

FINANCIAL STATEMENTS



IZAAK WALTON LEAGUE OF AMERICA

FOR THE YEAR ENDED DECEMBER 31, 2019
WITH SUMMARIZED FINANCIAL
INFORMATION FOR 2018

IZAAK WALTON LEAGUE OF AMERICA

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CPAs & ADVISORS

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Izaak Walton League of America
Gaithersburg, Maryland

We have audited the accompanying financial statements of the Izaak Walton League of America (IWLA), which comprise the statement of financial position as of December 31, 2019, and the related statements of activities and change in net assets, functional expenses 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 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 IWLA as of December 31, 2019, and the change 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.

4550 MONTGOMERY AVENUE • SUITE 800 NORTH • BETHESDA, MARYLAND 20814
(301) 951-9090 • WWW.GRFCPA.COM

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Report on Summarized Comparative Information

We have previously audited IWLA's 2018 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated June 25, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Gelman Rosenberg & Freedman

May 27, 2020

IZAAK WALTON LEAGUE OF AMERICA
STATEMENT OF FINANCIAL POSITION
AS OF DECEMBER 31, 2019
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2018

ASSETS		<u>2019</u>	<u>2018</u>
CURRENT ASSETS			
Cash and cash equivalents	\$	2,940,235	\$ 2,786,186
Contributions and other receivable		3,193	9,911
Grants receivable		62,962	28,121
Prepaid expenses		<u>53,259</u>	<u>116,380</u>
Total current assets		<u>3,059,649</u>	<u>2,940,598</u>
FIXED ASSETS			
Land		239,271	239,271
Building and improvements		3,672,919	3,633,075
Donated artwork		8,330	8,330
Furniture and equipment		50,609	483,772
Website		<u>30,517</u>	<u>30,517</u>
		4,001,646	4,394,965
Less: Accumulated depreciation and amortization		<u>(2,795,591)</u>	<u>(3,103,713)</u>
Net fixed assets		<u>1,206,055</u>	<u>1,291,252</u>
OTHER ASSETS			
Investments		2,558,180	2,182,942
Interest in charitable remainder trust		<u>2,826,573</u>	<u>2,292,984</u>
Total other assets		<u>5,384,753</u>	<u>4,475,926</u>
TOTAL ASSETS	\$	<u>9,650,457</u>	\$ <u>8,707,776</u>
LIABILITIES AND NET ASSETS			
CURRENT LIABILITIES			
Accounts payable and accrued liabilities	\$	120,597	\$ 135,224
Accrued salaries and related benefits		55,248	48,171
Refundable advances		<u>-</u>	<u>17,798</u>
Total current liabilities		<u>175,845</u>	<u>201,193</u>
LONG-TERM LIABILITIES			
Security deposits		<u>22,122</u>	<u>22,122</u>
Total liabilities		<u>197,967</u>	<u>223,315</u>
NET ASSETS			
Without donor restrictions		4,692,211	4,370,797
With donor restrictions		<u>4,760,279</u>	<u>4,113,664</u>
Total net assets		<u>9,452,490</u>	<u>8,484,461</u>
TOTAL LIABILITIES AND NET ASSETS	\$	<u>9,650,457</u>	\$ <u>8,707,776</u>

See accompanying notes to financial statements.

IZAAK WALTON LEAGUE OF AMERICA

**STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2019
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2018**

