

LIVING LANDS & WATERS

FINANCIAL REPORT

Years Ended

December 31, 2017 and 2016

LIVING LANDS & WATERS

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

Independent Auditor's Report

Report on the Financial Statements

I have audited the accompanying statements of financial position of Living Lands & Waters, (a nonprofit organization) as of December 31, 2017 and 2016, and the related statements of activities, functional expenses, and cash flows for the years ended December 31, 2017 and 2016.

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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audits. I conducted my audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that I 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, I 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 consolidated financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Living Lands & Waters as of December 31, 2017 and 2016, 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
May 15, 2018

Kent G. Kauer, CPA PC

LIVING LANDS & WATERS
STATEMENT OF FINANCIAL POSITION

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December 31, 2017 and 2016

ASSETS

| | 2017 | 2016 |
|-----------------------------------|---------------------|---------------------|
| Current assets: | | |
| Cash and cash equivalents | \$ 960,765 | \$ 856,011 |
| Unconditional promises to give | 35,000 | 70,000 |
| Inventory | 320 | 1,520 |
| | 996,085 | 927,531 |
| Premises and equipment (note B): | | |
| Boats/motors/trailers | 3,279,730 | 3,130,621 |
| Vehicles | 185,699 | 185,699 |
| Office and computer equipment | 40,793 | 40,793 |
| Computer software | 4,944 | 4,944 |
| Other equipment | 591,216 | 585,316 |
| Leasehold improvements | 66,395 | 66,395 |
| | 4,168,777 | 4,013,768 |
| Less: accumulated depreciation | (1,670,938) | (1,447,829) |
| | 2,497,839 | 2,565,939 |
| Other assets: | | |
| Prepaid and other assets | 41,107 | 57,044 |
| | 41,107 | 57,044 |
| Total Assets | \$ 3,535,031 | \$ 3,550,514 |
| LIABILITIES AND NET ASSETS | | |
| Current liabilities: | | |
| Accounts payable | \$ 1,955 | \$ 8,312 |
| Accrued expenses | 84,295 | 74,270 |
| Deferred income | - | - |
| Total current liabilities | 86,250 | 82,582 |
| Commitments and contingencies | - | - |
| Net assets: | | |
| Unrestricted | 3,400,707 | 3,379,318 |
| Temporarily restricted (note C) | 48,074 | 88,614 |
| Permanently restricted (note D) | - | - |
| Total net assets | 3,448,781 | 3,467,932 |
| Total Liabilities and Net Assets | \$ 3,535,031 | \$ 3,550,514 |

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

LIVING LANDS & WATERS
STATEMENT OF ACTIVITIES

Year ended December 31, 2017 (with comparative totals for 2016)

| | Unrestricted | Temporarily Restricted | Permanently Restricted | 2017 | 2016 |
|--|--------------|------------------------|------------------------|--------------|--------------|
| Revenue, Gains and Other Support: | | | | | |
| Contributions | \$ 1,632,749 | \$ 286,000 | \$ - | \$ 1,918,749 | \$ 1,699,271 |
| Grants | 11,000 | 3,500 | - | 14,500 | 17,776 |
| Service revenue | 25,000 | - | - | 25,000 | 25,000 |
| Investment income | 2,280 | - | - | 2,280 | 4,646 |
| Gain (loss) on sale of equipment | (7,000) | - | - | (7,000) | (88,148) |
| <u>Special events:</u> | | | | | |
| Event sales | - | - | - | - | 37,772 |
| Costs of sales | - | - | - | - | (59,082) |
| | - | - | - | - | (21,310) |
| <u>Merchandise sales:</u> | | | | | |
| Merchandise sales | 621 | - | - | 621 | 1,772 |
| Costs of sales | (591) | - | - | (591) | (1,268) |
| | 30 | - | - | 30 | 504 |
| Other revenue | 47,764 | - | - | 47,764 | 5,496 |
| Total revenues and gains | 1,711,823 | 289,500 | - | 2,001,323 | 1,643,235 |
| Net assets released from restrictions (note C): | | | | | |
| Satisfaction of purpose restrictions | 330,040 | (330,040) | - | - | - |
| | 2,041,863 | (40,540) | - | 2,001,323 | 1,643,235 |
| Expenses: | | | | | |
| <u>Program Services:</u> | | | | | |
| Waterway cleanup | 1,151,160 | - | - | 1,151,160 | 1,049,053 |
| Million Trees Project | 148,601 | - | - | 148,601 | 156,501 |
| Education - workshops | 124,349 | - | - | 124,349 | 133,911 |
| Great Mississippi River Cleanup | 28,618 | - | - | 28,618 | 47,684 |
| Community support | 21,205 | - | - | 21,205 | 23,026 |
| I-80 restoration | 70,073 | - | - | 70,073 | 4,748 |
| <u>Supporting Services:</u> | | | | | |
| Management and general | 352,866 | - | - | 352,866 | 334,981 |
| Fund raising | 123,602 | - | - | 123,602 | 140,774 |
| Total expenses | 2,020,474 | - | - | 2,020,474 | 1,890,678 |
| Change in net assets | 21,389 | (40,540) | - | (19,151) | (247,443) |
| Net assets at beginning of year | 3,379,318 | 88,614 | - | 3,467,932 | 3,715,375 |
| Net assets at end of year | \$ 3,400,707 | \$ 48,074 | \$ - | \$ 3,448,781 | \$ 3,467,932 |

