

CONSERVANCY OF SOUTHWEST FLORIDA, INC.

FINANCIAL STATEMENTS

YEARS ENDED SEPTEMBER 30, 2017 AND 2016

**CONSERVANCY OF SOUTHWEST FLORIDA, INC.
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YEARS ENDED SEPTEMBER 30, 2017 AND 2016**

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Conservancy of Southwest Florida, Inc.
Naples, Florida

We have audited the accompanying financial statements of Conservancy of Southwest Florida, Inc. (the Organization), a nonprofit corporation, which comprise the statements of financial position as of September 30, 2017 and 2016, 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. Those standards require that we plan and perform the audit 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 the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Board of Directors
Conservancy of Southwest Florida, Inc.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Conservancy of Southwest Florida, Inc. at September 30, 2017 and 2016, and the changes in its net assets and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Naples, Florida
January 30, 2018

CONSERVANCY OF SOUTHWEST FLORIDA, INC.
STATEMENTS OF FINANCIAL POSITION
SEPTEMBER 30, 2017 AND 2016

	2017	2016
ASSETS		
Cash and Cash Equivalents	\$ 195,500	\$ 228,848
Cash and Cash Equivalents - Restricted for Long-Term Purposes	350,263	518,255
Accrued Interest Receivable	13,373	10,647
Unconditional Promises to Give, Net	907,743	1,317,017
Inventory	36,443	31,462
Prepaid Expenses and Other Assets	157,285	192,112
Other Receivables	42,638	221,337
Investments	12,704,329	11,448,238
Trust Receivable and Split-Interest Agreement, Net	9,218,807	8,999,774
Property and Equipment, Net	24,204,945	25,096,065
Construction in Process	41,961	32,531
Land Held for Conservation	<u>5,065,002</u>	<u>5,065,002</u>
 Total Assets	 <u>\$ 52,938,289</u>	 <u>\$ 53,161,288</u>
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts Payable and Accrued Expenses	\$ 448,732	\$ 529,195
Deferred Revenue	49,084	146,481
Facility Deposits	2,750	3,750
Notes Payable	<u>2,499,181</u>	<u>3,126,631</u>
Total Liabilities	<u>2,999,747</u>	<u>3,806,057</u>
 NET ASSETS		
Unrestricted:		
Undesignated	2,650,469	2,003,780
Designated for Property and Equipment	<u>24,204,945</u>	<u>25,096,065</u>
Total Unrestricted	<u>26,855,414</u>	<u>27,099,845</u>
Temporarily Restricted	11,786,746	11,590,354
Permanently Restricted	<u>11,296,382</u>	<u>10,665,032</u>
Total Net Assets	<u>49,938,542</u>	<u>49,355,231</u>
 Total Liabilities and Net Assets	 <u>\$ 52,938,289</u>	 <u>\$ 53,161,288</u>

See accompanying Notes to Financial Statements.

CONSERVANCY OF SOUTHWEST FLORIDA, INC.
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
YEAR ENDED SEPTEMBER 30, 2017

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
SUPPORT AND REVENUES				
Contributions	\$ 2,627,426	\$ 905,078	\$ 631,350	\$ 4,163,854
Investment Return	181,089	1,202,683	-	1,383,772
Program Income	254,925	-	-	254,925
Grants	775,311	-	-	775,311
Store Sales, Net	28,299	-	-	28,299
Special Events Revenue	\$ 1,876,992	-	-	-
Special Events Direct Expenses	<u>(734,122)</u>	1,142,870	-	1,142,870
Admissions	130,850	-	-	130,850
Other	34,775	-	-	34,775
Loss on Disposal of Property and Equipment	<u>(3,762)</u>	-	-	<u>(3,762)</u>
Total Support and Revenues	<u>5,171,783</u>	<u>2,107,761</u>	<u>631,350</u>	<u>7,910,894</u>
Net Assets Released from Restrictions	<u>2,645,286</u>	<u>(2,645,286)</u>	<u>-</u>	<u>-</u>
Total Support, Revenues, and Reclassifications	<u>7,817,069</u>	<u>(537,525)</u>	<u>631,350</u>	<u>7,910,894</u>
EXPENSES				
Program Services	6,270,975	-	-	6,270,975
Management and General	807,431	-	-	807,431
Fundraising	<u>983,094</u>	<u>-</u>	<u>-</u>	<u>983,094</u>
Total Expenses	<u>8,061,500</u>	<u>-</u>	<u>-</u>	<u>8,061,500</u>
Appreciation of Trust Receivable and Split-Interest Agreement	<u>-</u>	<u>733,917</u>	<u>-</u>	<u>733,917</u>
CHANGE IN NET ASSETS	(244,431)	196,392	631,350	583,311
Net Assets - Beginning of Year	<u>27,099,845</u>	<u>11,590,354</u>	<u>10,665,032</u>	<u>49,355,231</u>
NET ASSETS - END OF YEAR	<u>\$ 26,855,414</u>	<u>\$ 11,786,746</u>	<u>\$ 11,296,382</u>	<u>\$ 49,938,542</u>

See accompanying Notes to Financial Statements.

