

GATHERING WATERS CONSERVANCY, INC.

**FINANCIAL STATEMENTS WITH
SUPPLEMENTARY SCHEDULE**

June 30, 2010 and 2009

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Gathering Waters Conservancy, Inc.
Madison, Wisconsin

We have audited the accompanying statements of financial position of Gathering Waters Conservancy, Inc. as of June 30, 2010 and 2009, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the Conservancy'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 Gathering Waters Conservancy, Inc. as of June 30, 2010 and 2009, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying schedule of unrestricted support, revenue, and expenses by function and by funding source is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Wegner LLP

Wegner LLP
Madison, Wisconsin
September 3, 2010



GATHERING WATERS CONSERVANCY, INC.
STATEMENTS OF FINANCIAL POSITION
June 30, 2010 and 2009

	<u>2010</u>	<u>2009</u>
ASSETS		
CURRENT ASSETS		
Cash	\$ 197,041	\$ 149,018
Certificates of deposit	246,323	300,995
Unconditional promises to give	14,000	110,000
Accounts receivable	3,131	11,202
Prepaid expenses	<u>12,508</u>	<u>10,643</u>
Total current assets	473,003	581,858
FURNITURE AND EQUIPMENT		
Furniture and equipment	17,172	17,172
Less accumulated depreciation	<u>17,172</u>	<u>16,813</u>
Furniture and equipment - net	-	359
Unconditional promises to give	69,500	72,100
Investments	<u>64,894</u>	<u>55,833</u>
Total assets	<u>\$ 607,397</u>	<u>\$ 710,150</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 28,981	\$ 12,662
Accrued payroll	<u>18,826</u>	<u>28,444</u>
Total liabilities	47,807	41,106
NET ASSETS		
Undesignated	387,340	440,944
Designated for easement enforcement and monitoring	<u>20,000</u>	<u>20,000</u>
Total unrestricted	407,340	460,944
Temporarily restricted	<u>152,250</u>	<u>208,100</u>
Total net assets	<u>559,590</u>	<u>669,044</u>
Total liabilities and net assets	<u>\$ 607,397</u>	<u>\$ 710,150</u>

See accompanying notes.

GATHERING WATERS CONSERVANCY, INC.
STATEMENTS OF ACTIVITIES
Years ended June 30, 2010 and 2009

	2010	2009
UNRESTRICTED NET ASSETS		
SUPPORT AND REVENUE		
Contributions	\$ 372,929	\$ 345,664
Contract income	108,521	74,056
Special events	27,868	38,162
Conferences	4,060	18,860
Investment return	14,291	(1,936)
Other income	294	290
Total unrestricted support and revenue	527,963	475,096
EXPENSES		
Program services		
Technical training and assistance	278,666	175,581
Education and outreach	199,615	198,732
Policy and government relations	81,338	188,550
Program development	31,362	35,285
Total program services	590,981	598,148
Supporting activities		
Management and general	44,563	38,875
Fundraising and membership development	82,623	106,975
Total supporting activities	127,186	145,850
Total expenses	718,167	743,998
NET ASSETS RELEASED FROM RESTRICTIONS		
Satisfaction of restrictions	136,600	310,939
Change in unrestricted net assets	(53,604)	42,037
TEMPORARILY RESTRICTED NET ASSETS		
Contributions	80,750	114,400
Net assets released from restrictions		
Satisfaction of restrictions	(136,600)	(310,939)
Write off of uncollectible promises to give	-	(5,000)
Change in temporarily restricted net assets	(55,850)	(201,539)
Change in net assets	(109,454)	(159,502)
Net assets - beginning of year	669,044	828,546
Net assets - end of year	\$ 559,590	\$ 669,044

See accompanying notes.

