

## **Financial Statements and Supplemental Information**

For the Year Ended December 31, 2012 (With Summarized Financial Information for the Year Ended December 31, 2011)



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#### INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of the Izaak Walton League of America

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Izaak Walton League of America (IWLA), which comprise the statement of financial position as of December 31, 2012, and the related statements of activities and cash flows for the year 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 audit. We conducted our audit 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 of 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 Izaak Walton League of America as of December 31, 2012, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### **Other Matters**

### Report on Summarized Comparative Information

We have previously audited IWLA's 2011 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated June 21, 2012. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2011 is consistent, in all material respects, with the audited financial statements from which it has been derived.

### Report on Supplemental Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplemental schedule of functional expenses on pages 21 and 22 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Raffa, P.C.

Raffa, P.C.

Washington, DC June 18, 2013

## STATEMENT OF FINANCIAL POSITION

**December 31, 2012** 

(With Summarized Financial Information as of December 31, 2011)

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	2012	2011
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 2,660,880	\$ 2,692,460
Grants receivable	204,015	225,886
Contributions and other receivables	12,987	79,053
Prepaid expenses	92,021	53,085
Total Current Assets	2,969,903	3,050,484
Investments	1,755,512	1,575,277
Property and equipment, net	1,704,331	1,813,569
Interest in charitable remainder trust	1,269,455	1,121,034
TOTAL ASSETS	\$ 7,699,201	\$ 7,560,364
LIABILITIES AND NET ASSETS Current Liabilities		
Accounts payable	\$ 192,269	\$ 183,110
Accrued expenses	101,190	110,309
Total Current Liabilities	293,459	293,419
Security deposits	5,050	10,670
TOTAL LIABILITIES	298,509	304,089
Net Assets		
Unrestricted	3,545,540	3,317,689
Temporarily restricted	1,679,614	1,937,394
Permanently restricted	2,175,538	2,001,192
TOTAL NET ASSETS	7,400,692	7,256,275
TOTAL LIABILITIES AND NET ASSETS	\$ 7,699,201	\$ 7,560,364

#### STATEMENT OF ACTIVITIES

#### For the Year Ended December 31, 2012

(With Summarized Financial Information for the Year Ended December 31, 2011)

2011 Temporarily Permanently 2012 Unrestricted Restricted Restricted Total Total REVENUE AND SUPPORT \$ 611,921 547,946 17,581 1,177,448 1,615,755 Contributions and grants 829,140 591,113 8,344 1,428,597 Member contributions 1,167,362 Rental income 243,247 243,247 261,677 Interest, dividends and realized gains or losses on sales of investments, net 83,285 46,483 46,483 Change in value of interest in charitable remainder trust 148,421 (14,625)148,421 Sales of sundries 14,718 14,718 17,627 Registration fees 16,297 16,297 13,194 Other 24,963 24,963 8,686 Reclassification due to donor-imposed restriction (25,000)25,000 Net assets released from restrictions: Satisfaction of purpose restriction 856,979 (856,979)Satisfaction of time restriction 564,860 (564,860)**TOTAL REVENUE** AND SUPPORT 174,346 3,183,608 (257,780)3,100,174 3,152,961 **EXPENSES Program Services** 1,932,622 1,932,622 2,139,910 Supporting Services: Management and general 935,022 935,022 692,531 Fundraising 236,851 236,851 195,250 **Total Supporting Services** 1,171,873 1,171,873 887,781 **TOTAL EXPENSES** 3,104,495 3,104,495 3,027,691 CHANGE IN NET ASSETS FROM **OPERATIONS** 79,113 (257,780)174,346 (4,321)125,270 Nonoperating Activities: Unrealized gains (losses) on investments, net 148,738 148,738 (55,466)144,417 CHANGE IN NET ASSETS 227,851 (257,780)174,346 69,804

1,937,394

1,679,614

2,001,192

2,175,538

7,256,275

7,400,692

7,186,471

7,256,275

3,317,689

3,545,540

NET ASSETS, BEGINNING OF YEAR

NET ASSETS, END OF YEAR

### STATEMENT OF CASH FLOWS

### For the Year Ended December 31, 2012

# (With Summarized Financial Information for the Year Ended December 31, 2011) Increase (Decrease) in Cash and Cash Equivalents

