



GROUNDSWELL  
CONSERVANCY

**GROUNDSWELL  
CONSERVANCY, INC.**

**FINANCIAL STATEMENTS**

June 30, 2017 and 2016

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Groundswell Conservancy, Inc.  
Madison, Wisconsin

We have audited the accompanying financial statements of Groundswell 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 Groundswell 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.

*Wegner CPAs LLP*

Wegner CPAs, LLP  
Madison, Wisconsin  
November 15, 2017

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**GROUNDSWELL CONSERVANCY, INC.**  
**STATEMENTS OF FINANCIAL POSITION**  
June 30, 2017 and 2016

	2017	2016
<b>ASSETS</b>		
Cash	\$ 155,620	\$ 285,211
Grants receivable	93,078	-
Unconditional promises to give - net	62,993	31,135
Prepaid expenses	5,943	3,941
Property and equipment - net	2,401	3,165
Land held for conservation	5,375,100	5,589,493
Investments	688,667	675,901
Beneficial interest in assets held by Madison Community Foundation	429,031	308,766
<b>Total assets</b>	<b>\$ 6,812,833</b>	<b>\$ 6,897,612</b>
<b>LIABILITIES</b>		
Accounts payable	\$ 5,838	\$ 5,350
Accrued expenses	19,383	14,538
Deferred revenue	14,326	56,197
<b>Total liabilities</b>	<b>39,547</b>	<b>76,085</b>
<b>NET ASSETS</b>		
<b>UNRESTRICTED</b>		
Undesignated	366,112	195,158
Designated by the Board of Directors for		
Land held for conservation	5,375,100	5,589,493
Land acquisition reserve fund	250,000	276,439
Easement enforcement funds	171,013	171,013
Agency endowment	102,284	94,282
Operating reserve	-	140,472
<b>Total unrestricted</b>	<b>6,264,509</b>	<b>6,466,857</b>
Temporarily restricted	508,777	354,670
<b>Total net assets</b>	<b>6,773,286</b>	<b>6,821,527</b>
<b>Total liabilities and net assets</b>	<b>\$ 6,812,833</b>	<b>\$ 6,897,612</b>

See accompanying notes.

**GROUNDSWELL CONSERVANCY, INC.**  
**STATEMENTS OF ACTIVITIES**  
Years Ended June 30, 2017 and 2016

	2017			2016		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
<b>SUPPORT AND REVENUE</b>						
Contributions	\$ 320,665	\$ 224,725	\$ 545,390	\$ 320,020	\$ 22,091	\$ 342,111
Grants	-	-	-	19,608	-	19,608
Service fees	5,094	-	5,094	11,489	-	11,489
Rental income	80,186	-	80,186	10,800	-	10,800
Other	5,404	-	5,404	1,127	-	1,127
Net assets released from restrictions	18,300	(18,300)	-	-	-	-
Total support and revenue	429,649	206,425	636,074	363,044	22,091	385,135
<b>OPERATING EXPENSES</b>						
Program services	350,750	-	350,750	228,153	-	228,153
Supporting activities						
Management and general	75,736	-	75,736	56,465	-	56,465
Fundraising	99,226	-	99,226	87,587	-	87,587
Total operating expenses	525,712	-	525,712	372,205	-	372,205
Change in net assets from operations	(96,063)	206,425	110,362	(9,161)	22,091	12,930
<b>OTHER CHANGES</b>						
Return on investments	72,317	-	72,317	(1,654)	-	(1,654)
Return on agency endowments	47,691	-	47,691	(11,381)	-	(11,381)
Contribution of land	24,058	-	24,058	-	-	-
Support used for land and easements acquisition	1,998,684	-	1,998,684	345,925	-	345,925
Net assets released from restrictions	52,318	(52,318)	-	35,000	(35,000)	-
Land project costs						
Contribution	(36,069)	-	(36,069)	-	-	-
Easement acquisitions	(1,712,350)	-	(1,712,350)	(280)	-	(280)
Land donations	(552,934)	-	(552,934)	(330,641)	-	(330,641)
<b>Change in net assets</b>	(202,348)	154,107	(48,241)	27,808	(12,909)	14,899
Net assets - beginning of year	6,466,857	354,670	6,821,527	6,439,049	367,579	6,806,628
<b>Net assets - end of year</b>	\$ 6,264,509	\$ 508,777	\$ 6,773,286	\$ 6,466,857	\$ 354,670	\$ 6,821,527

See accompanying notes.

