

Reviewed Financial Statements

Higgins Lake Property Owners Association
(A Michigan Non-Profit Corporation)

December 31, 2021 and 2020

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INDEPENDENT ACCOUNTANT'S REVIEW REPORT

To the Board of Directors of Higgins Lake Property Owners Association

We have reviewed the accompanying financial statements of Higgins Lake Property Owners Association (a Michigan non-profit corporation), which comprise the statements of financial position as of December 31, 2021 and 2020, and the related statements of activities, functional expenses, and cash flows for the years 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 entity 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 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.

Accountant's 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 as a basis for reporting whether we are aware of any material modifications that should be made to the 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.

Accountant's 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 accordance with accounting principles generally accepted in the United States of America.

Croskey Lanni, PC

March 10, 2022
Rochester, Michigan

HIGGINS LAKE PROPERTY OWNERS ASSOCIATION

STATEMENTS OF FINANCIAL POSITION

ASSETS

	December 31,	
	2021	2020
Current Assets		
Cash and cash equivalents - unrestricted	\$ 101,137	\$ 82,845
Cash and cash equivalents - restricted	9,073	14,030
Prepaid expenses	200	-
Total current assets	<u>110,410</u>	<u>96,875</u>
Deposits	200	200
Total assets	<u>\$ 110,610</u>	<u>\$ 97,075</u>

LIABILITIES AND NET ASSETS

Current Liabilities		
Accrued payroll withholdings	\$ 707	\$ 879
Accrued payroll taxes	119	94
Unearned revenue	<u>21,100</u>	<u>28,500</u>
Total liabilities	21,926	29,473
Net Assets		
Net assets without restrictions	79,611	53,572
Net assets with restrictions	<u>9,073</u>	<u>14,030</u>
Total net assets	<u>88,684</u>	<u>67,602</u>
Total liabilities and net assets	<u>\$ 110,610</u>	<u>\$ 97,075</u>

See accompanying notes to financial statements

HIGGINS LAKE PROPERTY OWNERS ASSOCIATION

STATEMENTS OF ACTIVITIES FOR THE YEAR ENDED DECEMBER 31, 2021

	Net Assets Without Restrictions	Net Assets With Restrictions	Total
Revenue and Support			
Memberships	\$ 53,100	\$ -	\$ 53,100
Donations	6,835	-	6,835
Legal donations	-	14,760	14,760
Environmental donations	-	13,185	13,185
Directory advertisements	7,675	-	7,675
Map sales	1,700	-	1,700
Note card sales	750	-	750
Interest income	8	-	8
	70,068	27,945	98,013
Subtotal			
	70,068	27,945	98,013
Net assets released from restrictions	32,902	(32,902)	-
Total revenue and support	102,970	(4,957)	98,013
Operating Expenses			
General program	56,709	-	56,709
Management and general	20,222	-	20,222
	76,931	-	76,931
Total operating expenses			
	76,931	-	76,931
Change in Net Assets	26,039	(4,957)	21,082
Net Assets - Beginning	53,572	14,030	67,602
Net Assets - Ending	\$ 79,611	\$ 9,073	\$ 88,684

See accompanying notes to financial statements

HIGGINS LAKE PROPERTY OWNERS ASSOCIATION

STATEMENTS OF ACTIVITIES – Continued
FOR THE YEAR ENDED DECEMBER 31, 2020

	Net Assets Without Restrictions	Net Assets With Restrictions	Total
Revenue and Support			
Memberships	\$ 51,610	\$ -	\$ 51,610
Donations	3,580	-	3,580
Legal donations	-	1,940	1,940
Environmental donations	-	7,925	7,925
Directory advertisements	7,505	-	7,505
Map sales	3,300	-	3,300
Interest income	16	-	16
	66,011	9,865	75,876
Subtotal	66,011	9,865	75,876
Net assets released from restrictions	23,384	(23,384)	-
Total revenue and support	89,395	(13,519)	75,876
Operating Expenses			
General program	48,062	-	48,062
Management and general	20,519	-	20,519
	68,581	-	68,581
Total operating expenses	68,581	-	68,581
Change in Net Assets	20,814	(13,519)	7,295
Net Assets - Beginning	32,758	27,549	60,307
Net Assets - Ending	\$ 53,572	\$ 14,030	\$ 67,602

See accompanying notes to financial statements

HIGGINS LAKE PROPERTY OWNERS ASSOCIATION

STATEMENTS OF FUNCTIONAL EXPENSES FOR THE YEAR ENDED DECEMBER 31, 2021

	General Program	Management and General	Total
Environmental costs	\$ 23,681	\$ -	\$ 23,681
Insurance	-	1,198	1,198
Lobbying expenses - PAA	9,000	-	9,000
Marine patrol support	820	-	820
Memberships	-	964	964
Miscellaneous	-	27	27
Office rent	-	2,400	2,400
Office supplies	-	1,808	1,808
Payroll taxes	494	494	988
Postage	2,282	-	2,282
Printing and copying - newsletter	4,832	-	4,832
Professional fees			
Accounting	-	4,850	4,850
Legal	9,772	-	9,772
Telephone and internet	-	2,155	2,155
Wages	5,828	5,828	11,656
Website costs	-	498	498
	-	498	498
Total allocation of functional expenses	\$ 56,709	\$ 20,222	\$ 76,931

