

Society for Freshwater Science

Financial Statements

***For the Years Ended
December 31, 2016 and 2015***

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
The Society for Freshwater Science

We have audited the accompanying statements of assets, liabilities and net assets – modified cash basis of the Society for Freshwater Science as of December 31, 2016 and 2015, and the related statements of revenues and expenses and changes in net assets – modified cash basis 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 the modified cash basis of accounting described in Note 2; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the 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 entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets, liabilities, and net assets of the Society for Freshwater Science as of December 31, 2016 and 2015, and its revenues and expenses and changes in net assets for the years then ended in accordance with the basis of accounting as described in Note 2.



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Basis of Accounting

We draw attention to Note 2 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to that matter.

Hammerman, Graf, Hughes + Co.

Dayton, Ohio
October 12, 2017

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Society for Freshwater Science
Statements of Assets, Liabilities and Net Assets -
Modified Cash Basis
December 31, 2016 and 2015

| | 2016 | 2015 |
|--------------------------------------|-------------------------|-------------------------|
| ASSETS | | |
| Cash | | |
| Society | \$ 82,345 | \$ 57,058 |
| Journal | 73,954 | 67,674 |
| Taxonomic Certification Program | 37,995 | 44,107 |
| Total cash | <u>194,294</u> | <u>168,839</u> |
| Investments | | |
| Society | 592,874 | 603,852 |
| Journal | 329,486 | 268,344 |
| Endowment | 703,779 | 655,244 |
| Total investments | <u>1,626,139</u> | <u>1,527,440</u> |
| Total assets | <u>\$ 1,820,433</u> | <u>\$ 1,696,279</u> |
| LIABILITIES AND NET ASSETS | | |
| LIABILITIES | | |
| Total liabilities | \$ - | \$ - |
| NET ASSETS | | |
| Unrestricted | 1,116,654 | 1,041,035 |
| Permanently restricted | <u>703,779</u> | <u>655,244</u> |
| Total net assets | <u>1,820,433</u> | <u>1,696,279</u> |
| Total liabilities and net assets | <u>\$ 1,820,433</u> | <u>\$ 1,696,279</u> |

Society for Freshwater Science
Statements of Revenues and Expenses and Changes in Net Assets -
Modified Cash Basis
Year Ended December 31, 2016

| | UNRESTRICTED | | | RESTRICTED ENDOWMENT | Total |
|---|-------------------|-------------------|----------------------------|-------------------------|---------------------|
| | SOCIETY | JOURNAL | TAXONOMIC CERTIFICATION | | |
| SUPPORT AND REVENUES | | | | | |
| Annual meeting | \$ 52,389 | \$ - | \$ - | \$ - | \$ 52,389 |
| Program services | 1,140 | 190,767 | 21,956 | - | 213,863 |
| Membership and chapter dues | 70,694 | - | - | - | 70,694 |
| Contributions | - | - | - | 11,247 | 11,247 |
| Other | 64 | - | 3,239 | - | 3,303 |
| Total support and revenues | <u>124,287</u> | <u>190,767</u> | <u>25,195</u> | <u>11,247</u> | <u>351,496</u> |
| OTHER INCOME (EXPENSES) | | | | | |
| Dividends and interest | 22,075 | 5,434 | - | 20,883 | 48,392 |
| Change in market value | 17,098 | 5,766 | - | 16,405 | 39,269 |
| Annual meeting | (5,000) | - | - | - | (5,000) |
| Program related | (118,711) | (132,115) | (31,307) | - | (282,133) |
| Endowment awards | (25,290) | - | - | - | (25,290) |
| Investment expense | (150) | (2,430) | - | - | (2,580) |
| Total other income (expenses) | <u>(109,978)</u> | <u>(123,345)</u> | <u>(31,307)</u> | <u>37,288</u> | <u>(227,342)</u> |
| Change in net assets | <u>14,309</u> | <u>67,422</u> | <u>(6,112)</u> | <u>48,535</u> | <u>124,154</u> |
| Transferred to the endowment account | - | - | - | - | - |
| Transferred from the endowment account | - | - | - | - | - |
| Increase (decrease) in net assets | 14,309 | 67,422 | (6,112) | 48,535 | 124,154 |
| Net Assets Beginning of Year | <u>660,910</u> | <u>336,018</u> | <u>44,107</u> | <u>655,244</u> | <u>1,696,279</u> |
| Net Assets End of Year | <u>\$ 675,219</u> | <u>\$ 403,440</u> | <u>\$ 37,995</u> | <u>\$ 703,779</u> | <u>\$ 1,820,433</u> |
| Proof: | | | | | |
| Cash in bank | 82,345 | 73,954 | 37,995 | - | 194,294 |
| Investments | 592,874 | 329,486 | - | 703,779 | 1,626,139 |
| | <u>\$ 675,219</u> | <u>\$ 403,440</u> | <u>\$ 37,995</u> | <u>\$ 703,779</u> | <u>\$ 1,820,433</u> |

