

PRAIRIE RIVERS NETWORK

FINANCIAL STATEMENTS

For the Year Ended December 31, 2012

PRAIRIE RIVERS NETWORK

FINANCIAL STATEMENTS

For the Year Ended December 31, 2012

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JAMES P. BRAY, CPA (Retired)

To the Board of Directors
Prairie Rivers Network
Champaign, Illinois 61820

Independent Auditor's Report

We have audited the accompanying financial statements of Prairie Rivers Network (a nonprofit organization), which comprise the statement of financial position as of December 31, 2012, and the related statements of activities, functional expenses, and cash flows for the year 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 audit. We conducted our audit 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 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 Prairie Rivers Network as of December 31, 2012, 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.

Bray, Drake, Liles & Richardson LLP

BRAY, DRAKE, LILES & RICHARDSON LLP
Urbana, Illinois
February 19, 2013

PRAIRIE RIVERS NETWORK
Champaign, Illinois

Statement of Financial Position
December 31, 2012

ASSETS

Current Assets:

Cash and cash equivalents	\$ 525,135
Prepaid expenses	2,250
Total current assets	<u>527,385</u>

Property and Equipment:

Office equipment	76,241
Less: accumulated depreciation	<u>(65,059)</u>
Net property and equipment	<u>11,182</u>

Other Assets:

Security deposit	<u>2,000</u>
Total assets	<u>\$ 540,567</u>

LIABILITIES AND NET ASSETS

Current Liabilities:

Accounts payable	\$ 1,360
Payroll liabilities	<u>50</u>
Total current liabilities	<u>1,410</u>
Total liabilities	<u>1,410</u>

Net Assets:

Unrestricted:	
Undesignated	252,795
Temporarily restricted:	<u>286,362</u>
Total net assets	<u>539,157</u>
Total liabilities and net assets	<u>\$ 540,567</u>

PRAIRIE RIVERS NETWORK

Champaign, Illinois

Statement of Activities

For the Year Ended December 31, 2012

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<u>Revenues and Other Support:</u>			
Grants	\$ 338,425	\$ 220,804	\$ 559,229
Contributions	231,394	7,714	239,108
Investment income	754	-	754
In-kind donations	4,282	-	4,282
Reimbursements	31,941	-	31,941
Miscellaneous revenue	10,270	-	10,270
Net assets released from restrictions			
Restrictions satisfied by payments or time restrictions	<u>275,071</u>	<u>(275,071)</u>	<u>-</u>
Total revenues and other support	<u>892,137</u>	<u>(46,553)</u>	<u>845,584</u>
<u>Expenses:</u>			
Program services	687,060	-	687,060
Management and general	40,862	-	40,862
Fundraising	<u>67,442</u>	<u>-</u>	<u>67,442</u>
Total expenses	<u>795,364</u>	<u>-</u>	<u>795,364</u>
Change in net assets	96,773	(46,553)	50,220
Net assets, beginning of year	<u>156,022</u>	<u>332,915</u>	<u>488,937</u>
Net assets, end of year	<u>\$ 252,795</u>	<u>\$ 286,362</u>	<u>\$ 539,157</u>

The notes to financial statements are an integral part of this statement.

