

# WSDD

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**WSDD CPAs, Ltd.**  
**Certified Public Accountants & Consultants**

## **INDEPENDENT AUDITORS' REPORT**

Board of Directors  
THE WETLANDS INITIATIVE  
Chicago, Illinois

### **Opinion**

We have audited the accompanying financial statements of THE WETLANDS INITIATIVE (a non-profit corporation), which comprise the statement of financial position as of December 31, 2022 the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

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, 2022, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Basis for Opinion**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of THE WETLANDS INITIATIVE and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Responsibilities of Management for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about THE WETLANDS INITIATIVE's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

## **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 WETLANDS INITIATIVE's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about THE WETLANDS INITIATIVE's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

## **Prior Period Financial Statements**

The financial statements of THE WETLANDS INITIATIVE as of December 31, 2021 were audited by other auditors whose report dated May 4, 2022 expressed an unmodified opinion on those financial statements.

*WSDD CPAs, Ltd.*

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WSDD CPAs, Ltd.

Chicago, Illinois  
June 14, 2023

**THE WETLANDS INITIATIVE**  
**Statements of Financial Position**  
**December 31, 2022 and 2021**

|                                     | <u>2022</u>                 | <u>2021</u>                 |
|-------------------------------------|-----------------------------|-----------------------------|
| <b>ASSETS</b>                       |                             |                             |
| <b>CURRENT ASSETS</b>               |                             |                             |
| Cash and cash equivalents           | \$ 2,496,084                | \$ 2,097,301                |
| Grants receivable                   | 771,692                     | 565,662                     |
| Contributions receivable            | 266,300                     | 250,000                     |
| Accounts receivable                 | 4,167                       | 29,230                      |
| Investments at fair value           | 772,746                     |                             |
| Prepaid expenses                    | <u>20,789</u>               | <u>18,480</u>               |
| Total Current Assets                | <u>4,331,778</u>            | <u>2,960,673</u>            |
| <b>LAND AND EQUIPMENT</b>           |                             |                             |
| Land                                | 5,175,745                   | 5,175,745                   |
| Land and building improvements      | 1,892,898                   | 1,892,898                   |
| Office equipment                    | 78,274                      | 67,637                      |
| Equipment                           | 99,755                      | 99,755                      |
| Vehicles                            | <u>472,233</u>              | <u>448,483</u>              |
|                                     | 7,718,905                   | 7,684,518                   |
| Less: Accumulated depreciation      | <u>846,323</u>              | <u>719,154</u>              |
| Land and Equipment - Net            | <u>6,872,582</u>            | <u>6,965,364</u>            |
| <b>OTHER ASSETS</b>                 |                             |                             |
| Long-term grants receivable         |                             | 125,000                     |
| Long-term contributions receivable  | 1,680,164                   | 681,222                     |
| Right-of-use asset, operating lease | <u>134,900</u>              | <u>202,020</u>              |
| Total Other Assets                  | <u>1,815,064</u>            | <u>1,008,242</u>            |
| <b>TOTAL ASSETS</b>                 | <u><u>\$ 13,019,424</u></u> | <u><u>\$ 10,934,279</u></u> |