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

LIVING LANDS & WATERS
STATEMENT OF FUNCTIONAL EXPENSES

Year ended December 31, 2017 (with comparative totals for 2016)

| | Program Services | | | | | | | Total Program Services |
|-----------------------------|-------------------------------|---------------------|----------------------------------|---------------------------------|---------------------|-----------------------|---------------------|------------------------|
| | Waterway Cleanup | Million Trees | Education-Workshops | Great Mississippi River Cleanup | Community Support | I-80 Restoration | Program Services | |
| Salaries and wages | \$ 279,655 | \$ 57,863 | \$ 94,015 | \$ 13,864 | \$ - | \$ - | \$ 445,397 | |
| Employee benefits | 48,685 | 11,379 | 19,479 | 2,756 | - | - | 82,299 | |
| Subtotal | 328,340 | 69,242 | 113,494 | 16,620 | - | - | 527,696 | |
| Contractual services | 31,425 | 480 | 150 | - | - | 19,870 | 51,925 | |
| Travel, food and lodging | 95,595 | 6,899 | 1,803 | 1,293 | - | 4,265 | 109,855 | |
| Operating supplies/expenses | 226,826 | 71,980 | 8,273 | 10,705 | - | 45,938 | 363,722 | |
| Repair expenses | 67,650 | - | - | - | - | - | 67,650 | |
| Insurance expense | 131,558 | - | - | - | - | - | 131,558 | |
| All other expenses | 57,398 | - | 629 | - | 21,205 | - | 79,232 | |
| Depreciation | 212,368 | - | - | - | - | - | 212,368 | |
| Total expenses | \$ 1,151,160 | \$ 148,601 | \$ 124,349 | \$ 28,618 | \$ 21,205 | \$ 70,073 | \$ 1,544,006 | |
| | Supporting Services | | | | | | | |
| | Management and General | Fund Raising | Total Supporting Services | | | Total Expenses | | |
| Salaries and wages | \$ 234,047 | \$ 73,570 | \$ 307,617 | 2017 | 2016 | \$ 753,014 | \$ 679,563 | |
| Employee benefits | 48,782 | 15,400 | 64,182 | 146,481 | 123,912 | 146,481 | 123,912 | |
| Subtotal | 282,829 | 88,970 | 371,799 | 899,495 | 803,475 | 899,495 | 803,475 | |
| Contractual services | 23,619 | 12,786 | 36,405 | 88,330 | 90,648 | 88,330 | 90,648 | |
| Travel, food and lodging | - | - | - | 109,855 | 84,680 | 109,855 | 84,680 | |
| Operating supplies/expenses | 35,677 | 21,846 | 57,523 | 421,245 | 361,429 | 421,245 | 361,429 | |
| Repair expenses | - | - | - | 67,650 | 72,272 | 67,650 | 72,272 | |
| Insurance expense | - | - | - | 131,558 | 131,983 | 131,558 | 131,983 | |
| All other expenses | - | - | - | 79,232 | 86,137 | 79,232 | 86,137 | |
| Depreciation | 10,741 | - | 10,741 | 223,109 | 260,054 | 223,109 | 260,054 | |
| Total expenses | \$ 352,866 | \$ 123,602 | \$ 476,468 | \$ 2,020,474 | \$ 1,890,678 | \$ 2,020,474 | \$ 1,890,678 | |

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

LIVING LANDS & WATERS
STATEMENT OF CASH FLOWS

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Years ended December 31, 2017 and 2016

