

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

Financial Statements and
Independent Auditor's Report
September 30, 2020 and 2019

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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, 2020 and 2019, the related statements of activities, 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.

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, 2020 and 2019, 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.

Kerkering Barberio & Co.

Sarasota, Florida
February 2, 2021

Conservation Foundation of the Gulf Coast, Inc.

Statements of Financial Position
September 30, 2020 and 2019

| | 2020 | 2019 |
|--------------------------------------------------|---------------|---------------|
| Assets | | |
| Current Assets: | | |
| Cash and cash equivalents | \$ 608,816 | \$ 582,503 |
| Accounts receivable | 26,253 | 22,052 |
| Contributions receivable, current portion | 76,655 | 2,605 |
| Prepaid expenses and other assets | 51,437 | 45,694 |
| Total current assets | 763,161 | 652,854 |
| Contributions receivable, net of current portion | 31,797 | 1,797 |
| Cash reserved for future projects | 3,053,089 | 3,107,671 |
| Investments | 3,825,670 | 3,618,501 |
| Land, buildings, improvements and equipment, net | 3,897,808 | 3,858,653 |
| Land held for conservation | 21,413,428 | 20,132,902 |
| Total Assets | \$ 32,984,953 | \$ 31,372,378 |
| Liabilities and Net Assets | | |
| Current Liabilities: | | |
| Accounts payable | \$ 65,306 | \$ 115,225 |
| Accrued expenses | 66,394 | 46,162 |
| Deferred income | 70,237 | 70,272 |
| Security deposits | 7,500 | 8,500 |
| Total current liabilities | 209,437 | 240,159 |
| Note payable | 136,070 | - |
| Total Liabilities | 345,507 | 240,159 |
| Net Assets: | | |
| Without donor restrictions | | |
| Undesignated | 3,952,210 | 4,113,114 |
| Board designated | 6,909,077 | 6,738,631 |
| Total net assets without donor restrictions | 10,861,287 | 10,851,745 |
| With donor restrictions | | |
| Purpose restricted | 240,091 | 102,072 |
| Perpetual in nature | 21,538,068 | 20,178,402 |
| Total net assets with donor restrictions | 21,778,159 | 20,280,474 |
| Total Net Assets | 32,639,446 | 31,132,219 |
| Total Liabilities and Net Assets | \$ 32,984,953 | \$ 31,372,378 |

See accompanying notes to financial statements.

Conservation Foundation of the Gulf Coast, Inc.

Statement of Activities

Year Ended September 30, 2020

(With Summarized Totals For 2019)

| | Without Donor Restriction | With Donor Restriction | 2020 Total | 2019 Total |
|-----------------------------------------------------------------------------------------|---------------------------------|------------------------------|---------------|---------------|
| Revenues, Gains, and Other Support: | | | | |
| Contributions | \$ 772,381 | \$ 3,046,624 | \$ 3,819,005 | \$ 1,783,092 |
| Grants | - | 30,821 | 30,821 | 375,859 |
| In-kind contributions | 11,340 | - | 11,340 | 273 |
| Program income | 61,110 | - | 61,110 | 105,758 |
| Interest and dividend income, net of fees | 119,290 | - | 119,290 | 122,639 |
| Realized and unrealized gain on investments, net | 223,920 | - | 223,920 | 1,599 |
| Special events revenue, net of direct costs of \$195,264 and \$204,026, respectively | 215,090 | - | 215,090 | 217,481 |
| Other income | 23,246 | - | 23,246 | 793,798 |
| Extinguishment of land held for conservation easement | - | 2 | 2 | 1 |
| Net assets released from restrictions | 1,579,762 | (1,579,762) | - | - |
| Total revenues, gains, and other support | 3,006,139 | 1,497,685 | 4,503,824 | 3,400,500 |
| Expenses: | | | | |
| Program expenses | 2,734,161 | - | 2,734,161 | 1,932,697 |
| Management and general | 53,266 | - | 53,266 | 70,409 |
| Fundraising | 209,170 | - | 209,170 | 172,310 |
| Total program expenses | 2,996,597 | - | 2,996,597 | 2,175,416 |
| Change in net assets | 9,542 | 1,497,685 | 1,507,227 | 1,225,084 |
| Net assets, beginning of year | 10,851,745 | 20,280,474 | 31,132,219 | 29,907,135 |
| Net assets, end of year | \$ 10,861,287 | \$ 21,778,159 | \$ 32,639,446 | \$ 31,132,219 |

See accompanying notes to financial statements.

Conservation Foundation of the Gulf Coast, Inc.

