

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, 2015

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

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MASON, KAMMERMANN & ROHRBACK, P.C.

Certified Public Accountants

Velda K. Kammermann
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INDEPENDENT AUDITOR'S REPORT

December 9, 2015

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, 2015, 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 9, 2015

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, 2015, 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 2014 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated December 8, 2014. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2014, 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, 2015

(with comparative totals for the year ended September 30, 2014)

	<u>ASSETS</u>	
	2015	Comparative Totals 2014
CURRENT ASSETS:		
Cash and cash equivalents	\$ 848,481	\$ 411,419
Accounts receivable	2,270	7,221
Grants and contracts receivable	284,000	205,191
Prepaid expenses	4,943	4,877
Total current assets	<u>1,139,694</u>	<u>628,708</u>
FURNITURE AND EQUIPMENT:		
Furniture and office equipment	3,937	3,937
Less accumulated depreciation	<u>(3,937)</u>	<u>(3,937)</u>
Total furniture and equipment	<u>-</u>	<u>-</u>
Total assets	<u>\$ 1,139,694</u>	<u>\$ 628,708</u>
	<u>LIABILITIES AND NET ASSETS</u>	
CURRENT LIABILITIES:		
Accounts payable	\$ 18,675	\$ 29,037
Accrued expenses	14,904	6,094
Grants payable	76,400	8,570
Unearned revenue	<u>419,080</u>	<u>30,191</u>
Total current liabilities	529,059	73,892
OTHER LIABILITY,		
Compensated absences	<u>6,594</u>	<u>8,300</u>
Total liabilities	535,653	82,192
NET ASSETS:		
Unrestricted:		
Board designated	100,000	160,000
Unrestricted	<u>10,311</u>	<u>65,016</u>
Total unrestricted	110,311	225,016
Temporarily restricted	<u>493,730</u>	<u>321,500</u>
Total net assets	<u>604,041</u>	<u>546,516</u>
Total liabilities and net assets	<u>\$ 1,139,694</u>	<u>\$ 628,708</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, 2015

(with comparative totals for the year ended September 30, 2014)

	2015			Comparative Totals 2014
	Unrestricted	Temporarily Restricted	Total All Funds	Total All Funds
REVENUES AND SUPPORT:				
Grants and contracts	\$ 5,000	\$ 188,460	\$ 193,460	\$ 517,812
Contributions	48,352	505,000	553,352	627,730
Memberships	26,159	-	26,159	26,377
Program fees	15,643	-	15,643	10,663
Investment income	1,127	-	1,127	1,241
Special fundraising event, net costs of \$472	2,254	-	2,254	1,909
Net assets released from restrictions	521,230	(521,230)	-	-
Total revenues and support	619,765	172,230	791,995	1,185,732
EXPENSES:				
Program Expenses:				
Grants	316,335	-	316,335	572,909
Policy	121,207	-	121,207	226,782
Services	170,133	-	170,133	121,932
Total program expenses	607,675	-	607,675	921,623
Supporting Services:				
General and administrative	54,905	-	54,905	47,508
Fundraising	71,890	-	71,890	69,304
Total supporting services	126,795	-	126,795	116,812
Total expenses	734,470	-	734,470	1,038,435
Increase (decrease) in net assets	(114,705)	172,230	57,525	147,297
Net assets, Beginning of year	225,016	321,500	546,516	399,219
Net assets, End of year	\$ 110,311	\$ 493,730	\$ 604,041	\$ 546,516

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, 2015

(with comparative totals for the year ended September 30, 2014)

	Program Expenses			
	Grants	Policy	Service	Total
Wages and salaries	\$ 115,553	\$ 65,812	\$ 36,302	\$ 217,667
Payroll taxes and benefits	25,029	15,066	16,204	56,299
Grant awards	163,296	-	97,494	260,790
Contracted services	1,412	11,776	3,698	16,886
Professional fees	2,153	2,978	3,231	8,362
Travel	727	10,532	6,172	17,431
Printing and postage	1,863	4,159	4,094	10,116
Office supplies	1,277	2,417	662	4,356
Rent and utilities	4,410	7,438	2,026	13,874
Advertising and marketing	-	3	19	22
Insurance	615	1,026	182	1,823
Depreciation	-	-	-	-
Miscellaneous	-	-	49	49
Total expenses	<u>\$ 316,335</u>	<u>\$ 121,207</u>	<u>\$ 170,133</u>	<u>\$ 607,675</u>

The accompanying notes are a part of the financial statements.

