

# The Conservation Foundation

Independent Auditor's Report and Financial Statements

June 30, 2014 and 2013

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# The Conservation Foundation

## June 30, 2014 and 2013

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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 statement of financial position as of June 30, 2014, and the related statements of activities and changes in net assets and cash flows for the year 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 audit. 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 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 Foundation as of June 30, 2014, and the changes in its net assets and its cash flows for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

## **Prior Year Audited by Other Auditors**

The 2013 financial statements were audited by other auditors and their report thereon, dated January 29, 2014, expressed an unmodified opinion.

## **Other Matter**

Our 2014 audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedules of expenses on page 13 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 audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the 2014 supplementary information is fairly stated in all material respects in relation to the financial statements as a whole.

The supplementary information for the year ended June 30, 2013, was audited by other auditors whose report dated January 29, 2014, expressed an unmodified opinion on such information in relation to the basic financial statements for the year ended June 30, 2013, taken as a whole.

*BKD, LLP*

Oakbrook Terrace, Illinois  
March 14, 2015

THE CONSERVATION FOUNDATION  
STATEMENTS OF FINANCIAL POSITION

ASSETS

	June 30,	
	2014	2013
Current assets:		
Cash and cash equivalents	\$ 665,042	\$ 879,621
Restricted cash	249,711	277,450
Short term investments	617,563	512,770
Accounts receivable	36,373	73,975
Accrued interest receivable	2,286	2,176
Pledges receivable	17,087	48,941
Grants receivable	-	65,000
Other assets	1,762	22,186
Prepaid expenses	13,935	13,849
Land - Preservation Properties - held for sale	1,500,000	-
Total current assets	3,103,759	1,895,968
Pledges receivable - noncurrent	15,979	15,351
Land - Preservation Properties	2,507,150	774,900
Property and equipment, net	573,929	530,148
Land and buildings - permanently restricted	800,837	800,837
Total assets	\$ 7,001,654	\$ 4,017,204

LIABILITIES AND NET ASSETS

Current liabilities:		
Mitigation funds	\$ 100,631	\$ 118,229
Accounts payable	88,006	15,563
Funds held on behalf of others	149,080	159,221
Rental security deposit	1,000	-
Accrued liabilities	103,157	58,985
Note payable	1,350,000	-
Total current liabilities	1,791,874	351,998
Net assets:		
Unrestricted:		
Designated:		
Easement defense	328,870	328,297
McDonald Farm buildings	348,541	338,361
Clow Education Center	216,707	223,156
Undesignated	3,457,318	1,911,835
Total unrestricted	4,351,436	2,801,649
Temporarily restricted	57,507	62,720
Permanently restricted	800,837	800,837
Total net assets	5,209,780	3,665,206
Total liabilities and net assets	\$ 7,001,654	\$ 4,017,204

THE CONSERVATION FOUNDATION  
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS

	For the Year Ended June 30,	
	<u>2014</u>	<u>2013</u>
Unrestricted net assets:		
Unrestricted revenues and gains:		
Contributions and grants	\$ 2,551,863	\$ 853,938
Investment income	8,180	8,444
Benefit dinner - net of expenses of \$69,193 and \$67,263 for 2014 and 2013, respectively	86,823	81,780
Special events	51,202	85,799
Consulting income	272,225	264,063
Rental income	18,792	23,364
Sales income	12,235	14,204
Miscellaneous	<u>7,840</u>	<u>8,464</u>
Total unrestricted revenues and gains	3,009,160	1,340,056
Net assets released from restrictions	<u>14,701</u>	<u>20,455</u>
Total unrestricted revenues, gains and other support	<u>3,023,861</u>	<u>1,360,511</u>
Expenses:		
Programs services	1,145,560	994,180
Management	86,524	84,458
Campaign	-	1,721
Other fundraising	<u>241,990</u>	<u>184,329</u>
Total expenses	<u>1,474,074</u>	<u>1,264,688</u>
Increase in unrestricted net assets	<u>1,549,787</u>	<u>95,823</u>
Temporarily restricted net assets:		
Contributions and grants	9,488	16,476
Net assets released from restrictions	<u>(14,701)</u>	<u>(20,455)</u>
Decrease in temporarily restricted net assets	<u>(5,213)</u>	<u>(3,979)</u>
Change in net assets	1,544,574	91,844
Net assets at beginning of year	<u>3,665,206</u>	<u>3,573,362</u>
Net assets at end of year	<u>\$ 5,209,780</u>	<u>\$ 3,665,206</u>

