

FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION

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

June 30, 2017 and 2016

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March 16, 2018

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, 2017 and 2016, 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, 2017 and 2016, 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 Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary 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, 2017 and 2016

	<u>2017</u>	<u>2016</u>
<u>ASSETS</u>		
Cash and cash equivalents	\$ 2,807,198	\$ 1,404,432
Investments	6,086,443	5,412,946
Settlement receivable	860,625	0
Reimbursable grant receivables	0	138,090
Unconditional promises to give, net	24,354	7,304
Inventory	20,143	15,921
Prepaid insurance	91,065	74,486
Deposit	401,094	401,094
Land	16,544,611	15,545,487
Property and equipment, net	1,933,659	1,259,946
Construction in progress	106,596	1,165,753
Other assets	5,400	5,400
TOTAL ASSETS	<u>\$ 28,881,188</u>	<u>\$ 25,430,859</u>
 <u>LIABILITIES AND NET ASSETS</u>		
<u>LIABILITIES</u>		
Accounts payable	\$ 4,721	\$ 5,483
Accrued expenses	181,764	203,391
Refund of donor's contribution payable	0	125,000
Deferred contributions	62,500	18,700
Deferred compensation	557,440	505,129
Annuity obligations	193,663	191,734
TOTAL LIABILITIES	<u>1,000,088</u>	<u>1,049,437</u>
<u>NET ASSETS</u>		
Unrestricted:		
Undesignated	4,913,252	3,605,109
Designated by the board:		
Land preservation	16,076,608	15,141,387
Habitat management	576,611	861,986
Other	3,158,330	1,950,363
	<u>24,724,801</u>	<u>21,558,845</u>
Temporarily restricted	303,618	184,195
Permanently restricted	2,852,681	2,638,382
TOTAL NET ASSETS	<u>27,881,100</u>	<u>24,381,422</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 28,881,188</u>	<u>\$ 25,430,859</u>

See accompanying notes to financial statements

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS

SANIBEL-CAPTIVA CONSERVATION FOUNDATION, INC.

Years ended June 30, 2017 and 2016

	2017			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
<u>REVENUE, GAINS AND OTHER SUPPORT</u>				
Contributions	\$ 3,184,914	\$ 77,500	\$ 183,200	\$ 3,445,614
Native landscapes and garden center sales	219,990	0	0	219,990
Fund raising events	233,634	0	0	233,634
Grant revenue	294,394	0	0	294,394
Interest and dividends	35,914	0	38,283	74,197
Realized gain on investments	88,255	0	118,590	206,845
Unrealized gain (loss) on investments	361,618	0	9,491	371,109
Other revenue	1,749,371	0	0	1,749,371
	<u>6,168,090</u>	<u>77,500</u>	<u>349,564</u>	<u>6,595,154</u>
Net assets released from restrictions	93,342	41,923	(135,265)	0
 TOTAL REVENUE, GAINS AND OTHER SUPPORT	 <u>6,261,432</u>	 <u>119,423</u>	 <u>214,299</u>	 <u>6,595,154</u>
<u>EXPENSES AND LOSSES</u>				
Land acquisition	106,519	0	0	106,519
Native landscapes and garden center	373,402	0	0	373,402
Habitat management	518,706	0	0	518,706
Marine lab	698,264	0	0	698,264
Environmental education	475,564	0	0	475,564
Fundraising	141,235	0	0	141,235
General and administrative	781,786	0	0	781,786
TOTAL EXPENSES	<u>3,095,476</u>	<u>0</u>	<u>0</u>	<u>3,095,476</u>
 INCREASE IN NET ASSETS	 3,165,956	 119,423	 214,299	 3,499,678
<u>NET ASSETS</u>				
Beginning of year	21,558,845	184,195	2,638,382	24,381,422
End of year	<u>\$ 24,724,801</u>	<u>\$ 303,618</u>	<u>\$ 2,852,681</u>	<u>\$ 27,881,100</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, 2017 and 2016

