



NORTH AMERICAN LAKE MANAGEMENT SOCIETY, INC.

FINANCIAL STATEMENTS

December 31, 2014 and 2013

CONTENTS

Independent Auditor's Report.....	1
Statements of Financial Position	2
Statements of Activities	3
Statements of Cash Flows	4
Notes to Financial Statements	5



Wegner CPAs

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 December 31, 2014 and 2013, 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, 2014 and 2013, 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.

Wegner CPAs, LLP

Wegner CPAs, LLP
Madison, Wisconsin
March 9, 2015

Janesville Office:
101 E. Milwaukee Street
Suite 425
Janesville, WI 53545
P: (608) 756-4020

Baraboo Office:
123 Second Street
P.O. Box 150
Baraboo, WI 53913
P: (608) 356-3966
F: (608) 356-2966

Pewaukee Office:
W239 N3490 Pewaukee Road
Suite 200
Pewaukee, WI 53072
P: (262) 522-7555
F: (262) 522-7550

Madison Office:
2110 Luann Lane
Madison, WI 53713
P: (608) 274-4020
F: (608) 274-0775

www.wegnercpas.com
info@wegnercpas.com
(888) 204-7665

NORTH AMERICAN LAKE MANAGEMENT SOCIETY, INC.
STATEMENTS OF FINANCIAL POSITION
December 31, 2014 and 2013

	2014	2013
ASSETS		
Cash	\$ 276,382	\$ 180,031
Certificate of deposit	-	50,000
Accounts receivable	11,281	8,860
Prepaid expenses	980	3,600
Endowment investments	34,622	35,558
Total assets	\$ 323,265	\$ 278,049
LIABILITIES		
Accounts payable	\$ 33,410	\$ 4,941
Accrued expenses	14,275	11,934
Deferred revenue	25,599	25,599
Total liabilities	73,284	42,474
NET ASSETS		
Unrestricted	209,628	196,256
Temporarily restricted	4,292	3,719
Permanently restricted	36,061	35,600
Total net assets	249,981	235,575
Total liabilities and net assets	\$ 323,265	\$ 278,049

See accompanying notes.

NORTH AMERICAN LAKE MANAGEMENT SOCIETY, INC.
STATEMENTS OF ACTIVITIES
Years Ended December 31, 2014 and 2013

	2014	2013
UNRESTRICTED NET ASSETS		
REVENUE AND OTHER SUPPORT		
Conferences	\$ 561,141	\$ 177,767
Membership dues	77,595	103,850
Grant revenue	25,599	-
Contributions	4,441	2,155
Publications	34,642	26,448
Advertising	13,735	15,915
Lake manager certification fees	9,960	8,728
Investment return	(125)	532
Other revenue	651	3,734
Total unrestricted revenue and other support	727,639	339,129
EXPENSES		
Personnel	115,146	102,290
Professional fees	62,456	38,580
Conferences and meetings	419,732	182,321
Postage and printing	80,487	84,208
Office expenses	8,278	8,775
Information technology	8,924	10,131
Occupancy	12,746	19,200
Advertising and promotion	1,742	-
Insurance	2,403	2,439
Travel	2,250	1,375
Other expenses	122	156
Total expenses	714,286	449,475
Net asset released from restrictions	19	1,788
Change in unrestricted net assets	13,372	(108,558)
TEMPORARILY RESTRICTED NET ASSETS		
Contributions	592	2,570
Net asset released from restrictions	(19)	(1,788)
Transfer to donor-restricted endowment fund	-	(3,025)
Change in temporarily restricted net assets	573	(2,243)
PERMANENTLY RESTRICTED NET ASSETS		
Contributions	461	7,575
Transfer to donor-restricted endowment fund	-	3,025
Change in permanently restricted net assets	461	10,600
Change in net assets	14,406	(100,201)
Net assets - beginning of year	235,575	335,776
Net assets - end of year	<u>\$ 249,981</u>	<u>\$ 235,575</u>
See accompanying notes.		

