

ICE AGE TRAIL ALLIANCE, INC.

FINANCIAL STATEMENTS

December 31, 2018 and 2017

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Ice Age Trail Alliance, Inc.
Cross Plains, Wisconsin

We have audited the accompanying financial statements of Ice Age Trail Alliance, Inc., which comprise the statements of financial position as of December 31, 2018 and 2017, 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 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 Ice Age Trail Alliance, Inc. as of December 31, 2018 and 2017, 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.

Adoption of New Accounting Pronouncement

As discussed in Note 1 to the financial statements, Ice Age Trail Alliance, Inc. adopted the Financial Accounting Standards Board's Accounting Standards Update (ASU) No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*, as of and for the year ended December 31, 2018. The requirements of the ASU have been applied retrospectively to all periods presented. Our opinion is not modified with respect to this matter.

Wegner CPAs LLP

Wegner CPAs, LLP
Madison, Wisconsin
July 12, 2019

ICE AGE TRAIL ALLIANCE, INC.
STATEMENTS OF FINANCIAL POSITION
December 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
ASSETS		
Cash	\$ 429,075	\$ 282,107
Certificates of deposit	28,703	21,667
Unconditional promises to give	190,000	200,000
Accounts receivable	74,773	111,987
Prepaid expenses	11,659	9,425
Inventory	13,356	7,835
Investments	490,886	505,050
Membership interests in limited liability companies	579,678	568,365
Beneficial interest in assets held by Greater Milwaukee Foundation	98,632	100,619
Beneficial interest in assets held by Madison Community Foundation	16,602	16,892
Property and equipment - net	1,139,791	748,292
Conservation lands - net	7,281,660	7,278,696
Total assets	<u>\$ 10,354,815</u>	<u>\$ 9,850,935</u>
LIABILITIES		
Accounts payable	\$ 30,677	\$ 15,745
Accrued expenses	63,419	52,724
Lines of credit	101,252	200,252
Notes payable	886,596	520,047
Total liabilities	1,081,944	788,768
NET ASSETS		
Without donor restrictions	2,279,839	2,293,873
With donor restrictions	6,993,032	6,768,294
Total net assets	<u>9,272,871</u>	<u>9,062,167</u>
Total liabilities and net assets	<u>\$ 10,354,815</u>	<u>\$ 9,850,935</u>

See accompanying notes.

ICE AGE TRAIL ALLIANCE, INC.
STATEMENTS OF ACTIVITIES
Years Ended December 31, 2018 and 2017

	2018	2017
CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS		
OPERATING REVENUES		
Contributions	\$ 822,683	\$ 689,283
Grants	409,400	496,517
Merchandise sales	90,593	104,274
Chapters	39,934	34,900
Special events	63,102	50,014
Rent	3,750	3,750
Other	18,582	5,835
Total operating revenues without donor restrictions	1,448,044	1,384,573
OPERATING EXPENSES		
Program services		
Lands	428,755	243,276
Trails	421,773	436,586
Outreach	573,961	450,925
Total program services	1,424,489	1,130,787
Supporting activities		
Management and general	171,708	163,935
Fundraising	116,755	151,289
Total operating expenses	1,712,952	1,446,011
NET ASSETS RELEASED FROM RESTRICTIONS		
Satisfaction of purpose restrictions	172,848	169,250
Expiration of time restrictions	52,000	-
Net operating revenue (loss)	(40,060)	107,812
OTHER CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS		
Investment return	(10,697)	45,024
Return on agency endowments	(2,277)	15,570
Support for land acquisition and improvements	197,056	-
Disposition of land	(158,056)	-
Change in net assets without donor restrictions	(14,034)	168,406
CHANGES IN NET ASSETS WITH DONOR RESTRICTIONS		
Grants and contributions	441,729	672,115
Investment return	(3,456)	17,036
Change in value of membership interests in limited liability companies	11,313	6,365
Net assets released from restrictions		
Satisfaction of purpose restrictions	(172,848)	(169,250)
Expiration of time restrictions	(52,000)	-
Change in net assets with donor restrictions	224,738	526,266
Change in net assets	210,704	694,672
Net assets at beginning of year	9,062,167	8,367,495
See accompanying notes. Net assets at end of year	\$ 9,272,871	\$ 9,062,167

