

FINANCIAL STATEMENTS



IZAAK WALTON LEAGUE OF AMERICA

FOR THE YEAR ENDED DECEMBER 31, 2018
WITH SUMMARIZED FINANCIAL
INFORMATION FOR 2017

IZAAK WALTON LEAGUE OF AMERICA

CONTENTS

	PAGE NO.
INDEPENDENT AUDITOR'S REPORT	2 - 3
EXHIBIT A - Statement of Financial Position, as of December 31, 2018, with Summarized Financial Information for 2017	4
EXHIBIT B - Statement of Activities and Change in Net Assets, for the Year Ended December 31, 2018, with Summarized Financial Information for 2017	5
EXHIBIT C - Statement of Functional Expenses, for the Year Ended December 31, 2018, with Summarized Financial Information for 2017	6 - 7
EXHIBIT D - Statement of Cash Flows, for the Year Ended December 31, 2018, with Summarized Financial Information for 2017	8
NOTES TO FINANCIAL STATEMENTS	9 - 20

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, 2018, 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, 2018, 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

The prior year summarized comparative information has been derived from IWLA's 2017 financial statements, which were audited by other auditors and, in their report dated June 22, 2018, they expressed an unmodified opinion on those statements.

Gelman Rosenberg & Friedman

June 25, 2019

IZAAK WALTON LEAGUE OF AMERICA
STATEMENT OF FINANCIAL POSITION
AS OF DECEMBER 31, 2018
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2017

ASSETS		<u>2018</u>	<u>2017</u>
CURRENT ASSETS			
Cash and equivalents	\$	2,786,186	\$ 2,752,144
Contributions and other receivable		9,911	3,936
Grants receivable		28,121	14,427
Prepaid expenses		<u>116,380</u>	<u>56,296</u>
Total current assets		<u>2,940,598</u>	<u>2,826,803</u>
FIXED ASSETS			
Land		239,271	239,271
Building and improvements		3,633,075	3,480,325
Donated artwork		8,330	8,330
Furniture and equipment		483,772	478,932
Website		<u>30,517</u>	<u>30,517</u>
		4,394,965	4,237,375
Less: Accumulated depreciation and amortization		<u>(3,103,713)</u>	<u>(2,976,535)</u>
Net fixed assets		<u>1,291,252</u>	<u>1,260,840</u>
OTHER ASSETS			
Investments		2,182,942	2,360,610
Interest in charitable remainder trust		<u>2,292,984</u>	<u>2,038,681</u>
Total other assets		<u>4,475,926</u>	<u>4,399,291</u>
TOTAL ASSETS	\$	<u>8,707,776</u>	\$ <u>8,486,934</u>
LIABILITIES AND NET ASSETS			
CURRENT LIABILITIES			
Accounts payable and accrued liabilities	\$	135,224	\$ 88,612
Accrued salaries and related benefits		48,171	47,772
Refundable advances		<u>17,798</u>	<u>32,298</u>
Total current liabilities		<u>201,193</u>	<u>168,682</u>
LONG-TERM LIABILITIES			
Security deposits		<u>22,122</u>	<u>17,923</u>
Total liabilities		<u>223,315</u>	<u>186,605</u>
NET ASSETS			
Without donor restrictions		4,370,797	4,331,677
With donor restrictions		<u>4,113,664</u>	<u>3,968,652</u>
Total net assets		<u>8,484,461</u>	<u>8,300,329</u>
TOTAL LIABILITIES AND NET ASSETS	\$	<u>8,707,776</u>	\$ <u>8,486,934</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, 2018
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2017**