**THE WETLANDS INITIATIVE**  
**Statements of Financial Position (Continued)**  
**December 31, 2022 and 2021**

| <b>LIABILITIES AND NET ASSETS</b>          |                      |                      |
|--|----------------------|----------------------|
|  | <u>2022</u>          | <u>2021</u>          |
| <b>CURRENT LIABILITIES</b>                 |                      |                      |
| Current portion of note payable            | \$ 46,550            | \$ 44,732            |
| Accounts payable                           | 220,245              | 140,834              |
| Accrued expenses                           | 55,476               | 110,633              |
| Current portion of lease liabilities       | <u>69,413</u>        | <u>65,098</u>        |
| Total Current Liabilities                  | 391,684              | 361,297              |
| <b>NON-CURRENT LIABILITIES</b>             |                      |                      |
| Note payable - net of current portion      | 435,633              | 482,487              |
| Lease liabilities - net of current portion | <u>67,510</u>        | <u>136,922</u>       |
| Total Non-Current Liabilities              | <u>503,143</u>       | <u>619,409</u>       |
| Total Liabilities                          | <u>894,827</u>       | <u>980,706</u>       |
| <b>NET ASSETS</b>                          |                      |                      |
| Without donor restrictions                 | 8,529,410            | 7,574,674            |
| With donor restrictions                    | <u>3,595,187</u>     | <u>2,378,899</u>     |
| Total Net Assets                           | <u>12,124,597</u>    | <u>9,953,573</u>     |
| <b>TOTAL LIABILITIES AND NET ASSETS</b>    | <u>\$ 13,019,424</u> | <u>\$ 10,934,279</u> |

**THE WETLANDS INITIATIVE**  
**Statements of Activities**  
**For the Years Ended December 31, 2022 and 2021**

|  | 2022                          |                            |                      | 2021                          |                            |                     |
|--|-------------------------------|----------------------------|----------------------|-------------------------------|----------------------------|---------------------|
|  | WITHOUT DONOR<br>RESTRICTIONS | WITH DONOR<br>RESTRICTIONS | TOTAL                | WITHOUT DONOR<br>RESTRICTIONS | WITH DONOR<br>RESTRICTIONS | TOTAL               |
| <b>SUPPORT AND REVENUE</b>                         |                               |                            |                      |                               |                            |                     |
| Grants   | \$ 593,583                    | \$ 833,366                 | \$ 1,426,949         | \$ 364,979                    | \$ 849,089                 | \$ 1,214,068        |
| Contributions                                      | 1,878,027                     | 1,560,035                  | 3,438,062            | 885,190                       | 481,574                    | 1,366,764           |
| Contributions - in-kind                            | 4,360                         |                            | 4,360                | 4,409                         |                            | 4,409               |
| Rental income                                      | 50,000                        |                            | 50,000               | 50,000                        |                            | 50,000              |
| Sponsorship income                                 |                               |                            |                      | 7,500                         |                            | 7,500               |
| Interest and dividends                             | 36,281                        |                            | 36,281               | 241                           |                            | 241                 |
| Miscellaneous income                               | 4,834                         |                            | 4,834                | 3,378                         |                            | 3,378               |
| Realized and unrealized gain (loss) on investments | 6,224                         |                            | 6,224                | (269)                         |                            | (269)               |
| Gain on extinguishment of PPP loan                 |                               |                            |                      | 291,835                       |                            | 291,835             |
| Net assets released from restrictions              | <u>1,177,113</u>              | <u>(1,177,113)</u>         |                      | <u>1,204,964</u>              | <u>(1,204,964)</u>         |                     |
| <b>Total Support and Revenue</b>                   | <u>3,750,422</u>              | <u>1,216,288</u>           | <u>4,966,710</u>     | <u>2,812,227</u>              | <u>125,699</u>             | <u>2,937,926</u>    |
| <b>EXPENSES</b>                                    |                               |                            |                      |                               |                            |                     |
| Program services                                   | 2,266,783                     |                            | 2,266,783            | 1,882,518                     |                            | 1,882,518           |
| Management and general                             | 219,522                       |                            | 219,522              | 178,596                       |                            | 178,596             |
| Fundraising  | <u>309,381</u>                |                            | <u>309,381</u>       | <u>291,099</u>                |                            | <u>291,099</u>      |
| <b>Total Expenses</b>                              | <u>2,795,686</u>              |                            | <u>2,795,686</u>     | <u>2,352,213</u>              |                            | <u>2,352,213</u>    |
| <b>CHANGE IN NET ASSETS</b>                        | 954,736                       | 1,216,288                  | 2,171,024            | 460,014                       | 125,699                    | 585,713             |
| <b>NET ASSETS - BEGINNING OF YEAR</b>              | <u>7,574,674</u>              | <u>2,378,899</u>           | <u>9,953,573</u>     | <u>7,114,660</u>              | <u>2,253,200</u>           | <u>9,367,860</u>    |
| <b>NET ASSETS - END OF YEAR</b>                    | <u>\$ 8,529,410</u>           | <u>\$ 3,595,187</u>        | <u>\$ 12,124,597</u> | <u>\$ 7,574,674</u>           | <u>\$ 2,378,899</u>        | <u>\$ 9,953,573</u> |

