

WHITEROCK CONSERVANCY

Financial Statements
Year Ended December 31, 2011

WHITEROCK CONSERVANCY

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Whiterock Conservancy
Coon Rapids, Iowa

We have audited the accompanying statement of financial position of Whiterock Conservancy (a nonprofit organization) as of December 31, 2011, and the related statements of activities, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from the Whiterock Conservancy's 2010 financial statements and, in our report dated June 2, 2011, we expressed an unqualified opinion on those financial statements.

We conducted our audit 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 audit provides 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 Whiterock Conservancy as of December 31, 2011, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Olsen, Muhlbauer & Co. L.L.P.

OLSEN, MUHLBAUER & CO., L.L.P.
Certified Public Accountants

Carroll, Iowa
June 18, 2012

WHITEROCK CONSERVANCY

Statement of Financial Position

December 31, 2011 with Comparative Totals as of December 31, 2010

	<u>2011</u>	<u>2010</u>
Assets		
Cash and Cash Equivalents	59,817	67,191
Accounts and Other Receivables	5,733	3,324
Contributions Receivable	3,216	8,364
Grants Receivable	30,986	899
USDA/NRCS and USDA/FSA CRP Receivables	22,187	7,044
Supplies and Hay Inventory	3,938	1,774
Prepaid Expenses	2,801	1,578
Cash Held for Future Operating Expenses and Equipment Purchase	67,823	0
Contributions Receivable Restricted for Property Improvements	11,000	0
Property and Equipment, Net of Accumulated Depreciation	7,674,673	6,499,488
Long-term Investments	<u>1,367,627</u>	<u>1,431,242</u>
<u>Total Assets</u>	<u>9,249,801</u>	<u>8,020,904</u>
Liabilities		
Accounts Payable	8,914	2,764
Line of Credit	0	34,069
Customer Deposits	3,540	10,540
Gift Certificates Payable	752	964
Deferred Grant Revenues	561	4,514
Rental Deposits	925	675
Accrued Property Taxes	29,334	27,581
Accrued Wages	2,757	2,303
Accrued Interest	78	3,191
Payroll and Sales Taxes Payable	6,491	6,231
Note Payable	<u>19,384</u>	<u>0</u>
<u>Total Liabilities</u>	<u>72,736</u>	<u>92,832</u>
Net Assets, as Restated		
Unrestricted		
Undesignated	7,586,512	6,489,549
Designated by Board for Endowment	<u>200,000</u>	<u>200,000</u>
Total Unrestricted	7,786,512	6,689,549
Temporarily Restricted	190,553	38,523
Permanently Restricted	<u>1,200,000</u>	<u>1,200,000</u>
<u>Total Net Assets</u>	<u>9,177,065</u>	<u>7,928,072</u>
<u>Total Liabilities and Net Assets</u>	<u>9,249,801</u>	<u>8,020,904</u>

The accompanying notes are an integral part of these financial statements.

WHITEROCK CONSERVANCY

Statement of Activities

For Year Ended December 31, 2011 with Comparative Totals for 2010

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>2011 Total</u>	<u>2010 Total</u>
Revenues and Support					
Cash Contributions	212,700	131,647	0	344,347	106,439
Donated Property, Securities, Equipment, Supplies, Services	1,170,695	0	0	1,170,695	116,117
Grants	59,684	30,986	0	90,670	31,824
Farm Revenues	189,577	26,562	0	216,139	158,723
Resort Revenues	58,663	0	0	58,663	62,430
Special Events and Tours	26,260	0	0	26,260	19,822
Gift Shop and Food Sales	3,293	0	0	3,293	4,235
Miscellaneous Revenues	113	1,358	0	1,471	4,099
Net Gain on Sale of Property	0	0	0	0	167
Investment Income	22,546	0	0	22,546	22,078
Net Realized Gain on Investments	65,768	0	0	65,768	40,102
Net Unrealized Gain (Loss) on Investments	(85,184)	0	0	(85,184)	126,096
<u>Total Revenues and Support</u>	<u>1,724,115</u>	<u>190,553</u>	<u>0</u>	<u>1,914,668</u>	<u>692,132</u>
Net Assets Released from Restrictions	<u>38,523</u>	<u>(38,523)</u>	<u>0</u>	<u>0</u>	<u>0</u>
<u>Total Revenues, Support and Net Assets Released from Restrictions</u>	<u>1,762,638</u>	<u>152,030</u>	<u>0</u>	<u>1,914,668</u>	<u>692,132</u>
Expenses					
Program Services					
Land Stewardship / Conservation	253,580	0	0	253,580	187,022
Outdoor Recreation / Education	257,487	0	0	257,487	243,301
Supporting Services					
Management and General	103,908	0	0	103,908	106,578
Fund Raising	50,700	0	0	50,700	66,043
<u>Total Expenses</u>	<u>665,675</u>	<u>0</u>	<u>0</u>	<u>665,675</u>	<u>602,944</u>
<u>Change in Net Assets</u>	<u>1,096,963</u>	<u>152,030</u>	<u>0</u>	<u>1,248,993</u>	<u>89,188</u>

(Continued)

WHITEROCK CONSERVANCY

Statement of Activities

For Year Ended December 31, 2011 with Comparative Totals for 2010

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>2011 Total</u>	<u>2010 Total</u>
Change in Net Assets	<u>1,096,963</u>	<u>152,030</u>	<u>0</u>	<u>1,248,993</u>	<u>89,188</u>
Net Assets - Beginning of Year	6,706,766	21,306	1,200,000	7,928,072	7,838,884
Correction of Error	<u>(17,217)</u>	<u>17,217</u>	<u>0</u>	<u>0</u>	<u>0</u>
Net Assets - Beginning of Year, As Restated	<u>6,689,549</u>	<u>38,523</u>	<u>1,200,000</u>	<u>7,928,072</u>	<u>7,838,884</u>
 <u>Net Assets - End of Year</u>	 <u><u>7,786,512</u></u>	 <u><u>190,553</u></u>	 <u><u>1,200,000</u></u>	 <u><u>9,177,065</u></u>	 <u><u>7,928,072</u></u>

The accompanying notes are an integral part of these financial statements.

