

MISSISSIPPI VALLEY CONSERVANCY, INC.

**FINANCIAL STATEMENTS WITH
SUPPLEMENTARY INFORMATION**

June 30, 2017 and 2016

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Mississippi Valley Conservancy, Inc.
La Crosse, Wisconsin

We have audited the accompanying financial statements of Mississippi Valley Conservancy, Inc., which comprise the statements of financial position as of June 30, 2017 and 2016, and the related statements of activities, functional expenses, 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 Mississippi Valley Conservancy, 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.

Disclaimer of opinion on Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying information on page 19, which is the responsibility of management, is presented for the purpose of additional analysis and is not a required part of the financial statements.

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Such information has not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Wegner CPAs, LLP

Wegner CPAs, LLP
Madison, Wisconsin
September 11, 2017

MISSISSIPPI VALLEY CONSERVANCY, INC.
STATEMENT OF FINANCIAL POSITION
June 30, 2017

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
ASSETS				
CURRENT ASSETS				
Cash	\$ 416,347	\$ -	\$ -	\$ 416,347
Promises to give	-	44,326	-	44,326
Prepaid expenses	12,638	-	-	12,638
Total current assets	428,985	44,326	-	473,311
OTHER ASSETS				
Investments	297,830	803,811	204,610	1,306,251
Promises to give - net	-	352,107	-	352,107
Equipment - net	7,419	-	-	7,419
Land held for conservation	1,062,488	-	9,392,172	10,454,660
Total other assets	1,367,737	1,155,918	9,596,782	12,120,437
Total assets	<u>\$ 1,796,722</u>	<u>\$ 1,200,244</u>	<u>\$ 9,596,782</u>	<u>\$ 12,593,748</u>
LIABILITIES AND NET ASSETS				
CURRENT LIABILITIES				
Accounts payable	\$ 7,583	\$ -	\$ -	\$ 7,583
Accrued expenses	23,809	-	-	23,809
Total liabilities	31,392	-	-	31,392
NET ASSETS				
Undesignated	486,871	-	-	486,871
Board designated	1,278,459	-	-	1,278,459
Unrestricted	1,765,330	-	-	1,765,330
Temporarily restricted	-	1,200,244	-	1,200,244
Permanently restricted	-	-	9,596,782	9,596,782
Total net assets	1,765,330	1,200,244	9,596,782	12,562,356
Total liabilities and net assets	<u>\$ 1,796,722</u>	<u>\$ 1,200,244</u>	<u>\$ 9,596,782</u>	<u>\$ 12,593,748</u>

See accompanying notes.

MISSISSIPPI VALLEY CONSERVANCY, INC.
STATEMENT OF FINANCIAL POSITION
June 30, 2016

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
ASSETS				
CURRENT ASSETS				
Cash	\$ 186,791	\$ -	\$ -	\$ 186,791
Promises to give	-	42,388	-	42,388
Prepaid expenses	10,855	-	-	10,855
Total current assets	197,646	42,388	-	240,034
OTHER ASSETS				
Investments	296,943	510,641	180,570	988,154
Promises to give - net	-	296,109	-	296,109
Equipment - net	8,572	-	-	8,572
Land held for conservation	1,062,488	-	9,392,172	10,454,660
Total other assets	1,368,003	806,750	9,572,742	11,747,495
Total assets	\$ 1,565,649	\$ 849,138	\$ 9,572,742	\$ 11,987,529
LIABILITIES AND NET ASSETS				
CURRENT LIABILITIES				
Accounts payable	\$ 3,908	\$ -	\$ -	\$ 3,908
Accrued expenses	16,353	-	-	16,353
Total liabilities	20,261	-	-	20,261
NET ASSETS				
Undesignated	327,944	-	-	327,944
Board designated	1,217,444	-	-	1,217,444
Unrestricted	1,545,388	-	-	1,545,388
Temporarily restricted	-	849,138	-	849,138
Permanently restricted	-	-	9,572,742	9,572,742
Total net assets	1,545,388	849,138	9,572,742	11,967,268
Total liabilities and net assets	\$ 1,565,649	\$ 849,138	\$ 9,572,742	\$ 11,987,529

See accompanying notes.