Statement of Activities

Year Ended September 30, 2019

(With Summarized Totals For 2020)

| | Without Donor Restriction | With Donor Restriction | 2019 Total | 2020 Total |
|----------------------------------------------------------------------------------------|------------------------------------------|---------------------------------------|-----------------------|-----------------------|
| Revenues, Gains, and Other Support: | | | | |
| Contributions | \$ 888,255 | \$ 894,837 | \$ 1,783,092 | \$ 3,819,005 |
| Grants | 17,849 | 358,010 | 375,859 | 30,821 |
| In-kind contributions | 273 | - | 273 | 11,340 |
| Program income | 105,758 | - | 105,758 | 61,110 |
| Interest and dividend income, net of fees | 122,639 | - | 122,639 | 119,290 |
| Realized and unrealized gain on investments, net | 1,599 | - | 1,599 | 223,920 |
| Special events revenue, net of direct costs of \$204,026 and \$195,264 respectively | 217,481 | - | 217,481 | 215,090 |
| Other income | 793,798 | - | 793,798 | 23,246 |
| Extinguishment of land held for conservation easement | - | 1 | 1 | 2 |
| Net assets released from restrictions | 966,168 | (966,168) | - | - |
| Total revenues, gains, and other support | 3,113,820 | 286,680 | 3,400,500 | 4,503,824 |
| Expenses: | | | | |
| Program expenses | 1,932,697 | - | 1,932,697 | 2,734,161 |
| Management and general | 70,409 | - | 70,409 | 53,266 |
| Fundraising | 172,310 | - | 172,310 | 209,170 |
| Total program expenses | 2,175,416 | - | 2,175,416 | 2,996,597 |
| Change in net assets | 938,404 | 286,680 | 1,225,084 | 1,507,227 |
| Net assets, beginning of year | 9,913,341 | 19,993,794 | 29,907,135 | 31,132,219 |
| Net assets, end of year | \$ 10,851,745 | \$ 20,280,474 | \$ 31,132,219 | \$ 32,639,446 |

See accompanying notes to financial statements.

Conservation Foundation of the Gulf Coast, Inc.

Statement of Functional Expenses
Year Ended September 30, 2020
(With Summarized Totals For 2019)

| | <u>Program Expenses</u> | <u>Management and General</u> | <u>Fundraising</u> | <u>2020 Total</u> | <u>2019 Total</u> |
|-----------------------------------------|-----------------------------|-----------------------------------|--------------------|-----------------------|-----------------------|
| Expenses: | | | | | |
| Fees | \$ 1,371 | \$ - | \$ - | \$ 1,371 | \$ 10,166 |
| Office expense | 4,759 | - | - | 4,759 | 12,945 |
| Bank/finance charges | 654 | 128 | - | 782 | 461 |
| Grants awarded expenses | - | - | - | - | 130,163 |
| Community education | - | - | - | - | 1,050 |
| IT and software | 18,482 | 8 | 8,736 | 27,226 | 22,665 |
| Supplies | 29,383 | - | 131 | 29,514 | 30,240 |
| Donor cultivation | 1,728 | - | 405 | 2,133 | 4,646 |
| Taxes-Property | 7,357 | - | - | 7,357 | 4,793 |
| Signage | - | - | - | - | 1,757 |
| Utilities | 11,623 | - | - | 11,623 | 11,697 |
| Licenses & Permits | 967 | - | - | 967 | 436 |
| Dues, subscriptions, books, memberships | 6,493 | - | 330 | 6,823 | 10,965 |
| Advisors expense | 4,230 | - | - | 4,230 | 1,738 |
| Telephone | 7,914 | 551 | 1,855 | 10,320 | 12,188 |
| Merchant processing | 2,794 | - | 1,807 | 4,601 | 2,019 |
| Advertising/promotion | 35,438 | - | 25 | 35,463 | 6,620 |
| Lawn/grounds maintenance | 20,735 | - | - | 20,735 | 25,845 |
| Building maintenance | 18,914 | - | - | 18,914 | 23,636 |
| Miscellaneous | 3,947 | - | 2,616 | 6,563 | 29,606 |
| Personnel | 735,729 | 9,159 | 165,394 | 910,282 | 758,063 |
| Depreciation & amortization | 111,378 | 1,587 | 4,971 | 117,936 | 117,257 |
| Professional fees | 98,050 | 36,579 | 1,841 | 136,470 | 135,417 |
| Publications | 25,992 | - | 19,610 | 45,602 | 63,178 |
| Staff travel, training, & conferences | 19,044 | - | 1,449 | 20,493 | 38,137 |
| Liability & other insurance | 51,599 | 5,254 | - | 56,853 | 51,858 |
| Land acquisition program expense | 1,500,000 | - | - | 1,500,000 | 667,870 |
| In-kind expenses | 15,580 | - | - | 15,580 | - |
| Total expenses | <u>\$ 2,734,161</u> | <u>\$ 53,266</u> | <u>\$ 209,170</u> | <u>\$ 2,996,597</u> | <u>\$ 2,175,416</u> |

See accompanying notes to financial statements.

