

CONSERVANCY OF SOUTHWEST FLORIDA, INC.

FINANCIAL STATEMENTS

YEARS ENDED SEPTEMBER 30, 2011 AND 2010

**CONSERVANCY OF SOUTHWEST FLORIDA, INC.
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CliftonLarsonAllen LLP
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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying statements of financial position of Conservancy of Southwest Florida, Inc. (the Organization) as of September 30, 2011 and 2010, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended. These financial statements are the responsibility of the Organization's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Conservancy of Southwest Florida, Inc. at September 30, 2011 and 2010, and the changes in net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

CliftonLarsonAllen LLP
CliftonLarsonAllen LLP

Naples, Florida
January 17, 2012

CONSERVANCY OF SOUTHWEST FLORIDA, INC.
STATEMENTS OF FINANCIAL POSITION
SEPTEMBER 30, 2011 AND 2010

ASSETS	2011	2010
Cash and Cash Equivalents	\$ 25,261	\$ 301,306
Cash and Cash Equivalents - Restricted for Long-Term Purposes	580,876	3,081,399
Accrued Interest Receivable	20,095	17,400
Unconditional Promises to Give, Net	8,294,443	6,620,898
Inventory	124,828	125,477
Prepaid Expenses and Other Assets	131,496	140,366
Other Receivables	69,254	33,547
Investments	7,482,138	6,738,131
Trust Receivables	8,430,341	-
Property and Equipment, Net	12,706,481	8,330,797
Land Held for Conservation	5,061,722	5,033,689
	<u>42,926,935</u>	<u>30,423,010</u>
Total Assets	<u>\$ 42,926,935</u>	<u>\$ 30,423,010</u>
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts Payable and Accrued Expenses	\$ 647,973	\$ 690,712
Deferred Revenue	170,725	151,438
Facility Deposits	2,580	3,580
Notes Payable	893,193	50,000
	<u>1,714,471</u>	<u>895,730</u>
Total Liabilities	1,714,471	895,730
NET ASSETS		
Unrestricted:		
Undesignated	1,295,698	752,132
Designated for Property and Equipment	2,653,548	2,337,216
Total Unrestricted	<u>3,949,246</u>	<u>3,089,348</u>
Temporarily Restricted	26,749,733	16,521,056
Permanently Restricted	10,513,485	9,916,876
	<u>41,212,464</u>	<u>29,527,280</u>
Total Net Assets	41,212,464	29,527,280
Total Liabilities and Net Assets	<u>\$ 42,926,935</u>	<u>\$ 30,423,010</u>

See accompanying Notes to Financial Statements.

CONSERVANCY OF SOUTHWEST FLORIDA, INC.
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
YEAR ENDED SEPTEMBER 30, 2011

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
SUPPORT AND REVENUES				
Contributions	\$ 3,489,235	\$ 11,734,200	\$ 596,609	\$ 15,820,044
Investment Return	(42,801)	-	-	(42,801)
Program Income	100,467	-	-	100,467
Grants	362,317	-	-	362,317
Store Sales, Net	376,161	-	-	376,161
Special Events, Net	\$ 1,161,372			
Special Events Expenses	<u>(504,669)</u>	656,703	-	656,703
Admissions	30,871	-	-	30,871
Other	<u>(90,372)</u>	-	-	<u>(90,372)</u>
Total Support and Revenues	4,882,581	11,734,200	596,609	17,213,390
Net Assets Released from Restrictions	<u>1,505,523</u>	<u>(1,505,523)</u>	-	<u>-</u>
Total Support, Revenues and Reclassifications	6,388,104	10,228,677	596,609	17,213,390
EXPENSES				
Program Services	4,366,691	-	-	4,366,691
Management and General	400,891	-	-	400,891
Fund-Raising	<u>760,624</u>	-	-	<u>760,624</u>
Total Expenses	<u>5,528,206</u>	-	-	<u>5,528,206</u>
Change in Net Assets	859,898	10,228,677	596,609	11,685,184
Net Assets - Beginning of Year	<u>3,089,348</u>	<u>16,521,056</u>	<u>9,916,876</u>	<u>29,527,280</u>
NET ASSETS - END OF YEAR	<u><u>\$ 3,949,246</u></u>	<u><u>\$ 26,749,733</u></u>	<u><u>\$ 10,513,485</u></u>	<u><u>\$ 41,212,464</u></u>

See accompanying Notes to Financial Statements.

