



Natural Resources
FOUNDATION
of Wisconsin

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

For the Years Ended December 31, 2023 and 2022

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

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INDEPENDENT AUDITOR'S REPORT

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

Opinion

We have audited the financial statements of Natural Resources Foundation of Wisconsin, Inc. (a non-profit organization), which comprise the statements of financial position as of December 31, 2023 and 2022, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Natural Resources Foundation of Wisconsin, Inc. as of December 31, 2023 and 2022, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Natural Resources Foundation of Wisconsin, Inc. and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Natural Resources Foundation of Wisconsin, Inc.'s ability to continue as a going concern for one year after the date that the financial statements are available to be issued.



Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Natural Resources Foundation of Wisconsin, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Natural Resources Foundation of Wisconsin, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Johnson Block & Company, Inc.

Johnson Block & Company, Inc.
June 4, 2024

NATURAL RESOURCES FOUNDATION OF WISCONSIN, INC.
Madison, Wisconsin

STATEMENTS OF FINANCIAL POSITION
December 31, 2023 and 2022

	<u>ASSETS</u>	
<u>Current Assets</u>	2023	2022
Cash and cash equivalents	\$ 1,618,517	\$ 1,257,507
Unconditional promises to give, due in less than one year	143,830	343,945
Prepaid expenses	21,195	18,994
Total Current Assets	1,783,542	1,620,446
<u>Fixed Assets</u>		
Equipment	4,609	19,350
Less accumulated depreciation	(1,697)	(16,061)
Net Fixed Assets	2,912	3,289
<u>Other Assets</u>		
Right-of-use asset	399,731	469,988
Total Other Assets	399,731	469,988
<u>Noncurrent Assets</u>		
Unconditional promises to give, due in more than one year	50,000	-
Investments	14,972,649	12,310,609
Cash and investments held in escrow accounts	4,266,292	3,998,910
Total Noncurrent Assets	19,288,941	16,309,519
TOTAL ASSETS	\$ 21,475,126	\$ 18,403,242
<u>LIABILITIES AND NET ASSETS</u>		
<u>Current Liabilities</u>		
Accounts payable	\$ 18,980	\$ 136,389
Accrued expenses	36,487	31,530
Lease liability, due within one year	74,127	65,365
Deferred revenue	148,934	206,783
Funds held for others as escrow accounts	4,266,292	3,998,910
Funds held for others as agency endowments	2,695,785	1,716,886
Total Current Liabilities	7,240,605	6,155,863
<u>Long-term Liabilities</u>		
Lease liability, due in more than one year	337,146	411,274
Total Long-term Liabilities	337,146	411,274
<u>Net Assets</u>		
Net Assets without Donor Restrictions	1,012,837	928,874
Net Assets with Donor Restrictions	12,884,538	10,907,231
Total Net Assets	13,897,375	11,836,105
TOTAL LIABILITIES AND NET ASSETS	\$ 21,475,126	\$ 18,403,242

