

# **PRAIRIE RIVERS NETWORK**

Champaign, Illinois

Financial Statements

For the Year Ended December 31, 2017

Feller & Kuester CPAs LLP  
Certified Public Accountants  
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Champaign, IL 61821  
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# ***Feller & Kuester CPAs LLP***

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**Tax - Audit - Bookkeeping**

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## **INDEPENDENT AUDITOR'S REPORT**

To the Board of Directors of  
Prairie Rivers Network  
Champaign, Illinois

We have audited the accompanying financial statements of Prairie Rivers Network (a non-profit organization), which comprise the statement of financial position as of December 31, 2017, 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, 2017, 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.

*Feller & Kuester CPAs LLP*

Feller & Kuester CPAs LLP  
Champaign, Illinois

May 30, 2018

**PRAIRIE RIVERS NETWORK  
STATEMENT OF FINANCIAL POSITION  
DECEMBER 31, 2017**

**ASSETS**

**Current Assets**

Cash and Cash Equivalents	\$ 649,835
Prepaid Expenses	11,377
Investments	213,706
Total Current Assets	<u>874,918</u>

**Property & Equipment, Net**

41,049

**Non-Current Assets**

Security Deposits	2,000
Investments Restricted for Long-Term Purposes	1,129,800
Promise to Give Restricted for Long-Term Purposes	1,180,200
Total Non-Current Assets	<u>2,312,000</u>

**TOTAL ASSETS**

\$ 3,227,967

**LIABILITIES & NET ASSETS**

**Current Liabilities**

Accounts Payable	\$ 41,645
Payroll Tax Liabilities	36
Accrued Vacation Expense	16,490
Deferred Revenue	241,613
Total Current Liabilities	<u>299,784</u>

**Net Assets**

Unrestricted Net Assets	
Undesignated	375,189
Board Designated	210,935
Temporarily Net Assets	10,759
Permanently Net Assets	2,331,300
Total Net Assets	<u>2,928,183</u>

**TOTAL LIABILITIES AND NET ASSETS**

\$ 3,227,967

See accompanying notes.

**PRAIRIE RIVERS NETWORK  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2017**

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>Support and Revenue</b>				
Grant Revenue	\$ 565,607	\$ -	\$ -	\$ 565,607
Contributions	128,665	-	1,750	130,415
Special Events (Net of Direct Costs of \$46,166)	72,887	-	-	72,887
In-Kind Donations	30,135	-	-	30,135
Investment Income (Loss)	30,117	-	-	30,117
Designated Funds	23,572	3,519	-	27,091
Miscellaneous Income	5,000	-	-	5,000
Other Program Service Revenue	3,755	-	-	3,755
Lawsuit Settlement Proceeds	2,616	-	-	2,616
Interest Income	357	-	-	357
Net Assets Released from Restrictions	2,516	(2,516)	-	-
Total Support and Revenue	<u>865,227</u>	<u>1,003</u>	<u>1,750</u>	<u>867,980</u>
<b>Expenses</b>				
Program Services	661,163	-	-	661,163
Supporting Services:				
Management and General	42,826	-	-	42,826
Fundraising	88,043	-	-	88,043
Total Supporting Services	130,869	-	-	130,869
Total Expenses	<u>792,032</u>	<u>-</u>	<u>-</u>	<u>792,032</u>
Increase (Decrease) in Net Assets	73,195	1,003	1,750	75,948
Net Assets, Beginning of Year	512,929	9,756	2,329,550	2,852,235
Net Assets, End of Year	<u>\$ 586,124</u>	<u>\$ 10,759</u>	<u>\$ 2,331,300</u>	<u>\$ 2,928,183</u>

See accompanying notes.