NORTH AMERICAN LAKE MANAGEMENT SOCIETY, INC.
STATEMENTS OF CASH FLOWS
Years Ended December 31, 2014 and 2013

	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 14,406	\$ (100,201)
Adjustments to reconcile change in net assets to net cash flows from operating activities		
Contributions restricted for long-term purposes	(461)	(7,575)
Net realized gain on investments	(2,336)	(48)
Net unrealized loss on investments	3,394	141
(Increase) decrease in assets		
Accounts receivable	(2,421)	10,875
Grants receivable	-	15,810
Prepaid expenses	2,620	1,167
Increase (decrease) in liabilities		
Accounts payable	28,469	(43,373)
Accrued expenses	2,341	1,946
Net cash flows from operating activities	46,012	(121,258)
CASH FLOWS FROM INVESTING ACTIVITIES		
Redemption of certificate of deposit	50,000	-
Purchase of endowment investments	(52,677)	(62,001)
Proceeds from sale of endowment investments	52,555	26,350
Net cash flows from investing activities	49,878	(35,651)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from contributions restricted for investment in permanent endowment	461	7,575
Net change in cash	96,351	(149,334)
Cash - beginning of year	180,031	329,365
Cash - end of year	<u>\$ 276,382</u>	<u>\$ 180,031</u>

See accompanying notes.

NORTH AMERICAN LAKE MANAGEMENT SOCIETY, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2014 and 2013

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 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.

Endowment Investments

Endowment investments in marketable securities with readily determinable fair values are stated at their fair values in the statements of financial position. Unrealized gains and losses are included in the change in net assets in the accompanying statements of activities.

NORTH AMERICAN LAKE MANAGEMENT SOCIETY, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2014 and 2013

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.

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 2011.

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 March 9, 2015, the date which the financial statements were available to be issued.

NOTE 2 – 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 securities. Net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

NORTH AMERICAN LAKE MANAGEMENT SOCIETY, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2014 and 2013

NOTE 2 – ENDOWMENT (continued)

NALMS's Board of Directors has interpreted the Wisconsin's enacted version of the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment fund absent explicit donor stipulations to the contrary. As a result of this interpretation, NALMS classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by NALMS in a manner consistent with the standard of prudence prescribed by UPMIFA.

In accordance with UPMIFA, NALMS 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 purpose of 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 NALMS, and (7) NALMS's investment policies.

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:

	Unrestricted	Temporarily Restricted	Permanently Restricted	2014 Total
Donor-restricted endowment funds	<u>\$ (978)</u>	<u>\$ -</u>	<u>\$ 36,061</u>	<u>\$ 35,083</u>
	Unrestricted	Temporarily Restricted	Permanently Restricted	2013 Total
Donor-restricted endowment funds	<u>\$ (42)</u>	<u>\$ -</u>	<u>\$ 35,600</u>	<u>\$ 35,558</u>

From time to time, the fair value of assets associated with a donor-restricted endowment fund fall below the level that the donor requires NALMS to retain as a fund of perpetual duration. In accordance with accounting principles generally accepted in the United States of America, deficiencies of this nature that are reported in unrestricted net assets were \$978 and \$42 as of December 31, 2014 and 2013.

NORTH AMERICAN LAKE MANAGEMENT SOCIETY, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2014 and 2013

NOTE 2 – ENDOWMENT (continued)

Changes in net assets for 2014 and 2013:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets - at December 31, 2012	\$ -	\$ -	\$ 25,000	\$ 25,000
Contributions	-	-	7,575	7,575
Investment income	59	-	-	59
Net depreciation	(93)	-	-	(93)
Appropriation of endowment assets for expenditure	(8)	-	-	(8)
Other changes				
Transfer to donor-restricted endowment fund	-	-	3,025	3,025
Endowment net assets - at December 31, 2013	(42)	-	35,600	35,558
Contributions	-	-	461	461
Investment income	122	-	-	122
Net depreciation	(1,058)	-	-	(1,058)
Endowment net assets - at December 31, 2014	<u>\$ (978)</u>	<u>\$ -</u>	<u>\$ 36,061</u>	<u>\$ 35,083</u>

NOTE 3 – ENDOWMENT INVESTMENTS

Endowment investments consisted of the following at December 31, 2014 and 2013:

	2014	2013
Money market fund	\$ 26,586	\$ 23,124
Common stock	1,578	-
Exchange traded fund	6,458	12,434
Investments	<u>\$ 34,622</u>	<u>\$ 35,558</u>

Investment return for 2014 and 2013 consisted of the following:

	2014	2013
Interest and dividends	\$ 933	\$ 625
Net realized gains on investments	2,336	48
Net unrealized losses on investments	(3,394)	(141)
Investment return	<u>\$ (125)</u>	<u>\$ 532</u>

