

THE CONSERVATION FOUNDATION

**FINANCIAL STATEMENTS
AS OF JUNE 30, 2023 AND 2022**

TOGETHER WITH AUDITOR'S REPORT

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
The Conservation Foundation:

Opinion

We have audited the accompanying financial statements of The Conservation Foundation, which comprise of the statement of financial position as of June 30, 2023 and 2022 and the related statements of activities, cash flows and functional expenses for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Conservation Foundation for the year ended June 30, 2023 and 2022, and its changes in net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of The Conservation Foundation and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in aggregate, which raise substantial doubt about The Conservation Foundation's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

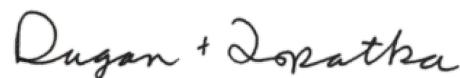
Auditor's Responsibility for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgement made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risk of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Conservation Foundation's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgement, there are conditions or events, considered in the aggregate, which raise substantial doubt about The Conservation Foundation's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.



DUGAN & LOPATKA

THE CONSERVATION FOUNDATION
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2023 AND 2022

	<u>2023</u>	<u>2022</u>
<u>ASSETS</u>		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 605,765	\$ 924,915
Restricted cash	444,683	400,136
Short-term investments	350,079	350,071
Accounts receivable	175,002	217,165
Promises to give, current	6,300	12,600
Total current assets	<u>1,581,829</u>	<u>1,904,887</u>
PROPERTY AND EQUIPMENT, NET	<u>1,353,759</u>	<u>1,342,965</u>
OTHER ASSETS:		
Promises to give, net of current portion	5,306	9,172
Beneficial interest in assets held by DuPage Foundation	1,048,082	831,404
Land - preservation properties	9,068,234	6,553,588
Total other assets	<u>10,121,622</u>	<u>7,394,164</u>
Total assets	<u>\$ 13,057,210</u>	<u>\$ 10,642,016</u>

The accompanying notes are an integral part of this statement.

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES:

Mitigation funds	\$ 136,119	\$ 125,112
Accounts payable	116,797	93,527
Funds held on behalf of others	308,564	275,024
Accrued liabilities	253,662	211,624
Deferred revenue	15,868	4,100

Total current liabilities	831,010	709,387
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NOTES PAYABLE

2,102,504	2,102,504
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Total liabilities

2,933,514	2,811,891
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NET ASSETS:

Without donor restrictions - Undesignated	7,313,128	5,019,386
- Board designated	1,325,080	1,203,253

Total net assets without donor restrictions	8,638,208	6,222,639
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With donor restrictions

1,485,488	1,607,486
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Total net assets

10,123,696	7,830,125
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Total liabilities and net assets

\$ 13,057,210	\$ 10,642,016
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The accompanying notes are an integral part of this statement.

THE CONSERVATION FOUNDATION
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

	2023			2022		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
PUBLIC SUPPORT AND REVENUE:						
Contributions and grants	\$ 3,091,076	\$ 816,602	\$ 3,907,678	\$ 1,192,438	\$ 739,834	\$ 1,932,272
In-kind contributions	551,670	-	551,670	62,278	-	62,278
Investment income (loss)	69,021	9,821	78,842	(71,275)	(17,982)	(89,257)
Benefit dinner - net of expenses \$122,841 and \$99,375 for 2023 and 2022, respectively	84,793	-	84,793	110,953	-	110,953
Special events	54,102	-	54,102	22,476	-	22,476
Consulting income	780,692	-	780,692	837,770	-	837,770
Rental income	10,300	-	10,300	10,230	-	10,230
Sales income	65,076	-	65,076	88,140	-	88,140
Green Earth Harvest sales	375,391	-	375,391	389,594	-	389,594
Miscellaneous	2,746	-	2,746	15,292	-	15,292
Total public support and revenue	5,084,867	826,423	5,911,290	2,657,896	721,852	3,379,748
Net assets released from restrictions -	948,421	(948,421)	-	155,037	(155,037)	-
Net public support and revenue	6,033,288	(121,998)	5,911,290	2,812,933	566,815	3,379,748
FUNCTIONAL EXPENSES:						
Program services	3,141,263	-	3,141,263	2,493,904	-	2,493,904
Management and general	180,814	-	180,814	155,524	-	155,524
Fundraising	295,642	-	295,642	280,113	-	280,113
Total functional expenses	3,617,719	-	3,617,719	2,929,541	-	2,929,541
CHANGE IN NET ASSETS	2,415,569	(121,998)	2,293,571	(116,608)	566,815	450,207
NET ASSETS, Beginning of year	6,222,639	1,607,486	7,830,125	6,339,247	1,040,671	7,379,918
NET ASSETS, End of year	<u>\$ 8,638,208</u>	<u>\$ 1,485,488</u>	<u>\$ 10,123,696</u>	<u>\$ 6,222,639</u>	<u>\$ 1,607,486</u>	<u>\$ 7,830,125</u>

The accompanying notes are an integral part of this statement.

