

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, 2018

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 5, 2018

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 statements of financial position as of September 30, 2018, 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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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, 2018, and the changes in its net assets and its cash flows for the years 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 2017 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 28, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2017, 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, 2018
(with comparative totals for the year ended September 30, 2017)

ASSETS

| | <u>2018</u> | <u>Comparative Totals 2017</u> |
|---------------------------------|-------------------|--|
| CURRENT ASSETS: | | |
| Cash and cash equivalents | \$ 286,763 | \$ 374,452 |
| Accounts receivable | 617 | 1,054 |
| Grants and contracts receivable | 2,000 | 47,000 |
| Prepaid expenses | 12,278 | 6,971 |
| Total current assets | <u>301,658</u> | <u>429,477</u> |
| FURNITURE AND EQUIPMENT: | | |
| Furniture and office equipment | 6,965 | 3,937 |
| Less accumulated depreciation | (3,937) | (3,937) |
| Total furniture and equipment | <u>3,028</u> | <u>-</u> |
| Total assets | <u>\$ 304,686</u> | <u>\$ 429,477</u> |

LIABILITIES AND NET ASSETS

| | | |
|----------------------------------|-------------------|-------------------|
| CURRENT LIABILITIES: | | |
| Accounts payable | \$ 12,885 | \$ 7,550 |
| Accrued expenses | 10,461 | 5,620 |
| Grants payable | - | 5,000 |
| Unearned revenue | 146,808 | 212,549 |
| Total current liabilities | <u>170,154</u> | <u>230,719</u> |
| OTHER LIABILITY, | | |
| Compensated absences | <u>9,331</u> | <u>9,331</u> |
| Total liabilities | <u>179,485</u> | <u>240,050</u> |
| NET ASSETS: | | |
| Unrestricted: | | |
| Board designated | 61,000 | 100,000 |
| Unrestricted | 625 | 11,927 |
| Total unrestricted | <u>61,625</u> | <u>111,927</u> |
| Temporarily restricted | <u>63,576</u> | <u>77,500</u> |
| Total net assets | <u>125,201</u> | <u>189,427</u> |
| Total liabilities and net assets | <u>\$ 304,686</u> | <u>\$ 429,477</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, 2018

(with comparative totals for the year ended September 30, 2017)

| | 2018 | | | Comparative Totals 2017 |
|---------------------------------------|--------------|---------------------------|--------------------|-------------------------------|
| | Unrestricted | Temporarily Restricted | Total All Funds | Total All Funds |
| REVENUES AND SUPPORT: | | | | |
| Grants and contracts | \$ - | \$ 340,741 | \$ 340,741 | \$ 603,136 |
| Contributions | 64,513 | 384,000 | 448,513 | 284,377 |
| Memberships | 26,006 | - | 26,006 | 30,287 |
| Program fees | 7,769 | - | 7,769 | 7,489 |
| Investment loss | (3,641) | - | (3,641) | 4,767 |
| Net assets released from restrictions | 738,665 | (738,665) | - | - |
| Total revenues and support | 833,312 | (13,924) | 819,388 | 930,056 |
| EXPENSES: | | | | |
| Program Expenses: | | | | |
| Grants | 261,270 | - | 261,270 | 482,855 |
| Policy | 197,348 | - | 197,348 | 369,011 |
| Services | 273,990 | - | 273,990 | 302,894 |
| Total program expenses | 732,608 | - | 732,608 | 1,154,760 |
| Supporting Services: | | | | |
| General and administrative | 88,862 | - | 88,862 | 32,362 |
| Fundraising | 62,144 | - | 62,144 | 34,095 |
| Total supporting services | 151,006 | - | 151,006 | 66,457 |
| Total expenses | 883,614 | - | 883,614 | 1,221,217 |
| Change in net assets | (50,302) | (13,924) | (64,226) | (291,161) |
| Net assets, Beginning of year | 111,927 | 77,500 | 189,427 | 480,588 |
| Net assets, End of year | \$ 61,625 | \$ 63,576 | \$ 125,201 | \$ 189,427 |

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, 2018
(with comparative totals for the year ended September 30, 2017)

| | Program Expenses | | | |
|----------------------------|------------------|------------|------------|------------|
| | Grants | Policy | Service | Total |
| Wages and salaries | \$ 24,530 | \$ 111,878 | \$ 85,368 | \$ 221,776 |
| Payroll taxes and benefits | 10,435 | 28,955 | 24,890 | 64,280 |
| Grant awards | 206,047 | - | 2,068 | 208,115 |
| Contracted services | 1,601 | 23,726 | 48,051 | 73,378 |
| Professional fees | 3,145 | 2,539 | 64,891 | 70,575 |
| Travel | 4,293 | 16,634 | 28,986 | 49,913 |
| Printing and postage | 3,268 | 3,931 | 4,413 | 11,612 |
| Office supplies | 1,270 | 3,481 | 3,580 | 8,331 |
| Rent and utilities | 6,081 | 5,829 | 10,768 | 22,678 |
| Insurance | 600 | 375 | 975 | 1,950 |
| Miscellaneous | - | - | - | - |
| Total expenses | \$ 261,270 | \$ 197,348 | \$ 273,990 | \$ 732,608 |