See accompanying notes to financial statements

HIGGINS LAKE PROPERTY OWNERS ASSOCIATION

STATEMENTS OF FUNCTIONAL EXPENSES – Continued FOR THE YEAR ENDED DECEMBER 31, 2020

	General Program	Management and General	Total
Environmental costs	\$ 21,066	\$ -	\$ 21,066
Insurance	-	1,172	1,172
Lobbying expenses - PAA	12,000	-	12,000
Marine patrol support	1,000	-	1,000
Memberships	-	620	620
Miscellaneous	-	105	105
Office rent	-	2,400	2,400
Office supplies	-	824	824
Payroll taxes	477	477	954
Postage	2,318	-	2,318
Printing and copying - newsletter	3,509	-	3,509
Professional fees			
Accounting	-	6,350	6,350
Legal	2,313	-	2,313
Telephone and internet	-	2,269	2,269
Unrelated business income tax	-	282	282
Wages	5,379	5,378	10,757
Website costs	-	642	642
	\$ 48,062	\$ 20,519	\$ 68,581
Total allocation of functional expenses	\$ 48,062	\$ 20,519	\$ 68,581

See accompanying notes to financial statements

HIGGINS LAKE PROPERTY OWNERS ASSOCIATION

STATEMENTS OF CASH FLOWS

	For the Year Ended December 31,	
	2021	2020
Cash Flows From Operating Activities		
Change in net assets	\$ 21,082	\$ 7,295
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
(Increase) decrease in prepaid expenses	(200)	1,200
Increase (decrease) in accrued payroll withholdings	(172)	183
Increase in accrued payroll taxes	25	21
Increase (decrease) in unearned revenue	(7,400)	4,890
Net Cash Provided by Operating Activities	13,335	13,589
Cash and Cash Equivalents and Restricted Cash- Beginning	96,875	83,286
Cash and Cash Equivalents and Restricted Cash - Ending	<u>\$ 110,210</u>	<u>\$ 96,875</u>
Supplementary Cash Flow Information:		
Cash paid for unrelated business income taxes	<u>\$ -</u>	<u>\$ 282</u>
Cash paid for interest	<u>\$ -</u>	<u>\$ -</u>

See accompanying notes to financial statements

HIGGINS LAKE PROPERTY OWNERS ASSOCIATION

NOTES TO FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2021 and 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies of Higgins Lake Property Owners Association (“the Association”), is presented to assist in understanding the Association's financial statements. The financial statements and notes are representations of the Association's management, which is responsible for their integrity and objectivity. These accounting policies conform to accounting principles generally accepted in the United States of America.

Nature of Business

The purpose of the Association is to protect, preserve and enhance the quality of Higgins Lake and its surrounding watershed.

Basis of Presentation

The financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Financial Statement Presentation

Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of imposed restrictions. Accordingly, net assets and changes therein are classified as follows:

Net assets with restrictions: Net assets with restrictions include net assets subject to imposed stipulations that may or will be met by actions of the Association and/or the passage of time. Net assets with restrictions may also include assets subject to imposed stipulations that they be maintained permanently by the Association. These assets permit the Association to use all of the income earned on related investments for general or specific purposes. As of December 31, 2021 and 2020, there were no net assets with stipulations that they be maintained permanently by the Association.

Net assets without restrictions: Net assets not subject to imposed stipulations. Revenue that is restricted is reported as an increase in net assets without restrictions if the restriction expires in the reporting period in which the support is recognized. All other restricted support is reported as an increase in net assets with restrictions. When a restriction expires restricted net assets are reclassified to net assets without restrictions.

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 the reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Cash and Cash Equivalents

Cash and cash equivalents include cash and highly liquid short-term investments, with an original maturity of three months or less.

HIGGINS LAKE PROPERTY OWNERS ASSOCIATION

NOTES TO FINANCIAL STATEMENTS - Continued
FOR THE YEARS ENDED DECEMBER 31, 2021 and 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Equipment

The Association's policy is to capitalize property and equipment when either purchased or donated in excess of \$1,000. Assets purchased are stated at cost. Donated assets are recorded as in-kind donations at their estimated fair values at the time of receipt. At December 31, 2021 and 2020, the Association did not hold title to any purchased or donated equipment.

Donated Assets and Services

The Association reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with restrictions are reclassified to net assets without restrictions and reported in the statements of activities as net assets released from restrictions. Net assets with restrictions existed as of December 31, 2021 and 2020 in the amount of \$9,073 and \$14,030, respectively.

Donated services are not reflected in the accompanying financial statements. A substantial number of volunteers donate significant amounts of time to the Association.

