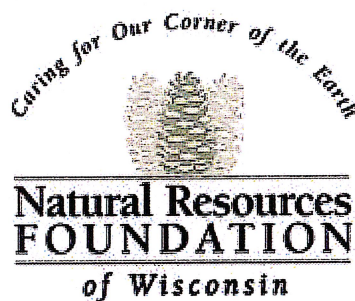




Johnson & Block
AND COMPANY, INC.

Certified Public Accountants



**FINANCIAL STATEMENTS
WITH
INDEPENDENT AUDITOR'S REPORT**

For the Years Ended December 31, 2016 and 2015

Quality service through our commitment to clients and staff.

www.johnsonblock.com

NATURAL RESOURCES FOUNDATION OF WISCONSIN, INC.
(A Wisconsin Non-Profit Organization)

Table of Contents

December 31, 2016 and 2015

	<u>Page</u>
INDEPENDENT AUDITOR’S REPORT	
FINANCIAL STATEMENTS	
Statements of Financial Position.....	1
Statements of Activities	2
Statements of Cash Flows	3
Notes to Financial Statements.....	4



Certified Public Accountants

406 Science Drive, Suite 100 • Madison, Wisconsin 53711-1097 • TEL 608-274-2002 • FAX 608-274-4320

INDEPENDENT AUDITOR'S REPORT

July 25, 2017

Board of Directors
Natural Resources Foundation of Wisconsin, Inc.
Madison, Wisconsin

We have audited the accompanying financial statements of Natural Resources Foundation of Wisconsin, Inc. (a Wisconsin non-profit organization), which comprise the statements of financial position as of December 31, 2016 and 2015 and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Natural Resources Foundation of Wisconsin, Inc. as of December 31, 2016 and 2015 and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Johnson Block & Company, Inc.

Johnson Block & Company, Inc.
Certified Public Accountants
Madison, Wisconsin

NATURAL RESOURCES FOUNDATION OF WISCONSIN, INC.
Madison, Wisconsin

STATEMENTS OF FINANCIAL POSITION
December 31, 2016 and 2015

	<u>ASSETS</u>	
<u>Current Assets</u>	2016	2015
Cash and cash equivalents	\$ 746,692	\$ 689,366
Accounts receivable	-	21,027
Unconditional promises to give	77,474	26,213
Prepaid expenses	46,750	35,894
Total Current Assets	870,916	772,500
<u>Fixed Assets</u>		
Furniture and equipment	14,741	14,741
Less accumulated depreciation	(14,741)	(13,970)
Net Fixed Assets	-	771
<u>Noncurrent Assets</u>		
Investments	5,945,493	5,111,782
Cash and investments held in escrow accounts	5,071,618	5,023,227
Total Noncurrent Assets	11,017,111	10,135,009
TOTAL ASSETS	\$ 11,888,027	\$ 10,908,280
<u>LIABILITIES AND NET ASSETS</u>		
<u>Current Liabilities</u>		
Accounts payable	\$ 1,448	\$ 4,957
Accrued expenses	8,434	5,312
Grants payable - due in less than one year	13,836	13,836
Funds held for others as escrow accounts	5,071,618	5,023,227
Funds held for others as agency endowments	1,066,028	935,751
Total Current Liabilities	6,161,364	5,983,083
<u>Long-term Liabilities</u>		
Grants payable - due in more than one year	31,333	45,168
Total Long-term Liabilities	31,333	45,168
<u>Net Assets</u>		
Unrestricted	103,882	197,251
Temporarily restricted	778,373	619,705
Permanently restricted	4,813,075	4,063,073
Total Net Assets	5,695,330	4,880,029
TOTAL LIABILITIES AND NET ASSETS	\$ 11,888,027	\$ 10,908,280

The accompanying notes are an integral part of the financial statements.

