

FINANCIAL STATEMENTS
AND ACCOMPANYING INFORMATION

**SANIBEL-CAPTIVA CONSERVATION
FOUNDATION, INC.**

June 30, 2016 and 2015

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C O N T E N T S

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February 3, 2017

Board of Trustees
Sanibel-Captiva Conservation Foundation, Inc.
Sanibel, Florida

Independent Auditor's Report

Report on the financial statements

We have audited the accompanying financial statements of Sanibel-Captiva Conservation Foundation, Inc. (a nonprofit foundation), which comprise the statements of financial position as of June 30, 2016 and 2015, and the related statements of activities and changes in net assets 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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 Sanibel-Captiva Conservation Foundation, Inc. as of June 30, 2016 and 2015, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Accompanying Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying information included on pages 19 to 25 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Hill, Barth & King LLC
Certified Public Accountants

STATEMENTS OF FINANCIAL POSITION

SANIBEL-CAPTIVA CONSERVATION FOUNDATION, INC.

June 30, 2016 and 2015

| | <u>2016</u> | <u>2015</u> |
|--|----------------------|----------------------|
| <u>ASSETS</u> | | |
| Cash and cash equivalents | \$ 1,404,432 | \$ 1,567,333 |
| Investments | 5,412,946 | 5,294,620 |
| Reimbursable grant receivables | 138,090 | 0 |
| Unconditional promises to give, net | 7,304 | 10,985 |
| Inventory | 15,921 | 15,219 |
| Prepaid insurance | 74,486 | 58,679 |
| Deposit | 401,094 | 401,094 |
| Land | 15,545,487 | 15,525,487 |
| Property and equipment, net | 1,259,946 | 1,288,726 |
| Construction in progress | 1,165,753 | 868,681 |
| Real estate held for sale | 0 | 281,630 |
| Other assets | 5,400 | 5,400 |
| TOTAL ASSETS | <u>\$ 25,430,859</u> | <u>\$ 25,317,854</u> |
| <u>LIABILITIES AND NET ASSETS</u> | | |
| <u>LIABILITIES</u> | | |
| Accounts payable | \$ 5,483 | \$ 1,905 |
| Accrued expenses | 203,391 | 207,421 |
| Refund of donor's contribution payable | 125,000 | 0 |
| Deferred contributions | 18,700 | 20,000 |
| Deferred compensation | 505,129 | 490,020 |
| Annuity obligations | 191,734 | 207,811 |
| TOTAL LIABILITIES | <u>1,049,437</u> | <u>927,157</u> |
| <u>NET ASSETS</u> | | |
| Unrestricted: | | |
| Undesignated | 3,605,109 | 3,559,962 |
| Designated by the board: | | |
| Land preservation | 15,141,387 | 15,351,703 |
| Habitat management | 861,986 | 1,211,793 |
| Other | 1,950,363 | 1,473,552 |
| | <u>21,558,845</u> | <u>21,597,010</u> |
| Temporarily restricted | 184,195 | 229,718 |
| Permanently restricted | 2,638,382 | 2,563,969 |
| TOTAL NET ASSETS | <u>24,381,422</u> | <u>24,390,697</u> |
| TOTAL LIABILITIES AND NET ASSETS | <u>\$ 25,430,859</u> | <u>\$ 25,317,854</u> |

See accompanying notes to financial statements

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS

SANIBEL-CAPTIVA CONSERVATION FOUNDATION, INC.

Years ended June 30, 2016 and 2015

| | 2016 | | | Total |
|---|----------------------|---------------------------|---------------------------|----------------------|
| | Unrestricted | Temporarily Restricted | Permanently Restricted | |
| <u>REVENUE, GAINS AND OTHER SUPPORT</u> | | | | |
| Contributions | \$ 2,321,441 | \$ 11,200 | \$ 86,600 | \$ 2,419,241 |
| Native landscapes and garden center sales | 198,349 | 0 | 0 | 198,349 |
| Fund raising events | 129,293 | 7,500 | 0 | 136,793 |
| Grant revenue | 737,103 | 0 | 0 | 737,103 |
| Interest and dividends, net of fees | (28,961) | 30,409 | 0 | 1,448 |
| Realized gain on investments | 97,157 | 68,099 | (5,830) | 159,426 |
| Unrealized gain (loss) on investments | (268,934) | (77,651) | 2,533 | (344,052) |
| Other revenue | 36,121 | 0 | 0 | 36,121 |
| | <u>3,221,569</u> | <u>39,557</u> | <u>83,303</u> | <u>3,344,429</u> |
| Net assets released from restrictions | 93,970 | (85,080) | (8,890) | 0 |
| TOTAL REVENUE, GAINS AND OTHER SUPPORT | <u>3,315,539</u> | <u>(45,523)</u> | <u>74,413</u> | <u>3,344,429</u> |
| <u>EXPENSES AND LOSSES</u> | | | | |
| Land acquisition | 126,047 | 0 | 0 | 126,047 |
| Native landscapes and garden center | 301,617 | 0 | 0 | 301,617 |
| Habitat management | 467,986 | 0 | 0 | 467,986 |
| Marine lab | 894,028 | 0 | 0 | 894,028 |
| Environmental education | 456,489 | 0 | 0 | 456,489 |
| Fundraising | 118,165 | 0 | 0 | 118,165 |
| General and administrative | 807,205 | 0 | 0 | 807,205 |
| Loss on disposition of asset | 57,167 | 0 | 0 | 57,167 |
| TOTAL EXPENSES | <u>3,228,704</u> | <u>0</u> | <u>0</u> | <u>3,228,704</u> |
| INCREASE (DECREASE) IN NET ASSETS | 86,835 | (45,523) | 74,413 | 115,725 |
| <u>NET ASSETS</u> | | | | |
| Beginning of year | 21,597,010 | 229,718 | 2,563,969 | 24,390,697 |
| Refund of contribution | (125,000) | 0 | 0 | (125,000) |
| End of year | <u>\$ 21,558,845</u> | <u>\$ 184,195</u> | <u>\$ 2,638,382</u> | <u>\$ 24,381,422</u> |

See accompanying notes to financial statements

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS (CONTINUED)

SANIBEL-CAPTIVA CONSERVATION FOUNDATION, INC.