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, 2023 and 2022

	2023			2022		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenues and Other Support						
Contributions	\$ 760,758	\$ 2,037,269	\$ 2,798,027	\$ 659,980	\$ 1,630,716	\$ 2,290,696
Contributed nonfinancial assets	118,113	-	118,113	157,834	-	157,834
Fees for services	74,850	-	74,850	31,246	-	31,246
Field trip income	178,775	-	178,775	154,365	-	154,365
Sponsorships	11,000	-	11,000	-	-	-
Other	3,466	707	4,173	4,268	447	4,715
Investment return (loss)	40,925	1,598,634	1,639,559	(6,181)	(1,868,561)	(1,874,742)
Net assets released from restrictions	1,659,303	(1,659,303)	-	1,409,287	(1,409,287)	-
Total Revenues and Other Support	<u>2,847,190</u>	<u>1,977,307</u>	<u>4,824,497</u>	<u>2,410,799</u>	<u>(1,646,685)</u>	<u>764,114</u>
Expenses						
Program services:						
Education and outreach	761,916	-	761,916	542,852	-	542,852
Wildlife	385,501	-	385,501	579,541	-	579,541
Lands & waters	847,261	-	847,261	662,578	-	662,578
Sustainable support and endowments	114,850	-	114,850	70,346	-	70,346
Management and general	266,951	-	266,951	206,445	-	206,445
Fundraising	386,748	-	386,748	287,038	-	287,038
Total Expenses	<u>2,763,227</u>	<u>-</u>	<u>2,763,227</u>	<u>2,348,800</u>	<u>-</u>	<u>2,348,800</u>
Increase (Decrease) in Net Assets before Transfers	<u>83,963</u>	<u>1,977,307</u>	<u>2,061,270</u>	<u>61,999</u>	<u>(1,646,685)</u>	<u>(1,584,686)</u>
Transfers						
Transfer to agency fund	-	-	-	(3,471)	(1,529)	(5,000)
Total Transfers	<u>-</u>	<u>-</u>	<u>-</u>	<u>(3,471)</u>	<u>(1,529)</u>	<u>(5,000)</u>
Total Change in Net Assets	<u>83,963</u>	<u>1,977,307</u>	<u>2,061,270</u>	<u>58,528</u>	<u>(1,648,214)</u>	<u>(1,589,686)</u>
Net Assets - Beginning of Year	<u>928,874</u>	<u>10,907,231</u>	<u>11,836,105</u>	<u>870,346</u>	<u>12,555,445</u>	<u>13,425,791</u>
Net Assets - End of Year	<u>\$ 1,012,837</u>	<u>\$ 12,884,538</u>	<u>\$ 13,897,375</u>	<u>\$ 928,874</u>	<u>\$ 10,907,231</u>	<u>\$ 11,836,105</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, 2023 and 2022

	2023							
	Program Services				Supporting Activities			
	Education and Outreach	Wildlife	Lands & Waters	Sustainable Support and Endowments	Total Program Services	Management and General	Fundraising	Total
Personnel Costs	\$ 347,795	\$ 26,135	\$ 15,375	\$ 88,740	\$ 478,045	\$ 120,023	\$ 276,824	\$ 874,892
Contract Services	213,387	15,044	23,331	13,268	265,030	85,052	43,437	393,519
Program Costs	91,125	326,776	803,158	-	1,221,059	754	330	1,222,143
Facility and Equipment	1,412	104	62	362	1,940	8,843	1,126	11,909
Lease/Rent Expense	31,485	2,297	1,377	7,269	42,428	10,012	25,447	77,887
Marketing and Promotion	21,001	1,330	-	-	22,331	2,423	8,653	33,407
Office Expense	42,328	13,666	2,962	5,158	64,114	37,101	28,894	130,109
Meeting and Travel	13,253	140	990	20	14,403	1,994	1,903	18,300
Other Expenses	130	9	6	33	178	749	134	1,061
	<u>\$ 761,916</u>	<u>\$ 385,501</u>	<u>\$ 847,261</u>	<u>\$ 114,850</u>	<u>\$ 2,109,528</u>	<u>\$ 266,951</u>	<u>\$ 386,748</u>	<u>\$ 2,763,227</u>