CONSERVANCY OF SOUTHWEST FLORIDA, INC.
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
YEAR ENDED SEPTEMBER 30, 2010

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
SUPPORT AND REVENUES				
Contributions	\$ 2,050,718	\$ 3,530,710	\$ 668,661	\$ 6,250,089
Investment Return	499,844	-	-	499,844
Program Income	102,710	-	-	102,710
Grants	518,000	-	-	518,000
Store Sales, Net	251,973	-	-	251,973
Special Events, Net	\$ 952,002	-	-	-
Special Events Expenses	<u>(567,165)</u>	-	-	384,837
Admissions	49,182	-	-	49,182
Other	50,458	-	-	50,458
Total Support and Revenues	3,907,722	3,530,710	668,661	8,107,093
Net Assets Released from Restrictions	319,947	<u>(319,947)</u>	-	-
Total Support, Revenues and Reclassifications	4,227,669	3,210,763	668,661	8,107,093
EXPENSES				
Program Services	3,200,107	-	-	3,200,107
Management and General	379,245	-	-	379,245
Fund-Raising	713,475	-	-	713,475
Total Expenses	<u>4,292,827</u>	-	-	4,292,827
Change in Net Assets	(65,158)	3,210,763	668,661	3,814,266
Transfer	-	(205,783)	205,783	-
Net Assets - Beginning of Year	<u>3,154,506</u>	<u>13,516,076</u>	<u>9,042,432</u>	<u>25,713,014</u>
NET ASSETS - END OF YEAR	<u>\$ 3,089,348</u>	<u>\$ 16,521,056</u>	<u>\$ 9,916,876</u>	<u>\$ 29,527,280</u>

See accompanying Notes to Financial Statements.

CONSERVANCY OF SOUTHWEST FLORIDA, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED SEPTEMBER 30, 2011

	Program Services	Management and General	Fund- Raising	Total
Advertising and Public Relations	\$ 37,917	\$ 1,870	\$ 3,848	\$ 43,635
Contracted Services	473,136	34,674	95,522	603,332
Depreciation	170,860	6,897	9,656	187,413
Grants to Other Organizations	822,132	-	-	822,132
Insurance	173,779	13,053	7,560	194,392
Interest	2,776	-	-	2,776
Interns	98,094	-	-	98,094
Maintenance	135,163	11,749	13,783	160,695
Materials and Small Equipment	131,383	11,314	12,728	155,425
Office, Printing and Postage	137,731	4,065	61,901	203,697
Rehabilitation, Animal Food and Supplies	80,085	-	-	80,085
Rent	12,007	8,542	26,168	46,717
Salaries and Benefits	1,912,991	300,613	519,240	2,732,844
Travel and Training	55,770	1,288	3,392	60,450
Telephone and Utilities	122,867	6,826	6,826	136,519
	<u>\$ 4,366,691</u>	<u>\$ 400,891</u>	<u>\$ 760,624</u>	<u>\$ 5,528,206</u>

See accompanying Notes to Financial Statements.

CONSERVANCY OF SOUTHWEST FLORIDA, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED SEPTEMBER 30, 2010

	Program Services	Management and General	Fund- Raising	Total
Advertising and Public Relations	\$ 27,285	\$ 941	\$ 3,136	\$ 31,362
Contracted Services	406,540	24,026	73,515	504,081
Depreciation	168,900	19,414	5,824	194,138
Insurance	158,450	14,372	6,826	179,648
Interns	91,110	-	-	91,110
Maintenance	148,986	11,183	14,377	174,546
Materials and Small Equipment	115,281	11,111	12,503	138,895
Office, Printing and Postage	117,777	4,701	69,655	192,133
Rehabilitation, Animal Food and Supplies	63,696	-	-	63,696
Rent	10,804	4,892	16,673	32,369
Salaries and Benefits	1,731,570	276,047	501,904	2,509,521
Travel and Training	49,282	1,002	2,642	52,926
Telephone and Utilities	110,426	11,556	6,420	128,402
	<u>\$ 3,200,107</u>	<u>\$ 379,245</u>	<u>\$ 713,475</u>	<u>\$ 4,292,827</u>

See accompanying Notes to Financial Statements.

