

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

d/b/a FRESHWATER FUTURE

FINANCIAL STATEMENTS

For Year Ended September 30, 2010

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INDEPENDENT AUDITOR'S REPORT

December 3, 2010

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

I have audited the accompanying statement of financial position of Great Lakes Aquatic Habitat Network and Fund, Inc. (a Michigan non-profit organization doing business as Freshwater Future) as of September 30, 2010, and the related statement of activities, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I 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. I believe my audit provides a reasonable basis for my opinion

In my 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, 2010 and the changes in its net assets and its cash flows for the year then ended in conformity with the accounting principles generally accepted in the United States of America.

Curt A. Reppuhn, CPA PLLC

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

ASSETS

Current Assets:

Cash	\$	527,909
Receivables:		
Grants receivable		46,138
Accounts receivable		5,894
Prepaid expenses		3,211

Total Current Assets		583,152
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Noncurrent Assets -

Property and equipment, net		2,615
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Total Noncurrent Assets		2,615
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Total Assets	\$	585,767
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LIABILITIES AND NET ASSETS

Current Liabilities:

Accounts payable	\$	164,421
Accrued payroll and related taxes		10,453
Deferred revenue		10,494

Total Current Liabilities		185,368
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Net Assets:

Unrestricted:		
Board designated		42,000
Unrestricted		128,721
Temporarily Restricted		229,678

Total Net Assets		400,399
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Total Liabilities and Net Assets	\$	585,767
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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>
Public support and other revenues:			
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
Net assets released from restrictions -			
Expiration of purpose restrictions	148,802	(148,802)	-
Total public support and other revenues	<u>711,864</u>	<u>173,428</u>	<u>885,292</u>
Expenses:			
<i>Program services:</i>			
Grants	374,139	-	374,139
Publications	35,185	-	35,185
Networking	68,915	-	68,915
Strategy Assistance	75,198	-	75,198
<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>
Total expenses	<u>615,482</u>	<u>-</u>	<u>615,482</u>
Change in net assets	<u>96,382</u>	<u>173,428</u>	<u>269,810</u>
Net assets - beginning of year	<u>74,339</u>	<u>56,250</u>	<u>130,589</u>
NET ASSETS - END OF YEAR	<u>\$ 170,721</u>	<u>\$ 229,678</u>	<u>\$ 400,399</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, 2010

P R O G R A M S E R V I C E S

	Grants	Publications	Networking	Strategy Assistance	Total
Salaries and wages	\$ 38,887	\$ 15,770	\$ 14,687	\$ 29,105	\$ 98,449
Payroll taxes and benefits	11,518	3,984	1,353	7,356	24,211
Grants and awards	293,899	-	-	-	293,899
Contracted services	10,109	7,167	28,306	27,804	73,386
Advertising and promotion	126	-	18	119	263
Supplies	3,260	1,345	1,324	3,951	9,880
Printing and postage	2,530	4,286	16,551	430	23,797
Information technology	-	-	-	-	-
Occupancy	5,740	1,705	2,000	1,958	11,403
Travel	5,190	81	3,656	3,395	12,322
Conferences, conventions, and meetings	1,773	389	612	490	3,264
Insurance	901	359	308	458	2,026
License and sponsor fees	-	-	-	-	-
Dues and subscriptions	206	99	100	132	537
Other	-	-	-	-	-
Depreciation	-	-	-	-	-
Total Expenses	\$ 374,139	\$ 35,185	\$ 68,915	\$ 75,198	\$ 553,437

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SUPPORTING SERVICES

	<u>Administration</u>	<u>Fundraising</u>	<u>Total</u>	<u>Total</u>
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	85,196
Advertising and promotion	106	-	106	369
Supplies	683	4,814	5,497	15,377
Printing and postage	574	3,060	3,634	27,431
Information technology	-	-	-	-
Occupancy	1,493	1,509	3,002	14,405
Travel	225	504	729	13,051
Conferences, conventions, and meetings	-	211	211	3,475
Insurance	189	187	376	2,402
License and sponsor fees	-	264	264	264
Dues and subscriptions	312	76	388	925
Other	49	1,088	1,137	1,137
Depreciation	1,124	-	1,124	1,124
Total Expenses	<u>\$ 27,055</u>	<u>\$ 34,990</u>	<u>\$ 62,045</u>	<u>\$ 615,482</u>

See accompanying notes to financial statements.