WHITEROCK CONSERVANCY

Statement of Functional Expenses For Year Ended December 31, 2011 with Comparative Totals for 2010

	Program Services			Supporting Services			2011		2010	
	Land Stewardship / Conservation	Outdoor Recreation / Education	Total Program Services	Management and General	Fund Raising	Total Supporting Services	Total		Total	
Salaries	80,426	65,941	146,367	60,590	5,710	66,300	212,667		232,748	
Payroll Taxes	5,917	4,414	10,331	4,179	405	4,584	14,915		19,232	
Employee Benefits	5,395	3,370	8,765	4,109	703	4,812	13,577		15,450	
Total Compensation	91,738	73,725	165,463	68,878	6,818	75,696	241,159		267,430	
Travel	8,159	2,253	10,412	2,165	36	2,201	12,613		7,312	
Training and Development	20	965	985	485	434	919	1,904		2,345	
Contract Services	28,879	15,175	44,054	0	0	0	44,054		888	
Cost of Sales - Gift Shop and Food	0	2,280	2,280	0	0	0	2,280		2,394	
Supplies and Materials	30,640	10,489	41,129	614	483	1,097	42,226		17,584	
Outside Services	247	1,551	1,798	0	8,653	8,653	10,451		14,898	
Special Projects Research	0	0	0	0	0	0	0		0	
Postage and Freight	178	97	275	752	445	1,197	1,472		1,267	
Legal and Accounting	995	0	995	11,350	0	11,350	12,345		11,078	
Investment Management Fees	0	0	0	3,774	0	3,774	3,774		4,542	
Fund Raising Consultant	0	0	0	0	27,922	27,922	27,922		0	
Other Professional Services and Fees	1,300	1,526	2,826	252	647	899	3,725		4,009	
Stipends and Honorariums	0	0	0	0	0	0	0		1,336	
Equipment Rental and Maintenance	1,094	412	1,506	308	137	445	1,951		2,182	
Utilities	5,903	7,986	13,889	1,995	887	2,882	16,771		17,260	
Communications	1,929	2,902	4,831	1,107	1,062	2,169	7,000		5,525	
Advertising and Marketing	32	9,256	9,288	0	144	144	9,432		11,880	
Repairs and Maintenance	16,930	3,076	20,006	35	0	35	20,041		12,646	
Insurance	9,600	9,168	18,768	8,150	966	9,116	27,884		23,067	
Property Taxes	25,898	1,964	27,862	1,756	0	1,756	29,618		29,986	
Donation of Property to Other Non-Profit Entity	0	0	0	0	0	0	0		15,933	
Miscellaneous	1,926	818	2,744	322	1,439	1,761	4,505		5,299	
Depreciation	27,274	113,578	140,852	1,965	627	2,592	143,444		140,522	
Interest Expense	838	266	1,104	0	0	0	1,104		3,561	
Total	253,580	257,487	511,067	103,908	50,700	154,608	665,675		602,944	

The accompanying notes are an integral part of these financial statements.

WHITEROCK CONSERVANCY

Statement of Cash Flows For Year Ended December 31, 2011 with Comparative Totals for 2010

	<u>2011</u>	<u>2010</u>
Cash Flows From Operating Activities		
Change in Net Assets	<u>1,248,993</u>	<u>89,188</u>
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities		
Depreciation	143,444	140,522
Donated Property, Equipment and Supplies	(1,170,695)	(116,117)
Non-Cash Expenses from Donated Supplies	835	667
Donation of Property to Other Non-Profit Entity	0	15,933
Net Gain on Sale of Property and Equipment	0	(167)
Net Realized and Unrealized (Gains) Losses on Investments	19,416	(166,198)
Change in Accrued Interest on Investments	174	232
Change in Accrued Management Fees on Investments	(6)	936
(Increase) Decrease in:		
Accounts and Other Receivables	(2,409)	2,380
Contributions Receivable	5,148	(4,549)
Grants, USDA/NRCS and USDA/FSA CRP Receivables	(45,230)	57,685
Supplies and Hay Inventory	(2,164)	105
Prepaid Expenses	(1,223)	(1,578)
Contributions Receivable Restricted for Property Improvements	(11,000)	0
Increase (Decrease) in:		
Accounts Payable - Expenses	6,150	(9,264)
Customer Deposits	(6,999)	5,185
Gift Certificates Payable	(211)	305
Deferred Grant Revenues	(3,953)	4,514
Accrued Property Taxes	(907)	7,582
Payroll and Sales Taxes Payable	260	(243)
<u>Total Adjustments</u>	<u>(1,069,370)</u>	<u>(62,070)</u>
<u>Net Cash Provided by Operating Activities</u>	<u>179,623</u>	<u>27,118</u>
Cash Flows From Investing Activities		
Net Change in Restricted Cash	0	615
Net Change in Cash Held for Future Operating Expenses and Equipment Purchase	(67,823)	0
Proceeds from Sale of Investments	535,789	656,360
Purchase of Investments	(347,899)	(606,280)
Proceeds from Sale of Property and Equipment	0	200
Purchase of Property and Equipment	(292,629)	(19,486)
Net Receipts of Rental Deposits	250	675
<u>Net Cash Provided (Used) by Investing Activities</u>	<u>(172,312)</u>	<u>32,084</u>

(Continued)

WHITEROCK CONSERVANCY

Statement of Cash Flows For Year Ended December 31, 2011 with Comparative Totals for 2010

	<u>2011</u>	<u>2010</u>
Cash Flows From Financing Activities		
Net Repayment on Lines of Credit	(34,069)	(44,931)
Proceeds from Borrowing on Note Payable	21,399	0
Principal Repayment of Note Payable	<u>(2,015)</u>	<u>0</u>
<u>Net Cash Used by Investing Activities</u>	<u>(14,685)</u>	<u>(44,931)</u>
<u>Net Increase (Decrease) in Cash</u>	(7,374)	14,271
<u>Cash and Cash Equivalents at Beginning of Year</u>	<u>67,191</u>	<u>52,920</u>
<u>Cash and Cash Equivalents at End of Year</u>	<u><u>59,817</u></u>	<u><u>67,191</u></u>

The accompanying notes are an integral part of these financial statements.