Society for Freshwater Science
Statements of Revenues and Expenses and Changes in Net Assets -
Modified Cash Basis
Year Ended December 31, 2015

| | UNRESTRICTED | | | RESTRICTED ENDOWMENT | Total |
|---|-------------------|-------------------|----------------------------|-------------------------|---------------------|
| | SOCIETY | JOURNAL | TAXONOMIC CERTIFICATION | | |
| SUPPORT AND REVENUES | | | | | |
| Annual meeting | \$ 31,413 | \$ - | \$ - | \$ - | \$ 31,413 |
| Program services | 1,500 | 178,649 | 26,438 | - | 206,587 |
| Membership and chapter dues | 70,500 | - | - | - | 70,500 |
| Contributions | - | - | - | 10,047 | 10,047 |
| Other | 3,289 | - | 12,853 | - | 16,142 |
| Total support and revenues | <u>106,702</u> | <u>178,649</u> | <u>39,291</u> | <u>10,047</u> | <u>334,689</u> |
| OTHER INCOME (EXPENSES) | | | | | |
| Dividends and interest | 31,914 | 8,420 | - | 29,665 | 69,999 |
| Change in market value | (38,037) | (12,043) | - | (35,199) | (85,279) |
| Annual meeting | (11,745) | - | - | - | (11,745) |
| Program related | (106,467) | (128,635) | (30,344) | - | (265,446) |
| Endowment awards | (22,700) | - | - | - | (22,700) |
| Investment expense | (150) | (1,992) | - | (150) | (2,292) |
| Total other income (expenses) | <u>(147,185)</u> | <u>(134,250)</u> | <u>(30,344)</u> | <u>(5,684)</u> | <u>(317,463)</u> |
| Change in net assets | <u>(40,483)</u> | <u>44,399</u> | <u>8,947</u> | <u>4,363</u> | <u>17,226</u> |
| Transferred to the endowment account | (6,801) | - | - | 6,801 | - |
| Transferred from the endowment account | 21,800 | - | - | (21,800) | - |
| | <u>14,999</u> | <u>-</u> | <u>-</u> | <u>(14,999)</u> | <u>-</u> |
| Increase (decrease) in net assets | (25,484) | 44,399 | 8,947 | (10,636) | 17,226 |
| Net Assets Beginning of Year | <u>686,394</u> | <u>291,619</u> | <u>35,160</u> | <u>665,880</u> | <u>1,679,053</u> |
| Net Assets End of Year | <u>\$ 660,910</u> | <u>\$ 336,018</u> | <u>\$ 44,107</u> | <u>\$ 655,244</u> | <u>\$ 1,696,279</u> |
| Proof: | | | | | |
| Cash in bank | 57,058 | 67,674 | 44,107 | - | 168,839 |
| Investments | 603,852 | 268,344 | - | 655,244 | 1,527,440 |
| | <u>\$ 660,910</u> | <u>\$ 336,018</u> | <u>\$ 44,107</u> | <u>\$ 655,244</u> | <u>\$ 1,696,279</u> |

Society for Freshwater Science
Notes to the Financial Statements
December 31, 2016 and 2015

Note 1. Organization

The *Society for Freshwater Science* (the Society) is an international scientific organization whose purpose is to promote further understanding of freshwater ecosystems (rivers, streams, lakes, reservoirs, and estuaries) and ecosystems at the interface between aquatic and terrestrial habitats (wetlands, bogs, fens, riparian forests and grasslands). The Society fosters exchange of scientific information among the membership, and with other professional societies, resource managers, policy makers, educators, and the public. Society members study the genetics to community structure of freshwater organisms, freshwater ecosystem function, and physical processes that affect freshwaters, and linkages between freshwater ecosystems and surrounding landscapes. Applied aspects of their science include habitat and water quality assessment, conservation, fisheries and invasive species management, integrated water resource management, and restoration.

Note 2. Summary of Significant Accounting Policies

Basis of Accounting

The Society maintains its books on the modified cash basis of accounting. Consequently, certain revenue is recognized when received rather than when earned, and expenses are recognized when paid rather than when the obligation is incurred. Accordingly, the accompanying financial statements are not intended to present the financial position and changes in net assets in conformity with accounting principles generally accepted in the United States of America.

The Society reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. The Society had only unrestricted and permanently restricted net assets at December 31, 2016 and 2015.

Use of Estimates

The preparation of financial statements in conformity with the modified cash basis of accounting requires the Society to make estimates and assumptions that affect the amounts and disclosures reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Cash

Cash consists of cash on deposit that can be redeemed on demand. The Society maintains its cash balances, which at times may exceed federally insured limits, with high credit quality financial institutions. The Society considers cash on deposit with a broker to be an investment.

