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**THE STEWARDSHIP NETWORK**

FINANCIAL STATEMENTS

For the years ended December 31, 2017 and 2016

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## **FINANCIAL STATEMENTS**

For the years ended December 31, 2017 and 2016

### **TABLE OF CONTENTS**

INDEPENDENT ACCOUNTANT’S REVIEW REPORT .....	1
FINANCIAL STATEMENTS	
Statements of Financial Position.....	2
Statements of Activities .....	3
Statements of Functional Expenses .....	4
Statements of Cash Flows.....	6
Notes to Financial Statements.....	7

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## INDEPENDENT ACCOUNTANT'S REVIEW REPORT

To the Board of Directors of  
The Stewardship Network  
Ann Arbor, Michigan

We have reviewed the accompanying financial statements of The Stewardship Network (a nonprofit corporation), which comprise the statements of financial position as of December 31, 2017 and 2016, 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 engagements 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 reviews, 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.

Respectfully,

*Bennett & Associates, CPAs PLLC*

Ann Arbor, Michigan  
November 7, 2018

**THE STEWARDSHIP NETWORK**  
**STATEMENTS OF FINANCIAL POSITION**  
*December 31,*

	<u>2017</u>	<u>2016</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 179,982	\$ 73,678
Accounts receivable	19,838	516
Grants receivable	48,305	35,896
Prepaid expenses	20,839	32,462
Property and equipment, net	-	-
<b>TOTAL ASSETS</b>	<u>\$ 268,964</u>	<u>\$ 142,552</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>LIABILITIES</b>		
Accounts payable	\$ 5,500	\$ 30,273
Accrued liabilities	16,483	3,539
Loan payable	-	13,832
Deferred revenue	51,490	59,904
Refundable advances	134,210	26,402
<b>TOTAL LIABILITIES</b>	<u>207,683</u>	<u>133,950</u>
<b>NET ASSETS</b>		
Unrestricted	58,748	7,602
Temporarily restricted	2,533	1,000
<b>TOTAL NET ASSETS</b>	<u>61,281</u>	<u>8,602</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 268,964</u>	<u>\$ 142,552</u>

**THE STEWARDSHIP NETWORK**  
**STATEMENTS OF ACTIVITIES**  
*For the years ended December 31,*

	2017	2016
<b>UNRESTRICTED NET ASSETS</b>		
SUPPORT AND REVENUE		
Contributions	\$ 162,513	\$ 118,146
Grants and contracts	342,280	385,387
Annual conference	70,279	63,100
Program service fees	86,584	38,462
Interest income	129	111
	661,785	605,206
Net assets released from restrictions	27,129	3,571
	688,914	608,777
<b>EXPENSES</b>		
Program services	604,437	617,249
Supporting services		
Management and general	26,619	19,609
Fundraising	6,712	2,860
	637,768	639,718
TOTAL EXPENSES	637,768	639,718
CHANGE IN UNRESTRICTED NET ASSETS	51,146	(30,941)
<b>TEMPORARILY RESTRICTED NET ASSETS</b>		
Contributions	-	1,000
Grants and contracts	28,662	-
Net assets released from restrictions	(27,129)	(3,571)
	1,533	(2,571)
CHANGE IN TEMPORARILY RESTRICTED NET ASSETS	1,533	(2,571)
<b>CHANGE IN NET ASSETS</b>	52,679	(33,512)
NET ASSETS AT BEGINNING OF YEAR	8,602	42,114
<b>NET ASSETS AT END OF YEAR</b>	\$ 61,281	\$ 8,602

**THE STEWARDSHIP NETWORK**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
*For the year ended December 31, 2017, with comparable totals for 2016*

