

## FINANCIAL STATEMENTS



**FOR THE YEAR ENDED DECEMBER 31, 2020  
WITH SUMMARIZED FINANCIAL  
INFORMATION FOR 2019**

# 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, 2020, 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, 2020, 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.

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### **Report on Summarized Comparative Information**

We have previously audited IWLA's 2019 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated May 27, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2019, is consistent, in all material respects, with the audited financial statements from which it has been derived.

*Gelman Rosenberg & Friedman*

July 13, 2021

**IZAAK WALTON LEAGUE OF AMERICA**  
**STATEMENT OF FINANCIAL POSITION**  
**AS OF DECEMBER 31, 2020**  
**WITH SUMMARIZED FINANCIAL INFORMATION FOR 2019**

<b>ASSETS</b>		<u>2020</u>	<u>2019</u>
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	\$	3,754,796	\$ 2,940,235
Contributions and other receivables		46	3,193
Grants receivable		55,225	62,962
Prepaid expenses		<u>24,208</u>	<u>53,259</u>
Total current assets		<u>3,834,275</u>	<u>3,059,649</u>
<b>FIXED ASSETS</b>			
Land		239,271	239,271
Building and improvements		3,697,079	3,672,919
Donated artwork		8,330	8,330
Furniture and equipment		55,139	50,609
Website		<u>30,517</u>	<u>30,517</u>
		4,030,336	4,001,646
Less: Accumulated depreciation and amortization		<u>(2,919,882)</u>	<u>(2,795,591)</u>
Net fixed assets		<u>1,110,454</u>	<u>1,206,055</u>
<b>OTHER ASSETS</b>			
Investments		2,665,311	2,558,180
Interest in charitable remainder trust		<u>3,113,509</u>	<u>2,826,573</u>
Total other assets		<u>5,778,820</u>	<u>5,384,753</u>
<b>TOTAL ASSETS</b>	<b>\$</b>	<b><u>10,723,549</u></b>	<b>\$ <u>9,650,457</u></b>
<b>LIABILITIES AND NET ASSETS</b>			
<b>CURRENT LIABILITIES</b>			
Accounts payable and accrued liabilities	\$	198,470	\$ 120,597
Accrued salaries and related benefits		89,500	55,248
Other current liabilities		<u>993</u>	<u>-</u>
Total current liabilities		<u>288,963</u>	<u>175,845</u>
<b>LONG-TERM LIABILITIES</b>			
Security deposits		<u>22,122</u>	<u>22,122</u>
Total liabilities		<u>311,085</u>	<u>197,967</u>
<b>NET ASSETS</b>			
Without donor restrictions		5,213,100	4,692,211
With donor restrictions		<u>5,199,364</u>	<u>4,760,279</u>
Total net assets		<u>10,412,464</u>	<u>9,452,490</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$</b>	<b><u>10,723,549</u></b>	<b>\$ <u>9,650,457</u></b>

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, 2020  
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2019**

	<u>2020</u>			<u>2019</u>
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>	<u>Total</u>
<b>REVENUE</b>				
Grants and contributions	\$ 1,319,639	\$ 1,182,077	\$ 2,501,716	\$ 2,278,566
Change in value of interest in charitable remainder trust	-	286,936	286,936	533,589
Grants from Federal and state governments	-	-	-	106,852
Investment income, net	22,325	26,103	48,428	56,995
Rental income	321,521	-	321,521	314,448
Other	87,434	-	87,434	58,306
Contributed services	254,922	-	254,922	198,684
Net assets released from donor restrictions	<u>1,056,031</u>	<u>(1,056,031)</u>	<u>-</u>	<u>-</u>
Total revenue	<u>3,061,872</u>	<u>439,085</u>	<u>3,500,957</u>	<u>3,547,440</u>
<b>EXPENSES</b>				
Program Services	1,839,746	-	1,839,746	1,965,251
Supporting Services	<u>860,870</u>	<u>-</u>	<u>860,870</u>	<u>940,600</u>
Total expenses	<u>2,700,616</u>	<u>-</u>	<u>2,700,616</u>	<u>2,905,851</u>
Change in net assets from operations	361,256	439,085	800,341	641,589
<b>OTHER ITEM</b>				
Unrealized gain on investments	<u>159,633</u>	<u>-</u>	<u>159,633</u>	<u>326,440</u>
Change in net assets	520,889	439,085	959,974	968,029
Net assets at beginning of year	<u>4,692,211</u>	<u>4,760,279</u>	<u>9,452,490</u>	<u>8,484,461</u>
<b>NET ASSETS AT END OF YEAR</b>	<b><u>\$ 5,213,100</u></b>	<b><u>\$ 5,199,364</u></b>	<b><u>\$ 10,412,464</u></b>	<b><u>\$ 9,452,490</u></b>

