

LIVING LANDS & WATERS

***FINANCIAL REPORT***

Years Ended

December 31, 2012 and 2011

**LIVING LANDS & WATERS**

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

### Independent Auditor's Report

We have audited the accompanying statements of financial position of Living Lands & Waters, (a nonprofit organization) as of December 31, 2012 and 2011, and the related statements of activities, functional expenses, and cash flows for the years ended December 31, 2012 and 2011. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Living Lands & Waters as of December 31, 2012 and 2011, and the changes in its net assets and cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Moline, Illinois  
May 15, 2013

*Kent G. Klauer, CPA PC*

LIVING LANDS & WATERS  
**STATEMENT OF FINANCIAL POSITION**

December 31, 2012 and 2011

**ASSETS**

	2012	2011
Current assets:		
Cash and cash equivalents	\$ 378,185	\$ 287,589
Unconditional promises to give	25,000	50,000
	<b>403,185</b>	<b>337,589</b>
Premises and equipment (note B):		
Boats/motors/trailers	2,253,748	2,357,048
Vehicles	158,981	145,895
Office and computer equipment	7,166	11,871
Other equipment	231,597	228,181
Leasehold improvements	3,120	3,120
	<b>2,654,612</b>	<b>2,746,115</b>
Less: accumulated depreciation	<b>(764,803)</b>	<b>(787,480)</b>
	<b>1,889,809</b>	<b>1,958,635</b>
Other assets:		
Prepaid and other assets	47,699	43,526
	<b>\$ 2,340,693</b>	<b>\$ 2,339,750</b>
<b>LIABILITIES AND NET ASSETS</b>		
Current liabilities:		
Accounts payable	\$ 9,441	\$ 10,155
Accrued expenses	59,965	70,056
Total current liabilities	<b>69,406</b>	<b>80,211</b>
Long-term liabilities:		
Notes payable (note C)	-	70,000
Total liabilities	<b>69,406</b>	<b>150,211</b>
Commitments and contingencies	-	-
Net assets:		
Unrestricted	2,146,287	2,147,016
Temporarily restricted (note D)	125,000	42,523
Permanently restricted (note E)	-	-
Total net assets	<b>2,271,287</b>	<b>2,189,539</b>
	<b>\$ 2,340,693</b>	<b>\$ 2,339,750</b>

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

LIVING LANDS & WATERS  
STATEMENT OF ACTIVITIES

Year ended December 31, 2012 (with comparative totals for 2011)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	
				2012	2011
<b>Revenue, Gains and Other Support:</b>					
Contributions	\$ 1,335,105	\$ 286,122	\$ -	\$ 1,621,227	\$ 2,094,820
Grants	23,500	-	-	23,500	3,500
Service revenue	66,687	-	-	66,687	104,920
Investment income	3,701	-	-	3,701	3,664
Gain on sale of equipment	21,678	-	-	21,678	1,856
Special events:					
Event sales	63,443	-	-	63,443	24,590
Costs of sales	(36,113)	-	-	(36,113)	(18,241)
Other revenue	7,789	-	-	7,789	10,639
Total revenues and gains	1,485,790	286,122	-	1,771,912	2,225,748
Net assets released from restrictions (note D):					
Satisfaction of purpose restrictions	203,645	(203,645)	-	-	-
	1,689,435	82,477	-	1,771,912	2,225,748
<b>Expenses:</b>					
<u>Program Services:</u>					
Waterway Cleanup	1,117,586	-	-	1,117,586	1,074,476
Million Trees Project	127,921	-	-	127,921	120,972
Education - Workshops	107,914	-	-	107,914	25,794
Great Mississippi River Cleanup	66,634	-	-	66,634	44,397
Community Support	4,048	-	-	4,048	-
<u>Supporting Services:</u>					
Management and general	171,215	-	-	171,215	166,724
Fund raising	94,846	-	-	94,846	99,844
Total expenses	1,690,164	-	-	1,690,164	1,532,207
Change in net assets	(729)	82,477	-	81,748	693,541
Net assets at beginning of year	2,147,016	42,523	-	2,189,539	1,495,998
Net assets at end of year	\$ 2,146,287	\$ 125,000	\$ -	\$ 2,271,287	\$ 2,189,539

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

LIVING LANDS & WATERS  
STATEMENT OF FUNCTIONAL EXPENSES

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Year ended December 31, 2012 (with comparative totals for 2011)

