

HIGGINS LAKE PROPERTY OWNERS ASSOCIATION
FINANCIAL STATEMENTS
FOR THE YEAR ENDED
DECEMBER 31, 2016

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To the Board of Directors
Higgins Lake Property Owners Association
Roscommon, Michigan

We have reviewed the accompanying financial statements of Higgins Lake Property Owners Association (a Michigan Not-for-Profit Corporation), which comprise the statement of financial position as of December 31, 2016, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of Organization management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

Management's Responsibility 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; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement whether due to fraud or error.

Accountants' Responsibility

Our responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance that there are no material modifications that should be made to the combined financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

Accountants' Conclusion

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with accounting principles generally accepted in the United States of America.

Supplementary Information

The supplementary information included on page 12 is presented for purposes of additional analysis and is not a required part of the basic financial statements. The information is the representation of management. We have reviewed the information and, based on our review, we are not aware of any material modifications that should be made to the information in order for it to be in accordance with accounting principles generally accepted in the United States of America. We have not audited the information, and accordingly, do not express an opinion on such information.



Robert F. Murray & Company
Certified Public Accountants, P.C.
Mt. Pleasant, Michigan

May 4, 2017

**HIGGINS LAKE PROPERTY OWNERS ASSOCIATION
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2016**

ASSETS

Current Assets

| | |
|-----------------------------|--------------|
| Cash and Cash Equivalents | \$ 9,569 |
| Total Current Assets | 9,569 |

Other Assets

| | |
|---------------------------|---------------|
| Certificates of Deposit | 20,366 |
| Restricted Cash | 2,323 |
| Total Other Assets | 22,689 |

| | |
|---------------------|------------------|
| Total Assets | \$ 32,258 |
|---------------------|------------------|

LIABILITIES

Current Liabilities

| | |
|--|---------------|
| Accounts Payable | \$ 326 |
| Accrued Payroll and Withholdings Payable | 684 |
| Accrued Expenses | 71 |
| Unearned Revenue | 12,420 |
| Total Current Liabilities | 13,501 |

| | |
|--------------------------|---------------|
| Total Liabilities | 13,501 |
|--------------------------|---------------|

NET ASSETS

| | |
|-------------------------|---------------|
| Unrestricted : | |
| Undesignated | 16,434 |
| Temporarily Restricted | 2,323 |
| Total Net Assets | 18,757 |

| | |
|---|------------------|
| Total Liabilities and Net Assets | \$ 32,258 |
|---|------------------|

See accountants' report and notes to financial statements.

HIGGINS LAKE PROPERTY OWNERS ASSOCIATION
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED
DECEMBER 31, 2016

| | <u>Unrestricted</u> | <u>Temporarily Restricted</u> | <u>Permanently Restricted</u> | <u>Totals</u> |
|--|---------------------|-----------------------------------|-----------------------------------|------------------|
| REVENUES AND OTHER SUPPORT: | | | | |
| Operating Revenues: | | | | |
| Memberships | 37,425 | - | - | 37,425 |
| Donations | 3,075 | 1,000 | - | 4,075 |
| In-Kind Donations | 1,004 | - | - | 1,004 |
| Legal Donations | - | 4,963 | - | 4,963 |
| Environmental Donations | - | 1,437 | - | 1,437 |
| Interest, Dividends, Realized Gains & Losses | 11 | - | - | 11 |
| Miscellaneous | 5,236 | - | - | 5,236 |
| Net Assets Released from Restrictions: | | | | |
| Satisfaction of SICON Program Expenses | 1,000 | (1,000) | - | - |
| Satisfaction of Legal Costs | 13,597 | (13,597) | - | - |
| Total Revenues and Other Support | <u>61,348</u> | <u>(7,197)</u> | <u>-</u> | <u>54,151</u> |
| EXPENSES: | | | | |
| Operating Expenses | <u>82,256</u> | <u>132</u> | <u>-</u> | <u>82,388</u> |
| Total Expenses | <u>82,256</u> | <u>132</u> | <u>-</u> | <u>82,388</u> |
| CHANGE IN NET ASSETS | (20,908) | (7,329) | - | (28,237) |
| NET ASSETS - DECEMBER 31, 2015 | <u>37,342</u> | <u>9,652</u> | <u>-</u> | <u>46,994</u> |
| NET ASSETS - DECEMBER 31, 2016 | <u>\$ 16,434</u> | <u>\$ 2,323</u> | <u>\$ -</u> | <u>\$ 18,757</u> |

See accountants' report and notes to financial statements.