CONSERVANCY OF SOUTHWEST FLORIDA, INC.
STATEMENT OF CASH FLOWS
YEARS ENDED SEPTEMBER 30, 2011 AND 2010

	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 11,685,184	\$ 3,814,266
Adjustments to Reconcile Change in Net Assets to Net Cash Used by Operating Activities:		
(Gain) Loss on Sale of Investments	326,665	(46,067)
(Gain) Loss on Sale of Property and Equipment	23,256	(1,810)
Depreciation	188,830	197,378
Present Value Discount of Unconditional Promises to Give	1,104,173	(48,944)
Bad Debt Expense	13,316	9,356
Net Appreciation in Fair Value of Investments	(515,448)	(358,117)
Contributed Securities	(1,194,763)	(1,304,379)
(Increase) Decrease in:		
Accrued Interest Receivable	(2,695)	(4,608)
Inventory	649	(27,833)
Prepaid Expenses	8,870	14,428
Other Receivables	(35,707)	(29,534)
Increase (Decrease) in:		
Accounts Payable and Accrued Expenses	(42,739)	158,820
Deferred Revenue	19,287	8,004
Facility Deposits	(1,000)	(657)
Contributions Restricted for Long-Term Purposes	(13,913,790)	(3,293,400)
Net Cash Used by Operating Activities	(2,335,912)	(913,097)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of Investments	(4,393,647)	(7,382,191)
Proceeds from Sales of Investments	4,656,194	5,988,793
Proceeds from Sale of Property and Equipment	1,500	15,674
Purchase of Property and Equipment and Land Held for Conservation	(4,742,303)	(3,923,175)
Net Cash Used by Investing Activities	(4,478,256)	(5,300,899)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from Long-Term Debt	844,276	-
Collections of Contributions Restricted for Long-Term Investment	3,194,411	4,592,724
Principal Payments on Notes Payable	(1,087)	(295,000)
Net Cash Provided by Financing Activities	4,037,600	4,297,724
NET CHANGE IN CASH AND CASH EQUIVALENTS	(2,776,568)	(1,916,272)
Cash and Cash Equivalents - Beginning of Year	3,382,705	5,298,977
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 606,137	\$ 3,382,705

See accompanying Notes to Financial Statements.

**CONSERVANCY OF SOUTHWEST FLORIDA, INC.
STATEMENT OF CASH FLOWS (CONTINUED)
YEARS ENDED SEPTEMBER 30, 2011 AND 2010**

	2011	2010
AS PRESENTED IN THE STATEMENT OF FINANCIAL POSITION		
Cash and Cash Equivalents	\$ 25,261	\$ 301,306
Cash and Cash Equivalents - Restricted for Long-Term Purposes	580,876	3,081,399
	\$ 606,137	\$ 3,382,705
 SUPPLEMENTAL DISCLOSURES		
Cash Paid for Interest	\$ 2,776	\$ 1,973

See accompanying Notes to Financial Statements.

CONSERVANCY OF SOUTHWEST FLORIDA, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2011 AND 2010

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

The Conservancy of Southwest Florida, Inc. (the Organization), was established in 1966 as a nonprofit corporation in the State of Florida. Its mission is to preserve Southwest Florida's natural environment using scientific research, policy initiatives and education. The Organization is working to acquire and protect critical environmental areas through land acquisition, achieve environmentally responsive solutions to growth and development, and assist in support of Everglades restoration. The Organization is supported primarily through donor contributions, grants and fund-raising activities, thrift and consignment store, and programs.

Basis of Accounting

The accounts of the Organization are maintained, and the accompanying financial statements have been prepared, on the accrual basis of accounting. Accordingly, assets are recorded when the Organization obtains the rights of ownership or is entitled to claims for receipt and liabilities are recorded when the obligation is incurred.

Financial Statements Presentation

The Organization reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. Unrestricted net assets are defined as assets that are free of donor-imposed restrictions, and include all investment income and appreciation not subject to donor-imposed restrictions, as discussed below. Temporarily restricted net assets are net assets whose use has been limited by donor imposed time or purpose restrictions. Permanently restricted net assets are defined as net assets required by the donor restrictions or law to be maintained by the Organization in perpetuity. The Organization reflects restricted contributions whose restrictions are met in the same reporting period as unrestricted support.

Liquidity

Assets are presented in the accompanying statements of financial position according to their nearness of conversion to cash and liabilities according to the nearness of their maturity and resulting use of cash.

Cash and Cash Equivalents

For purposes of these financial statements, the Organization considers all unrestricted bank accounts, money market funds, and short-term investments with a maturity of three months or less to be cash equivalents. The Organization maintains bank accounts with balances, which, at times may exceed federally insured limits.

CONSERVANCY OF SOUTHWEST FLORIDA, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2011 AND 2010

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments

Investments in securities, mutual funds, real estate investment trusts, corporate bonds and government bonds are carried at fair value determined by quoted prices on the last business day of the year. Investments in alternative investment funds that are not readily tradable are carried at an estimated fair value at the end of the period, as determined by management based upon financial statements and other financial information reported by the administrator of the underlying investment funds.