THE CONSERVATION FOUNDATION
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

	<u>2023</u>	<u>2022</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 2,293,571	\$ 450,207
Adjustments to reconcile change in net assets to net cash provided by operating activities -		
Depreciation	69,415	64,702
Donated land - preservation properties	(475,000)	-
Donated property and equipment	(11,959)	-
Realized and unrealized (gain) loss on beneficial interest in assets held by DuPage Foundation	(54,269)	98,465
Change in assets and liabilities -		
(Increase) decrease in accounts receivable	42,163	(97,533)
Decrease in accrued interest receivable	-	9,999
Decrease in promises to give	10,166	18,398
Increase in mitigation funds	11,007	6,810
Increase in accounts payable	23,270	73,310
Increase (decrease) in funds held on behalf of others	33,540	(23,796)
Increase in accrued liabilities	42,038	23,923
Increase (decrease) in deferred revenue	11,768	(8,430)
Total adjustments	<u>(297,861)</u>	<u>165,848</u>
Net cash provided by operating activities	<u>1,995,710</u>	<u>616,055</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of land - preservation properties	(2,039,646)	(783,834)
Proceeds from sale of land - preservation properties	-	130,623
Purchase of property and equipment	(68,250)	(90,460)
Purchases of beneficial interest in assets held by DuPage Foundation	(224,530)	(90,163)
Proceeds from beneficial interest in assets held by DuPage Foundation	62,121	59,938
Net (purchases) sales of short-term investments	(8)	659,934
Net cash (used in) investing activities	<u>(2,270,313)</u>	<u>(113,962)</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	(274,603)	502,093
CASH AND CASH EQUIVALENTS, Beginning of year	1,325,051	822,958
CASH AND CASH EQUIVALENTS, End of year	<u>\$ 1,050,448</u>	<u>\$ 1,325,051</u>
Unrestricted cash and cash equivalents at end of year	\$ 605,765	\$ 924,915
Restricted cash at end of year	<u>444,683</u>	<u>400,136</u>
Total cash and cash equivalents	<u>\$ 1,050,448</u>	<u>\$ 1,325,051</u>

The accompanying notes are an integral part of this statement.

THE CONSERVATION FOUNDATION
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2023

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Salaries and benefits	\$ 2,050,241	\$ 157,671	\$ 211,256	\$ 2,419,168
Conferences and travel	36,049	2,928	3,624	42,601
Professional services	158,719	1,292	5,861	165,872
Insurance	35,929	2,607	2,804	41,340
Marketing	24,756	1,220	33,175	59,151
Merchandising	39,057	-	-	39,057
Office supplies	129,234	14,092	22,804	166,130
Program expense	452,065	-	-	452,065
Trips and events	30,675	-	138,959	169,634
Interest expense	116,127	-	-	116,127
Depreciation	68,411	1,004	-	69,415
Total expenses by function	3,141,263	180,814	418,483	3,740,560
Less expenses included with revenues on the statement of activities	-	-	(122,841)	(122,841)
Total expenses included in the expense section	<u>\$ 3,141,263</u>	<u>\$ 180,814</u>	<u>\$ 295,642</u>	<u>\$ 3,617,719</u>
Percentage of total functional expenses	<u>86.8%</u>	<u>5.0%</u>	<u>8.2%</u>	<u>100.0%</u>

The accompanying notes are an integral part of this statement.

