

FOX-WOLF WATERSHED ALLIANCE, INC.

KIMBERLY, WISCONSIN

AUDITED FINANCIAL STATEMENTS

DECEMBER 31, 2019 AND 2018

**FOX-WOLF WATERSHED ALLIANCE, INC.
KIMBERLY, WISCONSIN**

TABLE OF CONTENTS

	<u>Page</u>
Independent Auditor's Report	1-2
Statements of Financial Position	3
Statements of Activities	4
Statements of Functional Expenses	5-6
Statements of Cash Flows	7
Notes to Financial Statements	8-12

SUPPLEMENTARY INFORMATION

Schedule of Expenditures of Federal and State Awards	13
Notes to Schedule of Expenditures of Federal and State Awards	14
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	15-16
Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance	17-18
Schedule of Findings and Questioned Costs	19-20
Summary Schedule of Prior Year Findings	21
Corrective Action Plan	22



Erickson & Associates, S.C.

Certified Public Accountants

1000 West College Avenue • Appleton, Wisconsin 54914 • (920) 733-4957 • FAX (920) 733-6221
255 South Main Street • Fond du Lac, Wisconsin 54935 • (920) 921-4189 • FAX (920) 923-1149
www.erickson-cpas.com

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Fox-Wolf Watershed Alliance, Inc.
Kimberly, Wisconsin

Report on the Financial Statements

We have audited the accompanying financial statements of Fox-Wolf Watershed Alliance, Inc. (a non-profit organization), which comprise the statements of financial position as of December 31, 2019 and 2018, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits 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 Organization'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 Organization'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 Fox-Wolf Watershed Alliance, Inc. as of December 31, 2019 and 2018, 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.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* is presented for purposes of additional analysis, and is not a required part of the basic 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 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.

Other Reporting Information Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 27, 2020, on our consideration of Fox-Wolf Watershed Alliance, Inc.'s internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*, in considering Fox-Wolf Watershed Alliance, Inc.'s internal control over financial reporting and compliance.

Erickson & Associates, S.C.

ERICKSON & ASSOCIATES, S.C.
Appleton, Wisconsin
September 27, 2020

**FOX-WOLF WATERSHED ALLIANCE, INC.
KIMBERLY, WISCONSIN**

STATEMENTS OF FINANCIAL POSITION
December 31,

ASSETS

	2019	2018
Current assets:		
Cash	\$ 29,903	\$ 40,459
Accounts receivable	479	4,703
Grants receivable	443,981	552,152
Prepaid expenses	3,986	6,124
Total current assets	478,349	603,438
Property and equipment:		
Furniture and equipment	41,258	41,258
Less accumulated depreciation	37,634	33,685
Net property and equipment	3,624	7,573
Other assets:		
Restricted cash - NEWSOC	98,915	106,021
Total assets	\$ 580,888	\$ 717,032

LIABILITIES AND NET ASSETS

Current liabilities:		
Accounts payable	\$ 360,515	\$ 465,869
Accrued payroll	5,676	18,536
Payroll tax liabilities	1,362	1,647
Deferred revenues	71,139	99,622
Total current liabilities	438,692	585,674
Net assets:		
Without donor restrictions	43,280	10,846
With donor restrictions	98,916	120,512
Total net assets	142,196	131,358
Total liabilities and net assets	\$ 580,888	\$ 717,032

FOX-WOLF WATERSHED ALLIANCE, INC.
KIMBERLY, WISCONSIN

STATEMENTS OF ACTIVITIES
For the Years Ended December 31,

	2019		Totals
	Without Donor Restrictions	With Donor Restrictions	
Operating revenues:			
Contributions	\$ 5,582	\$ --	\$ 5,582
Government grants	--	1,295,231	1,295,231
Other grants	1,000	6,500	7,500
Donations - in kind	--	7,210	7,210
Program revenues	1,759	--	1,759
Membership dues	73,365	--	73,365
Contracted services	62,623	--	62,623
Conference revenues	67,823	--	67,823
Interest income	1,019	--	1,019
Net assets released from restrictions	1,330,537	(1,330,537)	--
Total operating revenues	1,543,708	(21,596)	1,522,112
Operating expenses:			
Program services	1,485,302	--	1,485,302
Management and general	25,553	--	25,553
Fund raising	419	--	419
Total operating expenses	1,511,274	--	1,511,274
Net operating revenues in excess of operating expenses	32,434	(21,596)	10,838
Net assets - beginning of year	10,846	120,512	131,358
Net assets - end of year	\$ 43,280	\$ 98,916	\$ 142,196