WHITEROCK CONSERVANCY

Notes to Financial Statements December 31, 2011

Note 1 - Nature of Activities and Significant Accounting Policies

Nature of Activities

Whiterock Conservancy, located near Coon Rapids, Iowa, was incorporated in November 2004. The Organization is an Iowa nonprofit land trust dedicated to demonstrating sustainable rural land management, conserving and protecting Iowa natural resources and providing the public with outdoor recreation and environmental education.

The Organization exists solely to assist and support the Iowa Department of Natural Resources, the Leopold Center for Sustainable Agriculture, and the Iowa Natural Heritage Foundation (the "Supported Organizations") by carrying out their purposes relating to land preservation, land restoration, conservation, sustainable agriculture, education and recreation.

Program Services Descriptions

The Organization accomplishes its purposes under the following program services.

Land Stewardship / Conservation

The Land Stewardship program is dedicated to conducting and demonstrating sustainable land stewardship techniques with land that has been gifted, purchased or eased to the Organization. The Organization works with neighbors, project partners, and other rural landowners to find, implement and demonstrate rural land management techniques that help to foster a healthy and resilient environment, while at the same time, remaining economically viable.

The Organization's Conservation program is dedicated to protecting, restoring and enhancing the natural resources of the Middle Raccoon River Valley in Iowa. To achieve these goals, the Organization engages in research and modeling of economically and environmentally sustainable agro-ecosystems. In addition, the Organization builds partnerships in order to provide opportunities and programs for natural resource preservation and restoration.

Outdoor Recreation / Education

The Organization provides the public with access to the outdoors for recreation, education and interpretation of cultural, historical, natural and scenic resources. This is accomplished through the operation of the Whiterock Resort - a fee for service program that is designed to accommodate all visitors by offering a variety of services ranging from guided tours, nature walks, fishing, bird watching, and numerous other activities.

Significant Accounting Policies

The Organization prepares its financial statements in accordance with generally accepted accounting principles (GAAP) promulgated in the United States of America. The significant accounting and reporting policies used by the Organization are described as follows.

WHITEROCK CONSERVANCY

Notes to Financial Statements December 31, 2011

Note 1 - Nature of Activities and Significant Accounting Policies

Significant Accounting Policies (Continued)

Basis of Accounting

The Organization's policy is to prepare its financial statements on the accrual basis of accounting.

Financial Statement Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board (FASB) in Accounting Standards Codification (ASC) 958-225-45-1. Under ASC 958-225-45-1, the Organization is required to report information regarding its financial position and activities according to three classes of net assets that are based upon the existence or absence of restrictions on use that are placed by its donors. Accordingly, net assets of the Organization and changes therein are classified and reported as one of these three classes.

Unrestricted Net Assets

Unrestricted net assets are resources available to support operations. The only limits on the use of unrestricted net assets are the broad limits resulting by the nature of the Organization, the environment in which it operates, the purposes specified in its corporate documents and its application for tax-exempt status, and any limits resulting from contractual agreements with creditors and others that are entered into in the course of its operations. Contributions are considered to be available for unrestricted use unless specifically restricted by the donor.

Temporarily Restricted Net Assets

Temporarily restricted net assets are resources that are restricted by a donor for a particular purpose or for a future period. The Organization's unspent contributions are classified in this class if the donor limited their use, as are the un-appropriated appreciation of its donor-restricted endowment funds. When a donor's restriction is satisfied, either by using the resources in the manner specified by the donor or by the passage of time, the expiration of the restriction is reported in the financial statements by reclassifying the net assets from temporarily restricted to unrestricted net assets. If a restriction is fulfilled in the same time period in which the contribution is received, the Organization reports the support as unrestricted.

Permanently Restricted Net Assets

Permanently restricted net assets are resources whose use by the organization is limited by donor-imposed restrictions that neither expire by being used in accordance with a donor's restriction nor by the passage of time.

WHITEROCK CONSERVANCY

Notes to Financial Statements December 31, 2011

Note 1 - Nature of Activities and Significant Accounting Policies

Significant Accounting Policies (Continued)

Cash and Cash Equivalents

Cash consists of deposits held in checking and savings accounts and money market funds held in brokerage accounts. The Organization considers all unrestricted short-term investments with an original maturity of three months or less to be cash equivalents unless the investments are held for meeting restrictions of a capital or endowment nature.

Accounts Receivable

The Organization carries its accounts receivable at cost and does not maintain an allowance for doubtful accounts, as uncollectible accounts are typically immaterial. There is no formal policy dealing with accounts receivable past 90 days old. No interest is charged on past due accounts receivable.

Contributions Receivable

Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Contributions receivable are stated at cost which is equivalent to their net realizable value. FASB ASC 958-605-30-2 requires that contributed revenue be measured at fair value.

All contributions receivable are expected to be collected within one year. Contributions receivable that are subject to donor-imposed restrictions have been separately stated on the statement of financial position.

The Organization is a beneficiary under several donor's wills. Contributions from bequests are recognized as contributions receivable when the probate court declares the will valid and the Organization has an irrevocable right to the bequest.

Grants, USDA/NRCS and USDA/FSA CRP Receivables and Deferred Grant Revenues

The Organization recognizes grants, the USDA/NRCS and USDA/FSA CRP receivables when conditions and requirements for the grants and contracts, involving job progress and claims for reimbursements, are satisfied. Amounts expended in excess of reimbursements are reported as receivables.

Deferred grant revenues represent funding received but not expended as of the end of the year.

