

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, 2023

KAMMERMANN & BASCOM, P.C.
CERTIFIED PUBLIC ACCOUNTANTS
CHARLEVOIX, MICHIGAN

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KAMMERMANN & BASCOM, P.C.

Certified Public Accountants

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Established 1988
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INDEPENDENT AUDITOR'S REPORT

January 15, 2024

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

Opinion

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, 2023, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements present fairly, in all material respects, the financial position of Great Lakes Aquatic Habitat Network and Fund, Inc. as of September 30, 2023, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Great Lakes Aquatic Habitat Network and Fund, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Great Lakes Aquatic Habitat Network and Fund, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

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Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with the generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgement made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Great Lakes Aquatic Habitat Network and Fund, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Great Lakes Aquatic Habitat Network and Fund, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Report on Summarized Comparative Information

We have previously audited Great Lakes Aquatic Habitat Network and Fund, Inc.'s 2022 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated January 16, 2023. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2023, is consistent, in all material respects with the audited financial statements from which it has been derived.

Kammermann & Bascom, P.C.

GREAT LAKES AQUATIC HABITAT NETWORK AND FUND, INC.

d/b/a FRESHWATER FUTURE

STATEMENT OF FINANCIAL POSITION

September 30, 2023

(with comparative totals for the year ended September 30, 2022)

ASSETS

| | <u>2023</u> | <u>Comparative Totals 2022</u> |
|--------------------------------------|----------------------------|--|
| CURRENT ASSETS: | | |
| Cash and cash equivalents | \$ 373,937 | \$ 871,598 |
| Investments, certificates of deposit | 679,159 | - |
| Accounts receivable | 1,006 | - |
| Grants and contracts receivable | 65,000 | 60,000 |
| Prepaid expenses | <u>18,679</u> | <u>8,646</u> |
| Total current assets | 1,137,781 | 940,244 |
| FURNITURE AND EQUIPMENT: | | |
| Leasehold improvements | 30,382 | - |
| Furniture and office equipment | 16,706 | 16,706 |
| Vehicles | 29,976 | - |
| Less accumulated depreciation | <u>(14,467)</u> | <u>(9,275)</u> |
| Total furniture and equipment | <u>62,597</u> | <u>7,431</u> |
| OTHER ASSET, | | |
| Right of Use, lab space (Note F) | <u>22,553</u> | <u>-</u> |
| Total assets | <u><u>\$ 1,222,931</u></u> | <u><u>\$ 947,675</u></u> |

The accompanying notes are a part of the financial statements.

LIABILITIES AND NET ASSETS

| | <u>2023</u> | <u>Comparative Totals 2022</u> |
|--|--------------|--|
| CURRENT LIABILITIES: | | |
| Accounts payable | \$ 30,307 | \$ 7,621 |
| Grants payable | 2,000 | 4,000 |
| Accrued expenses | 20,930 | 13,509 |
| Unearned revenue | 154,461 | 165,902 |
| Current portion of lease liability (Note F) | 15,615 | - |
| Total current liabilities | 223,313 | 191,032 |
| OTHER LIABILITIES: | | |
| Lease liability, net of current portion (Note F) | 6,938 | - |
| Compensated absences (Note H) | 21,452 | 17,863 |
| Total other liabilities | 28,390 | 17,863 |
| Total liabilities | 251,703 | 208,895 |
| NET ASSETS: | | |
| Without donor restriction | | |
| Board designated | 100,000 | 100,000 |
| Unrestricted | 531,250 | 378,810 |
| Total without donor restriction | 631,250 | 478,810 |
| With donor restriction | 339,978 | 259,970 |
| Total net assets | 971,228 | 738,780 |
| Total liabilities and net assets | \$ 1,222,931 | \$ 947,675 |