Conservation Foundation of the Gulf Coast, Inc.

Statement of Functional Expenses
Year Ended September 30, 2019
(With Summarized Totals For 2020)

| | <u>Program Expenses</u> | <u>Management and General</u> | <u>Fundraising</u> | <u>2019 Total</u> | <u>2020 Total</u> |
|-----------------------------------------|-----------------------------|-----------------------------------|--------------------|-----------------------|-----------------------|
| Expenses: | | | | | |
| Fees | \$ 10,166 | \$ - | \$ - | \$ 10,166 | \$ 1,371 |
| Office expense | 12,945 | - | - | 12,945 | 4,759 |
| Bank/finance charges | 456 | - | 5 | 461 | 782 |
| Grants awarded expenses | 130,163 | - | - | 130,163 | - |
| Community education | 1,050 | - | - | 1,050 | - |
| IT and software | 22,356 | - | 309 | 22,665 | 27,226 |
| Supplies | 29,863 | - | 377 | 30,240 | 29,514 |
| Donor cultivation | 990 | - | 3,656 | 4,646 | 2,133 |
| Taxes-Property | 4,793 | - | - | 4,793 | 7,357 |
| Signage | 1,757 | - | - | 1,757 | - |
| Utilities | 11,697 | - | - | 11,697 | 11,623 |
| Licenses & Permits | 436 | - | - | 436 | 967 |
| Dues, subscriptions, books, memberships | 10,727 | - | 238 | 10,965 | 6,823 |
| Advisors expense | 1,177 | 561 | - | 1,738 | 4,230 |
| Telephone | 10,316 | 241 | 1,631 | 12,188 | 10,320 |
| Merchant processing | 205 | - | 1,814 | 2,019 | 4,601 |
| Advertising/promotion | 6,550 | - | 70 | 6,620 | 35,463 |
| Lawn/grounds maintenance | 25,845 | - | - | 25,845 | 20,735 |
| Building maintenance | 23,636 | - | - | 23,636 | 18,914 |
| Miscellaneous | 29,499 | - | 107 | 29,606 | 6,563 |
| Personnel | 603,446 | 19,784 | 134,833 | 758,063 | 910,282 |
| Depreciation & amortization | 111,143 | 1,329 | 4,785 | 117,257 | 117,936 |
| Professional fees | 92,352 | 43,065 | - | 135,417 | 136,470 |
| Publications | 41,041 | - | 22,137 | 63,178 | 45,602 |
| Staff travel, training, & conferences | 35,715 | 74 | 2,348 | 38,137 | 20,493 |
| Liability & other insurance | 46,503 | 5,355 | - | 51,858 | 56,853 |
| Land acquisition program expense | 667,870 | - | - | 667,870 | 1,500,000 |
| In-kind expenses | - | - | - | - | 15,580 |
| Total expenses | <u>\$ 1,932,697</u> | <u>\$ 70,409</u> | <u>\$ 172,310</u> | <u>\$ 2,175,416</u> | <u>\$ 2,996,597</u> |

See accompanying notes to financial statements.

Conservation Foundation of the Gulf Coast, Inc.

Statements of Cash Flows
Years Ended September 30, 2020 and 2019

| | <u>2020</u> | <u>2019</u> |
|------------------------------------------------------------------------------------------------|--------------------|--------------------|
| Cash Flows from Operating Activities: | | |
| Change in net assets | \$ 1,507,227 | \$ 1,225,084 |
| Adjustments to reconcile change in net assets to net cash provided by operating activities: | | |
| Depreciation and amortization | 117,936 | 117,257 |
| Realized and unrealized gain on investments, net | (223,920) | (1,599) |
| Non-cash donations of land | - | (204,967) |
| Non-cash transfer of land | - | 150,000 |
| Change in operating assets: | | |
| Accounts receivable | (4,201) | 17,942 |
| Contributions receivable | (104,050) | 100,143 |
| Grant receivable | - | 22,411 |
| Prepaid expenses and other assets | (5,743) | 3,753 |
| Change in operating liabilities: | | |
| Accounts payable | (49,919) | 77,750 |
| Accrued expenses | 20,229 | 15,577 |
| Deferred income | (35) | (52,703) |
| Security deposits | (1,000) | (8,000) |
| Total adjustments | <u>(250,703)</u> | <u>237,564</u> |
| Net cash provided by operating activities | <u>1,256,524</u> | <u>1,462,648</u> |
| Cash Flows from Investing Activities: | | |
| Purchases of investments | (1,874,910) | (1,397,016) |
| Proceeds from sales of investments | 1,891,662 | 1,423,056 |
| Purchase of land held for conservation | (1,280,524) | (230,033) |
| Purchase of land, buildings, improvements, and equipment | (157,091) | (136,653) |
| Net cash used in investing activities | <u>(1,420,863)</u> | <u>(340,646)</u> |
| Cash flows from financing activities | | |
| Change in cash reserved for future projects | 54,582 | (1,441,036) |
| Proceeds from note payable | 136,070 | - |
| Net cash provided by (used in) financing activities | <u>190,652</u> | <u>(1,441,036)</u> |
| Net change in cash and cash equivalents | 26,313 | (319,034) |
| Cash and cash equivalents, beginning of year | 582,503 | 901,537 |
| Cash and cash equivalents, end of year | <u>\$ 608,816</u> | <u>\$ 582,503</u> |

