

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, 2014

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

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MASON, KAMMERMANN & ROHRBACK, P.C.

Certified Public Accountants

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INDEPENDENT AUDITOR'S REPORT

December 8, 2014

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

We have audited the accompanying financial statements of Great Lakes Aquatic Habitat Network and Fund, Inc. (a nonprofit organization), which comprise the statement of financial position as of September 30, 2014, and the related statements of activities, functional expenses, and cash flows for the year 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 accounting principles generally accepted in the United States of America; this includes 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 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 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.

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Great Lakes Aquatics Habitat
Network and Fund, Inc.
December 8, 2014

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, 2014, 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.

Report on Summarized Comparative Information

We have previously audited Great Lakes Aquatic Habitat Network and Fund, Inc.'s 2013 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated December 4, 2013. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2013, is consistent, in all material respects with the audited financial statements from which it has been derived.

Mason, Kammermann & Rohrback, P.C.

GREAT LAKES AQUATIC HABITAT NETWORK AND FUND, INC.

d/b/a FRESHWATER FUTURE

STATEMENT OF FINANCIAL POSITION

September 30, 2014

(with comparative totals for the year ended September 30, 2013)

	<u>ASSETS</u>	
	2014	Comparative Totals 2013
CURRENT ASSETS:		
Cash and cash equivalents	\$ 411,419	\$ 519,604
Accounts receivable	7,221	3,301
Grants and contracts receivable	205,191	-
Prepaid expenses	4,877	3,963
Total current assets	<u>628,708</u>	<u>526,868</u>
FURNITURE AND EQUIPMENT:		
Furniture and office equipment	3,937	3,937
Less accumulated depreciation	(3,937)	(3,765)
Total furniture and equipment	<u>-</u>	<u>172</u>
Total assets	<u>\$ 628,708</u>	<u>\$ 527,040</u>
	<u>LIABILITIES AND NET ASSETS</u>	
CURRENT LIABILITIES:		
Accounts payable	\$ 29,037	\$ 20,113
Accrued expenses	6,094	7,411
Grants payable	8,570	21,994
Unearned revenue	30,191	70,003
Total current liabilities	<u>73,892</u>	<u>119,521</u>
OTHER LIABILITY,		
Compensated absences	<u>8,300</u>	<u>8,300</u>
Total liabilities	<u>82,192</u>	<u>127,821</u>
NET ASSETS:		
Unrestricted:		
Board designated	160,000	183,345
Unrestricted	65,016	152,787
Total unrestricted	<u>225,016</u>	<u>336,132</u>
Temporarily restricted	<u>321,500</u>	<u>63,087</u>
Total net assets	<u>546,516</u>	<u>399,219</u>
Total liabilities and net assets	<u>\$ 628,708</u>	<u>\$ 527,040</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, 2014

(with comparative totals for the year ended September 30, 2013)

	2014			Comparative Totals 2013
	Unrestricted	Temporarily Restricted	Total All Funds	Total All Funds
REVENUES AND SUPPORT:				
Grants and contracts	\$ 285,000	\$ 232,812	\$ 517,812	\$ 584,191
Contributions	83,650	544,080	627,730	226,056
Memberships	26,377	-	26,377	25,447
Program fees	10,663	-	10,663	22,658
Investment income	1,241	-	1,241	1,120
Special fundraising event, net costs of \$407	1,909	-	1,909	1,258
Net assets released from restrictions	518,479	(518,479)	-	-
Total revenues and support	927,319	258,413	1,185,732	860,730
EXPENSES:				
Program Expenses:				
Grants	572,909	-	572,909	438,025
Policy	226,782	-	226,782	225,767
Services	121,932	-	121,932	159,769
Total program expenses	921,623	-	921,623	823,561
Supporting Services:				
General and administrative	47,508	-	47,508	44,739
Fundraising	69,304	-	69,304	63,836
Total supporting services	116,812	-	116,812	108,575
Total expenses	1,038,435	-	1,038,435	932,136
Increase (decrease) in net assets	(111,116)	258,413	147,297	(71,406)
Net assets, Beginning of year	336,132	63,087	399,219	470,625
Net assets, End of year	\$ 225,016	\$ 321,500	\$ 546,516	\$ 399,219

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, 2014

(with comparative totals for the year ended September 30, 2013)

	Program Expenses			
	Grants	Policy	Service	Total
Wages and salaries	\$ 114,839	\$ 88,451	\$ 46,882	\$ 250,172
Payroll taxes and benefits	26,647	24,070	14,601	65,318
Grant awards	397,262	-	-	397,262
Contracted services	10,799	27,210	17,075	55,084
Professional fees	2,028	48,633	12,559	63,220
Travel	9,670	17,003	19,719	46,392
Printing and postage	2,122	4,815	6,399	13,336
Office supplies	4,533	7,105	2,234	13,872
Rent and utilities	4,519	7,925	2,101	14,545
Meetings	-	-	-	-
Advertising and marketing	-	750	166	916
Insurance	384	640	114	1,138
Depreciation	-	-	-	-
Miscellaneous	106	180	82	368
Total expenses	<u>\$ 572,909</u>	<u>\$ 226,782</u>	<u>\$ 121,932</u>	<u>\$ 921,623</u>

The accompanying notes are a part of the financial statements.