**IZAAK WALTON LEAGUE OF AMERICA**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED DECEMBER 31, 2020**  
**WITH SUMMARIZED FINANCIAL INFORMATION FOR 2019**

2020

	Program Services						
	General Conservation	Water	Agriculture	Missouri River Initiative	Communications and Media	Chapter Relations	Convention
Payroll expenses	\$ 96,463	\$ 181,082	\$ 121,368	\$ 48,162	\$ 118,252	\$ 85,282	\$ 3,484
Fringe benefits	26,764	50,885	34,943	13,045	36,428	23,799	968
Advertising	-	903	-	-	442	-	-
Sub grants and awards	-	-	-	-	-	5,000	-
Consultants	-	-	-	-	-	-	-
Telephone	275	762	1,252	338	142	628	231
Travel	2,336	5,085	4,051	1,012	-	2,077	7
Refund of grant funds	-	-	-	-	-	-	-
Printing and publications	-	106	734	1	39,931	5,748	7
Professional fees	-	12,273	13,500	-	101,062	432	5,032
Contributed services	254,922	-	-	-	-	-	-
Computer and internet	80	4,835	1,252	545	21,689	-	-
Postage and shipping	11	942	254	80	27,218	6,221	54
Dues, awards and grants	2,700	100	3,250	-	1,475	6,500	-
Subscriptions and conferences	14,307	343	3,009	30	1,897	46	550
Office supplies	-	135	121	53	140	398	-
Promotional expenses	-	2,157	-	-	1,796	4,013	916
Utilities, repairs, depreciation and maintenance	17,827	34,251	23,178	-	22,862	15,871	595
Business insurance	-	-	-	-	-	-	-
Taxes and licenses	-	40	-	40	-	-	-
Bank and processing fees	-	877	-	323	1	24	-
Other expenses	-	-	-	-	-	-	-
<b>TOTAL</b>	<b>\$ 415,685</b>	<b>\$ 294,776</b>	<b>\$ 206,912</b>	<b>\$ 63,629</b>	<b>\$ 373,335</b>	<b>\$ 156,039</b>	<b>\$ 11,844</b>

See accompanying notes to financial statements.

IZAAK WALTON LEAGUE OF AMERICA

STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2020  
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2019

	2020 (Continued)						2019		
	Program Services (Continued)		Supporting Services						
	Membership	Total Program Services	Building	Management and General	Board of Directors	Development	Total Supporting Services	Total Expenses	Total Expenses
Payroll expenses	\$ 114,916	\$ 769,009	\$ 7,328	\$ 188,731	\$ 16,836	\$ 45,637	\$ 258,532	\$ 1,027,541	\$ 996,732
Fringe benefits	32,629	219,461	2,024	43,306	5,092	13,169	63,591	283,052	434,752
Advertising	980	2,325	-	-	-	-	-	2,325	19,616
Sub grants and awards	-	5,000	-	-	-	-	-	5,000	5,000
Consultants	-	-	-	-	-	-	-	-	172,170
Telephone	1,670	5,298	896	11,093	287	73	12,349	17,647	17,362
Travel	27	14,595	-	20	3,356	5	3,381	17,976	79,137
Refund of grant funds	-	-	-	-	-	-	-	-	4,700
Printing and publications	28,666	75,193	4	1,324	885	7,969	10,182	85,375	107,242
Professional fees	422	132,721	-	146,420	5,078	65,464	216,962	349,683	154,894
Contributed services	-	254,922	-	-	-	-	-	254,922	198,684
Computer and internet	322	28,723	-	15,516	-	-	15,516	44,239	54,316
Postage and shipping	33,104	67,884	1	2,022	1,527	3,903	7,453	75,337	78,275
Dues, awards and grants	635	14,660	-	1,225	-	-	1,225	15,885	18,115
Subscriptions and conferences	-	20,182	-	5,459	10,912	2,263	18,634	38,816	70,979
Office supplies	1,486	2,333	71	1,202	14	-	1,287	3,620	9,115
Promotional expenses	3,923	12,805	-	-	1,013	678	1,691	14,496	34,607
Utilities, repairs, depreciation and maintenance	84,764	199,348	96,924	3,063	3,201	8,581	111,769	311,117	296,786
Business insurance	-	-	21,336	20,568	-	-	41,904	41,904	40,636
Taxes and licenses	-	80	21,398	1,260	-	4,206	26,864	26,944	23,134
Bank and processing fees	13,812	15,037	-	2,581	296	1,856	4,733	19,770	18,110
Other expenses	170	170	1,118	62,624	63	992	64,797	64,967	71,489
<b>TOTAL</b>	<b>\$ 317,526</b>	<b>\$ 1,839,746</b>	<b>\$ 151,100</b>	<b>\$ 506,414</b>	<b>\$ 48,560</b>	<b>\$ 154,796</b>	<b>\$ 860,870</b>	<b>\$ 2,700,616</b>	<b>\$ 2,905,851</b>

