

**Huron River Watershed Council**

**Financial Statements  
March 31, 2020**

**Huron River Watershed Council**  
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**March 31, 2020**

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## Independent Auditors' Report

To the Board of Directors  
Huron River Watershed Council  
Ann Arbor, Michigan

We have audited the accompanying financial statements of Huron River Watershed Council, which comprise the statement of financial position as of March 31, 2020, and the related statements of activities and changes in net assets, 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 the financial statements that are free from material misstatement, whether due to fraud or error.

### Auditors' Responsibility

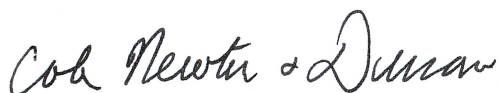
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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 auditors' 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 auditors consider 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.

### Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Huron River Watershed Council as of March 31, 2020, and the changes in its net assets, and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.



Cole, Newton & Duran  
Livonia, Michigan  
June 25, 2020

**Huron River Watershed Council**  
**Statement of Financial Position**  
**March 31, 2020**

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**ASSETS**

**CURRENT ASSETS**

Cash and cash equivalents	\$ 690,666	
Investments	604,182	
Accounts receivable	222,150	
Grants receivable	251,500	
Prepaid expenses	<u>7,831</u>	
Total current assets		\$ 1,776,329

**FIXED ASSETS**

Equipment	77,181	
Leasehold improvements	3,253	
Less accumulated depreciation	<u>(67,175)</u>	
Total fixed assets		13,259

**OTHER ASSETS**

Website	24,000	
Less accumulated amortization	<u>(17,732)</u>	
		<u>6,268</u>

**TOTAL ASSETS**

\$ 1,795,856

**LIABILITIES AND NET ASSETS**

**CURRENT LIABILITIES**

Accounts payable	\$ 55,257	
Accrued expenses	104,115	
Fiduciary funds	<u>2,978</u>	
Total current liabilities		\$ 162,350

**NET ASSETS**

Without donor restrictions	870,631	
With donor restrictions	<u>762,875</u>	
Total net assets		<u>1,633,506</u>

**TOTAL LIABILITIES AND NET ASSETS**

\$ 1,795,856

**Huron River Watershed Council**  
**Statement of Activities and Changes in Net Assets**  
**For the Year Ended March 31, 2020**

	Without Donor Restrictions	With Donor Restrictions	Total
<b>REVENUE AND SUPPORT</b>			
Government	\$ 475,165	\$ 190,372	\$ 665,537
Foundations, corporations, and other support	326,579	611,797	938,376
Membership dues	129,392	-	129,392
Annual giving	66,395	-	66,395
Special events	73,797	-	73,797
Program income	7,942	-	7,942
Investment income	(20,268)	-	(20,268)
Total	1,059,002	802,169	1,861,171
<b>Net Assets Released from Restrictions</b>	893,201	(893,201)	-
Total revenue and support	1,952,203	(91,032)	1,861,171
<b>FUNCTIONAL EXPENSES</b>			
<b>Program services</b>			
Study	290,726	-	290,726
Connect and inform	449,311	-	449,311
Restore and protect	621,295	-	621,295
Total program services costs	1,361,332	-	1,361,332
<b>Supporting Service Costs</b>			
Management and general	139,747	-	139,747
Fundraising	192,999	-	192,999
Total supporting service costs	332,746	-	332,746
Total functional expenses	1,694,078	-	1,694,078
<b>INCREASE (DECREASE) IN NET ASSETS</b>	258,125	(91,032)	167,093
<b>NET ASSETS AT BEGINNING OF YEAR</b>	612,506	853,907	1,466,413
<b>NET ASSETS AT END OF YEAR</b>	<u>\$ 870,631</u>	<u>\$ 762,875</u>	<u>\$ 1,633,506</u>

