

**CONSERVANCY OF SOUTHWEST FLORIDA, INC.  
AND SUBSIDIARY**

**CONSOLIDATED FINANCIAL STATEMENTS**

**YEARS ENDED SEPTEMBER 30, 2015 AND 2014**

**CONSERVANCY OF SOUTHWEST FLORIDA, INC. AND SUBSIDIARY  
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## INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying consolidated financial statements of Conservancy of Southwest Florida, Inc. and Subsidiary (the Organization) a nonprofit corporation, which comprise the consolidated statements of financial position as of September 30, 2015 and 2014, and the related consolidated statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Conservancy of Southwest Florida, Inc. and Subsidiary at September 30, 2015 and 2014, 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  
February 12, 2016

**CONSERVANCY OF SOUTHWEST FLORIDA, INC. AND SUBSIDIARY**  
**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**  
**SEPTEMBER 30, 2015 AND 2014**

	2015	2014
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ 1,525,651	\$ 2,196,080
Cash and Cash Equivalents - Restricted for Long-Term Purposes	557,353	377,234
Accrued Interest Receivable	10,387	17,672
Unconditional Promises to Give, Net	1,765,695	2,613,987
Inventory	138,415	177,075
Prepaid Expenses and Other Assets	187,989	184,907
Other Receivables	33,020	32,441
Investments	10,748,509	10,682,571
Trust Receivable and Split Interest Agreement, Net	8,731,978	9,816,480
Property and Equipment, Net	23,627,272	23,928,004
Construction in Process	438,701	127,032
Land Held for Conservation	5,065,002	5,061,722
Total Assets	\$ 52,829,972	\$ 55,215,205
<b>LIABILITIES AND NET ASSETS</b>		
<b>LIABILITIES</b>		
Accounts Payable and Accrued Expenses	\$ 654,646	\$ 642,672
Deferred Revenue	182,858	159,498
Facility Deposits	5,600	5,751
Notes Payable	3,725,478	4,786,835
Total Liabilities	4,568,582	5,594,756
<b>NET ASSETS</b>		
Unrestricted:		
Undesignated	2,611,082	3,379,402
Designated for Property and Equipment	23,627,272	23,928,004
Total Unrestricted	26,238,354	27,307,406
Temporarily Restricted	11,469,544	11,767,350
Permanently Restricted	10,553,492	10,545,693
Total Net Assets	48,261,390	49,620,449
Total Liabilities and Net Assets	\$ 52,829,972	\$ 55,215,205

See accompanying Notes to Consolidated Financial Statements.

**CONSERVANCY OF SOUTHWEST FLORIDA, INC. AND SUBSIDIARY  
CONSOLIDATED STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS  
YEAR ENDED SEPTEMBER 30, 2015**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<b>SUPPORT AND REVENUES</b>				
Contributions	\$ 1,689,506	\$ 2,511,878	\$ 7,799	\$ 4,209,183
Investment Return	(7,435)	(236,036)	-	(243,471)
Program Income	248,816	-	-	248,816
Grants	656,711	-	-	656,711
Store Sales, Net	360,133	-	-	360,133
Special Events Revenue	\$ 1,933,636			
Special Events Direct Expenses	<u>(671,066)</u>	1,262,570	-	1,262,570
Admissions	132,661	-	-	132,661
Other	39,828	-	-	39,828
Gain on Disposal of Property and Equipment	1,800	-	-	1,800
	<u>4,384,590</u>	<u>2,275,842</u>	<u>7,799</u>	<u>6,668,231</u>
Total Support and Revenues				
Net Assets Released from Restrictions	<u>1,957,600</u>	<u>(1,957,600)</u>	<u>-</u>	<u>-</u>
Total Support, Revenues and Reclassifications	6,342,190	318,242	7,799	6,668,231
<b>EXPENSES</b>				
Program Services	5,690,428	-	-	5,690,428
Management and General	706,580	-	-	706,580
Fund-Raising	1,014,234	-	-	1,014,234
	<u>7,411,242</u>	<u>-</u>	<u>-</u>	<u>7,411,242</u>
Total Expenses				
Depreciation of Split Interest Agreement and Trust Receivable	-	(616,048)	-	(616,048)
	<u>(1,069,052)</u>	<u>(297,806)</u>	<u>7,799</u>	<u>(1,359,059)</u>
<b>CHANGE IN NET ASSETS</b>				
Net Assets - Beginning of Year	<u>27,307,406</u>	<u>11,767,350</u>	<u>10,545,693</u>	<u>49,620,449</u>
<b>NET ASSETS - END OF YEAR</b>	<u>\$ 26,238,354</u>	<u>\$ 11,469,544</u>	<u>\$ 10,553,492</u>	<u>\$ 48,261,390</u>