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	2012		2011		
CASH FLOWS FROM OPERATING ACTIVITIES		_			
Change in net assets	\$	144,417	\$	69,804	
Adjustments to reconcile change in net assets to net cash					
provided by operating activities:					
Depreciation and amortization		125,777		129,176	
Unrealized and realized losses (gains) on sales of investments, net		(137,916)		29,643	
Change in value of interest in charitable remainder trust		(148,421)		14,625	
Changes in assets and liabilities:					
Decrease (increase) in:					
Grants receivable		21,871		(54,165)	
Contributions and other receivables		66,066		11,008	
Prepaid expenses		(38,936)		(1,976)	
Inventory		-		3,532	
Increase (decrease) in:					
Accounts payable		9,159		(29,640)	
Accrued expenses		(9,119)		(10,026)	
Security deposits		(5,620)		(5,280)	
NET CASH PROVIDED BY OPERATING ACTIVITIES		27,278		156,701	
CASH FLOWS FROM INVESTING ACTIVITIES					
Purchases of property and equipment		(16,539)		(14,116)	
Purchases of investments		(109,605)		(260,646)	
Proceeds from sale and maturity of investments		67,286		210,559	
NET CASH USED IN INVESTING ACTIVITIES		(58,858)		(64,203)	
NET INCREASE (DECREASE) IN CASH AND					
CASH EQUIVALENTS		(31,580)		92,498	
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR		2,692,460		2,599,962	
CASH AND CASH EQUIVALENTS, END OF YEAR	\$	2,660,880	\$	2,692,460	

### NOTES TO FINANCIAL STATEMENTS For the Year Ended December 31, 2012

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1. Organization and Summary of Significant Accounting Policies

### **Organization**

The Izaak Walton League of America (IWLA) was incorporated in 1922 in Illinois. IWLA works to conserve, maintain, protect, and restore soil, forest, water, and other natural resources of the United States; to educate the public about these resources and the need to conserve them; and to promote and provide opportunities for responsible outdoor recreation. These activities are funded primarily through contributions and grants.

IWLA's work is guided by grassroots volunteers. Its more than 250 local chapters and state divisions advance the IWLA's mission nationwide – improving water quality, enhancing wildlife habitat on private and public lands, and working to restore and protect some of the nation's most important ecosystems.

IWLA's staff works to advance IWLA's conservation policy agenda – which is established by its members – by providing background information to Congress and other influential parties, keeping members informed about federal legislative and regulatory issues affecting natural resources and the environment, educating the public about important national conservation issues, and assisting members and chapters in their conservation activities. IWLA's core conservation programs include the following:

General Conservation: The general conservation program advances IWLA's conservation policy agenda – which is established by its members – by providing background information to Congress and other influential parties, keeping members informed about federal legislative and regulatory issues affecting natural resources and the environment, educating the public about important national conservation issues, and giving assistance to members and chapters on their conservation activities, as requested.

Energy: IWLA's energy program works to promote renewable energy, energy efficiency, and clean energy sources. Areas of focus include phasing out old coal-fired power plants and preventing construction of new ones; reforming utility ratemaking policies to ensure that investments in energy efficiency are as profitable for utilities as investments in new power plants; and working to promote the use of renewable energy sources.

*Water:* For more than 40 years, IWLA's Save Our Streams program has provided educational and technical support to help communities improve water quality and conserve local watersheds. This technical support has included handbooks, videos, and workshops that present scientific concepts in a manner that local volunteers can readily understand and use. IWLA's water program also engages youth with nature by using streams as living classrooms and works to promote public policies that will conserve and protect wetlands and water quality.

### NOTES TO FINANCIAL STATEMENTS For the Year Ended December 31, 2012

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1. Organization and Summary of Significant Accounting Policies (continued)

### **Organization (continued)**

Sustainability Education: IWLA has long recognized the direct connection between population growth and natural resource depletion and has worked to raise public awareness of this issue. IWLA's sustainability education program conducts education and outreach to increase awareness and support for IWLA's policy positions, provides technical support to local grassroots efforts to help create more sustainable communities, and advocates for policies that will provide women with increased access to education and health services.

Communications and Media: Outdoor America magazine is IWLA's flagship publication and the staff's primary vehicle for communicating with IWLA's members. Each issue includes highlights of chapter activities and articles that focus on key conservation issues. Other publications produced by IWLA include a monthly electronic newsletter, annual reports, and support materials for conservation programs. In addition, IWLA's staff works with the media to keep the public informed about IWLA's work on national, regional, and local conservation issues and projects.

Chapter Relations and Membership: At the heart of IWLA are more than 250 chapters and state divisions across the country. These groups form a grassroots volunteer network of conservationists and community activists who are fighting to protect the natural resources they love and enjoy. IWLA's annual convention, held every year since 1922, provides an opportunity for members from around the country to participate in the democratic process that governs IWLA and to work together to advance IWLA's conservational and educational missions. IWLA supports chapters and divisions through member recognition and award programs, membership renewal services, communication tools, membership marketing materials and other publications, and workshops.

Agriculture: Since 1937, IWLA has promoted farming methods that sustain people and natural resources. Today, IWLA's agriculture program continues to advocate for farming policies and practices that promote the conservation of soil, water, and the country's natural heritage through public education, nonprofit and public sector partnerships, advocacy, and on-the-ground conservation in local communities.

#### Regional Conservation:

Missouri River Initiative: IWLA works with federal and state agencies and private stakeholders in Iowa, Nebraska, and South Dakota to assess the environmental challenges facing the Missouri River ecosystem, restore the river's natural flows, improve fish and wildlife habitats, and provide increased opportunities for public recreation. As part of this ongoing effort, IWLA coordinates river cleanups and hosts educational events for students and their families along the river.

