



PASQUESI  
SHEPPARD LLC

ACCOUNTANTS AND CONSULTANTS

**THE WETLANDS INITIATIVE**

**FINANCIAL STATEMENTS  
DECEMBER 31, 2015 AND 2014**

**TOGETHER WITH INDEPENDENT  
AUDITOR'S REPORT**





PASQUESI  
SHEPPARD LLC

ACCOUNTANTS AND CONSULTANTS

INDEPENDENT AUDITOR'S REPORT

TO THE BOARD OF DIRECTORS OF  
THE WETLANDS INITIATIVE

We have audited the accompanying financial statements of THE WETLANDS INITIATIVE (a non-profit corporation), which comprise the statements of financial position as of December 31, 2015 and 2014, and the related statements of activities, functional expenses, 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 audits 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 WETLANDS INITIATIVE as of December 31, 2015 and 2014, 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.

A handwritten signature in cursive script that reads "Pasquesi Sheppard LLC".

Pasquesi Sheppard LLC  
Lake Forest, Illinois  
May 12, 2016

THE WETLANDS INITIATIVE

STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2015 AND 2014

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	<u>2015</u>	<u>2014</u>
<b><u>ASSETS</u></b>		
<b>CURRENT ASSETS:</b>		
Cash and cash equivalents	\$ 925,084	\$ 490,897
Accounts receivable	35,444	15,384
Pledges receivable	293,750	352,975
Grants receivable	247,500	256,186
Notes receivable	897,416	897,416
Investments	2,688	-
Land held for sale	-	511,949
Prepaid expenses	24,699	16,050
Total current assets	<u>\$ 2,426,581</u>	<u>\$ 2,540,857</u>
<b>LAND AND EQUIPMENT :</b>		
Land	\$ 1,871,955	\$ 1,871,955
Land and building improvements	830,130	675,410
Office equipment	67,308	60,161
Equipment	54,088	31,828
Vehicles	100,080	100,080
	<u>\$ 2,923,561</u>	<u>\$ 2,739,434</u>
Less — Accumulated depreciation	319,074	280,084
Total land and equipment, net	<u>\$ 2,604,487</u>	<u>\$ 2,459,350</u>
<b>OTHER ASSETS:</b>		
Long-term pledges receivable	\$ 1,861,381	\$ 2,036,859
Long-term grants receivable	-	168,000
Total other assets	<u>\$ 1,861,381</u>	<u>\$ 2,204,859</u>
Total assets	<u>\$ 6,892,449</u>	<u>\$ 7,205,066</u>

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

THE WETLANDS INITIATIVE

STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2015 AND 2014

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LIABILITIES AND NET ASSETS

	<u>2015</u>	<u>2014</u>
<b>CURRENT LIABILITIES:</b>		
Current portion of notes payable	\$ 57,024	\$ 354,449
Accounts payable	67,364	66,022
Accrued expenses	40,795	38,781
Deferred revenue	8,333	9,833
Total current liabilities	<u>\$ 173,516</u>	<u>\$ 469,085</u>
<b>NON-CURRENT LIABILITIES:</b>		
Notes payable, net of current portion shown above	<u>\$ 720,859</u>	<u>\$ 777,884</u>
Total liabilities	<u>\$ 894,375</u>	<u>\$ 1,246,969</u>
<b>NET ASSETS:</b>		
Unrestricted	\$ 3,104,116	\$ 3,104,323
Temporarily restricted	<u>2,893,958</u>	<u>2,853,774</u>
Total net assets	<u>\$ 5,998,074</u>	<u>\$ 5,958,097</u>
Total liabilities and net assets	<u><u>\$ 6,892,449</u></u>	<u><u>\$ 7,205,066</u></u>

