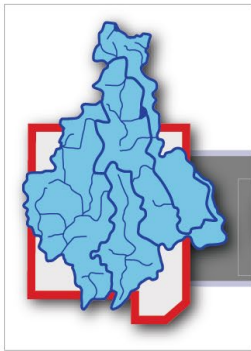


DUPAGE RIVER SALT CREEK WORKGROUP,
ILLINOIS

ANNUAL FINANCIAL REPORT



DuPage River Salt Creek Workgroup

FOR THE FISCAL YEAR ENDED
FEBRUARY 28, 2022

DUPAGE RIVER SALT CREEK WORKGROUP, ILLINOIS

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FINANCIAL SECTION

INDEPENDENT AUDITORS' REPORT



INDEPENDENT AUDITORS' REPORT

May 9, 2022

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

Opinion

We have audited the accompanying modified cash basis financial statements of the DuPage River Salt Creek Workgroup (DRSCW), which comprise the statement of financial position as of February 28, 2022, and the related modified cash basis statements of activities cash flows, and functional expenses for the year 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 DuPage River Salt Creek Workgroup, as of February 28, 2022, and the changes in its net assets and its cash flows for the year then ended in accordance with the cash basis of accounting as described in Note 2.

Basis for Opinion

We conducted our audit 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 DRSCW 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.

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.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the cash basis of accounting described in Note 1, and for determining that the 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 Responsibilities 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, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment 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 risks 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 DRSCW'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 judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the DRSCW'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.

Lauterbach & Amen, LLP
LAUTERBACH & AMEN, LLP

FINANCIAL STATEMENTS

DUPAGE RIVER SALT CREEK WORKGROUP, ILLINOIS

Statement of Financial Position - Modified Cash Basis February 28, 2022 and February 28, 2021

| | 2022 | 2021 |
|----------------------------|--------------|-----------|
| ASSETS | | |
| Current Assets | | |
| Cash and Investments | \$ 6,076,160 | 4,560,501 |
| Noncurrent Assets | | |
| Capital Assets | | |
| Depreciable | 289,719 | 193,625 |
| Accumulated Depreciation | (182,370) | (174,866) |
| Total Noncurrent Assets | 107,349 | 18,759 |
| Total Assets | 6,183,509 | 4,579,260 |
| NET ASSETS | | |
| Without Donor Restrictions | 6,183,509 | 4,579,260 |

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, 2022 and February 28, 2021

| | 2022 | 2021 |
|--|--------------|-----------|
| Without Donor Restrictions - Revenues | | |
| Project Assessments | \$ 2,049,519 | 1,912,723 |
| Membership Dues | 606,710 | 485,640 |
| Interest | 8,315 | 24,766 |
| Miscellaneous | - | 10,438 |
| Total Revenues | 2,664,544 | 2,433,567 |
| Expenses | | |
| Program Services | | |
| Special Condition Projects/Studies | 549,466 | 477,075 |
| Laboratory Sampling and Testing | 234,433 | 264,137 |
| Staff Salaries | 235,530 | 230,231 |
| Supporting Services | | |
| Management and General | | |
| Accounting Fees | 7,130 | 6,975 |
| Supplies | 1,567 | 289 |
| Telephone | 2,336 | 2,589 |
| Occupancy, Rent, Utilities and Maintenance | 15,200 | 13,944 |
| Printing, Publications, Postage and Shipping | 391 | 18 |
| Travel | 3,385 | 1,977 |
| Conferences, Conventions and Meetings | 773 | 308 |
| Depreciation | 7,504 | 7,504 |
| Website Fee | 796 | 62 |
| Software | 708 | 425 |
| Miscellaneous | 315 | - |
| Professional Services | (1,071) | 340 |
| Insurance | 1,832 | 1,832 |
| Fundraising | - | - |
| Total Expenses | 1,060,295 | 1,007,706 |
| Change in Net Assets | 1,604,249 | 1,425,861 |
| Net Assets - Beginning | 4,579,260 | 3,153,399 |
| Net Assets - Ending | 6,183,509 | 4,579,260 |