CONSERVANCY OF SOUTHWEST FLORIDA, INC.
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
YEAR ENDED SEPTEMBER 30, 2016

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
SUPPORT AND REVENUES				
Contributions	\$ 3,165,493	\$ 1,170,416	\$ 111,540	\$ 4,447,449
Investment Return	75,631	936,687	-	1,012,318
Program Income	206,044	-	-	206,044
Grants	717,765	-	-	717,765
Store Sales, Net	67,635	-	-	67,635
Special Events Revenue	\$ 2,005,771	-	-	-
Special Events Direct Expenses	<u>(744,003)</u>	1,261,768	-	1,261,768
Admissions	151,508	-	-	151,508
Other	70,457	-	-	70,457
Loss on Disposal of Property and Equipment	<u>(22,090)</u>	-	-	<u>(22,090)</u>
Total Support and Revenues	5,694,211	2,107,103	111,540	7,912,854
Net Assets Released from Restrictions	<u>2,771,280</u>	<u>(2,771,280)</u>	-	-
Total Support, Revenues, and Reclassifications	8,465,491	(664,177)	111,540	7,912,854
EXPENSES				
Program Services	5,861,142	-	-	5,861,142
Management and General	859,967	-	-	859,967
Fundraising	<u>882,891</u>	-	-	<u>882,891</u>
Total Expenses	7,604,000	-	-	7,604,000
Appreciation of Trust Receivable and Split-Interest Agreement	<u>-</u>	<u>784,987</u>	<u>-</u>	<u>784,987</u>
CHANGE IN NET ASSETS	861,491	120,810	111,540	1,093,841
Net Assets - Beginning of Year	<u>26,238,354</u>	<u>11,469,544</u>	<u>10,553,492</u>	<u>48,261,390</u>
NET ASSETS - END OF YEAR	<u>\$ 27,099,845</u>	<u>\$ 11,590,354</u>	<u>\$ 10,665,032</u>	<u>\$ 49,355,231</u>

See accompanying Notes to Financial Statements.

CONSERVANCY OF SOUTHWEST FLORIDA, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED SEPTEMBER 30, 2017

	Program Services	Management and General	Fundraising	Total
Advertising and Public Relations	\$ 298,263	\$ 7,129	\$ 17,630	\$ 323,022
Contracted Services	415,376	33,485	35,321	484,182
Depreciation	1,234,421	69,295	83,315	1,387,031
Food and Beverage	55,696	5,523	15,305	76,524
Insurance	254,832	20,742	20,742	296,316
Interest	80,203	1,500	-	81,703
Interns	137,501	-	-	137,501
Maintenance	237,431	24,342	27,799	289,572
Materials and Small Equipment	238,805	17,892	16,385	273,082
Miscellaneous Expense	77,302	-	-	77,302
Office, Printing, and Postage	155,100	4,106	40,564	199,770
Rehabilitation, Animal Food, and Supplies	107,698	-	-	107,698
Rent	9,672	2,950	3,100	15,722
Salaries and Benefits	2,724,250	603,748	697,133	4,025,131
Telephone and Utilities	204,202	12,755	17,845	234,802
Travel and Training	<u>40,223</u>	<u>3,964</u>	<u>7,955</u>	<u>52,142</u>
 Total	 <u>\$ 6,270,975</u>	 <u>\$ 807,431</u>	 <u>\$ 983,094</u>	 <u>\$ 8,061,500</u>

See accompanying Notes to Financial Statements.

CONSERVANCY OF SOUTHWEST FLORIDA, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED SEPTEMBER 30, 2016

	Program Services	Management and General	Fundraising	Total
Advertising and Public Relations	\$ 152,238	\$ 5,216	\$ 9,701	\$ 167,155
Contracted Services	343,574	44,669	51,129	439,372
Depreciation	1,164,015	69,732	78,102	1,311,849
Food and Beverage	54,481	6,722	13,490	74,693
Insurance	236,779	19,065	19,898	275,742
Interest	99,384	2,028	-	101,412
Interns	154,260	-	-	154,260
Maintenance	225,104	18,765	27,703	271,572
Materials and Small Equipment	205,951	18,760	18,169	242,880
Miscellaneous Expense	29,007	-	174	29,181
Office, Printing, and Postage	155,342	5,999	38,347	199,688
Rehabilitation, Animal Food, and Supplies	129,897	-	-	129,897
Rent	14,518	3,096	4,629	22,243
Salaries and Benefits	2,652,504	651,197	597,203	3,900,904
Telephone and Utilities	199,149	11,089	15,281	225,519
Travel and Training	<u>44,939</u>	<u>3,629</u>	<u>9,065</u>	<u>57,633</u>
 Total	 <u>\$ 5,861,142</u>	 <u>\$ 859,967</u>	 <u>\$ 882,891</u>	 <u>\$ 7,604,000</u>

See accompanying Notes to Financial Statements.