See independent auditors' report and notes to financial statements.

**THE WETLANDS INITIATIVE**  
**Statement of Functional Expenses**  
**For the Year Ended December 31, 2022 with Comparative**  
**Totals for the Year Ended December 31, 2021**

|                                   | PROGRAMS<br>SERVICES | MANAGEMENT AND<br>GENERAL | FUNDRAISING       | TOTAL               |                     |
|-----------------------------------|----------------------|---------------------------|-------------------|---------------------|---------------------|
|                                   |                      |                           |                   | 2022                | 2021                |
| Salaries                          | \$ 957,800           | \$ 106,375                | \$ 147,825        | \$ 1,212,000        | \$ 1,140,171        |
| Payroll taxes and benefits        | 186,189              | 20,678                    | 28,736            | 235,603             | 199,277             |
| Temporary labor                   |                      |                           |                   |                     | 45                  |
| Supplies                          | 486,084              |                           |                   | 486,084             | 313,109             |
| Fuel                              | 11,496               |                           |                   | 11,496              | 8,706               |
| Equipment rental                  | 14,835               | 467                       |                   | 15,302              | 6,279               |
| Repairs and maintenance           | 32,226               |                           |                   | 32,226              | 30,378              |
| Telephone                         | 8,322                | 462                       | 462               | 9,246               | 9,611               |
| Office expense                    | 2,397                | 9,324                     | 1,643             | 13,364              | 10,585              |
| Reproduction and maps             | 246                  | 3,107                     | 26,800            | 30,153              | 11,560              |
| Grant expense                     |                      |                           |                   |                     | 600                 |
| Publications                      |                      |                           | 3,418             | 3,418               |                     |
| Rent                              | 67,735               | 7,526                     |                   | 75,261              | 79,017              |
| General liability insurance       | 58,171               | 6,463                     |                   | 64,634              | 41,904              |
| Utilities - Pump                  | 31,678               |                           |                   | 31,678              | 34,895              |
| Postage and delivery              | 10,699               | 2,140                     | 8,559             | 21,398              | 4,932               |
| Meetings and seminars             | 13,614               | 1,542                     | 764               | 15,920              | 4,800               |
| Contractors                       | 185,123              |                           |                   | 185,123             | 130,179             |
| Professional services             | 8,756                | 48,398                    | 72,199            | 129,353             | 136,262             |
| Professional services - In-kind   | 4,360                |                           |                   | 4,360               | 3,167               |
| Event expense                     | 2,000                |                           |                   | 2,000               | 660                 |
| Meals and travel                  | 25,534               | 1,230                     | 2,002             | 28,766              | 24,321              |
| Depreciation                      | 127,169              |                           |                   | 127,169             | 109,713             |
| Utilities - Morine House-Hennepin | 6,657                |                           |                   | 6,657               | 4,315               |
| Real estate taxes                 | 3,199                |                           |                   | 3,199               | 3,500               |
| Interest                          | 18,402               |                           |                   | 18,402              | 19,460              |
| Miscellaneous                     | 4,091                | 11,810                    | 16,973            | 32,874              | 24,767              |
| Total Expenses - 2022             | <u>\$ 2,266,783</u>  | <u>\$ 219,522</u>         | <u>\$ 309,381</u> | <u>\$ 2,795,686</u> |                     |
| Total Expenses - 2021             | <u>\$ 1,882,518</u>  | <u>\$ 178,596</u>         | <u>\$ 291,099</u> |                     | <u>\$ 2,352,213</u> |

See independent auditors' report and notes to financial statements.

