

Four Lakes Task Force

Financial Statements

December 31, 2025



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, 2025, 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, 2025, 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. 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 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 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.

Yeo & Yeo, P.C.

Midland, MI
March 10, 2026

Four Lakes Task Force
Statement of Financial Position
December 31, 2025

Assets

Current assets

Cash	\$ 40,954,841
Accounts receivable	11,824,402
Grants receivable	11,256,544
Prepaid expenses	<u>13,399</u>

Total current assets 64,049,186

Custodial cash - debt repayment fund 262,710

Property and equipment, net 194,031

Total assets **\$ 64,505,927**

Liabilities and net assets

Current liabilities

Accounts payable	\$ 24,174,753
Payroll liabilities	19,473
Custodial liability - debt repayment fund	262,710
Deferred revenue from bond proceeds	34,366,105
Line of credit	<u>1,083,400</u>

Total current liabilities 59,906,441

Net assets

Without donor restrictions, undesignated 4,599,486

Total liabilities and net assets **\$ 64,505,927**

Four Lakes Task Force
Statement of Activities
For the Year Ended December 31, 2025

Revenue, support, and gains

Grant revenue		
Federal	\$	61,757
State		37,378,585
Contract revenue		
Special assessment district - operating		1,321,451
Dam project management and construction services from bond proceeds		43,202,582
Dam project management and construction services from bond prepayments on Series I		10,584,534
Contributions		21,669
Contributed nonfinancial assets		129,600
Interest income - operating		140,165
Interest income - first bond series		1,024,304
Other revenue		650
		<hr/>
Total revenue, support, and gains		93,865,297
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Expenses

Program services		74,752,893
Management and general		1,041,955
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Total expenses		75,794,848
		<hr/>

Change in net assets

		18,070,449
Net assets (deficit) - beginning of year		(13,470,963)
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Net assets - end of year	\$	4,599,486
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Four Lakes Task Force
Statement of Functional Expenses
For the Year Ended December 31, 2025

	Program Services		Total Program Services	Management and General	Total
	Dam Construction & Repair Projects	Dam Operations & Maintenance			
Salaries and wage related costs					
Salaries and wages	\$ -	\$ 218,344	\$ 218,344	\$ 209,632	\$ 427,976
Payroll taxes	-	16,853	16,853	15,527	32,380
Employee benefits	-	42,380	42,380	12,845	55,225
Total salaries and wage related costs	-	277,577	277,577	238,004	515,581
Contract services	567,304	-	567,304	129,600	696,904
Communication	-	-	-	122,781	122,781
Insurance	-	8,642	8,642	12,080	20,722
Interest expense	-	-	-	72,012	72,012
Depreciation expense	-	44,456	44,456	-	44,456
Professional services	-	-	-	140,037	140,037
Project costs	73,165,869	-	73,165,869	-	73,165,869
Operating	-	570,538	570,538	-	570,538
Other expenses	118,507	-	118,507	327,441	445,948
Total expenses	<u>\$ 73,851,680</u>	<u>\$ 901,213</u>	<u>\$ 74,752,893</u>	<u>\$ 1,041,955</u>	<u>\$ 75,794,848</u>

Four Lakes Task Force
Statement of Cash Flows
For the Year Ended December 31, 2025

Cash flows from operating activities	
Change in net assets	\$ 18,070,449
Items not requiring cash	
Depreciation	44,456
Changes in operating assets and liabilities	
Accounts receivable	(10,289,256)
Grants receivable	(11,256,544)
Prepaid expenses	(237)
Accounts payable	13,268,134
Payroll liabilities	(14,913)
Refundable advances	(13,282,865)
Custodial liability - debt repayment fund	262,710
Deferred revenue from bond proceeds	34,366,105
Other Deferred revenue	<u>(69,726)</u>
Net cash provided by operating activities	31,098,313
 Cash flows from financing activities	
Changes in line of credit	<u>(305,917)</u>
Net change in cash	30,792,396
Cash and restricted cash - beginning of year	<u>10,425,155</u>
Cash and restricted cash - end of year	<u><u>\$ 41,217,551</u></u>
 Cash and restricted cash	
Cash	\$ 40,954,841
Custodial cash account - debt repayment fund	<u>262,710</u>
Total cash and restricted cash	<u><u>\$ 41,217,551</u></u>
 Supplemental information	
Interest paid	<u><u>\$ 72,012</u></u>

See Accompanying Notes to the Financial Statements

Four Lakes Task Force
Notes to the Financial Statements
December 31, 2025

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. Although reported as net assets without donor restrictions, a significant portion of the Task Force's net assets is expected to be utilized for ongoing project-related activities.

