



NORTH AMERICAN LAKE MANAGEMENT SOCIETY, INC.

FINANCIAL STATEMENTS

December 31, 2018 and 2017

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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, 2018 and 2017, and the related statements of activities, functional expenses, 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, 2018 and 2017, 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.

Adoption of New Accounting Pronouncement

As discussed in Note 1 to the financial statements, North American Lake Management Society, Inc. adopted the Financial Accounting Standards Board's Accounting Standards Update (ASU) No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*, as of and for the year ended December 31, 2018. The requirements of the ASU have been applied retrospectively to all periods presented. Our opinion is not modified with respect to this matter.

Wegner CPAs LLP

Wegner CPAs, LLP
Madison, Wisconsin
October 18, 2019

NORTH AMERICAN LAKE MANAGEMENT SOCIETY, INC.
STATEMENTS OF FINANCIAL POSITION
December 31, 2018 and 2017

	2018	2017
ASSETS		
CURRENT ASSETS		
Cash	\$ 158,865	\$ 83,331
Accounts receivable	21,636	17,308
Prepaid expenses	7,788	14,288
Total current assets	188,289	114,927
OTHER ASSETS		
Endowment investments	42,028	43,125
Total assets	<u>\$ 230,317</u>	<u>\$ 158,052</u>
LIABILITIES		
CURRENT LIABILITY		
Accounts payable	\$ 31,960	\$ 21,518
Accrued expenses	13,863	11,318
Deferred revenue	60,870	-
Total liabilities	106,693	32,836
NET ASSETS		
Without donor restrictions		
Undesignated	-	-
Designated by the Board of Directors for		
Operating reserve	14,976	18,987
Lifetime Membership Fund	50,000	50,000
Total without donor restrictions	64,976	68,987
With donor restrictions	58,648	56,229
Total net assets	123,624	125,216
Total liabilities and net assets	<u>\$ 230,317</u>	<u>\$ 158,052</u>

See accompanying notes.

NORTH AMERICAN LAKE MANAGEMENT SOCIETY, INC.
STATEMENTS OF ACTIVITIES
Years Ended December 31, 2018 and 2017

	2018	2017
CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS		
REVENUES		
Conferences	\$ 257,444	\$ 278,516
Membership dues	67,439	85,541
Publications	36,133	28,649
Contributions	22,931	8,960
Advertising	19,763	14,284
Lake manager certification fees	4,000	3,025
Investment return, net	102	229
Other revenue	-	4,161
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Total revenues without donor restrictions	407,812	423,365
EXPENSES		
Program services		
Conferences	202,974	290,277
Publications	102,601	101,471
Other program services	10,772	14,585
	<hr/>	<hr/>
Total program services	316,347	406,333
Supporting activities		
Management and general	72,386	98,152
Member development	17,632	18,789
Fundraising	5,458	1,512
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Total expenses	411,823	524,786
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Change in net assets without donor restrictions	(4,011)	(101,421)
CHANGES IN NET ASSETS WITH DONOR RESTRICTIONS		
Contributions	3,516	4,200
Investment return, net	(1,097)	4,883
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Change in net assets with donor restrictions	2,419	9,083
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Change in net assets	(1,592)	(92,338)
Net assets at beginning of year	125,216	217,554
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Net assets at end of year	<u>\$ 123,624</u>	<u>\$ 125,216</u>

See accompanying notes.

NORTH AMERICAN LAKE MANAGEMENT SOCIETY, INC.
STATEMENTS OF FUNCTIONAL EXPENSES
Years Ended December 31, 2018 and 2017

2018								
	Program Services				Supporting Activities			Total Expenses
	Conferences	Publications	Other Programs	Total Program Services	Management and General	Membership Development	Fundraising	
Personnel	\$ 31,363	\$ 9,753	\$ 8,877	\$ 49,993	\$ 47,775	\$ 14,542	\$ 4,497	\$ 116,807
Professional fees	-	24,000	-	24,000	11,892	-	-	35,892
Conferences	156,270	-	-	156,270	-	-	-	156,270
Printing and postage	541	66,936	153	67,630	825	251	78	68,784
Office expenses	7,245	1,075	979	9,299	7,738	1,590	496	19,123
Information technology	1,483	461	420	2,364	2,258	688	213	5,523
Occupancy	419	130	119	668	638	194	60	1,560
Advertising and promotion	132	41	37	210	200	61	19	490
Insurance	661	205	187	1,053	1,006	306	95	2,460
Travel	4,860	-	-	4,860	-	-	-	4,860
Other expenses	-	-	-	-	54	-	-	54
Total expenses	\$ 202,974	\$ 102,601	\$ 10,772	\$ 316,347	\$ 72,386	\$ 17,632	\$ 5,458	\$ 411,823
2017								
	Program Services				Supporting Activities			Total Expenses
	Conferences	Publications	Other Program Services	Total Program Services	Management and General	Membership Development	Fundraising	
Personnel	\$ 31,915	\$ 9,041	\$ 4,318	\$ 45,274	\$ 51,112	\$ 15,129	\$ 1,218	\$ 112,733
Professional fees	-	24,000	9,223	33,223	21,672	-	-	54,895
Conferences	241,783	-	-	241,783	-	-	-	241,783
Printing and postage	2,174	66,858	294	69,326	3,486	1,031	83	73,926
Office expenses	8,258	882	421	9,561	16,113	1,475	119	27,268
Information technology	483	137	65	685	774	229	18	1,706
Occupancy	923	261	125	1,309	1,479	437	35	3,260
Advertising and promotion	237	67	32	336	379	112	9	836
Insurance	794	225	107	1,126	1,271	376	30	2,803
Travel	3,710	-	-	3,710	-	-	-	3,710
Other expenses	-	-	-	-	1,866	-	-	1,866
Total expenses	\$ 290,277	\$ 101,471	\$ 14,585	\$ 406,333	\$ 98,152	\$ 18,789	\$ 1,512	\$ 524,786

