

GREAT LAKES AQUATIC HABITAT NETWORK
AND FUND, INC.

d/b/a FRESHWATER FUTURE

(a Michigan nonprofit corporation)

FINANCIAL STATEMENTS

for the year ended September 30, 2012

MASON, KAMMERMANN & ROHRBACK, P.C.
CERTIFIED PUBLIC ACCOUNTANTS
CHARLEVOIX, MICHIGAN

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October 25, 2012

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

We have audited the accompanying statement of financial position of Great Lakes Aquatic Habitat Network and Fund, Inc. (a nonprofit organization) for the year ended September 30, 2012, and the related statements of activities, functional expenses, and cash flows for the year 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.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. 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 that 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. as of September 30, 2012, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Mason, Kammermann & Rohrback, P.C.

GREAT LAKES AQUATIC HABITAT NETWORK AND FUND, INC.
d/b/a FRESHWATER FUTURE

STATEMENT OF FINANCIAL POSITION

September 30, 2012

ASSETS

CURRENT ASSETS:

Cash and cash equivalents	\$ 312,288
Accounts receivable	2,693
Grants and contracts receivable	212,629
Promises to give	68,000
Prepaid expenses	6,468
	<hr/>
Total current assets	602,078

FURNITURE AND EQUIPMENT:

Furniture and office equipment	\$ 3,937
Less accumulated depreciation	(3,334)
	<hr/>
Total furniture and equipment	603
	<hr/>
Total assets	<u>\$ 602,681</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES:

Accounts payable	\$ 16,991
Accrued expenses	13,205
Grants payable	19,366
Unearned revenue	74,194
	<hr/>
Total current liabilities	123,756

OTHER LIABILITY,

Compensated absences	8,300
	<hr/>
Total liabilities	132,056

NET ASSETS:

Unrestricted:	
Board designated	\$ 295,000
Unrestricted	119,375
	<hr/>
Total unrestricted	414,375
Temporarily restricted	56,250
	<hr/>
Total net assets	470,625
	<hr/>
Total liabilities and net assets	<u>\$ 602,681</u>

The accompanying notes are a part of the financial statements.

GREAT LAKES AQUATIC HABITAT NETWORK AND FUND, INC.
d/b/a FRESHWATER FUTURE

STATEMENT OF ACTIVITIES

for the year ended September 30, 2012

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
REVENUES AND SUPPORT:			
Grants and contracts	\$ 438,200	\$ 140,806	\$ 579,006
Contributions	71,652	140,500	212,152
Memberships	23,577	-	23,577
Program fees	13,263	-	13,263
Investment income	1,421	-	1,421
Net assets released from restrictions	455,802	(455,802)	-
	<hr/>	<hr/>	<hr/>
Total revenues and support	1,003,915	(174,496)	829,419
EXPENSES:			
Program Expenses:			
Grants	348,889	-	348,889
Policy	165,658	-	165,658
Services	151,560	-	151,560
	<hr/>	<hr/>	<hr/>
Total program expenses	666,107	-	666,107
Supporting Services:			
General and administrative	47,677	-	47,677
Fundraising	71,260	-	71,260
	<hr/>	<hr/>	<hr/>
Total supporting services	118,937	-	118,937
Total expenses	<hr/> 785,044	<hr/> -	<hr/> 785,044
Increase in net assets	218,871	(174,496)	44,375
Net assets, October 1, 2011	<hr/> 195,504	<hr/> 230,746	<hr/> 426,250
Net assets, September 30, 2012	<u>\$ 414,375</u>	<u>\$ 56,250</u>	<u>\$ 470,625</u>

The accompanying notes are a part of the 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, 2012

