

PRAIRIE RIVERS NETWORK
FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2016

TABLE OF CONTENTS

	Page
INDEPENDENT AUDITOR’S REPORT	1-2
<u>FINANCIAL STATEMENTS</u>	
STATEMENT OF FINANCIAL POSITION.....	3
STATEMENT OF ACTIVITIES.....	4
STATEMENT OF FUNCTIONAL EXPENSES	5
STATEMENT OF CASH FLOWS	6
NOTES TO FINANCIAL STATEMENTS.....	7-17



INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Prairie Rivers Network
Champaign, Illinois

We have audited the accompanying financial statements of Prairie Rivers Network (a nonprofit organization), which comprise the statement of financial position as of December 31, 2016, and the related statements of activities, functional expenses, 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 Prairie Rivers Network as of December 31, 2016, 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.

Kemper CPA Group LLP

KEMPER CPA GROUP LLP
Certified Public Accountants and Consultants
Champaign, Illinois
May 31, 2017

PRAIRIE RIVERS NETWORK
STATEMENT OF FINANCIAL POSITION
AS OF DECEMBER 31, 2016

ASSETS

Current Assets	
Cash and Cash Equivalents	\$ 602,406
Prepaid Expenses	2,250
Investments	<u>183,589</u>
Total Current Assets	<u>788,245</u>
Property and Equipment, Net	<u>17,530</u>
Non-Current Assets	
Security Deposit	2,000
Investments Restricted for Long-Term Purposes	1,129,800
Promise to Give Restricted for Long-Term Purposes	<u>1,180,200</u>
Total Non-Current Assets	<u>2,312,000</u>
TOTAL ASSETS	<u><u>\$ 3,117,775</u></u>

LIABILITIES AND NET ASSETS

Current Liabilities	
Accounts Payable	\$ 12,683
Payroll Liabilities	137
Deferred Revenue	<u>252,720</u>
Total Current Liabilities	<u>265,540</u>
Net Assets	
Unrestricted	
Undesignated	303,494
Board Designated	209,435
Temporarily Restricted	9,756
Permanently Restricted	<u>2,329,550</u>
Total Net Assets	<u>2,852,235</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 3,117,775</u></u>

See accompanying notes to financial statements.

PRAIRIE RIVERS NETWORK
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2016

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUE AND OTHER SUPPORT				
Grants	\$ 471,161	\$ -	\$ -	\$ 471,161
Contributions	138,792	9,376	9,550	157,718
Special Events (Net of Direct Costs of \$25,402)	66,890	-	-	66,890
Interest and Dividends	6,000	-	-	6,000
Miscellaneous	14,481	-	-	14,481
In-Kind Donations	19,725	-	2,310,000	2,329,725
Unrealized/Realized Gain (Loss) on Investments Released from Restriction	14,831	-	-	14,831
	<u>2,700</u>	<u>(2,700)</u>	<u>-</u>	<u>-</u>
Total Revenue and Other Support	<u>734,580</u>	<u>6,676</u>	<u>2,319,550</u>	<u>3,060,806</u>
EXPENSES				
Program Services	498,168	-	-	498,168
Management and General	34,567	-	-	34,567
Fund Raising	62,851	-	-	62,851
	<u>595,586</u>	<u>-</u>	<u>-</u>	<u>595,586</u>
Total Expenses	<u>595,586</u>	<u>-</u>	<u>-</u>	<u>595,586</u>
CHANGE IN NET ASSETS	<u>138,994</u>	<u>6,676</u>	<u>2,319,550</u>	<u>2,465,220</u>
NET ASSETS, BEGINNING OF YEAR	<u>373,935</u>	<u>3,080</u>	<u>10,000</u>	<u>387,015</u>
NET ASSETS, END OF YEAR	<u>\$ 512,929</u>	<u>\$ 9,756</u>	<u>\$ 2,329,550</u>	<u>\$ 2,852,235</u>

See accompanying notes to financial statements.

