

# The Conservation Foundation

Independent Auditor's Report and Financial Statements

June 30, 2018 and 2017

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**The Conservation Foundation**  
**June 30, 2018 and 2017**

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## Independent Auditor's Report

Board of Trustees  
The Conservation Foundation  
Naperville, Illinois

We have audited the accompanying financial statements of The Conservation Foundation, which comprise the statements of financial position as of June 30, 2018 and 2017, and the related statements of activities and changes in net assets and cash flows for the years 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 audits. We conducted our audits 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 The Conservation Foundation as of June 30, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

## **Other Matter**

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The schedules of expenses on page 17 are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated in all material respects in relation to the financial statements as a whole.

*BKD, LLP*

Oakbrook Terrace, Illinois  
March 12, 2019

**The Conservation Foundation**  
**Statements of Financial Position**  
**June 30, 2018 and 2017**

**Assets**

	<u>2018</u>	<u>2017</u>
<b>Current Assets</b>		
Cash and cash equivalents	\$ 1,090,738	\$ 1,617,918
Restricted cash	191,226	176,759
Short-term investments	889,085	883,952
Accounts receivable, net of allowance	155,311	93,606
Accrued interest receivable	8,429	6,352
Pledges receivable, net of allowance	50,075	44,790
Other assets	13,121	1,666
Prepaid expenses	92,975	-
Land - Preservation Properties - held for sale	-	30,000
	<hr/>	<hr/>
Total current assets	2,490,960	2,855,043
<b>Pledges Receivable - Noncurrent</b>	37,866	54,045
<b>Land - Preservation Properties</b>	2,557,250	2,557,250
<b>Beneficial Interest in Assets Held by DuPage Foundation</b>	496,124	459,766
<b>Property and Equipment, Net</b>	615,023	573,917
<b>Land and Buildings - Permanently Restricted</b>	800,837	800,837
	<hr/>	<hr/>
Total assets	<u>\$ 6,998,060</u>	<u>\$ 7,300,858</u>

## Liabilities and Net Assets

	<u>2018</u>	<u>2017</u>
<b>Current Liabilities</b>		
Mitigation funds	\$ 79,918	\$ 79,948
Accounts payable	33,274	39,545
Funds held on behalf of others	111,308	96,811
Accrued liabilities	155,543	118,414
Deferred Revenue	161,711	-
	<u>541,754</u>	<u>334,718</u>
<b>Net Assets</b>		
Unrestricted		
Designated		
Easement defense	450,000	450,000
McDonald Farm buildings	358,254	367,356
Clow Education Center	190,375	196,824
Undesignated	4,176,335	4,573,602
	<u>5,174,964</u>	<u>5,587,782</u>
Temporarily restricted	480,505	577,521
Permanently restricted	800,837	800,837
	<u>6,456,306</u>	<u>6,966,140</u>
Total net assets	<u>6,456,306</u>	<u>6,966,140</u>
Total liabilities and net assets	<u>\$ 6,998,060</u>	<u>\$ 7,300,858</u>

**The Conservation Foundation**  
**Statements of Activities and Changes in Net Assets**  
**Years Ended June 30, 2018 and 2017**

	<b>2018</b>	<b>2017</b>
<b>Unrestricted Net Assets</b>		
Unrestricted revenues and gains		
Contributions and grants	\$ 1,396,827	\$ 1,641,711
Investment income	52,689	19,575
Benefit dinner - net of expenses of \$80,636 and \$86,062 for 2018 and 2017, respectively	98,093	101,068
Special events	58,045	60,414
Consulting income	490,245	379,472
Rental income	16,100	57,100
Sales income	19,431	13,394
Green Earth Institute Sales	57,484	-
Contribution from acquisition	73,451	-
Miscellaneous	9,247	2,736
	<b>2,271,612</b>	<b>2,275,470</b>
Net assets released from restrictions	132,075	115,348
	<b>2,403,687</b>	<b>2,390,818</b>
<b>Expenses</b>		
Programs services	2,481,073	1,680,882
Management	43,970	51,919
Other fundraising	291,462	285,297
	<b>2,816,505</b>	<b>2,018,098</b>
<b>Increase (Decrease) in Unrestricted Net Assets Before Other Changes</b>	<b>(412,818)</b>	<b>372,720</b>
<b>Temporarily Restricted Net Assets</b>		
Contributions and grants	35,059	60,918
Net assets released from restrictions	(132,075)	(115,348)
	<b>(97,016)</b>	<b>(54,430)</b>
<b>Change in Net Assets</b>	<b>(509,834)</b>	<b>318,290</b>
<b>Net Assets, Beginning of Year</b>	<b>6,966,140</b>	<b>6,647,850</b>
<b>Net Assets, End of Year</b>	<b>\$ 6,456,306</b>	<b>\$ 6,966,140</b>