### NOTES TO FINANCIAL STATEMENTS For the Year Ended December 31, 2012

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1. Organization and Summary of Significant Accounting Policies (continued)

### Organization (continued)

### Regional Conservation (continued):

*Upper Mississippi River:* IWLA is working to reduce the agricultural impact on the Upper Mississippi River, promote more sustainable agriculture practices in the region, reform the U.S. Army Corps of Engineers' river navigation system, and restore this unique ecosystem. This work is carried out in close collaboration with other nonprofit organizations in the region.

#### **Method of Accounting**

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). The financial statements are prepared using the accrual basis of accounting and include all material receivables and payables.

#### Cash and Cash Equivalents

For financial statement purposes, IWLA considers cash and cash equivalents to include cash in the bank and liquid investments with an original maturity of three months or less, and excludes those amounts included in the investment portfolio.

### Receivables

Receivables are carried at their original invoice amount, less an estimate for doubtful receivables, based on an annual review of all outstanding amounts. Management determines the allowance for doubtful accounts by identifying troubled accounts and by using historical experience applied to an aging of accounts. Receivables are written off when deemed uncollectible. Recoveries of receivables previously written off are recorded when received. A receivable is considered to be past due if any portion of the receivable's balance is outstanding for more than 30 days. Interest is not recorded on any past-due balances. Management believes that all receivables are fully collectible within one year and that no provision for doubtful accounts is necessary.

#### **Property and Equipment and Related Depreciation and Amortization**

Property and equipment are recorded at cost. Expenditures for major additions, renewals and improvements are capitalized; expenditures for minor repairs and maintenance are expensed when incurred. Upon the retirement or disposal of the assets, the cost and accumulated depreciation and amortization are eliminated from the accounts, and the resulting gain or loss is reflected in the accompanying statement of activities. Depreciation and amortization are provided on a straight-line basis over the estimated useful lives of the assets. Leasehold improvements are amortized using the straight-line method over the lesser of the lease term or their estimated useful lives.

### NOTES TO FINANCIAL STATEMENTS For the Year Ended December 31, 2012

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1. Organization and Summary of Significant Accounting Policies (continued)

### Property and Equipment and Related Depreciation and Amortization (continued)

The estimated useful lives for property and equipment are as follows:

	Estimated
<u>Categories</u>	<u>Useful Lives</u>
Building and improvements	30 years
Furniture and equipment	3-12 years

### **Impairment of Long-Lived Assets**

In accordance with the provisions of Financial Accounting Standards Board (FASB) Accounting Standards Certification (ASC) Topic 360, *Property, Plant and Equipment*, IWLA reviews its property for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. If the fair value is less than the carrying amount of the asset, an impairment loss is recognized for the difference. As of December 31, 2012, IWLA has not recognized an impairment loss.

### **Investments**

Investments consist of fixed-income mutual funds and equity mutual funds. Investments are reflected in the financial statements at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Purchases and sales of investments are recorded on a trade date basis. Investment income is recorded as an increase in unrestricted net assets, unless restricted by donor or law. Investment securities are exposed to various risks, such as interest rate, market and credit risks. Accordingly, it is at least reasonably possible that changes in investment values will occur in the near term, and such changes could affect balances and amounts reported in the accompanying statement of financial position.

### **Fair Value of Financial Instruments**

FASB ASC Topic 820, Fair Value Measurements, defines fair value, establishes a framework for measuring fair value in accordance with generally accepted accounting principles and requires disclosures about fair value measurements for assets and liabilities measured at fair value on a recurring basis. The ASC emphasizes that fair value is a market-based measurement, not an entity-specific measurement, and therefore, a fair value measurement should be determined based on the assumptions that market participants would use in pricing the asset or liability. As a basis for considering market participant assumptions in fair value measurements, the ASC established a fair value hierarchy based upon the transparency of the inputs to the valuation of an asset or liability. These inputs may be observable, whereby market participant assumptions are developed based on market data obtained from independent sources, and unobservable, whereby assumptions about market participant assumptions are developed by the reporting entity based on the best information available in the circumstances.

### NOTES TO FINANCIAL STATEMENTS For the Year Ended December 31, 2012

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1. Organization and Summary of Significant Accounting Policies (continued)

### Fair Value of Financial Instruments (continued)

The three levels of the fair value hierarchy are described as follows:

Level 1 – Inputs based on quoted prices (unadjusted) in active markets for identical assets or liabilities accessible at the measurement date.

Level 2 – Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly, such as quoted prices for similar assets or liabilities in active markets.

Level 3 – Unobservable inputs for the asset or liability, including the reporting entity's own assumptions in determining the fair value measurement.

As of December 31, 2012, IWLA's assets that are measured at fair value on a recurring basis are described in Note 4 of these financial statements.

### **Net Assets**

IWLA's net assets are classified as follows:

- Unrestricted net assets represent funds that are available for support of IWLA's operations.
- Temporarily restricted net assets represent amounts that are subject to donor-imposed restrictions to be used for a particular purpose or within a specific time period.
- Permanently restricted net assets represent amounts that include donor-imposed restrictions that stipulate that the resources be maintained in perpetuity and that only the investment earnings on such amounts be used in the manner specified by the donor.

