

**Huron River Watershed Council**

**Financial Statements**

**March 31, 2024**

**With Comparative Totals**

**For the Year Ended March 31, 2023**

**Huron River Watershed Council**  
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**March 31, 2024**

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## 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, 2024, 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, 2024, 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 2023 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated June 22, 2023. In our opinion, the summarized comparative information presented herein as of and for the year ended March 31, 2023, is consistent, in all material respects, with the audited financial statements from which it has been derived.

*Cole, Newton & Duran*

Cole, Newton & Duran CPAs  
Livonia, Michigan  
June 20, 2024

**Huron River Watershed Council  
Statement of Financial Position  
March 31, 2024  
With Comparative Totals for March 31, 2023**

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**ASSETS**

	<b>2024</b>	<b>2023</b>
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 510,858	\$ 787,756
Fiduciary cash and cash equivalents	232,529	263,591
Investments	1,296,037	1,142,717
Accounts receivable	290,798	282,652
Fiduciary accounts receivable	4,148	2,074
Grants receivable	305,845	241,417
Prepaid expenses	35,236	24,986
Total current assets	2,675,451	2,745,193
<b>FIXED ASSETS</b>		
Equipment and furniture	196,003	189,694
Leasehold improvements	56,078	56,078
Less accumulated depreciation	(101,776)	(84,067)
Total fixed assets	150,305	161,705
<b>OTHER ASSETS</b>		
Operating lease right to use assets	329,385	433,422
Website	24,000	24,000
Less accumulated amortization	(24,000)	(24,000)
	329,385	433,422
<b>TOTAL ASSETS</b>	<b>\$ 3,155,141</b>	<b>\$ 3,340,320</b>

**Huron River Watershed Council  
Statement of Financial Position  
March 31, 2024  
With Comparative Totals for March 31, 2023**

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	<b>2024</b>	<b>2023</b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 31,683	\$ 76,163
Fiduciary accounts payable	17,845	18,094
Accrued expenses	127,422	97,375
Operating lease liability	105,521	100,386
Total current liabilities	282,471	292,018
<b>OTHER LIABILITIES</b>		
Fiduciary funds	221,768	250,457
Operating lease liability, long-term	227,516	333,036
Total long-term liabilities	449,284	583,493
<b>NET ASSETS</b>		
Without donor restrictions	1,537,954	1,408,463
With donor restrictions	885,432	1,056,346
Total net assets	2,423,386	2,464,809
 <b>TOTAL LIABILITIES AND NET ASSETS</b>	 <b>\$ 3,155,141</b>	 <b>\$ 3,340,320</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, 2024**  
**With Summarized Comparative Totals for the Year Ended March 31, 2023**

	2024			2023
	Without Donor Restrictions	With Donor Restrictions	Total	Summarized Total
<b>REVENUE AND SUPPORT</b>				
Government	\$ 747,258	\$ 271,021	\$ 1,018,279	\$ 859,488
Foundations, corporations, and other	242,471	685,303	927,774	873,346
Membership dues	128,374	-	128,374	140,332
Annual giving	24,701	-	24,701	25,639
Special events	98,826	-	98,826	83,797
Miscellaneous income	2,676	-	2,676	2,847
Program income	4,529	-	4,529	4,819
Loss on disposal of fixed assets	-	-	-	(878)
Investment income (loss)	161,556	-	161,556	(55,928)
Total	1,410,391	956,324	2,366,715	1,933,462
<b>Net Assets Released from Restrictions</b>	<b>1,127,238</b>	<b>(1,127,238)</b>	<b>-</b>	<b>-</b>
Total revenue and support	2,537,629	(170,914)	2,366,715	1,933,462
<b>FUNCTIONAL EXPENSES</b>				
<b>Program Services</b>				
Study	457,543	-	457,543	372,994
Connect and inform	675,154	-	675,154	811,495
Protect and restore	846,867	-	846,867	666,674
Total program services costs	1,979,564	-	1,979,564	1,851,163
<b>Supporting Service Costs</b>				
Management and general	235,684	-	235,684	191,703
Fundraising	192,890	-	192,890	182,212
Total supporting service costs	428,574	-	428,574	373,915
Total functional expenses	2,408,138	-	2,408,138	2,225,078
<b>INCREASE (DECREASE) IN NET ASSETS</b>	<b>129,491</b>	<b>(170,914)</b>	<b>(41,423)</b>	<b>(291,616)</b>
<b>NET ASSETS AT BEGINNING OF YEAR</b>	<b>1,408,463</b>	<b>1,056,346</b>	<b>2,464,809</b>	<b>2,756,425</b>
<b>NET ASSETS AT END OF YEAR</b>	<b>\$ 1,537,954</b>	<b>\$ 885,432</b>	<b>\$ 2,423,386</b>	<b>\$ 2,464,809</b>

