

TIP OF THE MITT WATERSHED COUNCIL

(a Michigan nonprofit corporation)

FINANCIAL STATEMENTS

for the year ended December 31, 2020

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

CONTENTS

INDEPENDENT AUDITOR'S REPORT	1-2
STATEMENT OF FINANCIAL POSITION	3
STATEMENT OF ACTIVITIES	4
STATEMENT OF FUNCTIONAL EXPENSES	5-6
STATEMENT OF CASH FLOWS	7
NOTES TO FINANCIAL STATEMENTS	8-18

KAMMERMANN & BASCOM, P.C.

Certified Public Accountants

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Established 1988
www.northmi.cpa

October 12, 2021

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, 2020, 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, 2020, 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 2019 financial statements, and we expressed an unmodified opinion on those audited financial statements in our report dated September 4, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2019, is consistent, in all material respects, with the audited financial statements for which it has been derived.

Other Matter

As disclosed in Note Q, the financial statements have been reissued to reflect the reclassification of contributions with donor restrictions. As such, the financial statements of Tip of the Mitt Watershed Council were restated to accurately reflect this change. As a result of the reclassification described in Note Q, we believe the financial statements for the year ended December 31, 2020, are in accordance with accounting principles generally accepted in the United States of America.

Kammermann & Bascom, P.C.

TIP OF THE MITT WATERSHED COUNCIL

STATEMENT OF FINANCIAL POSITION

December 31, 2020

(with comparative totals as of December 31, 2019)

	<u>2020</u>	<u>2019</u>
<u>ASSETS</u>		
CURRENT ASSETS:		
Cash in bank	\$ 359,035	\$ 213,454
Accounts receivable	14,297	16,890
Grants receivable	135,686	197,060
Prepaid expenses	7,313	10,932
Total current assets	<u>516,331</u>	<u>438,336</u>
LAND, BUILDING, FURNITURE AND EQUIPMENT, net of accumulated depreciation (Note E)	622,073	616,296
OTHER ASSETS:		
Investments (Note F)	1,777,008	1,684,241
Net assets invested in community foundations (Note J)	<u>1,356,174</u>	<u>996,610</u>
Total other assets	<u>3,133,182</u>	<u>2,680,851</u>
Total assets	<u>\$ 4,271,586</u>	<u>\$ 3,735,483</u>
<u>LIABILITIES AND NET ASSETS</u>		
CURRENT LIABILITIES:		
Accounts payable	\$ 16,822	\$ 88,643
Accrued expenses	65,477	31,862
Unearned revenues	-	47,745
Total current liabilities	<u>82,299</u>	<u>168,250</u>
NET ASSETS:		
Without donor restrictions	2,086,081	1,831,941
With donor restrictions	<u>2,103,206</u>	<u>1,735,292</u>
Total net assets	<u>4,189,287</u>	<u>3,567,233</u>
Total liabilities and net assets	<u>\$ 4,271,586</u>	<u>\$ 3,735,483</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, 2020

(with comparative totals as of December 31, 2019)

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total All Funds</u>	<u>2019</u>
REVENUES AND SUPPORT:				
Contributions	\$ 695,072	\$ 261,800	\$ 956,872	\$ 675,768
Grants	41,063	498,155	539,218	644,765
Contract services	22,038	-	22,038	21,320
Interest and dividend income (Note F)	30,534	-	30,534	39,448
Realized and unrealized gains on investments (Note F)	110,898	-	110,898	225,189
Paycheck Protection Program loan forgiveness	92,400	-	92,400	-
Realized loss on sale of asset	-	-	-	(20,000)
Net change in beneficial interests in community foundations	-	112,891	112,891	122,477
Special event	-	-	-	9,850
Other income	21,665	-	21,665	33,756
Net assets released from restrictions	<u>504,932</u>	<u>(504,932)</u>	<u>-</u>	<u>-</u>
Total revenue and support	1,518,602	367,914	1,886,516	1,752,573
EXPENSES:				
PROGRAM SERVICES:				
Policy and advocacy	323,028	-	323,028	254,715
Watershed protection	552,101	-	552,101	813,525
Outreach and education	<u>238,654</u>	<u>-</u>	<u>238,654</u>	<u>213,559</u>
Total program services	1,113,783	-	1,113,783	1,281,799
SUPPORTING SERVICES:				
Management	102,933	-	102,933	42,141
Fundraising	<u>47,746</u>	<u>-</u>	<u>47,746</u>	<u>46,243</u>
Total supporting services	<u>150,679</u>	<u>-</u>	<u>150,679</u>	<u>88,384</u>
Total expenses	<u>1,264,462</u>	<u>-</u>	<u>1,264,462</u>	<u>1,370,183</u>
Change in net assets	254,140	367,914	622,054	382,390
Net assets, beginning of year	<u>1,831,941</u>	<u>1,735,292</u>	<u>3,567,233</u>	<u>3,184,843</u>
Net assets, end of year	<u>\$ 2,086,081</u>	<u>\$ 2,103,206</u>	<u>\$ 4,189,287</u>	<u>\$ 3,567,233</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, 2020

