

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

Financial Statements and
Independent Auditor's Report
September 30, 2018 and 2017

Contents

	Page
Independent Auditor's Report	1
Financial Statements	
Statements of Financial Position	2
Statement of Activities - 2018.....	3
Statement of Activities - 2017.....	4
Statements of Cash Flows.....	5
Notes to Financial Statements	6

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, 2018 and 2017, the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Conservation Foundation of the Gulf Coast, Inc. as of September 30, 2018 and 2017, 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.

Sarasota, Florida
March 3, 2019



Conservation Foundation of the Gulf Coast, Inc.

Statements of Financial Position
September 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Assets		
Current Assets:		
Cash and cash equivalents	\$ 901,537	\$ 716,761
Accounts receivable	39,994	19,657
Contributions receivable, current portion	102,748	3,200
Grant receivable, current portion	11,665	-
Prepaid expenses and other assets	199,444	49,701
Total current assets	<u>1,255,388</u>	<u>789,319</u>
Contributions receivable, net of current portion	1,797	1,297
Grant receivable, net of current portion	10,746	24,636
Cash reserved for future projects	1,666,635	1,790,478
Investments	3,642,943	3,423,565
Land, buildings, improvements and equipment, net	3,839,257	3,562,432
Land held for conservation	<u>19,697,901</u>	<u>19,691,098</u>
Total Assets	<u>\$ 30,114,667</u>	<u>\$ 29,282,825</u>
Liabilities and Net Assets		
Current Liabilities:		
Accounts payable	\$ 37,475	\$ 51,243
Accrued expenses	30,582	29,631
Deferred income	122,975	85,500
Security deposits	16,500	13,000
Total current liabilities	<u>207,532</u>	<u>179,374</u>
Net Assets:		
Unrestricted		
Undesignated	4,073,756	3,710,714
Board designated	5,839,585	5,566,248
Total unrestricted net assets	<u>9,913,341</u>	<u>9,276,962</u>
Temporarily restricted	295,893	135,391
Permanently restricted	19,697,901	19,691,098
Total net assets	<u>29,907,135</u>	<u>29,103,451</u>
Total Liabilities and Net Assets	<u>\$ 30,114,667</u>	<u>\$ 29,282,825</u>

See accompanying notes to financial statements.

Conservation Foundation of the Gulf Coast, Inc.

Statement of Activities

Year Ended September 30, 2018

(With Summarized Totals For 2017)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>2018 Total</u>	<u>2017 Total</u>
Unrestricted Net Assets:					
Unrestricted revenues, gains, and other support					
Contributions	\$ 850,762	\$ 1,640,255	\$ 6,800	\$ 2,497,817	\$ 428,325
Grants	20,000	446,901	-	466,901	145,332
In-kind contributions	35,445	-	-	35,445	31,567
Program income	83,857	-	-	83,857	74,721
Interest and dividend income, net of fees	64,198	-	-	64,198	67,536
Realized and unrealized gain on investments, net	173,128	-	-	173,128	313,008
Special events revenue, net of direct costs of \$191,074 and \$164,556, respectively	232,702	-	-	232,702	260,697
Extinguishment of land held for conservation easement	-	-	3	3	-
Net assets released from restrictions	1,926,654	(1,926,654)	-	-	-
Total unrestricted revenues, gains, and other support	<u>3,386,746</u>	<u>160,502</u>	<u>6,803</u>	<u>3,554,051</u>	<u>1,321,186</u>
Expenses:					
Program expenses	2,503,669	-	-	2,503,669	907,306
Management and general	72,181	-	-	72,181	87,144
Fundraising	174,517	-	-	174,517	140,924
Total program expenses	<u>2,750,367</u>	<u>-</u>	<u>-</u>	<u>2,750,367</u>	<u>1,135,374</u>
Change in net assets	636,379	160,502	6,803	803,684	185,812
Net assets, beginning of year	9,276,962	135,391	19,691,098	29,103,451	28,917,639
Net assets, end of year	<u>\$ 9,913,341</u>	<u>\$ 295,893</u>	<u>\$ 19,697,901</u>	<u>\$ 29,907,135</u>	<u>\$ 29,103,451</u>

See accompanying notes to financial statements.