WHITEROCK CONSERVANCY

Notes to Financial Statements December 31, 2011

Note 1 - Nature of Activities and Significant Accounting Policies

Significant Accounting Policies (Continued)

Supplies and Hay Inventory

Supplies inventory consists of gift shop supplies of \$1,697, valued at cost determined on a first-in, first-out basis by the Organization's personnel. Hay inventory of \$2,241 was valued at the market price as of the end of the year.

Cash Held for Future Operating Expenses and Equipment Purchase

Cash held for future operating expenses and purchase of equipment has been segregated by the Organization and is not available for current operating purposes.

Property and Equipment

Purchased property and equipment are capitalized at cost. Donations of property and equipment are recorded as contributions at their estimated fair value on the date of receipt. Donated property and equipment are recorded as unrestricted support unless the donor has restricted the donated asset to a specific purpose. For the year ended December 31, 2011 there were no restricted contributions of property and equipment.

The Organization has adopted a capitalization policy for property and equipment. In general, purchased property and equipment with a cost exceeding \$500 and computer software with a cost exceeding \$1,500 are capitalized. Repairs and maintenance that do not significantly increase the useful life of the asset are expensed as incurred.

Depreciation of property and equipment is computed using the straight-line method over the estimated useful lives of the assets as follows:

Land Improvements	20 Years
Buildings and Building Improvements	7 to 40 Years
Equipment, Vehicles and Office Furniture	2 to 20 Years

Investments

Investments are reported at their fair values, as determined by quoted market prices, in the statement of financial position. Investment income and gains and losses on investments restricted by a donor are reported as increases or decreases in unrestricted net assets if the restrictions are met (either by passage of time or by use) in the reporting period in which the income and gains are recognized. Unrealized gains and losses are included in the change in net assets.

WHITEROCK CONSERVANCY

Notes to Financial Statements December 31, 2011

Note 1 - Nature of Activities and Significant Accounting Policies

Significant Accounting Policies (Continued)

Restricted and Unrestricted Revenues and Support

Revenue is recognized when earned and support when contributions are made, which may be when cash is received, unconditional promises are made, or ownership of other assets is transferred to the Organization.

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence or nature of any donor restrictions.

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support that increases those net asset classes. If the restriction expires in the reporting period in which the support is recognized, the contribution is reported as an increase in unrestricted net assets.

In-Kind Contributions

In-kind contributions of supplies and materials used in the Organization's programs are recorded as income and expense at their estimated fair value and amounted to \$75 for the year ended December 31, 2011.

In-kind contributions of property and equipment are recorded as income and increases in property and equipment at their estimated fair value and amounted to \$1,026,000 for the year ended December 31, 2011.

In-kind contributions of publicly traded securities are recorded as income and increases in assets at their estimated fair value and amounted to \$143,860 for the year ended December 31, 2011. The securities were sold in 2011 for \$142,428; the net loss of \$1,432 has been reported in the statement of activities.

FASB ASC 958-605-50-1 states that for donated services to be recognized in the financial statements, the services must either (a) create or enhance a nonfinancial asset or (b) be specialized skills, provided by entities or persons possessing those skills, that would be purchased if not donated. Donated services meeting those criteria are recorded as income and expense at their estimated fair value and amounted to \$760 for the year ended December 31, 2011. The Organization also receives donated services from a variety of volunteers assisting with their program services and supporting activities. These amounts have not been recognized in the accompanying statement of activities because the criteria for recognition of such volunteer efforts have not been satisfied.

WHITEROCK CONSERVANCY

Notes to Financial Statements December 31, 2011

Note 1 - Nature of Activities and Significant Accounting Policies

Significant Accounting Policies (Continued)

Functional Allocation of Expenses and Expense Recognition

The costs of providing the Organization's various programs and activities have been summarized on a functional basis in the statement of activities and statement of functional expenses. Expenses that can be identified with a specific program are charged directly to that program. Costs common to multiple functions have been allocated among the various programs and supporting services benefited.

Management and general expenses include those costs that are not directly identifiable with any specific program, but which provide for the overall support and direction of the Organization.

Fundraising costs are expensed as incurred, even though they may result in future contributions.

The cost of advertising is charged to expense as incurred. Total advertising and marketing expenses for the year ended December 31, 2011 amounted to \$9,432.

Use of 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.

Income Taxes

The Organization is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. The Organization is also a public charity under the IRC Sections 509(a) and 170(b)(1)(A)(vi). This allows for donations to the Organization to be deductible as charitable contributions. The Organization is a Type 1 supporting organization under section 509(a)(3) and as such, is operated, supervised, or controlled by one or more publicly supported organizations.

As the Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code, there is no provision for federal income taxes in the accompanying financial statements. Management of the Organization considers all revenues and support recognized in 2011 to be substantially related to the organization's exempt purpose or function; therefore, the Organization had no unrelated business income for the year ended December 31, 2011.

In evaluating uncertain tax positions, it is the Organization's intention to only take a position that it feels would be upheld under revenue service scrutiny. The Organization's US federal income tax returns prior to calendar year 2009 are considered closed years.

WHITEROCK CONSERVANCY

Notes to Financial Statements December 31, 2011

Note 2 - Fair Value Financial Instruments

The carrying amounts of cash, cash equivalents, accounts and other receivable, contributions receivable, grants receivable, USDA/NRCS and USDA/FSA CRP receivables, accounts payable, customer deposits, gift certificates payable, deferred grant revenues, rental deposits, accrued expenses and payroll and sales taxes payable approximate fair values due to short-term maturity of these instruments.

The Organization accounts for its assets measured at estimated fair value on a recurring and non-recurring basis in accordance with FASB ASC Topic 820, *Fair Value Measurements and Disclosures* (ASC 820). ASC 820 defines fair value, establishes a framework for measuring fair value under generally accepted accounting principles and enhances disclosures about fair value measurements.

