

# **Conservation Foundation of the Gulf Coast, Inc.**

Financial Statements and  
Independent Auditor's Report  
September 30, 2017 and 2016

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Kerkering, Barberio & Co.  
Certified Public Accountants

## Independent Auditor's Report

The Board of Trustees  
Conservation Foundation of the Gulf Coast, Inc.  
Osprey, Florida

### Report on the Financial Statements

We have audited the accompanying financial statements of Conservation Foundation of the Gulf Coast, Inc. (the Foundation) (a not-for-profit organization), which comprise the statements of financial position as of September 30, 2017 and 2016, the related statements of activities 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.

### Auditor's Responsibility

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

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

### Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Conservation Foundation of the Gulf Coast, Inc. as of September 30, 2017 and 2016, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

A handwritten signature in black ink that reads 'Kerkering Barberio &amp; Co.' in a cursive script.

Sarasota, Florida  
January 31, 2018

# Conservation Foundation of the Gulf Coast, Inc.

Statements of Financial Position

September 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
<b>Assets</b>		
Current Assets:		
Cash and cash equivalents	\$ 716,761	\$ 319,013
Accounts receivable	19,657	417,548
Contributions receivable, current portion	3,200	4,700
Grant receivable, current portion	-	25,500
Prepaid expenses and other assets	49,701	54,209
Total current assets	<u>789,319</u>	<u>820,970</u>
Contributions receivable, net of current portion	1,297	1,689
Grant receivable, net of current portion	24,636	26,170
Cash reserved for future projects	1,790,478	1,763,717
Investments	3,423,565	3,264,688
Land, buildings, improvements and equipment, net of accumulated depreciation of \$829,844 and \$716,844, respectively	3,562,432	3,552,124
Land held for conservation	<u>19,691,098</u>	<u>19,691,098</u>
Total Assets	<u>\$ 29,282,825</u>	<u>\$ 29,120,456</u>
<b>Liabilities and Net Assets</b>		
Current Liabilities:		
Accounts payable	\$ 51,243	\$ 65,005
Accrued expenses	29,631	24,062
Deferred income	85,500	105,250
Security deposits	13,000	8,500
Total current liabilities	<u>179,374</u>	<u>202,817</u>
Net Assets:		
Unrestricted		
Undesignated	3,710,714	3,912,493
Board designated	5,566,248	5,149,091
Total unrestricted net assets	<u>9,276,962</u>	<u>9,061,584</u>
Temporarily restricted	135,391	164,957
Permanently restricted	19,691,098	19,691,098
Total net assets	<u>29,103,451</u>	<u>28,917,639</u>
Total Liabilities and Net Assets	<u>\$ 29,282,825</u>	<u>\$ 29,120,456</u>

See accompanying notes to financial statements.

## Conservation Foundation of the Gulf Coast, Inc.

### Statement of Activities

Year Ended September 30, 2017

(With Summarized Totals For 2016)

	Unrestricted	Temporarily Restricted	Permanently Restricted	2017 Total	2016 Total
Unrestricted Net Assets:					
Unrestricted revenues, gains, and other support					
Contributions	\$ 398,962	\$ 29,363	\$ -	\$ 428,325	\$ 1,934,824
Grants	20,000	125,332	-	145,332	399,276
In-kind contributions	31,567	-	-	31,567	83,809
Program income	74,721	-	-	74,721	72,350
Interest and dividend income, net of fees	67,536	-	-	67,536	99,802
Realized and unrealized gain on investments, net	313,008	-	-	313,008	186,498
Special events revenue, net of direct costs of \$164,556 and \$123,265, respectively	260,697	-	-	260,697	267,430
Net assets released from restrictions	184,261	(184,261)	-	-	-
Total unrestricted revenues, gains, and other support	1,350,752	(29,566)	-	1,321,186	3,043,989
Expenses:					
Program expenses	907,306	-	-	907,306	2,236,308
Management and general	87,144	-	-	87,144	80,737
Fundraising	140,924	-	-	140,924	123,493
Total program expenses	1,135,374	-	-	1,135,374	2,440,538
Change in net assets	215,378	(29,566)	-	185,812	603,451
Net assets, beginning of year	9,061,584	164,957	19,691,098	28,917,639	28,314,188
Net assets, end of year	\$ 9,276,962	\$ 135,391	\$ 19,691,098	\$ 29,103,451	\$ 28,917,639

See accompanying notes to financial statements.

