

Stewardship Network

Financial Statements

For the Year Ended
December 31, 2015

Stewardship Network

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INDEPENDENT ACCOUNTANTS' REVIEW REPORT

To The Board of Directors
Stewardship Network
Ann Arbor, Michigan

We have reviewed the accompanying statement of financial position of Stewardship Network (a nonprofit corporation) as of December 31, 2015, and the related statement of activities and net assets, and statement of cash flows for the year then ended. 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 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 designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the financial statements.

Our responsibility is to conduct the review in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. Those standards require us to perform procedures to obtain limited assurance that there are no material modifications that should be made to the financial statements. We believe that the results of our procedures provide a reasonable basis for our report.

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.

Our review was made for the purpose of expressing a conclusion that there are no material modifications that should be made to the financial statements in order for them to be in conformity with accounting principles generally accepted in the United States of America. The information included in the accompanying schedule of functional expenses is presented only for purposes of additional analysis and has not been subjected to the inquiry and analytical procedures applied in the review of the basic financial statements, but was compiled from information that is the representation of management, without audit or review. Accordingly, we do not express an opinion or any other form of assurance on the supplementary information.

McEachin & Associates, CPA, P.C.

McEachin & Associates, CPA, P.C.
Certified Public Accountants

April 1, 2016

Stewardship Network
Statement of Financial Position
December 31, 2015

ASSETS

CURRENT ASSETS	
Cash	\$ 72,885
Accounts receivable	38,450
Grants receivable	23,789
Prepaid expenses	<u>20,505</u>
Total Current Assets	<u>155,629</u>
PROPERTY AND EQUIPMENT	
Furniture and equipment	1,000
Computer equipment	2,233
Computer software	2,750
Organizational costs	2,500
Web development	10,404
Accumulated depreciation	(5,983)
Accumulated amortization	<u>(12,215)</u>
Net Property and Equipment	<u>689</u>
TOTAL ASSETS	<u><u>\$ 156,318</u></u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES	
Accounts payable	\$ 38,762
Credit card payable - current portion	22,827
Payroll taxes payable	4,160
401(k) payable	5,308
Accrued wages	5,417
Loan payable - related party	70
Deferred revenue	<u>37,660</u>
Total Current Liabilities	<u>114,204</u>
TOTAL LIABILITIES	<u>114,204</u>
NET ASSETS	
Unrestricted net assets	38,542
Temporarily restricted net assets	<u>3,571</u>
Total Net Assets	<u>42,114</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 156,318</u></u>

See Independent Accountants' Review Report and Notes to the Financial Statements.

Stewardship Network
Statement of Activities
For the Year Ended December 31, 2015

	<u>Unrestricted</u>	Temporarily <u>Restricted</u>	<u>Total</u>
REVENUE, GAINS, AND OTHER SUPPORT			
Contributions	\$ 98,433	\$ 1,500	\$ 99,933
Grants	15,134	18,250	33,384
Grants - government		157,647	157,647
Program service fees	74,279		74,279
Interest income	30		30
Net assets released from restrictions			
Restrictions satisfied by payments	<u>188,826</u>	<u>(188,826)</u>	
Total Revenue, Gains, and Other Support	<u>376,702</u>	<u>(11,429)</u>	<u>365,273</u>
Expenses			
Program services	257,343		257,343
Management and general	17,607		17,607
Development	<u>2,124</u>		<u>2,124</u>
Total Expenses	<u>277,073</u>		<u>277,073</u>
Increase (decrease) in net assets	99,629	(11,429)	88,200
NET ASSETS - Beginning of Year	<u>(61,086)</u>	<u>15,000</u>	<u>(46,086)</u>
NET ASSETS - End of Year	<u>\$ 38,543</u>	<u>\$ 3,571</u>	<u>\$ 42,114</u>

See Independent Accountants' Review Report and Notes to the Financial Statements.

Stewardship Network
Statement of Cash Flows
For the Year Ended December 31, 2015

CASH FLOWS FROM OPERATING ACTIVITIES

Increase (decrease) in net assets	\$ 88,200
Adjustments to reconcile increase (decrease) in net assets to net cash provided (used) by operating activities	
Amortization expense	167
Accounts and grants receivable	(62,139)
Prepaid expenses	(19,905)
Accounts payable	29,407
Credit card payable	1,168
Payroll taxes payable	4,160
401(k) payable	5,308
Accrued wages	(3,333)
Deferred revenue	<u>24,335</u>
Net cash provided (used) by operating activities	<u>67,367</u>

CASH FLOWS FROM FINANCING ACTIVITIES

Loan payable - related party	<u>(15,214)</u>
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NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS 52,153

CASH AND CASH EQUIVALENTS - Beginning of year 20,732

CASH AND CASH EQUIVALENTS - End of year \$ 72,885

Interest paid \$ 6,736

See Independent Accountants' Review Report and Notes to the Financial Statements.

