restricted fund to support specific conservation easement efforts. As required by accounting principles generally accepted in the United States, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

#### **Interpretation of Relevant Law**

NMLC has interpreted UPMIFA as requiring the preservation of the fair value of the original gift of the donor-restricted endowment funds absent explicit donor stipulations to the contract. As a result of this interpretation, NMLC classifies as net assets with donor restrictions (a) the original value of the gifts donated to the restricted endowment, (b) the original value of subsequent gifts to the restricted endowment, and (c) accumulated investment earnings and losses, net of investment management fees, until those amounts are appropriated for expenditure by NMLC in a manner consistent with the donor-restricted purpose of the endowment. NMLC considers a fund to be underwater if the fair value of the fund is less than the sum of (a) the original value of initial and subsequent gift amounts donated to the fund and (b) any accumulations to the fund that are required to be maintained in perpetuity in accordance with the direction of the applicable donor gift instrument. NMLC has interpreted UPMIFA to permit spending from underwater funds in accordance with the prudent measures required under the law. Additionally, in accordance with UPMIFA, NMLC considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

**New Mexico Land Conservancy**  
**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2021 and 2020**

**NOTE 10 – ENDOWMENTS – CONTINUED**

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

**Endowment Investment and Spending Policies**

NMLC has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding for initiatives supported by its endowments while seeking to maintain the purchasing power of the endowments.

In determining the prudent amount to distribute in a given year, NMLC considers the donor's intent, the purpose of the fund as stated in the fund agreement, and relevant economic factors. NMLC's current spending policy with regards to its endowment is determined annually by the Board of Directors.

The investment policies establish a return objective through diversification of asset classes. The current long-term return objective is the rate of inflation plus spending, net of any investment fees. To satisfy its long-term rate of return objectives, NMLC relies on a total return strategy in which investment returns may be achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). NMLC targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk parameters.

In 2020, NMLC was designated as the manager of a long-term management endowment fund for the Lost Draw Prairie Chicken Conservation Bank (LDPCCB) and was the recipient of \$357,645 in endowment funds from Tomahawk LLC. As the manager of these funds, NMLC is responsible for ensuring that the endowment principal is permanently restricted. The investment interest income generated from this endowment may be used to fund short and long-term management activities defined in the management plans for the LDPCCB and this investment interest income is classified as temporarily restricted. As the endowment manager, NMLC may also annually withdraw a one percent administrative fee from the endowment fund.

**New Mexico Land Conservancy**  
**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2021 and 2020**

**NOTE 10 – ENDOWMENTS – CONTINUED**

<b>Changes in Endowment Net Assets for the Year Ending June 30, 2021</b>			
	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
Endowment net assets, June 30, 2020	\$ -	\$ 315,657	\$ 315,657
Contributions	-	-	-
Investment income, net of fees	-	47,480	47,480
Endowment net assets, June 30, 2021	<u>\$ -</u>	<u>\$ 363,137</u>	<u>\$ 363,137</u>

  

<b>Changes in Endowment Net Assets for the Year Ending June 30, 2020</b>			
	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
Endowment net assets, June 30, 2019	\$ -	\$ -	\$ -
Contributions	-	357,645	357,645
Investment loss, net of fees	-	(41,988)	(41,988)
Endowment net assets, June 30, 2020	<u>\$ -</u>	<u>\$ 315,657</u>	<u>\$ 315,657</u>

**Funds with Deficiencies**

From time to time, the fair value of assets associated with donor restricted endowment funds may fall below the total amount of the gifts made to the endowment by the donor. Deficiencies of this nature that are reported with donor restrictions were zero and \$41,988 as of June 30, 2021 and 2020, respectively. This deficiency resulted from unfavorable market conditions.