## Conservation Foundation of the Gulf Coast, Inc.

### Statement of Activities

Year Ended September 30, 2016

(With Summarized Totals For 2017)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>2016 Total</u>	<u>2017 Total</u>
Unrestricted Net Assets:					
Unrestricted revenues, gains, and other support					
Contributions	\$ 752,512	\$ 1,182,312	\$ -	\$ 1,934,824	\$ 428,325
Grants	15,000	384,276	-	399,276	145,332
In-kind contributions	83,809	-	-	83,809	31,567
Program income	72,350	-	-	72,350	74,721
Interest and dividend income, net of fees	99,802	-	-	99,802	67,536
Realized and unrealized gain on investments, net	186,498	-	-	186,498	313,008
Special events revenue, net of direct costs of \$123,265 and \$164,556 respectively	267,430	-	-	267,430	260,697
Net assets released from restrictions	1,502,060	(1,502,060)	-	-	-
Total unrestricted revenues, gains, and other support	<u>2,979,461</u>	<u>64,528</u>	<u>-</u>	<u>3,043,989</u>	<u>1,321,186</u>
Expenses					
Program expenses	2,236,308	-	-	2,236,308	907,306
Management and general	80,737	-	-	80,737	87,144
Fundraising	123,493	-	-	123,493	140,924
Total program expenses	<u>2,440,538</u>	<u>-</u>	<u>-</u>	<u>2,440,538</u>	<u>1,135,374</u>
Change in net assets	538,923	64,528	-	603,451	185,812
Net assets, beginning of year	8,522,661	100,429	19,691,098	28,314,188	28,917,639
Net assets, end of year	<u>\$ 9,061,584</u>	<u>\$ 164,957</u>	<u>\$ 19,691,098</u>	<u>\$ 28,917,639</u>	<u>\$ 29,103,451</u>

See accompanying notes to financial statements.

# Conservation Foundation of the Gulf Coast, Inc.

Statements of Cash Flows  
Years Ended September 30, 2017 and 2016

	<b>2017</b>	<b>2016</b>
Cash Flows from Operating Activities:		
Change in net assets	\$ 185,812	\$ 603,451
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	106,291	103,482
Realized and unrealized gain on investments, net	(313,008)	(186,498)
Net change in value of contributions and grants receivable	(265)	(278)
Change in operating assets:		
Accounts receivable	397,891	(346,815)
Contributions receivable	29,191	1,000
Grant receivable	-	15,278
Prepaid expenses and other assets	4,508	10,388
Change in operating liabilities:		
Accounts payable	(13,762)	(7,816)
Accrued expenses	5,569	(12,756)
Deferred income	(19,750)	61,750
Security deposits	4,500	1,000
Total adjustments	201,165	(361,265)
Net cash provided by operating activities	386,977	242,186
 Cash Flows from Investing Activities:		
Purchases of investments	(2,284,755)	(1,280,425)
Proceeds from sales of investments	2,438,886	1,312,284
Purchase of land, buildings, improvements, and equipment	(116,599)	(261,229)
Net cash provided by (used in) investing activities	37,532	(229,370)
 Cash flows from financing activities		
Proceeds from line of credit	-	32,267
Repayment of line of credit	-	(32,267)
Change in cash reserved for future projects	(26,761)	46,570
Net cash provided by (used in) financing activities	(26,761)	46,570
 Net change in cash and cash equivalents	397,748	59,386
 Cash and cash equivalents, beginning of year	319,013	259,627
Cash and cash equivalents, end of year	\$ 716,761	\$ 319,013

See accompanying notes to financial statements.

# Conservation Foundation of the Gulf Coast, Inc.

Notes to Financial Statements

September 30, 2017 and 2016

## I. Organization

Conservation Foundation of the Gulf Coast, Inc. (the Foundation) is a not-for-profit corporation whose mission is to protect the character, natural integrity and biodiversity of the bays, beaches, barrier islands and their watersheds on Florida's Gulf Coast. The Foundation accomplishes this mission by working with landowners, businesses, government, and other not-for-profits. They are a nationally accredited land trust that purchases and receives in donation natural areas, holds land conservation easements, and educates for responsible land and water stewardship in Manatee, Sarasota, Charlotte and Lee Counties. The Foundation's revenue comes primarily from contributions and grants.