2018		
<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Totals</u>
\$ 2,131	\$ 1,800	\$ 3,931
--	1,285,722	1,285,722
458	8,542	9,000
3,697	--	3,697
8,476	--	8,476
72,290	--	72,290
91,150	--	91,150
60,200	14,200	74,400
1,123	--	1,123
<u>1,302,318</u>	<u>(1,302,318)</u>	<u>--</u>
<u>1,541,843</u>	<u>7,946</u>	<u>1,549,789</u>
1,493,234	--	1,493,234
55,412	--	55,412
1,874	--	1,874
<u>1,550,520</u>	<u>--</u>	<u>1,550,520</u>
(8,677)	7,946	(731)
<u>19,523</u>	<u>112,566</u>	<u>132,089</u>
<u>\$ 10,846</u>	<u>\$ 120,512</u>	<u>\$ 131,358</u>

THE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THESE STATEMENTS.

FOX-WOLF WATERSHED ALLIANCE, INC.
KIMBERLY, WISCONSIN

STATEMENTS OF FUNCTIONAL EXPENSES

For the Year Ended December 31, 2019

	Program Services			Total Program Services
	Research	Restoration and Recovery	Outreach and Education	
Salaries and wages	\$ --	\$ 359,042	\$ 31,893	\$ 390,935
Payroll taxes	--	27,608	2,452	30,060
Direct program expenses	141,209	797,324	42,266	980,799
Occupancy	--	8,309	629	8,938
Office supplies	--	598	110	708
Office equipment	--	1,936	102	2,038
Insurance	--	4,175	425	4,600
Telephone	--	6,279	184	6,463
Postage and shipping	--	315	306	621
Printing and publications	--	1,539	757	2,296
Travel	--	19,804	1,174	20,978
Conferences, meetings, and workshops	--	2,635	440	3,075
Professional services	--	28,425	658	29,083
Website expenses	--	116	200	316
Miscellaneous	--	194	763	957
Total expenses before depreciation	141,209	1,258,299	82,359	1,481,867
Depreciation	--	3,080	355	3,435
Total expenses	<u>\$ 141,209</u>	<u>\$ 1,261,379</u>	<u>\$ 82,714</u>	<u>\$ 1,485,302</u>

Supporting Services

<u>Management and General</u>	<u>Fund Raising</u>	<u>Total Supporting Services</u>	<u>Total Expenses</u>
\$ 18,509	\$ 97	\$ 18,606	\$ 409,541
1,423	8	1,431	31,491
--	--	--	980,799
840	70	910	9,848
976	2	978	1,686
136	13	149	2,187
566	48	614	5,214
245	20	265	6,728
--	--	--	621
56	8	64	2,360
251	--	251	21,229
1,086	4	1,090	4,165
390	30	420	29,503
7	1	8	324
594	78	672	1,629
<hr/>	<hr/>	<hr/>	<hr/>
25,079	379	25,458	1,507,325
<hr/>	<hr/>	<hr/>	<hr/>
474	40	514	3,949
<hr/>	<hr/>	<hr/>	<hr/>
<u>\$ 25,553</u>	<u>\$ 419</u>	<u>\$ 25,972</u>	<u>\$ 1,511,274</u>

FOX-WOLF WATERSHED ALLIANCE, INC.
KIMBERLY, WISCONSIN

STATEMENTS OF FUNCTIONAL EXPENSES - CONTINUED

For the Year Ended December 31, 2018

	Program Services			Total Program Services
	Research	Restoration and Recovery	Outreach and Education	
Salaries and wages	\$ --	\$ 288,153	\$ 58,817	\$ 346,970
Payroll taxes	--	20,916	4,336	25,252
Direct program expenses	117,602	898,192	40,491	1,056,285
Occupancy	--	6,994	778	7,772
Office supplies	--	416	175	591
Office equipment	--	920	173	1,093
Insurance	--	2,244	422	2,666
Telephone	--	7,563	221	7,784
Postage and shipping	--	819	180	999
Printing and publications	--	5,395	5,681	11,076
Travel	--	16,283	1,472	17,755
Conferences, meetings, and workshops	--	3,844	766	4,610
Professional services	--	2,338	228	2,566
Website expenses	--	2,851	335	3,186
Miscellaneous	--	454	777	1,231
Total expenses before depreciation	117,602	1,257,382	114,852	1,489,836
Depreciation	--	2,860	538	3,398
Total expenses	<u>\$ 117,602</u>	<u>\$ 1,260,242</u>	<u>\$ 115,390</u>	<u>\$ 1,493,234</u>