CONSERVANCY OF SOUTHWEST FLORIDA, INC.
STATEMENTS OF CASH FLOWS
YEARS ENDED SEPTEMBER 30, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 583,311	\$ 1,093,841
Adjustments to Reconcile Change in Net Assets to Net Cash		
Provided by Operating Activities:		
Gain on Sale of Investments	(29,521)	(25,109)
Loss on Sale of Property and Equipment	3,762	22,090
Depreciation	1,387,031	1,313,511
Present Value Discount of Unconditional Promises to Give	11,406	6,341
Bad Debt Expense	65	2,741
Net Appreciation in Fair Value of Investments	(1,073,372)	(822,159)
(Appreciation) Depreciation of Trust Receivable and Split-Interest Agreement	(769,033)	(759,779)
Contributions Restricted for Long-Term Purposes	(527,725)	(831,840)
(Increase) Decrease in:		
Accrued Interest Receivable	(2,726)	(260)
Inventory	(4,981)	106,953
Prepaid Expenses	34,827	(4,123)
Other Receivables	178,699	(188,317)
Trust Receivable and Split-Interest Agreement	550,000	500,000
Increase (Decrease) in:		
Accounts Payable and Accrued Expenses	(80,463)	(125,451)
Deferred Revenue	(97,397)	(36,377)
Facility Deposits	(1,000)	(1,850)
Net Cash Provided by Operating Activities	<u>162,883</u>	<u>250,212</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of Investments	(3,292,216)	(1,715,995)
Proceeds from Sales of Investments	3,139,018	1,863,534
Proceeds from Sale of Property and Equipment	12,270	-
Increase in Construction in Process	(379,949)	(2,195,871)
Purchase of Property and Equipment	(141,424)	(202,353)
Net Cash Used by Investing Activities	<u>(662,301)</u>	<u>(2,250,685)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from Long-Term Debt	376,441	725,000
Collections of Contributions Restricted for Long-Term Investment	925,528	1,263,419
Principal Payments on Notes Payable	(1,003,891)	(1,323,847)
Net Cash Provided by Financing Activities	<u>298,078</u>	<u>664,572</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	<u>(201,340)</u>	<u>(1,335,901)</u>
Cash and Cash Equivalents - Beginning of Year	<u>747,103</u>	<u>2,083,004</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u><u>\$ 545,763</u></u>	<u><u>\$ 747,103</u></u>

See accompanying Notes to Financial Statements.

CONSERVANCY OF SOUTHWEST FLORIDA, INC.
STATEMENTS OF CASH FLOWS (CONTINUED)
YEARS ENDED SEPTEMBER 30, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
AS PRESENTED IN THE STATEMENTS OF FINANCIAL POSITION		
Cash and Cash Equivalents	\$ 195,500	\$ 228,848
Cash and Cash Equivalents - Restricted for Long-Term Purposes	350,263	518,255
Total	<u>\$ 545,763</u>	<u>\$ 747,103</u>
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Cash Paid for Interest	<u>\$ 81,703</u>	<u>\$ 101,412</u>
Construction in Process Placed into Service	<u>\$ 370,519</u>	<u>\$ 2,602,041</u>

See accompanying Notes to Financial Statements.

CONSERVANCY OF SOUTHWEST FLORIDA, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017 AND 2016

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

The Conservancy of Southwest Florida, Inc. (the Organization) was established in 1966 as a nonprofit corporation in the state of Florida. The Organization is a 501(c)(3) nonprofit environmental protection organization with a more than 50-year history focused on the issues impacting the water, land, wildlife, and future of Collier, Lee, Charlotte, Hendry, and Glades counties. The Organization accomplishes this mission through the combined efforts of experts in environmental science, policy and advocacy, education, and wildlife rehabilitation. The Organization is supported primarily through donor contributions, grants and fundraising activities, thrift and consignment store sales, and programs.

Basis of Accounting

The accounts of the Organization are maintained, and the accompanying financial statements have been prepared, on the accrual basis of accounting. Accordingly, assets are recorded when the Organization obtains the rights of ownership or is entitled to claims for receipt and liabilities are recorded when the obligation is incurred.

Financial Statements Presentation

The Organization reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. Unrestricted net assets are defined as assets that are free of donor-imposed restrictions, and include all investment income and appreciation not subject to donor-imposed restrictions, as discussed below. Temporarily restricted net assets are net assets whose use has been limited by donor-imposed time or purpose restrictions. Permanently restricted net assets are defined as net assets required by the donor restrictions or law to be maintained by the Organization in perpetuity.

Liquidity

Assets are presented in the accompanying statements of financial position according to their nearness of conversion to cash and liabilities according to the nearness of their maturity and resulting use of cash.

Cash and Cash Equivalents

For purposes of these financial statements, the Organization considers all unrestricted bank accounts, money market funds, and short-term investments with a maturity of three months or less to be cash equivalents. The Organization maintains bank accounts with balances which at times may exceed federally insured limits.

CONSERVANCY OF SOUTHWEST FLORIDA, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017 AND 2016

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Assets Held Under Split-Interest Agreement

The Organization is the beneficiary of a charitable remainder trust being held by a financial institution. Under the trust agreement, specified amounts or percentages of funds invested are payable to the donor or the donor's designee, for life. Upon the death of the lifetime beneficiary, 16% of the balance of the investment is to be paid to the Organization. The Organization has recorded as assets the present value of its estimated beneficial interest in this gift. The gift is valued using a discount rate of 3% over the estimated life expectancy of the annuitant.