GATHERING WATERS CONSERVANCY, INC.
STATEMENTS OF CASH FLOWS
Years ended June 30, 2010 and 2009

	2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (109,454)	\$ (159,502)
Adjustments to reconcile change in net assets to net cash flows from operating activities		
Depreciation	359	945
Unrealized (gain) loss on investments	(7,642)	16,521
Discount on unconditional promises to give	(4,740)	(3,540)
Donated stock	(433)	-
(Increase) decrease in assets		
Unconditional promises to give	103,340	220,728
Accounts receivable	8,071	1,650
Prepaid expenses	(1,865)	567
Increase (decrease) in liabilities		
Accounts payable	16,319	2,667
Accrued payroll	(9,618)	13,013
Net cash flows from operating activities	(5,663)	93,049
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sales of donated stock	433	-
Purchase of and interest retained in certificates of deposit	(144,186)	(369,354)
Dividends retained in investments	(1,419)	(3,304)
Redemption of certificates of deposit	198,858	260,000
Net cash flows from investing activities	53,686	(112,658)
Net change in cash	48,023	(19,609)
Cash - beginning of year	149,018	168,627
Cash - end of year	\$ 197,041	\$ 149,018
SUPPLEMENTARY DISCLOSURE		
Non-cash investing activity		
Donated stock	\$ 433	\$ -

See accompanying notes.

GATHERING WATERS CONSERVANCY, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2010 and 2009

Gathering Waters Conservancy, Inc. (Conservancy) seeks to preserve, maintain, and enhance the ecological integrity of Wisconsin's lands and waters, and to protect lands with conservation and open space values for the benefit of the public, including lands designated under the state's Knowles-Nelson Stewardship Fund program. As a statewide coalition and service center for Wisconsin's private, non-profit land trusts (which currently number more than 50), the Conservancy's goals are to increase the professionalism and build the capacity of the state's private, non-profit conservation organizations, educate the general public and private landowners on the tools available to preserve private lands, and promote public policies that support private land conservation efforts. The Conservancy is primarily supported by contributions from the Wisconsin Department of Natural Resources (DNR), foundations, and the general public. The following summary of significant accounting policies is presented to enhance the usefulness of the financial statements.

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.

Certificates of Deposit

Certificates of deposit are valued at cost, which approximates their fair value.

Unconditional Promises to Give

Unconditional promises to give consist of contributions due from individuals and foundations. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional.

Date of Management's Review

Management has evaluated subsequent events through September 3, 2010, the date which the financial statements were available to be issued.

Accounts Receivable

The Conservancy considers all accounts receivable to be fully collectible. Accordingly, no allowance for doubtful accounts is required. If amounts become uncollectible, they will be charged to operations when that determination is made.

GATHERING WATERS CONSERVANCY, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2010 and 2009

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Furniture and Equipment

Purchases of furniture and equipment in excess of \$1,500 are capitalized at cost and depreciated using the straight-line method over the estimated useful lives of the assets. Depreciation expense was \$359 and \$945 for the years ended June 30, 2010 and 2009.

Investments

Investments in mutual funds are stated at their fair value in the statements of financial position. Realized and unrealized gains and losses are included in the change in unrestricted net assets in the accompanying statements of activities.

Contributions

Contributions are recognized when the donor makes a promise to give that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the year in which the contributions are 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.

Income Tax Status

The Conservancy is a nonprofit public charity under Internal Revenue Code Section 501(c)(3) and is therefore not subject to federal and state income or franchise taxes.

The Conservancy's federal exempt organization information is subject to examination by the Internal Revenue Service, generally for three years after they are filed. With few exceptions, The Conservancy is no longer subject to such examinations for tax years before 2006.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

GATHERING WATERS CONSERVANCY, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2010 and 2009

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Expense Allocation

The costs of the Conservancy's programs and other activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among the program services and supporting activities benefited. The following describes those activities:

Program Services

The Conservancy seeks to preserve, maintain, and enhance the ecological integrity of Wisconsin's lands and waters through technical training and assistance, education and outreach, policy and government relations, renewal of the Knowles-Nelson Stewardship Fund, and new program development.

Technical training and assistance programs include building the capacity of more than 50 established land trust organizations in Wisconsin through conferences, workshops, one-on-one mentoring, and professional assistance.