NATURAL RESOURCES FOUNDATION OF WISCONSIN, INC.
Madison, Wisconsin

STATEMENTS OF ACTIVITIES
For the Years Ended December 31, 2016 and 2015

	2016				2015			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues and Other Support								
Contributions	\$ 603,722	\$ 157,646	\$ 739,912	\$ 1,501,280	\$ 505,433	\$ 122,812	\$ 697,571	\$ 1,325,816
Fees for services	189,718	-	-	189,718	96,414	-	-	96,414
Other	13,116	-	-	13,116	3,312	-	-	3,312
Investment income (loss)	631	375,300	-	375,931	-	(45,339)	-	(45,339)
Net assets released from restrictions	364,188	(364,188)	-	-	226,774	(226,774)	-	-
Total Revenues and Other Support	<u>1,171,375</u>	<u>168,758</u>	<u>739,912</u>	<u>2,080,045</u>	<u>831,933</u>	<u>(149,301)</u>	<u>697,571</u>	<u>1,380,203</u>
Expenses								
Program services:								
Education and outreach	378,988	-	-	378,988	217,033	-	-	217,033
Rare and endangered species	183,866	-	-	183,866	99,608	-	-	99,608
State natural areas and public lands	177,130	-	-	177,130	82,804	-	-	82,804
Sustainable support and endowments	203,221	-	-	203,221	208,303	-	-	208,303
Management and general	229,107	-	-	229,107	265,587	-	-	265,587
Fundraising	92,432	-	-	92,432	125,447	-	-	125,447
Total Expenses	<u>1,264,744</u>	<u>-</u>	<u>-</u>	<u>1,264,744</u>	<u>998,782</u>	<u>-</u>	<u>-</u>	<u>998,782</u>
Increase (Decrease) in Net Assets before Transfers	<u>(93,369)</u>	<u>168,758</u>	<u>739,912</u>	<u>815,301</u>	<u>(166,849)</u>	<u>(149,301)</u>	<u>697,571</u>	<u>381,421</u>
Transfers								
Transfer to permanently restricted net assets	-	(10,090)	10,090	-	-	-	-	-
Total Transfers	<u>-</u>	<u>(10,090)</u>	<u>10,090</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Change in Net Assets	(93,369)	158,668	750,002	815,301	(166,849)	(149,301)	697,571	381,421
Net Assets - Beginning of Year (restated)	<u>197,251</u>	<u>619,705</u>	<u>4,063,073</u>	<u>4,880,029</u>	<u>364,100</u>	<u>769,006</u>	<u>3,365,502</u>	<u>4,498,608</u>
Net Assets - End of Year	<u>\$ 103,882</u>	<u>\$ 778,373</u>	<u>\$ 4,813,075</u>	<u>\$ 5,695,330</u>	<u>\$ 197,251</u>	<u>\$ 619,705</u>	<u>\$ 4,063,073</u>	<u>\$ 4,880,029</u>

The accompanying notes are an integral part of the financial statements.

NATURAL RESOURCES FOUNDATION OF WISCONSIN, INC.
Madison, Wisconsin

STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
<u>Cash Flows from Operating Activities</u>		
Change in Net Assets	\$ 815,301	\$ 381,421
Adjustments to reconcile change in net assets to net cash (provided by) operating activities:		
Contributions restricted for permanent endowments	(739,912)	(697,571)
Donated investments	(252,093)	(73,827)
Depreciation	777	1,544
Unrealized and realized (gain) loss on investments	(248,359)	131,872
Changes in operating assets and liabilities:		
Accounts receivable	21,027	(2,251)
Unconditional promises to give	(51,261)	3,918
Prepaid expenses	(10,856)	(17,447)
Accounts payable	(3,509)	(22,531)
Accrued expenses	3,122	(1,369)
Grants payable	(13,835)	(13,835)
Funds held for others as agency endowments	<u>130,277</u>	<u>6,226</u>
Net cash provided (used) by operating activities	<u>(349,321)</u>	<u>(303,850)</u>
<u>Cash Flows from Investing Activities</u>		
Proceeds from sale of donated investments	252,093	73,832
Proceeds from sales of investments	223,200	217,560
Purchases of investments	<u>(808,563)</u>	<u>(1,248,770)</u>
Net cash provided (used) by investing activities	<u>(333,270)</u>	<u>(957,378)</u>
<u>Cash Flows from Financing Activities</u>		
Proceeds from contributions restricted for investment in permanent endowment	<u>739,912</u>	<u>697,571</u>
Net (decrease) increase in cash	57,321	(563,657)
Cash at beginning of year	<u>689,371</u>	<u>1,253,028</u>
Cash at end of year	<u><u>\$ 746,692</u></u>	<u><u>\$ 689,371</u></u>

The accompanying notes are an integral part of the financial statements.

