

**Huron River Watershed Council**

**Financial Statements  
March 31, 2022**

**With Comparative Totals  
For the Year Ended March 31, 2021**

**Huron River Watershed Council**  
**Table of Contents**  
**March 31, 2022**

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Financial Statements

Independent Auditors' Report.....	1-2
Statement of Financial Position.....	3
Statement of Activities and Changes in Net Assets.....	4
Statement of Functional Expenses.....	5
Statement of Cash Flows.....	6
Notes to the Financial Statements.....	7-14

## Independent Auditor's Report

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

### Opinion

We have audited the accompanying financial statements of Huron River Watershed Council (a nonprofit organization), which comprise the statement of financial position as of March 31, 2022, 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.

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, 2022, and the changes in 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 Huron River Watershed Council 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 Huron River Watershed Council's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

### 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 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 judgment 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 Huron River Watershed Council'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 Huron River Watershed Council'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 Huron River Watershed Council's 2021 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated June 25, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended March 31, 2021, is consistent, in all material respects, with the audited financial statements from which it has been derived.

*Cole, Newton & Duran CPAs*

Cole, Newton & Duran  
Livonia, Michigan  
September 13, 2022

**Huron River Watershed Council  
Statement of Financial Position  
March 31, 2022  
With Comparative Totals for March 31, 2021**

<b>ASSETS</b>		
	<b>2022</b>	<b>2021</b>
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 1,105,781	\$ 1,392,958
Investments	953,430	622,210
Accounts receivable	692,495	176,416
Grants receivable	70,000	32,000
Prepaid expenses	11,553	8,228
Total current assets	2,833,259	2,231,812
<b>FIXED ASSETS</b>		
Equipment	85,683	85,605
Leasehold improvements	3,253	3,253
Less accumulated depreciation	(77,846)	(72,736)
Total fixed assets	11,090	16,122
<b>OTHER ASSETS</b>		
Website	24,000	24,000
Less accumulated amortization	(24,000)	(24,000)
	-	-
<b>TOTAL ASSETS</b>	<b>\$ 2,844,349</b>	<b>\$ 2,247,934</b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 50,464	\$ 41,775
Accrued expenses	135,402	133,116
Fiduciary funds	308,487	2,936
Total current liabilities	494,353	177,827
<b>NET ASSETS</b>		
Without donor restrictions	1,466,383	1,129,836
With donor restrictions	883,613	940,271
Total net assets	2,349,996	2,070,107
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 2,844,349</b>	<b>\$ 2,247,934</b>

See Notes to the Financial Statements

**Huron River Watershed Council**  
**Statement of Activities and Changes in Net Assets**  
**For the Year Ended March 31, 2022**  
**With Comparative Totals for the Year Ended March 31, 2021**

	Without Donor Restrictions	With Donor Restrictions	2022	2021
<b>REVENUE AND SUPPORT</b>				
Government	\$ 787,044	\$ 199,850	\$ 986,894	\$ 572,758
Foundations, corporations, and other support	520,122	715,677	1,235,799	937,891
Membership dues	132,051	-	132,051	144,562
Annual giving	22,873	-	22,873	66,395
Special events	79,447	-	79,447	48,967
Program income	9,888	-	9,888	9,760
PPP loan forgiveness	-	-	-	216,177
Investment (loss) income	(18,184)	-	(18,184)	120,214
Total	1,533,241	915,527	2,448,768	2,116,724
<b>Net Assets Released from Restrictions</b>	972,185	(972,185)	-	-
Total revenue and support	2,505,426	(56,658)	2,448,768	2,116,724
<b>FUNCTIONAL EXPENSES</b>				
<b>Program services</b>				
Study	694,835	-	694,835	386,486
Connect and inform	725,203	-	725,203	571,229
Protect and restore	432,043	-	432,043	417,395
Total program services costs	1,852,081	-	1,852,081	1,375,110
<b>Supporting Service Costs</b>				
Management and general	133,637	-	133,637	127,389
Fundraising	183,161	-	183,161	177,624
Total supporting service costs	316,798	-	316,798	305,013
Total functional expenses	2,168,879	-	2,168,879	1,680,123
<b>INCREASE (DECREASE) IN NET ASSETS</b>	336,547	(56,658)	279,889	436,601
<b>NET ASSETS AT BEGINNING OF YEAR</b>	1,129,836	940,271	2,070,107	1,633,506
<b>NET ASSETS AT END OF YEAR</b>	\$ 1,466,383	\$ 883,613	\$ 2,349,996	\$ 2,070,107