**PRAIRIE RIVERS NETWORK  
STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2017**

	Program Services	Management and General	Support Services		Totals
			Fundraising	Total Support Services	
<i>Employee Compensation</i>					
Salaries and Wages	\$ 402,402	\$ 25,651	\$ 59,611	\$ 85,262	\$ 487,664
Payroll Taxes	30,399	1,915	4,511	6,426	36,825
Employee Benefits	36,264	1,031	6,148	7,179	43,443
Total Employee Compensation	469,065	28,597	70,270	98,867	567,932
<i>Other Expenses</i>					
Professional Development	1,369	-	-	-	1,369
Board Administration Expenses	-	2,770	-	2,770	2,770
Contract Labor	32,115	7,078	1,557	8,635	40,750
Insurance	1,088	340	195	535	1,623
Registration Fees	4,725	67	-	67	4,792
Services Charges and Other Expenses	-	968	2,851	3,819	3,819
Dues and Subscriptions	1,919	27	87	114	2,033
Postage	1,142	63	202	265	1,407
Printing and Copying	10,142	524	1,689	2,213	12,355
Rent	21,870	1,215	3,915	5,130	27,000
Supplies	5,428	100	322	422	5,850
Telephone and Internet Fees	15,061	344	1,107	1,451	16,512
Travel and Per Diem	30,170	-	-	-	30,170
Utilities	4,930	274	883	1,157	6,087
Membership Support	-	-	2,883	2,883	2,883
Outreach and Recognition	13,797	-	605	605	14,402
River Clean-Ups	3,906	-	-	-	3,906
In-Kind Expenses	23,406	-	-	-	23,406
Workshops	12,776	-	-	-	12,776
Moving Expenses	3,000	167	537	704	3,704
Depreciation	5,254	292	940	1,232	6,486
Total Other Expenses	192,098	14,229	17,773	32,002	224,100
Total Functional Expenses	\$ 661,163	\$ 42,826	\$ 88,043	\$ 130,869	\$ 792,032

See accompanying notes.

**PRAIRIE RIVERS NETWORK  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED DECEMBER 31, 2017**

**CASH FLOWS FROM OPERATING ACTIVITIES**

Change in Net Assets	\$ 75,948
Adjustments to Reconcile Change In Net Assets to Net Cash Provided by (Used in) Operating Activities	
Depreciation Expense	6,486
Unrealized (Gain) Loss on Investments	(15,199)
(Increase) Decrease in Operating Assets	
Prepaid Expenses	(9,127)
Increase (Decrease) in Operating Liabilities	
Accounts Payable	28,962
Payroll Tax Liabilities	(101)
Accrued Vacation Expense	16,490
Deferred Revenue	(11,107)
	<hr/>
Net Cash Provided by (Used in) Operating Activities	<hr/> 92,352 <hr/>

**CASH FLOWS FROM INVESTMENT ACTIVITIES**

Reinvested Dividends and Interest	(14,918)
Purchase of Property and Equipment	(30,005)
	<hr/>
Net Cash Provided by (Used in) Investment Activities	<hr/> (44,923) <hr/>

**CASH FLOWS FROM FINANCING ACTIVITIES**

None	<hr/> - <hr/>
Net Cash Provided by (Used in) Financing Activities	<hr/> - <hr/>
Net Increase (Decrease) in Cash and Cash Equivalents	47,429
Beginning Cash and Cash Equivalents	<hr/> 602,406 <hr/>
Ending Cash and Cash Equivalents	<hr/> <u>\$ 649,835</u> <hr/>

See accompanying notes.



**PRAIRIE RIVERS NETWORK**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2017**

**NOTE 1 – NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES**

**Nature of Activities**

Prairie Rivers Network (the Organization) was incorporated under the “General Not for Profit Corporation Act” of Illinois. The Organization champions clean, healthy rivers and lakes and safe drinking water to benefit the people and wildlife of Illinois. The Organization 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.

The Organization is guided by a vision of healthy “waterways,” a term that includes not only water flows and aquatic life but lands adjacent to 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. The Organization’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.

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

**Subsequent Events**

Subsequent events have been evaluated through May 30, 2018, which is the date the financial statements were available to be issued.

**PRAIRIE RIVERS NETWORK**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2017**

**Basis of Reporting**

The Organization has chosen to report on the accrual basis of accounting. Accordingly, revenue is recognized when earned, and expenses are recognized when incurred, in conformity with accounting principles generally accepted in the United States of America.

**Cash and Cash Equivalents**

For purposes of reporting cash flows, cash and cash equivalents include all cash and highly liquid investments acquired with an original maturity date of three months or less. Since the penalties of converting certificate of deposits to cash is insignificant, all certificate of deposits have been included with cash and cash equivalents.

**Prepaid Expenses**

Prepaid expenses such as for insurance or service contracts are deferred and expensed over the term when the services are received.

**Investments**

Investments consist primary of farmland and assets invested in marketable equity and debt securities. The Organization 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 that amounts reported in the statement of financial position.

