

Compiled Financial Statements

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

December 31, 2023 and 2022

CONTENTS

	<u>Page</u>
Independent Accountant's Compilation Report	1
Financial Statements	
Statements of financial position	2
Statements of activities	3 - 4
Statements of functional expenses	5 - 6
Statements of cash flows	7
Notes to financial statements	8 - 12



INDEPENDENT ACCOUNTANT'S COMPILATION REPORT

**To the Board of Directors
of Higgins Lake Property Owners Association**

Management is responsible for 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, 2023 and 2022, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements in accordance with accounting principles generally accepted in the United States of America.

We have performed a compilation engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. We did not audit or review the financial statements, nor were we required to perform any procedures to verify the accuracy or completeness of the information provided by management. We do not express an opinion, a conclusion, nor provide any assurance on these financial statements.

A handwritten signature in blue ink that reads "Croskey Lanni, PC".

Croskey Lanni, PC

February 20, 2024
Rochester, Michigan

HIGGINS LAKE PROPERTY OWNERS ASSOCIATION

STATEMENTS OF FINANCIAL POSITION

ASSETS

	December 31,	
	2023	2022
Current Assets		
Cash and cash equivalents - unrestricted	\$ 94,627	\$ 95,007
Cash and cash equivalents - restricted	34,006	11,830
Certificate of deposit	31,020	-
Total current assets	159,653	106,837
Deposits	-	200
Total assets	<u>\$ 159,653</u>	<u>\$ 107,037</u>

LIABILITIES AND NET ASSETS

Current Liabilities		
Accrued payroll withholdings	\$ 288	\$ 450
Accrued payroll taxes	175	148
Unearned revenue	28,150	20,080
Total liabilities	28,613	20,678
Net Assets		
Net assets without restrictions	101,738	74,529
Net assets with restrictions	29,302	11,830
Total net assets	131,040	86,359
Total liabilities and net assets	<u>\$ 159,653</u>	<u>\$ 107,037</u>

See accompanying notes to financial statements

HIGGINS LAKE PROPERTY OWNERS ASSOCIATION

STATEMENT OF ACTIVITIES FOR THE YEAR ENDED DECEMBER 31, 2023

	Net Assets Without Restrictions	Net Assets With Restrictions	Total
Revenue and Support			
Memberships	\$ 58,375	\$ -	\$ 58,375
Donations	11,434	-	11,434
Fundraiser income	4,542	-	4,542
Legal donations	-	21,950	21,950
Environmental donations	-	13,460	13,460
Directory advertisements	10,060	-	10,060
Map sales	150	-	150
Interest income	1,633	-	1,633
Unrealized gain on certificate of deposit	1,020	-	1,020
	87,214	35,410	122,624
Subtotal	87,214	35,410	122,624
Net assets released from restrictions	17,938	(17,938)	-
Total revenue and support	105,152	17,472	122,624
Operating Expenses			
General program	56,987	-	56,987
Management and general	20,956	-	20,956
	77,943	-	77,943
Total operating expenses	77,943	-	77,943
Change in Net Assets	27,209	17,472	44,681
Net Assets - Beginning	74,529	11,830	86,359
Net Assets - Ending	\$ 101,738	\$ 29,302	\$ 131,040

See accompanying notes to financial statements

HIGGINS LAKE PROPERTY OWNERS ASSOCIATION

STATEMENT OF ACTIVITIES – Continued
FOR THE YEAR ENDED DECEMBER 31, 2022

	Net Assets Without Restrictions	Net Assets With Restrictions	Total
Revenue and Support			
Memberships	\$ 52,200	\$ -	\$ 52,200
Donations	6,250	-	6,250
Legal donations	-	3,015	3,015
Environmental donations	-	24,655	24,655
Directory advertisements	7,425	-	7,425
Map sales	100	-	100
Note card sales	215	-	215
Interest income	25	-	25
	66,215	27,670	93,885
Subtotal			
Net assets released from restrictions	24,913	(24,913)	-
	91,128	2,757	93,885
Total revenue and support			
Operating Expenses			
General program	74,022	-	74,022
Management and general	22,188	-	22,188
	96,210	-	96,210
Total operating expenses			
Change in Net Assets	(5,082)	2,757	(2,325)
Net Assets - Beginning	79,611	9,073	88,684
Net Assets - Ending	\$ 74,529	\$ 11,830	\$ 86,359

