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*Caring for Our Corner of the Earth*



**Natural Resources  
FOUNDATION**

*of Wisconsin*

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

**For the Years Ended December 31, 2019 and 2018**

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

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**December 31, 2019 and 2018**

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## INDEPENDENT AUDITOR'S REPORT

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, 2019 and 2018 and the related statements of activities, functional expenses 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 audits 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, 2019 and 2018 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.

***Emphasis of Matter***

As discussed in Note 1 to the financial statements, effective January 1, 2019, Natural Resources Foundation of Wisconsin, Inc. adopted provisions of Accounting Standards Update (ASU) 2014-09 (Topic 606): *Revenue from Contracts with Customers* and ASU 2018-08, *Clarifying the Scope of the Accounting Guidance for Contributions Received and Contributions Made*. Our opinion is not modified with respect to these matters.

*Johnson Block & Company, Inc.*

Johnson Block & Company, Inc.  
July 13, 2020

**NATURAL RESOURCES FOUNDATION OF WISCONSIN, INC.**  
**Madison, Wisconsin**

**STATEMENTS OF FINANCIAL POSITION**  
**December 31, 2019 and 2018**

<u>ASSETS</u>		
<u>Current Assets</u>	2019	2018
Cash and cash equivalents	\$ 819,456	\$ 727,458
Accounts receivable	-	30,000
Unconditional promises to give	84,920	7,600
Prepaid expenses	23,429	24,430
Total Current Assets	927,805	789,488
 <u>Fixed Assets</u>		
Equipment	19,350	14,741
Less accumulated depreciation	(14,930)	(14,741)
Net Fixed Assets	4,420	-
 <u>Noncurrent Assets</u>		
Investments	9,787,461	7,729,838
Cash and investments held in escrow accounts	5,286,253	5,009,170
Total Noncurrent Assets	15,073,714	12,739,008
 TOTAL ASSETS	 \$ 16,005,939	 \$ 13,528,496
 <u>LIABILITIES AND NET ASSETS</u>		
 <u>Current Liabilities</u>		
Accounts payable	\$ 47,248	\$ 22,591
Accrued expenses	23,789	13,015
Grants payable - due in less than one year	-	13,837
Funds held for others as escrow accounts	5,286,253	5,009,170
Funds held for others as agency endowments	1,333,659	1,139,638
Total Current Liabilities	6,690,949	6,198,251
 <u>Net Assets</u>		
Net Assets without Donor Restrictions	429,028	404,148
Net Assets with Donor Restrictions	8,885,962	6,926,097
Total Net Assets	9,314,990	7,330,245
 TOTAL LIABILITIES AND NET ASSETS	 \$ 16,005,939	 \$ 13,528,496

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, 2019 and 2018**

	<u>2019</u>			<u>2018</u>		
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenues and Other Support						
Contributions	\$ 491,354	\$ 1,636,648	\$ 2,128,002	\$ 468,849	\$ 1,281,815	\$ 1,750,664
Donated Goods and Services	127,384	-	127,384	117,601	-	117,601
Fees for services	36,878	-	36,878	24,578	-	24,578
Field Trip Income	136,793	-	136,793	126,598	-	126,598
Other	1,625	-	1,625	35,720	-	35,720
Investment income (loss)	1,574	1,315,271	1,316,845	2,011	(406,095)	(404,084)
Net assets released from restrictions	992,054	(992,054)	-	623,574	(623,574)	-
Total Revenues and Other Support	<u>1,787,662</u>	<u>1,959,865</u>	<u>3,747,527</u>	<u>1,398,931</u>	<u>252,146</u>	<u>1,651,077</u>
Expenses						
Program services:						
Education and outreach	478,730	-	478,730	469,301	-	469,301
Rare and endangered species	537,136	-	537,136	133,916	-	133,916
State natural areas and public lands	238,493	-	238,493	306,902	-	306,902
Sustainable support and endowments	14,393	-	14,393	18,607	-	18,607
Management and general	316,750	-	316,750	256,982	-	256,982
Fundraising	177,280	-	177,280	156,243	-	156,243
Total Expenses	<u>1,762,782</u>	<u>-</u>	<u>1,762,782</u>	<u>1,341,951</u>	<u>-</u>	<u>1,341,951</u>
Increase (Decrease) in Net Assets before Transfers	<u>24,880</u>	<u>1,959,865</u>	<u>1,984,745</u>	<u>56,980</u>	<u>252,146</u>	<u>309,126</u>
Total Change in Net Assets	24,880	1,959,865	1,984,745	56,980	252,146	309,126
Net Assets - Beginning of Year	<u>404,148</u>	<u>6,926,097</u>	<u>7,330,245</u>	<u>347,168</u>	<u>6,673,951</u>	<u>7,021,119</u>
Net Assets - End of Year	<u>\$ 429,028</u>	<u>\$ 8,885,962</u>	<u>\$ 9,314,990</u>	<u>\$ 404,148</u>	<u>\$ 6,926,097</u>	<u>\$ 7,330,245</u>

