

GREAT LAKES AQUATIC HABITAT NETWORK AND FUND, INC.

*D/B/A FRESHWATER FUTURE*

FINANCIAL STATEMENTS

FOR YEARS ENDED SEPTEMBER 30, 2011 AND 2010





## INDEPENDENT AUDITOR'S REPORT

February 22, 2012

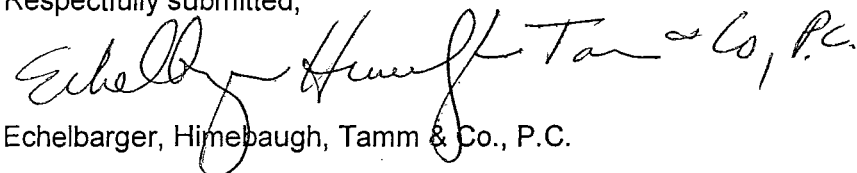
To the Board of Directors  
Great Lakes Aquatic Habitat  
Network and Fund, Inc.  
d/b/a Freshwater Future  
Petoskey, MI

We have audited the accompanying statements of financial position of Great Lakes Aquatic Habitat Network and Fund, Inc. d/b/a Freshwater Future (a Michigan Not-For-Profit Organization) as of September 30, 2011, and the related statements of activities, functional expenses, and cash flows for the years then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements of Great Lakes Aquatic Habitat Network and Fund, Inc. d/b/a Freshwater Future as of September 30, 2010 was audited by other auditors whose report dated December 3, 2010, expressed an unqualified opinion on those statements.

We conducted our audit in accordance with generally accepted auditing standards as established by the American Institute of Certified Public Accountants' Auditing Standards Board. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing 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 over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Great Lakes Aquatic Habitat Network and Fund, Inc. d/b/a Freshwater Future as of September 30, 2011, and the changes in its net assets and its cash flows for the year then ended in conformity with generally accepted accounting principles issued in the United States of America by the Financial Accounting Standards Board.

Respectfully submitted,



Echelbarger, Himebaugh, Tamm & Co., P.C.

**GREAT LAKES AQUATIC HABITAT NETWORK AND FUND, INC.**

**D/B/A FRESHWATER FUTURE**

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**GREAT LAKES AQUATIC HABITAT NETWORK AND FUND, INC.**  
**d/b/a FRESHWATER FUTURE**  
**STATEMENTS OF FINANCIAL POSITION**  
**AS OF SEPTEMBER 30, 2011 AND 2010**

	2011	2010
<b>ASSETS</b>		
<b>Current Assets:</b>		
Cash	\$ 452,274	\$ 527,909
Receivables:		
Promise to give	5,120	46,138
Accounts receivable	20,326	5,894
Prepaid expenses	3,317	3,211
	481,037	583,152
<b>Noncurrent Assets -</b>		
Property and equipment, net	1,252	2,615
	1,252	2,615
<b>Total Assets</b>	\$ 482,289	\$ 585,767
<b>LIABILITIES AND NET ASSETS</b>		
<b>Current Liabilities:</b>		
Accounts payable	\$ 19,290	\$ 4,887
Grants payable	21,275	159,534
Accrued payroll and related taxes	15,474	10,453
Deferred revenue	-	10,494
	56,039	185,368
<b>Net Assets:</b>		
Unrestricted:		
Board designated	78,000	42,000
Unrestricted	117,504	128,721
Temporarily Restricted	230,746	229,678
	426,250	400,399
<b>Total Liabilities and Net Assets</b>	\$ 482,289	\$ 585,767

See accompanying notes to financial statements.

**GREAT LAKES AQUATIC HABITAT NETWORK AND FUND, INC.**  
**d/b/a FRESHWATER FUTURE**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2011**

