

**Four Lakes Task Force**

**Financial Statements**

**December 31, 2021**



## Table of Contents

	<b>Page</b>
Independent Auditors' Report	1
Basic Financial Statements	
Statement of Financial Position	3
Statement of Activities	4
Statement of Functional Expenses	5
Statement of Cash Flows	6
Notes to the Financial Statements	7



800.968.0010 | yeoandyeo.com

## Independent Auditors' Report

Management and the Board of Directors  
Four Lakes Task Force  
Midland, Michigan

### Opinion

We have audited the accompanying financial statements of Four Lakes Task Force which comprise the statement of financial position as of December 31, 2021, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements present fairly, in all material respects, the financial position of Four Lakes Task Force as of December 31, 2021, and the changes in its 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Four Lakes Task Force 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 Four Lakes Task Force's ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

### Auditors' 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 auditors' 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 and *Government 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 and *Government 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 Four Lakes Task Force'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 aggregated, that raise substantial doubt about Four Lakes Task Force'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.

#### **Adoption of New Accounting Standards**

As described in Note 1 to the financial statements, Four Lakes Task Force changed its method of accounting for revenue recognition in 2021 as required by the provisions of FASB Accounting Standards Update 2014-09 *Revenue from Contracts with Customers*. Our opinion is not modified with respect to that matter.

#### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated March 25, 2022 on our consideration of Four Lakes Task Force's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Four Lakes Task Force's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Four Lakes Task Force's internal control over financial reporting and compliance.

*Yeo & Yeo, P.C.*

Midland, MI  
March 25, 2022

**Four Lakes Task Force**  
**Statement of Financial Position**  
**December 31, 2021**

---

**Assets**

Current assets

Cash	\$ 1,078,649
Grants receivable	11,101,939
Promises to give, current portion	625,000
Prepaid expenses	<u>155,935</u>

Total current assets 12,961,523

Property and equipment, net 60,409

Promises to give, net of current portion 625,000

**Total assets** **\$ 13,646,932**

**Liabilities and net assets**

Current liabilities

Accounts payable	\$ 8,888,188
Payroll liabilities	40,905
Accrued expenses	876,000
Deferred revenue	35,000
Line of credit	<u>136,733</u>

Total current liabilities 9,976,826

**Net assets**

Without donor restrictions, undesignated 2,420,106

With donor restrictions, time 1,250,000

Total net assets 3,670,106

**Total liabilities and net assets** **\$ 13,646,932**

**Four Lakes Task Force**  
**Statement of Activities**  
**For the Year Ended December 31, 2021**

	Without Donor Restrictions	With Donor Restrictions	Total
<b>Revenue, support, and gains (losses)</b>			
Grant revenue	\$ 9,384,162	\$ -	\$ 9,384,162
Homeowner assessments	339,886	-	339,886
Contributions	67,746	-	67,746
In-kind contributions	169,347	-	169,347
Net investment income	5,267	-	5,267
Other income	170,259	-	170,259
Loss on disposal of land	(59,466)	-	(59,466)
Net assets released from restrictions	1,409,623	(1,409,623)	-
Total revenues	11,486,824	(1,409,623)	10,077,201
<b>Expenses</b>			
Program services	23,522,196	-	23,522,196
Management and general	1,193,406	-	1,193,406
Total expenses	24,715,602	-	24,715,602
<b>Change in net assets</b>	(13,228,778)	(1,409,623)	(14,638,401)
Net assets - beginning of year	15,648,884	2,659,623	18,308,507
<b>Net assets - end of year</b>	\$ 2,420,106	\$ 1,250,000	\$ 3,670,106