Stewardship Network

Notes to the Financial Statements

For The Year Ended December 31, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Stewardship Network have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Under the accrual basis of accounting, revenues are recorded as earned and expenses are recorded at the time liabilities are incurred. The significant accounting policies followed are described below to enhance the usefulness of the financial statements to the reader.

Nature of Activity

The primary goal of Stewardship Network is to increase capacity to protect, restore, and manage natural lands and waters. Stewardship Network builds the capacity of organizations, individuals, and businesses to preserve, restore, and manage natural lands and waters. Since its inception, the Organization has collaborated with nonprofits large and small, governmental agencies and units, private business, and dedicated individuals to achieve that goal.

Income Taxes

Stewardship Network was organized under the laws of the State of Michigan on July 19, 2004. It is a nonprofit corporation exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Contributions to the Organization qualify for the charitable contributions deduction to the extent provided by section 170 of the Internal Revenue Code. None of Stewardship Network's present or anticipated future activities are subject to taxation as unrelated business income; therefore, no provision for income taxes has been made in the accompanying financial statements.

The Organization's federal Return of Organization Exempt From Income Tax Returns (Form 990) for 2013, 2014, and 2015 are subject to examination by the IRS, generally for three years after they were filed.

Functional Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Use of 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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Cash and Cash Equivalents

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

The Organization maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. The Organization has not experienced any losses in such accounts. Stewardship Network believes it is not exposed to any significant credit risk on cash and cash equivalents.

Stewardship Network

Notes to the Financial Statements

For The Year Ended December 31, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accounts Receivable

Accounts receivable consists of program service income. Accounts receivables are recorded at the amount the Organization expects to collect and no allowances were considered necessary at December 31, 2015.

Grants Receivable

Grants receivable are reported at fair value in the period the grant is awarded and/or earned based on the grantor contract. Grants receivable are carried at their estimated collectable amounts therefore no allowance was considered necessary at December 31, 2015.

Depreciation and Amortization

Furniture and equipment are carried at cost. Depreciation is recognized over the estimated useful lives of the respective assets on a straight-line basis. When assets are retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts, and any resulting gain or loss is recognized as income for the period. The cost of maintenance and repairs are charged to operations as incurred; significant renewals and betterments are capitalized.

Website, database, and management system development costs including certain graphic design services have been capitalized and amortized on a straight-line basis over 3 years. The cost of maintenance is charged to operations as incurred.

Organizational costs are carried at cost and amortized on a straight-line basis over 15 years.

Accounts Payable

Accounts payable represent amounts incurred and billed for materials, supplies, and services purchased by the Organization. Vendors are usually paid within 45-60 days of invoice date.

Deferred Revenue

Workshop registration income received in 2015 for Conference 2016 is deferred and recognized in the year to which the income relates.

Income Recognition

Contributions are recorded as revenue in the period received. All contributions are available for unrestricted use unless specifically restricted by donor.

All donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or a purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Stewardship Network

Notes to the Financial Statements

For The Year Ended December 31, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income Recognition (Continued)

Contributions of services are recognized in the financial statements of Stewardship Network only if the services received (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.

Donated materials, goods, and supplies are recorded as contributions and as expenditures at their actual or estimated fair market values on the date of receipt

Advertising Costs

The Organization uses advertising to promote its programs among the audiences it serves. Advertising costs are expensed as incurred.

Financial Statement Presentation

Stewardship Network reports financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. Unrestricted net assets include unrestricted resources which represent the portion of funds that are available for the operating objectives of the Organization. Temporarily restricted net assets represent resources restricted by donors for specific purposes for which restrictions have not yet been met. Permanently restricted net assets represent donated resources with stipulations that they be used for a specific purpose, be preserved, or be invested to provide a permanent source of income. At December 31, 2015, the Organization had no permanently restricted net assets.

NOTE 2 - CREDIT CARD PAYABLE

The Organization maintains a Chase Bank credit card with an available limit of \$22,900 and a balance of \$22,827 the year ended December 31, 2015. The current annual percentage rate is 29.99%. The Organization has classified the entire balance as the current portion of the credit card debt (refer to Note 12 for additional information).

Interest expense paid during 2015 was \$6,736.

