THE CONSERVATION FOUNDATION

FINANCIAL STATEMENTS
AS OF JUNE 30, 2019 AND 2018

TOGETHER WITH AUDITOR'S REPORT

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
The Conservation Foundation:

We have audited the accompanying financial statements of The Conservation Foundation (the Foundation), which comprise the statement of financial position as of June 30, 2019, and the related statements of activities, cash flows, and functional expenses 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 of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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 at June 30, 2019, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Prior Period Financial Statements

The financial statements of the Foundation as of June 30, 2018 were audited by other auditors, whose report dated March 12, 2019, expressed an unmodified opinion on the statements.

Dugan + Lopatka

DUGAN & LOPATKA

Warrenville, Illinois
February 19, 2020

EXHIBIT 1

THE CONSERVATION FOUNDATION
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2019 AND 2018

	2019	2018
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	768,911	1,090,738
Restricted cash	232,065	191,226
Short-term investments	1,102,502	889,085
Accounts receivable, net of allowance	107,595	155,311
Accrued interest receivable	4,886	8,429
Promises to give, current	29,350	50,075
Prepaid expenses	123,279	92,975
Total current assets	2,368,588	2,477,839
PROPERTY AND EQUIPMENT		
Property and equipment, net	563,778	615,023
LAND AND BUILDINGS - PERMANENTLY RESTRICTED	800,837	800,837
OTHER ASSETS:		
Promises to give, net of current portion	49,436	37,866
Other assets	6,307	13,121
Beneficial interest in assets held by DuPage Foundation	530,401	496,124
Land - preservation properties	2,712,250	2,557,250
Total other assets	3,298,394	3,104,361
Total assets	$ 7,031,597	$ 6,998,060
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Mitigation funds	79,918	79,918
Accounts payable	69,617	33,274
Funds held on behalf of others	152,147	111,308
Accrued liabilities	108,020	155,543
Deferred revenue	174,814	161,711
Total current liabilities	584,516	541,754
NET ASSETS		
Without donor restrictions		
Designated		
Easement defense	460,000	450,000
McDonald farm buildings	362,102	358,254
Clow Education Center	183,821	190,375
Undesignated	4,274,735	4,176,335
Total net assets without donor restrictions	5,280,658	5,174,964
With donor restrictions	1,166,423	1,281,342
Total net assets	6,447,081	6,456,306
Total liabilities and net assets	$ 7,031,597	$ 6,998,060

The accompanying notes are an integral part of this statement.

THE CONSERVATION FOUNDATION
STATEMENT OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

	2019			2018		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
PUBLIC SUPPORT AND REVENUE:						
Contributions and grants	$ 1,750,181	$ 50,078	$ 1,800,259	$ 1,396,827	$ 35,059	1,431,886
Investment income	43,128	-	43,128	52,689	-	52,689
Benefits dinner - net of expenses $87,460 and $80,636 for 2019 and 2018, respectively	99,234	-	99,234	98,093	-	98,093
Special events	75,236	-	75,236	58,045	-	58,045
Consulting income	549,706	-	549,706	490,245	-	490,245
Rental income	10,655	-	10,655	16,100	-	16,100
Sales income	30,744	-	30,744	19,431	-	19,431
Green Earth Institute sales	236,579	-	236,579	57,484	-	57,484
Contributions from acquisition	-	-	-	73,451	-	73,451
Miscellaneous	15,008	-	15,008	9,247	-	9,247
Total public support and revenue	2,810,471	50,078	2,860,549	2,271,612	35,059	2,306,671
Net assets released from restrictions - Restriction satisfied by payments	164,997	(164,997)	-	132,075	(132,075)	-
Net public support and revenue	2,975,468	(114,919)	2,860,549	2,403,687	(97,016)	2,306,671
FUNCTIONAL EXPENSES:						
Program services	2,337,636	-	2,337,636	2,481,073	-	2,481,073
Management and general	167,537	-	167,537	43,970	-	43,970
Fundraising	364,601	-	364,601	291,462	-	291,462
Total functional expenses	2,869,774	-	2,869,774	2,816,505	-	2,816,505
CHANGE IN NET ASSETS	105,694	(114,919)	(9,225)	(412,818)	(97,016)	(509,834)
NET ASSETS, Beginning of year	5,174,964	1,281,342	6,456,306	5,587,782	1,378,358	6,966,140
NET ASSETS, End of year	$ 5,280,658	$ 1,166,423	$ 6,447,081	$ 5,174,964	$ 1,281,342	$ 6,456,306

The accompanying notes are an integral part of this statement.

