

LIVING LANDS & WATERS

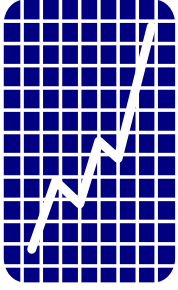
FINANCIAL REPORT

Years Ended
December 31, 2010 and 2009

LIVING LANDS & WATERS

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To the Board of Directors
Living Lands & Waters
East Moline, Illinois

Independent Auditor's Report

We have audited the accompanying statements of financial position of Living Lands & Waters, (a nonprofit organization) as of December 31, 2010 and 2009, and the related statements of activities, functional expenses, and cash flows for the years ended December 31, 2010 and 2009. These financial statements are the responsibility of the Organization's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Living Lands & Waters as of December 31, 2010 and 2009, and the changes in its net assets and cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Moline, Illinois
April 28, 2011

Kent G. Klauer, CPA PC

LIVING LANDS & WATERS
STATEMENT OF FINANCIAL POSITION

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December 31, 2010 and 2009

ASSETS

	2010	2009
Current assets:		
Cash and cash equivalents	\$ 1,138,203	\$ 510,547
Unconditional promises to give	214	7,041
	<u>1,138,417</u>	<u>517,588</u>
Premises and equipment (note B):		
Boats/motors/trailers	628,563	498,935
Vehicles	157,411	157,345
Office and computer equipment	45,803	44,626
Other equipment	201,934	101,735
Leasehold improvements	3,120	3,120
	<u>1,036,831</u>	<u>805,761</u>
Less: accumulated depreciation	<u>(673,029)</u>	<u>(662,062)</u>
	<u>363,802</u>	<u>143,699</u>
Other assets:		
Prepaid and other assets	<u>46,420</u>	<u>34,699</u>
Total Assets	<u>\$ 1,548,639</u>	<u>\$ 695,986</u>
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable	\$ 2,904	\$ 2,470
Accrued expenses	49,737	62,404
Total liabilities	<u>52,641</u>	<u>64,874</u>
Commitments and contingencies	-	-
Net assets:		
Unrestricted	759,961	631,112
Temporarily restricted (note C)	736,037	-
Permanently restricted (note D)	-	-
Total net assets	<u>1,495,998</u>	<u>631,112</u>
Total Liabilities and Net Assets	<u>\$ 1,548,639</u>	<u>\$ 695,986</u>

The accompanying notes are an integral part of these financial statements.

LIVING LANDS & WATERS
STATEMENT OF ACTIVITIES

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Year ended December 31, 2010 (with comparative totals for 2009)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	
				2010	2009
Revenue, Gains and Other Support:					
Contributions	\$ 1,066,231	\$ 946,000	\$ -	\$ 2,012,231	\$ 1,079,820
Grants	-	-	-	-	-
Service revenue	16,140	-	-	16,140	36,139
Investment income	7,253	-	-	7,253	9,231
Gain on sale of equipment	12,796	-	-	12,796	10,000
Special events:					
Event sales	23,899	-	-	23,899	24,566
Costs of sales	(18,868)	-	-	(18,868)	(18,754)
Other revenue	11,240	-	-	11,240	2,847
Total revenues and gains	1,118,691	946,000	-	2,064,691	1,143,849
Net assets released from restrictions (note C):					
Satisfaction of purpose restrictions	209,963	(209,963)	-	-	-
	1,328,654	736,037	-	2,064,691	1,143,849
Expenses:					
<u>Program Services:</u>					
Waterway Cleanup	701,302	-	-	701,302	652,751
Million Trees Project	113,230	-	-	113,230	63,702
Education - Workshops	18,391	-	-	18,391	69,444
Great Mississippi River Cleanup	86,891	-	-	86,891	-
<u>Supporting Services:</u>					
Management and general	185,186	-	-	185,186	160,194
Fund raising	94,805	-	-	94,805	87,175
Total expenses	1,199,805	-	-	1,199,805	1,033,266
Change in net assets	128,849	736,037	-	864,886	110,583
Net assets at beginning of year	631,112	-	-	631,112	530,971
Prior period adjustment (note H)	-	-	-	-	(10,442)
Net assets at end of year	\$ 759,961	\$ 736,037	\$ -	\$ 1,495,998	\$ 631,112

The accompanying notes are an integral part of these financial statements.