Education and outreach activities include educating the general public, professionals, and private landowners about the importance of land conservation and the voluntary tools available to permanently set aside private lands for conservation.

Policy and government relations programs educate decision makers at all levels of government and promote state and federal policies that support and encourage the work of land trusts and the conservation of private land. Another mission of the program is to coordinate the activities of state, federal, and local agencies on conservation programs.

Program development activities involve planning for the future of land and water conservation in Wisconsin, through consultation with land trusts and other conservation leaders and strategic planning activities.

Supporting Activities

Supporting activities consist of general and administrative functions and fundraising and membership development. Fundraising and membership development expenses include salaries, benefits, travel, and administrative costs associated with proposal writing, direct appeal efforts, and communication with prospective funding sources.

NOTE 2 – RETIREMENT PLAN

The Conservancy has a tax-deferred annuity plan under Section 403(b) of the Internal Revenue Code for employees who meet eligibility requirements. The Conservancy's annual contribution to the plan is equal to 3% to 6% of the eligible employees' compensation at the discretion of the Board. Retirement plan contributions were \$18,180 and \$20,516 for the years ended June 30, 2010 and 2009.

GATHERING WATERS CONSERVANCY, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2010 and 2009

NOTE 3 – UNCONDITIONAL PROMISES TO GIVE

Unconditional promises to give at June 30, 2010 and 2009 consisted of the following:

	<u>2010</u>	<u>2009</u>
Amounts receivable in		
Less than one year	\$ 14,000	\$ 110,000
One to five years	54,420	43,560
More than five years	<u>35,780</u>	<u>53,980</u>
Promises to give	104,200	207,540
Less discount to net present value	<u>20,700</u>	<u>25,440</u>
Unconditional promises to give - net	<u>\$ 83,500</u>	<u>\$ 182,100</u>

Promises receivable in more than one year were discounted at 6% for the years ended June 30, 2010 and 2009. \$14,000 of unconditional promises to give - net is classified as a current asset and \$69,500 unconditional promises to give - net is classified as a noncurrent asset.

NOTE 4 – INVESTMENTS

Investments consisted of the following at June 30, 2010 and 2009:

	<u>2010</u>	<u>2009</u>
Vanguard Mid-Cap Index Fund	\$ 17,033	\$ 13,444
Vanguard STAR Fund	<u>47,861</u>	<u>42,389</u>
Investments	<u>\$ 64,894</u>	<u>\$ 55,833</u>

Investment return for the years ended June 30, 2010 and 2009 consisted of the following:

	<u>2010</u>	<u>2009</u>
Interest	\$ 5,230	\$ 11,281
Dividends	1,419	3,304
Unrealized gains (losses) on investments	<u>7,642</u>	<u>(16,521)</u>
Investment return	<u>\$ 14,291</u>	<u>\$ (1,936)</u>

GATHERING WATERS CONSERVANCY, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2010 and 2009

NOTE 5 – FAIR VALUE MEASUREMENTS

Fair values of assets measured on a recurring basis at June 30, 2010 are as follows:

	<u>Fair Value</u>	<u>Quoted Price in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
Investments	<u>\$ 64,894</u>	<u>\$ 64,894</u>	<u>\$ -</u>	<u>\$ -</u>

Fair values of assets measured on a recurring basis at June 30, 2009 are as follows:

	<u>Fair Value</u>	<u>Quoted Price in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
Investments	<u>\$ 55,833</u>	<u>\$ 55,833</u>	<u>\$ -</u>	<u>\$ -</u>

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

NOTE 6 – TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets at June 30, 2010 and 2009 are available for the following purposes or periods:

	<u>2010</u>	<u>2009</u>
Purpose restrictions		
Lake Michigan basin conservation	\$ 12,000	\$ -
Renewal of Knowles-Nelson Stewardship Fund	-	3,000
Partners in Preservation	-	20,000
Public policy initiatives	-	75,000
Organizational assessments	-	6,000
Time restrictions		
Individual pledges and other	<u>140,250</u>	<u>104,100</u>
Temporarily restricted net assets	<u>\$ 152,250</u>	<u>\$ 208,100</u>

GATHERING WATERS CONSERVANCY, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2010 and 2009

NOTE 7 – OPERATING LEASES

The Conservancy has an operating lease for office space that expires on October 31, 2014 and requires monthly payments of \$2,232. The Conservancy has an operating lease for office equipment that expires September 3, 2014 and requires monthly payments of \$162.