Conservation Foundation of the Gulf Coast, Inc.

Statement of Activities

Year Ended September 30, 2017

(With Summarized Totals For 2018)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>2017 Total</u>	<u>2018 Total</u>
Unrestricted Net Assets:					
Unrestricted revenues, gains, and other support					
Contributions	\$ 398,962	\$ 29,363	\$ -	\$ 428,325	\$ 2,497,817
Grants	20,000	125,332	-	145,332	466,901
In-kind contributions	31,567	-	-	31,567	35,445
Program income	74,721	-	-	74,721	83,857
Interest and dividend income, net of fees	67,536	-	-	67,536	64,198
Realized and unrealized gain on investments, net	313,008	-	-	313,008	173,128
Special events revenue, net of direct costs of \$164,556 and \$191,074 respectively	260,697	-	-	260,697	232,702
Net assets released from restrictions	184,261	(184,261)	-	-	-
Total unrestricted revenues, gains, and other support	1,350,752	(29,566)	-	1,321,186	3,554,048
Expenses					
Program expenses	907,306	-	-	907,306	2,503,669
Management and general	87,144	-	-	87,144	72,181
Fundraising	140,924	-	-	140,924	174,517
Total program expenses	1,135,374	-	-	1,135,374	2,750,367
Change in net assets	215,378	(29,566)	-	185,812	803,681
Net assets, beginning of year	9,061,584	164,957	19,691,098	28,917,639	29,103,451
Net assets, end of year	\$ 9,276,962	\$ 135,391	\$ 19,691,098	\$ 29,103,451	\$ 29,907,132

See accompanying notes to financial statements.

Conservation Foundation of the Gulf Coast, Inc.

Statements of Cash Flows
Years Ended September 30, 2018 and 2017

	2018	2017
Cash Flows from Operating Activities:		
Change in net assets	\$ 803,684	\$ 185,812
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	115,464	106,291
Realized and unrealized gain on investments, net	(173,128)	(313,008)
Net change in value of contributions and grants receivable	-	(265)
Non-cash donations of land	(471,800)	-
Non-cash extinguishment of development rights	315,000	-
Change in operating assets:		
Accounts receivable	(20,337)	397,891
Contributions receivable	(100,048)	29,191
Grant receivable	2,225	-
Prepaid expenses and other assets	257	4,508
Change in operating liabilities:		
Accounts payable	(13,768)	(13,762)
Accrued expenses	951	5,569
Deferred income	37,475	(19,750)
Security deposits	3,500	4,500
Total adjustments	(304,209)	201,165
Net cash provided by operating activities	499,475	386,977
Cash Flows from Investing Activities:		
Purchases of investments	(1,794,029)	(2,284,755)
Proceeds from sales of investments	1,747,776	2,438,886
Purchase of land, buildings, improvements, and equipment	(392,289)	(116,599)
Net cash provided by (used in) investing activities	(438,542)	37,532
Cash flows from financing activities		
Change in cash reserved for future projects	123,843	(26,761)
Net cash provided by (used in) financing activities	123,843	(26,761)
Net change in cash and cash equivalents	184,776	397,748
Cash and cash equivalents, beginning of year	716,761	319,013
Cash and cash equivalents, end of year	\$ 901,537	\$ 716,761
Supplemental Disclosure of Cash Flow Information:		
Land received through donation, net of \$465,000 appraised value less \$315,000 of program expenses from extinguishment of development rights. Included in prepaid expenses and other assets due to expected transfer during fiscal year ended September 30, 2019.	\$ 150,000	\$ -

See accompanying notes to financial statements.

Conservation Foundation of the Gulf Coast, Inc.