PRAIRIE RIVERS NETWORK
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2016

	Program Services	Management and General	Fund Raising	Total
<i>Employee Compensation</i>				
Salaries	\$ 297,237	\$ 21,402	\$ 40,980	\$ 359,619
Payroll Taxes	24,445	1,749	3,362	29,556
Employee Benefits	29,140	567	3,686	33,393
Total Employee Compensation	<u>350,822</u>	<u>23,718</u>	<u>48,028</u>	<u>422,568</u>
<i>Other Expenses</i>				
Professional Development	1,220	-	-	1,220
Board Administration Expenses	-	427	-	427
Contract Labor	22,681	4,085	3,113	29,879
Insurance	2,431	1,349	420	4,200
Registration Fees	3,110	487	-	3,597
Service Charges and Other Expenses	-	1,886	1,495	3,381
Equipment	1,256	27	75	1,358
Dues and Subscriptions	7,595	40	112	7,747
Postage	1,223	51	142	1,416
Printing and Copying	7,995	191	536	8,722
Rent	20,048	1,238	3,465	24,751
Supplies	3,099	148	415	3,662
Telephone and Internet Fees	10,321	343	961	11,625
Travel and Per Diem	32,741	14	38	32,793
Utilities	4,851	299	838	5,988
Membership Support	-	-	1,995	1,995
Outreach and Recognition	5,274	-	-	5,274
River Clean-Ups	2,561	-	-	2,561
Run for Your Rivers	-	-	478	478
In-Kind Expenses	16,659	-	-	16,659
Depreciation	4,281	264	740	5,285
Total Other Expenses	<u>147,346</u>	<u>10,849</u>	<u>14,823</u>	<u>173,018</u>
Total Functional Expenses	<u>\$ 498,168</u>	<u>\$ 34,567</u>	<u>\$ 62,851</u>	<u>\$ 595,586</u>

See accompanying notes to financial statements.

PRAIRIE RIVERS NETWORK
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2016

CASH FLOWS FROM OPERATING ACTIVITIES

Change in Net Assets	\$ 2,465,220
Adjustment Necessary to Reconcile Change in Net Assets to Net Cash Provided By (Used In) Operating Activities:	
Depreciation	5,285
Unrealized/Realized (Gain) Loss on Investments	(14,831)
In-Kind Donation of Farmland	(2,310,000)
Increase (Decrease) In:	
Accounts Payable	9,211
Payroll Liabilities	24
Deferred Revenue	73,173
Net Cash Provided By (Used In) Operating Activities	228,082

CASH FLOWS FROM INVESTING ACTIVITIES

Purchase of Investments	(50,000)
Proceeds from Sale of Investments	28,754
Reinvested Dividends and Interest	(5,708)
Purchase of Property and Equipment	(10,748)
Net Cash Provided By (Used In) Investing Activities	(37,702)

NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS 190,380

CASH AND CASH EQUIVALENTS,
BEGINNING OF YEAR 412,026

CASH AND CASH EQUIVALENTS,
END OF YEAR \$ 602,406

Supplemental Disclosures:
Cash Paid for Interest \$ -

Noncash Investing Activities:
Donation of Farmland (See Note 10) \$ 2,310,000

See accompanying notes to financial statements.

PRAIRIE RIVERS NETWORK
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE 1: NATURE OF ACTIVITIES

Nature of Activities

Prairie Rivers Network (PRN) was incorporated under the “General Not for Profit Corporation Act” of Illinois. PRN champions clean, healthy rivers and lakes and safe drinking water to benefit the people and wildlife of Illinois. PRN draws upon sound science and works cooperatively with others, advocating public policies and cultural values that sustain the ecological health and biological diversity of water resources and aquatic ecosystems.

PRN is guided by a vision of healthy “waterways,” a term that includes not only water flows and aquatic life but lands adjacent to or otherwise closely connected with rivers, streams, lakes, and other water bodies. Waterways supply valuable resources for people and essential habitat for other animals and plants. PRN’s vision of healthy waterways and good waterway use comprises the following elements:

Clean Water – Rivers, lakes and streams should be clean enough for swimming and boating, to supply drinking water, and for responsible use by farmers and industry.

Healthy Water Flows – Rivers and streams should be free from aggressive alterations of natural flows; such alteration can noticeably worsen flooding and droughts, disrupt healthy flora and fauna and deplete drinking water supplies.

Edible Fish – Waterways should support a wide range of commercial and sport fish that reproduce naturally and that everyone can safely eat.