**Property and Equipment**

Property and equipment are capitalized at cost. Donated property and equipment are capitalized at estimated cost or fair market value at the time of donation. Property and equipment are capitalized when the costs 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. Depreciation of the assets is computed using the straight-line method over their estimated useful lives. The range of estimated useful lives by type of asset is as follows:

Equipment

3-7 years

**PRAIRIE RIVERS NETWORK**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2017**

**Net Assets**

The Organization has adopted FASB ASC 958, *Financial Statements of Not-for-Profit Organizations*. The Organization is required to report information regarding its financial position and activities according to the following three classes of net assets:

*Unrestricted Net Assets* – Net assets that are not subject to donor-imposed stipulations.

*Temporarily Restricted Net Assets* – Net assets subject to donor-imposed stipulations that may or will be met, either by actions of the Organization and/or passage of time. When a restriction expires, temporarily restricted net assets are reclassified from restrictions. Contributions received with temporary restrictions that are met in the same reporting period are reported as unrestricted support and increase unrestricted net assets.

*Permanently Restricted Net Assets* – Net assets subject to donor-imposed stipulations that they be maintained permanently by the Organization. Generally, the donors of these assets permit the Organization to use all or part of the income earned on any related investments for general or specific purposes.

**Grants and Contracts Revenue**

The Organization recognizes grants and contracts revenue (up to the associated grant or contract ceiling) either on a pro-rata basis over the service period of the grant or contract or to the extent of expenses incurred. The excess of monies received over expenses incurred or pro-rata service period is accounted for as deferred revenue. The excess of expenses incurred or pro-rata service period over monies received is accounted for as grants and contracts receivable to the extent that additional revenue has been awarded and will be paid.

Grant and contract funds received with only general restrictions and public donations are considered to be available for unrestricted use unless specifically restricted by the donor. When such restrictions exist, the revenue is recorded with temporarily restricted revenue until the restrictions are met. Revenue received with temporary restrictions that are met in the same reporting period is reported as unrestricted support and increase unrestricted net assets.

**Contributed Services**

Contributed services are reported as in-kind donations 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 the Organization if the services had not been provided by contribution.
- Require specialized skills.
- Are provided by individuals with those skills (such as accounting, financial, construction, educational, electrical, legal, medical, and other services provided by accountants,

**PRAIRIE RIVERS NETWORK**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2017**

investments advisers, contractors, teachers, electricians, lawyers, doctors, and other professional and craftspeople).

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.

**Contributed Supplies and Goods**

Donated supplies and goods are reported as in-kind donations revenue and assets or expenses at estimated cost or fair market value.

**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 promises become unconditional. Unconditional promises to give are recorded at their net realizable balance. The Organization does not record an allowance promises to give. Instead, the Organization 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, 2017.

**Income Tax Status**

The Organization is a non-profit organization that is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. The Internal Revenue Service has determined that the Organization is not a private foundation as defined in Section 509(a)(2) of the Code. The Organization 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, the Organization 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 position. Examples of tax positions include the tax-exempt status of the Organization and various position 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 2017 fiscal year.

The Organization files information tax returns in the U.S. federal jurisdiction and the state of Illinois. Its federal and Illinois information tax returns prior to fiscal year ended December 31,

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**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2017**

2014 are closed. The Organization does not have any tax returns currently under examination by either the Internal Revenue Service (IRS) or any U.S. state jurisdiction.

**Advertising**

The Organization expenses advertising costs as they are incurred. The Organization did not have any advertising expense during the year ended December 31, 2017.

**Use of Estimates in Preparing Financial Statements**

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. Accordingly, actual results could differ from those estimates.

**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 programs and supporting services benefited.

**NOTE 2 – CONCENTRATIONS OF CREDIT RISK**

Financial instruments that potentially subject the Organization to credit risk consist principally of checking accounts and certificate of deposits at financial institutions. At December 31, 2017, the Organization had a total book and bank balance which includes cash and cash equivalents of \$649,835 and \$602,533, respectively. These funds were held at three financial institutions. The balances as of December 31, 2017 were insured at each financial institution by the Federal Deposit Insurance Corporation (FDIC) or Securities Investor Protection Corporation (SIPC) up to \$250,000. At December 31, 2017, \$54,147 of the bank balance as of December 31, 2017 was not insured by FDIC or SIPC. In addition, the Organization had undeposited funds of \$44,906 at December 31, 2017. Since these funds were not yet deposited with a financial institution, it was not covered by FDIC or SIPC.

