

# Natural Land Institute

Financial Statements and Supplementary Information

Year ended December 31, 2017





## **Independent Auditor's Report**

Board of Trustees  
Natural Land Institute  
Rockford, Illinois

We have audited the accompanying financial statements of Natural Land Institute (the "Organization"), which comprise the statement of financial position as of December 31, 2017, 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; 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from 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 Natural Land Institute as of December 31, 2017, and the changes in net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States.

### **Report on Summarized Comparative Information**

We have previously audited Natural Land Institute's 2016 financial statements, and we expressed an unmodified opinion on those financial statements in our report dated April 7, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2016, is consistent, in all material respects, with the audited financial statements from which it has been derived.



**Report on Other Information**

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The other information, appearing on pages 22 through 24, which is the responsibility of management, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

**Emphasis of Matter**

As discussed in Note 1 to the financial statements, the Organization adopted Accounting Standards Update (ASU) No. 2016-14, *Not-for-Profit Entities-Presentation of Financial Statements of Not-for-Profit Entities*, as of and for the year ended December 31, 2017. The ASU has been applied on a retrospective basis with the exception of the omission of certain information as permitted by the ASU.

*Wipfli LLP*

Wipfli LLP

April 6, 2018  
Rockford, Illinois

# Natural Land Institute

## Statement of Financial Position

December 31, 2017 (with comparative totals for December 31, 2016)

	2017	2016
<i>Assets</i>		
Cash and cash equivalents	\$ 317,368	\$ 466,512
Marketable securities	4,044,922	2,507,342
Unconditional promises to give	542,000	8,370
Prepaid expenses	14,142	13,421
Beneficial interest in assets held by community foundation	303,209	277,318
Land held for preservation	7,082,667	4,848,261
Conservation easements	1,166,868	1,265,346
Property and equipment, net	37,672	46,242
<b>Total assets</b>	<b>\$ 13,508,848</b>	<b>\$ 9,432,812</b>
<i>Liabilities and Net Assets</i>		
Accrued expenses	\$ 75,472	\$ 70,826
Due to Kishwaukee River Ecosystem Partnership	1,509	1,553
Unearned revenue	162,368	178,031
<b>Total liabilities</b>	<b>239,349</b>	<b>250,410</b>
Net assets without donor restrictions	10,454,513	8,007,003
Net assets with donor restrictions	2,814,986	1,175,399
<b>Total net assets</b>	<b>13,269,499</b>	<b>9,182,402</b>
<b>Total liabilities and net assets</b>	<b>\$ 13,508,848</b>	<b>\$ 9,432,812</b>

See accompanying notes to financial statements.

# Natural Land Institute

## Statement of Activities

Year Ended December 31, 2017 (with comparative totals for year ended December 31, 2016)

	Without Donor Restrictions			With Donor Restrictions	2017	2016
	Undesignated	Board Designated	Total			
Support and revenue:						
Contributions	\$ 2,292,462		\$ 2,292,462	\$ 1,597,070	\$ 3,889,532	\$ 415,405
Grants	151,441		151,441		151,441	244,510
Governmental grants	24,760		24,760		24,760	
Membership dues	149,015		149,015		149,015	123,544
Fundraising events, net of direct costs	15,104		15,104		15,104	9,548
Investment income (loss), net		\$ 104,987	104,987	368,142	473,129	(14,980)
Interest income	59		59		59	13
Miscellaneous income	64,029		64,029		64,029	40,589
Net assets released from restrictions	325,625		325,625	(325,625)		
<b>Total support and revenue</b>	<b>3,022,495</b>	<b>104,987</b>	<b>3,127,482</b>	<b>1,639,587</b>	<b>4,767,069</b>	<b>818,629</b>
Expenses:						
Program services	612,629		612,629		612,629	489,012
Management and general	51,567		51,567		51,567	47,862
Fundraising	15,776		15,776		15,776	21,377
<b>Total expenses</b>	<b>679,972</b>		<b>679,972</b>		<b>679,972</b>	<b>558,251</b>
<b>Change in net assets</b>	<b>2,342,523</b>	<b>104,987</b>	<b>2,447,510</b>	<b>1,639,587</b>	<b>4,087,097</b>	<b>260,378</b>
Net assets, beginning of year as previously reported	6,176,933	1,817,353	7,994,286	1,188,116	9,182,402	8,922,024
Adjustment for net asset classification	(157,220)	169,937	12,717	(12,717)		
<b>Net assets, beginning of year as restated</b>	<b>6,019,713</b>	<b>1,987,290</b>	<b>8,007,003</b>	<b>1,175,399</b>	<b>9,182,402</b>	<b>8,922,024</b>
<b>Net assets, end of year</b>	<b>\$ 8,362,236</b>	<b>\$ 2,092,277</b>	<b>\$ 10,454,513</b>	<b>\$ 2,814,986</b>	<b>\$ 13,269,499</b>	<b>\$ 9,182,402</b>

See accompanying notes to financial statements.