MISSISSIPPI VALLEY CONSERVANCY, INC.
STATEMENT OF ACTIVITIES
Year ended June 30, 2017

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
SUPPORT AND REVENUE				
Contributions	\$ 456,920	\$ 486,224	\$ 24,040	\$ 967,184
Grants	135,589	-	-	135,589
Fundraising	54,328	-	-	54,328
Return on investments	42,780	54,260	-	97,040
Video related revenue	1,410	-	-	1,410
Other	3,607	-	-	3,607
Total support and revenue	694,634	540,484	24,040	1,259,158
EXPENSES				
Program services				
Land Management	210,762	-	-	210,762
Land Protection	284,533	-	-	284,533
Outreach/Education	82,614	-	-	82,614
Management and general	46,314	-	-	46,314
Fundraising	39,847	-	-	39,847
Total expenses	664,070	-	-	664,070
Released from restrictions	189,378	(189,378)	-	-
Change in net assets	219,942	351,106	24,040	595,088
Net assets - beginning of year	1,545,388	849,138	9,572,742	11,967,268
Net assets - end of year	\$ 1,765,330	\$ 1,200,244	\$ 9,596,782	\$ 12,562,356

See accompanying notes.

MISSISSIPPI VALLEY CONSERVANCY, INC.
STATEMENT OF ACTIVITIES
Year ended June 30, 2016

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
SUPPORT AND REVENUE				
Contributions	\$ 305,342	\$ 279,120	\$ 173,345	\$ 757,807
Grants	109,136	-	-	109,136
Fundraising	31,296	-	-	31,296
Return on investments	22,441	4,292	-	26,733
Video related revenue	5,050	-	-	5,050
Other	454	-	-	454
Total support and revenue	473,719	283,412	173,345	930,476
EXPENSES				
Program services				
Land Management	129,120	-	-	129,120
Land Protection	201,089	-	-	201,089
Outreach/Education	88,514	-	-	88,514
Management and general	22,714	-	-	22,714
Fundraising	36,671	-	-	36,671
Total expenses	478,108	-	-	478,108
Loss on land transferred	-	-	(500,000)	(500,000)
Released from restrictions	150,248	(150,248)	-	-
Change in net assets	145,859	133,164	(326,655)	(47,632)
Net assets - beginning of year restated	1,399,529	715,974	9,899,397	12,014,900
Net assets - end of year	\$ 1,545,388	\$ 849,138	\$ 9,572,742	\$ 11,967,268

See accompanying notes.

MISSISSIPPI VALLEY CONSERVANCY, INC.
STATEMENT OF FUNCTIONAL EXPENSES
Year ended June 30, 2017

	Land Management Services	Land Protection Services	Outreach and Education	Total Program Services	Management and General	Fundraising	Total
Personnel	\$ 85,675	\$ 177,012	\$ 60,415	\$ 323,102	\$ 24,494	\$ 26,148	\$ 373,744
Professional services	-	5,594	-	5,594	9,572	-	15,166
Supplies	859	1,726	841	3,426	488	1,395	5,309
Occupancy	9,552	6,048	1,728	17,328	1,008	1,149	19,485
Postage and printing	2,603	3,370	3,932	9,905	686	2,292	12,883
Communications	1,095	1,312	289	2,696	169	144	3,009
Professional development	890	1,233	-	2,123	2,157	3,254	7,534
Depreciation	5,528	-	-	5,528	-	-	5,528
Land and easement acquisition*	-	69,624	207	69,831	-	-	69,831
Land management	91,244	8	10	91,262	49	-	91,311
Miscellaneous	-	153	276	429	240	-	669
Travel	2,498	1,968	891	5,357	2,599	4,533	12,489
Dues and subscriptions	-	3,125	3,491	6,616	96	-	6,712
Information technology	4,439	7,838	2,843	15,120	342	807	16,269
Publicity	50	140	7,153	7,343	50	125	7,518
Repairs and maintenance	3,039	758	-	3,797	-	-	3,797
Insurance	3,290	4,624	-	7,914	4,364	-	12,278
Videos	-	-	538	538	-	-	538
Total expenses	\$ 210,762	\$ 284,533	\$ 82,614	\$ 577,909	\$ 46,314	\$ 39,847	\$ 664,070

* - Tweed conservation easement purchase and McKnight

See accompanying notes.