**THE WETLANDS INITIATIVE**  
**Statements of Cash Flows**  
**For the Years Ended December 31, 2022 and 2021**

|   | <u>2022</u>         | <u>2021</u>         |
|---|---------------------|---------------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>   |                     |                     |
| Change in net assets  | \$ 2,171,024        | \$ 585,713          |
| Adjustments to reconcile change in net assets to net cash provided by operating activities: |                     |                     |
| Depreciation  | 127,169             | 109,713             |
| Amortization of right-of-use asset  | 67,120              |                     |
| Discount on contributions receivable  | 251,058             | (37,152)            |
| Donated investments   | (961,406)           | (40,458)            |
| Net realized and unrealized (gain) loss on investments                                      | (6,224)             | 269                 |
| Gain on extinguishment of PPP loan  |                     | (291,835)           |
| Changes in assets and liabilities:  |                     |                     |
| Receivables   | (1,322,267)         | 288,321             |
| Prepaid expenses  | (2,309)             | 8,134               |
| Accounts payable  | 79,411              | 97,602              |
| Accrued expenses  | (55,157)            | 51,652              |
| Lease liabilities   | (65,097)            |                     |
| Deferred revenue  |                     | (8,333)             |
| <b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>  | <u>283,322</u>      | <u>763,626</u>      |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>   |                     |                     |
| Proceeds from sale of investments   | 218,284             | 40,189              |
| Receipts of dividends reinvested  | (23,400)            |                     |
| Purchases of property and equipment   | (34,387)            | (208,826)           |
| <b>NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES</b>                                  | <u>160,497</u>      | <u>(168,637)</u>    |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>   |                     |                     |
| Payments on note payable  | (45,036)            | (43,569)            |
| Proceeds from note payable  |                     | 291,835             |
| <b>NET CASH (USED) PROVIDED BY FINANCING ACTIVITIES</b>                                     | <u>(45,036)</u>     | <u>248,266</u>      |
| <b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>  | 398,783             | 843,255             |
| <b>CASH AND CASH EQUIVALENTS</b>  |                     |                     |
| Beginning of year   | <u>2,097,301</u>    | <u>1,254,046</u>    |
| End of year   | <u>\$ 2,496,084</u> | <u>\$ 2,097,301</u> |
| <b>SUPPLEMENTARY INFORMATION</b>  |                     |                     |
| Cash paid during the year for interest  | <u>\$ 18,402</u>    | <u>\$ 19,868</u>    |
| Cash received during the year from UBIT refund  | <u>\$ 0</u>         | <u>\$ 2,664</u>     |

See independent auditors' report and notes to financial statements.

**THE WETLANDS INITIATE**  
**Notes to Financial Statements**  
**December 31, 2022 and 2021**

**NOTE 1 - DESCRIPTION OF THE ORGANIZATION**

The Wetlands Initiative (the Initiative) is an Illinois non-profit corporation dedicated to restoring wetland resources in the Midwest towards a world with plentiful healthy wetlands improving water quality, climate, biodiversity, and human well-being. The Initiative designs, restores, and creates wetlands. The organization innovates, collaborates, and employs sound science to improve water quality, habitat for plants and wildlife, and our climate.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Basis of Accounting**

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

**Basis of Presentation**

The Initiative reports information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

*Net assets without donor restrictions* – net assets that 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.

*Net assets with donor restrictions* – net assets that are subject to donor-imposed restrictions. Some restrictions are temporary in nature, such as those that are restricted by a donor for use for a particular purpose or in a particular future period. Other restrictions may be perpetual in nature; such as those that are restricted by a donor that the resources be maintained in perpetuity. There were no donor restricted net assets which were to be maintained in perpetuity as of December 31, 2022 and 2021.