Supporting Services

<u>Management and General</u>	<u>Fund Raising</u>	<u>Total Supporting Services</u>	<u>Total Expenses</u>
\$ 36,334	\$ 599	\$ 36,933	\$ 383,903
3,648	13	3,661	28,913
--	469	469	1,056,754
2,485	172	2,657	10,429
1,795	16	1,811	2,402
168	39	207	1,300
410	94	504	3,170
608	49	657	8,441
63	28	91	1,090
1,697	16	1,713	12,789
44	2	46	17,801
184	141	325	4,935
7,222	51	7,273	9,839
148	31	179	3,365
83	36	119	1,350
<u>54,889</u>	<u>1,756</u>	<u>56,645</u>	<u>1,546,481</u>
<u>523</u>	<u>118</u>	<u>641</u>	<u>4,039</u>
<u>\$ 55,412</u>	<u>\$ 1,874</u>	<u>\$ 57,286</u>	<u>\$ 1,550,520</u>

THE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THESE STATEMENTS.

**FOX-WOLF WATERSHED ALLIANCE, INC.
KIMBERLY, WISCONSIN**

STATEMENTS OF CASH FLOWS
For the Years Ended December 31,

	2019	2018
Cash flows from operating activities:		
Donations and grants received	\$ 1,416,484	\$ 1,107,279
Program service revenue received	181,311	284,644
Cash paid for operating expenses	(1,616,476)	(1,427,975)
Interest income	1,019	1,123
Net cash used in operating activities	(17,662)	(34,929)
Net decrease in cash	(17,662)	(34,929)
Cash and restricted cash balance, beginning of year	146,480	181,409
Cash and restricted cash balance, end of year	\$ 128,818	\$ 146,480
Significant non-cash items - in-kind contributions:		
In-kind donations of materials, supplies, and services	\$ 7,210	\$ 3,697

**RECONCILIATIONS OF CHANGES IN NET ASSETS TO NET CASH
PROVIDED BY OPERATING ACTIVITIES**

Change in net assets	\$ 10,838	\$ (731)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	3,949	4,039
(Increase) decrease in operating assets:		
Accounts receivable	4,224	3,433
Grants receivable	108,171	(191,374)
Prepaid expenses	2,138	(2,624)
Increase (decrease) in operating liabilities:		
Accounts payable	(105,354)	116,059
Accrued payroll	(12,860)	6,509
Payroll tax liabilities	(285)	(5,135)
Deferred revenues	(28,483)	34,895
Net cash used in operating activities	\$ (17,662)	\$ (34,929)

THE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THESE STATEMENTS.

**FOX-WOLF WATERSHED ALLIANCE, INC.
KIMBERLY, WISCONSIN**

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies:

Nature of Activities

Fox-Wolf Watershed Alliance, Inc. (Organization) is an independent nonprofit organization that identifies issues and advocates effective policies and actions that protect, restore, and sustain the water resources of the Fox-Wolf River Basin. To accomplish its mission, the Organization has three main activities:

Research - Working towards developing a cost-effective, watershed-based strategy for improving water quality through a Water Quality Trading Program.

Restoration and Watershed Recovery - This project will reduce agricultural and nutrient loading to the Lower Fox River and Green Bay by installing conservation practices in key sections of the watershed with the highest loading sediment per cropland acre in the Lower Fox River. The project will test innovative practices and monitor the effects of those practices to guide implementation throughout the region.

Outreach and Education - Providing training and education to homeowners, teachers, builders / developers, businesses, municipal employees & officials throughout Northeast Wisconsin through training programs, exhibiting efforts, an annual Watershed Cleanup event, website updates, and educational signage and flyers. Training is focused on what each individual can do at home / school / work to protect and restore local waters. NEWSA I&E efforts are targeted at homeowners, builders / developers, industry, municipal employees and officials.

