

**GATHERING WATERS, INC.**  
FINANCIAL STATEMENTS  
WITH SUPPLEMENTARY INFORMATION

December 31, 2017

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Gathering Waters, Inc.  
Madison, Wisconsin

We have audited the accompanying financial statements of Gathering Waters, Inc., which comprise the statement of financial position as of December 31, 2017, and the related statements of activities and cash flows for the 18 months 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 Gathering Waters, Inc. as of December 31, 2017, and the changes in its net assets and its cash flows for the 18 months then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Supplementary Information***

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The statement of financial position – partial period and the statements of activities – partial period are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other

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records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole

*Wegner CPAs LLP*

Wegner CPAs, LLP  
Madison, Wisconsin  
March 21, 2018

**GATHERING WATERS, INC.**  
STATEMENT OF FINANCIAL POSITION  
December 31, 2017

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**ASSETS**

CURRENT ASSETS

Cash	\$ 406,011
Certificates of deposit	101,618
Unconditional promises to give	800
Prepaid expenses	9,234
	<hr/>

Total current assets 517,663

FURNITURE AND EQUIPMENT

Furniture and equipment	18,163
Less accumulated depreciation	(12,041)
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Furniture and equipment - net 6,122

Investments 

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183,583

**Total assets** 

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**\$ 707,368**

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**LIABILITIES AND NET ASSETS**

CURRENT LIABILITIES

Accounts payable	\$ 3,424
Payroll liabilities	636
Accrued vacation	11,091
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Total liabilities 15,151

NET ASSETS

Undesignated	578,567
Designated for easement enforcement and monitoring	20,000
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Total unrestricted 598,567

Temporarily restricted 82,900

Permanently restricted 

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10,750

Total net assets 

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692,217

**Total liabilities and net assets** 

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**\$ 707,368**

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See accompanying notes.

**GATHERING WATERS, INC.**  
**STATEMENT OF ACTIVITIES**  
18 months ended December 31, 2017

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>REVENUE AND SUPPORT</b>				
Contributions	\$ 385,631	\$ -	\$ -	\$ 385,631
Grants	306,000	80,100	-	386,100
Special events	8,233	-	-	8,233
Conference	21,619	-	-	21,619
Investment return	27,075	-	-	27,075
Net assets released from restrictions	216,100	(216,100)	-	-
<b>Total revenue and support</b>	<b>964,658</b>	<b>(136,000)</b>	<b>-</b>	<b>828,658</b>
<b>EXPENSES</b>				
Program services				
Technical training and assistance	187,043	-	-	187,043
Education and outreach	199,496	-	-	199,496
Policy and government relations	162,516	-	-	162,516
Program development	26,622	-	-	26,622
<b>Total program services</b>	<b>575,677</b>	<b>-</b>	<b>-</b>	<b>575,677</b>
Supporting activities				
Management and general	48,303	-	-	48,303
Fundraising	132,006	-	-	132,006
<b>Total supporting activities</b>	<b>180,309</b>	<b>-</b>	<b>-</b>	<b>180,309</b>
<b>Total expenses</b>	<b>755,986</b>	<b>-</b>	<b>-</b>	<b>755,986</b>
<b>Change in net assets</b>	<b>208,672</b>	<b>(136,000)</b>	<b>-</b>	<b>72,672</b>
Net assets - beginning of period	389,895	218,900	10,750	619,545
<b>Net assets - end of period</b>	<b>\$ 598,567</b>	<b>\$ 82,900</b>	<b>\$ 10,750</b>	<b>\$ 692,217</b>

See accompanying notes.

**GATHERING WATERS, INC.**  
**STATEMENTS OF CASH FLOWS**  
18 months ended December 31, 2017

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**CASH FLOWS FROM OPERATING ACTIVITIES**

Change in net assets	\$ 72,672
Adjustments to reconcile change in net assets to net cash flows from operating activities	
Depreciation	505
Unrealized and realized gain on investments	(20,496)
Discount on unconditional promises to give	(200)
Allowance for uncollectible unconditional promises to give	(200)
Decrease in assets	
Unconditional promises to give	142,000
Prepaid expenses	676
Decrease in liabilities	
Accounts payable	(409)
Payroll liabilities	(3,151)
Accrued vacation	(1,855)

**Net cash flows from operating activities** 189,542

**CASH FLOWS FROM INVESTING ACTIVITIES**

Dividends retained in investments	(5,080)
Purchase of investments	(50,000)
Purchase of and interest retained in certificates of deposit	(21,028)
Purchase of furniture and equipment	(6,123)

