

# The Conservation Foundation

Independent Auditor's Report and Financial Statements

June 30, 2015 and 2014

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# The Conservation Foundation

## June 30, 2015 and 2014

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## Independent Auditor's Report

Board of Trustees  
The Conservation Foundation  
Naperville, Illinois

We have audited the accompanying financial statements of The Conservation Foundation, which comprise the statements of financial position as of June 30, 2015 and 2014, and the related statements of activities and changes in net assets 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 The Conservation Foundation as of June 30, 2015 and 2014, 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.

## **Other Matter**

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The schedules of expenses on page 14 are presented for purposes of additional analysis and are 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 audits 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 supplementary information is fairly stated in all material respects in relation to the financial statements as a whole.

*BKD, LLP*

Oakbrook Terrace, Illinois  
February 16, 2016

**The Conservation Foundation**  
**Statements of Financial Position**  
**June 30, 2015 and 2014**

**Assets**

	<u>2015</u>	<u>2014</u>
<b>Current Assets</b>		
Cash and cash equivalents	\$ 1,131,765	\$ 665,042
Restricted cash	201,021	249,711
Short term investments	579,776	617,563
Accounts receivable, net of allowance	71,277	36,373
Accrued interest receivable	4,399	2,286
Pledges receivable, net of allowance	21,192	17,087
Other assets	4,045	1,762
Prepaid expenses	21,486	13,935
Land - Preservation Properties - held for sale	<u>1,500,000</u>	<u>1,500,000</u>
Total current assets	3,534,961	3,103,759
<b>Pledges Receivable - Noncurrent</b>	74,465	15,979
<b>Land - Preservation Properties</b>	2,507,150	2,507,150
<b>Property and Equipment, Net</b>	564,088	573,929
<b>Land and Buildings - Permanently Restricted</b>	<u>800,837</u>	<u>800,837</u>
Total assets	<u>\$ 7,481,501</u>	<u>\$ 7,001,654</u>

## Liabilities and Net Assets

	<u>2015</u>	<u>2014</u>
<b>Current Liabilities</b>		
Mitigation funds	\$ 89,804	\$ 100,631
Accounts payable	38,137	88,006
Funds held on behalf of others	111,217	149,080
Rental security deposit	1,000	1,000
Accrued liabilities	70,602	103,157
Note payable	950,000	1,350,000
	<u>1,260,760</u>	<u>1,791,874</u>
<b>Net Assets</b>		
Unrestricted		
Designated		
Easement defense	343,297	328,870
McDonald Farm buildings	334,410	348,541
Clow Education Center	209,721	216,707
Undesignated	4,434,679	3,457,318
	<u>5,322,107</u>	<u>4,351,436</u>
Temporarily restricted	97,797	57,507
Permanently restricted	800,837	800,837
	<u>6,220,741</u>	<u>5,209,780</u>
Total net assets	<u>6,220,741</u>	<u>5,209,780</u>
Total liabilities and net assets	<u>\$ 7,481,501</u>	<u>\$ 7,001,654</u>

**The Conservation Foundation**  
**Statements of Activities and Changes in Net Assets**  
**Years Ended June 30, 2015 and 2014**

	<u>2015</u>	<u>2014</u>
<b>Unrestricted Net Assets</b>		
Unrestricted revenues and gains		
Contributions and grants	\$ 1,879,510	\$ 2,551,863
Investment income	6,558	8,180
Benefit dinner - net of expenses of \$62,704 and \$69,193 for 2015 and 2014, respectively	107,043	86,823
Special events	63,376	51,202
Consulting income	269,219	272,225
Rental income	84,538	18,792
Sales income	11,499	12,235
Miscellaneous	4,279	7,840
	<u>2,426,022</u>	<u>3,009,160</u>
Total unrestricted revenues and gains		
Net assets released from restrictions	<u>92,443</u>	<u>14,701</u>
Total unrestricted revenues, gains and other support	<u>2,518,465</u>	<u>3,023,861</u>
<b>Expenses</b>		
Programs services	1,212,912	1,145,560
Management	68,692	86,524
Other fundraising	266,190	241,990
	<u>1,547,794</u>	<u>1,474,074</u>
Total expenses		
<b>Increase in Unrestricted Net Assets</b>	<u>970,671</u>	<u>1,549,787</u>
<b>Temporarily Restricted Net Assets</b>		
Contributions and grants	132,733	9,488
Net assets released from restrictions	<u>(92,443)</u>	<u>(14,701)</u>
Increase (decrease) in temporarily restricted net assets	<u>40,290</u>	<u>(5,213)</u>
<b>Change in Net Assets</b>	1,010,961	1,544,574
<b>Net Assets, Beginning of Year</b>	<u>5,209,780</u>	<u>3,665,206</u>
<b>Net Assets, End of Year</b>	<u>\$ 6,220,741</u>	<u>\$ 5,209,780</u>