	2018			2017
	Without Donor Restrictions	With Donor Restrictions	Total	Total
REVENUE				
Contributions and grants	\$ 292,079	\$ 405,662	\$ 697,741	\$ 450,440
Change in value of interest in charitable remainder trust	-	254,303	254,303	276,452
Grants from Federal and state governments	128,588	-	128,588	177,763
Investment income, net	90,001	107,230	197,231	109,188
Member dues contributions	1,067,659	538,279	1,605,938	1,672,870
Rental income	271,007	-	271,007	203,874
Other	52,480	-	52,480	46,645
Net assets released from donor restrictions	<u>1,160,462</u>	<u>(1,160,462)</u>	<u>-</u>	<u>-</u>
Total revenue	<u>3,062,276</u>	<u>145,012</u>	<u>3,207,288</u>	<u>2,937,232</u>
EXPENSES				
Program Services	2,307,133	-	2,307,133	2,152,548
Supporting Services	<u>392,130</u>	<u>-</u>	<u>392,130</u>	<u>428,512</u>
Total expenses	<u>2,699,263</u>	<u>-</u>	<u>2,699,263</u>	<u>2,581,060</u>
Change in net assets from operations	363,013	145,012	508,025	356,172
OTHER ITEM				
Unrealized (loss) gain on investments	<u>(323,893)</u>	<u>-</u>	<u>(323,893)</u>	<u>147,488</u>
Change in net assets	39,120	145,012	184,132	503,660
Net assets at beginning of year	<u>4,331,677</u>	<u>3,968,652</u>	<u>8,300,329</u>	<u>7,796,669</u>
NET ASSETS AT END OF YEAR	<u>\$ 4,370,797</u>	<u>\$ 4,113,664</u>	<u>\$ 8,484,461</u>	<u>\$ 8,300,329</u>

IZAAK WALTON LEAGUE OF AMERICA
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2018
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2017

Expenses	2018							
	Program Services							
	General Conservation	Membership	Chapter Relations	Communications and Media	Outdoor America	Convention	Water	Agriculture
Payroll expenses	\$ 89,345	\$ 85,022	\$ 62,714	\$ 68,628	\$ 25,748	\$ 20,090	\$ 164,795	\$ 105,816
Fringe benefits	38,329	36,433	26,889	29,399	11,025	8,400	65,188	45,245
Total Salary and Fringe Benefits	127,674	121,455	89,603	98,027	36,773	28,490	229,983	151,061
Advertising	-	1,403	-	17,390	-	-	676	-
Sub grants and awards	-	-	5,000	-	-	-	3,407	-
Consultants	1,763	-	-	101,984	-	17,438	10,630	6,017
Telephone	490	1,996	678	368	7	68	1,789	1,382
Travel	4,454	3,772	4,700	2,789	761	5,008	32,966	15,174
Refund of grant funds	5,394	-	-	-	-	-	-	-
Printing and publications	705	31,701	13,069	98	53,641	3,444	7,287	1,508
Professional fees	-	4,190	581	24,050	40,241	650	435	-
Computer and internet	-	25	-	24,311	-	-	4,759	1,878
Postage and shipping	21	21,740	8,290	273	30,697	593	2,288	288
Dues, awards and grants	4,450	885	5,864	2,575	-	-	100	2,940
Subscriptions and conferences	11,746	172	362	2,477	-	17,170	2,894	5,112
Office supplies	-	1,781	304	103	-	214	68	602
Promotional expenses	-	19,250	6,625	-	-	1,070	2,308	-
Utilities, repairs, maintenance and depreciation	-	57,416	32	5,086	-	-	-	-
Business insurance	-	-	-	-	-	-	-	-
Taxes and licenses	-	-	-	-	-	-	20	-
Interest, investment and bank fees	-	11,657	124	-	-	-	188	-
Other expenses	-	130	2,944	669	-	1,004	30,384	26
Subtotal	156,697	277,573	138,176	280,200	162,120	75,149	330,182	185,988
Occupancy costs	24,210	22,938	16,950	18,573	6,964	5,398	43,500	28,576
Indirect expenses allocation	42,789	73,931	38,095	73,488	41,586	19,810	91,823	52,744
TOTAL	\$ 223,696	\$ 374,442	\$ 193,221	\$ 372,261	\$ 210,670	\$ 100,357	\$ 465,505	\$ 267,308

See accompanying notes to financial statements.