Supporting Services			2015	Comparative
General & Administrative	Fundraising	Total	Total All Expenses	2014 Totals Total All Expenses
\$ 28,168	\$ 35,587	\$ 63,755	\$ 281,422	\$ 305,947
9,096	10,798	19,894	76,193	84,108
2,466	-	2,466	263,256	397,262
1,379	14,511	15,890	32,776	71,582
2,362	2,003	4,365	12,727	67,428
5,889	1,137	7,026	24,457	49,264
378	3,779	4,157	14,273	18,930
877	1,010	1,887	6,243	18,449
1,640	1,649	3,289	17,163	18,292
25	-	25	47	956
532	228	760	2,583	1,482
-	-	-	-	173
2,093	1,188	3,281	3,330	4,562
<u>\$ 54,905</u>	<u>\$ 71,890</u>	<u>\$ 126,795</u>	<u>\$ 734,470</u>	<u>\$ 1,038,435</u>

GREAT LAKES AQUATIC HABITAT NETWORK AND FUND, INC.
d/b/a FRESHWATER FUTURE
STATEMENT OF CASH FLOWS
for the year ended September 30, 2015
(with comparative totals for the year ended September 30, 2014)

	2015	Comparative Totals 2014
CASH FLOWS FROM OPERATING ACTIVITIES:		
Increase in net assets	\$ 57,525	\$ 147,297
Adjustments to reconcile increase in net assets to net cash provided (used) by operating activities:		
Depreciation	-	173
Decrease (increase) in accounts and promises to give	4,951	(3,921)
Decrease (increase) in grants receivable	(78,809)	(205,191)
Decrease (increase) in prepaid expenses	(66)	(914)
Increase (decrease) in accounts payable and accrued expenses	(1,552)	7,606
Increase (decrease) in grants payable	67,830	(13,423)
Increase (decrease) in unearned revenues	388,889	(39,812)
Increase (decrease) in uncompensated absences	(1,706)	-
Total adjustments	379,537	(255,482)
Net cash provided (used) by operating activities	437,062	(108,185)
CASH AND CASH EQUIVALENTS, Beginning of year	411,419	519,604
CASH AND CASH EQUIVALENTS, End of year	\$ 848,481	\$ 411,419

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, 2015

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.

Unrestricted net assets are resources available to support operations. The only limits on the use of unrestricted net assets are the broad limits resulting from the nature of the Organization, the environment in which it operates, the purposes specified in its corporate documents and its application for tax-exempt status, and any limits resulting from contractual agreements with creditors and others that are entered into in the course of its operations.

Temporarily restricted net assets are resources that are restricted by a donor for use for a particular purpose or in a particular future period. The Organization's unspent contributions are reported in this class if the donor limited their use, as are promised contributions that are not yet due.

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

NOTES TO FINANCIAL STATEMENTS

for the year ended September 30, 2015

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

When a donor's restriction is satisfied, either by using the resources in the manner specified by the donor or by the passage of time, the expiration of the restriction is reported in the financial statements by reclassifying the net assets from temporarily restricted to unrestricted net assets.

Permanently restricted net assets are resources whose use is limited by donor-imposed restrictions that neither expire by being used in accordance with a donor's restriction nor by the passage of time.

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.

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, 2014, 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, 2015, cash and cash equivalents totaling \$455,798 are federally insured; \$392,683 are uninsured.

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

NOTES TO FINANCIAL STATEMENTS

for the year ended September 30, 2015

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

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. The fixed assets were fully depreciated at the beginning of the year and no additional assets were purchased.

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, 2015, designated net assets of \$100,000 are earmarked 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. In addition, volunteers provide program assistance and fundraising services to the Organization. However, all contributions received did not meet the criteria to be recognized in the financial statements.

Estimates

Managements 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. On an ongoing basis, management evaluates the estimates and assumptions based on new information. Management believes that the estimates and assumptions are reasonable in the circumstances; however, actual results could differ from those estimates.

Fair Value Measurements

Fair Value Measurements and Disclosures Topic of FASB ASC 820 defines fair value and establishes a framework for measuring fair value. Fair value is the amount that would be received to sell an asset, or paid to transfer a liability, in an orderly transaction between market participants at the measurement date. Fair value is based on a hierarchy that prioritizes the information that is used to develop assumptions, giving the highest priority to quoted prices in active markets and the lowest priority to unobservable data. The Organization's policy is to maximize the use of observable markets when developing fair value measurements.

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

NOTES TO FINANCIAL STATEMENTS

for the year ended September 30, 2015

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, except on net income derived from unrelated business activities. The organization believes that its income tax filing positions will be sustained upon examination and does not anticipate any adjustments that would result in a material adverse affect on the Organization's financial condition, results of operations, or cash flows. Therefore, the financial statements reflect no provision or liability for federal income tax. The Organization's tax filings are no longer subject to examination for years prior to September 30, 2012.

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 9, 2015, 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 \$6,594 at September 30, 2015. 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, 2016. For the year ending September 30, 2015, the rent expense for the Petoskey office was \$7,048.

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 \$6,659 for the year.

NOTE H – COMMITMENTS:

At September 30, 2015, the Organization has contracts in progress to provide additional services totaling \$419,080 for which funding has been received or recognized, but not completed, and is recorded as unearned revenue on the Statement of Financial Position.