

# DUPAGE RIVER SALT CREEK WORKGROUP, ILLINOIS

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## ANNUAL FINANCIAL REPORT



DuPage River Salt Creek Workgroup

FOR THE FISCAL YEAR ENDED  
FEBRUARY 28, 2019

# DUPAGE RIVER SALT CREEK WORKGROUP, ILLINOIS

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## **FINANCIAL SECTION**

## **INDEPENDENT AUDITORS' REPORT**



## **INDEPENDENT AUDITORS' REPORT**

May 8, 2019

Members of the Board of Directors  
DuPage River Salt Creek Workgroup  
Naperville, Illinois

We have audited the accompanying modified cash basis financial statements of the DuPage River Salt Creek Workgroup (a nonprofit organization), which comprise the statement of financial position as of February 28, 2019, and the related statements of activities, cash flows, and functional expenses for the year 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 the modified cash basis of accounting described in Note 1; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible 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.

### **Auditor's Responsibility**

Our responsibility is to express opinions 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 of 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 DuPage River Salt Creek Workgroup'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 DuPage River Salt Creek Workgroup'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 opinions.

### **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the modified cash basis financial position of the DuPage River Salt Creek Workgroup, as of February 28, 2019, and the changes modified cash basis net assets and its cash flow for the year then ended in accordance with modified cash basis accounting as described in Note 1.

### **Basis of Accounting**

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to that matter.

*Lauterbach & Amen, LLP*  
LAUTERBACH & AMEN, LLP

## **FINANCIAL STATEMENTS**

## DUPAGE RIVER SALT CREEK WORKGROUP, ILLINOIS

### Statement of Financial Position - Modified Cash Basis February 28, 2019 and February 28, 2018

	2019	2018
<b>ASSETS</b>		
Current Assets		
Cash and Investments	\$ 1,377,591	588,172
Noncurrent Assets		
Capital Assets		
Depreciable	193,625	156,106
Accumulated Depreciation	(156,914)	(141,379)
Total Noncurrent Assets	36,711	14,727
Total Assets	1,414,302	602,899
<b>NET ASSETS</b>		
Without Donor Restrictions	1,414,302	602,899

The notes to the financial statements are an integral part of this statement.



**DUPAGE RIVER SALT CREEK WORKGROUP, ILLINOIS****Statement of Activities - Modified Cash Basis****For the Fiscal Years Ended February 28, 2019 and February 28, 2018**

	2019	2018
Without Donor Restrictions - Revenues		
Project Assessments	\$ 1,082,549	1,051,347
Membership Dues	367,588	352,041
Interest	5,646	6,442
Miscellaneous	37,588	13,647
Total Revenues	1,493,371	1,423,477
Expenses		
Program Services		
Special Condition Projects/Studies	354,356	1,092,718
Laboratory Sampling and Testing	65,267	71,544
Supporting Services		
Management and General		
Accounting Fees	7,130	6,950
Legal Fees	-	64
Supplies	2,424	188
Telephone	1,674	1,744
Occupancy, Rent, Utilities and Maintenance	11,624	11,446
Equipment Repairs and Maintenance	-	19,895
Printing, Publications, Postage and Shipping	259	128
Travel	2,733	4,050
Conferences, Conventions and Meetings	619	1,584
Depreciation	15,535	11,783
Website Fee	443	371
Software	433	509
Miscellaneous	29	26
Professional Services	217,833	329,526
Insurance	1,609	1,609
Fundraising	-	-
Total Expenses	681,968	1,554,135
Change in Net Assets	811,403	(130,658)
Net Assets - Beginning	602,899	733,557
Net Assets - Ending	1,414,302	602,899

The notes to the financial statements are an integral part of this statement.

**DUPAGE RIVER SALT CREEK WORKGROUP, ILLINOIS****Statement of Cash Flows - Modified Cash Basis****For the Fiscal Years Ended February 28, 2019 and February 28, 2018**

	2019	2018
Cash Flows from Operating Activities		
Increase (Decrease) in Net Assets	\$ 811,403	(130,658)
Cash Flows from Capital and Related Financing Activities		
Purchase of Capital Assets	(37,519)	-
Adjustments to Reconcile Changes in Unrestricted Net Assets to Net Cash Provided by Operating Activities:		
Depreciation Expense	15,535	11,783
Net Cash Provided by Operating Activities	789,419	(118,875)
Cash and Cash Equivalents		
Beginning	588,172	707,047
Ending	1,377,591	588,172

The notes to the financial statements are an integral part of this statement.

