

**Four Lakes Task Force**

**Financial Statements**

**December 31, 2020**



## Table of Contents

	<b>Page</b>
Independent Auditors' Report	1
Basic Financial Statements	
Statement of Financial Position	2
Statement of Activities	3
Statement of Functional Expenses	4
Statement of Cash Flows	5
Notes to the Financial Statements	6



800.968.0010 | yeoandyeo.com

## Independent Auditors' Report

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

We have audited the accompanying financial statements of Four Lakes Task Force which comprise the statement of financial position as of December 31, 2020, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

### Management's Responsibility for the Financial Statements

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

### Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Opinion

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, 2020, 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.

*Yeo & Yeo, P.C.*

Midland, MI  
March 24, 2021

**Four Lakes Task Force**  
**Statement of Financial Position**  
**December 31, 2020**

---

	<u>2020</u>
<b>Assets</b>	
Current assets	
Cash	\$ 6,129,653
Grants receivable	12,666,146
Promises to give, current portion	1,134,623
Prepaid expenses	<u>2,692</u>
Total current assets	19,933,114
Property and equipment, net	63,489
Promises to give, net of current portion	<u>1,500,000</u>
<b>Total assets</b>	<b><u>\$ 21,496,603</u></b>
<b>Liabilities and net assets</b>	
Current liabilities	
Accounts payable	\$ 961,440
Payroll liabilities	3,817
Accrued expenses	1,944,120
Deferred revenue	138,755
Line of credit	<u>139,964</u>
Total current liabilities	<u>3,188,096</u>
<b>Net assets</b>	
Without donor restrictions, undesignated	15,648,884
With donor restrictions, purpose	<u>2,659,623</u>
Total net assets	<u>18,308,507</u>
<b>Total liabilities and net assets</b>	<b><u>\$ 21,496,603</u></b>

See Accompanying Notes to the Financial Statements

**Four Lakes Task Force**  
**Statement of Activities**  
**For the Year Ended December 31, 2020**

	Without Donor Restrictions	With Donor Restrictions	Total 2020
<b>Revenues</b>			
Grants			
State of Michigan	\$ 17,500,000	\$ -	\$ 17,500,000
The Dow Chemical Company	100,000	-	100,000
Natural Resources Conservation Service	666,146	-	666,146
Wixom Lake Association	-	25,000	25,000
Contributions	1,147,915	2,634,623	3,782,538
In-kind contributions	417,119	-	417,119
Net investment income	24,788	-	24,788
Net assets released from restrictions	<u>3,376,388</u>	<u>(3,376,388)</u>	<u>-</u>
 Total revenues	 <u>23,232,356</u>	 <u>(716,765)</u>	 <u>22,515,591</u>
<b>Expenses</b>			
Program services	3,880,025	-	3,880,025
Management and general	<u>1,728,945</u>	<u>-</u>	<u>1,728,945</u>
 Total expenses	 <u>5,608,970</u>	 <u>-</u>	 <u>5,608,970</u>
 <b>Revenues over expenses</b>	 17,623,386.00	 (716,765.00)	 16,906,621.00
 Impairment loss	 <u>2,396,424.00</u>	 <u>-</u>	 <u>2,396,424</u>
 <b>Change in net assets</b>	 15,226,962	 (716,765)	 14,510,197
Net assets - beginning of year	<u>421,922</u>	<u>3,376,388</u>	<u>3,798,310</u>
 <b>Net assets - end of year</b>	 <u>\$ 15,648,884</u>	 <u>\$ 2,659,623</u>	 <u>\$ 18,308,507</u>

See Accompanying Notes to the Financial Statements

**Four Lakes Task Force  
Statement of Functional Expenses  
For the Year Ended December 31, 2020**

	Program Services	Management and General	2020 Total
Salaries and wage related costs			
Salaries and wages	\$ -	\$ 16,785	\$ 16,785
Payroll taxes	-	1,814	1,814
Employee benefits	-	3,171	3,171
Total Salaries and related costs	-	21,770	21,770
Contract services	2,672,558	1,180,913	3,853,471
Equipment purchase	-	1,300	1,300
Equipment rental	211,988	-	211,988
Insurance	-	27,467	27,467
Interest expense	-	3,153	3,153
Depreciation expense	-	1,834	1,834
Professional services	-	460,237	460,237
Property taxes	-	4,651	4,651
Operating	-	27,620	27,620
Other Expenses	1,300	-	1,300
Repairs and maintenance	994,179	-	994,179
Total expenses	<u>\$ 3,880,025</u>	<u>\$ 1,728,945</u>	<u>\$ 5,608,970</u>

**Four Lakes Task Force**  
**Statement of Cash Flows**  
**For the Year Ended December 31, 2020**

---

<b>Cash flows from operating activities</b>	<u>2020</u>
Change in net assets	\$ 14,510,197
Depreciation	1,834
loss on disposal of property and equipment	820,424
Changes in operating assets and liabilities	
Grants receivable	(12,666,146)
Promises to give	(2,634,623)
Prepaid expenses	(2,692)
Accounts payable	961,440
Payroll liabilities	3,817
Accrued expenses	1,944,120
Deferred revenues	<u>138,755</u>
Net cash provided by operating activities	<u>3,077,126</u>
 <b>Cash flows from investing activities</b>	
Purchases of property and equipment	<u>(284,179)</u>
 <b>Cash flows from financing activities</b>	
Net borrowings under line of credit	139,964
Payments on dam purchase obligation	<u>(200,000)</u>
Net cash used by financing activities	<u>(60,036)</u>
Net change in cash	2,732,911
Cash - beginning of year	<u>3,396,742</u>
 <b>Cash - end of year</b>	 <u><u>\$ 6,129,653</u></u>
 <b>Supplemental schedule of non-cash financing activities</b>	
Release from dam purchase obligation and disposal of property and equipment	<u><u>\$ (8,880,000)</u></u>

**Four Lakes Task Force**  
**Notes to the Financial Statements**  
**December 31, 2020**

---

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

**Nature of Activities**

The Four Lakes 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, 2020, \$984,353 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.