ASC 820 defines the fair value as the price that would be received from selling an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. When determining the fair value measurements for assets and liabilities required or permitted to be recorded at fair value, the Organization considers the principal or most advantageous market in which it would transact and it considers the assumptions that market participants would use when pricing the asset or liability.

ASC 820 requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. ASC 820 establishes a fair value hierarchy based on the level of independent, objective evidence surrounding the inputs used to measure fair value.

A financial instrument's categorization within the fair value hierarchy is based upon the lowest level of input that is significant to the fair value measurement. ASC 820 prioritizes the inputs into three levels that may be used to measure fair value.

- Level 1 Fair value determined based on quoted prices in active markets for identical assets or liabilities.
- Level 2 Fair value determined using significant observable inputs, generally either quoted prices in active markets for similar assets or liabilities or quoted prices in markets that are not active.
- Level 3 Fair value determined using significant unobservable inputs, such as pricing models, discounted cash flows, or similar techniques.

The Organization's investments are classified as Level 1 as the instruments are actively traded and have quoted prices. The primary uses of fair value measures in the organization's financial statements are

- Initial measurement of noncash gifts (e.g. investment assets).
- Recurring measurement of investments.

WHITEROCK CONSERVANCY

Notes to Financial Statements December 31, 2011

Note 3 - Grant Programs, Grants Receivable and Deferred Grant Revenues

During the year ended December, 31, 2011 the Organization entered into or continued various federal, state, and private grant agreements that have or will provide funding to refurbish 22 miles of existing, but badly degraded, backcountry trails on its managed land trust; for researching grasslands management and its intersection with grazing livestock systems; restoration of oak savanna habitat; purchase of kayaks for the Organization's river recreation program; and for marketing the Coon Rapids - Whiterock rural tourism area. Total grants awarded and completed or in process in 2011 amounted to \$907,516.

Grants receivable are recognized when conditions and requirements for the grants, involving job progress and claims for reimbursements, are satisfied. Grants receivable at December 31, 2011 of \$27,090 from federal grants and \$3,896 from state grants represent requested claims for expense reimbursements.

Deferred grant revenues represent funding received but not expended as of the end of the year. Unexpended funds of \$561 are from a non-governmental grant.

The grants receivable or deferred grant revenues are due, or will be expended, within one year.

Note 4 - USDA/NRCS and USDA/FSA CRP Receivables

The United States Department of Agriculture/Natural Resources Conservation Service (USDA/NRCS) administers a number of programs that promote land conservation planning and provide assistance with conservation practices that result in productive lands and healthy ecosystems. The Organization has entered into cost-share reimbursement contracts through the Environmental Quality Incentives Program (EQIP) that will provide financial assistance to implement conservation practices. EQIP pays a portion of the project costs as designed in the conservation plan, which are reimbursed as each specific program component is completed. The programs are scheduled to be finalized in 2014.

The United States Department of Agriculture/Farm Service Agency (USDA/FSA) administers the Conservation Reserve Program (CRP), which is a voluntary program available to agricultural producers to help them use environmentally sensitive land for conservation benefits. Producers enrolled in CRP plant long-term, resource-conserving covers to improve the quality of water, control soil erosion, and develop wildlife habitat. In return, FSA provides participants with rental payments and cost-share assistance. The rental contracts typically range from ten to fifteen years. The Organization has approximately 222 acres entered in CRP rental contracts with expiration dates ranging from September 30, 2013 to September 30, 2025.

The USDA/NRCS and USDA/FSA CRP Receivables represent the reimbursement requests made for project components completed in 2011 and are due within one year.

WHITEROCK CONSERVANCY

Notes to Financial Statements December 31, 2011

Note 5 - Investments

Investments held by the Organization consist of money market funds, equity mutual funds and accrued income on investments.

Investments are reported at their fair values measured on a recurring basis in the statement of financial position as of December 31, 2011 and are valued at market as determined by quoted prices using Level 1 inputs. No Level 2 or Level 3 investments were held at December 31, 2011.

Following is a summary of Investments as of December 31, 2011.

	<u>Cost</u>	<u>Fair Value (Level 1)</u>	<u>Unrealized Appreciation (Depreciation)</u>
<u>Unrestricted</u>			
Money Market	27,782	27,782	0
Equity Mutual Funds	131,663	139,845	8,182
<u>Total Unrestricted</u>	<u>159,445</u>	<u>167,627</u>	<u>8,182</u>
<u>Permanently Restricted</u>			
Equity Mutual Funds and Accrued Income	1,129,813	1,200,000	70,187
<u>Total Permanently Restricted</u>	<u>1,129,813</u>	<u>1,200,000</u>	<u>70,187</u>
<u>Total Investments</u>	<u>1,289,258</u>	<u>1,367,627</u>	<u>78,369</u>

Note 6 - Endowment

The Organization's endowment consists of donor-restricted endowment funds and is included in long-term investments in the statement of financial position. Donor-restricted endowments are permanent endowments or funds that provide a perpetual source of support for the Organization's activities. In addition, the Board of Directors has set aside resources to function as endowments which are referred to as board-designated endowment funds. As required by generally accepted accounting principles, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The State of Iowa enacted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) effective April 11, 2008. UPMIFA establishes law for the management and investment of donor-restricted endowment funds. The Board of Directors of the Organization has interpreted UPMIFA as requiring the preservation of the fair value of the original gift as of the date of the gift of the donor-restricted permanent endowment funds unless there are explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies the original value of gifts to donor-restricted permanent endowments as permanently restricted net assets. There have been no additional gifts or accumulations made to the Organization since the original gift was donated. The remaining net income of a donor-restricted permanent endowment fund is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Organization, unless the cumulative unappropriated net income is negative, in which case it is reported as unrestricted net assets.

WHITEROCK CONSERVANCY

Notes to Financial Statements December 31, 2011

Note 6 - Endowment (Continued)

Per Board policy adopted in June 2006, the maximum amount that the Organization can appropriate per year is calculated at five percent of the average fair market values of the total assets of the funds as of the last day of the prior twelve calendar quarters. During the year ended December 31, 2011 \$64,200 was appropriated as available for expenditure and classified as unrestricted net assets. This amount was withdrawn from the endowment funds to be used in current operations.