Years ended June 30, 2016 and 2015

| | 2015 | | | Total |
|--|----------------------|---------------------------|---------------------------|----------------------|
| | Unrestricted | Temporarily Restricted | Permanently Restricted | |
| <u>REVENUE, GAINS AND OTHER SUPPORT</u> | | | | |
| Contributions | \$ 2,770,046 | \$ 20,000 | \$ 195,659 | \$ 2,985,705 |
| Native landscapes and garden center sales | 151,757 | 0 | 0 | 151,757 |
| Fund raising events | 112,384 | 0 | 0 | 112,384 |
| Grant revenue | 220,640 | 0 | 0 | 220,640 |
| Interest and dividends, net of fees | (24,485) | 23,123 | 0 | (1,362) |
| Realized gain on investments | 125,608 | 0 | 0 | 125,608 |
| Unrealized gain (loss) on investments | (11,432) | 19,547 | 0 | 8,115 |
| Other revenue | 37,483 | 0 | 0 | 37,483 |
| | <u>3,382,001</u> | <u>62,670</u> | <u>195,659</u> | <u>3,640,330</u> |
| Net assets released from restrictions | 360,432 | (360,432) | 0 | 0 |
| TOTAL REVENUE, GAINS AND OTHER SUPPORT | <u>3,742,433</u> | <u>(297,762)</u> | <u>195,659</u> | <u>3,640,330</u> |
| <u>EXPENSES</u> | | | | |
| Land acquisition | 67,629 | 0 | 0 | 67,629 |
| Native landscapes and garden center | 242,638 | 0 | 0 | 242,638 |
| Habitat management | 439,445 | 0 | 0 | 439,445 |
| Marine lab | 737,299 | 0 | 0 | 737,299 |
| Environmental education | 404,869 | 0 | 0 | 404,869 |
| Fund raising | 126,310 | 0 | 0 | 126,310 |
| General and administrative | 732,985 | 0 | 0 | 732,985 |
| Loss on disposition of asset | 3,876 | 0 | 0 | 3,876 |
| TOTAL EXPENSES | <u>2,755,051</u> | <u>0</u> | <u>0</u> | <u>2,755,051</u> |
| INCREASE (DECREASE) IN NET ASSETS | 987,382 | (297,762) | 195,659 | 885,279 |
| <u>NET ASSETS</u> | | | | |
| Beginning of year | 21,182,476 | 493,433 | 1,935,179 | 23,611,088 |
| Prior period adjustment for accrued medical leave | (105,670) | 0 | 0 | (105,670) |
| Reclassification of net asset classifications | (467,178) | 34,047 | 433,131 | 0 |
| End of year | <u>\$ 21,597,010</u> | <u>\$ 229,718</u> | <u>\$ 2,563,969</u> | <u>\$ 24,390,697</u> |

See accompanying notes to financial statements

STATEMENTS OF CASH FLOWS

SANIBEL-CAPTIVA CONSERVATION FOUNDATION, INC.

Years ended June 30, 2016 and 2015

| | <u>2016</u> | <u>2015</u> |
|---|---------------------|---------------------|
| <u>CASH FLOWS FROM OPERATING ACTIVITIES</u> | | |
| Increase in net assets | \$ 115,725 | \$ 885,279 |
| Adjustments to reconcile increase in net assets to net cash provided by operating activities: | | |
| Depreciation | 133,447 | 99,830 |
| Loss on disposition of assets | 57,167 | 3,876 |
| Bad debt expense | 2,500 | 17,457 |
| Donated services revenue | (24,997) | (2,353) |
| Unrealized (gain) loss on investments | 344,052 | (8,115) |
| Net realized loss on sale of investments | (159,426) | 0 |
| Increase in reimbursable grant revenue receivable | (138,090) | 0 |
| Decrease in unconditional promises to give | 1,181 | 84,233 |
| Increase in deposit | 0 | (401,094) |
| (Increase) decrease in inventory | (702) | 1,908 |
| Increase in prepaid insurance | (15,807) | (11,909) |
| Decrease in accounts payable and accrued expenses | (452) | (13,109) |
| Increase (decrease) in deferred contributions | (8,880) | 20,000 |
| Increase in deferred compensation | 15,109 | 36,797 |
| Decrease in annuity obligations | (16,077) | (13,933) |
| NET CASH PROVIDED BY OPERATING ACTIVITIES | <u>304,750</u> | <u>698,867</u> |
| <u>CASH FLOWS FROM INVESTING ACTIVITIES</u> | | |
| In-kind purchase of land | (20,000) | 0 |
| Purchase of property and equipment | (108,205) | (498,157) |
| Payments for construction in progress, net of donated services | (272,075) | (471,272) |
| Proceeds from sales of investments | 1,760,367 | 488,923 |
| Purchases of investments | (2,055,738) | (1,154,025) |
| Proceeds from real estate sold | 228,000 | 0 |
| NET CASH USED IN INVESTING ACTIVITIES | <u>(467,651)</u> | <u>(1,634,531)</u> |
| | | |
| NET DECREASE IN CASH AND CASH EQUIVALENTS | (162,901) | (935,664) |
| <u>CASH AND CASH EQUIVALENTS</u> | | |
| Beginning of year | 1,567,333 | 2,502,997 |
| End of year | <u>\$ 1,404,432</u> | <u>\$ 1,567,333</u> |

See accompanying notes to financial statements

NOTES TO FINANCIAL STATEMENTS

SANIBEL-CAPTIVA CONSERVATION FOUNDATION, INC.