NORTH AMERICAN LAKE MANAGEMENT SOCIETY, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2014 and 2013

NOTE 4 – FAIR VALUE MEASUREMENTS

Fair values of assets measured on a recurring basis at December 31, 2014 and 2013 are as follows:

Assets at Fair Value as of December 31, 2014				
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Money market fund	\$ 26,586	\$ 26,586	\$ -	\$ -
Common stock	1,578	1,578	-	-
Exchange traded fund	6,458	6,458	-	-
Total	<u>\$ 34,622</u>	<u>\$ 34,622</u>	<u>\$ -</u>	<u>\$ -</u>

Assets at Fair Value as of December 31, 2013				
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Money market fund	\$ 23,124	\$ 23,124	\$ -	\$ -
Exchange traded fund	12,434	12,434	-	-
Total	<u>\$ 35,558</u>	<u>\$ 35,558</u>	<u>\$ -</u>	<u>\$ -</u>

Fair values for money market fund, common stock and exchange traded fund are determined by reference to quoted market prices and other relevant information generated by market transactions.

NOTE 5 – NET ASSETS

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

	2014	2013
Operation reserve fund	\$ 100,000	\$ 100,000
Lifetime membership fund	50,000	50,000
G. Dennis Cooke Symposium Fund deficit	(978)	(42)
Undesignated	<u>60,606</u>	<u>46,298</u>
Unrestricted net assets	<u>\$ 209,628</u>	<u>\$ 196,256</u>

NORTH AMERICAN LAKE MANAGEMENT SOCIETY, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2014 and 2013

NOTE 5 – NET ASSETS (continued)

Temporarily restricted net assets are available for the following purposes:

	2014	2013
Student travel grants	\$ 2,551	\$ 2,570
Volunteer monitor travel grant	1,741	1,149
Temporarily restricted net assets	<u>\$ 4,292</u>	<u>\$ 3,719</u>

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

NALMS received a conditional promise to give for the G. Dennis Cooke Symposium Fund that was satisfied during 2013. Endowment funds that met the condition are shown as reclassifications from temporarily restricted net assets to permanently restricted net assets in the statements of activities.

NOTE 6 – CONFERENCES

Revenue from conferences consisted of the following for 2014 and 2013:

	2014	2013
Conference registrations	\$ 395,440	\$ 111,974
Sponsorships	39,850	18,100
Exhibitors fees	108,760	32,925
Workshops registrations	11,276	12,238
Tours and special events	5,815	2,530
Conferences	<u>\$ 561,141</u>	<u>\$ 177,767</u>

NOTE 7 – FUNCTIONAL CLASSIFICATION OF EXPENSES

Expenses by function for 2014 and 2013 were as follows:

	2014	2013
Program services		
Conferences	\$ 474,218	\$ 226,526
Publications	103,080	101,808
Other program services	29,996	13,813
Supporting activities		
Management and general	51,847	48,913
Membership development	52,082	51,760
Fundraising	3,063	6,655
Total expenses	<u>\$ 714,286</u>	<u>\$ 449,475</u>

NORTH AMERICAN LAKE MANAGEMENT SOCIETY, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2014 and 2013

NOTE 7 – 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.

NORTH AMERICAN LAKE MANAGEMENT SOCIETY, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2014 and 2013

NOTE 8 – OPERATING LEASE COMMITMENTS

NALMS leases facilities under a non-cancelable operating lease for \$1,061 per month that expires January 2017. Rent expense was \$12,746 and \$19,200 for 2014 and 2013. Future minimum rental payments under this operating lease for 2015, 2016, and 2017 are \$12,726, \$12,726 and \$1,061.

NOTE 9 – CONCENTRATION OF CREDIT RISK

NALMS maintains its cash balances with one financial institution located in Madison, Wisconsin. The balances are insured by the Federal Deposit Insurance Corporation up to \$250,000. At December 31, 2014, NALMS uninsured cash balances total \$30,740.

NOTE 10 – CORPORATE TRANSITION FROM MAINE TO WISCONSIN

During 2014, NALMS board of directors and membership approved the dissolution of its State of Maine incorporation in an effort to move its operations from Maine to Wisconsin. NALMS has incorporated in the State of Wisconsin as of August 2014. Dissolution of NALMS' Maine incorporation and transfer of all assets and liabilities is expected in 2015.