EXHIBIT 3

THE CONSERVATION FOUNDATION
STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	$ (9,225)	$ (509,834)
Adjustments to reconcile change in net assets to net cash (used in) operating activities:		
Depreciation	62,685	55,959
Donation of land	(625,000)	-
Land donated to Forest Preserve District	470,000	-
Acquisition	-	(73,451)
(Increase) decrease in accounts receivable	47,716	(61,705)
(Increase) decrease in accrued interest receivable	3,543	(2,077)
Decrease in promises to give	9,155	10,894
(Increase) decrease in other assets	6,814	(11,455)
(Increase) in prepaid expenses	(30,304)	(92,975)
(Decrease) in mitigation funds	-	(30)
Increase in deferred revenue	13,103	161,711
Increase (decrease) in accounts payable	36,343	(6,271)
Increase in funds held on behalf of others	40,839	14,497
Increase (Decrease) in accrued liabilities	(47,523)	37,129
Total adjustments	(12,629)	32,226
Net cash (used in) operating activities	(21,854)	(477,608)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sale of land - held for sale	-	30,000
Purchase of property and equipment	(11,440)	(23,614)
Purchase - beneficial interest in assets held by DuPage Foundation	(34,277)	-
Net purchase of short-term investments	(213,417)	(41,491)
Net cash (used in) investing activities	(259,134)	(35,105)
NET CHANGE IN CASH AND CASH EQUIVALENTS	(280,988)	(512,713)
CASH AND CASH EQUIVALENTS, Beginning of year	1,281,964	1,794,677
CASH AND CASH EQUIVALENTS, End of year	$ 1,000,976	$ 1,281,964

The accompanying notes are an integral part of this statement.

THE CONSERVATION FOUNDATION
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED JUNE 30, 2019

	Program Services	Management and General	Fundraising	Total
Salaries and benefits	$ 1,162,828	$ 149,266	$ 223,875	$ 1,535,969
Conferences and travel	45,314	3,301	5,537	54,152
Professional services	87,118	872	19,789	107,779
Insurance	20,087	-	1,997	22,084
Marketing	87,391	11	72,081	159,483
Merchandising	36,266	-	-	36,266
Office supplies	96,945	13,916	13,187	124,048
Program expense	700,914	-	-	700,914
Trips and events	38,945	-	114,909	153,854
Depreciation	61,828	171	686	62,685
Total expenses by function	2,337,636	167,537	452,061	2,957,234
Less expenses included with revenues on the statement of activities	-	-	(87,460)	(87,460)
Total expenses included in the expense section	$ 2,337,636	$ 167,537	$ 364,601	$ 2,869,774
Percentage of total functional expenses	81.5%	5.8%	12.7%	100.0%

The accompanying notes are an integral part of this statement.

THE CONSERVATION FOUNDATION
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2018

	Program Services	Management and General	Fundraising	Total
Salaries and benefits	$ 1,218,186	$ 36,585	$ 198,948	1,453,719
Conferences and travel	28,203	4,731	9,983	42,917
Professional services	81,694	-	2,464	84,158
Insurance	17,783	-	1,714	19,497
Marketing	51,541	1,636	38,523	91,700
Merchandising	19,763	-	342	20,105
Office supplies	81,564	847	14,303	96,714
Program expense	909,111	-	-	909,111
Trips and events	28,828		105,017	133,845
Depreciation	44,518	171	686	45,375
Total expenses by function	2,481,191	43,970	371,980	2,897,141
Less expenses included with revenues on the statement of activities	(118)	-	(80,518)	(80,636)
Total expenses included in the expense section	$ 2,481,073	$ 43,970	$ 291,462	$ 2,816,505
Percentage of total functional expenses	88.1%	1.6%	10.3%	100.0%

The accompanying notes are an integral part of this statement.

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The mission of The Conservation Foundation (the 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.

The financial statements were available to be issued on February 19, 2020, with subsequent events being evaluated through this date.

The following summarizes the significant accounting policies and practices reflected in the accompanying financial statements.