	Program Services			
	Policy & Advocacy	Watershed Protection	Outreach & Education	Total
Salaries, payroll taxes and benefits	\$ 270,090	\$ 256,525	\$ 192,367	\$ 718,982
Professional services	2,220	4,020	1,920	8,160
Grant expenses	10,814	215,204	1,413	227,431
Contracted and outside services	14,858	30,040	10,606	55,504
Insurance	1,670	3,022	1,443	6,135
Printing	3,602	6,822	11,932	22,356
Office supplies and postage	5,746	10,556	7,782	24,084
Telephone	1,186	2,148	1,026	4,360
Travel and meetings	580	1,640	1,116	3,336
Utilities	1,080	1,955	934	3,969
Repairs and maintenance	2,593	7,124	2,242	11,959
Dues and memberships	1,143	283	123	1,549
Depreciation	7,332	12,382	5,652	25,366
Miscellaneous	114	380	98	592
Totals	<u>\$ 323,028</u>	<u>\$ 552,101</u>	<u>\$ 238,654</u>	<u>\$ 1,113,783</u>

The accompanying notes are a part of the financial statements.

Supporting Services

<u>Management</u>	<u>Development and Fundraising</u>	<u>Total</u>	<u>Total All Funds</u>
\$ 73,316	\$ 40,658	\$ 113,974	\$ 832,956
1,650	390	2,040	10,200
4,229	712	4,941	232,372
7,571	1,722	9,293	64,797
1,241	293	1,534	7,669
2,674	632	3,306	25,662
4,127	1,008	5,135	29,219
882	208	1,090	5,450
123	29	152	3,488
803	190	993	4,962
3,607	455	4,062	16,021
592	25	617	2,166
1,272	1,404	2,676	28,042
846	20	866	1,458
<u>\$ 102,933</u>	<u>\$ 47,746</u>	<u>\$ 150,679</u>	<u>\$ 1,264,462</u>

TIP OF THE MITT WATERSHED COUNCIL

STATEMENT OF CASH FLOWS

for the year ended December 31, 2020

CASH FLOWS FROM OPERATING ACTIVITIES:		
Increase in net assets		\$ 622,054
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation	\$ 28,042	
Decrease in accounts and grants receivable	63,967	
Decrease in prepaid expenses	3,619	
Decrease in accounts payable and accrued expenses	(38,206)	
Decrease in unearned revenue	(47,745)	
Contributions restricted for endowment	(158,350)	
Net realized gains on sales of investments	(25,684)	
Net unrealized gains on investments	(85,214)	
Noncash contributions	<u>(116,011)</u>	
Total adjustments		<u>(375,582)</u>
Net cash provided by operating activities		246,472
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sales of investments	1,343,369	
Purchases of investments	(1,209,227)	
Transfer to community foundation	(246,673)	
Increase in interests in community foundations	(112,891)	
Purchase of fixed assets	<u>(33,819)</u>	
Net cash used by investing activities		(259,241)
CASH FLOWS FROM FINANCING ACTIVITIES,		
Contributions restricted for endowment		<u>158,350</u>
INCREASE IN CASH AND CASH EQUIVALENTS		145,581
CASH AND CASH EQUIVALENTS, January 1, 2020		<u>213,454</u>
CASH AND CASH EQUIVALENTS, December 31, 2020		<u>\$ 359,035</u>

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, 2020

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.

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.