THE CONSERVATION FOUNDATION
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2022

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Salaries and benefits	\$ 1,684,964	\$ 138,345	\$ 189,061	\$ 2,012,370
Conferences and travel	27,290	747	3,277	31,314
Professional services	142,741	1,285	15,400	159,426
Insurance	26,824	1,886	2,076	30,786
Marketing	22,884	433	32,302	55,619
Merchandising	65,743	-	-	65,743
Office supplies	110,581	11,261	20,501	142,343
Program expense	270,123	-	-	270,123
Trips and events	22,063	563	116,871	139,497
Interest expense	56,993	-	-	56,993
Depreciation	63,698	1,004	-	64,702
Total expenses by function	2,493,904	155,524	379,488	3,028,916
Less expenses included with revenues on the statement of activities	-	-	(99,375)	(99,375)
Total expenses included in the expense section	<u>\$ 2,493,904</u>	<u>\$ 155,524</u>	<u>\$ 280,113</u>	<u>\$ 2,929,541</u>
Percentage of total functional expenses	<u>85.1%</u>	<u>5.3%</u>	<u>9.6%</u>	<u>100.0%</u>

The accompanying notes are an integral part of this statement.

THE CONSERVATION FOUNDATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The mission of The Conservation Foundation (the Foundation) is to improve the health of our communities by preserving and restoring natural areas and open space, protecting rivers and watersheds, and promoting stewardship of our environment. The Foundation's primary sources of revenue are donations, consulting services, and grants.

The financial statements were available to be issued on February 2, 2024, with subsequent events being evaluated through this date.

The following summarizes the significant accounting policies and practices reflected in the accompanying financial statements.

Accounting Method -

The accounting records of the Foundation are maintained on the accrual basis which recognizes revenue when earned and expenses as they are incurred.

Basis of Presentation -

The financial statements of the Foundation have been prepared in accordance with U.S. generally accepted accounting principles (GAAP). Under GAAP, the Foundation is required to report information regarding its financial position and activities according to two classes of net assets which are, without donor restrictions and with donor restrictions.

Without donor restrictions - Net assets that are not subject to donor-imposed stipulations and may be expensed for any purpose in performing the primary objectives of the Foundation. These net assets may be used at the discretion of management and the board of directors.

With donor restrictions - Net assets subject to donor-imposed stipulations. Some donor restrictions are temporary in nature; those restrictions will be met either by actions of the Foundation and/or the passage of time. Other donor restrictions are perpetual in nature, where the donor has stipulated the funds be maintained in perpetuity.

Cash and Cash Equivalents -

Cash and cash equivalents include all monies in banks and highly liquid investments with original maturities of less than three months.

Restricted Cash -

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

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Certificates of Deposits -

Certificates of deposit with original maturities greater than three months and remaining maturities less than one year, are classified as short-term investments which are carried at cost which approximates market value.

Concentration of Credit Risk -

Occasionally, the Foundation maintains a cash balance in one cash account 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.

Accounts Receivable -

Receivables consist of grants due to the Foundation from governmental agencies or other funders, and other various program service fees. The Foundation carries its receivables at cost less an allowance for doubtful accounts. Management provides for probable uncollectible amounts through bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual receivables from grants and fees. The allowance for doubtful accounts amounts is \$-0- on June 30, 2023 and 2022.

Promises to Give -

Promises to give are valued at management's estimate of the amount that will ultimately be collected and represent contributions and grants due to the Foundation from individuals, foundations, and government agencies. Management provides for probable uncollectible amounts through a provision for doubtful accounts. The allowance for doubtful accounts is \$645 and \$1,240 as of June 30, 2023 and 2022, respectively.

Property and Equipment -

Acquisitions of property and equipment in excess of \$1,500 are capitalized. Property and equipment are carried at cost or, if donated, at the approximate fair value at the date of donation. Depreciation is calculated using the straight-line method over the estimated useful lives of the respective assets, ranging from 3-40 years.

Land-Preservation Properties -

Land-preservation properties include donations, purchases, transfers, and conservation easements. Purchases of preservation properties are recorded at cost. Donations of property are recorded at their estimated fair value. Such donations are reported as without donor restrictions unless the donor has restricted the asset to a specific purpose. For 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. Though the Foundation often chooses to own land for relatively short time periods, the Foundation may be long-term owners of properties and it intends to hold conservation easements in perpetuity.