	Unrestricted	Temporarily Restricted	Total
<b>Public support and other revenues:</b>			
Grants and contracts	\$ 401,656	\$ 270,000	\$ 671,656
Contributions	142,243	-	142,243
Program fees	5,528	-	5,528
Investment income	3,292	-	3,292
<b>Net assets released from restrictions -</b>			
Expiration of purpose restrictions	268,932	(268,932)	-
<b>Total public support and other revenues</b>	<b>821,651</b>	<b>1,068</b>	<b>822,719</b>
<b>Expenses:</b>			
<i>Program services:</i>			
Grants	398,452	-	398,452
Policy	161,122	-	161,122
Service Providing	163,692	-	163,692
<i>Total program services</i>	<i>723,266</i>	<i>-</i>	<i>723,266</i>
<i>Supporting services:</i>			
Administrative	35,956	-	35,956
Fundraising	37,645	-	37,645
<i>Total supporting services</i>	<i>73,601</i>	<i>-</i>	<i>73,601</i>
<b>Total expenses</b>	<b>796,867</b>	<b>-</b>	<b>796,867</b>
<b>Change in net assets</b>	<b>24,784</b>	<b>1,068</b>	<b>25,852</b>
<b>Net assets - beginning of year</b>	<b>170,721</b>	<b>229,678</b>	<b>400,399</b>
<b>NET ASSETS - END OF YEAR</b>	<b>\$ 195,505</b>	<b>\$ 230,746</b>	<b>\$ 426,251</b>

See accompanying notes to financial statements.

**GREAT LAKES AQUATIC HABITAT NETWORK AND FUND, INC.**  
**d/b/a FRESHWATER FUTURE**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2010**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<b>Public support and other revenues:</b>			
Grants and contracts	\$ 497,184	\$ 283,380	\$ 780,564
Contributions	60,883	38,850	99,733
Program fees	2,399	-	2,399
Investment income	2,596	-	2,596
<b>Net assets released from restrictions -</b>			
Expiration of purpose restrictions	148,802	(148,802)	-
<b>Total public support and other revenues</b>	<u>711,864</u>	<u>173,428</u>	<u>885,292</u>
<b>Expenses:</b>			
<i>Program services:</i>			
Grants	374,139	-	374,139
Policy	68,915	-	68,915
Service Providing	110,383	-	110,383
<i>Total program services</i>	<u>553,437</u>	<u>-</u>	<u>553,437</u>
<i>Supporting services:</i>			
Administrative	27,055	-	27,055
Fundraising	34,990	-	34,990
<i>Total supporting services</i>	<u>62,045</u>	<u>-</u>	<u>62,045</u>
<b>Total expenses</b>	<u>615,482</u>	<u>-</u>	<u>615,482</u>
<b>Change in net assets</b>	<u>96,382</u>	<u>173,428</u>	<u>269,810</u>
<b>Net assets - beginning of year</b>	<u>74,339</u>	<u>56,250</u>	<u>130,589</u>
<b>NET ASSETS - END OF YEAR</b>	<u><u>\$ 170,721</u></u>	<u><u>\$ 229,678</u></u>	<u><u>\$ 400,399</u></u>

See accompanying notes to financial statements.

**GREAT LAKES AQUATIC HABITAT NETWORK AND FUND, INC.**  
**d/b/a FRESHWATER FUTURE**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2011**

**P R O G R A M   S E R V I C E S**

	<b>Grants</b>	<b>Policy</b>	<b>Service Providing</b>	<b>Total</b>
Salaries and wages	\$ 63,666	\$ 45,308	\$ 55,452	\$ 164,426
Payroll taxes and benefits	13,665	9,030	26,203	48,898
Grants and awards	280,353	-	-	280,353
Contracted services	14,855	17,324	38,323	70,502
Advertising and promotion	-	7,308	667	7,975
Supplies	8,121	5,426	15,914	29,461
Printing and postage	2,720	63,679	3,876	70,275
Information technology	148	113	184	445
Occupancy	4,254	2,655	6,506	13,415
Travel	8,982	9,083	14,003	32,068
Conferences, conventions, and meetings	996	564	1,411	2,971
Insurance	417	263	831	1,511
License and sponsor fees	-	-	-	-
Dues and subscriptions	275	363	316	954
Other	-	6	6	12
Loss on asset disposal	-	-	-	-
Depreciation	-	-	-	-
<b>Total Expenses</b>	<b>\$ 398,452</b>	<b>\$ 161,122</b>	<b>\$ 163,692</b>	<b>\$ 723,266</b>

See accompanying notes to financial statements.