See accompanying Notes to Consolidated Financial Statements.

**CONSERVANCY OF SOUTHWEST FLORIDA, INC. AND SUBSIDIARY**  
**CONSOLIDATED STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS**  
**YEAR ENDED SEPTEMBER 30, 2014**

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>SUPPORT AND REVENUES</b>				
Contributions	\$ 6,329,709	\$ 1,361,549	\$ 7,754	\$ 7,699,012
Investment Return	102,917	615,292	-	718,209
Program Income	262,366	-	-	262,366
Grants	938,885	-	-	938,885
Store Sales, Net	390,076	-	-	390,076
Special Events Revenue	\$ 1,986,468			
Special Events Direct Expenses	<u>(567,179)</u>	1,419,289	-	1,419,289
Admissions	112,011	-	-	112,011
Other	15,177	-	-	15,177
Loss on Disposal of Property and Equipment	<u>9,037</u>	-	-	<u>9,037</u>
Total Support and Revenues	9,579,467	1,976,841	7,754	11,564,062
Net Assets Released from Restrictions	<u>8,685,761</u>	<u>(8,685,761)</u>	-	<u>-</u>
Total Support, Revenues and Reclassifications	18,265,228	(6,708,920)	7,754	11,564,062
<b>EXPENSES</b>				
Program Services	5,159,925	-	-	5,159,925
Management and General	638,762	-	-	638,762
Fund-Raising	<u>899,075</u>	-	-	<u>899,075</u>
Total Expenses	6,697,762	-	-	6,697,762
Appreciation of Split Interest Agreement and Trust Receivable	<u>-</u>	<u>757,378</u>	-	<u>757,378</u>
<b>CHANGE IN NET ASSETS</b>	11,567,466	(5,951,542)	7,754	5,623,678
Net Assets - Beginning of Year	<u>15,739,940</u>	<u>17,718,892</u>	<u>10,537,939</u>	<u>43,996,771</u>
<b>NET ASSETS - END OF YEAR</b>	<u>\$ 27,307,406</u>	<u>\$ 11,767,350</u>	<u>\$ 10,545,693</u>	<u>\$ 49,620,449</u>

See accompanying Notes to Consolidated Financial Statements.

**CONSERVANCY OF SOUTHWEST FLORIDA, INC. AND SUBSIDIARY**  
**CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES**  
**YEAR ENDED SEPTEMBER 30, 2015**

	Program Services	Management and General	Fund- Raising	Total
Advertising and Public Relations	\$ 123,150	\$ 4,500	\$ 5,218	\$ 132,868
Contracted Services	416,071	23,251	76,000	515,322
Depreciation	1,077,161	68,975	77,837	1,223,973
Food and Beverage	49,785	4,752	12,803	67,340
Freight Charges	1,992	-	-	1,992
Insurance	232,278	19,084	20,771	272,133
Interest	61,030	886	-	61,916
Interns	135,292	-	-	135,292
Maintenance	231,599	20,773	19,802	272,174
Materials and Small Equipment	215,675	18,466	18,435	252,576
Miscellaneous Expense	13,517	-	13	13,530
Office, Printing and Postage	169,260	8,939	53,827	232,026
Rehabilitation, Animal Food and Supplies	125,059	-	-	125,059
Rent	31,140	6,000	17,004	54,144
Salaries and Benefits	2,547,198	517,861	688,504	3,753,563
Travel and Training	200,076	11,008	13,672	224,756
Telephone and Utilities	60,145	2,085	10,348	72,578
	<u>\$ 5,690,428</u>	<u>\$ 706,580</u>	<u>\$ 1,014,234</u>	<u>\$ 7,411,242</u>
Total				

See accompanying Notes to Consolidated Financial Statements.