Investments

Investments in securities, mutual funds, real estate investment trusts, corporate bonds, and government bonds are carried at fair value determined by quoted prices on the last business day of the year. Investments in alternative investment funds that are not readily tradable are carried at an estimated fair value at the end of the period, as determined by management based upon financial statements and other financial information reported by the administrator of the underlying investment funds.

Donated investments are recorded at their mean value at the date of receipt. Investment income may be either unrestricted or temporarily restricted resources when earned, determined according to donor-imposed restrictions. The Organization follows a total return concept with regard to investments, as such unrealized appreciation on temporarily restricted net assets is considered to be unrestricted.

Fair Value Measurements

The Organization categorizes its assets and liabilities measured at fair value into a three-level hierarchy based on the priority of the inputs to the valuation technique used to determine fair value. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used in the determination of the fair value measurement fall within different levels of the hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement. Assets and liabilities valued at fair value are categorized based on the inputs to the valuation techniques as follows:

Level 1 – Inputs that utilize quoted prices (unadjusted) in active markets for identical assets or liabilities that the Organization has the ability to access.

Level 2 – Inputs that include quoted prices for similar assets and liabilities in active markets and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument. Fair values for these instruments are estimated using pricing models, quoted prices of securities with similar characteristics, or discounted cash flows.

CONSERVANCY OF SOUTHWEST FLORIDA, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017 AND 2016

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair Value Measurements (Continued)

Level 3 – Inputs that are unobservable inputs for the asset or liability, which are typically based on an entity's own assumptions, as there is little, if any, related market activity.

Subsequent to initial recognition, the Organization may remeasure the carrying value of assets and liabilities measured on a nonrecurring basis to fair value. Adjustments to fair value usually result when certain assets are impaired. Such assets are written down from their carrying amounts to their fair value.

Property and Equipment, Net

Property and equipment are capitalized at cost, if purchased or at fair value at the time of contribution on items valued at more than \$1,000 with a life greater than one year. Depreciation is computed utilizing the straight-line method over the estimated useful lives of the respective assets ranging from 3 to 40 years.

Expenditures for major renewals and betterments that extend the useful lives of property and equipment are capitalized. Expenditures for maintenance and repairs are charged to expense as incurred.

Land Held for Conservation

Land held for conservation is recorded at cost when purchased or at fair market value at the date of acquisition, if donated. Management reviews each parcel periodically to determine if there has been impairment to the value that is recorded in the statements of financial position.

Inventory

Inventories on the statements of financial position are stated at the lower of cost or market determined by the first-in, first-out method. Inventory recorded on the Organization's financial statements are purchased and are for sale in the nature store.

Additionally, the Organization receives goods that they sell in their resale shop. These goods are recorded as inventory when received and are carried at their resale value. Also, the Organization periodically receives donations of nonmonetary goods which are used in the Organization's programs. The resale shop was closed in May 2016. Donated goods which are used in the Organization's programs are recorded at estimated fair value at the date of the donation, and are included in contributions. The Organization received \$127,689 and \$45,625 in donated goods for use in their programs for the years ended September 30, 2017 and 2016, respectively.

Deferred Revenue

Revenue received from membership dues is recognized when received, as the services to be provided to the membership are not material. Revenue from programs is recognized in the year to which it relates. Program revenues received in advance are recorded as deferred revenue.

**CONSERVANCY OF SOUTHWEST FLORIDA, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017 AND 2016**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Functional Allocation of Expenses

The costs of providing various support to the Organization's operations, as well as other management and general activities have been summarized on a functional basis in the statements of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Special events expenses, which are reflected on the accompanying statement of activities as netting with revenue, would be reflected in a separate column in the statement of functional expenses, called "Costs of Direct Benefit to Donor" by their natural classification. Management believes the current presentation is adequate.

Contributions

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions. Contributions that are required to be reported as temporarily restricted support are then reclassified to unrestricted net assets upon expiration of the time or use restriction. However, restricted contributions whose restrictions are met in the same reporting period are shown as unrestricted support.

Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. All donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending upon the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

Unconditional Promises to Give

The Organization is holding a fundraising campaign to assist them in continuing their mission, renovation of their facilities, and to build their endowment. Unconditional promises to give due in the next year are recorded at their net realizable value. Unconditional promises to give due in subsequent years are reported at the present value of their net realizable value, using risk-free interest rates applicable to the years in which the promises are to be received. Additionally, the Organization uses the allowance method to determine uncollectible unconditional promises to give. The allowance is based on prior years' experience and management's analysis of specific promises made.

Donated Services

Contributed services are reported as contributions, at their fair value, if such services create or enhance nonfinancial assets, require specialized skills, and are provided by individuals possessing such specialized skills or the services would have been purchased, if not donated. Many individuals volunteer their time, approximately 72,100 hours in 2017 and 71,500 hours in 2016, and perform a variety of tasks that assist the Organization in educational services, store operations, committee assignments, and fundraising. No amounts have been reflected in the statements of activities and changes in net assets because the criteria for recognition have not been satisfied.

