

**DuPage River Salt Creek
Workgroup**

**Financial Statements
and
Independent Auditor's Report
For the Year Ended
February 29, 2012**

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 29, 2012 and February 28, 2011, 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 and net assets of DuPage River Salt Creek Workgroup as of February 29, 2012 and February 28, 2011, 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 6, 2012

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

ASSETS

	<u>February 29, 2012</u>	<u>February 28, 2011</u>
Current assets:		
Cash	\$ 448,730	\$ 234,909
Certificates of deposit	<u>204,421</u>	<u>400,750</u>
Total current assets	653,151	635,659
Property and equipment, net of accumulated depreciation of \$96,613 and \$90,993 for 2012 and 2011, respectively	<u>580</u>	<u>6,200</u>
Total assets	<u>\$ 653,731</u>	<u>\$ 641,859</u>

NET ASSETS

Unrestricted	<u>\$ 653,731</u>	<u>\$ 641,859</u>
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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

	<u>For the Year Ended</u>	
	<u>February 29, 2012</u>	<u>February 28, 2011</u>
Unrestricted revenues:		
Contributions and grants	\$ 86,324	\$ 398,000
Membership dues	298,554	285,437
Interest income	8,891	5,282
Miscellaneous income	<u>3,980</u>	<u>7,330</u>
Total unrestricted revenues	<u>397,749</u>	<u>696,049</u>
Expenses:		
Accounting fees	8,461	12,444
Legal fees	647	125
Supplies	202	267
Telephone	817	1,304
Occupancy, rent, utilities and maintenance	10,857	10,857
Equipment repairs and maintenance	11,345	9,374
Printing, publications, postage and shipping	163	457
Travel	1,606	1,303
Conferences, conventions, and meetings	185	1,938
Depreciation	5,620	5,978
Website fee	230	358
Office expenses	495	-
Professional services	286,590	525,406
Laboratory sampling and testing	56,588	76,390
Insurance	<u>2,071</u>	<u>2,071</u>
Total expenses	<u>385,877</u>	<u>648,272</u>
Increase in unrestricted net assets	11,872	47,777
Unrestricted net assets at beginning of year	<u>641,859</u>	<u>594,082</u>
Unrestricted net assets at end of year	<u>\$ 653,731</u>	<u>\$ 641,859</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 29, 2012	February 28, 2011
Cash flows from operating activities:		
Increase in unrestricted net assets	\$ 11,872	\$ 47,777
Adjustments to reconcile increase in unrestricted net assets to net cash provided by operating activities:		
Depreciation	5,620	5,978
Net cash provided by operating activities	17,492	53,755
Cash flows from investing activities:		
Maturities of certificates of deposit, net	196,329	3,141
Net increase in cash and cash equivalents	213,821	56,896
Cash and cash equivalents at beginning of year	234,909	178,013
Cash and cash equivalents at end of year	\$ 448,730	\$ 234,909

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 29, 2012 and February 28, 2011.

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 recognizes the financial statement impact of a tax position when it is more likely than not that the position will be sustained upon examination. DRSCW is no longer subject to state and local income tax examinations by tax authorities for the years before the 2009 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 (FASB) issued guidance in Accounting Standards Update No. 2010-06, *Fair Value Measurements and Disclosures (Topic 820): Improving Disclosures about Fair Value Measurements* (ASU No. 2010-06). ASU No. 2010-06 amended disclosure requirements related to recurring and nonrecurring fair value measurements. For fiscal years beginning after December 15, 2010, ASU No. 2010-06 requires separate presentation of purchases, sales, issuances and settlements in the Level 3 reconciliation table. DRSCW has adopted these disclosure requirements in 2012.

In May 2011, the FASB issued guidance in Accounting Standards Update No. 2011-04, *Fair Value Measurements (Topic 820): Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs* (ASU No. 2011-04.) ASU No. 2011-04 was issued to improve comparability of fair value application, measurements and disclosures between U.S. reporting and IFRS reporting. ASU No. 2011-04 clarifies fair value definitions and enhances fair value measurement guidance with respect to highest and best use measurements, equity instrument measurements, and measurement of financial instruments that are managed within a portfolio. Additionally, ASU No. 2011-04 expands disclosures for unobservable inputs used in Level 3 fair value measurements. ASU No. 2011-04 is effective for annual periods beginning after December 15, 2011. DRSCW is currently evaluating the impact of ASU No. 2011-04 on its fair value measurements and disclosures and intends on adopting the guidance in 2013.

Equipment - Equipment is depreciated over the estimated useful life of five years using the straight-line method. Expenditures for fixed assets in excess of \$750 are capitalized.

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

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.

DUPAGE RIVER SALT CREEK WORKGROUP
NOTES TO FINANCIAL STATEMENTS

4. Subsequent Events

Management of DRSCW has evaluated subsequent events through June 6, 2012, the date on which the financial statements were available to be issued.