

Huron River Watershed Council

**Financial Statements
March 31, 2023**

Huron River Watershed Council
Table of Contents
March 31, 2023

Financial Statements

Independent Auditor's Report.....	1-2
Statement of Financial Position.....	3-4
Statement of Activities and Changes in Net Assets.....	5
Statement of Functional Expenses.....	6
Statement of Cash Flows.....	7
Notes to the Financial Statements.....	8-17

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Huron River Watershed Council

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, 2023, 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, 2023, 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.

Emphasis of Matter

As discussed in Note 17 to the financial statements, the 2022 financial statements have been restated to correct a misstatement. Our opinion is not modified with respect to this matter.

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.

Cole, Newton & Duran

Cole, Newton & Duran CPAs
Livonia, Michigan
June 22, 2023

**Huron River Watershed Council
Statement of Financial Position
March 31, 2023**

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$ 1,051,347
Investments	1,142,717
Accounts receivable	282,652
Fiduciary accounts receivable	2,074
Grants receivable	241,417
Prepaid expenses	24,986
	<hr/>
Total current assets	2,745,193

FIXED ASSETS

Equipment and furniture	189,694
Leasehold improvements	56,078
Less accumulated depreciation	(84,067)
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Total fixed assets	161,705

OTHER ASSETS

Operating lease right to use assets	433,422
Website	24,000
Less accumulated amortization	(24,000)
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	433,422

TOTAL ASSETS

\$ 3,340,320

**Huron River Watershed Council
Statement of Financial Position
March 31, 2023**

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts payable	\$ 94,257
Accrued expenses	97,375
Operating lease liability	100,386
Fiduciary funds	<u>250,457</u>
Total current liabilities	542,475

OTHER LIABILITIES

Operating lease liability, long-term	<u>333,036</u>
Total long-term liabilities	333,036

NET ASSETS

Without donor restrictions	1,408,463
With donor restrictions	<u>1,056,346</u>
Total net assets	<u>2,464,809</u>

TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 3,340,320</u></u>
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Huron River Watershed Council
Statement of Activities and Changes in Net Assets
For the Year Ended March 31, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE AND SUPPORT			
Government	\$ 693,966	\$ 165,522	\$ 859,488
Foundations, corporations, and other	28,467	844,879	873,346
Membership dues	140,332	-	140,332
Annual giving	25,639	-	25,639
Special events	83,797	-	83,797
Miscellaneous income	2,847	-	2,847
Program income	4,819	-	4,819
Loss on disposal of fixed assets	(878)	-	(878)
Investment (loss) income	(55,928)	-	(55,928)
Total	923,061	1,010,401	1,933,462
Net Assets Released from Restrictions	1,244,097	(1,244,097)	-
Total revenue and support	2,167,158	(233,696)	1,933,462
FUNCTIONAL EXPENSES			
Program Services			
Study	372,994	-	372,994
Connect and inform	811,495	-	811,495
Protect and restore	666,674	-	666,674
Total program services costs	1,851,163	-	1,851,163
Supporting Service Costs			
Management and general	191,703	-	191,703
Fundraising	182,212	-	182,212
Total supporting service costs	373,915	-	373,915
Total functional expenses	2,225,078	-	2,225,078
INCREASE (DECREASE) IN NET ASSETS	(57,920)	(233,696)	(291,616)
NET ASSETS AT BEGINNING OF YEAR	1,466,383	1,290,042	2,756,425
NET ASSETS AT END OF YEAR	\$ 1,408,463	\$ 1,056,346	\$ 2,464,809

