



**NORTH AMERICAN LAKE MANAGEMENT SOCIETY, INC.**

FINANCIAL STATEMENTS

December 31, 2017 and 2016

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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, 2017 and 2016, 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, 2017 and 2016, 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  
October 29, 2018

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**NORTH AMERICAN LAKE MANAGEMENT SOCIETY, INC.**  
**STATEMENTS OF FINANCIAL POSITION**  
December 31, 2017 and 2016

	2017	2016
<b>ASSETS</b>		
Cash	\$ 83,331	\$ 152,354
Accounts receivable	17,308	38,892
Prepaid expenses	14,288	19,906
Endowment investments	43,125	38,242
<b>Total assets</b>	<b>\$ 158,052</b>	<b>\$ 249,394</b>
<b>LIABILITIES</b>		
Accounts payable	\$ 21,518	\$ 24,444
Accrued expenses	11,318	7,396
Total liabilities	32,836	31,840
<b>NET ASSETS</b>		
Unrestricted		
Undesignated	-	15,149
Designated by the Board of Directors for		
Operating reserve	18,987	100,000
Lifetime Membership Fund	50,000	50,000
Total unrestricted	68,987	165,149
Temporarily restricted	19,517	15,828
Permanently restricted	36,712	36,577
Total net assets	125,216	217,554
<b>Total liabilities and net assets</b>	<b>\$ 158,052</b>	<b>\$ 249,394</b>

See accompanying notes.

**NORTH AMERICAN LAKE MANAGEMENT SOCIETY, INC.**  
**STATEMENTS OF ACTIVITIES**  
Years Ended December 31, 2017 and 2016

	2017	2016
<b>UNRESTRICTED NET ASSETS</b>		
<b>REVENUE AND OTHER SUPPORT</b>		
Conferences	\$ 278,516	\$ 612,675
Membership dues	85,541	74,848
Publications	28,649	31,761
Advertising	14,284	22,230
Lake manager certification fees	3,025	2,925
Investment return	229	302
Contributions	8,960	13,386
Other revenue	4,161	293
	<u>423,365</u>	<u>758,420</u>
Total unrestricted revenue and other support	423,365	758,420
<b>EXPENSES</b>		
Conferences	241,783	438,575
Personnel	112,733	113,945
Printing and postage	73,926	71,597
Professional fees	54,895	55,040
Office expenses	27,268	27,859
Travel	3,710	7,007
Occupancy	3,260	11,862
Insurance	2,803	2,504
Information technology	1,706	4,886
Advertising and promotion	836	704
Other expenses	1,866	16
	<u>524,786</u>	<u>733,995</u>
Total expenses	524,786	733,995
<b>Change in unrestricted net assets</b>	(101,421)	24,425
<b>TEMPORARILY RESTRICTED NET ASSETS</b>		
Contributions	4,065	6,694
Investment return	4,883	2,530
	<u>8,948</u>	<u>9,224</u>
<b>Change in temporarily restricted net assets</b>	8,948	9,224
<b>PERMANENTLY RESTRICTED NET ASSETS</b>		
Contributions	135	240
	<u>135</u>	<u>240</u>
<b>Change in net assets</b>	(92,338)	33,889
Net assets - beginning of year	<u>217,554</u>	<u>183,665</u>
<b>Net assets - end of year</b>	<u>\$ 125,216</u>	<u>\$ 217,554</u>

See accompanying notes.

**NORTH AMERICAN LAKE MANAGEMENT SOCIETY, INC.**  
**STATEMENTS OF CASH FLOWS**  
Years Ended December 31, 2017 and 2016

	2017	2016
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ (92,338)	\$ 33,889
Adjustments to reconcile change in net assets to net cash flows from operating activities		
Contributions restricted for long-term purposes	(135)	(240)
Net realized and unrealized gain on investments	(4,166)	(1,832)
(Increase) decrease in assets		
Accounts receivable	21,584	(21,955)
Prepaid expenses	5,618	(4,346)
Increase (decrease) in liabilities		
Accounts payable	(2,926)	14,792
Accrued expenses	3,922	(5,530)
	(68,441)	14,778
<b>Net cash flows from operating activities</b>		
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Dividends and interest reinvested	(717)	(698)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from contributions restricted for investment in permanent endowment	135	240
	(69,023)	14,320
Net change in cash		
Cash - beginning of year	152,354	138,034
	\$ 83,331	\$ 152,354
<b>Cash - end of year</b>	\$ 83,331	\$ 152,354

See accompanying notes.