PRAIRIE RIVERS NETWORK

Champaign, Illinois

Statement of Functional Expenses For the Year Ended December 31, 2012

	<u>Program services</u>	<u>Management & general</u>	<u>Fund- raising</u>	<u>Total</u>
Salaries	\$ 303,017	\$ 29,687	\$ 31,217	\$ 363,921
Payroll taxes	25,447	2,472	2,614	30,533
Employee benefits	17,322	849	695	18,866
Total compensation	<u>345,786</u>	<u>33,008</u>	<u>34,526</u>	<u>413,320</u>
Professional development	722	-	-	722
Contract labor	62,814	3,083	2,117	68,014
Insurance	2,621	987	312	3,920
Registration fees	3,890	47	-	3,937
Service charges & other	-	752	2,342	3,094
Equipment	2,573	135	225	2,933
Dues & subscriptions	4,932	31	52	5,015
Postage	1,153	50	83	1,286
Printing & copying	7,448	258	429	8,135
Rent	20,580	1,470	2,450	24,500
Supplies	1,781	102	169	2,052
Telephone & internet fees	6,167	378	630	7,175
Travel & per diem	33,397	-	-	33,397
Utilities	4,047	289	482	4,818
Annual dinner	-	-	20,851	20,851
Membership support	-	-	1,689	1,689
Outreach & recognition	6,768	-	-	6,768
Workshops	750	-	-	750
River clean-ups	2,117	-	-	2,117
Run for your rivers	710	-	632	1,342
Subgrantees	175,000	-	-	175,000
Depreciation	3,804	272	453	4,529
Total expenses	<u>\$ 687,060</u>	<u>\$ 40,862</u>	<u>\$ 67,442</u>	<u>\$ 795,364</u>

The notes to financial statements are an integral part of this statement.

PRAIRIE RIVERS NETWORK

Champaign, Illinois

Statement of Cash Flows

For the Year Ended December 31, 2012

Cash Flows from Operating Activities:

Change in net assets	\$	50,220
Depreciation and amortization expense		4,529
Adjustments to reconcile change in net assets to net cash used by operating activities:		
(Increase) decrease in prepaid expenses		(250)
Increase (decrease) in accounts payable		(499)
Increase (decrease) in payroll liabilities		50
		<u>50</u>
Net cash provided (used) by operating activities		<u>54,050</u>

Cash Flows from Investing Activities:

Purchase of fixed assets		<u>(5,033)</u>
Net cash provided (used) by investing activities		<u>(5,033)</u>
Net increase (decrease) in cash and cash equivalents		49,017
Cash and cash equivalents at beginning of year		<u>476,118</u>
Cash and cash equivalents at end of year	\$	<u>525,135</u>

PRAIRIE RIVERS NETWORK
Champaign, Illinois

Notes to Financial Statements
December 31, 2012

Note 1 – Significant Accounting Policies:

Prairie Rivers Network (PRN), is a not-for-profit organization incorporated under the General Not-For-Profit Act of the State of Illinois. Its purpose is to champion clean, healthy rivers and lakes and safe drinking water to benefit the people and wildlife of Illinois. Drawing upon sound science and working cooperatively with others, we advocate public policies and cultural values that sustain the ecological health and biological diversity of water resources and aquatic ecosystems.

PRN’s financial statements are prepared on the accrual basis. Revenues are recognized when earned rather than when received, and expenses are recognized when incurred, rather than when disbursed.

PRN capitalizes all expenditures for property and equipment in excess of \$500. Purchased property and equipment are recorded at cost or, if contributed, at fair market value. Depreciation is computed using the straight-line method over the following estimated useful lives:

Office equipment	3 – 7 years
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For purposes of reporting cash flows, PRN considers all cash on hand, checking accounts and any highly liquid investment with an initial maturity of three months or less to be cash equivalents.

PRN has adopted Statement of Financial Accounting Standards (SFAS) No. 117, “Financial Statements of Not-for-Profit Organizations”. Under SFAS No. 117, PRN 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, based upon the existence or absence of donor imposed restrictions. In addition, PRN is required to present a statement of cash flows.

PRN has also adopted SFAS No. 116, “Accounting for Contributions Received and Contributions Made”. In accordance with SFAS No. 116, certain contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence or nature of any donor restrictions. When a donor restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets. All temporarily restricted funds received and disbursed in the current year are considered unrestricted. Permanently restricted net assets are subject to donor-imposed restrictions that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the organization. For the year ended December 31, 2012, PRN has \$286,362 of temporarily restricted net assets and no permanently restricted net assets.

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

PRAIRIE RIVERS NETWORK

Champaign, Illinois

Notes to Financial Statements

December 31, 2012

Note 1 – Significant Accounting Policies: (continued)

Investments in marketable equity securities are stated at fair value. Equity securities without readily determinable fair values are stated at cost.