**CONSERVANCY OF SOUTHWEST FLORIDA, INC. AND SUBSIDIARY  
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES  
YEAR ENDED SEPTEMBER 30, 2014**

	<u>Program Services</u>	<u>Management and General</u>	<u>Fund- Raising</u>	<u>Total</u>
Advertising and Public Relations	\$ 138,660	\$ 2,919	\$ 2,858	\$ 144,437
Contracted Services	423,111	14,588	46,367	484,066
Depreciation	795,953	57,485	30,953	884,391
Food and Beverage	44,470	2,310	10,973	57,753
Freight Charges	2,753	-	52	2,805
Insurance	222,048	16,679	10,206	248,933
Interest	1,592	1,539	-	3,131
Interns	113,616	-	-	113,616
Maintenance	203,526	16,961	21,806	242,293
Materials and Small Equipment	211,313	18,645	18,646	248,604
Miscellaneous Expense	41,711	-	10,923	52,634
Office, Printing and Postage	185,901	3,743	59,689	249,333
Rehabilitation, Animal Food and Supplies	132,558	-	-	132,558
Rent	39,053	8,686	27,364	75,103
Salaries and Benefits	2,343,212	481,792	644,402	3,469,406
Travel and Training	204,033	10,936	11,735	226,704
Telephone and Utilities	56,415	2,479	3,101	61,995
	<u>\$ 5,159,925</u>	<u>\$ 638,762</u>	<u>\$ 899,075</u>	<u>\$ 6,697,762</u>
Total	<u>\$ 5,159,925</u>	<u>\$ 638,762</u>	<u>\$ 899,075</u>	<u>\$ 6,697,762</u>

See accompanying Notes to Consolidated Financial Statements.

**CONSERVANCY OF SOUTHWEST FLORIDA, INC. AND SUBSIDIARY  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
YEARS ENDED SEPTEMBER 30, 2015 AND 2014**

	2015	2014
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in Net Assets	\$ (1,359,059)	\$ 5,623,678
Adjustments to Reconcile Change in Net Assets to Net Cash Provided (Used) by Operating Activities:		
Gain on Sale of Investments	(863,484)	(730,003)
Gain on Sale of Property and Equipment	(1,800)	(9,037)
Depreciation	1,225,367	885,789
Present Value Discount of Unconditional Promises to Give	81,809	35,790
Bad Debt Expense	8,945	200
Net Depreciation in Fair Value of Investments	1,329,231	253,150
(Appreciation) Depreciation of Split Interest Agreement and Trust Receivable	528,207	(701,980)
Contributed Securities	(1,009,548)	(646,512)
In-Kind Contributions	(66,710)	-
Contributions Restricted for Long-Term Purposes	(1,410,371)	(903,075)
(Increase) Decrease in:		
Accrued Interest Receivable	7,285	(6,357)
Inventory	38,660	10,416
Prepaid Expenses	(3,082)	(63,679)
Other Receivables	(579)	43,693
Split Interest Agreement and Trust Receivable	545,000	500,000
Increase (Decrease) in:		
Accounts Payable and Accrued Expenses	11,974	5,237
Deferred Revenue	23,360	(16,522)
Facility Deposits	(151)	2,045
Net Cash Provided (Used) by Operating Activities	(914,946)	4,282,833
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of Investments	(12,530,144)	(6,822,146)
Proceeds from Sales of Investments	13,008,007	7,305,521
Proceeds from Sale of Property and Equipment	1,800	135,025
Increase in Construction in Process	(971,225)	(3,448,987)
Purchase of Property and Equipment	(265,079)	(85,934)
Net Cash Used by Investing Activities	(756,641)	(2,916,521)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from Long-Term Debt	350,000	2,849,843
Collections of Contributions Restricted for Long-Term Investment	2,179,204	2,028,171
Principal Payments on Notes Payable	(1,347,927)	(4,168,667)
Net Cash Provided by Financing Activities	1,181,277	709,347
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	(490,310)	2,075,659
Cash and Cash Equivalents - Beginning of Year	2,573,314	497,655
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	\$ 2,083,004	\$ 2,573,314

See accompanying Notes to Consolidated Financial Statements.

