

FINANCIAL STATEMENTS
FRIENDS OF THE ST. CLAIR RIVER WATERSHED
DECEMBER 31, 2022

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INDEPENDENT ACCOUNTANT'S REVIEW REPORT

Board of Directors
Friends of the St. Clair River Watershed
Port Huron, Michigan

We have reviewed the accompanying financial statements of Friends of the St. Clair River Watershed (a nonprofit organization) which comprise the statements of financial position as of December 31, 2022 and December 31, 2021 and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of entity management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement whether due to fraud or error.

Accountant's Responsibility

Our responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with the accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

We are required to be independent of Friends of St. Clair River Watershed and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our review.

Accountant's Conclusion

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.

Austin, Niester, Schwehofer & Finnegan, P.C.

Certified Public Accountants

April 26, 2023
Port Huron, Michigan

FRIENDS OF THE ST. CLAIR RIVER WATERSHED

STATEMENTS OF FINANCIAL POSITION

December 31, 2022 and 2021

	<u>2022</u>	<u>2021 *</u>
CURRENT ASSETS		
Cash and cash equivalents	\$ 242,738	\$ 180,482
TOTAL CURRENT ASSETS	<u>242,738</u>	<u>180,482</u>
RIGHT-OF-USE ASSETS - OPERATING LEASE		
Operating right of use asset, net	51,896	51,896
Less accumulated amortization	<u>13,762</u>	<u>1,052</u>
TOTAL LEASE ASSETS	<u>38,134</u>	<u>50,844</u>
OTHER ASSETS		
Security Deposit	<u>1,000</u>	<u>1,000</u>
TOTAL OTHER ASSETS	<u>1,000</u>	<u>1,000</u>
TOTAL ASSETS	<u>\$ 281,872</u>	<u>\$ 232,326</u>
CURRENT LIABILITIES		
Contract obligations	\$ 50,000	\$ -
Current portion of operating lease liability	<u>13,800</u>	<u>12,150</u>
TOTAL CURRENT LIABILITIES	<u>63,800</u>	<u>12,150</u>
LONG TERM LIABILITIES		
Operating lease liabilities, less current portion	<u>25,646</u>	<u>38,806</u>
TOTAL LONG TERM LIABILITIES	<u>25,646</u>	<u>38,806</u>
TOTAL LIABILITIES	<u>\$ 89,446</u>	<u>\$ 50,956</u>
NET ASSETS		
Without donor restrictions	<u>\$ 192,426</u>	<u>\$ 181,370</u>
TOTAL NET ASSETS	<u>192,426</u>	<u>181,370</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 281,872</u>	<u>\$ 232,326</u>

* Certain amounts have been reclassified to conform to current year presentation
See accompanying notes.

FRIENDS OF THE ST. CLAIR RIVER WATERSHED

STATEMENTS OF ACTIVITIES

Years Ending December 31, 2022 and 2021

	2022			2021 *
	Without Donor Restrictions	With Donor Restrictions	Total	Total
REVENUES, GAINS, AND OTHER SUPPORT				
Contributions	\$ 71,977	\$ -	\$ 71,977	\$ 72,988
Program Services	136,101	-	136,101	201,455
Interest	32	-	32	12
Fundraising	24,923	-	24,923	19,514
TOTAL REVENUES, GAINS, AND OTHER SUPPORT	233,033	-	233,033	293,969
EXPENSES				
Program services	76,936	-	76,936	211,274
Management and general	138,394	-	138,394	27,223
Fundraising	6,647	-	6,647	2,781
TOTAL EXPENSES	221,977	-	221,977	241,278
INCREASE IN NET ASSETS	11,056	-	11,056	52,691
NET ASSETS AT BEGINNING OF YEAR	181,370	-	181,370	128,679
NET ASSETS AT END OF YEAR \$	\$ 192,426	\$ -	\$ 192,426	\$ 181,370

* Certain amounts have been reclassified to conform to current year presentation
See accompanying notes.