**HIGGINS LAKE PROPERTY OWNERS ASSOCIATION
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED
DECEMBER 31, 2016**

CASH FLOWS FROM OPERATING ACTIVITIES

| | |
|--|----------|
| Change in Net Assets | (28,237) |
| Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities: | |
| Increase (Decrease) in Payables and Accrued Expenses | (938) |
| Increase (Decrease) in Unearned Revenue | (930) |
| Net Cash Provided by Operating Activities | (30,105) |

CASH FLOWS FROM INVESTING ACTIVITIES

| | |
|---|--------|
| Reinvestment of Certificate of Deposit Interest | (11) |
| Certificate of Deposit Put into Operations | 20,365 |
| Net Cash Used by Investing Activities | 20,354 |

CASH FLOWS FROM FINANCING ACTIVITIES

| | |
|---|-------|
| Decrease in Restricted Cash | 7,329 |
| Net Cash Used from Financing Activities | 7,329 |

| | |
|--|---------|
| Increase / (Decrease) in Cash and Cash Equivalents | (2,422) |
|--|---------|

| | |
|--|--------|
| CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR | 11,991 |
|--|--------|

| | |
|--|---|
| PRIOR PERIOD ADJUSTMENT - CORRECTION OF ERROR | - |
|--|---|

| | |
|--|----------|
| CASH AND CASH EQUIVALENTS - END OF YEAR | \$ 9,569 |
|--|----------|

See accountants' report and notes to financial statements.

HIGGINS LAKE PROPERTY OWNERS ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE 1 – NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

The Higgins Lake Property Owners Association is a Michigan not-for-profit corporation exempt from income tax under Section 501(c)(4) of the Internal Revenue Code and was organized in 1940. The mission of Higgins Lake Property Owners Association is to protect, preserve and enhance the quality of Higgins Lake and its surrounding watershed.

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting. Under this method, revenues are recognized when earned and expenses are recorded when incurred.

Basis of Presentation

The Organization follows the presentation requirements of Financial Accounting Standards Board Codification of ASC Topic 958 – Not for Profit Entities (formerly SFAS No. 117, “*Financial Statements of Not-for-Profit Organizations.*”) Under ASC Topic 958, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets.

Net Assets

Net assets consist of the following:

Unrestricted – These net assets are available for general operations.

Temporarily Restricted – These net assets are restricted by donors, grantors or other outside parties to be used for some specific purpose or for use in a future period. Amounts received are reported as revenue upon receipt and are transferred to unrestricted net assets when the purpose restriction or time restriction has been met or to permanently restricted if used to permanently increase an endowed fund.

HIGGINS LAKE PROPERTY OWNERS ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE 1 – NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Permanently Restricted – These net assets represent amounts subject to restrictions of gift and trust instruments requiring that the principal be invested in perpetuity and the income only be used for particular purposes.

Use of Estimates

Preparation of the Organization's financial statements in conformity with generally accepted accounting principles requires the use of management's estimates, primarily related to the collectability of contributions and grant receivables and depreciable lives of property and equipment. Actual results may differ from these estimates.

Contributed Services

A substantial portion of the Organization's activities are conducted by unpaid volunteer officers, committees and individuals. The value of this contributed time is not reflected in the accompanying financial statements since no objective basis is available to measure its value.

Cash and Cash Equivalents

For purposes of the Statement of Cash Flows, the Organization considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents.

Unconditional Promises to Give

Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified as necessary.

**HIGGINS LAKE PROPERTY OWNERS ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016**

**NOTE 1 – NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING
POLICIES (Continued)**

Property and Equipment

Donations of property and equipment are recorded as support at their estimated fair value. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specified purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor-restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Organization reclassifies temporarily restricted net assets to unrestricted net assets at that time. Acquisition of property and equipment in excess of \$1,000 are capitalized. Assets purchased are stated at cost. As of December 31, 2016, the Organization did not own any assets whose cost was in excess of \$1,000.

Income Taxes

The Organization is a non-profit Organization exempt from income taxes under Section 501(c)(4) of the Internal Revenue Code. Donations to the Organization are not tax deductible.

Management has analyzed the tax positions taken by the Organization and has concluded that as of December 31, 2016, there are no uncertain positions taken or expected to be taken that would require recognition of a liability or disclosure in the financial statements. The Organization is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. Tax returns for the years ended December 31, 2013, 2014, and 2015 remain subject to examination.

**HIGGINS LAKE PROPERTY OWNERS ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016**

**NOTE 1 – NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING
POLICIES (Continued)**

Subsequent Events

Management has considered subsequent events through May 4, 2017, the date the financial statements were available to be issued.

NOTE 2 - RESTRICTED NET ASSETS

Net assets were released from donor restrictions by incurring expenses satisfying the purpose or time restrictions specified by donors as follows:

| | |
|-----------------------------|-----------|
| Legal Expenses | \$ 13,597 |
| Total restrictions released | \$ 13,597 |

Temporarily restricted net assets are restricted for the following purposes:

| | |
|---|-----------------|
| Legal Expenses | \$ 920 |
| Environmental Expenses | <u>1,403</u> |
| Total temporarily restricted net assets | \$ <u>2,323</u> |

NOTE 3 – RISK MANAGEMENT

Higgins Lake Property Owners Association is exposed to various risks of loss related to theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; liability; and natural disasters. These risks are covered by insurance purchased from independent third parties. Settled claims for these risks have not exceeded insurance coverage.