	2022							
	Program Services				Supporting Activities			
	Education and Outreach	Wildlife	Lands & Waters	Sustainable Support and Endowments	Total Program Services	Management and General	Fundraising	Total
Personnel Costs	\$ 195,600	\$ 100,918	\$ 70,017	\$ 52,178	\$ 418,713	\$ 61,226	\$ 200,033	\$ 679,972
Contract Services	134,777	18,746	49,130	9,848	212,501	62,310	38,148	312,959
Program Costs	157,436	436,749	531,904	-	1,126,089	-	529	1,126,618
Facility and Equipment	951	482	338	252	2,023	5,389	968	8,380
Lease/Rent Expense	11,340	5,741	4,024	3,011	24,116	41,676	11,558	77,350
Marketing and Promotion	4,160	195	32	23	4,410	2,117	8,270	14,797
Office Expense	32,487	16,625	6,669	4,990	60,771	31,979	27,034	119,784
Meeting and Travel	5,890	-	405	-	6,295	1,637	327	8,259
Other Expenses	211	85	59	44	399	111	171	681
	<u>\$ 542,852</u>	<u>\$ 579,541</u>	<u>\$ 662,578</u>	<u>\$ 70,346</u>	<u>\$ 1,855,317</u>	<u>\$ 206,445</u>	<u>\$ 287,038</u>	<u>\$ 2,348,800</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, 2023 and 2022

	2023	2022
<u>Cash Flows from Operating Activities</u>		
Change in Net Assets	\$ 2,061,270	\$ (1,584,686)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Contributions restricted for permanent endowments	(812,508)	(759,734)
Donated investments	(88,384)	(185,376)
Depreciation	377	377
Unrealized and realized (gain) loss on investments	(1,246,121)	2,261,963
Changes in operating assets and liabilities:		
Accounts receivable	-	500
Unconditional promises to give	150,115	(74,570)
Prepaid expenses	(2,201)	(1,291)
Accounts payable	(117,409)	128,089
Accrued expenses	4,957	(1,630)
Operating lease assets and liabilities	4,891	6,651
Deferred revenue	(57,849)	206,783
Funds held for others as agency endowments	978,899	(363,078)
Net cash provided (used) by operating activities	876,037	(366,002)
<u>Cash Flows from Investing Activities</u>		
Proceeds from sale of donated investments	88,384	185,376
Proceeds from sales of investments	530,053	574,514
Purchases of investments	(1,967,801)	(1,709,115)
Net cash provided (used) by investing activities	(1,349,364)	(949,225)
<u>Cash Flows from Financing Activities</u>		
Proceeds from contributions restricted for investment in permanent endowment	812,508	759,734
Net cash provided (used) by financing activities	812,508	759,734
Net (decrease) increase in cash	339,181	(555,493)
Cash at beginning of year	1,533,420	2,088,913
Cash at end of year	\$ 1,872,601	\$ 1,533,420
Reconciliation to Statement of Financial Position		
Cash and cash equivalents	\$ 1,618,517	\$ 1,257,507
Cash and cash equivalents held in escrow accounts	254,084	275,913
Cash and cash equivalents at end of year	\$ 1,872,601	\$ 1,533,420

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

NATURAL RESOURCES FOUNDATION OF WISCONSIN, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2023 and 2022

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 the Foundation’s Board 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 the Foundation’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 FINANCIAL STATEMENTS
December 31, 2023 and 2022

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 2020.

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 Statements of Activities. As of December 31, 2023, \$143,830 was expected to be collected within one year and \$50,000 was expected to be collected in one to five years. As of December 31, 2022, 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, 2023 and 2022, 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.

NATURAL RESOURCES FOUNDATION OF WISCONSIN, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2023 and 2022

1. Summary of Significant Accounting Policies (Continued)

J. Investments

Investments in marketable equity securities, debt securities and fixed income 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.

K. Right of Use Leased Assets and Liabilities

Right of use leased assets and the related liabilities are recognized at the lease commencement date and represent the Foundation's right to use an underlying asset and lease obligations for the lease term. Right of use leased assets are measured at the initial value of the lease liability plus any payments made to the lessor before the commencement of the lease term, less any lease incentives received from the lessor at or before the commencement of the lease term, plus any initial direct costs necessary to place the lease asset into service. Right of use leased assets are amortized over the shorter of the lease term or the useful life of the underlying asset using the straight-line method.

L. Revenue and Revenue Recognition

Revenue from fieldtrip registrations is recognized once participants have attended the trip. The Foundation also charges each escrow fund and agency fund a management fee for managing and administering fund assets during the year. Fees charged for managing the escrow funds are based on the income for the year and the fees charged for managing the agency funds are charged based on the net asset value of these agency funds.