IZAAK WALTON LEAGUE OF AMERICA
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2018
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2017

Expenses	2018							2017	
	Program Services (Continued)		Supporting Services					Total Expenses	Total Expenses
	Missouri River Initiative	Total Program Services	Building	Management and General	Board of Directors	Fundraising	Total Supporting Services		
Payroll expenses	\$ 47,937	\$ 670,095	\$ 19,208	\$ 189,803	\$ 15,762	\$ 47,570	\$ 272,343	\$ 942,438	\$ 948,424
Fringe benefits	20,548	281,456	8,259	81,243	6,757	20,271	116,530	397,986	361,671
Total Salary and Fringe Benefits	68,485	951,551	27,467	271,046	22,519	67,841	388,873	1,340,424	1,310,095
Advertising	-	19,469	-	-	-	-	-	19,469	19,835
Sub grants and awards	-	8,407	-	-	-	-	-	8,407	17,211
Consultants	-	137,832	7,744	23,040	8,651	15,224	54,659	192,491	131,255
Telephone	424	7,202	826	10,259	382	35	11,502	18,704	20,632
Travel	7,930	77,554	-	65	3,812	2,016	5,893	83,447	110,928
Refund of grant funds	-	5,394	-	-	-	-	-	5,394	-
Printing and publications	1	111,454	4	(2,271)	911	6,611	5,255	116,709	117,196
Professional fees	-	70,147	32,306	56,045	-	15,327	103,678	173,825	156,916
Computer and internet	435	31,408	-	20,481	-	-	20,481	51,889	49,440
Postage and shipping	90	64,280	12	2,318	343	2,915	5,588	69,868	81,987
Dues, awards and grants	-	16,814	-	1,494	-	4,338	5,832	22,646	20,351
Subscriptions and conferences	200	40,133	-	504	8,528	3,355	12,387	52,520	59,144
Office supplies	8	3,080	346	1,676	41	-	2,063	5,143	6,208
Promotional expenses	2,608	31,861	-	-	588	12,441	13,029	44,890	22,954
Utilities, repairs, maintenance and depreciation	-	62,534	242,318	7,971	-	-	250,289	312,823	296,629
Business insurance	-	-	19,730	19,891	-	-	39,621	39,621	39,487
Taxes and licenses	-	20	20,904	23	-	556	21,483	21,503	30,764
Interest, investment and bank fees	-	11,969	-	3,146	163	1,411	4,720	16,689	11,148
Other expenses	(172)	34,985	40,715	25,172	487	1,442	67,816	102,801	78,880
Subtotal	80,009	1,686,094	392,372	440,860	46,425	133,512	1,013,169	2,699,263	2,581,060
Occupancy costs	-	167,109	(184,243)	-	4,274	12,860	(167,109)	-	-
Indirect expenses allocation	19,664	453,930	-	(440,860)	(50,699)	37,629	(453,930)	-	-
TOTAL	\$ 99,673	\$ 2,307,133	\$ 208,129	\$ -	\$ -	\$ 184,001	\$ 392,130	\$ 2,699,263	\$ 2,581,060

See accompanying notes to financial statements.

IZAAK WALTON LEAGUE OF AMERICA

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2018
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2017

