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Board of Directors
Preservation Foundation of the
Lake County Forest Preserves
Libertyville, Illinois

Thank you for using Baker Tilly Virchow Krause, LLP (Baker Tilly) as your auditor.

We have completed our audit of the financial statements of Preservation Foundation of the Lake County Forest Preserves (the "Foundation") for the six months ended December 31, 2018, and have issued our report thereon dated May 15, 2019. This letter presents communications required by our professional standards.

Our Responsibility under Auditing Standards Generally Accepted in the United States of America

The objective of a financial statement audit is the expression of an opinion on the financial statements. We conducted the audit in accordance with auditing standards generally accepted in the United States of America. These standards require that we plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the financial statements prepared by management with your oversight are free of material misstatement, whether caused by error or fraud. Our audit included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit does not relieve management or the Board of Directors of their responsibilities.

As part of the audit we obtained an understanding of the entity and its environment, including internal control, sufficient to assess the risks of material misstatement of the financial statements and to design the nature, timing and extent of further audit procedures. The audit was not designed to provide assurance on internal control or to identify deficiencies in internal control.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our letter dated January 16, 2019.

Significant Audit Issues

Qualitative Aspect of Accounting Policies

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the Foundation are described in Note 1 to the financial statements. As described in Note 1, the Foundation changed accounting policies related to the presentation of financial statements of not-for-profit entities by adopting ASU 2016-14 in 2018. Accordingly, the accounting change has been retrospectively applied to the prior period presented.

We noted no transactions entered into by the Foundation during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

The most sensitive estimates affecting the financial statements were:

- Valuation of land held for resale

- Allocation of expenses

We evaluated the key factors and assumptions used to develop the estimates in determining that they are reasonable in relation to the financial statements taken as a whole.

The disclosures in the financial statements are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. There were no misstatements identified.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditors' report. We are pleased to report that no such disagreements arose during the course of our audit.

Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters. If a consultation involves application of an accounting principle to the Foundation's financial statements, or a determination of the type of auditors' opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Management Representations

We have requested certain representations from management that are included in the management representation letter. This letter has been provided to you.

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Significant Issues

Professional standards require us to communicate any significant issues that were discussed, or were the subject of correspondence with management. There were no additional communications or correspondence with management that have not been disclosed in this letter.

Independence

We are not aware of any relationships between Baker Tilly Virchow Krause, LLP and the Foundation that, in our professional judgment, may reasonably be thought to bear on our independence.

Relating to our audit of the financial statements of the Foundation for the six months ended December 31, 2018, Baker Tilly Virchow Krause, LLP hereby confirms that we are, in our professional judgment, independent with respect to the Foundation in accordance with the Code of Professional Conduct issued by the American Institute of Certified Public Accountants. During the six months ended December 31, 2018, Baker Tilly Virchow Krause, LLP provided the following services to the Foundation:

> Preparation of the financial statements

> Proposal of journal entries, if any

> Preparation of the tax returns

Other Audit Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Foundation's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

The Financial Accounting Standards Board ("FASB") has communicated a recent accounting pronouncement that may affect the Foundation. The pronouncement is detailed in the attached document.

This information is intended solely for the information and use of the Board of Directors and management of the Foundation and is not intended to be and should not be used by anyone other than these specified parties.

Oak Brook, Illinois
May 15, 2019

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Recent Accounting Pronouncement

Clarification of Exchange Transactions and Contributions

In June 2018, FASB issued ASU No. 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. ASU No. 2018-08 was issued to assist entities in determining if a transaction should be accounted for as a contribution (nonreciprocal) or exchange transaction (reciprocal) and whether a contribution is conditional.

Distinguishing between contributions and exchange transactions determines which guidance is applied. For contributions, an entity should follow the guidance in Subtopic 958-605, whereas for exchange transactions, an entity should follow other guidance, such as Topic 606. Determining whether a contribution is conditional affects the timing of revenue recognition for the transaction.

ASU No. 2018-08 clarifies how an entity determines whether a resource provider is participating in an exchange transaction by evaluating whether the resource provider is receiving commensurate value in return for the resources transferred.

Entities are required to determine whether a contribution is conditional based on barriers in place and either a right of return of assets or release of obligation. The presence of these items indicates that a recipient is not entitled to the assets until the barriers are overcome in the agreement. ASU No. 2018-08 provides indicators to guide the assessment of whether an agreement contains a barrier that must be overcome. Depending on the facts and circumstances, some indicators may be more significant than others, and no single indicator is determinative.

