



NORTH AMERICAN LAKE MANAGEMENT SOCIETY, INC.
FINANCIAL STATEMENTS
December 31, 2012 and 2011

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
North American Lake Management Society, Inc.
Madison, Wisconsin

We have audited the accompanying financial statements of North American Lake Management Society, Inc., which comprise the statements of financial position as of December 31, 2012 and 2011, and the related statements of activities and cash flows for the years 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.

Auditor's Responsibility

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 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 auditor's 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 entity'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 North American Lake Management Society, Inc. as of December 31, 2012 and 2011, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

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NORTH AMERICAN LAKE MANAGEMENT SOCIETY, INC.
STATEMENTS OF FINANCIAL POSITION
December 31, 2012 and 2011

	2012	2011
ASSETS		
Cash	\$ 329,365	\$ 181,927
Certificate of deposit	50,000	25,000
Accounts receivable	19,735	66,291
Grants receivable	15,810	33,000
Prepaid expenses	4,767	1,600
Total assets	<u>\$ 419,677</u>	<u>\$ 307,818</u>
LIABILITIES		
Accounts payable	\$ 48,314	\$ 66,335
Accrued expenses	9,988	9,802
Deferred revenue	25,599	25,599
Total liabilities	83,901	101,736
NET ASSETS		
Unrestricted	304,814	145,300
Temporarily restricted	5,962	60,782
Permanently restricted	25,000	-
Total net assets	<u>335,776</u>	<u>206,082</u>
Total liabilities and net assets	<u>\$ 419,677</u>	<u>\$ 307,818</u>

See accompanying notes.

NORTH AMERICAN LAKE MANAGEMENT SOCIETY, INC.
STATEMENTS OF ACTIVITIES
Years Ended December 31, 2012 and 2011

	2012	2011
UNRESTRICTED NET ASSETS		
REVENUE AND OTHER SUPPORT		
Conferences	\$ 673,784	\$ 225,120
Membership dues	108,620	113,095
Grant revenue	93,511	145,631
Contributions	1,235	1,134
Publications	29,321	34,544
Advertising	20,990	28,135
Lake manager certification fees	5,883	6,443
Other revenue	2,327	-
Interest income	498	884
	<u>936,169</u>	<u>554,986</u>
Total unrestricted revenue and other support	936,169	554,986
EXPENSES		
Personnel	98,242	100,422
Professional fees	129,634	138,531
Conferences and meeting	471,918	177,889
Postage and printing	83,810	96,541
Office expenses	7,674	11,898
Information technology	19,899	14,743
Occupancy	20,800	19,271
Advertising and promotion	500	578
Insurance	2,869	2,296
Travel	1,313	624
Other expenses	778	426
	<u>837,437</u>	<u>563,219</u>
Total expenses	837,437	563,219
Net asset released from restrictions	<u>60,782</u>	<u>3,052</u>
Change in unrestricted net assets	159,514	(5,181)
TEMPORARILY RESTRICTED NET ASSETS		
Contributions	5,962	60,782
Net asset released from restrictions	<u>(60,782)</u>	<u>(3,052)</u>
Change in temporarily restricted net assets	(54,820)	57,730
PERMANENTLY RESTRICTED NET ASSETS		
Contributions	<u>25,000</u>	<u>-</u>
Change in net assets	129,694	52,549
Net assets - beginning of year	<u>206,082</u>	<u>153,533</u>
Net assets - end of year	<u><u>\$ 335,776</u></u>	<u><u>\$ 206,082</u></u>

See accompanying notes.

NORTH AMERICAN LAKE MANAGEMENT SOCIETY, INC.
STATEMENTS OF CASH FLOWS
Years Ended December 31, 2012 and 2011

	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 129,694	\$ 52,549
Adjustments to reconcile change in net assets to net cash flows from operating activities		
Contributions restricted for long-term purposes	(25,000)	-
(Increase) decrease in assets		
Accounts receivable	46,556	(22,924)
Grants receivable	17,190	(18,000)
Prepaid expenses	(3,167)	(1,600)
Increase (decrease) in liabilities		
Accounts payable	(18,021)	(78,576)
Accrued expenses	186	1,358
Net cash flows from operating activities	147,438	(67,193)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of designated cash reserves	(25,000)	(2,074)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from contributions restricted for investment in permanent endowment	25,000	-
Net change in cash	147,438	(69,267)
Cash - beginning of year	181,927	251,194
Cash - end of year	<u>\$ 329,365</u>	<u>\$ 181,927</u>

See accompanying notes.