See Accompanying Notes to the Financial Statements

**Four Lakes Task Force**  
**Statement of Functional Expenses**  
**For the Year Ended December 31, 2021**

	Program Services	Management and General	Total
Salaries and wage related costs			
Salaries and wages	\$ 177,619	\$ 112,943	\$ 290,562
Payroll taxes	23,542	11,771	35,313
Employee benefits	29,258	14,629	43,887
	<u>230,419</u>	<u>139,343</u>	<u>369,762</u>
Contract services	1,207,638	129,600	1,337,238
Communication	-	96,082	96,082
Equipment rental	26,699	-	26,699
Insurance	-	11,278	11,278
Interest expense	-	4,572	4,572
Depreciation expense	5,403	-	5,403
Professional services	-	462,584	462,584
Property taxes	-	2,427	2,427
Project costs	21,645,701	-	21,645,701
Occupancy	-	12,000	12,000
Operating	398,382	185,520	583,902
Other expenses	7,954	-	7,954
Settlement costs (see Note 11)	-	150,000	150,000
	<u>23,522,196</u>	<u>1,193,406</u>	<u>24,715,602</u>
Total expenses	<u>\$ 23,522,196</u>	<u>\$ 1,193,406</u>	<u>\$ 24,715,602</u>

See Accompanying Notes to the Financial Statements

**Four Lakes Task Force**  
**Statement of Cash Flows**  
**For the Year Ended December 31, 2021**

---

<b>Cash flows from operating activities</b>	
Change in net assets	\$ (14,638,401)
Items not requiring cash	
Depreciation	5,403
Loss on disposal of land	59,466
Changes in operating assets and liabilities	
Grants receivable	1,564,207
Promises to give	1,384,623
Prepaid expenses	(153,243)
Accounts payable	7,931,543
Payroll liabilities	32,293
Accrued expenses	(1,068,120)
Deferred revenues	(103,755)
	<hr/>
Net cash used by operating activities	(4,985,984)
 <b>Cash flows from investing activities</b>	
Purchases of property and equipment	(61,789)
 <b>Cash flows from financing activities</b>	
Changes in line of credit	<hr/> (3,231)
Net change in cash	(5,051,004)
Cash - beginning of year	<hr/> 6,129,653
<b>Cash - end of year</b>	<hr/> <hr/> \$ 1,078,649

See Accompanying Notes to the Financial Statements



**Four Lakes Task Force**  
**Notes to the Financial Statements**  
**December 31, 2021**

---

**Note 1 - Summary of Significant Accounting Policies**

**Nature of Activities**

The Four Lakes Task Force ("The Task Force") is a 501(c)(3) nonprofit organization formed by the Lake Associations, to ensure the Long-Term Sustainability of the Four Lakes. It also serves as a "Delegated Authority" for Gladwin and Midland County counties to administer and oversee the maintenance and operations of the four dams and lakes, under Part 307 of Michigan Natural Resources and Environmental Protection Act. The counties, with Four Lakes Task Force working on their behalf, acquired the dam and lake property from Boyce Hydro through condemnation, and Four Lakes Task Force continues to manage the ongoing operations and managing the effort to recovery and restoration of the Four Lakes.

**Basis of Accounting**

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

**Basis of Presentation**

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net assets without donor restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.

Net assets with donor restrictions – Net assets subject to donor- (or certain grantor-) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

**Cash**

The Task Force considers all highly liquid investments purchased with maturity of three months or less to be cash. As of December 31, 2021, \$128,307 of cash was in excess of the amount insured by the FDIC. Management has deposits with reputable financial institutions and does not foresee a risk as a result of being over the FDIC limit.

**Prepaid Expenses**

Certain payments to vendors reflect costs applicable to future fiscal years. Such payments are recorded as prepaid expenses.

**Promises to Give**

Contributions are recognized when the donor makes a promise to give to the Task Force that is, in substance, unconditional.

The Task Force initially records unconditional promises to give at fair value using the income approach and subsequently amortizes them using the original discount rate. If the original promise to give is due in less than one year it is recorded at net realizable value. Based on management's review, no allowance was deemed necessary as of December 31, 2021.