Basis of Presentation

The Organization's financial statements are presented in accordance with the requirements of the *Non-Profit Entities Topic of the FASB Accounting Standards Codification*. Under this Topic, the Organization is required to report information regarding its financial position and activities based on the presence or absence of donor-imposed restrictions. Net assets are comprised of two groups as follows:

Net Assets Without Donor Restrictions - amounts that are not subject to usage restrictions based on donor-imposed requirements. This class also includes assets previously restricted where restrictions have expired or been met.

Net Assets With Donor Restrictions - amounts subject to usage limitations based on donor-imposed or grantor restrictions. These restrictions may be temporary or may be based on a particular use. Restrictions may be met by the passage of time or by actions of the Organization. Certain restrictions may need to be maintained in perpetuity.

Measure of Operations

The Organization's net operating revenues in excess of operating expenses include all operating revenues and expenses that are an integral part of its programs and supporting activities and net assets released from donor restrictions to support operating expenditures.

Cash

For purposes of the statement of cash flows, the Organization considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents.

**FOX-WOLF WATERSHED ALLIANCE, INC.
KIMBERLY, WISCONSIN**

NOTES TO FINANCIAL STATEMENTS - CONTINUED

Note 1. Summary of Significant Accounting Policies - Continued:

Accounts Receivable

Uncollected accounts receivable are expensed when considered uncollectible. The accounts receivable balance is thought to be collectible, and no provision for uncollectible accounts has been made in these statements. Credit is extended on an unsecured basis.

Property and Equipment

Vehicles, equipment, and furnishings are valued at cost when purchased or fair value when donated. It is not the Organization's policy to imply time restrictions expiring over the useful life of donated assets.

Amortization has been computed using the straight-line method based on useful lives as follows:

Office equipment and furniture	3 to 7 years
--------------------------------	--------------

The Organization has adopted a policy of capitalizing all equipment purchases and donations that have a fair value greater than \$5,000.

Contributions

Contributions and grants received are recorded as with donor or without donor restrictions depending on the existence or nature of any donor restrictions. Donor restricted contributions required to be reported as with donor restrictions are reclassified to net assets without donor restrictions when the purpose for which the donation was restricted has been fulfilled.

Donated Materials and Services

Donated materials have been reflected in the accompanying financial statements based on the estimated fair values. Donated collection items have been capitalized. Donated services are reflected in the financial statements for services the Organization does not pay for that requires specific expertise. No donated services were received during the years ended December 31, 2019 and 2018. In addition, many individuals volunteer their time and perform a variety of tasks that assist the Organization with specific program services and various administrative services, which are not included with the Organization's financial statements.

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.

Functional Expenses

The costs of providing the various program and supporting services have been summarized on a functional basis in the statement of functional expenses. Accordingly, certain costs have been allocated among the program and supporting services benefited. The allocations of salary and related expenses for management and supervision of program service functions are made by management based on the estimated time spent on the various functions. Other costs are allocated based on the operations of the Organization and are adjusted accordingly as needed.

**FOX-WOLF WATERSHED ALLIANCE, INC.
KIMBERLY, WISCONSIN**

NOTES TO FINANCIAL STATEMENTS - CONTINUED

Note 2. Tax Exempt Status:

The Organization is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code. The Organization has been classified as an organization that is not a private foundation, and donations made to the Organization qualify for the charitable deduction. The Organization is also exempt from Wisconsin income taxes.

The Organization adopted the provisions of the *Income Taxes Topic of the FASB Accounting Standards Codification*. As a result, the Organization evaluates its tax positions based on whether or not the position is more likely than not to be sustained upon examination by taxing authorities. The Organization continually evaluates its tax positions, changes in tax law and new authoritative rulings for potential implications on its tax status. The Organization's federal return is subject to examination generally for three years after being filed.