**GROUNDSWELL CONSERVANCY, INC.**  
**STATEMENTS OF FUNCTIONAL EXPENSES**  
Years Ended June 30, 2017 and 2016

	Program Services	Supporting Activities		Total
		Management and General	Fundraising	
<b>2017</b>				
Personnel	\$ 163,724	\$ 41,046	\$ 74,507	\$ 279,277
Land management	75,401	-	-	75,401
Professional services	50,782	24,914	-	75,696
Occupancy	12,141	3,044	5,525	20,710
Supplies	7,922	542	984	9,448
Postage and printing	12,670	1,099	1,181	14,950
Insurance	4,565	1,144	2,077	7,786
Real estate taxes	8,004	-	-	8,004
Travel and meetings	4,568	1,145	2,079	7,792
Communications	1,546	388	704	2,638
Depreciation	448	112	204	764
Events	2,295	-	11,965	14,260
Other	6,684	2,302	-	8,986
<b>Total operating expenses</b>	<b>350,750</b>	<b>75,736</b>	<b>99,226</b>	<b>525,712</b>
Grants and contributions	36,069	-	-	36,069
Easement acquisition	1,712,350	-	-	1,712,350
Land donations	552,934	-	-	552,934
<b>Total expenses</b>	<b>\$ 2,652,103</b>	<b>\$ 75,736</b>	<b>\$ 99,226</b>	<b>\$ 2,827,065</b>
	Program Services	Supporting Activities Management and General	Fundraising	Total
<b>2016</b>				
Personnel	\$ 124,087	\$ 35,804	\$ 71,741	\$ 231,632
Land management	46,701	-	-	46,701
Professional services	12,175	10,902	754	23,831
Occupancy	9,490	2,738	5,487	17,715
Supplies	8,990	1,366	2,736	13,092
Postage and printing	7,883	1,099	1,371	10,353
Insurance	4,488	1,295	2,595	8,378
Real estate taxes	4,015	-	-	4,015
Travel and meetings	657	190	380	1,227
Communications	745	215	431	1,391
Depreciation	1,131	326	654	2,111
Events	2,801	-	1,438	4,239
Other	4,990	2,530	-	7,520
<b>Total operating expenses</b>	<b>228,153</b>	<b>56,465</b>	<b>87,587</b>	<b>372,205</b>
Easement acquisition	280	-	-	280
Land donations	330,641	-	-	330,641
<b>Total expenses</b>	<b>\$ 559,074</b>	<b>\$ 56,465</b>	<b>\$ 87,587</b>	<b>\$ 703,126</b>

See accompanying notes.

**GROUNDSWELL CONSERVANCY, INC.**  
**STATEMENTS OF CASH FLOWS**  
Years Ended June 30, 2017 and 2016

	2017	2016
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ (48,241)	\$ 14,899
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Contribution of land	(24,058)	-
Depreciation	764	2,111
Net realized and unrealized (gains) losses on investments	(56,739)	27,082
Land donation	552,934	330,641
Investment return retained in agency endowments	(47,691)	11,381
Amortization of discount on unconditional promises to give	(1,458)	(791)
(Increase) decrease in assets		
Grants receivable	(93,078)	3,000
Unconditional promises to give	(30,400)	(2,400)
Prepaid expenses	(2,002)	36
Increase (decrease) in liabilities		
Accounts payable	488	(12,501)
Accrued expenses	4,845	(2,188)
Deferred revenue	(41,871)	27,757
<b>Net cash provided by operating activities</b>	<b>213,493</b>	<b>399,027</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of property and equipment	-	(1,998)
Purchases of investments	(511,111)	-
Interest and dividends retained in investments	(15,446)	(25,456)
Proceeds from sales of investments	570,530	33,561
Purchases of land held for conservation	(314,483)	(360,158)
Distributions from agency endowments	14,025	12,498
Contributions to agency endowments	(86,599)	(7,600)
<b>Net cash used in investing activities</b>	<b>(343,084)</b>	<b>(349,153)</b>
<b>Net change in cash</b>	<b>(129,591)</b>	<b>49,874</b>
Cash - beginning of year	285,211	235,337
<b>Cash - end of year</b>	<b>\$ 155,620</b>	<b>\$ 285,211</b>
<b>SUPPLEMENTAL DISCLOSURES</b>		
Noncash investing transactions		
Contribution of land	\$ 24,058	\$ -

See accompanying notes.