See accompanying notes to financial statements

HIGGINS LAKE PROPERTY OWNERS ASSOCIATION

STATEMENT OF FUNCTIONAL EXPENSES FOR THE YEAR ENDED DECEMBER 31, 2023

	General Program	Management and General	Total
Conferences, conventions, and meetings	\$ -	\$ 859	\$ 859
Environmental costs	15,910	-	15,910
Insurance	-	1,308	1,308
Lobbying expenses	12,000	-	12,000
Marine patrol and GLUA support	12,000	-	12,000
Memberships	-	584	584
Miscellaneous	-	360	360
Office lease	-	3,000	3,000
Office supplies	-	1,403	1,403
Payroll taxes	471	471	942
Postage	2,597	-	2,597
Printing and copying - newsletter	5,860	-	5,860
Professional fees			
Accounting	-	4,095	4,095
Legal	2,028	-	2,028
Telephone and internet	-	2,305	2,305
Wages	6,121	6,121	12,242
Website costs	-	450	450
Total allocation of functional expenses	\$ 56,987	\$ 20,956	\$ 77,943

See accompanying notes to financial statements

HIGGINS LAKE PROPERTY OWNERS ASSOCIATION

STATEMENT OF FUNCTIONAL EXPENSES – Continued FOR THE YEAR ENDED DECEMBER 31, 2022

	General Program	Management and General	Total
Conferences, conventions, and meetings	\$ -	\$ 875	\$ 875
Contributions	100	-	100
Environmental costs	23,434	-	23,434
Insurance	-	1,297	1,297
Lobbying expenses	28,500	-	28,500
Memberships	-	894	894
Miscellaneous	-	320	320
Office lease	-	2,400	2,400
Office supplies	-	1,793	1,793
Payroll taxes	476	476	952
Postage	1,693	-	1,693
Printing and copying - newsletter	6,770	-	6,770
Professional fees			
Accounting	-	5,095	5,095
Legal	1,481	-	1,481
Telephone and internet	-	2,273	2,273
Wages	6,066	6,066	12,132
Water testing	5,502	-	5,502
Website costs	-	699	699
	\$ 74,022	\$ 22,188	\$ 96,210
Total allocation of functional expenses	\$ 74,022	\$ 22,188	\$ 96,210

See accompanying notes to financial statements

HIGGINS LAKE PROPERTY OWNERS ASSOCIATION

STATEMENTS OF CASH FLOWS

	For the Year Ended December 31,	
	2023	2022
Cash Flows From Operating Activities		
Change in net assets	\$ 44,681	\$ (2,325)
Adjustments to reconcile change in net assets to net cash provided by (used for) operating activities:		
Unrealized gain on certificate of deposit	(1,020)	-
Decrease in prepaid expenses	-	200
Decrease in deposits	200	-
Decrease in accrued payroll withholdings	(162)	(257)
Increase in accrued payroll taxes	27	29
Increase (decrease) in unearned revenue	8,070	(1,020)
Net Cash Provided by (Used For) Operating Activities	51,796	(3,373)
Cash Flows From Investing Activities		
Purchase of certificate of deposit	(30,000)	-
Net Increase (Decrease) in Cash and Cash Equivalents and Restricted Cash	21,796	(3,373)
Cash and Cash Equivalents and Restricted Cash - Beginning	106,837	110,210
Cash and Cash Equivalents and Restricted Cash - Ending	\$ 128,633	\$ 106,837

See accompanying notes to financial statements

HIGGINS LAKE PROPERTY OWNERS ASSOCIATION

NOTES TO FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

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, 2023 and 2022, 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, 2023 AND 2022

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, 2023 and 2022, 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, 2023 and 2022 in the amount of \$29,302 and \$11,830, 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, 2020 or prior.

Recently Adopted Accounting Standards

On January 1, 2022, the Association adopted new guidance under Accounting Standards Codification (ASC) Topic 842, *Leases*. Under the new guidance, the Association recognizes right of use assets and lease liabilities for leases with terms greater than twelve months. Leases are now classified as either financial or operating leases, which dictates whether the expense is recognized based on effective interest method or on a straight-line basis over the term of the lease.