See Notes to the Financial Statements

**Huron River Watershed Council**  
**Statement of Functional Expenses**  
**For the Year Ended March 31, 2020**

	Study	Connect and Inform	Protect and Restore	Total Programs	Management and General	Fundraising	Total Support Services	Totals
Salaries and wages	\$ 186,124	\$ 171,942	\$ 310,235	\$ 668,301	\$ 81,649	\$ 112,981	\$ 194,630	\$ 862,931
Payroll taxes	15,345	14,119	25,501	54,965	6,474	9,249	15,723	70,688
Employee benefits	25,834	23,768	42,930	92,532	10,900	16,666	27,566	120,098
Total compensation	227,303	209,829	378,666	815,798	99,023	138,896	237,919	1,053,717
Consultants	30,794	110,470	177,131	318,395	23,325	2,645	25,970	344,365
Media buys	129	12,998	215	13,342	295	263	558	13,900
Travel and meetings	3,675	19,163	7,507	30,345	2,788	1,224	4,012	34,357
Dues and publications	3	3,033	6	3,042	1	122	123	3,165
Postage and copies	174	987	2,603	3,764	131	1,066	1,197	4,961
Printing and reproduction	749	43,727	7,479	51,955	128	4,921	5,049	57,004
Supplies and equipment	7,616	5,211	14,219	27,046	856	4,982	5,838	32,884
Telephone and internet	666	703	754	2,123	191	273	464	2,587
Rent	10,034	9,417	16,674	36,125	4,182	6,048	10,230	46,355
Professional fees	2,296	2,112	3,815	8,223	969	1,384	2,353	10,576
Depreciation and amortization	2,281	2,099	3,790	8,170	962	1,375	2,337	10,507
Payroll service	483	445	803	1,731	204	291	495	2,226
Repairs and maintenance	1,122	1,713	1,864	4,699	530	676	1,206	5,905
Insurance	909	837	1,511	3,257	385	548	933	4,190
Newsletter and mailings	1,473	5,892	2,447	9,812	621	888	1,509	11,321
Annual report	1,019	2,126	1,694	4,839	430	614	1,044	5,883
Events	-	15,325	117	15,442	-	-	-	15,442
Special fundraising events	-	-	-	-	-	23,672	23,672	23,672
Other	-	3,224	-	3,224	4,726	3,111	7,837	11,061
Total expenses	\$ 290,726	\$ 449,311	\$ 621,295	\$ 1,361,332	\$ 139,747	\$ 192,999	\$ 332,746	\$ 1,694,078

See Notes to the Financial Statements

**Huron River Watershed Council**  
**Statement of Cash Flows**  
**For the Year Ended March 31, 2020**

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**CASH FLOWS FROM OPERATING ACTIVITIES**

Change in net assets	\$ 167,093	
Adjustments to reconcile increase (decrease) in net assets to net cash provided by (used in) operating activities		
Depreciation and amortization	10,507	
(Gains) losses on investments	34,641	
(Increase) decrease in assets:		
Accounts receivable	79,167	
Grants receivable	(105,548)	
Prepaid expenses	(486)	
Increase (decrease) in liabilities:		
Accounts payable	(5,711)	
Accrued expenses	(1,190)	
Fiduciary funds	(2,780)	
Net cash provided by (used in) operating activities	\$ 175,693	

**CASH FLOWS FROM INVESTING ACTIVITIES**

Proceeds from sales of investments	48,700	
Purchase of investments	(160,435)	
Acquisition of property and equipment	(2,551)	
Net cash provided by (used in) investing activities	(114,286)	

**NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS**

61,407

**CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR**

629,259

**CASH AND CASH EQUIVALENTS AT END OF YEAR**

\$ 690,666

**Supplemental disclosures**

Cash paid for interest	\$ -
Cash paid for income taxes	\$ -

**Huron River Watershed Council**  
**Notes to the Financial Statements**  
**March 31, 2020**

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**NOTE 1 – Organization and Nature of Activities**

The Huron River Watershed Council (the Council) is a public nonprofit coalition of local governments, businesses, and citizens in southeastern Michigan, established in 1965 under Michigan's Local River Management Act to protect the Huron River and its tributary streams, lakes, wetlands, and groundwater. The Council works to facilitate watershed-based management of water resources by providing hands-on citizen education, technical assistance in policy development, and by conducting direct river protection projects. One of the primary responsibilities of the Council is to educate citizens and local decision-makers on the wise use and management of water resources. Revenue is derived primarily from grants, contributions, and membership dues.

**NOTE 2 – Summary of Significant Accounting Policies**

Basis of accounting – The financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America and, accordingly, reflect all significant receivables, payables, and other liabilities.

Basis of presentation – Financial statement presentation follows the requirements of the Not-for-Profit Entities Topic of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC). The Council is required to report information regarding its financial position and activities according to two classes of net assets as follows:

Net assets without donor restrictions consist of resources that are not restricted by any donor-imposed stipulations.

Net assets with donor restrictions consist of resources of which the use by the Council is limited by donor-imposed stipulations.