Resilience to Climate Change – Illinois’ 120,000 miles of rivers should provide a framework of connected natural areas and habitats, allowing plants and wildlife to thrive and adapt to changing climates.

Protecting the Best – The state’s cleanest and healthiest streams should enjoy enhanced legal protection to keep them that way.

Rare Plants and Animals – Rare plants and animals in and around waterways should receive special protections to aid their survival and recovery.

PRN’s primary revenue sources include grants with foundations and other agencies, and contributions received from donors.

NOTE 2: SIGNIFICANT ACCOUNTING POLICIES

Date of Management’s Review of Subsequent Events

Management has evaluated subsequent events through May 31, 2017, the date which the financial statements were available to be issued.

PRAIRIE RIVERS NETWORK
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE 2: SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Accounting

PRN uses the accrual method of accounting for financial statement reporting and accordingly reflect all significant receivables, payables and other liabilities.

Financial Statement Presentation

PRN has adopted FASB ASC 958, *Financial Statements of Not-for-Profit Organizations*. PRN is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. In addition, PRN is required to present a statement of cash flows.

Grant Revenue

Revenues from grants are recognized as the related expenses are incurred or over the period of time the grant receipts are intended to finance operations. Generally, the excess or deficit of grant receipts over program expenses is accounted for as deferred revenue or grants receivable, respectively, until the corresponding expenses are incurred or the grant monies are received.

Any of the funding sources may, at their discretion, request reimbursement for expenses or return of fund, or both, as a result of non-compliance by PRN with the terms of the grants.

Contributions and Net Asset Classifications

Contributions that are restricted as to time or purpose by the donor are reported as increases in unrestricted net assets if the restrictions expire in the reporting period in which the revenue is recognized. Depending on the nature of restrictions, all other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions.

Contributed Services

Contributed services are reported as contribution revenue and as assets or expenses only if the services create or enhance a non-financial asset (for example property and equipment) or:

- Would typically need to be purchased by PRN if the services had not been provided by contribution
- Require specialized skills

PRAIRIE RIVERS NETWORK
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE 2: SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contributed Services (continued)

- Are provided by individuals with those skills (such as accountants, architects, carpenters, doctors, electricians, lawyers, nurses, plumbers, teachers, and other professionals and craftsmen).

Contributed services that do not require specialized skills or enhance non-financial assets are not recorded in the accompanying financial statements because no objective basis is available to measure the value of such services.

Cash and Cash Equivalents

PRN considers all highly liquid investments with maturities of three months or less, when purchased, to be cash equivalents. As of December 31, 2016, PRN held no investments considered to be cash equivalents. Accounts at each institution were insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 at December 31, 2016, at which time PRN's deposits in excess of FDIC insured limits were \$143,647. PRN believes it is not exposed to any significant risk on cash deposits.

Investments

Investments consist primarily of farmland and assets invested in marketable equity and debt securities and money-market accounts. PRN accounts for investments in accordance with the FASB standard for investments held by not-for-profit organizations (ASC 958-320 and subsections). This standard requires that these investments be measured at fair value in the statement of financial position. The realized and unrealized gain or loss on investments is reflected in the Statement of Activities.

Investments are exposed to various risks such as significant world events, interest rate, credit, and overall market volatility risks. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the fair value of investments will occur in the near term and that such changes could materially affect the amounts reported in the Statement of Financial Position.

Property and Equipment

Property and equipment are valued at cost, or if donated, at fair value as of the date recorded as a gift. Property and equipment are being depreciated over the useful lives of the assets using the straight-line method. Generally, property and equipment are capitalized when the cost exceeds \$500. The cost of normal maintenance and repairs that do not add to the value of the asset or increase the functionality of the asset are not capitalized.

PRAIRIE RIVERS NETWORK
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE 2: SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Promises to Give

Unconditional promises to give are recognized as contributions receivable and contribution revenue in the period the promise is made. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional. Unconditional promises to give are recorded at their net realizable balance. PRN does not record an allowance for uncollectible promises to give. Instead, PRN will evaluate promises to give at the end of each year to determine if the promises are collectible. Promises that are considered uncollectible will be written off. There were no uncollectible promises to give written off during the year ended December 31, 2016.