ICE AGE TRAIL ALLIANCE, INC.
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended December 31, 2018

	Program Services			Supporting Activities		Total
	Lands	Trails	Outreach	Management and General	Fundraising	
Personnel	\$ 147,507	\$ 220,303	\$ 297,667	\$ 83,549	\$ 86,318	\$ 835,344
Land acquisition and management	208,385	24,541	-	-	-	232,926
Professional services	24,034	1,192	57,957	19,884	2,789	105,856
Trail maintenance/mobile skills	-	100,761	-	-	-	100,761
Annual meeting	-	10,661	79,492	-	3,498	93,651
Travel	8,726	13,331	17,465	4,902	4,993	49,417
Printing and newsletter	2,895	8,094	33,182	1,640	3,210	49,021
Depreciation	7,525	11,239	15,186	4,262	4,404	42,616
Merchandise	-	-	31,162	-	-	31,162
Interest	245	-	-	29,984	-	30,229
Insurance	4,414	6,592	8,907	2,500	2,583	24,996
Dues and subscriptions	3,231	4,825	6,520	1,830	1,891	18,297
Office and supplies	3,128	4,672	6,313	1,772	1,831	17,716
Postage and shipping	2,827	4,223	5,705	1,601	1,654	16,010
Telephone	2,603	3,888	5,253	1,474	1,523	14,741
Conferences and training	1,965	5,125	3,965	1,113	1,150	13,318
Property taxes	9,713	-	-	-	-	9,713
Rent and utilities	1,557	2,326	3,142	882	911	8,818
Other	-	-	2,045	16,315	-	18,360
Total expenses	\$ 428,755	\$ 421,773	\$ 573,961	\$ 171,708	\$ 116,755	\$ 1,712,952

See accompanying notes.

ICE AGE TRAIL ALLIANCE, INC.
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended December 31, 2017

	Program Services					Total
	Lands	Trails	Outreach	Management and General	Fundraising	
Personnel	\$ 120,858	\$ 232,588	\$ 202,026	\$ 81,575	\$ 108,309	\$ 745,356
Land acquisition and management	45,615	3,177	725	-	-	49,517
Professional services	36,677	7,268	47,276	25,618	6,114	122,953
Trail maintenance/mobile skills	-	104,419	-	-	-	104,419
Annual meeting	-	6,049	73,719	-	3,926	83,694
Travel	6,916	13,560	11,463	4,629	6,087	42,655
Printing and newsletter	2,658	7,850	31,785	1,794	2,382	46,469
Depreciation	8,261	15,899	13,810	5,576	7,404	50,950
Merchandise	-	-	35,805	-	-	35,805
Interest	245	-	-	20,741	-	20,986
Insurance	4,865	9,363	8,133	3,284	4,360	30,005
Dues and subscriptions	2,581	4,966	4,313	1,742	2,313	15,915
Office and supplies	3,071	14,752	5,133	2,073	2,752	27,781
Postage and shipping	2,655	5,109	4,438	1,792	2,379	16,373
Telephone	2,190	4,215	3,661	1,478	1,963	13,507
Maintenance and repairs	1,700	3,271	2,842	1,147	1,523	10,483
Conferences and training	348	952	581	235	311	2,427
Property taxes	3,000	-	-	-	-	3,000
Rent and utilities	1,393	2,680	2,328	940	1,248	8,589
Donations	243	468	407	164	218	1,500
Other	-	-	2,480	11,147	-	13,627
Total expenses	\$ 243,276	\$ 436,586	\$ 450,925	\$ 163,935	\$ 151,289	\$ 1,446,011

See accompanying notes.