# Natural Land Institute

## Statement of Functional Expenses

Year Ended December 31, 2017 (with comparative totals for year ended December 31, 2016)

	Program Services					Total	Management and General	Fundraising	2017	2016
	Nygren Wetland Preserve	Mississippi Blufflands Project	Land Preservation Projects	Other						
Salaries and wages	\$ 49,315	\$ 2,503	\$ 20,044	\$ 132,428	\$ 204,290	\$ 39,907	\$ 8,823	\$ 253,020	\$ 242,235	
Payroll taxes and benefits	6,149	309	3,263	14,281	24,002	6,228	1,318	31,548	27,800	
Insurance	3,844		11,022	8,596	23,462			23,462	19,945	
Utilities	2,814		501	2,792	6,107			6,107	5,381	
Telephone	440		337	2,525	3,302	667	146	4,115	3,471	
Depreciation	2,486			9,946	12,432			12,432	12,720	
Building repairs						2,702		2,702	240	
Equipment repairs and maintenance	2,499			677	3,176			3,176	10,414	
Field supplies	10,367	7,350	1,819	3,193	22,729			22,729	25,618	
Plants and seeds	1,500			9,982	11,482			11,482	4,766	
Postage	880			2,519	3,399	505	93	3,997	4,321	
Office supplies		4,470		4,945	9,415	572	597	10,584	5,376	
Copying and printing	1,243	785		10,212	12,240	986	588	13,814	17,418	
Books, maps, and photos			280	215	495			495	410	
Travel	2,387	6,914	143	3,651	13,095			13,095	12,787	
Public relations	805	10,043		1,540	12,388		4,211	16,599	10,906	
Professional services		15,245	83,048	23,746	122,039			122,039	118,045	
Land contributions			99,860	2,655	102,515			102,515	2,735	
Land transactions			23,557		23,557			23,557	31,247	
Miscellaneous	281			2,223	2,504			2,504	2,416	
<b>Total expenses</b>	<b>\$ 85,010</b>	<b>\$ 47,619</b>	<b>\$ 243,874</b>	<b>\$ 236,126</b>	<b>\$ 612,629</b>	<b>\$ 51,567</b>	<b>\$ 15,776</b>	<b>\$ 679,972</b>	<b>\$ 558,251</b>	

See accompanying notes to financial statements.

# Natural Land Institute

## Statement of Cash Flows

Year Ended December 31, 2017 (with comparative totals for year ended December 31, 2016)

	2017	2016
Increase (decrease) in cash:		
Cash flows from operating activities:		
Change in net assets	\$ 4,087,097	\$ 260,378
Adjustments to reconcile change in net assets to net cash flows used in operating activities:		
Depreciation	12,432	12,720
Investment (income) loss, net	(473,129)	14,980
Contributions received for endowment	(627,863)	(144,919)
Contributions received for future purchases of land for preservation	(420,000)	(220,809)
Contributions of land held for preservation	(2,234,406)	
Loss on disposal of conservation easement	98,478	
Change in beneficial interest in assets held by community foundation	(25,891)	2,896
Changes in operating assets and liabilities:		
Unconditional promises to give	(533,630)	11,750
Prepaid expenses	(721)	(1,002)
Accrued expenses	4,646	2,384
Due to Kishwaukee River Ecosystem Partnership	(44)	(162)
Unearned revenue	(15,663)	(65,192)
<b>Net cash flows used in operating activities</b>	<b>(128,694)</b>	<b>(126,976)</b>
Cash flows from investing activities:		
Proceeds from sale of marketable securities	3,439,509	2,046,025
Purchase of marketable securities	(4,503,960)	(2,127,761)
Purchase of property and equipment	(3,862)	(27,300)
<b>Net cash flows used in investing activities</b>	<b>(1,068,313)</b>	<b>(109,036)</b>
Cash flows from financing activities:		
Contributions received for endowment	627,863	144,919
Contributions received for future purchases of land for preservation	420,000	220,809
<b>Net cash flows from financing activities</b>	<b>1,047,863</b>	<b>365,728</b>
Net change in cash and cash equivalents	(149,144)	129,716
Cash and cash equivalents at beginning of year	466,512	336,796
<b>Cash and cash equivalents at end of year</b>	<b>\$ 317,368</b>	<b>\$ 466,512</b>

See accompanying notes to financial statements.

# Natural Land Institute

## Notes to Financial Statements

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### **Note 1: Summary of Significant Accounting Policies**

#### **Nature of Operations**

Natural Land Institute (the "Organization") is a nonprofit organization. The Organization's mission is to create an enduring legacy of natural land in northern Illinois for people, plants, and animals.

#### **Comparative Financial Information**

The accompanying financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in accordance with accounting principles generally accepted in the United States (GAAP). Accordingly, such information should be read in conjunction with our audited financial statements for the year ended December 31, 2016, from which the summarized information was derived.

#### **Basis of Accounting**

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

#### **Use of Estimates**

The preparation of the financial statements in accordance with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates. The estimate of promises to give and fair value of investments are particularly subject to change in the near term.

#### **Cash and Cash Equivalents**

The Organization considers all cash and highly liquid financial instruments with original maturities of three months or less, which are neither held for nor restricted by donors for long term purposes, to be cash and cash equivalents. Cash and highly liquid financial instruments designated by the Board of Trustees, endowments that are perpetual in nature, or other long term purposes are excluded from this definition.

#### **Marketable Securities**

The Organization carries investments in marketable securities with readily determined fair values and all investments in debt securities at their fair values in the statement of financial position. Quoted market prices in active markets are used as the basis of measurement. Net investment income (loss) is reported in the statement of activities and consists of interest and dividend income, realized and unrealized capital gains and losses, less external and direct internal investment expenses.

# Natural Land Institute

## Notes to Financial Statements

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### **Note 1: Summary of Significant Accounting Policies** (Continued)

#### **Marketable Securities** (Continued)

Investments are generally recorded at fair value based upon quoted market prices, when available, or estimates of fair value. Donated assets are recorded at fair value at the date of donation, or, if sold immediately after receipt, at the amount of sales proceeds received (which are considered a fair measure of the value at the date of donation). Those investments for which fair value is not readily determinable are carried at cost or, if donated, at fair value at the date of donation, or if no value can be estimated, at a nominal value. Investment income or loss and unrealized gains or losses are included in the statement of activities as increases or decreases in unrestricted net assets unless the income or loss is restricted by donor or law.

Investments, in general, are exposed to various risks, such as interest rate, credit, and overall market volatility. Due to the level of risk associated with certain investments, it is reasonably possible that changes in the values of certain investments will occur in the near term and that such changes could materially affect the amounts reported in the financial statements.