In accordance with UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds.

- The duration and preservation of the fund
- The purposes of the Organization and the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the Organization
- The investment policies of the Organization

Management of the Organization's endowment funds is dictated by the following principles:

- The funds will be invested in a manner providing for the best total return without regard for income or dividends.
- The funds will be managed to ensure long-term protection and growth of principal.
- The minimum target performance over time will be growth adequate to cover inflation and distributions.
- The funds will be invested in a diversified portfolio consisting of money market funds, bonds and equities.
- The funds shall not be leveraged for investment purposes.
- Performance will be judged based on appropriate investment benchmarks over time.

In order to provide for growth of the endowment fund over time, the Organization accepts that there will be investment risks. In order to limit those risks, guidelines have been set relating to allocation of the funds between different types of equity funds and fixed income investments in a diversified set of mutual funds. The Organization has developed and will adhere to a long-term investment strategy subject to periodic review, rather than attempt to time its investments to the market. The Board reviews the schedule of investments at least three times each year and compares the investments to relevant market indices at least once a year.

The spending policy for the endowment fund is assumed to follow the investment principles unless otherwise directed by donor restrictions.

WHITEROCK CONSERVANCY

Notes to Financial Statements December 31, 2011

Note 6 - Endowment (Continued)

The net asset composition of endowment funds as of December 31, 2011 is as follows:

<u>Endowment Funds</u>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted	0	0	1,200,000	1,200,000
Board-designated	200,000	0	0	200,000
Unrestricted	(32,373)	0	0	(32,373)
<u>Total Endowment Funds</u>	<u>167,627</u>	<u>0</u>	<u>1,200,000</u>	<u>1,367,627</u>

Amounts classified as permanently restricted net assets represent the portion of perpetual endowment funds that is required to be retained permanently by donor stipulation.

From time to time, the fair value of assets associated with individual donor-restricted endowment funds and Board designated endowment funds may fall below the value of the initial donor gift amounts and designated funds (underwater). When underwater endowment funds exist, they are classified as a reduction of unrestricted net assets. Total underwater endowment funds reported in unrestricted net assets at December 31, 2011 were \$43,372, after adjusting for unrestricted, undesignated funds of \$10,999 invested in the endowment account by the Organization. The underwater status of these funds resulted from cumulative withdrawals in excess of cumulative income. Cumulative income includes unrealized gains and losses which fluctuate with the market.

The changes in endowment net assets for the year ended December 31, 2011 are as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment Net Assets - December 31, 2010	<u>214,025</u>	<u>17,217</u>	<u>1,200,000</u>	<u>1,431,242</u>
Investment Return -				
Interest and Dividends	22,343	0	0	22,343
Net Realized Gain	67,200	0	0	67,200
Net Unrealized Loss	(85,184)	0	0	(85,184)
Management Fees	(3,774)	0	0	(3,774)
Total Investment Return	<u>585</u>	<u>0</u>	<u>0</u>	<u>585</u>
Reclassifications	<u>17,217</u>	<u>(17,217)</u>		<u>0</u>
Board Releases	<u>(64,200)</u>	<u>0</u>	<u>0</u>	<u>(64,200)</u>
<u>Endowment Net Assets - December 31, 2011</u>	<u>167,627</u>	<u>0</u>	<u>1,200,000</u>	<u>1,367,627</u>

WHITEROCK CONSERVANCY

Notes to Financial Statements December 31, 2011

Note 6 - Endowment (Continued)

Investment income and gains and losses on investments are usually reported as increases or decreases in temporarily restricted net assets. However, since total endowments funds were underwater as of December 31, 2011, investment income, gains and losses have been reported as increases or decreases in unrestricted net assets in the Statement of Activities.

Note 7 - Property and Equipment

Property and equipment at December 31, 2011 consists of the following:

Land	5,244,268
Land Improvements	1,687,855
Buildings and Buildings Improvements	867,554
Farm, Field, CRP and Pasture Equipment	65,941
Recreational Equipment and Vehicles	131,570
Office Furniture and Equipment	49,703
Livestock - Farm Animals	4,000
Work in Progress - Soft Trails	28,580
	<hr/>
	8,079,471
Less: Accumulated Depreciation	<hr/>
	(404,798)
	<hr/>
<u>Net Property and Equipment</u>	<u>7,674,673</u>

In-kind contributions of property and equipment during the year ended December 31, 2011 amounted to \$1,024,000 for real estate and \$2,000 for a vehicle.

Depreciation expense for the year ended December 31, 2011 amounted to \$143,444.

Note 8 - Note Payable and Lines of Credit

Iowa Savings Bank

The Organization had an \$80,000 line of credit from Iowa Savings Bank effective December 2, 2009 with an extended maturity date of February 15, 2011. The line of credit was collateralized by an all-inclusive agricultural security agreement. The funds were borrowed in connection with the Environmental Quality Incentives Program (EQIP) (see Note 4). The line of credit was paid off in 2011 by refinancing.

Effective February 18, 2011, the Organization borrowed \$21,399 from the Iowa Savings Bank. The note proceeds were used to pay off the balance of the line of credit note that was due on February 15, 2011. The note bears an interest rate of 3.00%. Payment terms are ten annual payments beginning November 15, 2011 with a final payment on the maturity date of November 15, 2020. The note is collateralized by an all-inclusive agricultural security agreement.