Donated investments are recorded at their mean value at the date of receipt. Investment income may be either unrestricted or temporarily restricted resources when earned, determined according to donor-imposed restrictions. The Organization follows a total return concept with regard to investments, as such unrealized appreciation on temporarily restricted net assets is considered to be unrestricted.

Fair Value of Financial Instruments

The Organization categorizes its assets and liabilities measured at fair value into a three-level hierarchy based on the priority of the inputs to the valuation technique used to determine fair value. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used in the determination of the fair value measurement fall within different levels of the hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement. Assets and liabilities valued at fair value are categorized based on the inputs to the valuation techniques as follows:

Level 1 – Inputs that utilize quoted prices (unadjusted) in active markets for identical assets or liabilities that the Organization has the ability to access.

Level 2 – Inputs that include quoted prices for similar assets and liabilities in active markets and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument. Fair values for these instruments are estimated using pricing models, quoted prices of securities with similar characteristics, or discounted cash flows.

Level 3 – Inputs that are unobservable inputs for the asset or liability, which are typically based on an entity's own assumptions, as there is little, if any, related market activity.

Subsequent to initial recognition, the Organization may re-measure the carrying value of assets and liabilities measured on a nonrecurring basis to fair value. Adjustments to fair value usually result when certain assets are impaired. Such assets are written down from their carrying amounts to their fair value.

CONSERVANCY OF SOUTHWEST FLORIDA, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2011 AND 2010

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property and Equipment, Net

Property and equipment are capitalized at cost, if purchased, or at fair value at the time of contribution on items valued at more than \$500 with a life greater than one year. Depreciation is computed utilizing the straight-line method over the estimated useful lives of the respective assets ranging from 3 to 40 years.

Expenditures for major renewals and betterments that extend the useful lives of property and equipment are capitalized. Expenditures for maintenance and repairs are charged to expense as incurred.

Land Held for Conservation

Land held for conservation is recorded at cost when purchased or at fair market value at the date of acquisition, if donated. Management reviews each parcel periodically to determine if there has been impairment to the value that is recorded in the statement of financial position.

Inventory

Inventories on the statement of financial position are stated at the lower of cost or market determined by the first-in, first-out method. Inventory recorded on the Organization's financial statements are purchased and are for sale in the nature store.

Additionally, the Organization receives goods that they sell in their resale shop. These goods are recorded as inventory when received and are carried at their resale value. Also, the Organization periodically received donations of non-monetary goods which are used in the Organization's programs. Donated goods which are used in the Organization's programs are recorded at estimated fair value at the date of the donation, and are included in contributions. The Organization received donated goods, which they use in their programs, of \$58,835 for September 30, 2011 and \$90,746 for September 30, 2010.

Deferred Revenue

Revenue received from membership dues is recognized when received, as the services to be provided to the membership are not material. Revenue from programs is recognized in the year to which it relates. Program revenues received in advance are recorded as deferred revenue.

Functional Allocation of Expenses

The costs of providing various support to the Organization's operations, as well as other management and general activities have been summarized on a functional basis in the statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

CONSERVANCY OF SOUTHWEST FLORIDA, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2011 AND 2010

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contributions

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions. Contributions that are required to be reported as temporarily restricted support are then reclassified to unrestricted net assets upon expiration of the time or use restriction. However, restricted contributions whose restrictions are met in the same reporting period are shown as unrestricted support.

Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. All donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending upon the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

Unconditional Promises to Give

The Organization is holding a fundraising campaign to assist them in continuing their mission, renovation of their facilities, and to build their endowment. Unconditional promises to give due in the next year are recorded at their net realizable value. Unconditional promises to give due in subsequent years are reported at the present value of their net realizable value, using risk-free interest rates applicable to the years in which the promises are to be received. Additionally, the Organization uses the allowance method to determine uncollectible unconditional promises to give. The allowance is based on prior years' experience and management's analysis of specific promises made.

Donated Services

Contributed services are reported as contributions, at their fair value, if such services create or enhance non-financial assets, require specialized skills, are provided by individuals possessing such specialized skills or the services would have been purchased, if not donated. Many individuals volunteer their time, approximately 47,000 hours in 2011 and 47,000 hours in 2010, and perform a variety of tasks that assist the Organization in educational services, store operations, committee assignments, and fund-raising. No amounts have been reflected in the statement of activities because the criteria for recognition have not been satisfied.

