

FOX-WOLF WATERSHED ALLIANCE, INC.

APPLETON, WISCONSIN

AUDITED FINANCIAL STATEMENTS

DECEMBER 31, 2023

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

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INDEPENDENT AUDITOR'S REPORT

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

Opinion

We have audited the accompanying financial statements of Fox-Wolf Watershed Alliance, Inc., (a non-profit organization), which comprise the statement of financial position as of December 31, 2023, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements present fairly, in all material respects, the financial position of Fox-Wolf Watershed Alliance, Inc. as of December 31, 2023, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit 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. 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 Fox-Wolf Watershed Alliance, Inc. and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. 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 Fox-Wolf Watershed Alliance, Inc.'s ability to continue as a going concern within 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 generally accepted auditing standards and *Government Auditing Standards* 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 generally accepted auditing standards and *Government Auditing Standards*, 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 Fox-Wolf Watershed Alliance, 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 Fox-Wolf Watershed Alliance, 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.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedules of expenditures of federal and state 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*, are presented for purposes of additional analysis, and are 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, 2024, 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, 2024

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

**STATEMENT OF FINANCIAL POSITION
December 31, 2023**

ASSETS

Current assets:	
Cash	\$ 250,538
Receivables	291,933
Prepaid expenses	19,539
Total current assets	562,010
Property and equipment:	
Furniture and equipment	20,302
Less accumulated depreciation	20,302
Net property and equipment	--
Other assets:	
Right of use asset	34,732
Total other assets	34,732
Total assets	\$ 596,742

LIABILITIES AND NET ASSETS

Current liabilities:	
Accounts payable	\$ 93,640
Accrued payroll	14,592
Payroll tax liabilities	7,099
Deferred revenues	98,646
Operating lease liability	23,415
Total current liabilities	237,392
Non-current liabilities:	
Operating lease liability	11,677
Total liabilities	249,069
Net assets:	
Without donor restrictions	220,282
With donor restrictions	127,391
Total net assets	347,673
Total liabilities and net assets	\$ 596,742

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

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

STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2023

	Without Donor Restrictions	With Donor Restrictions	Totals
Operating revenues:			
Contributions, cash	\$ 67,373	\$ 68	\$ 67,441
Contributions, in-kind	45,698	--	45,698
Government grants and contracts	--	1,160,108	1,160,108
Other grants	--	167,553	167,553
Event revenue	98,591	930	99,521
Program revenues	4,000	184	4,184
Membership dues	8,575	84,500	93,075
Interest and other income	5,041	1,540	6,581
Net assets released from restrictions	1,435,790	(1,435,790)	--
	1,665,068	(20,907)	1,644,161
Total operating revenues			
Operating expenses:			
Program services	1,515,249	--	1,515,249
Management and general	69,838	--	69,838
Fund raising	75,586	--	75,586
	1,660,673	--	1,660,673
Total operating expenses			
Change in net assets	4,395	(20,907)	(16,512)
Net assets - beginning of year	215,887	148,298	364,185
Net assets - end of year	\$ 220,282	\$ 127,391	\$ 347,673

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

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

STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended December 31, 2023

	Program Services			
	Restoration	Watershed Recovery Coordination	Outreach and Education	Research
Salaries and wages	\$ 62,704	\$ 264,818	\$ 26,400	\$ 171,523
Payroll taxes	4,766	19,402	2,006	13,036
Direct program expenses	588,791	14,052	96,192	18,460
Event expenses	3,728	46	--	37,409
Occupancy	2,454	10,340	1,033	6,714
Supplies	15,808	1,824	4,694	6,967
Office equipment	--	3,317	--	--
Insurance	924	1,542	154	1,001
Telephone	803	3,383	338	2,197
Postage and shipping	273	563	--	1,986
Printing and publications	300	156	--	8,503
Travel	2,130	3,832	843	10,192
Board and staff expenses	432	269	--	768
Professional services	16,834	705	12,757	630
Professional services, in-kind	--	--	45,698	--
Software expense	40	8,969	500	2,849
Advertising and promotion	397	--	--	6,368
Miscellaneous	314	390	2	1,723
Total expenses	\$ 700,698	\$ 333,608	290,326	\$ 190,617