**NORTH AMERICAN LAKE MANAGEMENT SOCIETY, INC.**  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2017 and 2016

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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 reports 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.

**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.

**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.

**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.

**NORTH AMERICAN LAKE MANAGEMENT SOCIETY, INC.**  
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NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (continued)

**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 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 support 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.

**Membership Dues**

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

**Reclassifications**

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

**Date of Management's Review**

Management has evaluated subsequent events through October 29, 2018, date which the financial statements were available to be issued.

NOTE 2 – ENDOWMENT INVESTMENTS

Endowment investments at December 31, 2017 and 2016 consisted of the following:

	<u>2017</u>	<u>2016</u>
Money market fund	\$ 1,544	\$ 1,133
Exchange traded fund	<u>41,581</u>	<u>37,109</u>
Endowment investments	<u>\$ 43,125</u>	<u>\$ 38,242</u>

**NORTH AMERICAN LAKE MANAGEMENT SOCIETY, INC.**  
NOTES TO FINANCIAL STATEMENTS  
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NOTE 2 – ENDOWMENT INVESTMENTS (continued)

Investment return for 2017 and 2016 consisted of the following:

	2017	2016
Interest and dividends	\$ 946	1,000
Net realized and unrealized gains	4,166	1,832
Investment return	\$ 5,112	\$ 2,832

NOTE 3 – FAIR VALUE MEASUREMENTS

Fair values of assets measured on a recurring basis at December 31, 2017 and 2016 are as follows:

	Quoted Prices in Active Markets for Identical Assets (Level 1)	
	2017	2016
Money market fund	\$ 1,544	\$ 1,133
Exchange traded fund	41,581	37,109
Total	\$ 43,125	\$ 38,242

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.

NOTE 4 – NET ASSETS

Temporarily restricted net assets at December 31, 2017 and 2016 were available for the following purposes:

	2017	2016
Student travel grants	\$ 10,031	\$ 11,225
Symposium speaker and sessions	7,525	2,642
Volunteer monitor travel grant	1,961	1,961
Temporarily restricted net assets	\$ 19,517	\$ 15,828

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.

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**NOTE 5 – CONFERENCES**

Revenue from conferences for 2017 and 2016 consisted of the following:

	2017	2016
Conference registrations	\$ 166,097	\$ 450,878
Exhibitors fees	47,150	98,108
Sponsorships	42,768	21,684
Workshops registrations	16,985	19,222
Tours and special events	5,516	22,783
Conferences	\$ 278,516	\$ 612,675

**NOTE 6 – 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 7 – 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 and investments. Net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

NALMS developed and implemented an investment policy for endowment assets that is designed 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.

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.

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NOTE 7 – ENDOWMENT (continued)

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.

Changes in endowment net assets for 2017 and 2016 were as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets - at December 31, 2015	\$ -	\$ 112	\$ 36,337	\$ 36,449
Contributions	-	-	240	240
Investment income	-	698	-	698
Net depreciation	-	1,832	-	1,832
Endowment net assets - at December 31, 2016	-	2,642	36,577	39,219
Contributions	-	-	135	135
Investment income	-	717	-	717
Net appreciation	-	4,166	-	4,166
Endowment net assets - at December 31, 2017	<u>\$ -</u>	<u>\$ 7,525</u>	<u>\$ 36,712</u>	<u>\$ 44,237</u>

NOTE 8 – FUNCTIONAL CLASSIFICATION OF EXPENSES

Expenses by function for 2017 and 2016 were as follows:

	<u>2017</u>	<u>2016</u>
Program services		
Conferences	\$ 290,277	\$ 504,724
Publications	101,471	94,099
Other program services	14,585	16,650
Supporting activities		
Management and general	98,151	100,781
Membership development	18,790	15,427
Fundraising	1,512	2,314
Total expenses	<u>\$ 524,786</u>	<u>\$ 733,995</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

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NOTE 8 – FUNCTIONAL CLASSIFICATION OF EXPENSES (continued)

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.

*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.

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**NOTE 9 – 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 2017 and 2016 were \$2,400 and \$1,641.

**NOTE 10 – OPERATING LEASE COMMITMENTS**

NALMS leased office space in Madison, Wisconsin for \$980 per month under a lease that expired on January 31, 2017. NALMS now rents a storage facility in Madison for \$130 per month with no term commitment. Rent expense for 2017 and 2016 was \$3,260 and \$11,862.

**NOTE 11 – 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 incorporated in the State of Wisconsin on August 19, 2014. Dissolution of NALMS' Maine corporation was completed on July 10, 2017.