MISSISSIPPI VALLEY CONSERVANCY, INC.
STATEMENT OF FUNCTIONAL EXPENSES
Year ended June 30, 2016

	Land Management Services	Land Protection Services	Outreach and Education	Total Program Services	Management and General	Fundraising	Total
Personnel	\$ 84,838	\$ 153,872	\$ 67,720	\$ 306,430	\$ 12,088	\$ 26,424	\$ 344,942
Professional services	623	1,154	530	2,307	6,778	207	9,292
Bad debts	-	-	-	-	2,000	-	2,000
Supplies	467	1,363	1,001	2,831	142	1,468	4,441
Occupancy	8,260	6,408	2,948	17,616	432	1,387	19,435
Postage and printing	2,053	3,865	3,983	9,901	286	1,621	11,808
Communications	848	1,639	616	3,103	90	240	3,433
Professional development	359	2,158	305	2,822	194	233	3,249
Depreciation	5,528	-	-	5,528	-	-	5,528
Land and easement acquisition	-	17,667	-	17,667	-	-	17,667
Land management	17,128	-	-	17,128	-	-	17,128
Miscellaneous	45	83	750	878	17	5	900
Travel	2,457	4,377	1,275	8,109	174	4,677	12,960
Dues and subscriptions	311	1,428	3,697	5,436	129	39	5,604
Information technology	1,291	2,589	776	4,656	114	302	5,072
Publicity	74	143	70	287	3	8	298
Repairs and maintenance	1,111	101	30	1,242	5	11	1,258
Insurance	3,727	4,242	3,373	11,342	262	49	11,653
Videos	-	-	1,440	1,440	-	-	1,440
Total expenses	\$ 129,120	\$ 201,089	\$ 88,514	\$ 418,723	\$ 22,714	\$ 36,671	\$ 478,108

See accompanying notes.

MISSISSIPPI VALLEY CONSERVANCY, INC.
STATEMENTS OF CASH FLOWS
Years ended June 30, 2017 and 2016

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 595,088	\$ (47,632)
Adjustments to reconcile change in net assets to net cash flows from operating activities		
Contributions restricted for long-term purposes	(134,078)	(85,973)
Depreciation	5,528	5,528
Realized and unrealized (gain) loss on investments	(73,539)	4,829
Amortization of discount on promises to give	2,500	400
Donation of land held for conservation	-	(115,400)
Loss on disposal of land held for conservation	-	500,000
(Increase) decrease in assets		
Promises to give	(60,436)	26,502
Grants receivable	-	3,657
Prepaid expenses	(1,783)	(1,651)
Increase (decrease) in liabilities		
Accounts payable	3,675	(3,977)
Accrued expenses	7,456	437
Funds held for others	-	(16,142)
Net cash flows from operating activities	344,411	270,578
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of investments	(244,558)	(231,432)
Purchases of equipment	(4,375)	(6,676)
Purchase of land held for conservation	-	(4,275)
Net cash flows from investing activities	(248,933)	(242,383)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from contributions restricted for:		
Conservation easement monitoring and defense	110,038	28,028
Investment in permanent endowment	24,040	53,670
Investment in land held for conservation	-	4,275
Net cash flows from financing activities	134,078	85,973
Net change in cash	229,556	114,168
Cash - beginning of year	186,791	72,623
Cash - end of year	<u>\$ 416,347</u>	<u>\$ 186,791</u>
SUPPLEMENTAL DISCLOSURES		
Noncash investing transactions		
Donation of land held for conservation	\$ -	\$ 115,400

See accompanying notes.