June 30, 2016 and 2015

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General:

The Sanibel-Captiva Conservation Foundation, Inc. (the Foundation), was formed in 1967 as a Florida not-for-profit corporation and is dedicated to preserving and protecting the natural environment. The Foundation owns approximately 1,800 acres on or surrounding Sanibel, Captiva and Pine Islands, Florida. Its programs include land acquisition, habitat management, water quality monitoring, education, research and consultation.

The Foundation also established a native plant nursery, research and education facility at the Conservation Center in 1979 for the purpose of studying the propagation and care of native plants and makes them available for use by the public for local landscaping. In November 2015, the Foundation relocated the native plant nursery, renamed “The Native Landscapes and Garden Center”, to the Bailey Homestead Preserve. Project activities of the Native Landscapes and Garden Center also include the restoration of disturbed natural areas on Sanibel and Captiva Islands through the eradication of exotic vegetation and the re-establishment of native plant species.

In addition, the Foundation operates a marine laboratory for the purpose of understanding and maintaining the health of the estuarine habitats surrounding Sanibel and Captiva Islands.

Basis of Accounting:

The financial statements of the Foundation have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables and other liabilities.

Financial Statement Presentation:

The financial statements report resources for accounting purposes as separate classes of net assets based on the existence or absence of donor-imposed restrictions. Net assets that have similar characteristics are combined in the following categories:

- Unrestricted – Net assets that are not subject to donor-imposed stipulations. Unrestricted net assets may be designated for specific purposes by action of the Board of Trustees or may otherwise be limited by contractual agreements with outside parties.
- Temporarily restricted – Net assets whose use is subject to donor-imposed stipulations that can be fulfilled by actions pursuant to those stipulations or that expire by the passage of time. When a restriction expires, the temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions.
- Permanently restricted – Net assets subject to donor-imposed stipulations that they be maintained permanently by the Foundation. Generally, the donors of these assets permit the Foundation to use all or part of the income earned on any related investments for general or specific purposes.

Cash and Cash Equivalents:

The Foundation considers highly liquid debt instruments purchased with original maturity dates of three months or less to be cash equivalents.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

SANIBEL-CAPTIVA CONSERVATION FOUNDATION, INC.

June 30, 2016 and 2015

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments:

The Foundation measures its investments in accordance with FASB ASC 820, Fair Value Measurements and Disclosures, which defines fair value, establishes a framework for measuring in accordance with generally accepted accounting principles and expands disclosures about fair value measurements. As such, investments are carried at fair market value, which is based upon quoted market prices at June 30, 2016 and 2015. The increase (decrease) in the market value, interest, dividends and capital gains reinvested in the funds are reflected on the statements of activities and changes in net assets.

Promises to Give:

Unconditional promises to give are recognized as revenues or gains in the period received and as assets, decreases in liabilities or expenses depending on the form of the benefits received. Conditional promises to give are recognized when the conditions which they depend on are substantially met.

Inventory:

Native Landscapes and Garden inventory is stated using the retail value method, which approximates fully-absorbed costs.

Land:

Land purchased by the Foundation is stated at cost. Donated land is stated at fair market value at the date of gift or at tax assessed value when the fair value is not reasonably obtainable. The deeds to certain parcels of land contain restrictions limiting the use of the land to the Foundation's goal of conserving natural resources. Some of the deeds contain revocation clauses which stipulate that the grantor may revoke the Foundation's interest in the property should any deed restriction be violated.

Property and Equipment:

Property and equipment are stated at cost less accumulated depreciation. Depreciation is computed on the straight-line method over the estimated useful life of the depreciable assets. The Foundation capitalizes property and equipment with a cost in excess of \$1,500. Expenditures for maintenance and repairs are charged against operations.

Donated Assets:

Donated marketable securities and other noncash donations are recorded as contributions at their estimated fair values at the date of donation.

Compensated Absences:

Employees of the Foundation are entitled to paid vacation and sick time, depending on the length of service. The Foundation accrues for unused vacation pay. Management considers it impracticable to estimate the amount of compensation for unused sick time.

Annuity Obligations:

The Foundation enters into annuity arrangements with contributors who desire to support the work of the Foundation. In exchange, the Foundation agrees to pay the donors a set amount of money at an agreed upon interest rate periodically for the life of the donor. The annuity obligations are recorded at the greater of the present value of the stream of periodic payments based on the donors estimated lifespan or the balance of funds contributed by the donor.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

SANIBEL-CAPTIVA CONSERVATION FOUNDATION, INC.