**CONSERVANCY OF SOUTHWEST FLORIDA, INC. AND SUBSIDIARY  
CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)  
YEARS ENDED SEPTEMBER 30, 2015 AND 2014**

	2015	2014
<b>AS PRESENTED IN THE STATEMENTS OF FINANCIAL POSITION</b>		
Cash and Cash Equivalents	\$ 1,525,651	\$ 2,196,080
Cash and Cash Equivalents - Restricted for Long-Term Purposes	557,353	377,234
	\$ 2,083,004	\$ 2,573,314
<b>SUPPLEMENTAL DISCLOSURES</b>		
Cash Paid for Interest	\$ 109,689	\$ 115,409
Construction in Process Placed into Service	\$ 659,556	\$ 8,999,300

*See accompanying Notes to Consolidated Financial Statements.*

**CONSERVANCY OF SOUTHWEST FLORIDA, INC. AND SUBSIDIARY  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
SEPTEMBER 30, 2015 AND 2014**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Nature of Activities**

The Conservancy of Southwest Florida, Inc. (Conservancy) was established in 1966 as a nonprofit corporation in the state of Florida. The Conservancy is a 501(c)(3) not-for-profit 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 Conservancy accomplishes this mission through the combined efforts of experts in environmental science, policy and advocacy, education and wildlife rehabilitation. The Conservancy is supported primarily through donor contributions, grants and fundraising activities, thrift and consignment store sales, and programs.

TCI-Peaceful Horse, LLC was established in 2013 as a limited liability company in the state of Florida. The Conservancy is the sole member of the limited liability company. Its mission is to preserve Southwest Florida's natural environment using scientific research, policy initiatives and education. TCI-Peaceful Horse, LLC is supported primarily through donor contributions, grants and fundraising activities.

**Principles of Consolidation**

The accompanying consolidated financial statements include the accounts of Conservancy of Southwest Florida, Inc. and TCI-Peaceful Horse, LLC (together, the "Organization"), after elimination of intercompany accounts and transactions.

**Basis of Accounting**

The accounts of the Organization are maintained, and the accompanying consolidated 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 consolidated 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.

**CONSERVANCY OF SOUTHWEST FLORIDA, INC. AND SUBSIDIARY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2015 AND 2014**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Cash and Cash Equivalents**

For purposes of these consolidated 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.

**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 Measurement**

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.

**CONSERVANCY OF SOUTHWEST FLORIDA, INC. AND SUBSIDIARY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2015 AND 2014**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Fair Value Measurement (Continued)**

*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.

*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 re-measure 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 consolidated statements of financial position.

**Inventory**

Inventories on the consolidated 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 consolidated 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 non-monetary goods which are used in the Organization's programs. 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 donated goods, which they use in their programs, of \$-0- and \$18,966 for the years ended September 30, 2015 and 2014, respectively.

**CONSERVANCY OF SOUTHWEST FLORIDA, INC. AND SUBSIDIARY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2015 AND 2014**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**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.

**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.

**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 fund-raising 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 non-financial assets, require specialized skills, are provided by individuals possessing such specialized skills or the services would have been purchased, if not donated. Many individuals volunteer their time, approximately 68,700 hours in 2015 and 72,800 hours in 2014, and perform a variety of tasks that assist the Organization in educational services, store operations, committee assignments, and fund-raising. No amounts have been reflected in the consolidated statements of activities and changes in net assets because the criteria for recognition have not been satisfied.