#### Revenue Recognition

Grants and contributions are considered available for unrestricted use, unless specifically restricted by the donor. All donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a donor restriction expires, that is, when a stipulated time restriction ends or a purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the accompanying statement of activities as net assets released from restrictions. Donated materials and equipment are recorded at their fair value at the date of donation. Unconditional gifts and grants that are expected to be collected within one year are recorded at net realizable value. Unconditional gifts and grants that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on these amounts are computed using interest rates applicable to the period over which the promises are to be received.

Conditional promises to give are not included as revenue until such time as the conditions are substantially met.

### NOTES TO FINANCIAL STATEMENTS For the Year Ended December 31, 2012

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1. Organization and Summary of Significant Accounting Policies (continued)

### **Revenue Recognition (continued)**

Membership dues are accounted for as contributions in the year in which the dues are received. Dues received in advance of the membership period are recognized as temporarily restricted contributions and are released in the membership period.

Rental income is recognized as revenue in the month in which it is earned.

### **Bequests**

IWLA recognizes bequests as contributions in the year in which the promise to give becomes unconditional, which is at the time the probate court declares the will valid and the proceeds are measurable in amount.

### **Donated Services**

A large number of volunteers have given significant amounts of their time to IWLA's programs, fund-raising campaigns and management. No amounts have been recognized in the accompanying financial statements for such donated services, since no objective basis is available to measure their value and such services do not meet the criteria for recognition.

### **Functional Allocation of Expenses**

The costs of providing the various programs and other activities have been summarized on a functional basis in the accompanying schedule of functional expenses. Accordingly, certain costs have been allocated proportionately among the programs and supporting services based on the direct expenses incurred for each program.

#### **Estimates**

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

### **Measure of Operations**

IWLA considers unrealized gains or losses on investments to be items not included in operations.

#### 2. Investments

IWLA's investments, at fair value, consisted of the following as of December 31, 2012:

Equity mutual funds Fixed-income mutual funds \$ 1,080,346 675,166

Total

\$ 1,755,512

### NOTES TO FINANCIAL STATEMENTS For the Year Ended December 31, 2012

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### 2. Investments (continued)

Investment income consisted of the following for the year ended December 31, 2012:

Interest and dividends	\$ 57,305
Realized loss on sale of investments, net	(10,822)
Unrealized gains on investments, net	148,738
Investment fees	 (16,466)
Total	\$ 178,755

Investment fees were included in management and general expenses in the accompanying financial statements.

### 3. Property and equipment consisted of the following as of December 31, 2012:

Building and improvements	\$ 3,488,288
Furniture and equipment	468,037
Land	239,271
Donated artwork	8,330
Total Property and Equipment	4,203,926
Less: Accumulated Depreciation and Amortization	(2,499,595)
Property and Equipment, Net	<u>\$ 1,704,331</u>

Depreciation and amortization expense was \$125,777 for the year ended December 31, 2012.

#### 4. Fair Value Measurements

The following table summarizes IWLA's assets measured at fair value on a recurring basis as of December 31, 2012, aggregated by the fair value hierarchy level with which those measurements were made:

	 Total	ir Ma Id	ted Prices Active Arkets for Dentical Assets Level 1)	Obs I	Inificant Other Servable Inputs Evel 2)	Significant nobservable Inputs (Level 3)
Interest in charitable remainder trust Fixed-income mutual funds:	\$ 1,269,455	\$	-	\$	-	\$ 1,269,455
Government bonds High-yield bonds	510,971 164,195		510,971 164,195		-	-

### NOTES TO FINANCIAL STATEMENTS For the Year Ended December 31, 2012

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### 4. Fair Value Measurements (continued)

			Quo	oted Prices				
			i	n Active	Sig	nificant		
			M	arkets for	Č	Other	5	Significant
			ı	dentical	Obs	servable		observable
				Assets	Ir	nputs		Inputs
	_	Total	(	Level 1)		evel 2)		(Level 3)
Equity mutual funds:								
Large cap	\$	658,836	\$	658,836	\$	-	\$	-
International		,		,				
developed markets		129,994		129,994		-		-
Mid cap		84,057		84,057		-		-
Real estate		81,402		81,402		-		-
Micro cap		47,024		47,024		-		-
Small cap		17,568		17,568		-		-
International								
emerging markets	_	61,465		61,46 <u>5</u>			_	
Total	\$	3,024,967	\$	<u>1,755,512</u>	\$		\$	1,269,455

IWLA used the following methods and significant assumptions to estimate fair value for its assets measured at fair value:

Mutual funds – Are valued based on quoted prices in an active market.

Interest in charitable remainder trust – The expected future cash inflows from the interest in charitable remainder trust (the Trust) are based on the fair value of the investments, the future expected investment returns, and the donor's life expectancy and have been recorded at present value based on a discount rate of 1.2%. The Trust is recorded at the present value of the future distributions expected to be received over the term of the agreement. The Trust's value is based on unobservable inputs and IWLA's own assumptions.