Use of estimates – The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Fair value of financial instruments – FASB guidance on fair value measurement defines fair value, establishes a framework for measuring fair value, and expands disclosure of fair value measurements. The guidance applies to all assets and liabilities that are measured and reported on a fair value basis. The carrying amounts of financial instruments, including cash, cash equivalents, receivables, prepaids, accounts payable, and accrued liabilities approximate fair value due to the short-term maturity of these instruments.

Cash and cash equivalents – Cash and cash equivalents include all monies in banks and highly liquid investments, with original maturity dates of less than three months.

Advertising – The Council expenses advertising costs as they are incurred.

Subsequent events – Management has evaluated events and transactions for potential recognition or disclosure through the date of the auditors' report, which is the date the financial statements were available to be issued.

Receivables – Receivables include promises to give based on grants and awards received from public and corporate support, as well as those provided by government entities. Receivables can also include membership dues as well as fees for services provided. All receivable balances are expected to be collected, therefore, no allowance for bad debts has been recorded. The Council writes off any uncollectible receivables in the year they are deemed uncollectible.

**Huron River Watershed Council  
Notes to the Financial Statements  
March 31, 2020**

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**NOTE 2 – Summary of Significant Accounting Policies (continued)**

Property and equipment – Property and equipment that exceeds \$1,000 are recorded at cost or, if donated, at the approximate fair value at the date of donation. Such donations are reported as contributions without donor restrictions unless the donor has restricted the donated asset for a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as contributions with donor restrictions. Absent donor stipulations regarding how long those donated assets must be maintained, the Council reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. Depreciation is computed using the straight-line method over the estimated useful life of five years. Upon sale or retirement, the cost and accumulated depreciation are eliminated from the respective accounts and any gain or loss is recorded in the statement of activities and changes in net assets. Depreciation expense for the year ended March 31, 2020, was \$2,507.

Website – All costs associated with the development of the Council's website are capitalized and reported on the statement of financial position as construction-in-process until the website is placed into service. Once in service, the website costs are amortized using the straight-line method over the estimated useful life of three years. Amortization expense for the year ended March 31, 2020, was \$8,000. The website will be fully amortized in the year ended March 31, 2021, with amortization of \$6,268.

Revenue recognition – Contributions are recognized as revenue in the year received or unconditionally promised by the donor. Donor promises to give in the future are recorded at the present value of estimated future cash flows. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, donor restricted net assets are classified as net assets without donor restrictions and reported in the statement of activities and changes in net assets as net assets released from restrictions. The Council has also entered into agreements to provide assistance with services relevant to the Huron River Watershed. Revenue associated with these service agreements is recognized as the service is performed.

Statement of functional expenses – The costs of providing the program and supporting services have been reported on a functional basis in the statement of functional expenses. Expenses that can be identified with a specific program are charged directly to that program. Expenses that cannot be identified with a specific program and benefit the entire organization require allocation on a reasonable basis that is consistently applied. Most expenses were allocated on estimates of time and effort. Management and general expenses include those costs that are not directly identifiable with any specific program.

Contributed services – During the year ended March 31, 2020, the value of contributed services meeting the requirements for recognition in the financial statements was not material and has not been recorded. In addition, many individuals volunteer their time and perform a variety of tasks that assist the Council at the office as well as the program locations, but these services do not meet the criteria for recognition as contributed services. Total volunteer hours were 7,295 for the year ended March 31, 2020.

Tax status – The Council is exempt from federal income taxes under §501(c)(3) of the Internal Revenue Code. Contributions to the Council are deductible by the donor for federal tax purposes. In addition, the Internal Revenue Service has determined that the Council is not a private foundation within the meaning of §509(a) of the Code. The Council is no longer subject to U.S. federal tax examinations by tax authorities for years before 2015. Management has evaluated FASB ASC 740, *Income Taxes*, and has concluded it has no uncertain positions.

**NOTE 3 – Concentration of Credit Risk**

Receivables – Concentrations of receivables include a grant receivable from a foundation totaling \$218,000, which made up approximately 46% of the total combined receivables at March 31, 2020.

**Huron River Watershed Council**  
**Notes to the Financial Statements**  
**March 31, 2020**

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**NOTE 3 – Concentration of Credit Risk (continued)**

Cash – The Council maintains its cash balances in several banks located in southeastern Michigan. The balances are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 in any one bank. At times during the year, balances on deposit in any one bank may exceed the insured amount. The uninsured balance as of March 31, 2020, was \$347,550. The Council has not experienced any losses with respect to uninsured cash balances.