THE CONSERVATION FOUNDATION  
STATEMENTS OF CASH FLOWS

	For the Year Ended	
	June 30,	
	<u>2014</u>	<u>2013</u>
Cash flows from operating activities:		
Change in net assets	\$ 1,544,574	\$ 91,844
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	44,162	43,009
Change in:		
Accounts receivable	37,602	(16,031)
Accrued interest receivable	(110)	(999)
Pledges receivable	31,226	103,373
Grants receivable	65,000	(65,000)
Other assets	20,424	(20,160)
Prepaid expenses	(86)	(3,228)
Mitigation funds	(17,598)	(1,489)
Accounts payable	72,443	(1,127)
Funds held on behalf of others	(10,141)	8,097
Rental security deposit	1,000	(1,000)
Accrued liabilities	44,172	(7,480)
	<u>1,832,668</u>	<u>129,809</u>
Net cash provided by operating activities		
Cash flows from investing activities:		
Purchase of property and equipment	(87,943)	(14,353)
Purchase of preservation properties	(3,587,250)	-
Proceeds from sale of land	355,000	160,000
Purchase of short-term investments	(652,708)	(1,059,718)
Proceeds from maturity/sale of short-term investments	547,915	1,186,420
	<u>(3,424,986)</u>	<u>272,349</u>
Net cash provided by (used in) investing activities		
Cash provided by financing activities:		
Increase in note payable	1,350,000	-
	<u>1,350,000</u>	<u>-</u>
Net increase (decrease) in cash and cash equivalents	(242,318)	402,158
Cash and cash equivalents at beginning of year	1,157,071	754,913
	<u>1,157,071</u>	<u>754,913</u>
Cash and cash equivalents at end of year	\$ 914,753	\$ 1,157,071
	<u>\$ 914,753</u>	<u>\$ 1,157,071</u>
Reconciliation to statement of financial position:		
Cash and cash equivalents	\$ 665,042	\$ 879,621
Restricted cash	249,711	277,450
	<u>\$ 914,753</u>	<u>\$ 1,157,071</u>

**THE CONSERVATION FOUNDATION**  
**NOTES TO FINANCIAL STATEMENTS**

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.

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 8,100 and 7,900 volunteer hours in the years ended June 30, 2014 and 2013, 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.

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 Funds – 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.

THE CONSERVATION FOUNDATION  
NOTES TO FINANCIAL STATEMENTS

2. Summary of Significant Accounting Policies (Cont.)

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 net assets.

Use of Estimates – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP) 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, 2011.

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. No allowance for bad debts was deemed necessary by management at June 30, 2014 or June 30, 2013. Receivables are written off when management determines they are uncollectible.

THE CONSERVATION FOUNDATION  
NOTES TO FINANCIAL STATEMENTS

3. Land – Preservation Properties

The Foundation owns the following land for preservation purposes:

	<u>2014</u>	<u>2013</u>
LaSalle County - 23 acres (unrestricted)	\$ 194,900	\$ 194,900
Plainfield Land Donation (unrestricted)	225,000	225,000
Batavia Riverwalk (held on behalf of others)	-	355,000
Dayton Bluffs (unrestricted)	2,087,250	-
Butterfield Project (held on behalf of others)	<u>1,500,000</u>	<u>-</u>
 Total	 <u>\$ 4,007,150</u>	 <u>\$ 774,900</u>

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, 2015) of 2015. 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.

4. Property and Equipment

Unrestricted property and equipment consists of the following:

	<u>2014</u>	<u>2013</u>
Buildings and improvements	\$ 898,021	\$ 828,003
Furniture, fixtures and equipment	<u>87,350</u>	<u>69,425</u>
	985,371	897,428
Less accumulated depreciation	<u>411,442</u>	<u>367,280</u>
	<u>\$ 573,929</u>	<u>\$ 530,148</u>

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.

THE CONSERVATION FOUNDATION  
NOTES TO FINANCIAL STATEMENTS

5. Permanently Restricted Net Assets (Cont.)

Permanently restricted net assets consist of the following:

	<u>2014</u>	<u>2013</u>
McDonald Farm - land	\$ 268,837	\$ 268,837
Dickson-Murst Farm - land and buildings	<u>532,000</u>	<u>532,000</u>
	<u>\$ 800,837</u>	<u>\$ 800,837</u>

6. Temporarily Restricted Net Assets

Temporarily restricted net assets consist of the following:

	<u>2014</u>	<u>2013</u>
Restoration projects	\$ 1,588	\$ 8,710
Reservation Woods project	34,436	34,436
Education grants	3,137	2,815
Dickson-Murst Farm Partners	<u>18,346</u>	<u>16,759</u>
Total temporarily restricted net assets	<u>\$ 57,507</u>	<u>\$ 62,720</u>

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.