	Program Services	Supporting Services		Total 2017	Total 2016
		Management and General	Fundraising		
<b>Employee Compensation</b>					
Salaries and wages	\$ 239,724	\$ 18,439	\$ 5,269	\$ 263,432	\$ 165,440
Employee benefits	17,095	1,438	378	18,911	8,974
Payroll taxes	19,430	1,495	427	21,352	13,429
	<u>276,249</u>	<u>21,372</u>	<u>6,074</u>	<u>303,695</u>	<u>187,843</u>
<b>Other Expenses</b>					
Accounting fees	17,744	1,133	-	18,877	14,948
Fees for services - other	185,037	60	-	185,097	307,413
Office expenses	14,645	133	-	14,778	12,859
Information technology	11,086	-	-	11,086	23,889
Occupancy	19,559	1,063	638	21,260	21,759
Travel	6,059	124	-	6,183	5,702
Conferences and meetings	72,655	-	-	72,655	49,797
Interest expense	246	-	-	246	2,573
Depreciation and amortization	-	-	-	-	689
Insurance	-	2,635	-	2,635	2,721
Staff training and development	347	4	-	351	5,970
Program material and supplies	810	25	-	835	1,643
All other	-	70	-	70	1,912
Total expenses	<u>\$ 604,437</u>	<u>\$ 26,619</u>	<u>\$ 6,712</u>	<u>\$ 637,768</u>	<u>\$ 639,718</u>

**THE STEWARDSHIP NETWORK**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
*For the year ended December 31, 2016*

	Program Services	Supporting Services		Total 2016
		Management and General	Fund- Raising	
<b>Employee Compensation</b>				
Salaries and wages	\$ 153,162	\$ 10,436	\$ 1,842	\$ 165,440
Employee benefits	7,603	1,165	206	8,974
Payroll taxes	12,365	904	160	13,429
	<u>173,130</u>	<u>12,505</u>	<u>2,208</u>	<u>187,843</u>
<b>Other Expenses</b>				
Accounting fees	14,051	897	-	14,948
Fees for services - other	307,407	6	-	307,413
Office expenses	12,793	66	-	12,859
Information technology	23,860	29	-	23,889
Occupancy	20,019	1,088	652	21,759
Travel	5,588	114	-	5,702
Conferences and meetings	49,797	-	-	49,797
Interest expense	2,573	-	-	2,573
Depreciation and amortization	-	689	-	689
Insurance	-	2,721	-	2,721
Staff training and development	5,938	32	-	5,970
Program material and supplies	1,602	41	-	1,643
All other	491	1,421	-	1,912
	<u>491</u>	<u>1,421</u>	<u>-</u>	<u>1,912</u>
Total expenses	<u>\$ 617,249</u>	<u>\$ 19,609</u>	<u>\$ 2,860</u>	<u>\$ 639,718</u>

**THE STEWARDSHIP NETWORK**  
**STATEMENTS OF CASH FLOWS**  
*For the years ended December 31,*

	2017	2016
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 52,679	\$ (33,512)
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation and amortization	-	689
Change in accounts receivable	(19,322)	37,934
Change in grants receivable	(12,409)	(12,107)
Change in prepaid expenses	11,623	(11,957)
Change in accounts payable	(24,773)	(31,316)
Change in accrued liabilities	12,944	(11,346)
Change in deferred revenue	(8,414)	22,244
Change in refundable advances	107,808	26,402
	120,136	(12,969)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Loan proceeds	-	22,000
Principal payments on long-term liabilities	(13,832)	(8,238)
	(13,832)	13,762
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	106,304	793
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	73,678	72,885
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	\$ 179,982	\$ 73,678
 <b><u>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</u></b>		
Interest paid	\$ 246	\$ 2,573