A roll forward of the fair value measurements of IWLA's assets that are measured at fair value on a recurring basis using significant unobservable inputs (Level 3) is as follows for the year ended December 31, 2012:

Interest in charitable remainder trust, beginning of year Change in value of interest in charitable remainder trust	\$ 1,121,034
Change in value of interest in chantable remainder trust	<u>148,421</u>
Interest in Charitable Remainder Trust, End of Year	\$ 1,269,455

### NOTES TO FINANCIAL STATEMENTS For the Year Ended December 31, 2012

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#### 5. Concentration of Credit Risk

IWLA maintains its cash and cash equivalents with certain commercial financial institutions which aggregate balances may exceed at times the Federal Deposit Insurance Corporation (FDIC) insured limit of \$250,000 per depositor per institution. As of December 31, 2012, IWLA had approximately \$1,364,000 comprised of money market funds and demand deposits (excluding noninterest-bearing transaction accounts, which were fully insured regardless of their balance as of December 31, 2012) which exceeded the maximum limit insured of the FDIC by approximately \$1,114,000.

On January 1, 2013, as a result of the expiration of the temporary provision of the Dodd-Frank Act for unlimited deposit insurance coverage for noninterest–bearing transactions accounts, the balance exceeded the maximum limit insured of the FDIC by approximately \$2,476,000. IWLA monitors the credit worthiness of these institutions and has not experienced any historical credit losses on its cash and cash equivalents.

#### 6. Charitable Remainder Trust

IWLA is a beneficiary of a charitable remainder trust. Under the terms of the agreement, the Trust makes yearly payments to the grantors for the duration of the Trust's term (the grantors' lifetimes). At the end of the Trust's term, the remaining assets are permanently restricted. The administrator, who is a third-party trustee, holds the assets. IWLA's interest in the Trust is recorded at its estimated net present value. IWLA records the receivable at the present value of expected future cash flows based on the donors' life expectancies. As of December 31, 2012, using a 1.2% discount rate, the present value of the Trust is \$1,269,455, based on the life expectancies and an expected rate of return of 5.0%, growth rate of 3.0% and a payout rate of 8%. The fair market value of the Trust's assets was \$2,599,617 at December 31, 2012.

#### 7. Endowment Funds

#### **Interpretation of Relevant Law**

IWLA's Board of Directors has interpreted Maryland's 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 funds, absent explicit donor stipulations to the contrary. As a result of this interpretation, IWLA 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 endowment fund's applicable donor gift instruments at the time the accumulation is added to the fund. In accordance with UPMIFA, IWLA considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

### NOTES TO FINANCIAL STATEMENTS For the Year Ended December 31, 2012

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### 7. Endowment Funds (continued)

### **Interpretation of Relevant Law (continued)**

- The duration and preservation of the fund.
- The purposes of IWLA and the donor-restricted endowment fund.
- General economic conditions.
- The possible effect of inflation and deflation.
- The expected total return from income and the appreciation of investments.
- Other resources of IWLA.
- The investment policies of IWLA.

IWLA had the following endowment-related activities for the year ended December 31, 2012:

<u> </u>	<u>Unrestricted</u>	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets,				
beginning of year	550,000	\$ -	\$ 2,001,192	\$ 2,551,192
Investment returns:				
Interest and dividends	30,732	-	-	30,732
Net gains on long-				
term investments	82,792	-	-	82,792
Contributions	-	-	17,581	17,581
Life membership dues	-	-	8,344	8,344
Change in value of				
interest in charitable				
remainder trust	-	-	148,421	148,421
Appropriations _	(113,524)			<u>(113,524</u> )
Endowment Net Assets,				
End of Year	550,000	<u>\$ -</u>	<u>\$ 2,175,538</u>	<u>\$ 2,725,538</u>

As of December 31, 2012, the endowment net asset composition by type of fund is as follows:

	<u>Ur</u>	nrestricted_	Permanently Restricted	_	Total
Donor-restricted endowment funds Board-designated endowment funds	\$	- 550,000	\$ 2,175,538 	\$	2,175,538 550,000
Total Funds	\$	550,000	<u>\$ 2,175,538</u>	\$	2,725,538

### NOTES TO FINANCIAL STATEMENTS For the Year Ended December 31, 2012

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### 7. Endowment Funds (continued)

### **Permanently Restricted Net Assets**

Permanently restricted net assets:

The portion of perpetual endowment funds that is required to be retained permanently, either by explicit donor stipulation or by UPMIFA

\$ 2,175,538

Total Endowment Funds Classified as Permanently Restricted Net Assets

\$ 2,175,538

Permanently restricted net assets are as follows at December 31, 2012:

Charitable remainder trust	\$ 1,269,455
Life membership dues	504,745
Trust contributions	401,338
Total	\$ 2,175,538

#### **Funds with Deficiencies**

From time to time, the fair value of assets associated with an individual donor-restricted endowment fund may fall below the level that the donor or UPMIFA requires IWLA to retain as a fund of perpetual duration. There were no such deficiencies as of December 31, 2012.