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

**NATURAL RESOURCES FOUNDATION OF WISCONSIN, INC.**  
**Madison, Wisconsin**

**STATEMENTS OF FUNCTIONAL EXPENSES**  
**For the Years Ended December 31, 2019 and 2018**

	<b>2019</b>								
	Program Services					Supporting Activities			Total
	Education and Outreach	Wildlife	Lands & Waters	Sustainable Support and Endowments	Total Program Services	Management and General	Fundraising		
Personnel Costs	\$ 155,754	\$ 29,970	\$ 18,243	\$ 8,089	\$ 212,056	\$ 164,677	\$ 117,074	\$ 493,807	
Contract Services	116,477	15,527	2,489	1,255	135,748	101,344	21,144	258,236	
Program Costs	150,110	480,300	211,027	2,560	843,997	632	94	844,723	
Facility and Equipment	19,618	3,804	2,346	1,063	26,831	19,824	15,002	61,657	
Marketing and Promotion	666	101	645	63	1,475	888	6,000	8,363	
Office Expense	32,056	6,056	1,720	1,168	41,000	25,382	15,462	81,844	
Meeting and Travel	3,433	1,281	1,920	166	6,800	2,286	2,082	11,168	
Other Expenses	616	97	103	29	845	1,717	422	2,984	
	\$ 478,730	\$ 537,136	\$ 238,493	\$ 14,393	\$ 1,268,752	\$ 316,750	\$ 177,280	\$ 1,762,782	

	<b>2018</b>								
	Program Services					Supporting Activities			Total
	Education and Outreach	Wildlife	Lands & Waters	Sustainable Support and Endowments	Total Program Services	Management and General	Fundraising		
Personnel Costs	\$ 184,749	\$ 23,664	\$ 12,655	\$ 10,026	\$ 231,094	\$ 117,452	\$ 112,973	\$ 461,519	
Contract Services	103,611	9,250	1,143	791	114,795	96,224	10,423	221,442	
Program Costs	131,407	92,470	290,458	5,541	519,876	727	416	521,019	
Facility and Equipment	16,744	3,674	1,212	1,056	22,686	12,682	12,126	47,494	
Marketing and Promotion	947	106	89	132	1,274	1,446	5,983	8,703	
Office Expense	29,949	4,284	1,120	878	36,231	21,839	12,529	70,599	
Meeting and Travel	1,618	419	199	165	2,401	5,331	1,551	9,283	
Other Expenses	276	49	26	18	369	1,281	242	1,892	
	\$ 469,301	\$ 133,916	\$ 306,902	\$ 18,607	\$ 928,726	\$ 256,982	\$ 156,243	\$ 1,341,951	