	2019			2018
	Without Donor Restrictions	With Donor Restrictions	Total	Total
REVENUE				
Contributions and grants	\$ 1,206,288	\$ 1,072,278	\$ 2,278,566	\$ 2,303,679
Change in value of interest in charitable remainder trust	-	533,589	533,589	254,303
Grants from Federal and state governments	106,852	-	106,852	128,588
Investment income, net	26,553	30,442	56,995	197,231
Rental income	314,448	-	314,448	271,007
Other	55,846	2,460	58,306	52,480
Contributed services	198,684	-	198,684	-
Net assets released from donor restrictions	<u>992,154</u>	<u>(992,154)</u>	<u>-</u>	<u>-</u>
Total revenue	<u>2,900,825</u>	<u>646,615</u>	<u>3,547,440</u>	<u>3,207,288</u>
EXPENSES				
Program Services	1,965,251	-	1,965,251	1,686,094
Supporting Services	<u>940,600</u>	<u>-</u>	<u>940,600</u>	<u>1,013,169</u>
Total expenses	<u>2,905,851</u>	<u>-</u>	<u>2,905,851</u>	<u>2,699,263</u>
Change in net assets from operations	(5,026)	646,615	641,589	508,025
OTHER ITEM				
Unrealized gain (loss) on investments	<u>326,440</u>	<u>-</u>	<u>326,440</u>	<u>(323,893)</u>
Change in net assets	321,414	646,615	968,029	184,132
Net assets at beginning of year	<u>4,370,797</u>	<u>4,113,664</u>	<u>8,484,461</u>	<u>8,300,329</u>
NET ASSETS AT END OF YEAR	<u>\$ 4,692,211</u>	<u>\$ 4,760,279</u>	<u>\$ 9,452,490</u>	<u>\$ 8,484,461</u>

IZAAK WALTON LEAGUE OF AMERICA

**STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2019
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2018**

2019

Program Services

	General Conservation	Membership	Chapter Relations	Communications and Media	Convention	Water	Agriculture
Payroll expenses	\$ 89,712	\$ 76,657	\$ 81,036	\$ 120,422	\$ 26,205	\$ 163,355	\$ 114,157
Fringe benefits	40,084	34,172	36,171	53,779	11,695	63,257	50,779
Advertising	-	1,415	2,975	15,064	-	162	-
Sub grants and awards	-	-	5,000	-	-	-	-
Consultants	225	-	700	19,669	20,692	16,642	225
Telephone	433	1,791	602	135	114	945	969
Travel	6,092	5,457	11,729	3,240	7,469	15,446	16,683
Refund of grant funds	-	-	-	-	-	4,700	-
Printing and publications	1,047	30,674	9,621	54,465	4,033	2,285	1,377
Professional fees	-	3,932	638	61,650	650	2,862	-
Contributed services	198,684	-	-	-	-	-	-
Computer and internet	-	-	-	24,490	-	1,890	945
Postage and shipping	125	23,694	7,962	30,966	1,686	1,902	166
Dues, awards and grants	2,950	325	3,975	2,575	-	60	2,700
Subscriptions and conferences	13,594	541	288	2,788	24,032	4,655	6,509
Office supplies	105	1,344	258	232	783	93	622
Promotional expenses	-	14,539	7,037	-	411	4,138	-
Utilities, repairs, depreciation and maintenance	19,350	71,587	16,825	24,574	4,387	30,798	24,507
Business insurance	-	-	-	-	-	-	-
Taxes and licenses	-	-	-	-	-	60	-
Bank and processing fees	-	12,815	181	-	-	335	-
Other expenses	-	-	-	-	-	-	-
TOTAL	\$ 372,401	\$ 278,943	\$ 184,998	\$ 414,049	\$ 102,157	\$ 313,585	\$ 219,639

See accompanying notes to financial statements.

IZAAK WALTON LEAGUE OF AMERICA

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2019
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2018