The Association adopted Topic 842 using the modified retrospective method. Accordingly, the new guidance was applied retrospectively to leases that existed as of January 1, 2022 (the date of initial application). As a result, the Association did not record a right of use asset or lease liability as the office space the Association leased for its administration had a term of twelve months, which commenced January 1, 2022 and expired December 31, 2022. See Note 6 regarding treatment of leases that existed as of December 31, 2023.

The adoption did not have a significant impact on the Associations net assets without restrictions, results of operations or cash flows.

HIGGINS LAKE PROPERTY OWNERS ASSOCIATION

NOTES TO FINANCIAL STATEMENTS - Continued
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

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 February 20, 2024, 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, 2023 and 2022 were fully insured.

NOTE 3 – FAIR VALUE MEASUREMENTS – CERTIFICATE OF DEPOSIT

FASB ASC Topic 820, Fair Value Measurements, establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels: Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority, Level 2 inputs consist of observable inputs other than quoted prices for identical assets, and Level 3 inputs have the lowest priority and are without observable inputs. The carrying values of cash in the accompanying statements of financial position approximate fair value at December 31, 2023 and 2022. The Association's certificate of deposit is reported at fair value in the accompanying statements of financial position utilizing Level 2 inputs at December 31, 2023. No certificate of deposit was held by the Association at December 31, 2022. At December 31, 2023 and 2022, there were no Level 1 or 3 investments.

NOTE 4 – NET ASSETS WITH RESTRICTIONS

Net assets with restrictions were available for the following purposes at December 31, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Legal expenses	\$ 27,768	\$ 7,847
Environmental expenses	<u>1,534</u>	<u>3,983</u>
Total net assets with restrictions	<u>\$ 29,302</u>	<u>\$ 11,830</u>

HIGGINS LAKE PROPERTY OWNERS ASSOCIATION

NOTES TO FINANCIAL STATEMENTS - Continued
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

NOTE 4 – NET ASSETS WITH RESTRICTIONS – Continued

Releases from net assets with restrictions during the years ended December 31, 2023 and 2022 were as follows:

	<u>2023</u>	<u>2022</u>
Legal expenses	\$ 2,028	\$ 1,479
Environmental expenses	<u>15,910</u>	<u>23,434</u>
Total releases of net assets with restrictions	<u>\$ 17,938</u>	<u>\$ 24,913</u>

NOTE 5 – REVENUE RECOGNITION AND UNEARNED REVENUE

The Association receives annual membership dues on a voluntary basis from its members at \$115 per member. 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, 2023 and 2022, unearned revenue amounted to \$28,150 and \$20,080, respectively.

NOTE 6 – OPERATING LEASE

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 lease the office space going forward on a month-to-month basis at \$200 per month through December 31, 2021. On January 1, 2022, the Association signed a renewal agreement which expired December 31, 2022. The renewal agreement called for monthly payments of \$200. The Association signed another extension effective January 1, 2023 expiring December 31, 2023. The agreement calls for monthly lease payments of \$250 and can be cancelled by either the Association or the lessor with thirty-days written notice. No extension has been signed as of the date of these financial statements and the Association leases the office space on a month-to-month basis. The Association did not record a right of use asset or lease liability on the statements of financial position for the years ended December 31, 2023 or 2022.

Office lease expense for the years ended December 31, 2023 and 2022 amounted to \$3,000 and \$2,400, respectively.

HIGGINS LAKE PROPERTY OWNERS ASSOCIATION

NOTES TO FINANCIAL STATEMENTS - Continued
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

NOTE 7 – LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The following reflects the Association's financial assets as of December 31, 2023 and 2022, reduced by amounts not available for general use within one year:

	<u>2023</u>	<u>2022</u>
Cash and cash equivalents	\$ 128,633	\$ 106,837
Certificate of deposit	31,020	-
Subtotal	159,653	106,837
Less -		
Net assets with restrictions	29,302	11,830
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 130,351</u>	<u>\$ 95,007</u>