**The Conservation Foundation**  
**Statements of Cash Flows**  
**Years Ended June 30, 2015 and 2014**

	<u>2015</u>	<u>2014</u>
<b>Operating Activities</b>		
Change in net assets	\$ 1,010,961	\$ 1,544,574
Items not requiring cash		
Depreciation	51,245	44,162
Change in		
Accounts receivable	(34,904)	37,602
Accrued interest receivable	(2,113)	(110)
Pledges receivable	(62,591)	31,226
Grants receivable	-	65,000
Other assets	(2,283)	20,424
Prepaid expenses	(7,551)	(86)
Mitigation funds	(10,827)	(17,598)
Accounts payable	(49,869)	72,443
Funds held on behalf of others	(37,863)	(10,141)
Rental security deposit	-	1,000
Accrued liabilities	(32,555)	44,172
	<u>821,650</u>	<u>1,832,668</u>
Net cash provided by operating activities		
	<u>821,650</u>	<u>1,832,668</u>
<b>Investing Activities</b>		
Purchase of property and equipment	(41,404)	(87,943)
Purchase of preservation properties	-	(3,587,250)
Proceeds from sale of land	-	355,000
Purchase of short-term investments	(762,728)	(652,708)
Proceeds from maturity/sale of short-term investments	800,515	547,915
	<u>(3,617)</u>	<u>(3,424,986)</u>
Net cash used in investing activities		
	<u>(3,617)</u>	<u>(3,424,986)</u>
<b>Financing Activities</b>		
Note payable proceeds (repayments)	(400,000)	1,350,000
	<u>(400,000)</u>	<u>1,350,000</u>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	418,033	(242,318)
<b>Cash and Cash Equivalents, Beginning of Year</b>	<u>914,753</u>	<u>1,157,071</u>
<b>Cash and Cash Equivalents, End of Year</b>	<u>\$ 1,332,786</u>	<u>\$ 914,753</u>
<b>Reconciliation to Statement of Financial Position</b>		
Cash and cash equivalents	\$ 1,131,765	\$ 665,042
Restricted cash	<u>201,021</u>	<u>249,711</u>
	<u>\$ 1,332,786</u>	<u>\$ 914,753</u>

# The Conservation Foundation

## Notes to Financial Statements

### June 30, 2015 and 2014

#### **Note 1: Nature of Operations**

The mission of The Conservation Foundation (Foundation) is to preserve and restore natural areas and open space, protect rivers and watersheds and promote stewardship of our environment. The Foundation's primary sources of revenue are donations, consulting and grants.

#### **Note 2: Summary of Significant Accounting Policies**

The following is a summary of the more significant accounting policies of the Foundation.

##### ***Cash and Cash Equivalents***

The Foundation considers all unrestricted highly liquid investments with a maturity of three months or less at the date of acquisition to be cash equivalents.

##### ***Restricted Cash***

The Foundation has classified funds held for mitigation purposes and funds held on behalf of others as restricted cash.

##### ***Investments***

Certificates of deposit with original maturities greater than three months and remaining maturities less than one year are classified as short-term investments.

##### ***Pledges Receivable***

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

##### ***Contributed Services***

Many individuals volunteer their time and perform a variety of tasks that assist the Foundation. The Foundation received approximately 10,200 and 8,100 volunteer hours in the years ended June 30, 2015 and 2014, respectively. The value of such contributed services is not recorded in the financial statements since the services do not require specialized skills and are not required to be recorded.