Note 3. Liquidity Management:

The Organization's financial assets available within one year of the statement of financial position date for general expenditures are as follows:

Cash (less \$71,139 of grants, advances on contracts future event vendor fees and registrations)	\$ (41,236)
Accounts receivable	479
Grants receivable	<u>443,981</u>
Total	<u>\$ 403,224</u>

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

Note 4. Concentrations of Credit Risk:

The Organization maintains its bank accounts at one financial institution in the Fox Valley area. Aggregate deposits at each bank are insured by the National Credit Union Administration up to \$250,000 per financial institution. The Organization's cash deposits exceed these federally insured limits at times during the year. The Organization has not experienced any losses on these accounts. Management believes the Organization is not exposed to any significant credit risk on cash.

Note 5. Grants Receivable:

The Organization is funded by various state and federal departments. The Organization submits claim forms for reimbursement. Grants receivable consists of the following at December 31,

	2019	2018
Federal Environmental Protection Agency	\$ 360,156	\$ 440,425
WI Department of Natural Resources	73,987	92,735
Other	<u>9,838</u>	<u>18,992</u>
Totals	<u>\$ 443,981</u>	<u>\$ 552,152</u>

All amounts are deemed collectible and no allowance for uncollectible amounts is considered necessary. All grants are due within one year and no valuation allowance is not required.

**FOX-WOLF WATERSHED ALLIANCE, INC.
KIMBERLY, WISCONSIN**

NOTES TO FINANCIAL STATEMENTS - CONTINUED

Note 6. Operating Lease:

The Organization rents its office space under an operating lease which is effective for the period May 15, 2017 through June 15, 2020. Rent payments are due in the amount of \$725 per month. Rent payments made under this agreement totaled \$8,700 for 2019 and 2018.

The future minimum lease payments are as follows for the year ending December 31,

2020	\$	4,350
------	----	-------

Note 7. Net Assets:

Net assets consisted of the following at December 31,

Net assets without donor restrictions:

	2019	2018
Property and equipment	\$ 3,624	\$ 7,573
Undesignated	39,656	3,273
Net assets without donor restrictions	43,280	10,846

Net assets with donor restrictions:

Clean Bay Backers	--	291
Watershed conference sponsorships	--	9,200
River cleanup sponsorships	--	5,000
NEWSC	98,916	106,021
Net assets with donor restrictions	98,916	120,512
Total net assets	\$ 142,196	\$ 131,358

Net assets were released from donor restrictions by incurring expenses or capital expenditures satisfying the purpose or time restrictions specified by the donors as follows at December 31,

	2019	2018
Clean Bay Backers	\$ 6,142	\$ 5,105
Watershed conference sponsorships	9,200	8,789
In-kind donations	7,210	--
River cleanup sponsorships	5,000	4,483
WPL maintenance grant	6,500	--
Winnebago Waterways grant	21,621	--
WI Department of Natural Resources grants	263,485	188,648
Environmental Protection Agency grants	1,011,379	1,095,293
Totals	\$ 1,330,537	\$ 1,302,318

**FOX-WOLF WATERSHED ALLIANCE, INC.
KIMBERLY, WISCONSIN**

NOTES TO FINANCIAL STATEMENTS - CONTINUED

Note 8. Self-Funding for State Unemployment Compensation:

The Organization has elected to pay claims for unemployment compensation (if any) rather than participate in the Wisconsin Unemployment Reserve Fund (WURF). As a condition of this election, the Organization is required to maintain an open line of credit to cover such claims. As of December 31, 2019, the Organization had a line of credit in the amount of \$2,665 with the WURF named as the beneficiary. The outstanding balances on the line of credit as of December 31, 2019 and 2018 were \$0. There were no claims paid for the years ended December 31, 2019 and 2018. The letter of credit expires December 31, 2021.

Note 9. Major Support Received:

During the year ended December 31, 2019, the Organization received major support from two sources that exceeded 10% of the Organization's total. Total revenue from these sources was \$1,273,611 for 2019 and \$434,143 was owed from these sources as of December 31, 2019.

During the year ended December 31, 2018, the Organization received major support from two sources that exceeded 10% of the Organization's total. Total revenue from these sources was \$1,285,722 for 2018 and \$533,161 was owed from these sources as of December 31, 2018.

Note 10. Subsequent Events:

The Organization has evaluated all subsequent events through September 27, 2020, the date on which the financial statements were available to be issued.