**Cash and Cash Equivalents**

For purposes of the statements of cash flows, the Initiative considers all 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.



## **NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

### **Grants, Contributions, and Accounts Receivable**

The Initiative records grants and contributions receivable that are expected to be collected within one year at net realizable value. Grants and contributions receivable expected to be collected in future years are initially recorded at fair value using present value techniques incorporating risk-adjusted discount rates designed to reflect the assumptions market participants would use in pricing the asset. In subsequent years, amortization of the discounts is included in grants and contribution revenue in the statements of activities. Accounts receivable consist primarily of noninterest-bearing amounts due for rent.

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, 2022 or 2021. The Initiative did not incur direct write-offs in 2022 or 2021.

### **Investments**

Investment purchases are recorded at cost, or if donated, at fair value on the date of donation. Thereafter, investments are reported at their fair values in the statements of financial position.

### **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 \$2,500.

Starting in 2001, a large majority of the land owned by the Initiative has become subject to state conservation easements and/or a federal grant agreement and/or dedication as a permanent Illinois state nature preserve. The Initiative holds all rights pertaining to the land, but is bound to the contracts' terms regarding its use, disposition, or encumbrance.

### **Leases**

The Initiative determines if an arrangement is or contains a lease at inception. Its lease for office space is included in right-of-use ("ROU") asset and operating lease liabilities in the statement of financial position. ROU assets and lease liabilities reflect the present value of the future minimum lease payments over the lease term, and ROU assets also include prepaid or accrued rent. Operating lease expense is recognized on a straight-line basis over the lease term. The Initiative does not report ROU assets and leases liabilities for its short-term leases (leases with a term of 12 months or less). Instead, the lease payments of those leases are expensed on a straight-line basis over the lease term.

### **Revenue and Revenue Recognition**

The Initiative's primary sources of revenue are contributions from public and private donors, grants from private foundations, and government grants or contracts. In the year that they were made, the Initiative recognizes the full amount of the grants and contributions received as support without donor restrictions, or with donor restrictions, depending on the existence and/or nature of any donor restrictions.

## **NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

### **Revenue and Revenue Recognition (Continued)**

The Initiative reports gifts of cash and other assets, as with donor restrictions, 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, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions. The Initiative records donor-restricted grants and contributions, whose restrictions are met in the same reporting period, as support without donor restrictions. Grants and contributions without donor restrictions of long-lived assets and cash to acquire long-lived assets are treated as without donor restrictions 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.

### **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.

### **Income Tax Status**

The Initiative is a non-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. As of December 31, 2022 and 2021, 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 cash accounts which, at various times throughout the year, exceeded 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.

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**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of 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, and those differences could be material.

## NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Recently Adopted Accounting Standards

In 2022, the Initiative adopted Accounting Standards Update (ASU) No. 2016-02, Leases, which requires lessees to recognize leases on the statement of financial position and disclose key information about leasing arrangements. It adopted the following practical expedients and elected the following accounting policies related to this standard: (i) elected the short-term lease accounting policy allowing lessees not to recognize right-of-use assets and lease liabilities with a term of twelve months or less; (ii) elected not to reassess prior conclusions related to the identification, classification, and accounting for indirect costs for leases that commenced prior to January 1, 2021 and (iii) elected not to separate lease and non-lease components for certain equipment lease asset categories. As a result of implementing ASU No. 2016-02, the statements of financial position include an increase in assets of \$134,900 and \$202,020 at December 31, 2022 and 2021, respectively and an increase in liabilities in the amount of \$136,923 and \$202,020 at December 31, 2022 and 2021, respectively, due to recording a right-of-use asset and corresponding operating lease liability.

### Reclassifications

Certain amounts in the 2021 financial statements have been classified to conform to the 2022 financial statement presentation. Such reclassifications had no effect on the previously reported change in net assets for the year ended December 31, 2021.