MISSISSIPPI VALLEY CONSERVANCY, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2017 and 2016

Mississippi Valley Conservancy, Inc. (Conservancy) is a nonprofit organization under the laws of the State of Wisconsin and is dedicated to the conservation of environmentally significant land in the Coulee Region of Western Wisconsin. In addition, the Conservancy promotes its mission through seminars and general conservation outreach programs.

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The Conservancy is required to report information regarding its financial position and activities according to three classes of net assets:

Unrestricted net assets—Net assets that are not restricted by donors. Designations are voluntary board-approved segregations of unrestricted net assets for specific purposes, projects, or investments.

Temporarily restricted net assets—Net assets whose use has been limited by donor-imposed time restrictions or purpose restrictions.

Permanently restricted net assets—Net assets that have been restricted by donors to be maintained by the Conservancy in perpetuity.

Promises to Give

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

Investments

Investments in marketable securities with readily determinable fair values are stated at their fair values in the statement of financial position. Realized and unrealized gains and losses are included in the change in net assets in the accompanying statement of activities.

Equipment

Acquisitions of equipment in excess of \$300 are capitalized. Equipment is carried at cost or, if donated, at the estimated fair value on the date of donation. Equipment is depreciated using the straight-line method over the estimated useful lives of the assets.

Conservation Easements

Conservation easements accepted or purchased by the Conservancy are not recognized as assets or revenue in the accompanying financial statements because the Conservancy does not hold fee title to these properties and there are no expected future economic benefits associated with the easements. In addition, conservation easements carry significant obligations to monitor and defend their terms. If purchased, the costs of conservation easements are expensed when the easements are acquired.

MISSISSIPPI VALLEY CONSERVANCY, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2017 and 2016

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Land Held for Conservation

Purchases of land are recorded at cost or, if donated, at the estimated fair value on the date of donation. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use, and contributions of cash that must be used to acquire property are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, the Conservancy reports expiration of donor restrictions when the assets are placed in service, and reclassifies temporarily restricted net assets to unrestricted net assets at that time.

Contributions

Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the support is recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets, depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as released from restrictions.

Donated Services

Donated services are recognized as contributions if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Conservancy. Volunteers also provide various services throughout the year that are not recognized as contributions in the financial statements since the recognition criteria are not met.

Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenue and expenses. Actual results could differ from those estimates.

Income Tax Status

The Conservancy is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. In addition, the Conservancy qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization other than a private foundation under Section 509(a)(2).

Date of Management's Review

Management has evaluated subsequent events through September 11, 2017, the date which the financial statements were available to be issued.

MISSISSIPPI VALLEY CONSERVANCY, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2017 and 2016

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Expense Allocation

The costs of providing various program services and supporting activities are summarized on a functional basis in the statement of activities and in the statement of functional expenses. Accordingly, certain costs have been allocated among the program services and supporting activities benefited. The following program services and supporting activities are included in the accompanying financial statements:

Program services—Includes activities to protect land and water and build community support for land protection through outreach and education of the public.

Management and general—Includes accounting and production of financial reports, development and oversight of the annual budget, maintenance of personnel records, personnel evaluations, and organizational governance.

Fundraising—Includes the cultivation of new donors, the administration of fundraising events, membership solicitations, direct mailings, and planned giving activities.

NOTE 2—CONCENTRATIONS OF CREDIT RISK

The Conservancy maintains its cash with one financial institution in La Crosse, Wisconsin. The balances are insured by the Federal Deposit Insurance Corporation up to \$250,000. The Conservancy also maintains accounts with Vanguard and Baird that contains cash and securities. Balances are insured up to \$500,000 (with a limit of \$100,000 for cash) by the Securities Investor Protection Corporation. All amounts over the limit are covered by excess Securities Investor Protection Corporation insurance obtained by Vanguard. At June 30, 2017, the Conservancy's uninsured cash balances total approximately \$166,000.