Income Taxes

PRN is a not-for-profit organization that is exempt from income taxes under Section 501(c) (3) of the Internal Revenue Code and is not classified by the Internal Revenue Service to be a private Foundation under section 509(a) of the Internal Revenue Code. PRN is recognized as a charitable organization by the State of Illinois under the Charitable Trust and General Solicitation Act.

The accounting standard on accounting for uncertainty in income taxes addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. Under that guidance, PRN may recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by taxing authorities based on the technical merits of the position. Examples of tax positions include the tax-exempt status of PRN and various positions related to the potential sources of unrelated business taxable income (UBIT). The tax benefits recognized in the financial statements from such a position are measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement. There were no unrecognized tax benefits identified or recorded as liabilities for the 2016 fiscal year.

PRN files information tax returns in the U.S. Federal and Illinois jurisdictions. PRN is no longer subject to U.S. federal, state, and local income tax examinations by tax authorities for years ending prior to December 31, 2013.

Use of Estimates

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

PRAIRIE RIVERS NETWORK
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE 2: SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the Statement of Activities. Accordingly, certain costs have been allocated among the program and supporting services benefited.

NOTE 3: SUMMARY OF FAIR VALUE MEASUREMENTS

PRN invests in various mutual funds. Financial Accounting Standards Board (“FASB”) Codification 820, *Fair Value Measurements* clarifies the definition of fair value for financial reporting, establishes a framework for measuring fair value, and requires additional disclosures about the use of fair value measurements in an effort to make the measurement of fair value more consistent and comparable.

Fair Value Measurement defines fair value as the amount that would be received for the sale of an asset or paid for the transfer of a liability in an orderly transaction between market participants, i.e. an exit price. To estimate an exit price, a three-tier hierarchy is used to prioritize the inputs:

- Level 1: Quoted prices in active markets for identical securities that PRN has the ability to access.
- Level 2: Other significant observable inputs (including quoted prices for similar securities, interest rates, prepayment spreads, credit risk, etc.) and inputs that are derived principally from or corroborated by observable market data by correlation or other means.
- Level 3: Significant unobservable inputs (including PRN’s own assumptions in determining the fair value of investments). The inputs are methodology used for valuing PRN’s financial assets and liabilities, and are not indicators of the risk associated with those assets and liabilities.

The asset’s 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 is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2016.

PRAIRIE RIVERS NETWORK
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE 3: SUMMARY OF FAIR VALUE MEASUREMENTS (CONTINUED)

Mutual Funds – Valued at the daily closing price as reported by the fund. Mutual funds held by PRN are open-end mutual funds that are registered with the Securities and Exchange Commission. These funds are required to publish their daily net asset value (NAV), to transact at that price, and are deemed to be actively traded.

Farmland – Management estimates the fair value using methods similar to those used by independent appraisers such as a sales comparison approach and a cost approach which factors in current market conditions in the local geographic area.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future values. Furthermore, while PRN believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following table sets forth by level, within the fair value hierarchy, PRN’s assets at fair value as of December 31, 2016:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Equity Mutual Funds	\$ 183,589	\$ -	\$ -	\$ 183,589
Farmland	-	-	1,129,800	1,129,800
Total Investments	<u>\$ 183,589</u>	<u>\$ -</u>	<u>\$ 1,129,800</u>	<u>\$ 1,313,389</u>

PRN recognizes transfers into and out of levels within the fair value hierarchy at the end of the reporting period. There were no transfers between levels during the year ended December 31, 2016.

The following table presents activity on investments measured at fair value using significant unobservable inputs (level 3):

Balance 1/1/16	\$ -
Additions	1,129,800
Investment Gains (Losses)	-
Balance 12/31/16	<u>\$ 1,129,800</u>

NOTE 4: PROPERTY AND EQUIPMENT

As of December 31, 2016, Property and Equipment consists of the following:

Equipment	\$ 98,329
Less: Accumulated Depreciation	<u>(80,799)</u>
Property and Equipment, Net	<u>\$ 17,530</u>

PRAIRIE RIVERS NETWORK
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE 4: PROPERTY AND EQUIPMENT (CONTINUED)

Depreciation expense for the year ended December 31, 2016 was \$5,285.