	2016			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
<u>REVENUE, GAINS AND OTHER SUPPORT</u>				
Contributions	\$ 2,275,939	\$ 11,200	\$ 86,600	\$ 2,373,739
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	61,649	30,409	0	92,058
Realized gain (loss) 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>3,266,677</u>	<u>39,557</u>	<u>83,303</u>	<u>3,389,537</u>
Net assets released from restrictions	93,970	(85,080)	(8,890)	0
TOTAL REVENUE, GAINS AND OTHER SUPPORT	<u>3,360,647</u>	<u>(45,523)</u>	<u>74,413</u>	<u>3,389,537</u>
<u>EXPENSES</u>				
Land acquisition	126,046	0	0	126,046
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
Fund raising	118,165	0	0	118,165
General and administrative	852,314	0	0	852,314
Loss on disposition of asset	57,167	0	0	57,167
TOTAL EXPENSES	<u>3,273,812</u>	<u>0</u>	<u>0</u>	<u>3,273,812</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 CASH FLOWS

SANIBEL-CAPTIVA CONSERVATION FOUNDATION, INC.

Years ended June 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Increase in net assets	\$ 3,499,678	\$ 115,725
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation	167,337	133,447
Loss on disposition of assets	0	57,167
Bad debt expense	0	2,500
Donated services revenue	(19,317)	(24,997)
Unrealized (gain) loss on investments	(371,109)	344,052
Net realized gain on sale of investments	(206,845)	(159,426)
Increase in settlement receivable	(860,625)	0
(Increase) decrease in reimbursable grant revenue receivable	138,090	(138,090)
(Increase) decrease in unconditional promises to give	(17,050)	1,181
Increase in inventory	(4,222)	(702)
Increase in prepaid insurance	(16,579)	(15,807)
Decrease in accounts payable and accrued expenses	(22,389)	(452)
Decrease in refund of donor's contribution payable	(125,000)	0
Increase (decrease) in deferred contributions	43,800	(8,880)
Increase in deferred compensation	52,311	15,109
Increase (decrease) in annuity obligations	1,929	(16,077)
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>2,260,009</u>	<u>304,750</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
In-kind purchase of land	(602,827)	(20,000)
Purchase of property and equipment	(102,981)	(108,205)
Payments for construction in progress, net of donated services	(55,891)	(272,075)
Proceeds from sales of investments	2,220,869	1,760,367
Purchases of investments	(2,316,413)	(2,055,738)
Proceeds from real estate sold	0	228,000
NET CASH USED IN INVESTING ACTIVITIES	<u>(857,243)</u>	<u>(467,651)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	1,402,766	(162,901)
<u>CASH AND CASH EQUIVALENTS</u>		
Beginning of year	1,404,432	1,567,333
End of year	<u>\$ 2,807,198</u>	<u>\$ 1,404,432</u>

See accompanying notes to financial statements

NOTES TO FINANCIAL STATEMENTS

SANIBEL-CAPTIVA CONSERVATION FOUNDATION, INC.

June 30, 2017 and 2016

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. 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, 2017 and 2016

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, 2017 and 2016. 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, 2017 and 2016

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 851 and 1,061 hours at an estimated fair value of \$19,317 and \$24,997 as of June 30, 2017 and 2016, respectively. As volunteer hours were donated towards the renovation of property held by the Foundation, these amounts were 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, 2017 and 2016. 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, 2017 and 2016 totaled \$76,265 and \$211,978, 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 March 16, 2018, 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, 2017 and 2016

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 GAAP, 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. Endowment funds are managed both actively and passively.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

SANIBEL-CAPTIVA CONSERVATION FOUNDATION, INC.

June 30, 2017 and 2016

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>2017</u>	<u>2016</u>
Money market funds	\$ 102,579	\$ 291,382
Common stock	2,618,110	3,039,984
Foreign stock	179,797	183,530
Mutual funds	3,185,957	1,898,050
	<u>\$ 6,086,443</u>	<u>\$ 5,412,946</u>

Of the above, Merrill Lynch Consultants Service managed \$279,641, Sanibel Captiva Trust Company managed \$4,312,540, and Fidelity Investments managed \$1,494,262 at June 30, 2017.

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.

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, 2017 and 2016

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, 2017 and 2016:

	Investments at fair value as of June 30, 2017			
	Level 1	Level 2	Level 3	Total
Money market funds	\$ 102,579	\$ 0	\$ 0	\$ 102,579
Common stock	2,618,110	0	0	2,618,110
Foreign stock	179,797	0	0	179,797
Mutual funds	3,185,957	0	0	3,185,957
Total assets at fair value	<u>\$ 6,086,443</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 6,086,443</u>

	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>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

SANIBEL-CAPTIVA CONSERVATION FOUNDATION, INC.

