

TRAIL RECREATION EFFINGHAM COUNTY  
Effingham, Illinois

FINANCIAL STATEMENTS  
For the Years Ended June 30, 2011 and 2010

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INDEPENDENT AUDITOR'S REPORT

To the Officers and Directors  
Trail Recreation Effingham County  
Effingham, Illinois

We have audited the accompanying statements of assets, liabilities and net assets – cash basis of Trail Recreation Effingham County (a nonprofit organization) as of June 30, 2011 and 2010, and the related statements of support, revenues and expenses – cash basis for the years then ended. These financial statements are the responsibility of the Organization's management. 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 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 audit provides a reasonable basis for our opinion.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets, liabilities and net assets of Trail Recreation Effingham County as of June 30, 2011 and 2010, and its support, revenues and expenses for the years then ended, on the basis of accounting described in Note A.

*Gilbert, Metzger & Madigan, LLP*

February 2, 2012

TRAIL RECREATION EFFINGHAM COUNTY  
STATEMENTS OF ASSETS, LIABILITIES AND NET ASSETS - CASH BASIS  
June 30, 2011 and 2010

	<u>2011</u>	<u>2010</u>
<b>ASSETS</b>		
Current Assets:		
Cash	<u>\$ 428,015.14</u>	<u>\$ 416,873.90</u>
<b>LIABILITIES AND NET ASSETS</b>		
Liabilities:		
None	<u>\$ -</u>	<u>\$ -</u>
Net Assets:		
Temporarily restricted	1,094.37	-
Unrestricted	<u>426,920.77</u>	<u>416,873.90</u>
Total net assets	<u>428,015.14</u>	<u>416,873.90</u>
Total Liabilities and Net Assets	<u>\$ 428,015.14</u>	<u>\$ 416,873.90</u>

The accompanying notes are an integral part of these financial statements.

TRAIL RECREATION EFFINGHAM COUNTY  
STATEMENTS OF SUPPORT, REVENUES AND EXPENSES - CASH BASIS  
For the Years Ended June 30, 2011 and 2010

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total 2011</u>	<u>Total 2010</u>
<b>Public Support and Revenues</b>				
Contributions and gifts	\$ 147,590.42	\$ 1,094.37	\$ 148,684.79	\$ 375,657.91
Grant income	364,600.70	-	364,600.70	-
City of Effingham	201,519.53	-	201,519.53	90,833.91
Effingham County	10,000.00	-	10,000.00	-
Interest income	1,771.39	-	1,771.39	2,757.51
Special events income	750.00	-	750.00	2,280.34
Total public support and revenues	<u>726,232.04</u>	<u>1,094.37</u>	<u>727,326.41</u>	<u>471,529.67</u>
<b>Expenses</b>				
Program services	704,899.63	-	704,899.63	153,411.94
Management and general	10,657.68	-	10,657.68	5,288.80
Fundraising	627.86	-	627.86	21,731.21
Total expenses	<u>716,185.17</u>	<u>-</u>	<u>716,185.17</u>	<u>180,431.95</u>
Change in net assets	10,046.87	1,094.37	11,141.24	291,097.72
Net assets, beginning of year	<u>416,873.90</u>	<u>-</u>	<u>416,873.90</u>	<u>125,776.18</u>
Net Assets, End of Year	<u>\$ 426,920.77</u>	<u>\$ 1,094.37</u>	<u>\$ 428,015.14</u>	<u>\$ 416,873.90</u>

The accompanying notes are an integral part of these financial statements.

TRAIL RECREATION EFFINGHAM COUNTY  
NOTES TO FINANCIAL STATEMENTS

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies of Trail Recreation Effingham County is presented to assist in understanding the Organization’s financial statements. The financial statements and notes are representations of management, which is responsible for their integrity and objectivity. These accounting policies conform to the cash basis of accounting and have been consistently applied in the preparation of the financial statements.

General Statement:

Trail Recreation Effingham County was organized as a nonprofit organization for the purpose of constructing a bicycle and walking trail in the Effingham community. The Organization’s main sources of revenue are contributions, grants, interest income and special events.

Basis of Accounting:

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

Trail Recreation Effingham County maintains its books and records on the cash basis of accounting. Accordingly, revenues are recognized and recorded in the accounts when cash is received. In the same manner expenses are recognized and recorded upon the disbursement of cash. Assets are only recorded when a right to receive cash exists which arises from a previous cash transaction. Liabilities, similarly, result from previous cash transactions.

Revenue Recognition:

Contributions received are recorded as unrestricted, temporarily restricted or permanently restricted support, depending on the existence and/or nature of any donor restrictions. The Organization currently has no temporarily or permanently restricted support.

All donor-restricted contributions are reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Contributions of donated services that create or enhance nonfinancial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at their fair values in the period received.

Promises to Give:

Promises to give are not recognized in the cash basis financial statements. See Note C for unconditional promises to give.

Income Taxes:

The Organization qualifies for tax-exempt status under Section 501(c)(3) of the Internal Revenue Code.

TRAIL RECREATION EFFINGHAM COUNTY  
NOTES TO FINANCIAL STATEMENTS

Accounting for Uncertain Tax Positions:

FASB ASC 740-10-50 provides that the Organization will recognize a tax benefit only if it is more likely than not the tax position would be sustained in a tax examination, with a tax examination being presumed to occur. The amount recognized will be the largest amount of tax benefit that is greater than 50% likely of being realized on examination. For tax positions not meeting the more-likely-than-not test, no tax benefit will be recorded. Currently, the Organization accounts for contingencies associated with certain tax positions in accordance with SFAS No. 5, Accounting for Contingencies, which provided the recording of a contingency based on the probability of certain events to transpire that range from probable to remote as opposed to applying a more likely than not recognition threshold. The Organization has examined this issue and has determined there are no material contingent tax liabilities.