See Notes to the Financial Statements

**Huron River Watershed Council**  
**Statement of Functional Expenses**  
**For the Year Ended March 31, 2022**  
**With Comparative Totals for the Year Ended March 31, 2021**

	<b>2022</b>							<b>2021</b>	
	Study	Connect and Inform	Protect and Restore	Total Programs	Management and General	Fundraising	Total Support Services	Totals	Totals
Salaries and wages	\$ 250,284	\$ 263,758	\$ 289,702	\$ 803,744	\$ 101,863	\$ 99,852	\$ 201,715	\$ 1,005,459	\$ 954,349
Payroll taxes	18,092	19,066	20,941	58,099	7,363	7,218	14,581	72,680	69,678
Employee benefits	33,190	41,760	38,417	113,367	13,508	13,241	26,749	140,116	122,978
Total compensation	301,566	324,584	349,060	975,210	122,734	120,311	243,045	1,218,255	1,147,005
Annual report	-	1,640	-	1,640	-	-	-	1,640	3,317
Consultants	352,847	268,657	42,871	664,375	7	10,618	10,625	675,000	334,509
Depreciation and amortization	1,272	1,340	1,472	4,084	518	507	1,025	5,109	11,829
Dues and publications	62	2,743	322	3,127	190	504	694	3,821	7,284
Events	-	-	-	-	-	-	-	-	1,498
Insurance	1,009	1,063	1,167	3,239	410	402	812	4,051	5,978
Marketing	-	8,587	-	8,587	165	250	415	9,002	5,283
Newsletter and mailings	1,145	9,488	1,325	11,958	466	457	923	12,881	11,344
Other	670	4,036	666	5,372	657	1,869	2,526	7,898	19,799
Payroll service	714	753	827	2,294	291	285	576	2,870	2,698
Postage and copies	438	3,047	542	4,027	83	1,336	1,419	5,446	8,920
Printing and reproduction	105	41,197	1,073	42,375	200	5,255	5,455	47,830	30,394
Professional fees	2,489	2,623	2,881	7,993	1,013	993	2,006	9,999	9,344
Rent	11,636	12,263	13,469	37,368	4,736	4,642	9,378	46,746	46,151
Repairs and maintenance	2,295	5,578	2,656	10,529	934	915	1,849	12,378	6,953
Special fundraising events	301	20,684	349	21,334	123	27,854	27,977	49,311	10,252
Supplies and equipment	9,441	11,149	11,045	31,635	547	6,217	6,764	38,399	8,258
Telephone and internet	798	841	924	2,563	325	318	643	3,206	2,508
Travel and meetings	8,047	4,930	1,394	14,371	238	428	666	15,037	6,799
Total expenses	<u>\$ 694,835</u>	<u>\$ 725,203</u>	<u>\$ 432,043</u>	<u>\$ 1,852,081</u>	<u>\$ 133,637</u>	<u>\$ 183,161</u>	<u>\$ 316,798</u>	<u>\$ 2,168,879</u>	<u>\$ 1,680,123</u>

See Notes to the Financial Statements

**Huron River Watershed Council**  
**Statement of Cash Flows**  
**For the Year Ended March 31, 2022**  
**With Comparative Totals for the Year Ended March 31, 2021**