NOTE 3 - LOAN PAYABLE

The Organization obtained an unsecured, 0% interest rate loan from a related party, on April 13, 2013, in the amount of \$12,000. Based on the promissory note, the principal will be paid to the lender when Stewardship Network has cash on-hand to cover three (3) months of operating expenses plus \$12,000. The "plus" \$12,000 will be made up of funds from unrestricted contributions. During fiscal year 2014, the loan increased to \$15,284. During fiscal year 2015 Stewardship Network made payments to retire the loan. The outstanding balance as of December 31, 2015, \$70, was fully retired in 2016.

Stewardship Network

Notes to the Financial Statements

For The Year Ended December 31, 2015

NOTE 4 - RESTRICTED AND GOVERNMENT GRANTS

During the year ended December 31, 2015, Stewardship Network recognized restricted grant revenue of \$98,472 from the U.S. Environmental Protection Agency for Great Lakes Restoration Initiative and the Great Lakes Water Quality Agreement, \$9,562 from the U.S. Department of Agriculture-Forest Service for Transferring Successful Stewardship Models Between Michigan and New Hampshire, \$38,296 from U.S. Department of Natural Resources for Landscape Scale Restoration, \$10,479 from USDA, Forest Service for the Huron Manistee National Forests, \$28,884 from The Nature Conservancy for Early Detection/Rapid Response of Invasive Plant Species along East Lake Michigan as well as other smaller restricted and government grants.

Stewardship Network receives, directly or as a passthrough, a number of grants from various governmental agencies. These grants are subject to audit by the corresponding oversight agency as to allowable costs paid with governmental funds and as to the share of costs contributed by the Organization. The Organization could be liable for as much as the full amount of governmental funds expended for the year if, under audit, the oversight agency were to determine that all costs charged to the project were disallowed. Management believes it is unlikely that the various agencies would disallow a significant portion of the costs. Stewardship Network is not subject to the Federal Single Audit Act requirements for the year ended December 31, 2015, because the funds expended were less than the threshold of \$750,000.

NOTE 5 - FACILITIES

The Organization currently occupies office space in a building owned by Huron River Holdings. The office space is donated to Stewardship Network. Currently there is no lease agreement between the parties. The donated rent value is calculated based on the square feet occupied by the Organization at comparable leasing rates with a multiplier for common areas including areas such as kitchen and conference room. The multiplier used is 1.583 which is also derived from comparable rates in the local area. The value of donated facilities was not recorded in the financial statements for the year-ended December 31, 2015. It is expected that the Stewardship Network and Huron River Holdings will continue this arrangement through 2016.

NOTE 6 - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes or periods at December 31:

\$	2,071	Early Detection/Rapid Response of Invasive Plant Species along East Lake Michigan
	1,500	2016 Conference Donations
<u>\$</u>	<u>3,571</u>	

Stewardship Network

Notes to the Financial Statements

For The Year Ended December 31, 2015

NOTE 7 - DONATED GOODS AND SERVICES

Volunteers have donated their time without compensation to the Organization to assist with tasks such as on-line forum setup and maintenance, community organizing, data management, organizing events, and other programmatic and administrative responsibilities. Volunteer services are integral to the efficient operation of the Organization. During the year ended December 31, 2015 several hundred hours of services were volunteered to the Organization. No amounts have been reflected in the financial statements for these donated services. Volunteer services neither create or enhance nonfinancial assets nor do they require specialized skills. No amounts have been recognized in the Statement of Activities since the criteria for recognition have not been met.

Stewardship Network continues its partnership with other nonprofit organizations; governmental agencies, units, and departments; and private citizens in conjunction with its programming. The time volunteered through these partnerships to assist with program design, delivery, and promotion as well as support offered to staff was without compensation and no amounts have been recognized in the Statement of Activities since the criteria for recognition have not been met.

Contributed goods such as facilities, travel expenses, office supplies, and program supplies are recorded as support at their fair market value when determinable. These were contributions not recorded in the financial statements.

NOTE 8 - CONCENTRATIONS

A significant portion of the Stewardship Network's revenues and contracts and grants receivable consists of government grants and contracts received from a number and variety of governmental agencies (refer to Note 4). These revenues and grants are earned by the Organization based on services it provides per individual agreement. For the year ended December 31, 2015, approximately 55% of the Organization's support was provided by government contracts.

NOTE 9 - EMPLOYEE BENEFIT PLAN

Effective July 1, 2012, Stewardship Network adopted an employee benefit plan (Plan) which provides retirement benefits under Section 401(k) of the Internal Revenue Code to which eligible employees may elect to make contributions under salary reduction agreements. For those employees electing to participate, Stewardship Network makes matching contributions on behalf of the participant of up to 3% of compensation. For the year ended December 31, 2015, matching contributions totaled \$1,794.