NORTH AMERICAN LAKE MANAGEMENT SOCIETY, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2012 and 2011

North American Lake Management Society, Inc. (NALMS) is a membership organization comprised of individuals, local lake associations, and others whose mission is to forge partnerships among citizens, scientists, and professionals to foster the management and protection of lakes and reservoirs. NALMS accomplishes its mission by facilitating the exchange of information between members and others through the distribution of newsletters, journals, and other publications; coordinating regional and international symposia; and conducting programs and activities to support its members and chapters. NALMS has membership representation in approximately twenty countries around the world. NALMS' primary sources of revenue include conferences, membership dues, government grants, and sales of publications. The significant accounting policies are described below to enhance the usefulness of the financial statements to the reader.

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

NALMS is required to report information regarding its financial position and activities according to three classes of net assets:

Unrestricted net assets—Net assets that are not restricted by donors. Designations are voluntary board-approved segregations of unrestricted net assets for specific purposes, projects, or investments.

Temporarily restricted net assets—Net assets whose use has been limited by donor-imposed time restrictions or purpose restrictions.

Permanently restricted net assets—Net assets that have been restricted by donors to be maintained by the NALMS in perpetuity.

Accounts Receivable

Accounts receivable are stated at unpaid balances. All accounts receivable are deemed collectible and no allowance for doubtful amounts has been established. Unpaid balances are written off after management has used reasonable collection efforts and determined the receivable will not be collected.

Grants Receivable

NALMS considers all grants receivable to be fully collectible. Accordingly, no allowance for doubtful accounts is required. If amounts become uncollectible, they will be charged to operations when that determination is made.

Income Tax Status

NALMS is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. It is also exempt from Wisconsin franchise or income tax. NALMS's federal exempt organization returns are subject to examination by the Internal Revenue Service, generally for three years after they are filed. With few exceptions, NALMS is no longer subject to such examinations for tax years before 2009.

NORTH AMERICAN LAKE MANAGEMENT SOCIETY, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2012 and 2011

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (continued)

Contributions

Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets, depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions.

Grants

Some of the NALMS programs are funded by purchase of service contracts. Revenue from these agreements is based upon the actual cost of providing such services up to the maximum amount specified. Revenue is recognized when the NALMS has incurred expenses in compliance with the agreement. Such amounts earned, but not received, are reported as grants receivable. Such amounts received, but not earned, are reported as deferred revenue.

Membership Dues

Membership dues are billed by NALMS twice each year based on the members' anniversary dates and are recognized as support when received.

Promises to Give

Unconditional promises to give are recognized as support in the period the promises are received. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional. Promises to give receivable in less than one year are recorded at their net realizable value.

Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Date of Management's Review

Management has evaluated subsequent events through June 12, 2013, the date which the financial statements were available to be issued.

NOTE 2 – CONDITIONAL PROMISE TO GIVE

In 2012 NALMS received a pledge of \$5,000 from G. Dennis Cooke that is conditional with the requirement that NALMS raise \$5,000 contributions restricted for the G. Dennis Cooke Symposium fund. Once received Mr. Cooke's contribution would be added to the endowment. There is no expiration date for this pledge.

NORTH AMERICAN LAKE MANAGEMENT SOCIETY, INC.
NOTES TO FINANCIAL STATEMENTS
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NOTE 3 – ENDOWMENT

In 2012, NALMS received a contribution with donor restrictions which established the G. Dennis Cooke Symposium Fund. NALMS' endowment consists of funds held in cash. As required by generally accepted accounting principles, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

NALMS is in the process of developing an investment policy for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the original investment of the endowment. Endowment assets include those assets of donor-restricted funds that NALMS must hold in perpetuity. Under this policy, as approved by the board of directors, the endowment assets are invested in a manner that is intended to produce returns to fund the sanctuary maintenance program while assuming little investment risk.

Endowment net asset composition by type of net assets as of December 31, 2012:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 25,000</u>	<u>\$ 25,000</u>
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets - at December 31, 2011	\$ -	\$ -	\$ -	\$ -
Contributions	-	-	25,000	25,000
Interest income	-	-	-	-
Program spending	-	-	-	-
Endowment net assets - at December 31, 2012	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 25,000</u>	<u>\$ 25,000</u>

NOTE 4 – NET ASSETS

NALMS' board of directors has chosen to place the following limitations on unrestricted net assets:

	2012	2011
Operation reserve fund	\$ 100,000	\$ 28,769
Lifetime membership fund	50,000	27,620
Undesignated	<u>154,814</u>	<u>88,911</u>
Unrestricted net assets	<u>\$ 304,814</u>	<u>\$ 145,300</u>

NORTH AMERICAN LAKE MANAGEMENT SOCIETY, INC.
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NOTE 4 – NET ASSETS (continued)

Temporarily restricted net assets are available for the following purposes:

	2012	2011
Eberhardt Memorial Fund	\$ 1,788	\$ 5,782
Volunteer monitor travel grant	1,149	5,000
G. Dennis Cooke Symposium Fund	3,025	-
2012 National Monitoring Conference	-	50,000
Temporarily restricted net assets	<u>\$ 5,962</u>	<u>\$ 60,782</u>

Permanently restricted net assets are held in an endowment fund, which must be invested in perpetuity, the income from which is expendable to support Symposium speaker fees.