See accompanying notes to financial statements.

Conservation Foundation of the Gulf Coast, Inc.

Notes to Financial Statements

September 30, 2020 and 2019

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, Collier and Lee Counties. The Foundation's revenue comes primarily from contributions and grants.

The Foundation works with partners in their preservation initiatives. In some cases, the land conserved or conservation easements obtained are retained by the partner. Those properties are not reflected in the schedule below. As it is the Foundation's mission to protect land in perpetuity, a significant portion of its nearly \$25,315,000 in real property assets is in protected land as reflected in the following chart:

| | Acres | Value |
|-------------------------------------------------|--------------|---------------|
| Conservation Easement Properties: | | |
| Casey Key Waterfront | 00.70 | \$ 1.00 |
| Manasota Key Waterfront | 00.97 | 1.00 |
| Pine Island Preserve** | ** | 1.00 |
| Manatee River Waterfront | 0.41 | 1.00 |
| Robinson Preserve Expansion | 149.18 | 1.00 |
| Johnson Preserve at Braden River | 32.38 | 1.00 |
| Johnson Preserve at Braden River - Bergstresser | 11.44 | 1.00 |
| Tatum Sawgrass Conservation Area | 25.00 | 1.00 |
| Pepper Ranch Preserve | 1,510.00 | 1.00 |
| Doing Good, LLC. | 84.60 | 1.00 |
| Felts Audubon Preserve | 28.05 | 1.00 |
| Subtotal | 1,842.73 | 11.00 |
| 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 |
| Upper Myakka Preserve | 65.85 | 6,800 |
| Tatum Sawgrass Scrub Preserve | 37.80 | 435,000 |
| Myakka Headwaters Preserve | 362.30 | 1,280,524 |
| Subtotal** | 702.57 | 21,413,417 |
| Total Land Protected in Perpetuity ** | 2,545.30 | 21,413,428 |
| Trade Land Fee Properties | | |
| Tarpon Point Landing - Myakka River | 1.30 | 103,973 |
| Total Land | | \$ 21,517,401 |

** 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.

Conservation Foundation of the Gulf Coast, Inc.

Notes to Financial Statements (Continued)

September 30, 2020 and 2019

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.

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.

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:

Net assets without donor restrictions - net assets that are not subject to donor-imposed stipulations. Quasi-endowment funds and board designated funds, established by the Board of Directors, are classified as net assets without donor restrictions.

Net assets with donor restrictions - 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, these net assets are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Other donor-imposed restrictions are perpetual in nature. Generally, the donors of these assets permit the Foundation to use all or part of the income earned on any related investment for general or specific purposes. In addition, the Foundation records land held for conservation as perpetual in nature.

Revenue Recognition

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Contributions and grants received with donor and grantor stipulations that limit the use of donated assets are treated as net assets with donor restrictions as determined by the donor. Contributions restricted by the donor for endowment purposes are treated as net assets with donor restrictions, where the fund stays intact in perpetuity.

After receipt of contributions without donor restrictions, the Board, at its discretion, may designate how the contributions are to be expended. Revenue without donor restrictions is recognized when earned.

Conservation Foundation of the Gulf Coast, Inc.

Notes to Financial Statements (Continued)

September 30, 2020 and 2019

2. Summary of Significant Accounting Policies (Continued)

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 \$15,580 and \$0 for the years ended September 30, 2020 and 2019, respectively.

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.

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. The expenses that are allocated include salaries and wages, benefits, payroll taxes and other expenses for services which are allocated on the basis of estimated time and effort. Depreciation and amortization is allocated based on a square foot analysis.

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, 2017 through September 30, 2020.

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, 2020 or 2019 since all accounts receivable are estimated by management to be collectible.

Conservation Foundation of the Gulf Coast, Inc.