June 30, 2016 and 2015

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Donations Received:

Donations received are recorded as unrestricted, temporarily restricted or permanently restricted net assets depending on the existence or nature of any donor restrictions. Donations that are restricted by the donor are reported as unrestricted net assets if the restrictions expire in the fiscal year in which the donations are recognized. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

Donated Services:

The Foundation recognizes donated services that create or enhance non-financial assets. The Foundation also recognizes donated services for specialized skills that would typically need to be purchased if not acquired by donation provided that the services are performed by individuals possessing those skills. Various volunteers worked approximately 1,061 and 102 hours on the renovation of the Bailey Homestead with an estimated fair value of \$24,997 and \$2,353 as of June 30, 2016 and 2015, respectively. As the renovation enhanced the property, this amount was recognized in the accompanying statements of financial position as construction in progress and in the statements of activities and changes in net assets as revenue.

Grant Revenue:

The Foundation has been the recipient of several grants during the years ended June 30, 2016 and 2015. These grants are considered to be on a conditional basis as they depend on the occurrence of a specified future event that binds the promisor. The grants will be recognized when the conditions on which they depend are substantially met, that is, when the conditional promise becomes unconditional. Such conditional promises as of June 30, 2016 and 2015 totaled \$211,978 and \$667,874, respectively. The grants were awarded for the conduct of various studies of the natural environment.

Income Taxes:

The Foundation is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. It qualifies for the charitable contribution deduction under Section 170(1)(A) and has been classified as an organization that is not a private foundation under Section 509(a)(2).

Use of Estimates:

The preparation of financial statements in conformity with U.S. generally accepted accounting principles (GAAP) 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 revenues and expenses during the reporting period. Actual results could differ from those estimates.

Reclassifications:

Certain items in the prior year financial statements have been reclassified to conform to the current year presentation. Such reclassifications had no effect on changes in net assets, except for those separately disclosed.

Subsequent Events:

Management evaluated all activity of the Foundation through February 3, 2017, the date the financial statements were available to be issued, and concluded that no subsequent events have occurred that would require recognition or disclosure in the financial statements or notes.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

SANIBEL-CAPTIVA CONSERVATION FOUNDATION, INC.

June 30, 2016 and 2015

NOTE B - ENDOWMENT

General:

The Foundation's endowment consists of numerous individual funds established for a variety of purposes. The endowment includes both donor-restricted funds and funds designated by the Board of Trustees to function as endowments. As required by U.S. generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the Board of Trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law:

The Board of Trustees of the Foundation has interpreted the Florida Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds. As a result of this interpretation, the Foundation 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 temporarily restricted net assets until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (1) The duration and preservation of the various funds
- (2) The purposes of the donor-restricted endowment funds
- (3) General economic conditions
- (4) The possible effect of inflation and deflation
- (5) The expected total return from income and appreciation of investments
- (6) Other resources of the Foundation
- (7) The Foundation's investment policies

Return Objectives and Risk Parameters:

The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Foundation must hold in perpetuity or for a donor-specified period(s) as well as board-designated funds. Under this policy, as approved by the Board of Trustees, the endowment assets are invested in a manner that is expected to produce a cumulative annualized total return net of fees and commissions that equals or exceeds the S&P 500 index by 1 point. Actual returns in any given year may vary from this amount.

Strategies Employed for Achieving Objectives:

To satisfy its long-term rate-of-return objectives, the Foundation 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 Foundation targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term objectives within prudent risk constraints.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

SANIBEL-CAPTIVA CONSERVATION FOUNDATION, INC.

June 30, 2016 and 2015

NOTE B - ENDOWMENT (CONTINUED)

Spending Policy and How the Investment Objectives Relate to Spending Policy:

The Foundation has a policy of appropriating for distribution each year an amount recommended annually by the endowment committee (currently 5 percent) of its endowment fund's average fair value over the prior 12 quarters through the calendar year-end proceeding the fiscal year in which the distribution is planned. In establishing this policy, the Foundation considered the long-term expected return on its endowment. Accordingly, over the long-term, the Foundation expects the current spending policy to allow its endowment continued annual growth. This is consistent with the Foundation's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return.

NOTE C - INVESTMENTS IN MANAGED FUNDS

The Foundation has entered into agreements for certain investments to be managed by third party investment advisors. Managed investments consist of the following as of June 30:

| | <u>2016</u> | <u>2015</u> |
|--------------------|---------------------|---------------------|
| Money market funds | \$ 291,382 | \$ 177,852 |
| Common stock | 3,039,984 | 2,659,217 |
| Foreign stock | 183,530 | 163,912 |
| Mutual funds | 1,898,050 | 2,293,639 |
| | <u>\$ 5,412,946</u> | <u>\$ 5,294,620</u> |

Of the above, Merrill Lynch Consultants Service managed \$265,638, Sanibel Captiva Trust Company managed \$3,825,038, and Fidelity Investments managed \$1,322,270 at June 30, 2016.

Of the above, Merrill Lynch Consultants Service managed \$260,639, Sanibel Captiva Trust Company managed \$3,848,831, and Fidelity Investments managed \$1,185,150 at June 30, 2015.

NOTE D - FAIR VALUE MEASUREMENTS

FASB ASC 820, Fair Value Measurements, establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under FASB ASC 820 are described as follows:

- Level 1 – Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Foundation has the ability to access.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

SANIBEL-CAPTIVA CONSERVATION FOUNDATION, INC.