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, 2025, \$38,493,654 of the Task Force's bank balance of \$41,404,911 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.

Custodial Cash

Special assessment collections received by the Task Force that are designated for principal and interest payments on special assessment bonds are held by the Task Force in a custodial capacity on behalf of the Special Assessment District and the Counties. Accordingly, amounts collected for debt service are recorded as custodial liabilities and do not affect the Task Force's net assets. During the year ending December 31, 2025, an interest payment was made for \$1,707,612. Principal payments on the special assessment bond do not start until 2026.

Prepaid Expenses

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

Four Lakes Task Force
Notes to the Financial Statements
December 31, 2025

Accounts Receivable

Trade accounts receivable are stated net of an allowance for credit losses. The Task Force 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.

Grants Receivable

Grants receivable consist of revenue under grant agreements that were earned prior to year-end for which payment has not been received. Grants receivable credit risk is limited due to the nature of the grants. The Task Force considers all grants receivable as collectible and all are expected to be collected within the next year.

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.

In 2025, the counties of Midland and Gladwin issued the first of two series of General Obligation Limited Tax Bonds in the amount of \$78,205,000 with premium of \$1,791,189. The Task Force recognizes bond-related project revenue only for services it performs, including project management, engineering oversight, administrative activities, and other allowable services. When the Task Force incurs eligible costs related to these activities, it is entitled to reimbursement from bond proceeds. Revenue is recognized in an amount equal to the reimbursable costs incurred, as these costs represent services provided in exchange for payment.

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.

Four Lakes Task Force
Notes to the Financial Statements
December 31, 2025

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.

Date of Management's Review

Management has evaluated subsequent events through March 10, 2026, which is the date the financial statements were available to be issued.

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	\$	40,954,841
Accounts receivable		11,824,402
Grants receivable		<u>11,256,544</u>
Financial assets available to meet cash needs for general expenditures within one year	\$	<u>64,035,787</u>

The Task Force's goal is generally to maintain financial assets to meet 6 months of operating expenses. At December 31, 2025, the Task Force had \$34,366,105 included in deferred revenue related to future construction expenses for the dams. The Task Force also has a \$2,500,000 line of credit available to meet cash flow needs.

Note 3 - 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. The conditional contributions consisted of the following as of December 31, 2025:

Condition/ Grant Purpose	Total Contract/Grant Amount	Spent/earned or expired to date	Conditional Contribution
Dam construction and repair - Federal	\$ 305,732	\$ 285,889	\$ 19,843

Four Lakes Task Force
Notes to the Financial Statements
December 31, 2025

Note 4 - Property and Equipment

Major classes of assets and related accumulated depreciation thereon are summarized as follows at December 31, 2025:

Furniture and equipment	\$ 79,225
Land improvements	61,845
Vehicles	170,122
Accumulated depreciation	<u>(117,161)</u>
Property and equipment, net	<u>\$ 194,031</u>

Note 5 - Construction Commitments

The Task Force has multiple construction contracts on-going at year end. The total contracts of the projects amount to \$334,949,892, with \$212,642,442 already being completed and invoiced. This leaves a commitment of \$122,307,450 remaining as of December 31, 2025.

Note 6 - Line of Credit

The Task Force has a secured line of credit arrangement totaling \$2,500,000. This arrangement provides for borrowing amounts for short-term use at prime plus 0.25%. As of December 31, 2025, the balance on the line of credit was \$1,083,400 and the interest rate was 7.00%. The line of credit is secured by all inventory, accounts, 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, 2025.

Note 7 - Interest Income

During the year ended December 31, 2025, the Four Lakes Task Force earned interest income from cash held pending construction expenditures and other operating needs. Interest income totaled \$1,164,469, consisting of \$1,024,304 earned on temporarily invested bond-funded project cash and \$140,165 earned on operating cash balances. In accordance with the bond financing arrangements, interest earned on bond-funded project cash is required to be used for related capital improvement activities and is limited in use based on those contractual requirements.