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, 2023, there were \$208,934 conditional promises to give outstanding, of which the Foundation has received \$148,934 in advance. As of December 31, 2022, there were \$266,783 conditional promises to give outstanding.

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.

NATURAL RESOURCES FOUNDATION OF WISCONSIN, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2023 and 2022

1. Summary of Significant Accounting Policies (Continued)

M. 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.

N. Contributed Nonfinancial Assets

The Foundation recognized contributed nonfinancial assets within revenue, including contributed supplies, equipment, postage, printing, shipping, and services. Unless otherwise noted, contributed nonfinancial assets did not have donor-imposed restrictions. In valuing the contributed supplies, equipment, postage and shipping, the Foundation estimated the fair value on the basis of estimates of wholesale values that would be received for selling similar products.

Contributed 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. Contributed services are valued and are reported at the estimated fair value in the financial statements based on current rates for similar services.

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:

NATURAL RESOURCES FOUNDATION OF WISCONSIN, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2023 and 2022

1. Summary of Significant Accounting Policies (Continued)

O. Functional Allocation of Expenses (Continued)

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 300 field 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.

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.

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 123 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.

NATURAL RESOURCES FOUNDATION OF WISCONSIN, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2023 and 2022

1. Summary of Significant Accounting Policies (Continued)

P. Subsequent Events

Management has evaluated events through June 4, 2024, the date which the financial statements were available to be issued.

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, 2023 and 2022, the Foundation had uninsured cash balances of \$660,019 and \$826,847, respectively.

The Foundation also maintains balances at one brokerage. These balances are insured by the Securities Investor Protection Corporation (“SIPC”) up to \$500,000. SIPC covers losses from fraud and negligence of the registered securities dealer, but not against market losses or investment return. Balances held in accounts may still at times exceed insured limits.

3. Equipment

Equipment consisted of the following at December 31, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Equipment	\$ 4,609	\$ 19,350
Less: Accumulated Depreciation	<u>1,697</u>	<u>16,061</u>
Equipment - Net	<u><u>\$ 2,912</u></u>	<u><u>\$ 3,289</u></u>

Depreciation expense was \$377 and \$377 for 2023 and 2022, respectively.

NATURAL RESOURCES FOUNDATION OF WISCONSIN, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2023 and 2022

4. Investments

Investments consisted of the following at December 31, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Cash and money market	\$ 352,264	\$ 134,106
Index fund and ETFs	<u>14,620,385</u>	<u>12,176,503</u>
Total Investments	<u>\$ 14,972,649</u>	<u>\$ 12,310,609</u>

Investment return consisted of the following for 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Dividends and Interest	\$ 506,115	\$ 482,457
Realized and Unrealized Gain (Loss)	1,480,876	(2,640,984)
Investment return allocated to/from agency endowments	(319,250)	310,987
Investment management fees	<u>(28,182)</u>	<u>(27,202)</u>
Total Investment Return	<u>\$ 1,639,559</u>	<u>\$ (1,874,742)</u>

5. Funds Held for Others

Funds held for others in escrow accounts consisted of the following at December 31, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Chippewa River Fish Protection Fund Escrow	\$ 3,459,703	\$ 3,251,048
Chippewa River Natural Resources Fund Escrow	528,703	506,424
Prairie du Sac Habitat Enhancement, Mitigation, Research, Study and Fish Passage Escrow	196,984	167,797
Grandmother Falls Fish Passage and/or Protection Escrow	<u>80,902</u>	<u>73,641</u>
Total Funds Held for Others as Escrow Accounts	<u>\$ 4,266,292</u>	<u>\$ 3,998,910</u>