**Net cash flows from investing activities** (82,231)

**Net change in cash** 107,311

Cash - beginning of year 298,700

**Cash - end of year** \$ 406,011

**GATHERING WATERS, INC.**  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2017

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Gathering Waters, Inc. (Organization) seeks to preserve, maintain, and enhance the ecological integrity of Wisconsin's lands and waters, and to protect lands with conservation and open space values for the benefit of the public, including lands designated under the state's Knowles-Nelson Stewardship Fund program. As a statewide coalition and service center for Wisconsin's private, non-profit land trusts (which currently number more than 50), the Organization's goals are to increase the professionalism and build the capacity of the state's private, non-profit conservation organizations, educate the general public and private landowners on the tools available to preserve private lands, and promote public policies that support private land conservation efforts. The Organization is primarily supported by grants and contributions from foundations and the general public. The following summary of significant accounting policies is presented to enhance the usefulness of the financial statements.

In 2016, the Organization changed its fiscal year end date from June 30 to December 31. The financial statements presented cover the 18 months from July 1, 2016 through December 31, 2017.

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Basis of Presentation**

The Organization is required 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.

*Permanently restricted net assets*—Net assets that have been restricted by donors to be maintained by the Organization in perpetuity.

**Unconditional Promises to Give**

Unconditional promises to give are recognized as revenue or gains in the period received and as assets, decreases of 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. Uncollectible promises are written off after management has used reasonable collection efforts and determine the promises will not be collected. Unconditional promises to give at December 31, 2017 totaling \$800 are receivable in less than one year.

**Furniture and Equipment**

Purchases of furniture and equipment in excess of \$1,500 are capitalized at cost and depreciated using the straight-line method over the estimated useful lives of the assets. Depreciation expense for the 18 months ended December 31, 2017 was \$505.

**GATHERING WATERS, INC.**  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2017

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NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

**Investments**

Investments in marketable equity securities with readily determinable fair value are stated at their fair value in the statement of financial position. Realized and unrealized gains and losses are included in the change in unrestricted net assets in the accompanying statement of activities.

**Contributions**

Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets, depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions.

**Expense Allocation**

The costs of the Organization's programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the program services and supporting activities benefited. The following describes those activities:

*Program Services*

The Organization seeks to preserve, maintain, and enhance the ecological integrity of Wisconsin's lands and waters through technical training and assistance, education and outreach, policy and government relations, renewal of the Knowles-Nelson Stewardship Fund, and new program development.

Technical training and assistance programs include building the capacity of more than 50 established land trust organizations in Wisconsin through conferences, workshops, one-on-one mentoring, and professional assistance.

Education and outreach activities include educating the general public, professionals, and private landowners about the importance of land conservation and the voluntary tools available to permanently set aside private lands for conservation.

Policy and government relations programs educate decision makers at all levels of government and promote state and federal policies that support and encourage the work of land trusts and the conservation of private land. Another mission of the program is to coordinate the activities of state, federal, and local agencies on conservation programs.

Program development activities involve planning for the future of land and water conservation in Wisconsin, through consultation with land trusts and other conservation leaders and strategic planning activities.

**GATHERING WATERS, INC.**  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2017

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NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

*Supporting Activities*

Supporting activities consist of general and administrative functions and fundraising. Fundraising expenses include salaries, benefits, travel, and administrative costs associated with proposal writing, direct appeal efforts, and communication with prospective funding sources.

**Income Tax Status**

The Organization is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code.

**Estimates**

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenue and expenses. Actual results could differ from those estimates.

**Date of Management's Review**

Management has evaluated subsequent events through March 21, 2018, the date which the financial statements were available to be issued.

NOTE 2 – CONCENTRATION OF CREDIT RISK

At December 31, 2017, the Organization had uninsured cash balances of approximately \$18,000 that was above the \$250,000 insured by the Federal Deposit Insurance Corporation.

NOTE 3 – INVESTMENTS

Investments at December 31, 2017 consisted of mutual funds for the following purposes:

Unrestricted	\$ 172,833
Restricted for endowment	<u>10,750</u>
Investments	<u><u>\$ 183,583</u></u>

Investment return for the 18 months ended December 31, 2017 is as follows:

Interest and dividends	\$ 6,579
Unrealized and realized gain	<u>20,496</u>
Investment return	<u><u>\$ 27,075</u></u>

**GATHERING WATERS, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2017

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**NOTE 4 – NET ASSETS**

Temporarily restricted net assets at December 31, 2017 are available for the following purposes or periods:

Purpose restrictions	
Advocacy and policy	\$ 46,000
Greater Milwaukee Stewardship Cluster	2,500
Education and outreach	3,000
Technical assistance	15,000
Time restrictions	
Subsequent years' activities	<u>16,400</u>
Temporarily restricted net assets	<u><u>\$ 82,900</u></u>

Permanently restricted net assets at December 31, 2017 consist of the endowment fund assets to be held indefinitely. The income from the assets can be used to support the Organization's programs.