Notes to Financial Statements (Continued)

September 30, 2020 and 2019

2. Summary of Significant Accounting Policies (Continued)

Land, Buildings, Improvements and Equipment

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 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, 2020, the Foundation holds eleven conservation easements consisting of 1,842.73 acres.

Conservation easements, either purchased or donated, are initially valued at their appraised value. When donated, the appraised value is reflected as a contribution in the statements of activities. When purchased, the difference between the purchase price and the appraised value is reflected as a contribution 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 included in "Land acquisition program expense" in the statement of functional expenses.

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.

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, contributions receivable, cash reserved for future projects, prepaid expenses and other assets, accounts payable, accrued expenses, deferred income, and security deposits.

Conservation Foundation of the Gulf Coast, Inc.

Notes to Financial Statements (Continued)

September 30, 2020 and 2019

2. Summary of Significant Accounting Policies (Continued)

Accounting Pronouncements Adopted

During the year ended September 30, 2020, the Foundation adopted (ASU) No. 2018-08, Not-For-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made. The amendments in ASU 2018-08 apply to all entities that receive or make contributions. The adoption of ASU No. 2018-08 did not have a material impact on the measurement, nor on the contributions made and received. Therefore, no cumulative adjustment has been made to the opening balance of net assets at October 2019.

3. Liquidity and Availability

Financial assets available within one year of the statement of financial position date for general expenditures are as follows:

| | <u>2020</u> | <u>2019</u> |
|----------------------------------------------------------------------------------------|--------------------|--------------------|
| Cash and cash equivalents | \$ 608,816 | \$ 582,503 |
| Accounts receivable | 26,253 | 22,052 |
| Contributions receivable, current portion | 76,655 | 2,605 |
| Cash reserved for future projects | 3,053,089 | 3,107,671 |
| Investments | <u>3,825,670</u> | <u>3,618,501</u> |
| Total financial assets available within one year | <u>7,590,483</u> | <u>7,333,332</u> |
| Less: Amounts unavailable for general expenditures within one year due to: | | |
| Restricted by donors with purpose restrictions | (240,091) | (102,072) |
| Restricted by donors in perpetuity | <u>(124,640)</u> | <u>(45,500)</u> |
| Total amounts unavailable for general expenditures within one year | <u>(364,731)</u> | <u>(147,572)</u> |
| Amounts unavailable to management without Board approval: | | |
| Board designated for quasi-endowment | (3,869,107) | (3,685,961) |
| Board designated for future projects | <u>(3,039,970)</u> | <u>(3,052,670)</u> |
| Total amounts unavailable to management without Board approval | <u>(6,909,077)</u> | <u>(6,738,631)</u> |
| Total financial assets available to management for general expenditure within one year | <u>\$ 316,675</u> | <u>\$ 447,129</u> |

The Foundation manages its liquid assets in accordance with regular budgeting processes developed through the coordinated efforts of management and the Board of Directors. Monthly reporting by management to those charged with governance ensures the results from operating activities are monitored closely.

As of September 30, 2020 and 2019, the board-designated endowment of \$3,869,107 and \$3,685,961, respectively, is subject to an annual spending rate of generally 4% of the fund's balance. As of September 30, 2020 and 2019, the Foundation's board designated for future projects totals \$3,039,970 and \$3,052,670, respectively. Although the Foundation does not intend to spend from these board-designated amounts (other than amounts appropriated for general expenditure as part of the Board's annual budget approval and appropriation), these amounts could be made available if necessary.

Conservation Foundation of the Gulf Coast, Inc.

Notes to Financial Statements (Continued)

September 30, 2020 and 2019

4. Land, Buildings, Improvements and Equipment

Land, buildings, improvements, and equipment consisted of the following at September 30:

| | 2020 | 2019 |
|--------------------------------------------------------|--------------|--------------|
| Land | \$ 103,973 | \$ 103,973 |
| Furniture, fixtures and equipment | 90,122 | 86,204 |
| Buildings and improvements | 3,947,376 | 3,935,138 |
| Land improvements | 131,349 | 97,038 |
| Construction in progress | 765,395 | 658,772 |
| | 5,038,215 | 4,881,125 |
| Less: accumulated depreciation | (1,140,407) | (1,022,472) |
| Total land, buildings, improvements and equipment, net | \$ 3,897,808 | \$ 3,858,653 |

Depreciation and amortization expense for the years ended September 30, 2020 and 2019 was \$117,936 and \$117,257, respectively.