NOTE 3—UNCONDITIONAL PROMISES TO GIVE

Unconditional promises to give at June 30, 2017 and 2016 consisted of the following:

	2017	2016
Receivable in less than one year	\$ 44,326	\$ 42,388
Receivable in one to five years	42,705	42,245
Receivable in more than five years	6,000	-
Receivable from donor annuity	308,202	256,164
Unconditional promises to give	401,233	340,797
Less discounts to net present value	4,800	2,300
Unconditional promises to give - net	\$ 396,433	\$ 338,497

Unconditional promises to give receivable in more than one year are discounted at 2.5%

MISSISSIPPI VALLEY CONSERVANCY, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2017 and 2016

NOTE 4—INVESTMENTS

Investments at June 30, 2017 and 2016 consisted of the following:

	<u>2017</u>	<u>2016</u>
Money market funds	\$ 228,533	\$ 124,415
Mutual funds	<u>1,077,718</u>	<u>863,739</u>
Investments	<u>\$ 1,306,251</u>	<u>\$ 988,154</u>

Return on investments for the years ended June 30, 2017 and 2016 consisted of the following:

	<u>2017</u>	<u>2016</u>
Interest and dividends	\$ 23,501	\$ 31,562
Realized and unrealized gain (loss)	<u>73,539</u>	<u>(4,829)</u>
Return on investments	<u>\$ 97,040</u>	<u>\$ 26,733</u>

NOTE 5—EQUIPMENT

Equipment at June 30, 2017 and 2016 consisted of the following:

	<u>2017</u>	<u>2016</u>
Equipment and fixtures	\$ 51,971	\$ 47,596
Vehicle	23,960	23,960
Less accumulated depreciation	<u>68,512</u>	<u>62,984</u>
Equipment - net	<u>\$ 7,419</u>	<u>\$ 8,572</u>

NOTE 6—FAIR VALUE MEASUREMENTS

Fair values of assets measured on a recurring basis at June 30, 2017 and 2016 were as follows:

	<u>Fair Value</u>	<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
Mutual funds - 2017	<u>\$ 1,077,718</u>	<u>\$ 1,077,718</u>	<u>\$ -</u>	<u>\$ -</u>
Mutual funds - 2016	<u>\$ 863,739</u>	<u>\$ 863,739</u>	<u>\$ -</u>	<u>\$ -</u>

Fair values for money market funds and mutual funds are determined by reference to quoted market prices and other relevant information generated by market transactions.

MISSISSIPPI VALLEY CONSERVANCY, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2017 and 2016

NOTE 7—LAND HELD FOR CONSERVATION

Land held for conservation at June 30, 2017 and 2016 consisted of the following:

	<u>2017</u>	<u>2016</u>
Tunnelville Cliffs State Natural Area:		
Kings Point Farms	\$ 2,366,243	\$ 2,366,243
Lee	306,000	306,000
Kings Point Farm - North	117,757	117,757
New Amsterdam Grasslands	2,025,000	2,025,000
Sugar Creek Bluff State Natural Area:		
Sampson III	527,072	527,072
B&T Properties	435,000	435,000
Vaughn I & II	274,252	274,252
Sampson I & II	266,562	266,562
Bureau of Aeronautics	115,400	115,400
Harris	75,400	75,400
Boscobel Bluffs State Natural Area - McNamee	900,742	900,742
Devils Backbone State Natural Area - Future Farms	662,700	662,700
Waters Edge Woods - Homstad	403,000	403,000
Cassville Bluffs State Natural Area - Roe	382,000	382,000
Onalaska Natural Lands Protection Program:		
French Valley, LLC	300,000	300,000
Greens Coulee-Savanah Oaks	233,429	233,429
Apple Valley Bluff - T&D Real Estate Investments	180,000	180,000
Kickapoo Bottoms - Royal Bank	135,708	135,708
Devils Backbone State Natural Area - Stout	125,000	125,000
La Crosse River Conservancy:		
Lee	51,300	51,300
Gundersen	42,000	42,000
Western Technical College	10,500	10,500
Johnson	7,231	7,231
Coulee Region Humane Society	2,400	2,400
Fish Creek - Meridian Marketplace	100,000	100,000
Trempealeau Lakes-River Lake Estates	99,561	99,561
Angel Bluff - Ledebuhr	98,750	98,750
Romance Woods- Anderson/Jackson	96,250	96,250
La Crosse Bluffland Protection Property:		
Gilbertson Property	20,498	20,498
Gerrard Corporation	18,630	18,630
La Crosse Floral	10,000	10,000
Hoeschler	10,000	10,000
Frank	8,000	8,000
Cardinal Bluff - McDowell	44,000	44,000
Kickapoo Indian Caverns - Porter	4,275	4,275
	<u>\$ 10,454,660</u>	<u>\$ 10,454,660</u>

