



NORTH AMERICAN LAKE MANAGEMENT SOCIETY, INC.

FINANCIAL STATEMENTS

December 31, 2015 and 2014

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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 December 31, 2015 and 2014, 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, 2015 and 2014, 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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September 15, 2016

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NORTH AMERICAN LAKE MANAGEMENT SOCIETY, INC.
STATEMENTS OF FINANCIAL POSITION
December 31, 2015 and 2014

	2015	2014
ASSETS		
Cash	\$ 138,034	\$ 276,382
Accounts receivable	16,937	11,281
Prepaid expenses	15,560	980
Endowment investments	35,712	34,622
Total assets	\$ 206,243	\$ 323,265
LIABILITIES		
Accounts payable	\$ 9,652	\$ 33,410
Accrued expenses	12,926	14,275
Deferred revenue	-	25,599
Total liabilities	22,578	73,284
NET ASSETS		
Unrestricted	140,724	209,628
Temporarily restricted	6,604	4,292
Permanently restricted	36,337	36,061
Total net assets	183,665	249,981
Total liabilities and net assets	\$ 206,243	\$ 323,265

See accompanying notes.

NORTH AMERICAN LAKE MANAGEMENT SOCIETY, INC.
STATEMENTS OF ACTIVITIES
Years Ended December 31, 2015 and 2014

	2015	2014
UNRESTRICTED NET ASSETS		
REVENUE AND OTHER SUPPORT		
Conferences	245,773	561,141
Membership dues	89,707	77,595
Grant revenue	51,198	25,599
Publications	32,133	36,112
Advertising	16,080	13,735
Lake manager certification fees	4,532	2,200
Investment return	1,360	(125)
Contributions	3,438	4,441
Other revenue	724	6,941
Total unrestricted revenue and other support	444,945	727,639
EXPENSES		
Conferences	219,484	412,017
Personnel	111,124	115,146
Professional fees	59,214	62,456
Postage and printing	73,324	80,487
Office expenses	16,482	15,407
Information technology	8,244	8,924
Occupancy	11,760	12,746
Advertising and promotion	1,775	1,742
Insurance	5,063	2,403
Travel	6,703	2,836
Other expenses	676	122
Total expenses	513,849	714,286
Net asset released from restrictions	-	19
Change in unrestricted net assets	(68,904)	13,372
TEMPORARILY RESTRICTED NET ASSETS		
Contributions	2,200	592
Investment return	112	-
Net asset released from restrictions	-	(19)
Change in temporarily restricted net assets	2,312	573
PERMANENTLY RESTRICTED NET ASSETS		
Contributions	276	461
Change in permanently restricted net assets	276	461
Change in net assets	(66,316)	14,406
Net assets - beginning of year	249,981	235,575
Net assets - end of year	\$ 183,665	\$ 249,981

See accompanying notes.

NORTH AMERICAN LAKE MANAGEMENT SOCIETY, INC.
STATEMENTS OF CASH FLOWS
Years Ended December 31, 2015 and 2014

	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (66,316)	\$ 14,406
Adjustments to reconcile change in net assets to net cash flows from operating activities		
Contributions restricted for long-term purposes	(276)	(461)
Net realized and unrealized (gain) loss on investments	(577)	1,058
(Increase) decrease in assets		
Accounts receivable	(5,656)	(2,421)
Prepaid expenses	(14,580)	2,620
Increase (decrease) in liabilities		
Accounts payable	(23,758)	28,469
Accrued expenses	(1,349)	2,341
Deferred revenue	(25,599)	-
Net cash flows from operating activities	(138,111)	46,012
CASH FLOWS FROM INVESTING ACTIVITIES		
Redemption of certificate of deposit	-	50,000
Dividends and interest reinvested	(513)	(122)
Net cash flows from investing activities	(513)	49,878
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from contributions restricted for investment in permanent endowment	276	461
Net change in cash	(138,348)	96,351
Cash - beginning of year	276,382	180,031
Cash - end of year	\$ 138,034	\$ 276,382

See accompanying notes.

NORTH AMERICAN LAKE MANAGEMENT SOCIETY, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2015 and 2014

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, 2015 and 2014

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.

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.

Reclassifications

Certain accounts in the prior-year financial statements have been reclassified for comparative purposes to conform with the presentation in the current-year financial statements.

Date of Management's Review

Management has evaluated subsequent events through September 15, 2016, date which the financial statements were available to be issued.