FRIENDS OF THE ST. CLAIR RIVER WATERSHED

STATEMENTS OF FUNCTIONAL EXPENSES

Years Ending December 31, 2022 and 2021

	<u>Program Services</u>			<u>Supporting Services</u>		<u>2022</u>	<u>2021 *</u>
	<u>Habitat</u>	<u>PAC</u>	<u>BWTGI</u>	<u>Administrative</u>	<u>Fundraising</u>	<u>Total</u>	<u>Total</u>
Advertising	\$ -	\$ 190	\$ -	\$ 2,988	\$ -	\$ 3,178	\$ 4,959
Contract labor	51,005	6,835	4,726	47,261	-	109,827	83,595
Consulting	-	742	-	29,451	-	30,193	-
E-mail	-	-	-	-	-	-	3,107
Printing	-	6,268	-	5,707	1,052	13,027	3,747
General & administrative	-	218	6,204	4,195	2,290	12,907	115,424
Professional fees	-	-	-	11,100	-	11,100	-
Swag & merchandise	-	-	-	-	1,605	1,605	234
Outreach	-	-	-	-	-	-	4,642
Education	-	226	-	1,134	-	1,360	537
Insurance	-	-	-	2,694	-	2,694	2,889
Operating lease costs	-	-	-	13,200	-	13,200	4,084
Training	-	-	-	1,583	-	1,583	2,829
Registration fee	-	-	-	1,031	-	1,031	2,059
Stationary	-	-	-	-	-	-	1,220
Office expense	-	-	-	1,477	-	1,477	-
Fund raising expense	-	-	-	406	1,700	2,106	160
Travel	-	191	-	1,743	-	1,934	1,000
Meeting	-	-	-	873	-	873	24
Facilities	-	-	-	8,382	-	8,382	7,812
Bank fees	-	-	-	388	-	388	153
Computer costs	-	331	-	4,781	-	5,112	2,803
	<u>\$ 51,005</u>	<u>\$ 15,001</u>	<u>\$ 10,930</u>	<u>\$ 138,394</u>	<u>\$ 6,647</u>	<u>\$ 221,977</u>	<u>\$ 241,278</u>

* Certain amounts have been reclassified to conform to current year presentation
See accompanying notes.

FRIENDS OF THE ST. CLAIR RIVER WATERSHED

STATEMENTS OF CASH FLOWS

Years Ending December 31, 2022 and 2021

	<u>2022</u>	<u>2021 *</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in net assets	\$ 11,056	\$ 52,691
(Increase) decrease in assets		
Security deposit	-	(1,000)
Operating lease right-of-use asset, net	12,710	(50,844)
Increase (decrease) in liability		
Contract obligations	50,000	-
Operating lease liability	<u>(11,510)</u>	<u>50,956</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	62,256	51,803
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>180,482</u>	<u>128,679</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 242,738</u>	<u>\$ 180,482</u>

* Certain amounts have been reclassified to conform to current year presentation
See accompanying notes.

FRIENDS OF THE ST. CLAIR RIVER WATERSHED

NOTES TO FINANCIAL STATEMENTS

Years Ending December 31, 2022 and 2021

NOTE A - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

Friends of the St. Clair River Watershed (the Organization) assists the community by using citizen action through stewardship, monitoring and education to restore, protect and enhance the St. Clair River and its watersheds. They receive grant funds and do annual fundraising to support their efforts to preserve and improve the St. Clair River and its watersheds.

Basis of Presentation

The financial statements are prepared in accordance with generally accepted accounting principles in the United States of America, and report information regarding financial position and activities according to two class of net assets: those subject to restriction by donors; and those which are unrestricted as to their usage.

Net assets of the Organization are classified as without donor restrictions, or with donor restriction depending on the characteristics of donor-imposed restrictions limiting the Organization's ability to use or dispose of contributed assets. Donor-imposed restrictions that expire with the passage of time or can be removed by meeting certain requirements result in a classification as "Net assets with donor restrictions". Earnings, gains and losses on restricted net assets are classified as unrestricted unless specifically restricted by the donor. There were no net assets subject to donor restrictions as of December 31, 2022 and 2021.

Revenue Recognition

Revenue is recorded when: (i) a contract has been identified, (ii) the performance obligation(s) in the contract have been identified, (iii) the transaction price has been determined, (iv) the transaction price has been allocated to each performance obligation in the contract, (v) the Organization has satisfied the applicable performance obligation. Expenses directly related to such transactions are recorded as incurred and presented within expenses.

Primary Revenue Streams

Revenue consists primarily of fundraising revenue. Fundraising revenue is recorded on the date of the event. Friends of the St. Clair River Watershed management has determined that this method provides a faithful depiction of the transfer to services.

FRIENDS OF THE ST. CLAIR RIVER WATERSHED

NOTES TO FINANCIAL STATEMENTS

Years Ending December 31, 2022 and 2021

NOTE A - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash and Cash Equivalents

For purposes of the statements of cash flows, the Organization considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

Contributed Services

No amounts have been reflected in the financial statements for donated services. The Organization generally pays for services requiring specific expertise. However, many individuals volunteer their time and perform a variety of tasks that assist the Organization. These services do not meet the criteria for recognition as contributed services. The organization received 1,831 volunteer hours from over 761 volunteers in 2022 at a value of \$59,561 and received 1,779 hours from over 300 volunteers in 2021 at a value of \$50,000.

Contributions

Contributions received are recorded as net assets with donor restrictions or net assets without restrictions depending on the existence or nature of any donor restrictions.

Income Tax Status

The Organization is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and classified by the Internal Revenue Service as other than a private foundation.

Management is required to recognize the impact of significant uncertain tax positions in the Organization's financial statements for all open tax years. Previous tax years open to Federal examination include 2019, 2020, and 2021. As of December 31, 2022, management has concluded there were no significant uncertain income tax positions requiring recognition in the financial statements.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosures 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.