NOTE 5 – CONFERENCES

Revenue from conferences consist of the following:

	2012	2011
Conference registrations	\$ 469,650	\$ 141,072
Sponsorships	61,150	24,269
Exhibitors fees	107,375	46,149
Workshops registrations	18,067	11,015
Tours and special events	17,542	2,615
Conferences	<u>\$ 673,784</u>	<u>\$ 225,120</u>

NOTE 6 – FUNCTIONAL CLASSIFICATION OF EXPENSES

Expenses by function for 2012 and 2011 were as follows:

	2012	2011
Program services		
Conferences	\$ 541,829	\$ 269,181
Publications	55,660	60,668
Other program services	106,238	128,318
Supporting activities		
Management and general	59,076	33,814
Membership development	65,557	64,762
Fundraising	9,077	6,476
Total expenses	<u>\$ 837,437</u>	<u>\$ 563,219</u>

NORTH AMERICAN LAKE MANAGEMENT SOCIETY, INC.
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NOTE 6 – FUNCTIONAL CLASSIFICATION OF EXPENSES (continued)

Program services and supporting activities include:

Conferences—NALMS coordinates a number of conferences held throughout North America to provide an opportunity for members to meet and exchange views with others on a diverse range of topics. Conferences include NALMS' Annual International Symposium, aimed at current research and management issues, the National Monitoring Conference, a biennial conference sponsored by the National Water Quality Monitoring Council, and the Southeastern Lakes Conference, conducted at locations throughout the southeastern United States. NALMS generally co-sponsors these events with a local NALMS affiliate or with federal governmental agencies such as the Environmental Protection Agency and the US Geological Survey.

Publications—NALMS' flagship publication, LakeLine Magazine, is published quarterly and is sent to members throughout the world. The articles in LakeLine encourage a lively exchange of ideas among members, report on the activities of lake associations and NALMS affiliates, and provide news and commentary. NALMS' scientific journal, Lake and Reservoir Management, publishes the best in peer-reviewed papers on lake and reservoir management and has become one of the most widely read and respected publications in the field. NALMS also publishes and distributes various journals, manuals and educational materials to promote lakes and their management and to educate all levels of audiences.

Other program services—NALMS sponsors, co-sponsors, and/or organizes a number of scientific, management, education, outreach, and advocacy programs. Included in these programs is the annual Lakes Appreciation Month. Lakes Appreciation Month is a celebration intended to draw attention to the value and importance of lakes and reservoirs. The month-long celebration every July coincides with the holidays of Independence Day in the United States and Canada Day in Canada, both of which provide people with the opportunity to enjoy lakes.

Management and general—Management and general expenses relate to the overall direction of the organization and include the costs necessary to ensure proper administrative functioning of the board of directors, manage the financial and budgetary responsibilities of the organization, and perform other administrative functions.

Membership development—NALMS maintains and supports a database of members that includes citizens, scientists, professionals, corporations, not-for-profit organizations, local chapters, and others with an interest in lake, reservoir, and watershed quality issues. Membership benefits include subscriptions to *LakeLine* and *Lake and Reservoir Management*; participation in regional workshops and the annual symposium; access to people, information, and resources in the lake management field through the NALMS website; and a discount on various publications. Membership development expenses include the costs related to soliciting for prospective members, collecting memberships, membership relations, and similar activities.

Fundraising—Fundraising expenses include the costs related to soliciting contributions from individuals, foundations, governments, and others, and other activities that involve inducing potential donors to contribute assets, services, or time to the organization.

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NOTE 7 – OPERATING LEASE COMMITMENTS

NALMS leases facilities under a non-cancelable operating lease for \$1,600 per month that expires January 2014. Rent expense was \$20,800 and \$19,271 for 2012 and 2011. Future minimum rental payments under this operating lease for 2013 and 2014 are \$19,200 and \$1,600.

NOTE 8 – CONCENTRATION OF CREDIT RISK

NALMS maintains cash balances with a financial institution in Madison, Wisconsin that insures such balances with the Federal Deposit Insurance Corporation. NALMS had uninsured cash balances totaling \$136,292 at December 31, 2012.