## SUPPORTING SERVICES

	Administration	Fundraising	Total	Total Expenses
Salaries and wages	\$ 18,783	\$ 19,399	\$ 38,182	\$ 202,608
Payroll taxes and benefits	5,355	5,347	10,702	59,600
Grants and awards	-	-	-	280,353
Contracted services	3,180	3,686	6,866	77,368
Advertising and promotion	-	500	500	8,475
Supplies	3,310	3,693	7,003	36,464
Printing and postage	256	532	788	71,063
Information technology	-	109	109	554
Occupancy	1,619	1,654	3,273	16,688
Travel	1,482	630	2,112	34,180
Conferences, conventions, and meetings	508	526	1,034	4,005
Insurance	26	151	177	1,688
License and sponsor fees	-	364	364	364
Dues and subscriptions	115	285	400	1,354
Other	60	769	829	841
Loss on asset disposal	613	-	613	613
Depreciation	649	-	649	649
<b>Total Expenses</b>	<b>\$ 35,956</b>	<b>\$ 37,645</b>	<b>\$ 73,601</b>	<b>\$ 796,867</b>

See accompanying notes to financial statements.



**GREAT LAKES AQUATIC HABITAT NETWORK AND FUND, INC.**  
**d/b/a FRESHWATER FUTURE**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2010**

**P R O G R A M   S E R V I C E S**

	<u>Grants</u>	<u>Policy</u>	<u>Service Providing</u>	<u>Total</u>
Salaries and wages	\$ 38,887	\$ 14,687	\$ 44,875	\$ 98,449
Payroll taxes and benefits	11,518	1,353	11,340	24,211
Grants and awards	293,899	-	-	293,899
Contracted services	10,109	28,306	34,972	73,387
Advertising and promotion	126	18	119	263
Supplies	3,260	1,324	5,295	9,879
Printing and postage	2,530	16,551	4,716	23,797
Occupancy	5,740	2,000	3,663	11,403
Travel	5,190	3,656	3,476	12,322
Conferences, conventions, and meetings	1,773	612	878	3,263
Insurance	901	308	817	2,026
License and sponsor fees	-	-	-	-
Dues and subscriptions	206	100	232	538
Other	-	-	-	-
Depreciation	-	-	-	-
<b>Total Expenses</b>	<u><u>\$ 374,139</u></u>	<u><u>\$ 68,915</u></u>	<u><u>\$ 110,383</u></u>	<u><u>\$ 553,437</u></u>

See accompanying notes to financial statements.

## SUPPORTING SERVICES

	Administration	Fundraising	Total	Total Expenses
Salaries and wages	\$ 15,588	\$ 9,467	\$ 25,055	\$ 123,504
Payroll taxes and benefits	6,260	2,452	8,712	32,923
Grants and awards	-	-	-	293,899
Contracted services	452	11,358	11,810	85,197
Advertising and promotion	106	-	106	369
Supplies	683	4,814	5,497	15,376
Printing and postage	574	3,060	3,634	27,431
Occupancy	1,493	1,509	3,002	14,405
Travel	225	504	729	13,051
Conferences, conventions, and meetings	-	211	211	3,474
Insurance	189	187	376	2,402
License and sponsor fees	-	264	264	264
Dues and subscriptions	312	76	388	926
Other	49	1,088	1,137	1,137
Depreciation	1,124	-	1,124	1,124
<b>Total Expenses</b>	<b>\$ 27,055</b>	<b>\$ 34,990</b>	<b>\$ 62,045</b>	<b>\$ 615,482</b>

See accompanying notes to financial statements.

**GREAT LAKES AQUATIC HABITAT NETWORK AND FUND, INC.**  
**d/b/a FRESHWATER FUTURE**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2011 AND 2010**

	<u>2011</u>	<u>2010</u>
<b>Cash flows from operating activities</b>		
Change in Net Assets	\$ 25,853	\$ 269,810
<b>Adjustments to reconcile net income (loss) to net cash provided by (used by) operating activities:</b>		
Depreciation and amortization	649	1,124
Loss on disposal of property	613	-
Decrease (increase) in grants receivable	41,018	(46,138)
(Increase) decrease in accounts receivable	(14,432)	8,575
Increase decrease in prepaid expense	(107)	(1,789)
Increase (decrease) in accounts payable	14,402	(14,804)
(Decrease) increase in grants payable	(138,259)	159,534
Increase in accrued payroll and related taxes	5,021	6,662
(Decrease) increase in deferred revenue	(10,494)	10,494
Total Adjustments	(101,589)	123,658
<b>Net cash (used in) provided by operating activities</b>	(75,736)	393,468
<b>Cash flows from investing activities</b>		
Proceeds from the sale of property	100	-
<b>Net cash provided by investing activities</b>	100	-
<b>Net (decrease) increase in cash and cash equivalents</b>	(75,636)	393,468
<b>Cash and cash equivalents at beginning of year</b>	527,910	134,442
<b>Cash and cash equivalents at end of year</b>	\$ 452,274	\$ 527,910

See accompanying notes to financial statements.