As it is the Foundation's mission to protect land in perpetuity, a significant portion of its nearly \$24,000,000 in real property assets is in protected land as reflected in the following chart:

Conservation Easement Properties:	Acres	Value
Casey Key Waterfront	00.70	\$ 1.00
Manasota Key Waterfront	00.97	1.00
Pine Island Preserve**	(22.05)	1.00
Manatee River Waterfront	00.41	1.00
Robinson Preserve Expansion	149.18	1.00
Subtotal	151.26	5.00
Fee Properties		
Pine Island Preserve	207.00	8,046,135
Pine Island Preserve **	22.05	22,050
Michael Biehl Park	0.28	407,050
Bay Preserve at Osprey	4.38	6,065,065
Manatee River Waterfront	1.70	345,793
Siesta Key Preserve	1.21	4,805,000
Subtotal**	214.57	19,691,093
Total Land Protected in Perpetuity **	387.88	\$ 19,691,098
Trade Land Fee Properties		
Tarpon Point Landing - Myakka River	1.30	103,973
Total Land		\$ 19,795,071

\*\* Total Pine Island Preserve property protected both by a conservation easement and owned in fee of 22.05 acres cannot be double-counted. To avoid double-counting, it is included as fee property acreage on audited financial statements and as conservation easement property acreage on Form 990.

## 2. Summary of Significant Accounting Policies

### Financial Statements

The financial statements and notes are representations of the Foundation's management who is responsible for their integrity and objectivity. The accounting policies conform to accounting principles generally accepted in the United States of America and have been consistently applied in the preparation of the financial statements.



# Conservation Foundation of the Gulf Coast, Inc.

Notes to Financial Statements (Continued)

September 30, 2017 and 2016

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## 2. Summary of Significant Accounting Policies (Continued)

### Use of Estimates and Assumptions

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 the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

### Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among the program and supporting services benefited.

### Donated Materials and Services

The Foundation receives donated legal and consulting services as well as property and improvements. These donations are shown on the accompanying statements of activities as in-kind contributions. The fair market value of the donated services was \$31,567 and \$83,809 for the years ended September 30, 2017 and 2016, respectively. There were no property and improvements donations for the years ended September 30, 2017 and 2016.

The Foundation also receives a significant amount of donated services from unpaid volunteers who assist in fund-raising and special projects. These services do not meet the criteria for recognition as donated revenue under generally accepted accounting principles, and as a result, no amounts have been recognized in the statement of activities.

### Basis of Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Net assets, revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Foundation and changes therein are classified and reported as follows:

**Unrestricted net assets** - net assets that are not subject to donor-imposed stipulations. Board designated funds restricted by the Board of Trustees are classified as unrestricted.

**Temporarily restricted net assets** - net assets subject to donor-imposed stipulations that may or will be met, either by actions of the Foundation and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. All donor restricted contributions and grants whose restrictions are met in the same fiscal year in which the donated asset was received are recorded as unrestricted support.

**Permanently restricted net assets** - net assets subject to donor-imposed stipulations that are maintained permanently by the Foundation. Permanently restricted net assets consist of land held for conservation.

# Conservation Foundation of the Gulf Coast, Inc.

Notes to Financial Statements (Continued)

September 30, 2017 and 2016

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## 2. Summary of Significant Accounting Policies (Continued)

### Income Taxes

The Foundation is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes has been made.

Under the Income Taxes Topic of the FASB Accounting Standards Codification, the Foundation has reviewed and evaluated the relevant technical merits of each of its tax positions in accordance with accounting principles generally accepted in the United States of America for accounting for uncertainty in income taxes, and determined that there are no uncertain tax positions that would have a material impact on the financial statements of the Foundation.

The Foundation files income tax returns in the U.S. federal jurisdiction. The tax periods open to examination by the major taxing jurisdictions to which the Foundation is subject include fiscal years ended September 30, 2014 through September 30, 2017.

### Financial Instruments Not Measured at Fair Value

The Foundation's financial instruments that are not measured at fair value on a recurring basis but are recorded at amounts that approximate fair value due to their liquid or short-term nature includes cash and cash equivalents, accounts receivable, prepaid expenses and other assets, accounts payable, accrued expenses, deferred income, and security deposits.

### Cash and Cash Equivalents

For purposes of the statements of cash flows, the Foundation considers all highly liquid investments with an original maturity of three months or less to be cash equivalents. Cash and cash equivalents reserved for future projects or received with donor-imposed restrictions limiting their use to long-term purposes are not considered cash and cash equivalents for purposes of the statements of cash flows.