**NOTE 5 – FAIR VALUE MEASUREMENTS**

Fair values of assets measured on a recurring basis at December 31, 2017 are as follows:

	Fair Value	Quoted Price in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Mutual funds	<u>\$ 108,007</u>	<u>\$ 108,007</u>	<u>\$ -</u>	<u>\$ -</u>

Fair values for mutual funds are determined by reference to quoted market prices and other relevant information generated by market transactions.

**NOTE 6 – ENDOWMENT**

The Organization's endowment consists of several donations held in mutual funds to be used to fund internships. Its endowment includes donor - restricted endowment funds and investment return earned by those funds. Net assets associated with endowment funds, including the investment return, are classified and reported based on the existence or absence of donor-imposed restrictions.

The state of Wisconsin enacted UPMIFA effective July 20, 2009, the provisions of which apply to endowment funds existing on or established after that date. The Organization has determined that its permanently restricted net assets meet the definition of endowment funds under UPMIFA. The Organization 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

**GATHERING WATERS, INC.**  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2017

NOTE 6 – ENDOWMENT (continued)

explicit donor stipulations to the contrary. However, the Organization has notified its' donors that they reserve the right to make a distribution from their funds even if the value of the fund drops below the amount of the initial gift. In accordance with Wisconsin's enacted version of UPMIFA, the Organization expects it will need to consider the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the various funds, (2) the purposes of the donor-restricted endowment funds, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of the Organization, and (7) the Organization's investment policies.

The Organization 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 original investment of the endowment. Endowment assets include those assets of donor-restricted funds that the Organization must hold in perpetuity. Under this policy, as approved by the board of directors, the endowment assets are invested in a manner that is intended to produce returns to fund the sustainability of the Organization's work while assuming a moderate level of investment risk.

Endowment net asset composition by type of fund as of December 31, 2017:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,750</u>	<u>\$ 10,750</u>

Changes in endowment net assets are as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets - beginning of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,750</u>	<u>\$ 10,750</u>
Endowment net assets - end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,750</u>	<u>\$ 10,750</u>

NOTE 7 – OPERATING LEASES

The Organization has an operating lease for office space that expires on October 31, 2019 and requires monthly payments of \$2,480 that increase 3% each November. The Organization has an operating lease for office equipment that expires October 31, 2018 and requires quarterly payments of \$917.

Future minimum rental payments are \$35,431 and \$27,910 for 2018 and 2019.

Lease expense for the 18 months ended December 31, 2017 was \$52,707.

**GATHERING WATERS, INC.**  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2017

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**NOTE 8 – COMMUNITY TRUST FUND**

In 2006, the Bolz Family Endowment Fund for Gathering Waters Conservancy (Fund) was established at Madison Community Foundation (Foundation) as a component fund of the Foundation. The Foundation, as a community trust, serves the mutual interests of Dane County and those individuals and organizations who wish to enhance the quality of life in the community through charitable giving. Component funds of the Foundation are established by donors for the benefit of the community, and, when these funds are established, donors may indicate what organizations or causes should benefit from distributions from the fund. However, donors also grant the Foundation variance power that allows the Foundation to modify the donors' stipulations under certain circumstances as the Foundation monitors the changing needs of the community. Therefore, the Fund is not included in the Organization's financial statements.

The amount available for annual distributions represents 4.75% of a rolling twelve-quarter average. All other interest and appreciation is added to the Fund. Principal may not be drawn from the Fund except with approval of the Foundation's board of governors. The Organization for the 18 months ended December 31, 2017 received \$1,982 from the Fund. The fair value of the Fund at December 31, 2017 was \$49,720.

**NOTE 9 – RETIREMENT PLAN**

The Organization has a tax-deferred annuity plan under Section 403(b) of the Internal Revenue Code for employees who meet eligibility requirements. The Organization's annual contribution to the plan is equal to 3% of the eligible employees' compensation and a match of the employee's contributions up to 3% of the employee's salary. Retirement plan contributions for the 18 months ended December 31, 2017 was \$20,801.