Escrow account funds consisted of the following investments at December 31, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Cash and money market	\$ 254,084	\$ 275,913
Index Funds and ETFs	826,305	601,851
Treasury Notes	1,855,907	1,394,545
Bonds	<u>1,329,996</u>	<u>1,726,601</u>
Cash and investments held in escrow accounts	<u>\$ 4,266,292</u>	<u>\$ 3,998,910</u>

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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, 2023 and 2022:

	2023	2022
Board designated net assets:		
Board designated reserve fund	\$ 445,512	\$ 279,700
Other endowment spendable allotments	54,487	36,620
Board Legacy Fund	162,883	141,537
Undesignated	349,955	471,017
Net assets without donor restrictions	\$ 1,012,837	\$ 928,874

7. Net Assets with Donor Restrictions

Net assets with donor restrictions consisted of the following at December 31, 2023 and 2022:

	2023	2022
Amount subject to time or purpose restrictions:		
Accumulated earnings on donor-restricted endowment funds	\$ 1,439,119	\$ 431,832
NRF Programs	830,119	442,039
Amount subject to time restriction	25,000	50,000
Subtotal	2,294,238	923,871
Amounts that must be maintained in perpetuity:		
Endowment funds	10,590,300	9,983,360
Net assets with donor restrictions	\$ 12,884,538	\$ 10,907,231

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8. Fair Value Measurements

Fair values of assets measured on a recurring basis at December 31, 2023 and 2022 are as follows:

	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Index Funds	\$ 10,926,037	\$ 10,926,037	\$ -	\$ -
Exchange Traded Funds (ETFs)	4,520,653	4,520,653	-	-
Treasury Notes	1,855,907	-	1,855,907	-
Bonds	1,329,996	-	1,329,996	-
2023 Total	<u>\$ 18,632,593</u>	<u>\$ 15,446,690</u>	<u>\$ 3,185,903</u>	<u>\$ -</u>
Mutual Funds	\$ 7,819,035	\$ 7,819,035	\$ -	\$ -
Exchange Traded Funds (ETFs)	4,959,318	4,959,318	-	-
Treasury Notes	1,394,545	-	1,394,545	-
Bonds	1,726,601	-	1,726,601	-
2022 Total	<u>\$ 15,899,499</u>	<u>\$ 12,778,353</u>	<u>\$ 3,121,146</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.

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 expenses were \$29,868 and \$23,415 for 2023 and 2022, respectively.

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10. Leases

The Foundation has a ten-year lease agreement for office space in Madison. The lease is in effect from June 2019 through May 2029. Rent payments were \$72,112 and \$70,351 for 2023 and 2022, respectively. Included in the determination of the right-of-use assets and lease liabilities are any renewal options when the options are reasonably certain to be exercised. The operating lease requires the Foundation to maintain public liability insurance coverage.

The weighted-average discount rate is based on the discount rate implicit in the lease. The Foundation elected the option to use the risk-free rate determined using a period comparable to the lease terms as a discount rate for the lease where the implicit rate is not readily determinable.

The total lease costs for the years ended December 31, 2023 and 2022 are as follows:

	2023	2022
Lease expense		
Operating lease expense	\$ 77,003	\$ 77,003
Total	\$ 77,003	\$ 77,003

The following table summarizes the supplemental cash flow information for the years ended December 31, 2023 and 2022:

	2023	2022
Cash paid for amounts included in the measurement of lease liabilities		
Operating cash flows from operating leases	\$ 72,112	\$ 70,351

The following summarizes the weighted-average remaining lease terms and weighted-average discount rate:

	2023	2022
Weighted-average remaining lease term in years for operating leases	5.42	6.42
Weighted-average discount rate for operating leases	1.55%	1.55%

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10. Leases (Continued)

The future minimum lease payments under noncancelable operating leases with terms greater than one year are listed below as of December 31, 2023:

	Operating
2024	\$ 73,916
2025	75,761
2026	77,656
2027	79,597
2028	81,588
Thereafter	40,123
Total undiscounted cash flows	428,641
Less: present value discount	(17,368)
Total lease liabilities	\$ 411,273