	2019 (Continued)						2018		
	Program Services (Continued)		Supporting Services				Total	Total	
	Missouri River Initiative	Total Program Services	Building	Management and General	Board of Directors	Development	Supporting Services	Expenses	Expenses
Payroll expenses	\$ 46,760	\$ 718,304	\$ 8,030	\$ 192,277	\$ 18,301	\$ 59,820	\$ 278,428	\$ 996,732	\$ 942,438
Fringe benefits	20,868	310,805	3,608	85,429	8,173	26,737	123,947	434,752	397,986
Advertising	-	19,616	-	-	-	-	-	19,616	19,469
Sub grants and awards	-	5,000	-	-	-	-	-	5,000	8,407
Consultants	-	58,153	-	39,708	4,903	69,406	114,017	172,170	192,491
Telephone	455	5,444	851	10,700	250	117	11,918	17,362	18,704
Travel	7,591	73,707	21	104	5,085	220	5,430	79,137	83,447
Refund of grant funds	-	4,700	-	-	-	-	-	4,700	5,394
Printing and publications	2	103,504	4	(4,162)	1,206	6,690	3,738	107,242	116,709
Professional fees	-	69,732	38,087	31,393	-	15,682	85,162	154,894	173,825
Contributed services	-	198,684	-	-	-	-	-	198,684	-
Computer and internet	541	27,866	-	26,450	-	-	26,450	54,316	51,889
Postage and shipping	59	66,560	3	2,277	636	8,799	11,715	78,275	69,868
Dues, awards and grants	-	12,585	-	1,739	-	3,791	5,530	18,115	22,646
Subscriptions and conferences	175	52,582	-	420	13,721	4,256	18,397	70,979	52,520
Office supplies	18	3,455	367	4,202	241	850	5,660	9,115	5,143
Promotional expenses	2,980	29,105	-	-	894	4,608	5,502	34,607	44,890
Utilities, repairs, depreciation and maintenance	-	192,028	81,282	6,716	4,812	11,948	104,758	296,786	312,823
Business insurance	-	-	20,655	19,981	-	-	40,636	40,636	39,621
Taxes and licenses	-	60	21,372	1,111	-	591	23,074	23,134	21,503
Bank and processing fees	30	13,361	50	3,260	198	1,241	4,749	18,110	16,689
Other expenses	-	-	905	70,246	327	11	71,489	71,489	102,801
TOTAL	\$ 79,479	\$ 1,965,251	\$ 175,235	\$ 491,851	\$ 58,747	\$ 214,767	\$ 940,600	\$ 2,905,851	\$ 2,699,263

See accompanying notes to financial statements.

IZAAK WALTON LEAGUE OF AMERICA

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2019
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2018

	<u>2019</u>	<u>2018</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 968,029	\$ 184,132
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	125,042	127,178
Net (appreciation) depreciation of investments	(326,078)	174,296
Change in value of interest in charitable remainder trust	(533,589)	(254,303)
Decrease (increase) in:		
Contributions and other receivable	6,718	(5,975)
Grants receivable	(34,841)	(13,694)
Prepaid expenses	63,121	(60,084)
(Decrease) increase in:		
Accounts payable and accrued liabilities	(14,627)	46,612
Accrued salaries and related benefits	7,077	399
Refundable advances	(17,798)	(14,500)
Security deposits	-	4,199
Net cash provided by operating activities	<u>243,054</u>	<u>188,260</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	(39,845)	(157,590)
Purchase of investments	(99,908)	(838,115)
Proceeds from sale of investments	<u>50,748</u>	<u>841,487</u>
Net cash used by investing activities	<u>(89,005)</u>	<u>(154,218)</u>
Net increase in cash and cash equivalents	154,049	34,042
Cash and cash equivalents at beginning of year	<u>2,786,186</u>	<u>2,752,144</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 2,940,235</u>	<u>\$ 2,786,186</u>

IZAAK WALTON LEAGUE OF AMERICA

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION

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. IWLA also serves to educate the public about these resources and the need to conserve them, as well as to promote and provide opportunities for sustainable outdoor recreation. These activities are funded primarily through membership dues, contributions and grants.

IWLA's work is guided by grassroots volunteers. Its more than 210 local chapters advance 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 local chapters have been incorporated as separate entities; they do not have common Board members. IWLA does not have the right to appoint the chapter's Board members. Consequently, IWLA has no controlling interest in the chapters and, therefore, IWLA and the chapters are not required to be consolidated under accounting principles generally accepted in the United States of America (GAAP). The local chapters of IWLA collect membership dues on behalf of IWLA and remit the national dues to IWLA.

