

Preservation Foundation of the Lake County Forest Preserves

Financial Report
June 30, 2016

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Independent Auditor's Report

RSM US LLP

To the Board of Directors
Preservation Foundation of the Lake County
Forest Preserves
Libertyville, Illinois

Report on the Financial Statements

We have audited the accompanying financial statements of the Preservation Foundation of the Lake County Forest Preserves (the "Foundation") which comprise the statements of financial position as of June 30, 2016 and 2015, and the related statements of activities 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 Preservation Foundation of the Lake County Forest Preserves as of June 30, 2016 and 2015, 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.

RSM US LLP

Chicago, Illinois
November 9, 2016

Preservation Foundation of the Lake County Forest Preserves

Statements of Financial Position
June 30, 2016 and 2015

	2016	2015
Assets		
Cash and cash equivalents	\$ 888,260	\$ 327,545
Investments	307,957	1,346,134
Land held for resale	456,000	456,000
Interest receivable	-	1,162
Pledges receivable	69,450	16,979
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Total assets	\$ 1,721,667	\$ 2,147,820
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Net Assets		
Unrestricted	\$ 150,328	\$ 214,799
Temporarily restricted	1,571,339	1,933,021
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Total net assets	\$ 1,721,667	\$ 2,147,820
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See notes to financial statements.

Preservation Foundation of the Lake County Forest Preserves

Statements of Activities

Years Ended June 30, 2016 and 2015

	2016			2015		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Contributions and interest income:						
Contributions	\$ 288,420	\$ 418,529	\$ 706,949	\$ 69,887	\$ 1,118,759	\$ 1,188,646
In-kind contributions	330,116	-	330,116	261,752	-	261,752
Interest income	817	-	817	8,382	-	8,382
Other income	2,177	-	2,177	1,050	-	1,050
Net assets released from restrictions	780,211	(780,211)	-	166,502	(166,502)	-
Total	1,401,741	(361,682)	1,040,059	507,573	952,257	1,459,830
Expenses:						
Program	1,123,427	-	1,123,427	234,123	-	234,123
Management and general	134,707	-	134,707	103,407	-	103,407
Fundraising	208,078	-	208,078	143,764	-	143,764
Total expenses	1,466,212	-	1,466,212	481,294	-	481,294
Changes in net assets	(64,471)	(361,682)	(426,153)	26,279	952,257	978,536
Net assets:						
Beginning	214,799	1,933,021	2,147,820	188,520	980,764	1,169,284
Ending	\$ 150,328	\$ 1,571,339	\$ 1,721,667	\$ 214,799	\$ 1,933,021	\$ 2,147,820

See notes to financial statements.

Preservation Foundation of the Lake County Forest Preserves

Statements of Cash Flows
Years Ended June 30, 2016 and 2015

	2016	2015
Cash flows from operating activities:		
Changes in net assets	\$ (426,153)	\$ 978,536
Adjustment to reconcile changes in net assets to net cash provided by operating activities:		
(Increase) decrease in assets:		
Interest receivable	1,162	(1,069)
Pledges receivable	(52,471)	15,756
Net cash (used in) provided by operating activities	(477,462)	993,223
Cash flows from investing activities:		
Purchase of investments	-	(1,021,002)
Proceeds from maturities and sales of investments	1,038,177	-
Net cash provided by (used in) investing activities	1,038,177	(1,021,002)
Net increase (decrease) in cash and cash equivalents	560,715	(27,779)
Cash and cash equivalents:		
Beginning	327,545	355,324
Ending	\$ 888,260	\$ 327,545

See notes to financial statements.

Preservation Foundation of the Lake County Forest Preserves

Notes to Financial Statements

Note 1. Nature of Organization and Significant Accounting Policies

Nature of organization: The Preservation Foundation of the Lake County Forest Preserves (the "Foundation") was established on February 20, 2007 as an Illinois not-for-profit corporation to provide financial assistance to benefit the Lake County Forest Preserve District's (the "District") mission. The Foundation raises funds for a variety of purposes, including land acquisition, habitat restoration, development of trails or other amenities, and educational programs. The Foundation is a component unit of the District.

The Foundation follows accounting standards established by the Financial Accounting Standards Board ("FASB") to ensure consistent reporting of financial condition, results of activities, and cash flows. References to Generally Accepted Accounting Principles ("GAAP") in these footnotes are to the *FASB Accounting Standards CodificationTM*, sometimes referred to as the Codification or ASC.

A summary of the Foundation's significant accounting policies follows:

Basis of presentation: The financial statements of the Foundation are prepared using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America for nonprofit organizations. The Foundation has accounted for all of its activities in two funds (unrestricted and temporarily restricted), based on the existence or absence of donor-imposed restrictions.