#### **Promise to Give**

Unconditional promises to give are recognized as revenue in the period promised and as assets, decreases of liability or expenses depending on the form of the benefits received. The Organization records unconditional promises to give that are expected to be collected within one year at net realizable value. Unconditional promises to give 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 if the discount rates materially affect the amounts expected to be collected. In subsequent years, amortization of the discounts is included in contribution revenue in the statement of activities. We determine the allowance for uncollectable promises to give based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Promises to give are written off when deemed uncollectable. An allowance for doubtful accounts was not considered necessary at December 31, 2017 and 2016.

Conditional promises to give are recognized only when the conditions on which they depend are substantially met. Intentions to give are not recognized as revenue unless they are legally enforceable.

#### **Beneficial Interest in Assets Held by Community Foundation**

The Organization established an endowment fund that is perpetual in nature under the Community Foundation of Northern Illinois (CFNI) and is named as beneficiary. The Organization granted variance power to the CFNI, which allows the CFNI to modify any condition or restriction on its distributions for any specified charitable purpose or to any specified organization if, in the sole judgment of the CFNI's Board of Directors, such restriction or condition becomes unnecessary, incapable of fulfillment, or inconsistent with the charitable needs of the community. The fund is held and invested by the CFNI for our benefit and is reported at fair value in the statement of financial position, with distributions and changes in fair value recognized in the statement of activities.

# Natural Land Institute

## Notes to Financial Statements

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### **Note 1: Summary of Significant Accounting Policies (Continued)**

#### **Land Held for Preservation**

Land acquired for preservation is recorded at actual cost (or, if donated, fair market value on the date donated) and is carried at the acquisition basis throughout the period owned. They are managed in an effort to protect and preserve them.

#### **Conservation Easements**

Conservation easements are intangible assets comprised of listed rights and/or restrictions over the owned property that are conveyed by a property owner to the Organization in order to protect the owned property as a natural area, as defined in federal regulations. Conservation easements are granted in perpetuity and stay with the property even if it is sold. The Organization acts as a steward of the rights, ensuring that the landowner or subsequent landowners honor the conservation easement. Conservation easements purchased are recorded at actual cost and is carried at the basis throughout the period owned. If donated, no value has been assigned to the conservation easements due to the lack of foreseeable future cash flow benefits and absence of a secondary conservation easement market.

#### **Property and Equipment**

Property and equipment are valued at cost with an expected life greater than one year and a cost greater than \$2,000. Maintenance and repair costs are charged to expense as incurred. Gains or losses on disposition of property and equipment are reflected in income. Depreciation is computed on the straight line method over the useful lives of the assets ranging from 5 to 30 years.

#### **Impairment of Long-Lived Assets**

The Organization reviews long-lived assets, including property and equipment and conservation easements, for impairment whenever events or changes in business circumstances indicate that the carrying amount of an asset may not be fully recoverable. An impairment loss would be recognized when the estimated future cash flows from the use of the asset and its fair value are less than the carrying amount of that asset. The Organization has not recognized any impairment of long-lived assets during 2017 and 2016.

#### **Unearned Revenue**

Grants applying to services to be rendered in future periods are recorded as unearned revenue when received and reflected as support in the year when the services are earned. Certain, unexpended grants could be required, under the grant terms, to be returned to the funding entity.

# Natural Land Institute

## Notes to Financial Statements

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### **Note 1: Summary of Significant Accounting Policies** (Continued)

#### **Net Assets**

Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor or grantor imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

*Net assets without donor restrictions:* net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. The governing board has designated, from net assets without donor restrictions, a board designated quasi-endowment.

*Net assets with donor restrictions:* net assets subject to donor or certain grantor imposed restrictions. Some donor imposed restrictions are temporary in nature, such as those that will be met by the passage of time, long-lived assets placed in service, or other events specified by the donor. Other explicit donor imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

#### **Revenue Recognition**

Revenue is recognized when earned. Program service fees and payments under cost reimbursable contracts received in advance are deferred to the applicable period in which the related services are performed or expenditures are incurred, respectively. Contributions are recognized when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Contributions with donor restrictions are reported as contributions without donor restrictions if released in the year received. Membership dues are considered by management to be contributions, based upon the economic substance received. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met.

#### **In-Kind Contributions**

Volunteers contribute significant amounts of time to our program services, administration, and fundraising and development activities; however, the financial statements do not reflect the value of these contributed services because they do not meet recognition criteria prescribed by generally accepted accounting principles. Contributed goods are recorded at fair value at the date of donation. The Organization records donated professional services at the respective fair values of the services received if the services (a) create or enhance non-financial assets or (b) require specialized skills, are performed by people with those skills and would otherwise be purchased by the Organization. No significant contributions of such goods or services were received during the years ended December 31, 2017 and 2016.

# Natural Land Institute

## Notes to Financial Statements

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### Note 1: Summary of Significant Accounting Policies (Continued)

#### Functional Allocation of Expenses

The costs of program and supporting service activities have been summarized on a functional basis in the statement of activities. The statement of functional expenses present the natural classification detail of expenses by function. Certain costs are attributed to more than one program or supporting function and, therefore, require allocation amount the programs and supporting services benefited. Management believes their allocations are done on a reasonable and consistent basis. Most personnel costs, office expenses, professional services, and other expenses are identified with a specific program or supporting function at the time they are incurred and are reported accordingly. However, some of these expenses require allocation, which is done on the basis of estimates of time and effort.

#### Income Taxes

The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code, except on net income derived from unrelated business activities. The Organization is classified as a public charity. The Organization is also exempt from Illinois taxing jurisdiction.