TIP OF THE MITT WATERSHED COUNCIL

NOTES TO FINANCIAL STATEMENTS

for the year ended December 31, 2020

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, 2019, from which the summarized information was derived.

TIP OF THE MITT WATERSHED COUNCIL

NOTES TO FINANCIAL STATEMENTS

for the year ended December 31, 2020

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

Comparative Financial Information (Continued)

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.

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 – 39.41 percent
- Policy and Advocacy – 21.77 percent
- Outreach and Education – 18.82 percent
- Administrative – 16.18 percent
- Development and Fundraising – 3.82 percent

General and administrative expenses include those costs that are not directly identifiable with any specific program, but which provide for the overall support 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.

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.

Change in Accounting Principle

Financial Accounting Standards Board (FASB) Accounting Standards Updated (ASU) 2014-9 Codification Topic 606, *Revenue from Contracts with Customers*, as amended, supersedes or replaces nearly all GAAP revenue recognition guidance. These standards establish a new contract and control-based revenue recognition model, change the basis for deciding when revenue is recognized over time or a point in time, and expand disclosures about revenue. We have implemented Topic 606 and have adjusted the presentation in these financial statements accordingly. The amendment has been applied on a prospective basis.

TIP OF THE MITT WATERSHED COUNCIL

NOTES TO FINANCIAL STATEMENTS

for the year ended December 31, 2020

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

Change in Accounting Principle (Continued)

FASB issued ASU 2018-08 – *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This standard assists entities in evaluating whether transactions should be accounted for as contributions or exchange transactions and determining whether a contribution is conditional. We have implemented ASU 2018-08 applicable to both contributions received and to contributions made in the accompanying financial statements under the full prospective basis; therefore, the Council has not restated its 2019 revenue balances or opening net assets for the years presented.

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, 2020 are:

Financial assets:	
Cash and cash equivalents	\$ 359,035
Accounts and grants receivable	149,983
Endowment investments	<u>1,777,008</u>
Total financial assets	2,286,026
Less financial assets held to meet donor-imposed restrictions:	
Donor-restricted portion of endowment fund	<u>(738,682)</u>
Amount available for general expenditures within one year	<u>\$ 1,547,344</u>

NOTE D - 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, 2018.

TIP OF THE MITT WATERSHED COUNCIL

NOTES TO FINANCIAL STATEMENTS

for the year ended December 31, 2020

NOTE E - LAND, BUILDING, FURNITURE AND EQUIPMENT:

Fixed assets consist of the following at December 31, 2020:

Building and improvements	\$ 722,483
Office furnishings and equipment	130,827
Vehicle and boats	<u>41,121</u>
	894,431
Less accumulated depreciation	<u>(459,858)</u>
	434,573
Land	<u>187,500</u>
Total	<u>\$ 622,073</u>

For the year ended December 31, 2020, depreciation expense totaled \$28,042.

NOTE F - 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, 2020, investment returns are classified as unrestricted in the statement of activities and are summarized as follows:

Interest and dividend income		\$ 41,240
Investment management fees		<u>(10,706)</u>
Net interest and dividend income		30,534
Net realized gains	\$ 25,684	
Net unrealized gains	<u>85,214</u>	
Net realized and unrealized gains		<u>110,898</u>
Net investment income		<u>\$141,432</u>

At December 31, 2020, investments were comprised of the following:

	<u>Cost</u>	<u>Market</u>	<u>Unrealized Gain (Loss)</u>
Cash and money market	\$ 84,838	\$ 84,838	\$ -
Common stocks and equity funds	734,982	912,260	177,278
Bond funds	613,587	620,873	7,286
Real estate	68,286	69,643	1,357
Alternative strategies	<u>86,453</u>	<u>89,394</u>	<u>2,941</u>
Total	<u>\$ 1,588,146</u>	<u>\$ 1,777,008</u>	<u>\$ 188,862</u>

TIP OF THE MITT WATERSHED COUNCIL

NOTES TO FINANCIAL STATEMENTS

for the year ended December 31, 2020

NOTE F – 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 \$747,032 have been set aside for permanent endowment. The Council has designated unrestricted investments totaling \$282,621 for future replacement of fixed assets. The remaining investments of \$747,355 are available for operations.