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

THE WETLANDS INITIATIVE

STATEMENTS OF ACTIVITIES

FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

<u>UNRESTRICTED NET ASSETS</u>	<u>2015</u>	<u>2014</u>
<b>REVENUES:</b>		
Program grants	\$ 357,688	\$ 1,653,933
Contributions	482,145	475,648
Contributions, in-kind	25,425	647
Rental income	91,452	52,852
Interest and dividends	128	166
Event income	55,540	2,215
Program fees	65,395	29,207
Miscellaneous income	726	575
Realized and unrealized loss on investments	(15,552)	(617)
	<u>\$ 1,062,947</u>	<u>\$ 2,214,626</u>
Net assets released from restrictions	536,513	550,457
	<u>\$ 1,599,460</u>	<u>\$ 2,765,083</u>
<b>EXPENSES:</b>		
Program services	\$ 1,263,629	\$ 1,231,336
Management and general	149,354	153,204
Fundraising expense	186,684	125,694
	<u>\$ 1,599,667</u>	<u>\$ 1,510,234</u>
Increase (decrease) in unrestricted net assets	<u>\$ (207)</u>	<u>\$ 1,254,849</u>
<b><u>TEMPORARILY RESTRICTED NET ASSETS</u></b>		
Capital campaign	\$ -	\$ 13,979
Program grants	576,697	2,601,275
Net assets released from restrictions	(536,513)	(550,457)
	<u>\$ 40,184</u>	<u>\$ 2,064,797</u>
<b>INCREASE IN NET ASSETS</b>	<u>\$ 39,977</u>	<u>\$ 3,319,646</u>
<b>NET ASSETS AT BEGINNING OF YEAR</b>	<u>5,958,097</u>	<u>2,638,451</u>
<b>NET ASSETS AT END OF YEAR</b>	<u><u>\$ 5,998,074</u></u>	<u><u>\$ 5,958,097</u></u>

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

THE WETLANDS INITIATIVE

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED DECEMBER 31, 2015

<u>Expense Account</u>	<u>Programs</u>	<u>General and Administrative</u>	<u>Fundraising Expense</u>	<u>Total</u>
Salaries	\$ 605,239	\$ 84,311	\$ 85,260	\$ 774,810
Payroll taxes and benefits	118,596	16,521	16,707	151,824
Temporary labor	-	-	225	225
Supplies	187,306	-	118	187,424
Equipment rental	11,749	467	-	12,216
Repairs and maintenance	3,674	-	-	3,674
Telephone	7,778	432	432	8,642
Office expense	4,135	2,185	3,258	9,578
Reproduction and maps	639	1,505	1,944	4,088
Publications	2,356	-	9,010	11,366
Rent	63,039	7,004	-	70,043
General liability insurance	23,386	2,598	-	25,984
Project expense - In Kind	-	-	1,911	1,911
Levee District fees	5,873	-	-	5,873
Postage and delivery	3,365	673	2,692	6,730
Meetings and seminars	1,879	-	-	1,879
Contractors	87,828	-	6,286	94,114
Professional fees	7,620	30,688	345	38,653
Professional fees - In Kind	10,296	188	-	10,484
Event expense	-	-	55,447	55,447
Meals and travel	21,480	752	772	23,004
Depreciation	43,398	-	-	43,398
Utilities - Morine House-Hennepin	2,797	-	-	2,797
Real estate taxes	5,319	-	-	5,319
Interest	43,949	-	-	43,949
Miscellaneous	1,928	2,030	2,277	6,235
Total functional expenses at December 31, 2015	<u>\$ 1,263,629</u>	<u>\$ 149,354</u>	<u>\$ 186,684</u>	<u>\$ 1,599,667</u>

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

THE WETLANDS INITIATIVE

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED DECEMBER 31, 2014

<u>Expense Account</u>	<u>Programs</u>	<u>General and Administrative</u>	<u>Fundraising Expense</u>	<u>Total</u>
Salaries	\$ 640,471	\$ 87,643	\$ 83,681	\$ 811,795
Payroll taxes and benefits	113,554	15,539	14,836	143,929
Supplies	176,400	30	2,027	178,457
Repairs and maintenance	9,584	-	-	9,584
Telephone	6,766	376	376	7,518
Office expense	152	5,730	3,911	9,793
Reproduction and maps	948	1,012	850	2,810
Publications	-	-	11,082	11,082
Rent	61,175	6,797	-	67,972
General liability insurance	20,721	2,302	-	23,023
Levee District fees	4,371	-	-	4,371
Postage and delivery	3,055	611	2,444	6,110
Meetings and seminars	2,204	-	3,787	5,991
Contractors	60,724	165	1,112	62,001
Professional fees	666	25,865	871	27,402
Event expense	13,156	4,306	717	18,179
Meals and travel	20,514	1,512	-	22,026
Depreciation	40,538	-	-	40,538
Utilities - Morine House-Hennepin	2,898	-	-	2,898
Real estate taxes	2,771	-	-	2,771
Interest	45,224	-	-	45,224
Bad debt expense	3,842	-	-	3,842
Miscellaneous	1,602	1,316	-	2,918
Total functional expenses at December 31, 2014	<u>\$ 1,231,336</u>	<u>\$ 153,204</u>	<u>\$ 125,694</u>	<u>\$ 1,510,234</u>