**GATHERING WATERS, INC.**  
STATEMENT OF FINANCIAL POSITION - PARTIAL PERIOD  
December 31, 2016

<b>ASSETS</b>	
CURRENT ASSETS	
Cash	\$ 321,359
Certificates of deposit	80,875
Unconditional promises to give	68,300
Prepaid expenses	<u>11,404</u>
Total current assets	481,938
FURNITURE AND EQUIPMENT	
Furniture and equipment	17,384
Less accumulated depreciation	<u>(12,012)</u>
Furniture and equipment - net	5,372
Investments	<u>211,993</u>
<b>Total assets</b>	<b><u><u>\$ 699,303</u></u></b>
<b>LIABILITIES AND NET ASSETS</b>	
CURRENT LIABILITIES	
Accounts payable	\$ 7,461
Payroll liabilities	849
Accrued vacation	<u>10,971</u>
Total liabilities	19,281
NET ASSETS	
Undesignated	471,472
Designated for easement enforcement and monitoring	<u>20,000</u>
Total unrestricted	491,472
Temporarily restricted	177,800
Permanently restricted	<u>10,750</u>
Total net assets	<u>680,022</u>
<b>Total liabilities and net assets</b>	<b><u><u>\$ 699,303</u></u></b>

**GATHERING WATERS, INC.**  
**STATEMENT OF ACTIVITIES - PARTIAL PERIOD**  
Year ended December 31, 2017

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>REVENUE AND SUPPORT</b>				
Contributions	\$ 274,693	\$ -	\$ -	\$ 274,693
Grants	174,400	74,300	-	248,700
Special events	8,233	-	-	8,233
Conference	9,569	-	-	9,569
Investment return	22,802	-	-	22,802
Net assets released from restrictions	169,200	(169,200)	-	-
<b>Total revenue and support</b>	<b>658,897</b>	<b>(94,900)</b>	<b>-</b>	<b>563,997</b>
<b>EXPENSES</b>				
Program services				
Technical training and assistance	137,427	-	-	137,427
Education and outreach	145,232	-	-	145,232
Policy and government relations	132,420	-	-	132,420
Program development	19,720	-	-	19,720
<b>Total program services</b>	<b>434,799</b>	<b>-</b>	<b>-</b>	<b>434,799</b>
Supporting activities				
Management and general	27,879	-	-	27,879
Fundraising	89,124	-	-	89,124
<b>Total supporting activities</b>	<b>117,003</b>	<b>-</b>	<b>-</b>	<b>117,003</b>
<b>Total expenses</b>	<b>551,802</b>	<b>-</b>	<b>-</b>	<b>551,802</b>
<b>Change in net assets</b>	<b>107,095</b>	<b>(94,900)</b>	<b>-</b>	<b>12,195</b>
Net assets - beginning of period	491,472	177,800	10,750	680,022
<b>Net assets - end of period</b>	<b>\$ 598,567</b>	<b>\$ 82,900</b>	<b>\$ 10,750</b>	<b>\$ 692,217</b>

**GATHERING WATERS, INC.**  
**STATEMENT OF ACTIVITIES - PARTIAL PERIOD**  
Six months ended December 31, 2016

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>REVENUE AND SUPPORT</b>				
Contributions	\$ 110,938	\$ -	\$ -	\$ 110,938
Grants	60,900	76,500	-	137,400
Conference	12,050	-	-	12,050
Investment return	4,273	-	-	4,273
Net assets released from restrictions	117,600	(117,600)	-	-
<b>Total revenue and support</b>	<b>305,761</b>	<b>(41,100)</b>	<b>-</b>	<b>264,661</b>
<b>EXPENSES</b>				
Program services				
Technical training and assistance	49,616	-	-	49,616
Education and outreach	54,264	-	-	54,264
Policy and government relations	30,096	-	-	30,096
Program development	6,902	-	-	6,902
<b>Total program services</b>	<b>140,878</b>	<b>-</b>	<b>-</b>	<b>140,878</b>
Supporting activities				
Management and general	20,424	-	-	20,424
Fundraising	42,882	-	-	42,882
<b>Total supporting activities</b>	<b>63,306</b>	<b>-</b>	<b>-</b>	<b>63,306</b>
<b>Total expenses</b>	<b>204,184</b>	<b>-</b>	<b>-</b>	<b>204,184</b>
<b>Change in net assets</b>	<b>101,577</b>	<b>(41,100)</b>	<b>-</b>	<b>60,477</b>
Net assets - beginning of period	389,895	218,900	10,750	619,545
<b>Net assets - end of period</b>	<b>\$ 491,472</b>	<b>\$ 177,800</b>	<b>\$ 10,750</b>	<b>\$ 680,022</b>