STATEMENT OF FUNCTIONAL EXPENSES

Year ended December 31, 2010 (with comparative totals for 2009)

	Program Services				Total Program Services
	Waterway Cleanup	Million Trees	Education- Workshops	Great Mississippi River Cleanup	
Salaries and wages	\$ 205,755	\$ 23,665	\$ 9,029	\$ 19,614	\$ 258,063
Employee benefits	48,072	5,554	2,119	4,603	60,348
Subtotal	253,827	29,219	11,148	24,217	318,411
Contractual services	29,583	7,215	-	1,870	38,668
Travel, food and lodging	60,430	4,994	4,477	6,304	76,205
Operating supplies/expenses	136,123	71,802	2,766	24,097	234,788
Repair expenses	47,372	-	-	-	47,372
Insurance expense	76,631	-	-	-	76,631
All other expenses	15,615	-	-	30,403	46,018
Depreciation	81,721	-	-	-	81,721
Total expenses	\$ 701,302	\$ 113,230	\$ 18,391	\$ 86,891	\$ 919,814

	Supporting Services			Total Expenses	
	Management and General	Fund Raising	Total Supporting Services	2010	2009
	Salaries and wages	\$ 96,926	\$ 38,718	\$ 135,644	\$ 393,707
Employee benefits	22,747	9,087	31,834	92,182	84,603
Subtotal	119,673	47,805	167,478	485,889	393,164
Contractual services	14,864	11,792	26,656	65,324	49,482
Travel, food and lodging	-	-	-	76,205	62,331
Operating supplies/expenses	47,526	35,208	82,734	317,522	226,102
Repair expenses	-	-	-	47,372	30,276
Insurance expense	-	-	-	76,631	101,487
All other expenses	699	-	699	46,717	93,010
Depreciation	2,424	-	2,424	84,145	77,414
Total expenses	\$ 185,186	\$ 94,805	\$ 279,991	\$ 1,199,805	\$ 1,033,266

The accompanying notes are an integral part of these financial statements.

STATEMENT OF CASH FLOWS

Years ended December 31, 2010 and 2009

	2010	2009
Cash flows from operating activities:		
Change in Net Assets	\$ 864,886	\$ 110,583
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	84,145	77,414
Accounts receivable	6,827	55,434
Prepaid insurance	(11,721)	5,236
Accounts payable	434	(12,269)
Accrued liabilities	(12,667)	10,240
Deferred contract revenue	-	(11,646)
Support restricted for fixed asset acquisition	(736,037)	-
Interest and dividends restricted for long-term investment	(1,196)	(615)
Net (gain) loss on disposal of equipment	(12,796)	(10,000)
Prior period adjustment	-	(10,442)
Net cash provided by operating activities	<u>181,875</u>	<u>213,935</u>
Cash flows from investing activities:		
Proceeds from sale of equipment	38,769	10,000
Purchases of equipment	(330,221)	(26,055)
Net cash (used) by investing activities	<u>(291,452)</u>	<u>(16,055)</u>
Cash flows from financing activities:		
Interest and dividends restricted for long-term investment	1,196	615
Support restricted for fixed asset acquisition	736,037	-
Net cash provided by financing activities	<u>737,233</u>	<u>615</u>
Increase in cash and cash equivalents	627,656	198,495
Cash and cash equivalents, beginning of year	510,547	312,052
Cash and cash equivalents, end of year	<u>\$ 1,138,203</u>	<u>\$ 510,547</u>
Supplemental data:		
Noncash investing and financing activities:		
Gifts of equipment	<u>\$ 122,970</u>	<u>\$ 35,149</u>

The accompanying notes are an integral part of these financial statements.

December 31, 2010

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Date of Management's Review of Subsequent Events

Management has evaluated subsequent events through April 28, 2011, the date which the financial statements were available to be issued.

Nature of Organization

Living Lands & Waters is an Iowa incorporated nonprofit organization currently located in East Moline, Illinois. Its purpose is to aid in the protection, preservation and restoration of the natural environment of the nation's major rivers and their watersheds; to expand awareness of environmental issues and responsibility encompassing the river; and to create a desire and an opportunity for stewardship and responsibility for a cleaner river environment. The Organization's support comes primarily through donor contributions. The Organization's work includes the Adopt-A-Mississippi River Mile Project, Adopt-An-Illinois River Mile Project, Million Trees Project, numerous community clean-up activities on the Mississippi, Ohio, Cedar, Des Plaines and White Rivers, educational workshops and river bottom restoration.

Basis of Accounting

The financial statements of the organization have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities.

Basis of Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, Financial Statements of Not-for-Profit Organizations. Under SFAS No. 117, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Recognition of Donor Restricted Contributions

Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets depending on the nature of the restriction. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

Net Assets

The organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. The three classes are based on the presence or absence of donor-imposed restrictions. Temporarily restricted net assets include net assets restricted by donors to a specific time period or purpose. Permanently restricted net assets have been restricted by donors to be maintained in perpetuity.

December 31, 2010

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Accounting Estimates

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

Cash and Cash Equivalents

For purposes of reporting cash flows, the Organization considers all temporary cash investments purchased with an original maturity of twelve months or less at date of acquisition to be cash equivalents.