#### Return Objectives, Risk Parameters and Strategies Employed for Achieving Objectives

IWLA has adopted investment and spending policies for endowment funds that attempt to provide a predictable stream of funding to programs supported by its endowment while protecting the principal balance. The objective of the permanently restricted assets is the preservation of capital. To achieve the return objectives within the risk parameters, IWLA has elected to invest in equity and fixed-income mutual funds.

#### Spending Policy and How the Investment Objectives Relate to the Spending Policy

IWLA currently appropriates actual interest, dividends and net gains for spending on operations.

#### 8. Unrestricted Net Assets

The Board of Directors has established reserves for IWLA as follows:

Maintenance and depreciation – This asset was designated to cover major repairs and maintenance on the building, as determined by the Board of Directors.

Cordova fund – This fund was established by the Board of Directors, with consultation from the Cordova Committee, to accumulate funds as a contingency for the eventual termination of payments from a legal settlement with an electric utility (see Note 10, Legal Settlement).

### NOTES TO FINANCIAL STATEMENTS For the Year Ended December 31, 2012

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### 8. Unrestricted Net Assets (continued)

Unrestricted net assets are as follows at December 31, 2012:

Total

Undesignated:

Operating \$ 1,291,209
Property and equipment, net 1,704,331
Board designated:
Maintenance and depreciation 250,000
Cordova fund 300,000

\$ 3,545,540

### 9. Temporarily Restricted Net Assets

Temporarily restricted net assets are as follows at December 31, 2012:

Program restrictions:

\$ 460,425
447,314
73,322
59,014
13,461
12,093
10,863
8,862
3,147
 <u>591,113</u>
\$ <u>1,679,614</u>

### 10. Legal Settlement

IWLA's national headquarters, in conjunction with two of IWLA's divisions and three of IWLA's chapters as plaintiffs, were parties to a legal settlement dated March 27, 1972, which was amended on October 11, 1983. The settlement is the result of a suit brought by the above parties regarding the environmental protection of the Mississippi River. As a result of the settlement, the plaintiffs are to receive the sum of \$350,000 each year through 2012. An agreement between IWLA and the defendants was entered into to continue the cooperative relationship to protect the Mississippi River's natural resources. As a result of the agreement, IWLA will continue to receive annual payments through 2012. The receipts are applied to an environmental fund that was created and administered by IWLA. The primary purpose of the

### NOTES TO FINANCIAL STATEMENTS For the Year Ended December 31, 2012

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### 10. Legal Settlement (continued)

fund is to develop and administer environmental programs. The most recent payment under this agreement was received during the year ended December 31, 2012, and is included in unrestricted contributions and grants. During 2012, \$25,000 was reclassified to temporarily restricted contributions, due to another donor's imposed restrictions.

In August 2011, IWLA and the defendants entered into an agreement to continue the cooperative relationship for another six years effective January 1, 2013. Under the new agreement, IWLA will receive \$180,000 each year through 2019.

#### 11. Conditional Promises to Give

IWLA received a conditional promise to give for \$180,000 that is due to be received over a three-year period. Payments are subject to annual renewal by the budgetary authorities controlling the state agencies' appropriations and are on an as-funds-allow basis. Consequently, this conditional promise to give is recorded as support as those conditions are met. During the year ended December 31, 2012, IWLA recognized \$60,000 of revenue upon satisfaction of the conditions. As of December 31, 2012, \$120,000 of the total conditional promise to give had been received from the donor.

#### 12. Retirement Plan

IWLA sponsors a defined-contribution pension plan that covers substantially all of its employees. To qualify for employer contributions, employees must have completed at least two years of service with IWLA. At its discretion, IWLA contributes a percentage of the employee's gross salary up to the maximum permitted by law under the plan. The total pension expense was \$17,382 for the year ended December 31, 2012.

#### 13. Leases

IWLA has a noncancelable operating lease agreement for the Midwest Division's office space. The noncancelable operating lease agreement is scheduled to expire on June 30, 2013. The lease contains annual rent increases, as well as annual escalation clauses, for both increases in property taxes and general operating and maintenance costs of the landlord. As of December 31, 2012, the future minimum lease payments due on this lease were \$17,346.

On February 25, 2013, IWLA entered into an amendment to the lease to extend the expiration of the lease through June 30, 2014.

Rent expense was \$34,434 for the year ended December 31, 2012.

### NOTES TO FINANCIAL STATEMENTS For the Year Ended December 31, 2012

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#### 13. Leases (continued)

IWLA leases space at its headquarters building to two tenants. In addition, it also leases two other spaces within the property to two other tenants. Two of the leases which had original five year terms expired in 2011 and thereafter are on a month-to-month basis. The other two leases were scheduled to expire in April 2012 and May 2012, but were amended in 2012 prior to their expiration to extend the leases through June 2012 and May 2014, respectively. The lease that expired in June 2012 became on a month-to-month basis after expiration. Rental income was \$243,247 for the year ended December 31, 2012 and is included in the accompanying statement of activities.