	<u>2018</u>	<u>2017</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 184,132	\$ 503,660
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	127,178	132,638
Net depreciation (appreciation) of investments	174,296	(216,198)
Change in value of interest in charitable remainder trust	(254,303)	(276,452)
(Increase) decrease in:		
Contributions and other receivable	(5,975)	33,242
Grants receivable	(13,694)	25,961
Prepaid expenses	(60,084)	(5,868)
Increase (decrease) in:		
Accounts payable and accrued liabilities	46,612	(4,034)
Accrued salaries and related benefits	399	-
Refundable advances	(14,500)	4,126
Security deposits	<u>4,199</u>	<u>5,200</u>
Net cash provided by operating activities	<u>188,260</u>	<u>202,275</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	(157,590)	(99,575)
Purchase of investments	(838,115)	(232,283)
Proceeds from sale of investments	<u>841,487</u>	<u>192,429</u>
Net cash used by investing activities	<u>(154,218)</u>	<u>(139,429)</u>
Net increase in cash and cash equivalents	34,042	62,846
Cash and cash equivalents at beginning of year	<u>2,752,144</u>	<u>2,689,298</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 2,786,186</u>	<u>\$ 2,752,144</u>

IZAAK WALTON LEAGUE OF AMERICA

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2018

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 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 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.

IZAAK WALTON LEAGUE OF AMERICA

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

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

Organization (continued) -

Regional Conservation (continued):

• *Missouri River Initiative (continued):*

As part of this ongoing effort, IWLA coordinates river cleanups and hosts educational events for students and their families along the river.

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 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 the Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2016-14 *Presentation of Financial Statements for Not-for-Profit Entities*. The ASU was adopted for the year ended December 31, 2018 and applied retrospectively.

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, 2017, from which the summarized information was derived.

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 \$70,768 for the year ended December 31, 2018.

IZAAK WALTON LEAGUE OF AMERICA

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018**

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

Cash and cash equivalents (continued) -

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. Realized and unrealized gains and losses, net of external fees are included in investment income in the Statement of Activities and Change in Net Assets.

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, 2018 totaled \$127,178.

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. Beginning January 1, 2018, it is subject to unrelated business income taxes on qualified transportation fringe benefits provided to its employees. IWLA does not provide transportation fringe benefits provided to its employees. The organization is not a private foundation.

Uncertain tax positions -

For the year ended December 31, 2018, 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.

Net asset classification -

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor imposed restrictions.

IZAAK WALTON LEAGUE OF AMERICA

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

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

Net asset classification (continued) -

Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions - Net assets available for use in general operations and not subject to donor (or certain grantor) 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 maybe 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.

Contributions and grants -

Contributions and grants received without donor restrictions and with donor restrictions are recorded as revenue in the year notification is received from the donor. Contributions and grants with 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 restriction in the accompanying financial statements.

IWLA receives funding under grants and contracts from the U.S. and foreign governments, international organizations and other grantors for direct and indirect program costs. This funding is subject to contractual restrictions, which must be met through incurring qualifying expenses for particular programs. Accordingly, such grants are considered exchange transactions and are recorded as income without donor restrictions to the extent that related expenses are incurred in compliance with the criteria stipulated in the grant agreements.

Grants and support receivable represents amounts due from funding organizations for reimbursable expenses incurred in accordance with the grant agreements. Grant funding received in advance of incurring the related expenses is recorded as a refundable advance.

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.

Donated services -

A large number of 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, 2018**

**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 are allocated on a basis of time and effort (such as salaries and benefits).

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. The reclassifications are primarily due to the adoption of Accounting Standards Update 2016-14, as discussed above, which requires two classifications of net assets from the previously presented three classes. Net assets previously classified as of December 31, 2017 as "unrestricted" in the amount of \$4,331,677 are now classified as "without donor restrictions". Net assets previously classified as "temporarily restricted" and permanently restricted in the amount of \$884,713 and \$3,083,939, respectively are now classified as "with donor restrictions".

New accounting pronouncements (not yet adopted) -

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers* (Topic 606) (ASU 2014-09). The ASU establishes a comprehensive revenue recognition standard for virtually all industries under generally accepted accounting principles in the United States (U.S. GAAP) including those that previously followed industry-specific guidance.