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, 2019 and 2018**

	2019	2018
<u>Cash Flows from Operating Activities</u>		
Change in Net Assets	\$ 1,984,745	\$ 309,126
Adjustments to reconcile change in net assets to net cash (provided by) operating activities:		
Contributions restricted for permanent endowments	(859,993)	(754,595)
Donated investments	(513,792)	(314,886)
Unrealized and realized (gain) loss on investments	(1,137,730)	549,573
Changes in operating assets and liabilities:		
Accounts receivable	30,000	(30,000)
Unconditional promises to give	(77,320)	47,467
Prepaid expenses	1,001	2,771
Accounts payable	24,657	22,116
Accrued expenses	10,774	(2,015)
Grants payable	(13,837)	(17,497)
Funds held for others as agency endowments	194,021	(15,098)
Net cash provided (used) by operating activities	(357,285)	(203,038)
<u>Cash Flows from Investing Activities</u>		
Proceeds from sale of donated investments	513,792	314,886
Proceeds from sales of investments	143,715	16,043
Purchases of investments	(1,063,608)	(1,230,850)
Purchase of equipment	(4,609)	-
Net cash provided (used) by investing activities	(410,710)	(899,921)
<u>Cash Flows from Financing Activities</u>		
Proceeds from contributions restricted for investment in permanent endowment	859,993	754,595
Net cash provided (used) by financing activities	859,993	754,595
Net (decrease) increase in cash	91,998	(348,364)
Cash at beginning of year	727,458	1,075,822
Cash at end of year	\$ 819,456	\$ 727,458

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



**NATURAL RESOURCES FOUNDATION OF WISCONSIN, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**December 31, 2019 and 2018**

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**1. Summary of Significant Accounting Policies**

**A. Nature of Organization**

Natural Resources Foundation of Wisconsin, Inc. (“Foundation”) is mainly supported by contributions and its mission is to provide sustainable funding for Wisconsin’s most imperiled species and public lands, while connecting generations to the wonders of Wisconsin’s lands, water, and wildlife through conservation, education, engagement and giving. The Foundation is a leader and partner in advancing natural resource conservation efforts across the state, annually working with hundreds of conservation nonprofits, land trusts, schools, nature centers, and other local and statewide groups to support conservation and environmental education projects in Wisconsin. In its role as a funder, the Foundation works with its network of over 5,000 members across Wisconsin, small businesses, corporations, foundations, and agencies to secure private sector support for Wisconsin’s natural resources. Additionally, the Foundation works with donors to establish permanent endowment funds through its Wisconsin Conservation Endowment, which provides sustainable annual support for priority conservation and education needs in Wisconsin.

**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**

Net assets are classified based on the existence or absence of donor-imposed restrictions. Net assets are defined as follows:

Net assets without donor restrictions consist of investments and otherwise unrestricted amounts that are available for use in carrying out the mission of Natural Resources Foundation of Wisconsin, Inc. and include those expendable resources which have been designated for special use by Natural Resources Foundation of Wisconsin, Inc.’s Boards of Directors.

Net assets with donor restrictions consist of net assets that are subject to either donor-imposed time restrictions or donor-imposed purpose restrictions. These restrictions limit Natural Resources Foundation of Wisconsin, Inc.’s choices of when to use and how to use these resources.

**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, 2019 and 2018**

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**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 2016.

**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 accounts 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 promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give expected to be collected in future years are initially recorded at fair value using present value techniques incorporating risk-adjusted discount rates designed to reflect the assumptions market participants would use in pricing assets. In subsequent years, amortization of the discounts is included in contribution revenue in the statement of activities. As of December 31, 2019, and 2018 all amounts were expected to be collected within one year. Any allowance for doubtful accounts is determined based on historic experience, as assessment of economic conditions, and a review of subsequent collections. Promises to give are written off when deemed uncollectable. As of December 31, 2019, and 2018, there was no allowance for doubtful promises to give.

**I. Property and Equipment**

Property and equipment purchases that are greater than \$1,000 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 Statements of Financial Position. Realized and unrealized gains and losses are included in the change in net assets in the accompanying Statements of Activities.

**NATURAL RESOURCES FOUNDATION OF WISCONSIN, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**December 31, 2019 and 2018**

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**1. Summary of Significant Accounting Policies (Continued)**

**K. Grants Payable**

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

**L. Revenue and Revenue Recognition**

Revenue from fieldtrip registrations are recognized once participants have attended the trip.

