

LIVING LANDS & WATERS

FINANCIAL REPORT

Years Ended

December 31, 2022 and 2021

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, 2022 and 2021, and the related statements of activities, functional expenses, and cash flows for the years ended December 31, 2022 and 2021.

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, 2022 and 2021, 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 8, 2023

Kent G. Klaus, CPA PC

LIVING LANDS & WATERS
STATEMENT OF FINANCIAL POSITION

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December 31, 2022 and 20201

	2022	2021
Assets:		
Cash and cash equivalents	\$ 2,256,164	\$ 1,712,837
Contributions receivable	-	-
Inventories and prepaid expenses	34,040	34,676
Land, buildings, and equipment	2,241,829	1,919,389
Other assets	49,986	49,508
Total assets	\$ 4,582,019	\$ 3,716,410
Liabilities and net assets:		
Accounts payable	\$ 981	\$ (491)
Accrued expenses	99,162	96,007
Deferred income	-	10,043
Total liabilities	100,143	105,559
Net assets:		
Without donor restrictions (note C)	4,479,389	3,599,909
Donor restricted (note C)	2,487	10,942
Total net assets	4,481,876	3,610,851
Total liabilities and net assets	\$ 4,582,019	\$ 3,716,410

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

LIVING LANDS & WATERS
STATEMENT OF ACTIVITIES

Year ended December 31, 2022 (with comparative totals for 2021)

	Without Donor Restrictions	With Donor Restrictions	Total	
			2022	2021
Revenue, gains and other support:				
Contributions	\$ 2,934,886	\$ -	\$ 2,934,886	\$ 2,146,928
Grants	150,000	-	150,000	5,000
Service revenue	-	-	-	30,000
Investment return, net	1,741	-	1,741	7,146
Gain (loss) on sale of equipment	156,901	-	156,901	-
Payroll protection program loan forgiven	-	-	-	189,500
Other income	14,488	-	14,488	24,633
Net assets released from restrictions (note C):				
Satisfaction of purpose restrictions	8,455	(8,455)	-	-
Total revenues, gains, and other support	3,266,471	(8,455)	3,258,016	2,403,207
Expenses:				
Waterway cleanup	1,442,737	-	1,442,737	1,286,482
Reforestation	275,226	-	275,226	286,010
Education - workshops	107,529	-	107,529	60,067
Great Mississippi River Cleanup	5,339	-	5,339	17,906
Community support	17,156	-	17,156	5,784
I-80 restoration	161,033	-	161,033	168,028
Management and general	261,068	-	261,068	263,754
Fundraising	116,903	-	116,903	115,346
Total expenses	2,386,991	-	2,386,991	2,203,377
Change in net assets	879,480	(8,455)	871,025	199,830
Net assets at beginning of year	3,599,909	10,942	3,610,851	3,411,021
Net assets at end of year	\$ 4,479,389	\$ 2,487	\$ 4,481,876	\$ 3,610,851

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

LIVING LANDS & WATERS
STATEMENT OF FUNCTIONAL EXPENSES

Year ended December 31, 2022 (with comparative totals for 2021)

