



**FRIENDS OF LAKE LEELANAU
ANNUAL FINANCIAL REPORT
YEAR ENDED DECEMBER 31, 2022**

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Friends of Lake Leelanau

Opinion

We have audited the accompanying financial statements of Friends of Lake Leelanau (the "Organization"), which comprise the statement of financial position as of December 31, 2022, and the related statements of activities 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 the Organization 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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Organization 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 the Organization's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's 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 auditor's 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 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 the Organization'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 the Organization'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.



Gabridge & Company, PLC
Grand Rapids, Michigan
June 23, 2023

Friends of Lake Leelanau
Statement of Financial Position
As of December 31, 2022

ASSETS	
<i>Current Assets</i>	
Cash and Cash Equivalents	\$ 24,658
Investments	3,097,200
<i>Total Current Assets</i>	<u>3,121,858</u>
LIABILITIES AND NET ASSETS	
Accounts Payable	<u>925</u>
<i>Total Liabilities</i>	<u>925</u>
NET ASSETS	
Without Donor Restrictions	<u>3,120,933</u>
<i>Total Net Assets</i>	<u>3,120,933</u>
Total Liabilities and Net Assets	<u>\$ 3,121,858</u>

Friends of Lake Leelanau
Statement of Activities
For the Year Ended December 31, 2022

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenues, Gains and Other Support			
Contributions	\$ 3,088,548	\$ -	\$ 3,088,548
Investment Income	28,670	-	28,670
<i>Total Revenues, Gains and Other Support</i>	<u>3,117,218</u>	<u>-</u>	<u>3,117,218</u>
Expenses			
Program Services	-	-	-
Management and General	5,584	-	5,584
Fundraising	1,570	-	1,570
<i>Total Expenses</i>	<u>7,154</u>	<u>-</u>	<u>7,154</u>
<i>Change In Net Assets</i>	3,110,064	-	3,110,064
<i>Net Assets at Beginning of Period</i>	10,869	-	10,869
<i>Net Assets at End of Period</i>	<u>\$ 3,120,933</u>	<u>\$ -</u>	<u>\$ 3,120,933</u>

Friends of Lake Leelanau
Statement of Cash Flows
For the Year Ended December 31, 2022

Cash Flows From Operating Activities

Increase in Net Assets	\$	3,110,064
Adjustments to Reconcile Increase in Net Assets to Net Cash Provided by Operating Activities:		
Investment Income		(29,541)
Changes in Operating Assets and Liabilities:		
Accounts Payable		925
<i>Net Cash and Cash Equivalents Provided by Operating Activities</i>		3,081,448

Cash Flows From Investing Activities

Purchases of Operating Investments		(3,067,659)
<i>Net Cash Used by Investing Activities</i>		(3,067,659)
Net Increase in Cash and Cash Equivalents		13,789
<i>Cash and Cash Equivalents at Beginning of Period</i>		10,869
<i>Cash and Cash Equivalents at End of Period</i>	\$	24,658

Friends of Lake Leelanau

Notes to the Financial Statements

Note 1 – Nature of Organization and Significant Accounting Policies

Friends of Lake Leelanau (the “Organization”) is an independent public foundation that was established in the fall of 2021 to provide a source of recurring revenue to maintain the purity and integrity of the lake’s waters for future generations.

Basis of Accounting and Presentation

The financial statements have been prepared on the accrual basis of accounting and otherwise in accordance with generally accepted accounting principles applicable to not-for-profit organizations in the United States of America.

Cash and Cash Equivalents

Cash and cash equivalents consist of demand deposits in banks and cash equivalents included in investment accounts. The Organization maintains deposits that are insured by the Federal Deposit Insurance Corporation up to \$250,000. Management believes that the Organization is not exposed to any significant interest rate or other risk on these deposits.

Investments

Investment purchases are recorded at cost, or if donated, at fair value on the date of donation. Thereafter, investments are reported at their fair values in the statements of financial position. Net investment return/(loss) is reported in the statements of activities and consists of interest and dividend income, realized and unrealized capital gains and losses, less external and direct internal investment expenses.

Net Asset Classifications

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor-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 restrictions.

Net assets with donor restrictions - Net assets subject to donor-imposed restrictions. Donor-imposed restrictions may be 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 those 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 resources was restricted has been fulfilled, or both.

The Organization did not have any net assets with donor restrictions as of December 31, 2022.

Friends of Lake Leelanau

Notes to the Financial Statements

Revenue Recognition

The Organization recognizes revenue from individual donor's contributions and from investment returns.