#### Change in Accounting Policies

In 2016, the FASB issued Accounting Standards Update (ASU) No. 2016-14, *Not-for-Profit Entities (Topic 958)*. This ASU provides for certain improvements in financial reporting for not-for-profit organizations and requires changes to net asset classification, enhancements to liquidity presentation and disclosures, presentation of an analysis of expenses by function and by nature, netting of investment expenses with return, among other changes. The guidance was adopted early effective January 1, 2017.

Accordingly, the Organization's net assets with donor restrictions decreased by \$12,717 and net assets without donor restrictions decreased by the same amount due to management's further interpretation of the Organization's net asset classifications in accordance with the adoption of ASU 2016-14.

In 2015, the FASB issued ASU No. 2015-07, *Fair Value Measurement*. This ASU amends Accounting Standards Codification (ASC) Topic 820 and removes the requirement to categorize within the fair value hierarchy all investments for which fair value is measured using the net asset value (NAV) per share practical expedient. This ASU also removes the requirement to make certain disclosures for all investments that are eligible to be measured at fair value using the NAV per share practical expedient. Rather, those disclosures are limited to investments for which the entity has elected to measure the fair value using that practical expedient. The guidance was adopted effective January 1, 2017.

Accordingly, the presentation of the fair value of the Organization's beneficial interest in assets held by community foundation as of December 31, 2016, have been moved from a Level 3 asset to a Level 2 asset within the hierarchy levels in the table presented in Note 3 in order to conform to the presentation used as of December 31, 2017. The fair value amounts presented in the tables are intended to permit reconciliation of the fair value hierarchy to the line items presented in the financial statements.

# Natural Land Institute

## Notes to Financial Statements

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### Note 1: Summary of Significant Accounting Policies (Continued)

#### Pending Accounting Pronouncements

In 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*. This ASU, as amended, provides comprehensive guidance on the recognition of revenue from customers arising from the transfer of goods and services, guidance on accounting for certain contract costs, and new disclosures. The new standard supersedes current revenue recognition requirements in FASB Accounting Standards Codification (ASC) Topic 605, *Revenue Recognition*, and most industry specific guidance. When adopted, the amendments in the ASU must be applied using one of two retrospective methods. ASU No. 2014-09 is effective for nonpublic organizations for annual periods beginning after December 15, 2018. Management is evaluating what impact this new standard will have on its financial statements.

In 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-02, *Leases (Topic 842)*, which is intended to improve financial reporting on leasing transactions. ASU 2016-02 will require lessees to recognize right of use assets and lease obligations for operating and finance leases under terms greater than 12 months. ASU 2016-02 is effective for fiscal years beginning after December 15, 2019, with early adoption permitted. ASU 2016-02 must be applied modified retrospectively. Management is evaluating what impact this new standard will have on its financial statements.

#### Reclassification

Certain amounts as previously reported in the 2016 financial statements have been reclassified to conform to the 2017 presentation. Such reclassifications have no effect on reported amounts of net assets or change in net assets. Such reclassifications increased marketable securities by \$745,572 and reduced cash and cash equivalents by the same amount due to management's further interpretation of the Organization's cash and cash equivalents policy.

#### Subsequent Events

The Organization has evaluated events and transactions for potential recognition or disclosure in the financial statements through April 6, 2018, which is the date the financial statements were available to be issued.

# Natural Land Institute

## Notes to Financial Statements

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### Note 2: Liquidity and Availability

Financial assets available for general expenditure, that is, without donor or other restrictions or designations limiting their use, within twelve months of the statement of financial position date, comprise the following as of December 31, 2017:

Cash and cash equivalents	\$	317,368
Reserve marketable securities		690,431
Conservation easement spending rate distributions and appropriations		3,000
Endowment spending rate distributions and appropriations		114,000
Distributions from beneficial interest in assets held by community foundation		12,000
<hr/>		
Total	\$	821,448

As part of the Organization's liquidity management plan, the Organization invests cash in excess of daily requirements in short term investments and money market funds. Occasionally, the Board of Trustees designates a portion of any operating surplus to its operating reserve, which totaled \$690,431 as of December 31, 2017.

The Organization's conservation easement fund totaling \$260,215 as of December 31, 2017, is subject to an annual spending rate of 1% as an appropriate for annual related expenditures approved by the Board of Trustees. Although the Organization does not intend to spend from this reserved easement fund (other than amounts appropriated for general expenditure as part of our Board of Trustees's annual budget approval and appropriation), these amounts could be made available if restriction requirements are met.

The Organization's endowment funds consist of donor restricted endowments and funds designated by the Board of Trustees as quasi-endowments. Income from donor restricted endowments is restricted for specific purposes, with the exception of the amounts available for general use. Donor restricted endowment funds are not available for general expenditure.

The Organization's board designated quasi-endowment totaling \$1,401,846 as of December 31, 2017, is subject to an annual spending rate of 4.5%, as described further in Note 8. Although the Organization does not intend to spend from this board designated quasi-endowment (other than amounts appropriated for general expenditure as part of our Board of Trustees's annual budget approval and appropriation), these amounts could be made available if necessary.

The Organization's beneficial interest in assets held by community foundation totaling \$303,209 as of December 31, 2017, distributes at an annual spending rate of 4%, as described further in Note 5.

### Note 3: Concentrations of Risks and Uncertainties

#### Credit Risk

The Organization maintains its cash in bank deposit accounts at three financial institutions. The balances, at times, may exceed federally insured limits. The Organization's uninsured cash balances as of December 31, 2017 and 2016 totaled approximately \$53,000 and \$144,000, respectively.

# Natural Land Institute

## Notes to Financial Statements

### Note 3: Concentrations of Risks and Uncertainties (Continued)

#### Support and Revenue

The Organization's funding provided from donor contributions for the years ended December 31, 2017 and 2016 totaled approximately 82% and 51%, respectively.