**GROUNDSWELL CONSERVANCY, INC.**  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2017 and 2016

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Groundswell Conservancy, Inc. (Groundswell) works to protect natural areas, wildlife habitats, working farms, healthy lakes and streams, and recreation land to provide a high quality of life in the Dane County, Wisconsin region. Groundswell is supported primarily by contributions from the general public and grants from government agencies.

Prior to September 15, 2017, Groundswell Conservancy, Inc. legal name was Natural Heritage Land Trust, Inc.

**NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Basis of Presentation**

Groundswell reports 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 Groundswell in perpetuity.

**Income Tax Status**

Groundswell is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. In addition, Groundswell 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).

**Grants Receivable**

Groundswell considers all grants receivable to be fully collectible. Accordingly, no allowance for doubtful accounts has been developed. If amounts become uncollectible, they will be charged to operations when that determination is made.

**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.

**Property and Equipment**

Acquisitions of property and equipment in excess of \$1,500 are capitalized. Property and equipment is carried at cost or, if donated, at the estimated fair value on the date of donation. Property and equipment is depreciated using the straight-line method over the estimated useful lives of the assets.

**GROUNDSWELL CONSERVANCY, INC.**  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2017 and 2016

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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, Groundswell 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.

**Conservation Easements**

Conservation easements accepted or purchased by Groundswell are not recognized as assets or revenue in the accompanying financial statements because Groundswell 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.

**Investments**

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

**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.

**Date of Management's Review**

Management has evaluated subsequent events through November 15, 2017, the date which the financial statements were available to be issued.

**GROUNDSWELL 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 statements of activities and in the statements 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—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	\$ 49,600	\$ 7,600
Receivable in one to five years	15,000	23,400
Receivable in more than five years	-	3,200
	64,600	34,200
Unconditional promises to give	64,600	34,200
Less discounts to net present value	(1,607)	(3,065)
	\$ 62,993	\$ 31,135
Unconditional promises to give - net	\$ 62,993	\$ 31,135

Unconditional promises to give receivable in more than one year are discounted at 5%.

NOTE 3—PROPERTY AND EQUIPMENT

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

	2017	2016
Property and equipment	\$ 8,171	\$ 8,171
Less accumulated depreciation	5,770	5,006
	\$ 2,401	\$ 3,165
Property and equipment - net	\$ 2,401	\$ 3,165

**GROUNDSWELL CONSERVANCY, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2017 and 2016

**NOTE 4—LAND HELD FOR CONSERVATION**

Groundswell acquires important conservation land to add to public parks, nature preserve, trails, and wildlife areas. Some of its acquisitions are transferred to government agencies for long-term ownership and management. Groundswell also acquires conservation easements, which protect land from incompatible development while keeping it in private ownership. The conservation easements held by Groundswell protect high-quality farmland, streambanks, and scenic areas.

Groundswell, as of June 30, 2017, has the following land held for conservation and conservation easements:

<u>Location</u>	<u>Number of Properties</u>	<u>Acres</u>	<u>Recorded Amount</u>
Land			
Westport Drumlín Preserve	4	213	\$ 2,395,044
Patrick Marsh Wildlife Area	3	95	2,575,998
Lodi Marsh Wildlife Area	2	76	258,321
Avon Bottoms Wildlife Area	1	50	125,887
Other land acquisition costs	-	-	19,850
Conservation easements			
Town of Dunn Rural Preservation Program	28	3,144	-
Village of Windsor Farmland Preservation Program	2	320	-
Other Easements	34	2,202	-
	<u>74</u>	<u>6,100</u>	<u>\$ 5,375,100</u>

**NOTE 5—CONTINGENCY**

Groundswell holds 64 conservation easements that may require expenditures to monitor and defend the provisions of the easements.