Contributions are recognized when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met. As of December 31, 2019, and 2018, there were \$378,900 and no conditional promises to give outstanding, respectively.

Support that is restricted by the donor is reported as an increase in net assets without donor restrictions 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 net assets with donor restrictions. When a restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements 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. Fair Value Measurements**

In accordance with professional standards, the Foundation follows the accounting for fair value measurement, as it pertains to the Foundation's financial assets and liabilities. Professional standards define fair value as the price that would be received to sell an asset or paid to transfer a liability in any orderly transaction between market participants at the measurement date. Fair value should be based on assumptions that market participants would use, including a consideration of non-performance risk.

Management assesses the inputs used to measure fair value using a three-tier hierarchy based on the extent to which inputs used in measuring fair value are observable in the market.

Level 1 inputs are quoted market prices for identical instruments in an active market that the entity has the ability to access and are the most observable.

Level 2 inputs include quoted market prices for similar assets and observable inputs such as interest rates, currency exchange rates, commodity rates, and yield curves.

Level 3 inputs are not observable in the market and include management's judgments about the assumptions market participants would use in pricing the asset or liability.

**NATURAL RESOURCES FOUNDATION OF WISCONSIN, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**December 31, 2019 and 2018**

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**1. Summary of Significant Accounting Policies (Continued)**

**O. Functional Allocation of Expenses**

The costs of providing the various programs of the Foundation have been summarized on a functional basis in the statements of activities and the statements of functional expenses. 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 opportunities for people to connect, explore, and engage with Wisconsin's outdoors. Each year, the Natural Resources Foundation's popular Field Trip Program offers more than 200 trips for families to learn about Wisconsin's natural resources, annually engaging more than 5,000 people in unique field experiences across the state, while the Foundation's Wayfarers initiative connects 20- and 30-somethings to Wisconsin's outdoors, building the next generation of conservationists. The Foundation supports education programs including the Wisconsin Citizen-based Monitoring Network, the Wisconsin Master Naturalist Program, Snapshot Wisconsin, and provides opportunities for dozens of schools each year to get their students outside and hands-on with environmental education activities through the Go Outside Program. Additionally, the Natural Resources Foundation is a program partner of FIELD Edventures, which is building environmental education holistically into K-12 schools. The Foundation recently took over a statewide capacity building role for environmental education in Wisconsin, establishing a council of experts and working to provide resources for schools, nature centers, and other providers to get children, families, and communities outside, while supporting statewide environmental education initiatives and strategies.

*Wildlife* – The Foundation supports the recovery efforts for dozens of imperiled wildlife species each year, focusing on those listed as endangered, threatened, or at risk on the Wisconsin Department of Natural Resources list of Species of Greatest Conservation Need. Through the signature Great Wisconsin Birdathon campaign, the largest fundraiser for bird conservation in the state, the Foundation works with individuals and organizations to raise funds for the highest priority conservation needs for Wisconsin's birds and their habitat. The Foundation supports citizen science projects that connect people to Wisconsin's natural heritage and provide important data to guide conservation efforts for rare wildlife species. The Natural Resources Foundation is a founder of the Wisconsin Monarch Collaborative, a statewide consortium to support monarch and pollinator conservation efforts, and established the Wisconsin Amphibian and Reptile Conservation Fund to provide permanent support for Wisconsin's rarest frog, turtle, snake, and salamander species.

*Lands and Waters* – The Foundation provides critical support for Wisconsin's most biodiverse landscapes, and is the only statewide nonprofit focused on State Natural Areas - designated sites that protect outstanding examples of Wisconsin's native landscapes and natural communities and provide habitat for the majority of Wisconsin's imperiled wildlife species. Thanks to this effort, land restoration and management takes place at dozens of public properties and thousands of acres across Wisconsin each year, which would not otherwise happen. The Foundation also directs the Cherish Wisconsin Outdoors Fund, a public-private partnership that provides permanent funding for habitat management at state parks, natural areas, wildlife and fisheries areas, and recreation areas.