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



**THE WETLANDS INITIATIVE**

**STATEMENTS OF CASH FLOWS**

**FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014**

	<u>2015</u>	<u>2014</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Increase in net assets	\$ 39,977	\$ 3,319,646
Adjustments to reconcile increase in net assets to net cash provided by operating activities –		
Depreciation	43,398	40,538
Realized and unrealized loss	15,552	617
Impact on cash and cash equivalents from changes in –		
Receivables	391,329	(2,130,435)
Prepaid expenses	(8,649)	(1,109)
Accounts payable	1,342	(1,795)
Accrued expenses	2,014	3,796
Deferred revenue	(1,500)	1,500
Net cash provided by operating activities	<u>\$ 483,463</u>	<u>\$ 1,232,758</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Proceeds from sale of investments	\$ 77,387	\$ 82,768
Contributions of investments	(79,478)	(83,386)
Sales of property and equipment	495,800	-
Purchases of property and equipment	(188,535)	(1,617,513)
Net cash provided by (used for) investing activities	<u>\$ 305,174</u>	<u>\$ (1,618,131)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Proceeds from notes payable	\$ -	\$ 300,000
Payments on notes payable	(354,450)	(67,599)
Net cash provided by (used for) financing activities	<u>\$ (354,450)</u>	<u>\$ 232,401</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<u>\$ 434,187</u>	<u>\$ (152,972)</u>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	<u>490,897</u>	<u>643,869</u>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<u><u>\$ 925,084</u></u>	<u><u>\$ 490,897</u></u>

**SUPPLEMENTARY INFORMATION**

Cash paid during the period for interest	<u>\$ 42,199</u>	<u>\$ 45,224</u>
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The accompanying notes are an integral part of these financial statements.

**THE WETLANDS INITIATIVE**

**NOTES TO FINANCIAL STATEMENTS**

**DECEMBER 31, 2015 AND 2014**

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**(1) DESCRIPTION OF THE ORGANIZATION:**

The Wetlands Initiative (the Initiative) is an Illinois non-profit corporation dedicated to restoring the wetland resources of the Midwest to improve water quality, increase wildlife habitat and biodiversity, and reduce flood damages. The Initiative's goal is to design, research, and implement wetland restoration strategies that can be replicated on a large-scale.

Its primary sources of funding are contributions from public and private donors and government grants.

**(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:**

The financial statements of the Initiative have been prepared on the accrual basis of accounting. The following is a summary of the major accounting policies and practices of the Initiative, which affect significant elements of the accompanying financial statements:

**Basis of Presentation** –

The Initiative reports 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.

Unrestricted net assets represent funds which are available for the Initiative to utilize, at the discretion of management and the Board of Directors, in any of its programs or supporting services.

Temporarily restricted net assets are comprised of funds which are restricted by donors for specific purposes and/or time periods. At December 31, 2015 and 2014, temporarily restricted net assets consisted of cash and receivables. See Note 9 for additional information on the composition of temporarily restricted net assets.

Permanently restricted net assets include contributions which donors have specified must be maintained in perpetuity. The related income may be expended for such purposes as specified by the donor. There were no permanently restricted net assets as of December 31, 2015 and 2014.

**THE WETLANDS INITIATIVE**

**NOTES TO FINANCIAL STATEMENTS**

**DECEMBER 31, 2015 AND 2014**

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**Cash and Cash Equivalents** —

For purposes of the statements of cash flows, the Initiative considers all unrestricted, highly liquid investments with an initial maturity of three months or less to be cash equivalents. At various times in the course of its operations, the Initiative's cash balance will include restricted funds that have been received, but not yet expended for short-term costs.

**Pledges, Grants, and Accounts Receivable** —

The Initiative uses the direct write-off method for receivables which are deemed uncollectible. Management annually considers the need for an allowance for doubtful accounts, based on historical collections, knowledge of donors, etc. No allowance was deemed necessary as of December 31, 2015 or 2014. The Initiative incurred zero direct write-offs in 2015 and \$3,842 in 2014.

**Contributions** —

The Initiative receives contributions from both public and private sources. In the year that they were made, the Initiative recognizes the full amount of the contributions, grants, and bequests received as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions.