June 30, 2017 and 2016

NOTE E - PROMISES TO GIVE

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

	<u>2017</u>	<u>2016</u>
Bailey campaign	\$ 20,500	\$ 500
Native landscapes and garden	3,854	6,804
	<u>24,354</u>	<u>7,304</u>
Less allowance for uncollectible pledges	0	0
	<u>\$ 24,354</u>	<u>\$ 7,304</u>

All receivables outstanding at June 30, 2017 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>2017</u>	<u>2016</u>
Original duck stamp print	\$ 4,000	\$ 4,000
Original Havell engraving of Audubon drawing	1,400	1,400
	<u>\$ 5,400</u>	<u>\$ 5,400</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

SANIBEL-CAPTIVA CONSERVATION FOUNDATION, INC.

June 30, 2017 and 2016

NOTE G - PROPERTY AND EQUIPMENT

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

	<u>2017</u>	<u>2016</u>
Buildings	\$ 1,296,168	\$ 1,283,837
Equipment	1,632,552	1,618,033
Tarpon Bay improvements	10,788	10,788
Furniture and fixtures	71,615	71,615
Library	5,597	5,597
Housing	172,775	123,489
Exhibit area	198,691	198,691
Bailey Homestead	749,458	18,814
	<u>4,137,644</u>	<u>3,330,864</u>
Less accumulated depreciation	2,203,985	2,070,918
	<u>\$ 1,933,659</u>	<u>\$ 1,259,946</u>

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

	<u>2017</u>	<u>2016</u>
Land acquisition	\$ 29,185	\$ 2,249
Native landscapes and garden	401	379
Habitat management	41,246	36,437
Marine lab	57,131	55,969
Environmental education	11,783	11,009
General and administrative	27,591	27,404
	<u>\$ 167,337</u>	<u>\$ 133,447</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, 2017 and 2016, were charged \$-0- and \$35,000, 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, 2017 and 2016, the balance of invested funds and related annuity obligations totaled \$193,663 and \$191,734, respectively. The present value of future payment liabilities on these deferred gift annuity agreements as of June 30, 2017 and 2016 is \$87,853 and \$94,592, respectively.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

SANIBEL-CAPTIVA CONSERVATION FOUNDATION, INC.

June 30, 2017 and 2016

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, 2017 and 2016.

NOTE J - TEMPORARILY RESTRICTED NET ASSETS

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

	<u>2017</u>	<u>2016</u>
Deferred AFD and fundraising contributions	\$ 82,500	\$ 18,700
Native landscapes and garden scholarship	4,854	3,042
Environmental education	28,770	21,405
Habitat management	66,177	44,742
Bailey campaign promises to give	500	500
Marine laboratory	1,493	0
Natural resource preservation	109,905	81,327
Sea turtle conservation	233	174
Tennis tournament fundraiser	0	5,000
Ding Darling conservation education	9,186	9,305
	<u>\$ 303,618</u>	<u>\$ 184,195</u>

The above amounts include temporarily restricted cash of \$62,500 and \$16,200 at June 30, 2017 and 2016, respectively, as imposed by donors for future use by the annual fund.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

SANIBEL-CAPTIVA CONSERVATION FOUNDATION, INC.

June 30, 2017 and 2016

NOTE K - PERMANENTLY RESTRICTED NET ASSETS

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

	<u>2017</u>	<u>2016</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	478,693	468,693
Endowment whose earnings are restricted for purposes of providing scholarships for native landscapes and garden interns	30,350	28,350
Endowment whose earnings are unrestricted	881,604	821,604
Endowment whose earnings are set aside for habitat management	359,050	257,850
Endowment whose earnings are set aside for purposes of supporting the marine laboratory program	25,000	25,000
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	191,588	164,611
Endowment whose dividend and interest income is set aside for purposes of conservation education	270,455	256,333
Land holdings permanently restricted for preservation	491,580	491,580
	<u>\$ 2,852,681</u>	<u>\$ 2,638,382</u>

NOTE L - NON-CASH INVESTING ACTIVITIES

During the year ended June 30, 2017, the Foundation disposed of various property and equipment with a total cost of \$34,270 and total accumulated depreciation of \$34,270. In addition, the Foundation received in-kind donations of land valued at a total of \$602,827.

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.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

SANIBEL-CAPTIVA CONSERVATION FOUNDATION, INC.