Notes to Financial Statements

September 30, 2018 and 2017

I. Organization

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

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

Conservation Easement Properties:	Acres	Value
Casey Key Waterfront	00.70	\$ 1.00
Manasota Key Waterfront	00.97	1.00
Pine Island Preserve**	**	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
Subtotal	220.08	8.00
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
Subtotal**	302.47	19,697,893
Total Land Protected in Perpetuity **	522.55	19,697,901
Trade Land Fee Properties		
Tarpon Point Landing - Myakka River	1.30	103,973
Total Land		\$ 19,801,874

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

2. Summary of Significant Accounting Policies

Financial Statements

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

Conservation Foundation of the Gulf Coast, Inc.

Notes to Financial Statements (Continued)

September 30, 2018 and 2017

2. Summary of Significant Accounting Policies (Continued)

Use of Estimates and Assumptions

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

Functional Allocation of Expenses

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

Donated Materials and Services

The Foundation receives donated legal and consulting services as well as property and improvements. These donations are shown on the accompanying statements of activities as in-kind contributions. The fair market value of the donated services was \$35,445 and \$31,567 for the years ended September 30, 2018 and 2017, 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.

Basis of Presentation

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

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

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

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

Conservation Foundation of the Gulf Coast, Inc.

Notes to Financial Statements (Continued)

September 30, 2018 and 2017

2. Summary of Significant Accounting Policies (Continued)

Income Taxes

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

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

The Foundation files income tax returns in the U.S. federal jurisdiction. The tax periods open to examination by the major taxing jurisdictions to which the Foundation is subject include fiscal years ended September 30, 2015 through September 30, 2018.

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

Cash and Cash Equivalents

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

Accounts Receivable

The Foundation uses the allowance method to provide for uncollectible accounts receivable. However, an allowance has not been recorded at either September 30, 2018 or 2017 since all accounts receivables are estimated by management to be collectible.

Land, Buildings, Improvements and Equipment, Net

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

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

Conservation Foundation of the Gulf Coast, Inc.

Notes to Financial Statements (Continued)

September 30, 2018 and 2017

2. Summary of Significant Accounting Policies (Continued)

Conservation Easements

Conservation easements are legal documents filed in the official records of the Clerk of Circuit Court in the applicable counties. A conservation easement places legally enforceable, permanent restrictions on the development and other uses of property. Conservation easements are negotiated between the landowner and the Foundation based on the natural characteristics of the property and the wishes of the landowner. By accepting a conservation easement, the Foundation incurs perpetual responsibility in relation to monitoring the property to ensure compliance with the easement and legal costs of enforcement. As of September 30, 2018 and 2017, the Foundation holds eight conservation easements consisting of 220.08 acres.

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

Investments

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

3. Land, Buildings, Improvements and Equipment

	<u>2018</u>	<u>2017</u>
Land	\$ 103,973	\$ 103,973
Furniture, fixtures and equipment	113,137	107,192
Buildings and improvements	3,888,215	3,830,534
Land improvements	82,308	82,308
Construction in progress	587,731	268,269
	<u>4,775,364</u>	<u>4,392,276</u>
Less: accumulated depreciation	(936,107)	(829,844)
Total land, buildings, improvements and equipment, net	<u>\$ 3,839,257</u>	<u>\$ 3,562,432</u>

Depreciation expense for the years ended September 30, 2018 and 2017 was \$115,464 and \$106,291, respectively.

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

Conservation Foundation of the Gulf Coast, Inc.

Notes to Financial Statements (Continued)

September 30, 2018 and 2017

4. Contributions and Grants Receivable

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

	<u>2018</u>	<u>2017</u>
Unconditional promises and grants expected to be collected in:		
Less than one year	\$ 114,413	\$ 3,200
One year to five years	13,848	28,661
Total unconditional promises	<u>128,261</u>	<u>31,861</u>
Less discounts to net present value (at 5%)	(1,305)	(2,728)
Total contributions and grants receivable, net	<u>\$ 126,956</u>	<u>\$ 29,133</u>

No allowance for uncollectible contributions was determined to be necessary for the years ended September 30, 2018 and 2016.