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Beneficial Interest in Assets Held by the DuPage Foundation -

The Foundation maintains assets with DuPage Foundation (DuPage) under an agency agreement. Under this agreement, the assets are invested at the discretion of DuPage for the benefit of the Foundation. DuPage shall receive, administer, and disburse Fund assets for the Foundation's use at the Foundation's request. The Foundation has the ability to transfer additional assets to DuPage. The Foundation has not granted DuPage variance power, which would give DuPage's Board of Trustees the power to use the Fund for other purposes. Thus, the Foundation retains a beneficial interest in those assets and maintains the transferred assets on the statement of financial position. All dividend, interest income, and realized and unrealized gains and losses on Fund assets bought, sold, and held during the period are credited to the Fund or disbursed as requested by the Foundation. All Fund earnings are classified as investment income (loss) on the statement of activities and changes in net assets in the period earned.

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 the 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 for Contributions and Grants -

The Foundation recognizes contributions when cash, securities or other assets; an unconditional promise to give; or a notification of a beneficial interest is received. Conditional promises to give – that is, those with a measurable performance or other barrier and a right of return – are not recognized until the conditions on which they depend have been met. Contributions resulting from split-interest agreements, measured at the time into which the agreements are entered, are based on the difference between the fair value of the assets received or promised and the present value of the obligation to the third-party recipient(s) under the contract. The Foundation reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the assets, or if they are designated as support for future periods. When a donor restriction expires; that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. Donor restricted contributions whose restrictions are met in the same period as received are shown as contributions without donor restrictions on the statement of activities.

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

In-Kind Contributions -

The Foundation receives in-kind contributions from various donors. It is the policy of the Foundation to record the estimated fair market value of certain in-kind donations as an expense or an asset depending on the nature of the donation, and similarly increase in-kind contribution revenue by a like amount. In-kind contributions that are classified as assets are mainly for land preservation or other long-term fixed assets.

In addition to contributed nonfinancial assets, volunteers contribute significant amounts of time to program services, administration, and fundraising activities; however, the financial statements do not reflect the value of these contributed services because they do not meet recognition criteria prescribed by generally accepted accounting principles that prohibits the recording of donated services unless they create or enhance a nonfinancial asset or are specialized skills that would have been purchased if they were not donated.

Green Earth Harvest Revenue -

The Foundation recognizes sales income for their Green Earth Harvest Program. The Foundation recognizes revenue as shares and are harvested and picked up by the consumers in the future. The performance obligation is met, and revenue recognized, when the planting of the crops has occurred.

Sales income -

The Foundation recognizes sales income from rain barrels and native plants. The performance obligation is met and revenue is recognized when the sale has occurred.

Consulting Revenue -

The Foundation recognizes consulting income from staffing to related parties. The Foundation bills the related parties for reimbursement of all related expenses for the staffing. These services are considered a single performance obligation which is satisfied at a point in time. The performance obligation is met, and revenue recognized, when the services are provided to a client.

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.

Functional Allocation of Expenses -

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include salaries and related expenses, marketing, professional services, supplies, and other expenses which are allocated on the basis of estimates of time and effort.

(2) INCOME TAXES:

The Foundation has been determined by the Internal Revenue Service to be exempt from federal income tax under Section 501(a) as described 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. Accordingly, no provision for income tax has been established.

The Foundation files income tax returns in the U.S. federal jurisdiction and Illinois. With few exceptions, the Foundation is no longer subject to U.S. federal, state and local, or non-U.S. income tax examinations by tax authorities for fiscal years before 2020. The Foundation does not expect a material net change in unrecognized tax benefits in the next twelve months.

(3) PROMISES TO GIVE:

Promises to give are adjusted to present value using a rate of 2% and consist of the following:

	<u>2023</u>	<u>2022</u>
Promises to give	\$ 12,900	\$ 24,800
Less - Allowance for doubtful accounts	(645)	(1,240)
Less - Unamortized discounts	<u>(649)</u>	<u>(1,788)</u>
Net unconditional promises to give	<u>\$ 11,606</u>	<u>\$ 21,772</u>
Amounts due in:		
Less than one year	\$ 6,300	\$ 12,600
One to five years	<u>5,306</u>	<u>9,172</u>
	<u>\$ 11,606</u>	<u>\$ 21,772</u>

(4) PROPERTY AND EQUIPMENT:

Capital assets owned by the Foundation at June 30, 2023 and 2022 are as follows:

	<u>2023</u>	<u>2022</u>
Land	\$ 500,838	\$ 500,838
Buildings and improvements	1,530,818	\$ 1,482,208
Furniture, fixtures, and equipment	<u>153,086</u>	<u>121,486</u>
	2,184,742	2,104,532
Less - accumulated depreciation	<u>830,983</u>	<u>761,567</u>
Total	<u>\$ 1,353,759</u>	<u>\$ 1,342,965</u>