NORTH AMERICAN LAKE MANAGEMENT SOCIETY, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2015 and 2014

NOTE 2 – ENDOWMENT INVESTMENTS

Endowment investments at December 31, 2015 and 2014 consisted of the following:

	<u>2015</u>	<u>2014</u>
Money market fund	\$ 715	\$ 26,586
Common stock	-	1,578
Exchange traded funds	<u>34,997</u>	<u>6,458</u>
Investments	<u>\$ 35,712</u>	<u>\$ 34,622</u>

Investment return for 2015 and 2014 consisted of the following:

	<u>2015</u>	<u>2014</u>
Interest and dividends	\$ 895	\$ 933
Net realized and unrealized gains (losses) on investments	<u>577</u>	<u>(1,058)</u>
Investment return	<u>\$ 1,472</u>	<u>\$ (125)</u>

NOTE 3 – FAIR VALUE MEASUREMENTS

Fair values of assets measured on a recurring basis at December 31, 2015 and 2014 are as follows:

	<u>Fair Value</u>	<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
Money market fund	\$ 715	\$ 715	\$ -	\$ -
Exchange traded funds	<u>34,997</u>	<u>34,997</u>	<u>-</u>	<u>-</u>
December 31, 2015	<u>\$ 35,712</u>	<u>\$ 35,712</u>	<u>\$ -</u>	<u>\$ -</u>
Money market fund	\$ 26,586	\$ 26,586	\$ -	\$ -
Common stock	1,578	1,578	-	-
Exchange traded funds	<u>6,458</u>	<u>6,458</u>	<u>-</u>	<u>-</u>
December 31, 2014	<u>\$ 34,622</u>	<u>\$ 34,622</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 4 – 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, 2015 and 2014

NOTE 4 – 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 fund as of December 31, 2015 and 2014 are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	2015 Total
Donor-restricted endowment funds	\$ -	\$ 112	\$ 36,337	\$ 36,449
	Unrestricted	Temporarily Restricted	Permanently Restricted	2014 Total
Donor-restricted endowment funds	\$ (978)	\$ -	\$ 36,061	\$ 35,083

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 as of December 31, 2014 that are reported in unrestricted net assets was \$978.

NORTH AMERICAN LAKE MANAGEMENT SOCIETY, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2015 and 2014

NOTE 4 – ENDOWMENT (continued)

Changes in endowment net assets for 2015 and 2014 are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
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	(978)	-	36,061	35,083
Contributions	-	-	276	276
Investment income	513	-	-	513
Net appreciation	465	112	-	577
Endowment net assets - at December 31, 2015	<u>\$ -</u>	<u>\$ 112</u>	<u>\$ 36,337</u>	<u>\$ 36,449</u>

NOTE 5 – NET ASSETS

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

	2015	2014
Operation reserve fund	\$ 100,000	\$ 100,000
Lifetime membership fund	50,000	50,000
G. Dennis Cooke Symposium Fund deficit	-	(978)
Undesignated	(9,276)	60,606
Unrestricted net assets	<u>\$ 140,724</u>	<u>\$ 209,628</u>

Temporarily restricted net assets are available for the following purposes:

	2015	2014
Student travel grants	\$ 4,751	\$ 2,551
G. Dennis Cooke Symposium Fund	112	-
Volunteer monitor travel grant	1,741	1,741
Temporarily restricted net assets	<u>\$ 6,604</u>	<u>\$ 4,292</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 speakers and sessions.

NORTH AMERICAN LAKE MANAGEMENT SOCIETY, INC.
NOTES TO FINANCIAL STATEMENTS
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NOTE 6 – CONFERENCES

Revenue from conferences for 2015 and 2014 consisted of the following:

	2015	2014
Conference registrations	\$ 153,283	\$ 395,440
Sponsorships	21,750	39,850
Exhibitors fees	51,050	108,760
Workshops registrations	14,615	11,276
Tours and special events	5,065	5,815
Other	10	-
	<u>\$ 245,773</u>	<u>\$ 561,141</u>

NOTE 7 – FUNCTIONAL CLASSIFICATION OF EXPENSES

Expenses by function for 2015 and 2014 were as follows:

	2015	2014
Program services		
Conferences	\$ 268,192	\$ 474,218
Publications	101,079	103,080
Other program services	35,301	29,996
Supporting activities		
Management and general	57,692	51,847
Membership development	46,352	52,082
Fundraising	5,233	3,063
	<u>\$ 513,849</u>	<u>\$ 714,286</u>

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 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 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.

NORTH AMERICAN LAKE MANAGEMENT SOCIETY, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2015 and 2014

NOTE 7 – FUNCTIONAL CLASSIFICATION OF EXPENSES (continued)

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. Also held every July, the Secchi Dip-In is a citizen science program which encourages volunteers to collect water transparency data and add that data to the Secchi Dip-In database. The volunteer-collected data provides an annual snapshot of lake-water quality across North America and helps build volunteer interest in the ongoing water quality of their particular lake or reservoir.

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.

NOTE 8 – OPERATING LEASE COMMITMENTS

NALMS leases facilities under a non-cancelable operating lease for \$980 per month that expires January 2017. Rent expense for 2015 and 2014 was \$11,760 and \$12,746. Future minimum rental payments under this operating lease for 2016 and 2017 are \$11,760 and \$980.

NOTE 9 – CONCENTRATIONS 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, 2015 and 2014, NALMS uninsured cash balances total \$39,682 and \$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 2016.

NORTH AMERICAN LAKE MANAGEMENT SOCIETY, INC.
NOTES TO FINANCIAL STATEMENTS
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NOTE 11 – 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 2015 and 2014 were \$1,652 and \$1,562.