Accounting Method -

The accounting records of the Foundation are maintained on the accrual basis which recognizes revenue when earned and expenses as they are incurred.

Basis of Presentation –

The financial statements of the Foundation have been prepared in accordance with U.S. generally accepted accounting principles (GAAP). Under GAAP, the Foundation is required to report information regarding its financial position and activities according to two classes of net assets, which are without donor restrictions and with donor restrictions.

Without donor restrictions - Net assets that are not subject to donor-imposed stipulations and may be expensed for any purpose in performing the primary objectives of the Foundation. These net assets may be used at the discretion of management and the board of directors.

With donor restrictions - Net assets subject to donor-imposed stipulations. Some donor restrictions are temporary in nature; those restrictions will be met either by actions of the Foundation and/or the passage of time. Other donor restrictions are perpetual in nature, where the donor has stipulated the funds be maintained in perpetuity.

Cash and Cash Equivalents -

Cash and cash equivalents include all monies in banks and highly liquid investments with original maturities of less than three months.

Restricted Cash -

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

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

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.

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.

Promises to Give -

Promises to give represent grants due to the Foundation from individuals, foundations, and government agencies. Promises to give were reviewed at year end and all significant amounts were deemed collectible.

Property and Equipment -

Acquisitions of property and equipment in excess of $1,000 are capitalized. Property and equipment are carried at cost or, if donated, at the approximate fair value at the date of donation. Depreciation is calculated using the straight-line method over the estimated useful lives of the respective assets, ranging from 3-40 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 without donor restrictions 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.

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.

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

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 the 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 and Support -

Contributions that are restricted by the grantor/donor are reported as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends, or a purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

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 places. Revenue from the Green Earth Harvest program is recognized as shares and are harvested and picked up by the consumers in the future. Expenses incurred by the farm share program for shares to be harvested and picked by the consumers in the future are deferred and recorded as "Prepaid expenses" on the statement of financial position.

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Use of Estimates -

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Functional Allocation of Expenses -

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include salaries and related expenses, marketing, professional services, supplies and other expenses which are allocated on the basis of estimates of time and effort.

New Accounting Pronouncement -

During fiscal year 2019, the Foundation adopted ASU 2016-14, Not-for-Profit Entities (Topic 958) – *Presentation of Financial Statements of Not-for-Profit Entities.* This update to ASU 958 addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Foundation has adjusted the presentation of these statements accordingly. The ASU has been applied retrospectively to all periods presented.

(2) INCOME TAXES:

The Foundation has been determined by the Internal Revenue Service to be exempt from federal income tax under Section 501(a) as described 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. Accordingly, no provision for income tax has been established.

The Foundation files income tax returns in the U.S. federal jurisdiction and Illinois. With few exceptions, the Foundation is no longer subject to U.S. federal, state and local, or non-U.S. income tax examinations by tax authorities for fiscal years before 2016. The Foundation does not expect a material net change in unrecognized tax benefits in the next twelve months.

(3) LAND - PRESERVATION PROPERTIES:

The Foundation owns the following land for preservation purposes:

	2019	2018
Dayton Bluffs	2,087,250	2,087,250
Grabacki Land	-	470,000
Mitchell Property	625,000	-
Total	$ 2,712,250	$ 2,557,250

(3) LAND – PRESERVATION PROPERTIES: (Continued)

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 land was transferred to the District during 2019.

The Foundation received a donation of land in Lasalle County during fiscal year 2019 which is held at the donated value of $625,000.

(4) PROPERTY AND EQUIPMENT:

	2019	2018
Buildings and improvements	$ 1,082,018	$ 1,069,519
Furniture, fixtures and equipment	173,346	170,470
	1,255,364	1,239,989
Less accumulated depreciation	691,586	624,966
Total	$ 563,778	$ 615,023

(5) EASEMENTS:

The Foundation has received 42 easements as of June 30, 2019 and 2018. There have been 1,544 easement acres donated to the Foundation as of June 30, 2019 and 2018. No value has been assigned to these easements in the financial statements because the Foundation does not have ownership rights to the underlying property.

(6) SHORT-TERM INVESTMENTS:

Short-term investments as of June 30, 2019 and 2018 of $1,102,502 and $889,085, respectively, are comprised of certificates of deposit.

(7) FAIR VALUE MEASUREMENTS:

The Accounting Standards Codification for Fair Value Measurements established 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 measurement) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy under this codification are described as follows:

Level 1:

Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets.