The Plan liability as of December 31, 2015, in the amount of \$5,308, includes participant and employer contributions for the period of February 2015 through December 2015. The 2015 Plan liability was paid in full as of March 18, 2016. Plan liability was paid late. For small employers, less than 100 participants, participant contributions are due the seventh (7th) business day following withholding by the employer. Failure to remit participant contributions to the Plan in a timely manner may result in lost earnings for the Plan and penalties to the Plan sponsor.

Stewardship Network

Notes to the Financial Statements

For The Year Ended December 31, 2015

NOTE 9 - EMPLOYEE BENEFIT PLAN (Continued)

The Organization also provides health benefits to full-time employees. Each employee contributes 25% of health insurance premiums under Section 125 of the Internal Revenue Code. For the year ended December 31, 2015, Stewardship Network paid \$15,491 of health and related insurance premiums for their employees.

NOTE 10 - RELATED PARTY TRANSACTIONS

Stewardship Network has a volunteer Board of Directors and received contributions from several participating members during fiscal year ended December 31, 2015.

NOTE 11 - CONTINGENCY

In the normal course of operations, there may be outstanding contingent liabilities, such as lawsuits, which are not reflected in the accompanying financial statements. Stewardship Network's management is of the opinion that insurance coverage is adequate to cover any potential losses. No such liabilities have been asserted, therefore, no estimation of loss has been made.

NOTE 12 - SUBSEQUENT EVENTS

The Organization's management has evaluated subsequent events through April 1, 2016 the date the financial statements were available to be issued.

On March 15, 2016, the Organization signed a Promissory Note (Note A) with Ann Arbor State Bank (Bank). The principal amount of Note A is \$22,000, interest rate is six percent (6.0%) per annum, until paid in full. Interest on Note A is calculated using the 365/365 simple method. Note A calls for sixty (60) monthly payments to retire Note A on March 15, 2021. Note A calls for late payment fees to be charged and includes a prepayment penalty. Note A is secured by collateral and the Bank has a right of setoff. Proceeds of Note A were used to pay down the Chase Bank credit card payable (refer to Note 2) which has a balance of \$758.88 on March 31, 2016.

On March 15, 2016, the Organization signed a second Promissory Note (Note B), revolving line of credit, with Ann Arbor State Bank (Bank). The principal amount of Note B is \$50,000, interest rate is variable and based on an independent index (index), Wall Street Journal Prime Rate, plus one percent (1%). The index rate at signing is 3.5% per annum to be adjusted for any minimum/maximum rate limitations. The minimum rate is five percent (5.0%) per annum. Interest on Note B is calculated using the 365/365 simple method. Note B calls for monthly payments of accrued interest and a final single payment, to include principal and all unpaid accrued interest, due on March 15, 2017. Note B calls for late payment fees to be charged but there is not a prepayment penalty. Note B is secured by collateral and the Bank has a right of setoff.

Additional Information

Stewardship Network
Schedule of Functional Expenses
For the Year Ended December 31, 2015

	Program Expenses				Supporting Services			
	Clusters	Online Network	Statewide Training	Other Programs	Total Program	Management and General	Development	Total
Operations								
Salary and wages	\$ 24,375	\$ 12,188	\$ 27,083	\$	\$ 63,646	\$ 3,047	\$ 1,016	\$ 67,708
Payroll tax expense	1,398	699	1,554		3,651	175	58	3,884
Health insurance	5,577	2,788	6,196		14,561	697	232	15,491
Retirement expense	646	323	718		1,687	81	27	1,794
Workers compensation insurance	328	164	365		857	41	14	912
Other personnel costs	10,250				10,250			10,250
Rent						600		600
Telephone	1,037	1,037	1,037		3,111	64		3,174
Program materials and supplies	6,144		6,717		12,861			12,860
Meeting hosting and event expense	547		19,628		20,175			20,175
Contract services	81,089	3,008	13,143		97,240			97,241
Transportation expenses	3,037				3,037	565		3,602
Meetings, conferences, seminars			3,223		3,223			3,223
Computer repairs and supplies	29				29			29
Computer, web, and internet fees	86	7,437	87		7,610			7,610
Office supplies and expenses	214	107	238		559	27	9	595
Postage and delivery	446	100	100		646	133		779
Printing and reproduction	2,855				2,855		735	3,590
Dues, licenses, fees						130		130
Service charges	109	105	1,559		1,773	1,483		3,255
Insurance	456	228	506		1,190	57	19	1,266
Professional fees						1,565		1,565
Outside services	3,304	1,188	3,889		8,381	2,041	14	10,436
Amortization expense						167		167
Interest expense						6,736		6,736
Total Expenses	\$ 141,928	\$ 29,373	\$ 86,043	\$	\$ 257,343	\$ 17,607	\$ 2,124	\$ 277,073

See Independent Accountants' Review Report.