On May 13, 2020, the Organization received loan proceeds in the amount of \$85,700 under the Paycheck Protection Program (PPP). The PPP, established as part of the Coronavirus Aid, Relief and Economic Security Act (CARES Act), provides loans to qualifying businesses for amounts up to 2.5 times the average monthly payroll expenses of the qualifying business. The loans and accrued interest are forgivable after 24 weeks as long as the borrower uses the loan proceeds for eligible purposes, including payroll, benefits, rent and utilities, and maintains its payroll levels. The unforgiven portion of the PPP loan is payable over five years at an interest rate of 1% with a deferral of payments for the first six months. The Organization intends to use the proceeds for purposes consistent with the PPP and to meet the conditions for forgiveness of the loan.

SUPPLEMENTARY INFORMATION

**FOX-WOLF WATERSHED ALLIANCE, INC.
KIMBERLY, WISCONSIN**

**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
For the Year Ended December 31, 2019**

Awarding Agency/ Pass-Through Agency/ Award Description	Federal CFDA Number	State ID Number	Grant Number	Accrued Receivable 12/31/18	Expenditures	Grantor Reimbursement	Accrued Receivable 12/31/19	Passed Through to Subrecipients
U.S. DEPARTMENT OF THE INTERIOR								
State of Wisconsin Department of Natural Resources:								
Great Lakes Restoration	15.662	n/a	n/a	\$ --	\$ 47,172	\$ 47,172	\$ --	\$ n/a
U.S. ENVIRONMENTAL PROTECTION AGENCY								
Great Lakes Program	66.469	n/a	GL-00E01451	359,792	730,978	873,183	217,587	652,625
Great Lakes Program	66.469	n/a	GL-00E01906	45,885	100,865	127,945	18,805	82,216
Great Lakes Program	66.469	n/a	GL-00E02239	34,748	179,535	90,519	123,764	166,004
Total expenditures of federal awards				<u>\$ 440,425</u>	<u>\$ 1,058,550</u>	<u>\$ 1,138,819</u>	<u>\$ 360,156</u>	<u>\$ 900,845</u>
STATE OF WISCONSIN DEPARTMENT OF NATURAL RESOURCES								
Winnebago Lake Comprehensive Planning grants:								
Planning - Lake Poygan	n/a	370.663	LPL 162517	\$ 4,247	\$ --	\$ 4,247	\$ --	\$ n/a
Planning - Lake Butte des Mortes	n/a	370.663	LPL 162617	4,247	--	4,247	--	n/a
Planning - Lake Winneconne	n/a	370.663	LPL 162717	4,247	--	4,247	--	n/a
Planning - Lake Winnebago	n/a	370.663	LPL 62817	4,247	--	4,247	--	n/a
Winnebago System AIS Program	n/a	370.678	AEPP 51617	37,503	45,739	65,570	17,672	n/a
Expanding Educational Outreach in the LFR:								
River Planning	n/a	None	RP 28316	2,500	--	2,500	--	n/a
Education and Changing Behaviors in the LFR:								
River Planning	n/a	370.675	RP 29217	2,500	--	2,500	--	n/a
AIS Education, Prevention and Planning - Shawano & Menominee Counties								
	n/a	370.678	AEPP 56218	(5,365)	37,069	16,153	15,551	n/a
LMI Restoration Coordination - Shawano & Menominee Counties								
	n/a	370.663	LPT 57018	29,932	51,208	66,172	14,968	n/a
Winnebago Lake Comprehensive Phase IV:								
Planning - Lake Poygan	n/a	370.663	LPL165418	(12,553)	19,002	--	6,449	n/a
Planning - Lake Butte des Mortes	n/a	370.663	LPL 165318	(12,553)	19,002	--	6,449	n/a
Planning - Lake Winneconne	n/a	370.663	LPL 165618	(12,553)	19,002	--	6,449	n/a
Planning - Lake Winnebago	n/a	370.663	LPL 165518	(12,553)	19,002	--	6,449	n/a
Total expenditures of state awards				<u>\$ 33,846</u>	<u>\$ 210,024</u>	<u>\$ 169,883</u>	<u>\$ 73,987</u>	<u>\$ --</u>

SEE NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS.