**GREAT LAKES AQUATIC HABITAT NETWORK AND FUND, INC.  
D/B/A FRESHWATER FUTURE**

**NOTES TO FINANCIAL STATEMENTS**

**SEPTEMBER 30, 2011 AND 2010**

**NOTE A – NATURE OF BUSINESS**

Great Lakes Aquatic Habitat Network and Fund, Inc. (d/b/a Freshwater Future) was incorporated on October 10, 2006 and organized to promote the protection and enhancement of water quality and water resources in the Great Lakes. Freshwater Future builds effective community-based initiatives to protect and restore the water quality of the Great Lakes Basin. Freshwater Future's principal programs include:

*Grants* – the grants program provides financial support to activities that actively promote river, lake, wetland and groundwater protection, climate adaption activities and preparatory expenses for applying for federal Great Lakes Restoration Initiative grant funding. Five different fund programs support fifty three projects.

*Public Policy* – provides coordination, leadership and education on public policy issues of regional importance to the Great Lakes. Also provides education and opportunities for citizens to educate their elected officials on important Great Lakes issues.

*Service Providing* – provides workshops and one-on-one assistance to local groups through professional assistance from Freshwater Future. This assistance helps to build fundraising and other organizational skills to run the organization as well as strategy assistance to help groups utilize their resources effectively.

Freshwater Future has its corporate office in Petoskey, Michigan and is supported primarily through private grants and donations from supporters throughout the Great Lakes basin region. In the current year, a significant amount of grants and contract revenues were provided by a few major sources. It is always considered reasonably possible that benefactors, grantors or contributions might be lost in the near term.

**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**BASIS OF ACCOUNTING**

The financial statements of Freshwater Future have been prepared on the accrual basis of accounting and accordingly, reflect all significant receivables, payables, and other liabilities.

**BASIS OF PRESENTATION**

Freshwater Future is required to report 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.

**USE OF ESTIMATES**

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from those estimates.

GREAT LAKES AQUATIC HABITAT NETWORK AND FUND, INC.  
D/B/A FRESHWATER FUTURE

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2011 AND 2010

**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**FAIR VALUE MEASUREMENTS**

Freshwater Future follows FASB ASC Topic 820-20 on "*Fair Value Measurements*", which provides a framework for measuring fair value under U.S. GAAP. This standard applies to all financial instruments that are being measured and reported on a fair value basis.

The standard clarifies how organizations are required to use a fair value measure for recognition and disclosure by establishing a common definition of fair value, creating a framework for measuring fair value, and expanding disclosures about fair value measurements. The standard also establishes a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value. These tiers include Level 1, defined as observable inputs such as quoted market prices in active markets; Level 2, defined as inputs other than quoted market prices in active markets that are either directly or indirectly observable; and Level 3, defined as unobservable inputs in which little or no market data exists, therefore requiring an organization to develop its own assumptions. Freshwater Future does not have any financial instruments requiring to use a fair value measure as of September 30, 2011 and 2010, respectively.

**INCOME TAXES**

Freshwater Future is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. However, income from certain activities not directly related to the Organization's tax-exempt purpose is subject to taxation as unrelated business income, if applicable. In addition, the Organization qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization that is not a private foundation under Section 509(a)(2).

**CASH**

Cash consists of demand deposits and all temporary investments with an initial maturity of three months or less. Bank demand deposits are held by high-credit-quality financial institutions. Although such cash balances exceeded the federally insured limits at certain times during the year, they are, in the opinion of management, subject to minimal risk.

**RECEIVABLES**

Freshwater Future has contracts with various foundations to provide services in accordance with the organization's exempt purpose and mission. Request for payments are submitted when services are rendered along with other performance related objectives achieved, up to a maximum dollar contractual dollar amount. All outstanding receivables are considered fully collectible in less than one year.

GREAT LAKES AQUATIC HABITAT NETWORK AND FUND, INC.  
D/B/A FRESHWATER FUTURE

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2011 AND 2010

**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

PROPERTY AND EQUIPMENT

Freshwater Future capitalizes all expenditures for property and equipment in excess of \$2,500. Property and equipment are carried at cost or, if donated, at the approximate fair market value at the date of donation. Depreciation is computed on a straight-line basis over the useful lives of the respective assets which range from 3 - 10 years. Depreciation expense amounted to \$649 and \$1,124 for the years ended September 30, 2011 and 2010, respectively. Property and equipment consists entirely of office equipment, including computers, and furniture.