ASU No. 2018-08 should be applied on a modified prospective basis. Retrospective application is permitted. Under a modified prospective basis, in the first set of financial statements following the effective date, ASU No. 2018-08 should be applied to agreements that are either (1) not completed as of the effective date or (2) entered into after the effective date.

For contributions received by an entity which is either a public business entity or a not-for-profit that has issued, or is a conduit bond obligor for, securities that are traded, listed, or quoted on an exchange or an over-the-counter market, ASU No. 2018-08 is effective for annual periods beginning after June 15, 2018 (calendar 2019). All other entities should apply ASU No. 2018-08 to annual periods beginning after December 15, 2018 (calendar 2019) for contributions received.

For contributions made by an entity which is either a public business entity or a not-for-profit that has issued, or is a conduit bond obligor for, securities that are traded, listed, or quoted on an exchange or an over-the-counter market and serves as a resource provider, ASU No. 2018-08 is effective for annual periods beginning after December 15, 2018 (calendar 2019). All other entities should apply ASU No. 2018-08 to annual periods beginning after December 15, 2019 (calendar 2020) for contributions made.

We recommend that management determine the potential implications this pronouncement and changes may have on the Foundation upon implementation. We would be happy to discuss this item with you.

May 15, 2019

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Baker Tilly Virchow Krause, LLP
1301 W. 22nd Street, Suite 400
Oak Brook, Illinois 60523

This representation letter is provided in connection with your audit of the financial statements of Preservation Foundation of the Lake County Forest Preserves (the "Foundation"), which comprise the statement of financial position as of December 31, 2018, and the related statements of activities and cash flows for the six months then ended, and the related notes to the financial statements, for the purpose of expressing an opinion as to whether the financial statements are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP").

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in the light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement. An omission or misstatement that is monetarily small in amount could be considered material as a result of qualitative factors.

We confirm, to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves as of May 15, 2019:

Financial Statements

1. We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated January 8, 2019, for the preparation and fair presentation of the financial statements in accordance with U.S. GAAP.

2. We acknowledge our responsibility for 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.

3. We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.

4. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable.

5. There are no estimates that may be subject to a material change in the near term that have not been properly disclosed in the financial statements. We understand that near term means the period within one year of the date of the financial statements.

6. We have no knowledge of concentrations existing at the date of the financial statements that make the Foundation vulnerable to the risk of severe impact that have not been properly disclosed in the financial statements. We understand that concentrations include individual or group concentrations of customers, suppliers, lenders, products, services, sources of labor or materials, licenses or other rights, or operating areas or markets. We further understand that severe impact means a significantly disruptive effect on the normal functioning of the Foundation.

7. Related party relationships and transactions, if any, have been appropriately accounted for and disclosed in accordance with the requirements of U.S. GAAP.

8. All events subsequent to the date of the financial statements and for which U.S. GAAP requires adjustment or disclosure have been adjusted or disclosed. Adjustments or disclosures have been made for all events, including instances of noncompliance subsequent to the date of the financial statements that would require adjustment to or disclosure in the financial statements.

9. The effects of all known actual or possible litigation, claims, and assessments, if any, have been accounted for and disclosed in accordance with U.S. GAAP.

10. We have no plans or intentions that may materially affect the carrying value or classification of assets, liabilities, or net asset balances.

11. We believe that the carrying amounts of all material assets will be recoverable.

12. Guarantees, whether written or oral, under which the Foundation is contingently liable, if any, have been properly recorded or disclosed in accordance with U.S. GAAP.

13. We have no relationships with variable interest entities.

14. Receivables recorded in the financial statements represent valid claims against debtors for sales or other charges arising on or before the statement of financial position date and have been reduced to their estimated net realizable value.

15. As part of your audit, you assisted with the preparation of the financial statements. We acknowledge our responsibility as it relates to those nonaudit services, including that we assume all management responsibilities; oversee the services by designating an individual, preferably within senior management, who possesses suitable skill, knowledge, or experience; evaluate the adequacy and results of the services performed; and accept responsibility for the results of the services. We have reviewed, approved, and accepted responsibility for those financial statements.

16. We have not completed the process of evaluating the effect that will result from adopting the guidance in Financial Accounting Standards Board (FASB) Accounting Standards Update 2018-08, as discussed in the notes to the financial statements. The Foundation is therefore unable to disclose the effect that adopting the guidance in FASB Accounting Standards Update 2018-08 will have on its financial position and the results of operations when such guidance is adopted.