GREAT LAKES AQUATIC HABITAT NETWORK AND FUND, INC.
d/b/a FRESHWATER FUTURE
STATEMENT OF ACTIVITIES
for the year ended September 30, 2023
(with comparative totals for the year ended September 30, 2022)

| | 2023 | | | Comparative Totals 2022 |
|---------------------------------------|------------------------------|---------------------------|--------------------|-------------------------------|
| | Without Donor Restriction | With Donor Restriction | Total All Funds | Total All Funds |
| REVENUES AND SUPPORT: | | | | |
| Grants and contracts | \$ - | \$ 412,442 | \$ 412,442 | \$ 309,892 |
| Contributions | 169,750 | 1,151,133 | 1,320,883 | 905,937 |
| Contributions of nonfinancial assets | 1,682 | - | 1,682 | 1,000 |
| Memberships | 22,424 | - | 22,424 | 18,528 |
| Program fees | 30,896 | - | 30,896 | 32,257 |
| Investment income | 16,618 | - | 16,618 | 967 |
| Other income | 10,143 | - | 10,143 | 2,607 |
| Net assets released from restrictions | 1,483,567 | (1,483,567) | - | - |
| Total revenues and support | 1,735,080 | 80,008 | 1,815,088 | 1,271,188 |
| EXPENSES: | | | | |
| Program Expenses: | | | | |
| Grants | 418,931 | - | 418,931 | 398,812 |
| Policy | 362,282 | - | 362,282 | 196,106 |
| Services | 615,458 | - | 615,458 | 392,360 |
| Total program expenses | 1,396,671 | - | 1,396,671 | 987,278 |
| Supporting Services: | | | | |
| General and administrative | 40,091 | - | 40,091 | 12,935 |
| Fundraising | 145,878 | - | 145,878 | 149,079 |
| Total supporting services | 185,969 | - | 185,969 | 162,014 |
| Total expenses | 1,582,640 | - | 1,582,640 | 1,149,292 |
| Change in net assets | 152,440 | 80,008 | 232,448 | 121,896 |
| Net assets, Beginning of year | 478,810 | 259,970 | 738,780 | 616,884 |
| Net assets, End of year | \$ 631,250 | \$ 339,978 | \$ 971,228 | \$ 738,780 |

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, 2023

(with comparative totals for the year ended September 30, 2022)

| | Program Expenses | | | |
|----------------------------|-------------------|-------------------|-------------------|---------------------|
| | Grants | Policy | Service | Total |
| Wages and salaries | \$ 96,602 | \$ 173,236 | \$ 340,928 | \$ 610,766 |
| Payroll taxes and benefits | 22,141 | 57,342 | 99,157 | 178,640 |
| Grant awards | 287,412 | - | - | 287,412 |
| Contracted services | - | 5,925 | 27,363 | 33,288 |
| Professional fees | - | 84,682 | 3,022 | 87,704 |
| Travel | 7,939 | 19,687 | 51,932 | 79,558 |
| Printing and postage | 2,500 | 1,770 | 13,422 | 17,692 |
| Office supplies | 488 | 14,199 | 18,842 | 33,529 |
| Occupancy | 1,048 | 4,445 | 28,162 | 33,655 |
| Depreciation | - | - | - | - |
| Insurance | 801 | 996 | 7,293 | 9,090 |
| Water testing lab supplies | - | - | 24,372 | 24,372 |
| Miscellaneous | - | - | 965 | 965 |
| Total expenses | <u>\$ 418,931</u> | <u>\$ 362,282</u> | <u>\$ 615,458</u> | <u>\$ 1,396,671</u> |

The accompanying notes are a part of the financial statements.

| Supporting Services | | | 2023 | Comparative |
|-----------------------------|-------------------|-------------------|-----------------------|--------------------------------------|
| General & Administrative | Fundraising | Total | Total All Expenses | 2022 Totals Total All Expenses |
| \$ 22,806 | \$ 103,279 | \$ 126,085 | \$ 736,851 | \$ 498,069 |
| 7,602 | 24,934 | 32,536 | 211,176 | 169,251 |
| - | - | - | 287,412 | 248,873 |
| - | - | - | 33,288 | 33,428 |
| 1,000 | 1,633 | 2,633 | 90,337 | 63,907 |
| 1,259 | 627 | 1,886 | 81,444 | 53,635 |
| 19 | 11,397 | 11,416 | 29,108 | 28,153 |
| 682 | 1,199 | 1,881 | 35,410 | 30,458 |
| 368 | 1,517 | 1,885 | 35,540 | 12,618 |
| 5,192 | - | 5,192 | 5,192 | 2,194 |
| - | - | - | 9,090 | 4,606 |
| - | - | - | 24,372 | - |
| 1,163 | 1,292 | 2,455 | 3,420 | 4,100 |
| <u>\$ 40,091</u> | <u>\$ 145,878</u> | <u>\$ 185,969</u> | <u>\$ 1,582,640</u> | <u>\$ 1,149,292</u> |