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

Cash flows from operating activities:	
Change in Net Assets	\$ 269,810
Adjustments to reconcile change in net assets to net cash provided by operating activities::	
Depreciation	1,124
Increase in grants receivable	(46,138)
Decrease in accounts receivable	8,575
Increase in prepaid expense	(1,789)
Increase in accounts payable	144,729
Increase in accrued payroll and related taxes	6,662
Increase in deferred revenue	10,494
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Total Adjustments	123,657
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Net cash provided by operating activities	393,467
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Net increase in cash and cash equivalents	393,467
Cash and cash equivalents at beginning of year	134,442
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Cash and cash equivalents at end of year	\$ 527,909
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See accompanying notes to 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, 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.

Publications – provides educational information via newsletters, toolkits and fact sheets on specific topics and web-based information and tools. Four quarterly editions of *Freshwater Voices* are published and mailed to members and an electronic version is sent to interested parties.

Networking – connects local groups with others doing similar work, with experts, and with resources to accomplish their work. The mentor program connects experienced activist with those new to water protection to help the new individual or organization get up to speed quickly and to reenergize the experienced person.

Strategy Assistance – 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.

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

Financial statement presentation follows Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 958-205 on "*Presentation of Financial Statements*" for Not-for-Profit Entities. Under ASC 958-205, 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 (CONTINUED)
FOR THE YEAR ENDED SEPTEMBER 30, 2010

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

FAIR VALUE MEASUREMENTS

On October 1, 2009 the Organization adopted Financial Accounting Standards Board (FASB) Accounting Standards Codification (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. The adoption of this new standard did not have a material impact on the Organization’s results of operations or financial position.

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 consist 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.

PROPERTY AND EQUIPMENT

Freshwater Future capitalizes all expenditures for property and equipment in excess of \$1,000. 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 \$1,124 for the year ended September 30, 2010. Property and equipment consists entirely of office equipment, including computers, and furniture.

GREAT LAKES AQUATIC HABITAT NETWORK AND FUND, INC.
d/b/a FRESHWATER FUTURE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED SEPTEMBER 30, 2010

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 \$42,000 as of September 30, 2010, 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 \$1,000 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.

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 1,465 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.

GREAT LAKES AQUATIC HABITAT NETWORK AND FUND, INC.
d/b/a FRESHWATER FUTURE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED SEPTEMBER 30, 2010

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 the date of the accompanying independent auditor's report, which is the date the financial statements were readily available to be issued.

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, 2010, the Organization had no significant concentrations of credit risk.

Deposit accounts at commercial banks with book balance totaling \$527,909 and bank balances of \$559,653 at September 30, 2010. 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, 2010. As of September 30, 2010 the entire bank balance was covered by the FDIC. Freshwater Future has not experienced any losses in such accounts.

GREAT LAKES AQUATIC HABITAT NETWORK AND FUND, INC.
d/b/a FRESHWATER FUTURE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED SEPTEMBER 30, 2010

NOTE D – GRANTS RECEIVABLES

The amount reported as “Receivables - Grants” as of September 30, 2010, consists of amounts due for the following programs:

Frey Foundation – <i>Building our Base of Sustainability</i> matching grant	\$ 45,922
Other	216
Total Receivables - Grants	<u>\$ 46,138</u>

NOTE E – PROPERTY AND EQUIPMENT

Property and equipment consists of the following at September 30, 2010:

Furniture	\$ 1,174
Office equipment	1,254
Computers	<u>3,887</u>
	6,315
Less accumulated depreciation	<u>3,700</u>
Total Land, building, and equipment	<u>\$ 2,615</u>

NOTE F – COMPENSATED ABSENCES

Compensated absences represent Freshwater Future’s obligations to its employees for earned but unused vacation and sick time totaling \$5,354 at September 30, 2010. 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. All employees’ sick time is allocated on a calendar year basis, with a maximum of 40 hours of accumulated sick time payable upon 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, 2011. 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 \$5,286 for the year ended September 30, 2010.

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 \$369 for the year ended September 30, 2010.

GREAT LAKES AQUATIC HABITAT NETWORK AND FUND, INC.
d/b/a FRESHWATER FUTURE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED SEPTEMBER 30, 2010

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 for the year ended September 30, 2010, was \$2,570.

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 N – RESTRICTION ON NET ASSETS

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

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

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