Donations of property and equipment are recorded as contributions at their estimated fair value at the date of donation. PRN recognized no donated property and equipment in the financial statements.

Donations of supplies are recorded as contributions at their estimated fair value at the date of donation. PRN recognized \$4,282 of donated supplies in the financial statements.

Donated services are recognized as contributions in accordance with SFAS No. 116, *Accounting for Contributions Received and Contributions Made*, if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by PRN. Volunteers also provided various services throughout the year that are not recognized as contributions in the financial statements since the recognition criteria under SFAS No. 116 were not met. PRN recognized no contributed services in the financial statements.

The costs of providing various programs and other activities have been summarized on a functional basis in the Statement of Activities and in the Statement of Functional Expenses. Accordingly, certain costs have been allocated between program, administrative and fundraising costs.

Note 2 – Tax-Deferred Annuity Plan:

PRN has established a SIMPLE IRA plan qualified under Section 408(p) of the Internal Revenue Code. The plan covers employees of PRN who received \$5,000 or more of compensation for the previous calendar year. PRN contributes a 3% match for those employees electing to defer contributions to the plan. PRN's SIMPLE IRA Plan contribution expense was \$6,621 for the year ended December 31, 2012.

Note 3 – Restrictions/Limitations on Net Assets:

Unrestricted net assets are available for use by Prairie Rivers Network at the discretion of its Board of Directors. Temporarily restricted net assets in the amount of \$286,362 are available for subsequent year's activities.

Note 4 – Concentrations of Credit Risk Arising from Cash Deposits in Excess of Insured Limits:

The Organization maintains cash balances at two financial institutions located in Champaign, Illinois. Accounts at each institution are insured by the Federal Deposit Insurance Corporation up to \$250,000. At December 31, 2012, the Organization's uninsured cash balances total \$53,675.

PRAIRIE RIVERS NETWORK

Champaign, Illinois

Notes to Financial Statements

December 31, 2012

Note 5 – Operating Lease Commitments:

PRN entered into a 5 year lease dated October 15, 2007 for office space at \$2,000 per month. In August 2011, an amendment to the lease increased the Term to 10 years, thus an Expiration Date of October 31, 2017, and extended the \$3,000 per year increase (\$27,000 annually) for Years 6-10. PRN has a 3 year option to continue leasing the office space at the end of the 10 year lease at an increase of \$2,000 per year (\$29,000 annually). Rental expense for this lease was \$24,500 for the year ended December 31, 2012.

Future minimum rentals are as follows:

<u>Year Ending December 31:</u>	<u>Amount</u>
2013	27,000
2014	27,000
2015	27,000
2016	27,000
2017	<u>22,500</u>
 Total	 <u>\$130,500</u>

Note 6 – Subsequent Events:

Subsequent events were evaluated through February 19, 2013, which is the date the financial statements were available to be issued.

Note 7 – Income Taxes:

PRN is exempt from federal income taxes under Internal Revenue Code Section 501 (c)(3), and it is recognized as a charitable organization by the State of Illinois under the Charitable Trust and General Solicitation Act. In addition, PRN has been determined by the Internal Revenue Service not to be a "private foundation" within the meaning of Section 509(a) of the Internal Revenue Code.

The accounting standard on accounting for uncertainty in income taxes addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. Under that guidance, PRN may recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by taxing authorities based on the technical merits of the position. Examples of tax positions include the tax-exempt status of PRN and various positions related to the potential sources of unrelated business taxable income (UBIT).

PRAIRIE RIVERS NETWORK

Champaign, Illinois

Notes to Financial Statements

December 31, 2012

Note 7 – Income Taxes: (continued)

The tax benefits recognized in the financial statements from such a position are measured based upon the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement. There were no unrecognized tax benefits identified or recorded as liabilities for the year ended December 31, 2012.

Open Tax Years

PRN's Form 990, *Return of Organization Exempt from Income Tax* and Form 990-T, *Exempt Organization Business Income Tax Return*, for the years ending December 31, 2009, 2010, 2011 and 2012 are subject to examination by the IRS, generally 3 years after they were filed.