NATURAL RESOURCES FOUNDATION OF WISCONSIN, INC.
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2016 and 2015

1. Summary of Significant Accounting Policies

A. Nature of Organization

Natural Resources Foundation of Wisconsin, Inc. ("Foundation") is mainly supported by contributions and creates opportunities for individuals and organizations that care about the conservation of Wisconsin's lands, waters and wildlife to:

- Deepen their understanding and appreciation of these natural resources
- Support state and local conservation programs
- Establish conservation endowments

B. Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

C. Financial Statement Presentation

The financial statements are presented in accordance with professional standards, which require the Foundation to report information regarding its financial position and activities according to three classes of net assets:

Unrestricted Net Assets - Net assets that are not restricted by donors. Designations are voluntary board-approved segregations of unrestricted net assets for specific purposes, projects, or investments.

Temporarily Restricted Net Assets - Net assets whose use has been limited by donor-imposed time restrictions or purpose restrictions. Unless restricted by the donor, income earned on assets that are subject to donor-imposed temporary restrictions is considered unrestricted.

Permanently Restricted Net Assets - Net assets that have been restricted by donors to be maintained by the Foundation in perpetuity.

D. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

E. Income Taxes

The Foundation is a nonprofit corporation exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code, and Wisconsin franchise or income tax.

NATURAL RESOURCES FOUNDATION OF WISCONSIN, INC.
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2016 and 2015

1. Summary of Significant Accounting Policies (Continued)

E. Income Taxes (Continued)

The Foundation follows the statutory requirements for their income tax accounting and generally avoids risks associated with potentially problematic tax positions that may be challenged upon examination. Management believes any liability resulting from taxing authorities imposing additional income taxes from activities deemed to be unrelated to the Foundation's tax-exempt status would not have a material effect on the accompanying financial statements.

The Foundation's federal exempt organization tax returns are subject to examination by the Internal Revenue Service, generally for three years after they are filed. With few exceptions, the Foundation is no longer subject to such examinations for years before 2013.

F. Cash and Cash Equivalents

For purposes of the Statement of Cash Flows, the Foundation considers all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents.

G. Accounts Receivable

The Foundation considers all receivable to be fully collectible. Accordingly, no allowance for doubtful accounts is presented. If amounts become uncollectible, they will be charged to operations when that determination is made.

H. Promises to Give

Unconditional promise to give are recognized as support or gains in the period received and as assets, decreases in liabilities, or expenses depending on the form of the benefits received. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional. All unconditional promises to give at December 31, 2016 are receivable in less than one year.

I. Property and Equipment

Property and equipment purchases that are greater than \$3,000 are capitalized at cost and depreciated over their useful life using the straight-line method.

J. Investments

Investments in marketable equity securities with readily determinable fair values are stated at fair market value in the Statement of Financial Position. Realized and unrealized gains and losses are included in the change in net assets in the accompanying Statement of Activities.

K. Grants Payable

Grants authorized but unpaid at year-end are reported as liabilities.

NATURAL RESOURCES FOUNDATION OF WISCONSIN, INC.
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2016 and 2015

1. Summary of Significant Accounting Policies (Continued)

L. Contributions

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions. Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

M. Donated Services

Donated services are recognized as contributions if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the organization.

N. Functional Allocation of Expenses

The costs of providing the various programs of the Foundation have been summarized on a functional basis in the Statement of Activities. Accordingly, certain costs have been allocated among the various programs and supporting services benefited. The Foundation's major program services are as follows:

Education and Outreach – The Foundation provides educational, philanthropic, and recreational opportunities that build relationships between people and nature. The Foundation also supports education programs that help people discover the great outdoors and learn what they can do to protect Wisconsin's diverse and beautiful natural treasures. The Foundation's priorities include the Field Trip Program, which has existed for 20 years; this program has gotten more than 30,000 people outdoors with experts to see plants and animals up close, help scientists with their research, and form deep connections with Wisconsin's lands, waters, and wildlife. Another priority is the C.D. Besadny Conservation Grant Program, which promotes the responsible stewardship of Wisconsin's natural resources projects and programs. The Besadny program has contributed more than \$475,000 to 593 projects; covering every county in Wisconsin. Finally, the Foundation provides small grants through the Teachers' Outdoors Environmental Education Fund, which supports public and private organizations, including schools and governments.