See accompanying notes to financial statements.



## IZAAK WALTON LEAGUE OF AMERICA

**STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED DECEMBER 31, 2020  
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2019**

	<b>2020</b>	<b>2019</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 959,974	\$ 968,029
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	124,291	125,042
Unrealized gain on investments	(159,633)	(326,440)
Realized (gain) loss on investments	(8,762)	362
Change in value of interest in charitable remainder trust	(286,936)	(533,589)
Decrease (increase) in:		
Contributions and other receivables	3,147	6,718
Grants receivable	7,737	(34,841)
Prepaid expenses	29,051	63,121
Increase (decrease) in:		
Accounts payable and accrued liabilities	77,872	(14,627)
Accrued salaries and related benefits	34,252	7,077
Refundable advances	-	(17,798)
Other current liabilities	993	-
Net cash provided by operating activities	<u>781,986</u>	<u>243,054</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of property and equipment	(28,689)	(39,845)
Purchase of investments	(14,865)	(99,908)
Proceeds from sale of investments	<u>76,129</u>	<u>50,748</u>
Net cash provided (used) by investing activities	<u>32,575</u>	<u>(89,005)</u>
Net increase in cash and cash equivalents	814,561	154,049
Cash and cash equivalents at beginning of year	<u>2,940,235</u>	<u>2,786,186</u>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<u><b>\$ 3,754,796</b></u>	<u><b>\$ 2,940,235</b></u>

# IZAAK WALTON LEAGUE OF AMERICA

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2020

### 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 200 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 more than 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, 2020

### 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, 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 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 200 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 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** - Net assets may be subject to donor-imposed stipulations that are more restrictive than IWLA's mission and purpose. Some donor imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Donor imposed restrictions are released when the restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. Other donor imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

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.

# IZAAK WALTON LEAGUE OF AMERICA

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2020

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

#### Basis of presentation (continued) -

Accordingly, such information should be read in conjunction with IWLA's financial statements for the year ended December 31, 2019, from which the summarized information was derived.

#### New accounting pronouncements adopted -

During 2020, IWLA adopted Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers* (Topic 606), as amended. The ASU provides a framework for recognizing revenue and is intended to improve comparability of revenue recognition practices across for-profit and non-profit entities. Analysis of the various provisions of this standard resulted in no significant changes in the way IWLA recognized revenue; however, the presentation and disclosures of revenue have been enhanced. IWLA has elected to opt out of all (or certain) disclosures not required for nonpublic entities and also elected a modified retrospective approach for implementation.

#### 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 \$26,257 for the year ended December 31, 2020.

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, 2020 totaled \$124,291.

# IZAAK WALTON LEAGUE OF AMERICA

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2020

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

#### 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.

#### 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, 2020, 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.

#### Revenue -

The majority of IWLA's activities are supported by membership dues, grants and contributions from the U.S. federal and state governments, and private entities. These awards are for various activities performed by IWLA. Grants and contributions are recognized in the appropriate category of net assets in the period received. IWLA performs an analysis of the individual grant or contribution to determine if the revenue streams follow the contribution rules or if they should be recorded as an exchange transaction depending upon whether the transactions are deemed reciprocal or nonreciprocal under ASU 2018-08, Not-for-Profit Entities (Topic 958): *Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*.