Information Provided

17. We have provided you with:

    a. Access to all information, of which we are aware that is relevant to the preparation and fair presentation of the financial statements, such as records, documentation, and other matters;

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b. Additional information that you have requested from us for the purpose of the audit;

c. Unrestricted access to persons within the Foundation from whom you determined it necessary to obtain audit evidence.

d. Minutes of the meetings of the governing board or summaries of actions of recent meetings for which minutes have not yet been prepared.

18. All material transactions have been recorded in the accounting records and are reflected in the financial statements.

19. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.

20. We have no knowledge of any fraud or suspected fraud that affects the Foundation and involves:

    a. Management;

    b. Employees who have significant roles in internal control;

    c. Others where the fraud could have a material effect on the financial statements.

21. We have no knowledge of any allegations of fraud or suspected fraud affecting the Foundation's financial statements communicated by employees, former employees, grantors, regulators, or others.

22. We have no knowledge of any instances of noncompliance or suspected noncompliance with provisions of laws, regulations, contracts, or grant agreements, or abuse, whose effects should be considered when preparing financial statements.

23. We are not aware of any pending or threatened litigation, claims, and assessments whose effects should be considered when preparing the financial statements and we have not consulted legal counsel concerning litigation, claims, or assessments.

24. We have disclosed to you the identity of the Foundation's related parties and all the related party relationships and transactions of which we are aware.

25. The Foundation has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged as collateral, other than as disclosed in the notes to the financial statements.

26. The Foundation is an exempt organization under Section 501 (c)(3) of the Internal Revenue Code. Any activities, if any, of which we are aware that would jeopardize the Foundation's tax-exempt status, and all activities subject to tax on unrelated business income or excise or other tax, have been disclosed to you. All required filings with tax authorities are up-to-date.

27. We are responsible for compliance with laws, regulations, and provisions of contracts and grant agreements applicable to us.

28. We have complied with all aspects of contractual agreements that would have a material effect on the financial statements in the event of noncompliance.

29. We are not aware of any uncertain tax positions that would be required to be disclosed under current authoritative guidance surrounding accounting for uncertainty in income taxes.

30. We have forwarded a copy of these representations to Baker Tilly Virchow Krause, LLP's primary contact in the governance structure.

31. We have made all management decisions and performed all management functions in relation to the non-attest services provided by Baker Tilly Virchow Krause, LLP, as listed below. We have designated Rebekah Snyder, an employee with suitable skill, knowledge, and/or experience to oversee the services received. Furthermore, we have established and maintained internal controls, including monitoring activities related to the non-attest services provided by Baker Tilly Virchow Krause, LLP, and we have evaluated and accept responsibility for the adequacy and results of the non-attest services received.

    The non-attest services provided by Baker Tilly Virchow Krause, LLP are listed below:

    - Preparation of the financial statements
    - Proposal of journal entries, if any
    - Preparation of the tax returns
    -
    -
    -

32. Expenditures of federal awards were below the $750,000 threshold and we were not required to have an audit in accordance with the Uniform Guidance.

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Nels R. Leutwiler
Board President

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Rebekah Snyder
Executive Director

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PRESERVATION FOUNDATION OF THE LAKE COUNTY FOREST PRESERVES

Libertyville, Illinois

FINANCIAL STATEMENTS
Including Independent Auditors' Report

As of and for the six months ended December 31, 2018

PRESERVATION FOUNDATION OF THE LAKE COUNTY FOREST PRESERVES

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Preservation Foundation of the
Lake County Forest Preserves
Libertyville, Illinois

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Report on the Financial Statements

We have audited the accompanying financial statements of the Preservation Foundation of the Lake County Forest Preserves (the "Foundation"), which comprise the statement of financial position as of December 31, 2018 and the related statements of activities and cash flows for the six months 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.

Auditors' 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 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 auditors' 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 Foundation'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 the Foundation as of December 31, 2018, and the changes in its net assets and its cash flows for the six months then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1 to the financial statements, the Foundation adopted Accounting Standards Update ("ASU") 2016-14, Not-for-Profit Entities (Topic 958): *Presentation of Financial Statements of Not-for-Profit Entities*. Our opinion is not modified with respect to that matter.