**The Conservation Foundation**  
**Statements of Cash Flows**  
**Years Ended June 30, 2018 and 2017**

	<u>2018</u>	<u>2017</u>
<b>Operating Activities</b>		
Change in net assets	\$ (509,834)	\$ 318,290
Adjustments for noncash items		
Depreciation	55,959	54,267
Donation of land		(470,000)
Acquisition	(73,451)	-
Changes in		
Accounts receivable	(61,705)	(26,620)
Accrued interest receivable	(2,077)	(1,317)
Pledges receivable	10,894	23,053
Grants receivable	-	50,000
Other assets	(11,455)	46,882
Prepaid expenses	(92,975)	29,259
Mitigation funds	(30)	(5,671)
Deferred revenue	161,711	-
Accounts payable	(6,271)	1,781
Funds held on behalf of others	14,497	(25,936)
Accrued liabilities	37,129	36,487
	<u>(477,608)</u>	<u>30,475</u>
Net cash provided by (used in) operating activities		
<b>Investing Activities</b>		
Proceeds from sale of land - held for sale	30,000	1,535,000
Purchase of property and equipment	(23,614)	(87,629)
Purchase - beneficial interest in assets held by DuPage Foundation		(450,000)
Purchase of short-term investments	(898,538)	(394,162)
Proceeds from maturity/sale of short-term investments	857,047	378,528
	<u>(35,105)</u>	<u>981,737</u>
Net cash provided by (used in) investing activities		
<b>Financing Activities</b>		
Note payable repayments	-	(700,000)
	<u>-</u>	<u>(700,000)</u>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	(512,713)	312,212
<b>Cash and Cash Equivalents, Beginning of Year</b>	<u>1,794,677</u>	<u>1,482,465</u>
<b>Cash and Cash Equivalents, End of Year</b>	<u>\$ 1,281,964</u>	<u>\$ 1,794,677</u>
<b>Reconciliation to Statement of Financial Position</b>		
Cash and cash equivalents	\$ 1,090,738	\$ 1,617,918
Restricted cash	191,226	176,759
	<u>\$ 1,281,964</u>	<u>\$ 1,794,677</u>

# The Conservation Foundation

## Notes to Financial Statements

### June 30, 2018 and 2017

#### **Note 1: Nature of Operations**

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

#### **Note 2: Summary of Significant Accounting Policies**

The following is a summary of the more significant accounting policies of the Foundation.

##### ***Cash and Cash Equivalents***

The Foundation considers all unrestricted highly liquid investments with a maturity of three months or less at the date of acquisition to be cash equivalents.

##### ***Restricted Cash***

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

##### ***Certificates of Deposits***

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

##### ***Pledges Receivable***

Pledges are recognized when the donor makes a promise to give to the Foundation that is, in substance, unconditional. Pledges restricted by the donor are reported as increases in unrestricted net assets in the fiscal year in which the restrictions expire. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

##### ***Receivables***

Receivables are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a provision for bad debt expense based on its assessment of the current status of individual receivables from grants, contracts and others. Receivables are written off when management determines they are uncollectible.

# The Conservation Foundation

## Notes to Financial Statements

### June 30, 2018 and 2017

#### ***Contributed Services***

Many individuals volunteer their time and perform a variety of tasks that assist the Foundation. The Foundation received approximately 13,250 and 13,000 volunteer hours in the years ended June 30, 2018 and 2017, respectively. The value of such contributed services is not recorded in the financial statements since the services do not require specialized skills and are not required to be recorded.

#### ***Property and Equipment***

Purchases of property and equipment are recorded at cost. Donations of property and equipment are recorded at their estimated fair value. Such donations are reported as unrestricted unless the donor has restricted the asset to a specific purpose. Absent donor stipulations regarding the length of time of restrictions, the Foundation considers the restrictions to expire when the related assets are put in service as requested by the donor. The Foundation's policy is to capitalize all expenditures for improvements, property and equipment over \$1,500.

