

**Four Lakes Task Force**

**Financial Statements**

**December 31, 2022**



**YEO & YEO**

**BUSINESS SUCCESS  
PARTNERS**

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## 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 (a nonprofit organization), which comprise the statement of financial position as of December 31, 2022, 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 referred to above present fairly, in all material respects, the financial position of Four Lakes Task Force as of December 31, 2022, 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 within 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, including omissions, 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 aggregate, 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.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated March 6, 2023 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 6, 2023

**Four Lakes Task Force**  
**Statement of Financial Position**  
**December 31, 2022**

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**Assets**

Current assets

Cash	\$ 3,557,551
Accounts receivable	1,399,806
Grants receivable	119,539,864
Promises to give, current portion	625,000
Prepaid expenses	<u>474,178</u>

Total current assets 125,596,399

Property and equipment, net 61,892

Promises to give, net of current portion 375,000

**Total assets** **\$ 126,033,291**

**Liabilities and net assets**

Current liabilities

Accounts payable	\$ 11,135,204
Payroll liabilities	41,781
Line of credit	<u>1,136,733</u>

Total current liabilities 12,313,718

**Net assets**

Without donor restrictions, undesignated 112,719,573

With donor restrictions, time 1,000,000

Total net assets 113,719,573

**Total liabilities and net assets** **\$ 126,033,291**

**Four Lakes Task Force**  
**Statement of Activities**  
**For the Year Ended December 31, 2022**

	Without Donor Restrictions	With Donor Restrictions	Total
<b>Revenue, support, and gains</b>			
Grant revenue			
Federal	\$ 9,849,676	\$ -	\$ 9,849,676
State	135,991,630	-	135,991,630
Special assesment district assessments	1,399,810	-	1,399,810
Homeowner assessments	319,560	-	319,560
Contributions	47,551	-	47,551
Contributed nonfinancial assets	264,000	-	264,000
Net investment income	640	-	640
Other income	18,911	-	18,911
Net assets released from restrictions	250,000	(250,000)	-
	<u>148,141,778</u>	<u>(250,000)</u>	<u>147,891,778</u>
<b>Expenses</b>			
Program services	36,612,348	-	36,612,348
Management and general	1,229,963	-	1,229,963
	<u>37,842,311</u>	<u>-</u>	<u>37,842,311</u>
<b>Change in net assets</b>	110,299,467	(250,000)	110,049,467
Net assets - beginning of year	<u>2,420,106</u>	<u>1,250,000</u>	<u>3,670,106</u>
<b>Net assets - end of year</b>	<u>\$ 112,719,573</u>	<u>\$ 1,000,000</u>	<u>\$ 113,719,573</u>

**Four Lakes Task Force**  
**Statement of Functional Expenses**  
**For the Year Ended December 31, 2022**

	<u>Program Services</u>	<u>Management and General</u>	<u>Total</u>
Salaries and wage related costs			
Salaries and wages	\$ 203,236	\$ 305,187	\$ 508,423
Payroll taxes	14,232	24,193	38,425
Employee benefits	6,604	34,037	40,641
	<u>224,072</u>	<u>363,417</u>	<u>587,489</u>
Contract services	1,225,934	129,600	1,355,534
Communication	-	240,005	240,005
Insurance	-	5,141	5,141
Interest expense	-	29,758	29,758
Depreciation expense	11,174	-	11,174
Professional services	-	125,122	125,122
Property taxes	-	7,178	7,178
Project costs	35,058,362	-	35,058,362
Occupancy	-	12,000	12,000
Operating	75,617	317,742	393,359
Other expenses	17,189	-	17,189
	<u>36,612,348</u>	<u>1,229,963</u>	<u>37,842,311</u>
Total expenses	<u>\$ 36,612,348</u>	<u>\$ 1,229,963</u>	<u>\$ 37,842,311</u>