WHITEROCK CONSERVANCY

Notes to Financial Statements December 31, 2011

Note 8 - Note Payable and Lines of Credit (Continued)

Maturities of the Iowa Savings Bank debt for the years succeeding December 31, 2011 are as follows:

<u>December 31,</u>	<u>Amount</u>
2012	1,913
2013	1,971
2014	2,030
2015	2,091
2016	2,154
Thereafter	<u>9,225</u>
	<u><u>19,384</u></u>

Carroll County State Bank

The Organization has a \$100,000 line of credit from Carroll County State Bank effective August 25, 2011 with a maturity date of August 25, 2012. The interest rate is 4.50 percent and is collateralized by a real estate mortgage on the West Betts property, Sections 11, 12 and 14, Orange Township, Guthrie County, IA and an all-inclusive security agreement.

Repayment terms specify one payment of all outstanding principal plus all accrued unpaid interest at maturity. Amounts borrowed and repaid during the year ended December 31, 2011 amounted to \$18,000. At December 31, 2011, there was no principal outstanding under this line of credit.

Note 9 - Designation of Net Assets

Net assets consist of the following and are available for the purpose indicated.

Unrestricted Net Assets	
Undesignated	7,586,512
Designated by the Board for Endowment	<u>200,000</u>
<u>Total Unrestricted Net Assets</u>	<u>7,786,512</u>
Temporarily Restricted Net Assets	
Restricted for Soft Trail Project	28,058
Restricted for Pond Improvements	5,000
Restricted for Dobby's Place Improvements	35,374
Restricted for Future Operating Expenses	60,000
Time Restrictions	<u>62,121</u>
<u>Total Temporarily Restricted Net Assets</u>	<u>190,553</u>
Permanently Restricted Net Assets	
Restricted for Endowment	<u>1,200,000</u>
<u>Total Permanently Restricted Net Assets</u>	<u>1,200,000</u>
<u>Total Net Assets</u>	<u><u>9,177,065</u></u>

WHITEROCK CONSERVANCY

Notes to Financial Statements December 31, 2011

Note 9 - Designation of Net Assets (Continued)

Board Designated Net Assets

At its discretion, the Board of Directors may designate funds for specific purposes. In January 2006, the Board designated \$200,000 for Endowment.

Permanently Restricted Net Assets

Permanently restricted net assets consist of endowment fund assets to be held indefinitely. The income from these assets is to be used for land restoration and conservation purposes.

The donor has specified that an extraordinary majority of the board of directors (71.04%) can remove any or all of the funds from endowment if, in their opinion, it is urgently needed to provide long-term benefit to the Organization. Except for this contingency, the maximum amount of endowment fund income available for consumption on an annual basis shall be equal to the "distribution amount" which is calculated as five percent of the average of the fair market values of the total assets of the fund as of the last day of the prior twelve calendar quarters. The amount determined under this formula shall be available to support the operating and capital budgets of the Organization.

Note 10 - Leases - Rental Income

The Organization leases several lodging, pasture and farm properties on a month to month or an annual (calendar year) basis. Related parties rented various cottages and farm properties during the year. The Organization has also entered into six separate farm leases for a combined total of 145.15 acres of farmland with a related party. The six leases are for varying terms beginning in 2009 with termination dates ranging from 2012 to 2020. All other properties were leased to unrelated tenants.

Rental income from pasture, cropland, farm buildings and farm lodging is included in farm revenues in the Statement of Activities and amounted to \$108,017 for the year ended December 31, 2011. Rental income from the various cottages, lodges and country homes, including rental income from seasonal hunting leases, is included in resort revenues and special events and tours in the Statement of Activities and amounted to \$58,207 for the year ended December 31, 2011.

Future minimum rental income for the six farm leases noted previously, together with their present value as of December 31, 2011, is as follows:

<u>Year</u>	<u>Amount</u>
2012	16,304
2013	15,781
2014	13,313
2015	13,313
2016	7,540
Thereafter	27,301
Total Minimum Rental Income	93,552
Less Amount Representing Interest	(10,159)
<u>Present Value of Minimum Rental Income</u>	<u>83,393</u>

WHITEROCK CONSERVANCY

Notes to Financial Statements December 31, 2011

Note 11 - Leases - CRP Rental Contracts

As noted in Note 4, the Organization has entered into Conservation Reserve Program (CRP) rental contracts with the United States Department of Agriculture/Farm Service Agency. Approximately 222 acres were entered in the CRP as of December 31, 2011 with rent ranging from \$86 to \$192 per acre. The expiration dates of the contracts range from September 30, 2013 to September 30, 2025.

Rental income from CRP rental contracts is included in farm revenues in the Statement of Activities and amounted to \$36,095 for the year ended December 31, 2011.

Future minimum rental income for the CRP rental contracts, together with their present value as of December 31, 2011, is as follows:

<u>Year</u>	<u>Amount</u>
2012	36,095
2013	36,095
2014	35,164
2015	35,164
2016	35,164
Thereafter	<u>282,963</u>
Total Minimum Rental Income	460,645
Less Amount Representing Interest	<u>(83,142)</u>
<u>Present Value of Minimum Rental Income</u>	<u><u>377,503</u></u>

Note 12 - Leases - Equipment Rental Expense

The Organization rents certain equipment on a month-to-month basis. There are no written lease agreements. Lease expense incurred in 2011 was \$1,951 and is reported under Equipment Rental and Maintenance in the Statement of Functional Expenses.

Note 13 - Gift Shop and Food Sales

Gross gift shop and food sales are reported as revenues and support in the Statement of Activities. Direct expenses are reported on the Statement of Functional Expenses. Gross profit information is presented below:

Gross Sales	3,293
Cost of Goods Sold	<u>(2,280)</u>
<u>Gross Profit</u>	<u><u>1,013</u></u>

WHITEROCK CONSERVANCY

Notes to Financial Statements December 31, 2011

Note 14 - Cash Flow Information

The Organization considers all unrestricted short-term investments with an original maturity of three months or less to be cash equivalents. Cash and cash equivalents exclude amounts designated or restricted for long-term purposes. Money market funds held in brokerage accounts have been classified as investments because they are restricted for long-term purposes.

Cash paid for interest in 2011 amounted to \$4,217.