Total Program Services	Supporting Services			Total Expenses
	Management and General	Fund Raising	Total Supporting Services	
\$ 525,445	\$ 37,317	\$ 55,720	\$ 93,037	\$ 618,482
39,210	3,561	4,235	7,796	47,006
717,495	--	--	--	717,495
41,183	--	17	17	41,200
20,541	1,487	2,181	3,668	24,209
29,293	1,966	359	2,325	31,618
3,317	403	--	403	3,720
3,621	1,220	325	1,545	5,166
6,721	487	714	1,201	7,922
2,822	1,890	2,230	4,120	6,942
8,959	--	8,141	8,141	17,100
16,997	163	337	500	17,497
1,469	1,448	500	1,948	3,417
30,926	10,729	--	10,729	41,655
45,698	--	--	--	45,698
12,358	8,358	360	8,718	21,076
6,765	630	13	643	7,408
2,429	179	454	633	3,062
<u>\$ 1,515,249</u>	<u>\$ 69,838</u>	<u>\$ 75,586</u>	<u>\$ 145,424</u>	<u>\$ 1,660,673</u>

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

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

**STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2023**

Cash flows from operating activities:	
Donations and grants received	\$ 1,567,970
Program service revenue received	87,334
Cash paid for operating expenses	(1,702,469)
Interest and other income	6,581
Net cash used in operating activities	<u>(40,584)</u>
Net decrease in cash	(40,584)
Cash balance, beginning of year	291,122
Cash balance, end of year	<u>\$ 250,538</u>

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

Change in net assets	\$ (16,512)
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
(Increase) decrease in operating assets:	
Receivables	127,237
Prepaid expenses	(79)
Right of use asset	(601)
Increase (decrease) in operating liabilities:	
Accounts payable	(98,308)
Accrued payroll	4,023
Payroll tax liabilities	7,099
Deferred revenues	(63,815)
Operating lease liability	372
Net cash used in operating activities	<u>\$ (40,584)</u>

**FOX-WOLF WATERSHED ALLIANCE, INC.
APPLETON, 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 four main activities:

Restoration – Fox-Wolf identifies resource concerns and finds solutions, providing resources for technical staff and funding for implementation of practices on the land that reduce sediment and nutrient pollution from entering our waterways.

Watershed Recovery Coordination – Fox-Wolf believes in wholistic watershed and works across the 21 county basin with a variety of partners, including elected officials, property owners, business & industry, farmers, volunteers and conservation professionals in the urban, rural and agriculture landscapes to promote cost effective solutions to improve water quality.

Outreach and Education – To meet our mission, Fox-Wolf connects with people where they are. We exhibit at local festivals and community events, provide presentations in schools and to community groups and have one-on-one meetings with property owners. We provide trainings, workshops and conferences to educate those that have a direct impact on our waterways.

Research – Fox-Wolf relies on sound science to advance its restoration and outreach efforts. We partner with local universities, colleges and agencies to guide investment in local research and support research needs when necessary.

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 does not have any non-operating revenue or expenses. The change in net assets includes 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.

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

NOTES TO FINANCIAL STATEMENTS - CONTINUED

Note 1. Summary of Significant Accounting Policies - Continued:

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.

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.

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

Office equipment and furniture	3 to 7 years
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The Organization has adopted a policy of capitalizing all equipment purchases and donations that have a fair value greater than \$5,000.

Lease

The Organization is a lessee for office space. If the contract provides the Organization the right to substantially all the economic benefits and the right to direct the use of the identified asset, it is considered to be or contain a lease. Right of Use (ROU) assets and lease liabilities are recognized at the lease commencement date or January 1, 2022, the date of adoption of ASU 2016-02, *Leases* (Topic 842) based on the present value of the future lease payments over the expected lease term. The ROU assets are also adjusted for any lease prepayments made, lease incentives received and initial direct costs incurred. ROU assets are adjusted based on changes in the ROU liability and any impairment considerations. ROU assets for operating leases with payments that fluctuate over the lease term are amortized on a straight-line basis.

Variable payments are included in the future lease payments when those variable payments depend on an index or a rate. Increases (decreases) to variable lease payments due to subsequent changes in an index or rate are recorded as variable lease expense (income) in the future period in which they are incurred.

The discount rate used is the implicit rate in the lease contract, if it is readily determinable, or the Organization's incremental borrowing rate if there is one. The Organization has elected to use a risk-free rate for a term similar to the underlying lease's remaining lease term as the discount rate if the implicit rate in the lease contract is not readily determinable.

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.

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

NOTES TO FINANCIAL STATEMENTS - CONTINUED

Note 1. Summary of Significant Accounting Policies - Continued:

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. 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.