(5) LAND - PRESERVATION PROPERTIES:

The Foundation owns the following land for preservation purposes:

	<u>2023</u>	<u>2022</u>
Dayton Bluffs	\$ 2,087,250	\$ 2,087,250
Campton Goldstein	2,108,338	2,108,338
Graves Land	955,000	955,000
Mitchell Woods	625,000	625,000
Minooka Property	250,000	250,000
Plainfield Property	410,000	410,000
Lincoln Marsh	118,000	118,000
Kovacevich / Baker Woods	333,396	-
Belrose Farm	1,375,200	-
Harper's Farm	281,050	-
Zavala	475,000	-
Trotter	<u>50,000</u>	<u>-</u>
Total land – preservation properties	<u>\$ 9,068,234</u>	<u>\$ 6,553,588</u>

(6) SHORT-TERM INVESTMENTS:

Short-term investments as of June 30, 2023 and 2022, of \$350,079 and \$350,071, respectively, are comprised of certificates of deposit.

(7) FAIR VALUE MEASUREMENTS:

The Accounting Standards Codification for Fair Value Measurements established a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurement) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy under this codification are described as follows:

Level 1:

Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets.

Level 2:

Inputs to the valuation methodology include:

- quoted prices for similar assets or liabilities in active markets;
- quoted prices for identical or similar assets or liabilities in inactive markets;
- inputs other than quoted prices that are observable for the asset or liability;
- inputs that are derived principally from, or corroborated by, observable market data by correlation or other means.

(7) FAIR VALUE MEASUREMENTS: (Continued)

If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

Level 3:

Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The following table sets forth by level, within the fair value hierarchy, the Foundation's assets at fair value:

<u>Description</u>	<u>Assets at Fair Value as of June 30, 2023</u>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Beneficial interest in assets held by DuPage Foundation	\$ -	\$ -	\$ 1,048,082	\$ 1,048,082

<u>Description</u>	<u>Assets at Fair Value as of June 30, 2022</u>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Beneficial interest in assets held by DuPage Foundation	\$ -	\$ -	\$ 831,404	\$ 831,404

Foundation assets invested with DuPage are invested at the discretion of DuPage for the benefit of the Foundation. The DuPage invests amounts largely in domestic common stock, domestic and internal mutual funds, emerging market funds, exchange traded funds, fixed income securities, hedge funds, private equity funds, and real estate funds, which are based upon Level 1 inputs or the net asset value of the respective fund as reported by the various fund managers. There are no redemption frequency limitations, but the agency agreement between the Foundation and DuPage requires a redemption notice period of two weeks.

The following is a reconciliation of the beginning and ending balances of recurring fair value measurements recognized in the accompanying statement of financial position using significant unobservable (Level 3) inputs for the years ended June 30, 2023 and 2022.

	<u>2023</u>	<u>2022</u>
Balance, beginning of year	\$ 831,404	\$ 899,644
Deposits	212,577	83,310
Distributions	(62,121)	(59,938)
Investment income (loss)	<u>66,222</u>	<u>(91,612)</u>
Balance, end of year	<u>\$ 1,048,082</u>	<u>\$ 831,404</u>

(8) INVESTMENT INCOME:

Investment income (loss) resulting from short-term investments and assets held by DuPage Foundation for the years ended June 30, 2023 and 2022, consisted of the following:

	<u>2023</u>	<u>2022</u>
Interest and dividends	\$ 35,158	\$ 19,632
Realized gain (loss)	(1,101)	24,554
Investment fees	(10,585)	(10,424)
Unrealized gain (loss)	<u>55,370</u>	<u>(123,019)</u>
	<u>\$ 78,842</u>	<u>\$ (89,257)</u>

(9) NOTES PAYABLE:

Notes payable at June 30, 2023 and 2022 are as follows:

	<u>2023</u>	<u>2022</u>
Note payable to a bank, with monthly interest-only payments at 5.25%, due in September 2024 in one lump sum principal payment, and secured by land.	\$ 1,897,504	\$ 1,897,504
Note payable to a bank, with monthly interest-only payments at the prime rate plus 0.25% (effective rate of 8.25% at June 30, 2023), due in November 2024 in one lump sum principal payment, and secured by land.	<u>205,000</u>	<u>205,000</u>
	2,102,504	2,102,504
Less - Current maturities	<u>-</u>	<u>-</u>
Long - term portion	<u>\$ 2,102,504</u>	<u>\$ 2,102,504</u>

Minimum payments due are as follows:

<u>Year ending June 30,</u>	<u>Amount</u>
2024	\$ -
2025	<u>2,102,504</u>
	<u>\$ 2,102,504</u>

(10) NET ASSETS:

The Foundation’s Board of Trustees (Board) has designated 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.