### Note 4: Marketable Securities

Marketable securities consist of the following as of December 31:

	2017			2016		
	Cost	Unrealized gain	Fair Market Value	Cost	Unrealized gain	Fair Market Value
Marketable securities	\$ 3,629,865	\$ 415,057	\$ 4,044,922	\$ 2,335,491	\$ 171,851	\$ 2,507,342

Net investment income (loss) from marketable securities consist of the following for the years ended December 31:

	2017	2016
Dividends and interest	\$ 60,030	\$ 50,391
Realized gains (losses), net	288,381	32,254
Unrealized gains (losses), net	151,374	(77,195)
Investment fees	(26,656)	(20,430)
Investment income (loss), net	\$ 473,129	\$ (14,980)

### Note 5: Beneficial Interest in Assets Held by Community Foundation

Starting in 2010, the Organization has transferred \$240,000 from its investment portfolio to the CFNI to establish an endowment fund. Under the terms of the agreement, in the third quarter of each year, the Organization receives a distribution at an annual spending rate of 4%. The Organization cannot withdraw the original amount transferred or any appreciation on those transferred assets. At the time of the transfer, the Organization granted variance power to the Foundation. That power gives the Foundation the right to distribute the investment income to another not-for-profit organization of its choice if the organization ceases to exist or if the governing board of CFNI votes that support of the Organization (a) is no longer necessary or (b) is inconsistent with the needs of the CFNI community. The endowment fund is reported in the statement of financial position as beneficial interest in assets held by community foundation totaling \$303,209 and \$277,318 as of December 31, 2017 and 2016, respectively.

# Natural Land Institute

## Notes to Financial Statements

### Note 6: Unconditional Promises to Give

Unconditional promises to give consist of the following as of December 31:

	2017	2016
Receivable in less than one year	\$ 262,000	\$ 8,370
Receivable in one to four years	280,000	0
Unconditional promises to give	\$ 542,000	\$ 8,370

### Note 7: Fair Value Measurements

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an ordinary transaction between market participants at the measurement date. A three tier hierarchy prioritizes the inputs used in measuring fair value. These tiers include Level 1, defined as observable inputs such as quoted market prices in active markets; Level 2, defined as inputs other than quoted market prices in active markets that are either directly or indirectly observable; and Level 3, defined as unobservable inputs in which little or no market data exists, therefore, requiring an entity to develop its own assumptions. The asset's or liability's fair value measurement within the hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

The methods described below may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair value. Furthermore, while the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following is a description of the valuation methodologies used for assets measured at fair value.

*Common stocks:* valued at the daily closing priced as reported on the active market on which the individual securities are traded.

*Exchanged traded funds:* valued at the daily closing priced as reported on the active market on which the individual exchanged traded funds are traded.

*Mutual funds:* valued at the daily closing price as reported by the fund. Mutual funds held by the Organization are open-end mutual funds that are registered with the U.S. Securities and Exchange Commission. These funds are required to publish their daily net asset value (NAV) and to transact at that price. The mutual funds held by the Organization are deemed to be actively traded.

*Money market funds:* valued using a net asset value of \$1.

# Natural Land Institute

## Notes to Financial Statements

### Note 7: Fair Value Measurements (Continued)

*Beneficial interest in assets held by CFNI:* valued at the beneficial interest in assets held at the fair value of the Organization's share of the investment pool as of the measurement date. The investment pool is based on quoted net asset values of underlying investments held by the investment pool adjusted by an asset charge. The underlying investments held in the investment pool are composed approximately of 35% domestic equities, 30% foreign stocks, 25% bonds and 10% alternative investments including hedge funds, real estate and private equity funds.

The following tables present the balances of assets measured at fair value on a recurring basis by level within the fair value hierarchy as of:

<i>December 31, 2017</i>	Level 1	Level 2	Level 3	Total
Common stocks	\$ 1,495,693			\$ 1,495,693
Exchanged traded funds	1,366,749			1,366,749
Mutual funds	400,005			400,005
Money market funds	782,475			782,475
Beneficial interest in assets held by CFNI		\$ 303,209		303,209
<b>Total assets measured at fair value</b>	<b>\$ 4,044,922</b>	<b>\$ 303,209</b>	<b>\$ 0</b>	<b>\$ 4,348,131</b>

<i>December 31, 2016</i>	Level 1	Level 2	Level 3	Total
Common stocks	\$ 1,327,962			\$ 1,327,962
Exchanged traded funds	282,153			282,153
Mutual funds	166,980			166,980
Money market funds	730,247			730,247
Beneficial interest in assets held by CFNI		\$ 277,318		277,318
<b>Total assets measured at fair value</b>	<b>\$ 2,507,342</b>	<b>\$ 277,318</b>	<b>\$ 0</b>	<b>\$ 2,784,660</b>

### Note 8: Endowment and Quasi-Endowment Funds

The Board of Trustees has interpreted Illinois' adoption of the Uniform Prudent Management of Institutional Funds Act (UPMIFA) to permit the Organization to appropriate for expenditure or accumulate so much of an endowment fund, as the institution determines is prudent for the uses, benefits, purposes, and duration for which the endowment fund is established, unless stated to the contrary by the donor as expressed in the gift instrument.

# Natural Land Institute

## Notes to Financial Statements

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### Note 8: Endowment and Quasi-Endowment Funds (Continued)

The primary long term financial objective for the Organization's endowments is to preserve the real purchasing power of endowment assets and income after accounting for endowment spending and costs of portfolio management. Performance of the overall endowment against this objective is measured over rolling periods of one, three, and five years.

Quasi-endowment funds are funds merely earmarked by an organization's governing board, rather than restricted by a donor, to be invested to provide income for a long but unspecified period, and the governing board has the right to decide at any time to expend the principal of such funds. If the market value of the net assets with donor restrictions at year end is below the original fair value, a deficit is recorded within net assets with donor restrictions.