CONSERVANCY OF SOUTHWEST FLORIDA, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017 AND 2016

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Taxes

The Internal Revenue Service (IRS) has determined the Organization to be exempt from income taxes under the provisions of Internal Revenue Code (IRC) Section 501(c)(3). In addition, the Organization has been determined by the IRS to be other than a private foundation within the meaning of Section 509(a) of the IRC. The IRC provides for taxation of unrelated business income under certain circumstances. The consignment shops that the Organization operates are subject to such unrelated business income taxes. The Organization has not been examined by the IRS.

Subsequent Events

In preparing these financial statements, the Organization, has evaluated events and transactions for potential recognition or disclosure through January 30, 2018, the date the financial statements were available to be issued.

Reclassifications

Certain amounts in the prior year financial statements were reclassified to conform with the presentation in the current year. These reclassifications resulted in no change to prior year reported changes in net assets, or net assets, end of year.

NOTE 2 UNCONDITIONAL PROMISES TO GIVE, NET

Unconditional promises to give at September 30, 2017 and 2016 consist of temporarily restricted promises to give as follows:

	2017	2016
Unconditional Promises to Give	\$ 927,921	\$ 1,348,601
Less: Allowance for Doubtful Accounts	(10,000)	(10,000)
Less: Discount to Net Present Value	(10,178)	(21,584)
Total	\$ 907,743	\$ 1,317,017

Unconditional promises to give are scheduled to be received as follows:

One Year or Less	\$ 603,796
Two to Five Years	324,125
Total	\$ 927,921

Unconditional promises to give are reflected at present value of estimated cash flows using a discount rate of 1.50% to 3.50% at September 30, 2017 and 2016. Management has estimated the allowance for doubtful accounts to be approximately \$10,000 for 2017 and 2016.

CONSERVANCY OF SOUTHWEST FLORIDA, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017 AND 2016

NOTE 3 INVESTMENTS AND FAIR VALUE

Investments at September 30, 2017 and 2016 are composed of the following:

	2017		2016	
	Cost	Fair Value	Cost	Fair Value
Common Stock - Domestic	\$ 4,899,569	\$ 5,746,591	\$ 4,921,604	\$ 5,057,209
Common Stock - Foreign	2,492,255	2,795,691	2,594,154	2,503,921
U.S. Agency Bonds	160,860	160,344	234,107	238,083
Corporate Bonds	696,885	696,002	533,554	545,422
Municipal Bonds	673,171	680,362	596,812	614,822
Mutual Funds - Fixed Income	1,848,404	1,823,975	1,758,866	1,757,511
Real Estate Investment Trust	655,920	633,998	622,373	576,855
Mortgage Pools	167,247	163,218	150,122	149,352
Alternative Investments	6,050	4,148	6,050	5,063
Total	\$ 11,600,361	\$ 12,704,329	\$ 11,417,642	\$ 11,448,238

The following tabulation summarizes unrealized and realized gains for the years ended September 30, 2017 and 2016:

<u>September 30, 2017</u>	Cost	Fair Value	Excess of Fair Value Over Cost	
			\$	\$
Balance - September 30, 2016	\$ 11,417,642	\$ 11,448,238	30,596	
Balance - September 30, 2017	11,600,361	12,704,329	1,103,968	
Increase in Unrealized Appreciation			1,073,372	
Net Realized Gain on Investments			29,521	
Net Gain on Investments			\$ 1,102,893	

<u>September 30, 2016</u>	Cost	Fair Value	Excess of Fair Value Over Cost	
			\$	\$
Balance - September 30, 2015	\$ 11,540,072	\$ 10,748,509	(791,563)	
Balance - September 30, 2016	11,417,642	11,448,238	30,596	
Increase in Unrealized Appreciation			822,159	
Net Realized Gain on Investments			25,109	
Net Gain on Investments			\$ 847,268	

The components of investment return are as follows:

	2017	2016
Dividends and Interest	\$ 321,458	\$ 203,017
Gain on Sale of Investments	29,521	25,109
Net Change in Appreciation (Depreciation) in Fair Value of Investments	1,073,372	822,159
Investment Management Fees	(40,579)	(37,967)
Total Investment Return	\$ 1,383,772	\$ 1,012,318

CONSERVANCY OF SOUTHWEST FLORIDA, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017 AND 2016

NOTE 3 INVESTMENTS AND FAIR VALUE (CONTINUED)

The Organization invests in a variety of investments. In general, investments are exposed to various risks, such as interest rate, credit, and overall market volatility risk. Due to the level of risk associated with certain investments, it is reasonably possible that changes in the values of the investments will occur in the near term and that such changes could materially affect the investment balances and the amounts reported in the statements of financial position.