Functional Expenses

The cost of providing various programs and other activities have been summarized on a functional basis in the statement of functional expenses. Expenses have been allocated on various bases, as determined by management. Although the method of allocation used is considered appropriate, other methods could be used that would produce different results.

Income Taxes

The Association is exempt from Federal income tax under section 501(c)(4) of the Internal Revenue Code, except for net income derived from unrelated business activities. Management of the Association believes that they have appropriate support for any tax positions taken, and as such, do not have any uncertain tax positions that are material to the financial statements.

The Association is no longer subject to examination by the Internal Revenue Service for the tax year ended December 31, 2018 or prior.

Recently Adopted Accounting Standards

The Association adopted Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) No. 2014-09, Revenue from Contracts with Customers (Topic 606). ASU 2014-09 and all subsequently issued guidance replaced most existing revenue recognition guidance in the U.S. GAAP and most industry specific guidance. The ASU also required expanded disclosures relating to the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. Under ASU 2014-09, revenue is recognized when promised goods or services are transferred to customers in an amount that reflects the consideration to which the Association expects to be entitled in exchange for those goods and services. The Association adopted ASU 2014-09 under the modified retrospective approach, applying the amendments to prospective reporting periods. Results for reporting periods after January 1, 2019 are presented under Topic 606 while prior period amounts are not adjusted and continue to be reported in accordance with the historic accounting under Topic 605.

HIGGINS LAKE PROPERTY OWNERS ASSOCIATION

NOTES TO FINANCIAL STATEMENTS - Continued
FOR THE YEARS ENDED DECEMBER 31, 2021 and 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Events Occurring After Reporting Date

Management has evaluated events and transactions for potential recognition or disclosure through March 10, 2022, the date the financial statements were available to be issued.

NOTE 2 - CONCENTRATION OF CREDIT RISK

The Association maintains cash balances at various financial institutions. The balances are insured by the Federal Deposit Insurance Corporation up to \$250,000 per institution. The Association's cash balances for the years ended December 31, 2021 and 2020 were fully insured.

NOTE 3 – NET ASSETS WITH RESTRICTIONS

Net assets with restrictions were available for the following purposes at December 31, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Legal expenses	\$ 6,311	\$ 1,322
Environmental expenses	<u>2,762</u>	<u>12,708</u>
Total net assets with restrictions	<u>\$ 9,073</u>	<u>\$ 14,030</u>

Releases from net assets with restrictions during the years ended December 31, 2021 and 2020 were as follows:

	<u>2021</u>	<u>2020</u>
Legal expenses	\$ 9,771	\$ 2,318
Environmental expenses	<u>23,131</u>	<u>21,066</u>
Total releases of net assets with restrictions	<u>\$ 32,902</u>	<u>\$ 23,384</u>

NOTE 4 – REVENUE RECOGNITION AND UNEARNED REVENUE

The Association receives annual membership dues at a rate of \$100 per member. Membership dues are voluntary therefore, no dues receivable is reflected on these financial statements. Annual dues are solicited each fall for the subsequent year membership. It is common for a portion these dues to be received by the Association prior to its fiscal year end, so these dues are classified as a liability and subsequently recognized as memberships revenue during the following fiscal year. At December 31, 2021 and 2020, unearned revenue amounted to \$21,100 and \$28,500, respectively.

HIGGINS LAKE PROPERTY OWNERS ASSOCIATION

NOTES TO FINANCIAL STATEMENTS - Continued
FOR THE YEARS ENDED DECEMBER 31, 2021 and 2020

NOTE 5 – OPERATING LEASES

The Association entered into a lease agreement for office space located in Roscommon, Michigan on January 1, 2019 for one year which expired on December 31, 2019. The Association did not renew the lease upon expiration, rather chose to rent the office space going forward on a month-to-month basis through December 31, 2021. The lease calls for monthly payments of \$200. Rent expense for the years ended December 31, 2021 and 2020 amounted to \$2,400 and \$2,400, respectively.

Effective January 1, 2022, the Association signed a renewal agreement expiring December 31, 2022. The agreement calls for monthly rental payments of \$200 and can be cancelled by either the Association or the lessor with thirty-days written notice.

NOTE 6 – LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The following reflects the Association's financial assets as of December 31, 2021 and 2020, reduced by amounts not available for general use within one year:

	<u>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ 110,210	\$ 96,875
Less -		
Net assets with restrictions	<u>9,073</u>	<u>14,030</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 101,137</u>	<u>\$ 82,845</u>

NOTE 7 – OTHER MATTERS

Global efforts to contain the spread of COVID-19, often referred to as the Coronavirus, have significantly impacted many businesses and the economy. While the situation is evolving rapidly, and the full impact is not yet known, the disruption caused by the Coronavirus is affecting business and consumer activities worldwide includes the disruption to major financial markets, supply chains, interruption of production, limited personnel, facility and store closures, and decreased demand from both business customers and consumers. As of March 10, 2022, the Association is assessing the impact on its operation and cash flows but currently the disruption and uncertainty caused by the Coronavirus is far-reaching and the ultimate effects of this event is unknown.