Property and equipment are depreciated using the straight-line method over their related estimated useful lives which range from 3 to 40 years.

#### ***Land – Preservation Properties***

Land preservation properties include donations, purchases, transfers and conservation easements. Purchases of preservation properties are recorded at cost. Donations of property are recorded at their estimated fair value. Such donations are reported as unrestricted unless the donor has restricted the asset to a specific purpose. Absent donor stipulations regarding the length of time of restrictions, the Foundation considers the restrictions to expire when the related assets are put in service as requested by the donor. Though the Foundation often chooses to own land for relatively short time periods, the Foundation may be long-term owners of properties and it intends to hold conservation easements in perpetuity.

#### ***Long-Lived Asset Impairment***

The Foundation evaluates the recoverability of the carrying value of long-lived assets whenever events or circumstances indicate the carrying amount may not be recoverable. If a long-lived asset is tested for recoverability and the undiscounted estimated future cash flows expected to result from the use and eventual disposition of the asset is less than the carrying amount of the asset, the asset cost is adjusted to fair value and an impairment loss is recognized as the amount by which the carrying amount of a long-lived asset exceeds its fair value.

There were no impairment losses recognized for the years ended June 30, 2018 and 2017, respectively.

# The Conservation Foundation

## Notes to Financial Statements

### June 30, 2018 and 2017

#### ***Prepaid Expenses/Deferred Revenue***

Deferred revenue is a liability as of the balance sheet date related to revenue that has not yet been recognized. Prepaid expenses related to the deferred revenue are held as an asset as of the balance sheet date.

#### ***Beneficial Interest in Assets Held by the DuPage Foundation***

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

#### ***Mitigation Fund***

The Foundation holds and administers funds for mitigation purposes on behalf of the U.S. Army Corps of Engineers (ACOE). Such funds are required to be utilized only for specific purposes as directed by ACOE. Accordingly, resources received from ACOE for mitigation purposes are reported as increases in assets and liabilities when received and decreases in assets and liabilities when amounts are expended for specified purposes.

#### ***Funds Held on Behalf of Others***

The Foundation holds funds on behalf of other organizations under formal Agency Agreements. Those organizations direct the Foundation on the use of said funds. Cash held on their behalf is offset with this corresponding liability.

#### ***Revenue Recognition***

The Foundation recognizes revenue as it is earned. Revenue from consulting is recognized as services are performed. Revenue from special events is recognized when the event takes place. Revenue from the Green Earth Institute Community Supported Agriculture (CSA) program is recognized as shares are harvested and picked up by the consumers. Deferred revenue represents prepayment for CSA shares that will be harvested and picked up by the consumers in the future. Expenses incurred by the CSA program for shares to be harvested and picked up by the consumers in the future are deferred and recorded as "Prepaid expenses" on the statement of financial position.

# The Conservation Foundation

## Notes to Financial Statements

### June 30, 2018 and 2017

#### **Net Assets**

Net assets, revenues, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Foundation are classified and reported as follows:

##### *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 either expire by passage of time or can be fulfilled and removed by actions of the Foundation pursuant to those stipulations.

##### *Permanently Restricted Net Assets*

Net assets subject to donor-imposed stipulations that must be maintained permanently by the Foundation.

Additionally, contributions received with donor-imposed restrictions which are met in the same period are recorded as unrestricted revenues and net assets.

#### **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.

#### **Concentration of Credit Risk**

Occasionally, the Foundation maintains cash balances in excess of the maximum insured by the Federal Deposit Insurance Corporation. The Foundation has not experienced losses on these accounts and management believes it is not exposed to significant risks on such accounts.

#### **Income Taxes**

The Foundation is a not-for-profit organization that is exempt from income tax under Section 501(c)(3) of the Internal Revenue Code. The Foundation has also elected application of Section 501(h) which permits the Foundation to conduct limited lobbying.

The Foundation recognizes the financial statement impact of a tax position when it is more likely than not that the position will be sustained upon examination.