Contributions are recognized when donations are received. Donor-restricted contributions are reported as increases in net assets with donor restrictions depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions. Contributions that are restricted by the donor or grantor are reported as increases in net assets without donor restrictions if the restrictions expire in the fiscal year in which the contributions are recognized. There were no donor-restricted contributions received in 2022.

Income Taxes

The Organization qualifies as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code and is exempt from similar state and local taxes. Accordingly, no provision has been made for income taxes in the accompanying financial statements.

Use of Estimates

The process of preparing financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenses. Actual amounts could differ from those estimates.

Note 2 – Liquidity and Availability

The financial assets as of December 31, 2022, which are available for general expenses within one year of the statement of financial position date, comprise the following:

Cash and Cash Equivalents	<u>\$ 24,658</u>
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As part of the Organization's liquidity management, it has a policy to structure its financial assets to be available as its general expenses, liabilities, and other obligations come due.

Note 3 – Cash and Cash Equivalents

The Organization holds a checking account located at Huntington Bank and cash equivalents held at Stifel containing a total bank balance and carrying amount of \$6,195 and \$18,464 respectively, all of which was insured as of December 31, 2022.

Friends of Lake Leelanau

Notes to the Financial Statements

Note 4 – Investments

Accounting standards require certain assets and liabilities be reported at fair value in the financial statements and provide a framework for establishing that fair value. The framework for determining fair value is based on a hierarchy that prioritizes the inputs and valuation techniques used to measure fair value.

Fair values determined by Level 1 inputs are quoted prices in active markets for identical assets or liabilities that the Organization has the ability to access.

Fair values determined by Level 2 inputs use other inputs that are observable, either directly or indirectly. These Level 2 inputs include quoted prices for similar assets and liabilities in active markets and other inputs, such as interest rates and yield curves, that are observable at commonly quoted intervals.

Level 3 inputs are unobservable inputs, including inputs that are available in situations where there is little, if any, market activity for the related asset or liability. These Level 3 fair value measurements are based primarily on management's own estimates using pricing models, discounted cash flow methodologies, or similar techniques taking into account the characteristic of the asset or liability.

In instances whereby inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The Organization's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset or liability.

Following is a description of the valuation methodologies used for assets measured at fair value at December 31, 2022.

Mutual Funds: Value at the net asset value (NAV) of shares held by the Organization at year-end.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The Organization's investment assets at fair value, as of December 31, 2022 consisted of equity exchange traded funds in the amount of \$3,097,200. As required by GAAP, investment assets are classified in their entirety based upon the lowest level of input that is significant to the fair value measurement. The investments are valued at quoted market prices at December 31, 2022, which has a Level 2 input.

Friends of Lake Leelanau

Notes to the Financial Statements

The following table summarizes the Organization's investment activity:

	December 31, 2022
Beginning Balance	\$ -
Investment Purchases	3,067,659
Market Appreciation (Depreciation)	858
Dividend Income	16,052
Interest Income	207
Unrealized Gain (Loss)	(2,793)
Capital Gain Distributions	15,217
<i>Ending Balance</i>	\$ 3,097,200

Note 5 – Functional Expense Allocation

The costs of providing programs and other supporting activities have been summarized on the functional basis below:

	Program Services	Management and General	Fundraising	Total
Fundraising Expenses	\$ -	\$ -	\$ 1,570	\$ 1,570
Stationary & Office Supplies	-	243	-	243
Printing	-	2,602	-	2,602
Postage	-	179	-	179
Bank Service Charges & Investment Fees	-	2,560	-	2,560
<i>Total Functional Expenses</i>	\$ -	\$ 5,584	\$ 1,570	\$ 7,154

Note 6 – Subsequent Events

In preparing these financial statements, management has evaluated, for potential recognition or disclosure, significant events or transactions that occurred during the period subsequent to December 31, 2022, the most recent statement of net assets presented herein, through June 23, 2023, the date these financial statements were available to be issued.

June 23, 2023

To the Board of Directors

Friends of Lake Leelanau
Leland, MI

We have audited the financial statements of Friends of Lake Leelanau (the “Organization”) for the year ended December 31, 2022, and we will issue our report thereon dated June 23, 2023. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated April 13, 2023. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Matters

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Organization are described in Note 1 to the financial statements. We noted no transactions entered into by the Organization during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management’s knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statements were:

- Management’s allocation of the classification of functional expenses between program, management and general, and fundraising expenses. The allocations were based on analysis and past experience. We evaluated the key factors and assumptions used to develop this estimate in determining that it is reasonable in relation to the financial statements taken as a whole.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, a disagreement with management is a disagreement on a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated June 23, 2023.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Organization's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Organization's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Restrictions of Use

This information is intended solely for the use of the Board of Directors of the Organization and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,



Gabridge & Company, PLC
Grand Rapids, MI