MISSISSIPPI VALLEY CONSERVANCY, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2017 and 2016

NOTE 8—CONTINGENCY

The Conservancy holds 105 conservation easements that may require expenditures to monitor and defend the provisions of the easements.

NOTE 9—NET ASSETS

The Conservancy's board of directors as of June 30, 2017 and 2016 has chosen to place the following limitations on unrestricted net assets:

	<u>2017</u>	<u>2016</u>
Fee Land Stewardship	\$ 155,071	\$ 122,759
CE Intern Field Crew	26,540	10,197
CE Stewardship Assist	21,420	10,197
CE Stewardship	12,940	11,803
Land held for conservation	<u>1,062,488</u>	<u>1,062,488</u>
Board designated net assets	<u>\$ 1,278,459</u>	<u>\$ 1,217,444</u>

Temporarily restricted net assets at June 30, 2017 and 2016 are available for the following purposes:

	<u>2017</u>	<u>2016</u>
Promises to give not restricted for a specified purpose	\$ 28,351	\$ 23,148
Conservation easement stewardship	664,530	581,357
Owned land monitoring and defense	44,716	40,785
Stry	37,964	56,800
Onalaska Natural Land Protection Program	13,856	12,638
McKnight grant for operations	36,778	38,118
Dutton grant for internships	5,833	7,294
Kickapoo Indian Cavern	268,362	59,132
CRP - Cassville	30,946	15,198
Endowment changes	24,024	4,293
Other	<u>44,884</u>	<u>10,375</u>
Temporarily restricted net assets	<u>\$ 1,200,244</u>	<u>\$ 849,138</u>

Easement Stewardship provides for baseline development, monitoring and enforcement, with a view to prompt identification and enforcement of violations of the terms of conservation easements granted to the Conservancy.

Easement Legal Defense provides for expenses incurred in the enforcement, by litigation or otherwise, of the terms of any easement granted to the Conservancy. The Land Trust Alliance (LTA) has established guidance for funds reserved for the purposes described above that is based on the number of easements held.

MISSISSIPPI VALLEY CONSERVANCY, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2017 and 2016

NOTE 9—NET ASSETS (continued)

The status of these funds as of June 30, 2017 and 2016 was as follows:

	2017	2016
Temporarily restricted	\$ 711,246	\$ 622,142
Board designated	215,971	154,956
Easement stewardship and legal defense	\$ 927,217	\$ 777,098

Permanently restricted net assets as of June 30, 2017 and 2016 consist of following:

	2017	2016
Land held for conservation	\$ 9,392,172	\$ 9,392,172
Endowment		
General	36,750	36,750
CE Intern Field Crew	67,860	53,820
CE Steward Assistance	35,000	25,000
CAPX Kube	40,000	40,000
CAPX NAG	25,000	25,000
Permanently restricted net assets	\$ 9,596,782	\$ 9,572,742

During the year ended June 30, 2016, the Conservancy transferred ownership of the Green Coulee – Elmwood Partners property to the City of Onalaska. It also transferred ownership of the Eagle Eye State Natural Area – Cade to the Archaeological Conservancy.