**NOTE A - NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

***Nature of Organization***

The Stewardship Network's ("the Network") mission is to connect, equip, and mobilize people and organizations to care for lands and waters in their communities. As a 501(c)(3) nonprofit with a strong record of apolitical, transformational change leadership, the Network provides a unique function in the conservation community: facilitating the work of many by connecting conservation minded volunteers and practitioners to experts, to government agencies, to local organizers, to tribes and researchers and to each other; to craft and implement solutions to a multitude of the most pressing and challenging community conservation problems (water quality, invasive species control, biological diversity, habitat improvement, local food systems, civic engagement, etc.), which results in real on-the-ground conservation based eco-system vitality. This model is effective because individuals and organizations that care about their community, yet are unsure of what to do, address conservation problems one property at a time at a scale that is personal to those involved and now executable with their resources complemented by those brought to the table by the Network. Our community-based, collaborative model is unique among the conservation world, as we ask the critical question "What do you need to increase capacity to care for land and water?" We are not driven by a single species or issue and instead focus on revitalizing the system as a whole.

***Basis of Accounting***

The financial statements have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables, and other liabilities.

***Basis of Presentation***

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

*Unrestricted net assets* – Net assets that are not subject to donor-imposed stipulations.

*Temporarily restricted net assets* – Net assets subject to donor-imposed stipulations that may or will be met, either by actions of the Network and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Restrictions met in the same year as the revenue is recognized are treated as unrestricted revenue and expense.

*Permanently restricted net assets* - Net assets that contain donor-imposed restrictions that require Stewardship Network to permanently maintain these resources. The Network does not have any permanently restricted net assets.

***Cash and Cash Equivalents***

The Network considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents.

***Accounts Receivable***

Accounts receivable consists of program service income. Accounts receivable are recorded at the amount the Network expects to collect and no allowances were considered necessary at December 31, 2017 and 2016.

***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, 2017 and 2016.

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

***Property and Equipment***

Property and equipment are carried at cost or, if donated, at the approximate fair value at the date of donation. 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 for the period. The cost of maintenance and repairs are charged to operations as incurred; significant renewals and betterments are capitalized.

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

***Contributions***

Contributions are recognized as revenues in the period received. Conditional promises to give are not recognized until they become unconditional; that is, when the conditions on which they depend are substantially met.

Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions 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 to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Contribution of services are recognized in the financial statements 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.

***Grant and Contract Revenue***

Grant and contract revenue is recognized when the qualifying costs are incurred for cost-reimbursement grants or contracts or when a unit of service is provided for performance grant. Grant and contract revenue received before it is spent is recorded as refundable advances.

***Workshop and Conference Revenue***

Workshop and conference revenue is recorded in the period the workshop or conference is held. Workshop registration income received in 2017 and 2016 for the 2018 Annual Conference and 2017 Annual Conference, respectively, is recorded as deferred revenue.

***Expense Allocation***

The costs of providing 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.

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

***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.

***Income Taxes***

The Network is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and has been classified as other than a private foundation.

***Reclassifications***

Certain reclassifications of amounts previously reported have been made to the accompanying financial statements to maintain consistency between periods presented. The reclassifications had no impact on previously reported net assets.

***Subsequent Events***

Subsequent events have been evaluated through November 7, 2018, the date the financial statements were available to be issued.

**NOTE B - PROPERTY AND EQUIPMENT**

Property and equipment consists of the following at December 31:

	2017	2016
Furniture, fixtures, equipment	\$ 1,000	\$ 1,000
Computer equipment	2,233	2,233
Computer software	2,750	2,750
Organizational costs	2,500	2,500
Web development	10,404	10,404
	<u>18,887</u>	<u>18,887</u>
Less accumulated depreciation and amortization	<u>(18,887)</u>	<u>(18,887)</u>
Total property & equipment, net	<u>\$ -</u>	<u>\$ -</u>

**NOTE C - TEMPORARILY RESTRICTED NET ASSETS**

At December 31, temporarily restricted net assets consist of the following:

	2017	2016
Donor time restricted	\$ -	\$ -
Donor purpose restricted	<u>2,533</u>	<u>1,000</u>
	<u>\$ 2,533</u>	<u>\$ 1,000</u>

**NOTE D - LOAN PAYABLE**

Loan payable consists of the following at December 31:

	2017	2016
Promissory note to local bank, payable at \$425 monthly until March 15, 2021. 6% interest. Secured by collateral and the bank has a right of setoff.	\$ -	\$ 13,832
	<u>\$ -</u>	<u>\$ 13,832</u>

The note was paid off in full in 2017.

