
THE STEWARDSHIP NETWORK

FINANCIAL STATEMENTS

For the years ended December 31, 2018 and 2017

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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, 2018 and 2017, 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, 2019

THE STEWARDSHIP NETWORK
STATEMENTS OF FINANCIAL POSITION
December 31,

	<u>2018</u>	<u>2017</u>
ASSETS		
Cash and cash equivalents	\$ 58,594	\$ 179,982
Accounts receivable	45,342	68,143
Prepaid expenses	29,199	20,839
Property and equipment, net	-	-
TOTAL ASSETS	<u>\$ 133,135</u>	<u>\$ 268,964</u>
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable	\$ -	\$ 5,500
Accrued liabilities	8,228	16,483
Deferred revenue	47,601	51,490
Refundable advances	7,013	134,210
TOTAL LIABILITIES	<u>62,842</u>	<u>207,683</u>
NET ASSETS		
Without donor restrictions	68,293	58,748
With donor restrictions	2,000	2,533
TOTAL NET ASSETS	<u>70,293</u>	<u>61,281</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 133,135</u>	<u>\$ 268,964</u>

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

	2018	2017
NET ASSETS WITHOUT DONOR RESTRICTIONS		
SUPPORT AND REVENUE		
Contributions	\$ 172,186	\$ 162,513
Grants and contracts	275,040	342,280
Annual conference	77,385	70,279
Program service fees	149,971	86,584
Interest income	129	129
	674,711	661,785
Net assets released from restrictions	1,533	27,129
	676,244	688,914
EXPENSES		
Program services	624,361	604,437
Supporting services		
Management and general	38,636	26,619
Fundraising	3,702	6,712
	666,699	637,768
TOTAL EXPENSES		
CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS	9,545	51,146
NET ASSETS WITH DONOR RESTRICTIONS		
Contributions	1,000	-
Grants and contracts	-	28,662
Net assets released from restrictions	(1,533)	(27,129)
CHANGE IN NET ASSETS WITH DONOR RESTRICTIONS	(533)	1,533
CHANGE IN NET ASSETS	9,012	52,679
NET ASSETS AT BEGINNING OF YEAR	61,281	8,602
NET ASSETS AT END OF YEAR	\$ 70,293	\$ 61,281

THE STEWARDSHIP NETWORK
STATEMENT OF FUNCTIONAL EXPENSES
For the year ended December 31, 2018, with comparable totals for 2017

	Program Services	Supporting Services		Total 2018	Total 2017
		Management and General	Fundraising		
Employee Compensation					
Salaries and wages	\$ 177,109	\$ 15,194	\$ 2,681	\$ 194,984	\$ 263,432
Employee benefits	8,088	919	162	9,169	18,911
Payroll taxes	14,579	1,251	221	16,051	21,352
	<u>199,776</u>	<u>17,364</u>	<u>3,064</u>	<u>220,204</u>	<u>303,695</u>
Other Expenses					
Accounting fees	-	15,127	-	15,127	18,877
Fees for services - other	311,549	713	-	312,262	185,097
Office expenses	5,945	3,381	-	9,326	14,778
Information technology	10,278	20	-	10,298	11,086
Occupancy	19,559	1,063	638	21,260	21,260
Travel	4,076	3	-	4,079	6,183
Conferences and meetings	68,243	-	-	68,243	72,655
Interest expense	-	-	-	-	246
Depreciation and amortization	-	-	-	-	-
Insurance	1,645	945	-	2,590	2,635
Staff training and development	3,290	-	-	3,290	351
Program material and supplies	-	-	-	-	835
All other	-	20	-	20	70
	<u>-</u>	<u>20</u>	<u>-</u>	<u>20</u>	<u>70</u>
Total expenses	<u>\$ 624,361</u>	<u>\$ 38,636</u>	<u>\$ 3,702</u>	<u>\$ 666,699</u>	<u>\$ 637,768</u>

THE STEWARDSHIP NETWORK
STATEMENT OF FUNCTIONAL EXPENSES
For the year ended December 31, 2017

	Program Services	Supporting Services		Total 2017
		Management and General	Fund- Raising	
Employee Compensation				
Salaries and wages	\$ 239,724	\$ 18,439	\$ 5,269	\$ 263,432
Employee benefits	17,095	1,438	378	18,911
Payroll taxes	19,430	1,495	427	21,352
	<u>276,249</u>	<u>21,372</u>	<u>6,074</u>	<u>303,695</u>
Other Expenses				
Accounting fees	17,744	1,133	-	18,877
Fees for services - other	185,037	60	-	185,097
Office expenses	14,645	133	-	14,778
Information technology	11,086	-	-	11,086
Occupancy	19,559	1,063	638	21,260
Travel	6,059	124	-	6,183
Conferences and meetings	72,655	-	-	72,655
Interest expense	246	-	-	246
Depreciation and amortization	-	-	-	-
Insurance	-	2,635	-	2,635
Staff training and development	347	4	-	351
Program material and supplies	810	25	-	835
All other	-	70	-	70
	<u>-</u>	<u>70</u>	<u>-</u>	<u>70</u>
Total expenses	<u>\$ 604,437</u>	<u>\$ 26,619</u>	<u>\$ 6,712</u>	<u>\$ 637,768</u>