**NATURAL RESOURCES FOUNDATION OF WISCONSIN, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**December 31, 2019 and 2018**

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**1. Summary of Significant Accounting Policies (Continued)**

**O. Functional Allocation of Expenses (Continued)**

*Sustainable Support and Endowments* – The Foundation 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 90 individual endowment, agency, 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.

**P. Subsequent Events**

Management has evaluated events through July 13, 2020, the date which the financial statements were available to be issued.

**Q. Reclassifications**

Certain prior year amounts have been reclassified to conform to the current year presentation.

**R. Change in Accounting Principle**

Financial Accounting Standards Board (“FASB”) Accounting Standards Codification Topic 606, *Revenue from Contracts with Customers*, as amended, supersedes or replaces nearly all GAAP revenue recognition guidance. These standards establish a new contract and control-based revenue recognition model, change the basis for deciding when revenue is recognized over time or at a point in time, and expand disclosure about revenue. The Foundation has implemented Topic 606 and have adjusted the presentation of these financial statements accordingly. The amendments have been applied retrospectively to all periods presented, with no effect on net assets.

In June 2018, FASB issued ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This standard assist entities in evaluating whether transactions should be accounted for as contributions or exchange transactions and determining whether a contribution is conditional. The Organization implemented the provisions of ASU 2018-08 applicable to both contributions received and to contributions made in the accompanying financial statements under a modified prospective basis. Accordingly, there is no effect on net assets in connection with the implementation of ASU 2018-08.

**NATURAL RESOURCES FOUNDATION OF WISCONSIN, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**December 31, 2019 and 2018**

**2. 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. 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, 2019 and 2018, the Foundation had uninsured cash balances of \$790,529 and \$743,330, respectively.

The Foundation also maintains balances at one brokerage. These balances are insured by the Securities Investor Protection Corporation (SIPC) up to \$500,000. At December 31, 2019 and 2018, the Foundation had uninsured investment balances of \$14,272,077 and \$11,940,578, respectively.

**3. Equipment**

Equipment consisted of the following at December 31, 2019 and 2018:

	2019	2018
Equipment	\$ 19,350	\$ 14,741
Less: Accumulated Depreciation	14,930	14,741
Equipment - Net	\$ 4,420	\$ -

Depreciation expense was \$189 and \$0 for 2019 and 2018, respectively.

**4. Investments**

Investments consisted of the following at December 31, 2019 and 2018:

	2019	2018
Cash and money market	\$ 179,469	\$ 106,303
Mutual Funds	9,607,992	7,623,535
Total Investments	\$ 9,787,461	\$ 7,729,838

Investment return consisted of the following for 2019 and 2018:

	2019	2018
Dividends and Interest	\$ 229,553	\$ 189,286
Realized and Unrealized Gain (Loss)	1,325,046	(641,750)
Investment return allocated to/from agency endowments	(218,861)	64,990
Investment management fees	(18,893)	(16,610)
Total Investment Return	\$ 1,316,845	\$ (404,084)

**NATURAL RESOURCES FOUNDATION OF WISCONSIN, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**December 31, 2019 and 2018**

**5. Funds Held for Others**

Funds held for others in escrow accounts consisted of the following at December 31, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Chippewa River Fish Protection Fund Escrow	\$ 4,461,777	\$ 4,703,292
Chippewa River Natural Resources Fund Escrow	582,118	38,839
Prairie du Sac Habitat Enhancement, Mitigation, Research, Study and Fish Passage Escrow	181,696	210,710
Grandmother Falls Fish Passage and/or Protection Escrow	<u>60,662</u>	<u>56,329</u>
Total Funds Held for Others as Escrow Accounts	<u>\$ 5,286,253</u>	<u>\$ 5,009,170</u>

Escrow account funds consisted of the following investments at December 31, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Cash and money market	\$ 421,183	\$ 550,106
Mutual Funds	542,492	1,857,126
Treasury Notes	2,238,931	1,275,514
Marketable certificates of deposit	-	99,505
Bonds	<u>2,083,647</u>	<u>1,226,919</u>
Cash and investments held in escrow accounts	<u>\$ 5,286,253</u>	<u>\$ 5,009,170</u>