**NOTE 11 – PAYCHECK PROTECTION PROGRAM (PPP) LOANS**

On April 30, 2020, NMLC entered into a Loan Agreement and Promissory Note (SBA Loan) pursuant to the Paycheck Protection Program (PPP) under the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) administered by the U.S. Small Business Administration. NMLC received total loan proceeds of \$103,320. The loan was scheduled to mature on April 1, 2022. The loan was forgiven in March 2021 and accordingly, the NMLC has recorded revenues for loan forgiveness of \$103,320 in 2021. This revenue is included in other grants and contributions in the accompanying statements of activities and changes in net assets.

**New Mexico Land Conservancy**  
**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2021 and 2020**

**NOTE 11 – PAYCHECK PROTECTION PROGRAM (PPP) LOANS – CONTINUED**

On February 6, 2021, NMLC entered into an SBA Loan pursuant to the PPP under the CARES Act administered by the U.S. Small Business Administration. NMLC received total loan proceeds of \$87,500. The loan is scheduled to mature on February 2023, carries a 1.00% interest rate, and is subject to the terms and conditions applicable to loans administered by the U.S. Small Business Administration under the CARES Act. The loan may be prepaid by NMLC at any time prior to maturity with no prepayment penalties. The loan contains customary events of default relating to, among other things, payment defaults and breaches of representations and warranties.

Subject to certain conditions, the loan may be forgiven in whole or in part by applying for forgiveness pursuant to the CARES Act and the PPP. The amount of loan proceeds eligible for forgiveness is determined on a formula based on a number of factors, including the amount of loan proceeds used during the 24-week forgiveness period after the loan origination for certain purposes, including payroll costs, interest on certain mortgage obligations, rent payments on certain leases, and certain qualified utility payments, provided that, among other matters, a least 60% of the loan amount is used for eligible payroll costs, the maintenance or rehiring of employees, and maintaining salaries at certain levels. In accordance with the requirements of the CARES Act and the PPP, NMLC intends to use the proceeds from the loan primarily for payroll costs.

NMLC has elected to account for this transaction as a conditional contribution, pursuant to Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958-605, *Financial Statements for Not-For-Profit Organizations – Revenue Recognition*. Accordingly, NMLC asserts that loan forgiveness pursuant to the CARES Act and the PPP constitute the condition placed on the funds to be met and therefore a contribution should be recorded at that time. As of June 30, 2021, loan forgiveness had not been granted, and accordingly all loan proceeds are recorded as a liability in the accompanying statements of financial position. NMLC believes full forgiveness of the loan proceeds will be granted during fiscal year 2022.

**NOTE 12 – COMMITMENTS AND CONTINGENCIES**

**Funding Sources**

NMLC receives a substantial percentage of its total revenue from its federal cooperative agreement with the U.S. Department of Defense. Notwithstanding, the majority of these funds are used to pay for the acquisitions of conservation easements from private landowners and the associated due diligence, transactional and stewardship costs. Only a fraction of these federal revenues is used to pay for NMLC operating costs.

# **New Mexico Land Conservancy**

## **NOTES TO FINANCIAL STATEMENTS**

**June 30, 2021 and 2020**

### **NOTE 12 – COMMITMENTS AND CONTINGENCIES – CONTINUED**

#### Conservation Easement Activities

Monitoring and, if necessary, legally defending the conservation easements held by NMLC is an important aspect of NMLC's mission. Costs associated with NMLC's stewardship efforts are expensed as incurred. No accrual for the costs of future stewardship efforts has been made at June 30, 2021 and 2020.

The Internal Revenue Service and the State of New Mexico have provided tax benefits in the form of deductions and credits to individuals or entities that donate conservation easements. These benefits represent a major incentive for contributing easements to NMLC. NMLC's ability to generate future contributions could be impaired if these tax benefits were eliminated or reduced.

#### Operating Leases

NMLC leases small pieces of office equipment under short term or month-to-month operating agreements. Total expense related to these rentals was \$8,282 and \$4,853 in 2021 and 2020, respectively.

#### Employee Benefit Plan

NMLC has established a Simple IRA plan for qualifying employees. Plan participants may elect to defer compensation to the plan up to statutory limits. NMLC contributes 2% of employee compensation. Total expense related to this plan was \$5,766 and \$7,220 in 2021 and 2020, respectively.