The Initiative reports gifts of cash and other assets as temporarily restricted if they are received with donor stipulations that limit the use of donated assets. When a donor restriction expires, or a stipulated time restriction ends, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions. The Initiative records donor-restricted contributions whose restrictions are met in the same reporting period as unrestricted support. Unrestricted contributions of long-lived assets and cash to acquire long-lived assets are treated as unrestricted when the acquired assets are placed in service.

The Initiative records non-cash contributions and contributions in-kind at their estimated fair market value at the date of the contribution.

Contributions to be received after one year are discounted at an appropriate discount rate commensurate with the risk involved. Amortization of the discount is recorded as additional contribution or grant revenue in accordance with donor-imposed restrictions, if any, on the contribution or grant.

## THE WETLANDS INITIATIVE

### NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2015 AND 2014

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#### Functional Expenses —

The Initiative incurs costs that provide program, fundraising, and general and administrative benefit. Directly identifiable expenses are charged to programs and supporting services. Expenses related to more than one function are charged to programs and support services based on periodic time and expense studies.

#### Land and Equipment —

Land and equipment are stated at cost, if purchased and at estimated fair market value at the date of the gift, if donated. Depreciation is computed on a straight-line basis over the estimated lives of the respective assets, which range from 5 to 39 years. The Initiative does not capitalize items valued at less than \$850.

In 2001 a majority of the land owned by the Initiative became subject to a federal grant agreement. The Initiative holds all rights pertaining to the land, but is bound to the contract's terms regarding its use, disposition, or encumbrance.

#### Tax-Exempt Status and Income Taxes —

The Initiative is a not-for-profit entity as described in Section 501(c)(3) of the Internal Revenue Code and is exempt from federal income taxes on related income. It is also exempt from state income taxes for related income and qualifies for charitable contribution deductions in regard to its donors. The Initiative would be subject to both federal and state taxes on unrelated business income, though it did not have any for 2015 and 2014.

As of December 31, 2015 and 2014, the Initiative did not have any uncertain tax positions that it is obligated to disclose. Additionally, there were no returns under review or open to review by taxing authorities in excess of statutory periods. The Initiative follows a conservative approach of research and open disclosure with regard to its tax-exempt status and positions held.

#### Financial Instruments —

Financial instruments, which potentially subject the Initiative to concentrations of credit risk, consist primarily of cash and receivables. The Initiative maintains one or more cash accounts which, at various times throughout the year, may minimally exceed the federally insured limits. The Initiative has not experienced any losses, and management believes it is not exposed to any significant credit risk on cash.

**THE WETLANDS INITIATIVE**

**NOTES TO FINANCIAL STATEMENTS**

**DECEMBER 31, 2015 AND 2014**

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Concentrations of credit risk, with respect to receivables, are related to grants and contributions being promised to the Initiative over multiple years. The Initiative discounts the balances based on the time period the donor anticipates on paying. Any losses from contributions are reflected in the financial statements and have been within management's expectations.

**Use of Estimates** –

In preparing financial statements, in conformity with U.S. generally accepted accounting principles, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**(3) INVESTMENTS:**

The Initiative carries investments in equity and debt securities at their fair values in the statements of financial position. At December 31, 2015, the Initiative held \$2,688 of stock that was donated during the year. At December 31, 2014, there were no investments held by the Initiative.

Unless otherwise restricted by a donor or other regulatory body, investment gains or losses and income are reported as unrestricted income.

**(4) NOTES RECEIVABLE:**

The Initiative holds a demand promissory note agreement with each of the Duck Entities (Note 15). The notes bear no interest and carry a total balance of \$897,416 at December 31, 2015 and 2014. The notes were considered current as of December 31, 2014, as the Duck Entities were expected to repay the promissory notes in 2015. The notes are still considered current as of December 31, 2015, as the Duck Entities intend to repay the promissory notes in 2016.

**THE WETLANDS INITIATIVE**

**NOTES TO FINANCIAL STATEMENTS**

**DECEMBER 31, 2015 AND 2014**

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**(5) GRANTS AND PLEDGES RECEIVABLE:**

The present values of grants and pledges receivable at December 31, 2015 and 2014, were calculated using a discount rate of 3.27%. The Initiative amortizes the discount for each gift at a consistent rate over the long-term life of the gift. Grants and pledges receivable expected to be collected at year-end were as follows:

	<b><u>2015</u></b>	<b><u>2014</u></b>
Less than one year	\$ 541,250	\$ 609,161
One to five years	1,000,000	1,168,000
Greater than five years	1,250,000	1,500,000
Discount	<u>(388,619)</u>	<u>(463,141)</u>
Total	<u>\$ 2,402,631</u>	<u>\$ 2,814,020</u>
	<b><u>2015</u></b>	<b><u>2014</u></b>
Current pledges receivable	\$ 293,750	\$ 352,975
Current grants receivable	247,500	256,186
Noncurrent pledges receivable	1,861,381	2,036,859
Noncurrent grants receivable	<u>-</u>	<u>168,000</u>
	<u>\$ 2,402,631</u>	<u>\$ 2,814,020</u>

**(6) PURCHASE OF LAND:**

On December 17, 2014, the Initiative purchased roughly 417 acres of land in Hennepin, IL for \$1,596,955. The Initiative subsequently split this land into two parcels. The first parcel, roughly 283 acres, is intended for restoration and will be known going forward as "Hickory Hollow". The second parcel, roughly 134 acres located in Putnam County, was classified as held for sale, and actively marketed. On April 10, 2015, the second parcel was sold for \$495,800, and the proceeds were used to pay off the Conservation Fund Loan (see Note 8). In addition, the Initiative received a Conservation Easement on a portion of the sold property. No value has been assigned to the Conservation Easement in the financial statements.

**THE WETLANDS INITIATIVE**

**NOTES TO FINANCIAL STATEMENTS**

**DECEMBER 31, 2015 AND 2014**

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**(7) LINE OF CREDIT:**

On March 20, 2015, the Initiative entered into a line of credit agreement with a financial institution for \$150,000. The line bears interest at a rate of prime plus 1% (4.50% at December 31, 2015). The line of credit contains various restrictions and covenants. At December 31, 2015, the Initiative had zero borrowings outstanding under the line and was in compliance with all loan restrictions and covenants.

**(8) NOTES PAYABLE:**

On August 31, 2012, the Initiative entered into a loan agreement with a financial institution for \$1,000,000. The note is set to expire August 14, 2017, with interest being charged monthly at 4.75%. The balance at December 31, 2015 and 2014 was \$777,883 and \$832,333, respectively.

On December 17, 2014, the Initiative entered into a loan agreement with The Conservation Fund for \$300,000 to help finance the purchase of the Hickory Hollow land. The note was set to expire on December 16, 2015, with interest being charged at 3.25% and due upon maturity of the loan. On April 10, 2015, the Initiative sold the land held for sale and used the proceeds to pay off the Conservation Fund Loan.

As of December 31, 2015 and 2014, future maturities of notes payable were as follows:

	<b><u>2015</u></b>	<b><u>2014</u></b>
2015	\$ -	\$ 354,449
2016	57,024	57,025
2017	<u>720,859</u>	<u>720,859</u>
Total	<u>\$ 777,883</u>	<u>\$ 1,132,333</u>

The bank note is secured by approximately \$250,000 in cash held in a savings account at the financial institution noted above and personal guarantees totaling \$375,000 from five members of the Initiative's Board. The note contains various restrictions and covenants. At December 31, 2015 and 2014, the Initiative was in compliance with the various restrictions and covenants.

THE WETLANDS INITIATIVE

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2015 AND 2014

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**(9) TEMPORARILY RESTRICTED NET ASSETS:**

Temporarily restricted net assets are comprised of the following at December 31:

	<u>2015</u>	<u>2014</u>
Capital Campaign Fund	\$ -	\$ 250,000
Hennepin & Hopper	2,160,617	2,123,605
Hickory Hollow	363,992	315,000
Midewin - Lobelia Meadows	38,204	-
Pyott Project	312,705	-
South Prairie Creek Bunker Hill	-	43,583
South Prairie Creek Hydrologic	-	100,400
Springbrook	10,356	18,686
Vital Lands	8,084	-
Directors Levee Campaign	-	2,500
Total	<u>\$ 2,893,958</u>	<u>\$ 2,853,774</u>

During the year ended December 31, 2015, the following amounts were released from restrictions due to the lapse of time restriction and/or expenditures for the following purposes:

Capital Campaign Fund	\$ 250,000
Hennepin & Hopper	80,692
Hickory Hollow	51,008
South Prairie Creek Bunker Hill	43,583
South Prairie Creek Hydrologic	100,400
Springbrook	8,330
Directors Levee Campaign	2,500
Total	<u>\$ 536,513</u>



THE WETLANDS INITIATIVE

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2015 AND 2014

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**(10) RENTAL INCOME:**

The Initiative is the lessor of a section of land along the Illinois River under an operating lease that is set to expire in 2021. The lease calls for quarterly lease payments.