| | 2017 | 2016 |
|---|-------------------|--------------|
| Cash flows from operating activities: | | |
| Change in Net Assets | \$ (19,151) | \$ (247,443) |
| Adjustments to reconcile change in net assets to net cash provided by operating activities: | | |
| Depreciation | 223,109 | 260,054 |
| Accounts receivable | 35,000 | (32,117) |
| Inventory | 1,200 | 6,210 |
| Prepaid insurance | 15,937 | 11,637 |
| Accounts payable | (6,357) | (1,472) |
| Accrued liabilities | 10,025 | 10,313 |
| Deferred income | - | (4,207) |
| Support restricted for fixed asset acquisition | - | - |
| Investment loss (income) restricted for long-term investment | (418) | (1,150) |
| Net (gain) loss on disposal of equipment | 7,000 | 88,148 |
| Net cash provided by operating activities | 266,345 | 89,973 |
| Cash flows from investing activities: | | |
| Proceeds from sale of equipment | - | 187,500 |
| Purchases of equipment | (162,009) | (233,528) |
| Net cash (used) by investing activities | (162,009) | (46,028) |
| Cash flows from financing activities: | | |
| Investment (loss) income restricted for long-term investment | 418 | 1,150 |
| Support restricted for fixed asset acquisition | - | - |
| Net cash provided (used) provided by financing activities | 418 | 1,150 |
| Increase (decrease) in cash and cash equivalents | 104,754 | 45,095 |
| Cash and cash equivalents, beginning of year | 856,011 | 810,916 |
| Cash and cash equivalents, end of year | \$ 960,765 | \$ 856,011 |
| Supplemental data: | | |
| Noncash investing and financing activities: | | |
| Gifts of equipment/services | \$ 71,048 | \$ 193,084 |

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

December 31, 2017

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Date of Management's Review of Subsequent Events

Management has evaluated subsequent events through May 15, 2018, 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, IL. Its purpose is to aid in the protection, preservation, and restoration of the natural environment of our nation's major rivers and their watersheds; to expand awareness of environmental issues and responsibility encompassing our rivers; and to create a desire and opportunity for citizens to take an active role in helping to make a cleaner river environment. Living Lands & Waters has removed over 9.78 MILLION POUNDS of debris that had been impairing fish, bird and wildlife habitat and polluting our waters. Together with a volunteer force of nearly 96,451 volunteers, the Living Lands & Waters team has helped clean-up 24 rivers in 21 states.

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.

December 31, 2017

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

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.

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 2015 to 2017 are open to examination by federal, local, and state authorities.

December 31, 2017

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

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.

NOTE B – PREMISES AND EQUIPMENT

A summary of premises and equipment as of December 31, 2017 and 2016 is as follows:

| | <u>2017</u> | <u>2016</u> |
|-------------------------------|---------------------|---------------------|
| Boats, motors and trailers | \$ 3,279,730 | \$ 3,130,621 |
| Vehicles | 185,699 | 185,699 |
| Office and computer equipment | 40,793 | 40,793 |
| Computer software | 4,944 | 4,944 |
| Other equipment | 591,216 | 585,316 |
| Leasehold improvements | <u>66,395</u> | <u>66,395</u> |
| | 4,168,777 | 4,013,768 |
| Less accumulated depreciation | <u>(1,670,938)</u> | <u>(1,447,829)</u> |
| | <u>\$ 2,497,839</u> | <u>\$ 2,565,939</u> |

Depreciation expense for the years ended December 31, 2017 and 2016 were \$223,109 and \$260,054, 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>2017</u> | <u>2016</u> |
|--|-------------------|------------------|
| Quad City Area cleanup | \$ 35,000 | \$ 35,000 |
| Education programs | 28,500 | - |
| Mississippi River basin beautification and education projects | 53,500 | - |
| Ohio River cleanup | 56,500 | - |
| Tree Planting Project | 145,540 | 13,040 |
| Tennessee Valley Cleanup | 10,000 | - |
| Marine Challenge Cleanup | <u>1,000</u> | <u>-</u> |
| Total restrictions released | <u>\$ 330,040</u> | <u>\$ 48,040</u> |

December 31, 2017

NOTE C – TEMPORARILY RESTRICTED NET ASSETS, CONTINUED

Net assets that were temporarily restricted at December 31, 2017 and 2016 consisted of the following:

| <u>Purpose restriction:</u> | <u>2017</u> | <u>2016</u> |
|------------------------------|------------------|------------------|
| Quad City Events | \$ 35,000 | \$ 70,000 |
| Tree Planting Project | 13,074 | 18,614 |
| Total temporarily restricted | <u>\$ 48,074</u> | <u>\$ 88,614</u> |

NOTE D – PERMANENTLY RESTRICTED NET ASSETS

No permanently restricted net assets were noted at December 31, 2017 and 2016.

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 three years or more of service. Under the plan, the Organization contributed 8.63 percent of each eligible employee's gross salary for 2017. The actual contribution percentage is determined annually by the Board of Directors. Plan expenses incurred by the Organization for the years ended December 31, 2017 and 2016 were \$53,607 and \$46,000, respectfully.

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, 2017 and 2016, equipment, refurbishing costs and direct services valued at \$71,048 and \$193,084 respectively, were donated to the organization and have been recognized in the organization's financial statements.

December 31, 2017

NOTE G – RELATED PARTY TRANSACTION / OPERATING LEASE

Living Lands & Waters has entered into rental agreements 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, 2017 totaled \$25,200. Minimum future rental payments are as follows:

| <u>Year ended</u> <u>December 31</u> | <u>Amount</u> |
|---|---------------|
| 2018 | \$ 23,401 |
| 2019 | 18,000 |
| 2020 | 3,000 |