NOTE 10—ENDOWMENT

The Conservancy's endowment is intended to be an investment fund with investment earnings used to help accomplish the Conservancy's mission. Primary uses of investment earnings will be: supporting general operations, perpetual monitoring and legal defense of conservation easements, management of Conservancy owned properties, assisting with ecological management of conservation easement properties, and land protection projects. Donors and/or the board of directors may designate endowment funds for other purposes related to the mission. It is the Conservancy's goal to grow the fund by limiting spending to allow the principal to grow at or above the rate of inflation, plus growth from new contributions.

The permanently restricted principal is listed as permanently restricted investments on the statement of financial position. Net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

MISSISSIPPI VALLEY CONSERVANCY, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2017 and 2016

NOTE 10—ENDOWMENT (continued)

Endowment net asset composition by type of funds as of June 30, 2017 and 2016 was as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds - 2017	<u>\$ -</u>	<u>\$ 24,024</u>	<u>\$ 204,610</u>	<u>\$ 228,634</u>
Donor-restricted endowment funds - 2016	<u>\$ -</u>	<u>\$ 4,293</u>	<u>\$ 180,570</u>	<u>\$ 184,863</u>

Interpretation of Relevant Law

The State of Wisconsin enacted UPMIFA effective July 20, 2009, the provisions of which apply to endowment funds existing on or established after that date. The Board of Directors of the Conservancy has interpreted Wisconsin's enacted version of UPMIFA as requiring the preservation of the historic dollar value of the original gift plus any subsequent gifts of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. In accordance with Wisconsin's enacted version of UPMIFA, the Conservancy expects it will need to consider 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 the appreciation of investments, (6) other resources, and (7) the Conservancy's investment policies.

Return Objectives and Risk Parameters

The Conservancy has adopted an investment policy for endowment assets that attempt to provide long term growth with diversification to provide earnings with reduced annual fluctuations. The fund will primarily utilize low cost index funds for equity and fixed income securities. Fund earnings and spending will be reviewed annually recommendations will be made to the Board regarding possible additions to endowment principal balances.

Strategies Employed for Achieving Objectives

Annual spending should not exceed 90% of the average annual investment gain in dollars for the preceding five years, with no spending unless the balance is greater than the principal plus 10% unless approved by 75% of the board of directors. This provides a cushion for a 10% investment loss without loss of principal. This method is intended to assure the endowment fund continues to grow at or above the rate of inflation. In normal practice, the amount to be spent can be budgeted for the next fiscal year based on the investment earnings of the previous five calendar years. If a large contribution increases the size of the endowment fund by more than 25%, the calculated spending can be increased proportionately.

It is understood that spending from earnings of funds that are donor restricted or board designated for acquiring land or conservation easements, if any, will be episodic as land protections projects arise, and annual spending will fluctuate. Therefore annual spending may

MISSISSIPPI VALLEY CONSERVANCY, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2017 and 2016

NOTE 10—ENDOWMENT (continued)

vary significantly. However, the same general policy shall apply, with a goal of having the principal amount continue to grow by at least the rate of inflation.

The endowment fund will, over time, include funds designated for different purposes, likely including, but not limited to, General Operations Endowment Fund, Conservation Easement Stewardship Fund, Conservation Easement Intern Field Crew Fund, Owned Land Stewardship Fund, Private Land Management Fund, and Land Protection Fund. Earnings on the endowment investments shall be assigned proportionately to each designated fund prorated on the total value of each designated fund not less frequently than every three months. Accounting records shall be maintained to clearly indicate the amount of principal and the amount of retained earnings in each subaccount of the endowment fund.

The endowment spending policy shall apply individually to each of these separately tracked funds, with the exception of the Land Protection fund. The goal of this policy is to have the endowment principal grow by at least the rate of inflation (as indicated by the U.S. Bureau of Labor Statistics, U.S. City average for all urban consumers) in addition to any new contributions. The Finance and Audit Committee shall annually review endowment fund earnings and spending, and recommend to the Board of Directors an amount from the retained earnings to be added to the designated principal. If poor investment returns make it impractical to designate additional funds to principal in any year(s), the amount designated in future years with better earnings shall be increased to match principal growth to the rate of inflation over the longer period.