IZAAK WALTON LEAGUE OF AMERICA

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018**

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

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

The guidance states that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The FASB issued ASU 2015-14 in August 2015 that deferred the effective date of ASU 2014-09 by a year; thus, the effective date is years beginning after December 15, 2018. Early adoption is permitted. IWLA has not yet selected a transition method and is currently evaluating the effect that the updated standard will have on its financial statements.

In June 2018, the FASB issued ASU 2018-08, Not-for-Profit Entities (Topic 958): *Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*, which is intended to clarify and improve current guidance about whether a transfer of assets is an exchange transaction or a contribution. The amendments in this ASU provide a more robust framework to determine when a transaction should be accounted for as a contribution under Subtopic 958-605 or as an exchange transaction accounted for under other guidance (for example, Topic 606). The amendments also provide additional guidance about how to determine whether a contribution is conditional or unconditional.

The amendments in this ASU could result in more grants and contracts being accounted for as contributions than under previous GAAP. The ASU recommends application on a modified prospective basis; however, retrospective application is permitted. IWLA has not yet decided on a transition method. The ASU is effective for fiscal years beginning after December 15, 2018.

In 2016, the FASB issued ASU 2016-02, *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 private entities for years beginning after December 15, 2019. Early adoption is permitted. The ASU should be applied at the beginning of the earliest period presented using a modified retrospective approach.

IWLA plans to adopt the new ASUs at the respective required implementation dates.

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, 2018, using a 3.6% discount rate, the present value of the Trust is \$2,292,984 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 \$3,212,865 at December 31, 2018.

IZAAK WALTON LEAGUE OF AMERICA

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018**

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, 2018.

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total December 31, 2018</u>
Equity mutual and exchange-traded funds:				
Large cap	\$ 691,489	\$ -	\$ -	\$ 691,489
International developed markets	137,681	-	-	137,681
Mid cap	30,472	-	-	30,472
Real estate	68,898	-	-	68,898
Growth	281,701	-	-	281,701
International emerging	19,413	-	-	19,413
Fixed-income mutual and exchange-traded funds:				
Government bonds	496,784	-	-	496,784
Corporate	343,802	-	-	343,802
High Yield	41,934	-	-	41,934
Interest-bearing cash deposits:				
Money markets	70,768	-	-	70,768
Interest in charitable remainder trust	<u>-</u>	<u>-</u>	<u>2,292,984</u>	<u>2,292,984</u>
TOTAL	<u>\$ 2,182,942</u>	<u>\$ -</u>	<u>\$ 2,292,984</u>	<u>\$ 4,475,926</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.

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. There were no transfers between levels in the fair value hierarchy during the year ended December 31, 2018. Transfers between levels are recorded at the end of the reporting period, if applicable.

- *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.

IZAAK WALTON LEAGUE OF AMERICA

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018**

3. INVESTMENTS (Continued)

- *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, 2018:

Interest in charitable remainder trust, beginning of year	\$ 2,038,681
Change in value of interest in charitable remainder trust	<u>254,303</u>
INTEREST IN CHARITABLE REMAINDER TRUST, END OF YEAR	\$ <u>2,292,984</u>

Included in investment loss, net are the following:

Interest and dividends	\$ 70,841
Unrealized loss	(323,893)
Realized gain	149,597
Management fees	<u>(23,207)</u>
TOTAL INVESTMENT LOSS, NET OF INVESTMENT EXPENSES	\$ <u>(126,662)</u>

4. NET ASSETS WITHOUT DONOR RESTRICTIONS

As of December 31, 2018, 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.

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 (see Note 10).