Display of net assets by class: The net assets of the Foundation are reported in one of the following classes: temporarily restricted or unrestricted.

Net assets in the temporarily restricted class are created by donor-imposed restrictions on use. The Foundation reports gifts of cash, grants and other assets as temporarily restricted support if they are received with donor stipulations that limit the use of donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

All other net assets, including Board-designated or appropriated amounts, are legally unrestricted and are reported as part of the unrestricted class. Certain donor-restricted contributions whose restrictions are met in the same reporting period are reported as unrestricted.

Cash and cash equivalents: The Foundation considers all highly liquid investments with maturity of three months or less when purchased to be cash equivalents. The Foundation maintains its cash in bank deposit accounts which at times, may exceed federally insured limits. The Foundation has not experienced any losses in such accounts. The Foundation believes it is not exposed to any significant credit risk on cash and cash equivalents.

Investments: The Foundation's authorized investments are limited to approved banks and specifically authorized instruments including bonds, notes, bills, other full faith and credit U.S. government securities, and interest-bearing investments (certificates of deposit). At June 30, 2016 and 2015, all investments held at year-end consisted solely of certificates of deposit ("CDs") with maturities greater than three months at the date of purchase and are reported at amortized cost in the statements of financial position.

Land held for resale: In fiscal year 2014, the Foundation received a donation of land for which it intends to sell. Land held for resale is recorded at the lower of cost or fair value less costs to sell. The Foundation has recorded this land at \$456,000 at June 30, 2016 and 2015, which was determined through independent evaluations of the current market value.

Preservation Foundation of the Lake County Forest Preserves

Notes to Financial Statements

Note 1. Nature of Organization and Significant Accounting Policies (Continued)

Pledges receivable: Pledges receivable, which includes unconditional promises to give, are reported at net realizable value and discounted to present value if not expected to be collected within one year. The discounts on those amounts are computed using risk-adjusted interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in contributions revenue in the statements of activities. There was no discount as of June 30, 2016 and 2015. The allowance for doubtful pledges is based on management's estimate of the collectability of identified receivables. Management believes all pledges receivable are collectible and, therefore, no need for an allowance for uncollectible pledges as of June 30, 2016 and 2015.

Contributions: The Foundation reports gifts of cash and other assets as temporarily or permanently restricted support if they are received with donor stipulations that limit their use. Gifts of cash and other assets that are received without donor stipulations limiting the use of the donated assets are reported as unrestricted support. When a temporary donor restriction expires (when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions.

Contributions of items other than cash are recorded at their fair market value on the dates of the donations.

In-kind contributions: The Foundation records various types of in-kind support including rent, professional services, and various supplies. Contributions of tangible assets are recognized at fair market value when received. Contributed rent consists of office space provided to the Foundation by the Lake County Forest Preserve District at no charge and is based on a square foot market value calculated by the District. Contributed professional services are recognized if the services received either create or enhance long-lived assets, or require specialized skills, and would need to be purchased if not provided by donation. Such values are reflected in the accompanying financial statements as both revenue and expense. The total amount of in-kind contributions received from the District was \$330,116 and \$235,856 for the years ended June 30, 2016 and 2015, respectively. The total amount of in-kind contributions received from sources other than the District was \$0 and \$25,896 for the years ended June 30, 2016 and 2015, respectively.

Functional allocation of expenses: The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Income taxes: The Foundation is exempt from federal income taxes under the provisions of Internal Revenue Code Section 501(c)(3).

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 this guidance, the Foundation may recognize the tax benefit from an uncertain tax position only if it is more than likely than not that the tax position will be sustained on examination by taxing authorities, based on the technical merits of the position. Examples of tax positions include the tax-exempt status of the Foundation and various positions related to the potential sources of unrelated business taxable income ("UBIT"). The tax benefits recognized in the financial statements from such a position are measured based on the largest benefit that has a greater than 50 percent likelihood of being realized upon ultimate settlement. At June 30, 2016 and 2015, there were no unrecognized tax benefits identified or recorded as liabilities. The Foundation files Form 990 in the U.S. federal jurisdiction and the State of Illinois. The Foundation is generally no longer subject to examination by the Internal Revenue Service for years before 2013.

Preservation Foundation of the Lake County Forest Preserves

Notes to Financial Statements

Note 1. Nature of Organization and Significant Accounting Policies (Continued)

Estimates: In preparing financial statements in conformity with GAAP, management makes estimates and assumptions affecting the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements, as well as the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

New accounting pronouncement: In August 2016, the FASB issued Accounting Standards Update 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. The amendments in this update include significant changes to the financial reporting model for not-for-profit organizations. Key elements in this update include reducing net asset classification from three to two categories, expanded disclosures about the nature and amount of any donor restrictions, expanded disclosures on any board designations of net assets, and other additional disclosures. The amendments in this update will be effective as of July 1, 2018 for the Foundation, and will likely have a material effect on the presentation of the financial statements.