GREAT LAKES AQUATIC HABITAT NETWORK AND FUND, INC.
d/b/a FRESHWATER FUTURE
STATEMENT OF CASH FLOWS
for the year ended September 30, 2023
(with comparative totals for the year ended September 30, 2022)

| | 2023 | Comparative Totals 2022 |
|--|------------|-------------------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Change in net assets | \$ 232,448 | \$ 121,896 |
| Adjustments to reconcile change in net assets to net cash provided by operating activities: | | |
| Depreciation | 5,192 | 2,194 |
| Decrease (increase) in accounts receivable | (1,006) | 12,223 |
| Increase in grants and contracts receivable | (5,000) | (60,000) |
| Increase in prepaid expenses | (10,033) | - |
| Increase in right of use asset - lab space | (22,553) | - |
| Increase (decrease) in accounts payable and accrued expenses | 30,107 | (20,513) |
| Increase (decrease) in grants payable | (2,000) | 3,000 |
| Increase (decrease) in unearned revenues | (11,441) | 15,108 |
| Increase in operating lease liability | 22,553 | - |
| Increase in compensated absences | 3,589 | 2,621 |
| | 9,408 | (45,367) |
| Total adjustments | | |
| Net cash provided by operating activities | 241,856 | 76,529 |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | |
| Increase in investments | (679,159) | - |
| Purchase of fixed assets | (60,358) | - |
| | (739,517) | - |
| Net cash used by investing activities | | |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | (497,661) | 76,529 |
| CASH AND CASH EQUIVALENTS, Beginning of year | 871,598 | 795,069 |
| CASH AND CASH EQUIVALENTS, End of year | \$ 373,937 | \$ 871,598 |
| SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION | | |
| Cash Paid for Amounts Included in Measurement of Lease Liabilities: | | |
| Operating Cash Flows from Operating Leases | \$ 15,200 | \$ - |

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, 2023

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 communications assistance.

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

The Organization reports information regarding its financial position and activities according to two classes of net assets that are based upon the existence or absence of restrictions on use that are placed by its donors: net assets without donor restrictions and net assets with donor restrictions.

Net assets without donor restrictions are resources available to support operations and not subject to donor restrictions. The only limits on the use of net assets without donor restrictions 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.

Net assets with donor restrictions are resources that are subject to donor-imposed restrictions. Some restrictions are temporary in nature, such as those that are restricted by a donor for use for a particular purpose or in a particular future period. Other restrictions may be perpetual in nature; such as those that are restricted by a donor that the resources be maintained in perpetuity.

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

NOTES TO FINANCIAL STATEMENTS

for the year ended September 30, 2023

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

Basis of Presentation (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 net assets with donor restrictions to net assets without donor restrictions

Revenue Recognition

The Organization recognizes contributions and memberships when cash, securities, or other assets; an unconditional promise to give; or a notification of a beneficial interest is received. Conditional promises to give – that is, those with a measurable performance or other barrier and a right of return – are not recognized until the conditions on which they depend have been met. For the year ended September 30, 2023, the Organization did not have any conditional contributions receivable; however, it had grants receivable totaling \$65,000.

All revenues from exchange transactions and programs fees are recorded in accordance with ASC 606 – Revenue from Contracts with Customers. The Organization recognized revenue when the following criteria are met: (i) a contract with a customer has been identified, (ii) the performance obligation(s) in the contract have been identified, (iii) the transaction price has been determined, (iv) the transaction price has been allocated to each performance obligation in the contract, and (v) the Organization has satisfied the applicable performance obligation at a point in time or over time. A portion of the Organization's revenue is derived from grants and program fees, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. For year ended September 30, 2023, the Organization had accounts receivable totaling \$1,006. Advance payments that performance requirements have yet to be completed have been recorded as unearned revenue totaling \$154,461.

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.

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

NOTES TO FINANCIAL STATEMENTS

for the year ended September 30, 2023

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

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. Expenses that can be identified with a specific program or support service are charged directly to that program or support service.