	Supporting Services			2014 Total All Expenses	Comparative 2013 Totals Total All Expenses
	General & Administrative	Fundraising	Total		
Wages and salaries	\$ 18,963	\$ 36,812	\$ 55,775	\$ 305,947	\$ 298,608
Payroll taxes and benefits	7,754	11,036	18,790	84,108	85,231
Grant awards	-	-	-	397,262	284,547
Contracted services	8,347	8,151	16,498	71,582	76,251
Professional fees	2,494	1,714	4,208	67,428	75,441
Travel	1,611	1,261	2,872	49,264	36,978
Printing and postage	390	5,204	5,594	18,930	34,577
Office supplies	3,016	1,561	4,577	18,449	11,701
Rent and utilities	1,957	1,790	3,747	18,292	18,285
Meetings	-	-	-	-	1,079
Advertising and marketing	25	15	40	956	4,581
Insurance	202	142	344	1,482	899
Depreciation	173	-	173	173	431
Miscellaneous	2,576	1,618	4,194	4,562	3,527
Total expenses	<u>\$ 47,508</u>	<u>\$ 69,304</u>	<u>\$ 116,812</u>	<u>\$ 1,038,435</u>	<u>\$ 932,136</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 CASH FLOWS
for the year ended September 30, 2014
(with comparative totals for the year ended September 30, 2013)

	2014	Comparative Totals 2013
CASH FLOWS FROM OPERATING ACTIVITIES:		
Increase (decrease) in net assets	\$ 147,297	\$ (71,406)
Adjustments to reconcile increase (decrease) in net assets to net cash provided (used) by operating activities:		
Depreciation	173	431
Decrease (increase) in accounts and promises to give	(3,921)	67,392
Decrease (increase) in grants receivable	(205,191)	212,629
Decrease (increase) in prepaid expenses	(914)	2,505
Increase (decrease) in accounts payable and accrued expenses	7,606	(2,672)
Increase (decrease) in grants payable	(13,423)	2,628
Increase (decrease) in unearned revenues	(39,812)	(4,191)
Increase in uncompensated absences	-	-
Total adjustments	(255,482)	278,722
Net cash provided (used) by operating activities	(108,185)	207,316
CASH AND CASH EQUIVALENTS, Beginning of year	519,604	312,288
CASH AND CASH EQUIVALENTS, End of year	\$ 411,419	\$ 519,604

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, 2014

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 the 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 adaptation 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, 2014

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 when there is sufficient verifiable evidence documenting that a promise was made by a donor and will be received by the Organization. The Organization has elected to use the fair value option, which is in accordance with U.S. generally accepted accounting principles. Management believes that using the fair value method reduces costs when measuring unconditional promises in periods subsequent to their receipt and provides greater information to users of its financial statements than if the promises were measured using present value techniques and historical discount rates. During the year ended September 30, 2014, there were no promises to give.

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.

Comparative Financial Information

The financial statements include prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with U.S. generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended September 30, 2013, from which the summarized information was derived.

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, 2014, cash and cash equivalents totaling \$410,799 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 \$173 for the year.

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

NOTES TO FINANCIAL STATEMENTS

for the year ended September 30, 2014

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

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.

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, 2014, designated net assets of \$60,000 are allocated for ongoing grants and contract programs and \$100,000 for operating reserves.

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. During the year ended September 30, 2014, the Organization recognized \$40,477 in donated consulting services. In addition, volunteers provided program assistance and fundraising services to the Organization. However, those contributions did not meet the criteria to be recognized in the financial statements.

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 December 8, 2014, 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, 2014. 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.

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

NOTES TO FINANCIAL STATEMENTS

for the year ended September 30, 2014

NOTE F – OPERATING LEASE:

The Organization leases its office space under a one-year non-cancelable lease expiring March 31, 2015. For the year ending September 30, 2014, the rent expense for the Petoskey office was \$7,612.

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 \$7,437 for the year.

NOTE H – COMMITMENTS:

At September 30, 2014, the Organization has a contract in progress to provide additional services totaling \$30,191 for which funding has been received, but not completed and is recorded as unearned revenue on the Statement of Financial Position.