

TIP OF THE MITT WATERSHED COUNCIL
(a Michigan nonprofit corporation)

FINANCIAL STATEMENTS
for the year ended December 31, 2019

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

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KAMMERMANN & BASCOM, P.C.

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September 4, 2020

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Tip of the Mitt Watershed Council:

We have audited the accompanying financial statements of Tip of the Mitt Watershed Council (a nonprofit organization), which comprise the statement of financial position as of December 31, 2019, 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 Tip of the Mitt Watershed Council as of December 31, 2019, 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.

Report on Summarized Comparative Information

We have previously audited Tip of the Mitt Watershed Council's 2018 financial statements, and we expressed an unmodified opinion on those audited financial statements in our report dated June 5, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2018, is consistent, in all material respects, with the audited financial statements for which it has been derived.

Kammermann & Bascom, P.C.

TIP OF THE MITT WATERSHED COUNCIL

STATEMENT OF FINANCIAL POSITION

December 31, 2019

(with comparative totals as of December 31, 2018)

	<u>ASSETS</u>	
	<u>2019</u>	<u>2018</u>
CURRENT ASSETS:		
Cash in bank	\$ 213,454	\$ 195,160
Accounts receivable	16,890	24,804
Grants receivable	197,060	200,511
Inventory	-	2,680
Prepaid expenses	<u>10,932</u>	<u>8,744</u>
Total current assets	438,336	431,899
LAND, BUILDING, FURNITURE AND EQUIPMENT, net of accumulated depreciation (Note D)	616,296	682,456
OTHER ASSETS:		
Investments (Note E)	1,684,241	1,597,228
Net assets invested in community foundations (Note J)	<u>996,610</u>	<u>574,133</u>
Total other assets	<u>2,680,851</u>	<u>2,171,361</u>
Total assets	<u>\$ 3,735,483</u>	<u>\$ 3,285,716</u>
	<u>LIABILITIES AND NET ASSETS</u>	
CURRENT LIABILITIES:		
Accounts payable	\$ 88,643	\$ 14,940
Accrued expenses	17,568	16,621
Unearned revenues	<u>62,039</u>	<u>69,312</u>
Total current liabilities	168,250	100,873
NET ASSETS:		
Without donor restrictions	1,831,941	1,878,494
With donor restrictions	<u>1,735,292</u>	<u>1,306,349</u>
Total net assets	<u>3,567,233</u>	<u>3,184,843</u>
Total liabilities and net assets	<u>\$ 3,735,483</u>	<u>\$ 3,285,716</u>

The accompanying notes are a part of the financial statements.

TIP OF THE MITT WATERSHED COUNCIL

STATEMENT OF ACTIVITIES

for the year ended December 31, 2019

(with comparative totals as of December 31, 2018)

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total All Funds</u>	<u>2018</u>
REVENUES AND SUPPORT:				
Contributions	\$ 569,296	\$ 106,472	\$ 675,768	\$ 764,582
Grants	23,319	621,446	644,765	897,647
Contract services	21,320	-	21,320	39,212
Interest and dividend income (Note E)	39,448	-	39,448	45,599
Realized and unrealized gains on investments (Note E)	225,189	-	225,189	(153,793)
Realized loss on sale of asset	(20,000)	-	(20,000)	-
Net change in beneficial interests in community foundations	-	122,477	122,477	(76,449)
Special event	9,850	-	9,850	-
Other income	33,756	-	33,756	17,250
Net assets released from restrictions	<u>421,452</u>	<u>(421,452)</u>	<u>-</u>	<u>-</u>
Total revenue and support	1,323,630	428,943	1,752,573	1,534,048
EXPENSES:				
PROGRAM SERVICES:				
Policy and advocacy	254,715	-	254,715	268,880
Watershed protection	813,525	-	813,525	1,017,125
Outreach and education	<u>213,559</u>	<u>-</u>	<u>213,559</u>	<u>233,069</u>
Total program services	1,281,799	-	1,281,799	1,519,074
SUPPORTING SERVICES:				
Management	42,141	-	42,141	41,062
Fundraising	<u>46,243</u>	<u>-</u>	<u>46,243</u>	<u>49,728</u>
Total supporting services	<u>88,384</u>	<u>-</u>	<u>88,384</u>	<u>90,790</u>
Total expenses	<u>1,370,183</u>	<u>-</u>	<u>1,370,183</u>	<u>1,609,864</u>
Change in net assets	(46,553)	428,943	382,390	(75,816)
Net assets, January 1, 2019	<u>1,878,494</u>	<u>1,306,349</u>	<u>3,184,843</u>	<u>3,260,659</u>
Net assets, December 31, 2019	<u>\$ 1,831,941</u>	<u>\$ 1,735,292</u>	<u>\$ 3,567,233</u>	<u>\$ 3,184,843</u>

The accompanying notes are a part of the financial statements.