See Accompanying Notes to the Financial Statements

**Four Lakes Task Force**  
**Statement of Cash Flows**  
**For the Year Ended December 31, 2022**

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<b>Cash flows from operating activities</b>	<b>\$ 110,049,467</b>
Change in net assets	110,049,467
Items not requiring cash	
Depreciation	11,174
Changes in operating assets and liabilities	
Accounts receivable	(1,399,806)
Grants receivable	(109,822,548)
Promises to give	1,634,623
Prepaid expenses	(318,243)
Accounts payable	2,247,016
Payroll liabilities	876
Accrued expenses	(876,000)
Deferred revenues	(35,000)
	1,491,559
Net cash provided by operating activities	1,491,559
<b>Cash flows from investing activities</b>	
Purchases of property and equipment	(12,657)
<b>Cash flows from financing activities</b>	
Changes in line of credit	1,000,000
Net change in cash	2,478,902
Cash - beginning of year	1,078,649
<b>Cash - end of year</b>	<b>\$ 3,557,551</b>

See Accompanying Notes to the Financial Statements



**Four Lakes Task Force**  
**Notes to the Financial Statements**  
**December 31, 2022**

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**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, \$211,889 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.

**Accounts Receivable**

The Task Force uses the allowance method for accounting for doubtful accounts. Management regularly reviews the collection history of its receivables balances with particular attention given to those amounts greater than 90 days old. Based on management's review, no allowance was deemed necessary as of December 31, 2022.

It is the Task Force's policy to charge off uncollectible accounts receivable when management determines the receivable will not be collected.

**Promises to Give**

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

**Four Lakes Task Force**  
**Notes to the Financial Statements**  
**December 31, 2022**

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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, 2022.

**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.

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.

**Revenue and Revenue Recognition**

Revenue is recognized when earned. Program service fees are deferred to the applicable period in which the performance obligations are met. Contributions are recognized when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met.

**Donated Services and Goods**

The Task Force records the value of donated goods as contributions using estimated fair values at the date of receipt. The Task Force's policy is to utilize, rather than monetize, donated services and goods.

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.

**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.

**Four Lakes Task Force**  
**Notes to the Financial Statements**  
**December 31, 2022**

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**Date of Management's Review**

Management has evaluated subsequent events through March 6, 2023, which is the date the financial statements were available to be issued.

**Adoption of New Accounting Standard**

The Task Force adopted FASB Topic, *Presentation and Disclosures by Not-For-Profit Entities for Contributed Nonfinancial Assets*, as of the beginning of the year ended December 31, 2022.

**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	\$	3,557,551
Accounts Receivable		1,399,806
Grants receivable		119,539,864
Promises to give		<u>1,000,000</u>
 Total financial assets - end of year		 125,497,221
 Less: Financial assets unavailable for general expenditures within one year, due to:		
Contractual or donor-imposed restrictions		
Restricted by donor with time restrictions		<u>375,000</u>
 Financial assets available to meet cash needs for general expenditures within one year	\$	<u>125,122,221</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, 2022, there was \$6,226,684 related to conditional promises to give from this grant. Additionally, the Task Force had received a grant from the state for \$200,000,000, which is conditional upon a 20% funding match. The amount that was considered a conditional contribution related to this grant as of December 31, 2022 was \$67,008,370. 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:

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

**Four Lakes Task Force**  
**Notes to the Financial Statements**  
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**Note 4 - Conditional Promises to Give**

During the fiscal year, the Task Force received conditional promises to give related to federal grants and state budget appropriations. Payment of the federal grants is contingent upon spending the funds for the designated allowable purpose and various compliance requirements in accordance with 2 CFR 200. Payments of the state appropriations are conditional upon The Task Force matching 20% of the funding to be provided by the state. The conditional contributions consisted of the following as of December 31, 2022:

Condition/ Grant Purpose	Total Contract/Grant Amount	Spent/earned or expired to date	Conditional Contribution
Dam construction and repair - Federal	\$ 28,245,965	\$ 22,019,281	\$ 6,226,684
Dam construction and repair - State	<u>200,000,000</u>	<u>132,991,630</u>	<u>67,008,370</u>
	<u>\$ 228,245,965</u>	<u>\$ 155,010,911</u>	<u>\$ 73,235,054</u>

**Note 5 - Property and Equipment**

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

Furniture and equipment	\$ 17,429
Land improvements	<u>61,845</u>
	79,274
Accumulated depreciation	<u>(17,382)</u>
Property and equipment, net	<u>\$ 61,892</u>

**Note 6 – Construction Commitments**

The Task Force has multiple construction contracts on-going at year end. The total contracts of the projects amounts to \$7,249,688, with \$4,517,862 already being completed and invoiced. This leaves a commitment of \$2,731,825 remaining as of December 31, 2022.