**NOTE 3 – INVESTMENTS**

FASB ASC 820, *Fair Value Measurements*, establishes 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 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under FASB ASC 820 are described below:

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**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2017**

Level 1 – Inputs to the valuation methodology are based on unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.

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, and inputs that are derived principally from or corroborated by observable market data by correlation or other means. 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's and 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, 2017.

*Mutual Funds:* Valued at the net asset value (NAV) of shares held by the Organization at year-end based on readily determinable fair values, which are published daily and are the basis for current transactions.

*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 preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although Organization 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 different fair value measurements at the reporting date.

**PRAIRIE RIVERS NETWORK**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2017**

The following table sets forth by level, within the fair value hierarchy, Organization's assets at fair value as of December 31, 2017:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<i>Mutual Funds - U.S. Equity</i>				
Multi-Cap Core	73,666	-	-	73,666
Large-Cap Core	140,040	-	-	140,040
<i>Farmland</i>	-	-	1,129,800	1,129,800
<b>TOTAL</b>	<u>\$ 213,706</u>	<u>\$ -</u>	<u>\$ 1,129,800</u>	<u>\$ 1,343,506</u>

The Organization 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, 2017.

Investment income on the statement of activities consists of the following for the year ended December 31, 2017:

Dividends	\$ 2,421
Capital Gain Distributions	12,497
Net Unrealized Gains (Losses) on Investments	15,199
Total Investment Income (Loss)	<u>\$ 30,117</u>

This investment income, including unrealized gains and losses, are being reported on the statements of activities as investment income (loss).

The following table presents activity on investments measured at fair value during the year ended December 31, 2017:

	<u>Level 1</u>	<u>Level 3</u>
Balance at 1/1/2017	\$ 183,589	\$ 1,129,800
Investment Income (Loss)	30,117	-
Balance at 12/31/2017	<u>\$ 213,706</u>	<u>\$ 1,129,800</u>

**NOTE 4 – PROPERTY AND EQUIPMENT**

At December 31, 2017, Property and Equipment consisted of the following:

Equipment	\$ 68,064
Less: Accumulated Depreciation	(27,015)
Property and Equipment, Net	<u>\$ 41,049</u>

During the year ended December 31, 2017, the Organization had depreciation expense of \$6,486.

**PRAIRIE RIVERS NETWORK  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2017**

**NOTE 5 – DEFERRED REVENUE**

As of December 31, 2017, deferred revenue consists of the following:

The McNight Foundation	\$ 24,000
Grand Victoria Foundation (General Operating)	21,667
Grand Victoria Foundation (Habitat)	6,750
Grand Victoria Foundation (Vital Lands)	5,727
The Walton Family Foundation	75,000
The Lumpkin Family Foundation (ReGenerate IL)	50,000
The Lumpkin Family Foundation (General Operating)	6,250
The Education Foundation of America (Technical Assistance)	1,386
The Energy Foundation	43,750
Illinois Environmental Council	4,583
Organic Valley	2,500
Total Grants and Contracts Revenue	<u><u>\$ 241,613</u></u>

**NOTE 6 – GRANT REVENUE**

The following is a summary of revenue from grants and contracts during the year ended December 31, 2017:

The McNight Foundation	\$ 144,000
Grand Victoria Foundation (General Operating)	65,000
Grand Victoria Foundation (Habitat)	27,000
Grand Victoria Foundation (Vital Lands)	7,000
The Walton Family Foundation	91,667
The Lumpkin Family Foundation (ReGenerate IL)	60,000
The Lumpkin Family Foundation (General Operating)	18,750
The Education Foundation of America (Coal Ash)	31,125
The Education Foundation of America (Technical Assistance)	9,960
The Joyce Foundation	36,905
The Energy Foundation	31,250
Illinois Environmental Council	19,750
National Wildlife Federation (Ed Technical Assistance)	8,000
National Wildlife Federation (HCA Retreat)	1,200
Organic Valley	7,500
Bluestem Communications	4,000
DuPage Educational Foundation	1,500
SoJourn Theatre	1,000
Total Grants and Contracts Revenue	<u><u>\$ 565,607</u></u>



**PRAIRIE RIVERS NETWORK  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2017**

**NOTE 7 – IN-KIND DONATIONS**

The following is a summary of in-kind donations received during the year ended December 31, 2017:

<b><u>Type</u></b>	<b><u>Expense Classification</u></b>	<b><u>Value</u></b>
Design Services	In-Kind Expenses	\$ 13,700
Printing Services	In-Kind Expenses	4,725
Silent Auction Items for Annual Dinner	Direct Cost of Special Event	4,547
Desk Delivery and Setup	In-Kind Expenses	3,306
Raffle Items for Film Festival	Direct Cost of Special Event	1,382
Other Services	In-Kind Expenses	1,075
Rent for Annual Dinner	Direct Cost of Special Event	800
Camera Equipment	In-Kind Expenses	600
	<b>Total In-Kind Donations</b>	<b><u>\$ 30,135</u></b>

**NOTE 8 – 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 the Organization 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, 2017.

**Board Designated Endowment Net Assets**

Board designated endowment net assets are available for the following purposes at December 31, 2017:

Funds subject to a restriction by board designation:

The Charles Goodall Fund	\$ 58,435
The Clark Bullard Advocacy Fund	51,500
General Operations	101,000
Total Board Designated Endowment Net Assets	<b><u>\$ 210,935</u></b>

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. The Organization's Board designated endowment net assets exist as a permanent investment pool to enhance and sustain the operations of the Organization 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**  
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Assets in the Organization'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 the Organization. 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 the Organization under federal and state laws or otherwise inconsistent with the specific purposes of the Organization.

*Temporarily Restricted Net Assets*

Temporarily restricted net assets are available for the following purposes at December 31, 2017:

Donations subject to a time restriction by explicit donor stipulation:

With purpose restrictions: Healthy Rivers	\$ 2,232
With purpose restrictions: Boneyard Clean-Up	7,988
With purpose restrictions: River Defense	539
Total Temporarily Restricted Net Assets	<u><u>\$ 10,759</u></u>

*Permanently Restricted Net Assets*

Permanently restricted net assets are available for the following purposes at December 31, 2017:

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

The Eric T. Freyfogle Endowment for the Environment	\$ 17,550
The Charles Goodall Fund	3,750
Total Carol Goodall Wock Endowment	2,310,000
Total Permanently Restricted Net Assets	<u><u>\$ 2,331,300</u></u>

**NOTE 9 – ENDOWMENT**

The Organization 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

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donor restricted endowment fund absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization 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.

The Organization has an endowment fund consisting of contributions with donor stipulations that the original principal of the gifts is to be held and invested by the Organization 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 \$21,300, which represents the corpus.

During the year ended December 31, 2016, the Organization 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 the Organization's efforts to promote farming without harming. Under the terms of the agreement, the donor executed a deed to the Organization 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 the Organization prior to December 31, 2016. The remaining approximately 112 acres will be conveyed to the Organization at a later date or upon the death of the donor. This remaining 112 acres, valued at \$1,180,200, has been recognized in the Organization's financial statements as a promise to give as of December 31, 2017, 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 the Organization under the terms of a transfer-on-death provision.

**NOTE 10 – EMPLOYEE BENEFIT PLAN**

The Organization 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. The Organization's retirement plan contribution expense for the year ended December 31, 2017 was \$11,752.

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**NOTE 11 – LEASE COMMITMENTS**

The Organization entered into a five (5) year lease dated October 15, 2007 for office space at \$2,000 per month. In August 2011, the first 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. In October 2017, the second amendment to the lease extended the term for the period commencing November 1, 2017 on a month to month basis. Lessor or the Organization may terminate the lease at any time upon one month's prior written notice. Monthly rent under the second amendment is \$2,250. Total rental expense reported for the year ended December 31, 2017 was \$27,000.

The Organization entered into a seven (7) year lease dated November 27, 2017 for a different office space for a period commencing January 1, 2018. Monthly rent is \$2,852.25 during 2018, \$3,169.16 during 2019, \$3,486.08 during 2020, \$3,803.00 during 2021 and 2022, and \$4,119.91 during 2023 and 2024. The Organization has an option to renew one 5-year option at a rent to be negotiated. The minimum rental commitment as of December 31, 2017 under this lease agreement is as follows:

<b><u>Year Ended December 31,</u></b>	
2018	34,227
2019	38,030
2020	41,833
2021	45,636
2022	45,636
2023	49,439
2024	49,439
Total	<u><u>\$ 304,240</u></u>