TIP OF THE MITT WATERSHED COUNCIL

STATEMENT OF FUNCTIONAL EXPENSES

for the year ended December 31, 2019

	Program Services			
	Policy & Advocacy	Watershed Protection	Outreach & Education	Total
Salaries, payroll taxes and benefits	\$ 191,377	\$ 309,601	\$ 146,927	\$ 647,905
Professional services	2,625	4,240	2,026	8,891
Advertising	187	618	145	950
Grant expenses	23,194	438,057	29,011	490,262
Contracted and outside services	8,415	13,986	7,181	29,582
Insurance	2,224	3,268	1,689	7,181
Printing	5,598	8,898	8,848	23,344
Office supplies and postage	6,041	9,935	7,426	23,402
Telephone	1,672	2,701	1,291	5,664
Travel and meetings	1,279	1,065	442	2,786
Utilities	1,692	2,734	1,307	5,733
Repairs and maintenance	1,705	4,023	1,316	7,044
Dues and memberships	1,468	845	361	2,674
Depreciation	6,808	12,714	5,257	24,779
Miscellaneous	430	840	332	1,602
Totals	<u>\$ 254,715</u>	<u>\$ 813,525</u>	<u>\$ 213,559</u>	<u>\$ 1,281,799</u>

The accompanying notes are a part of the financial statements.

Supporting Services

Management	Development and Fundraising	Total	Total All Funds
\$ 33,319	\$ 36,967	\$ 70,286	\$ 718,191
459	510	969	9,860
911	36	947	1,897
165	1,948	2,113	492,375
1,466	1,627	3,093	32,675
362	387	749	7,930
1,054	1,027	2,081	25,425
1,780	1,163	2,943	26,345
293	325	618	6,282
108	97	205	2,991
331	329	660	6,393
298	331	629	7,673
120	91	211	2,885
1,193	1,322	2,515	27,294
282	83	365	1,967
<u>\$ 42,141</u>	<u>\$ 46,243</u>	<u>\$ 88,384</u>	<u>\$ 1,370,183</u>

TIP OF THE MITT WATERSHED COUNCIL

STATEMENT OF CASH FLOWS

for the year ended December 31, 2019

CASH FLOWS FROM OPERATING ACTIVITIES:

Increase in net assets		\$ 382,390
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation	\$ 27,294	
Decrease in accounts and grants receivable	11,365	
Decrease in inventory and prepaid expenses	492	
Increase in accounts payable and accrued expenses	74,650	
Decrease in unearned revenue	(7,273)	
Contributions restricted for endowment	(106,472)	
Loss on sale of property	20,000	
Net realized gains on sales of investments	(13,598)	
Net unrealized gains on investments	<u>(211,591)</u>	
Total adjustments		<u>(205,133)</u>
Net cash provided by operating activities		177,257

CASH FLOWS FROM INVESTING ACTIVITIES:

Proceeds from sales of investments	1,017,905	
Purchases of investments	(879,729)	
Transfer to community foundation	(300,000)	
Increase in interests in community foundations	(122,477)	
Proceeds from sales of property	61,500	
Purchase of fixed assets	<u>(42,634)</u>	
Net cash used by investing activities		(265,435)

CASH FLOWS FROM FINANCING ACTIVITIES,

Contributions restricted for endowment	<u>106,472</u>	
Net cash provided by financing activities		<u>106,472</u>

INCREASE IN CASH AND CASH EQUIVALENTS

18,294

CASH AND CASH EQUIVALENTS, January 1, 2019

195,160

CASH AND CASH EQUIVALENTS, December 31, 2019

\$ 213,454

The accompanying notes are a part of the financial statements.

TIP OF THE MITT WATERSHED COUNCIL

NOTES TO FINANCIAL STATEMENTS

for the year ended December 31, 2019

NOTE A - ORGANIZATION:

The Tip of the Mitt Watershed Council is organized to promote the protection and enhancement of water quality and water resources in the watersheds of Antrim, Charlevoix, Cheboygan, and Emmet Counties of Michigan.

The Council is supported primarily by various public and private grants, investment income, and donations from area residents and visitors.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Basis of Accounting

Assets, liabilities, revenues and expenses are recognized on the accrual basis of accounting.