11. Contributed Nonfinancial Assets

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 materials and services in 2023 and 2022 were utilized for the following program services and supporting activities:

	2023	2022
Program Services		
Education and outreach		
Educational services	\$ 80,350	\$ 79,575
Postage	20,697	-
Wildlife		
Postage	-	23,408
Printing	10,877	11,979
Supplies	553	2,559
Equipment	5,636	15,748
Shipping	-	4
Lands & Waters		
Contract services	-	1,000
Printing	-	3,361
Supplies	-	200
Design and engineering services	-	20,000
Donated Services	\$ 118,113	\$ 157,834

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12. Endowments

The Foundation's endowment consists of 124 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 at December 31, 2023 and 2022:

	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds	\$ -	\$ 12,029,419	\$ 12,029,419
Board-designated endowment funds	1,806	-	1,806
Total 2023 funds	<u>\$ 1,806</u>	<u>\$ 12,029,419</u>	<u>\$ 12,031,225</u>
	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds	\$ -	\$ 10,415,192	\$ 10,415,192
Total 2022 funds	<u>\$ -</u>	<u>\$ 10,415,192</u>	<u>\$ 10,415,192</u>

From time to time, certain donor-restricted endowment funds may have fair values less than the amount required to be maintained by donors or by law (underwater endowments). The Foundation has interpreted UPMIFA to permit spending from underwater endowments in accordance with prudent measures required under law. At December 31, 2023, funds with original gift values of \$1,351,571, fair values of \$955,729, and deficiencies of \$395,843 were reported as net assets with donor restrictions.

NATURAL RESOURCES FOUNDATION OF WISCONSIN, INC.
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12. Endowments (Continued)

Changes in endowment net assets for the years ended December 31, 2023 and 2022 were as follows:

2023	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ -	\$ 10,415,192	\$ 10,415,192
Investment return			
Investment income(loss)	-	384,367	384,367
Net appreciation/depreciation (realized and unrealized)	-	1,229,397	1,229,397
Total investment return	-	1,613,764	1,613,764
Contributions	236,034	937,686	1,173,720
Appropriation of endowment assets for expenditure	(234,228)	(937,223)	(1,171,451)
Endowment net assets end of 2023	<u>\$ 1,806</u>	<u>\$ 12,029,419</u>	<u>\$ 12,031,225</u>
2022	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ 150,001	\$ 12,011,943	\$ 12,161,944
Investment return:			
Investment income	-	407,891	407,891
Net appreciation (realized and unrealized)	-	(2,249,715)	(2,249,715)
Total investment return	-	(1,841,824)	(1,841,824)
Contributions	57,946	764,831	822,777
Appropriation of endowment assets for expenditure	(207,947)	(519,758)	(727,705)
Endowment net assets end of 2022	<u>\$ -</u>	<u>\$ 10,415,192</u>	<u>\$ 10,415,192</u>

NATURAL RESOURCES FOUNDATION OF WISCONSIN, INC.
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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, 2023 and 2022, 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 designated amounts could be used within one year if approved by the Board of Directors.

	2023	2022
Combined financial assets:		
Cash and cash equivalents	\$ 1,618,517	\$ 1,257,507
Unconditional promises to give	193,830	343,945
Investments and amounts held in escrow accounts	19,238,941	16,309,519
Total financial assets	21,051,288	17,910,971
Less those unavailable for general expenditure within one year due to:		
Endowments and accumulated earnings subject to appropriation beyond one year	(12,029,419)	(10,415,192)
Funds held for others as escrow accounts	(4,266,292)	(3,998,910)
Funds held for others as agency endowments	(2,695,785)	(1,716,886)
Other donor restrictions	(855,119)	(492,039)
Board designations	(662,882)	(457,857)
Financial assets available to meet cash needs for expenditures within one year	\$ 541,791	\$ 830,087