**The Conservation Foundation**  
**Notes to Financial Statements**  
**June 30, 2018 and 2017**

**Note 3: Land – Preservation Properties**

The Foundation owns the following land for preservation purposes:

	<u>2018</u>	<u>2017</u>
Plainfield Land donation	\$ -	\$ 30,000
Dayton Bluffs (unrestricted)	2,087,250	2,087,250
Grabacki Land donation	<u>470,000</u>	<u>470,000</u>
 Total	 <u>\$ 2,557,250</u>	 <u>\$ 2,587,250</u>

The Foundation received a donation of 10 acres of land in Will County in 2012. The land was held at the donated value of \$225,000. In 2016, the Foundation approved a plan to sell the land with a conservation easement in place; the appraised value of the land was adjusted to \$30,000 in 2016 to reflect the conservation easement restrictions. The land was sold during 2018 in the amount of \$30,000.

The Foundation received a donation of land in Kane County in 2017 which is held at the donated value of \$470,000. The Foundation entered into a \$0 lease and donation agreement with the Forest Preserve District of Kane County (District), which grants the District immediate access and management until the property is transferred to the District.

The Foundation purchased 133 acres of land in Kendall County in March 2018. The land was purchased with \$280,000 private funding received in the prior year and \$500,000 of grant revenue received in the current year. The land was subsequently donated to the Kendall County Forest Preserve District at the purchase value of \$780,000.

**Note 4: Property and Equipment**

Unrestricted property and equipment consists of the following:

	<u>2018</u>	<u>2017</u>
Buildings and improvements	\$ 1,069,519	\$ 1,028,878
Furniture, fixtures and equipment	<u>170,470</u>	<u>114,046</u>
	1,239,989	1,142,924
Less accumulated depreciation	<u>624,966</u>	<u>569,007</u>
	 <u>\$ 615,023</u>	 <u>\$ 573,917</u>

**The Conservation Foundation**  
**Notes to Financial Statements**  
**June 30, 2018 and 2017**

**Note 5: Permanently Restricted Net Assets**

The Foundation's main office is located on the McDonald Farm, which is owned by the Foundation. The McDonald Farm land is subject to a conservation easement.

The Foundation also owns the Dickson-Murst Farm through an agreement with the Village of Montgomery. The agreement states that the Foundation is not permitted to sell or otherwise dispose of the property without the consent of the Village of Montgomery.

Permanently restricted net assets consist of the following:

	<u>2018</u>	<u>2017</u>
McDonald Farm - land	\$ 268,837	\$ 268,837
Dickson-Murst Farm - land and buildings	<u>532,000</u>	<u>532,000</u>
	<u>\$ 800,837</u>	<u>\$ 800,837</u>

**Note 6: Temporarily Restricted Net Assets**

Temporarily restricted net assets consist of the following:

	<u>2018</u>	<u>2017</u>
Restoration projects	\$ 17,963	\$ 34,680
Reservation Woods project	34,435	34,435
Education grants	8,188	10,199
Dickson-Murst Farm Partners	24,223	19,129
Mains internship program	32,597	32,722
Fox River Initiative	<u>363,099</u>	<u>446,356</u>
Total temporarily restricted net assets	<u>\$ 480,505</u>	<u>\$ 577,521</u>

**The Conservation Foundation**  
**Notes to Financial Statements**  
**June 30, 2018 and 2017**

***Net Assets Released From Restrictions***

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes.

	<b>2018</b>	<b>2017</b>
Purpose restrictions accomplished		
Restoration project program expenses	\$ 24,217	\$ 41,123
Education grants program expenses	2,011	3,908
Dickson-Murst Farm Partners program expenses	6,465	7,471
Mains internship program expenses	16,125	11,202
Fox River Initiative program expenses	83,257	51,644
Total temporarily restricted net assets released from restrictions	\$ 132,075	\$ 115,348

**Note 7: Designation of Net Assets**

The Foundation's Board of Trustees (Board) has designated certain funds to provide for the future monitoring and enforcement of conservation easements. Additionally, the Board has designated as continuing investments the buildings located on the McDonald Farm and the Clow Education Center.

Designated net assets consist of the following:

	<b>2018</b>	<b>2017</b>
Cash and cash equivalents		
Conservation easement defense funds	\$ 450,000	\$ 450,000
McDonald Farm buildings	358,254	367,356
Clow Education Center	190,375	196,824
Total designated net assets	\$ 998,629	\$ 1,014,180

**Note 8: Conservation Easements**

The Foundation holds conservation easements placed on properties acceptable to the Foundation. At June 30, 2018 and 2017, 42 and 41, respectively, such easements were held. No value has been assigned to these easements in the financial statements because the Foundation does not have ownership rights to the underlying property.