	Program Services						Total Program Services
	Waterway Cleanup	Million Trees	Education- Workshops	Great Mississippi River Cleanup	Community Support		
Salaries and wages	\$ 215,076	\$ 28,643	\$ 55,379	\$ 20,087	\$ -	\$ -	\$ 319,185
Employee benefits	46,782	6,399	11,678	4,749	-	-	69,608
<b>Subtotal</b>	<b>261,858</b>	<b>35,042</b>	<b>67,057</b>	<b>24,836</b>	<b>-</b>	<b>-</b>	<b>388,793</b>
Contractual services	25,626	3,100	9,100	11,950	-	-	49,776
Travel, food and lodging	65,835	18,629	13,265	9,622	-	-	107,351
Operating supplies/expenses	309,407	71,150	18,492	20,226	-	-	419,275
Repair expenses	69,533	-	-	-	-	-	69,533
Insurance expense	106,412	-	-	-	-	-	106,412
All other expenses	36,224	-	-	-	4,048	-	40,272
Depreciation	242,691	-	-	-	-	-	242,691
<b>Total expenses</b>	<b>\$ 1,117,586</b>	<b>\$ 127,921</b>	<b>\$ 107,914</b>	<b>\$ 66,634</b>	<b>\$ 4,048</b>	<b>\$ -</b>	<b>\$ 1,424,103</b>
	<b>Supporting Services</b>						
	Management and General	Fund Raising	Total Supporting Services			Total Expenses	
Salaries and wages	\$ 102,072	\$ 30,466	\$ 132,538	2012	2011	\$ 426,730	
Employee benefits	21,810	7,150	28,960	98,568	103,914	103,914	
<b>Subtotal</b>	<b>123,882</b>	<b>37,616</b>	<b>161,498</b>	<b>550,291</b>	<b>530,644</b>	<b>530,644</b>	
Contractual services	14,025	9,742	23,767	73,543	80,151	80,151	
Travel, food and lodging	-	-	-	107,351	120,623	120,623	
Operating supplies/expenses	30,023	47,488	77,511	496,786	395,009	395,009	
Repair expenses	-	-	-	69,533	118,044	118,044	
Insurance expense	-	-	-	106,412	94,693	94,693	
All other expenses	2,519	-	2,519	42,791	18,047	18,047	
Depreciation	766	-	766	243,457	174,996	174,996	
<b>Total expenses</b>	<b>\$ 171,215</b>	<b>\$ 94,846</b>	<b>\$ 266,061</b>	<b>\$ 1,690,164</b>	<b>\$ 1,532,207</b>	<b>\$ 1,532,207</b>	

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, 2012 and 2011

	2012	2011
Cash flows from operating activities:		
Change in Net Assets	\$ 81,748	\$ 693,541
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	243,457	174,996
Accounts receivable	25,000	(49,786)
Prepaid insurance	(4,173)	2,894
Accounts payable	(714)	7,251
Accrued liabilities	(10,091)	20,319
Support restricted for fixed asset acquisition	-	(28,310)
Interest and dividends restricted for long-term investment	(3,066)	(1,196)
Net (gain) loss on disposal of equipment	(21,678)	(1,856)
Net cash provided by operating activities	<u>310,483</u>	<u>817,853</u>
Cash flows from investing activities:		
Proceeds from sale of equipment	36,069	7,000
Purchases of equipment	(189,022)	(1,774,973)
Net cash (used) by investing activities	<u>(152,953)</u>	<u>(1,767,973)</u>
Cash flows from financing activities:		
Interest and dividends restricted for long-term investment	3,066	1,196
Support restricted for fixed asset acquisition	-	28,310
Loan proceeds/payments (net)	(70,000)	70,000
Net cash provided by financing activities	<u>(66,934)</u>	<u>99,506</u>
Increase (decrease) in cash and cash equivalents	90,596	(850,614)
Cash and cash equivalents, beginning of year	<u>287,589</u>	<u>1,138,203</u>
Cash and cash equivalents, end of year	<u>\$ 378,185</u>	<u>\$ 287,589</u>
Supplemental data:		
Noncash investing and financing activities:		
Gifts of equipment/services	<u>\$ 119,321</u>	<u>\$ 397,413</u>

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

December 31, 2012

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NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

*Date of Management's Review of Subsequent Events*

Management has evaluated subsequent events through May 15, 2013, the date which the financial statements were available to be issued.

*Nature of Organization*

Living Lands & Waters is an Iowa incorporated nonprofit organization currently located in East Moline, Illinois. Its purpose is to aid in the protection, preservation and restoration of the natural environment of the nation's major rivers and their watersheds; to expand awareness of environmental issues and responsibility encompassing the river; and to create a desire and an opportunity for stewardship and responsibility for a cleaner river environment. The Organization's support comes primarily through donor contributions. The Organization's work includes the Adopt-A-Mississippi River Mile Project, Adopt-An-Illinois River Mile Project, Million Trees Project, numerous community clean-up activities in 2012 on the Mississippi, Ohio, Illinois, and Des Plaines Rivers. The organization also sponsors educational workshops and river bottom restoration projects.

*Basis of Accounting*

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

*Basis of Presentation*

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

*Recognition of Donor Restricted Contributions*

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

*Net Assets*

The organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.