Four Lakes Task Force
Notes to the Financial Statements
December 31, 2025

Note 8 - Revenue from Contracts with Customers

The following summarizes revenue by type for the year ended December 31, 2025:

Revenue from contracts with customers	\$ 55,108,567
Contribution revenue	21,669
Grant revenue	37,440,342
Contributed nonfinancial assets	129,600
Interest income	1,164,469
Other revenue	<u>650</u>
 Total revenue	 <u>\$ 93,865,297</u>

The revenue from contracts with customers for the year ended December 31, 2025 consist of:

Revenue earned at a point in time	<u>\$ 55,108,567</u>
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Revenue recognized at a point in time consists of special assessments levied within the Four Lakes Special Assessment District, for which the Four Lakes Task Force serves as the Designated Authority.

Special assessment contract operating revenue is based on assessments established by the counties of Midland and Gladwin. Under these arrangements, the Task Force's performance obligation is to establish and maintain normal lake levels, including activities related to construction, operation, and maintenance. Accordingly, revenue is recognized as the Task Force incurs eligible expenses in fulfilling these obligations.

Homeowners remit assessment payments to local townships, which forward collections to the counties; the counties then remit amounts to the Task Force. Revenue is recognized when earned, regardless of when cash is received. Until remittances are received, the Task Force records a contract receivable for amounts recognized as revenue but not yet collected. The total assessment amount is fixed by the approved assessment roll, and any collection shortfalls from individual homeowners are recovered through future assessments. As a result, the Task Force has determined that no variable consideration exists related to these contracts.

In addition to special assessment operating revenues, the Task Force receives funding for project-related activities from special assessment bonds issued by the Counties of Midland and Gladwin, as well as from assessment prepayments associated with bonds that have been issued. The Counties retain responsibility for issuance and repayment of the bonds.

Amounts received from bond proceeds prior to the performance of eligible services are recorded as deferred revenue and are recognized as revenue only as the Task Force performs services under its Delegated Authority agreements, including project management, engineering, and administrative activities. Revenue is recognized at the point in time when such services are performed, in an amount equal to the reimbursable costs incurred.

Assessment prepayments related to bonds that have been issued represent consideration for services to be performed and are recognized as revenue on the same basis as bond-funded services, as the Task Force performs the related eligible activities. Assessment prepayments related to bonds that have not yet been issued are not recognized as revenue and are disclosed in the notes to the financial statements.

Four Lakes Task Force
Notes to the Financial Statements
December 31, 2025

The following summarizes contract assets and liabilities as of:

	December 31, 2025	January 1, 2025
Contract Assets		
Accounts receivable	\$ 11,824,402	\$ 1,535,146
Contract Liabilities		
Deferred revenue	\$ 34,366,105	\$ 69,726

There were also no changes in judgements related to revenue recognition for the year ended December 31, 2025.

Note 9 - Contributed Nonfinancial Assets

Contributed nonfinancial assets for the year ended December 31, 2025 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.
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.

Note 10 - Bond Prepayments

In 2025, the counties of Midland and Gladwin, in conjunction with the Four Lakes Task Force Special Assessment District, issued the first of two series of General Obligation Limited Tax Bonds in the amount of \$78,205,000, with an amount \$1,791,189 in related premium. Property owners within the Special Assessment District were provided the option to prepay their portion of the special assessment to avoid future interest costs.

The Task Force recognized revenue for the portion of assessment prepayments related to Series I of the bonds, which were issued during the year and are reflected in the accompanying Statement of Activities. Assessment prepayments associated with Series II of the bonds were collected by the counties during 2025; however, because Series II bonds had not yet been issued and the Task Force had not received the related funds as of December 31, 2025, these amounts were not recorded as assets or liabilities of the Task Force.

Although the Task Force is legally entitled to the Series II prepayments, revenue recognition criteria had not been met as of year-end. Accordingly, no receivable or deferred revenue was recorded, and such amounts will be recognized in the period in which Series II bonds are issued and the related recognition requirements are satisfied. As of December 31, 2025, total assessment prepayments collected by the counties related to Series II totaled \$8,325,485.

Four Lakes Task Force
Notes to the Financial Statements
December 31, 2025

Note 11 - Subsequent Event

Subsequent to year end, the Task Force received notifications from multiple funding sources regarding anticipated awards to support completion of the dam construction projects. These awards include a \$9.8 million budget appropriation from the State of Michigan, a \$2.25 million federal budget appropriation, a \$400,000 grant from the Michigan Department of Natural Resources Trust Fund, and an approximately \$1.4 million subrecipient grant from the Michigan Department of Environment, Great Lakes, and Energy (EGLE).