The Organization uses fair value measurements to record fair value adjustments to certain assets and liabilities and to determine fair value disclosures. For additional information on how the Organization measures fair value refer to Note 1 – Summary of Significant Accounting Principles. The following table presents the fair value hierarchy for the balances of the assets of the Organization measured at fair value on a recurring basis as of September 30, 2017:

	Level 1	Level 2	Level 3	Total
Assets:				
Common Stock - Domestic	\$ 5,746,591	\$ -	\$ -	\$ 5,746,591
Common Stock - Foreign	2,795,691	-	-	2,795,691
Mutual Funds - Fixed Income	1,823,975	-	-	1,823,975
Corporate Bonds	-	696,002	-	696,002
Mortgage Pools	-	163,218	-	163,218
Municipal Bonds	-	680,362	-	680,362
Real Estate Investment Trust	-	633,998	-	633,998
U.S. Agency Bonds	-	160,344	-	160,344
Alternative Investments	-	-	4,148	4,148
Trust Receivable and Split-Interest Agreement	-	-	9,218,807	9,218,807
Total	<u>\$ 10,366,257</u>	<u>\$ 2,333,924</u>	<u>\$ 9,222,955</u>	<u>\$ 21,923,136</u>

The following table presents the fair value hierarchy for the balances of the assets the Organization measured at fair value on a recurring basis as of September 30, 2016:

	Level 1	Level 2	Level 3	Total
Assets:				
Common Stock - Domestic	\$ 5,057,209	\$ -	\$ -	\$ 5,057,209
Common Stock - Foreign	2,503,921	-	-	2,503,921
Mutual Funds - Fixed Income	1,757,511	-	-	1,757,511
Corporate Bonds	-	545,422	-	545,422
Mortgage Pools	-	149,352	-	149,352
Municipal Bonds	-	614,822	-	614,822
Real Estate Investment Trust	-	576,855	-	576,855
U.S. Agency Bonds	-	238,083	-	238,083
Alternative Investments	-	-	5,063	5,063
Trust Receivable and Split-Interest Agreement	-	-	8,999,774	8,999,774
Total	<u>\$ 9,318,641</u>	<u>\$ 2,124,534</u>	<u>\$ 9,004,837</u>	<u>\$ 20,448,012</u>

CONSERVANCY OF SOUTHWEST FLORIDA, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017 AND 2016

NOTE 3 INVESTMENTS AND FAIR VALUE (CONTINUED)

The following represents a fair value roll forward of all assets and liabilities measured at Level 3; refer to Note 1 – Summary of Significant Accounting Policies:

Level 3 Split-Interest Agreement and Trust Receivable

Balance at September 30, 2015	\$ 8,731,978
Change in Split-Interest Agreement Discount	
to Net Present Value	8,017
Contributions	-
Distributions	(500,000)
Unrealized Appreciation	759,779
Balance at September 30, 2016	<u>8,999,774</u>
Change in Split-Interest Agreement Discount	
to Net Present Value	-
Contributions	-
Distributions	(550,000)
Unrealized Appreciation	769,033
Balance at September 30, 2017	<u><u>\$ 9,218,807</u></u>

Level 3 Alternative Investment

Balance at September 30, 2015	\$ 6,544
Contributions	-
Purchases	-
Sales	-
Unrealized Depreciation	<u>(1,481)</u>
Balance at September 30, 2016	5,063
Contributions	-
Purchases	-
Sales	-
Unrealized Depreciation	<u>(915)</u>
Balance at September 30, 2017	<u><u>\$ 4,148</u></u>

Investments categorized at Level 2 are measured at fair value utilizing market prices at the close of business of the last day for the statement period, provided by investment advisors. Investments categorized at Level 3 are measured at fair value with a valuation technique utilizing estimated membership interest and subscription amounts obtained from the managing member. Assets held under trust receivable and split-interest agreement categorized at Level 3 are measured at fair value utilizing market prices at the close of business of the last day for the statement period, provided by investment advisors.

CONSERVANCY OF SOUTHWEST FLORIDA, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017 AND 2016

NOTE 4 PROPERTY AND EQUIPMENT, NET

Property and equipment at September 30, 2017 and 2016 consists of the following:

	2017	2016
Land	\$ 579,046	\$ 579,046
Building and Improvements	28,452,534	28,408,277
Museum Exhibits	210,711	203,758
Furniture and Equipment	2,384,858	2,434,561
Transportation and Marine Equipment	763,868	745,435
Statuary	97,181	97,181
Subtotal	32,488,198	32,468,258
Less: Accumulated Depreciation	(8,283,253)	(7,372,193)
Total	\$ 24,204,945	\$ 25,096,065

Depreciation expense for the years ended September 30, 2017 and 2016 was \$1,387,031 and \$1,313,511, respectively. For the year ended September 30, 2016, \$1,311,849 of depreciation expense was included in the statements of functional expenses. The remaining \$1,662 of the depreciation for 2016 was included in the Store Sales, Net in the statement of activities and changes in net assets for 2016.

NOTE 5 CONSTRUCTION IN PROCESS

In connection with the Organization's planned building and exhibits, construction in process as of September 30, 2017 and 2016 totaled \$41,961 and \$32,531, respectively. During the years ended September 30, 2017 and 2016, \$370,519 and \$2,602,041 of construction in process was placed into service, respectively. During the years ended September 30, 2017 and 2016, the Organization capitalized interest related to its ongoing construction project totaling \$-0-.