Changes in endowment net assets for the years ended June 30, 2017 and 2016 are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	2017 Total
Endowment net assets				
- beginning	\$ -	\$ 4,293	\$ 180,570	\$ 184,863
Contributions	-	-	24,040	24,040
Investment income	-	4,313	-	4,313
Net appreciation	-	15,757	-	15,757
Approved for expenditures	-	(339)	-	(339)
Endowment net assets				
- ending	<u>\$ -</u>	<u>\$ 24,024</u>	<u>\$ 204,610</u>	<u>\$ 228,634</u>
	Unrestricted	Temporarily Restricted	Permanently Restricted	2016 Total
Endowment net assets				
- beginning	\$ -	\$ 1,831	\$ 126,900	\$ 128,731
Contributions	-	-	53,670	53,670
Investment income	-	6,552	-	6,552
Net depreciation	-	(4,090)	-	(4,090)
Approved for expenditures	-	-	-	-
Endowment net assets				
- ending	<u>\$ -</u>	<u>\$ 4,293</u>	<u>\$ 180,570</u>	<u>\$ 184,863</u>

MISSISSIPPI VALLEY CONSERVANCY, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2017 and 2016

NOTE 11—RETIREMENT PLAN

The Conservancy has a defined contribution retirement plan for participating employees who earn \$5,000 or more in a calendar year. Employer contributions to the plan were 3% of the participating employees' annual compensation. Contributions are fully vested when made. Retirement expense for the years ended June 30, 2017 and 2016 was \$7,492 and \$6,794.

NOTE 12—OPERATING LEASES

The Conservancy leases office space under an operating lease that expires in June 2018 and requires monthly payments of \$1,600. Rent expense for the years ended June 30, 2017 and 2016 was \$19,485 and \$19,435. The Conservancy leases copier under an operating lease agreement that expires June 2020 and requires monthly payments of \$118. Copier lease expense for the years ended June 30, 2017 and 2016 was \$2,103 and \$2,165. Future minimum lease payments are \$20,613, \$1,413 and \$1,295, for the years ending June 30, 2018, 2019 and 2020.

Mississippi Valley Conservancy

Schedule of Sources and Uses of Funds for Fee Title Land Acquisitions, by Property

Fiscal Year Ending 6/30/17

PROJECT	Kickapoo Indian Cavern Amount	Epstein Amount	Total Amount
Date of Purchase		-	
Sources of funds and other support			
Grant Funding			
Paul E. Stry Foundation	42,500.00	37,024.00	79,524.00
Knowles-Nelson Stewardship Fund	158,080.00	-	158,080.00
Total of Other Grants	1,100.00	-	1,100.00
Total Land Donation Value	-	-	-
Other Sources of Funding	224,762.03	-	224,762.03
Total sources of funds and other support	426,442.03	37,024.00	463,466.03
Uses of funds and other support			
Land acquisition costs			
Total Acquisition Costs	-	-	-
Land Transaction costs			-
Title Fees	375.00	896.00	1,271.00
Appraisal Fees	2,400.00	-	2,400.00
Legal Fees	-	-	-
Survey Costs	-	3,500.00	3,500.00
Register of Deed Fees	-	30.00	30.00
Misc transaction costs	1,500.00	50.00	1,550.00
Total Transaction Costs	4,275.00	4,476.00	8,751.00
Total Property Capital Costs	4,275.00	4,476.00	16,231.00
Personnel & Operating Expenses	-	-	
Land Expense costs			
Total Property Taxes	-	-	-
Miscellaneous Land Expenses	-	-	-
Total land expense costs	-	-	-
Total uses of funds and other support	4,275.00	4,476.00	8,751.00
Amount unexpended	422,167.03	32,548.00	454,715.03