Net assets that are board-designated are as follows:

	<u>2023</u>	<u>2022</u>
Conservation easement defense funds	\$ 492,562	\$ 497,401
McDonald Farm buildings	324,225	386,678
Quasi-endowment fund	337,776	139,520
Clow Education Center	<u>170,517</u>	<u>179,654</u>
Total designated net assets	<u>\$ 1,325,080</u>	<u>\$ 1,203,253</u>

Net assets with donor restrictions are as follows:

	<u>2023</u>	<u>2022</u>
Restoration projects	\$ 113,013	\$ 42,374
Dickson-Murst Farm Partners	29,617	28,078
Mains internship program	8,663	13,798
Accumulated investment for DuPage River	3,202	(3,419)
Land acquisition	14,161	112,000
Hamill Family Foundation	366,000	500,000
Itasca Bank anniversary collaboration	17,722	-
Capital project	<u>21,955</u>	<u>3,500</u>
Total time or purpose restricted	<u>574,333</u>	<u>696,331</u>
Perpetual in nature:		
McDonald Farm – land	\$ 268,837	\$ 268,837
Dickson-Murst Farm – land and buildings	532,000	532,000
DuPage River Preservation fund	<u>110,318</u>	<u>110,318</u>
Total perpetual in nature	<u>911,155</u>	<u>911,155</u>
Total net assets with donor restrictions	<u>\$ 1,485,488</u>	<u>\$ 1,607,486</u>

The Foundation’s main office is located on the McDonald Farm, which is owned by the Foundation. The land of the McDonald Farm 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.

(11) ENDOWMENT:

The Accounting Standards Codification (ASC) provides guidance on the net asset classification of donor-restricted endowment funds for a nonprofit organization that is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA). The ASC also requires additional disclosures about an organization's endowment funds (both donor-restricted endowment funds and board-designated endowment funds), whether or not the organization is subject to UPMIFA.

The Foundation's endowment consists of two individual funds established for the preservation of DuPage River and a board designated quasi-endowment fund. The preservation of DuPage River consists of donor-restricted funds. As required by generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the Board to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board of the Foundation has interpreted the Illinois Prudent Management of Institutional Funds Act (IPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds, unless there are explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as amounts to retain in perpetuity (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not retained in perpetuity is appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by IPMIFA. In accordance with IPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the various funds, (2) the purposes of the donor-restricted endowment funds, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of the Foundation, and (7) the Foundation's investment policies.

Investment Return Objectives, Risk Parameters and Strategies -

The Foundation has adopted investment and spending policies, approved by the Board of Directors, for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment funds while also maintaining the purchasing power of those endowment assets over the long term. Accordingly, the investment process seeks to achieve an after-cost total real rate of return, including investment income, as well as capital appreciation, which exceeds the annual distribution with acceptable levels of risk.

Endowment assets are invested in a well-diversified asset mix, which includes cash and cash equivalents, equity securities, mutual funds, and fixed income securities that are intended to result in a consistent rate of return that has sufficient liquidity to make an annual distribution, while growing the funds if possible. Actual returns in any given year may vary from this amount. Investment risk is measured in terms of the total endowment fund; investment assets and allocation between asset classes and strategies are managed to not expose the fund to unacceptable levels of risk.