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

5. Contributions Receivable, Net

Contributions receivable are summarized as follows at September 30:

| | 2020 | 2019 |
|-----------------------------------------------------|-------------|-------------|
| Unconditional promises expected to be collected in: | | |
| Less than one year | \$ 76,655 | \$ 2,605 |
| One year to five years | 32,000 | 2,000 |
| Total unconditional promises | 108,655 | 4,605 |
| Less discounts to net present value (at 5%) | (203) | (203) |
| Total contributions receivable, net | \$ 108,452 | \$ 4,402 |

No allowance for uncollectible contributions was determined to be necessary for the years ended September 30, 2020 and 2019.

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

6. Investments

Investments consisted of the following as of September 30:

| | 2020 | | 2019 | |
|-------------------|--------------|---------------------|--------------|---------------------|
| | Cost | Market Value | Cost | Market Value |
| Equities | \$ 255,226 | \$ 287,660 | \$ 468,894 | \$ 531,056 |
| Mutual funds | 3,010,433 | 3,538,010 | 2,845,406 | 3,087,445 |
| Total investments | \$ 3,265,659 | \$ 3,825,670 | \$ 3,314,300 | \$ 3,618,501 |

Interest and dividend income, net of investment fees and expenses for the years ended September 30, 2020 and 2019 totaled \$119,290 and \$122,639, respectively. Realized and unrealized gain on investments for the year ended September 30, 2020 consisted of net realized losses of \$31,887 and net unrealized gains of \$255,807. Realized and unrealized gain on investments for the year ended September 30, 2019 consisted of net realized losses of \$21,944 and net unrealized gains of \$23,543.

Conservation Foundation of the Gulf Coast, Inc.

Notes to Financial Statements (Continued)

September 30, 2020 and 2019

7. 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.

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, 2020 and 2019, 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.

| Description | September 30, 2020 | Level 1 | Level 2 | Level 3 |
|---------------------------------|-----------------------|--------------|---------|---------|
| Assets at Fair Value: | | | | |
| Investments: | | | | |
| Equities: Exchange traded | \$ 287,660 | \$ 287,660 | \$ - | \$ - |
| Mutual funds: | | | | |
| Equities | 2,694,539 | 2,694,539 | - | - |
| Fixed income | 843,471 | 843,471 | - | - |
| Total mutual funds | 3,538,010 | 3,538,010 | - | - |
| Total investments at fair value | \$ 3,825,670 | \$ 3,825,670 | \$ - | \$ - |

| Description | September 30, 2019 | Level 1 | Level 2 | Level 3 |
|---------------------------------|-----------------------|--------------|---------|---------|
| Assets at Fair Value: | | | | |
| Investments: | | | | |
| Equities: Exchange traded | \$ 531,056 | \$ 531,056 | \$ - | \$ - |
| Mutual funds: | | | | |
| Equities | 2,285,219 | 2,285,219 | - | - |
| Fixed income | 802,226 | 802,226 | - | - |
| Total mutual funds | 3,087,445 | 3,087,445 | - | - |
| Total investments at fair value | \$ 3,618,501 | \$ 3,618,501 | \$ - | \$ - |

Conservation Foundation of the Gulf Coast, Inc.

Notes to Financial Statements (Continued)

September 30, 2020 and 2019

8. Note Payable

Payroll Protection Program Loan

On April 20, 2020, the Foundation qualified for and received a loan pursuant to the Paycheck Protection Program, a program implemented by the U.S. Small Business Administration under the Coronavirus Aid, Relief, and Economic Security Act for an aggregate principal amount of \$136,070 (the PPP Loan). The PPP Loan bears interest at a fixed rate of 1.0% per annum, with the first six months of payments deferred, has a term of two years, and is unsecured and guaranteed by the U.S. Small Business Administration. The principal amount of the PPP Loan is subject to forgiveness under the Paycheck Protection Program upon the Foundation's request to the extent that the PPP Loan proceeds are used to pay expenses permitted by the Paycheck Protection Program. The Foundation intends to apply for forgiveness of the PPP Loan with respect to these covered expenses. To the extent that all or part of the PPP Loan is not forgiven, the Foundation will be required to pay interest on the PPP Loan at a rate of 1.0% per annum, and commencing on November 20, 2020, principal and interest payments will be required through the maturity date April 20, 2022.

The Foundation has recorded the PPP Loan in accordance with ASC 470, *Debt*. The PPP Loan is included in note payable on the statement of financial position. The proceeds will remain as debt until either: 1) the loan has been forgiven and the Foundation has been legally released of the obligation, in whole or part; or 2) the Foundation pays off the loan. If the PPP Loan is forgiven, the Foundation will reduce the liability and record revenue on the statement of activities. The loan balance has been recorded under long-term liabilities. The Foundation expects the loan to be forgiven during the year ended September 30, 2021.

Future maturities of note payable at September 30, 2020 are as follows:

| | | |
|----------------------|--|-------------------|
| Year ending June 30: | | |
| 2021 | | \$ 62,028 |
| 2022 | | 74,042 |
| Total | | <u>\$ 136,070</u> |

9. 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.