	<b>2022</b>	<b>2021</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 279,889	\$ 436,601
Adjustments to reconcile increase (decrease) in net assets to net cash provided by (used in) operating activities		
Depreciation and amortization	5,109	11,829
Unrealized losses (gains) on investments	59,429	(80,453)
PPP loan forgiveness	-	(216,177)
(Increase) decrease in assets:		
Accounts receivable	(516,079)	(45,734)
Grants receivable	(38,000)	219,500
Prepaid expenses	(3,325)	(398)
Increase (decrease) in liabilities:		
Accounts payable	8,689	(13,482)
Accrued expenses	2,286	29,001
Fiduciary funds	305,551	(42)
Net cash provided by (used in) operating activities	103,549	340,645
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from sales of investments	268,578	216,366
Purchase of investments	(659,227)	(62,471)
Acquisition of property and equipment	(77)	(8,424)
Net cash (used in) provided by investing activities	(390,726)	145,471
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from PPP Loan	-	216,177
<b>NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS</b>	(287,177)	702,293
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	1,392,958	690,665
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	\$ 1,105,781	\$ 1,392,958
<b>SUPPLEMENTAL DISCLOSURES</b>		
Cash paid for interest	\$ 37	\$ 2
Cash paid for income taxes	\$ -	\$ -

See Notes to the Financial Statements



**Huron River Watershed Council**  
**Notes to the Financial Statements**  
**March 31, 2022**

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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.

Investments – Investments in marketable equity securities with readily determinable fair values are valued at their fair values in the statement of financial position. Investment income and gains restricted by donors are reported as increases in net assets without donor restrictions if the restrictions are met (either a stipulated time period ends or a purpose restriction is accomplished) in the reporting period in which the income and gains are recognized.

**Huron River Watershed Council**  
**Notes to the Financial Statements**  
**March 31, 2022**

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

Property and equipment – Property and equipment that exceeds \$1,000 is 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 for equipment and fifteen years for leasehold improvements. 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 years ended March 31, 2022, and 2021, were \$5,109 and \$5,561, respectively.

Website – Website costs are amortized using the straight-line method over the estimated useful life of three years. Amortization expense for the years ended March 31, 2022, and 2021, were \$0 and \$6,268, respectively. The website was fully amortized in the year ended March 31, 2021.

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. Although the methods of allocation used are considered reasonable, other methods could be used that would produce a different amount.

Contributed services – Many individuals volunteer their time and perform a variety of tasks that assist the Council at the office as well as the program locations, however, these services do not meet the criteria for recognition as contributed services and are not recorded in the financial statements.

Total volunteer hours for the years ended March 31, 2022, and 2021, were 2,523 and 1,000, respectively.

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 2019. Management has evaluated FASB ASC 740, *Income Taxes*, and has concluded it has no uncertain positions.

Fiduciary funds - Fiduciary funds are recorded as liabilities and consist of amounts received from other nonprofit organizations to be managed in an intermediary fiduciary relationship. Cash received for the other nonprofit organizations and distributions paid to on behalf of these other nonprofit organizations are recorded as increases and decreases, respectively, to the liability. As of March 31, 2022, and 2021, there was \$308,487 and \$2,936, respectively, held for other nonprofit organizations.

**Huron River Watershed Council**  
**Notes to the Financial Statements**  
**March 31, 2022**

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

Upcoming accounting pronouncements - The FASB issued Accounting Standards Update (ASU) No. 2016-02, Leases, which will supersede the current lease requirements in ASC 840. The ASU requires lessees to recognize a right-to-use asset and related lease liability for all leases, with a limited exception for short-term leases. Leases will be classified as either finance or operating, with the classification affecting the pattern of expense recognition in the statement of activities and changes in net assets. Currently, leases are classified as either capital or operating, with only capital leases recognized on the balance sheet. The reporting of lease-related expenses in the statements of activities and changes in net assets and cash flows will be generally consistent with the current guidance. The new lease guidance will be effective for the Organizations' year ending March 31, 2023 and will be applied using a modified retrospective transition method to the beginning of the earliest period presented. The effect of applying the new lease guidance on the financial statements would be to capitalize the value and obligations related to the leases identified in Note 6.

**NOTE 3 – Concentration of Credit Risk**

Receivables – For the year ended March 31, 2022, concentrations of receivables include a receivable from a fiduciary agreement totaling \$311,428, which made up approximately 41% of the total combined receivables. There were no concentrations of receivables at March 31, 2021.