June 30, 2016 and 2015

NOTE D - FAIR VALUE MEASUREMENTS (CONTINUED)

- Level 2 – Inputs to the valuation methodology include
 - quoted prices for similar assets or liabilities in active markets;
 - quoted prices for identical or similar assets or liabilities in inactive markets;
 - inputs other than quoted prices that are observable for the asset or liability;
 - inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

- Level 3 – Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The following tables set forth by level, within the fair value hierarchy, the Foundation's assets at fair value as of June 30, 2016 and 2015:

| | Investments at fair value as of June 30, 2016 | | | |
|----------------------------|---|-------------|-------------|---------------------|
| | Level 1 | Level 2 | Level 3 | Total |
| Money market funds | \$ 291,382 | \$ 0 | \$ 0 | \$ 291,382 |
| Common stock | 3,039,984 | 0 | 0 | 3,039,984 |
| Foreign stock | 183,530 | 0 | 0 | 183,530 |
| Mutual funds | 1,898,050 | 0 | 0 | 1,898,050 |
| Total assets at fair value | <u>\$ 5,412,946</u> | <u>\$ 0</u> | <u>\$ 0</u> | <u>\$ 5,412,946</u> |

| | Investments at fair value as of June 30, 2015 | | | |
|----------------------------|---|-------------|-------------|---------------------|
| | Level 1 | Level 2 | Level 3 | Total |
| Money market funds | \$ 177,852 | \$ 0 | \$ 0 | \$ 177,852 |
| Common stock | 2,659,217 | 0 | 0 | 2,659,217 |
| Foreign stock | 163,912 | 0 | 0 | 163,912 |
| Mutual funds | 2,293,639 | 0 | 0 | 2,293,639 |
| Total assets at fair value | <u>\$ 5,294,620</u> | <u>\$ 0</u> | <u>\$ 0</u> | <u>\$ 5,294,620</u> |

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

SANIBEL-CAPTIVA CONSERVATION FOUNDATION, INC.

June 30, 2016 and 2015

NOTE E - PROMISES TO GIVE

Unconditional promises to give consist of the following as of June 30:

| | <u>2016</u> | <u>2015</u> |
|--|-----------------|------------------|
| Bailey campaign | \$ 500 | \$ 4,250 |
| Marine lab | 0 | 2,500 |
| Native landscapes and garden | <u>6,804</u> | <u>4,235</u> |
| | 7,304 | 10,985 |
| Less allowance for uncollectible pledges | 0 | 0 |
| | <u>\$ 7,304</u> | <u>\$ 10,985</u> |

All receivables outstanding at June 30, 2016 are due within one year. The Foundation has reserved the allowance for uncollectible pledges based on historical collection percentages of specifically identified uncollectible receivables.

NOTE F - OTHER ASSETS

Other assets consist of the following donated items as of June 30:

| | <u>2016</u> | <u>2015</u> |
|--|-----------------|-----------------|
| Original duck stamp print | \$ 4,000 | \$ 4,000 |
| Original Havell engraving of Audubon drawing | <u>1,400</u> | <u>1,400</u> |
| | <u>\$ 5,400</u> | <u>\$ 5,400</u> |

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

SANIBEL-CAPTIVA CONSERVATION FOUNDATION, INC.

June 30, 2016 and 2015

NOTE G - PROPERTY AND EQUIPMENT

Property and equipment consist of the following as of June 30:

| | <u>2016</u> | <u>2015</u> |
|-------------------------------|---------------------|---------------------|
| Buildings | \$ 1,283,837 | \$ 1,278,961 |
| Equipment | 1,618,033 | 1,550,862 |
| Tarpon Bay improvements | 10,788 | 16,848 |
| Furniture and fixtures | 71,615 | 71,615 |
| Library | 5,597 | 5,597 |
| Housing | 123,489 | 117,039 |
| Exhibit area | 198,691 | 192,871 |
| Bailey Homestead | 18,814 | 3,100 |
| | <u>3,330,864</u> | <u>3,236,893</u> |
| Less accumulated depreciation | <u>2,070,918</u> | <u>1,948,167</u> |
| | <u>\$ 1,259,946</u> | <u>\$ 1,288,726</u> |

Depreciation expense is allocated among programs and supporting services classifications. Depreciation expense consists of the following as of June 30:

| | <u>2016</u> | <u>2015</u> |
|------------------------------|-------------------|------------------|
| Land acquisition | \$ 2,249 | \$ 197 |
| Native landscapes and garden | 379 | 379 |
| Habitat management | 36,437 | 22,900 |
| Marine lab | 55,969 | 44,852 |
| Environmental education | 11,009 | 11,724 |
| General and administrative | 27,404 | 19,778 |
| | <u>\$ 133,447</u> | <u>\$ 99,830</u> |

NOTE H - DEFERRED COMPENSATION

The Foundation has entered into a deferred compensation agreement with a key employee, which provides for distributions upon termination, subject to vesting requirements. All contributions are at the sole discretion of the Foundation. The unrestricted fund general and administrative expense account for the years ended June 30, 2016 and 2015, were charged \$35,000 and \$30,000, respectively.

NOTE I - CHARITABLE GIFT ANNUITIES

The Foundation has entered into annuity agreements with six contributors. Annuity obligations are recorded at the present value of expected future payments based on the IRS mortality tables and the prevailing interest rate. As of June 30, 2016 and 2015, the balance of invested funds and related annuity obligations totaled \$191,734 and \$207,811, respectively. The present value of future payment liabilities on these deferred gift annuity agreements as of June 30, 2016 and 2015 is \$94,592 and \$119,320, respectively.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

SANIBEL-CAPTIVA CONSERVATION FOUNDATION, INC.

June 30, 2016 and 2015

NOTE I - CHARITABLE GIFT ANNUITIES (CONTINUED)

On October 20, 2010, the Board of Trustees voted to suspend the offering of annuity agreements. No annuity agreements were executed for the years ended June 30, 2016 and 2015.