June 30, 2017 and 2016

NOTE M - OTHER REVENUE

Other revenue consisted of the following as of June 30:

	<u>2017</u>	<u>2016</u>
Admissions	\$ 14,537	\$ 18,589
Settlement and miscellaneous	1,734,744	13,215
Merchandise sales	90	3,457
Homestead income	0	860
	<u>\$ 1,749,371</u>	<u>\$ 36,121</u>

NOTE N - 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, 2017 and 2016, employer contributions to the plan were charged to the following cost centers:

	<u>2017</u>	<u>2016</u>
Land acquisition	\$ 0	\$ 1,521
Native landscapes and garden	11,620	7,208
Habitat management	15,496	15,945
Marine lab	24,003	23,645
Environmental education	21,715	21,075
General and administrative	8,694	50,586
	<u>\$ 81,528</u>	<u>\$ 119,980</u>

NOTE O - OPERATING LEASES

The Foundation has entered into various operating lease agreements with terms through March 2018. The leases call for monthly payments totaling \$277. Expense charged to programs totaled \$1,221 and \$5,573 for the years ended June 30, 2017 and 2016, 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, 2017 and 2016, the estimated fair value for the use of the Marine Lab was \$27,236 and \$62,392, respectively.

There are \$2,489 remaining future scheduled minimum rental commitments through March 2018 as of June 30, 2017.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

SANIBEL-CAPTIVA CONSERVATION FOUNDATION, INC.

June 30, 2017 and 2016

NOTE P - MAJOR CONTRIBUTORS

The Foundation had six contributors that constituted 31% of the Foundation's June 30, 2017 contributions revenue. Additionally, the Foundation had six contributors that constituted 35% of the Foundation's June 30, 2016 contributions revenue.

NOTE Q - 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, 2017, the Foundation had cash balances above the FDIC insured amount to the extent of \$2,579,904. 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 R – 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, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Depreciation	\$ 29,185	\$ 2,249
General office	116	0
Health, dental, life, and disability insurance	0	6,570
Miscellaneous	1,760	0
Payroll taxes	520	2,285
Professional fees	0	375
Program	67,220	82,488
Repairs and maintenance	649	0
Retirement plan contribution	0	1,521
Salaries and wages	6,802	29,959
Workers' Compensation insurance	267	599
TOTAL LAND AQUISITION EXPENSES	<u>\$ 106,519</u>	<u>\$ 126,046</u>

SCHEDULE OF NATIVE LANDSCAPES AND GARDEN CENTER EXPENSES

SANIBEL-CAPTIVA CONSERVATION FOUNDATION, INC.

Years ended June 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Contract labor	\$ 41,364	\$ 32,995
Depreciation	401	379
General office	1,735	1,244
Health, dental, life, and disability insurance	32,863	20,305
Insurance	5,093	2,586
Payroll taxes	12,352	10,333
Postage and shipping	93	47
Printing and copying	957	260
Program	81,215	74,457
Repairs and maintenance	5,132	3,699
Retirement plan contribution	11,620	7,208
Salaries and wages	166,433	137,798
Telephone	3,106	1,889
Utilities	7,010	5,413
Workers' Compensation insurance	4,028	3,004
TOTAL NATIVE LANDSCAPES AND GARDEN CENTER EXPENSES	<u>\$ 373,402</u>	<u>\$ 301,617</u>

SCHEDULE OF HABITAT MANAGEMENT EXPENSES

SANIBEL-CAPTIVA CONSERVATION FOUNDATION, INC.

Years ended June 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Contract labor	\$ 31,390	\$ 22,646
Depreciation	41,246	36,438
General office	842	668
Health, dental, life, and disability insurance	32,115	28,056
Insurance	12,485	11,025
Miscellaneous	8,952	3,528
Payroll taxes	19,558	19,533
Postage and shipping	601	352
Printing and copying	6,949	4,922
Professional fees	0	531
Repairs and maintenance	34,786	21,132
Retirement plan contribution	15,496	15,945
Salaries and wages	264,547	259,481
Supplies and equipment	26,239	21,006
Telephone	6,032	5,981
Travel and conference	8,383	7,060
Utilities	3,094	4,742
Workers' Compensation insurance	5,991	4,940
TOTAL HABITAT MANAGEMENT EXPENSES	<u>\$ 518,706</u>	<u>\$ 467,986</u>

SCHEDULE OF MARINE LAB EXPENSES

SANIBEL-CAPTIVA CONSERVATION FOUNDATION, INC.