Property and equipment

Purchased boats, vehicles and equipment are capitalized at cost. Donations of equipment or refurbishing services are recorded as support at their estimated fair value at the date of donation. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire equipment are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Organization reclassifies temporarily restricted net assets to unrestricted net assets at that time. Property and equipment are depreciated using the straight-line method over their estimated useful lives.

Exemption from income taxes

Living Lands & Waters is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code and similar state income tax laws. As such, contributions to the organization qualify as a charitable tax deduction by the contributor. The organization's tax returns for the years 2007 to 2010 are open to examination by federal, local, and state authorities.

Effective January 1, 2008, the organization adopted the provisions of FASB issued Interpretation No. 48, *Accounting for Uncertainty in Income Taxes: An Interpretation of FASB Statement No. 109*, ("FIN 48"). FIN 48 clarifies the accounting for uncertainty in income taxes recognized in an entity's financial statements in accordance with SFAS 109. FIN 48 prescribes a recognition threshold and measurement principles for the financial statement recognition and measurement of tax positions taken or expected to be taken on a tax return that are not certain to be realized. The implementation of FIN 48 had no impact on the entity's financial statements.

December 31, 2010

NOTE B – PREMISES AND EQUIPMENT

A summary of premises and equipment as of December 31, 2010 and 2009 is as follows:

	<u>2010</u>	<u>2009</u>
Boats, motors and trailers	\$ 628,563	\$ 498,935
Vehicles	157,411	157,345
Office and computer equipment	45,803	44,626
Other equipment	201,934	101,735
Leasehold improvements	<u>3,120</u>	<u>3,120</u>
	1,036,831	805,761
Less accumulated depreciation	<u>(673,029)</u>	<u>(662,062)</u>
	<u>\$ 363,802</u>	<u>\$ 143,699</u>

Depreciation expense for the years ended December 31, 2010 and 2009 was \$84,145 and \$77,414, respectively.

NOTE C – TEMPORARILY RESTRICTED NET ASSETS

Net assets were released from donor restrictions by incurring expenses satisfying the purpose specified by donors as follows:

<u>Purpose restriction accomplished:</u>	<u>2010</u>	<u>2009</u>
New barge construction	\$ 63,963	\$ -
Great Mississippi River Cleanup	81,000	-
Mississippi and Ohio River Cleanup	60,000	-
Tree Planting Project	-	10,000
Wisconsin River Flood Cleanup	-	35,000
Xstream Cleanup	<u>5,000</u>	<u>10,000</u>
Total restrictions released	<u>\$ 209,963</u>	<u>\$ 55,000</u>

Net assets that were temporarily restricted at December 31, 2010 consisted of the following:

<u>Purpose restriction:</u>	<u>2010</u>	<u>2009</u>
New barge construction	<u>\$ 736,037</u>	<u>\$ -</u>

NOTE D – PERMANENTLY RESTRICTED NET ASSETS

No permanently restricted net assets were noted at December 31, 2010 and 2009.

December 31, 2010

NOTE E – EMPLOYEE BENEFIT PLAN

The Organization provides retirement benefits under a defined contribution plan covering all full-time, part-time or seasonal employees who earn a minimum of \$450/year and who have completed three years or more of service. Under the plan, the Organization contributes up to 15 percent of each eligible employee's gross salary. The actual contribution percentage is determined annually by the Board of Directors. Plan expenses incurred by the Organization for the years ended December 31, 2010 and 2009 were \$30,000 for each year.

NOTE F – DONATED SERVICES AND MATERIALS

The organization receives donated services from a variety of unpaid volunteers assisting the organization in various community and river clean-up programs. No amounts have been recognized in the accompanying statement of activities because the criteria for recognition of such volunteer effort under SFAS No. 116 have not been satisfied.

For the years ended December 31, 2010 and 2009, equipment, refurbishing costs and direct services valued at \$122,970 and \$35,149, respectively, were donated to the organization and have been recognized in the organization's financial statements.

NOTE G – RELATED PARTY TRANSACTION / OPERATING LEASE

Effective March 1, 2007, Living Lands & Waters entered into a rental agreement with Chad M. Pregracke for the rental of its office, storage building and a portion of a house as a crew residence. Mr. Pregracke is the President of Living Lands & Waters. Rent payments made to Mr. Pregracke during the year ended December 31, 2010 totaled \$18,000. Minimum future rental payments are as follows:

<u>Year ended</u> <u>December 31</u>	<u>Amount</u>
2011	\$ 16,500
2012	<u>2,000</u>
Total minimum future rental payments	<u>\$ 18,500</u>

NOTE H – PRIOR PERIOD ADJUSTMENT

Subsequent to December 31, 2009, the organization determined that certain employees qualified for benefits that were not paid in prior years. That amount was properly accrued at December 31, 2009 and shown as a prior period adjustment.