IWLA's staff works to advance IWLA's conservation policy agenda, which is established by its members. IWLA's conservation programs include the following:

Core Conservation:

- *General Conservation:* The general conservation program advances IWLA's conservation policy agenda by providing background information to Congress and state legislatures, keeping members informed about federal and state legislative and regulatory issues affecting natural resources and the environment; educating the public about important conservation issues, and assisting members and chapters in implementing local conservation projects.
- *Water:* For 50 years, IWLA's Save Our Streams program has provided educational and technical support to help citizens and communities improve water quality and conserve local watersheds. This technical support includes stream monitoring training workshops provided by IWLA staff and handbooks, videos and other resources 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.
- *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 habitat, and provide increased opportunities for outdoor recreation. As part of this ongoing effort, IWLA coordinates river cleanups and hosts educational events for students and their families along the river.

IZAAK WALTON LEAGUE OF AMERICA

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION (Continued)

Organization (continued) -

Communications and Chapter Relations:

Other major components of IWLA's operations include communications and media and chapter relations and membership:

- *Communications and Media:* Outdoor America magazine is IWLA's flagship publication and the primary vehicle for communicating with IWLA's members about the organization's activities at the local, state and national levels. Each issue includes highlights of chapter activities and articles that focus on key conservation and outdoor recreation issues. Other publications produced by IWLA include a monthly electronic newsletter, annual reports and support for materials for conservation programs. In addition, IWLA's staff works with the media to keep the public informed about national, regional and local conservation issues and projects.
- *Chapter Relations, Convention and Membership:* At the heart of IWLA are more than 210 chapters across the country. These chapters 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 conservation, outdoor recreation and education mission. IWLA supports chapters through member recognition and award programs, membership renewal services, communication tools, membership marketing materials and other publications, and workshops.

Basis of presentation -

The accompanying financial statements are presented on the accrual basis of accounting, and in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. As such, net assets are reported within two net asset classifications: without donor restrictions and with donor restrictions. Descriptions of the two net asset categories are as follows:

- **Net Assets Without Donor Restrictions** - Net assets available for use in general operations and not subject to donor restrictions are recorded as "net assets without donor restrictions". Assets restricted solely through the actions of the Board are referred to as Board designated and are also reported as net assets without donor restrictions.
- **Net Assets With Donor Restrictions** - Contributions restricted by donors are reported as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in "net assets with donor restrictions", depending on the nature of the restrictions.

The financial statements include certain prior year summarized comparative information in total but not by net asset class; such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with IWLA's financial statements for the year ended December 31, 2018, from which the summarized information was derived.

IZAAK WALTON LEAGUE OF AMERICA

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION
(Continued)**

New accounting pronouncements adopted -

During 2019, IWLA adopted ASU 2018-08, Not-for-Profit Entities (Topic 958): *Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*. This guidance is intended to clarify and improve the scope and the accounting guidance for contributions received and contributions made. Key provisions in this guidance include clarification regarding the accounting for grants and contracts as exchange transactions or contributions, and improve guidance to better distinguish between conditional and unconditional contributions. IWLA adopted the ASU using a modified prospective basis.

Cash and cash equivalents -

IWLA considers all cash and other highly liquid investments, including certificates of deposit, with maturities of three months or less to be cash equivalents, and excluding money market funds held by investment managers in the amount of \$125,441 for the year ended December 31, 2019.

Bank deposit accounts are insured by the Federal Deposit Insurance Corporation ("FDIC") up to a limit of \$250,000. At times during the year, IWLA maintains cash balances in excess of the FDIC insurance limits. Management believes the risk in these situations to be minimal.

Investments -

Investments are recorded at their readily determinable fair value. Interest, dividends, realized and unrealized gains and losses are included in investment income, which is presented net of investment expenses paid to external investment advisors, in the accompanying Statement of Activities and Change in Net Assets. Investments acquired by gift are recorded at their fair value at the date of the gift. IWLA's policy is to liquidate all gifts of investments as soon as possible after the gift.

Grants, contributions and other receivables -

Grants, contributions and other receivables are recorded at their net realizable value, which approximates fair value. Management considers all amounts to be fully collectible. Accordingly, an allowance for doubtful accounts has not been established.