For grants and contributions qualifying under the contribution rules, revenue is recognized upon notification of the award and satisfaction of all conditions, if applicable. Grants and contributions qualifying as contributions that are unconditional and 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. Funds in excess of expenses incurred are shown as net assets with donor restrictions in the accompanying financial statements.

Grants and contributions qualifying as conditional contributions contain a right of return from obligation provision that limits IWLA on how funds transferred should be spent. Additionally, a barrier is present that is related to the purpose of the agreement. Revenue is recognized when the condition or conditions on which they depend are substantially met. Most grant 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 therefore recognized as contributions when the revenue becomes unconditional. 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. IWLA did not have any unrecognized conditional awards as of December 31, 2020.

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.

# IZAAK WALTON LEAGUE OF AMERICA

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2020

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

#### Revenue (continued) -

These amounts are released in the appropriate membership period. Membership dues are included in grants and contributions in the accompanying statement of activities.

#### 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.

#### 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 follows 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.

IZAAK WALTON LEAGUE OF AMERICA

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2020

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

New accounting pronouncement not yet adopted -

ASU 2019-01, *Leases* (Topic 842), 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. During 2020, the FASB issued ASU 2020-05 and delayed the implementation date by one year. The ASU is effective for non public entities beginning after December 15, 2021. Early adoption is still 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. 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.

Economic uncertainties -

On March 11, 2020, the World Health Organization declared the Coronavirus disease (COVID-19) a global pandemic. As a result of the spread of COVID-19, economic uncertainties have arisen which may negatively impact IWLA's operations. The overall potential impact is unknown at this time.

2. **INVESTMENTS**

Investments consisted of the following as of December 31, 2020:

	<u>Fair Value</u>
Money market	\$ 26,257
Equity	1,681,974
Fixed income	957,080
Interest in charitable remainder trust	<u>3,113,509</u>
	<u><b>\$ 5,778,820</b></u>

Included in investment income, net, are the following:

Interest and dividends	\$ 63,580
Unrealized gain	159,633
Realized gain	8,762
Management fees	<u>(23,914)</u>
<b>TOTAL INVESTMENT INCOME, NET OF INVESTMENT EXPENSES</b>	<u><b>\$ 208,061</b></u>

3. **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.

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**3. CHARITABLE REMAINDER TRUST (Continued)**

As of December 31, 2020, using a 0.6% discount rate, the present value of the Trust is \$3,113,509 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 \$4,068,883 at December 31, 2020.

**4. NET ASSETS WITHOUT DONOR RESTRICTIONS**

As of December 31, 2020, 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.

Net assets without donor restrictions consist of the following at December 31, 2020:

Undesignated	\$ 4,963,100
Board designated	
Maintenance and depreciation	<u>250,000</u>
<b>NET ASSETS WITHOUT DONOR RESTRICTIONS</b>	<b><u>\$ 5,213,100</u></b>

**5. NET ASSETS WITH DONOR RESTRICTIONS**

Net assets with donor restrictions consist of the following at December 31, 2020:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Releases</u>	<u>Ending Balance</u>
Subject to expenditure for specified purpose:				
Water	\$ 103,537	\$ 130,771	\$ 159,530	\$ 74,778
Agriculture	114,663	205,250	185,358	134,555
Other	9,260	5,380	7,812	6,828
Missouri River Initiative	2,426	48,884	47,366	3,944
Chapter Relations	4,502	5,858	5,709	4,651
Outdoor Ethics	3,147	-	-	3,147
Youth Convention	280	-	280	-
Subject to passage of time	623,873	782,431	623,873	782,431
Endowments to be invested in perpetuity:				
Charitable remainder trust	2,826,573	286,936	-	3,113,509
Life membership dues	530,878	14,575	12,851	532,602
Trust contributions	<u>541,140</u>	<u>15,031</u>	<u>13,252</u>	<u>542,919</u>
<b>TOTAL</b>	<b><u>\$ 4,760,279</u></b>	<b><u>\$ 1,495,116</u></b>	<b><u>\$ 1,056,031</u></b>	<b><u>\$ 5,199,364</u></b>



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**6. LIQUIDITY**

Financial assets available for use within one year of the Statement of Financial Position comprise the following at December 31, 2020:

Cash and cash equivalents	\$ 3,754,796
Contributions and other receivables	46
Grants receivable	55,225
Investments	2,665,311
Less those unavailable for general expenditure within one year:	
Board designated funds	(250,000)
Donor imposed restrictions for purpose	(227,903)
Restricted endowments	<u>(4,189,030)</u>

**FINANCIAL ASSETS AVAILABLE TO MEET CASH NEEDS  
FOR GENERAL EXPENDITURES WITHIN ONE YEAR** **\$ 1,808,445**

IWLA has a policy to structure its financial assets to be available and liquid as its obligations become due. As of December 31, 2020, IWLA has financial assets equal to approximately eight months of operating expenses.