**NOTE 6—INVESTMENTS**

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

	<u>2017</u>	<u>2016</u>
Cash	\$ 5,021	\$ 6,934
Exchange traded funds	266,135	82,602
Mutual funds comprised of equities	166,451	332,788
Mutual funds comprised of fixed income securities	251,060	253,577
	<u>\$ 688,667</u>	<u>\$ 675,901</u>

**GROUNDSWELL CONSERVANCY, INC.**  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2017 and 2016

NOTE 6—INVESTMENTS (continued)

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

	2017	2016
Interest and dividends	\$ 20,027	\$ 29,888
Net realized and unrealized gains (losses)	56,739	(27,082)
Investment fees	(4,449)	(4,460)
Return on investments	\$ 72,317	\$ (1,654)

NOTE 7—NET ASSETS

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

	2017	2016
Monitoring and enforcement of conservation easements	\$ 320,849	\$ 266,391
Wilke preserve	-	36,069
Lake View project	102,500	-
Other conservation programs	84,428	48,710
Restricted for future period	1,000	3,500
Temporarily restricted net assets	\$ 508,777	\$ 354,670

*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 Groundswell. *Easement Legal Defense* provides for expenses incurred in the enforcement, by litigation or otherwise, of the terms of any easement granted to Groundswell.

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

	2017	2016
Temporarily restricted	\$ 320,849	\$ 266,391
Board designated	171,013	171,013
Easement Stewardship and Legal Defense	\$ 491,862	\$ 437,404

NOTE 8—RETIREMENT PLAN

Groundswell sponsors a defined contribution retirement plan for employees who work 20 or more hours per week for Groundswell. Employer contributions to the plan were 3% of the employee's annual compensation. Contributions are fully vested when made. Retirement expense for the years ended June 30, 2017 and 2016 was \$1,193 and \$1,121.

**GROUNDSWELL CONSERVANCY, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2017 and 2016

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**NOTE 9—COMMUNITY TRUST FUND**

The Eugenie Mayer Bolz Family Foundation contributed \$125,000 in 2000 to establish the Dane County Natural Heritage Foundation Trust (Fund) at the Madison Community 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 Groundswell's financial statements. The fair value of the Fund at the Foundation as of June 30, 2017 and 2016 was \$179,734 and \$163,434. The amount available for annual distribution is calculated using a variable rate set annually by the Foundation applied to the rolling twenty month average of the Fund balance. Groundswell received distributions from the Fund during the years ended June 30, 2017 and 2016 of \$8,026 and \$7,826.

**NOTE 10—ENDOWMENTS**

Groundswell's endowments consists of investments to support the key assets of the Foundation from the earnings in which it creates. Net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions. Groundswell has established two agency endowments with the Madison Community Foundation (MCF) and two funds held by SVA Plumb Wealth Management as follows:

	2017	2016
Beneficial interest in assets held by MCF	\$ 429,031	\$ 308,766
Assets held by SVA Plumb Wealth Management	165,115	258,989
Endowment funds	\$ 594,146	\$ 567,755

Through June 30, 2017, the board of directors has designated \$171,013 of unrestricted net assets as a general endowment fund to support the mission of Groundswell and for land and easement stewardship and defense. Since that amount resulted from an internal designation and is not donor-restricted, it is classified and reported as unrestricted net assets. In addition, Groundswell received contributions of \$320,849 restricted for conservation easement stewardship and defense. The board of directors decided these contributions should be held as a quasi-endowment fund and the income of the fund will be spent for the restricted purpose. Since the designation to hold the assets as a quasi-endowment is not a donor restriction, the temporarily restricted net assets of the quasi-endowment fund are reclassified to unrestricted net assets as the purpose restriction is met.