Rare and Endangered Species – The Natural Resources Foundation of Wisconsin provides funding for priority conservation projects for rare and endangered species as identified by the Wisconsin Department of Natural Resources. Currently, 417 of Wisconsin's native animals are considered "Species of Great Conversation Need" and many of them are the focus of the Foundation's work on rare and threatened wildlife. The Foundation mainly assists those species that are of high conservation importance, have recovery efforts involving public-private partnerships, and lack adequate funding for their conservation. Important priorities include Wisconsin's threatened birds and bats.

NATURAL RESOURCES FOUNDATION OF WISCONSIN, INC.
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2016 and 2015

1. Summary of Significant Accounting Policies (Continued)

N. Functional Allocation of Expenses (Continued)

State Natural Areas and Public Lands – The Natural Resources Foundation of Wisconsin helps protect and manage State Natural Areas, which include many of the last remnants of Wisconsin’s native landscapes: our prairies, savannas, old-growth forests, marshes, and other ecosystems. These lands, and the plants and animals found in them, are the most crucial and vulnerable repositories of our state’s biological, geological, and archeological heritage. The Wisconsin Department of Natural Resources has designated 686 State Natural Areas, totaling more than 390,000 acres. Our Foundation supports land management activities and public outreach initiatives, focusing on sites that lie within areas designated by the “Wisconsin Land Legacy Report” and “Wisconsin Wildlife Action Plan.”

Sustainable Support and Endowments – The Natural Resources Foundation of Wisconsin created the Wisconsin Conservation Endowment (WCE) to serve as a “community foundation for conservation”. The WCE allows individual donors and non-profit organizations opportunities to build permanent and sustaining sources of private funding for conservation in the state. The Foundation manages the assets of more than 70 individual endowment funds and spend-down funds that support species protection, education, habitat management, and other conservation organizations. In addition, the Foundation manages the funds of escrow accounts under third-party custodial agreements for the purpose of natural area conservation.

O. Subsequent Events

Management has evaluated events through July 25, 2017, the date which the financial statements were available to be issued.

P. Reclassifications

Certain reclassifications have been made in the 2015 financial statements to conform to the classifications used in the 2016 financial statements. The reclassifications have no effect on the overall net assets.

2. Equipment

Equipment consisted of the following at December 31, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Equipment	\$ 14,741	\$ 14,741
Less: Accumulated Depreciation	<u>14,741</u>	<u>13,969</u>
Equipment - Net	<u>\$ -</u>	<u>\$ 772</u>

Depreciation expense was \$772 and \$1,544 for 2016 and 2015.

NATURAL RESOURCES FOUNDATION OF WISCONSIN, INC.
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2016 and 2015

3. Investments

Investments consisted of the following at December 31, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Cash and money market	\$ 136,596	\$ 50,519
Mutual Funds	<u>5,808,897</u>	<u>5,061,263</u>
Total Investments	<u>\$ 5,945,493</u>	<u>\$ 5,111,782</u>
	<u>2016</u>	<u>2015</u>
Dividends and Interest	\$ 157,301	\$ 110,876
Realized and Unrealized Gain (Loss)	300,833	(174,697)
Investment return allocated to/from agency endowments	<u>(82,203)</u>	<u>18,482</u>
Total Investment Return	<u>\$ 375,931</u>	<u>\$ (45,339)</u>

4. Funds Held for Others

Funds held for others in escrow accounts consisted of the following at December 31, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Chippewa River Fish Protection Fund Escrow	\$ 4,643,664	\$ 4,597,706
Chippewa River Natural Resources Fund Escrow	105,726	127,277
Prairie du Sac Habitat Enhancement, Mitigation, Research, Study and Fish Passage Escrow	274,565	254,874
Grandmother Falls Fish Passage and/or Protection Escrow	<u>47,663</u>	<u>43,370</u>
Total Funds Held for Others as Escrow Accounts	<u>\$ 5,071,618</u>	<u>\$ 5,023,227</u>