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Oak Brook, Illinois
Date, 2019

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PRESERVATION FOUNDATION OF THE LAKE COUNTY FOREST PRESERVES

STATEMENT OF FINANCIAL POSITION
As of December 31, 2018

ASSETS

Assets		
Cash and cash equivalents	$	1,194,483
Investments		200,451
Land held for resale		456,000
Pledges receivable, net		606,714
Interest receivable		536
Total Assets	$	2,458,184

LIABILITIES AND NET ASSETS

Liabilities		
Grants payable	$	7,632
Net Assets		
Without donor restrictions		187,628
With donor restictions		2,262,924
Total Net Assets		2,450,552
Total Liabilities and Net Assets	$	2,458,184

See accompanying notes to financial statements.

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PRESERVATION FOUNDATION OF THE LAKE COUNTY FOREST PRESERVES

STATEMENT OF ACTIVITIES
For the Six Months Ended December 31, 2018

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues and Support			
Contributions	$ 44,756	$ 968,227	$ 1,012,983
In-kind contributions	182,235	-	182,235
Interest income	2,629	-	2,629
Other income	525	-	525
Net assets released from restrictions	409,102	(409,102)	-
Total Revenue and Support	639,247	559,125	1,198,372
Expenses			
Program	418,151	-	418,151
Management and general	81,379	-	81,379
Fundraising	133,036	-	133,036
Total Expenses	632,566	-	632,566
Changes in net assets	6,681	559,125	565,806
Net Assets at:			
Beginning of Year	180,947	1,703,799	1,884,746
End of Year	$ 187,628	$ 2,262,924	$ 2,450,552

See accompanying notes to financial statements.

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PRESERVATION FOUNDATION OF THE LAKE COUNTY FOREST PRESERVES

STATEMENT OF CASH FLOWS
For the Six Months Ended December 31, 2018

Cash Flows From Operating Activities	
Change in net assets	$ 565,806
Adjustments to reconcile change in net assets to net cash flows from operating activities	
Change in assets and liabilities:	
Interest receivable	(93)
Pledges receivable	(483,882)
Grants payable	369
Net Cash Flows From Operating Activities	82,200
Net Change in Cash and Cash Equivalents	82,200
Cash and Cash Equivalents at Beginning of Year	1,112,283
Cash and Cash Equivalents at End of Year	$ 1,194,483

See accompanying notes to financial statements.

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NOTE 1 – Nature of Activities and Summary of Significant Accounting Policies

Organization and Nature of Activities

The Preservation Foundation of the Lake County Forest Preserves (the "Foundation") was established on February 20, 2007 as an Illinois not-for-profit corporation to provide financial assistance to benefit the Lake County Forest Preserve District's (the "District") mission. The Foundation raises funds for a variety of purposes, including land acquisition, habitat restoration, development of trails or other amenities, and educational programs. The Foundation is a component unit of the District.

The Foundation follows accounting standards established by the Financial Accounting Standards Board ("FASB") to ensure consistent reporting of financial condition, results of activities, and cash flows. References to Generally Accepted Accounting Principles ("GAAP") in these footnotes are to the *FASB Accounting Standards Codification™*, sometimes referred to as the Codification or ASC.

A summary of the Foundation's significant accounting policies follows:

Basis of accounting

The financial statements of the Foundation are prepared using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America for nonprofit organizations.

Net assets

The Foundation's net assets, revenues, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Foundation and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions - Net assets that are not subject to donor-imposed stipulations.

Net Assets With Donor Restrictions – Net assets subject to donor-imposed stipulations. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources must 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 restricted has been fulfilled, or both.

Cash and Cash Equivalents

The Foundation considers all highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents. The Foundation maintains its cash in bank deposit accounts which at times, may exceed federally insured limits. The Foundation has not experienced any losses in such accounts. The Foundation believes it is not exposed to any significant credit risk on cash and cash equivalents.

NOTE 1 – Nature of Activities and Summary of Significant Accounting Policies (Cont.)

Investments

The Foundation's authorized investments are limited to approved banks and specifically authorized instruments including bonds, notes, bills, other full faith and credit U.S. government securities, and interest-bearing investments (certificates of deposit). At December 31, 2018, all investments held at period-end consisted solely of certificates of deposit ("CDs") with maturities greater than three months at the date of purchase and are reported at amortized cost in the statement of financial position.

Land held for resale

In fiscal year 2014, the Foundation received a donation of land for which it intends to sell. Land held for resale is recorded at the lower of cost or fair value less costs to sell. The Foundation has recorded this land at $456,000 at December 31, 2018, which was determined through independent evaluations of the current market value.

