

GATHERING WATERS CONSERVANCY, INC.

**FINANCIAL STATEMENTS WITH
SUPPLEMENTARY INFORMATION**

June 30, 2011 and 2010

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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, 2011 and 2010, 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, 2011 and 2010, 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 financial statements 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 financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Wegner LLP

Wegner LLP
Madison, Wisconsin
September 20, 2011



GATHERING WATERS CONSERVANCY, INC.
STATEMENTS OF FINANCIAL POSITION
June 30, 2011 and 2010

	2011	2010
ASSETS		
CURRENT ASSETS		
Cash	\$ 205,125	\$ 197,041
Certificates of deposit	206,246	246,323
Unconditional promises to give	166,654	14,000
Accounts receivable	7,777	3,131
Prepaid expenses	11,290	12,508
Total current assets	597,092	473,003
FURNITURE AND EQUIPMENT		
Furniture and equipment	12,146	17,172
Less accumulated depreciation	10,540	17,172
Furniture and equipment - net	1,606	-
Unconditional promises to give - net	81,000	69,500
Investments	81,537	64,894
Investment of cash restricted for endowment	10,750	-
Total assets	\$ 771,985	\$ 607,397
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 10,823	\$ 28,981
Accrued payroll	23,841	18,826
Total liabilities	34,664	47,807
NET ASSETS		
Undesignated	367,267	387,340
Designated for easement enforcement and monitoring	20,000	20,000
Total unrestricted	387,267	407,340
Temporarily restricted	339,304	152,250
Permanently restricted	10,750	-
Total net assets	737,321	559,590
Total liabilities and net assets	\$ 771,985	\$ 607,397

See accompanying notes.

GATHERING WATERS CONSERVANCY, INC.
STATEMENTS OF ACTIVITIES
Years ended June 30, 2011 and 2010

	2011	2010
UNRESTRICTED NET ASSETS		
SUPPORT AND REVENUE		
Contributions	\$ 219,834	\$ 165,679
Grants and contract income	250,925	315,771
Special events	34,455	27,868
Conferences	5,787	4,060
Investment return	18,604	14,291
Other income	100	294
	529,705	527,963
EXPENSES		
Program services		
Technical training and assistance	178,608	278,666
Education and outreach	169,723	199,615
Policy and government relations	129,370	81,338
Program development	28,143	31,362
	505,844	590,981
Supporting activities		
Management and general	47,970	44,563
Fundraising	91,614	82,623
	139,584	127,186
Total expenses	645,428	718,167
NET ASSETS RELEASED FROM RESTRICTIONS		
Satisfaction of restrictions	95,650	136,600
	(20,073)	(53,604)
Change in unrestricted net assets		
TEMPORARILY RESTRICTED NET ASSETS		
Contributions	282,704	80,750
Net assets released from restrictions		
Satisfaction of restrictions	(95,650)	(136,600)
	187,054	(55,850)
Change in temporarily restricted net assets		
PERMANENTLY RESTRICTED NET ASSETS		
Contributions	10,750	-
	177,731	(109,454)
Change in net assets		
Net assets - beginning of year	559,590	669,044
Net assets - end of year	\$ 737,321	\$ 559,590

See accompanying notes.

GATHERING WATERS CONSERVANCY, INC.
STATEMENTS OF CASH FLOWS
Years ended June 30, 2011 and 2010

	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 177,731	\$ (109,454)
Adjustments to reconcile change in net assets to net cash flows from operating activities		
Depreciation	321	359
Unrealized gain on investments	(14,971)	(7,642)
Discount on unconditional promises to give	(3,960)	(4,740)
Donated stock	(2,537)	(433)
Contributions restricted for permanent endowment	(10,750)	-
(Increase) decrease in assets		
Unconditional promises to give	(171,354)	89,540
Allowance for uncollectable unconditional promises to give	11,160	13,800
Accounts receivable	(4,646)	8,071
Prepaid expenses	1,218	(1,865)
Increase (decrease) in liabilities		
Accounts payable	(18,158)	16,319
Accrued payroll	5,015	(9,618)
Net cash flows from operating activities	(30,931)	(5,663)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of furniture and equipment	(1,927)	-
Proceeds from sales of donated stock	2,537	433
Purchase of investments	(10,750)	-
Purchase of and interest retained in certificates of deposit	(173,747)	(144,186)
Dividends retained in investments	(1,672)	(1,419)
Redemption of certificates of deposit	213,824	198,858
Net cash flows from investing activities	28,265	53,686
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from contributions restricted for permanent endowment	10,750	-
Net change in cash	8,084	48,023
Cash - beginning of year	197,041	149,018
Cash - end of year	\$ 205,125	\$ 197,041
SUPPLEMENTARY DISCLOSURE		
Non-cash investing activity		
Donated stock	\$ 2,537	\$ 433