NATURAL RESOURCES FOUNDATION OF WISCONSIN, INC.
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2016 and 2015

4. Funds Held for Others (Continued)

Escrow account funds consisted of the following investments at December 31, 2016 and 2015:

	2016	2015
Cash and money market	\$ 999,310	\$ 551,301
Mutual Funds	2,783,836	2,594,911
Treasury Notes	871,682	1,478,206
Marketable certificates of deposit	101,109	398,809
Bonds	315,681	-
	<u>5,071,618</u>	<u>-</u>
Cash and investments held in escrow accounts	<u>\$ 5,071,618</u>	<u>\$ 5,023,227</u>

Funds held for others as agency endowments consisted of the following at December 31, 2016 and 2015:

	2016	2015
Important Bird Areas Fund	\$ 11,854	\$ 11,607
Ozaukee Washington Land Trust Stewardship Fund	144,160	134,267
Dane County Conservation League Fund	52,088	48,515
DCCL Prairie Chicken Fund	56,644	52,758
Governor Dodge State Park Endowment Fund	41,262	35,581
Friends of Wyalusing State Park Endowment Fund	32,461	29,942
Cedar Grove Ornithological Research Station Fund	186,831	163,492
The River Alliance Steady Currents Fund	91,471	89,058
Friends of Wisconsin State Parks Fund	56,449	54,819
Friends of Kohler-Andrae Fund	29,198	26,614
Devil's Lake State Park Endowment	12,755	11,833
Friends of Pike Lake Endowment Fund	13,496	12,489
Friends of Dodge County Parks Endowment Fund	20,913	18,385
Friends of Brule River and Forest Conservation Fund	14,510	14,164
Botanical Club of Wisconsin Fund	12,910	12,496
Friends of Horicon Marsh Intl Education Center End	29,060	24,402
Kettle Moraine Natural History Association Endowment	26,332	22,238
Frank Hornberg Chapter - Trout Unlimited Fund	11,524	11,330
Bayfield Regional Conservancy Conservation Easement		
Stewardship Endowment Fund	99,936	81,204
Cedarburg Bog Stewardship Fund	42,619	40,163
Sam Robins Shorebird Endowment Fund	32,554	30,321
Friends of Havenswood State Forest Endowment Fund	11,243	10,073
WI Great Lakes Bird and Bat Observatory	15,842	-
The Madison Audubon Sanctuaries Fund	19,916	-
Funds held for others as agency endowments	<u>\$ 1,066,028</u>	<u>\$ 935,751</u>

NATURAL RESOURCES FOUNDATION OF WISCONSIN, INC.
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2016 and 2015

5. Net Assets

Temporarily restricted net assets are available for the following purposes or periods at December 31, 2016 and 2015:

	2016	2015
Acorn endowment funds	\$ 55,938	\$ 34,513
State Natural Areas	5,400	7,653
Field trips	28,909	72,304
Whooping Crane	22,829	16,119
Spread Eagle Barrens	13,531	13,531
Dale Druckrey Conservation Fund	27,087	26,944
Birdathon	-	58,756
Patty Anderson Working Fund	101,025	103,025
Teachers' Outdoor Environmental Education Fund	1,361	11,000
Endangered Resources	921	921
Special Appeals Campaign	57,548	32,183
Accumulated earnings on donor-restricted endowment funds	371,907	211,912
Migratory Bird Stopover	6,695	-
Bird Protection Fund	44,718	-
Red Banks Alvar	4,625	-
Osa Peninsula	14,440	-
Others	21,439	30,844
	<u>\$ 778,373</u>	<u>\$ 619,705</u>

NATURAL RESOURCES FOUNDATION OF WISCONSIN, INC.
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2016 and 2015

5. Net Assets (Continued)

Permanently restricted net assets consisted of the following at December 31, 2016 and 2015:

	2016	2015
Lower Wisconsin State Riverway Fund	\$ 661,436	\$ 658,911
CD Besadny Conservation Fund	461,988	459,988
Sally R. Luthin Memorial Fund	59,000	59,000
Turtle Flameau Scenic Waters Area Fund	113,034	110,234
Norma and Stanley DeBoer Quiet Trails Fund	117,113	106,113
Hussin Family Natural Areas Fund	31,985	31,985
Doratheia Buckeridge Drotning Fund	27,572	27,572
Reynold Zeller Fund	26,700	26,700
Hughes Jeffords Chippewa Flowage Conservation Fund	19,685	19,660
Paul and Alice Olson Memorial Fund	16,558	16,058
James J. Schwabe Endowment Fund	15,661	15,186
Robert M. Jostes WI State Natural Areas Conservation Fund	12,500	12,500
Teachers' Outdoor Environmental Education Fund	87,072	72,525
Patricia and Lyman Anderson Family Farm Endowment	123,000	123,000
Wisconsin Bat Conservation Fund	136,820	126,580
Wisconsin Rare Plant Preservation Fund	46,496	45,866
Koshkonong Corners SNA Fund	10,650	10,650
Dale Druckrey Conservation Fund	173,165	173,165
Jane and Jack Edson Family Conservation Fund	13,350	13,150
David and Joyce Weizenicker Endowment Fund for State Parks	112,014	40,424
Robert H. Halpin Family Endowment Fund	11,800	11,800
Jefferson County Parks Endowment	14,088	12,628
Trees for the Future in Jefferson County Parks Fund	10,365	10,365
Fair Meadows State Natural Area Fund	31,863	24,361
Richard and Mary Kathryn Ring Conservation Fund	51,000	41,000
Lower Chippewa River Basin Conservation Fund	101,927	50,193
Daniel F. Brown and G. Ronald Barnes Flambeau River State Forest Fund	16,475	16,475
West Dane Conservancy Fund	90,000	90,000
Nina Binkley Endowment Fund for Wisconsin State Parks and Natural Areas	10,000	10,000
Tomahawk Public Library Fund	99,977	35,385
Quincy Bluff Endowment Fund	179,235	179,040
John and Marlen Kaiser Conservation Fund	31,000	30,000
SanDretto Family Natural Areas Fund	39,200	39,200
Cherokee Marsh Conservation Fund	22,682	19,167
Helen G. Ritter State Natural Areas Fund	84,793	84,793
West Wisconsin Land Trust Love Lake and Sigurd Olson Memorial Forest Endowment Fund	505,443	505,443
Camp Rita Doris Fund	11,382	10,387
Upper Sugar River Watershed Fund	62,601	56,516
DNR Chiwaukee Prairie Endowment Fund	224,000	224,000
Louis' Bluff Endowment Fund	40,250	40,000
LaBarbera-Vaughn Outdoor Heritage Fund	41,503	41,503
The Wisconsin Bird Fund - A Legacy Fund of the Society of Tympanuchus Cupido Pinnatus, Ltd.	170,605	170,605
Natural Resources Fund	280,926	-
Field Trips Forever Fund	83,662	-
Oak Coulee Woods Fund	10,000	-
Steven W. Miller Legacy Fund	25,444	-
Cherish Wisconsin Outdoors - Legislated	252,110	168,770
Cherish Wisconsin Outdoors - Non-Legislated	13,473	10,703
Sanders Northwood Memorial Fund	31,472	31,472
Permanently restricted net assets	<u>\$ 4,813,075</u>	<u>\$ 4,063,073</u>

During 2016 and 2015, the donors released \$10,090 and \$0, respectively, of their permanently restricted contributions to be spent on projects.

NATURAL RESOURCES FOUNDATION OF WISCONSIN, INC.
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2016 and 2015

6. Fair Value Measurements

Fair Values of assets measured on a recurring basis at December 31, 2016 and 2015 are as follows:

	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)
Mutual Funds	\$ 8,592,733	\$ 8,592,733	\$ -
Treasury Notes	879,352	-	879,352
Marketable Certificates of Deposit	100,154	-	100,154
Bonds	317,032	-	317,032
2016 Total	<u>\$ 9,889,271</u>	<u>\$ 8,592,733</u>	<u>\$ 1,296,538</u>

	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)
Mutual Funds	\$ 7,173,931	\$ 7,173,931	\$ -
Treasury Notes	1,478,206	-	1,478,206
Common Stock	482,241	482,241	-
Marketable Certificates of Deposit	398,809	-	398,809
Bonds	-	-	-
2015 Total	<u>\$ 9,533,187</u>	<u>\$ 7,656,172</u>	<u>\$ 1,877,015</u>

Fair values for mutual funds are determined by reference to quoted market prices and other relevant information generated by market transactions. Fair values for treasury notes, marketable certificates of deposit, and bonds are determined based on recent prices of similar assets.