**6. Net Assets without Donor Restrictions**

The Foundation's board of directors has chosen to place the following limitations on net assets without donor restrictions as of December 31, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Board designated net assets:		
Bluffs to Great Lake Shores (Endowment Fund)	\$ 150,001	\$ 150,001
Capacity Grant Appeal	-	1,250
Board designated reserve Fund	139,448	157,653
Other Endowment funds	-	1,690
Undesignated	<u>139,579</u>	<u>93,554</u>
Net assets without donor restrictions	<u>\$ 429,028</u>	<u>\$ 404,148</u>

**NATURAL RESOURCES FOUNDATION OF WISCONSIN, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**December 31, 2019 and 2018**

**7. Net Assets with Donor Restrictions**

Net assets with donor restrictions consisted of the following at December 31, 2019 and 2018:

Amount subject to time or purpose restrictions:	2019	2018
Accumulated earnings on donor-restricted endowment funds	\$ 1,130,231	\$ 103,245
NRF Programs	426,157	370,120
Subtotal	<u>1,556,387</u>	<u>473,365</u>
Amounts that must be maintained in perpetuity:		
Endowment funds	7,329,575	6,452,732
Net assets with donor restrictions	<u>\$ 8,885,962</u>	<u>\$ 6,926,097</u>

**8. Fair Value Measurements**

Fair Values of assets measured on a recurring basis at December 31, 2019 and 2018 are as follows:

	Fair Value	Level 1	Level 2	Level 3
Mutual Funds	\$ 10,150,484	\$ 10,150,484	\$ -	\$ -
Treasury Notes	2,238,931	-	2,238,931	-
Marketable Certificates of Deposit	-	-	-	-
Bonds	2,083,647	-	2,083,647	-
2019 Total	<u>\$ 14,473,062</u>	<u>\$ 10,150,484</u>	<u>\$ 4,322,578</u>	<u>\$ -</u>
Mutual Funds	\$ 9,480,662	\$ 9,480,662	\$ -	\$ -
Treasury Notes	1,275,514	-	1,275,514	-
Marketable Certificates of Deposit	99,505	-	99,505	-
Bonds	1,226,919	-	1,226,919	-
2018 Total	<u>\$ 12,082,600</u>	<u>\$ 9,480,662</u>	<u>\$ 2,601,938</u>	<u>\$ -</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.



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**9. 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 \$15,605 and \$14,733 for 2019 and 2018, respectively.

**10. Lease Commitment**

In 2018, the Foundation entered into a new ten-year lease agreement for office space in Madison. Rent expense was \$58,609 and \$47,493 for 2019 and 2018, respectively. The lease is in effect from June 2019 through May 2029. Future minimum lease payments are as follows:

2020	\$ 66,966
2021	68,636
2022	70,351
2023	72,112
2024	73,916
2025-2029	<u>348,947</u>
Total	<u><u>\$ 700,928</u></u>

**11. 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 certain resources from the DNR without charge as long as the Foundation undertakes activities that assist the DNR in achieving its objectives. Fieldtrip leaders are typically experts in the field related to each trip and lead the trips at no cost to the Foundation. Donated services in 2019 and 2018 were utilized for the following program services and supporting activities:

	2019	2018
Program Services		
Education and outreach	\$ 81,111	\$ 76,768
Wildlife	764	437
Lands & Waters	172	437
Sustainable support	(72)	229
Management and general	4,712	4,987
Fundraising	<u>3,132</u>	<u>2,792</u>
Donated Services	<u><u>\$ 89,819</u></u>	<u><u>\$ 85,650</u></u>

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**12. Endowments**

The Foundation's endowment consists of 69 individual funds established for a variety of purposes and includes both donor-restricted endowment funds and board designated endowment funds. 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.

*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 donor-restricted endowment funds 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 the Foundation, (7) the need to make distributions and preserve capital, and (8) an asset's special relationship/value to the Foundation's charitable purpose.