## NOTE 3 - INVESTMENTS

Investments are recorded at fair value. The historical cost and fair value at December 31, 2022 are as follows:

|                   | <u>Cost</u>       | <u>Fair<br/>Value</u> |
|-------------------|-------------------|-----------------------|
| Stock mutual fund | \$ <u>765,724</u> | \$ <u>772,746</u>     |

At December 31, 2021, 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 income without donor restrictions.

#### NOTE 4 - FAIR VALUE MEASUREMENTS

Financial Accounting Standards Board (FASB) Accounting Standards Codification 820 (ASC 820), Fair Value Measurements and Disclosures, provide the framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy under FASB ASC 820 are described as follows:

- Level 1      Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Initiative has the ability to access. Investments comprised of stock mutual fund have been valued using level 1 inputs at December 31, 2022. The Initiative held no Level 1 assets or liabilities, which are required to be disclosed in accordance with FASB ASC 820 at December 31, 2021.
- Level 2      Inputs to the valuation methodologies include (1) quoted prices for similar assets or liabilities in active markets; (2) quoted prices for similar assets or liabilities in inactive markets; (3) inputs other than quoted prices that are observable that are observable for the asset or liability; (4) inputs that are derived principally from or corroborated by observable market data by correlation or other means. If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability. The Initiative held no Level 2 assets or liabilities, which are required to be disclosed in accordance with FASB ASC 820 at December 31, 2022 or 2021.
- Level 3      Inputs to the valuation methodology are unobservable and significant to the fair value measurements. The Initiative held no Level 3 assets or liabilities, which are required to be disclosed in accordance with FASB ASC 820 at December 31, 2022 or 2021.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The following table sets forth by level, with the fair value hierarchy, the Initiative's assets measured at fair value on a recurring basis and the basis of measurement at December 31, 2022:

|                   | <u>Total</u>      | <u>Level 1</u>    | <u>Level 2</u> | <u>Level 3</u> |
|-------------------|-------------------|-------------------|----------------|----------------|
| Stock mutual fund | <u>\$ 772,746</u> | <u>\$ 772,746</u> | <u>\$ 0</u>    | <u>\$ 0</u>    |

## NOTE 5 - GRANTS AND CONTRIBUTIONS RECEIVABLE

The present values of grants and contributions receivable at December 31, 2022 and 2021, 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 contributions receivable expected to be collected at year-end were as follows:

|                                     | <u>2022</u>         | <u>2021</u>         |
|-------------------------------------|---------------------|---------------------|
| Within one year                     | \$ 1,037,992        | \$ 815,662          |
| In one to five years                | 1,250,000           | 875,000             |
| Over five years                     | 750,000             |                     |
| Discount                            | <u>(319,836)</u>    | <u>(68,778)</u>     |
| Total                               | <u>\$ 2,718,156</u> | <u>\$ 1,621,884</u> |
| Current grants receivable           | \$ 771,692          | \$ 565,662          |
| Current contributions receivable    | 266,300             | 250,000             |
| Noncurrent grants receivable        |                     | 125,000             |
| Noncurrent contributions receivable | <u>1,680,164</u>    | <u>681,222</u>      |
|                                     | <u>\$ 2,718,156</u> | <u>\$ 1,621,884</u> |

## NOTE 6 - 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 of credit is set to expire on June 30, 2023. The line bears interest at the greater of the prime rate plus 1% (8.50% and 4.25% at December 31, 2022 and 2021, respectively) or 4%. The line of credit contains various restrictions and covenants. At December 31, 2022 and 2021, the Initiative had no borrowings outstanding under the line and was in compliance with all loan restrictions and covenants.

## NOTE 7 - NOTE PAYABLE

On August 14, 2017, the Initiative entered into a loan agreement with a financial institution for \$692,671. The note is set to expire August 9, 2027, with interest being charged annually at 3.5%. The outstanding loan balance at December 31, 2022 and 2021, was \$482,183 and \$527,219, respectively.