ICE AGE TRAIL ALLIANCE, INC.
STATEMENTS OF CASH FLOWS
Years Ended December 31, 2018 and 2017

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 210,704	\$ 694,672
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	42,616	50,950
Change in value of membership interests in limited liability companies	(11,313)	(6,365)
Realized and unrealized (gains) losses on investments	24,795	(53,286)
Net investment activity retained in agency endowments	2,277	(15,572)
(Increase) decrease in assets		
Unconditional promises to give	10,000	(142,500)
Accounts receivable	37,214	(65,771)
Prepaid expenses	(2,234)	(6,012)
Inventory	(5,521)	(335)
Increase (decrease) in liabilities		
Accounts payable	14,932	(4,952)
Accrued expenses	10,695	6,089
Other liabilities	-	(2,887)
Net cash provided by operating activities	334,165	454,031
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of and interest retained in certificates of deposit	(14,795)	(203)
Redemptions of certificates of deposit	7,759	-
Purchases of and interest and dividends retained in investments	(10,631)	(67,587)
Proceeds from sales of investments	-	41,316
Purchases of property and equipment	(148,163)	(8,197)
Purchases of conservation lands	(2,964)	(624,667)
Net cash used in investing activities	(168,794)	(659,338)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from lines of credit	-	200,252
Payments on lines of credit	(99,000)	-
Proceeds from notes payable	100,000	-
Payments on notes payable	(19,403)	(21,375)
Net cash provided by (used in) financing activities	(18,403)	178,877
Change in cash	146,968	(26,430)
Cash at beginning of year	282,107	308,537
Cash at end of year	\$ 429,075	\$ 282,107
SUPPLEMENTAL DISCLOSURES		
Cash paid for interest	\$ 30,229	\$ 20,986
Noncash investing and financing activities		
Property and equipment financed by notes payable	285,952	-

ICE AGE TRAIL ALLIANCE, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2018 and 2017

Ice Age Trail Alliance, Inc. (Alliance) develops and maintains the Ice Age National Scenic Trail in Wisconsin in cooperation with the National Park Service. The Alliance is funded by the National Park Service and other government and private contributions.

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Promises to Give

Unconditional promises to give are recognized as support 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.

Accounts Receivable

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

Inventory

Inventory consists of merchandise available for sale and is stated at the lower of cost or net realizable value determined by the first-in, first-out method.

Investments

The Alliance carries investments in marketable securities with readily determinable fair values and investments in debt securities at their fair values 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.

Property and Equipment

Acquisitions of property and equipment in excess of \$1,500 are capitalized. Purchases of property and equipment are recorded at cost. Donations of property and equipment are recorded as support at their estimated fair value on the date of donation. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. Absent donor restrictions regarding how long those donated assets must be maintained, the Alliance reports expirations of donor restrictions when the donated or acquired assets are placed in service and reclassifies temporarily restricted net assets to unrestricted net assets at that time. Depreciation is provided using the straight-line method over the estimated useful lives of the assets.

Conservation Lands

Purchases of land are recorded at cost or, if donated, at the estimated fair value on the date of donation. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. In some instances, a funding source may have a reversionary interest in conservation lands purchased with grant funds. Donated or purchased easements are not recorded as an asset as the easement has no value to the Alliance. In addition, easements carry obligations to monitor and defend their terms.

ICE AGE TRAIL ALLIANCE, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2018 and 2017

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Contributions

Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if 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 net assets with donor restrictions. When a restriction expires, 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.

Government Grants

Certain programs of the Alliance are funded in part by grants from various government agencies. Revenue from these grants is based upon the actual cost of providing such services up to the maximum amount specified in the grants. Costs are allocated to these grants in accordance with established procedures and are subject to audit by certain government agencies. No determination has been made regarding the effect, if any, such audits could have on the financial statements.

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 revenues and expenses. Actual results could differ from those estimates.

Income Tax Status

The Alliance is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. In addition, the Alliance qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization other than a private foundation under Section 509(a)(2).

Donated Services

Donated services are recognized as contributions if the services create or enhance nonfinancial assets or require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased in not provided by donation.

ICE AGE TRAIL ALLIANCE, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2018 and 2017

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Expense Allocation

The financial statements report certain categories of expenses that are attributable to more than one program service or supporting activity. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include personnel, travel, printing and newsletter, depreciation, insurance, dues and subscriptions, office and supplies, postage and shipping, telephone, conferences and training, and rent and utilities, which are allocated on the basis of estimates of time and effort.

The following program services and supporting activities are included in the accompanying financial statements:

Lands: The Alliance protects the Ice Age National Scenic Trail and accompanying lands. The lands host a variety of public recreational opportunities.