NOTE G – 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, 2020

NOTE G – FAIR VALUE MEASUREMENTS (CONTINUED):

At December 31, 2020, 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	\$ 84,838	\$ -	\$ -	\$ 84,838
Net assets invested in community foundations	-	-	1,356,174	1,356,174
Mutual funds:				
Equity	912,260	-	-	912,260
Bond	620,873	-	-	620,873
Real estate	69,643	-	-	69,643
Alternative strategies	<u>89,394</u>	<u>-</u>	<u>-</u>	<u>89,394</u>
Totals	<u>\$1,777,008</u>	<u>\$ -</u>	<u>\$ 1,356,174</u>	<u>\$ 3,133,182</u>

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

Valuation, January 1, 2020	\$ 996,610
Additions	246,673
Investment income	<u>112,891</u>
Valuation, December 31, 2020	<u>\$1,356,174</u>

NOTE H – 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, 2020

NOTE H – 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, 2020, are as follows:

Endowment net assets, January 1, 2020	\$1,435,671
Net investment income	120,952
Transfers to operations	<u>(62,236)</u>
Endowment net assets, December 31, 2020	<u>\$1,494,387</u>

TIP OF THE MITT WATERSHED COUNCIL

NOTES TO FINANCIAL STATEMENTS

for the year ended December 31, 2020

NOTE I - MARKET AND CREDIT RISK:

Financial instruments which potentially subject the Council to concentrations of credit risk consist primarily of cash, investments, and accounts receivable. Cash is deposited with banks having 5 star credit ratings. Cash deposits exceed Federal insurance limits by \$360,482. 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.

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 \$1,356,174. 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 2020, amounts received totaled \$41,063 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 October 12, 2021, the date that the financial statements were available to be issued. The previously issued financial statements dated August 9, 2021, have been reissued to reflect the reclassification of contributions.

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, 2020, the Council did not have an outstanding balance on the line of credit.

TIP OF THE MITT WATERSHED COUNCIL

NOTES TO FINANCIAL STATEMENTS

for the year ended December 31, 2020

NOTE M - RESTRICTIONS ON NET ASSETS:

As of December 31, 2020, permanently restricted net assets were designated for the following purposes:

Endowment contributions	\$ 747,032
Net assets invested in community foundations	<u>1,356,174</u>
Total	<u>\$ 2,103,206</u>

NOTE N - COMMITMENTS:

The Council has grants and contracts in progress to provide services totaling approximately \$959,000 that are committed during 2021 through 2025.

NOTE O – PAYCHECK PROTECTION PROGRAM:

In May, 2020, 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 was expected to mature May 4, 2022. The loan was forgiven and revenue totaling \$92,400 was recognized in the Statement of Activities.

NOTE P – SUBSEQUENT EVENTS:

In March, 2021, the Council applied for and received a second loan under the Paycheck Protection Program authorized by the Coronavirus Aid, Relief and Economic Security Act (CARES Act). The Council borrowed \$140,505 at one percent per annum and matures March 5, 2026. The loan is to be repaid in monthly installments totaling \$2,414 beginning October 5, 2021. 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:

Year ending December 31,	Principal	Interest	Total
2021	\$ 6,192	\$ 1,049	\$ 7,241
2022	27,749	1,216	28,965
2023	28,028	937	28,965
2024	28,309	656	28,965
2025	28,594	371	28,965
2026	<u>21,633</u>	<u>90</u>	<u>21,723</u>
	<u>\$140,505</u>	<u>\$ 4,319</u>	<u>\$144,824</u>

TIP OF THE MITT WATERSHED COUNCIL

NOTES TO FINANCIAL STATEMENTS

for the year ended December 31, 2020

NOTE Q – REISSUANCE OF FINANCIAL STATEMENTS:

The financial statements have been reissued to reflect the reclassification of contributions without donor restrictions totaling \$261,800 to contributions with donor restrictions. Net assets released from restrictions increased by \$253,450. The change in net assets without donor restrictions totaled \$254,140, which is a decrease of \$8,350. The change in net assets with donor restrictions totaled \$367,914, which is an increase by \$8,350. Net assets without donor restrictions and net assets with donor restrictions totaled \$2,086,081 and \$2,103,206, respectively. None of the line items changed in the aggregate from the previously issued financial statements.