**FOX-WOLF WATERSHED ALLIANCE, INC.
KIMBERLY, WISCONSIN**

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS

Note 1. Basis of Presentation:

The accompanying schedule of expenditures of federal and state awards includes the federal and state grant activity of Fox-Wolf Watershed Alliance, Inc. under programs of the federal government and Wisconsin Department of Natural Resources for the year ended December 31, 2019. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* (Uniform Guidance), and the *State Single Audit Guidelines*. Because the schedule presents only a selected portion of the operations of Fox-Wolf Watershed Alliance, Inc., it is not intended to and does not present the financial position, changes in the net assets or cash flows of Fox-Wolf Watershed Alliance, Inc.

Note 2. Summary of Significant Accounting Policies:

Expenditures reported on the schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Fox-Wolf Watershed Alliance, Inc. has elected not to use the 10-percent de minimus indirect cost rate allowed under the Uniform Guidance.



Erickson & Associates, S.C.

Certified Public Accountants

1000 West College Avenue • Appleton, Wisconsin 54914 • (920) 733-4957 • FAX (920) 733-6221
255 South Main Street • Fond du Lac, Wisconsin 54935 • (920) 921-4189 • FAX (920) 923-1149
www.erickson-cpas.com

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Directors
Fox-Wolf Watershed Alliance, Inc.
Kimberly, Wisconsin

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of Fox-Wolf Watershed Alliance, Inc. (a non-profit organization), which comprise the statement of financial position as of December 31, 2019, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated September 27, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Fox-Wolf Watershed Alliance, Inc.'s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Organization's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of the internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2019-001 and 2019-002 that we consider to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Fox-Wolf Watershed Alliance, Inc.'s Response to Findings

The Organization's responses to the findings identified in our audit are described in the accompanying corrective action plan. Fox-Wolf Watershed Alliance, Inc.'s responses were not subjected to the auditing procedures applied in the audit of the financial statements, and accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Erickson & Associates, S.C.

ERICKSON & ASSOCIATES, S.C.
Appleton, Wisconsin
September 27, 2020



Erickson & Associates, S.C.

Certified Public Accountants

1000 West College Avenue • Appleton, Wisconsin 54914 • (920) 733-4957 • FAX (920) 733-6221
255 South Main Street • Fond du Lac, Wisconsin 54935 • (920) 921-4189 • FAX (920) 923-1149
www.erickson-cpas.com

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

To the Board of Directors
Fox-Wolf Watershed Alliance, Inc.
Kimberly, Wisconsin

Report on Compliance for Each Major Federal

We have audited Fox-Wolf Watershed Alliance, Inc.'s (Organization) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Organization's major federal programs for the year ended December 31, 2019. The Organization's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of federal statutes, regulations, and the terms and conditions of grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Organization's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; audit requirements of Title 2 U.S. *Code of Federal Regulations Part 200 Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance, require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Organization's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our unmodified opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Organization's compliance.

Opinion on Each Major Federal Program

In our opinion, the Organization complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs for the year ended December 31, 2019.

No state programs were considered major programs for the 2019 audit.

Report on Internal Control Over Compliance

Management of the Organization is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Organization's internal control over compliance with the types of requirements that could have a direct and material effect on a major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did not identify any deficiencies in internal control that we consider to be material weaknesses. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be significant deficiencies.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2019-001 to be a significant deficiency.

The Organization's response to the finding identified in our audit is described in the accompanying corrective action plan. We did not audit the Organization's response, and accordingly, we express no opinion on it.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Erickson & Associates, S.C.

ERICKSON & ASSOCIATES, S.C.
Appleton, Wisconsin
September 27, 2020

**FOX-WOLF WATERSHED ALLIANCE, INC.
KIMBERLY, WISCONSIN**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended December 31, 2019**

Summary of Auditor's Results

Financial Statements

Type of auditor's report on financial statements:	Unmodified opinion
Internal control over financial reporting:	
Material weakness identified?	No
Significant deficiency(ies) identified not considered to be material weaknesses?	Yes
Noncompliance material to the financial statements?	No

Federal Awards

Internal control over major programs:	
Material weakness identified?	No
Significant deficiency(ies) identified not considered to be material weaknesses?	Yes
Type of auditor's report on compliance for major programs:	Unmodified opinion
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	Yes
Identification of major federal programs:	
66.469	Great Lakes Program

Dollar threshold used to distinguish between Type A and Type B programs	\$750,000
Auditee qualified as a low-risk auditee?	Yes

Financial Statement Findings

2019-001 Lack of Adequate Segregation of Duties

- Condition: The Organization has a limited number of personnel that are responsible for and perform substantially all of the bookkeeping and accounting functions.
- Criteria: Segregation of duties is an internal control intended to prevent or decrease the occurrence of errors or intentional fraud. Good internal control requires a complete separation of duties with respect to the handling and recording of transactions.
- Cause: The additional costs with hiring additional support staff to achieve complete segregation of duties would outweigh the derived benefits.
- Effect: Proper segregation of duties in the system of controls is not accomplished.