Trails: The Alliance builds and maintains about 675 miles of the Ice Age National Scenic Trail that are open for public use. The Alliance coordinates this work with its 21 chapters and volunteers throughout Wisconsin and beyond.

Outreach: The Alliance hosts various conferences and implements youth education programs.

Management and General: Includes the functions necessary to maintain an equitable employment program; ensure an adequate working environment; provide coordination and articulation of the Alliance's program strategy; secure proper administrative functioning of the board of directors; maintain competent legal services for the administration of programs; and manage the financial and budgetary responsibilities of the Alliance.

Fundraising: Provides the structure necessary to encourage and secure private financial contributions from individuals, foundations, and corporations.

Adoption of New Accounting Pronouncement

The Alliance adopted the Financial Accounting Standards Board's Accounting Standards Update No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*, as of and for the year ended December 31, 2018. This update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The changes required by the update have been applied retrospectively to all periods presented. A key change required by the update are the net asset classes used in these financial statements. Amounts previously reported as unrestricted net assets are now reported as net assets without donor restrictions and amounts previously reported as temporarily restricted net assets and permanently restricted net assets, if applicable, are now reported as net assets with donor restrictions.

Date of Management's Review

Management has evaluated subsequent events through July 12, 2019, the date which the financial statements were available to be issued.

ICE AGE TRAIL ALLIANCE, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2018 and 2017

NOTE 2—UNCONDITIONAL PROMISES TO GIVE

Unconditional promises to give at December 31, 2018 and 2017 were as follows:

	2018	2017
Special projects	\$ 40,000	\$ -
General operations support	150,000	200,000
Unconditional promises to give	\$ 190,000	\$ 200,000

\$90,000 of unconditional promises to give at December 31, 2018 are due within one year, and \$100,000 are due in one to five years.

NOTE 3—INVESTMENTS

Investments at December 31, 2018 and 2017 consisted of mutual funds.

Unrestricted investment return for 2018 and 2017 consisted of the following:

	2018	2017
Interest and dividends	\$ 10,642	\$ 8,771
Realized and unrealized gains	(21,339)	36,253
Unrestricted investment return	\$ (10,697)	\$ 45,024

NOTE 4—MEMBERSHIP INTERESTS IN LIMITED LIABILITY COMPANIES

In 2009 the Alliance received donations of membership interests in two limited liability companies. The Alliance is the sole member of both limited liability companies. Real estate owned by each of the limited liability companies is subject to reserved life estate interests in land and buildings. At the end of the life estates' terms, the land and buildings will be available for the Alliance's use. The present value of the life estate interests and the limited liability companies at December 31, 2018 and 2017 was \$579,678 and \$568,365. The present value of the estimated future benefits is calculated using historical costs, the applicable discount rates, and mortality factors.

ICE AGE TRAIL ALLIANCE, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2018 and 2017

NOTE 5—PROPERTY AND EQUIPMENT

Property and equipment at December 31, 2018 and 2017 consisted of the following:

	2018	2017
Land	\$ 77,690	\$ 77,690
Building	1,080,788	691,379
Equipment	232,652	225,488
Furniture and fixtures	155,676	118,134
Property and equipment	1,546,806	1,112,691
Less accumulated depreciation	407,015	364,399
Property and equipment - net	\$ 1,139,791	\$ 748,292

NOTE 6—CONSERVATION LANDS

Conservation lands at December 31, 2018 and 2017 consisted of the following:

	2018	2017
Land	\$ 1,437,993	\$ 1,437,993
Land with use restrictions	5,843,667	5,840,703
Land improvements	54,171	54,171
Conservation lands	7,335,831	7,332,867
Less accumulated depreciation	54,171	54,171
Conservation lands - net	\$ 7,281,660	\$ 7,278,696

Use restrictions consist of easements, deed restrictions, and grantor reversionary restrictions which limit the land use to conservation purposes.

NOTE 7—LINES OF CREDIT

The Alliance has an unsecured line of credit established for \$250,000 at the Prime Rate of interest that matures on February 1, 2020. At December 31, 2018 and 2017 the Alliance had an outstanding balance on this line of credit of \$101,252 and \$200,252. The Alliance has a second unsecured line of credit established for \$35,000 at the Prime Rate of interest that matures on September 17, 2019. At December 31, 2018 and 2017, the Alliance had no outstanding balance on this line of credit.