Revenue Recognition

All revenues and net gains are reported as increases in net assets without donor restrictions in the statement of activities unless the donor specified the use of the related resources for a particular purpose or in a future period. All expenses are reported as decreases in net assets without donor restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the Statement of Activities as net assets released from restrictions.

Cash and Cash Equivalents

Cash includes all funds in the checking account. For purposes of the statement of cash flows, the Council considers all cash in bank accounts to be liquid investments and are included as cash and cash equivalents.

Contributed Services

The Council generally pays for services requiring specific expertise. However, many individuals volunteer their time and perform a variety of tasks that assist the Council with programs and other committee assignments. No amounts have been recorded for volunteer services.

Inventory

Inventory has been recorded at the lower of cost or market.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

TIP OF THE MITT WATERSHED COUNCIL

NOTES TO FINANCIAL STATEMENTS

for the year ended December 31, 2019

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

Net Assets

The financial statements report net assets and changes in net assets in two classes that are based on the existence or absence of restrictions on use that are placed by its donors, as follows:

Net Assets Without Donor Restrictions

Net assets without donor restrictions are resources available to support operations. The only limits on the use of these net assets are the broad limits resulting from the nature of the Council, 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

Net assets with donor restrictions are resources that are restricted by a donor for use for a particular purpose or in a particular future period. Some donor-imposed restrictions are temporary in nature, and the restriction will expire when the resources are used in accordance with the donor's instructions or when the stipulated time has passed. Other donor-imposed restrictions are perpetual in nature; the organization must continue to use the resources in accordance with the donor's instructions.

The Council's unspent contributions are included in this class if the donor limited their use, including land acquisition, donor-restricted endowment funds and its beneficial interest in community foundation.

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 restrictions. Net assets restricted for acquisition of buildings or equipment (or the contribution of those assets directly) are reported as net assets with donor restrictions until the specified asset is placed in service by the organization.

Comparative Financial Information

The financial statements include certain prior-year summarized comparative information in total but not by asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Council's financial statements for the year ended December 31, 2018, from which the summarized information was derived.

TIP OF THE MITT WATERSHED COUNCIL

NOTES TO FINANCIAL STATEMENTS

for the year ended December 31, 2019

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

Property and Equipment

Land, buildings and equipment are stated at cost for purchased items and market value at date of donation for donated items. Depreciable assets are being depreciated over their estimated useful lives using the straight-line method. The Council capitalizes expenditures for property and equipment in excess of \$1,000.

Expense Recognition and Allocation

The cost of providing the Council's programs and other activities is summarized on a functional basis in the statement of activities and 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. Costs common to multiple functions have been allocated among the various functions benefited using an allocation method that is consistently applied, as follows:

- Watershed Protection – 43.00 percent
- Policy and Advocacy – 26.62 percent
- Outreach and Education – 20.55 percent
- Administrative – 4.66 percent
- Development and Fundraising – 5.17 percent

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 Council.

Fundraising costs are expensed as incurred, even though they may result in contributions received in future years. Additionally, advertising costs are expensed as incurred. Advertising costs for 2019 totaled \$1,897.

NOTE C – LIQUIDITY AND AVAILABILITY:

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of December 31, 2019 are:

Financial assets:	
Cash and cash equivalents	\$ 213,454
Accounts and grants receivable	213,950
Endowment investments	1,684,241
Beneficial interest in community foundation	<u>996,610</u>
Total financial assets	3,108,255
Less financial assets held to meet donor-imposed restrictions:	
Donor-restricted portion of endowment fund	(738,688)
Beneficial interest in community foundation	<u>(996,610)</u>
Amount available for general expenditures within one year	<u>\$ 1,372,957</u>

TIP OF THE MITT WATERSHED COUNCIL

NOTES TO FINANCIAL STATEMENTS

for the year ended December 31, 2019

NOTE D - LAND, BUILDING, FURNITURE AND EQUIPMENT:

Fixed assets consist of the following at December 31, 2019:

Building and improvements	\$ 706,799
Office furnishings and equipment	286,408
Vehicle and boat	<u>41,121</u>
	1,034,328
Less accumulated depreciation	<u>(605,532)</u>
	428,796
Land	<u>187,500</u>
Total	<u>\$ 616,296</u>

For the year ended December 31, 2019, depreciation expense totaled \$27,294.