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

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

5. Investments

Investments consisted of the following as of September 30:

	<u>2018</u>		<u>2017</u>	
	<u>Cost</u>	<u>Market Value</u>	<u>Cost</u>	<u>Market Value</u>
Equities	\$ 632,511	\$ 750,697	\$ 631,167	\$ 656,715
Mutual funds	2,729,774	2,892,246	2,612,541	2,766,850
Total investments	<u>\$ 3,362,285</u>	<u>\$ 3,642,943</u>	<u>\$ 3,243,708</u>	<u>\$ 3,423,565</u>

Interest and dividend income for the years ended September 30, 2018 and 2017 totaled \$84,536 and \$87,972, respectively. Realized and unrealized gain on investments for the year ended September 30, 2018 consisted of net realized gains of \$72,327 and net unrealized gains of \$100,801. Realized and unrealized gain on investments for the year ended September 30, 2017 consisted of net realized gains of \$112,531 and net unrealized gains of \$200,477.

6. Concentration of Credit Risk

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

Conservation Foundation of the Gulf Coast, Inc.

Notes to Financial Statements (Continued)

September 30, 2018 and 2017

7. Restricted Net Assets

The balance of temporarily restricted net assets at September 30, 2018 and 2017 is restricted as follows:

	<u>2018</u>	<u>2017</u>
Contributions and grants receivable	\$ 126,956	\$ 29,133
Other programs	168,937	106,258
Total temporarily restricted net asset	<u>\$ 295,893</u>	<u>\$ 135,391</u>

Permanently restricted net assets at September 30, 2018 and 2017 consist of the following:

	<u>2018</u>	<u>2017</u>
Land held for conservation	\$ 19,697,901	\$ 19,691,098

8. Net Assets Released From Restrictions

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

	<u>2018</u>	<u>2017</u>
Expenditures for Bay Preserve improvements	\$ -	\$ 45,516
Expenditures for Johnson Preserve	1,504,828	-
Expenditures for other programs	421,826	138,745
Total net assets released from restrictions	<u>\$ 1,926,654</u>	<u>\$ 184,261</u>

9. Board Designated Net Assets

The balance of board designated net assets at September 30, 2018 and 2017 is broken out as follows:

	<u>2018</u>	<u>2017</u>
Quasi-endowments	\$ 3,686,453	\$ 3,554,910
Pine Island park development and stewardship	1,422,994	1,586,903
Bay Preserve capital	19,886	38,949
Board Designated Capital Reserve Fund	161,682	109,415
Operating reserve	548,570	276,071
Total board designated net assets	<u>\$ 5,839,585</u>	<u>\$ 5,566,248</u>

10. Quasi-Endowment Funds

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

As of September 30, 2018 and 2017, quasi-endowment funds are broken out as follows:

	<u>2018</u>	<u>2017</u>
General Quasi-Endowment Fund	\$ 1,645,092	\$ 1,598,516
Bay Preserve Quasi-Endowment Fund	696,217	676,575
Stewardship Fund	228,403	194,585
Pine Island Preserve at Matlacha Pass Quasi-Endowment Fund	1,116,741	1,085,234
Total quasi-endowment funds	<u>\$ 3,686,453</u>	<u>\$ 3,554,910</u>

Conservation Foundation of the Gulf Coast, Inc.

Notes to Financial Statements (Continued)

September 30, 2018 and 2017

10. Quasi-Endowment Funds (Continued)

Interpretation of Relevant Law

As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds, including quasi-endowments, are to be classified and reported based on the existence or absence of donor-imposed restrictions. The Foundation's Board has interpreted the Florida Uniform Prudent Management of Institutional Funds Act (FUPMIFA) as requiring the preservation of the fair value of a permanently restricted donor gift as of the date of the gift, absent explicit donor stipulations to the contrary. As of September 30, 2018, the Foundation had not received any permanently restricted donor endowment gifts. If the Foundation were to receive such gifts in the future, in concert with its interpretation of FUPMIFA, the Foundation would classify such gifts as permanently restricted net assets.