(7) FAIR VALUE MEASUREMENTS: (Continued)

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;
- 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 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 table sets forth by level, within the fair value hierarchy, the Foundation's assets at fair value:

	Assets at Fair Value as of June 30, 2019			
Description	Level 1	Level 2	Level 3	Total
Beneficial interest in assets held by DuPage Foundation	$ -	$ -	$ 530,401	$ 530,401

	Assets at Fair Value as of June 30, 2018			
Description	Level 1	Level 2	Level 3	Total
Beneficial interest in assets held by DuPage Foundation	$ -	$ -	$ 496,124	$ 496,124

Foundation assets invested with DuPage are invested at the discretion of DuPage for the benefit of the Foundation. The DuPage invests amounts largely in domestic common stock, domestic and internal 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 requires a redemption notice period of two weeks.

(7) FAIR VALUE MEASUREMENTS: (Continued)

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, 2019 and 2018.

	2019	2018
Balance, beginning of year	$ 496,124	$ 459,766
Deposits	28,002	-
Distributions	(16,968)	-
Investment income	23,243	36,358
Balance, end of year	$ 530,401	$ 496,124

(8) PROMISES TO GIVE:

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

Included in promises to give are the following unconditional promises to give:

	2019	2018
Promises to give	$ 87,025	$ 99,755
Less - Allowance for doubtful accounts	4,351	8,608
Less - Unamortized discounts	3,888	3,206
Net unconditional promises to give	$ 78,786	$ 87,941
Amounts due in:		
Less than one year	$ 29,350	$ 50,075
One to five years	49,436	37,866
	$ 78,786	$ 87,941

(9) 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 gained the opportunity to expand its mission and reach. The acquisition allowed the Foundation 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.

(10) OPERATING LEASE:

The Foundation has entered into lease agreements with unrelated parties through December 2019. Rental revenue under these agreements was $10,655 and $16,100 for June 30, 2019 and 2018, respectively.

Future rental income under the lease agreements is as follows:

2020	$	5,600

(11) ENDOWMENT:

The Accounting Standards Codification (ASC) provides guidance on the net asset classification of donor-restricted endowment funds for a non-profit organization that is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA). The ASC also requires additional disclosures about an organization's endowment funds (both donor-restricted endowment funds and board-designated endowment funds) whether or not the organization is subject to UPMIFA.

The Foundation's endowment consists of one individual fund established for the preservation of DuPage River. Its endowment consists of donor-restricted funds. As required by generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the Board to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board of the Foundation has interpreted the Illinois Prudent Management of Institutional Funds Act (IPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds, unless there are explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as amounts to retain in perpetuity (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 retained in perpetuity is appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by IPMIFA. In accordance with IPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the various funds, (2) the purposes of the donor-restricted endowment funds, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of the Foundation, and (7) the Foundation's investment policies.

(11) ENDOWMENT: (Continued)

Investment Return Objectives, Risk Parameters and Strategies -

The Foundation has adopted investment and spending policies, approved by the Board of Directors, for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment funds while also maintaining the purchasing power of those endowment assets over the long term. Accordingly, the investment process seeks to achieve an after-cost total real rate of return, including investment income as well as capital appreciation, which exceeds the annual distribution with acceptable levels of risk. Endowment assets are invested in a well-diversified asset mix, which includes cash and cash equivalents, equity securities, mutual funds and fixed income securities that are intended to result in a consistent rate of return that has sufficient liquidity to make an annual distribution, while growing the funds if possible. Actual returns in any given year may vary from this amount. Investment risk is measured in terms of the total endowment fund; investment assets and allocation between asset classes and strategies are managed to not expose the fund to unacceptable levels of risk.

As of June 30, 2019, the Foundation had the following endowment net asset composition by type of fund:

	2019		
	Without donor restrictions	With donor restrictions	Total
Donor-restricted endowment funds:			
Accumulated investment earnings on amounts maintained in perpetuity	$ -	$ 1,998	$ 1,998
Original donor-restricted gift amount and amounts required to be maintained in perpetuity	-	25,012	25,012
	$ -	$ 27,010	$ 27,010

From time to time, certain donor-restricted endowment funds may have fair values less than the amount required to be maintained by donors or by law (underwater endowments). The Foundation has interpreted UPMIFA to permit spending from underwater endowments in accordance with prudent measures required under law. There were no underwater endowments as of June 30, 2019 and 2018.