NOTE E - INVESTMENTS:

All investment returns, including interest and dividend income and net gains or losses, are considered available for current operations. For the year ended December 31, 2019, investment returns are classified as unrestricted in the statement of activities and are summarized as follows:

Interest and dividend income	\$ 51,381
Investment management fees	<u>(11,933)</u>
Net interest and dividend income	39,448
Net realized gains	\$ 13,598
Net unrealized gains	<u>211,591</u>
Net realized and unrealized gains	<u>225,189</u>
Net investment income	<u>\$ 264,637</u>

At December 31, 2019, investments were comprised of the following:

	<u>Cost</u>	<u>Market</u>	<u>Unrealized Gain (Loss)</u>
Cash and money market	\$ 67,177	\$ 67,177	\$ -
Common stocks and equity funds	748,323	844,156	95,833
Bond funds	465,340	465,280	(60)
Real estate	59,182	66,066	6,884
Alternative strategies	<u>240,570</u>	<u>241,562</u>	<u>992</u>
Total	<u>\$ 1,580,592</u>	<u>\$ 1,684,241</u>	<u>\$ 103,649</u>

TIP OF THE MITT WATERSHED COUNCIL

NOTES TO FINANCIAL STATEMENTS

for the year ended December 31, 2019

NOTE E – INVESTMENTS (CONTINUED):

Investments are carried at estimated fair market value. Fair values for investments are determined by reference to quoted market prices and other relevant information generated by market transactions. Unrealized increases or decreases resulting in changes in market value of investments are included in the Statement of Activities.

Investments totaling \$738,688 have been set aside for permanent endowment. The Council has designated unrestricted investments totaling \$259,672 for future replacement of fixed assets. The remaining investments of \$685,881 are available for operations.

NOTE F – FAIR VALUE MEASUREMENTS:

Financial Accounting Standards Board Codification 820.10 (FASB ASC 820.10) establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy under FASB ASC 820.10 are described below:

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Council has the ability to access.

Level 2 Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

Fair values for mutual funds are determined by reference to quoted market prices and other relevant information by market transactions. Fair values for alternative strategy funds are based on meaningful third-party transactions and comparable public market valuations. Fair values for net assets invested in community foundations are based on meaningful third-party transactions and comparable public market valuations.

TIP OF THE MITT WATERSHED COUNCIL

NOTES TO FINANCIAL STATEMENTS

for the year ended December 31, 2019

NOTE F – FAIR VALUE MEASUREMENTS (CONTINUED):

At December 31, 2019, the Council’s investments and net assets invested in community foundations, measured on a recurring basis, are as follows:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Money market	\$ 67,177	\$ -	\$ -	\$ 67,177
Net assets invested in community foundations	-	-	996,610	996,610
Mutual funds:				
Equity	844,156	-	-	844,156
Bond	465,280	-	-	465,280
Real estate	66,066	-	-	66,066
Alternative strategies	<u>241,562</u>	<u>-</u>	<u>-</u>	<u>241,562</u>
Totals	<u>\$1,684,241</u>	<u>\$ -</u>	<u>\$ 996,610</u>	<u>\$ 2,680,851</u>

Following is a summary of changes in Level 3 assets during the year.

Valuation, January 1, 2019	\$ 574,133
Additions	300,000
Investment income	<u>122,477</u>
Valuation, December 31, 2019	<u>\$ 996,610</u>

NOTE G – ENDOWMENTS:

The Council has restricted a portion of the investments for endowment purposes to provide working capital and sustain the Council’s operations. The endowment fund has an annual spending policy that allows the Council to use 5 percent of the total fund value for operations, as long as the resulting balance exceeds the accumulated donations to the fund.

The Council established a policy providing the approximate limits for the investment strategy as follows:

<u>Investment Type</u>	<u>Allocation Percentage</u>
Cash	0% - 13%
Bond Funds	22% - 42%
Common Stock and Equity Funds	36% - 56%
Real Estate Funds	0% - 15%
Alternative Strategies	5% - 20%

TIP OF THE MITT WATERSHED COUNCIL

NOTES TO FINANCIAL STATEMENTS

for the year ended December 31, 2019

NOTE G – ENDOWMENTS (CONTINUED):

The Council has interpreted the Michigan Uniform Prudent Management of Institutional Funds Act (UPMIFA) (Act 87 of 2009) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Council classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument, if any, at the time of the accumulation. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Council in a manner consistent with the standard of prudence prescribed by UPMIFA. Temporarily restricted donations specified by the donor to restore funds with deficiencies to the original corpus amount are recorded as unrestricted endowment net assets.