	Program Services						Total Program Services
	Waterway Cleanup	Reforestation	Education-Workshops	Great Mississippi River Cleanup	Community Support	I-80 Restoration	
Salaries and wages	\$ 370,877	\$ 85,602	\$ 85,983	\$ 3,827	\$ -	\$ 75,584	\$ 621,873
Employee benefits	49,223	14,077	14,030	471	-	12,245	90,046
Subtotal	<u>420,100</u>	<u>99,679</u>	<u>100,013</u>	<u>4,298</u>	<u>-</u>	<u>87,829</u>	<u>711,919</u>
Contractual services	49,311	-	-	-	-	39,590	88,901
Travel, food and lodging	83,646	30,350	1,789	182	-	7,823	123,790
Operating supplies/expenses	396,997	145,197	3,984	859	-	25,791	572,828
Repair expenses	76,025	-	-	-	-	-	76,025
Insurance expense	142,308	-	-	-	-	-	142,308
All other expenses	66,716	-	1,743	-	17,156	-	85,615
Depreciation	207,634	-	-	-	-	-	207,634
Total expenses	<u>\$ 1,442,737</u>	<u>\$ 275,226</u>	<u>\$ 107,529</u>	<u>\$ 5,339</u>	<u>\$ 17,156</u>	<u>\$ 161,033</u>	<u>\$ 2,009,020</u>
	Supporting Services						
	Management and General	Fund Raising	Total Supporting Services				
Salaries and wages	\$ 144,517	\$ 66,524	\$ 211,041				
Employee benefits	27,085	12,467	39,552				
Subtotal	<u>171,602</u>	<u>78,991</u>	<u>250,593</u>				
Contractual services	50,637	17,531	68,168				
Travel, food and lodging	-	-	-				
Operating supplies/expenses	34,163	20,381	54,544				
Repair expenses	-	-	-				
Insurance expense	-	-	-				
All other expenses	375	-	375				
Depreciation	4,291	-	4,291				
Total expenses	<u>\$ 261,068</u>	<u>\$ 116,903</u>	<u>\$ 377,971</u>				
	Total Expenses						
							2021
							2022
							\$ 832,914
							\$ 129,598
							<u>962,512</u>
							157,069
							123,790
							627,372
							76,025
							142,308
							85,990
							211,925
							<u>\$ 2,386,991</u>
							<u>\$ 2,203,377</u>

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, 2022 and 2021

	2022	2021
Cash flows from operating activities:		
Change in Net Assets	\$ 871,025	\$ 199,830
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	211,925	228,807
Accounts receivable	-	-
Inventory	636	62,690
Prepaid insurance	(478)	(3,509)
Accounts payable	1,472	(731)
Accrued liabilities	3,155	7,008
Deferred income	(10,043)	10,043
Investment loss (income) restricted for long-term investment	2,239	(2,209)
Net (gain) loss on sale of equipment	(156,901)	-
Net cash provided by operating activities	923,030	501,929
Cash flows from investing activities:		
Proceeds on sale of equipment	313,200	-
Purchases of equipment	(690,664)	(93,728)
Net cash (used) by investing activities	(377,464)	(93,728)
Cash flows from financing activities:		
Loans received (Payroll Protection Program)	-	(189,500)
Investment (loss) income restricted for long-term investment	(2,239)	2,209
Net cash provided (used) provided by financing activities	(2,239)	(187,291)
Increase (decrease) in cash and cash equivalents	543,327	220,910
Cash and cash equivalents, beginning of year	1,712,837	1,491,927
Cash and cash equivalents, end of year	\$ 2,256,164	\$ 1,712,837
Supplemental data:		
Noncash investing and financing activities:		
Gifts of equipment/services	\$ 456,224	\$ 87,639

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

December 31, 2022

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Date of Management's Review of Subsequent Events

Management has evaluated subsequent events through May 8, 2023, 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 12 million pounds of debris that had been impairing fish, bird and wildlife habitat and polluting our waters. Together with a substantial volunteer force, the Living Lands & Waters team has helped clean-up 25 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

The 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

Net assets, revenues and releases from restriction are classified based on the existence or absence of donor or board-imposed restrictions. Accordingly, the net assets of Living Lands & Waters and the changes therein are classified and reported in two categories of net assets.

December 31, 2022

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Without donor restrictions - Net assets that are not subject to donor-imposed restrictions, including the net investment in fixed assets, gifts with no donor restriction and current funds without donor restriction.

With donor restrictions - Net assets that are restricted by a donor for use for a specific purpose or in a future period. Some donor-imposed restrictions are temporary in nature, and the restriction will expire when the resources are used in accordance with the donor's instructions or when the stipulated time has passed.

Other donor-imposed restrictions on net assets included in this category are permanent in nature. These net assets have been restricted by donors to be maintained by Living Lands & Waters either in perpetuity or until released by specific action by the Living Lands & Waters' Board of Directors in accordance with applicable law. Living Lands & Waters' unspent contributions are included in this class if the donor limited their use, as are its donor-restricted endowment funds.

When a donor's restriction is satisfied, either by using the resources in the manner specified by the donor or by the passage of time, the expiration of the restriction is reported in the financial statements by reclassifying the net assets from net assets with donor restrictions to net assets without donor restrictions.

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.