Fixed assets -

Fixed assets in excess of \$1,500 are capitalized and stated at cost. Fixed assets are depreciated on a straight-line basis over the estimated useful lives of the related assets, generally 3 to 30 years.

Building and building improvements are amortized over the remaining useful life. The cost of maintenance and repairs is recorded as expenses are incurred. Depreciation and amortization expense for the year ended December 31, 2019 totaled \$125,042.

Impairment of long-lived assets -

Management reviews asset carrying amounts whenever events or circumstances indicate that such carrying amounts may not be recoverable. When considered impaired, the carrying amount of the assets is reduced, by a charge to Statement of Activities and Change in Net Assets, to its current fair value.

IZAAK WALTON LEAGUE OF AMERICA

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION
(Continued)**

Income taxes -

IWLA is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code. IWLA is not a private foundation.

Uncertain tax positions -

For the year ended December 31, 2019, IWLA has documented its consideration of FASB ASC 740-10, *Income Taxes*, that provides guidance for reporting uncertainty in income taxes and has determined that no material uncertain tax positions qualify for either recognition or disclosure in the financial statements.

Contributions and grants -

The majority of IWLA's revenue is received through contributions and grants as well as grants with the U.S. government. Contributions and grants are recognized in the appropriate category of net assets in the period received.

For contributions and grants qualifying under the contributions rules, revenue is recognized upon notification of the award and satisfaction of all conditions, if applicable. Conditional promises to give are not recognized until the condition on which they depend are substantially met. Contributions and grants and contracts qualifying as contributions that are unconditional that have donor restrictions are recognized as "without donor restrictions" only to the extent of actual expenses incurred in compliance with the donor-imposed restrictions and satisfaction of time restrictions; such funds in excess of expenses incurred are shown as net assets with donor restrictions in the accompanying financial statements.

Grant and contract agreements qualifying as conditional contributions contain a right of return and a barrier. Revenue is recognized when the condition or conditions are satisfied. Most grants and contract awards from the United States Government and other entities are for direct and indirect program costs. These transactions are nonreciprocal and classified as conditional and are recognized as contributions when the revenue becomes unconditional. Typically, these agreements also contain a right of return or right of release from obligation provision and the entity has limited discretion over how funds transferred should be spent. As such, the IWLA recognizes revenue for these conditional contributions when the related barrier has been overcome (generally, when qualifying expenditures are incurred). Funds received in advance of the incurrence of qualifying expenditures are recorded as refundable advances.

Membership dues are considered contributions and recognized upon receipt. Membership dues received in advance of the membership period are recognized as time restricted contributions and included in net assets with donor restrictions. These amounts are released in the appropriate membership period.

Contributed services -

Contributed services consist of legal pro bono services. Contributed services are recorded at their fair value as of the date of the gift. In addition, volunteers have donated significant amounts of their time to IWLA; these donated services are not reflected in the financial statements since these services do not meet the criteria for recognition as contributed services.

IZAAK WALTON LEAGUE OF AMERICA

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION
(Continued)**

Use of estimates -

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Functional allocation of expenses -

The costs of providing the various programs and other activities have been summarized on a functional basis in the Statement of Activities and Change in Net Assets. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Expenses directly attributed to a specific functional area of IWLA are reported as direct expenses to the programmatic area and those expenses that benefit more than one function are allocated on a basis of estimated time and effort or other reasonable basis. Occupancy cost, depreciation, and office costs are allocated based on personnel costs.

Risks and uncertainties -

IWLA invests in various investment securities. Investment securities are exposed to various risks such as interest rates, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the accompanying financial statements.

Fair value measurement -

IWLA adopted the provisions of FASB ASC 820, *Fair Value Measurement*. FASB ASC 820 defines fair value, establishes a framework for measuring fair value, establishes a fair value hierarchy based on the quality of inputs (assumptions that market participants would use in pricing assets and liabilities, including assumptions about risk) used to measure fair value, and enhances disclosure requirements for fair value measurements. IWLA accounts for a significant portion of its financial instruments at fair value or considers fair value in their measurement.