**Note 7 - Line of Credit**

The Task Force has a secured line of credit arrangement totaling \$2,000,000. This arrangement provides for borrowing amounts for short-term use at prime plus 3.25%. As of December 31, 2022, the balance on the line of credit was \$1,136,733 and the interest rate was 7.75%. 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, 2022.

**Four Lakes Task Force**  
**Notes to the Financial Statements**  
**December 31, 2022**

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**Note 8 - Net Assets With Donor Restrictions**

Net assets with donor restrictions are restricted for the following purposes and periods at December 31, 2022:

Promises to give that are not restricted by donors, but which are unavailable for expenditure until due	<u>\$ 1,000,000</u>
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**Note 9 - 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, 2022:

Expiration of time restrictions	<u>\$ 250,000</u>
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**Note 10 - Revenue from Contracts with Customers**

The following summarizes revenue by type for the year ended December 31, 2022:

Revenue from contracts with customers	\$ 1,702,181
Contribution revenue	64,740
Grant revenue	9,849,676
State funding	135,991,630
In-Kind revenue	264,000
Investment income	640
Other revenue	<u>18,911</u>
Total revenue	<u>\$ 147,891,778</u>

The revenue from contracts with customers for the year ended December 31, 2022 consist of:

Revenue earned at a point in time	<u>\$ 1,702,181</u>
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Revenue at a point in time consists of homeowner assessments dues from local homeowners for cost share agreements and special assessments that are collected through the special assessment district with Four Lakes Task Force as the Designated Authority.

**Four Lakes Task Force**  
**Notes to the Financial Statements**  
**December 31, 2022**

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The homeowner assessments contract revenues are 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.

The special assessment contract revenues are based on the special assessments that are levied within the special assessment district as established by the counties of Midland and Gladwin. The performance obligation for the contract is that the Task Force establish and maintain the normal lake levels, including operation, maintenance, and construction, therefore, revenue is recognized when expenses related to the establishment and maintenance of normal lakes levels are incurred. Payments from the homeowners typically are received by the townships, which then remit the amounts to the counties, who then remit the payments to Four Lakes Task Force. This results in a receivable related to contracts with customers for the amounts recognized as revenue until the amounts are received from the county. In the case that the full receivable is not received from all homeowners, the assessments will be increased until the full amount of the special assessment is received, therefore, there is no variable consideration.

The following summarizes contract assets and liabilities as of:

	December 31, 2022	January 1, 2022
<b>Contract Assets</b>		
Accounts receivable	\$ 1,399,806	\$ -
 <b>Contract Liabilities</b>		
Deferred revenue	\$ -	\$ 138,755

There was no bad debt expense as a result of impairment loss on receivables and contract assets on contracts with customers for the year ended December 31, 2022

There were also no changes in judgements related to revenue recognition for the year ended December 31, 2022.

**Four Lakes Task Force**  
**Notes to the Financial Statements**  
**December 31, 2022**

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**Note 11 - Contributed Nonfinancial Assets**

Contributed nonfinancial assets for the year ended December 31, 2022 were:

Category	Revenue Recognized	Utilization in Programs/Activities	Donor Restrictions	Valuation Techniques and Inputs
Volunteers	\$ -	General and administrative	No associated donor restrictions	Total of 9 volunteers that did not meet the criteria for revenue recognition. Not deemed material to the financial statements.
Building	12,000.00	General and administrative	No associated donor restrictions	In valuing the contributed building, which is located in Midland Michigan, Four Lakes Task Force estimated the fair value on the basis of recent comparable sales prices in Midland's real estate market.
Herbicide	122,400	This donation was received and subsequently donated to another not for profit organization that completed vegetation management	No associated donor restrictions	In valuing the herbicide, Four Lakes Task Force based recognized amount on an invoice from the donating party that showed the current price that they would sell the same materials at.
Services	<u>129,600</u>	Various administrative and engineering services	No associated donor restrictions	Contributed services from the CEO, COO and engineer are valued at the estimated fair value based on current rates for similar services.
	<u>\$ 264,000</u>			