## **DUPAGE RIVER SALT CREEK WORKGROUP, ILLINOIS**

### **Notes to the Financial Statements February 28, 2019**

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#### **NOTE 1 – NATURE OF ORGANIZATION**

The DuPage River Salt Creek Workgroup (DRSCW) was formed November 12, 2005. DRSCW is a not-for-profit organization that aspires to bring together a diverse coalition of stakeholders to work together to preserve and enhance water quality. DRSCW fulfills its mission by serving communities along the East Branch DuPage River, West Branch DuPage River, Salt Creek and their tributaries.

#### **NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

##### **Basis of Accounting**

The financial statements of DRSCW have been prepared on the modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The modified cash basis records revenue when received and expenses when paid. Consequently, DRSCW has not recognized dues receivable from members, accounts payable to vendors, deferred revenue associated with project assessments or their related effects on the change in net assets in the accompanying financial statements which may be material. Accounting principles generally accepted in the United States of America require recognition of revenue when earned and expenses when incurred. Additionally, property and equipment are recorded when paid for and depreciated as the asset is used. All other costs are recognized as expenses when paid rather than when incurred.

##### **Net Assets**

The DRSCW's financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America. Net assets of Foundation and changes therein are classified and reported as follows:

Net assets without donor restrictions – Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the organization. These net assets may be used at the discretion of the DRSCW's management and the board of directors.

Net assets with donor restrictions – Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the DRSCW or by the passage of time. Other donor restrictions are perpetual in nature, where by the donor has stipulated the funds be maintained in perpetuity.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the Statement of Activities.

DRSCW had no net assets with donor restrictions at February 28, 2019 and February 28, 2018.

## **DUPAGE RIVER SALT CREEK WORKGROUP, ILLINOIS**

### **Notes to the Financial Statements February 28, 2019**

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#### **NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued**

##### **Cash and Investments**

For the purpose of the Statement of Financial Position and Statement of Cash Flows, the DRSCW's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of purchase.

Investments are generally reported at fair value. Short-term investments are reported at cost, which approximates fair value. For investments, the DRSCW categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

##### **Investment Income**

The DRSCW records investment income earned on net assets with donor restrictions and without donor restrictions as without donor restrictions revenue.

##### **Equipment**

Equipment is depreciated over the estimated useful life of five years using the straight-line method.

##### **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 at the date of the financial statements and the reported amounts of revenues and expenses during the report period. Actual results could differ from those estimates.

##### **Functional Allocation of Expenses**

The costs of providing the various programs and supporting services have been summarized on a functional basis in the schedules of functional expenses. Functional expenses which are not directly attributable to one function are allocated between program, management and general, and fundraising services based on the number of employees involved, the amount of time spent, the percentage of their salary associated with the time and on estimated made by the DRSCW's management.

## **DUPAGE RIVER SALT CREEK WORKGROUP, ILLINOIS**

### **Notes to the Financial Statements February 28, 2019**

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#### **NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued**

##### **Income Taxes**

The DRSCW is exempt from income tax under IRC section 501(c)(4), and similarly, is exempt from State of Illinois taxes under the Illinois Tax Act Section 205(a), though it is subject to tax on income unrelated to its exempt purpose, unless that income is otherwise excluded by the Code. The DRSCW has processes presently in place to ensure the maintenance of its tax-exempt status; to identify and report unrelated income; to determine its filing and tax obligations in jurisdictions for which it has nexus; and to identify and evaluate other matters that may be considered tax positions. The DRSCW has determined that there are no material uncertain tax positions that require recognition or disclosure in the financial statements. There was no unrelated business income for the year ended February 28, 2019.

The DRSCW's Forms 990, *Return of Organization Exempt from Income Tax*, are subject to examination by the IRS, generally, for three years after they were filed. Annual filings with the State of Illinois are, similarly, subject to examination.

#### **NOTE 3 – CONTRIBUTIONS**

Contributions with donor-imposed time or purpose restrictions that met in the same period as the gift are reported as unrestricted support.

#### **NOTE 4 – RELATED PARTY**

The Conservation Foundation (Foundation) is an independent 501(c)(3) organization whose mission is to preserve and restore natural areas and open space, protect rivers and watersheds and promote stewardship of our environment. The Foundation provides a 2.6 full-time equivalent in staffing to DRSCW and DRSCW reimburses all related expenses to the Foundation. The total reimbursement was \$216,099 and \$224,663 for the years ended February 28, 2019 and February 28, 2018, respectively. In addition to staffing, one member of the Foundation's staff also sits on the Board of DRSCW.