**CONSERVANCY OF SOUTHWEST FLORIDA, INC. AND SUBSIDIARY  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
SEPTEMBER 30, 2015 AND 2014**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

**Income Taxes**

The Internal Revenue Service (IRS) has determined the Organization to be exempt from income taxes under the provisions of Internal Revenue Code 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 Code. The Internal Revenue Code 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 consolidated financial statements, the Organization, has evaluated events and transactions for potential recognition or disclosure through February 12, 2016, the date the consolidated 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, 2015 and 2014 consist of temporarily restricted promises to give as follows:

	2015	2014
Unconditional Promises to Give	\$ 1,811,637	\$ 2,730,443
Less: Allowance for Doubtful Accounts	(10,000)	(10,000)
Less: Discount to Net Present Value	(35,942)	(106,456)
Total	\$ 1,765,695	\$ 2,613,987



**CONSERVANCY OF SOUTHWEST FLORIDA, INC. AND SUBSIDIARY**  
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**NOTE 2 UNCONDITIONAL PROMISES TO GIVE, NET (CONTINUED)**

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

One Year or Less	\$ 665,427
Two to Five Years	1,146,210
Total	<u>\$ 1,811,637</u>

Unconditional promises to give are reflected at present value of estimated cash flows using a discount rate of 1.50% to 4.50% and 1.50% to 4.53% at September 30, 2015 and 2014, respectively. Management has estimated the allowance for doubtful accounts to be approximately \$10,000 for 2015 and 2014.

**NOTE 3 INVESTMENTS AND FAIR VALUE**

Investments at September 30, 2015 and 2014 are composed of the following:

	2015		2014	
	Cost	Fair Value	Cost	Fair Value
Common Stock - Domestic	\$ 5,734,316	\$ 5,265,169	\$ 3,532,143	\$ 4,020,291
Common Stock - Foreign	2,736,510	2,507,603	2,158,738	2,248,571
U.S. Agency Bonds	238,999	241,698	283,924	284,585
Corporate Bonds	535,930	536,121	614,185	608,750
International Developed Bonds	-	-	145,669	142,595
Municipal Bonds	560,561	576,439	546,204	552,730
Mutual Funds - Commodities	-	-	784,605	700,419
Mutual Funds - Fixed Income	988,294	958,090	-	-
Real Estate Investment Trust	600,000	521,233	544,463	595,745
Mortgage Pools	139,412	135,612	-	-
Alternative Investments	6,050	6,544	1,534,972	1,528,885
Total	<u>\$ 11,540,072</u>	<u>\$ 10,748,509</u>	<u>\$ 10,144,903</u>	<u>\$ 10,682,571</u>

The following tabulation summarizes unrealized and realized gains for the years ended September 30, 2015 and 2014:

<u>September 30, 2015</u>	Cost	Fair Value	Excess of Fair Value Over Cost
Balance, September 30, 2014	\$ 10,144,903	\$ 10,682,571	\$ 537,668
Balance, September 30, 2015	11,540,072	10,748,509	<u>(791,563)</u>
Decrease in Unrealized Appreciation			(1,329,231)
Net Realized Gain on Investments			<u>863,484</u>
Net Gain on Investments			<u>\$ (465,747)</u>

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**NOTE 3 INVESTMENTS AND FAIR VALUE (CONTINUED)**

<u>September 30, 2014</u>	<u>Cost</u>	<u>Fair Value</u>	<u>Excess of Fair Value Over Cost</u>
Balance, September 30, 2013	\$ 9,251,763	\$ 10,042,581	\$ 790,818
Balance, September 30, 2014	10,144,903	10,682,571	<u>537,668</u>
Decrease in Unrealized Appreciation			(253,150)
Net Realized Gain on Investments			<u>730,003</u>
Net Gain on Investments			<u>\$ 476,853</u>

The components of investment return are as follows:

	<u>2015</u>	<u>2014</u>
Dividends and Interest	\$ 268,723	\$ 292,706
Gain on Sale of Investments	863,484	730,003
Net Change in Depreciation in Fair Value of Investments	(1,329,231)	(253,150)
Investment Management Fees	(46,447)	(51,350)
Total Investment Return	<u>\$ (243,471)</u>	<u>\$ 718,209</u>

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 consolidated statements of financial position.