The aggregate endowment funds are managed to optimize the long run total rate of return on invested assets, assuming a prudent level of risk. The goal for this rate of return is one that provides funding for the Organization's existing spending policy. Over the short term, the return for each element of the endowment portfolio should match or exceed each of the returns for the broader capital markets in which assets are invested.

The endowment assets are governed by a spending policy that seeks to distribute a specific payout rate up to 4.5% of the endowment base to support the Organization's programs annually. The endowment distribution is made quarterly, currently at approximately 1% of the market value of the total endowment portfolio on the last day of the quarter. Such a policy will allow for a greater predictability of spendable income for budgeting purposes and for gradual steady growth for the support of operations by the endowments. In addition, this policy will minimize the probability of invading the principal over the long term. Spending in a given year will reduce the unit value of each endowment element by the payout percentage. In the case of short term declines in the market value of the endowment pool of funds, the overall spending rate may be calculated below the designated payout percentage in order to maintain the original unit value of certain elements of the true endowment. Growth of the unit values over time should allow for spending of principal, without drawing from the original corpus of a particular gift.

From time to time, certain donor restricted endowment funds may have fair values less than the amount required to be maintained by donors or by law (underwater endowments). We have interpreted UPMIFA to permit spending from underwater endowments in accordance with prudent measures required under law.

As of December 31, 2017, the Board of Trustees had designated \$1,401,846 of unrestricted net assets as a quasi-endowment fund to support the mission of the Organization. In addition, the endowment fund also consists of donor restricted endowment funds and beneficial interest in assets held by community foundation.

Endowment funds and quasi-endowment funds are invested in common stocks, exchanged traded funds, mutual funds and money market funds. The total endowment will be monitored on a continual basis for consistency of investment philosophy, return relative to objectives, and asset allocation.

# Natural Land Institute

## Notes to Financial Statements

### Note 8: Endowment and Quasi-Endowment Funds (Continued)

Endowment net asset composition by type of fund consist of the following as of:

<i>December 31, 2017</i>	Without Donor Restriction	With Donor Restriction	Total
Board designated quasi-endowment funds	\$ 1,401,846		\$ 1,401,846
Donor restricted endowment funds:			
Beneficial interest in assets held by community foundation		\$ 303,209	303,209
Original donor restricted gift amount and amounts required to be maintained in perpetuity by donor		1,046,784	1,046,784
Accumulated investment gains		89,682	89,682
<b>Total endowment and quasi-endowment funds</b>	<b>\$ 1,401,846</b>	<b>\$ 1,439,675</b>	<b>\$ 2,841,521</b>

<i>December 31, 2016</i>	Without Donor Restriction	With Donor Restriction	Total
Board designated quasi-endowment funds	\$ 1,259,318		\$ 1,259,318
Donor restricted endowment funds:			
Beneficial interest in assets held by community foundation		\$ 277,318	277,318
Original donor restricted gift amount and amounts required to be maintained in perpetuity by donor		444,895	444,895
Accumulated investment losses		(1,056)	(1,056)
<b>Total endowment and quasi-endowment funds</b>	<b>\$ 1,259,318</b>	<b>\$ 721,157</b>	<b>\$ 1,980,475</b>

Endowment net asset components of change by type of fund consist of the following for the years ended:

<i>December 31, 2017</i>	Without Donor Restriction	With Donor Restriction	Total
Balance, January 1, 2016	\$ 1,259,318	\$ 721,157	\$ 1,980,475
Investment income, net	196,740	125,701	322,441
Contributions	83	627,780	627,863
Appropriations pursuant to agency spending rate policy		(11,258)	(11,258)
Appropriations pursuant to spending rate policy		(23,705)	(23,705)
Distributions pursuant to distribution policy	(54,295)		(54,295)
<b>Balance, December 31, 2017</b>	<b>\$ 1,401,846</b>	<b>\$ 1,439,675</b>	<b>\$ 2,841,521</b>

# Natural Land Institute

## Notes to Financial Statements

### Note 8: Endowment and Quasi-Endowment Funds (Continued)

<i>December 31, 2016</i>	Without Donor Restriction	With Donor Restriction	Total
Balance, January 1, 2015	\$ 1,315,771	\$ 701,193	\$ 2,016,964
Investment loss, net	(4,433)	(88,877)	(93,310)
Contributions		144,919	144,919
Appropriations pursuant to agency spending rate policy		(11,299)	(11,299)
Appropriations pursuant to spending rate policy		(24,779)	(24,779)
Distributions pursuant to distribution policy	(52,020)		(52,020)
<b>Balance, December 31, 2016</b>	<b>\$ 1,259,318</b>	<b>\$ 721,157</b>	<b>\$ 1,980,475</b>

### Note 9: Property and Equipment

Property and equipment consist of the following as of December 31:

	Depreciable Lives	2017	2016
Buildings	7 - 30 years	\$ 58,675	\$ 58,675
Office furniture and equipment	5 - 10 years	100,803	96,942
Total property and equipment		159,478	155,617
Less accumulated depreciation		(121,806)	(109,375)
<b>Property and equipment, net</b>		<b>\$ 37,672</b>	<b>\$ 46,242</b>

### Note 10: Fiscal Agent Relationship

The Organization was asked to serve as the fiscal agent for Kishwaukee River Ecosystem Partnership to administer grants the fiscal agents received and other revenues. The undisbursed grants and other monies totaling \$1,509 and \$1,553 are recorded on the statement of financial position as an asset and liability as of December 31, 2017 and 2016, respectively.

### Note 11: Contingency

The Organization, under Illinois unemployment compensation regulations, has been recognized as self-insured for purposes of unemployment compensation insurance. Accordingly, no charges are paid to the Illinois Director of Labor during the year unless legitimate claims for unemployment compensation are filed by former employees. When such claims are filed, the Organization is liable for the unemployment compensation paid by the State of Illinois to the filing parties. There were no claims filed for which the Organization was liable for the years ended December 31, 2017 and 2016.