Cash –The Federal Deposit Insurance Corporation (FDIC) insures balances up to \$250,000 in any one financial institution. At times during the year, balances on deposit in any one financial institution may exceed the insured amount. Uninsured balances as of March 31, 2022, and 2021, were \$680,657 and \$980,641, respectively. 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 balances at March 31, 2022, and 2021, were \$953,430 and \$622,210, respectively.

**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(s) 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, 2022, and 2021, consisted of the following:

	<u>2022</u>	<u>2021</u>
Money Market	\$ 30,058	\$ 18,635
Fixed income funds	358,942	334,638
Equities	<u>564,430</u>	<u>268,937</u>
	<u>\$ 953,430</u>	<u>\$ 622,210</u>

**Huron River Watershed Council  
Notes to the Financial Statements  
March 31, 2022**

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**NOTE 5 – Investments (continued)**

Investment income (loss) for the years ended March 31, 2022, and 2021, are as follows:

	2022	2021
Interest, dividends, and capital gains	\$ 29,274	\$ 16,122
Realized gain (loss)	17,778	28,440
Unrealized (loss) gain	(59,429)	80,453
Investment fees	(5,807)	(4,801)
	\$ (18,184)	\$ 120,214

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 that expired on October 31, 2021 and then converted to a month-to-month basis. 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 years ended March 31, 2022, and 2021, totaled \$46,746 and \$46,151, respectively.

In March 2022, the Council entered into a five-year lease for office space with monthly lease payments of \$9,538. The lease calls for a 2.5% increase in rent after the first year. The lease includes an option to renew for an additional five years at the same terms. The Council obtained occupancy in August 2022.

The future minimum lease payments are as follows:

March 31,	
2023	\$ 66,766
2024	117,317
2025	120,250
2026	123,257
2027	126,338
	\$ 553,928

**NOTE 7 – Charitable Designated Endowment Fund**

The Council has established charitable designated endowment funds 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 funds. The legal ownership of the funds 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 balance in the funds is not reflected in the Council's financial statements. The balance in the funds at March 31, 2022, and 2021 totaled \$40,091 and \$37,449, respectively. Income generated from the funds is paid annually to the Council and is recorded as revenue without donor restrictions in the statement of activities and changes in net assets.

**Huron River Watershed Council**  
**Notes to the Financial Statements**  
**March 31, 2022**

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**NOTE 7 – Charitable Designated Endowment Fund (continued)**

During 2020, a donor established a fund with a local community foundation for the purpose of providing support to the Council to assist in carrying out its role and mission. 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 balance in the fund is not reflected in the Council's financial statements. The balance in the fund at March 31, 2022, and 2021 totaled \$635,215 and \$596,494, respectively. 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 years ended March 31, 2022, and 2021, were \$47,190 and \$47,082, respectively. 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, 2022, and 2021, management considers all investments of the Council to be Level 1 in the fair value hierarchy. During the years ended March 31, 2022, and 2021 there were no transfers between levels.

**Huron River Watershed Council  
Notes to the Financial Statements  
March 31, 2022**

**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 dates:

	2022	2021
Financial assets at year-end	\$ 2,844,349	\$ 2,247,934
Less those unavailable for general expenditures within one year:		
Restricted by donors with time or purpose restrictions	883,613	940,271
Net property and equipment	11,090	16,122
	894,703	956,393
Financial assets available to meet cash needs within one year	\$ 1,949,646	\$ 1,291,541

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 years ended March 31, 2022, and 2021, which resulted in net revenue as follows:

	2022	2021
Revenue	\$ 79,447	\$ 48,967
Expenses	49,311	10,252
Net revenue	\$ 30,136	\$ 38,715

**NOTE 12 – Donor Restricted Net Assets**

Substantially all restrictions on net assets as of March 31, 2022, and 2021, 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, 2022, and 2021, donor restricted net assets with time or purpose restrictions were made up of the following:

	2022	2021
<b><u>Program Funded</u></b>		
Watershed Protection	\$ 226,733	\$ 103,762
Water Quality Monitoring	86,503	104,994
Equity, Inclusivity & Engagement	3,647	125,268
Education and Stewardship	208,777	212,426
Capacity Building	309,445	288,489
Recreation	22,238	73,073
Emerging Threats	26,270	32,259
	\$ 883,613	\$ 940,271

**Huron River Watershed Council  
Notes to the Financial Statements  
March 31, 2022**

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**NOTE 12 – Donor Restricted Net Assets (continued)**

Donor restricted net assets were released throughout the years ended March 31, 2022, and 2021, 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 year are as follows:

<u>Program Funded</u>	<u>2022</u>	<u>2021</u>
Watershed Protection	\$ 287,138	\$ 208,945
Water Quality Monitoring	119,105	99,035
Equity, Inclusivity & Engagement	102,437	87,732
Education and Stewardship	123,651	204,249
Capacity Building	103,511	116,997
Recreation	58,835	46,960
Emerging Threats	177,508	36,459
	<u>\$ 972,185</u>	<u>\$ 800,377</u>

**NOTE 13 – Pending Consent Judgement**

The Council was not a defendant in any lawsuit during the years ended March 31, 2022, and 2021. However, in December 2016, the Council entered into intervenor status in a pending consent judgment. For the years ended March 31, 2022, and 2021, the Council paid \$5,960 and \$9,564, respectively in fees and expenses associated with this suit. The Council does not expect to incur significant additional fees and is not obligated for any ongoing expenses related to this suit.

**NOTE 14 – Conditional Grants**

During the year ended March 31, 2021, the Council was awarded three grants from DTE Foundation. The first grant is \$130,000 to fund a DTE Fellow, payable in January of 2022 and 2023, \$65,000/year. The second is \$80,000 for general operating expenses, payable in January of each year, \$40,000/year. The third is \$20,000 to support Huron River Day (an educational event), also paid in January of each year at \$10,000/year. As the awards are 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.

During the year ended March 31, 2022, the Council was awarded a \$392,000 community engagement grant, payable over a three-year period, receiving \$146,000 year 1, \$141,000 year 2 and \$106,000 year 3. 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 \$141,000 and \$106,000 as of March 31, 2023, and 2024, respectively.

In addition, the Council was awarded a \$450,000 general operating grant, payable over a three-year period, receiving \$150,000 per annum through 2024. 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 \$150,000 and \$150,000 as of March 31, 2023, and 2024, respectively.

**Huron River Watershed Council  
Notes to the Financial Statements  
March 31, 2022**

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**NOTE 14 – Paycheck Protection Program Loan**

The Council was granted a loan pursuant to the Paycheck Protection Program (PPP) under Division A, Title I of the CARES act which was enacted March 27, 2020. The Consolidated Appropriations Act of 2021 extended the program, allowing for a second round of funding. The loan bears interest at a rate of 1%. Funds from the loans may only be used for payroll costs, costs used to continue group health care benefits, rent, utilities, and interest on debt obligations in place before February 15, 2020. Under the terms of the PPP, certain amounts of the loans may be forgiven by the Small Business Administration (SBA) if they are used for qualifying expenses as described in the CARES Act and extended by the Consolidated Appropriations Act. The unforgiven portion of the PPP loan is payable over two years at an interest rate of 1%, with payments deferred for the first ten months.

On April 22, 2020, the Council was granted a loan of \$216,177 under the PPP. This loan was forgiven by the SBA on April 6, 2021 and was recorded as forgiven as of March 31, 2021.

There was no PPP activity during the year ended March 31, 2022.

**NOTE 15 – Grants Receivable**

Unconditional promises to give are recorded as grants receivables and revenue when received. The Council distinguishes between contributions received for each net asset category in accordance with donor-imposed restrictions. Pledges are recorded after being discounted to the anticipated net present value of the future cash flows.

Pledges are expected to be realized in the following periods:

	<u>2022</u>	<u>2021</u>
In one year or less	\$ 40,000	\$ 17,000
Between one year and five years	<u>30,000</u>	<u>15,000</u>
	<u>\$ 70,000</u>	<u>\$ 32,000</u>