NOTE 5: DEFERRED REVENUE

As of December 31, 2016, deferred revenue consists of the following:

Grants:

Grand Victoria Foundation (General Operating)	\$ 21,667
Grand Victoria Foundation (Habitat)	6,750
The McKnight Foundation	24,000
The Lumpkin Family Foundation (ReGenerate IL)	50,000
The Joyce Foundation	11,905
The Educational Foundation of America (Coal Ash)	31,125
The Walton Family Foundation	66,667
Bluestem	4,000
ReAmp/McKnight (Just Transition)	18,333
Vital Lands	5,727
National Wildlife Federation (HCA Retreat)	1,200
The Educational Foundation of America (Technical Assistance)	11,346
Total Deferred Revenue	<u>\$ 252,720</u>

NOTE 6: GRANTS REVENUE

The following is a summary of the revenue from grants during the year ended December 31, 2016:

The McKnight Foundation	\$ 144,000
Grand Victoria Foundation (General Operating)	65,000
Grand Victoria Foundation (Habitat)	20,250
The Educational Foundation of America (Coal Ash)	45,000
The Lumpkin Family Foundation	26,500
The Joyce Foundation	29,763
The Educational Foundation of America (Coal)	43,725
The Walton Family Foundation	53,333
National Wildlife Federation	26,500
Other	17,090
Total Grants Revenue	<u>\$ 471,161</u>

PRAIRIE RIVERS NETWORK
 NOTES TO FINANCIAL STATEMENTS
 DECEMBER 31, 2016

NOTE 7: IN-KIND DONATIONS

The following is a summary of in-kind donations received during the year ended December 31, 2016:

Farmland	\$ 2,310,000
Design Services	11,900
Rent	2,250
Silent Auction Items for Annual Dinner	3,066
Printing Services	<u>2,509</u>
Total	<u>\$ 2,329,725</u>

NOTE 8: RELATED PARTY TRANSACTIONS

During the year ended December 31, 2016, PRN received contributions from various members of the Board of Directors totaling \$86,065.

NOTE 9: NET ASSETS – DESIGNATIONS AND RESTRICTIONS

From time to time, the fair value of assets associated with individual donor restricted endowment funds may fall below the level the donor of the State Prudent Management of Institutional Funds Act (SPMIFA) requires PRN to retain as permanently restricted. Deficiencies of this nature result from unfavorable market fluctuations and would be included in unrestricted net assets. There were no deficiencies as of December 31, 2016.

Board Designated Endowment Net Assets

Board designated endowment net assets are available for the following purposes at December 31, 2016:

Funds subject to a restriction by board designation:	
The Charles Goodall Fund	\$ 56,935
The Clark Bullard Advocacy Fund	51,500
General Operations	<u>101,000</u>
Total Board Designated Endowment Net Assets	<u><u>\$ 209,435</u></u>

Funds designated by the Board of Directors to function as an endowment are voluntary and may be reversed by the Board of Directors at any time. Accordingly, they are reported as part of the unrestricted class of net assets. PRN's Board designated endowment net assets exist as a permanent investment pool to enhance and sustain the operations of PRN so that it can continue working to promote the lasting health of Illinois lakes, rivers, streams, and surrounding lands and, in so doing, nurture and enhance the enduring welfare of the people and wildlife of the state.

PRAIRIE RIVERS NETWORK
 NOTES TO FINANCIAL STATEMENTS
 DECEMBER 31, 2016

NOTE 9: NET ASSETS – DESIGNATIONS AND RESTRICTIONS (CONTINUED)

Board Designated Endowment Net Assets (Continued)

Assets in PRN’s Board designated endowment net assets are invested by the Board of Directors with the aim of long-term growth and generation of income to use in support of its purposes. All investments shall be chosen with prudence and consistent with all laws and generally accepted standards of institutional funds management.

Further, investments shall be limited to assets that are easily liquidated and consistent with the charitable purposes and aims of PRN. Assets shall be invested so that approximately 50% to 90% of the investments are in equity investments and the remaining assets held in investments chiefly intended to yield current income. Assets may be held as cash or cash equivalents in preparation for anticipated expenditures or when deemed prudent in response to ongoing or anticipated fluctuations in market values.