December 31, 2012

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NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

The three classes are based on the presence or absence of donor-imposed restrictions. Temporarily restricted net assets include net assets restricted by donors to a specific time period or purpose. Permanently restricted net assets have been restricted by donors to be maintained in perpetuity.

Accounting Estimates

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

Cash and Cash Equivalents

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

Property and equipment

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

Exemption from income taxes

Living Lands & Waters is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code and similar state income tax laws. As such, contributions to the organization qualify as a charitable tax deduction by the contributor. The organization's tax returns for the years 2009 to 2012 are open to examination by federal, local, and state authorities.

Effective January 1, 2008, the organization adopted the provisions of FASB issued Interpretation No. 48, *Accounting for Uncertainty in Income Taxes: An Interpretation of FASB Statement No. 109*, ("FIN 48"). FIN 48 clarifies the accounting for uncertainty in income taxes recognized in an entity's financial statements in accordance with SFAS 109.

December 31, 2012

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

FIN 48 prescribes a recognition threshold and measurement principles for the financial statement recognition and measurement of tax positions taken or expected to be taken on a tax return that are not certain to be realized. The implementation of FIN 48 had no impact on the entity's financial statements.

NOTE B – PREMISES AND EQUIPMENT

A summary of premises and equipment as of December 31, 2012 and 2011 is as follows:

	<u>2012</u>	<u>2011</u>
Boats, motors and trailers	\$ 2,253,748	\$ 2,357,048
Vehicles	158,981	145,895
Office and computer equipment	7,166	11,871
Other equipment	231,597	228,181
Leasehold improvements	<u>3,120</u>	<u>3,120</u>
	2,654,612	2,746,115
Less accumulated depreciation	<u>(764,803)</u>	<u>(787,480)</u>
	<u>\$ 1,889,809</u>	<u>\$ 1,958,635</u>

Depreciation expense for the years ended December 31, 2012 and 2011 was \$243,457 and \$174,996, respectively.

NOTE C – NOTES PAYABLE

	<u>2012</u>	<u>2011</u>
Notes payable to Riverway, LLC dated June 13, 2011 and due no later than July 1, 2014. Interest at 5.0%. Secured by a mortgage on the Vessel M/V Jane F	<u>\$ -</u>	<u>\$ 70,000</u>

Interest expense for the year ended December 31, 2012 and 2011 was \$1,419 and \$2,522, respectively.

December 31, 2012

**NOTE D – TEMPORARILY RESTRICTED NET ASSETS**

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

<u>Purpose restriction accomplished:</u>	<u>2012</u>	<u>2011</u>
New barge construction	\$ 65,810	\$ 1,032,727
Education programs	54,445	75,000
Lake McKellar, TN cleanup	20,000	-
Mississippi River basin beautification and education projects	15,000	-
Marine Challenge project	10,000	-
Quad City river cleanup projects	10,000	-
Alternative Spring Break program	10,000	-
Channahon, IL river cleanup	2,750	-
Bloomdsdale, MO river cleanup	5,000	-
Great Mississippi River Cleanup	5,000	44,000
Tree Planting Project	5,640	1,000
Tug purchase/river cleanup	-	25,000
Mississippi and Ohio River cleanup	-	2,000
Xstream Cleanup	-	3,000
<b>Total restrictions released</b>	<b><u>\$ 203,645</u></b>	<b><u>\$ 1,182,727</u></b>

Net assets that were temporarily restricted at December 31, 2012 and 2011 consisted of the following:

<u>Purpose restriction:</u>	<u>2012</u>	<u>2011</u>
2013 Mississippi River Watershed Projects	\$ 125,000	-
New barge construction	-	\$ 28,310
Big river restoration and education	-	14,213
<b>Total temporarily restricted</b>	<b><u>\$ 125,000</u></b>	<b><u>\$ 42,523</u></b>

**NOTE E – PERMANENTLY RESTRICTED NET ASSETS**

No permanently restricted net assets were noted at December 31, 2012 and 2011.

**NOTE F – EMPLOYEE BENEFIT PLAN**

The Organization provides retirement benefits under a defined contribution plan covering all full-time, part-time or seasonal employees who earn a minimum of \$450/year and who have three years or more of service. Under the plan, the Organization contributed 10.27 percent of each eligible employee's gross salary. The actual contribution percentage is determined annually by the Board of Directors. Plan expenses incurred by the Organization for the years ended December 31, 2012 and 2011 were \$36,000 and \$40,500, respectively.

December 31, 2012

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**NOTE G – 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, 2012 and 2011, equipment, refurbishing costs and direct services valued at \$119,321 and \$397,413, respectively, were donated to the organization and have been recognized in the organization's financial statements.

**NOTE H – 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, 2012 totaled \$23,300. Minimum future rental payments are as follows:

<u>Year ended</u> <u>December 31</u>	<u>Amount</u>
2013	\$ 25,200
2014	23,400
2015	3,000