Revenue Recognition

The Organization follows ASU 2014-09, *Revenue from Contracts with Customers* (Topic 606). The amendments with this ASU, as well as within the additional clarifying ASUs issued by the FASB, provide a single comprehensive model to be used to determine the measurement of revenue and timing of recognition for revenue arising from contracts with customers. The core principal of the amended guidance is that an entity should recognize revenue to depict the transfer of promised goods to customers in an amount that reflects consideration to which the entity expects to be entitled in exchange for those goods. This revenue guidance includes a five-step model for the recognition of revenue, including (1) identifying the contract with a customer, (2) identifying the performance obligations in the contract (3) determining the transaction price, (4) allocating the transaction price to the performance obligations, and (5) recognizing revenue when (or as) an entity satisfies a performance obligation.

Note 2. Revenues:

Revenue Recognition Accounting Policy and Performance Obligations

The Organization provides restoration and watershed recovery and outreach and education. Revenue is recognized at the transaction price that the Organization expects to be entitled to when performance obligations under the terms of a contract with a customer are satisfied, which generally occurs when the service has been performed or the membership period has expired.

Most of the Organization's revenue is recognized at the point-in-time that service obligations are performed. Fox-Wolf Watershed Alliance, Inc. submits claim forms for reimbursement as permitted/required by the various contracts. Revenue is recognized over time for memberships.

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

NOTES TO FINANCIAL STATEMENTS - CONTINUED

Note 2. Recognition Accounting Policy and Performance Obligations - Continued:

Shipping and Handling Costs and Taxes Collected

Shipping and handling amounts billed to a customer as part of a sales transaction are included in revenues. Shipping and handling is treated as a fulfillment activity rather than a promised service, and therefore is not considered a separate performance obligation. As a non-profit organization, Fox-Wolf Watershed Alliance, Inc. does not collect taxes from clients that are remitted to governmental authorities (e.g. sales tax).

Disaggregation of Revenues

The following table presents a summary of revenues for 2023 as follows:

Government grants & contracts	point in time	\$ 1,160,108
Other grants	point in time	167,553
Event revenue	point in time	99,521
Program revenue	point in time	4,184
Membership dues	over time	93,075
Total revenues recognized under Topic 606		<u>\$ 1,524,441</u>
Receivables at December 31, 2022		\$ 419,170
Receivables at December 31, 2023		291,933
Contract liabilities beginning of year		\$ 162,461
Change in contract liability		<u>(63,815)</u>
Contract liability end of year		<u>\$ 98,646</u>

Note 3. 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.

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

NOTES TO FINANCIAL STATEMENTS - CONTINUED

Note 4. 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 \$98,646 of grants, advances on contracts future event vendor fees and registrations)	\$ 151,892
Grants receivable	453,629
Total	<u>\$ 605,521</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 5. 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 6. Receivables:

Receivables are comprised of the following at December 31:

	2023	2022
Federal government grants	\$ 161,696	\$ 260,683
Wisconsin government grants	130,237	151,524
Other grants and programs	--	6,963
Totals	\$ 291,933	\$ 419,170

All amounts are deemed collectible and no valuation allowance is considered necessary. All grants were paid subsequent to year end except \$26,975 which is unbilled and not payable until the respective projects are completed

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

NOTES TO FINANCIAL STATEMENTS - CONTINUED

Note 7. Net Assets:

Net assets consisted of the following at December 31, 2023:

Net assets without donor restrictions:

Undesignated	\$ 220,282
Net assets without donor restrictions	220,282

Net assets with donor restrictions:

NEWSC	103,105
CBCW unemployment reserve	5,394
Agriculture equipment	18,892
Net assets with donor restrictions	127,391

Total net assets	\$ 347,673
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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 during 2023:

Federal grants	\$ 814,165
WI Department of Natural Resources grants	205,944
NEWSC	85,793
Corporate, foundation and other grants	329,888
Totals	\$ 1,435,790

Note 8. Leasing Activities:

The Organization rents its office space under an operating lease beginning June 1, 2021, expiring June 30, 2024. Initial rental payments are \$1,800 monthly, with annual increases of 3%. Because this lease does not provide an implicit rate and Organization does not have an incremental borrowing rate, the lease asset and liability were initially calculated utilizing the risk-free discount rate, .85%, according to the Organization's policy. For financial statement purposes, the lease was assumed to self-renew for another year, using the risk-free discount rate of 4.79%.

