FRIENDS OF LAKE LEELANAU
ANNUAL FINANCIAL REPORT
YEAR ENDED DECEMBER 31, 2023

Gabridge & Co.

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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, 2023, 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, 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. 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

Gabridge & Company, PLC
Traverse City, Michigan
June 17, 2024

Friends of Lake Leelanau
Statement of Financial Position
As of December 31, 2023

ASSETS		
Current Assets		
Cash and Cash Equivalents	$	564,658
Contributions Receivable		1,519,844
Total Current Assets		2,084,502
Noncurrent Assets		
Cash, Cash Equivalents, and Investments		5,296,587
Long-term Contributions Receivable, net		291,266
Total Assets		7,672,355
NET ASSETS		
Without Donor Restrictions		7,672,355
Total Net Assets		7,672,355
Total Liabilities and Net Assets	$	7,672,355

The Notes to the Financial Statements are an integral part of these Financial Statements

Friends of Lake Leelanau
Statement of Activities
For the Year Ended December 31, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, Gains and Other Support			
Contributions	$ 1,168,212	$ -	$ 1,168,212
Interest and Dividend Income, net	83,885	-	83,885
Unrealized Gains on Investments	424,699	-	424,699
Realized Gains on Investments	28,064	-	28,064
Total Revenues, Gains and Other Support	1,704,860	-	1,704,860
Expenses			
Program Services	11,413	-	11,413
Management and General	-	-	-
Fundraising	-	-	-
Total Expenses	11,413	-	11,413
Change In Net Assets	1,693,447	-	1,693,447
Net Assets at Beginning of Period (Restated, Note 7)	5,978,908	-	5,978,908
Net Assets at End of Period	**$ 7,672,355**	**$ -**	**$ 7,672,355**

The Notes to the Financial Statements are an integral part of these Financial Statements

Friends of Lake Leelanau
Statement of Cash Flows
For the Year Ended December 31, 2023

Cash Flows From Operating Activities		
Increase in Net Assets	$	1,693,447
Adjustments to Reconcile Increase in Net Assets to Net Cash Provided by Operating Activities:		
Changes in Operating Assets and Liabilities:		
Contributions Receivable		1,046,865
Accounts Payable		(925)
Net Cash Provided by Operating Activities		2,739,387
Cash Flows From Investing Activities		
Purchases of Operating Investments		(2,199,387)
Net Cash Used by Investing Activities		(2,199,387)
Net Increase in Cash		540,000
Cash at Beginning of Period		24,658
Cash at End of Period	$	564,658

The Notes to the Financial Statements are an integral part of these Financial Statements

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. 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, 2023.

Revenue Recognition

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

Contributions Receivable

Contributions receivable are recognized as assets and revenue in the period the unconditional promise to give is received. Conditional promises to give are recognized when the conditions on which they depend are substantially met. Contributions receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a reduction in contributions receivable.

The Organization uses the allowance method to determine uncollectible contributions receivable. The allowance is based on prior years' experience and management's analysis of specific promises made. Contributions receivable are discounted to present value using a risk-free interest rate applicable to the year in which the promise was received. Amortization of the discount is recorded as additional contribution revenue.

Contribution Revenues

Contributions, including unconditional promises to give, are recorded as made. All contributions are available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as net assets with donor restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

The Organization recognizes contribution revenue when the following conditions are met:

Existence of a Donation: The Organization receives cash, securities, or other assets; an unconditional promise to give (pledge); or a notification of a beneficial interest.

Measurability: The amount of the contribution can be reasonably estimated.

Collectability: The Organization believes that the contributions are collectable.

In-kind contributions are recorded at their fair value at the date of donation. Donated services are recognized as contributions if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Management deemed donated services to be immaterial during 2023.

Income Taxes

The Organization is a nonprofit entity exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and classified as a public charity under Section 509(a)(1). As a result, the Organization is generally not subject to federal or state income taxes. However, the Organization is subject to income tax on any unrelated business taxable income.

Management evaluates the Organization's tax positions annually and believes that all positions taken would be upheld under an audit by the Internal Revenue Service. Therefore, no provision for income taxes is included in the financial statements.

The Organization’s federal tax returns (Form 990) and state returns for the years ended December 31, 2022, and 2023 remain open to examination by the Internal Revenue Service and state authorities. It is the Organization's policy to recognize interest and penalties related to uncertain tax positions, if any, as a component of income tax expense. There were no such interest or penalties recognized in the accompanying financial statements for the year ended December 31, 2023.

Management believes that it has appropriate support for the tax positions taken and, as such, does not have any uncertain tax positions that are material to the 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, 2023, which are available for general expenses within one year of the statement of financial position date, comprise the following:

Cash	$ 564,658
Contributions Receivable	1,519,844
Total Financial Assets Available Within One Year	$ 2,084,502

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 Investments

Cash

As of December 31, 2023, the Organization's bank deposit balance totaled $564,658 of which $250,000 is FDIC insured and $314,658 uninsured.

Investments

The Organization's investments are reported at fair value. The fair values and related unrealized gains and losses as of December 31, 2023, are as follows:

	December 31, 2023		
Type	Cost	Fair Value	Unrealized Gains
Cash (Bank Deposit Accounts)	$ 564,658	$ 564,658	$ -
Cash, Money Funds, and Bank Deposits (Brokerage Accounts)	219,232	219,232	-
Money Market Funds	746,615	746,615	-
Mutual Funds	3,908,844	4,330,740	421,896
Total Cash and Investments	$ 5,439,349	$ 5,861,245	$ 421,896

Total Cash and Investments

As of December 31, 2023, the total fair value of cash and investments is $5,861,245.