(11) ENDOWMENT: (Continued)

Changes in endowment net assets for the years ended June 30, 2019 are as follows:

	2019		
	Without donor restrictions	With donor restrictions	Total
Endowment net assets, beginning of year	$ -	$ -	$ -
Contributions	-	25,012	25,012
Investment income	-	251	251
Net appreciation	-	1,747	1,747
Endowment net assets, end of year	$ -	$ 27,010	$ 27,010

(12) NET ASSETS:

The Foundation's Board of Trustees (Board) has designated 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.

Net assets that are board designated are as follows:

	2019	2018
Conservation easement defense funds	$ 460,000	$ 450,000
McDonald Farm buildings	362,102	358,254
Clow Education Center	183,821	190,375
Total designated net assets	$ 1,005,923	$ 998,629

Net assets with donor restrictions are as follows:

	2019	2018
Restoration projects	$ 22,588	$ 17,963
Reservation Woods project	34,435	34,435
Education grants	2,338	8,188
Nature RX	3,812	-
Dickson-Murst Farm Partners	27,033	24,223
Mains internship program	14,079	32,597
Accumulated investment for DuPage River	1,998	-
Fox River Initiative	234,291	363,099
	340,574	480,505

(12) NET ASSETS: (Continued)

Perpetual in nature:		
McDonald Farm – land	268,837	268,837
Dickson-Murst Farm – land and buildings	532,000	532,000
DuPage River endowment fund	25,012	-
Total time or purpose restricted	825,849	800,837
Total net assets with donor restrictions	$ 1,166,423	$ 1,281,342

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.

(13) AVAILABILITY AND LIQUIDITY:

	June 30, 2019	June 30, 2018
Financial Assets -		
Cash and cash equivalents	$ 768,911	$ 1,090,738
Short-term investments	1,102,502	889,085
Accounts receivable	107,595	155,311
Interest receivable	4,886	8,429
Promises to give	29,350	50,075
Total financial assets	2,013,244	2,193,638
Internal designations -		
Funds set aside for conservation easement defense	460,000	450,000
Financial assets available to meet cash needs for general expenditures within one year	$ 1,553,244	$ 1,743,638

The Foundation's goal is to generally maintain enough financial assets to meet 6 months of operating expenses (approximately $850,000).

The Foundation manages its liquidity and reserves adhering to the following principles:

- operating within a prudent range of financial soundness and stability
- incurring unbudgeted costs only when such costs are funded
- maintaining adequate liquid assets to fund near-term operating needs

(14) EMPLOYEE RETIREMENT 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 June 30, 2019 and 2018, contributions made were equal to 1.5% of the individual participant's compensation, assuming participants were contributing at least 3% of the annual compensation. Total expense for the years ended June 30, 2019 and 2018, was $15,657 and $15,392, respectively.

(15) RELATED PARTIES:

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 2.6 full-time equivalent in staffing to the Workgroup and the Workgroup reimburses all related expenses to the Foundation. The total reimbursement was $232,635 and $220,884 for the years ended June 30, 2019 and 2018, 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 0.9 full-time equivalent in staffing to the Coalition and the Coalition reimburses all related expenses to the Foundation. The total reimbursement was $50,122 and $42,979 for the years ended June 30, 2019, and 2018, respectively. In addition to staffing, one member of the Foundation's staff also sits on the Board of the Coalition.

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 DesPlaines River. The Foundation provides 1.3 full-time equivalent in staffing to the Group and the Group reimburses all related expenses to the Foundation. The total reimbursement was $76,029 and $69,296 for the years ended June 30, 2019 and 2018, respectively.

(16) SUBSEQUENT EVENT:

In December, 2019, The Conservation Foundation accepted a donation of 132 acres of land in Kendall County. The donor will provide The Conservation Foundation with the current appraisal value report when completed. In December 2019, The Conservation Foundation purchased a conservation easement on 110 acres in LaSalle County along the Fox River for $621,129. In January 2020, The Conservation Foundation purchased a conservation easement on 69 acres in LaSalle County along the Fox River for $391,500. In fiscal year 2020, The Conservation Foundation received a grant for $732,822 from a foundation to assist in purchasing the conservation easements.