General and administrative expenses include those costs that are not directly identifiable with any specific program, but which provide for the overall support and direction of the Organization. Fund-raising costs are expensed as incurred, even though they may result in contributions received in future years.

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, 2022, 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, 2023, 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, 2023, designated net assets of \$100,000 are earmarked for operating reserves.

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 of \$5,192 has been recorded in the statement of activities for the year ended September 30, 2023.

Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid expenses.

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

NOTES TO FINANCIAL STATEMENTS

for the year ended September 30, 2023

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

Unearned Revenue

Unearned revenue consists of funds received in advance for programs expenses and is recognized once earned.

Contributed Nonfinancial Assets

Contributed nonfinancial assets are reflected in the financial statements at the estimated fair market value at the time of the donation. Contributed nonfinancial assets recognized in the statement of activities totaled \$1,682 for the year ended September 30, 2023.

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. No amounts have been recorded for volunteer services.

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.

Accounting Principles Leases

The Organization leases lab space in a building. The determination of whether an arrangement is a lease is made at the lease's inception. Under ASC 842, a contract is (or contains) a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is defined under the standard as having both the right to obtain substantially all of the economic benefits from use of the asset and the right to direct the use of the asset. Management only reassesses its determination if the terms and conditions of the contract are changed.

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

NOTES TO FINANCIAL STATEMENTS

for the year ended September 30, 2023

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

Accounting Principles – Leases (Continued)

Operating leases are included in operating lease right of use (ROU) assets, current liabilities, and other liabilities in the balance sheet.

ROU assets represent the right to use an underlying asset for the lease term, and lease liabilities represent the obligation to make lease payments. Operating lease ROU assets and liabilities are recognized at the lease commencement date based on the present value of lease payments over the lease term. The Organization uses the implicit rate when it is readily determinable. Since the Organization's lease did not provide an implicit rate, to determine the present value of the lease payments, management uses the 10-year Treasury bond rate (risk-free rate). Operating lease ROU assets also includes any lease payments made and excludes any lease incentives. Lease expense for lease payments is recognized on a straight-line basis over the lease term. The Organization's lease terms may include options to extend or terminate the lease when it is reasonably certain that the Organization will exercise the operation. The lease agreement did not contain any material residual value guarantees.

The Organization leases lab space under an operating lease that commenced February 1, 2023. The lease has been renewed through January, 2025. Rent expense under the lease was \$15,200 for the year ended September 30, 2023, including interest of \$8,028. There were no lease payments payable as of September 30, 2023.

Reclassifications

Certain amounts in the prior year financial information have been reclassified for comparative purposes to conform with the presentation in the current year financial statements.

NOTE C – LIQUIDITY AND AVAILABILITY:

Financial assets available for general expenditure, this, without donor or other restrictions limiting their use, within one year of September 30, 2023 are:

| | |
|--|-------------------|
| Financial assets: | |
| Cash and cash equivalents | \$ 373,937 |
| Investments, certificates of deposit | 679,159 |
| Accounts receivable | 1,006 |
| Grants and contracts receivable | <u>65,000</u> |
| Total financial assets | 1,119,102 |
| Less financial assets held to meet donor-imposed restrictions, | |
| Purpose restricted net assets | <u>(339,978)</u> |
| Amount available for general expenditures within one year | <u>\$ 779,124</u> |

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

NOTES TO FINANCIAL STATEMENTS

for the year ended September 30, 2023

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 January 15, 2024, the date that the financial statements were available to be issued.

NOTE E - 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, 2020.

NOTE F – LEASING ARRANGEMENTS:

The Organization leases a water testing lab. The Organization assesses whether an arrangement qualifies as a lease (i.e., conveys the right to control the use of an identified assets for a period of time in exchange for consideration) at inception and only reassesses its determination if the terms and conditions of the arrangement are changed. Leases with an initial term of 12 months or less are not recorded on the balance sheet. The Organization signed an operating lease for office space through January, 2024. An option was exercised to renew the lease through January, 2025.