In accordance with UPMIFA, the Council considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. The duration and preservation of the fund;
2. The purpose of the organization and the donor-restricted endowment fund;
3. General economic conditions;
4. The possible effect of inflation and deflation;
5. The expected total return from income and the appreciation (depreciation) of investments;
6. Other resources of the organization;
7. The investment policies of the organization.

The changes in endowment net assets for the year ended December 31, 2019, are as follows:

Endowment net assets, January 1, 2019	\$1,367,090
Net investment income	227,496
Contributions	106,472
Transfers to operations	(165,387)
Transfer to community foundation	<u>(100,000)</u>
Endowment net assets, December 31, 2019	<u>\$1,435,671</u>

TIP OF THE MITT WATERSHED COUNCIL

NOTES TO FINANCIAL STATEMENTS

for the year ended December 31, 2019

NOTE H - INCOME TAX STATUS:

The Internal Revenue Service has determined the Council 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. The Council 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 Council's financial condition, results of operations, or cash flows. The Council's tax filings are no longer subject to examination for years prior to December 31, 2017.

NOTE I - MARKET AND CREDIT RISK:

Financial instruments which potentially subject the Council to concentrations of credit risk consist primarily of investments and accounts receivable. Investments include temporary cash balances kept in money market accounts managed by credit worthy, high quality financial institutions plus stocks and bonds of domestic and foreign corporations and notes and bonds issued by the United States government that are subject to market fluctuation. By policy, these investments are kept within limits designed to prevent risks caused by concentration. Substantially all accounts receivable are due from public and private grants awarded to the Council for use in the various watershed projects undertaken in the counties of Antrim, Charlevoix, Cheboygan and Emmet in Michigan with one grant being individually significant. Management believes there is no significant concentration of market or credit risk.

NOTE J - INTEREST IN NET ASSETS OF COMMUNITY FOUNDATIONS:

The Council has established agency endowment funds with Petoskey - Harbor Springs Area Community Foundation and Charlevoix County Community Foundation and granted variance power to modify the funds in the event the monies are no longer needed or the Council ceases to exist. These transfers have been recorded as net assets invested in community foundations totaling \$996,610. This represents the transfers made by the Council plus the pro rata increase or decrease in market value of the funds. Annual income from these funds is available to the Council as without donor restrictions and is recorded when received. For 2019, amounts received totaled \$23,319 and have been recorded as revenue without donor restrictions in the Statement of Activities.

NOTE K - DATE OF MANAGEMENT'S REVIEW:

In preparing the financial statements, the Council has evaluated events and transactions for potential recognition or disclosure through September 4, 2020, the date that the financial statements were available to be issued.

TIP OF THE MITT WATERSHED COUNCIL

NOTES TO FINANCIAL STATEMENTS

for the year ended December 31, 2019

NOTE L - LINE OF CREDIT:

The Council has a revolving line of credit with the bank in the amount of \$150,000. The line of credit is available to finance current operations as needed and advances carry an interest rate of 2 percent above the London interbank offered rate. The credit line is secured by the endowment fund. At December 31, 2019, the Council did not have an outstanding balance on the line of credit.

NOTE M - RESTRICTIONS ON NET ASSETS:

As of December 31, 2019, permanently restricted net assets were designated for the following purposes:

Endowment investments	\$ 738,682
Net assets invested in community foundations	<u>996,610</u>
Total	<u>\$ 1,735,292</u>

NOTE N - COMMITMENTS:

The Council has grants and contracts in progress to provide services totaling approximately \$1,148,000 that are committed during 2020 through 2025.

NOTE O – SUBSEQUENT EVENTS:

The Council applied for and received a loan under the Paycheck Protection Program authorized by the Coronavirus Aid, Relief and Economic Security Act (CARES Act). The Council borrowed \$92,400 at one percent per annum and matures May 4, 2022. The loan is to be repaid in monthly installments totaling \$5,174 beginning December 4, 2020. Under the CARES Act, a portion or the entire loan may be forgiven, but cannot be determined at this time. If the entire loan must be repaid, the annual requirements to amortize the loan are as follows:

<u>Year ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 4,635	\$ 539	\$ 5,174
2021	61,493	596	62,089
2022	<u>26,272</u>	<u>67</u>	<u>26,339</u>
	<u>\$ 92,400</u>	<u>\$ 1,202</u>	<u>\$ 93,602</u>

Subsequent to year end, the Council has been notified of a final distribution from a trust to the Council totaling approximately \$144,000.