(11) ENDOWMENT: (Continued)

As of June 30, 2023 and 2022, the Foundation had the following endowment net asset composition by type of fund:

	<u>2023</u>		
	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>Total</u>
Board-designated endowment funds	\$ 337,776	\$ -	\$ 337,776
Donor-restricted endowment funds:			
Accumulated investment earnings on amounts maintained in perpetuity	-	3,202	3,202
Original donor-restricted gift amount and amounts required to be maintained in perpetuity	<u>-</u>	<u>110,318</u>	<u>110,318</u>
	<u>\$ 337,776</u>	<u>\$ 113,520</u>	<u>\$ 451,296</u>
	<u>2022</u>		
	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>Total</u>
Board-designated endowment funds	\$ 139,520	\$ -	\$ 139,520
Donor-restricted endowment funds:			
Accumulated investment earnings on amounts maintained in perpetuity	-	(3,419)	(3,419)
Original donor-restricted gift amount and amounts required to be maintained in perpetuity	<u>-</u>	<u>110,318</u>	<u>110,318</u>
	<u>\$ 139,520</u>	<u>\$ 106,899</u>	<u>\$ 246,419</u>

Funds with Deficiencies -

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or Illinois UPMIFA requires the organization to retain as a fund of perpetual duration. These deficiencies result from unfavorable market fluctuations that occur after the investment of donor contributions perpetual in nature. In accordance with GAAP, deficiencies of this nature would be and have been reported in net assets with donor restrictions. The Foundation has interpreted UPMIFA to permit spending from underwater endowments in accordance with prudent measurement required under law. On June 30, 2022, funds with an original gift of \$110,318, fair value of \$106,899 and deficiencies of \$3,419 were reported in net assets with donor restrictions. There were no underwater endowment funds as of June 30, 2023.

(11) ENDOWMENT: (Continued)

Funds with Deficiencies - (Continued)

Changes in endowment net assets for the years ended June 30, 2023 and 2022 are as follows:

	<u>2023</u>		
	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 139,520	\$ 106,899	\$ 246,419
Contributions	-	-	-
Funds designated by the board	180,479	-	180,479
Investment income	17,777	9,821	27,598
Appropriations	<u>-</u>	<u>(3,200)</u>	<u>(3,200)</u>
Endowment net assets, end of year	<u>\$ 337,776</u>	<u>\$ 113,520</u>	<u>\$ 451,296</u>
	<u>2022</u>		
	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 153,783	\$ 76,475	\$ 230,258
Contributions	-	50,306	50,306
Funds designated by the board	-	-	-
Investment income (loss)	(14,263)	(17,982)	(32,245)
Appropriations	<u>-</u>	<u>(1,900)</u>	<u>(1,900)</u>
Endowment net assets, end of year	<u>\$ 139,520</u>	<u>\$ 106,899</u>	<u>\$ 246,419</u>

(12) REVENUE CONCENTRATION:

The Foundation received approximately 28% and 15% of its total public support and revenue from one donor for the years ended June 30, 2023 and 2022, respectively.

(13) RENTAL INCOME:

The Foundation has entered into lease agreements with unrelated parties through December 2023. Rental revenue under these agreements was \$10,300 and \$10,230 for June 30, 2023 and 2022, respectively.

Future rental income under the lease agreements is as follows:

2024	\$ 4,800
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(14) IN KIND CONTRIBUTIONS:

The Foundation received in-kind contributions for the years ended June 30, 2023 and 2022 as follows:

	<u>2023</u>	<u>2022</u>
Office expenses - Maintenance and landscaping	\$ 13,334	\$ 16,528
Donated land, property and equipment	486,959	-
Donated auction items	49,245	44,478
Other program and event supplies	<u>2,132</u>	<u>1,272</u>
Total	<u>\$ 551,670</u>	<u>\$ 62,278</u>

Fair value of in-kind contributions is determined as follows:

Maintenance and landscaping services: The maintenance and landscaping services provided are for the various properties and are billed by the vendor at a discounted rate, with the discount recorded as an in-kind contribution. The Foundation valued at fair value based on current rates for similar services.

Donated auction items: Items are provided to the Foundation to be auctioned at its special events. The Foundation valued at the sales price received during the auction on the day of the event.

Supplies: The donated supplies are used by the Foundation for program services and fundraising. These items include various consumables and supplies used for programs and to hold special events. The Foundation valued at fair value using estimated wholesale prices of identical or similar items using pricing data under a “like-kind” methodology considering the items’ condition and utility for use.

Donated land, property and equipment: During the year ended June 30, 2023, the Foundation received a donation of land to be held for preservation purposes. The fair value of \$475,000 was determined based on comparing market value to similar properties in the area. The land was capitalized. Additionally, the Foundation received \$11,959 in donated property and equipment that was valued at fair value based on similar items using pricing data under a “like-kind” methodology considering the items’ condition and utility for use. The property and equipment were capitalized.