See Notes to the Financial Statements

**Huron River Watershed Council
Statement of Functional Expenses
For the Year Ended March 31, 2023**

	Study	Connect and Inform	Protect and Restore	Total Programs	Management and General	Fundraising	Total Support Services	Totals
Salaries and wages	\$ 238,034	\$ 322,318	\$ 352,827	\$ 913,179	\$ 116,273	\$ 111,053	\$ 227,326	\$ 1,140,505
Payroll taxes	18,282	24,779	26,880	69,941	8,953	8,551	17,504	87,445
Employee benefits	36,237	49,116	53,281	138,634	17,747	16,950	34,697	173,331
Total compensation	292,553	396,213	432,988	1,121,754	142,973	136,554	279,527	1,401,281
Annual report	457	3,144	672	4,273	224	214	438	4,711
Consultants	34,779	189,828	170,906	395,513	16,180	1,346	17,526	413,039
Depreciation and amortization	3,342	4,529	4,913	12,784	1,636	1,563	3,199	15,983
Dues and publications	20	1,640	-	1,660	433	-	433	2,093
Insurance	1,117	1,514	1,642	4,273	547	522	1,069	5,342
Marketing	-	22,324	90	22,414	-	-	-	22,414
Newsletter and mailings	1,355	7,922	1,992	11,269	663	634	1,297	12,566
Other	3,335	5,133	2,626	11,094	2,539	545	3,084	14,178
Payroll service	623	846	918	2,387	306	292	598	2,985
Postage and copies	147	3,768	231	4,146	100	1,098	1,198	5,344
Printing and reproduction	249	54,928	409	55,586	214	6,402	6,616	62,202
Professional fees	2,090	2,834	3,074	7,998	1,024	978	2,002	10,000
Rent	16,503	22,125	24,538	63,166	18,032	7,635	25,667	88,833
Repairs and maintenance	4,447	12,746	6,538	23,731	2,178	2,080	4,258	27,989
Special fundraising events	(104)	41,846	66	41,808	(51)	8,840	8,789	50,597
Supplies and equipment	9,128	29,728	8,091	46,947	3,674	12,686	16,360	63,307
Telephone and internet	668	1,504	982	3,154	327	312	639	3,793
Travel and meetings	2,285	8,923	5,998	17,206	704	511	1,215	18,421
Total expenses	<u>\$ 372,994</u>	<u>\$ 811,495</u>	<u>\$ 666,674</u>	<u>\$ 1,851,163</u>	<u>\$ 191,703</u>	<u>\$ 182,212</u>	<u>\$ 373,915</u>	<u>\$ 2,225,078</u>

See Notes to the Financial Statements

**Huron River Watershed Council
Statement of Cash Flows
For the Year Ended March 31, 2023**

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in net assets	\$ (291,616)
Adjustments to reconcile increase (decrease) in net assets to net cash provided by (used in) operating activities	
Depreciation and amortization	15,983
Unrealized losses on investments	47,550
Loss on disposal of fixed assets	878
(Increase) decrease in assets:	
Accounts receivable	409,843
Fiduciary accounts receivable	(2,074)
Grants receivable	235,012
Prepaid expenses	(13,433)
Increase (decrease) in liabilities:	
Accounts payable	43,793
Accrued expenses	(38,027)
Fiduciary funds	(58,030)
Net cash provided by operating activities	349,879
CASH FLOWS FROM INVESTING ACTIVITIES	
Proceeds from sales of investments	175,727
Purchase of investments	(412,564)
Acquisition of property and equipment	(167,476)
Net cash used in investing activities	(404,313)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(54,434)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	1,105,781
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 1,051,347
SUPPLEMENTAL DISCLOSURES	
Cash paid for interest	\$ -
Cash paid for income taxes	\$ -

See Notes to the Financial Statements

Huron River Watershed Council
Notes to the Financial Statements
March 31, 2023

NOTE 1 – Organization and Nature of Activities

The Huron River Watershed Council (the Organization) 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 Organization 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 Organization 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.

Huron River Watershed Council
Notes to the Financial Statements
March 31, 2023

NOTE 2 – Summary of Significant Accounting Policies (continued)

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 Organization 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.

Property and equipment

Property and equipment that exceeds \$5,000 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 Organization 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 year ended March 31, 2023 was \$15,983.

Website

Website costs are amortized using the straight-line method over the estimated useful life of three years. The website was fully amortized in the year ended March 31, 2021.

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, 2023, there were the following balances of fiduciary funds:

The Alliance of Downriver Watersheds	\$ 247,571
Other nonprofits	<u>2,886</u>
	<u><u>\$ 250,457</u></u>

Compensated Absences

The Organization accrues a liability for vacation leave based on the amount unused as of the end of the fiscal year. Employees receive paid time off based upon length of employment. A maximum of 50% of vacation time from a given year may be carried over into the next fiscal year. Upon termination of employment, employees will be paid for unused vacation time that has been earned up to a maximum of 80 hours. The liability is included in accrued expenses on the statement of financial position.

Huron River Watershed Council
Notes to the Financial Statements
March 31, 2023

NOTE 2 – Summary of Significant Accounting Policies (continued)

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 Organization 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.