As of December 31, 2022, future maturities of the note payable were as follows:

|      |                   |
|------|-------------------|
| 2023 | 46,550            |
| 2024 | 48,138            |
| 2025 | 49,865            |
| 2026 | 51,610            |
| 2027 | <u>286,020</u>    |
|      | <u>\$ 482,183</u> |

**NOTE 7 - NOTE PAYABLE (Continued)**

The bank note is secured by 297 acres of land in Hennepin, Illinois. The note contains various restrictions and covenants. At December 31, 2022 and 2021, the Initiative was in compliance with the various restrictions and covenants.

On February 19, 2021, the Initiative was granted a loan from Lake Forest Bank & Trust in the aggregate amount of \$291,835, pursuant to the Paycheck Protection Program (the PPP) under Division A, Title I of the CARES Act, which was enacted March 27, 2020.

The loan, which was in the form of a Note dated February 19, 2021, issued to the Initiative, was due to mature February 19, 2026, and had an interest rate of 1% per annum. The Note could have been prepaid by the Initiative at any time prior to maturity with no prepayment penalties. Funds from the loan may only be used for payroll costs, costs used to continue group health care benefits, mortgage payments, rent, utilities, and interest on other debt obligations incurred before February 15, 2020. The Initiative used the entire loan amount for qualifying expenses. Under the terms of the PPP, certain amounts of the loan may be forgiven if they are used for qualifying expenses as described in the CARES Act. The loan was forgiven in the full amount on September 28, 2021. The forgiven amount was recognized as income during the year ended December 31, 2021.

**NOTE 8 - NET ASSETS WITH DONOR RESTRICTIONS**

Net assets with donor restrictions consist of the following at December 31,:

|                                  | <u>2022</u>         | <u>2021</u>         |
|----------------------------------|---------------------|---------------------|
| Calumet                          | \$ 604,249          | \$ 409,581          |
| Dixon Waterfowl Refuge           | 2,159,622           | 1,039,613           |
| Growing Wetlands for Clean Water | 287,550             | 326,210             |
| Indian Ridge Marsh               | 175,247             | 52,661              |
| Midewin                          | 332,201             | 409,366             |
| Pyott Project                    | 5,310               | 5,310               |
| Violet Meadow                    | 31,008              | 136,158             |
| Total                            | <u>\$ 3,595,187</u> | <u>\$ 2,378,899</u> |

**NOTE 8 - NET ASSETS WITH DONOR RESTRICTIONS** (Continued)

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

|                                  | <u>2022</u>         | <u>2021</u>         |
|----------------------------------|---------------------|---------------------|
| Calumet                          | \$ 148,073          | \$ 45,968           |
| Dixon Waterfowl Refuge           | 255,550             | 449,085             |
| Growing Wetlands for Clean Water | 207,852             | 210,193             |
| Indian Ridge Marsh               | 51,485              | 137,648             |
| Midewin                          | 398,686             | 276,295             |
| NGRRECC Research                 |                     | 6,231               |
| Pyott Project                    |                     | 15,385              |
| Violet Meadow                    | 115,467             | 64,159              |
| Total                            | <u>\$ 1,177,113</u> | <u>\$ 1,204,964</u> |

**NOTE 9 - 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 October 2031. The lease calls for quarterly lease payments.

The future minimum rental income, required under the lease, is as follows as of December 31, 2022:

|            |                   |
|------------|-------------------|
| 2023       | \$ 50,000         |
| 2024       | 50,000            |
| 2025       | 50,000            |
| 2026       | 50,000            |
| 2027       | 50,000            |
| Thereafter | <u>191,667</u>    |
|            | <u>\$ 441,667</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.

**NOTE 10 - 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, 2022 and 2021, contributions to the plan were \$20,850 and \$16,656, respectively.