### Accounts Receivable

The Foundation uses the allowance method to provide for uncollectible accounts receivable. However, an allowance has not been recorded at either September 30, 2017 or 2016 since all accounts receivables are estimated by management to be collectible.

### Land, buildings, improvements and equipment, net

Land, buildings, improvements and equipment with values of \$1,000 or more are recorded at cost when purchased or, if donated, at the fair market value at the date of donation and are depreciated using the straight-line method over the assets estimated useful life (5 years for furniture and equipment, 15 years for land improvements, 50 years for buildings, and 15-50 years for building improvements). When property and equipment assets are retired or disposed of, the cost and related accumulated depreciation is removed from the accounts and any gain or loss is reflected in income for that period. The cost of maintenance and repairs is charged to expense as incurred.

Land purchased for the purpose of conservation and protection is classified as land held for conservation in the statements of financial position.

# Conservation Foundation of the Gulf Coast, Inc.

Notes to Financial Statements (Continued)

September 30, 2017 and 2016

## 2. Summary of Significant Accounting Policies (Continued)

### Conservation Easements

Conservation easements are legal documents filed in the official records of the Clerk of Circuit Court in the applicable counties. A conservation easement places legally enforceable, permanent restrictions on the development and other uses of property. Conservation easements are negotiated between the landowner and the Foundation based on the natural characteristics of the property and the wishes of the landowner. By accepting a conservation easement, the Foundation incurs perpetual responsibility in relation to monitoring the property to ensure compliance with the easement and legal costs of enforcement. As of September 30, 2017 and 2016, the Foundation holds five conservation easements consisting of 151.26 acres.

Conservation easements, either purchased or donated, are initially valued at their appraised value. When donated, the appraised value is reflected as an unrestricted gift of land in the statements of activities. When purchased, the difference between the purchase price and the appraised value is reflected as an unrestricted gift of land in the statement of activities. Once the development rights for a specific conservation easement are extinguished, generally immediately after acquisition, a valuation allowance is established to reduce the carrying value of the conservation easement to a nominal value of \$1, in order to reflect the lack of marketability of the easement, due to the extinguishment of development rights. The provision for the valuation allowance is reflected as "Program Expenses" in the statements of activities.

### Investments

Investments are reported at their fair value in the statements of financial position, which represents the value at the date of donation or cost on the date of purchase plus reinvested earnings and appreciation or depreciation. Increases and decreases in fair value are recognized in the period in which they occur and the carrying values of the investments are adjusted to reflect these market fluctuations. Gains or losses on securities sold are computed on a specific identification basis. Unrealized and realized gains and losses are netted in the statement of activities. Investments are comprised of equities, fixed income bonds, and commodities.

## 3. Land, Buildings, Improvements and Equipment

	<u>2017</u>	<u>2016</u>
Land	\$ 103,973	\$ 103,973
Furniture, fixtures and equipment	107,192	104,929
Buildings and improvements	3,830,534	3,807,993
Land improvements	82,308	82,308
Construction in progress	268,269	169,765
	<u>4,392,276</u>	<u>4,268,968</u>
Less: accumulated depreciation	(829,844)	(716,844)
	<u>\$ 3,562,432</u>	<u>\$ 3,552,124</u>

Depreciation expense for the years ended September 30, 2017 and 2016 was \$106,291 and \$103,482, respectively.

The Foundation leases land to a local government for a nominal fee to be used as a park.

# Conservation Foundation of the Gulf Coast, Inc.

Notes to Financial Statements (Continued)

September 30, 2017 and 2016

## 4. Contributions and Grants Receivable

Contributions and grants receivable, net, are summarized as follows at September 30:

	<u>2017</u>	<u>2016</u>
Unconditional promises and grants expected to be collected in:		
Less than one year	\$ 3,200	\$ 30,200
One year to five years	28,661	30,852
Total unconditional promises	<u>31,861</u>	<u>61,052</u>
Less discounts to net present value (at 5%)	<u>(2,728)</u>	<u>(2,993)</u>
	<u>\$ 29,133</u>	<u>\$ 58,059</u>

No allowance for uncollectible contributions was determined to be necessary for the years ended September 30, 2017 and 2016.

The Foundation has received a conditional promise of bequest from a donor which, if received, would generally be restricted for specific purposes stipulated by the donor. It is not practical to estimate the net realizable value of such promise.

