

Four Lakes Task Force

Financial Statements

December 31, 2023



YEO & YEO

**BUSINESS SUCCESS
PARTNERS**

Table of Contents

	Page
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



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, 2023, 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, 2023, 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 February 19, 2024 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
February 19, 2024

Four Lakes Task Force
Statement of Financial Position
December 31, 2023

Assets

Current assets

Cash	\$ 19,692,659
Accounts receivable	1,186,547
Grants receivable	50,457,127
Promises to give, current portion	375,000
Prepaid expenses	<u>12,552</u>

Total current assets 71,723,885

Property and equipment, net 199,837

Total assets **\$ 71,923,722**

Liabilities and net assets

Current liabilities

Accounts payable	16,781,992
Payroll liabilities	21,152
Line of credit	<u>1,089,317</u>

Total current liabilities 17,892,461

Net assets

Without donor restrictions, undesignated	53,656,261
With donor restrictions, time restricted for future periods	<u>375,000</u>

Total net assets 54,031,261

Total liabilities and net assets **\$ 71,923,722**

Four Lakes Task Force
Statement of Activities
For the Year Ended December 31, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue, support, and gains (losses)			
Grant revenue			
Federal	\$ 1,216,127	\$ -	\$ 1,216,127
State	16,834,878	-	16,834,878
Special assesment district assessments	1,345,906	-	1,345,906
Contributions	98,809	-	98,809
Contributed nonfinancial assets	129,600	-	129,600
Interest income	380,668	-	380,668
Other income	34,284	-	34,284
Loss on disposal of assets	(9,063)	-	(9,063)
Net assets released from restrictions	625,000	(625,000)	-
	<u>20,656,209</u>	<u>(625,000)</u>	<u>20,031,209</u>
Total revenues			
	<u>20,656,209</u>	<u>(625,000)</u>	<u>20,031,209</u>
Expenses			
Program services	79,083,282	-	79,083,282
Management and general	636,239	-	636,239
	<u>79,719,521</u>	<u>-</u>	<u>79,719,521</u>
Total expenses			
	<u>79,719,521</u>	<u>-</u>	<u>79,719,521</u>
Change in net assets	(59,063,312)	(625,000)	(59,688,312)
Net assets - beginning of year	112,719,573	1,000,000	113,719,573
	<u>112,719,573</u>	<u>1,000,000</u>	<u>113,719,573</u>
Net assets - end of year	\$ 53,656,261	\$ 375,000	\$ 54,031,261
	<u>\$ 53,656,261</u>	<u>\$ 375,000</u>	<u>\$ 54,031,261</u>

Four Lakes Task Force
Statement of Functional Expenses
For the Year Ended December 31, 2023

	Program Services		Total Program Services	Management and General	Total
	Dam Construction & Repair Projects	Dam Operations & Maintenance			
Salaries and wage related costs					
Salaries and wages	\$ 108,358	\$ 190,834	\$ 299,192	\$ 171,958	\$ 471,150
Payroll taxes	8,635	14,347	22,982	13,411	36,393
Employee benefits	6,392	18,812	25,204	7,883	33,087
	<u>123,385</u>	<u>223,993</u>	<u>347,378</u>	<u>193,252</u>	<u>540,630</u>
Total salaries and related costs					
Contract services	993,817	-	993,817	129,600	1,123,417
Communication	-	-	-	168,166	168,166
Insurance	-	8,595	8,595	-	8,595
Interest expense	-	-	-	104,895	104,895
Depreciation expense	-	16,946	16,946	-	16,946
Professional services	-	-	-	40,326	40,326
Project costs	77,087,243	-	77,087,243	-	77,087,243
Operating	-	588,567	588,567	-	588,567
Other expenses	40,736	-	40,736	-	40,736
	<u>78,245,181</u>	<u>838,101</u>	<u>79,083,282</u>	<u>636,239</u>	<u>79,719,521</u>
Total expenses					

Four Lakes Task Force
Statement of Cash Flows
For the Year Ended December 31, 2023

Cash flows from operating activities	
Change in net assets	\$ (59,688,312)
Items not requiring cash	
Depreciation	16,946
Loss on disposal of fixed assets	9,063
Changes in operating assets and liabilities	
Accounts receivable	213,259
Grants receivable	69,082,737
Promises to give	625,000
Prepaid expenses	461,626
Accounts payable	5,646,788
Payroll liabilities	<u>(20,629)</u>
Net cash provided by operating activities	<u>16,346,478</u>
Cash flows from investing activities	
Proceeds from sale of property and equipment	18,500
Purchases of property and equipment	<u>(182,454)</u>
Net cash used by investing activities	<u>(163,954)</u>
Cash flows from financing activities	
Changes in line of credit	<u>(47,416)</u>
Net change in cash	16,135,108
Cash - beginning of year	<u>3,557,551</u>
Cash - end of year	<u>\$ 19,692,659</u>
Supplemental information	
Interest paid	<u>\$ 103,285</u>