December 31, 2022

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Contributions

Gifts of cash and other assets received without donor stipulations are reported as revenue and net assets without donor restriction. Gifts received with a donor stipulation that limits their use are reported as revenue and net assets with donor restriction. When a donor-stipulated time restriction ends, or purpose restriction is accomplished, donor-restricted net assets are reclassified to net assets without donor restriction and reported in the statement of activities as net assets released from restrictions. Gifts that are originally restricted by the donor and for which the restriction is met in the same time period are recorded as with donor restriction and then released from restriction.

Gifts of land, buildings, equipment and other long-lived assets are reported as revenue and net assets without donor restriction, unless explicit donor stipulations specify how such assets must be used, in which case the gifts are reported as revenue and net assets with donor restriction. Absent explicit donor stipulations for the time long-lived assets must be held, expirations of restrictions resulting in reclassification of net assets with donor restriction to net assets without donor restriction are reported when the long-lived assets are placed in service.

Unconditional gifts expected to be collected within one year are reported at their net realizable value. Amounts expected to be collected in future years are recorded at the present value of estimated future cash flows. The discounts on those pledges are computed using an interest rate for the year in which the promise was received and considers market and credit risk as applicable. Subsequent years' accretion of the discount is included in contribution revenue.

Conditional gifts depend on the occurrence of a specified future and uncertain event to bind the potential donor and are recognized as assets and revenue when the conditions are substantially met, and the gift becomes unconditional. No conditional gifts or pledges for which conditions had not been substantially met were recorded in 2022.

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 2019 to 2022 are open to examination by federal, local, and state authorities.

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, 2022

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Functional allocation of expenses

The costs of supporting the various programs and other activities have been summarized on a functional basis in the statement of activities. Costs that can be identified with a specific program or support service are charged directly to that program or support service. Costs common to multiple functions have been allocated among the program services, management and general and fundraising categories based on time and effort measurements and other methods:

- Staff costs are allocated based on time and effort.
- Management and general expenses include costs not identifiable with any specific program, but which provide for the overall support and direction of Living Lands & Waters.
- Fundraising costs are expensed as incurred even though they may result in contributions received in future years.

NOTE B – PREMISES AND EQUIPMENT

A summary of premises and equipment as of December 31, 2022 and 2021 is as follows:

	<u>2022</u>	<u>2021</u>
Boats, motors, and trailers	\$ 3,653,202	\$ 3,534,162
Vehicles	250,664	230,130
Office and computer equipment	53,558	40,793
Other equipment	617,800	630,708
Leasehold improvements	<u>74,660</u>	<u>74,660</u>
	4,649,884	4,510,453
Less accumulated depreciation	<u>(2,408,055)</u>	<u>(2,591,064)</u>
	<u>\$ 2,241,829</u>	<u>\$ 1,919,389</u>

Depreciation expense for the years ended December 31, 2022 and 2021 were \$211,925 and \$228,807 respectively.

NOTE C –NET ASSETS

As of December 31, 2022, net assets with donor restrictions are restricted for the following purposes or periods.

Subject to expenditure for specified purpose:	
Tree planting project	<u>\$ 2,487</u>

December 31, 2022

NOTE C – NET ASSETS, CONTINUED

As of December 31, 2022, net assets not subject to donor restrictions totaled \$4,479,389.

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes by the expiration of a time restriction or by occurrence of other events specified by donors.

Purpose restrictions accomplished:

Million trees project \$ 8,455

NOTE D – 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 \$750/year and who have three years or more of service. Under the plan, the Organization contributed 10.113 percent of each eligible employee's gross salary for 2022. The actual contribution percentage is determined annually by the Board of Directors. Plan expenses incurred by the Organization for the years ended December 31, 2022 and 2021 were \$58,000 and \$58,000, respectfully.

NOTE E – 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, 2022 and 2021, equipment, refurbishing costs and direct services valued at \$456,224 and \$87,639 respectively, were donated to the organization and have been recognized in the organization's financial statements.

NOTE F – 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, 2022 totaled \$25,200. Minimum future rental payments are as follows:

<u>Year ended</u> <u>December 31</u>	<u>Amount</u>
2023	\$ 25,200
2024	8,400