Subsequent events: The Foundation has evaluated subsequent events for potential recognition and/or disclosure through November 9, 2016, the date the financial statements were available to be issued.

Preservation Foundation of the Lake County Forest Preserves

Notes to Financial Statements

Note 2. Temporarily Restricted Net Assets

Temporarily restricted net assets represent funds received and committed to various future projects. The balances of such projects are as follows:

	<u>2016</u>	<u>2015</u>
Archives Digitalizing	\$ 800	\$ -
Buckthorne Education	100,000	-
Ethyl Untermyer	-	1,250
Events in the Plaza	6,500	5,000
Fall Golf Classic	24,012	-
Fred Fest	6,440	9,503
General Education	15,000	-
General Natural Resources	920,131	913,147
Grassy Lake	300,500	107,800
Green Gifts	11,085	6,825
Green Infrastructure Vision	-	15,000
Green Youth Farm	7,845	18,500
Greenbelt Public Festivals	150	2,000
Margo Merrick Fund	11,139	10,239
Middlefork Bridge	-	125,000
Mighty Acorn	-	1,782
Museum Exhibits	9,877	5,000
Museum Operating	2,895	-
North Shore Gas Living Wall	-	16,600
Restoration	153,810	656,000
Restricted-Other	1,155	1,375
Science First in Lake County	-	33,000
Trail Connection	-	5,000
	<u>\$ 1,571,339</u>	<u>\$ 1,933,021</u>

Preservation Foundation of the Lake County Forest Preserves

Notes to Financial Statements

Note 3. Net Assets Released from Donor Restrictions

The following net assets were released from temporary donor restrictions by satisfying the stated restricted purposes during the years ended June 30, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Archive Digitizing	\$ -	\$ 8,395
Archives Support	-	5,500
Ethyl Untermyer	1,250	1,000
Events in the Plaza	5,000	8,000
Fred Fest	5,352	15,301
Gateway Grants	-	5,000
General Natural Resources	52,437	225
General Operation	475	1,450
Grassy Lake	500	500
Green Gifts	6,825	25,200
Green Infrastructure Vision	15,000	-
Green Youth Farm	18,500	30,428
Greenbelt Public Festivals	2,000	1,000
Lake County Discovery Museum Exhibits	5,000	6,051
Margo Merrick Fund	-	2,105
Middlefork Bridge	125,000	-
Mighty Acorn	1,782	618
Museum Operating	-	2,300
Museum Relocation	-	100
North Shore Gas Living Wall	-	16,600
Oriole Grove	-	6,000
Restoration	502,190	-
Restricted-Other	900	666
Ryerson Woods Operating Support	-	2,513
Science First	33,000	14,500
Staff Development	-	1,000
Stevenson House	-	1,050
Trail Connection	5,000	10,000
Woodland Walk	-	1,000
	<u>\$ 780,211</u>	<u>\$ 166,502</u>

Preservation Foundation of the Lake County Forest Preserves

Notes to Financial Statements

Note 4. Functional Allocation of Expenses

Expenses consisted of the following for the years ended June 30, 2016 and 2015:

	2016			
	Program	Management and General	Fundraising	Total
Grants	\$ 1,087,246	\$ -	\$ -	\$ 1,087,246
Investment fees	-	-	2,967	2,967
Professional services	36,181	9,702	-	45,883
In-kind contributions of:				
Salaries	-	84,431	155,060	239,491
Benefits	-	19,067	19,524	38,591
Commodities	-	2,578	2,578	5,156
Professional services	-	18,929	18,929	37,858
Rent	-	-	9,020	9,020
	\$ 1,123,427	\$ 134,707	\$ 208,078	\$ 1,466,212
	2015			
	Program	Management and General	Fundraising	Total
Grants	\$ 192,836	\$ -	\$ -	\$ 192,836
Investment fees	-	-	1,075	1,075
Professional services	15,301	7,830	-	23,131
Commodities	-	2,500	-	2,500
In-kind contributions of:				
Salaries	-	56,047	94,562	150,609
Benefits	-	11,730	15,827	27,557
Commodities	-	2,031	2,031	4,062
Professional services	25,986	23,269	23,269	72,524
Rent	-	-	7,000	7,000
	\$ 234,123	\$ 103,407	\$ 143,764	\$ 481,294

The Foundation and the District are organizations affiliated through common members of their respective Boards. The Foundation provides grants to the District for supporting projects such as the museum exhibits and restoration projects. The total amounts provided to the District during the years ended June 30, 2016 and 2015 were \$1,026,112 and \$151,930, respectively.