The federal income tax returns of the Organization for 2010, 2009 and 2008 are subject to examination by the IRS generally for three years after they were filed.

Estimates:

The preparation of financial statements in conformity with the cash basis of accounting requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Subsequent Events:

The Organization has evaluated events occurring after the statements of assets, liabilities and net assets – cash basis date through February 2, 2012 in order to determine their potential for recognition or disclosure in the financial statements. The latter date is the same date the financial statements were available to be issued.

NOTE B – CONCENTRATION OF CREDIT RISK

Financial instruments that potentially subject the Organization to concentrations of credit risk consist principally of temporary cash deposits. The Organization places its cash deposits with local financial institutions. The amount of credit exposure is limited to funds in excess of \$250,000 in each financial institution. At June 30, 2011 and 2010, \$118,513.88 and \$99,801.89, respectively, of their cash deposits were uninsured.

NOTE C – PROMISES TO GIVE

As of June 30, 2011 and 2010, unconditional promises to give consisted of the following:

	<u>Total</u>	
	<u>2011</u>	<u>2010</u>
Gross Unconditional Promises to Give	<u>\$ 74,385.79</u>	<u>\$ 174,624.09</u>
Net unconditional promises to give due in:		
Less than one year	\$ 74,385.79	\$ 87,311.55
One to five years	<u>-</u>	<u>87,312.54</u>
Total	<u>\$ 74,385.79</u>	<u>\$ 174,624.09</u>

TRAIL RECREATION EFFINGHAM COUNTY  
NOTES TO FINANCIAL STATEMENTS

NOTE D – IN-KIND CONTRIBUTIONS

The Organization has received donated professional services, including legal and accounting services. The estimated fair market value of professional services was determined by the donor based upon time spent performing Organization services. For the years ended June 30, 2011 and 2010, an in-kind contribution and offsetting management and general expense has been recognized in the financial statements for \$7,800.00 and \$4,500.00, respectively.

NOTE E – RELATED PARTY TRANSACTIONS

The Organization engaged in several related party transactions with board members during the years ended June 30, 2011 and 2010. Related parties contributed \$54,183.00 and \$37,482.66 during the years ended June 30, 2011 and 2010, respectively, which represents 37.50 and 10.58 percent of all contribution revenues. As of June 30, 2011 and 2010, the total amount of gross unconditional promises to give due from related parties was \$25,595.37 and \$72,250.67, respectively, which represents 34.41 and 41.37 percent of the total gross unconditional promises to give.

NOTE F – GRANTS

The Organization was awarded a grant of \$410,000.00 from the Illinois Department of Natural Resources Recreational Trails Program. As of June 30, 2011, the Organization had received \$364,600.70.

NOTE G – COMMITMENTS

On May 27, 2010, the Organization entered into a construction contract with John L. Lewis Concrete Construction, Inc. in the amount of \$333,590.00 for the 1-B West Trail. After change orders, the amended contract amount is expected to be \$353,707.80. As of June 30, 2011, the Organization had paid \$332,856.36 towards this contract.

On June 30, 2011, the Organization entered into a construction contract with Plocher Construction Co., Inc. in the amount of \$363,440.00 for the elevated walkways for the Little Wabash River Pedestrian Bridge. As of June 30, 2011, the Organization had not expended any funds on this contract.

NOTE H – IRREVOCABLE LETTER OF CREDIT

The Organization established an irrevocable letter of credit with Crossroads Bank dated February 28, 2011 in the amount of \$500,000 to support the Phase 1 Little Wabash River Bridge project. This unused irrevocable letter of credit expires on February 28, 2012. The letter of credit is secured by a personal guarantee dated February 28, 2011 from a board member.



TRAIL RECREATION EFFINGHAM COUNTY  
NOTES TO FINANCIAL STATEMENTS

NOTE I – TEMPORARILY RESTRICTED NET ASSETS

As of June 30, 2011 and 2010, temporarily restricted net assets consisted of the following:

	2011	2010
Trail Maintenance	\$ 1,094.37	\$ -

The Organization established a Trails Maintenance Fund to be used for future upkeep and repair for the constructed bicycle and walking trail.

NOTE J – TRAIL CONSTRUCTION

The purpose of the Organization is to construct a bicycle and walking trail in the Effingham community. The trails are constructed on land owned by other entities, and the Organization does not own the trail when completed.

The Organization has entered into an agreement with Effingham County to provide the local agency matching funds for the following trail construction projects:

- 1) On May 12, 2010, Effingham County was awarded a grant of \$327,600.00 from the Illinois Department of Transportation TCSP (Transportation and Community and System Preservation) federal grant program for Phase I of the Little Wabash River Bridge. The grant allows up to 80 percent reimbursement for eligible project costs while the remaining 20 percent is the responsibility of the project sponsor. On June 17, 2011, Effingham County entered into a construction contract with A.J. Walker Construction Company in the amount of \$482,583.87 for the Wabash River Bridge. The local agency match is estimated to be \$154,983.87.
  
- 2) On October 29, 2010, Effingham County was awarded a grant of \$1,171,560.00 from the Illinois Department of Transportation ITEP (Illinois Transportation Enhancement Program) federal grant program for Phase III Multi-Use Trail. The grant allows up to 80 percent reimbursement for eligible project costs while the remaining 20 percent is the responsibility of the project sponsor. The local agency match is estimated to be \$292,890.00.