See accompanying notes.

GATHERING WATERS CONSERVANCY, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2011 and 2010

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 are recognized as revenue 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. Uncollectible promises are written off after management has used reasonable collection efforts and determine the promises will not be collected.

Date of Management's Review

Management has evaluated subsequent events through September 20, 2011, the date which the financial statements were available to be issued.

GATHERING WATERS CONSERVANCY, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2011 and 2010

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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 \$321 and \$359 for the years ended June 30, 2011 and 2010.

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 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 revenue 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 statements of activities as net assets released from restrictions.

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 2007.

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, 2011 and 2010

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Reclassifications

Certain accounts in the prior year financial statements have been reclassified for comparative purposes to conform to the presentation in the current year financial statements.

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. Fundraising 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 \$16,959 and \$18,180 for the years ended June 30, 2011 and 2010.

GATHERING WATERS CONSERVANCY, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2011 and 2010

NOTE 3 – UNCONDITIONAL PROMISES TO GIVE

Unconditional promises to give at June 30, 2011 and 2010 consisted of the following:

	<u>2011</u>	<u>2010</u>
Amounts receivable in		
Less than one year	\$ 181,654	\$ 14,000
One to five years	82,740	54,420
More than five years	-	35,780
	<u>264,394</u>	<u>104,200</u>
Promises to give		
Less discount to net present value	16,740	20,700
	<u>247,654</u>	<u>83,500</u>
Unconditional promises to give - net	<u>\$ 247,654</u>	<u>\$ 83,500</u>

Promises receivable in more than one year were discounted at 5% for the years ended June 30, 2011 and 2010.

NOTE 4 – INVESTMENTS

Investments consisted of the following at June 30, 2011 and 2010:

	<u>2011</u>	<u>2010</u>
Vanguard Mid-Cap Index Fund	\$ 23,594	\$ 17,033
Vanguard STAR Fund	57,943	47,861
	<u>\$ 81,537</u>	<u>\$ 64,894</u>
Investments	<u>\$ 81,537</u>	<u>\$ 64,894</u>

Investment return for the years ended June 30, 2011 and 2010 consisted of the following:

	<u>2011</u>	<u>2010</u>
Interest	\$ 1,961	\$ 5,230
Dividends	1,672	1,419
Unrealized gains on investments	14,971	7,642
	<u>\$ 18,604</u>	<u>\$ 14,291</u>
Investment return	<u>\$ 18,604</u>	<u>\$ 14,291</u>

GATHERING WATERS CONSERVANCY, INC.
NOTES TO FINANCIAL STATEMENTS
 June 30, 2011 and 2010

NOTE 5 – FAIR VALUE MEASUREMENTS

Fair values of assets measured on a recurring basis at June 30, 2011 are as follows:

	Fair Value	Quoted Price in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments	\$ 81,537	\$ 81,537	\$ -	\$ -

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

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

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

NOTE 6 – 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 quarterly payments of \$879.

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

2012	\$ 32,208
2013	33,344
2014	34,547
2015	9,591

Lease expense was \$31,950 and \$30,697 for the years ended June 30, 2011 and 2010.