Identification of a Repeat Finding: This is a repeat finding from previous audits, see 2018-001.

Recommendation: The Organization should continue to evaluate the cost/benefit of hiring additional support staff to achieve complete segregation of duties.

**FOX-WOLF WATERSHED ALLIANCE, INC.
KIMBERLY, WISCONSIN**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED
For the Year Ended December 31, 2019

2019-001 Lack of Adequate Segregation of Duties - Continued

Views of
Responsible
Officials: See Organization's corrective action plan.

2019-002 Financial Statement Preparation

Condition: The Organization has historically relied upon its auditors to assist in the preparation of the financial statements and footnotes as part of its external financial reporting process. Accordingly, the Organization's ability to prepare financial statements in accordance with GAAP (generally accepted accounting principles) is based, in part, on its reliance on its external auditors, who cannot by definition be considered part of the Organization's internal controls.

Criteria: The preparation and review of financial statements in accordance with GAAP by staff with experience in financial reporting is an internal control intended to prevent, detect and correct a potential omission or misstatement in the financial statements or related footnotes.

Cause: The additional costs with hiring staff experienced in preparing financial statements, along with additional training time, outweigh the derived benefits.

Effect: Information provided to management throughout the year may not be presented in accordance with generally accepted accounting principles.

Identification of a
Repeat Finding: This is a repeat finding from previous audits, see 2018-002.

Recommendation: The Organization should continue to evaluate the cost/benefit of outsourcing the task of preparing the financial statements to external accountants.

Views of
Responsible
Officials: See Organization's corrective action plan.

Federal Findings and Questioned Costs

See finding 2019-001 above for all applicable compliance requirements for the Great Lakes Program CFDA #66.469, Environmental Protection Agency. Applicable compliance requirements are: activities allowed or unallowed, allowable costs / cost principles, eligibility, period of availability of federal funds / period of performance, reporting, subrecipient monitoring, and special tests and provisions.

**FOX-WOLF WATERSHED ALLIANCE, INC.
KIMBERLY, WISCONSIN**

**SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS
For the Year Ended December 31, 2019**

Status of Prior Year Audit Findings

The findings noted in the 2018 schedule of findings and questioned costs have been reported to the proper federal agencies.

2018-001 Lack of Adequate Segregation of Duties

Management continues to believe that due to budget constraints, it is not practicable for the Organization to hire additional staff to correct this finding. This is considered to be a repeat finding.

2018-002 Financial Statement Preparation

Management continues to believe that due to budget constraints, it is not practicable for the Organization to hire additional staff to correct this finding. This is considered to be a repeat finding.

2018-003 OMB Uniform Grant Guidance Implementation

Management corrected this finding during 2019.



CORRECTIVE ACTION PLAN

2019-001 Lack of Adequate Segregation of Duties

Corrective Action Plan: The Organization has evaluated the cost/benefit of hiring additional support staff to achieve proper separation of duties and at this point it is not possible due to budget constraints.

Anticipated Completion Date: Ongoing

2019-002 Financial Statement Preparation

Corrective Action Plan: The Organization has evaluated the cost/benefit of outsourcing the task of preparing the financial statements to an external accountant. It would be cost prohibitive to hire additional staff or outsource the task to an outside accountant. However, management of the Organization has obtained the necessary skills, knowledge, and experience to accept responsibility for the preparation of the Organization's financial statements.

Anticipated Completion Date: Ongoing

Contact Information: For more information regarding these findings please contact Jessica Schultz, Executive Director, Fox-Wolf Watershed Alliance, Inc. 309 E Kimberly Avenue, Kimberly, WI, 54136.

Sincerely,

A handwritten signature in black ink that reads "Jessica Schultz".

Jessica Schultz

Executive Director