Investments – Funds held in brokerage accounts are not covered by the FDIC, however, cash and money market funds may be covered if the funds are held by a bank. Certain funds held in brokerage accounts may be covered by the Securities Investor Protection Corporation (SIPC), which insures certain claims up to \$500,000, including a \$250,000 limit for cash. SIPC insurance does not cover losses due to market decline. The Council's uninsured investment balance at March 31, 2020, was \$604,182.

**NOTE 4 – Contingencies**

The Council receives a portion of its revenues from certain government grants that may be subject to audit. The ultimate determination of amounts received under these programs generally is based upon allowable costs reported to the government entity. Until the reported costs have been audited and final settlement reached, there exists a contingency to refund any amount received in excess of allowable costs. Management is of the opinion that no material liability will result from such audits.

**NOTE 5 – Investments**

Investments as of March 31, 2020, consisted of the following:

	Cost	Market Value
Money market	\$ 152,201	\$ 152,201
Fixed income funds	218,287	214,402
Equities	274,457	237,579
	<u>\$ 644,945</u>	<u>\$ 604,182</u>

Investment income (loss) for the year ended March 31, 2020, is as follows:

Interest and dividends	\$ 19,667
Realized gain (loss)	7,286
Unrealized gain (loss)	(41,927)
Investment fees	(5,294)
	<u>\$ (20,268)</u>

Investment risk – Investment securities are exposed to various risks, such as interest rate, market, and credit. Due to the level of risk associated with certain investment securities and the level of uncertainty related to changes in the value of investment securities, it is at least reasonably possible that changes in values in the near term could materially affect the amounts reported in the accompanying financial statements.

**NOTE 6 – Lease**

The Council leases office space for \$3,647 per month with a seventeen-month term expiring October 31, 2021. Monthly lease payments per the rental agreement include various operating costs such as parking, janitorial services, and various utilities. The Council also leases storage space on a month-to-month basis for \$199 per month. Rent expense for the year ended March 31, 2020, totaled \$46,355.

**Huron River Watershed Council  
Notes to the Financial Statements  
March 31, 2020**

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**NOTE 7 – Charitable Designated Endowment Fund**

The Council has established a charitable designated endowment fund with a local community foundation for the purpose of providing support to the Council to assist in carrying out its role and mission. Donors periodically make contributions to the fund. The legal ownership of the fund remains with the community foundation and the foundation has the variance power to redirect the use of any assets to another beneficiary. As a result, the balances in the funds are not reflected in the Council's financial statements. Balance in the fund at March 31, 2020, totaled \$20,680. Income generated from the fund is paid annually to the Council and is recorded as revenue without donor restrictions in the statement of activities and changes in net assets.

**NOTE 8 – Employee Benefit Plan**

The Council has a defined contribution salary deferral plan covering substantially all employees. Under the plan, the Council contributes three percent of each eligible employee's compensation and also matches dollar for dollar up to an additional two percent of each eligible employee's compensation. Plan expenses incurred by the Council during the year ended March 31, 2020, was \$42,174. The Council is considered a government instrumentality for purposes of the plan and is ERISA exempt.

**NOTE 9 – Fair Value Measurements**

The Council's investments are reported at fair value in the accompanying statement of financial position. The methods used to measure fair value may produce an amount that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although management believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The fair value measurement accounting literature establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels:

Level 1 Fair Value Measurement inputs consist of unadjusted quoted prices in active markets for identical, actual assets or liabilities and have the highest priority.

Level 2 Fair Value Measurement inputs are inputs other than quoted prices included within Level 1 that are observable for the asset, either directly or indirectly. Level 2 inputs may include quoted prices for similar assets in active markets, quoted prices for identical or similar assets in markets that are quoted at prices that are not immediately current, or when price quotations vary substantially either over time or among market markers; for example, interest rates and yield curves observable at commonly quoted intervals, volatilities, prepayment speeds, loss severities, credit risks, and default rates.

Level 3 Fair Value Measurement inputs are unobservable inputs for the asset. Unobservable inputs are used to measure fair value to the extent that observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset at the measurement date.

In instances where inputs used to measure fair value fall into different levels of the fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The Council's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset.

As of March 31, 2020, management considers all investments of the Council to be Level 1 in the fair value hierarchy. During the year ended March 31, 2020 there were no transfers between levels.