Estimates

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

**CONSERVANCY OF SOUTHWEST FLORIDA, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2011 AND 2010**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Taxes

The Internal Revenue Service has determined the Organization to be exempt from income taxes under the provisions of Internal Revenue Code Section 501(c)(3). In addition, the Organization has been determined by the Internal Revenue Service to be other than a private foundation within the meaning of Section 509(a) of the Code. The Internal Revenue Code provides for taxation of unrelated business income under certain circumstances. The consignment shops that the Organization operates are subject to such unrelated business income taxes.

The Organization has not been examined by the IRS. The Organization's tax returns from the tax years ended September 30, 2009 through September 30, 2011 are open to examination by the IRS.

Subsequent Events

In preparing these financial statements, the Organization, has evaluated events and transactions for potential recognition or disclosure through January 17, 2012, the date the financial statements were available to be issued.

NOTE 2 UNCONDITIONAL PROMISES TO GIVE, NET

Unconditional promises to give at September 30, 2011 and 2010, consist of temporarily restricted promises to give are as follows:

	<u>2011</u>	<u>2010</u>
Unconditional Promises to Give	\$ 9,409,976	\$ 7,680,452
Less: Allowance for Doubtful Accounts	(18,000)	(10,000)
Less: Discount to Net Present Value	<u>(1,097,533)</u>	<u>(1,049,554)</u>
	<u>\$ 8,294,443</u>	<u>\$ 6,620,898</u>

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

One Year or Less	\$ 2,688,142
Two to Five Years	<u>6,721,834</u>
	<u>\$ 9,409,976</u>

Unconditional promises to give are reflected at present value of estimated cash flows using a discount rate of between 1.62% and 4.5% at September 30, 2011 and 2010, respectively. Management has estimated the allowance for doubtful accounts to be approximately \$18,000 and \$10,000 for 2011 and 2010, respectively.

CONSERVANCY OF SOUTHWEST FLORIDA, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2011 AND 2010

NOTE 3 INVESTMENTS AND FAIR VALUE

Investments at September 30, 2011 and 2010 are composed of the following:

	2011		2010	
	Cost	Fair Value	Cost	Fair Value
Common Stocks	\$ 3,928,963	\$ 3,852,910	\$ 3,324,597	\$ 3,728,992
U.S. Agency Bonds	401,880	398,148	358,140	374,261
Corporate Bonds	630,296	643,326	369,801	392,113
Municipal Bonds	617,922	653,417	512,525	531,108
Mutual Funds - Commodities	296,376	268,233	250,800	260,089
Mutual Funds - Fixed Income	430,266	412,228	438,690	457,138
Real Estate Investment Trust	255,969	296,815	208,911	257,534
Alternative Investments	900,554	957,061	739,307	736,896
	<u>\$ 7,462,226</u>	<u>\$ 7,482,138</u>	<u>\$ 6,202,771</u>	<u>\$ 6,738,131</u>

The following tabulation summarizes unrealized and realized gains for the years ended September 30, 2011 and 2010:

September 30, 2011	Cost	Fair Value	Excess of Fair Value Over Cost
Balance, September 30, 2010	\$ 6,202,771	\$ 6,738,131	\$ 535,360
Balance, September 30, 2011	7,462,226	7,482,138	<u>19,912</u>
Increase in Unrealized Depreciation			(515,448)
Net Realized Gain on Investments			<u>326,665</u>
Net (Loss) on Investments			<u>\$ (188,783)</u>
September 30, 2010	Cost	Fair Value	Excess of Fair Value Over Cost
Balance, September 30, 2009	\$ 3,490,295	\$ 3,667,538	\$ 177,243
Balance, September 30, 2010	6,202,771	6,738,131	<u>535,360</u>
Increase in Unrealized Appreciation			358,117
Net Realized Gain on Investments			<u>46,067</u>
Net Gain on Investments			<u>\$ 404,184</u>

CONSERVANCY OF SOUTHWEST FLORIDA, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2011 AND 2010

NOTE 3 INVESTMENTS AND FAIR VALUE (CONTINUED)

The components of investment return are as follows:

	2011	2010
Dividends and Interest	\$ 193,143	\$ 130,100
Gain on Sale of Investments	326,665	46,067
Net Change in Appreciation (Depreciation in Fair Value of Investments)	(515,448)	358,117
Investment Management Fees	(47,161)	(34,440)
Total Investment Return	<u>\$ (42,801)</u>	<u>\$ 499,844</u>

The Organization invests in a variety of investments. In general, investments are exposed to various risks, such as interest rate, credit and overall market volatility risk. Due to the level of risk associated with certain investments, it is reasonably possible that changes in the values of the investments will occur in the near term and that such changes could materially affect the investment balances and the amounts reported in the statement of financial position.