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

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 9,012	\$ 52,679
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation and amortization	-	-
Change in accounts receivable	22,801	(31,731)
Change in prepaid expenses	(8,360)	11,623
Change in accounts payable	(5,500)	(24,773)
Change in accrued liabilities	(8,255)	12,944
Change in deferred revenue	(3,889)	(8,414)
Change in refundable advances	(127,197)	107,808
	(121,388)	120,136
Net cash from operating activities		
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal payments on long-term liabilities	-	(13,832)
	-	(13,832)
Net cash provided / (used) by financing activities		
	-	(13,832)
NET CHANGE IN CASH AND CASH EQUIVALENTS	(121,388)	106,304
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	179,982	73,678
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 58,594	\$ 179,982
 <u>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</u>		
Interest paid	\$ -	\$ 246

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 or grantor imposed restrictions. Accordingly, the Network's net assets and changes therein are classified and reported as follows:

Net assets without donor restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.

Net assets with donor restrictions – Net assets subject to donor- (or certain grantor-) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

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 billings and grants receivable, and are recorded at the amount the Network expects to collect. No allowance for uncollectible receivables was considered necessary at December 31, 2018 and 2017.

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, including unconditional promises to give, are recognized when received. All contributions are reported as increases in net assets without donor restrictions unless use of the contributed assets is specifically restricted by the donor. Amounts received that are restricted by the donor to use in future periods or for specific purposes are reported as increases in net assets with donor restrictions. Unconditional promises with payments due in future years have an implied restriction to be used in the year the payment is due, and therefore are reported as restricted until the payment is due, unless the contribution is clearly intended to support activities of the current fiscal year. Conditional promises, such as matching grants, are not recognized until they become unconditional, that is, until all conditions on which they depend are substantially met.

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 2018 and 2017 for the 2019 Annual Conference and 2018 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 and statement of functional expenses. Expenses are summarized and categorized based upon their functional classification as either program or supporting services. Specific expenses that are readily identifiable to a single program or activity are charged directly to that function. Certain categories of expenses are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include occupancy, which is allocated on a square-footage basis, as well as salaries, wages and employee benefits, which are allocated on the basis of estimates of time and effort.

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, 2019, the date the financial statements were available to be issued.

NOTE B - LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of December 31, 2018, comprise the following:

Financial assets:	
Cash and cash equivalents	\$ 58,594
Accounts receivable	45,342
Total financial assets	<u>103,936</u>
Less financial assets held to meet donor-imposed restrictions:	
Purpose-restricted net assets	<u>(2,000)</u>
Amount available for general expenditures within one year	<u>\$ 101,936</u>

As part of its liquidity management plan, the Network has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations become due. It invests cash in excess of daily requirements in savings accounts. It could also draw upon a \$50,000 available line of credit (as discussed in Note C).

NOTE C - LINE OF CREDIT

The Network has a \$50,000 revolving line of credit with a local bank at the prime rate plus 1% maturing November 21, 2019. At December 31, 2018 and 2017, there was no balance drawn on the line of credit. The line of credit is secured by collateral and the bank has a right of setoff. As of the date of these financial statements, \$10,000 has been drawn on the line of credit.

NOTE D - PROPERTY AND EQUIPMENT

Property and equipment consists of the following at December 31:

	2018	2017
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
	18,887	18,887
Less accumulated depreciation and amortization	(18,887)	(18,887)
	\$ -	\$ -

NOTE E - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted for the following purposes or periods:

	2018	2017
Subject to expenditure for specified purpose:		
Conservation programs	\$ -	\$ 1,533
Future endowment	2,000	1,000
	\$ 2,000	\$ 2,533

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of the passage of time or other events specified by the donors as follows for the years ended December 31, 2018 and 2017:

	2018	2017
Satisfaction of purpose restrictions		
Conservation programs	\$ 1,533	\$ 27,129
	\$ 1,533	\$ 27,129

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 in both 2018 and 2017.

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, 2018 and 2017, 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 30% and 50% of the Network's support was provided by government contracts for the years ended December 31, 2018 and 2017, 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 \$5,783 and \$7,452 for the years ended December 31, 2018 and 2017, 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, 2018 and 2017.

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, 2018 and 2017. 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 - CHANGE IN ACCOUNTING PRINCIPLES

The Network implemented FASB ASU No. 2016-14 in the current year, applying the changes retrospectively. The new standards change the following aspects of the financial statements:

- The temporarily restricted and permanently restricted net asset classes have been combined into a single net asset class called net assets with donor restrictions.
- The unrestricted net asset class has been renamed net assets without donor restrictions.
- The financial statements include a disclosure about liquidity and availability of resources (Note B).

The changes have the following effect on net assets at January 1, 2017:

Net Asset Class	As Originally Presented	After Adoption of ASU 2016-14
Unrestricted net assets	\$ 7,602	
Temporarily restricted net assets	1,000	
Permanently restricted net assets	-	
Net assets without donor restrictions		\$ 7,602
Net assets with donor restrictions		1,000
Total net assets	<u>\$ 8,602</u>	<u>\$ 8,602</u>

NOTE M - 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 2021. The Network is currently evaluating the impact the adoption of ASU No. 2016-02 will have on its financial statements.