DESIGNATION OF UNRESTRICTED NET ASSETS

It is the policy of the Board of Directors of Freshwater Future to review its plans for future activities and to designate appropriate sums of unrestricted net assets to assure adequate financing of such activities and related contingencies. Designated net assets of \$78,000 and \$42,000 as of September 30, 2011 and 2010, respectively, are earmarked for ongoing grants and contract programs.

PUBLIC SUPPORT AND OTHER REVENUES

Restricted and Unrestricted Revenue and Support

Contributions received are recorded as unrestricted, temporarily restricted or permanently restricted support depending on the existence and/or nature of any donor restrictions.

Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. Grants awarded to Freshwater Future are classified as unrestricted revenue if the purpose restriction stipulated in the grant award is met in the same period in which the support is received. All other donor restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions.

Donated Property and Equipment

Donations of property and equipment in excess of \$2,500 are recorded as support at their estimated fair value at the date of donation. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support.

Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. Freshwater Future reclassifies temporarily restricted net assets to unrestricted net assets at that time. As there are no restrictions attached to any donated property or equipment, the total value is recorded as an unrestricted asset.

GREAT LAKES AQUATIC HABITAT NETWORK AND FUND, INC.  
D/B/A FRESHWATER FUTURE

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2011 AND 2010

**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

PUBLIC SUPPORT AND OTHER REVENUES (CONTINUED)

Donated Services

Freshwater Future recognizes donated services that create or enhance non-financial assets or that require specialized skills, are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. No amounts have been reflected in the financial statements for donated services. However, a substantial number of other volunteers have donated approximately 1,480 hours of their time in the Organization's program services and its fund-raising campaigns. These donated services were not recognized in the financial statements because they did not meet the criteria for recognition under FASB ASC 958-360-25-16.

COST ALLOCATION

Expenses identified as applying to a specific program or supporting service are recorded in the appropriate service area as incurred. Joint costs, which are those costs incurred for the common benefit of all Organization programs which cannot be readily identified with a final cost objective, are allocated to benefiting programs using various allocation methods depending on the type of joint cost being allocated. Cost allocation methods are as follows:

Personnel

Freshwater Future personnel record the time they spend working on specific programs and general agency matters on their time sheets. The time specifically identifiable to a particular program is charged to that program. The time specifically spent on general agency matters is charged to programs using a percentage based on direct labor charges to programs.

Space Costs

Space costs are allocated based on the number of square feet of space each program occupies. Space occupied by all administrative staff is allocated based upon the allocation of the administrative staff's time.

Other Joint Costs

Other joint costs are charged to agency programs based on the amounts used by each program or other appropriate methodology.

SUBSEQUENT EVENTS

Management evaluates events occurring subsequent to the date of the financial statements in determining the accounting for and disclosure of transactions and events that affect the financial statements. Subsequent events have been evaluated through February 22, 2012, which is the date the financial statements were readily available to be issued.

**GREAT LAKES AQUATIC HABITAT NETWORK AND FUND, INC.  
D/B/A FRESHWATER FUTURE**

**NOTES TO FINANCIAL STATEMENTS**

**SEPTEMBER 30, 2011 AND 2010**

**NOTE C – CONCENTRATION OF CREDIT RISK**

Financial instruments that potentially subject the Organization to concentrations of credit risk consist principally of temporary cash investments and pledges receivable. Freshwater Future places its temporary cash investments with financial institutions and limits the amount of credit exposure to any one financial institution. Concentrations of credit risk with respect to pledges receivable are limited due to the large number of contributors comprising the Organization’s contributor base and their dispersion across different industries and geographic areas. As of September 30, 2011 and 2010, the Organization had no significant concentrations of credit risk.

Deposit accounts are held at commercial banks with book balances totaling \$452,273 and \$527,909 at September 30, 2011 and 2010, respectively and bank balances of \$459,907 and \$559,653 at September 30, 2011 and 2010, respectively. These deposit accounts, at times, may exceed federally insured limits. Accounts are guaranteed by the Federal Deposit Insurance Corporation up to \$250,000 at September 30, 2011 and 2010. As of September 30, 2011 and 2010 the entire balances were covered by the FDIC. Freshwater Future has not experienced any losses in such accounts.