Years ended June 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Bank fees	\$ 0	\$ 431
Contract labor	9,267	18,993
Depreciation	57,131	55,970
General office	3,283	1,810
Health, dental, life, and disability insurance	34,958	29,729
Insurance	15,091	12,573
Miscellaneous	0	169
Payroll taxes	25,934	25,830
Postage and shipping	1,483	1,752
Printing and copying	2,204	445
Professional fees	58,421	206,386
Rent	28,457	67,965
Repairs and maintenance	8,186	14,613
Retirement plan contribution	24,003	23,645
Salaries and wages	343,555	340,493
Supplies and equipment	20,620	35,893
Telephone	8,563	8,031
Travel and conference	5,088	5,427
Utilities	8,005	4,804
Workers' Compensation insurance	44,015	39,069
TOTAL MARINE LAB EXPENSES	<u>\$ 698,264</u>	<u>\$ 894,028</u>

SCHEDULE OF ENVIRONMENTAL EDUCATION EXPENSES

SANIBEL-CAPTIVA CONSERVATION FOUNDATION, INC.

Years ended June 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Depreciation	\$ 11,783	\$ 11,009
General office	6,040	140
Health, dental, life, and disability insurance	21,249	19,258
Payroll taxes	23,426	22,752
Postage and shipping	18	7
Printing and copying	10,644	2,652
Professional fees	10,445	3,000
Program	31,809	49,168
Retirement plan contribution	21,715	21,075
Salaries and wages	310,534	301,390
Supplies and equipment	12,766	8,820
Telephone	885	931
Travel and conference	7,755	10,701
Workers' Compensation insurance	6,495	5,586
TOTAL ENVIRONMENTAL EDUCATION EXPENSES	<u>\$ 475,564</u>	<u>\$ 456,489</u>

SCHEDULE OF GENERAL AND ADMINISTRATIVE EXPENSES

SANIBEL-CAPTIVA CONSERVATION FOUNDATION, INC.

Years ended June 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Bad debt expense	\$ 0	\$ 2,500
Bank fees	10,481	15,596
Contract labor	180,705	155,444
Depreciation	27,591	27,402
General office	6,027	5,741
Health, dental, life, and disability insurance	5,916	4,687
Insurance	61,310	56,036
Investment fees	44,981	45,108
Memorial	0	36,581
Miscellaneous	10,033	14,830
Payroll taxes	17,073	16,163
Postage and shipping	3,468	13,200
Printing and copying	33,869	24,885
Professional fees	34,492	45,943
Repairs and maintenance	18,437	39,003
Retirement plan contribution	8,694	50,586
Salaries and wages	253,304	214,783
Supplies and equipment	9,842	16,172
Telephone	9,354	8,916
Travel and conference	20,913	34,798
Utilities	20,520	20,233
Workers' Compensation insurance	4,776	3,707
TOTAL GENERAL AND ADMINISTRATIVE EXPENSES	<u>\$ 781,786</u>	<u>\$ 852,314</u>

SCHEDULE OF TOTAL EXPENSES

SANIBEL-CAPTIVA CONSERVATION FOUNDATION, INC.

Years ended June 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Bad debt expense	\$ 0	\$ 2,500
Bank fees	10,481	16,027
Contract labor	262,726	230,078
Depreciation	167,337	133,447
Fundraising	141,235	118,165
General office	18,043	9,603
Health, dental, life, and disability insurance	127,101	108,605
Insurance	93,979	82,220
Investment expenses	44,981	45,108
Loss on disposition of asset	0	57,167
Memorial	0	36,581
Miscellaneous	20,745	18,527
Payroll taxes	98,863	96,896
Postage and shipping	5,663	15,358
Printing and copying	54,623	33,164
Professional fees	103,358	256,235
Program	180,244	206,113
Rent	28,457	67,965
Repairs and maintenance	67,190	78,447
Retirement plan contributions	81,528	119,980
Salaries and wages	1,345,175	1,283,904
Supplies and equipment	69,467	81,891
Telephone	27,940	25,748
Travel and conferences	42,139	57,986
Utilities	38,629	35,192
Workers' Compensation insurance	65,572	56,905
TOTAL EXPENSES	<u>\$ 3,095,476</u>	<u>\$ 3,273,812</u>