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, 2022 and February 28, 2021

| | 2022 | 2021 |
|---|--------------|-----------|
| Cash Flows from Operating Activities | | |
| Increase (Decrease) in Net Assets | \$ 1,604,249 | 1,425,861 |
| Cash Flows from Capital and Related Financing Activities | | |
| Purchase of Capital Assets | (96,094) | - |
| Adjustments to Reconcile Changes in Unrestricted Net Assets to Net Cash Provided by Operating Activities: | | |
| Depreciation Expense | 7,504 | 7,504 |
| Net Cash Provided by Operating Activities | 1,515,659 | 1,433,365 |
| Cash and Cash Equivalents | | |
| Beginning | 4,560,501 | 3,127,136 |
| Ending | 6,076,160 | 4,560,501 |

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, 2022

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 DRSCW 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, 2022 and February 28, 2021.

DUPAGE RIVER SALT CREEK WORKGROUP, ILLINOIS

Notes to the Financial Statements February 28, 2022

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 statement of activities. 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 estimates made by the DRSCW's management.

DUPAGE RIVER SALT CREEK WORKGROUP, ILLINOIS

Notes to the Financial Statements February 28, 2022

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, 2022.

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 were 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 \$250,730 and \$244,175 for the years ended February 28, 2022 and February 28, 2021, 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 \$3,868,588 and the bank balances totaled \$3,967,801. At year-end \$1,580 of the bank balance of the deposits was not covered by federal depository or equivalent insurance.

DUPAGE RIVER SALT CREEK WORKGROUP, ILLINOIS

Notes to the Financial Statements February 28, 2022

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 | 1 to 5 |
| Certificate of Deposits | \$ 360,557 | 360,557 | - |
| Mutual Funds | 1,847,015 | 1,847,015 | - |
| | 2,207,572 | 2,207,572 | - |

The DRSCW has the following recurring fair value measurements as of February 28, 2022:

- Certificate of Deposits of \$360,557 are valued using a matrix pricing model (Level 2 inputs)
- Mutual Funds of \$1,847,015 are valued using quoted market prices (Level 1 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, 2022:

| | |
|--|------------------|
| Financial Assets at Year End: | |
| Cash and Investments | \$ 6,076,160 |
| 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>6,076,160</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, 2022

NOTE 7 – CAPITAL ASSETS

Capital asset activity for the year was as follows:

| | Beginning Balances | Increases | Decreases | Ending Balances |
|-------------------------------|-----------------------|-----------|-----------|--------------------|
| Depreciable Capital Assets | | | | |
| Equipment | \$ 193,625 | 96,094 | - | 289,719 |
| Less Accumulated Depreciation | | | | |
| Equipment | 174,866 | 7,504 | - | 182,370 |
| Total Net Capital Assets | 18,759 | 88,590 | - | 107,349 |

NOTE 8 – SIGNIFICANT CONCENTRATIONS

Two agency members accounted for approximately 24% and 30% of revenues for the years ended February 28, 2022 and February 28, 2021, respectively.

NOTE 9 – INTERGOVERNMENTAL AGREEMENT

In May 2019, DRSCW entered into an intergovernmental agreement with the Metropolitan Water Reclamation District of Greater Chicago (MWRDGC). This agreement was amended on October 8, 2021. Per the agreement, MWRDGC will pay assessments to the DRSCW for one or more of the following projects: Fawell Dam Modifications, Spring Brook Restoration, Fullersburg Woods Dam Modifications and Stream Restoration, and West Branch Stream Enhancement. At the end of the fiscal year and as of the opinion date, MWRDGC had not paid the assessments for projects in the amount of \$3,000,000, since DRSCW has not started the selected project (Fullersburg Woods Dam Modification). MWRDGC is obligated under the agreement to pay the project assessments authorized through 2023. DRSCW has not recorded a receivable for this allotment due to the accounting being on a cash basis.

NOTE 10 – CONTINGENT LIABILITIES

Financial Impact from COVID-19

In March 2020, the World Health Organization declared the COVID-19 virus a public health emergency. As of the date of this report, the extent of the impact of COVID-19 on the DRSCW's operations and financial position cannot be determined.