NOTE 6 TRUST RECEIVABLE AND SPLIT-INTEREST AGREEMENT

The Organization has a trust receivable, split-interest agreement, and beneficial assets held by others at September 30, 2017 and 2016 as follows:

	2017	2016
Blair Foundation	\$ 8,851,293	\$ 8,667,375
Split-Interest Agreement	362,038	327,473
Beneficial Asset Held by Others	5,476	4,926
Total	\$ 9,218,807	\$ 8,999,774

CONSERVANCY OF SOUTHWEST FLORIDA, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017 AND 2016

NOTE 6 TRUST RECEIVABLE AND SPLIT-INTEREST AGREEMENT (CONTINUED)

During the year ended September 30, 2015, the Organization transferred funds to the Community Foundation of Collier County for investment purposes. The Community Foundation of Collier County holds variance power over the funds and is holding the funds for the benefit of the Organization. Future benefits of these funds remain on the books of the Organization as the funds were originally donated to the Organization. The amounts are recorded at fair value at September 30, 2017 and 2016.

NOTE 7 CASH RESTRICTED FOR LONG-TERM PURPOSES

In 2014, the Conservancy received \$501,069 that is restricted to be used for conservation purposes and is required to be maintained in a separate bank account. The remaining balance in this account at September 30, 2017 and 2016 was \$286,836 and \$482,975, respectively.

Cash restricted for long-term purposes consists of the following at September 30:

	<u>2017</u>	<u>2016</u>
Cash Restricted for Endowment	\$ 63,427	\$ 35,280
Cash Restricted for Conservation	<u>286,836</u>	<u>482,975</u>
Total	<u>\$ 350,263</u>	<u>\$ 518,255</u>

NOTE 8 NOTES PAYABLE

Notes payable consists of the following at September 30:

<u>Description</u>	<u>2017</u>	<u>2016</u>
Line of credit with financial institution, secured by unconditional promises to give, split-interest agreement and other assets of the Organization. Interest is fixed at 3.00%. Organization may draw up to \$8,000,000. Interest is due monthly with final principal balance due July 20, 2018.	\$ 1,647,740	\$ 2,651,631
Line of credit with financial institution, secured by the assets of the Organization. Interest is fixed at 3.00%. Interest is due monthly with final principal balance due July 20, 2018.	<u>851,441</u>	<u>475,000</u>
Total	<u>\$ 2,499,181</u>	<u>\$ 3,126,631</u>

The Organization's notes payable contain various requirements and covenants. Management of the Organization has deemed the Organization to be in compliance with all covenants.

CONSERVANCY OF SOUTHWEST FLORIDA, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017 AND 2016

NOTE 8 NOTES PAYABLE (CONTINUED)

Principal maturities are as follows:

<u>Year Ending September 30,</u>	<u>Amount</u>
2018	<u>\$ 2,499,181</u>

NOTE 9 ENDOWMENT

The Organization has a donor-restricted endowment fund established for the purposes of providing income to support general operations. There is no board-designated endowment. As required by accounting principles generally accepted in the United States of America, net assets of the endowment fund are classified and reported based on the existence or absence of donor-imposed restrictions. The board of directors' (the board) goals are to preserve the fair value of the original gift by having an investment objective to match or outperform, net of fees, certain benchmarks composed of asset class indices agreed to by the finance committee and our investment advisor, and thereby provide adequate liquidity to meet operating and capital needs as they may arise. As a result of this interpretation, the Organization classifies as permanently restricted net assets (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. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as unrestricted net assets.

Funds with Deficiencies

From time-to-time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor requires the Organization to retain as a fund of perpetual duration. There were no such deficiencies during the years ended September 30, 2017 and 2016.

Investment Policies

The Organization has established an investment policy to determine investment or reinvestment of the assets in accordance with such guidelines, policies, and procedures that are authorized by the board. These guidelines, policies, and procedures shall attempt to generate a long-term investment return that will contribute to meeting the spending needs of the Organization while maintaining the purchasing power of the investment assets. The Organization's spending and investment policies work together to achieve this objective. The investment policy establishes a long-term investment objective through diversification of asset classes. To achieve its investment objectives over long periods of time, the Organization relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The investment strategy targets a diversified asset allocation that includes domestic equities, non-US equities, fixed income, and alternative investments.

CONSERVANCY OF SOUTHWEST FLORIDA, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017 AND 2016

NOTE 9 ENDOWMENT (CONTINUED)

Investment Policies (Continued)

The majority of assets are invested in debt and equity or debt and equity like securities. Diversification by asset class, investment style, investment manager, etc., is employed to avoid undue risk concentration and enhance total return. The primary performance objective is to match or outperform, net of fees, certain benchmarks composed of asset class indices agreed to by the finance committee and the investment advisor, and thereby provide adequate liquidity to meet operating and capital needs, as they arise. Actual returns in any given year may vary from this amount.

Spending Policy

The board approved appropriations of up to 5% during 2017 and 2016 of the endowment fund balance as of the end of the prior year. The percentage is determined based on the overall needs of the Organization balanced with the long-term investment return objectives for a fund to be held in perpetuity.