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**NOTE 3 INVESTMENTS AND FAIR VALUE (CONTINUED)**

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, 2015:

	Level 1	Level 2	Level 3	Total
Assets:				
Common Stock - Domestic	\$ 5,265,169	\$ -	\$ -	\$ 5,265,169
Common Stock - Foreign	2,507,603	-	-	2,507,603
U.S. Agency Bonds	-	241,698	-	241,698
Corporate Bonds	-	536,121	-	536,121
International Developed Bonds	-	-	-	-
Municipal Bonds	-	576,439	-	576,439
Mutual Funds - Commodities	-	-	-	-
Mutual Funds - Fixed Income	-	958,090	-	958,090
Real Estate Investment Trust	-	521,233	-	521,233
Mortgage Pools	-	135,612	-	135,612
Alternative Investments	-	-	6,544	6,544
Split Interest Agreement and Trust Receivable	-	-	8,731,978	8,731,978
Total	<u>\$ 7,772,772</u>	<u>\$ 2,969,193</u>	<u>\$ 8,738,522</u>	<u>\$ 19,480,487</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, 2014:

	Level 1	Level 2	Level 3	Total
Assets:				
Common Stock - Domestic	\$ 4,020,291	\$ -	\$ -	\$ 4,020,291
Common Stock - Foreign	2,248,571	-	-	2,248,571
U.S. Agency Bonds	-	284,585	-	284,585
Corporate Bonds	-	608,750	-	608,750
International Developed Bonds	-	142,595	-	142,595
Municipal Bonds	-	552,730	-	552,730
Mutual Funds - Commodities	-	700,419	-	700,419
Real Estate Investment Trust	-	595,745	-	595,745
Alternative Investments	-	-	1,528,885	1,528,885
Split Interest Agreement and Trust Receivable	-	-	9,816,480	9,816,480
Total	<u>\$ 6,268,862</u>	<u>\$ 2,884,824</u>	<u>\$ 11,345,365</u>	<u>\$ 20,499,051</u>

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**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, 2013	\$ 9,585,864
Change in Split Interest Agreement Discount to Net Present Value	28,636
Contributions	-
Distributions	(500,000)
Unrealized Appreciation	701,980
Balance at September 30, 2014	<u>9,816,480</u>
Change in Split Interest Agreement Discount to Net Present Value	(11,295)
Contributions	5,000
Distributions	(545,000)
Unrealized Appreciation	(528,207)
Balance at September 30, 2015	<u><u>\$ 8,736,978</u></u>

Level 3 Alternative Investment

Balance at September 30, 2013	\$ 1,286,233
Contributions	-
Purchases	278,922
Sales	(4,818)
Unrealized Appreciation	(31,452)
Balance at September 30, 2014	<u>1,528,885</u>
Contributions	-
Purchases	-
Sales	(1,526,096)
Unrealized Appreciation	3,755
Balance at September 30, 2015	<u><u>\$ 6,544</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 split interest agreement and trust receivable 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. AND SUBSIDIARY**  
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**NOTE 4 PROPERTY AND EQUIPMENT, NET**

Property and equipment at September 30, 2015 and 2014 consists of the following:

	2015	2014
Land	\$ 579,046	\$ 579,046
Building and Improvements	26,009,373	25,520,317
Museum Exhibits	165,045	135,045
Furniture and Equipment	2,387,136	2,043,171
Transportation and Marine Equipment	653,368	631,974
Statuary	97,181	97,181
Subtotal	<u>29,891,149</u>	<u>29,006,734</u>
Less: Accumulated Depreciation	<u>(6,263,877)</u>	<u>(5,078,730)</u>
Total	<u>\$ 23,627,272</u>	<u>\$ 23,928,004</u>

Depreciation expense for the years ended September 30, 2015 and 2014 was \$1,225,367 and \$885,789, respectively, of which \$1,223,973 and \$884,391 are included in the consolidated statements of functional expenses for the years September 30, 2015 and 2014, respectively. The remainder of the depreciation of \$1,394 and \$1,398 are included in the Store Sales, Net in the consolidated statement of activities and changes in net assets for 2015 and 2014, respectively.