Reclassification -

Certain amounts in the prior year's financial statements have been reclassified to conform to the current year's presentation.

New accounting pronouncement (not yet adopted) -

FASB issued ASU 2019-01, *Leases* (Topic 842). The ASU changes the accounting treatment for operating leases by recognizing a lease asset and lease liability at the present value of the lease payments in the Statement of Financial Position and disclosing key information about leasing arrangements. The ASU is effective for non public entities beginning after December 15, 2020. Early adoption is permitted. The ASU can be applied at the beginning of the earliest period presented using a modified retrospective approach or applied at the beginning of the period of adoption recognizing a cumulative-effect adjustment.

IZAAK WALTON LEAGUE OF AMERICA

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION
(Continued)**

New accounting pronouncement (not yet adopted) (continued) -

IWLA plans to adopt the new ASU at the required implementation date and management is currently in the process of evaluating the adoption method and the impact of the new standard on its accompanying financial statements.

2. CHARITABLE REMAINDER TRUST

IWLA is the beneficiary of the 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 will be classified at net assets with restrictions. 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, 2019, using a 2.0% discount rate, the present value of the Trust is \$2,826,573 based on the life expectancies and an expected return of 5%, growth rate of 3% and payout rate of 8%. The fair market value of the Trust's assets was \$3,759,579 at December 31, 2019.

3. INVESTMENTS

The table below summarizes, the investments measured at fair value on a recurring basis, by level within the fair value hierarchy as of December 31, 2019.

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Mutual funds:				
Equities	\$ 1,536,990	\$ -	\$ -	\$ 1,536,990
Fixed income	895,749	-	-	895,749
Money markets	125,441	-	-	125,441
Interest in charitable remainder trust	<u>-</u>	<u>-</u>	<u>2,826,573</u>	<u>2,826,573</u>
TOTAL	<u>\$ 2,558,180</u>	<u>\$ -</u>	<u>\$ 2,826,573</u>	<u>\$ 5,384,753</u>

Level 1. These are investments where values are based on unadjusted quoted prices for identical assets in an active market IWLA has the ability to access.

Level 2. These are investments where values are based on quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, or model-based valuation techniques that utilize inputs that are observable either directly or indirectly for substantially the full-term of the investments.

Level 3. These are investments where inputs to the valuation methodology are unobservable and significant to the fair value measurement.

There were no transfers between levels in the fair value hierarchy during the year ended December 31, 2019. Transfers between levels are recorded at the end of the reporting period, if applicable.

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3. INVESTMENTS (Continued)

Following is a description of the valuation methodology used for investments measured at fair value. There have been no changes in the methodologies used as of December 31, 2018.

- *Money market funds* - The money market fund is an open-end funds that are registered with the Securities and Exchange Commission (SEC) and is deemed to be actively traded.
- *Mutual funds* - Valued at the daily closing price as reported by the fund. Mutual funds held by IWLA are open-end mutual funds that are registered with the SEC. These funds are required to publish their daily value and to transact at that price. Mutual funds held by IWLA are deemed to be actively traded.
- *Interest in charitable remainder trust* - The expected future cash inflows from the interest in a 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 3.6%. 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 investments included variable annuities, equities and options, and cash equivalents. The Trust's value is based on unobservable inputs and IWLA's assumptions.

A roll forward of the fair value measurement 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, 2019:

Interest in charitable remainder trust, beginning of year	\$ 2,292,984
Change in value of interest in charitable remainder trust	<u>533,589</u>
INTEREST IN CHARITABLE REMAINDER TRUST, END OF YEAR	<u>\$ 2,826,573</u>

Included in investment income, net are the following:

Interest and dividends	\$ 81,204
Unrealized gain	326,440
Realized loss	(362)
Management fees	<u>(23,847)</u>
TOTAL INVESTMENT INCOME, NET OF INVESTMENT EXPENSES	<u>\$ 383,435</u>

4. NET ASSETS WITHOUT DONOR RESTRICTIONS

As of December 31, 2019, net assets without donor restrictions have been designated by the Board of Directors for the following purposes:

Maintenance and depreciation - This fund was designated to cover major repairs and maintenance on the building, as determined by the Board of Directors in the amount of \$250,000.