	Program Expenses			
	Grants	Policy	Service	Total
Wages and salaries	\$ 75,343	\$ 82,355	\$ 51,743	\$ 209,441
Payroll taxes and benefits	26,244	23,690	14,383	64,317
Grant awards	211,579	-	-	211,579
Contracted services	5,912	20,637	32,353	58,902
Professional fees	4,654	2,513	1,775	8,942
Travel	4,707	10,734	20,344	35,785
Printing and postage	2,366	10,348	17,803	30,517
Office supplies	5,247	2,943	6,552	14,742
Rent and utilities	8,975	5,261	4,538	18,774
Meetings	1,930	1,201	656	3,787
Advertising and marketing	74	5,164	198	5,436
Insurance	917	430	255	1,602
Depreciation	-	-	-	-
Miscellaneous	941	382	960	2,283
Total expenses	\$ 348,889	\$ 165,658	\$ 151,560	\$ 666,107

The accompanying notes are a part of the financial statements.

Supporting Services

<u>General & Administrative</u>	<u>Fundraising</u>	<u>Total</u>	<u>Total Expenses</u>
\$ 31,193	\$ 45,482	\$ 76,675	\$ 286,116
9,307	10,999	20,306	84,623
-	-	-	211,579
805	3,641	4,446	63,348
1,328	1,139	2,467	11,409
188	1,427	1,615	37,400
447	2,698	3,145	33,662
1,148	1,417	2,565	17,307
1,597	1,791	3,388	22,162
394	883	1,277	5,064
75	-	75	5,511
136	214	350	1,952
649	-	649	649
410	1,569	1,979	4,262
<u>\$ 47,677</u>	<u>\$ 71,260</u>	<u>\$ 118,937</u>	<u>\$ 785,044</u>

GREAT LAKES AQUATIC HABITAT NETWORK AND FUND, INC.
d/b/a FRESHWATER FUTURE

STATEMENT OF CASH FLOWS

for the year ended September 30, 2012

CASH FLOWS FROM OPERATING ACTIVITIES:

Increase in net assets		\$ 44,375
Adjustments to reconcile increase in net assets to net cash used by operating activities:		
Depreciation	\$ 649	
Increase in accounts and pledges receivable	(45,247)	
Increase in grants receivable	(212,629)	
Increase in prepaid expenses	(3,151)	
Decrease in accounts payable and accrued expenses	(4,568)	
Decrease in grants payable	(1,909)	
Increase in unearned revenues	74,194	
Increase in uncompensated absences	8,300	
		<hr/>
Total adjustments		(184,361)
Net cash used by operating activities		(139,986)
CASH AND CASH EQUIVALENTS, October 1, 2011		<hr/> 452,274
CASH AND CASH EQUIVALENTS, September 30, 2012		<hr/> <hr/> \$ 312,288

The accompanying notes are a part of the financial statements.

GREAT LAKES AQUATIC HABITAT NETWORK AND FUND, INC.
d/b/a FRESHWATER FUTURE

NOTES TO FINANCIAL STATEMENTS

for the year ended September 30, 2012

NOTE A – NATURE OF ACTIVITIES:

On October 10, 2006, Great Lakes Aquatic Habitat Network and Fund, Inc. (d/b/a Freshwater Future) was organized to promote the protection and enhancement of water quality and water resources in the Great Lakes. Freshwater Future develops effective community-based initiatives to protect and restore water quality of the Great Lakes Basin. The Organization is supported primarily by private grants and donations from supporters. Freshwater Future's primary programs include the following:

Grants – The grants program provides financial support to promote river, lake, wetland and groundwater protection, climate adaption activities and preparatory expenses to apply for federal Great Lakes Restoration Initiative Grant funding.

Public Policy – The public policy program provides coordination and leadership on issues of regional importance to the Great Lakes. In addition, it provides education and opportunities for citizens to educate elected officials on important Great Lakes issues.

Service – The service program 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 operate the organization, as well as strategy assistance to help groups utilize their resources effectively.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Basis of Accounting

Assets, liabilities, revenues and expenses are recognized 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, temporarily restricted and permanently restricted net assets.

