

**DuPage River Salt Creek  
Workgroup**

**Financial Statements  
and  
Independent Auditor's Report  
For the Years Ended  
February 28, 2010  
and  
February 28, 2009**

**Wolf & Company LLP**  
Certified Public Accountants

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INDEPENDENT AUDITOR'S REPORT

Board of Directors  
DuPage River Salt Creek Workgroup

We have audited the accompanying statements of assets and net assets - modified cash basis of DUPAGE RIVER SALT CREEK WORKGROUP (DRSCW) as of February 28, 2010 and 2009, and the related statements of revenues and expenses - modified cash basis, and cash flows - modified cash basis for the years then ended. These financial statements are the responsibility of DRSCW'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.

As described in Note 2, these financial statements were prepared on the modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets, liabilities, and net assets of DuPage River Salt Creek Workgroup as of February 28, 2010 and 2009, and its revenues and expenses, and cash flows for the years then ended, on the basis of accounting described in Note 2.

Oak Brook, Illinois  
June 17, 2010

*Wolf & Company LLP*

DUPAGE RIVER SALT CREEK WORKGROUP  
STATEMENTS OF ASSETS AND NET ASSETS - MODIFIED CASH BASIS

ASSETS

	February 28,	
	2010	2009
Current assets:		
Cash	\$ 178,013	\$ 448,627
Certificates of deposit	403,891	122,361
Total current assets	581,904	570,988
Property and equipment, net of accumulated depreciation of \$85,015 and \$72,307 for 2010 and 2009, respectively.	12,178	23,436
Total assets	\$ 594,082	\$ 594,424

NET ASSETS

Unrestricted	\$ 594,082	\$ 594,424
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See accompanying notes to financial statements and independent auditor's report.

DUPAGE RIVER SALT CREEK WORKGROUP  
STATEMENTS OF REVENUES AND EXPENSES - MODIFIED CASH BASIS

	For the Year Ended	
	February 28,	
	<u>2010</u>	<u>2009</u>
Unrestricted revenues:		
Contributions and grants	\$ 46,358	200,745
Membership dues	314,982	282,368
Interest income	7,331	5,210
Miscellaneous income	<u>8,807</u>	<u>1,285</u>
Total unrestricted revenues	<u>377,478</u>	<u>489,608</u>
Expenses:		
Accounting fees	8,563	-
Legal fees	560	-
Supplies	152	114
Telephone	1,045	-
Occupancy, rent, utilities and maintenance	2,417	1,919
Equipment repairs and maintenance	1,600	11,290
Printing, publications, postage and shipping	439	676
Travel	506	1,775
Conferences, conventions, and meetings	2,341	2,937
Depreciation	12,708	19,149
Website fee	1,522	293
Office expenses	8,327	2,809
Meals and entertainment	-	2,136
Miscellaneous	83	2,544
Professional services	284,000	283,071
Laboratory sampling and testing	51,360	27,486
Insurance	<u>2,197</u>	<u>2,807</u>
Total expenses	<u>377,820</u>	<u>359,006</u>
Increase (decrease) in unrestricted net assets	(342)	130,602
Unrestricted net assets at beginning of year	<u>594,424</u>	<u>463,822</u>
Unrestricted net assets at end of year	<u>\$ 594,082</u>	<u>\$ 594,424</u>

See accompanying notes to financial statements and independent auditor's report.

DUPAGE RIVER SALT CREEK WORKGROUP  
STATEMENTS OF CASH FLOWS - MODIFIED CASH BASIS

	For the Year Ended	
	February 28,	
	<u>2010</u>	<u>2009</u>
Cash flows from operating activities:		
Increase (decrease) in unrestricted net assets	\$ (342)	\$ 130,602
Adjustments to reconcile increase (decrease) in unrestricted net assets to net cash provided by operating activities:		
Depreciation	<u>12,708</u>	<u>19,149</u>
Net cash provided by operating activities	<u>12,366</u>	<u>149,751</u>
Cash flows from investing activities:		
Purchases of certificates of deposit, net	(281,530)	(122,361)
Purchase of property and equipment	<u>(1,450)</u>	<u>-</u>
Net cash used in investing activities	<u>(282,980)</u>	<u>(122,361)</u>
Net increase (decrease) in cash and cash equivalents	(270,614)	27,390
Cash and cash equivalents at beginning of year	<u>448,627</u>	<u>421,237</u>
Cash and cash equivalents at end of year	<u>\$ 178,013</u>	<u>\$ 448,627</u>

See accompanying notes to financial statements and independent auditor's report.