Investments

Investments are stated at fair value as determined by quoted market prices. Unrealized gains and losses are included in the change in net assets in the accompanying statements of revenues and expenses and changes in net assets - modified cash basis. Investments are in publicly traded investment instruments that are uninsured and subject to market fluctuations. Realized gains and losses on sales of available-for-sale securities are computed based upon historical cost determined using the first-in-first-out method.

Society for Freshwater Science
Notes to the Financial Statements
December 31, 2016 and 2015

Note 2. Summary of Significant Accounting Policies (Continued)

Tax Status

The Society is exempt from federal income tax under Internal Revenue Code Section 501(c)(3), and does not currently conduct any activities which would result in the imposition of the unrelated business income tax. Although the Society's prior year tax returns for the years ended December 31, 2012 – 2015 are subject to examination by the Internal Revenue Service, it has not indicated any intent to do so.

Subsequent Events

Management has evaluated subsequent events through October 12, 2017, the date which the financial statements were available to be issued.

Note 3. Fair Value Measurement

Accounting Standards Codification (ASC) 820, *Fair Value Measurements*, establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements).

The three levels of the fair value hierarchy are described as follows:

Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Society has the ability to access.

Level 2: Inputs to the valuation methodology other than quoted prices that are observable for the asset or liability and inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

Following is a description of the valuation methodology used for assets measured at fair value. There have been no changes in the methodology used at December 31, 2016 and 2015.

Investments: Valued at the year-end quoted market price.

The Society believes its valuation method is appropriate and consistent with other market participants. The use of different methodologies or assumptions to determine the fair value could result in a different fair value measurement at the reporting date.

The following table sets forth by level, within the fair value hierarchy, the Society's assets at fair value as of December 31, 2016:

| | <u>Level 1</u> | <u>Level 2</u> | <u>Level 3</u> | <u>Total</u> |
|-------------|---------------------|-------------------|----------------|---------------------|
| Investments | \$ 1,457,214 | \$ 168,925 | \$ - | \$ 1,626,139 |
| Total | <u>\$ 1,457,214</u> | <u>\$ 168,925</u> | <u>\$ -</u> | <u>\$ 1,626,139</u> |

Society for Freshwater Science
Notes to the Financial Statements
December 31, 2016 and 2015

Note 3. Fair Value Measurement (Continued)

The following table sets forth by level, within the fair value hierarchy, the Society's assets at fair value as of December 31, 2015:

| | <u>Level 1</u> | <u>Level 2</u> | <u>Level 3</u> | <u>Total</u> |
|-------------|---------------------|-------------------|----------------|---------------------|
| Investments | \$ 1,249,842 | \$ 277,598 | \$ - | \$ 1,527,440 |
| Total | <u>\$ 1,249,842</u> | <u>\$ 277,598</u> | <u>\$ -</u> | <u>\$ 1,527,440</u> |

Note 4. Investments

Investments at December 31, 2016, are comprised of the following:

| | <u>Historical Cost</u> | <u>Gross Unrealized Gains</u> | <u>Gross Unrealized Losses</u> | <u>Estimated Fair Value</u> |
|--------------|----------------------------|---------------------------------------|--|---------------------------------|
| Money Funds | \$ 196,237 | \$ - | \$ - | \$ 196,237 |
| Equities | 521,973 | 38,578 | 14,801 | 545,750 |
| Fixed income | <u>920,149</u> | <u>7,982</u> | <u>43,979</u> | <u>884,152</u> |
| Total | <u>\$ 1,638,359</u> | <u>\$ 46,560</u> | <u>\$ 58,780</u> | <u>\$ 1,626,139</u> |

Investments at December 31, 2015, are comprised of the following:

| | <u>Historical Cost</u> | <u>Gross Unrealized Gains</u> | <u>Gross Unrealized Losses</u> | <u>Estimated Fair Value</u> |
|--------------|----------------------------|---------------------------------------|--|---------------------------------|
| Money Funds | \$ 190,247 | \$ - | \$ - | \$ 190,247 |
| Equities | 531,371 | 27,512 | 39,133 | 519,750 |
| Fixed income | <u>857,311</u> | <u>14,919</u> | <u>54,787</u> | <u>817,443</u> |
| Total | <u>\$ 1,578,929</u> | <u>\$ 42,431</u> | <u>\$ 93,920</u> | <u>\$ 1,527,440</u> |

Note 5. Endowments

The Society has various endowments with defined specifications. The Society has deemed there were no specific endowments with terms that should be disclosed that would have a material effect on the financial statements taken as a whole.

Society for Freshwater Science
Notes to the Financial Statements
December 31, 2016 and 2015

Note 6. Taxonomic Certification Program

In 2013, the Society began recording financial transactions for administering the Taxonomic Certification Program which certifies the competency of taxonomists who write reports for the U.S. Environmental Protection Agency and various State groups. Various transactions and certain cash accounts are in Canadian dollars. The Society has deemed the conversion to United States dollars is not material to the financial statements and accounts for those transactions and cash accounts as though they are reported in United States dollars.