**NOTE E - LINE OF CREDIT**

The Network had a \$50,000 revolving line of credit with a local bank, at the bank's prime rate +1.00% (but not less than 5%), which matured December 15, 2017 and was not renewed. There was \$0 outstanding on the line of credit at December 31, 2017 and 2016. The line of credit was secured by collateral and the bank had a right of setoff.

**NOTE F - FACILITIES**

The Network currently occupies office space in a building owned by Huron River Holdings on a month-to-month basis. The Network pays \$100 per month, and the difference between this and the fair value of the space is recognized as contribution revenue and rent expense. Rent expense totaled \$21,260 and \$21,760 for the years ended December 31, 2017 and 2016, respectively.

**NOTE G - DONATED GOODS AND SERVICES**

Volunteers have donated their time without compensation to the Network 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 Network. During the years ended December 31, 2017 and 2016, several hundred hours of services were volunteered to the Network. 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.

The 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.

**NOTE H - CONCENTRATIONS**

A significant portion of the Network's revenues and contracts and grants receivable consists of government grants and contracts received from a number and variety of governmental agencies. These revenues and grants are earned by the Network based on services it provides per individual agreement. Approximately 50% and 63% of the Network's support was provided by government contracts for the years ended December 31, 2017 and 2016, respectively.

**NOTE I - EMPLOYEE BENEFIT PLAN**

The Network 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, the Network makes matching contributions on behalf of the participant of up to 3% of compensation. Matching contributions totaled \$7,452 and \$1,688 for the years ended December 31, 2017 and 2016, respectively.

**NOTE J - RELATED PARTY TRANSACTIONS**

The Network has a volunteer Board of Directors and received contributions from several participating members during the years ended December 31, 2017 and 2016.

**NOTE K - CONTINGENCIES AND COMMITMENTS**

The Network receives, directly or as a pass-through, 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 Network. Management feels that any liability for reimbursement which could arise as the result of these audits would not be material. It is at least reasonably possible that the estimate of this liability could change in the near term.

The Network spent less than \$750,000 in federal financial assistance for the years ended December 31, 2017 and 2016. Therefore, a single audit in accordance with the OMB Uniform Guidance is not required.

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

**NOTE L - NEW ACCOUNTING PRONOUNCEMENTS**

The FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*, a principles-based standard to recognize revenue from customer contracts. ASU No. 2014-09 will be effective beginning in 2019. The Network is currently evaluating the impact the adoption of ASU No. 2014-09 will have on its financial statements.

The FASB also issued ASU No. 2016-02, *Leases (Topic 842)*, which will require recognition of an asset and liability for most leases entered into by lessees. ASU No. 2016-02 will be effective beginning in 2020. The Network is currently evaluating the impact the adoption of ASU No. 2016-02 will have on its financial statements.

The FASB also issued ASU No. 2016-14, *Not-for-Profit Entities (Topic 958)*, which will require changes to the presentation of financial statements for not-for-profit entities. These changes are designed to improve the current net asset classification requirements and the information presented in financial statements and notes about a not-for-profit entity's liquidity, financial performance, and cash flows. ASU No. 2016-14 will be effective for fiscal years beginning after December 15, 2017. Early adoption is allowed. The Network is currently evaluating the impact the adoption of ASU No. 2016-14 will have on its financial statements.

The FASB also issued ASU No. 2016-15, *Statement of Cash Flows (Topic 230)*, which addresses eight specific cash flow issues with the objective of reducing the existing diversity in practice. ASU No. 2016-15 will be effective for fiscal years beginning after December 15, 2018. Early adoption is allowed. The Network is currently evaluating the impact the adoption of ASU No. 2016-15 will have on its financial statements.