**The Conservation Foundation**  
**Notes to Financial Statements**  
**June 30, 2018 and 2017**

**Note 9: Short-Term Investments**

Short-term investments as of June 30, 2018 and 2017, of \$889,085 and \$883,952, respectively, are comprised of certificates of deposit.

Interest income from certificates of deposits for the years ended June 30, 2018 and 2017, was \$15,676 and \$9,809, respectively.

**Note 10: Fair Value Measurements**

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurements must maximize the use of observable inputs and minimize the use of unobservable inputs. There is a hierarchy of three levels of inputs that may be used to measure fair value:

- Level 1** Quoted prices in active markets for identical assets or liabilities
- Level 2** Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.
- Level 3** Unobservable inputs supported by little or no market activity and are significant to the fair value of the assets or liabilities

***Recurring Measurements***

The following table presents the fair value measurements of assets and liabilities recognized in the accompanying statement of financial position measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at June 30, 2018 and 2017:

	<b>Fair Value Measurements at Reporting Date Using</b>			
	<b>Fair Value</b>	<b>Quoted Prices in Active Markets for Identical Assets/ Liabilities (Level 1)</b>	<b>Significant Other Observable Inputs (Level 2)</b>	<b>Significant Unobservable Inputs (Level 3)</b>
June 30, 2018				
Beneficial interest in assets held by DuPage Foundation	\$ 496,124	\$ -	\$ -	\$ 496,124
June 30, 2017				
Beneficial interest in assets held by DuPage Foundation	\$ 459,766	\$ -	\$ -	\$ 459,766

**The Conservation Foundation**  
**Notes to Financial Statements**  
**June 30, 2018 and 2017**

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

**Level 3 Reconciliation**

The following is a reconciliation of the beginning and ending balances of recurring fair value measurements recognized in the accompanying statement of financial position using significant unobservable (Level 3) inputs for the years ended June 30, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Balance, beginning of year	\$ 459,766	\$ -
Initial deposit	-	450,000
Investment income	<u>36,358</u>	<u>9,766</u>
Balance, end of year	<u><u>\$ 496,124</u></u>	<u><u>\$ 459,766</u></u>

**Note 11: Line of Credit**

As of June 30, 2018, the Foundation maintained a \$200,000 unsecured line of credit with Wheaton Bank & Trust to be used to support working capital needs, at a floating interest rate equal to the prime rate (5.00% on June 30, 2018). At June 30, 2018 and 2017, there was no balance outstanding on the line of credit.

**The Conservation Foundation**  
**Notes to Financial Statements**  
**June 30, 2018 and 2017**

**Note 12: Pledges Receivable**

Pledges receivable are adjusted to present value using a rate of 2% and are receivable in the following periods:

<b>Year Ending June 30</b>	<b>2018</b>	<b>2017</b>
2018	\$ -	\$ 44,790
2019	50,075	41,090
2020	26,255	19,630
2021	14,275	6,000
2022	8,150	-
2023	1,000	-
	<u>99,755</u>	<u>111,510</u>
Less discounts to net present value	3,206	4,067
Less allowance for doubtful accounts	<u>8,608</u>	<u>8,608</u>
	<u>\$ 87,941</u>	<u>\$ 98,835</u>

Management calculates an allowance for pledges receivable at approximately 5% of the gross receivable amount. Receivables are written off when management determines they are uncollectible.

**Note 13: Acquisition**

On January 1, 2018, the Foundation acquired the net assets of Green Earth Institute, (Acquiree) a not-for-profit organization that promotes nutritional health and environmental sustainability. As a result of the acquisition, the Foundation will have an opportunity to expand its mission and reach. The Foundation also expects the acquisition will allow it to provide another offering (organic CSA) to members and residents in its current service area. No consideration was or will be transferred for the acquisition.

The Foundation received assets, consisting predominantly of equipment, with an estimated fair value of \$73,451 on the date of acquisition. This amount is reflected as a contribution from acquisition on the statement of activities and changes in net assets for the year ended June 30, 2018.

**The Conservation Foundation**  
**Notes to Financial Statements**  
**June 30, 2018 and 2017**

**Note 14: Operating Leases**

The Foundation has entered into lease agreements with unrelated parties through December 2019. Rental revenue under these agreements was \$16,500 and \$21,100 for the years ended June 30, 2018 and 2017, respectively.