The future gross minimum rental incomes under the agreements are as follows as of December 31, 2012:

For the Year Ending <a href="December 31">December 31</a> ,	
2013 2014	\$ 16,200 6,750
Total	\$ <u>22,950</u>

#### 14. Income Taxes

IWLA is generally exempt from federal income taxes under the provisions of Section 501(c)(3) of the Internal Revenue Code. In addition, IWLA qualifies for charitable contribution deductions and has been classified as an organization that is not a private foundation. Income that is not related to exempt purposes, less applicable deductions, is subject to federal and state corporate income taxes. IWLA had no net unrelated business income for the year ended December 31, 2012.

IWLA follows the authoritative guidance relating to accounting for uncertainty in income taxes included in ASC Topic *Income Taxes*. These provisions provide consistent guidance for the accounting for uncertainty in income taxes recognized in an entity's financial statements and prescribe a threshold of "more likely than not" for recognition and derecognition of tax positions taken or expected to be taken in a tax return. IWLA performed an evaluation of uncertain tax positions for the year ended December 31, 2012 and determined that there were no matters that would require recognition in the financial statements or that may have any effect on its tax-exempt status. As of December 31, 2012, the statute of limitations for tax years 2009 through 2011 remains open with the U.S. federal jurisdiction or the various states and local jurisdictions in which IWLA files tax returns. It is IWLA's policy to recognize interest and/or penalties related to uncertain tax positions, if any, in income tax expense. As of December 31, 2012, IWLA had no accruals for interest and/or penalties.

## NOTES TO FINANCIAL STATEMENTS For the Year Ended December 31, 2012

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#### 15. Summarized Financial Information

The financial statements include certain summarized comparative information, as of and for the year ended December 31, 2011, in total, but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with IWLA's financial statements for the year ended December 31, 2011, from which the summarized information was derived.

### 16. Subsequent Events

In preparing these financial statements, IWLA has evaluated events and transactions for potential recognition or disclosure through June 18, 2013, the date the financial statements were available to be issued. Except for the subsequent event disclosed below, there were no other subsequent events that require recognition of, or disclosure in, the financial statements.

IWLA's national headquarters in conjunction with one of IWLA's divisions were parties to a legal settlement dated February 27, 2013. The settlement is the result of a suit brought by the above parties regarding the rightful ownership of four parcels of property located in Sandycreek Township, Venango County, Pennsylvania and the rightful owner of all other assets that were formerly owned by the Franklin Chapter of IWLA. As a result of the settlement, IWLA is to receive the sum of \$175,000 payable upon execution and delivery of the settlement agreement by all parties. In addition, the defendant will assign to IWLA 25% of its royalty payments on four existing shallow natural gas wells for a period of 10 years from the effective date of the assignment and 33 1/3% of its royalty interest in any natural gas well drilled into the Utica or Marcellus Shale formations for a period of 10 production years per well.



#### SCHEDULE OF FUNCTIONAL EXPENSES For the Year Ended December 31, 2012

(With Summarized Financial Information for the Year Ended December 31, 2011)

#### Program Services

	Conservatio	<u> </u>	Membership		Chapter Relations	Comi	munications	Outdoor America	Co	nvention	Water	tainabilty lucation	A	griculture		lissouri River		Energy
Payroll expenses Fringe benefits	\$ 129,78 51,94		79,343 31,776	\$	93,727 37,494	\$	33,029 13,226	\$ 26,427 10,563	\$	21,751 8,730	\$ 55,838 22,348	\$ 16,535 6,635	\$	108,869 43,605	\$	46,339 18,551	\$	104,796 41,947
Timige benefits	01,04		01,770		01,101	-	10,220	 10,000		0,700	 22,040	 0,000		40,000		10,001		71,071
Total Salaries and Benefits	181,72	6	111,119		131,221		46,255	36,990		30,481	78,186	23,170		152,474		64,890		146,743
Advertising	-		2,649		448		-	-		-	-	-		-		-		-
Sub grants and awards	-		-		5,000		-	-		-	-	-		-		-		92,500
List rental	-		-		-		-	-		-	-	-		-		-		-
Office rental	-		-		-		-	-		-	-	-		5,338		-		21,521
Telephone	3,77	3	650		220		12	15		342	1,097	450		406		2,073		1,703
Travel	14,22	2	6,397		4,589		1,059	1,299		6,934	7,579	6,636		32,830		13,379		8,858
Printing	35	3	35,816		17,999		698	59,739		1,400	-	-		6,246		-		1,664
Professional fees	23	7	13,442		1,556		9,375	37,295		500	55,516	2,000		20,401		-		33,500
Computer and internet	-		1,017		111		956	-		171	3,385	-		3,037		74		1,757
Postage and shipping	24	7	17,444		11,082		11	35,846		1,550	4,093	23		493		155		196
Dues, awards and grants	5.70	)	395		3,941		3,500	375		-	-	9,974		1.710		-		3,850
Subscriptions and conferences	9,38	1	1,142		1,292		-	181		15,196	1,169	445		10,833		841		5,083
Office supplies	8		3.047		1,120		459	_		421	-	_		322		23		186
Promotional expenses	_		11.273		4,945		-	312		296	-	-		129		2,984		-
Utilities, repairs and maintenance			,		.,											_,		
and depreciation and amortization	_		30,655		_		-	_		_	-	-		-		_		_
Business insurance	_		-		-		_	_		_	-	-		_		_		_
Taxes and licenses	_		_		-		_	_		_	-	-		_		_		_
Interest, investment and bank fees	_		_		-		_	_		_	-	-		_		_		_
Other expenses	_		132		1,183		_	_		1,192	16,858	_		245		243		8,894
Occupancy costs	35,96	5	22,000		25,978		9.161	7,323		6,039	15,470	4,581		-		-		-
Cocapanoy costs		<u> </u>	22,000	_	20,010		0,101	 7,020		0,000	 10,170	 4,001		_	_	_		
Total Direct Expenses	251,69	6	257,177		210,684		71,486	179,375		64,522	183,353	47,279		234,464		84,662		326,455
Indirect expense allocation	88,72	3	90,854		74,268		25,187	 63,234		22,752	60,799	16,665		82,638		29,829	_	115,054
TOTAL EXPENSES	\$ 340,41	9 5	\$ 348,031	\$	284,952	\$	96,673	\$ 242,609	\$	87,274	\$ 244,152	\$ 63,944	\$	317,102	\$	114,491	\$	441,509