Pledges receivable

Pledges receivable, which includes unconditional promises to give, are reported at net realizable value and discounted to present value if not expected to be collected within one year. The discounts on those amounts are computed using risk-adjusted interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in contributions revenue in the statement of activities. The allowance for uncollectible pledges is based on management's estimate of the collectability of identified receivables. Management believes all pledges receivable are collectible and, therefore, no allowance is necessary as of December 31, 2018.

Contributions

Contributions are recognized when an unconditional promise to give is received. Conditional promises to give are not recognized until the condition on which they depend have been substantially met.

In-kind contributions

The Foundation records various types of in-kind support including rent, professional services, and various supplies. Contributions of tangible assets are recognized at fair market value when received. Contributed rent consists of office space provided to the Foundation by the District at no charge and is based on a square foot market value calculated by the District. Contributed professional services are recognized if the services received either create or enhance long-lived assets, or require specialized skills, and would need to be purchased if not provided by donation. Such values are reflected in the statement of activities as both revenue and expense. The total amount of in-kind contributions received from the District was $182,235 for the six months ended December 31, 2018. There were no amounts of in-kind contributions received from sources other than the District for the six months ended December 31, 2018.

NOTE 1 – Nature of Activities and Summary of Significant Accounting Policies (Cont.)

Functional allocation of expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Income taxes

The Foundation has received notification that it qualifies as a tax-exempt organization under Section 501(c)(3) of the U.S. Internal Revenue Code and corresponding provisions of State law and, accordingly, is not subject to federal or state income taxes. However, any unrelated business income may be subject to taxation.

The Foundation follows the accounting standards for contingencies in evaluating uncertain tax positions. The guidance prescribes recognition threshold principles for the financial statement recognition of tax positions taken or expected to be taken on a tax return that are not certain to be realized. No liability has been recognized by the Foundation for uncertain tax positions as of December 31, 2018. The Foundation's tax returns are subject to review and examination by federal and state authorities.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure 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.

New accounting pronouncements

In 2018, the Foundation adopted the Financial Accounting Standard Board's ("FASB") Accounting Standards Update ("ASU") No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities.* ASU No. 2016-14 addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Foundation has adjusted the presentation of these financial statements accordingly. ASU No. 2016-14 has been applied retrospectively to all periods presented.

The new standard changes the following aspects of the financial statements:

- The unrestricted net assets class has been renamed Net Assets Without Donor Restrictions;
- The temporarily and permanently restricted net asset classes have been combined into a single net asset class called Net Assets with Donor Restrictions;
- The financial statements include a disclosure about liquidity and availability of resources (Note 6);
- The functional expense disclosure includes expenses reported both by nature and function (Note 4).

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NOTE 1 – Nature of Activities and Summary of Significant Accounting Policies (Cont.)

In June 2018, FASB issued ASU No. 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The new guidance is intended to clarify and improve accounting guidance for contributions received and contributions made. The amendments in ASU No. 2018-08 should assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) or as exchange (reciprocal) transactions subject to other guidance and (2) determining whether a contribution is conditional. ASU No. 2018-08 is effective for contributions received during annual periods beginning after December 15, 2018 (calendar 2019) and contributions made during annual periods beginning after December 15, 2019 (calendar 2020). Management is currently assessing the effect that ASU No. 2018-08 will have on its financial statements.

Subsequent events

The Foundation has evaluated subsequent events for potential recognition and/or disclosure through Date XX, 2019, the date the financial statements were approved and available to be issued.

NOTE 2 – Pledges Receivable

Pledges receivable at December 31, 2018 consisted of the following:

Gross unconditional promises to give	$	630,411
Less: unamortized discount		(23,697)
Net unconditional promises to give	$	606,714

Amounts due in:		
Less than one year	$	290,411
One to five years		340,000
	$	630,411

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NOTE 3 – Net Assets With Donor Restrictions

Net assets with donor restrictions are restricted for the following purposes or periods:

Subject to expenditure for specified purpose:	
Education	$ 104,025
Natural resources	1,421,214
Facilities	5,000
Operations and infrastructure	7,375
Planning and land preservation	4,614
Fall Golf Classic	25,482
Fred Fest	25,335
Gratitude in the woods	4,663
	1,597,708
Subject to the passage of time:	
Pledges receivable	606,714
	606,714
Endowments	
Subject to appropriations and expenditure when a specified event occurs:	
Restricted by donors for	
Education programs	9,742
Middlefork Savanna	10,000
Grassy Lake	23,760
General operations of Lake County Forest Preserve District	15,000
Total endowments	58,502
	$ 2,262,924

Net assets were released form donor restrictions by incurring expenses satisfying purpose or other events specified by the donors in the amount of $409,102 for the six months ended December 31, 2018.