GATHERING WATERS CONSERVANCY, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2011 and 2010

NOTE 7 – TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets at June 30, 2011 and 2010 are available for the following purposes or periods:

	2011	2010
Purpose restrictions		
Lake Michigan basin conservation	\$ 100,000	\$ 12,000
Renewal of Knowles-Nelson Stewardship Fund	21,500	-
Blufflands Alliance	53,400	-
LEAP Program	19,300	-
Time restrictions		
Individual pledges and other	145,104	140,250
Temporarily restricted net assets	\$ 339,304	\$ 152,250

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 received \$3,270 from the Fund in the year ended June 30, 2011. The Conservancy did not receive any distributions from the Fund for the year ended June 30, 2010. The fair value of the Fund at June 30, 2011 and 2010 was \$40,134 and \$39,702.

NOTE 9 – ENDOWMENT

The Conservancy's endowment consists of several donations held in money market funds to be used to fund internships. Its endowment includes donor - restricted endowment funds and investment return earned by those funds. As required by generally accepted accounting principles, net assets associated with endowment funds, including the investment return, are classified and reported based on the existence or absence of donor-imposed restrictions.

GATHERING WATERS CONSERVANCY, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2011 and 2010

NOTE 9 – ENDOWMENT (continued)

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 Conservancy has determined that its permanently restricted net assets meet the definition of endowment funds under UPMIFA. The Conservancy has interpreted Wisconsin's enacted version of UPMIFA 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. However, the Conservancy has notified its' donors that they reserve the right to make a distribution from their funds even if the value of the fund drops below the amount of the initial gift. 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 of the Conservancy, and (7) the Conservancy's investment policies.

The Conservancy has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the original investment of the endowment. Endowment assets include those assets of donor-restricted funds that the Conservancy must hold in perpetuity. Under this policy, as approved by the board of directors, the endowment assets are invested in a manner that is intended to produce returns to fund the sustainability of the Conservancy's work while assuming a moderate level of investment risk.

Endowment net asset composition by type of net assets as of June 30, 2011:

<u>2011</u>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$ -	\$ -	\$ 10,750	\$ 10,750

Changes in endowment net assets for 2011:

<u>2011</u>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets - beginning of year	\$ -	\$ -	\$ -	\$ -
Contributions	-	-	10,750	10,750
Endowment net assets - end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,750</u>	<u>\$ 10,750</u>

GATHERING WATERS CONSERVANCY, INC.
SCHEDULE OF UNRESTRICTED SUPPORT, REVENUE, AND EXPENSES BY FUNCTION AND FUNDING SOURCE
 Year ended June 30, 2011

	Technical Training and Assistance	Education and Outreach	Policy and Government Relations	Program Development	Total Program	Management and General	Fundraising	Total
SUPPORT AND REVENUE								
DNR grant	\$ 75,600	\$ 40,500	\$ -	\$ -	\$ 116,100	\$ -	\$ -	\$ 116,100
Other funding sources	103,008	109,150	129,370	28,143	369,671	47,970	91,614	509,255
Total support and revenue	178,608	149,650	129,370	28,143	485,771	47,970	91,614	625,355
EXPENSES								
Salaries, benefits and payroll taxes	116,739	95,712	67,233	22,682	302,366	28,767	62,091	393,224
Conferences and workshops	18,492	2,503	1,153	540	22,688	502	1,196	24,386
Special events	2,607	20,239	-	-	22,846	-	4,470	27,316
Consultants	14,587	11,701	42,500	-	68,788	-	1,195	69,983
Publications and communications	1,889	15,759	2,911	316	20,875	277	2,585	23,737
Travel and lodging	3,614	2,311	2,585	675	9,185	139	402	9,726
Office	5,927	7,200	2,648	1,040	16,815	830	10,404	28,049
Professional fees	4,203	2,736	1,806	705	9,450	14,897	1,761	26,108
Occupancy	9,056	7,478	4,935	1,926	23,395	505	4,813	28,713
Other	1,406	4,011	3,551	240	9,208	2,007	2,650	13,865
Depreciation	88	73	48	19	228	46	47	321
Total expenses	178,608	169,723	129,370	28,143	505,844	47,970	91,614	645,428
Change in unrestricted net assets	\$ -	\$ (20,073)	\$ -	\$ -	\$ (20,073)	\$ -	\$ -	\$ (20,073)