#### COVID-19 Pandemic

The Secretary for the New Mexico Department of Health has mandated temporary closing of businesses that were deemed non-essential and requested citizens to adopt certain behavioral changes in response to the worldwide COVID-19 pandemic. At a national and international level, government restrictions on travel and the behavioral changes by the public due to COVID-19 outbreaks across the globe are negatively impacting various industries and the world markets. While the disruption is expected to be temporary, there is considerable uncertainty around the duration and ultimate financial impact of these actions.

## **SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

**New Mexico Land Conservancy**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

**Year Ended June 30, 2021**

	<u><b>Federal CFDA Number</b></u>	<u><b>Agency or Pass-Through Number</b></u>	<u><b>Total Federal Expenditures</b></u>
U.S. Department of Defense			
Community Economic Adjustment Assistance for Compatible Use and Land Use Studies	12.610	W9124J1720003	<u>\$ 2,733,573</u>
 Total expenditures of federal awards			<u><u>\$ 2,733,573</u></u>



## **New Mexico Land Conservancy**

### **NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

**Year Ended June 30, 2020**

#### **NOTE 1 – BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of NMLC under programs of the federal government for the year ended June 30, 2021. The information in this Schedule is presented in accordance with the requirements of the *Uniform Guidance, Audits of States, Local Governments and Non-Profit Organizations*. Therefore, some amounts presented in the Schedule may differ from amounts presented in or used in the preparation of the basic financial statements.

#### **NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principals contained in the Uniform Guidance where certain types of expenditures are not allowable or are limited as to reimbursement.

#### **NOTE 3 – INDIRECT COST RATE**

NMLC has elected not to use the 10% de minimus indirect cost rate for its federal programs. For its federal contract with the U.S. Department of Defense, NMLC negotiated and was approved for a 20% indirect cost rate.

**INDEPENDENT AUDITORS' REPORT ON INTERNAL  
CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**

To the Board of Directors of  
New Mexico Land Conservancy

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States of America, the financial statements of the New Mexico Land Conservancy (NMLC), a nonprofit organization, which comprise the statement of financial position as of June 30, 2021, and the related statements of activities and changes in net assets, functional expenses and cash flows for the year then ended and the related notes to the financial statements and have issued our report thereon dated December 10, 2021.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered NMLC's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of NMLC's internal control. Accordingly, we do not express an opinion on the effectiveness of NMLC's internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency or a combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of NMLC's financial statements will not be prevented or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2021-001 that we consider to be a significant deficiency.

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether NMLC's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## **NMLC's Response to Findings**

NMLC's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. NMLC's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

## **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of NMLC's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering NMLC's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

December 10, 2021

*Pulakos CPAs, PC*

Pulakos CPAs, PC

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE  
FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL  
OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

To the Board of Directors of  
New Mexico Land Conservancy

**Report on Compliance for Each Major Federal Program**

We have audited the New Mexico Land Conservancy's (NMLC) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of NMLC's major federal programs for the year ended June 30, 2021. NMLC's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

***Auditors' Responsibility***

Our responsibility is to express an opinion on compliance for each of NMLC's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the Audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about NMLC's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of NMLC's compliance.

***Opinion on Each Major Federal Program***

In our opinion, NMLC complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2021.

## Report on Internal Control over Compliance

Management of NMLC is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered NMLC's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of NMLC's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

December 10, 2021

*PULAKOS CPAs, PC*

Pulakos CPAs, PC

# New Mexico Land Conservancy

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS

June 30, 2021

### SECTION 1 – SUMMARY OF AUDITORS' RESULTS

#### Financial Statements

Type of auditors' report issued:

Unmodified

Internal control over financial reporting:

Material weakness(es) identified?

\_\_\_\_\_ Yes    X No

Significant deficiency(ies) identified?

X Yes    \_\_\_\_\_ No

Noncompliance material to financial statements noted?

\_\_\_\_\_ Yes    X No

#### Federal Awards

Internal control over major programs:

Material weakness(es) identified?