Four Lakes Task Force
Notes to the Financial Statements
December 31, 2023

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, 2023, \$310,766 of the organizations bank balance of \$20,030,340 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

Trade accounts receivable are stated net of an allowance for credit losses. The Organization estimates the allowance based on an analysis of specific accounts, taking into consideration the age of past due accounts, an assessment of ability to pay, current conditions, and reasonable and supportable forecasts. Individual receivables are written off as a charge to the allowance for credit losses when, in management's estimation, it is probable that the receivable is worthless. In the current year, due to the nature of the trade receivables, there were no expected credit losses on accounts receivable.

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, 2023

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, 2023.

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, 2023

Date of Management's Review

Management has evaluated subsequent events through February 19, 2024, which is the date the financial statements were available to be issued.

Adoption of New Accounting Standard

The Task Force adopted FASB Topic 326, *Financial Instruments – Credit Losses*, as of the beginning of the year ended December 31, 2023. FASB Topic 326 revises the accounting requirements related to the measurement of credit losses and requires organizations to measure all expected credit losses for financial assets based on historical experience, current conditions, and reasonable and supportable forecasts about collectability. Assets must be presented in the financial statements at the net amount expected to be collected. This has been adopted prospectively using the modified retrospective approach, which restates the balances as of the date of adoption. Beginning net assets for the year ended December 31, 2023 did not change as a result of this standard

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	\$ 19,692,659
Accounts Receivable	1,186,547
Grants receivable	50,457,127
Promises to give	<u>375,000</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 71,711,333</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. 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, 2023 was \$50,555,525. The Task Force also has a \$2,000,000 line of credit available to meet cash flow needs.

Four Lakes Task Force
Notes to the Financial Statements
December 31, 2023

Note 3 - Promises to Give

Promises to give are scheduled to be collected as follows:

2024 \$ 375,000

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, 2023:

Condition/ Grant Purpose	Total Contract/Grant Amount	Spent/earned or expired to date	Conditional Contribution
Dam construction and repair - State	<u>\$ 200,000,000</u>	<u>\$ 149,444,475</u>	<u>\$ 50,555,525</u>

Note 5 - Property and Equipment

Major classes of assets and related accumulated depreciation thereon are summarized as follows at December 31, 2023:

Furniture and equipment	\$ 68,929
Land improvements	61,845
Vehicles	<u>103,391</u>
Accumulated depreciation	<u>(34,328)</u>
Property and equipment, net	<u>\$ 199,837</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 \$240,574,316, with \$69,764,396 already being completed and invoiced. This leaves a commitment of \$170,809,920 remaining as of December 31, 2023

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, 2023, the balance on the line of credit was \$1,089,317 and the interest rate was 8.75%. 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, 2023.

Four Lakes Task Force
Notes to the Financial Statements
December 31, 2023

Note 8 - Net Assets With Donor Restrictions

Net assets with donor restrictions are restricted for the following purposes and periods at December 31, 2023:

Promises to give that are not restricted by donors, but which are unavailable for expenditure until due	<u>\$ 375,000</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 ended December 31, 2023:

Expiration of time restrictions	<u>\$ 625,000</u>
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Note 10 - Revenue from Contracts with Customers

The following summarizes revenue by type for the year ended December 31, 2023:

Revenue from contracts with customers	\$ 1,345,906
Contribution revenue	98,809
Grant revenue	1,216,127
State funding	16,834,878
Contributed nonfinancial assets	129,600
Interest Income	380,668
Other revenue	34,284
Loss on disposal of assets	<u>(9,063)</u>
Total revenue	<u>\$ 20,031,209</u>

The revenue from contracts with customers for the year ended December 31, 2023 consist of:

Revenue earned at a point in time	<u>\$ 1,345,906</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.

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.

Four Lakes Task Force
Notes to the Financial Statements
December 31, 2023

The following summarizes contract assets and liabilities as of:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>	<u>January 1, 2022</u>
Contract Assets			
Accounts receivable	\$ <u>1,186,547</u>	\$ <u>1,399,806</u>	\$ <u>-</u>
Contract Liabilities			
Deferred revenue	\$ <u>-</u>	\$ <u>-</u>	\$ <u>138,755</u>

There were also no changes in judgements related to revenue recognition for the year ended December 31, 2023.

Note 11 - Contributed Nonfinancial Assets

Contributed nonfinancial assets for the year ended December 31, 2023 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.
Services	<u>129,600</u> \$ <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.