Investment Returns

For the year ended December 31, 2023, the investment returns were as follows:

	2023
Interest and Dividends (Net of $17,566 in Investment Management Fees)	$ 83,885
Realized Gains/(Losses)	28,064
Unrealized Gains/(Losses)	424,699
Total Investment Returns	$ 536,648

Fair Value Hierarchy

The fair value hierarchy prioritizes the inputs to valuation techniques used to measure fair value into three broad levels:

- **Level 1:** Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- **Level 2:** Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

- **Level 3:** Unobservable inputs for the asset or liability.

Valuation Techniques

Investments classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities.

The fair values of mutual funds are determined by reference to quoted market prices in active markets, which represent the net asset values of shares held by the Organization at year-end.

Cash, money funds, and bank deposits are valued at their respective face values, which approximate their fair values given the short-term nature of these instruments.

Summarized Investment Information

As of December 31, 2023, Friends of Lake Leelanau's investments were composed of the following:

Investment Type	Fair Value	Measurement Level
Cash, Money Funds, and Bank Deposits	$ 965,847	Level 1
Mutual Funds	4,330,740	Level 1
Checking Account	564,658	Not applicable
Totals	$ 5,861,245	

Note 4 - Contributions Receivable

Included in contributions receivable are the following unconditional promises to give:

Unconditional Promises to Give	$ 1,845,200
Less:	
Allowance for Uncollectible Promises	-
Unamortized Discount (6%)	(34,090)
Net Unconditional Promises to Give	$ 1,811,110
Amounts Due in:	
Less than One Year	$ 1,519,844
One to Five Years	299,689
More than Five Years	25,667
Total	$ 1,845,200

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
Professional Fees	$ 4,950	$ -	$ -	$ 4,950
Software	1,129	-	-	1,129
Stationary and Office Supplies	2,540	-	-	2,540
Printing	2,107	-	-	2,107
Postage	162	-	-	162
Bank Service Charges	525	-	-	525
Total Functional Expenses	**$ 11,413**	**$ -**	**$ -**	**$ 11,413**

Costs have been allocated based on the level of benefit received.

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, 2023, the most recent statement of net assets presented herein, through June 17, 2024, the date these financial statements were available to be issued.

Note 7 - Restatement of Prior Year Financial Statements

During the preparation of the financial statements for the year ended December 31, 2023, management determined that unconditional contributions receivable as of December 31, 2022 were not included in the previously issued financial statements for that year. To correct this error, the financial statements as of December 31, 2022 have been restated.

The effect of this restatement on net assets as of December 31, 2022 is as follows:

Net Assets as of December 31, 2022 (as Previously Reported)	$ 3,120,933
Add pledges receivable as of December 31, 2022	2,857,975
Net Assets as of December 31, 2022, Restated	$ 5,978,908

GABRIDGE & CO.

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June 17, 2024

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, 2023, and we will issue our report thereon dated June 17, 2024. 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 January 22, 2024. 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 estimates 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.

- Management's estimate of the fair value of investments is based on market values and other relevant factors. We evaluated the key factors and assumptions used to develop the fair value of investments in determining that they are reasonable in relation to the financial statements taken as a whole.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosure affecting the financial statements was:

- The disclosure of contribution revenues and pledges receivable in Note 5 to the financial statements, which involves significant judgment in determining the collectability of individual pledges.

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. The material adjustments made were as follows:

- ***Adjustment to Investment Accounts***: An adjustment of $449,261 to reflect the fair value of investments.

- ***Recording Pledges Receivable***: An adjustment of $2,857,975 to record pledges receivable as of December 31, 2022.

- ***Change in Pledges Receivable***: An adjustment of $968,867 to record the change in pledges receivable during 2023.

- ***Adjustment to Contributions Receivable***: An adjustment of $77,998 to adjust contributions receivable to the net present value as of December 31, 2023.

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 17, 2024.

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.

Internal Control Matters

In planning and performing our audit of the financial statements of the Organization for the year ended December 31, 2023, in accordance with auditing standards generally accepted in the United States of America, we considered the Organization’s internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization’s internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization’s internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described below, we identified certain deficiencies in internal control that we consider to be a material weakness.

Preparation of Financial Statements in Accordance with GAAP

Criteria: The Organization is required to prepare financial statements in accordance with generally accepted accounting principles (GAAP). This is the responsibility of the Organization’s management. The preparation of financial statements in accordance with GAAP requires internal controls over both (1) recording, processing, and summarizing data (i.e., maintaining internal books and records) and (2) reporting financial statements, including the related footnotes (i.e., external financial reporting).

Condition: As is the case with many small and medium-sized entities, the Organization has historically relied on its independent external auditors to assist in the preparation of the financial statements and footnotes as part of its external financial reporting process. Accordingly, the Organization’s ability to prepare financial statements in accordance with GAAP is based, in part, on its reliance on its external auditors, who cannot by definition be considered a part of the Organization’s internal controls.

Cause: This condition was caused by management’s decision that it is more cost-effective to outsource the preparation of its annual financial statements to the auditors than to incur the time and expense of obtaining the necessary training and expertise required for the Organization to perform this task internally.

Effect: As a result of this condition, the Organization lacks internal controls over the preparation of its financial statements in accordance with GAAP and instead relies, in part, on its external auditors for assistance with this task.

Response of Management: Management has evaluated the cost vs. benefit of establishing internal controls over the preparation of financial statements in accordance with GAAP and determined that it is in the best interests of the Organization to outsource this task to its external auditors and to carefully review the financial statements and notes prior to approving them and accepting responsibility for their content and presentation.

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

Gabridge & Company, PLC
Traverse City, MI