As of December 31, 2015 and 2014, the Initiative received advanced lease payments of \$8,333 and recorded these amounts as deferred revenue in its financial statements.

The future minimum rental income, required under the lease, is as follows as of December 31, 2015:

2016	\$ 50,000
2017	50,000
2018	50,000
2019	50,000
2020	50,000
Thereafter	<u>37,500</u>
Total	<u>\$ 287,500</u>

Additionally, the Initiative may, at times, enter into various agreements with renters who use elements of the property as its projects sites and pay immaterial amounts of rental income. The Initiative had rental income in 2015 and 2014 of \$91,452 and \$52,852, respectively from these agreements.

**(11) RETIREMENT PLAN:**

The Initiative offers a 403(b) salary reduction plan to all eligible employees. The Initiative's contributions to the plan have been determined by the Board of Directors. As of December 31, 2015 and 2014, contributions to the plan were \$16,400 and \$18,067, respectively.

**THE WETLANDS INITIATIVE**

**NOTES TO FINANCIAL STATEMENTS**

**DECEMBER 31, 2015 AND 2014**

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**(12) LEASE:**

The Initiative leases its office space under a lease that expires February 28, 2017. The Initiative recorded rent expense totaling \$70,043 and \$67,972, respectively, for the years ended December 31, 2015 and 2014. The future minimum annual lease payments required under the lease are as follows for the year ended December 31, 2015:

2016	\$ 69,962
2017	<u>11,717</u>
Total	<u><u>\$ 81,679</u></u>

**(13) IN-KIND GIFTS AND CONTRIBUTED SERVICES:**

The Initiative received and recognized as in-kind contribution revenue from donated software and professional services of \$25,425 and \$647, respectively, for the years ended December 31, 2015 and 2014 . These in-kind contributions are recognized at fair value when donated and matching in-kind expenses are recorded in the financial statements according to the functional area(s) benefitted.

The Initiative also receives assistance from various individuals who contribute their time as volunteers. Since these hours do not meet the accounting standards requirements for recognition of professional services or creation or enhancement of non-financial assets, they have not been assigned a value for reflection in the accompanying financial statements.

**(14) MAJOR DONORS:**

Major donors are those donors who accounted for 15% or more of the Initiative's contributions and grants or pledge and grant receivables. In 2015, two donors accounted for 22.0% of contributions and grants and 87.9% of pledge and grant receivables. In 2014 two donors accounted for 67.4% of contributions and grants and 81.3% of pledge and grant receivables.

**THE WETLANDS INITIATIVE**

**NOTES TO FINANCIAL STATEMENTS**

**DECEMBER 31, 2015 AND 2014**

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**(15) RELATED PARTIES:**

The Initiative is involved with the following entities:

**The Levee District** –

The Levee District (the District) is the local governmental unit that oversees the area of land parcels owned by the Initiative, the Duck Entities (see below), and one individual landowner.

In conjunction with its mission of wetlands restoration, the Initiative may fund or help fund projects and repairs that assist the entire District and for which other members of the District may not have the resources to supply.

Once a year, the Initiative invoices the District for various expenses paid or incurred on its behalf, such as maintenance, bookkeeping, supplies, etc. For the District's fiscal years ended September 30, 2015 and 2014, it was billed \$16,080 and \$15,531 respectively. Of these amounts, no balance remained outstanding at December 31, 2015 and \$6,982 was receivable at December 31, 2014.

**The Duck Entities** –

Seven 501(c)(3) organizations, each named after a particular species of duck (collectively, the Duck Entities), are part of the District. A minority share of the Board of Directors at the Initiative also sits on the Board of the Duck Entities.

Each of the Duck Entities held bond debt, the payments for which, along with their operating costs, were principally derived from multi-year government grants. The Initiative contributes an immaterial amount of bookkeeping time, postage costs, etc., to the Duck Entities every year. Such expenses approximate \$1,500 per year. There were no amounts due to/from the Initiative and the Duck Entities as of December 31, 2015 and 2014.

The Initiative has various fixed assets that are physically located on property owned by the Duck Entities. The Initiative retains title to these and performs any routine maintenance and repairs needed.

**(16) SUBSEQUENT EVENTS:**

The Initiative's management has performed an analysis of activities and transactions subsequent to December 31, 2015, to determine the need for any adjustments to and/or disclosures within the audited financial statements for the year then ended. Management has performed this analysis through the report date.