**Property and Equipment**

The Task Force follows the practice of capitalizing all expenditures in excess of \$10,000 for property and equipment at cost; the fair value of donated fixed assets is similarly capitalized. Major improvements are capitalized while ordinary maintenance and repairs are expensed.

**Four Lakes Task Force**  
**Notes to the Financial Statements**  
**December 31, 2021**

---

The Task Force evaluates long-lived assets for impairment using a discounted cash flow method whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable in accordance with accounting principles generally accepted in the United States of America.

Depreciation is computed using the straight-line method over the estimated useful lives of the related assets.

Gifts of land, buildings, equipment, and other long-lived assets are also reported as revenue without donor restrictions and net assets, unless subject to time restrictions. Absent explicit donor stipulations for the time long-lived assets must be held, expirations of restrictions resulting in reclassification of net assets with donor restrictions as net assets without donor restrictions are reported when the long-lived assets are placed in service.

**Donated Services and Goods**

The Task Force records the value of donated goods and donated rent as contributions using estimated fair values at the date of receipt. The Task recognized donated supplies and rent of \$39,747 for the year ended December 31, 2021.

Contributions of donated services that create or enhance nonfinancial assets or that require specialized skills and would typically need to be purchased if not provided by donation are recorded at their fair values in the period received. The organization received donated services related to multiple positions, including Chief Executive Officer, Chief Operating Officer services, and project assistance services for the Task Force totaling \$129,600 for the years ended December 31, 2021.

**Functional Expenses**

The costs of program and supporting services activities have been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification detail of expenses by function. The allocation of expenses to the functional programs and management and general categories was computed based on actual results.

**Income Tax Status**

The Task Force is qualified as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code and is classified as an organization other than a private foundation, as described in Section 509(a). The Task Force files information returns in the U.S. Federal and Michigan jurisdiction.

**Use of 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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**Subsequent Events**

Management has evaluated subsequent events through March 25, 2022, which is the date the financial statements were available to be issued.

**Change in Accounting Principle**

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*, to clarify the principles of recognizing revenue, create common revenue recognition guidance, and improve disclosures. Accordingly, the Task Force has elected to implement this standard using a modified retrospective adjustment of the prior year financial statements. The initial application was applied to only contracts that were not completed at January 1, 2021, the date of initial application. Net assets did not change as a result of adoption of the new standard.

**Four Lakes Task Force**  
**Notes to the Financial Statements**  
**December 31, 2021**

---

**Note 2 - Liquidity and Availability**

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following:

Cash	\$	1,078,649
Grants receivable		11,101,939
Promises to give		<u>1,250,000</u>
Total financial assets - end of year		13,430,588
Less: Financial assets unavailable for general expenditures within one year, due to:		
Contractual or donor-imposed restrictions		
Restricted by donor with time restrictions		<u>625,000</u>
Financial assets available to meet cash needs for general expenditures within one year		<u>\$ 12,805,588</u>

The Task Force's goal is generally to maintain financial assets to meet 6 months of operating expenses. The Task Force has been awarded a grant through the Natural Resources Conservation Services for the dam construction and repair. Payment of the grants is contingent upon spending the funds for the designated allowable purpose and various compliance requirements in accordance with 2 CFR 200. As of December 31, 2021, there was \$16,400,646 related to conditional promises to give from this grant. The Task Force also has a \$2,000,000 line of credit available to meet cash flow needs.

**Note 3 - Promises to Give**

Promises to give are scheduled to be collected as follows:

2022	\$	625,000
2023		375,000
2024		<u>250,000</u>
		<u>\$ 1,250,000</u>

**Four Lakes Task Force**  
**Notes to the Financial Statements**  
**December 31, 2021**

---

**Note 4 - Conditional Promises to Give**

During the fiscal year, the Task Force received conditional promises to give related to federal grants. Payment of the grants is contingent upon spending the funds for the designated allowable purpose and various compliance requirements in accordance with 2 CFR 200. The conditional contributions consisted of the following as of December 31, 2021:

Condition/ Grant Purpose	Total Contract/Grant Amount	Spent to Date	Conditional Contribution
Dam construction and repair	\$ 26,450,954	\$ 10,050,307	\$ 16,400,646

**Note 5 - Property and Equipment**

Major classes of assets and related accumulated depreciation thereon are summarized as follows:

Furniture and equipment	\$ 66,617
Accumulated depreciation	<u>(6,208)</u>
Property and equipment, net	<u>\$ 60,409</u>

**Note 6 - Line of Credit**

The Task Force had a secured line of credit arrangement totaling \$1,000,000. This arrangement provides for borrowing amounts for short-term use at prime plus 3.25%. As of December 31, 2021, the balance on the line of credit was \$136,733 and the interest rate was 7.50%. In January 2022, the line of credit was renewed, and the credit limit increased to \$2,000,000. The line of credit is secured by all inventory and equipment.

The Task Force has a covenant to complete audited financial statements by 120 days after year end. The Task Force is in compliance with this covenant as of December 31, 2021.

**Note 7 - Net Assets With Donor Restrictions**

Net assets with donor restrictions are restricted for the following purposes and periods at December 31, 2021:

Promises to give that are not restricted by donors, but which are unavailable for expenditure until due	<u>\$ 1,250,000</u>
---	---------------------

**Four Lakes Task Force**  
**Notes to the Financial Statements**  
**December 31, 2021**

---

**Note 8 - Net Assets Released from Donor Restrictions**

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of the passage of time or other events specified by the donors as follows for the year December 31, 2021:

Subject to expenditure for specified purpose:	
Dam restoration and maintenance	\$ 25,000
Promises to give that are not restricted by donors, but which are unavailable for expenditure until due	<u>1,384,623</u>
 Total net assets released from donor restrictions	 <u>\$ 1,409,623</u>

**Note 9 - Operating Lease**

The Task Force is leasing three trucks. The lease expires in December 2024. Future lease payments consist of the following:

2022	\$ 22,879
2023	21,618
2024	<u>2,585</u>
	 <u>\$ 44,497</u>

**Note 10 - Revenue from Contracts with Customers**

The following summarizes revenue by type for the year ended December 31, 2021:

Revenue from contracts with customers	\$ 339,886
Contribution revenue	67,746
Grant revenue	9,384,162
In-Kind revenue	169,347
Investment income	5,267
Other revenue	<u>110,793</u>
 Total revenue	 <u>\$ 10,077,201</u>

The revenue from contracts with customers for the year ended December 31, 2021 consist of:

Revenue earned over time	<u>\$ 339,886</u>
--------------------------	-------------------

**Four Lakes Task Force**  
**Notes to the Financial Statements**  
**December 31, 2021**

---

Revenue earned over time consists of homeowner assessments dues from local homeowners. The contract with the homeowners is based upon a cost share agreement in which the homeowners related to a project area must sign before work on the project can begin. The price is based off of the cost share amount stated within the signed agreements. The performance obligation for the cost is based on the work being performed. Payments from the homeowners must be received prior to work being started on the project, therefore there are no receivables related to contracts with customers, however, this results in deferred revenues being recorded for projects not yet started. The revenues are recognized when the repairs and constructions related to the projects reach have enough costs to cover the amounts on the cost share agreements.

Contract Liabilities as of December 31, 2021 consist of:

	<u>December 31, 2021</u>	<u>January 1, 2021</u>
Deferred revenue	\$ <u>35,000</u>	\$ <u>138,755</u>

**Note 11 – Subsequent Event**

As of December 31, 2021, the Task Force, acting as a delegated authority for the counties of Midland and Gladwin, was engaged in litigation related to the bankruptcy and liquidation of a company. On February 4, 2022, the litigation was settled which resulted in the Task Force paying the liquidating trust \$150,000. The \$150,000 is included in accrued expenses as of December 31, 2021. This amount is in addition to and does not affect the \$726,000 obligation the Task Force is scheduled to pay in 2022.