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 company. During the year ended December 31, 2019, the Board voted to release the full amount of \$300,000.

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4. NET ASSETS WITHOUT DONOR RESTRICTIONS (Continued)

Net assets without donor restrictions consist of the following at December 31, 2019

Undesignated	\$ 4,442,211
Board designated:	
Maintenance and depreciation	<u>250,000</u>
NET ASSETS WITHOUT DONOR RESTRICTIONS	<u>\$ 4,692,211</u>

5. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consist of the following at December 31, 2019:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Releases</u>	<u>Ending Balance</u>
Subject to expenditure for specified purpose:				
Water	\$ 77,979	\$ 201,659	\$ 196,882	\$ 82,756
Agriculture	125,260	139,550	150,145	114,665
Other	27,407	31,186	28,553	30,040
Missouri River Initiative	3,350	52,164	53,088	2,426
Chapter Relations	-	11,552	7,050	4,502
Outdoor Ethics	3,147	-	-	3,147
Youth Convention	-	4,604	4,325	279
Subject to passage of time	521,669	623,873	521,669	623,873
Endowments to be invested in perpetuity:				
Charitable remainder trust	2,292,984	533,589	-	2,826,573
Life membership dues	525,851	20,102	15,075	530,878
Trust contributions	<u>536,017</u>	<u>20,490</u>	<u>15,367</u>	<u>541,140</u>
TOTAL	<u>\$ 4,113,664</u>	<u>\$ 1,638,769</u>	<u>\$ 992,154</u>	<u>\$ 4,760,279</u>

6. LIQUIDITY

Financial assets available for use within one year of the Statement of Financial Position comprise the following at December 31, 2019:

Cash and cash equivalents	\$ 2,940,235
Contributions and other receivable	3,193
Grants receivable	62,962
Investments	2,558,180
Less those unavailable for general expenditure within one year:	
Board designated funds	(250,000)
Donor imposed restrictions for purpose	(237,815)
Restricted endowments	<u>(3,898,591)</u>
FINANCIAL ASSETS AVAILABLE TO MEET CASH NEEDS FOR GENERAL EXPENDITURES WITHIN ONE YEAR	<u>\$ 1,178,164</u>

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6. LIQUIDITY (Continued)

IWLA has a policy to structure its financial assets to be available and liquid as its obligations become due. As of December 31, 2019, IWLA has financial assets equal to approximately five months of operating expenses.

7. RENTAL INCOME

IWLA leases office space for two tenants with leases extending through 2028.

Base rents are \$13,109 and \$5,200, respectively per year increasing by a factor of 4% per year.

The following is a schedule of the future minimum rental income:

Year Ending December 31,

2020	\$ 282,088
2021	291,242
2022	300,697
2023	211,799
2024	80,798
Thereafter	<u>277,703</u>
	<u>\$ 1,444,327</u>

Rental income for the year ended December 31, 2019 was \$314,448.

8. 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 maximum permitted by law under the Plan. The total pension expense was \$19,943 for year ended December 31, 2019.

9. ENDOWMENT

IWLA's endowment consists of donor-restricted endowment funds and funds designated by the governing Board to function as endowments. As required by GAAP, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board of Directors is subject to the State Prudent Management of Institutional Funds Act (SPMIFA) and, thus classifies amounts in its donor-restricted endowment funds as net assets with donor restrictions because those assets are time restricted until the governing Board appropriates such amounts for expenditures. Most of those net asset also are subject to purpose restrictions that must be met before reclassifying those net assets to net assets without donor restrictions. The governing Board has interpreted SPMIFA as not requiring the maintenance of purchasing power of the original gift amount contributed to an endowment fund, unless a donor stipulates the contrary.