<i>Leases</i>	<i>Classification</i>	
Assets		
Operating	ROU, operating lease asset	\$ 34,732
Liabilities		
Current	Operating lease obligation, current	23,415
Noncurrent	Operating lease obligation, noncurrent	11,677
Lease cost		
Lease expense	Occupancy	22,955

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

NOTES TO FINANCIAL STATEMENTS - CONTINUED

Note 8. Leasing Activities - Continued:

Maturities of lease liabilities for the year ending December 31:

2024	\$ 23,526
2025	<u>12,114</u>
Total lease payments	35,640
Less: interest	<u>548</u>
Present value of lease liabilities	<u>\$ 35,092</u>

Cash flow information

Cash paid for amounts included in measurement of lease liabilities:

Operating cash flows from operating leases	\$ 23,190
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Note 9. 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. The Organization has a line of credit in the amount of \$7,077 with the WURF named as the beneficiary, expiring on December 31, 2027. The outstanding balance on the line of credit as of December 31, 2023 was \$0. The amount of claims paid was \$0 for the year ended December 31, 2023.

Note 10. Major Support Received:

During the year ended December 31, 2023, the Organization received ongoing major support from two sources that exceeded 10% of the Organization's total. Total revenue from federal grant providers, including Environmental Protection Agency, Fish and Wildlife and Department of Agriculture, was \$573,542 and gross receivables were \$56,327. Total revenue from Wisconsin Department of Natural Resources was \$205,944 and gross receivables were \$115,038.

Note 11. Subsequent Events:

The Organization has evaluated all subsequent events through September 27, 2024, the date on which the financial statements were available to be issued.

SUPPLEMENTARY INFORMATION

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

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended December 31, 2023**

Awarding Agency/ Pass-Through Agency/ Award Description	Assistance Listing Number	Grant Number	Accrued Receivable 12/31/22
U.S. DEPARTMENT OF AGRICULTURE NRCS			
Great Lakes Commission:			
Increase Adoption of Soil Health Conservation Systems in Rat River Watershed			
NR213A750013C001 - Rat River	10.902	GLSNRP-11-09	\$ 8,310
National Fish & Wildlife Foundation:			
Expanding Technical Assistance for Regenerative Agriculture Practices			
NFWF Grant ID 0501.21.071917	10.902	NFWF 71917	66,999
US Department of Agriculture			
Expands Climate Smart Dairy and Sugar Markets in CA, CO, ID, IL, IN, IA, KS, MI, MN MT, ND, NE, OH, OR, SD, WA WI, WY, Tribal and Supports Implementation and Monitoring of Climate Smart Practices			
USDA Grant NR233A750004G051	10.937	NR233A750004G051	--
Expands Climate Smart Dairy, Beef, Grain and Specialty Crop Markets in Wisconsin and Supports Farmer and Rancher Implementation and Monitoring of Climate Smart Practices			
USDA Grant NR233A750004G071			
Edge Dairy Farmer Cooperative	10.937	NR233A750004G071	--
U.S. DEPARTMENT OF THE INTERIOR			
U.S. Fish and Wildlife Service:			
NRDA-Natl Resource Damage Assessment, Restoration and Implementation			
	15.658	F21AP00286	6,136
State of Wisconsin Department of Natural Resources			
Great Lakes Restoration, CBCW Grant			
	15.662	118222	2,867
Great Lakes Restoration, CBCW Contract			
	15.662	n/a	--
U.S. ENVIRONMENTAL PROTECTION AGENCY			
Great Lakes Program	66.469	GL-00E02813	20,489
Great Lakes Program	66.469	GL-00E02814	127,365
Great Lakes Program	66.469	GL-00E03109	1,783
Great Lakes Program	66.469	GL-00E03117	6,797
Total expenditures of federal awards			<u>\$ 240,746</u>

<u>Expenditures</u>	<u>Grantor Reimbursement</u>	<u>Accrued Receivable 12/31/23</u>	<u>Passed Through to Subrecipients</u>
\$ 58,879	\$ 73,699	\$ (6,510)	\$ 50,949
58,380	110,180	15,199	--
32,345	--	32,345	--
59,597	--	59,597	16,465
1,422	7,558	--	--
--	2,867	--	--
30,000	30,000	--	--
321,522	326,198	15,813	271,628
195,011	298,763	23,613	135,521
7,587	7,371	1,999	--
49,422	41,317	14,902	44,074
<u>\$ 814,165</u>	<u>\$ 897,953</u>	<u>\$ 156,958</u>	<u>\$ 518,637</u>