DUPAGE RIVER SALT CREEK WORKGROUP  
NOTES TO FINANCIAL STATEMENTS

1. Nature of Activities

DuPage River Salt Creek Workgroup (DRSCW) was formed November 12, 2005. DRSCW is a not-for-profit organization that aspires to bring together a diverse coalition of stakeholders to work together to preserve and enhance water quality. DRSCW fulfills its mission by serving communities along the East Branch DuPage River, West Branch DuPage River, Salt Creek and their tributaries.

2. Summary of Significant Accounting Policies

Basis of Accounting - The financial statements of DRSCW have been prepared on the modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The modified cash basis records revenue when received and expenses when paid. Generally accepted accounting principles require recognition of revenue when earned and expenses when incurred.

Basis of Presentation - The financial statement presentation follows generally accepted accounting principles for not-for-profit organizations whereby DRSCW reports information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted and permanently restricted.

Unrestricted net assets are contributions or other inflows which have no restriction placed on the funds by the donor.

Temporarily restricted net assets result from contributions and other inflows of assets whose use is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions pursuant to those stipulations.

Permanently restricted net assets result from contributions and other inflows of assets whose use is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of DRSCW.

DRSCW had no temporarily or permanently restricted net assets for the years ended February 28, 2010 and 2009.

Use of Estimates - The preparation of financial statements in conformity with the modified cash basis of accounting requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Accounting for Uncertain Tax Positions - In June 2006, the FASB issued Interpretation No. 48 (FIN 48), *Accounting for Uncertainty in Income Taxes*, which was codified into Accounting Standards Codification No. 740, *Income Taxes* (ASC No. 740). FIN 48/ASC No. 740 provides detailed guidance for the financial statement recognition, measurement and disclosure of uncertain tax positions recognized in an entity's financial statements in accordance with SFAS No. 109, *Accounting for Income Taxes*, which was also codified into ASC No. 740. FIN 48/ASC No. 740 requires an entity to recognize the financial statement impact of a tax position when it is more likely than not that the position will be sustained upon examination. DRSCW adopted the provisions of this statement in 2009.

DUPAGE RIVER SALT CREEK WORKGROUP  
NOTES TO FINANCIAL STATEMENTS

2. Summary of Significant Accounting Policies (Cont.)

Fair Value Measurements - In September 2006, the FASB issued Statement No. 157 (SFAS No. 157), *Fair Value Measurements*, which was codified into Accounting Standards Codification No. 820, *Fair Value Measurements and Disclosures* (ASC No. 820). SFAS No. 157/ASC No. 820 was issued to establish a uniform framework for measuring fair value and expand disclosures about fair value measurements. SFAS No. 157/ASC No. 820 applies whenever other authoritative literature requires or permits fair value measurements, but does not expand the use of fair value.

As required by the pronouncement, DRSCW adopted the provisions of this statement in 2009 as it related to financial assets and liabilities. The adoption of the provisions of this statement in 2010 as it relates to nonfinancial assets and liabilities resulted in no material impact on the DRSCW's financial position or changes in net assets.

Tax-Exempt Status - DRSCW is exempt from federal income taxes under Section 501(c)(4) of the Internal Revenue Code. DRSCW remains liable for income taxes on unrelated business income. There are no ongoing federal or state income tax examinations. Income tax returns for 2007 and subsequent years are subject to examination.

Equipment - Equipment is depreciated over the estimated useful life of five years using the straight-line method.

3. Fair Value Measurements

SFAS No. 157/ASC No. 820 defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price), that is in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. SFAS No. 157/ASC No. 820 also establishes a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value:

- Level 1:* Quoted prices (unadjusted) for identical assets or liabilities in active markets that the entity has the ability to access as of the measurement date.
- Level 2:* Significant other observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, and other inputs that are observable or can be corroborated by observable market data.
- Level 3:* Significant unobservable inputs that reflect a company's own assumptions about the assumptions that market participants would use in pricing an asset or liability.

DRSCW's investments in certificates of deposit are valued using level 2 inputs.