**NOTE 5 CONSTRUCTION IN PROCESS**

In connection with the Organization's planned building and exhibits, construction in process as of September 30, 2015 and 2014 totaled \$438,701 and \$127,032, respectively. During the year ended September 30, 2015, \$659,556 of construction in process was placed into service. During the years ended September 30, 2015 and 2014, the Organization capitalized interest related to its ongoing construction project totaling \$41,184 and \$115,409, respectively.

**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, 2015 and 2014 as follows:

	2015	2014
Blair Foundation	\$ 8,382,388	\$ 9,548,076
Split Interest Agreement	344,590	268,404
Beneficial Asset Held by Others	5,000	-
Total	<u>\$ 8,731,978</u>	<u>\$ 9,816,480</u>

**CONSERVANCY OF SOUTHWEST FLORIDA, INC. AND SUBSIDIARY  
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**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, 2015.

**NOTE 7 CASH RESTRICTED FOR LONG-TERM PURPOSES**

Cash restricted for long-term purposes consists of the following at September 30, 2015 and 2014:

	2015	2014
Cash Restricted for Endowment	\$ 56,284	\$ 377,234
Cash Restricted - Peaceful Horse Ranch	501,069	-
Total	\$ 557,353	\$ 377,234

**NOTE 8 NOTES PAYABLE**

Notes payable consists of the following at September 30, 2015 and 2014:

<u>Description</u>	2015	2014
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 2.75%. Organization may draw up to \$8,000,000. Interest is due monthly with final principal balance due July 25, 2017.	\$ 3,512,759	\$ 4,710,243
Line of credit with financial institution, secured by the assets of the Organization. Interest is fixed at 2.75%. Interest is due monthly with final principal balance due July 25, 2017.	200,000	-
Promissory notes with individuals, unsecured, as part of the Annual Giving and Membership Investment Fund. Interest is fixed at 1%. Interest is accrued annually and due along with the principal balance in three years from the date of the notes, which occurs during the year ending September 30, 2016.	12,719	76,592
Total	\$ 3,725,478	\$ 4,786,835

**CONSERVANCY OF SOUTHWEST FLORIDA, INC. AND SUBSIDIARY**  
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**NOTE 8 NOTES PAYABLE (CONTINUED)**

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, with the exception of one, in which the Organization has received a waiver from the financial institution.

Principal maturities are as follows:

<u>Year Ending September 30,</u>	<u>Amount</u>
2015	\$ 12,719
2016	3,712,759
Total	<u>\$ 3,725,478</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' 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, 2015 and 2014.

**CONSERVANCY OF SOUTHWEST FLORIDA, INC. AND SUBSIDIARY  
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**NOTE 9 ENDOWMENT (CONTINUED)**

**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.

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 of directors approved appropriations of up to 5% during 2015 and 2014 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.



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**NOTE 9 ENDOWMENT (CONTINUED)**

Changes in endowment net assets as of September 30, 2015 and 2014 are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment Net Assets as of September 30, 2013	\$ -	\$ 261,084	\$ 9,680,357	\$ 9,941,441
Contributions	-	-	7,754	7,754
Cash Collected on Unconditional Promises to Give	-	-	322,367	322,367
Investment Return:				
Investment Income	-	250,762	-	250,762
Investment Expense	-	(44,223)	-	(44,223)
Realized Gain on Sale of Investments	-	628,011	-	628,011
Net Depreciation	-	(219,258)	-	(219,258)
Total Investment Return	-	615,292	-	615,292
Appropriations	-	(500,000)	-	(500,000)
Endowment Net Assets as of September 30, 2014	-	376,376	10,010,478	10,386,854
Contributions	-	-	7,799	7,799
Cash Collected on Unconditional Promises to Give	-	-	496,000	496,000
Investment Return:				
Investment Income	-	260,517	-	260,517
Investment Expense	-	(45,029)	-	(45,029)
Realized Gain on Sale of Investments	-	837,116	-	837,116
Net Depreciation	-	(1,288,640)	-	(1,288,640)
Total Investment Return	-	(236,036)	-	(236,036)
Appropriations	(359,660)	(140,340)	-	(500,000)
Endowment Net Assets as of September 30, 2015	<u>\$ (359,660)</u>	<u>\$ -</u>	<u>\$ 10,514,277</u>	<u>\$ 10,154,617</u>