See Notes to the Financial Statements

**Huron River Watershed Council  
Statement of Functional Expenses  
For the Year Ended March 31, 2024  
With Summarized Comparative Totals for the Year Ended March 31, 2023**

	2024					2023		
	Study	Connect and Inform	Protect and Restore	Total Programs	Management and General	Fundraising	Total Support Services	Summarized Totals
Salaries and wages	\$ 286,418	\$ 312,222	\$ 453,763	\$ 1,052,403	\$ 138,661	\$ 117,329	\$ 255,990	\$ 1,308,393
Payroll taxes	21,692	22,678	34,510	78,880	10,882	8,874	19,756	98,636
Employee benefits	46,553	48,669	74,061	169,283	26,849	19,044	45,893	215,176
Total compensation	354,663	383,569	562,334	1,300,566	176,392	145,247	321,639	1,622,205
Annual report and newsletter	598	16,506	952	18,056	299	245	544	18,600
Consultants	25,897	59,117	198,536	283,550	13,276	1,626	14,902	298,452
Depreciation and amortization	4,909	6,066	7,809	18,784	2,454	2,008	4,462	23,246
Dues and publications	325	6,832	-	7,157	274	170	444	7,601
Insurance	1,623	1,284	1,955	4,862	614	503	1,117	5,979
Marketing and outreach	683	39,964	-	40,647	-	563	563	41,210
Other	3,433	9,761	8,271	21,465	16,794	1,287	18,081	39,546
Printing and reproduction	3,856	65,905	3,743	73,504	1,248	6,231	7,479	80,983
Professional fees	2,289	2,393	3,642	8,324	5,249	936	6,185	14,509
Rent	27,594	28,835	43,327	99,756	13,316	10,895	24,211	123,967
Repairs and maintenance	3,219	12,878	5,622	21,719	1,850	1,317	3,167	24,886
Special fundraising events	-	18,818	-	18,818	-	18,817	18,817	37,635
Supplies and equipment	24,300	10,488	7,185	41,973	2,025	2,398	4,423	46,396
Telephone and internet	768	1,057	1,064	2,889	1,315	205	1,520	4,409
Travel and meetings	3,386	11,681	2,427	17,494	578	442	1,020	18,514
Total expenses	\$ 457,543	\$ 675,154	\$ 846,867	\$ 1,979,564	\$ 235,684	\$ 192,890	\$ 428,574	\$ 2,408,138
								\$ 2,225,077



**Huron River Watershed Council**  
**Statement of Cash Flows**  
**For the Year Ended March 31, 2024**  
**With Summarized Comparative Totals for the Year Ended March 31, 2023**

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	<b>2024</b>	<b>2023</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ (41,423)	\$ (291,616)
Adjustments to reconcile increase (decrease) in net assets to net cash provided by (used in) operating activities		
Depreciation and amortization	23,246	15,983
Unrealized (gains) losses on investments	(164,716)	47,550
Loss on disposal of fixed assets	-	878
(Increase) decrease in assets:		
Accounts receivable	(8,146)	409,843
Fiduciary accounts receivable	(2,074)	(2,074)
Grants receivable	(64,428)	235,012
Prepaid expenses	(6,598)	(13,433)
Increase (decrease) in liabilities:		
Accounts payable	(44,729)	43,793
Accrued expenses	30,047	(38,027)
Fiduciary funds	(28,689)	(58,030)
Net cash (used in) provided by operating activities	(307,510)	349,879
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from sales of investments	986,769	175,727
Purchase of investments	(975,373)	(412,564)
Acquisition of property and equipment	(11,846)	(167,476)
Net cash used in investing activities	(450)	(404,313)
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	(307,960)	(54,434)
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	1,051,347	1,105,781
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	\$ 743,387	\$ 1,051,347
<b>SUPPLEMENTAL DISCLOSURES</b>		
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, 2024**  
**With Comparative Totals for March 31, 2023**

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**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, government contracts, 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.

Comparative Financial Information

The financial information presented for comparative purposes for the year ended March 31, 2023 is not intended to be a complete financial statement presentation in accordance with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the 2023 financial statements of the Association from which the summarized information was derived.

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.

**Huron River Watershed Council**  
**Notes to the Financial Statements**  
**March 31, 2024**  
**With Comparative Totals for March 31, 2023**

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

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.

