

**DuPage River Salt Creek
Workgroup**

**Financial Statements
and
Independent Auditor's Report
For the Year Ended
February 28, 2011**

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, 2011 and 2010, 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, 2011 and 2010, and its revenues and expenses, and cash flows for the years then ended, on the basis of accounting described in Note 2.

Oakbrook Terrace, Illinois
June 29, 2011

Wolf & Company LLP

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

ASSETS

	February 28,	
	2011	2010
Current assets:		
Cash	\$ 234,909	\$ 178,013
Certificates of deposit	400,750	403,891
Total current assets	635,659	581,904
Property and equipment, net of accumulated depreciation of \$90,993 and \$85,015 for 2011 and 2010, respectively	6,200	12,178
Total assets	\$ 641,859	\$ 594,082

NET ASSETS

Unrestricted	\$ 641,859	\$ 594,082
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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>2011</u>	<u>2010</u>
Unrestricted revenues:		
Contributions and grants	\$ 398,000	\$ 46,358
Membership dues	285,437	314,982
Interest income	5,282	7,331
Miscellaneous income	<u>7,330</u>	<u>8,807</u>
Total unrestricted revenues	<u>696,049</u>	<u>377,478</u>
Expenses:		
Accounting fees	12,444	8,563
Legal fees	125	560
Supplies	267	152
Telephone	1,304	1,045
Occupancy, rent, utilities and maintenance	10,857	10,744
Equipment repairs and maintenance	9,374	1,600
Printing, publications, postage and shipping	457	439
Travel	1,303	506
Conferences, conventions, and meetings	1,938	2,341
Depreciation	5,978	12,708
Website fee	358	1,522
Miscellaneous	-	83
Professional services	525,406	284,000
Laboratory sampling and testing	76,390	51,360
Insurance	<u>2,071</u>	<u>2,197</u>
Total expenses	<u>648,272</u>	<u>377,820</u>
Increase (decrease) in unrestricted net assets	47,777	(342)
Unrestricted net assets at beginning of year	<u>594,082</u>	<u>594,424</u>
Unrestricted net assets at end of year	<u>\$ 641,859</u>	<u>\$ 594,082</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>2011</u>	<u>2010</u>
Cash flows from operating activities:		
Increase (decrease) in unrestricted net assets	\$ 47,777	\$ (342)
Adjustments to reconcile increase (decrease) in unrestricted net assets to net cash provided by operating activities:		
Depreciation	<u>5,978</u>	<u>12,708</u>
Net cash provided by operating activities	<u>53,755</u>	<u>12,366</u>
Cash flows from investing activities:		
Purchases of certificates of deposit, net	3,141	(281,530)
Purchase of property and equipment	<u>-</u>	<u>(1,450)</u>
Net cash provided by (used in) investing activities	<u>3,141</u>	<u>(282,980)</u>
Net increase (decrease) in cash and cash equivalents	56,896	(270,614)
Cash and cash equivalents at beginning of year	<u>178,013</u>	<u>448,627</u>
Cash and cash equivalents at end of year	<u>\$ 234,909</u>	<u>\$ 178,013</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, 2011 and 2010.

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.

Income Taxes - 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, if any. DRSCW is no longer subject to U.S. federal, state and local income tax examinations by tax authorities for the years before the 2008 tax year.

DUPAGE RIVER SALT CREEK WORKGROUP
NOTES TO FINANCIAL STATEMENTS

2. Summary of Significant Accounting Policies (Cont.)

Fair Value Measurements - In January 2010, the Financial Accounting Standards Board issued guidance in Accounting Standards Codification No. 820, *Fair Value Measurements and Disclosures*, amending the disclosure requirements related to recurring and nonrecurring fair value measurements. The guidance requires new disclosures on the transfers of assets and liabilities between fair value measurement hierarchy levels, including the reasons for and the timing of the transfers. The new accounting guidance also clarifies existing disclosure requirements regarding the level of disaggregation of fair value measurements and disclosure of significant inputs and valuation techniques utilized. DRSCW adopted these disclosure requirements in 2010. Additionally, beginning in 2011, the guidance requires separate presentation of purchases, sales, issuances, and settlements in the Level 3 reconciliation table. DRSCW intends on adopting these disclosure requirements in 2011.

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

Contributions - Contributions with donor-imposed time or purpose restrictions that are met in the same period as the gift are reported as unrestricted support.

Reclassifications - Certain reclassifications have been made to the 2010 financial statements to conform to the current year presentation with no effect on net income.

3. Fair Value Measurements

Generally accepted accounting principles provide a uniform framework for the definition, measurement and disclosure of fair value measurements. Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. Such accounting guidance 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 an entity'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.

4. Subsequent Events

Management of the DRSCW has evaluated subsequent events through June 29, 2011, the date on which the financial statements were available to be issued.