Net assets without donor restrictions consist of the following at December 31, 2018

Undesignated	\$ 3,820,797
Board designated:	
Maintenance and depreciation	250,000
Cordova fund	<u>300,000</u>
BOARD DESIGNATED NET ASSETS	\$ <u>4,370,797</u>

IZAAK WALTON LEAGUE OF AMERICA

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018**

5. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consist of the following at December 31, 2018:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Releases</u>	<u>Ending Balance</u>
Subject to expenditure for specified purpose:				
Water	\$ 124,592	\$ 126,877	\$ 173,490	\$ 77,979
Agriculture	163,779	175,000	213,519	125,260
Other	6,726	30,191	9,510	27,407
Missouri River Initiative	-	69,534	66,184	3,350
Energy	5,394	-	5,394	-
Outdoor Ethics	3,147	-	-	3,147
Youth Convention	893	4,060	4,953	-
Subject to passage of time	580,182	521,669	580,182	521,669
Endowments to be invested in perpetuity:				
Charitable remainder trust	2,038,681	254,303	-	2,292,984
Life membership dues	521,791	57,590	53,530	525,851
Trust contributions	<u>523,467</u>	<u>66,250</u>	<u>53,700</u>	<u>536,017</u>
TOTAL	<u>\$ 3,968,652</u>	<u>\$ 1,305,474</u>	<u>\$1,160,462</u>	<u>\$ 4,113,664</u>

6. LIQUIDITY

Financial assets available for use within one year of the Statement of Financial Position, comprise the following at December 31, 2018:

Cash and equivalents	\$ 2,786,186
Contributions and other receivable	9,911
Grants receivable	28,121
Investments	2,182,942
Less those unavailable for general expenditure within one year:	
Board designated funds	(550,000)
Donor imposed restrictions for purpose	(237,143)
Restricted endowments	<u>(3,354,852)</u>
FINANCIAL ASSETS AVAILABLE TO MEET CASH NEEDS FOR GENERAL EXPENDITURES WITHIN ONE YEAR	<u>\$ 865,165</u>

IWLA has a policy to structure its financial assets to be available and liquid as its obligations become due. As of December 31, 2018, IWLA has financial assets equal to approximately four months of operating expenses.

7. RENTAL INCOME

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

IZAAK WALTON LEAGUE OF AMERICA

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018**

7. RENTAL INCOME (Continued)

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,

2019	\$ 273,228
2020	282,088
2021	291,242
2022	300,697
2023	211,799
Thereafter	<u>358,501</u>
	<u>\$ 1,717,555</u>

Rental income for the year ended December 31, 2018 was \$271,007.

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 \$15,584 for year ended December 31, 2018.

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. 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.

IZAAK WALTON LEAGUE OF AMERICA

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018**

9. ENDOWMENT (Continued)

Additionally, in accordance with SPMIFA, IWLA considers the following factors in making a determination to appropriate 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, 2018:

	<u>Without Donor Restriction</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Board designated endowment funds	\$ 550,000	\$ -	\$ 550,000
Donor-restricted endowment funds - Original gift value:			
Charitable remainder trust	-	2,292,984	2,292,984
Life membership dues	-	525,851	525,851
Trust contributions	-	536,017	536,017
TOTAL ENDOWMENT FUNDS	<u>\$ 550,000</u>	<u>\$ 3,354,852</u>	<u>\$ 3,904,852</u>

Changes in endowment net assets for the year ended December 31, 2018:

	<u>Without Donor Restriction</u>	<u>With Donor Restriction</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 550,000	\$ 3,083,939	\$ 3,633,939
Investment return, net	55,540	107,230	162,770
Contributions	-	16,610	16,610
Appropriation of endowment assets for expenditure	(55,540)	(107,230)	(162,770)
Change in value of charitable remainder trust	-	254,303	254,303
ENDOWMENT NET ASSETS, END OF YEAR	<u>\$ 550,000</u>	<u>\$ 3,354,852</u>	<u>\$ 3,904,852</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, 2018.

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.

IZAAK WALTON LEAGUE OF AMERICA

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2018

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, 2018, 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 2018, IWLA received \$1,702 of royalty fees, which is included in other revenue in the accompanying Statement of Activities.

11. SUBSEQUENT EVENTS

In preparing these financial statements, IWLA has evaluated events and transactions for potential recognition or disclosure through June 25, 2019, the date the financial statements were issued.