7. Retirement Plans

All employees who work 20 or more hours per week are eligible to participate in the Foundation's 403(b) plan. The Foundation's contributions are discretionary and may change from year to year. Retirement expense was \$12,750 and \$15,091 for 2016 and 2015, respectively.

NATURAL RESOURCES FOUNDATION OF WISCONSIN, INC.
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2016 and 2015

8. Lease Commitment

In August of 2013, the Foundation entered into a five year lease agreement for office space in Madison, Wisconsin. The lease is in effect from January 2015 through December 2018. Rent Expense was \$43,520 and \$41,907 for 2016 and 2015, respectively. Future minimum lease payments are as follows:

2017	\$	42,123
2018		43,387

9. Concentration of Credit Risk

The Foundation maintains its cash balance in one financial institution located in Madison, Wisconsin. The balances are insured by the Federal Deposit Insurance Corporation up to \$250,000. The Foundation also maintains balances at one brokerage. These balances are insured by the Securities Investor Protection Corporation (SIPC) up to \$500,000. Professional standards identify these items as a concentration of credit risk requiring disclosure, regardless of the degree of risk. The risk is managed by maintaining the deposits in high quality financial institutions. At December 31, 2016, the Foundation had uninsured cash balances of \$1,062,070 and uninsured investment balances of \$5,373,858.

10. Donated Services

The Foundation has the status of a friend of the Wisconsin Department of Natural Resources (DNR). This status allows the Foundation to utilize the DNR's certain resources without charge as long as the Foundation undertakes activities that assist the DNR in achieving its objectives. Donated services in 2016 and 2015 were utilized for the following program services and supporting activities:

	2016	2015
Program Services		
Education and outreach	\$ 24,805	\$ 16,750
Rare and endangered species	741	-
State natural areas	280	-
Sustainable support	242	-
Management and general	1,513	2,559
Fundraising	-	-
Donated Services	<u>\$ 27,581</u>	<u>\$ 19,309</u>

11. Endowments

The Foundation's endowment consists of 56 individual funds established for a variety of purposes and includes both donor-restricted endowment funds, 52 permanent and 3 acorn, and 1 fund designated by the board of directors to function as endowments. As required by generally accepted accounting principles, 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.

NATURAL RESOURCES FOUNDATION OF WISCONSIN, INC.
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2016 and 2015

11. Endowments (Continued)

Interpretation of Relevant Law

The state of Wisconsin enacted Uniform Prudent Management of Institutional Funds Act (“UPMIFA”) effective July 20, 2009, the provisions of which apply to endowment funds existing on or established after that date. The Foundation had determined that its permanently restricted net assets meet the definition of endowment funds under UPMIFA. The Foundation has interpreted Wisconsin’s enacted version of UPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. In accordance with Wisconsin’s enacted version of UPMIFA, the Foundation expects it will need to consider the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) general economic conditions, (2) the possible effect of inflation and deflation, (3) the expected tax consequences of investment decisions/strategies, (4) the role of each investment within the context of the overall portfolio, (5) the expected total return from income and appreciation, (6) other resources of NRF, (7) the need to make distributions and preserve capital, and (8) an asset’s special relationship/value to NRF’s charitable purpose.

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds fall below the level that the donor requires the Foundation to retain as a fund of perpetual duration. In accordance with generally accepted accounting principles, deficiencies of this nature that are reported in unrestricted net assets were \$5,823 and \$33,170 as of December 31, 2016 and 2015. These deficiencies resulted from the unfavorable market fluctuations after the endowments were established.

Investment Objective

The Foundation has adopted investment and spending policies for endowment assets that attempt to manage the majority of the portfolio passively. Passive management is an investment strategy involving limited ongoing buying and selling actions. The Foundation will purchase investments with the intention of long-term appreciation and limited maintenance.