# Natural Land Institute

## Notes to Financial Statements

### Note 11: Contingency (Continued)

The Organization is contingently liable for all future potential unemployment compensation claims from current employees. A liability has been recorded as an estimate of future claims totaling \$15,000 as of December 31, 2017 and 2016.

### Note 12: Deferred Revenue

The Organization received revenues; however, not yet earned relating to service grants which consist of the following as of December 31:

	2017	2016
Burr Oak Valley Restoration	\$ 40,557	\$ 82,835
Grand Victoria Operating Grant	45,203	46,683
Grand Victoria Foundation Grant	4,836	0
Illinois Department of Natural Resources	17,348	20,782
Illinois Clean Energy Community Foundation matching contributions	23,778	0
Barbara Fell Memorial	10,646	10,646
Stewardship Grant, anonymous donor	20,000	0
Anonymous donor	0	17,085
Deferred revenue	\$ 162,368	\$ 178,031

### Note 13: Net Assets with Donor Restrictions

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

	2017	2016
Subject to expenditure for specified purpose:		
Enforcement and defense of conservation easements	\$ 260,215	\$ 207,931
Purchases of new land for preservation	555,964	220,809
Stewardship of Carroll Creek	17,132	17,132
Promises to give, proceeds from which have been restricted by donors for:		
Stewardship and restoration of Nygren Wetland Preserve	542,000	8,370
Endowments subject to spending policy and appropriation:		
Stewardship and restoration of land held for preservation	1,136,466	443,839
Not subject to spending policy or appropriation:		
Beneficial interest in assets held by community foundation	303,209	277,318
Net assets with donor restrictions	\$ 2,814,986	\$ 1,175,399

# Natural Land Institute

## Notes to Financial Statements

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### Note 13: Net Assets with Donor Restrictions (Continued)

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of the passage of time or other events specified by the donors as follows for the years ended December 31:

	2017	2016
Expiration of time restrictions	\$ 288,362	\$ 11,750
Satisfaction of purpose restriction:		
Enforcement and defense of conservation easements	2,300	2,255
Distributions:		
Beneficial interest in assets held by community foundation	11,258	11,299
Restricted purpose spending rate distributions and appropriations:		
Stewardship and restoration of land held for preservation	23,705	24,779
Net assets released from donor restrictions	\$ 325,625	\$ 50,083

### Note 14: Retirement Plan

The Organization offers a tax deferred annuity plan qualified under Section 403(b) of the Internal Revenue Code. The plan covers full-time employees of the Organization which three months of service. Employees may make contributions to the plan up to the maximum amount allowed by the Internal Revenue Code if they wish. There were no contributions made on behalf of the Organization.

### Note 15: Donated Services

A substantial number of unpaid volunteers have made significant contributions of their time to the operations of the Organization's programs, principally in restoration and educational programs. The value of these donated services and time is not recognized in the accompanying financial statements because they do not meet the criteria for recognition.

# Natural Land Institute

## Schedule of Conservation Easements (Unaudited)

December 31, 2017

County	Area Name	Acres	Acquired	Owner
Bureau	Walnut Grove Woodland	7.30	7/19/1984	Bureau Co. Soil & Water Conservation District
Bureau	McCune Sand Prairie	200.00	7/19/1984	Bureau Co. Soil & Water Conservation District
Bureau	Ross Wildlife Refuge	63.40	7/19/1984	Bureau Co. Soil & Water Conservation District
Carroll	John Nickels	80.00	6/11/2007	John Nickels
Carroll	Banes	151.10	12/23/2008	Douglas & Janice Banes
Carroll	Stretton	35.00	11/7/2013	Robert & Vicki Stretton
DeKalb	Pizzo Prairie	40.00	12/31/2004	Jack Pizzo
DeKalb	Clear Water Legacy	20.23	12/15/2003	Richard & Jane Hoffman
DeKalb	Clear Water Legacy	5.42	12/15/2003	Arthur Wittwer
DeKalb	Clear Water Legacy	81.27	12/15/2003	Richard & Jane Hoffman
DeKalb	Clear Water Legacy	82.62	12/15/2003	Jane Hoffman
DeKalb	Clear Water Legacy	44.76	2/1/2004	Thomas Williams
DeKalb	Clear Water Legacy	41.48	2/1/2004	Mark & Marcia Wittwer/Timothy & Dianna Wittwer
DeKalb	Clear Water Legacy	21.90	2/1/2004	Margaret Drendel
DeKalb	Clear Water Legacy 2	10.00	5/2/2006	Daniel & Cynthia Fischer
DeKalb	Clear Water Legacy 3	30.00	11/24/2008	William & Judith Gontko
DeKalb	Clear Water Legacy 3	22.85	11/24/2008	Edward & Patricia Hoff
DeKalb	Clear Water Legacy 3	24.89	12/3/2008	Timothy Murphy
DeKalb	Clear Water Legacy 3	31.85	12/3/2008	Mark & Marcia Wittwer/Timothy & Dianna Wittwer
Jo Daviess	Hanover Bluff	88.82	2/3/2003	Tim Dimke
Jo Daviess	Hanover Bluff	37.16	2/6/2003	Ulrike Rachuy
Jo Daviess	Hanover Bluff	79.76	5/9/2003	The Prairie Enthusiasts (Hanley)
Jo Daviess	Hanover Bluff/Roberts	44.23	6/15/2005	The Prairie Enthusiasts
Jo Daviess	Valley of Eden	408.59	8/12/2017	Jo Daviess Conservation Foundation
Lake	Pohickory	31.00	1/17/1996	Land Conservancy of Lake Co.
Ogle	Cain Farm	130.00	12/17/1998	Steve Schlicper & Kim Smeja
Ogle	Cain Farm	92.00	3/1/2011	Anthony Benesh
Ogle	Piros Prairie	6.89	12/29/1995	Bob & Sheryl Piros
Ogle	Carpenter Tract	0.38	4/27/1996	Eileen Moore
Ogle	Silver Creek Biodiversity Preserve: Tarbox Unit	48.86	9/14/2012	Northwest Allinois Audubon Society
Ogle	West Grove	40.00	6/20/2000	Mary Blackmore
Pope	War Bluff Valley Wildlife Sanctuary	483.00	1990 - 2000	Illinois Audubon Society
Rock, WI	Perkins/Briggs Wetland	2.90	5/8/1995	Ryan & Sadie Perkins
St. Clair	Pruitt Sinkhole	15.00	1/19/2000	Charles and Melba Pruitt
Sangamon	Robinson Woods #1-#6	6.36	1990 - 2003	Friends of the Sangamon Valley
Stephenson	Patricia Knight	49.37	12/31/2007	Nancy Klehm
Whiteside	Lyndon-Agnew Triangle Prairie	10.20	9/28/1993	Whiteside Co. Soil & Water Conservation District
Whiteside	Spring Slough	20.87	5/4/1994	Whiteside Co. Soil & Water Conservation District
Whiteside	Durward-Hardin Farm	272.00	8/23/2000	Marge Hardin Family
Whiteside	Kerr Farm	379.00	12/18/2008	Corliss Kerr
Winnebago	Burr Oak Valley Preserve	3.38	11/1/1988	David and Karen Wade
Winnebago	John Carleton	152.89	11/21/2006	John Carleton
Winnebago	Nygren Wetland Preserve	5.99	1/13/2006	Mark Shedd
Winnebago	John Peterson Farm	101.50	12/27/2007	John R. Peterson
Winnebago	Ottertail Marsh	131.51	9/16/2010	Mark Cagnoni
Winnebago	Pecatonia Woodlands	68.00	7/21/2011	Daniel Marske and Jim Dixon
Winnebago	Mary Sackett Prairie	26.50	12/27/2007	George Johnson
Winnebago	Stone Bridge Nature Trail	69.99	11/7/1994	Roscoe Township
Winnebago	Stone Bridge Nature Trail	16.83	1/5/2005	Roscoe Township
		<u>3,817.05</u>		