Contributed services

Many individuals volunteer their time and perform a variety of tasks that assist the Organization 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.

There were a total of 5,157 volunteer hours worked for the year ended March 31, 2023.

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.

Tax status

The Organization is exempt from federal income taxes under §501(c)(3) of the Internal Revenue Code. Contributions to the Organization are deductible by the donor for federal tax purposes. In addition, the Internal Revenue Service has determined that the Organization is not a private foundation within the meaning of §509(a) of the Code. The Organization 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.

Advertising

The Organization 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 auditor's report, which is the date the financial statements were available to be issued.

New accounting pronouncements

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

Huron River Watershed Council
Notes to the Financial Statements
March 31, 2023

NOTE 2 – Summary of Significant Accounting Policies (continued)

New accounting pronouncements (continued)

The Organization elected to adopt these ASUs effective April 1, 2022 and utilized all of the available practical expedients. The adoption had a material impact on the Organization's balance sheet but did not have a material impact on the income statement. The most significant impact was the recognition of ROU assets and lease liabilities for operating leases. Adoption of the standard required the Association to restate amounts as of April 1, 2022, resulting in an increase in operating lease ROU assets of approximately \$490,000, and an increase in operating lease liabilities of approximately \$490,000.

NOTE 3 – Concentration of Credit Risk

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, 2023, were \$812,775. The Organization 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 Organization's uninsured investment balances at March 31, 2023 was \$1,142,717.

Receivables

For the year ended March 31, 2023, concentrations of receivables include receivables from three different supporters which makes up approximately 58% of the total combined receivables.

NOTE 4 – Contingencies

The Organization 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, 2023 consisted of the following:

Money Market	\$ 64,952
Fixed income funds	495,930
Equities	<u>581,835</u>
	<u><u>\$ 1,142,717</u></u>

Huron River Watershed Council
Notes to the Financial Statements
March 31, 2023

NOTE 5 – Investments (continued)

Investment income (loss) for the year ended March 31, 2023 was made up of the following:

Interest, dividends, and capital gains	\$ 45,897
Realized loss	(47,013)
Unrealized loss	(47,550)
Investment fees	(7,262)
	<u>(55,928)</u>
	<u>\$ (55,928)</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 – Operating Leases

In March 2022, the Organization 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. Monthly lease payments per the rental agreement include various operating costs such as parking, janitorial services, and various utilities. The lease includes an option to renew for an additional five years at the same terms. The Organization obtained occupancy in August 2022. The Organization also leases parking and storage space on a month-to-month basis for \$279 per month. Rent expense for the year ended March 31, 2023 totaled \$88,833.

The following summarizes the line items in the balance sheets which include amounts for operating leases as of March 31, 2023:

Operating lease right of use asset	<u>\$ 433,422</u>
Operating lease current liabilities	\$ 100,386
Operating lease liabilities	<u>333,036</u>
Total operating lease liabilities	<u>\$ 433,422</u>

The following summarizes the weighted average remaining lease term and discount rate as of March 31, 2023:

Weighted Average Remaining Lease Term	4.0 years
Weighted Average Discount Rate	5.00%

Huron River Watershed Council
Notes to the Financial Statements
March 31, 2023

NOTE 6 – Operating Leases (continued)

Future maturities of lease liabilities as of March 31, 2023 are as follows:

Year ending March 31,	
2024	\$ 116,125
2025	119,028
2026	122,004
2027	<u>125,054</u>
Total lease liability payments	482,211
Less: Interest	<u>48,789</u>
Present value of lease liabilities	<u><u>\$ 433,422</u></u>

NOTE 7 – Employee Benefit Plan

The Organization has a defined contribution salary deferral plan covering substantially all employees. Under the plan, the Organization 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 Organization during the year ended March 31, 2023 was \$57,405. The Organization is considered a government instrumentality for purposes of the plan and is ERISA exempt.

NOTE 8 – Charitable Designated Endowment Fund

The Organization has established charitable designated endowment funds with a local community foundation for the purpose of providing support to the Organization 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 Organization's financial statements. The balance in the funds at March 31, 2023 totaled \$40,047. Income generated from the funds is paid annually to the Organization and is recorded as revenue without donor restrictions in the statement of activities and changes in net assets.

During 2020, a donor established a fund with a local community foundation for the purpose of providing support to the Organization 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 Organization's financial statements. The balance in the fund at March 31, 2023 totaled \$572,992. Income generated from the fund is paid annually to the Organization and is recorded as revenue without donor restrictions in the statement of activities and changes in net assets.