NOTE J - CORRECTION OF ERROR

The financial statements include a prior period adjustment effective June 30, 2015 for accrued medical leave. During fiscal 2016, it was discovered that the Foundation historically accrued and paid out medical leave for employees but did not record the associated liability within the financial statements. As a result, the previously issued financial statements as of June 30, 2015 were restated to reflect the adjustments to the associated liability account as well as the correction of the associated net asset balance. These changes result in the disclosure of the following alterations of the Foundation's accrued liability and net asset balances as of June 30, 2015:

| | |
|-------------------------------------|------------|
| Increase in accrued liabilities | \$ 105,670 |
| Decrease in unrestricted net assets | (105,670) |

NOTE K - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consist of the following as of June 30:

| | <u>2016</u> | <u>2015</u> |
|--|-------------------|-------------------|
| Deferred AFD and fundraising contributions | \$ 18,700 | \$ 20,000 |
| Native landscapes and garden scholarship | 3,042 | 4,117 |
| Environmental education | 21,405 | 26,283 |
| Habitat management | 44,742 | 54,623 |
| Bailey campaign promises to give | 500 | 4,249 |
| Marine laboratory | 0 | 2,500 |
| Natural resource preservation | 81,327 | 97,728 |
| Sea turtle conservation | 174 | 218 |
| Tennis tournament fundraiser | 5,000 | 10,000 |
| Ding Darling conservation education | 9,305 | 10,000 |
| | <u>\$ 184,195</u> | <u>\$ 229,718</u> |

The above amounts include temporarily restricted cash of \$16,200 and \$30,000 at June 30, 2016 and 2015, respectively, as imposed by donors for future use by the annual fund drive and tennis tournament fundraiser, respectively.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

SANIBEL-CAPTIVA CONSERVATION FOUNDATION, INC.

June 30, 2016 and 2015

NOTE L - PERMANENTLY RESTRICTED NET ASSETS

Permanently restricted net assets consist of the following as of June 30:

| | <u>2016</u> | <u>2015</u> |
|---|---------------------|---------------------|
| Endowment whose earnings are restricted for purposes of environmental education | \$ 123,361 | \$ 123,361 |
| Endowment whose earnings are restricted for purposes of preserving natural resources | 468,693 | 468,693 |
| Endowment whose earnings are restricted for purposes of providing scholarships for native landscapes and garden interns | 28,350 | 26,750 |
| Endowment whose earnings are unrestricted | 821,604 | 761,604 |
| Endowment whose earnings are set aside for habitat management | 257,850 | 257,850 |
| Endowment whose earnings are set aside for purposes of supporting the marine laboratory program | 25,000 | 0 |
| Endowment whose earnings are set aside for sea turtle conservation | 1,000 | 1,000 |
| Endowment whose earnings are set aside for purposes of maintaining an internship program | 164,611 | 182,492 |
| Endowment whose dividend and interest income is set aside for purposes of conservation education | 256,333 | 250,639 |
| Land holdings permanently restricted for preservation | 491,580 | 491,580 |
| | <u>\$ 2,638,382</u> | <u>\$ 2,563,969</u> |

NOTE M - NON-CASH INVESTING ACTIVITIES

During the year ended June 30, 2016, the Foundation disposed of various property and equipment with a total cost of \$14,234 and total accumulated depreciation of \$10,697. The Foundation sold a real estate asset held for sale for total proceeds of \$228,000 with a cost basis of \$281,630. In addition, the Foundation received an in-kind donation of a strip of land valued at \$20,000.

During the year ended June 30, 2015, the Foundation disposed of various property and equipment with a total cost of \$82,917 and total accumulated depreciation of \$79,040.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

SANIBEL-CAPTIVA CONSERVATION FOUNDATION, INC.

June 30, 2016 and 2015

NOTE N - OTHER REVENUE

Other revenue consisted of the following as of June 30:

| | <u>2016</u> | <u>2015</u> |
|----------------------|------------------|------------------|
| Admissions | \$ 18,589 | \$ 19,613 |
| Miscellaneous income | 13,215 | 11,979 |
| Merchandise sales | 3,457 | 5,891 |
| Homestead income | 860 | 0 |
| | <u>\$ 36,121</u> | <u>\$ 37,483</u> |

NOTE O - RETIREMENT PLAN

The Foundation provides a 401(k) deferred compensation and profit sharing plan for the benefit of eligible employees. The plan covers all employees who have completed one year of service and have attained age eighteen. Additional contributions to the plan can be made at the discretion of the employer. During the fiscal years ended June 30, 2016 and 2015, employer contributions to the plan were charged to the following cost centers:

| | <u>2016</u> | <u>2015</u> |
|------------------------------|-------------------|-------------------|
| Land acquisition | \$ 1,521 | \$ 0 |
| Native landscapes and garden | 7,208 | 8,193 |
| Habitat management | 15,945 | 16,596 |
| Marine lab | 23,645 | 24,334 |
| Environmental education | 21,075 | 19,173 |
| General and administrative | 50,586 | 43,551 |
| | <u>\$ 119,980</u> | <u>\$ 111,847</u> |

NOTE P - OPERATING LEASES

The Foundation has entered into various operating lease agreements with terms through March 2018. The leases call for monthly payments totaling \$661. Expense charged to programs totaled \$5,573 and \$7,085 for the years ended June 30, 2016 and 2015, respectively.

The Foundation recognizes donated use of the Marine Lab, which is owned by an outside third-party. The estimated fair value for the use of the Marine Lab represents the fair value of a lease agreement and is properly recorded as revenue and expense in the statements of activities and changes in net assets. During the years ended June 30, 2016 and 2015, the estimated fair value for the use of the Marine Lab was \$62,392 and \$70,400, respectively.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

SANIBEL-CAPTIVA CONSERVATION FOUNDATION, INC.