\_\_\_\_\_ Yes    X No

Significant deficiency(ies) identified?

\_\_\_\_\_ Yes    X No

Type of auditors' report issued on compliance  
for major programs:

Unmodified

Any audit findings disclosed that are required  
to be reported in accordance with 2 CFR section  
200.516(a)?

\_\_\_\_\_ Yes    X No

Identification of major programs:

#### CFDA Numbers(s)

#### Name of Federal Program or Cluster

12.610

Community Economic Adjustment Assistance  
for Compatible Use and Land Use Studies

Dollar threshold used to distinguish  
between Type A and Type B programs:

\$750,000

Auditee qualified as low-risk auditee?

\_\_\_\_\_ Yes    X No

# **New Mexico Land Conservancy**

## **SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**June 30, 2021**

### **SECTION II – FINANCIAL STATEMENT AUDIT FINDINGS**

#### **2021-001: Accrual basis accounting**

**Criteria and Condition:** Under accounting principles generally accepted in the United States of America (GAAP), revenues and expenses should be recorded in the period they are earned or incurred.

**Context:** Audit procedures identified instances where expenses were recorded in the period paid instead of the period in which the expenses were incurred. As some expenses incurred by NMLC are in performance against cost reimbursement contracts, revenue accrual can also be impacted.

**Cause:** Transactions for expenses incurred near fiscal year end were not recorded as of that fiscal year end.

**Effect:** Expenses were not misstated, resulting in audit adjustments.

**Questioned Costs:** This finding does not result in questioned costs.

**Recommendation:** All transactions should be evaluated for recorded in the proper fiscal period.

**Views of Responsible Officials and Planned Corrective Actions:** We agree with this finding and will create and implement additional controls over the cash disbursements and billing processes to ensure that revenues and expenses are accrued in the correct fiscal period.

### **SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

None

### **SECTION IV – SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**

#### **2020-001: Revenue Recognition**

**Criteria and Condition:** Under accounting principles generally accepted in the United States of America (GAAP), revenue from landowner easement projects should be recognized at the time when those services are provided by NMLC.

**Recommendation:** Appropriate written policies and procedures should be established to ensure proper revenue recognition under GAAP

**Current Status:** Corrected in 2021.

# **New Mexico Land Conservancy**

## **SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**June 30, 2021**

### **SECTION IV – SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS – CONTINUED**

#### **2020-002: Procurement – Community Economic Adjustment Assistance for Compatible Use and Land Use Studies (CFDA # 12.610)**

**Criteria and Condition:** For the year ending June 30, 2020, NMLC did not have a written procurement policy to properly implement all the requirements of 2 CFR section 200.318 through 200.326 of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). In accordance with these requirements, non-federal entities must have written procedures for procurement transactions. Such policy should incorporate all requirements within 2 CFR section 200.318 through 200.326 of the Uniform Guidance.

**Recommendation:** NMLC should implement a procurement policy that incorporates all requirements within 2 CFR section 200.318 through 200.326 of the Uniform Guidance.

**Current Status:** Corrected in 2021.



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**Executive Committee**

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Modrall Sperling Law  
Albuquerque, NM

Judith Sulter | Vice Chair,  
Secretary  
Zephyr Design, Inc.  
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Mexican Springs, NM

Linda Brewer  
Bear Mountain Lodge  
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El Prado, NM

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Zia Trust, Inc.  
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Capitan, NM

Elizabeth H. Richardson  
Founding Member  
Conservationist  
Los Angeles, CA

*Preserving New Mexico's  
land heritage by helping  
people conserve the places  
they love.*

**CORRECTIVE ACTION PLAN**

**Finding 2021-001: Accrual basis accounting**

***Planned Corrective Action:*** We agree with this finding and will create and implement additional internal controls over the cash disbursements and billing processes to ensure that revenues and expenses are accrued in the correct fiscal period.

***Anticipated Completion Date:*** January 31, 2022.

***Responsible Contact Person:*** Megan Keller, Accounting and Office Manager.