**7. RENTAL INCOME**

IWLA leases office space for two tenants with leases extending through 2023 and 2028. Base rents are \$157,308 and \$62,400, 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,**

2021	\$ 291,242
2022	300,697
2023	211,799
2024	80,798
2025	84,030
Thereafter	<u>193,673</u>
	<b><u>\$ 1,162,239</u></b>

Rental income for the year ended December 31, 2020 was \$321,521.

**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 \$19,089 for year ended December 31, 2020.

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**9. FAIR VALUE MEASUREMENT**

In accordance with FASB ASC 820, *Fair Value Measurement*, IWLA has categorized its financial instruments, based on the priority of the inputs to the valuation technique, into a three-level fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the financial instruments fall within different levels of hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement of the instrument.

Investments recorded in the Statement of Financial Position are categorized based on the inputs to valuation techniques as follows:

**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.

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, 2020.

- *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 net asset value (NAV) and to transact at that price. The mutual funds held by IWLA are deemed to be actively traded.
- *Money market funds* - The money market fund is an open-end mutual fund that is registered with the Securities and Exchange Commission and is 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.

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, 2020.

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Mutual funds:				
Equities	\$ 1,681,974	\$ -	\$ -	\$ 1,681,974
Fixed income	957,080	-	-	957,080
Money markets	26,257	-	-	26,257
Interest in charitable remainder trust	-	-	<u>3,113,509</u>	<u>3,113,509</u>
<b>TOTAL</b>	<b><u>\$ 2,665,311</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 3,113,509</u></b>	<b><u>\$ 5,778,820</u></b>

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**9. FAIR VALUE MEASUREMENT (Continued)**

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, 2020:

Interest in charitable remainder trust, beginning of year	\$ 2,826,573
Change in value of interest in charitable remainder trust	<u>286,936</u>

**INTEREST IN CHARITABLE REMAINDER TRUST, END OF YEAR**      **\$ 3,113,509**

**10. 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. 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, 2020:

	<u><b>Endowment</b></u>
Donor-restricted endowment funds - Original gift value:	
Charitable remainder trust	\$ 3,113,509
Life membership dues	532,602
Trust contributions	<u>542,919</u>
<b>TOTAL ENDOWMENT FUNDS</b>	<b><u>\$ 4,189,030</u></b>

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NOTES TO FINANCIAL STATEMENTS  
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10. ENDOWMENT (Continued)

Changes in endowment net assets for the year ended December 31, 2020:

	<u>Endowment</u>
Endowment net assets, beginning of year	\$ 3,898,591
Investment return, net	26,103
Contributions	3,503
Appropriation of endowment assets for expenditure	(26,103)
Change in value of charitable remainder trust	<u>286,936</u>
<b>ENDOWMENT NET ASSETS, END OF YEAR</b>	<b><u>\$ 4,189,030</u></b>

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, 2020.

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.

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.

11. 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.

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**11. LEGAL SETTLEMENTS (Continued)**

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 that agreement, IWLA received \$180,000 each year through 2018. In 2018, IWLA and the company executed a donor agreement in which the company agreed to make discretionary contributions of \$80,000 annually for six years beginning in 2019. These funds generally support a wide range of League efforts to conserve air, soil, water, wildlife, and other natural resources. The most recent payment under this agreement was received during the year ended December 31, 2020 and is included in grants and contributions within the accompanying Statement of Activities and Change in Net Assets.

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 2020, IWLA received \$475 of royalty fees, which is included in other revenue in the accompanying Statement of Activities and Change in Net Assets.

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 adjacent to the Boundary Waters Canoe Area Wilderness and Superior National Forest. IWLA received \$254,922 of legal pro bono services during the year ended December 31, 2020. This amount is included in the Contributed Services line on the Statement of Activities and Change in Net Assets.

**12. SUBSEQUENT EVENTS**

In preparing these financial statements, IWLA has evaluated events and transactions for potential recognition or disclosure through July 13, 2021, the date the financial statements were issued.