During the year ended September 30, 2015, the Foundation was awarded two conditional grants totaling \$302,521. In accordance with accounting principles generally accepted in the United States of America, the Foundation did not recognize any revenue during the year ended September 30, 2015 as the conditions were not substantially satisfied. During the year ended September 30, 2016, the Foundation recognized \$200,000 in revenues related to one of the grants as the conditions were met. However, the remaining \$102,521 has not been recognized as the conditions were not yet substantially satisfied.

## 5. Investments

Investments consisted of the following as of September 30:

	<u>2017</u>		<u>2016</u>	
	<u>Cost</u>	<u>Market Value</u>	<u>Cost</u>	<u>Market Value</u>
Equities	\$ 631,167	\$ 656,715	\$ 956,406	\$ 964,971
Mutual funds	2,612,541	2,766,850	2,328,900	2,299,717
	<u>\$ 3,243,708</u>	<u>\$ 3,423,565</u>	<u>\$ 3,285,306</u>	<u>\$ 3,264,688</u>

Interest and dividend income for the years ended September 30, 2017 and 2016 totaled \$87,972 and \$119,534, respectively. Realized and unrealized gain on investments for the year ended September 30, 2017 consisted of net realized gains of \$112,531 and net unrealized gains of \$200,477. Realized and unrealized gain on investments for the year ended September 30, 2016 consisted of net realized losses of \$53,387 and net unrealized gains of \$239,885.

## 6. Concentration of Credit Risk

The Foundation places its cash and cash equivalents with high credit quality financial institutions. During the year, the Foundation may have deposits with financial institutions, which exceed FDIC insurance limits. The Foundation has not experienced any losses in such accounts and does not believe it is exposed to any significant credit risk on cash and cash equivalents.

# Conservation Foundation of the Gulf Coast, Inc.

Notes to Financial Statements (Continued)

September 30, 2017 and 2016

## 7. Restricted Net Assets

The balance of temporarily restricted net assets at September 30, 2017 and 2016 is restricted as follows:

	<u>2017</u>	<u>2016</u>
Contributions and grants receivable	\$ 135,214	\$ 118,058
Bay Preserve improvements	-	40,515
Other programs	177	6,384
	<u>\$ 135,391</u>	<u>\$ 164,957</u>

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

	<u>2017</u>	<u>2016</u>
Land held for conservation	\$ 19,691,098	\$ 19,691,098

## 8. Net Assets Released From Restrictions

Net assets were released from donor restrictions by the accomplishment of donor imposed purpose and/or time restrictions as follows:

	<u>2017</u>	<u>2016</u>
Expenditures for Bay Preserve improvements	\$ 45,516	\$ 110,065
Receipt of pledge payments	29,925	38,000
Expenditures for other programs	108,820	1,353,995
	<u>\$ 184,261</u>	<u>\$ 1,502,060</u>

## 9. Board Designated Net Assets

The balance of board designated net assets at September 30, 2017 and 2016 is broken out as follows:

	<u>2017</u>	<u>2016</u>
Quasi-endowments	\$ 3,554,910	\$ 3,310,030
Pine Island park development and stewardship	1,586,903	1,632,389
Bay Preserve capital	38,949	30,626
Board Designated Capital Reserve Fund	109,415	-
Operating reserve	276,071	176,046
	<u>\$ 5,566,248</u>	<u>\$ 5,149,091</u>

## 10. Quasi-Endowment Funds

The Foundation's quasi-endowment funds are comprised entirely of funds designated by the Board to function as endowments, and are, therefore, classified as unrestricted board designated net assets in the statements of financial position.

As of September 30, 2017 and 2016, quasi-endowment funds are broken out as follows:

	<u>2017</u>	<u>2016</u>
General Quasi-Endowment Fund	\$ 1,598,516	\$ 1,488,317
Bay Preserve Quasi-Endowment Fund	676,575	630,009
Stewardship Fund	194,585	181,179
Pine Island Preserve at Matlacha Pass Quasi-Endowment Fund	1,085,234	1,010,525
	<u>\$ 3,554,910</u>	<u>\$ 3,310,030</u>

# Conservation Foundation of the Gulf Coast, Inc.

Notes to Financial Statements (Continued)

September 30, 2017 and 2016

## 10. Quasi-Endowment Funds (Continued)

### *Interpretation of Relevant Law*

As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds, including quasi-endowments, are to be classified and reported based on the existence or absence of donor-imposed restrictions. The Foundation's Board has interpreted the Florida Uniform Prudent Management of Institutional Funds Act (FUPMIFA) as requiring the preservation of the fair value of a permanently restricted donor gift as of the date of the gift, absent explicit donor stipulations to the contrary. As of September 30, 2017, the Foundation had not received any permanently restricted donor endowment gifts. If the Foundation were to receive such gifts in the future, in concert with its interpretation of FUPMIFA, the Foundation would classify such gifts as permanently restricted net assets.