Within a passive management strategy, the basic philosophy governing the investments of the Foundation will be prudent growth of principal with the understanding that the Portfolio’s values will fluctuate with the capital markets over shorter term time periods. Within this philosophical framework, this policy seeks to provide a competitive total return consistent with historical capital market conditions and subject to risk tolerances and liquidity requirements.

Spending Policy

The Foundation has a policy to withdraw approximately 5% of the Portfolio annually to fund the programs and support the Foundation’s operational needs. For purposes of this spending policy, the amount to be spent will be determined using a rolling average of the 12 most recent quarter end market values of the Portfolio. Annual growth in the dollar amount spent will be limited to the rate of inflation as determined by the Consumer Price Index (or the GDP deflator). The purpose of this limitation is to enable the corpus of the Portfolio to grow during times of market strength, thereby providing a buffer in times of market weakness. The goal is to smooth spending patterns over time, limiting disruption to the Foundation’s budget during unfavorable market cycles.

NATURAL RESOURCES FOUNDATION OF WISCONSIN, INC.
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2016 and 2015

11. Endowments (Continued)

Risk Tolerances and Control

The Foundation defines the risk as the expected standard deviation of return based on historical capital market data. The Foundation evaluates the risk in terms of the total portfolio, not each individual investment. To minimize risk, the Foundation diversifies the portfolio across asset classes, economic sectors, industry groups and individual securities as allowed by the target asset allocation of the portfolio.

Liquidity

The Foundation has established the target asset allocation and asset allocation rebalancing policies to assure funding for foreseeable liquidity events. It is anticipated that the Portfolio will distribute 3-5% of its annual allowed distributable amount. Withdrawals for liquidity needs may come from capital appreciation and income, and from assets upon approval of the trustees.

Endowment net asset composition by type of fund was as follows at December 31, 2016 and 2015:

	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	\$ 427,845	\$ 4,813,075	\$ 5,240,920
Board-designated endowment funds	-	-	-
Total 2016 funds	<u>\$ 427,845</u>	<u>\$ 4,813,075</u>	<u>\$ 5,240,920</u>
	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	\$ 246,425	\$ 4,063,073	\$ 4,309,498
Board-designated endowment funds	-	-	-
Total 2015 funds	<u>\$ 246,425</u>	<u>\$ 4,063,073</u>	<u>\$ 4,309,498</u>

NATURAL RESOURCES FOUNDATION OF WISCONSIN, INC.
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2016 and 2015

11. Endowments (Continued)

Changes in endowment net assets for the year ended December 31, 2016 and 2015 were as follows:

	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	\$ 246,425	\$ 4,063,073	\$ 4,309,498
Investment return			
Investment income	127,289	-	127,289
Net appreciation/depreciation (realized and unrealized)	248,359	-	248,359
Total investment return	375,648	-	375,648
Contributions	-	739,912	1,020,838
Appropriation of endowment assets for expenditure	(184,138)	-	(184,138)
Reclassifications	(10,090)	10,090	-
Endowment net assets end of 2016	<u>\$ 427,845</u>	<u>\$ 4,813,075</u>	<u>\$ 5,521,846</u>

	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	\$ 490,314	\$ 3,365,502	\$ 3,855,816
Investment return			
Investment income	86,533	-	86,533
Net appreciation (realized and unrealized)	(131,872)	-	(131,872)
Total investment return	(45,339)	-	(45,339)
Contributions	-	697,571	697,571
Appropriation of endowment assets for expenditure	(198,550)	-	(198,550)
Reclassifications	-	-	-
Endowment net assets end of 2015	<u>\$ 246,425</u>	<u>\$ 4,063,073</u>	<u>\$ 4,309,498</u>

NATURAL RESOURCES FOUNDATION OF WISCONSIN, INC.
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2016 and 2015

12. Net Asset Restatement

Net asset balance at 1/1/16 before restatement	\$ 4,777,004
Reclassify amount classified as grants payable to temporarily restricted net assets	<u>103,025</u>
Net asset balance at 1/1/16 restated	<u><u>\$ 4,880,029</u></u>