# The Conservation Foundation

## Notes to Financial Statements

### June 30, 2015 and 2014

#### ***Property and Equipment***

Purchases of property and equipment are recorded at cost. Donations of property and equipment are recorded at their estimated fair value. Such donations are reported as unrestricted unless the donor has restricted the asset to a specific purpose. Absent donor stipulations regarding the length of time of restrictions, the Foundation considers the restrictions to expire when the related assets are put in service as requested by the donor. The Foundation's policy is to capitalize all expenditures for improvements, property and equipment over \$1,500.

Property and equipment are depreciated using the straight-line method over their related estimated useful lives which range from 3 to 40 years.

#### ***Mitigation Fund***

The Foundation holds and administers funds for mitigation purposes on behalf of the U.S. Army Corps of Engineers (ACOE). Such funds are required to be utilized only for specific purposes as directed by ACOE. Accordingly, resources received from ACOE for mitigation purposes are reported as increases in assets and liabilities when received and decreases in assets and liabilities when amounts are expended for specified purposes.

#### ***Funds Held on Behalf of Others***

The Foundation holds funds on behalf of other organizations under formal Agency Agreements. Those organizations direct the Foundation on the use of said funds. Cash held on their behalf is offset with this corresponding liability.

#### ***Revenue Recognition***

Revenue from consulting is recognized as services are performed. Revenue from special events is recognized when the event takes place.

#### ***Net Assets***

Net assets, revenues, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Foundation are classified and reported as follows:

*Unrestricted Net Assets* – Net assets that are not subject to donor-imposed stipulations.

*Temporarily Restricted Net Assets* – Net assets subject to donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of the Foundation pursuant to those stipulations.

*Permanently Restricted Net Assets* – Net assets subject to donor-imposed stipulations that must be maintained permanently by the Foundation.

Additionally, contributions received with donor-imposed restrictions which are met in the same period are recorded as unrestricted revenues and net assets.

**The Conservation Foundation**  
**Notes to Financial Statements**  
**June 30, 2015 and 2014**

***Use of Estimates***

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

***Concentration of Credit Risk***

Occasionally, the Foundation maintains cash balances in excess of the maximum insured by the Federal Deposit Insurance Corporation. The Foundation has not experienced losses on these accounts and management believes it is not exposed to significant risks on such accounts.

***Income Taxes***

The Foundation is a not-for-profit organization that is exempt from income tax under Section 501(c)(3) of the Internal Revenue Code. The Foundation has also elected application of Section 501(h) which permits the Foundation to conduct limited lobbying.

The Foundation recognizes the financial statement impact of a tax position when it is more likely than not that the position will be sustained upon examination. It is no longer subject to federal and state income tax examinations by tax authorities for years before the year ended June 30, 2012.

***Receivables***

Receivables are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a provision for bad debt expense based on its assessment of the current status of individual receivables from grants, contracts and others. Receivables are written off when management determines they are uncollectible.

**Note 3: Land – Preservation Properties**

The Foundation owns the following land for preservation purposes:

	<u>2015</u>	<u>2014</u>
LaSalle County - 23 acres (unrestricted)	\$ 194,900	\$ 194,900
Plainfield Land Donation (unrestricted)	225,000	225,000
Dayton Bluffs (unrestricted)	2,087,250	2,087,250
Butterfield Project (held for sale)	<u>1,500,000</u>	<u>1,500,000</u>
Total	<u>\$ 4,007,150</u>	<u>\$ 4,007,150</u>

**The Conservation Foundation**  
**Notes to Financial Statements**  
**June 30, 2015 and 2014**

The Butterfield Park District passed a successful referendum in November 2014, which will provide funding to purchase the property from the Foundation. The Foundation expects to transfer the property to the Park District in late spring or early summer (prior to June 30, 2016) of 2016. The transaction would be a sale of the property to the Park District for the same \$1,500,000 price the Foundation purchased it for. The Park District will reimburse the Foundation for all staff, legal and closing costs incurred by the Foundation for this transaction.