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9. ENDOWMENT (Continued)

As a result of this interpretation, when reviewing its donor-restricted endowment funds, IWLA considers a fund to be underwater if the fair value of the fund is less than the sum the (a) the original value of initial and subsequent gift amounts donated to the fund and (b) any accumulations to the fund that are required to be maintained in perpetuity in accordance with the direction of the applicable donor gift instrument.

IWLA has interpreted SPMIFA to permit spending from underwater funds in accordance with the prudent measures required under the law.

Additionally, in accordance with SPMIFA, IWLA considers the following factors in making a determination to appropriated or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund;
- The purpose of the organization and the donor-restricted endowment fund;
- General economic conditions and the possible effect of inflation and deflation;
- The expected total return from income and the appreciation of investments; and
- Investment policies of the organization.

Endowment net asset composition by type of fund as of December 31, 2019:

	<u>Endowment</u>
Donor-restricted endowment funds - Original gift value:	
Charitable remainder trust	\$ 2,826,573
Life membership dues	530,878
Trust contributions	<u>541,140</u>
TOTAL ENDOWMENT FUNDS	<u>\$ 3,898,591</u>

Changes in endowment net assets for the year ended December 31, 2019:

	<u>Endowment</u>
Endowment net assets, beginning of year	\$ 3,354,852
Investment return, net	30,442
Contributions	10,150
Appropriation of endowment assets for expenditure	(30,442)
Change in value of charitable remainder trust	<u>533,589</u>
ENDOWMENT NET ASSETS, END OF YEAR	<u>\$ 3,898,591</u>

Funds with Deficiencies -

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or SPMIFA requires the organization to retain as a fund of perpetual duration. There were no such deficiencies as of December 31, 2019.

Return Objectives and Risk Parameters -

IWLA has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets.

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9. ENDOWMENT (Continued)

Return Objectives and Risk Parameters (continued) -

Endowment assets include those assets of donor-restricted funds that the organization must hold in perpetuity or for a donor-specified period(s) as well as board-designated funds. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to preserve capital.

Strategies Employed for Achieving Objectives -

To satisfy its long-term rate-of-return objectives, IWLA relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). IWLA targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

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

With the approval of the Executive Board, during the annual budget process, IWLA can appropriate actual interest, dividends, and net gains for spending on operations.

10. LEGAL SETTLEMENTS

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 with an electric utility company 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 were to receive the sum of \$350,000 each year through 2012. 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 2018. The receipts are applied to an environmental fund that was created and administered by IWLA. The primary purpose of the fund is to develop and administer environmental programs. The most recent payment under this agreement was received during the year ended December 31, 2019, and is included in contributions and grants.

In addition, IWLA's national headquarters and one of IWLA's divisions were parties to a legal settlement dated February 27, 2013. The settlement is the result of a suit regarding the rightful ownership of four parcels of property located in Sandycreek Township, Venango County, Pennsylvania, and the rightful ownership of all other assets that were formerly owned by the Franklin Chapter of IWLA. As a result of the settlement, IWLA received the sum of \$175,000 during the year ended December 31, 2013. In addition, the defendant assigned 25% of its royalty payments on four existing shallow natural gas wells to IWLA 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. During 2019, IWLA received \$998 of royalty fees, which is included in other revenue in the accompanying Statement of Activities.

In 2018 IWLA entered into a lawsuit with other organizations against the Federal Government in order to petition the government to modify an administrative process to better assess environmental impacts of large scale mining in National Forests. IWLA received \$198,684 of legal pro bono services during the year ended December 31, 2019. This amount is included in the Contributed Services line on the Statement of Activities and Change in Net Assets.

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11. SUBSEQUENT EVENTS

In preparing these financial statements, IWLA has evaluated events and transactions for potential recognition or disclosure through May 27, 2020, the date the financial statements were issued.

On March 11, 2020, the World Health Organization (WHO) declared the Coronavirus disease (COVID-19) a global pandemic. As a result of the spread of COVID-19, economic uncertainties have arisen. The global financial markets have declined and the fair value of the investment portfolio of IWLA has a fair value of approximately \$2,306,355, as of the date of the audit report. Other potential financial or operational impacts from COVID-19 are unknown at this time.