*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 4.5% 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 20 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.

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**12. 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 a December 31, 2019 and 2018:

	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds	\$ -	\$ 8,459,806	\$ 8,459,806
Board-designated endowment funds	150,001	-	150,001
Total 2019 funds	<u>\$ 150,001</u>	<u>\$ 8,459,806</u>	<u>\$ 8,609,807</u>
	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds	\$ -	\$ 6,555,977	\$ 6,555,977
Board-designated endowment funds	151,691	-	151,691
Total 2018 funds	<u>\$ 151,691</u>	<u>\$ 6,555,977</u>	<u>\$ 6,707,668</u>

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**12. Endowments (Continued)**

Changes in endowment net assets for the year ended December 31, 2019 and 2018 were as follows:

2019	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ 151,691	\$ 6,555,977	\$ 6,707,668
Investment return			
Investment income(loss)	-	197,507	197,507
Net appreciation/depreciation (realized and unrealized)	-	1,136,703	1,136,703
Total investment return	-	1,334,211	1,334,211
Contributions	-	1,287,512	1,287,512
Appropriation of endowment assets for expenditure	(1,690)	(717,894)	(719,584)
Reclassifications	-	-	-
Endowment net assets end of 2019	<u>\$ 150,001</u>	<u>\$ 8,459,806</u>	<u>\$ 8,609,807</u>
2018	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ 160,583	\$ 6,476,982	\$ 6,637,565
Investment return:			
Investment income	-	143,966	143,966
Net appreciation (realized and unrealized)	-	(550,061)	(550,061)
Total investment return	-	(406,095)	(406,095)
Contributions	500	754,595	755,095
Appropriation of endowment assets for expenditure	-	(278,897)	(278,897)
Reclassifications	(9,392)	9,392	-
Endowment net assets end of 2018	<u>\$ 151,691</u>	<u>\$ 6,555,977</u>	<u>\$ 6,707,668</u>

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**13. Liquidity and Availability of Financial Assets**

The Foundation monitors its liquidity so that it is able to meet its operating needs. The following table reflects the Foundation's financial assets as of December 31, 2019 and 2018, reduced by amounts not available for general expenditure within one year. Financial assets are not considered available when the assets are not liquid or not convertible into cash within one year, assets held for others, perpetual endowments and accumulated earnings net of appropriations within one year, or because the board of directors has designated funds for specific reserves or long-term investments such as board-designated quasi-endowments. The board restricted amounts could be used within one year if approved by the Board of Directors.

	2019	2018
Combined financial assets:		
Cash and cash equivalents	\$ 819,456	\$ 727,458
Accounts receivable, net	-	30,000
Unconditional promises to give	84,920	7,600
Investments	15,073,715	12,739,008
Total financial assets	15,978,091	13,504,066
Less those unavailable for general expenditure within one year due to:		
Endowments and accumulated earnings subject to appropriation beyond one year	(8,459,806)	(6,555,977)
Funds held for others as escrow accounts	(5,286,253)	(5,009,170)
Funds held for others as agency endowments	(1,333,659)	(1,139,638)
Other donor restrictions	(426,158)	(370,120)
Board designations	(289,450)	(310,594)
Financial assets available to meet cash needs for expenditures within one year	\$ 182,765	\$ 118,567

**14. Subsequent Events**

Subsequent to year-end, the United States and global markets experienced significant declines in value resulting from uncertainty caused by the world-wide coronavirus pandemic. The Foundation is closely monitoring its investment portfolio and its liquidity and is actively working to minimize the impact of these declines. The financial statements do not include adjustments to fair value that have resulted from these declines. The Foundation has also secured a loan from the Small Business Administration through the Paycheck Protection Program for payroll and other operating costs.

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**15. Effect of New Accounting Standards on Current-Period Financial Statements**

The Financial Accounting Standards Board (FASB) has approved the following:

- ASU No. 2016-02 (Topic 842): Leases. For most entities, the amendments in this Update are effective for fiscal years beginning after December 15, 2020.

When they become effective, application of these standards may restate portions of these financial statements.