All expenditures of principal of Board designated endowment net assets must be approved by a minimum of 75% of the Board of Directors. In no instance shall the Board authorize any expenditure of principal or income that is inconsistent with the charitable status of PRN under federal and state laws or otherwise inconsistent with the specific purposes of PRN.

Temporarily Restricted Net Assets

Temporarily restricted net assets are available for the following purposes at December 31, 2016:

Donations subject to a time restriction by explicit donor stipulation:

With purpose restrictions: Healthy Rivers	\$ 4,748
With purpose restrictions: Boneyard Clean-Up	4,469
With purpose restrictions: River Defense	539
Total Temporarily Restricted Net Assets	<u>\$ 9,756</u>

Permanently Restricted Net Assets

Permanently restricted net assets are available for the following purposes at December 31, 2016:

Permanently restricted endowment gifts required to be retained either by explicit donor stipulations or by

The Eric T. Freyfogle Endowment for the Enviroment	\$ 17,050
The Charles Goodall Fund	2,500
The Carol Goodall Wock Endowment	2,310,000
Total Permanently Restricted Net Assets	<u>\$ 2,329,550</u>

PRAIRIE RIVERS NETWORK
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE 10: ENDOWMENT

PRN has interpreted the State Prudent Management of Institutional Funds Act (SPMIFA) as requiring the preservation of the fair value of the original gift as the gift date of the donor restricted endowment fund absent explicit donor stipulations to the contrary. As a result of this interpretation, PRN classifies as permanently restricted net assets: (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 classified as permanently restricted net assets is classified as unrestricted.

PRN has an endowment fund consisting of contributions with donor stipulations that the original principal of the gifts is to be held and invested by PRN indefinitely. As required by accounting principles generally accepted in the United States, the net assets associated with these contributions are classified as permanently restricted net assets. The income from the endowment is classified as unrestricted as long as the purpose restriction is satisfied during the same fiscal year in which the income is received. The funds are currently being held in a mutual fund account with E*TRADE Financial with a balance of \$19,550, which represents the corpus.

During the year ended December 31, 2016 PRN also received a gift of approximately 220 acres of farmland near Sidell, Illinois. The donor signed an Endowment Fund Agreement which stipulates that the land may not be sold, but will provide income for PRN's efforts to promote farming without harming. Under the terms of the agreement, the donor executed a deed to PRN conveying a portion of the farmland (approximately 108 acres) to the Endowment as a permanent, donor-restricted endowment and reserving a life estate in it. The land, with an appraised value of \$1,129,800, was received by PRN prior to December 31, 2016. The remaining approximately 112 acres will be conveyed to PRN at a later date or upon the death of the donor. This remaining 112 acres, valued at \$1,180,200, has been recognized in PRN's financial statements as a promise to give as of December 31, 2016, subject to the terms and restrictions as set forth in the Endowment Fund Agreement.

The Endowment Fund Agreement further stipulates that upon the donor's death, assets remaining in an investment account managed by Capital Financial Planning, if any, will be paid directly to PRN under the terms of a transfer-on-death provision.

NOTE 11: EMPLOYEE BENEFIT PLAN

PRN has established a SIMPLE IRA plan, qualified under Section 408(p) of the Internal Revenue Code, covering employees who received \$5,000 or more of compensation for the previous calendar year. Participants in the 408(p) plan may elect to make voluntary before-tax contributions based on a percentage of their pay, subject to certain limitations set forth in the Internal Revenue Code of 1986, as amended. PRN's retirement plan contribution expense for the year ended December 31, 2016 was \$8,411.

PRAIRIE RIVERS NETWORK
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE 12: LEASE COMMITMENTS

PRN entered into a five (5) year lease dated October 15, 2007 for office space at \$2,000 per month. In August 2011, an amendment to the lease increased the term to ten (10) years, thus an expiration date of October 31, 2017, and extended the \$3,000 per year increase (\$27,000 annually) for Years 6-10. PRN has a three (3) year option to continue leasing the office space at the end of the ten (10) year lease at an increase of \$2,000 per year (\$29,000) annually. Rental expense reported for the year ended December 31, 2016 was \$24,751.

Minimum future rental payments under non-cancelable operating leases as of December 31, 2016 are due as follows:

Year Ending December 31,	
2017	\$ 22,500
	<u>\$ 22,500</u>