NOTE 9 – Fair Value Measurements

The Organization'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.

Huron River Watershed Council
Notes to the Financial Statements
March 31, 2023

NOTE 9 – Fair Value Measurements (continued)

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 Organization'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, 2023, management considers all investments of the Organization to be Level 1 in the fair value hierarchy. During the year ended March 31, 2023, there were no transfers between levels.

NOTE 10 – Liquidity and Availability of Financial Assets

The following reflects the Organization'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	\$ 3,340,320
Less those unavailable for general expenditures within one year:	
Restricted by donors with time or purpose restrictions	1,056,346
Net property and equipment	161,705
Operating lease right to use assets	433,422
	<u>1,651,473</u>
Financial assets available to meet cash needs within one year	<u>\$ 1,688,847</u>

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

Huron River Watershed Council
Notes to the Financial Statements
March 31, 2023

NOTE 11 – Special Fundraising Events

The Organization held special fundraising events during the year ended March 31, 2023, which resulted in net revenue as follows:

Revenue	\$ 83,797
Expenses	50,597
Net revenue	\$ 33,200

NOTE 12 – Pending Consent Judgement

The Organization was not a defendant in any lawsuit during the year ended March 31, 2023. However, in December 2016, the Organization entered into intervenor status in a pending consent judgment. For the year ended March 31, 2023, the Organization paid \$2,600 in fees and expenses associated with this suit. The Organization does not expect to incur significant additional fees and is not obligated for any ongoing expenses related to this suit.

NOTE 13 – Related Parties

The Organization derives revenue and support from local communities and businesses. Commissioners and Directors from these local municipalities may serve on the Organization’s Board of Directors.

NOTE 14 – Donor Restricted Net Assets

Substantially all restrictions on net assets as of March 31, 2023 are related to funds awarded from government entities and public support for ongoing support and programs within the Organization’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, 2023, donor restricted net assets with time or purpose restrictions were made up of the following:

<u>Program Funded</u>	
Watershed Protection	\$ 350,474
Water Quality Monitoring	119,263
Education and Stewardship	302,114
Capacity Building	86,062
Recreation	48,098
Emerging Threats	1,668
Other time restrictions	148,667
	\$ 1,056,346

Huron River Watershed Council
Notes to the Financial Statements
March 31, 2023

NOTE 14 – Donor Restricted Net Assets (continued)

Donor restricted net assets were released throughout the year ended March 31, 2023 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>	
Watershed Protection	\$ 535,957
Water Quality Monitoring	108,322
Equity, Inclusivity & Engagement	15,024
Education and Stewardship	224,454
Capacity Building	118,461
Recreation	47,140
Emerging Threats	49,602
Other time restrictions	145,137
	<u>\$ 1,244,097</u>

NOTE 15 – Conditional Grants

During the year ended March 31, 2022, the Organization 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 Organization 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 \$106,000 as of March 31, 2024.

NOTE 16 – Grants Receivable

Unconditional promises to give are recorded as grants receivable and revenue when received. The Organization 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 using a discount rate of 5.00% as of March 31, 2023.

As of March 31, 2023, grants receivable are expected to be realized in the following periods:

In one year or less	\$ 214,750
Between one year and five years	<u>28,000</u>
Unconditional grants receivable before unamortized discount	242,750
Less unamortized discount	<u>(1,333)</u>
Net grants receivable	<u>\$ 241,417</u>

Huron River Watershed Council
Notes to the Financial Statements
March 31, 2023

NOTE 17 – Prior Period Adjustment

The Organization receives multi-year grants as support. Historically, the Organization considered these as conditional grants and did not record them as revenue until they were received in cash. During the fiscal year ended March 31, 2023, it was determined that these were actually unconditional multi-year grants which should be recorded as donor restricted revenue when the grants are awarded. Accordingly, the Organization has restated its financial statements for the year ended March 31, 2022.

The effects on the change in net assets, net assets with donor restrictions, and total assets for 2022 resulting from this change are as follows:

	Before <u>Restatement</u>	<u>Adjustment</u>	<u>Restated</u>
Total assets	\$ 2,844,349	\$ 406,429	\$ 3,250,778
Net assets with donor restrictions	883,613	406,429	1,290,042
Increase (decrease) in net assets	279,889	406,429	686,318