Total Foundation quasi-endowment net assets at September 30 and the changes in those net assets for the years then ended are as follows:

	<b>2017</b>	<b>2016</b>
Quasi-endowment net assets, October 1	\$ 3,310,030	\$ 3,159,246
Quasi-endowment investment return:		
Interest and dividends	87,632	119,227
Realized and unrealized gains, net	313,005	186,631
Total endowment investment return	400,637	305,858
Account fees	(20,437)	(19,732)
Distributions to the Foundation	(135,320)	(135,342)
Net endowment activity	155,757	155,074
Quasi-endowment net assets, September 30	\$ 3,554,910	\$ 3,310,030

### *Return Objectives, Strategies Employed for Achieving Objectives, and Risk Parameters*

The Foundation's investment objectives are the preservation of the portfolio's capital and the maximization of investment earnings in excess of inflation within acceptable levels of capital market volatility. These objectives are met with investment strategies that consider a long term horizon while also considering the short term spending needs of the transferred funds.

### *Spending Policy and How the Investment Objectives Relate to Spending Policy*

The Foundation's quasi-endowment spending is set annually by the Board after considering the funding needs of current Foundation operations and the desire to preserve the long-term purchasing power of its quasi-endowment funds. Annual distributions of generally 4% from the quasi-endowment funds are authorized by the Board based on recommendations of the Finance Committee.

## 11. Fair Value of Financial Assets and Liabilities

The Foundation values certain assets in accordance with the Fair Value Measurements and Disclosures Topic of the FASB Accounting Standards Codification. This Topic provides enhanced guidance for using fair value to measure assets and liabilities and clarifies the principle that fair value should be based on the assumptions market participants would use when pricing the assets or liabilities and establishes a hierarchy that prioritizes the information used to develop those assumptions.

# Conservation Foundation of the Gulf Coast, Inc.

Notes to Financial Statements (Continued)

September 30, 2017 and 2016

## II. Fair Value of Financial Assets and Liabilities (Continued)

This Topic requires the Foundation to present fair value measurements separately for each class of assets and liabilities held as of September 30, 2017 and 2016. The following table presents information about the classes of assets and liabilities that are measured at fair value on a recurring basis as of September 30, 2017 and 2016, and indicates the fair value hierarchy of the valuation techniques used to determine fair value. The three levels for measuring fair value are based on the reliability of inputs and are as follows:

Level 1 - quoted market prices in active markets for identical assets or liabilities, such as publicly traded equity securities.

Level 2 - inputs, other than quoted prices included in Level 1 that are observable, either directly or indirectly. Such inputs may include quoted prices for similar assets, observable inputs other than quoted prices (interest rates, yield curves, etc.), or inputs derived principally from or corroborated by observable market data by correlation or other means.

Level 3 - inputs are unobservable data points for the asset or liability, and include situations where there is little, if any, market activity for the asset or liability (for example, certain hedge funds, private equity and other). The inputs reflect the Foundation's assumptions based on the best information available in the circumstance.

The following methods and assumptions were used by the Foundation in estimating the fair value of its level 2 and 3 financial instruments:

*Contributions and Grants Receivable* - The fair value of contributions receivable is estimated by discounting future cash flows using rates currently offered for deposits of similar remaining maturities or other significant observable inputs (Level 3).