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 years ended March 31, 2024 and 2023 was \$23,246 and \$15,983, respectively.

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 long term intermediary fiduciary relationships. 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, there were the following balances of fiduciary funds:

	<b>2024</b>	<b>2023</b>
The Alliance of Downriver Watersheds	\$ 218,832	\$ 247,571
Other nonprofits	2,936	2,886
	\$ 221,768	\$ 250,457

**Huron River Watershed Council**  
**Notes to the Financial Statements**  
**March 31, 2024**  
**With Comparative Totals for March 31, 2023**

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

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.

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 4,930 and 5,157 volunteer hours worked for the year ended March 31, 2024 and 2023, respectively.

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 fiscal years before 2021. 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. Advertising costs amounted to \$41,210 and \$63,710 for the years ended March 31, 2024 and 2023, respectively.

**Huron River Watershed Council**  
**Notes to the Financial Statements**  
**March 31, 2024**  
**With Comparative Totals for March 31, 2023**

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

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.

Leases

The Organization leases office space. The determination of whether an arrangement is a lease is made at the lease's inception. Under ASC 842, a contract is (or contains) a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is defined under the standard as having both the right to obtain substantially all of the economic benefits from use of the asset and the right to direct the use of the asset. Management only reassesses its determination if the terms and conditions of the contract are changed. Leases with an initial term of 12 months or less are not recorded on the statement of financial position. Lease expense is recognized for these leases on a straight-line basis over the lease term.

Operating leases are included in operating lease right-of-use ("ROU") assets, current operating lease liability, and operating lease liability long term on the statement of financial position.

ROU assets represent the right to use an underlying asset for the lease term, and lease liabilities represent our obligation to make lease payments. Operating lease ROU assets and liabilities are recognized at the lease commencement date based on the present value of lease payments over the lease term. The Organization has elected to use the practical expedient related to the discount rate and uses the risk-free interest rate based on the three-month U.S. Treasury bill at lease commencement. Operating lease ROU assets also includes any lease payments made and excludes any lease incentives. Lease expense for lease payments is recognized on a straight-line basis over the lease term. The Organization's lease terms may include options to extend or terminate the lease when it is reasonably certain that they will exercise the option.

**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, 2024 and 2023, were \$514,359 and \$821,775, respectively. 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, 2024 and 2023 were \$1,296,037 and \$1,142,717, respectively.

Receivables

For the year ended March 31, 2024, concentrations of receivables include receivables from four different supporters which makes up approximately 53% of the total combined 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.

**Huron River Watershed Council**  
**Notes to the Financial Statements**  
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**With Comparative Totals for March 31, 2023**

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**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, consisted of the following:

	<u>2024</u>	<u>2023</u>
Money market and cash funds	\$ 65,426	\$ 64,952
Fixed income funds	793,468	495,930
Equity funds	437,143	581,835
	<u>\$ 1,296,037</u>	<u>\$ 1,142,717</u>

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

	<u>2024</u>	<u>2023</u>
Interest, dividends, and capital gains	\$ 57,647	\$ 45,897
Realized loss	(51,901)	(47,013)
Unrealized gains (losses)	164,716	(47,550)
Investment fees	(8,906)	(7,262)
	<u>\$ 161,556</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 – 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.

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.

**Huron River Watershed Council**  
**Notes to the Financial Statements**  
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**With Comparative Totals for March 31, 2023**

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**NOTE 6 – Fair Value Measurements (continued)**

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, 2024 and 2023, management considers all investments of the Organization to be Level 1 in the fair value hierarchy. During the years ended March 31, 2024 and 2023, there were no transfers between levels.

**NOTE 7 – 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, 2024 and March 31, 2023.

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

	<u>2024</u>	<u>2023</u>
In one year or less	\$ 182,750	\$ 214,750
Between one year and five years	129,250	28,000
Unconditional grants receivable before unamortized discount	312,000	242,750
Less unamortized discount	<u>(6,155)</u>	<u>(1,333)</u>
Net grants receivable	<u>\$ 305,845</u>	<u>\$ 241,417</u>

**NOTE 8 – 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 pays for parking and storage space on a month-to-month basis for \$349 per month.