June 30, 2016 and 2015

NOTE P - OPERATING LEASES (CONTINUED)

Future scheduled minimum rental commitments as of June 30, 2016 are as follows:

| | | |
|-------|-----------|--------------|
| 2017 | \$ | 3,317 |
| 2018 | | <u>2,489</u> |
| TOTAL | <u>\$</u> | <u>5,806</u> |

NOTE Q - MAJOR CONTRIBUTORS

The Foundation had six contributors that constituted 35% of the Foundation's June 30, 2016 contributions revenue. Additionally, the Foundation had six contributors that constituted 37% of the Foundation's June 30, 2015 contributions revenue.

NOTE R - RISKS AND UNCERTAINTIES

The Foundation maintains cash balances with one bank on Sanibel Island, Florida. The bank balances are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. At June 30, 2016, the Foundation had cash balances above the FDIC insured amount to the extent of \$1,168,499. These remaining cash balances are collateralized by securities pledged to the Foundation by the financial institution and therefore were fully collateralized.

The Foundation invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such change could materially affect the amounts reported in the statements of financial position.

NOTE S - REFUND OF DONOR CONTRIBUTION

During 2016, a donor requested a refund of a contribution originally made to the Foundation in fiscal 2011. It was agreed to return the donation since certain stipulations in the original gift document had not been met by the Foundation. The donation was refunded to the donor in July of 2016. There are no additional liabilities associated with the donor's request.

SCHEDULE OF LAND ACQUISITION EXPENSES

SANIBEL-CAPTIVA CONSERVATION FOUNDATION, INC.

Years ended June 30, 2016 and 2015

| | <u>2016</u> | <u>2015</u> |
|--|-------------------|------------------|
| Depreciation | \$ 2,249 | \$ 197 |
| Health, dental, life, and disability insurance | 6,570 | 0 |
| Payroll taxes | 2,285 | 544 |
| Professional fees | 375 | 0 |
| Program | 82,489 | 59,022 |
| Repairs and maintenance | 0 | 600 |
| Retirement plan contribution | 1,521 | 0 |
| Salaries and wages | 29,959 | 7,115 |
| Workers' Compensation insurance | 599 | 151 |
| TOTAL LAND AQUISITION EXPENSES | <u>\$ 126,047</u> | <u>\$ 67,629</u> |

SCHEDULE OF NATIVE LANDSCAPES AND GARDEN CENTER EXPENSES

SANIBEL-CAPTIVA CONSERVATION FOUNDATION, INC.

Years ended June 30, 2016 and 2015

| | <u>2016</u> | <u>2015</u> |
|---|-------------------|-------------------|
| Contract labor | \$ 32,995 | \$ 28,741 |
| Depreciation | 379 | 379 |
| General office | 1,244 | 1,235 |
| Health, dental, life, and disability insurance | 20,305 | 13,313 |
| Insurance | 2,586 | 2,321 |
| Payroll taxes | 10,333 | 8,582 |
| Postage and shipping | 47 | 37 |
| Printing and copying | 260 | 0 |
| Program | 74,457 | 61,930 |
| Repairs and maintenance | 3,699 | 4,642 |
| Retirement plan contribution | 7,208 | 8,193 |
| Salaries and wages | 137,798 | 109,257 |
| Telephone | 1,889 | 637 |
| Utilities | 5,413 | 1,161 |
| Workers' Compensation insurance | 3,004 | 2,210 |
| TOTAL NATIVE LANDSCAPES AND GARDEN CENTER EXPENSES | <u>\$ 301,617</u> | <u>\$ 242,638</u> |

SCHEDULE OF HABITAT MANAGEMENT EXPENSES

SANIBEL-CAPTIVA CONSERVATION FOUNDATION, INC.

Years ended June 30, 2016 and 2015

| | <u>2016</u> | <u>2015</u> |
|--|-------------------|-------------------|
| Contract labor | \$ 22,646 | \$ 15,072 |
| Depreciation | 36,437 | 22,900 |
| General office | 668 | 899 |
| Health, dental, life, and disability insurance | 28,056 | 30,285 |
| Insurance | 11,025 | 9,899 |
| Miscellaneous | 3,529 | 1,701 |
| Payroll taxes | 19,533 | 18,734 |
| Postage and shipping | 352 | 386 |
| Printing and copying | 4,922 | 3,139 |
| Professional fees | 531 | 0 |
| Repairs and maintenance | 21,132 | 28,721 |
| Retirement plan contribution | 15,945 | 16,596 |
| Salaries and wages | 259,481 | 248,990 |
| Supplies and equipment | 21,006 | 21,376 |
| Telephone | 5,981 | 6,212 |
| Travel and conference | 7,060 | 6,271 |
| Utilities | 4,742 | 3,719 |
| Workers' Compensation insurance | 4,940 | 4,545 |
| TOTAL HABITAT MANAGEMENT EXPENSES | <u>\$ 467,986</u> | <u>\$ 439,445</u> |

SCHEDULE OF MARINE LAB EXPENSES

SANIBEL-CAPTIVA CONSERVATION FOUNDATION, INC.