**Note 4: Property and Equipment**

Unrestricted property and equipment consists of the following:

	<b>2015</b>	<b>2014</b>
Buildings and improvements	\$ 920,833	\$ 898,021
Furniture, fixtures and equipment	104,503	87,350
	1,025,336	985,371
Less accumulated depreciation	461,248	411,442
	<b>\$ 564,088</b>	<b>\$ 573,929</b>

**Note 5: Permanently Restricted Net Assets**

The Foundation's main office is located on the McDonald Farm, which is owned by the Foundation. The McDonald Farm land is subject to a conservation easement.

The Foundation also owns the Dickson-Murst Farm through an agreement with the Village of Montgomery. The agreement states that the Foundation is not permitted to sell or otherwise dispose of the property without the consent of the Village of Montgomery.

Permanently restricted net assets consist of the following:

	<b>2015</b>	<b>2014</b>
McDonald Farm - land	\$ 268,837	\$ 268,837
Dickson-Murst Farm - land and buildings	532,000	532,000
	<b>\$ 800,837</b>	<b>\$ 800,837</b>

**The Conservation Foundation**  
**Notes to Financial Statements**  
**June 30, 2015 and 2014**

**Note 6: Temporarily Restricted Net Assets**

Temporarily restricted net assets consist of the following:

	<u>2015</u>	<u>2014</u>
Restoration projects	\$ 20,047	\$ 1,588
Strategic land planning project	32,038	-
Reservation Woods project	34,435	34,436
Education grants	3,870	3,137
Dickson-Murst Farm Partners	<u>7,407</u>	<u>18,346</u>
Total temporarily restricted net assets	<u>\$ 97,797</u>	<u>\$ 57,507</u>

**Note 7: Designation of Net Assets**

The Foundation's Board of Trustees has designated certain funds to provide for the future monitoring and enforcement of conservation easements. Additionally, the Board has designated as continuing investments the buildings located on the McDonald Farm and the Clow Education Center.

Designated net assets consist of the following:

	<u>2015</u>	<u>2014</u>
Cash and cash equivalents		
Conservation easement defense funds	\$ 343,297	\$ 328,870
McDonald Farm buildings	334,410	348,541
Clow Education Center	<u>209,721</u>	<u>216,707</u>
Total designated net assets	<u>\$ 887,428</u>	<u>\$ 894,118</u>

**Note 8: Conservation Easements**

The Foundation holds conservation easements placed on properties acceptable to the Foundation. At June 30, 2015 and 2014, 36 and 34 such easements were held, respectively. No value has been assigned to these easements in the financial statements because the Foundation does not have ownership rights to the underlying property.

**The Conservation Foundation**  
**Notes to Financial Statements**  
**June 30, 2015 and 2014**

**Note 9: Short-term Investments**

Short-term investments as of June 30, 2015 and 2014, of \$579,776 and \$617,563, respectively, are comprised of certificates of deposit.

Interest income for the years ended June 30, 2015 and 2014, was \$6,558 and \$8,180, respectively.

**Note 10: Line of Credit**

As of June 30, 2015, the Foundation maintained a \$200,000 unsecured line of credit with Wheaton Bank & Trust to be used to support working capital needs, at a floating interest rate equal to the prime rate (3.25% on June 30, 2015). At June 30, 2015 and 2014, there was no balance outstanding on the line of credit.

**Note 11: Note Payable**

As of June 30, 2015 and 2014, the Foundation had a note payable with Itasca Bank and Trust for \$950,000 and \$1,350,000, respectively. The entire principal amount is due on June 6, 2016. The Foundation is required to pay monthly interest on the unpaid principal balance using a floating rate equal to .25 percentage points over the prime rate. The Butterfield Project property at Route 53 and Butterfield Road is pledged as collateral for this note. The monthly interest payments are funded by monthly lease income received from the Butterfield Park District.