FRIENDS OF THE ST. CLAIR RIVER WATERSHED

NOTES TO FINANCIAL STATEMENTS

Years Ending December 31, 2022 and 2021

NOTE A - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (continued)

Advertising

Advertising primarily consists of promoting their fundraising events and to inform the public on the current accomplishments of the Organization. The total advertising and outreach costs of \$3,178 and \$4,959 were incurred and expensed as of December 31, 2022 and 2021, respectively.

Contract Balances

The timing of revenue recognition, billings, and cash collections results in contract assets, receivables and contract liabilities. Contract assets would exist when the Organization has a contract with a customer for which revenue has been recognized but customer payment is contingent on a future event. The Friends of the St. Clair River Watershed revenue is based on fundraising services and deliverable services and is generally limited to amounts that are not contingent on future events, therefore, not resulting in a contract asset being recorded. The Organization records receivables when the right to consideration become unconditional and are presented separately in the statements of financial positions. Contract liabilities may include advances and unearned revenue when the Organization receives payments from members/customers before the revenue is recognized and are presented separately in the statements of financial position. Contract assets and accounts receivable were not material as of December 31, 2022 and 2021. Contract liabilities amounted to \$50,000 as of December 31, 2022. As of December 31, 2021 there were no contract liabilities.

Functional Expense Allocation

The cost of providing program services and supporting (management and general) services have been reported on a functional basis in the statement of functional expenses. Accordingly, certain indirect costs have been allocated between program and supporting services using appropriate bases.

New Accounting Guidance

Effective January 1, 2021, the Organization adopted FASB ASC 842, *Leases*. The Organization determines if an arrangement contains a lease at inception based on whether the Organization has the right to control the asset during the contract period and other facts and circumstances. The Organization elected the package of practical expedients permitted under the transition guidance within the new guidance, which among other things, allowed it to carry forward the historical lease classification.

FRIENDS OF THE ST. CLAIR RIVER WATERSHED

NOTES TO FINANCIAL STATEMENTS

Years Ending December 31, 2022 and 2021

NOTE A - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (continued)

New Accounting Guidance (continued)

The adoption of FASB ASC 842 resulted in recognition of right-of-use assets, net of prepaid lease payments and lease incentives, of \$38,134 and \$50,844 and lease liabilities of \$39,446 and \$50,956 as of December 31, 2022 and 2021, respectively. The adoption of FASB ASC 842 did not have a material impact on the Organization's results of operations or cash flows.

NOTE B - CASH AND CASH EQUIVALENTS

The following table provides a reconciliation of cash, cash equivalents and restricted cash reported within the statement of financial position that sum to the amounts shown in the statement of cash flows:

	2022	2021
Cash and cash equivalents	\$ <u>242,738</u>	\$ <u>180,482</u>

NOTE C - LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

There were no donor restricted amounts reported on the trial balance at December 31, 2022, see Note B of the financial statements. Financial assets available to meet cash needs for the general expenditure within one year was \$242,738. As part of the Organization's liquidity management, all financial assets are held as cash.

NOTE D - LEASES

The Organization leases its space under an operating lease with 2 year initial terms. The lease includes a renewal option which can extend the lease term up to 4 years. The exercise of the renewal option is at the sole discretion of the Organization, and the lease renewal option has been included in the measurement of the lease asset and liabilities as the Organization is reasonably certain to exercise.

FRIENDS OF THE ST. CLAIR RIVER WATERSHED

NOTES TO FINANCIAL STATEMENTS

Years Ending December 31, 2022 and 2021

NOTE D - LEASES (continued)

The following summarizes the line items in the financial position statement which include amounts for operating leases as of December 31, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Operating lease right-of-use asset	\$ 51,896	\$ 51,896
Current portion of operating lease liability	\$ 13,800	\$ 12,150
Operating lease liability, less current portion	<u>25,646</u>	<u>38,806</u>
Total operating lease liability	<u>\$ 39,446</u>	<u>\$ 50,956</u>

The components of operating lease expenses that are included in the "Statement of Expenses" in the Statement of Activity for the years ended December 31, 2022 and 2021 were as follows:

	<u>2022</u>	<u>2021</u>
Operating lease costs	\$ 13,200	\$ 4,084

The following summarizes the cash flow information related to the operating lease for the years ended December 31, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Operating cash flows for operating leases	\$ 1,200	\$ 112

Weighted average lease term and discount rate of as December 31, 2022 were as follows:

Weighted average remaining lease term	2.92 years
Weighted average discount rate	1.43%

FRIENDS OF THE ST. CLAIR RIVER WATERSHED

NOTES TO FINANCIAL STATEMENTS

Years Ending December 31, 2022 and 2021

NOTE D - LEASES (continued)

The maturity of the operating lease liability as of December 31, 2022, were as follows:

Year ended December 31,	2023	\$	13,800
	2024		13,800
	2025		12,650
	2026		<u>-</u>
	Total lease payment		40,250
	Less: Interest		<u>(804)</u>
	Present value of lease liability	\$	39,446

NOTE E - EVALUATION OF SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through April 26, 2023 the date which the financial statements were available to be issued.