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

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

**SCHEDULE OF EXPENDITURES OF STATE AWARDS
For the Year Ended December 31, 2023**

Awarding Agency/ Pass-Through Agency/ Award Description	State ID Number	Grant Number	Accrued Receivable 12/31/22
STATE OF WISCONSIN DEPARTMENT OF NATURAL RESOURCES			
LMI Restoration Coordination - Shawano & Menominee Counties	370.663	LPT 57018	\$ 31,171
LMI Win Waterways Recovery Kickstart	370.663	LPT 71321	87,848
Changing Stormwater Behaviors in NE WI	370.663	LPL 178321	1,250
Increasing Support for Restoration Through Outreach and Education in the Winnebago System	370.663	LPL1884423	--
Fox Wolf Watershed Alliance LMPN 2622	370.663, 370.678	LMPN2622	6,669
Fox Wolf Watershed Alliance LMPN 7923	370.663, 370.678	LMPN7923	--
Education & Awareness through Watershed Cleanup	370.675	RP37323	--
Winnebago Waterways Streambank Inv, part 1	370.675	RP38023	--
Winnebago Waterways Streambank Inv, part 2	370.675	RP38123	--
Winnebago Waterways Streambank Inv, part 3	370.675	RP38223	--
Target Invasive Species Mapping/Planning, '21 Ph 1	370.678	AEPP 63621	2,500
Target Invasive Species Mapping/Planning, '22 Ph 2	370.678	AEPP 64722	(7,500)
Control, Early Detection & Prevention of European Frogbit		n/a	--
Evaluation of Breakwall Restoration in the Winnebago System		LPL174720	(17,977)
LMI-Samers Bay Breakwall Habitat Restoration Project		LPT 66620	20,000
HLR-Winnebago Waterways Healthy Lakes Grant 2022		LPT 75822	(953)
Celebrating Green Infrastructure through Public Awareness		RP33820	<u>2,500</u>
Total expenditures of state awards			<u>\$ 125,508</u>

<u>Expenditures</u>	<u>Grantor Reimbursement</u>	<u>Accrued Receivable 12/31/23</u>	<u>Passed Through to Subrecipients</u>
\$ 14,515	\$ 45,686	\$ --	\$ 14,052
78,947	86,968	79,827	--
--	1,250	--	--
1,323	3,750	(2,427)	--
--	6,669	--	--
66,686	60,017	6,669	--
258	258	--	--
9,300	6,975	2,325	--
9,300	6,975	2,325	--
9,300	6,975	2,325	--
--	2,500	--	--
10,000	2,500	--	10,000
3,795	3,795	--	--
--	--	(17,977)	--
--	--	20,000	--
2,520	--	1,567	--
--	2,500	--	--
<u>\$ 205,944</u>	<u>\$ 236,818</u>	<u>\$ 94,634</u>	<u>\$ 24,052</u>

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

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

NOTES TO SCHEDULES OF EXPENDITURES OF FEDERAL AND STATE AWARDS

Note 1. Basis of Presentation:

The accompanying schedules 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, 2023. The information in the schedules 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 schedules present only a selected portion of the operations of Fox-Wolf Watershed Alliance, Inc., they are not intended to and do 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 schedules 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 to use the 10-percent de minimus indirect cost rate allowed under the Uniform Guidance for some contracts.



Erickson & Associates, S.C.

Certified Public Accountants

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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.
Appleton, 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, 2023, 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 xx, 2024.

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 2023-001 and 2023-002 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, 2024



Erickson & Associates, S.C.

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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.
Appleton, Wisconsin

Report on Compliance for Each Major Federal Program

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, 2023. 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, 2023.

No state programs were considered major programs for the 2023 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 2023-001 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, 2024

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

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended December 31, 2023**

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

2023-001 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 2022-001.

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.
APPLETON, WISCONSIN

SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED
For the Year Ended December 31, 2022

2023-001 Lack of Adequate Segregation of Duties - Continued

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

2023-002 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 2022-002.

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 2023-001 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.
APPLETON, WISCONSIN**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED
For the Year Ended December 31, 2023

Other Issues:

Does the auditor's report or the notes to the financial statements include disclosure with regard to substantial doubt as to the Organization's ability to continue as a going concern? No

Was a management letter or other document conveying audit comments issued as a result of this audit? Yes

Signature of shareholder



Date of report

September 27, 2024

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

SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS
For the Year Ended December 31, 2023

Status of Prior Year Audit Findings

The findings noted in the 2022 schedule of findings and questioned costs have been reported to the proper federal agencies.

2022-001 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.

2022-002 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.

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CORRECTIVE ACTION PLAN

2023-001 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

2023-002 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 is working toward developing 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. 526 W Wisconsin Avenue, Unit 2E, Appleton, WI 54911.

Sincerely,

A handwritten signature in cursive script that reads "Jessica Schultz".

Jessica Schultz
Executive Director