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**NOTE 8 – Operating Leases (continued)**

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

	<u>2024</u>	<u>2023</u>
Operating lease right of use asset	\$ 329,385	\$ 433,422
Operating lease current liabilities	\$ 105,521	\$ 100,386
Operating lease liabilities	<u>227,516</u>	<u>333,036</u>
Total operating lease liabilities	<u>\$ 333,037</u>	<u>\$ 433,422</u>

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

	<u>2024</u>	<u>2023</u>
Weighted Average Remaining Lease Term	3.0 years	4.0 years
Weighted Average Discount Rate	5.00%	5.00%

Future maturities of lease liabilities as of March 31, 2024 are as follows:

Year ending March 31,	
2025	\$ 119,028
2026	122,004
2027	<u>125,054</u>
Total lease liability payments	366,086
Less: Interest	<u>(33,049)</u>
Present value of lease liabilities	<u>\$ 333,037</u>

The following summarizes the line items in the statements of activities which include the components of operating lease expense for the year ended September 30:

	<u>2024</u>	<u>2023</u>
Expense included in program services expenses	\$ 96,384	\$ 63,166
Expense included in management and administrative expenses	12,866	18,032
Expense included in fundraising expenses	<u>10,527</u>	<u>4,635</u>
	<u>\$ 119,777</u>	<u>\$ 85,833</u>

The following summarizes cash flow information related to leases for the year ended September 30:

Cash paid for amounts included in the measurement of lease liabilities:	
Operating cash flows from operating leases	<u>\$ 116,125</u> <u>\$ 88,833</u>



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**NOTE 9 – Board Designated Net Assets**

For the year-end March 31, 2024, the board has designated a portion of unrestricted net assets for administering programs that are typically difficult to fund, such as land protection, land-use planning, and related efforts that will maintain the Huron River watersheds biodiversity and resilience to climate change, land-use change, and other threats. Subsequent to year end, the Watershed Resilience fund was created with a defined spending policy. As of March 31, 2024, the balance of these board designated net assets was \$5,682. There were no amounts designated at March 31, 2023.

**NOTE 10 – Donor Restricted Net Assets**

Substantially all restrictions on net assets as of March 31, 2024 and 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, donor restricted net assets with time or purpose restrictions were made up of the following:

<b><u>Program Funded</u></b>	<b><u>2024</u></b>	<b><u>2023</u></b>
Watershed Protection	\$ 107,642	\$ 350,474
River Restoration	140,246	-
Water Quality Monitoring	54,196	119,263
Education and Stewardship	306,533	302,114
Capacity Building	64,315	86,062
Recreation	-	48,098
Emerging Threats	640	1,668
Environmental Policy	211,860	-
Other time restrictions	-	148,667
	<b><u>\$ 885,432</u></b>	<b><u>\$ 1,056,346</u></b>

Donor restricted net assets were released throughout the year ended March 31, 2024 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:

<b><u>Program Funded</u></b>	<b><u>2024</u></b>	<b><u>2023</u></b>
Watershed Protection	\$ 505,993	\$ 535,957
Water Quality Monitoring	124,767	108,322
Equity, Inclusivity, and Engagement	-	15,024
Education and Stewardship	271,829	224,454
Capacity Building	23,914	118,461
Recreation	-	47,140
Emerging Threats	38,816	49,602
Other time restrictions	161,919	145,137
	<b><u>\$ 1,127,238</u></b>	<b><u>\$ 1,244,097</u></b>

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**NOTE 11 – 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:

	<b>2024</b>	<b>2023</b>
Financial assets at year-end	\$ 3,155,141	\$ 3,340,320
Less those unavailable for general expenditures within one year:		
Restricted by donors with time or purpose restrictions	885,432	1,056,346
Designated by the board	5,682	-
Net property and equipment	150,305	161,705
Operating lease right to use assets	329,385	433,422
	<u>1,370,804</u>	<u>1,651,473</u>
Financial assets available to meet cash needs within one year	<u>\$ 1,784,337</u>	<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.

**NOTE 12 – Special Fundraising Events**

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

	<b>2024</b>	<b>2023</b>
Revenue	\$ 98,826	\$ 83,797
Expenses	37,635	50,597
Net revenue	<u>\$ 61,191</u>	<u>\$ 33,200</u>

**NOTE 13 – Pending Consent Judgement**

The Organization was not a defendant in any lawsuit during the year ended March 31, 2024. However, in December 2016, the Organization entered into intervenor status in a pending consent judgment. For the years ended March 31, 2024 and 2023, the Organization paid \$0 and \$2,600, respectively, 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 14 – 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.

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**NOTE 15 – 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 years ended March 31, 2024 and 2023 were \$63,862 and \$57,405, respectively. The Organization is considered a government instrumentality for purposes of the plan and is ERISA exempt.

**NOTE 16 – 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, 2024 and 2023 totaled \$44,433 and \$40,047, respectively. 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 balances in the fund at March 31, 2024 and 2023 totaled \$629,561 and \$572,992, respectively. 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.