**NOTE D – GRANTS RECEIVABLES**

The amount reported as “Receivables - Grants” consist of amounts due for the following programs as of September 30:

	2011	2010
Frey Foundation – 2 to 1 Challenge Grant	\$ 5,120	\$ -
Frey Foundation – <i>Building our Base</i> matching grant	-	45,922
Other	-	216
Total Receivables – Grants	\$ 5,120	\$ 46,138

**NOTE E – PROPERTY AND EQUIPMENT**

Property and equipment consists of the following:

	2011	2010
Furniture	\$ 1,174	\$ 1,174
Office equipment	1,254	1,254
Computers	1,509	3,887
	3,937	6,315
Less accumulated depreciation	2,685	3,700
Total Property and Equipment	\$ 1,252	\$ 2,615

**NOTE F – COMPENSATED ABSENCES**

Compensated absences represent Freshwater Future’s obligations to its employees for earned but unused vacation and sick time totaling \$7,043 and \$5,354 at September 30, 2011 and 2010, respectively. All employees’ vacation time is allocated on the employee’s anniversary date to be used for the following periods, with a maximum of 40 hours of accumulated vacation time payable upon employee’s separation from service.



**GREAT LAKES AQUATIC HABITAT NETWORK AND FUND, INC.  
D/B/A FRESHWATER FUTURE**

**NOTES TO FINANCIAL STATEMENTS**

**SEPTEMBER 30, 2011 AND 2010**

**NOTE F – COMPENSATED ABSENCES (CONTINUED)**

All employees' sick time is allocated on a calendar year basis, with a maximum of 40 hours of accumulated sick time payable upon the employee's separation from service. Sick days may be taken for sickness, injury, or medical appointments by the employee or where the presence of the employee is required by the sickness of a member of the immediate family of the employee.

**NOTE G – LEASES**

Freshwater Future leases its office space under a one-year non-cancelable lease expiring March 31, 2012. The landlord shall be responsible for any and all utilities and the Freshwater Future is responsible for its pro-rated share of scheduled assessments levied by the City of Petoskey. Amounts charged to expense under all operating leases totaled \$7,519 and \$5,286 for the years ended September 30, 2011 and 2010, respectively.

**NOTE H – ADVERTISING**

Freshwater Future uses advertising to promote its programs among the audiences it serves. The production costs of advertising are expenses as incurred. Advertising costs totaled \$8,475 and \$369 for the years ended September 30, 2011 and 2010, respectively.

**NOTE I – RETIREMENT**

Freshwater Future has a SIMPLE IRA plan, where all employees are eligible to participate. Employee contributions are matched dollar-for-dollar up to 3% of their pay. The Organization's contribution was \$5,265 and \$2,570 for the years ended September 30, 2011 and 2010, respectively.

**NOTE J – CONTINGENCIES**

Certain funded contractual programs are subject to audit by the grantors. Upon audit, some expenditures may be disallowed and as a result, those amounts may be refundable. Such refunds, if any, are generally payable from Freshwater Future's unrestricted fund balance. Freshwater Future feels that any potential disallowances are immaterial.

**NOTE K – RESTRICTION ON NET ASSETS**

Temporarily restricted net assets are available for the following purposes or periods:

	<u>2011</u>	<u>2010</u>
For subsequent year's activities	\$ 230,746	\$ 203,380
Asian Carp initiative	-	26,175
Purchase of computer projectors and webcams	-	123
	<u>\$ 230,746</u>	<u>\$ 229,678</u>

There are no balances in the permanently restricted net asset category as of September 30, 2011 and 2010, respectively.

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NOTES TO FINANCIAL STATEMENTS

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NOTE L – ACCOUNTING FOR UNCERTAINTY IN INCOME TAXES

Freshwater Future has adopted the recognition requirements for uncertain income tax positions as required by generally accepted accounting principles. The Organization has analyzed the tax positions taken in its filings with the Internal Revenue Service and state jurisdictions where it operates. The Organization's management believes tax years 2007 through 2010, following administrative practice of taxing authorities, remain open and subject to review. Management believes its income tax filing positions will be sustained upon examination and does not anticipate any adjustments would result in a material adverse effect on its financial condition, results of operations or cash flows. Accordingly, for all open tax years, the Organization has not recorded any reserves or related accruals for uncertain income tax positions at September 30, 2011 or 2010.