For the year ended December 31, 2011 the Organization had non-cash operating transactions consisting of donations to the Organization at fair value of supplies and materials of \$75, publicly traded securities of \$143,860, services of \$760 and property and equipment of \$1,026,000.

Note 15 - Concentrations of Credit Risk

Cash and Investments

The Organization maintains its cash balances at a financial institution located in Coon Rapids, Iowa. The Federal Deposit Insurance Corporation insures accounts at the institution up to \$250,000. Occasionally, the Organization's cash balances exceed the insured amount. There were no uninsured cash balances at December 31, 2011.

The Organization's investments are invested in various types of marketable and debt securities. Investment securities are exposed to several risks, such as interest rates, credit and overall market volatility risks. Due to the significance of the investments to the Organization's financial position and the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities could occur in the near term and that such changes could materially affect the amounts reported in the Organization's financial statements.

Accounts Receivable

Concentrations of credit risk with respect to accounts receivable are limited due to the large number of customers comprising the Organization's customer base and their dispersion across geographic areas.

Note 16 - Commitments and Contingencies

In 2011, the Organization entered into a number of contracts relating to the design and construction of recreational trails. The total amount of the contracts was \$248,072; expenses incurred and paid on the contracts in 2011 was \$43,680; the contract balances at December 31, 2011 were \$204,392.

The operation of the Organization is dependent upon the grants received from federal, state, local and private agencies and organizations, as well as donations from various businesses and individuals. A significant reduction in the level of this support would have a material effect on the Organization's programs and activities.

The Organization receives support that may be subject to audit or review by grantor agencies. Management believes that the Organization complies with all aspects of grant and contract provisions and disallowed costs, if any, would be immaterial to its financial position.

WHITEROCK CONSERVANCY

Notes to Financial Statements December 31, 2011

Note 17 - Conflict of Interest Policy and Related Party Transactions

Conflict of Interest Policy

It is the policy of the organization that all officers, directors, employees and volunteers shall avoid any conflict of interest between their own individual interests and the interests of the Organization. Board and staff members must advise the board of any direct or indirect interest in any transaction or relationship with the Organization and not participate in discussions and decisions regarding any action affecting their individual, professional or business interest. When such a relationship exists, measures are taken to mitigate any actual or perceived conflict, including requiring that such transactions be conducted at arm's length, for good and sufficient consideration, based on terms that are fair and reasonable to and for the benefit of the organization.

Related Party Transactions - Board Members and Staff

Receivables from and Payables to the Organization and board members, staff, related individuals and affiliated organizations at December 31, 2011 are as follows:

Accounts Receivable	2,000
Contributions Receivable	6,000
Accounts Payable	(60)

The following transactions occurred during the year ended December 31, 2011 between the Organization and board members, staff, related individuals and affiliated organizations.

	<u>Revenues</u>	<u>Expenditures</u>
<u>Revenues</u>		
Cash Contributions	270,785	
Donated Property and Equipment	1,170,320	
Farm Revenues - Rent	25,395	
Resort Revenues and Gift Shop Sales	2,358	
Special Events and Tours	1,234	
<u>Expenditures</u>		
Maintenance and Repairs, Supplies and Insurance		7,336
Expense Reimbursements - Mileage, Travel, Meals and Supplies		5,514
<u>Total</u>	<u>1,470,092</u>	<u>12,850</u>

WHITEROCK CONSERVANCY

Notes to Financial Statements December 31, 2011

Note 17 - Conflict of Interest Policy and Related Party Transactions

Related Party Transactions - Board Members and Staff (Continued)

The Organization occasionally uses equipment and a shop building that is owned by some board members and/or affiliated organizations. In addition, one board member owns facilities which are used extensively by the Organization in its outdoor recreation / education program. The amount of these donated in-kind services has not been recognized in the accompanying statement of activities as the value is indeterminable.

Related Party Transactions - Supported Organizations

Receivables from the Organization and the Iowa Department of Natural Resources, the Leopold Center for Sustainable Agriculture, and the Iowa Natural Heritage Foundation (the "Supported Organizations") are as follows.

Grants Receivable	30,986
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The following transactions occurred during the year ended December 31, 2011 between the Organization and the Supported Organizations.

	<u>Revenues</u>	<u>Expenditures</u>
<u>Revenues</u>		
Grant Revenues	72,171	
<u>Expenditures</u>		
Permit Fee		95
<u>Total</u>	<u>72,171</u>	<u>95</u>

Note 18 - Prior Year Information and Reclassification

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with U.S. generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended December 31, 2010, from which the summarized information was derived.

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

WHITEROCK CONSERVANCY

Notes to Financial Statements December 31, 2011

Note 19 - Correction of Error

Net assets as of December 31, 2010 have been adjusted to reflect the correct allocation between Temporarily Restricted Net Assets and Unrestricted Net Assets for Endowment Fund earnings. Temporarily Restricted Net Assets have been increased and Unrestricted Net Assets have been decreased by \$17,217 in order to correct the net asset balances at December 31, 2010.

Note 20 - Subsequent Events

Management has evaluated subsequent events through June 18, 2012, the date which the financial statements were available to be issued.

Subsequent to December 31, 2011, the Organization was awarded governmental and private grants amounting to \$6,500 for use in their programs related to land preservation, land restoration, education and recreation.

In March 2012, the Organization withdrew \$30,329 from the endowment funds as a partial withdrawal of the permitted distribution amount for 2012. The total distribution amount available for 2012 has been calculated to be \$65,392.

Also in March 2012, the Board voted to move \$28,000 budgeted for stewardship into the Board Discretionary Endowment Fund.

Stock market performance subsequent to December 31, 2011 has resulted in a 4.34 percent increase in investment assets.

As noted in Note 8, the Organization has a \$100,000 line of credit note from Carroll County State Bank effective August 25, 2011 with a maturity date of August 25, 2012 and an interest rate of 4.50 percent. In March 2012, the Organization borrowed \$28,000 on the note. The note proceeds were to be used in the Organization's farm operations.