The Organization uses fair value measurements to record fair value adjustments to certain assets and liabilities and to determine fair value disclosures. For additional information on how the Organization measures fair value refer to Note 1 – Summary of Significant Accounting Principles. The following table presents the fair value hierarchy for the balances of the assets of the Organization measured at fair value on a recurring basis as of September 30, 2011:

	Level 1	Level 2	Level 3	Total
Assets:				
Common Stocks	\$ 3,852,910	\$ -	\$ -	\$ 3,852,910
U.S. Agency Bonds	-	398,148	-	398,148
Corporate Bonds	-	643,326	-	643,326
Municipal Bonds	-	653,417	-	653,417
Mutual Funds - Commodities	-	268,233	-	268,233
Mutual Funds - Fixed Income	-	412,228	-	412,228
Real Estate Investment Trust	-	296,815	-	296,815
Alternative Investments	-	-	957,061	957,061
Trust Receivable	-	-	8,430,341	8,430,341
Total	<u>\$ 3,852,910</u>	<u>\$ 2,672,167</u>	<u>\$ 9,387,402</u>	<u>\$ 15,912,479</u>

CONSERVANCY OF SOUTHWEST FLORIDA, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2011 AND 2010

NOTE 3 INVESTMENTS AND FAIR VALUE (CONTINUED)

The following table presents the fair value hierarchy for the balances of the assets the Organization measured at fair value on a recurring basis as of September 30, 2010:

	Level 1	Level 2	Level 3	Total
Assets:				
Common Stocks	\$ 3,728,992	\$ -	\$ -	\$ 3,728,992
U.S. Agency Bonds	-	374,261	-	374,261
Corporate Bonds	-	392,113	-	392,113
Municipal Bonds	-	531,108	-	531,108
Mutual Funds - Commodities	-	260,089	-	260,089
Mutual Funds - Fixed Income	-	457,138	-	457,138
Real Estate Investment Trust	-	257,534	-	257,534
Alternative Investments	-	-	736,896	736,896
Total	<u>\$ 3,728,992</u>	<u>\$ 2,272,243</u>	<u>\$ 736,896</u>	<u>\$ 6,738,131</u>

The following represents a fair value roll forward of all assets and liabilities measured at Level 3, refer to Note 1 – Summary of Significant Accounting Policies:

<u>Level 3 Investments</u>	
Balance at September 30, 2009	\$ 290,729
Sales	700,000
Realized Gain	(242,247)
Unrealized Appreciation	(11,586)
Balance at September 30, 2010	<u>736,896</u>
Contributions	8,430,341
Purchases	230,000
Sales	(22,402)
Unrealized Appreciation	12,567
Balance at September 30, 2011	<u>\$ 9,387,402</u>

Investments categorized at Level 2 are measured at fair value utilizing market prices at the close of business of the last day for the statement period, provided by investment advisors. Investments categorized at Level 3 are measured at fair value with a valuation technique utilizing estimated membership interest and subscription amounts obtained from the managing member. Trust receivable categorized at Level 3 is measured at fair value utilizing market prices at the close of business of the last day for the statement period, provided by investment advisors.

CONSERVANCY OF SOUTHWEST FLORIDA, INC.
NOTES TO FINANCIAL STATEMENTS
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NOTE 3 INVESTMENTS AND FAIR VALUE (CONTINUED)

The following asset is valued at fair value on a non-recurring basis:

<u>Description</u>	Year Ended September 30, 2011	Fair Value by Significant Unobservable Inputs (Level 3)	Total Loss
Condominium unit	\$ 116,198	\$ 116,198	\$ (125,000)

In accordance with the provisions of the Impairment or Disposal of Long-lived Assets subsections of FASB codification Subtopic 360-10, long-lived assets held and used with a carrying value of \$241,198 were written down to fair value of \$116,198, resulting in an impairment charge of \$125,000, which was included in other income(losses) for the year ended September 30, 2011.