See accompanying notes.

NORTH AMERICAN LAKE MANAGEMENT SOCIETY, INC.
STATEMENTS OF CASH FLOWS
Years Ended December 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (1,592)	\$ (92,338)
Adjustments to reconcile change in net assets to net cash flows from operating activities		
Contributions restricted for long-term purposes	(393)	(135)
Net realized and unrealized gain on investments	1,897	(4,166)
(Increase) decrease in assets		
Accounts receivable	(4,328)	21,584
Prepaid expenses	6,500	5,618
Increase (decrease) in liabilities		
Accounts payable	10,442	(2,926)
Accrued expenses	2,545	3,922
Deferred revenue	60,870	-
	<u>75,941</u>	<u>(68,441)</u>
Net cash flows from operating activities	75,941	(68,441)
CASH FLOWS FROM INVESTING ACTIVITIES		
Dividends and interest reinvested	(800)	(717)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from contributions restricted for investment in permanent endowment	<u>393</u>	<u>135</u>
Net change in cash	75,534	(69,023)
Cash at beginning of year	<u>83,331</u>	<u>152,354</u>
Cash at end of year	<u><u>\$ 158,865</u></u>	<u><u>\$ 83,331</u></u>

See accompanying notes.

NORTH AMERICAN LAKE MANAGEMENT SOCIETY, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2018 and 2017

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

Accounts Receivable

NALMS considers accounts receivable to be fully collectible; accordingly, no allowance for doubtful accounts has been established. If accounts 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.

Contributions

Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions 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 net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

Membership Dues

Membership dues are billed by NALMS quarterly based on the members' anniversary dates and are recognized as revenue when received.

Expense Allocation

The financial statements report certain categories of expenses that are attributable to more than one program service or supporting activity. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include personnel, professional fees, printing and postage, office expenses, information technology, occupancy, advertising and promotion, and insurance, which are allocated on the basis of estimates of time and effort.

NORTH AMERICAN LAKE MANAGEMENT SOCIETY, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2018 and 2017

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (continued)

The following program services and supporting activities are included in the accompanying financial statements:

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 and the National Monitoring Conference, a biennial conference sponsored by the National Water Quality Monitoring Council. NALMS generally co-sponsors these events with a local 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 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.

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

Fundraising and membership development—Fundraising activities relate to soliciting contributions from individuals, foundations, governments, and others, and other activities that involve inducing potential donors to contribute assets, services, or time to NALMS. 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 development expenses include the costs related to soliciting for prospective members, collecting memberships, membership relations, and similar activities.

Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenue and expenses. Actual results could differ from those estimates.

Income Tax Status

NALMS is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. It is also exempt from state franchise or income tax.

NORTH AMERICAN LAKE MANAGEMENT SOCIETY, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2018 and 2017

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (continued)

Adoption of New Accounting Pronouncement

NALMS adopted the Financial Accounting Standards Board's Accounting Standards Update No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*, as of and for the year ended December 31, 2018. This update 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. A key change required by the update is the net asset classes used in these financial statements. Amounts previously reported as unrestricted net assets are now reported as net assets without donor restrictions and amounts previously reported as temporarily restricted net assets and permanently restricted net assets are now reported as net assets with donor restrictions.

Date of Management's Review

Management has evaluated subsequent events through October 18, 2019, date which the financial statements were available to be issued.