| <u>Leases</u> | <u>Classification</u> | <u>9/30/23</u> |
|----------------------------|-----------------------------|------------------|
| <u>Assets</u> | | |
| Operating | Right of Use, office space | <u>\$ 22,553</u> |
| <u>Current Liabilities</u> | | |
| Operating | Lease liability, current | \$ 15,615 |
| <u>Noncurrent</u> | | |
| Operating | Lease liability, noncurrent | <u>6,938</u> |
| Total lease liabilities | | <u>\$ 22,553</u> |

Note: As the lease does not provide an implicit rate, the Organization uses the 10-year Treasury bond rate (risk-free rate) based on the information available at the commencement date in determining the present value of the lease payments.

| <u>Lease Cost</u> | <u>Classification</u> | <u>9/30/23</u> |
|-------------------|-----------------------|------------------|
| Operating | Occupancy | <u>\$ 15,200</u> |

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

NOTES TO FINANCIAL STATEMENTS

for the year ended September 30, 2023

NOTE F – LEASING ARRANGEMENTS (CONTINUED):

| | |
|--|----------------|
| Lease Term and Discount Rate: | <u>9/30/23</u> |
| <u>Weighted Average Remaining Lease Term (years)</u> | |
| Operating Lease | 1.33 |
| <u>Weighted Average Discount Rate</u> | |
| Operating Lease | 3.75% |

Maturities of Lease Liabilities:

| <u>Year Ending:</u> | <u>Operating</u> |
|------------------------------------|------------------|
| 9/30/24 | \$ 22,800 |
| 9/30/25 | <u>7,600</u> |
| Total lease payments | 30,400 |
| Less: Interest | <u>(7,847)</u> |
| Present value of lease liabilities | <u>\$ 22,553</u> |

Supplemental Cash Flow Information 9/30/23

| | |
|---|-----------------|
| Cash Paid for Amounts Included in Measurement of Lease Liabilities: | |
| Operating Cash Flows from Operating Leases | <u>\$15,200</u> |

NOTE G – COMPENSATED ABSENCES:

Compensated absences represent the Organization’s obligations to its employees for earned but unused vacation and sick time totaling \$21,452 at September 30, 2023. 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 H - 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 \$12,561 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, 2023

NOTE I – NET ASSETS WITH DONOR RESTRICTIONS:

As of September 30, 2023, net assets with donor restrictions are available for the following purposes:

| | |
|---|------------------|
| Purpose restrictions, available for spending, Programs | <u>\$339,978</u> |
|---|------------------|

NOTE J – COMMITMENTS:

At September 30, 2023, the Organization has contracts in progress to provide additional services totaling \$154,461 for which funding has been received or recognized, but not completed, and is recorded as unearned revenue on the Statement of Financial Position.

NOTE K – NEW ACCOUNTING PRONOUNCEMENT:

Leases

In February 2016, the FASB issued ASU 2016-02, Leases (Topic 842), which supersedes existing guidance for accounting for leases under Topic 840, Leases. The FASB also subsequently issued the following additional ASUs, which amend and clarify Topic 842: ASU 2018-01, Land Easement Practical Expedient for Transition to Topic 842; ASU 2018-10, Codification Improvements to Topic 842, Leases; ASU 2018-11, Leases (Topic 842): Targeted Improvements; ASU 2018-20, Narrow-scope Improvements for Lessors; and ASU 2019-01, Leases (Topic 842): Codification Improvements. The most significant change in the new leasing guidance is the requirement to recognize right-to-use (ROU) assets and lease liabilities for operating leases on the balance sheet.

The Organization elected to adopt these ASUs effective October 1, 2022 and utilized all of the available practical expedients. The adoption had a material impact on the Company's balance sheet but did not have a material impact on the income statement. The most significant impact was the recognition of the ROU assets and lease liabilities for operating lease. Prior year financial statements did not require restatement as the previous operating lease was not longer than 12 months.

Contributed Nonfinancial Assets

In September 2020, the FASB issued ASU 2020-07, Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets (Topic 958), as is intended to improve transparency in the reporting of contributed nonfinancial assets, also known as gifts in-kind, for not-for-profit organizations. The ASU requires a not-for-profit organization to present contributed nonfinancial assets as a separate line item in the statement of activities, apart from contributions of cash or other financial assets, along with expended disclosure requirements. The Organization implemented ASU 2020-07 using the retrospective method. The adoption did not result in a restatement of previously reported net assets for the year ended September 30, 2022.