NOTE 4 – COMPENSATED ABSENCES

Higgins Lake Property Owners Association employs one part-time employee and offers no benefits. Compensated absences were zero as of December 31, 2016

HIGGINS LAKE PROPERTY OWNERS ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE 5 – REVENUE RECOGNITION

Higgins Lake Property Owners Association receives membership dues on an annual basis. The annual 2017 dues of \$90 (\$75 for 2016) per member are voluntary, therefore receivables are not recognized. The annual solicitation for membership dues is sent out in the fall of the preceding year. Some members pay their dues prior to the end of the Association's fiscal year end. These dues in the amount of \$12,420 are considered unearned revenue as of December 31, 2016.

NOTE 6 – FAIR VALUE OF INVESTMENTS

Financial Accounting Standards Board (FASB) *Accounting Standards Codification (ASC) 820, Fair Value Measurements and Disclosures*, provides the framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs of valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements.) The three levels of the fair value hierarchy under FASB ASC 820 are described as follows:

Basis of Fair Value Measurement

Level 1 - Unadjusted quoted prices in active markets that are accessible at the measurement date for the identical, unrestricted assets or liabilities.

Level 2 - Quoted prices for similar assets or liabilities in active markets and quoted prices in markets that are not considered to be active or financial instruments for which all significant inputs are observable, either directly or indirectly

Level 3 – Prices or valuations that require inputs that are both significant to the fair value measurement and unobservable.

The following table sets forth, by level, within the fair value hierarchy the Association's investment assets and liabilities, at fair value as of December 31, 2016. As required by FASB ASC 820, assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value of measurement.

**HIGGINS LAKE PROPERTY OWNERS ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016**

NOTE 6 – FAIR VALUE OF INVESTMENTS (Continued)

Investment Assets at Fair Value
As of December 31, 2015

| | <u>Level 1</u> | <u>Level 2</u> | <u>Level 3</u> | <u>Total</u> |
|-------------------------|----------------|----------------|----------------|--------------|
| Certificates of Deposit | \$ 0 | \$ 20,366 | \$ 0 | \$ 20,366 |

NOTE 7 – RENTAL AGREEMENTS

The Association entered into a rental agreement for the use of office space effective January 1, 2015. The lease agreement calls for monthly payments of \$395. The lease expired on December 31, 2016. Rent expense reported for the year ended December 31, 2016 was \$4,740. The lease was renewed with a monthly rent payment of \$405, the new lease will expire December 2018.

Following is a schedule of future minimum rental payments required under the above operating lease as of December 31, 2016.

| <u>Year Ended</u> <u>December 31</u> | <u>Amount</u> |
|---|---------------|
| 2017 | \$4,860 |
| 2018 | \$4,860 |

The Association is also party to a rental agreement with the State of Michigan. The lease is to operate and maintain a boat wash within North Higgins Lake State Park. In lieu of rent, the Association is responsible for all costs associated with the operation and maintenance of the boat wash. The lease originally signed in June 2008 was for five years, with options to renew the lease for an additional two five year terms. The Association executed a renewal in 2013 for the first five year term that expires May 31, 2018. Additionally, the lease contains a holdover clause that if the Association remains in possession of the premises after the expiration of the lease, with the consent of the State, but without a renewal of the lease, the Association can continue the lease on a year-to-year basis. The operation and maintenance costs of the boat wash for the year ended December 31, 2016 was \$2,354.

SUPPLEMENTARY INFORMATION

**HIGGINS LAKE PROPERTY OWNERS ASSOCIATION
SUPPLEMENTARY SCHEDULE OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED
DECEMBER 31, 2016**

| | <u>Unrestricted</u> | <u>Temporarily Restricted</u> |
|-----------------------------------|---------------------|-----------------------------------|
| Lobbyist | \$ 21,000 | \$ - |
| Accounting and Auditing Fees | 7,177 | - |
| Legal Fees | 19,135 | - |
| HL Swimmers Itch Organization | 1,000 | - |
| Wages | 8,433 | - |
| Payroll Taxes | 712 | - |
| Printing & Copying - Newsletter | 5,299 | - |
| Boatwash Expenses | 2,354 | - |
| Outside Services | 335 | - |
| Insurance | 723 | - |
| Water Test | 2,600 | - |
| Office Rent | 4,740 | - |
| Utilities | 1,388 | - |
| Telephone and Internet | 1,769 | - |
| Website Development & Maintenance | 271 | - |
| Office Supplies | 1,650 | 132 |
| Postage | 2,061 | - |
| Bank Fees | 74 | - |
| Memberships | 710 | - |
| Conferences & Meetings | 645 | - |
| Miscellaneous | 180 | - |
| Totals | <u>\$ 82,256</u> | <u>\$ 132</u> |

See Independent Accountants' Report