NOTE 2 – ENDOWMENT INVESTMENTS

Endowment investments measured at fair values of assets measured on a recurring basis consisted of the following:

	Assets at Fair Value as of December 31, 2018			
	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	\$ 2,013	\$ 2,013	\$ -	\$ -
Exchange traded fund	40,015	40,015	-	-
Total	\$ 42,028	\$ 42,028	\$ -	\$ -
	Assets at Fair Value as of December 31, 2017			
Money market fund	\$ 1,544	\$ 1,544	\$ -	\$ -
Exchange traded fund	41,581	41,581	-	-
Total	\$ 43,125	\$ 43,125	\$ -	\$ -

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

NORTH AMERICAN LAKE MANAGEMENT SOCIETY, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2018 and 2017

NOTE 3 – NET ASSETS

Net assets with donor restrictions were restricted for the following purposes:

	2018	2017
Symposium speaker and sessions	\$ 43,533	\$ 44,237
Student travel grants	13,154	10,031
Volunteer monitor travel grant	1,961	1,961
Net assets with donor restrictions	\$ 58,648	\$ 56,229

Net assets with donor restrictions held in the endowment fund must be invested in perpetuity, the income from which is expendable to support symposium speakers and sessions.

NOTE 4 – CONFERENCES

Revenue from conferences consisted of the following:

	2018	2017
Conference registrations	\$ 153,234	\$ 166,097
Exhibitors fees	69,550	47,150
Sponsorships	15,725	42,768
Workshops registrations	17,335	16,985
Tours and special events	1,600	5,516
Conferences	\$ 257,444	\$ 278,516

NOTE 5 – COMMITMENTS AND CONTINGENCIES

NALMS has contracted with a certain hotels and convention centers to hold future conferences at their locations. Total possible losses for cancellation of these events range from a minimum of approximately \$306,000 to a maximum of approximately \$468,000.

NOTE 6 – ENDOWMENT

NALMS' G. Dennis Cooke Symposium endowment fund is a donor restricted endowment fund established to support specific programming at the annual symposium. NALMS' endowment consists of funds held in cash and investments. Net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

NALMS has determined that its net assets held in perpetuity meet the definition of endowment funds under Wisconsin's Uniform Prudent Management of Institutional Funds Act (UPMIFA). NALMS has interpreted UPMIFA as not requiring the maintenance of purchasing power of the original gift amount contributed to an endowment fund, unless a donor stipulates the contrary. As a result of this interpretation, when reviewing its donor-restricted endowment funds, NALMS considers a fund to be underwater if the fair value of the fund is less than the sum of (a) the original value of initial and subsequent gift amounts donated to the fund and (b) any accumulations to the

NORTH AMERICAN LAKE MANAGEMENT SOCIETY, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2018 and 2017

NOTE 6 – ENDOWMENT (continued)

fund that are required to be maintained in perpetuity in accordance with the direction of the applicable donor gift instrument. NALMS has interpreted UPMIFA to permit spending from underwater funds in accordance with the prudent measures required under the law. 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 purposes of NALMS 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 NALMS, and (7) NALMS' investment policies.

NALMS has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. 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 sustainability of NALMS' work while assuming a moderate level of investment risk.

Changes in endowment net assets were as follows:

	2018		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets at beginning of year	\$ -	\$ 44,237	\$ 44,237
Contributions	-	393	393
Investment return, net	-	(1,097)	(1,097)
Endowment net assets at end of year	<u>\$ -</u>	<u>\$ 43,533</u>	<u>\$ 43,533</u>
	2017		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets at beginning of year	\$ -	\$ 39,219	\$ 39,219
Contributions	-	135	135
Investment return, net	-	4,883	4,883
Endowment net assets at end of year	<u>\$ -</u>	<u>\$ 44,237</u>	<u>\$ 44,237</u>

NOTE 7 – RETIREMENT PLAN

NALMS has a SIMPLE IRA retirement plan that covers all employees with at least one month of service. NALMS matches up to 3% of employee contributions. The pension contributions charged to expense for 2018 and 2017 were \$3,068 and \$2,400, respectively.

NORTH AMERICAN LAKE MANAGEMENT SOCIETY, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2018 and 2017

NOTE 8 – OPERATING LEASE COMMITMENTS

NALMS leased office space in Madison, Wisconsin for \$980 per month under a lease that expired on January 31, 2017. NALMS rents a storage facility in Madison for \$130 per month with no term commitment. Rent expense for 2018 and 2017 was \$1,560 and \$3,260, respectively.

NOTE 9 – LIQUIDITY AND AVAILABILITY

The following reflects the NALMS' financial assets as of the date of the statement of financial position, reduced by amounts not available for general expenditures within one year because of donor-imposed restrictions or internal board designations:

Cash	\$ 158,865
Accounts receivable	21,636
Endowment investments	<u>42,028</u>
Financial assets at year end	222,529
Less those unavailable for general expenditures within one year due to:	
Contractual or donor-imposed restrictions:	
Restricted by donor with purpose restrictions	(58,648)
Board designations:	
Designated for the operational reserve	(14,976)
Designated for the lifetime membership fund	<u>(50,000)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 98,905</u>

As part of NALMS' liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.