#### **NOTE 5 – CASH AND INVESTMENTS**

*Deposits.* At year-end the carrying amount of the DRSCW's cash deposits totaled \$192,183 and the bank balances totaled \$199,125. The entire balance of deposits was fully insured by federal deposit insurance.

## DUPAGE RIVER SALT CREEK WORKGROUP, ILLINOIS

### Notes to the Financial Statements February 28, 2019

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#### NOTE 5 – CASH AND INVESTMENTS – Continued

*Investments.* The DRSCW has the following investment fair values and maturities:

Investment Type	Fair Value	Investment Maturities (in Years) Less Than 1
Certificate of Deposits	\$ 1,185,408	1,185,408

The DRSCW has the following recurring fair value measurements as of February 28, 2019:

- Certificate of Deposits of \$1,185,408 are valued using a matrix pricing model (Level 2 inputs)

Debt Securities classified in Level 2 of the fair value hierarchy are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices.

#### NOTE 6 – AVAILABILITY AND LIQUIDITY

The following represents DRSCW's financial assets at February 28, 2019:

Financial Assets at Year End:	
Cash and Investments	\$ 1,377,591
Less Amounts not Available to be used within one year:	
Net Assets with Donor Restrictions	<u>-</u>
Financial Assets Available to Meet General Expenditures over the Next Twelve Months	<u>1,377,591</u>

The DRSCW's goal is generally to maintain financial assets to meet 90 days of operating expenses. As part of its liquidity plan, excess cash is invested in short-term investments, including money market accounts and certificates of deposit.

## DUPAGE RIVER SALT CREEK WORKGROUP, ILLINOIS

### Notes to the Financial Statements February 28, 2019

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#### NOTE 7 – CAPITAL ASSETS

Capital asset activity for the year was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Depreciable Capital Assets				
Equipment	\$ 156,106	37,519	-	193,625
Less Accumulated Depreciation				
Equipment	141,379	15,535	-	156,914
Total Net Capital Assets	14,727	21,984	-	36,711

#### NOTE 8 – SIGNIFICANT CONCENTRATIONS

Two agency members accounted for approximately 26% and 26% of revenues for the years ended February 28, 2019 and February 28, 2018, respectively.

#### NOTE 9 – COMMITMENTS

In March 2016, DRSCW entered into an agreement with the Forest Preserve District of DuPage County (FPDDC) for construction and maintenance of the Oak Meadows Dam Removal and Stream Enhancement Project (Project). For purposes of the agreement, “construction” shall mean all work necessary to remove the dams and construct the physical features of the stream channel, including any related habitat improvements such as planting of native vegetation, natural community restoration and subsequent long-term maintenance for such work. The DRSCW will reimburse up to 100% of relevant construction invoices for the project, up to a total of \$2,250,000 (Maximum Reimbursable Amount). DRSCW reimbursement funds are generated by a voluntary annual assessment on DRSCW members and the reimbursement set out in the agreement is contingent upon the receipt of the aforementioned annual assessments.

The DRSCW shall disburse funds to the FPDDC in accordance with the following schedule (as partially excerpted from the agreement):

- b. Up to \$500,000 by March 30, 2016
- c. Up to \$1,000,000 by February 28, 2017
- d. Up to \$2,000,000 by February 28, 2018
- e. Up to \$2,250,000 by December 31, 2018

## **DUPAGE RIVER SALT CREEK WORKGROUP, ILLINOIS**

### **Notes to the Financial Statements February 28, 2019**

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#### **NOTE 9 – COMMITMENTS – Continued**

DRSCW may reimburse up to the maximum amount of \$2,250,000 ahead of the schedule set out in sections b. through d. Payments made by individual DRSCW members, working in collaboration with DRSCW, directly to the FPDDC for the Project during the scheduled reimbursement period, will reduce the Maximum Reimbursable Amount payable by DRSCW to the FPDDC for the Project. The FPDDC will submit invoices for reimbursement to the DRSCW representative identified in Article 23 of the document. Invoices shall be paid upon receipt and after Project inspection by the DRSCW or their representative.

The FPDDC shall return all funds provided by DRSCW if the Project is not completed within two years of the signature of the agreement unless the DRSCW approves extension(s); such approvals shall not be unreasonably withheld. If the FPDDC does not use all the DRSCW's funds for the Project, then the FPDDC shall return any unused funds to the DRSCW within 90 days after the expiration date of the agreement.

During fiscal year ended February 28, 2019, DRSCW paid \$250,000 to FPDDC. This was the final payment to FPDDC in accordance to the agreement that was originally signed between the two organizations.