10. Net Assets with Donor Restrictions

Net assets with donor restrictions are restricted for the following purposes as of September 30:

| | | |
|-------------------------------------------------|----------------------|----------------------|
| Subject to expenditure for specified purpose: | 2020 | 2019 |
| Contributions and grants receivable | \$ 108,452 | \$ 4,402 |
| Other programs | 131,639 | 97,670 |
| Total purpose restrictions | <u>240,091</u> | <u>102,072</u> |
| Perpetual in nature: | | |
| Donor restricted endowment for land stewardship | 124,640 | 45,500 |
| Land held for conservation | 21,413,428 | 20,132,902 |
| Total perpetual in nature | <u>21,538,068</u> | <u>20,178,402</u> |
| Total net assets with donor restrictions | <u>\$ 21,778,159</u> | <u>\$ 20,280,474</u> |

Conservation Foundation of the Gulf Coast, Inc.

Notes to Financial Statements (Continued)

September 30, 2020 and 2019

11. Net Assets Released From Restrictions

Net assets released from donor restrictions by incurring expenses satisfying the restricted purpose or by the occurrence of other events specified by the donor are as follows during the year ended September 30:

| | <u>2020</u> | <u>2019</u> |
|---------------------------------------------|---------------------|-------------------|
| Expenditures for Murphy Marsh Project | \$ - | \$ 481,000 |
| Expenditures for MAG Project | - | 285,583 |
| Expenditures for Orange Hammock Ranch | 1,395,692 | - |
| Expenditures for other programs | 184,070 | 199,585 |
| Total net assets released from restrictions | <u>\$ 1,579,762</u> | <u>\$ 966,168</u> |

12. Board Designated Net Assets

Board designated net assets at September 30 are broken out as follows:

| | <u>2020</u> | <u>2019</u> |
|----------------------------------------------|---------------------|---------------------|
| Quasi-endowments | \$ 3,869,107 | \$ 3,685,961 |
| Pine Island park development and stewardship | 1,352,049 | 1,393,632 |
| Bay Preserve capital | 19,700 | 25,028 |
| Board Designated Capital Reserve Fund | 355,730 | 250,108 |
| Operating reserve | 565,197 | 555,334 |
| Land acquisition fund | 747,294 | 828,568 |
| Total board designated net assets | <u>\$ 6,909,077</u> | <u>\$ 6,738,631</u> |

13. Endowment Funds

The Foundation's endowment consists of funds established for a variety of purposes. Its endowment includes both donor restricted endowment funds and funds designated by the Board to function as endowments (quasi-endowments). As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds, including quasi-endowments, are classified and reported based on the existence or absence of donor imposed restrictions.

Interpretation of Relevant Law

The Foundation's Board has interpreted the Uniform Prudent Management of Institutional Funds (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies donor restricted endowment funds as (a) the original value of gifts donated to the perpetual endowment, and (b) the original value of subsequent gifts to the perpetual endowment. The remaining portion of the donor restricted endowment fund that is not classified as perpetual in nature is classified as purpose restricted net assets until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by UPMIFA.

Conservation Foundation of the Gulf Coast, Inc.

Notes to Financial Statements (Continued)

September 30, 2020 and 2019

13. Endowment Funds (Continued)

Endowment Net Asset Composition

As of September 30, 2020, endowment funds are broken out as follows:

| | Without Donor Restrictions | With Donor Restrictions |
|------------------------------------------------------------|-------------------------------------------|----------------------------------------|
| Endowment funds without donor restrictions: | | |
| General Quasi-Endowment Fund | \$ 1,697,013 | \$ - |
| Bay Preserve Quasi-Endowment Fund | 302,344 | - |
| Stewardship Fund | 717,981 | - |
| Pine Island Preserve at Matlacha Pass Quasi-Endowment Fund | 1,151,769 | - |
| Endowment funds with donor restrictions: | | |
| Perpetual in nature | - | 124,640 |
| Total endowment funds | <u>\$ 3,869,107</u> | <u>\$ 124,640</u> |

As of September 30, 2019, endowment funds are broken out as follows:

| | Without Donor Restrictions | With Donor Restrictions |
|------------------------------------------------------------|-------------------------------------------|----------------------------------------|
| Endowment funds without donor restrictions: | | |
| General Quasi-Endowment Fund | \$ 1,621,297 | \$ - |
| Bay Preserve Quasi-Endowment Fund | 686,055 | - |
| Stewardship Fund | 278,161 | - |
| Pine Island Preserve at Matlacha Pass Quasi-Endowment Fund | 1,100,448 | - |
| Endowment funds with donor restrictions: | | |
| Perpetual in nature | - | 45,500 |
| Total endowment funds | <u>\$ 3,685,961</u> | <u>\$ 45,500</u> |