Revenue Recognition

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support that increases those net asset classes. When a temporary restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

GREAT LAKES AQUATIC HABITAT NETWORK AND FUND, INC.
d/b/a FRESHWATER FUTURE

NOTES TO FINANCIAL STATEMENTS

for the year ended September 30, 2012

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

Promises to Give

Unconditional promises to give are recognized as assets and revenues in the period received. Conditional promises to give are recognized when the conditions on which they depend are substantially met and the promises become unconditional.

Unconditional promises to give are reported at net realizable value if at the time the promise is made, payment is expected to be received in one year or less. Unconditional promises that are expected to be collected in more than one year are reported at fair value initially and in subsequent periods, because the Organization elected the fair value option in accordance with generally accepted accounting principles. Management believes that the use of fair value reduces the cost of measuring unconditional promises to give in periods subsequent to their receipt and provides equal or better information to users of its financial statements than if those promises were measured using present value techniques and historical discount rates.

Expense Allocation

The costs of providing various programs and other activities have been summarized on a functional basis in the Statement of Activities and in the Statement of Functional Expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Cash and Cash Equivalents

Cash and cash equivalents include checking and savings accounts. For purposes of the Statement of Cash Flows, the Organization considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents. As of September 30, 2012, cash and cash equivalents totaling \$312,288 are federally insured.

Property and Equipment

Furniture and equipment are stated at cost for purchased items and market value at date of donation for donated items. Depreciation is recognized over their estimated useful lives using the straight-line method. The Organization capitalizes expenditures for property and equipment in excess of \$2,500. Depreciation expense totaled \$649 for the year.

Use of Estimates

Management uses estimates and assumptions in preparing the 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.
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NOTES TO FINANCIAL STATEMENTS

for the year ended September 30, 2012

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

Designation of Unrestricted Net Assets

The Board of Directors reviews its plans for future activities and designates unrestricted net assets to assure adequate financing of such activities and related contingencies. As of September 30, 2012, designated net assets of \$295,000 are allocated for ongoing grants and contract programs.

Donated Services

Donated services are recognized as contributions if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization. Volunteers also provide program assistance and fundraising services throughout the year that are not recognized as contributions in the financial statements since the recognition criteria were not met.

NOTE C - INCOME TAX STATUS:

The Internal Revenue Service has determined the Organization to be exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. Therefore, the financial statements reflect no provision or liability for federal income tax.

NOTE D - DATE OF MANAGEMENT'S REVIEW:

In preparing the financial statements, the Organization has evaluated events and transactions for potential recognition or disclosures through October 25, 2012, the date that the financial statements were available to be issued.

NOTE E - COMPENSATED ABSENCES:

Compensated absences represent the Organization's obligations to its employees for earned but unused vacation and sick time totaling \$8,300 at September 30, 2012. 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 accumulated vacation time payable upon employee's separation from service.

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.

NOTE F - OPERATING LEASE:

The Organization leases its office space under a one-year non-cancelable lease expiring March 31, 2013. For the year ending September 30, 2012, the rent expense for the Petoskey office was \$7,498. The Organization also leases an office in Duluth, Minnesota, with total rent expense of \$3,600.

GREAT LAKES AQUATIC HABITAT NETWORK AND FUND, INC.
d/b/a FRESHWATER FUTURE

NOTES TO FINANCIAL STATEMENTS

for the year ended September 30, 2012

NOTE G - EMPLOYEE RETIREMENT PLAN:

The Organization has adopted a Simple IRA plan covering all full-time employees who are eligible to participate. Employee contributions are matched dollar for dollar up to 3 percent of their gross pay. The Organization's contribution totaled \$7,676 for the year ended September 30, 2012.

NOTE H - COMMITMENTS:

The Organization has contracts in progress to provide services totaling \$74,194 that have not been completed and are recorded as unearned revenue on the Statement of Financial Position.