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NOTE 4 – Functional Allocation of Expenses

Expenses consisted of the following for the six months ended December 31, 2018:

	Program	Management and General	Fundraising	Total
Grants	$ 418,151	$ -	$ -	$ 418,151
Bank and credit card fees	-	351	2,637	2,988
Professional services	-	-	29,192	29,192
In-kind contribution of:				
Salaries	-	57,187	71,324	128,511
Benefits	-	10,443	11,865	22,308
Commodities	-	617	617	1,234
Professional services	-	12,781	12,781	25,562
Rent	-	-	4,620	4,620
	$ 418,151	$ 81,379	$ 133,036	$ 632,566

The financial statements report certain categories of expenses that are attributable to one or more program or supporting functions. Therefore, expenses require allocation on a reasonable basis that is consistently applied. Rent expense and other occupancy costs are allocated based on occupied space. Costs of categories such as salaries, benefits, commodities and professional services are allocated based on estimates of time and effort.

The Foundation and the District are organizations affiliated through common members of their respective Boards. The Foundation provides grants to the District for supporting projects such as the museum exhibits and restoration projects. The total amounts provided to the District during the six months ended December 31, 2018 was $373,262.

NOTE 5 – Endowment

The Foundation's endowment (the Endowment) consist of four separate donor restricted endowment funds. The purposes of the endowment funds are 1) to supports education programs each year, 2) to support the Middlefork Savanna, 3) to be used toward the general operations of the Lake County Forest Preserve District and 4) to support Grassy Lake.

The Foundation's Board of Directors have interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) enacted in the State of Illinois as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. At December 31, 2018, there were no such donor stipulations. As a result of this interpretation, we retain in perpetuity (a) the original value of initial and subsequent gifts amounts (including promises to give net of discount and allowance for doubtful accounts) donated to the Endowment and (b) any accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

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NOTE 5 – Endowment (Cont.)

Donor-restricted amount not retained in perpetuity are subject to appropriations for expenditure by us in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. The duration and preservation of the fund
2. The purposes of the Foundation and the donor-restricted endowment fund
3. General economic conditions
4. The possible effect of inflation and deflation
5. The expected total return from income and the appreciation of investments
6. Other resources of the Foundation
7. The investment policies of the Foundation

Endowment net asset composition by type of fund consists of the following as of December 31, 2018:

	Without Donor Restriction	With Donor Restriction	Total
Donor-restricted endowment funds			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	$ -	$ 58,502	$ 58,502
	$ -	$ 58,502	$ 58,502

Changes in endowment net assets for the six months ended December 31, 2018 are as follows:

	Without Donor Restriction	With Donor Restriction	Total
Endowment net assets, beginning of year	$ -	$ 29,742	$ 29,742
Contributions	-	28,760	28,760
Endowment net assets, end of year	$ -	$ 58,502	$ 58,502

Investment and Spending Policies

The Foundation has adopted investment and spending policies for the Endowment that attempt to provide a predictable stream of funding for operations while seeking to maintain the purchasing power of the endowment assets. Over time, long-term rates of return should be equal to an amount sufficient to maintain the purchasing power of the Endowment assets, to provide the necessary capital to fund the spending policy, and to cover the costs of managing the Endowment investments. The target minimum rate of return is five percent annually over a five-year market cycle. Actual returns in any given year may vary from this amount. To satisfy this long-term rate-of-return objective, the investment portfolio is structured on a total-return approach through which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends).

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NOTE 5 – Endowment (Cont.)

The Foundation adopted a spending policy in February 2019 that allows for annual distributions from the Endowment of up to four percent of the average total market value of the Endowment principal over the previous 12 quarters.

NOTE 6 – Liquidity and Funds Available

The Foundation's financial assets available for general expenditure as of December 31, 2018, that is, without donor or other restrictions limiting their use, within one year of the balance sheet date, comprise the following:

Cash and cash equivalents	$ 1,135,981
Investments	200,451
Pledges receivable due within one year	290,411
Interest receivalbe	536
Total	$ 1,627,379

The Foundation has a policy of using cash and investments in marketable securities to meet cash needs for grants and general expenditures as needed.