Future minimum rental payments for years ending June 30 are as follows:

2011	\$	29,539
2012		30,639
2013		31,785
2014		32,979
2015		10,769

Lease expense was \$30,697 and \$28,395 for the years ended June 30, 2010 and 2009.

NOTE 8 – COMMUNITY TRUST FUND

In 2006, the Bolz Family Endowment Fund for Gathering Waters Conservancy (Fund) was established at Madison Community Foundation (Foundation) as a component fund of the Foundation. The Foundation, as a community trust, serves the mutual interests of Dane County and those individuals and organizations who wish to enhance the quality of life in the community through charitable giving. Component funds of the Foundation are established by donors for the benefit of the community, and, when these funds are established, donors may indicate what organizations or causes should benefit from distributions from the fund. However, donors also grant the Foundation variance power that allows the Foundation to modify the donors' stipulations under certain circumstances as the Foundation monitors the changing needs of the community. Therefore, the Fund is not included in the Conservancy's financial statements.

The amount available for annual distributions represents 5% of a rolling twelve-quarter average. All other interest and appreciation is added to the Fund. Principal may not be drawn from the Fund except with approval of the Foundation's board of governors. The Conservancy did not receive any distributions from the Fund for the year ended June 30, 2010. The Conservancy received \$2,300 from the Fund in the year ended June 30, 2009. The fair value of the Fund at June 30, 2010 and 2009 was \$39,702 and \$35,487.

GATHERING WATERS CONSERVANCY, INC.
SCHEDULE OF UNRESTRICTED SUPPORT, REVENUE, AND EXPENSES BY
FUNCTION AND FUNDING SOURCE
Year ended June 30, 2010

	Technical Training and Assistance	Education and Outreach	Policy and Government Relations	Program Development
SUPPORT AND REVENUE				
DNR grant	\$ 108,100	\$ 39,500	\$ -	\$ 2,400
Other funding sources	170,566	135,473	81,338	-
Total support and revenue	278,666	174,973	81,338	2,400
EXPENSES				
Salaries, benefits and payroll taxes	133,489	106,246	67,190	25,636
Conferences and workshops	13,586	1,173	607	99
Special events	1,093	21,855	-	-
Consultants	97,944	23,666	572	-
Publications and communications	2,313	21,709	1,401	445
Travel and lodging	10,895	2,809	2,065	839
Office	5,870	9,712	2,533	1,283
Professional fees	385	70	105	105
Occupancy	9,723	7,877	4,822	2,439
Other	3,270	4,419	1,994	491
Depreciation	98	79	49	25
Total expenses	278,666	199,615	81,338	31,362
Change in unrestricted net assets	\$ -	\$ (24,642)	\$ -	\$ (28,962)

<u>Total Program</u>	<u>Management and General</u>	<u>Fundraising and Membership Development</u>	<u>Total</u>
\$ 150,000	\$ -	\$ -	\$ 150,000
<u>387,377</u>	<u>44,563</u>	<u>82,623</u>	<u>514,563</u>
537,377	44,563	82,623	664,563
332,561	23,005	60,504	416,070
15,465	72	325	15,862
22,948	-	6,303	29,251
122,182	-	320	122,502
25,868	353	716	26,937
16,608	188	1,964	18,760
19,398	1,818	7,437	28,653
665	18,038	-	18,703
24,861	72	3,660	28,593
10,174	945	1,357	12,476
<u>251</u>	<u>72</u>	<u>37</u>	<u>360</u>
<u>590,981</u>	<u>44,563</u>	<u>82,623</u>	<u>718,167</u>
<u>\$ (53,604)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (53,604)</u>