(15) AVAILABILITY AND LIQUIDITY:

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year, comprise the following:

	June 30,	
	<u>2023</u>	<u>2022</u>
Financial Assets -		
Cash and cash equivalents	\$ 605,765	\$ 924,915
Short-term investments	350,079	350,071
Accounts receivable	175,002	217,165
Promises to give	<u>6,300</u>	<u>12,600</u>
Total financial assets	1,137,146	1,504,751
Internal designations -		
Funds set aside for conservation easement defense	<u>492,562</u>	<u>497,401</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 644,584</u>	<u>\$ 1,007,350</u>

The Foundation's goal is to generally maintain enough financial assets to meet 6 months of operating expenses (approximately \$1,500,000).

The Foundation manages its liquidity and reserves adhering to the following principles:

- only when operating within a prudent range of financial soundness and stability
- incurring unbudgeted costs such costs are funded
- maintaining adequate liquid assets to fund near-term operating needs

(16) EMPLOYEE RETIREMENT PLAN:

The Foundation sponsors a defined contribution plan (Plan) covering all employees with at least 90 days 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. During 2023, the Foundation contributed a 3% match of compensation deferred to the Plan by the employee. During 2022, the Foundation contributed 50% on the first 6% of compensation deferred to the Plan by the employee (up to 3% total). Total expense for the years ended June 30, 2023 and 2022, was \$54,722 and \$39,355, respectively.

(17) SUPPLEMENTAL CASH FLOW INFORMATION:

The Foundation paid the following during the years ended June 30, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Cash paid for interest	<u>\$ 116,127</u>	<u>\$ 56,993</u>

The Foundation had the following non-cash investing and financing activity during the years ended June 30, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Land purchases financed through notes payable	<u>\$ -</u>	<u>\$ 2,102,504</u>

(18) EASEMENTS:

The Foundation has 45 easements consisting of 1,635 acres as of June 30, 2023. No value has been assigned to these easements in the financial statements because the Foundation does not have ownership rights to the underlying property.

(19) RELATED PARTIES:

The DuPage River Salt Creek Workgroup (DRSCW) 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 2.6 full-time equivalent in staffing to DRSCW and DRSCW reimburses all related expenses to the Foundation. The total reimbursement was \$277,624 and \$254,973 for the years ended June 30, 2023, and 2022, 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 (LDRWC) 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 0.9 full-time equivalent in staffing to LDRWC and LDRWC reimburses all related expenses to the Foundation. The total reimbursement was \$81,382 and \$74,682 for the years ended June 30, 2023, and 2022, respectively. In addition to staffing, one member of the Foundation's staff also sits on the Board of the Coalition.

The Lower Des Plaines Watershed Group (LDWG) is an independent 501(c)(3) organization established in 2017 whose mission is to protect and improve the water quality of the Lower Des Plaines River. The Foundation provides 1.4 full-time equivalent in staffing to LDWG and LDWG reimburses all related expenses to the Foundation. The total reimbursement was \$124,513 and \$117,564 for the years ended June 30, 2023 and 2022, respectively.

(19) RELATED PARTIES: (Continued)

In November 2021, the Foundation entered into a related party agreement with Chicago Area Waterways Chloride Workgroup (CAWCW) to provide staffing services. The Foundation provides 1.1 full-time equivalent in staffing to CAWCW and CAWCW will reimburse all related expenses to the Foundation. The total reimbursement was \$116,900 and \$82,563 for the years ended June 30, 2023 and 2022, respectively.

(20) RECLASSIFICATIONS:

Certain reclassifications have been made to the prior year financial statements in order for them to be in conformity with the current year presentation.

(21) SUBSEQUENT EVENTS:

During September 2023, the Foundation sold the land held as collateral for the two notes payable totaling \$2,102,504. Both notes payable were paid in full.

In December 2023, the Foundation purchased 113 acres of land in St Charles, Illinois (Campton Township) for \$1,814,416, of which Campton Township paid \$500,000 toward the purchase price. The remaining purchase price was financed with a note payable to a bank in the amount of \$1,132,974 bearing interest at the fixed rate of 7% with monthly interest-only payments until the note is due in December 2026 in one lump sum principal payment.

In January 2024, the Foundation accepted a conservation easement on 9 acres of land in Wayne, Illinois.