ICE AGE TRAIL ALLIANCE, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2018 and 2017

NOTE 8—NOTES PAYABLE

Notes payable at December 31, 2018 and 2017 consisted of the following:

	2018	2017
2% note to a member of the Alliance's board of directors, secured by all assets of the organization. No principal payments required until maturity. Matures in September 2019.	\$ 100,000	\$ -
3% note to a former member of the Alliance's board of directors, secured by equipment. No principal payments required until maturity. Matures in March 2022.	55,000	55,000
4.95% note secured by land and building. Requires monthly payments of \$3,624 including principal and interest. Matures in May 2023.	445,644	465,047
4.95% construction loan for the Alliance's administration building. Secured by the property. No monthly payments required until construction is completed. Matures five years after completion of the project.	285,952	-
Notes payable	\$ 886,596	\$ 520,047

Future minimum principal payments on notes payable are as follows:

2019	\$ 202,461
2020	76,026
2021	79,876
2022	83,921
2023	412,182
Thereafter	32,130
Notes payable	\$ 886,596

NOTE 9—ENDOWMENTS

Property Monitoring

The Alliance established an endowment in 2013 with the goal of providing a long-term source of funds for property monitoring. The endowment net assets at December 31, 2018 and 2017 were \$329,753 and \$336,623.

ICE AGE TRAIL ALLIANCE, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2018 and 2017

NOTE 9—ENDOWMENTS (continued)

Trails

The Alliance established an endowment in 2015 with the goal of providing a long-term source of funds for trails enhancements. The endowment net assets at December 31, 2018 and 2017 were \$2,500.

Changes in the net assets of the endowments as of December 31, 2018 and 2017 were as follows:

	Without Donor Restrictions	With Donor Restrictions	Endowment Net Assets
December 31, 2016	\$ 104,228	\$ 136,023	\$ 240,251
Contributions	50,000	-	50,000
Satisfaction of time restrictions	-	17,500	17,500
Investment return	14,336	17,036	31,372
December 31, 2017	168,564	170,559	339,123
Investment return	(3,414)	(3,456)	(6,870)
December 31, 2018	<u>\$ 165,150</u>	<u>\$ 167,103</u>	<u>\$ 332,253</u>

Interpretation of Relevant Law

The Alliance has determined that its net assets held in perpetuity meet the definition of endowment funds under Wisconsin's Uniform Prudent Management of Institutional Funds Act (UPMIFA). The Alliance has interpreted UPMIFA as not requiring the maintenance of purchasing power of the original gift amount contributed to an endowment fund, unless a donor stipulates the contrary. As a result of this interpretation, when reviewing its donor-restricted endowment funds, the Alliance consider a fund to be underwater if the fair value of the fund is less than the sum of (a) the original value of initial and subsequent gift amounts donated to the fund and (b) any accumulations to the fund that are required to be maintained in perpetuity in accordance with the direction of the applicable donor gift instrument. The Alliance has interpreted UPMIFA to permit spending from underwater funds in accordance with the prudent measures required under the law. Additionally, in accordance with UPMIFA, the Alliance considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the fund, (2) the purposes of the organization and the donor-restricted endowment fund, (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 investment policies of the Alliance.

ICE AGE TRAIL ALLIANCE, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2018 and 2017

NOTE 9—ENDOWMENTS (continued)

Return Objectives and Risk Parameters

The Alliance attempts to invest its endowment funds to achieve a reasonable balance between principal preservation and capital growth for the organization’s needs. At December 31, 2018 and 2017 the Alliance invested all of the endowments’ net assets in mutual funds.

Spending Policy

The Alliance considers all of the endowments’ cumulative investment returns to be available for spending. These amounts are classified as donor restricted for property monitoring purposes and totaled \$23,218 and \$26,674 at December 31, 2018 and 2017. No amounts have been expended from the endowments’ inception through December 31, 2018.