Change in Endowment Net Assets

Changes in endowment net assets for the year ended September 30, 2020 are as follows:

| | Without Donor Restrictions | With Donor Restrictions | Total |
|--------------------------------------------|-------------------------------------------|----------------------------------------|---------------------|
| Endowment net assets, October 1, 2019 | <u>\$ 3,685,961</u> | <u>\$ 45,500</u> | <u>\$ 3,731,461</u> |
| Endowment investment return: | | | |
| Interest and dividends | 116,114 | 3,149 | 119,263 |
| Realized and unrealized gain, net | 218,579 | 5,341 | 223,920 |
| Total endowment investment return | <u>334,693</u> | <u>8,490</u> | <u>343,183</u> |
| Contributions | - | 79,140 | 79,140 |
| Account fees | (19,807) | (529) | (20,336) |
| Distributions to the Foundation | (135,656) | (4,045) | (139,701) |
| Appropriation of endowment for expenditure | 3,916 | (3,916) | - |
| Net other endowment activity | <u>(151,547)</u> | <u>70,650</u> | <u>(80,897)</u> |
| Endowment net assets, September 30, 2020 | <u>\$ 3,869,107</u> | <u>\$ 124,640</u> | <u>\$ 3,993,747</u> |

Conservation Foundation of the Gulf Coast, Inc.

Notes to Financial Statements (Continued)

September 30, 2020 and 2019

13. Endowment Funds (Continued)

Changes in endowment net assets for the year ended September 30, 2019 are as follows:

| | Without Donor Restrictions | With Donor Restrictions | Total |
|--------------------------------------------|-------------------------------------------|----------------------------------------|---------------------|
| Endowment net assets, October 1, 2018 | \$ 3,686,453 | \$ - | \$ 3,686,453 |
| Endowment investment return: | | | |
| Interest and dividends | 105,705 | 1,341 | 107,046 |
| Realized and unrealized gain, net | (1,212) | 2,811 | 1,599 |
| Total endowment investment return | <u>104,493</u> | <u>4,152</u> | <u>108,645</u> |
| Contributions | 50,000 | 45,500 | 95,500 |
| Account fees | (19,935) | (245) | (20,180) |
| Distributions to the Foundation | (138,957) | - | (138,957) |
| Appropriation of endowment for expenditure | 3,907 | (3,907) | - |
| Net other endowment activity | <u>(104,985)</u> | <u>41,348</u> | <u>(63,637)</u> |
| Endowment net assets, September 30, 2019 | <u>\$ 3,685,961</u> | <u>\$ 45,500</u> | <u>\$ 3,731,461</u> |

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor restricted endowment funds may fall below the level classified as donor restricted endowment funds. As of September 30, 2020 and 2019, there were no deficiencies of this nature reported in net assets with donor restrictions.

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 endowment funds are authorized by the Board based on recommendations of the Finance Committee.

14. 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 and/or lawsuits outstanding as of September 30, 2020 or as of the date of this report.

15. Retirement Plan

Beginning in January 2012, eligible employees can elect to participate in a 401(k) Safe Harbor Plan. In 2020 and 2019, 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, 2020 and 2019 were \$26,536 and \$21,555, respectively.

Conservation Foundation of the Gulf Coast, Inc.

Notes to Financial Statements (Continued)

September 30, 2020 and 2019

16. 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, remove themselves from the room during discussion, and abstain from voting on issues where there could be a potential conflict of interest. During the years ended September 30, 2020 and 2019, there were no related party transactions that require disclosure.

17. Line of Credit

The Foundation had a revolving line of credit up to \$150,000 available from a financial institution with a maturity date of April 2020. In September 2020, the Foundation renewed the line of credit with \$150,000 available and a maturity date of September 2021. The interest rate is equal to the Truist Prime Rate minus 0.90% percentage points. 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, 2020 and 2019.

18. Miscellaneous Income

During the year ended September 30, 2019, the Foundation received \$992,247 related to a claim from the Deepwater Horizon Oil Spill. The amount was recorded in other income on the accompanying statement of activities, net of related professional fees of \$198,449 for the year ended September 30, 2019.

19. Subsequent Events

The Foundation has evaluated all events subsequent to the statement of financial position date of September 30, 2020, through the date these financial statements were available for issuance, February 2, 2021, and has determined that except as noted below, there are no subsequent events that require disclosure under the FASB Accounting Standards Codification.

In October of 2020, the Foundation was granted a conservation easement from an unrelated entity that included approximately 33.60 acres of land at the Celery Fields Quad Parcel.