Groundswell 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. Under these policies, the endowment assets are invested in a manner that is intended to produce returns to fund the sustainability of Groundswell's work while assuming a moderate level of investment risk. To satisfy its long-term

**GROUNDSWELL CONSERVANCY, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2017 and 2016

NOTE 10—ENDOWMENTS (continued)

rate-of-return objectives for the agency endowment, Groundswell relies on MCF's total return strategy in which investment returns are achieved through both realized and unrealized gains/loss and interest and dividends. For the funds held by SVA Groundswell, through SVA, targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

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

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Quasi-endowment funds			
Easement monitoring and defense	\$ 171,013	\$ 320,849	\$ 491,862
Agency endowment	102,284	-	102,284
June 30, 2017	<u>\$ 273,297</u>	<u>\$ 320,849</u>	<u>\$ 594,146</u>
Quasi-endowment funds			
Conservation easement monitoring and defense	\$ 171,013	\$ 302,460	\$ 473,473
Operations	94,282	-	94,282
June 30, 2016	<u>\$ 265,295</u>	<u>\$ 302,460</u>	<u>\$ 567,755</u>

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

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Endowment net assets - at June 30, 2015	\$ 294,660	\$ 302,269	\$ 596,929
Contributions	-	7,600	7,600
Investment income	10,134	-	10,134
Net depreciation	(23,162)	-	(23,162)
Appropriated for expenditures	<u>(16,337)</u>	<u>(7,409)</u>	<u>(23,746)</u>
Endowment net assets - at June 30, 2016	265,295	302,460	567,755
Contributions	-	64,458	64,458
Investment income	5,802	-	5,802
Net appreciation	46,762	-	46,762
Appropriated for expenditures	<u>(44,562)</u>	<u>(46,069)</u>	<u>(90,631)</u>
Endowment net assets - at June 30, 2017	<u>\$ 273,297</u>	<u>\$ 320,849</u>	<u>\$ 594,146</u>

NOTE 11—OPERATING LEASES

Groundswell leases office space under an operating lease that expires in June 2020 and requires monthly payments of \$1,648 with annual increase of 3%. Rent expense for years ended June 30, 2017 and 2016 was \$19,825 and \$16,736.

**GROUNDSWELL CONSERVANCY, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2017 and 2016

NOTE 11—OPERATING LEASES (continued)

Groundswell leases a copier under an operating lease that expires in February 2019 and requires monthly payments of \$244. Lease expense for the years ended June 30, 2017 and 2016 was \$3,132 and \$2,929.

Future minimum lease payments for the years ending June 30, 2018, 2019, and 2020 are \$23,496, \$24,108, and \$21,600.

NOTE 12—FAIR VALUE MEASUREMENTS

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

	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Unobservable Inputs (Level 3)
Exchange traded funds	\$ 266,135	\$ 266,135	\$ -
Mutual funds comprised of equities	166,451	166,451	-
Mutual funds comprised of fixed income securities	251,060	251,060	-
Beneficial interest in assets held by MCF	429,031	-	429,031
June 30, 2017	<u>\$ 1,112,677</u>	<u>\$ 683,646</u>	<u>\$ 429,031</u>
Exchange traded funds	\$ 82,602	\$ 82,602	\$ -
Mutual funds comprised of equities	332,788	332,788	-
Mutual funds comprised of fixed income securities	253,577	253,577	-
Beneficial interest in assets held by MCF	308,766	-	308,766
June 30, 2016	<u>\$ 977,733</u>	<u>\$ 668,967</u>	<u>\$ 308,766</u>

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

Groundswell's beneficial interest in assets held by Madison Community Foundation represents an agreement between Groundswell and the Foundation in which Groundswell transfers assets to the Foundation in exchange for future distributions. The beneficial interest is not actively traded and significant other observable inputs are not available. Thus, the fair value of the beneficial interest is measured at the proportional share of the underlying assets as reported to Groundswell by the Foundation. Little information about those assets is released publicly. The estimated value does not necessarily represent the amounts that may be ultimately realized due to the occurrence of future circumstances that cannot be reasonably determined.

**GROUNDSWELL CONSERVANCY, INC.**  
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NOTE 12—FAIR VALUE MEASUREMENTS (continued)

The following table presents additional information about assets measured at fair value on a recurring basis using significant unobservable inputs:

	Beneficial Interest in Assets Held by Madison Community Foundation	
	2017	2016
Beginning balance	\$ 308,766	\$ 325,045
Change in value of beneficial interest included in change in net assets	47,690	(11,381)
Purchases	86,600	7,600
Sales	(14,025)	(12,498)
Ending balance	\$ 429,031	\$ 308,766

The change in value of beneficial interest included in change in net assets is reported as return on agency endowments in the statements of activities.