**NOTE 10 TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted net assets at September 30, 2015 and 2014 were restricted by the donors for the following purposes:

	2015	2014
Capital Campaign	\$ 40,637	\$ 748,757
Trust Receivable	8,382,388	9,548,076
Split Interest Agreement	344,590	268,404
Capital Projects	1,767,060	-
Science and Environmental Programs	346,623	763,878
Youth Programs	33,000	-
Magic Temporarily Restricted Funds	41,813	34,651
Good Fortune Vessel	17,208	27,208
Discovery Center	3,000	-
Unappropriated Endowment Earnings	-	376,376
Peaceful Horse Ranch	493,225	-
Total	<u>\$ 11,469,544</u>	<u>\$ 11,767,350</u>

**CONSERVANCY OF SOUTHWEST FLORIDA, INC. AND SUBSIDIARY**  
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**NOTE 11 PERMANENTLY RESTRICTED NET ASSETS**

Permanently restricted net assets at September 30, 2015 and 2014 consist of the following:

	2015	2014
General Endowment	\$ 3,764,011	\$ 3,764,011
Policy Projects	3,300,000	3,300,000
von Arx Wildlife Hospital and Veterinary	2,609,213	2,607,213
Education	316,992	316,992
Science Projects	304,294	304,294
Turtles	158,982	153,183
Interns	100,000	100,000
Total	<u>\$ 10,553,492</u>	<u>\$ 10,545,693</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, 2015 and 2014, the Organization recorded expenses of \$50,940 and \$47,485, respectively.

**NOTE 13 COMMITMENTS**

The Organization entered into several construction contracts related to the construction of its new facility. Construction commenced in 2015. As of September 30, 2015, the total commitment outstanding is \$1,893,428.

The Organization leases certain land included in the Rookery Bay National Estuarine 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 organizations 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.

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**NOTE 13 COMMITMENTS (CONTINUED)**

The Organization leases certain facilities for its consignment shops and warehouse, a crew house, and office equipment under non-cancelable operating leases expiring through September 2016. Rental expense for the years ended September 30, 2015 and 2014 was \$54,144 and \$88,765, respectively, and is included in the consolidated statements of functional expenses. The remainder of the rental expense of \$126,847 is included in the Store Sales, Net in the consolidated statements of activities and changes in net assets for both 2015 and 2014.

Future minimum lease payments are as follows:

<u>Year Ending September 30,</u>	<u>Amount</u>
2016	<u>\$ 19,974</u>

**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, 2015 and 2014. Bank depository account balances at Northern Trust totaled \$2,026,720 and \$2,196,080 at September 30, 2015 and 2014, respectively. The line of credit balances at Northern Trust totaled \$3,712,759 and \$4,710,243 at September 30, 2015 and 2014, respectively. A board member was an officer at Bank of America during the year ended September 30, 2015. Investment balances were \$0- and \$11,059,805 at September 30, 2015 and 2014, respectively. The Organization received contributions from board members totaling \$931,645 and \$470,412 during the years ended September 30, 2015 and 2014, respectively, and has outstanding unconditional promises to give due from board members totaling \$862,500 and \$70,618 at September 30, 2015 and 2014, respectively.

**NOTE 15 TCI-PEACEFUL HORSE, LLC**

On October 17, 2014, a transaction was completed between Mosaic Fertilizer, LLC and Friends of Florida State Forests, Inc. TCI-Peaceful Horse, LLC acted as a broker for the transaction by setting up an escrow account for the transaction to occur through. The Peaceful Horse Ranch property, located in Desoto County, in addition to \$2,000,000 was to be transferred from Mosaic Fertilizer, LLC to Friends of Florida State Forests, Inc. The property was transferred directly to Friends of Florida State Forests, Inc. The cash was transferred into the escrow account, and subsequently transferred to Friends of Florida State Forests, Inc. Separately from this transaction, 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 (see Note 7).