NOTE 10—AGENCY ENDOWMENTS

The Alliance has an agency endowment as a component fund of the Greater Milwaukee Foundation and another agency endowment as a component fund of the Madison Community Foundation. Both endowments are a part of the Foundations’ Acorn programs. Through these programs, donors initiate long-term investment plans that will lead to permanent charitable endowment funds within the Foundations.

Donors may make periodic gifts to these agency endowment Acorn funds, where they grow through compounding investment returns. When a fund reaches a predetermined level, it begins generating annual returns to the creating organization for the purposes of the agency endowment.

Under the provisions of the Foundations’ governing instruments and applicable regulations, the Foundations’ boards of trustees have the power to modify any restriction or condition on the distribution of funds for any specified charitable purposes or to a specified organization if, in the sole judgment of the board, such restriction or condition becomes, in effect, unnecessary, incapable of fulfillment, or inconsistent with any distribution policy adopted by the Foundations or with the charitable needs of the community served. The Foundations maintain legal ownership of the assets of the agency endowments, which are held and administered subject to the provisions of the Foundations’ governing instruments.

Composition of and changes in agency endowment net assets of the Greater Milwaukee Foundation were as follows:

	2018	2017
Agency endowment funds - beginning of year	\$ 100,619	\$ 86,382
Return on agency endowment	(1,987)	14,237
Agency endowment funds - end of year	\$ 98,632	\$ 100,619

ICE AGE TRAIL ALLIANCE, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2018 and 2017

NOTE 10—AGENCY ENDOWMENTS (continued)

Composition of and changes in agency endowment net assets of the Madison Community Foundation were as follows:

	2018	2017
Beginning balance	\$ 16,892	\$ 15,557
Change in value of the beneficial interest including the change in net assets	(290)	1,335
Ending balance	\$ 16,602	\$ 16,892

The assets of the agency endowments are invested in the Foundations' Acorn Investment Pools, which include a diverse mix of equity and debt securities. The Foundations have adopted investment policies that attempt to generate highly competitive investment returns that support grant making while ensuring that each fund's principal growth equals or exceeds the rate of inflation.

The Alliance recognizes the fair value of contributions as support when received and recognizes transfers to the agency endowments as decreases in cash and increases in assets when the funds are transferred to the Foundations.

NOTE 11—PENSION PLAN

The Alliance sponsors a simplified employee pension plan to all part-time and full-time employees. Employer contributions to the plan equal 3% of the employees' gross annual earnings. Employees have full and immediate vesting rights in the employer's contribution. The Alliance's contributions to the plan for 2018 and 2017 totaled \$17,855 and \$17,163.

NOTE 12—CONCENTRATION OF CREDIT RISK

The Alliance maintains the majority of its cash balances at one financial institution in Cross Plains, Wisconsin. Accounts at each institution are insured by the Federal Deposit Insurance Corporation up to \$250,000. At times, the Alliance's cash balances may exceed insured limits. Management believes the Alliance is not exposed to any significant concentration of credit risk arising from cash deposits in excess of insured limits.

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NOTE 13—NET ASSETS

Net assets without donor restrictions at December 31, 2018 and 2017 were designated as follows:

	2018	2017
Designated for endowments	\$ 175,275	\$ 168,564
Designated for agency endowments	105,109	117,511
Designated for Legal Defense Fund	82,250	82,250
Designated for Lodi Area Fund	46,423	56,423
Designated for chapters	132,303	120,379
Invested in conservation land	1,515,683	1,515,683
Invested in property and equipment, net of liabilities	275,506	150,555
Undesignated	(52,710)	82,508
Total net assets without donor restrictions	\$ 2,279,839	\$ 2,293,873

Net assets with donor restrictions at December 31, 2018 and 2017 were restricted as follows:

	2018	2017
Restricted for specified purposes:		
Land acquisition	\$ 6,437,539	\$ 6,208,816
Purchase of administrative office	50,000	99,729
Land stewardship	49,415	5,490
Trail activities	62,625	30,150
Property monitoring	23,218	26,674
Legal defense fund	20,750	20,750
Trail construction	55,600	30,800
	6,699,147	6,422,409
Restricted for the passage of time:		
Subsequent years' activities	150,000	202,000
Permanently restricted endowments:		
Investment in perpetuity. The investment return is expendable to support property monitoring.	141,385	141,385
Investment in perpetuity. The investment return is expendable to support trail enhancements.	2,500	2,500
	143,885	143,885
Total net assets with donor restrictions	\$ 6,993,032	\$ 6,768,294