Years ended June 30, 2016 and 2015

| | <u>2016</u> | <u>2015</u> |
|--|-------------------|-------------------|
| Bank fees | \$ 431 | \$ 0 |
| Contract labor | 18,993 | 15,131 |
| Depreciation | 55,969 | 44,852 |
| General office | 1,810 | 2,231 |
| Health, dental, life, and disability insurance | 29,729 | 30,705 |
| Insurance | 12,573 | 12,089 |
| Miscellaneous | 170 | 600 |
| Payroll taxes | 25,830 | 26,912 |
| Postage and shipping | 1,752 | 1,345 |
| Printing and copying | 445 | 1,251 |
| Professional fees | 206,386 | 39,551 |
| Rent | 67,965 | 77,485 |
| Repairs and maintenance | 14,613 | 6,944 |
| Retirement plan contribution | 23,645 | 24,334 |
| Salaries and wages | 340,493 | 356,242 |
| Supplies and equipment | 35,893 | 41,161 |
| Telephone | 8,031 | 7,451 |
| Travel and conference | 5,427 | 4,733 |
| Utilities | 4,804 | 5,455 |
| Workers' Compensation insurance | 39,069 | 38,827 |
| TOTAL MARINE LAB EXPENSES | <u>\$ 894,028</u> | <u>\$ 737,299</u> |

SCHEDULE OF ENVIRONMENTAL EDUCATION EXPENSES

SANIBEL-CAPTIVA CONSERVATION FOUNDATION, INC.

Years ended June 30, 2016 and 2015

| | <u>2016</u> | <u>2015</u> |
|--|-------------------|-------------------|
| Bank fee | \$ 0 | \$ 25 |
| Depreciation | 11,009 | 11,724 |
| General office | 140 | 210 |
| Health, dental, life, and disability insurance | 19,258 | 19,899 |
| Miscellaneous | 0 | 10,000 |
| Payroll taxes | 22,752 | 20,874 |
| Postage and shipping | 7 | 11 |
| Printing and copying | 2,652 | 35 |
| Professional fees | 3,000 | 0 |
| Program | 49,168 | 24,995 |
| Retirement plan contribution | 21,075 | 19,173 |
| Salaries and wages | 301,390 | 277,539 |
| Supplies and equipment | 8,820 | 5,848 |
| Telephone | 931 | 835 |
| Travel and conference | 10,701 | 8,755 |
| Workers' Compensation insurance | 5,586 | 4,946 |
| TOTAL ENVIRONMENTAL EDUCATION EXPENSES | <u>\$ 456,489</u> | <u>\$ 404,869</u> |

SCHEDULE OF GENERAL AND ADMINISTRATIVE EXPENSES

SANIBEL-CAPTIVA CONSERVATION FOUNDATION, INC.

Years ended June 30, 2016 and 2015

| | <u>2016</u> | <u>2015</u> |
|--|--------------------------|--------------------------|
| Bad debt expense | \$ 2,500 | \$ 17,457 |
| Bank fees | 15,596 | 8,329 |
| Contract labor | 155,444 | 147,210 |
| Depreciation | 27,404 | 19,778 |
| General office | 5,740 | 4,702 |
| Health, dental, life, and disability insurance | 4,935 | 2,657 |
| Insurance | 56,036 | 52,440 |
| Memorial | 36,581 | 26,000 |
| Miscellaneous | 14,831 | 33,013 |
| Payroll taxes | 16,163 | 14,058 |
| Postage and shipping | 13,200 | 14,447 |
| Printing and copying | 24,885 | 25,258 |
| Professional fees | 45,942 | 42,013 |
| Repairs and maintenance | 39,003 | 24,179 |
| Retirement plan contribution | 50,586 | 43,552 |
| Salaries and wages | 214,777 | 199,251 |
| Supplies and equipment | 16,171 | 10,769 |
| Telephone | 8,916 | 9,135 |
| Travel and conference | 34,799 | 16,270 |
| Utilities | 20,234 | 19,034 |
| Workers' Compensation insurance | 3,462 | 3,433 |
| TOTAL GENERAL AND ADMINISTRATIVE EXPENSES | <u>\$ 807,205</u> | <u>\$ 732,985</u> |

SCHEDULE OF TOTAL EXPENSES

SANIBEL-CAPTIVA CONSERVATION FOUNDATION, INC.

Years ended June 30, 2016 and 2015

| | <u>2016</u> | <u>2015</u> |
|--|---------------------|---------------------|
| Bad debt expense | \$ 2,500 | \$ 17,457 |
| Bank fees | 16,027 | 8,354 |
| Contract labor | 230,078 | 206,154 |
| Depreciation | 133,447 | 99,830 |
| Fundraising | 118,165 | 126,310 |
| General office | 9,603 | 9,277 |
| Health, dental, life, and disability insurance | 108,606 | 96,466 |
| Insurance | 82,220 | 77,142 |
| Loss on disposition of asset | 57,167 | 3,876 |
| Memorial | 36,581 | 26,000 |
| Miscellaneous | 18,527 | 45,314 |
| Payroll taxes | 96,896 | 89,704 |
| Postage and shipping | 15,358 | 16,226 |
| Printing and copying | 33,164 | 29,683 |
| Professional fees | 256,235 | 81,564 |
| Program | 206,113 | 145,947 |
| Rent | 67,965 | 77,485 |
| Repairs and maintenance | 78,447 | 65,086 |
| Retirement plan contributions | 119,980 | 111,848 |
| Salaries and wages | 1,283,903 | 1,198,394 |
| Supplies and equipment | 81,891 | 79,154 |
| Telephone | 25,748 | 24,270 |
| Travel and conferences | 57,986 | 36,029 |
| Utilities | 35,192 | 29,369 |
| Workers' Compensation insurance | 56,905 | 54,112 |
| TOTAL EXPENSES | <u>\$ 3,228,704</u> | <u>\$ 2,755,051</u> |