## NOTE 11 - LEASE COMMITMENT

The Initiative leases its office space under a lease that expires November 30, 2024. Monthly payments on the lease range from \$5,880 to \$6,238. Operating lease expense for the years ended December 31, 2022 and 2021 was \$75,261 and \$79,017, respectively, and is included in rent on the statement of functional expense.

The future minimum annual lease payments required under the lease are as follows for the year ended December 31, 2022:

|                              |                   |
|------------------------------|-------------------|
| 2023                         | \$ 72,858         |
| 2024                         | <u>68,619</u>     |
| Total undiscounted cash flow | 141,477           |
| Less: present value discount | <u>(4,554)</u>    |
| Total lease liabilities      | <u>\$ 136,923</u> |

The remaining lease term for the operating lease was 23 months and 35 months at December 31, 2022 and 2021, respectively. The discount rate for the operating lease was 3.27% at December 31, 2022 and 2021.

## NOTE 12 - IN-KIND GIFTS AND CONTRIBUTED SERVICES

The Initiative received and recognized as in-kind contribution, revenue from donated professional services of \$4,360 and \$4,409 for the years ended December 31, 2022 and 2021, respectively. 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.

## NOTE 13 - SIGNIFICANT SUPPORT

Significant support are donors who accounted for 15% or more of the Initiative's contribution and grant revenues with and without donor restrictions or pledge and grant receivables. The Initiative received significant support from individuals, private foundations and similar organizations in the form pledges and grant awards with and without donor restrictions, including multi-year pledges and grant awards. For the year ended December 31, 2022, grants and contributions from three donors comprised 64.1% of grants and contributions revenue and 71.0% of grants and contributions receivable. For the year ended December 31, 2021, grants and contribution revenue from three donors comprised 38.9% of grants and contributions revenue and 82.6% of grants and contributions receivable.



#### NOTE 14 - BOARD DESIGNATED NET ASSETS

During the years ended December 31, 2022 and 2021, the board designated a portion of its net assets for its strategic reserve fund. The Board has the right to decide at any time to expend the principal of such funds. Due to the absence of any donor restrictions, these balances are included in net assets without donor restrictions.

The changes in Board designated net assets were as follows for the years ended December 31,:

|  | <u>2022</u>       | <u>2021</u>       |
|--|-------------------|-------------------|
| Net Assets - Beginning of year           | \$ 200,000        | \$ 150,000        |
| Appropriation of assets for expenditures | 150,000           | 50,000            |
| Expenditures                             | <u>(100,000)</u>  |                   |
| Net Assets - End of year                 | <u>\$ 250,000</u> | <u>\$ 200,000</u> |

#### NOTE 15 - LIQUIDITY

The following reflects the Initiative's financial assets as of the statements of financial position dates, reduced by amounts not yet available for general use because of contractual or donor-imposed restrictions within one year of the statements of financial position dates:

|   | <u>2022</u>         | <u>2021</u>         |
|---|---------------------|---------------------|
| Cash and cash equivalents   | \$ 2,496,084        | \$ 2,097,301        |
| Receivables   | 2,722,323           | 1,651,114           |
| Investments at fair value   | <u>772,746</u>      |                     |
| Total Financial assets  | 5,991,153           | 3,748,415           |
| Less those unavailable for general expenditures within one year, due to donor imposed restrictions of time or purpose | (3,595,187)         | (2,378,899)         |
| Less those unavailable for general expenditures within one year, due to Board designation                             | <u>(250,000)</u>    | <u>(200,000)</u>    |
| Financial assets available to meet cash needs for general expenditures within one year                                | <u>\$ 2,145,966</u> | <u>\$ 1,169,516</u> |

As part of the Initiative's liquidity management, it invests cash in excess of daily requirements in short-term investments. In addition to the above, the Initiative has a bank line of credit in the amount of \$150,000.

#### NOTE 16 - SUBSEQUENT EVENTS

Subsequent events have been evaluated through June 14, 2023, which is the date the financial statements were available to be issued.