NOTE 4 PROPERTY AND EQUIPMENT, NET

Property and equipment at September 30, 2011 and 2010, consists of the following:

	2011	2010
Land	\$ 579,046	\$ 579,046
Building and Improvements	5,732,915	5,359,912
Museum Exhibits	272,916	272,916
Furniture and Equipment	836,879	828,504
Transportation and Marine Equipment	644,300	640,864
Statuary	97,181	97,181
Construction in Progress	10,052,933	5,993,581
	<u>18,216,170</u>	<u>13,772,004</u>
Less: Accumulated Depreciation	(5,509,689)	(5,441,207)
	<u>\$ 12,706,481</u>	<u>\$ 8,330,797</u>

Depreciation expense for the years ended September 30, 2011 and 2010 was \$188,380 and \$197,378, respectively, of which \$187,413 and \$194,138 are included in the statements of functional expenses for the years September 30, 2011 and 2010, respectively. The remainder of the depreciation of \$1,395 and \$3,240 are included in the Store Sales, Net in the statement of activities and changes in net assets for 2011 and 2010, respectively.

CONSERVANCY OF SOUTHWEST FLORIDA, INC.
NOTES TO FINANCIAL STATEMENTS
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NOTE 5 TRUST RECEIVABLES

The Organization has trust receivables at September 30, 2011 and 2010 as follows:

	<u>2011</u>	<u>2010</u>
DeLong Trust	\$ 490,308	\$ -
Blair Foundation	7,940,033	-
	<u>\$ 8,430,341</u>	<u>\$ -</u>

NOTE 6 NOTES PAYABLE

Notes payable consists of the following at September 30, 2011 and 2010:

	<u>2011</u>	<u>2010</u>
Lump-sum note payable to The Trust for Public Land upon sale of a condominium owned by the Organization. The note is non-interest bearing and is secured by the condominium.	\$ 50,000	\$ 50,000
Note payable to financial institution, secured by inventory, accounts receivable, equipment and general intangibles. Monthly payments of principal and interest of \$1,083. Interest rate is 3.25%. Final payment is due September 2016	63,917	-
Line of credit with financial institution, secured by the assets of the Organization. Interest is fixed at 2.75%. Organization may draw up to \$8,000,000. Interest is due monthly with final principal balance due July 30, 2012.	444,276	-
Line of credit with financial institution, secured by the assets of the Organization. Interest is fixed at 3%. Interest is due monthly with final principal balance due July 30, 2012.	335,000	-
	<u>\$ 893,193</u>	<u>\$ 50,000</u>

Principal maturities are as follows:

<u>Years Ending September 30,</u>	<u>Amount</u>
2012	\$ 790,367
2013	11,456
2014	11,834
2015	12,225
Thereafter	67,311
	<u>\$ 893,193</u>

CONSERVANCY OF SOUTHWEST FLORIDA, INC.
NOTES TO FINANCIAL STATEMENTS
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NOTE 7 ENDOWMENT

The Organization has a donor restricted endowment fund established for the purposes of providing income to support general operations. There is no board designated endowment. As required by accounting principles generally accepted in the United States of America, net assets of the endowment fund are classified and reported based on the existence or absence of donor-imposed restrictions. The Board of Directors of the Organization has interpreted relevant state law as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as unrestricted net assets.

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor requires the Organization to retain as a fund of perpetual duration. In accordance with accounting principles generally accepted in the United States of America, as of September 30, 2011 and 2010, deficiencies of this nature are reported in unrestricted net assets were \$875,251 and \$532,450, respectively. These deficiencies resulted from unfavorable market fluctuations in the endowment fund's investments.

Investment Policies

The Organization has established an investment policy to determine investment or reinvestment of the assets in accordance with such guidelines, policies and procedures that are authorized by the board. These guidelines, policies and procedures shall attempt to generate a long-term investment return that will contribute to meeting the spending needs of the Organization while maintaining the purchasing power of the investment assets. The Organization's spending and investment policies work together to achieve this objective. The investment policy establishes a long-term investment objective through diversification of asset classes. To achieve its investment objectives over long periods of time, the Organization relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The investment strategy targets a diversified asset allocation that includes domestic equities, non-US equities and fixed income.

The majority of assets are invested in debt and equity or debt and equity like securities. Diversification by asset class, investment style, investment manager, etc. is employed to avoid undue risk concentration and enhance total return. The primary performance objective is to achieve an annualized total rate of return, net of investment fees, that is equal to or greater than 4% plus inflation over long periods of time. Actual returns in any given year may vary from this amount.

CONSERVANCY OF SOUTHWEST FLORIDA, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2011 AND 2010

NOTE 7 ENDOWMENT (CONTINUED)

Spending Policy

The board of directors approved appropriations of up to 5% during 2011 and 2010 of the endowment fund balance as of the end of the prior year. The percentage is determined based on the overall needs of the Organization balanced with the long-term investment return objectives for a fund to be held in perpetuity.