**The Conservation Foundation**  
**Notes to Financial Statements**  
**June 30, 2015 and 2014**

**Note 12: Pledges Receivable**

Pledges receivable are adjusted to present value using a rate of 2% and are receivable in the following periods:

<b>Year Ending June 30</b>	<b>2015 Amount</b>	<b>2014 Amount</b>
2015	\$ -	\$ 19,045
2016	29,390	14,800
2017	27,405	2,200
2018	25,890	-
2019	22,790	-
2020	380	-
	<u>105,855</u>	<u>36,045</u>
Less discounts to net present value	4,905	2,979
Less allowance for doubtful accounts	<u>5,293</u>	<u>-</u>
	<u>\$ 95,657</u>	<u>\$ 33,066</u>

Beginning in fiscal year 2015, management began calculating an allowance for pledge amounts receivable. This allowance is calculated at 5% of the gross receivable amount. The allowance at June 30, 2015, was \$5,293. No allowance for bad debts was deemed necessary by management at June 30, 2014. Receivables are written off when management determines they are uncollectible.

**Note 13: Operating Leases**

The Foundation has entered into lease agreements with unrelated parties through December 2019 and November 2015. Rental revenue under these agreements was \$17,075 and \$13,370 for the years ended June 30, 2015 and 2014, respectively.

Future rental income under the lease agreements is as follows:

<b>Year Ending June 30</b>	<b>Amount</b>
2016	\$ 13,975
2017	11,000
2018	11,000
2019	11,000
2020	<u>5,500</u>
	<u>\$ 52,475</u>

# The Conservation Foundation

## Notes to Financial Statements

### June 30, 2015 and 2014

#### **Note 14: Related Party Transactions**

The Foundation purchased insurance totaling \$3,385 and \$3,435, during the years ended June 30, 2015 and 2014, respectively, from Gee-Schussler Insurance (AmTrust North America in 2014), of which a Board member is a principal. The Foundation paid a total of \$10,776 during fiscal year 2015 to Pizzo & Associates, of which a Board member is the owner. The Foundation also holds funds in accounts and has a corporate credit card account as well as a line of credit at Wheaton Bank & Trust, of which a Board member is President of the Bank.

The DuPage River Salt Creek Workgroup (Workgroup) is an independent 501(c)3 organization whose mission is to protect and improve the water quality of the DuPage River and the Salt Creek. The Foundation provides a 1.6 full-time equivalent in staffing to the Workgroup and the Workgroup reimburses all related expenses to the Foundation. The total reimbursement was \$132,580 and \$129,260 for the years ended June 30, 2015 and 2014, respectively. In addition to staffing, one member of the Foundation's staff also sits on the Board of the Workgroup.

The Lower DuPage River Watershed Coalition (Coalition) is an independent 501(c)3 organization whose mission is to protect and improve the water quality of the Lower DuPage River. The Foundation provides a 0.5 full-time equivalent in staffing to the Coalition and the Coalition reimburses all related expenses to the Foundation. The total reimbursement was \$38,599 and \$37,917 for the years ended June 30, 2015 and 2014, respectively. In addition to staffing, one member of the Foundation's staff also sits on the Board of the Coalition.

The Foundation has a note payable with Itasca Bank and Trust (see Note 11). A current Board member is a Senior Vice President with Itasca Bank.

#### **Note 15: Defined Contribution Plan**

The Foundation sponsors a defined contribution plan (Plan) covering all employees with at least one year of service and who work a minimum of 20 hours per week who agree to make contributions to the Plan. The amount contributed by the Foundation is determined each year. For 2015 and 2014 contributions made were equal to 1.5% of the individual participant's compensation, assuming participants were contributing at least 3% of their annual compensation. Total expense for the years ended June 30, 2015 and 2014 was \$11,622 and \$9,822, respectively.

#### **Note 16: Subsequent Events**

In October 2015 the Foundation received a one acre donation of property including a home as part of a planned estate gift. The Foundation sold the property for \$164,000 in January 2016.

Management has evaluated subsequent events through the date of the Independent Auditor's Report, which is the date the financial statements were available to be issued.

## **Supplementary Information**

**The Conservation Foundation**  
**Schedules of Expenses**  
**Years Ended June 30, 2015 and 2014**

	2015		2014	
	Expense	Percentage of Total	Expense	Percentage of Total
Program services	\$ 1,212,912	78.4%	\$ 1,145,560	77.7%
Management	68,692	4.4%	86,524	5.9%
Other fundraising	266,190	17.2%	241,990	16.4%
Total expenses	\$ 1,547,794	100.0%	\$ 1,474,074	100.0%