**Huron River Watershed Council**  
**Notes to the Financial Statements**  
**March 31, 2020**

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**NOTE 10 – Liquidity and Availability of Financial Assets**

The following reflects the Council's financial assets as of the balance sheet date, reduced by amounts not available for general use within one year of the balance sheet date

Financial assets at year-end		\$ 1,795,856
Less those unavailable for general expenditures within one year		
Restricted by donors with time or purpose restrictions	\$ 762,875	
Net property and equipment	13,259	
Net intangible assets	<u>6,268</u>	
		<u>782,402</u>
Financial assets available to meet cash needs for general expenditures within one year		<u><u>\$ 1,013,454</u></u>

As part of the Council's liquidity management, it invests cash in excess of daily requirements in short-term investments, typically equities, mutual funds, and cash equivalents.

**NOTE 11 – Special Fundraising Events**

The Council held special fundraising events during the year ended March 31, 2020, which resulted in net revenue as follows:

Revenue	\$ 73,797
Expenses	<u>23,672</u>
Net revenue	<u><u>\$ 50,125</u></u>

**NOTE 12 – Donor Restricted Net Assets**

Substantially all restrictions on net assets as of March 31, 2020, are related to funds awarded from government entities and public support for ongoing support and programs within the Council's direct mission of addressing pollution prevention and abatement, wetland and floodplain protection, citizen education and natural resource, and land-use planning.

As of March 31, 2020, donor restricted net assets with time or purpose restrictions were made up of the following:

<u>Program Funded</u>	
Watershed Protection	\$ 66,825
Water Quality Monitoring	136,467
Equity, Inclusivity & Engagement	118,000
Education and Stewardship	202,877
Capacity Building	84,108
Recreation	36,808
Emerging Threats	15,171
Connect & Inform	<u>102,619</u>
	<u><u>\$ 762,875</u></u>

**Huron River Watershed Council  
Notes to the Financial Statements  
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**NOTE 12 – Donor Restricted Net Assets (continued)**

Donor restricted net assets were released throughout the year ended March 31, 2020, by incurring expenses and satisfying the restricted purposes of the programs the funds were awarded for or by the occurrence of other events specified by donors. Donor restricted net assets released during the course of the year are as follows:

**Program Funded**

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Climate Change Adaption	\$ 35,460
Innovator funds	14,892
Executive director search	10,000
Water Quality Monitoring	70,520
Bold Ideas	18,205
Education & Stewardship	235,886
RiverUp!	59,669
Stormwater Management	177,271
Behavioral Change	105,989
Capacity Building	165,309
	<u>\$ 893,201</u>

**NOTE 13 – Pending Consent Judgement**

The Council was not a defendant in any lawsuit during the year ended March 31, 2020. However, in December 2016, the Council entered into intervenor status in a pending consent judgment. For the year ended March 31, 2020, the Council paid \$0 in fees and expenses associated with this suit. The Council does not expect to incur significant additional fees and is not obligated to ongoing expenses related to this suit.

**NOTE 14 – Conditional Grants**

During the year ended March 31, 2019, the Council was awarded a \$360,000 environmental behavior grant, payable over a three-year period, receiving \$120,000 per annum through 2021. As the award is conditional, based on grant performance and approval in future years, the Council has elected to recognize revenue as the funds are awarded and conditions are met. Future funds related to this award expected to be received and recognized as revenue amount to \$120,000 as of March 31, 2020.

In addition, the Council was awarded a \$360,000 general operating grant, payable over a three-year period, receiving \$120,000 per annum through 2021. As the award is conditional, based on future performance and approval, the Council has elected to recognize revenue as the funds are awarded and conditions are met. Future funds related to this award expected to be received and recognized as revenue amount to \$120,000 as of March 31, 2020.

During the year ended March 31, 2020, the Council was awarded a \$15,000 grant which is payable once the Council achieves a matching requirement. As the award is conditional, the council has elected to recognize revenue as the conditions are substantially met.

**Huron River Watershed Council  
Notes to the Financial Statements  
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**NOTE 15 – Subsequent Events**

In December 2019, an outbreak of a novel strain of coronavirus (COVID-19) originated in Wuhan, China and has since spread to other countries, including the U.S. On March 11, 2020, the World Health Organization characterized COVID-19 as a pandemic. In addition, multiple jurisdictions in the U.S. have declared a state of emergency. It is anticipated that these impacts will continue for some time. There has been no immediate impact to the operations of the Council. Future potential impacts may include disruptions or restrictions on our employees' ability to work. Changes to the operating environment may increase operating costs. The future effects of these issues are unknown.

The Council also obtained a Paycheck Protection Program loan subsequent to year end in the amount of \$216,177. The Paycheck Protection Program is designed to incentivize employers to keep their employees on payroll. The Small Business Administration will forgive loans if it is spent on eligible expenses. The Council anticipates the entire loan will be forgiven; however, it is considered a loan payable until that time.