**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.

**Property and Equipment**

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.



**Four Lakes Task Force**  
**Notes to the Financial Statements**  
**December 31, 2020**

---

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 as contributions using estimated fair values at the date of receipt. The Task Force recognized donated supplies of \$1,300 for the year ended December 31, 2020.

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, and Chief Operating Officer services, construction, engineering, and project management services, and financial services for the Task Force totaling \$415,819 for the years ended December 31, 2020.

**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 24, 2021, which is the date the financial statements were available to be issued.

**Four Lakes Task Force**  
**Notes to the Financial Statements**  
**December 31, 2020**

---

**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	\$	6,129,653
Grants receivable		12,666,146
Promises to give		<u>2,634,623</u>
Total financial assets - end of year		21,430,422
Less: Financial assets unavailable for general expenditures within one year, due to:		
Contractual or donor-imposed restrictions		
Restricted by donor with time or purpose restrictions		
		<u>1,525,000</u>
Financial assets available to meet cash needs for general expenditures within one year		<u><u>\$ 19,905,422</u></u>

The Task Force received a grant for \$25,000 from the Wixom Lake Association, these amounts are restricted to being spent on project related to the restoration of Wixom Lake. The remaining \$1.5 Million with donor restrictions consists of promises to give with time restrictions based on the date that the pledges are due to be received.

**Note 3 - Promises to Give**

Promises to give are scheduled to be collected as follows:

		<u>2020</u>
2021	\$	1,134,623
2022		875,000
2023		375,000
2024		<u>250,000</u>
	\$	<u><u>2,634,623</u></u>

**Four Lakes Task Force**  
**Notes to the Financial Statements**  
**December 31, 2020**

---

**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:

Condition/ Grant Purpose	Total Contract/Grant Amount	Spent to Date	Conditional Contribution
Dam construction and repair	\$ 10,036,624	\$ 666,146	\$ 9,370,178

**Note 5 - Property and Equipment**

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

	2020
Land	\$ 59,466
Furniture and equipment	4,828
	64,294
Accumulated depreciation	(805)
Property and equipment, net	\$ 63,489

**Note 6 - Line of Credit**

In 2020, Four Lakes Task Force, absorbed a line of credit held by Four Lakes Operations Company Inc. Four Lakes Operations Company inc. was a company that was formed in 2020 to maintain the operations of the dam, the company was 100% owned by Four Lakes Task Force. When the dams failed, Four Lakes Operations Company Inc. was dissolved, and Four Lakes Task Force absorbed the line of credit and all related expenses for repairs and maintenance of the dam incurred by Four Lakes Operations Company Inc. As a result, The Task Force has an unsecured line of credit arrangement totaling \$250,000. This arrangement provides for borrowing amounts for short-term use at prime plus 3.25%. As of December 31, 2020, the balance on the line of credit was \$139,694.

**Four Lakes Task Force**  
**Notes to the Financial Statements**  
**December 31, 2020**

---

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

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

	2020
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	2,634,623
Total net assets with donor restrictions	\$ 2,659,623

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

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose specified by the donors as follows for the years ended December 31:

	2020
Satisfaction of purpose restrictions	
Dam purchase and restoration	\$ 3,376,388

**Note 9 - Operating Lease**

The Task Force is leasing two trucks, The current lease expires in December 2023. Future lease payments consist of the following:

2021		\$ 15,124
2022		15,124
2023		13,864
		\$ 30,248

**Note 10 - Related Party Transactions**

The Task Force is contracted with a local financial consulting firm for financial matters. A member of this firm is also an Officer of the Task Force. The amount paid to this firm for these services for the years ending December 31, 2020 was \$63,250. In addition, there was \$14,875 of donated services contributed from this firm during 2020.

The Task Force is contracted with a local property investment firm for book-keeping services. A minority owner of this firm is also on the Board of the Task Force. The Task Force has contracted with this firm to simplify operations and utilize payroll and benefit infrastructure that is already in place at this firm. The amount paid to this firm for these services for the years ending December 31, 2020 was \$71,456.

**Four Lakes Task Force**  
**Notes to the Financial Statements**  
**December 31, 2020**

---

**Note 11 - Global Pandemic**

As result of the global coronavirus pandemic of 2020, many organizations' financial picture has seen an unanticipated change. The duration and full effects of the outbreak are currently unknown, as the global picture continues to change daily. Currently, it is not possible to estimate the extent of any potential net losses or to determine if any of the change in fair values are other than temporary in nature. Accordingly, no adjustments to the financial statements were made as a result of this.