Changes in endowment net assets as of September 30, 2017 and 2016 are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment Net Assets as of September 30, 2015	\$ (359,660)	\$ -	\$ 10,514,277	\$ 10,154,617
Contributions	-	-	111,540	111,540
Cash Collected on Unconditional Promises to Give	-	-	-	-
Investment Return:				
Investment Income	-	187,849	-	187,849
Investment Expense	-	(35,130)	-	(35,130)
Realized Gain on Sale of Investments	-	23,233	-	23,233
Net Appreciation	-	760,735	-	760,735
Total Investment Return	-	936,687	-	936,687
Appropriations	<u>359,660</u>	<u>(859,660)</u>	<u>-</u>	<u>(500,000)</u>
Endowment Net Assets as of September 30, 2016	-	77,027	10,625,817	10,702,844
Contributions	-	-	431,350	431,350
Cash Collected on Unconditional Promises to Give	-	-	40,000	40,000
Investment Return:				
Investment Income	-	279,390	-	279,390
Investment Expense	-	(35,269)	-	(35,269)
Realized Gain on Sale of Investments	-	25,658	-	25,658
Net Appreciation	-	932,904	-	932,904
Total Investment Return	-	1,202,683	-	1,202,683
Appropriations	<u>-</u>	<u>(500,000)</u>	<u>-</u>	<u>(500,000)</u>
Endowment Net Assets as of September 30, 2017	<u>\$ -</u>	<u>\$ 779,710</u>	<u>\$ 11,097,167</u>	<u>\$ 11,876,877</u>

CONSERVANCY OF SOUTHWEST FLORIDA, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017 AND 2016

NOTE 10 TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets at September 30, 2017 and 2016 were restricted by the donors for the following purposes:

	2017	2016
Capital Campaign	\$ -	\$ 810,050
Trust Receivable	8,851,292	8,667,375
Split-Interest Agreement	362,038	327,473
Capital Projects	569,754	334,009
Science and Environmental Programs	832,871	759,762
Youth Programs	35,000	57,017
Magic Temporarily Restricted Funds	59,389	41,813
Good Fortune Vessel	-	17,208
Discovery Center	-	6,000
Unappropriated Endowment Earnings	779,710	77,027
Peaceful Horse Ranch	296,692	492,620
Total	<u>\$ 11,786,746</u>	<u>\$ 11,590,354</u>

NOTE 11 PERMANENTLY RESTRICTED NET ASSETS

Permanently restricted net assets at September 30, 2017 and 2016 consist of the following:

	2017	2016
General Endowment	\$ 3,764,011	\$ 3,764,011
Policy Projects	3,300,000	3,300,000
von Arx Wildlife Hospital and Veterinary	2,711,432	2,710,753
Education	542,373	316,992
Science Projects	304,294	304,294
Turtles	174,272	168,982
Interns	500,000	100,000
Total	<u>\$ 11,296,382</u>	<u>\$ 10,665,032</u>

NOTE 12 RETIREMENT PLAN

The Organization has a defined contribution retirement plan (the Plan) covering substantially all employees meeting certain eligibility requirements. The Plan provides that participants may contribute amounts up to the maximum allowable by law. For eligible participants, the Organization will contribute an amount equal to 50% of the participants' salary deferral up to 6% of compensation. During the years ended September 30, 2017 and 2016, the Organization recorded expenses of \$59,115 and \$56,650, respectively.

CONSERVANCY OF SOUTHWEST FLORIDA, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017 AND 2016

NOTE 13 COMMITMENTS

The Organization leases certain land included in the Rookery Bay National Estuarine Reserve (the Reserve) from an agency of the state of Florida. The annual rent payment is \$1 and the lease expires in January 2079. Under the lease terms, the Organization is required to preserve this land in a state compatible with the objectives of the Reserve for the period of the lease. The Organization and another nonprofit organization share in the management of the land.

The Organization leases property that is adjacent to the Organization's Nature Center. The lease automatically renews each year unless the lessor advises the Organization in writing 90 days prior to expiration. The annual rent for the property is \$1 plus the annual real estate taxes on the unimproved portion of the property.

The Organization leases certain facilities for its warehouse and office equipment under noncancelable operating leases expiring through September 2020. Rental expense for the years ended September 30, 2017 and 2016 was \$34,830 and \$22,243, respectively, and is included in the statements of functional expenses. The remainder of the rental expense of \$-0- and \$69,706 is included in the Store Sales, Net in the statements of activities and changes in net assets for both 2017 and 2016, respectively.

Future minimum lease payments are as follows:

<u>Year Ending September 30,</u>	<u>Amount</u>
2018	\$ 19,284
2019	17,285
2020	17,285
2021	1,696
Total	\$ 55,550

NOTE 14 RELATED PARTY TRANSACTIONS

The Organization maintains a portion of its bank depository balances and holds two lines of credit accounts with Northern Trust. A board member was an officer of Northern Trust during the years ended September 30, 2017 and 2016. Bank depository account balances at Northern Trust totaled \$473,381 and \$711,833 at September 30, 2017 and 2016, respectively. The line of credit balances at Northern Trust totaled \$2,499,181 and \$3,126,631 at September 30, 2017 and 2016, respectively. The Organization received contributions from board members totaling \$582,999 and \$641,239 during the years ended September 30, 2017 and 2016, respectively, and has outstanding unconditional promises to give due from board members totaling \$210,000 and \$362,000 at September 30, 2017 and 2016, respectively.