Description	September 30, 2017	Level 1	Level 2	Level 3
<b>Assets at Fair Value:</b>				
Investments:				
Equities:				
Exchange traded	\$ 656,715	\$ 656,715	\$ -	\$ -
Total equity	<u>656,715</u>	<u>656,715</u>	<u>-</u>	<u>-</u>
Mutual funds:				
Equities	1,757,673	1,757,673	-	-
Fixed income	866,020	866,020	-	-
Balanced	143,157	143,157	-	-
Total mutual funds	<u>2,766,850</u>	<u>2,766,850</u>	<u>-</u>	<u>-</u>
Total investments at fair value	<u>\$ 3,423,565</u>	<u>\$ 3,423,565</u>	<u>\$ -</u>	<u>\$ -</u>
Contributions and grants receivable, net	\$ 29,133	\$ -	\$ -	\$ 29,133
Total	<u>\$ 3,452,698</u>	<u>\$ 3,423,565</u>	<u>\$ -</u>	<u>\$ 29,133</u>

# Conservation Foundation of the Gulf Coast, Inc.

Notes to Financial Statements (Continued)

September 30, 2017 and 2016

## 11. Fair Value of Financial Assets and Liabilities (Continued)

Description	September 30, 2016	Level 1	Level 2	Level 3
<b>Assets at Fair Value:</b>				
Investments:				
Equities:				
Exchange traded	\$ 964,971	\$ 964,971	\$ -	\$ -
Total equity	<u>964,971</u>	<u>964,971</u>	<u>-</u>	<u>-</u>
Mutual funds:				
Equities	1,281,799	1,281,799	-	-
Fixed income	888,833	888,833	-	-
Balanced	129,085	129,085	-	-
Total mutual funds	<u>2,299,717</u>	<u>2,299,717</u>	<u>-</u>	<u>-</u>
Total investments at fair value	<u>\$ 3,264,688</u>	<u>\$ 3,264,688</u>	<u>\$ -</u>	<u>\$ -</u>
Contributions and grants receivable, net	<u>\$ 58,059</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 58,059</u>
Total	<u>\$ 3,322,747</u>	<u>\$ 3,264,688</u>	<u>\$ -</u>	<u>\$ 58,059</u>

### Reconciliation of Level 3 Fair Value Measurements

	Contributions and grants receivable, net
Balance as of September 30, 2015	\$ 74,058
Receipts	(36,777)
New pledges and grants	20,500
Change in discount and allowance	278
Balance as of September 30, 2016	<u>58,059</u>
Receipts	(29,191)
New pledges and grants	-
Change in discount and allowance	265
Balance as of September 30, 2017	<u>\$ 29,133</u>

## 12. Commitments and Contingencies

During the normal course of business, the Foundation may become subject to liens and/or lawsuits. Land trusts, such as the Foundation, are frequently parties to litigation and liens involving their conservation activities. There were no liens outstanding as of September 30, 2017 or as of the date of this report.

## 13. Retirement Plan

Beginning in January 2012, eligible employees can elect to participate in a 401(k) Safe Harbor Plan. In 2017 and 2016, eligible employees received a matching contribution equal to 100% of salary deferrals that did not exceed 3% of their compensation plus 50% of their salary deferrals between 3% and 5% of their compensation. Total plan contributions for the years ended September 30, 2017 and 2016 were \$20,869 and \$18,716, respectively.



# Conservation Foundation of the Gulf Coast, Inc.

Notes to Financial Statements (Continued)

September 30, 2017 and 2016

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## 14. Related Party Transactions

From time to time, the Foundation receives donations and promises to give from members of its Board of Trustees or engages in transactions with entities for which board members have a relationship. All board members sign conflict of interest forms and abstain from voting on issues where there could be a potential conflict of interest.

## 15. Line of Credit

The Foundation has a revolving line of credit up to \$150,000 available from a financial institution with a maturity date of April 2017. The interest rate is equal to the SunTrust Prime Rate minus 0.90% percentage points, which was 2.60% as of September 30, 2017. The SunTrust Prime Rate is a reference for fixing the lending rate for commercial loans and is a fluctuating rate of interest which can change on each banking day. The line is secured by the investments the Foundation is holding with the financial institution. There was no outstanding balance on this line of credit as of September 30, 2017.

## 16. Operating Leases

The Foundation leases a copier machine that will expire in 2020. Total rent expense for the years ended September 30, 2017 and 2016 was \$2,016 and \$1,848, respectively. Future minimum payments for operating leases are as follows for the years ending September 30:

2018	\$	2,016
2019		2,016
2020		168
	\$	<u>4,200</u>

## 17. Subsequent Events

The Foundation has evaluated all events subsequent to the statement of financial position date of September 30, 2017, through the date these financial statements were available for issuance, January 31, 2018, and has determined that there are no subsequent events that require disclosure under the FASB Accounting Standards Codification.