Summarized from other information

**Natural Land Institute**  
**Schedule of Land Held for Preservation (Unaudited)**  
December 31, 2017

Description	Acres	Value
Hanover Forest, Jo Daviess County, Illinois	34.64	\$ 84,000
Beach Cemetery Prairie Nature Preserve, Ogle County, Illinois	4.00	5,000
Carpenter Tract, Ogle County, Illinois	4.00	9,000
Howard D. Colman Dells Preserve, Ogle County, Illinois	37.86	102,269
Devil's Backbone, Ogle County, Illinois	41.00	14,000
Kyte River, Ogle County, Illinois	233.30	466,000
Schol-Mar Farm, Ogle County, Illinois	62.68	413,700
Milan Bottoms, Rock Island County, Illinois	93.23	458,798
KaNella Renshaw, White County, Illinois	80.00	42,000
Lyndon-Agnew, Whiteside County, Illinois Burlington-Northern-Right of Way	78.00	24,980
Burr Oak Valley Preserve (Burchfield Tract), Winnebago County, Illinois	62.60	150,000
Burr Oak Valley Preserve (McCleary Woods), Winnebago County, Illinois	35.00	382,000
Harlem Hills Prairie (Atwood Tract), Winnebago County, Illinois	1.79	2,500
Howard D. Colman Nature Preserve, Winnebago County, Illinois	54.69	136,231
Richard Conklin Preserve, Winnebago County, Illinois	125.35	313,375
Addison Foss Farm, Winnebago County, Illinois	407.60	1,691,000
William and Gayle Keefer Nature Reserve, Winnebago County, Illinois	36.52	225,000
Kilbuck Creek, Winnebago County, Illinois	4.60	23,200
Lind Preserve, Winnebago County, Illinois	9.34	28,000
McGeachie Tract, near Lind Preserve, Winnebago County, Illinois	3.00	22,600
Nieman Marsh, Winnebago County, Illinois	39.00	135,160
Carl and Mryna Nygren Wetland Preserve, Winnebago County, Illinois	705.80	946,343
Ottertail Marsh (Deery Tract), Winnebago County, Illinois	2.75	6,875
Pecatonica Ridge Prairie, Winnebago County, Illinois	80.00	400,000
Pecatonica Woodlands, Winnebago County, Illinois	142.26	554,806
Silver Creek Preserve, Winnebago County, Illinois	125.00	445,800
	2,504.01	\$ 7,082,637

Summarized from other information

**Natural Land Institute**  
**Schedule of Support and Revenue, Expenses, and Net Assets**  
**Carl and Myrna Nygren Wetland Project (Unaudited)**  
Year Ended December 31, 2017

Support and revenue:		
Donations	\$	13,512
Event proceeds		9,390
Investment income, net		31,427
Landholding and management		10,416
Program fees and reimbursements		2,600
<hr/>		
Total support and revenue		67,345
<hr/>		
Expenses:		
Salaries and benefits		55,464
Field supplies		11,185
Small equipment		682
Travel		2,387
Volunteer support		655
Printing		1,243
Telephone		440
Utilities		2,814
Postage		880
Equipment maintenance		2,499
Insurance		3,844
Marketing		150
Miscellaneous		282
<hr/>		
Total expenses		82,525
<hr/>		
Change in net assets		(15,180)
Net assets, beginning of year		50,585
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Net assets, end of year	\$	35,405

Summarized from other information