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NOTE 14—LIQUIDITY AND AVAILABILITY

The Alliance's financial assets as of the date of the statement of financial position, reduced by amounts not available to meet cash needs for general expenditures within one year of the date of the statement of financial position because of contractual or donor imposed restrictions or internal designations, are as follows:

Cash		\$ 429,075
Certificates of deposit		28,703
Unconditional promises to give		190,000
Accounts receivable		74,773
Investments		490,886
Less: those unavailable for general expenditures within one year, due to:		
Endowment funds included in investments		(332,253)
Designations for specific purposes		(260,976)
Contractual or donor-imposed restrictions:		
Restricted by donors with purpose restrictions		(261,608)
Restricted by the passage of time, subsequent to 2019		(100,000)
		(654,837)
Financial assets available to meet cash needs for general expenditures within one year		\$ 258,600

As part of the Alliance's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

NOTE 15—IN-KIND CONTRIBUTIONS

In-kind contributions consist of donated services and donated conservation lands. Donated services are recorded at estimated fair values when the services are received. All donated services were allocated to the lands program for 2018 and 2017 as the services were received for publicity and assistance with land transactions commenced during those years.

The value of in-kind contributions included in the financial statements for 2018 and 2017 was as follows:

	2018	2017
Donated services		
Publicity and promotion	\$ 29,452	\$ 14,084
Legal	23,236	20,507
Donated conservation lands	-	635,999
In-kind contributions	\$ 52,688	\$ 670,590

NOTE 16—FAIR VALUE MEASUREMENTS

Fair values of the beneficial interests in assets held by the Greater Milwaukee Foundation and the Madison Community Foundation represent agreements between the Alliance and the Foundations in which the Alliance transfers assets to the Foundations in exchange for future distributions. The beneficial interests are not actively traded and significant other observable inputs are not available.

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NOTE 16—FAIR VALUE MEASUREMENTS (continued)

The fair values of the beneficial interests are measured at the proportional share of the underlying assets as reported to the Alliance by the Foundations. Little information about those assets is released publicly. The estimated values do not necessarily represent the amounts that may be ultimately realized due to the occurrence of future circumstances that cannot be reasonably determined.

Fair values of assets measured on a recurring basis at December 31, 2018 and 2017 were as follows:

	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Unobservable Inputs (Level 3)
2018			
Investments			
Mutual funds	\$ 490,886	\$ 490,886	\$ -
Beneficial interest in assets held by Greater Milwaukee Foundation	98,632	-	98,632
Beneficial interest in assets held by Madison Community Foundation	16,602	-	16,602
Fair value measurements	<u>\$ 606,120</u>	<u>\$ 490,886</u>	<u>\$ 115,234</u>
2017			
Investments			
Mutual funds	\$ 505,050	\$ 505,050	\$ -
Beneficial interest in assets held by Greater Milwaukee Foundation	100,619	-	100,619
Beneficial interest in assets held by Madison Community Foundation	16,892	-	16,892
Fair value measurements	<u>\$ 605,669</u>	<u>\$ 505,050</u>	<u>\$ 117,511</u>

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

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NOTE 16—FAIR VALUE MEASUREMENTS (continued)

The following table presents additional information about assets measured at fair value on a recurring basis in 2018 and 2017 using significant unobservable inputs:

	Beneficial Interest in Assets Held by Greater Milwaukee Foundation	
	2018	2017
Beginning balance	\$ 100,619	\$ 86,382
Change in value of the beneficial interest included in the change in net assets	(1,987)	14,237
Ending balance	\$ 98,632	\$ 100,619
	Beneficial Interest in Assets Held by Madison Community Foundation	
	2018	2017
Beginning balance	\$ 16,892	\$ 15,557
Change in value of the beneficial interest including the change in net assets	(290)	1,335
Ending balance	\$ 16,602	\$ 16,892

The changes in values of the beneficial interests are reported as return on agency endowments on the statements of activities.