#### SCHEDULE OF FUNCTIONAL EXPENSES

For the Year Ended December 31, 2012

(With Summarized Financial Information for the Year Ended December 31, 2011)

Continued

	Program Serv	ices (continued)								
				Managemen	t and General					
	Midwest Office	Total Programs Services	Building	Management and General	Executive Board	Total Management and General	Development	Total Supporting Services	2012 Total	2011 Total
Payroll expenses Fringe benefits	\$ 6,767 2,706	\$ 723,205 289,524	\$ 53,471 21,388	\$ 322,149 79,398	\$ 19,296 7,726	\$ 394,916 108,512	\$ 96,027 38,455	\$ 490,943 146,967	\$ 1,214,148 436,491	\$ 1,187,468 463,996
Total Salaries and Benefits	9,473	1,012,729	74,859	401,547	27,022	503,428	134,482	637,910	1,650,639	1,651,464
Advertising Sub grants and awards	-	3,097 97,500		70 -	50 -	120 -	2,381	2,501 -	5,598 97,500	3,425 138,000
List rental Office rental	- 7,575	- 34,434	-	-	-	-	-	-	- 34,434	792 -
Telephone Travel	514 1,759	11,260 105,541	957	13,117 394	568 26,941	14,642 27,335	578 7.154	15,220 34,489	26,480 140,030	28,132 113,538
Printing	1,759	123,929	-	5,385	· -	5,385	4,719	10,104	134,033	149,185
Professional fees Computer and internet	- 293	173,821 10,801	21,648	155,589 21,732	3,150	180,387 21,732	30,508 953	210,895 22,685	384,716 33,486	359,742 29,361
Postage and shipping	569	71,708	19	3,045	- 76	3,140	6,574	9,714	81,422	69,380
Dues, awards and grants	375	29,820	-	1,265	-	1,265	4,579	5,844	35,664	27,440
Subscriptions and conferences Office supplies	527 372	46,090 6,035	- 784	374 4,706	14,894 305	15,268 5,795	15,033 553	30,301 6,348	76,391 12,383	56,806 10,925
Promotional expenses Utilities, repairs and maintenance	-	19,938	-	-	1,384	1,384	2,420	3,804	23,742	20,858
and depreciation and amortization	-	30,655	188,271	10,196	-	198,467	-	198,467	229,122	240,797
Business insurance	-	-	24,985	12,751	-	37,736	-	37,736	37,736	34,772
Taxes and licenses Interest, investment and bank fees	-	-	21,045	13,484 21,111	-	34,529 21,111	-	34,529 21.111	34,529 21,111	3,750 19,762
Other expenses	-	28,747	21	15,237	1,185	16,443	289	16,732	45,479	35,644
Occupancy costs		126,517	(158,502)	-	5,357	(153,145)	26,628	(126,517)	-	33,918
Total Direct Expenses	21,469	1,932,622	174,087	680,003	80,932	935,022	236,851	1,171,873	3,104,495	3,027,691
Indirect expense allocation	7,533	677,536		(680,003)	(80,932)	(760,935)	83,399	(677,536)		
TOTAL EXPENSES	\$ 29,002	\$ 2,610,158	\$ 174,087	\$ -	\$ -	\$ 174,087	\$ 320,250	\$ 494,337	\$ 3,104,495	\$ 3,027,691