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

	<u>2018</u>	<u>2017</u>
Quasi-endowment net assets, October 1	\$ 3,554,910	\$ 3,310,030
Quasi-endowment investment return:		
Interest and dividends	84,167	87,632
Realized and unrealized gains, net	173,318	313,005
Total endowment investment return	<u>257,485</u>	<u>400,637</u>
Contributions	27,500	-
Account fees	(20,338)	(20,437)
Distributions to the Foundation	(133,104)	(135,320)
Net other endowment activity	<u>(125,942)</u>	<u>(155,757)</u>
Quasi-endowment net assets, September 30	<u>\$ 3,686,453</u>	<u>\$ 3,554,910</u>

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

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

Spending Policy and How the Investment Objectives Relate to Spending Policy

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

11. Reclassifications

To facilitate comparison of financial data, certain amounts in the 2017 financial statements have been reclassified to conform to the 2018 reporting presentation. Such reclassifications had no effect on the change in net assets previously reported.

Conservation Foundation of the Gulf Coast, Inc.

Notes to Financial Statements (Continued)

September 30, 2018 and 2017

12. 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.

This Topic requires the Foundation to present fair value measurements separately for each class of assets and liabilities held as of September 30, 2018 and 2017. 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, 2018 and 2017, 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, 2018	Level 1	Level 2	Level 3
Assets at Fair Value:				
Investments:				
Equities:				
Exchange traded	\$ 750,697	\$ 750,697	\$ -	\$ -
Total equity	<u>750,697</u>	<u>750,697</u>	<u>-</u>	<u>-</u>
Mutual funds:				
Equities	2,083,974	2,083,974	-	-
Fixed income	706,800	706,800	-	-
Balanced	101,472	101,472	-	-
Total mutual funds	<u>2,892,246</u>	<u>2,892,246</u>	<u>-</u>	<u>-</u>
Total investments at fair value	<u>\$ 3,642,943</u>	<u>\$ 3,642,943</u>	<u>\$ -</u>	<u>\$ -</u>

Conservation Foundation of the Gulf Coast, Inc.

Notes to Financial Statements (Continued)

September 30, 2018 and 2017

12. Fair Value of Financial Assets and Liabilities (Continued)

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

13. Commitments and Contingencies

During the normal course of business, the Foundation may become subject to liens and/or lawsuits. Land trusts, such as the Foundation, are frequently parties to litigation and liens involving their conservation activities. There were no liens outstanding as of September 30, 2018 or as of the date of this report.

14. Retirement Plan

Beginning in January 2012, eligible employees can elect to participate in a 401(k) Safe Harbor Plan. In 2018 and 2017, 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, 2018 and 2017 were \$21,200 and \$20,869, respectively.

15. Related Party Transactions

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

16. Line of Credit

The Foundation has a revolving line of credit up to \$150,000 available from a financial institution with a maturity date of April 2019. The interest rate is equal to the SunTrust Prime Rate minus 0.90% percentage points, which was 4.35% as of September 30, 2018. The SunTrust Prime Rate is a reference for fixing the lending rate for commercial loans and is a fluctuating rate of interest which can change on each banking day. The line is secured by the investments the Foundation is holding with the financial institution. There was no outstanding balance on this line of credit as of September 30, 2018 and 2017.

Conservation Foundation of the Gulf Coast, Inc.

Notes to Financial Statements (Continued)

September 30, 2018 and 2017

17. Operating Leases

The Foundation leases a copier machine expiring in 2020. Rent expense for the years ended September 30, 2018 and 2017 was \$2,016 and \$2,016, respectively. Future minimum payments for operating leases are as follows for the years ending September 30:

2019	\$	2,016
2020		168
	\$	<u>2,184</u>

18. Subsequent Events

The Foundation has evaluated all events subsequent to the statement of financial position date of September 30, 2018, through the date these financial statements were available for issuance, March 3, 2019, and has determined that except as noted below, there are no subsequent events that require disclosure under the FASB Accounting Standards Codification.

In December of 2018, the Foundation transferred 11.44 acres of land to Manatee County. The land, which was recorded at \$150,000, was included in prepaid expenses and other assets as of September 30, 2018 due to the anticipated transfer during fiscal year ended September 30, 2019.