Changes in endowment net assets as of September 30, 2010 and 2011 are as follows:

	Unrestricted	Permanently Restricted	Total
Endowment Net Assets as of September 30, 2009	\$ (732,294)	\$ 9,042,432	\$ 8,310,138
Contributions	-	668,661	668,661
Transfers	-	205,783	205,783
Investment Return:			
Investment Income	130,100	-	130,100
Investment Expense	(34,440)	-	(34,440)
Realized Gain on Sale of Investments	358,117	-	358,117
Net Appreciation	46,067	-	46,067
Total Investment Return	<u>499,844</u>	<u>-</u>	<u>499,844</u>
Appropriations	<u>(300,000)</u>	<u>-</u>	<u>(300,000)</u>
Endowment Net Assets as of September 30, 2010	(532,450)	9,916,876	9,384,426
Contributions	-	596,609	596,609
Investment Return:			
Investment Income	193,143	-	193,143
Investment Expense	(47,161)	-	(47,161)
Realized Gain on Sale of Investments	326,665	-	326,665
Net Depreciation	(515,448)	-	(515,448)
Total Investment Return	<u>(42,801)</u>	<u>-</u>	<u>(42,801)</u>
Appropriations	<u>(300,000)</u>	<u>-</u>	<u>(300,000)</u>
Endowment Net Assets as of September 30, 2011	<u>\$ (875,251)</u>	<u>\$ 10,513,485</u>	<u>\$ 9,638,234</u>

NOTE 8 TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets at September 30, 2011 and 2010, were restricted by the donors for the following purposes:

	2010	2009
Capital Campaign	\$ 17,916,409	\$ 15,848,201
Trust Receivable	8,430,341	-
Land Acquisition Program	41,035	50,688
Science and Environmental Programs	200,996	504,211
Youth Programs	86,322	50,000
Magic Temp Restricted Funds	74,630	67,956
	<u>\$ 26,749,733</u>	<u>\$ 16,521,056</u>

**CONSERVANCY OF SOUTHWEST FLORIDA, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2011 AND 2010**

NOTE 9 RETIREMENT PLAN

The Organization has a defined contribution retirement plan, (the Plan), covering substantially all employees meeting certain eligibility requirements. The Plan provides that participants may contribute amounts up to the maximum allowable by law. For eligible participants, the Organization will contribute an amount equal to 50% of the participants' salary deferral up to 6% of compensation. As of September 30, 2011 and 2010, the Organization recorded expenses of \$43,582 and \$45,338, respectively.

NOTE 10 LEASE COMMITMENTS

The Organization leases certain land included in the Rookery Bay National Estuarine Reserve from an agency of the State of Florida. The annual rent payment is \$1 and the lease expires in January, 2079. Under the lease terms, the Organization is required to preserve this land in a state compatible with the objectives of the Reserve for the period of the lease. The Organization and another nonprofit organizations share in the management of the land.

The Organization leases property that is adjacent to the Organization's Nature Center. The lease automatically renews each year unless the lessor advises the Organization in writing 90 days prior to expiration. The annual rent for the property is \$1 plus the annual real estate taxes on the unimproved portion of the property.

The Organization leases certain facilities for its consignment shops and warehouse, a crew house, and office equipment under non-cancelable operating leases expiring in varying years through November 2014. Rental expense for the years ended September 30, 2011 and 2010 was \$51,308 and \$33,537, respectively, are included in the statements of functional expenses. The remainder of the rental expense of \$126,847 and \$137,496 are included in the Store Sales, Net in the statement of activities and changes in net assets for 2011 and 2010, respectively.

Future minimum lease payments are as follows:

<u>Years Ending September 30,</u>	<u>Amount</u>
2012	\$ 160,370
2013	149,584
2014	95,135
	<u>\$ 405,089</u>

CONSERVANCY OF SOUTHWEST FLORIDA, INC.
NOTES TO FINANCIAL STATEMENTS
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NOTE 11 TRANSFER

Certain contributions received during the years ended September 30, 2010 were classified as temporarily restricted in accordance with the donor's instructions. During the year ended September 30, 2010, the donor changed the restrictions on the donations and indicated that the donations should be permanently restricted. As a result, the contributions have been transferred from the temporarily restricted fund to the permanently restricted fund. As of September 30, 2010, \$205,783 has been transferred from the temporarily restricted to the permanently restricted fund.