Future annual rental income under the lease agreements is as follows:

Year Ending June 30	Amount
2019	\$ 11,000
2020	5,500
Beyond 2020	-
	\$ 16,500

**Note 15: Related Party Transactions**

The Foundation purchased insurance totaling \$3,598 and \$5,887, during the years ended June 30, 2018 and 2017, respectively, from Gee-Schussler Insurance, of which a Board member is a principal. The Foundation paid a total of \$428 and \$823 during fiscal years 2018 and 2017, respectively, to Pizzo & Associates, of which a Board member is the owner. The Foundation also holds funds in accounts as well as a line of credit at Wheaton Bank & Trust, of which a Board member is President of the Bank.

The DuPage River Salt Creek Workgroup (Workgroup) is an independent 501(c)(4) organization whose mission is to protect and improve the water quality of the DuPage River and the Salt Creek. The Foundation provides a 2.6 full-time equivalent in staffing to the Workgroup and the Workgroup reimburses all related expenses to the Foundation. The total reimbursement was \$220,884 and \$199,886 for the years ended June 30, 2018 and 2017, respectively. In addition to staffing, one member of the Foundation’s staff also sits on the Board of the Workgroup.

The Lower DuPage River Watershed Coalition (Coalition) is an independent 501(c)(3) organization whose mission is to protect and improve the water quality of the Lower DuPage River. The Foundation provides a 0.5 full-time equivalent in staffing to the Coalition and the Coalition reimburses all related expenses to the Foundation. The total reimbursement was \$42,979 and \$40,977 for the years ended June 30, 2018 and 2017, respectively. In addition to staffing, one member of the Foundation’s staff also sits on the Board of the Coalition.

The Foundation holds funds with Itasca Bank and Trust. A current Board member is a Senior Vice President with Itasca Bank.

The Lower DesPlaines Watershed Group (Group) is an independent 501(c)(3) organization established in 2017 whose mission is to protect and improve the water quality of the Lower

# The Conservation Foundation

## Notes to Financial Statements

### June 30, 2018 and 2017

DesPlaines River. The Foundation provides 0.67 full-time equivalent in staffing to the Group and the Group reimburses all related expenses to the Foundation. The total reimbursement was \$69,296 and \$9,250 for the year ended June 30, 2018 and 2017, respectively.

The Foundation holds funds with Allied First Bank. A current Board member is a Vice President with Allied First Bank.

#### **Note 16: Defined Contribution Plan**

The Foundation sponsors a defined contribution plan (Plan) covering all employees with at least one year of service and who work a minimum of 20 hours per week who agree to make contributions to the Plan. The amount contributed by the Foundation is determined each year. For 2018 and 2017, contributions made were equal to 1.5% of the individual participant's compensation, assuming participants were contributing at least 3% of their annual compensation. Total expense for the years ended June 30, 2018 and 2017, was \$14,954 and \$13,464, respectively.

#### **Note 17: Subsequent Events**

Management has evaluation subsequent events through March 12, 2019, which is the date the financial statements were available to be issued.

On December 10, 2018, the Foundation accepted a donation of property. The 25-acre property is located in Ottawa, Illinois along the Illinois River and is adjacent to land owned by the City of Ottawa. The City has assumed management responsibility for the property. On November 29, 2018, The Conservation Foundation donated the 13.4-acre Grabacki property to the Kane County Forest Preserve District. The Foundation had accepted the donation from the Grabacki family in 2016, then held it on behalf of the Forest Preserve District. The property is now part of the Fox River Bluff Forest Preserve. In November of 2018, as one of the final steps in the acquisition process of Green Earth Institute, the Foundation changed the name of the organic farming operation to "Green Earth Harvest." The Foundation believes the name is more pleasing and more reflective of the program going forward.

## **Supplementary Information**

**The Conservation Foundation**  
**Schedules of Expenses**  
**Years Ended June 30, 2018 and 2017**

	<u>2018</u>		<u>2017</u>	
	<u>Expense</u>	<u>Percentage of Total</u>	<u>Expense</u>	<u>Percentage of Total</u>
Program services	\$ 2,481,073	88.1%	\$ 1,680,882	83.3%
Management	43,970	1.6%	51,919	2.6%
Other fundraising	<u>291,462</u>	<u>10.3%</u>	<u>285,297</u>	<u>14.1%</u>
Total expenses	<u><u>\$ 2,816,505</u></u>	<u><u>100.0%</u></u>	<u><u>\$ 2,018,098</u></u>	<u><u>100.0%</u></u>