The accompanying notes are a part of the financial statements.

| Supporting Services | | | 2018 | Comparative |
|-----------------------------|------------------|-------------------|-----------------------|-----------------------|
| General & Administrative | Fundraising | Total | Total All Expenses | Total All Expenses |
| \$ 43,415 | \$ 49,510 | \$ 92,925 | \$ 314,701 | \$ 261,787 |
| 20,548 | 8,119 | 28,667 | 92,947 | 75,006 |
| - | - | - | 208,115 | 558,314 |
| 6,041 | - | 6,041 | 79,419 | 139,555 |
| 4,147 | - | 4,147 | 74,722 | 77,805 |
| 151 | 343 | 494 | 50,407 | 50,462 |
| 934 | 2,429 | 3,363 | 14,975 | 11,574 |
| 3,075 | 78 | 3,153 | 11,484 | 16,540 |
| 8,848 | - | 8,848 | 31,526 | 25,141 |
| 702 | - | 702 | 2,652 | 2,453 |
| 1,001 | 1,665 | 2,666 | 2,666 | 2,580 |
| <u>\$ 88,862</u> | <u>\$ 62,144</u> | <u>\$ 151,006</u> | <u>\$ 883,614</u> | <u>\$ 1,221,217</u> |

GREAT LAKES AQUATIC HABITAT NETWORK AND FUND, INC.
d/b/a FRESHWATER FUTURE
STATEMENT OF CASH FLOWS
for the year ended September 30, 2018
(with comparative totals for the year ended September 30, 2017)

| | 2018 | Comparative Totals 2017 |
|--|-------------|-------------------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Change in net assets | \$ (64,226) | \$ (291,161) |
| Adjustments to reconcile change in net assets to net cash used by operating activities: | | |
| Decrease (increase) in accounts receivable | 437 | 282 |
| Decrease (increase) in grants and contracts receivable | 45,000 | 261,740 |
| Decrease (increase) in prepaid expenses | (5,307) | (3,225) |
| Increase (decrease) in accounts payable and accrued expenses | 10,176 | (292) |
| Increase (decrease) in grants payable | (5,000) | 500 |
| Decrease (increase) in unearned revenues | (65,741) | (152,876) |
| | (20,435) | 106,129 |
| Total adjustments | | |
| Net cash used by operating activities | (84,661) | (185,032) |
| CASH FLOWS FROM INVESTING ACTIVITIES, | | |
| Purchase of fixed assets | (3,028) | - |
| NET DECREASE IN CASH AND CASH EQUIVALENTS | (87,689) | (185,032) |
| CASH AND CASH EQUIVALENTS, Beginning of year | 374,452 | 559,484 |
| CASH AND CASH EQUIVALENTS, End of year | \$ 286,763 | \$ 374,452 |

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, 2018

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

The Organization used the accrual basis of accounting whereby revenues are recognized when earned or when the commitment of a future gift to the Organization becomes unconditional and expensed when an obligation is incurred.

Basis of Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not-for-profit Organizations*. Under SFAS No. 117, 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

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

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

NOTES TO FINANCIAL STATEMENTS

for the year ended September 30, 2018

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.

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, 2017, 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, 2018, all cash and cash equivalents are federally insured.

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, 2018, designated net assets of \$61,000 are earmarked for operating reserves.

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

NOTES TO FINANCIAL STATEMENTS

for the year ended September 30, 2018

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. A spectrometer was purchased for \$3,028 during the year and is being refurbished by the Organization. This is not being depreciated because once the work is completed this asset will be granted to another non-profit organization.

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

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. 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.

NOTE C – DATE OF MANAGEMENT'S REVIEW:

In preparing the financial statements, the Organization has evaluated events and transactions for potential recognition or disclosures through December 5, 2018, the date that the financial statements were available to be issued.

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

NOTES TO FINANCIAL STATEMENTS

for the year ended September 30, 2018

NOTE D - 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, 2015.

NOTE E – COMPENSATED ABSENCES:

Compensated absences represent the Organization's obligations to its employees for earned but unused vacation and sick time totaling \$9,331 at September 30, 2018. 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 lease expiring March 31, 2019. For the year ending September 30, 2018, the rent expense for the Petoskey office was \$20,659. Following is an annual rental schedule for future commitments:

| <u>Year</u> | <u>Annual Rents</u> |
|-------------|-------------------------|
| 2019 | \$ 9,000 |

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 \$8,050 for the year.

NOTE H – COMMITMENTS:

At September 30, 2018, the Organization has contracts in progress to provide additional services totaling \$146,808 for which funding has been received or recognized, but not completed, and is recorded as unearned revenue on the Statement of Financial Position.