Designated net assets consist of the following:

	<u>2014</u>	<u>2013</u>
Cash and cash equivalents:		
Conservation easement defense funds	\$ 328,870	\$ 328,297
McDonald Farm buildings	348,541	338,361
Clow Education Center	<u>216,707</u>	<u>223,156</u>
Total designated net assets	<u>\$ 894,118</u>	<u>\$ 889,814</u>

THE CONSERVATION FOUNDATION  
NOTES TO FINANCIAL STATEMENTS

8. Conservation Easements

The Foundation holds conservation easements placed on properties acceptable to the Foundation. At June 30, 2014 and 2013, 34 such easements were held. No value has been assigned to these easements in the financial statements because the Foundation does not have ownership rights to the underlying property.

9. Short-term Investments

Short-term investments as of June 30, 2014 and 2013, of \$617,563 and \$512,770, respectively, are comprised of certificates of deposit.

Interest income for the years ended June 30, 2014 and 2013, was \$6,406 and \$8,444, respectively.

10. Line of Credit

As of June 30, 2014, the Foundation maintained a \$200,000 unsecured line of credit with Wheaton Bank and Trust to be used to support working capital needs, at a floating interest rate equal to the prime rate (3.25% on June 30, 2014). At June 30, 2014 and June 30, 2013, there was no balance outstanding on the line of credit.

11. Note Payable

As of June 30, 2014, the Foundation had a note payable with Itasca Bank and Trust for \$1,350,000. 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.

12. Pledges Receivable

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

<u>Year Ending</u> <u>June 30</u>	<u>2014</u> <u>Amount</u>	<u>2013</u> <u>Amount</u>
2014	\$ -	\$ 51,865
2015	19,045	13,716
2015	14,800	2,300
2016	<u>2,200</u>	<u>-</u>
	36,045	67,881
Less discounts to net present value	<u>2,979</u>	<u>3,589</u>
	<u>\$ 33,066</u>	<u>\$ 64,292</u>

THE CONSERVATION FOUNDATION  
NOTES TO FINANCIAL STATEMENTS

13. Operating Leases

The Foundation has entered into lease agreements with unrelated parties through December 2015 and November 2014. Rental revenue under these agreements was \$13,370 and \$17,342 for the years ended June 30, 2014 and 2013, respectively.

Future rental income under the lease agreements is as follows:

<u>Year Ending</u> <u>June 30</u>	<u>Amount</u>
2015	\$ 11,350
2016	<u>3,675</u>
	<u>\$ 15,025</u>

14. Related Party Transactions

During the years ended June 30, 2014 and 2013, the Foundation was involved in the following related party transactions. The Foundation purchased insurance totaling \$3,435 and \$11,087, respectively, from Gee-Schussler Insurance (AmTrust North America in 2014), of which a Board member is a principal. 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.

The DuPage River Salt Creek Workgroup (Workgroup) is an independent 501(c)4 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 \$129,260 and \$130,679 for the years ended June 30, 2014 and 2013, 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)4 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 \$37,917 and \$37,064 for the years ended June 30, 2014 and 2013, respectively. In addition to staffing, one member of the Foundation's staff also sits on the Board of the Coalition.

During the year ended June 30, 2014, the Foundation entered into a note payable with Itasca Bank and Trust for \$1,350,000 (see Note 11). A current Board member is a Senior Vice President with Itasca Bank.

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 Foundation makes a contribution to the Plan each year. The amount contributed by the

THE CONSERVATION FOUNDATION  
NOTES TO FINANCIAL STATEMENTS

15. Defined Contribution Plan (Cont.)

Foundation is determined each year. The most recent contribution made was 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 year ended June 30, 2014, was \$9,822.

16. Subsequent Events

Management has evaluated subsequent events through March 14, 2015, the date which the financial statements were available to be issued.

## **Supplementary Information**

THE CONSERVATION FOUNDATION  
SCHEDULES OF EXPENSES

	For the Year Ended June 30,			
	2014		2013	
	Expense	Percentage of Total	Expense	Percentage of Total
Program services	\$ 1,145,560	77.71 %	\$ 994,180	78.61 %
Management	86,524	5.87	84,458	6.67
Campaign	-	-	1,721	0.14
Other fundraising	241,990	16.42	184,329	14.58
Total expenses	\$ 1,474,074	100.00 %	\$ 1,264,688	100.00 %