



PASQUESI  
SHEPPARD LLC

ACCOUNTANTS AND CONSULTANTS

**ALLIANCE FOR THE GREAT LAKES**

**FINANCIAL STATEMENTS  
AUGUST 31, 2020 AND 2019**

**TOGETHER WITH INDEPENDENT  
AUDITOR'S REPORT**





## INDEPENDENT AUDITOR'S REPORT

TO THE BOARD OF DIRECTORS  
ALLIANCE FOR THE GREAT LAKES

We have audited the accompanying financial statements of Alliance for the Great Lakes (a not-for-profit corporation), which comprise the statement of financial position as of August 31, 2020, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

### **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.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Alliance for the Great Lakes as of August 31, 2020, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Report on Summarized Comparative Information**

We have previously audited the Alliance for the Great Lakes 2019 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 31, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended August 31, 2019, is consistent, in all material respects, with the audited financial statements from which it has been derived.

A handwritten signature in cursive script that reads "Pasquesi Sheppard LLC".

Pasquesi Sheppard LLC  
Lake Forest, Illinois

November 23, 2020

ALLIANCE FOR THE GREAT LAKES

STATEMENTS OF FINANCIAL POSITION

AUGUST 31, 2020 AND 2019

<u>ASSETS</u>		
	<u>2020</u>	<u>2019</u>
<b>CURRENT:</b>		
Cash and cash equivalents —		
Unrestricted	\$ 2,130,788	\$ 1,870,405
Restricted	831,808	923,997
Investments	1,322,610	1,267,691
Accounts receivable	17,793	71,037
Current portion of contributions receivable	1,926,297	574,188
Prepaid expenses and other assets	31,354	62,197
Total current assets	<u>\$ 6,260,650</u>	<u>\$ 4,769,515</u>
<b>NONCURRENT:</b>		
Noncurrent portion of contributions receivable, net	\$ 29,350	\$ 491,012
Security deposits	26,025	26,025
Property and equipment, net	149,656	74,748
Total noncurrent assets	<u>\$ 205,031</u>	<u>\$ 591,785</u>
Total assets	<u><u>\$ 6,465,681</u></u>	<u><u>\$ 5,361,300</u></u>
 <b><u>LIABILITIES AND NET ASSETS</u></b>		
<b>CURRENT LIABILITIES:</b>		
Accounts payable	\$ 149,186	\$ 179,988
Accrued expenses and other liabilities	204,928	119,126
Current portion of note payable	11,918	-
Current portion of deferred obligation	15,891	12,504
Total current liabilities	<u>\$ 381,923</u>	<u>\$ 311,618</u>
<b>NONCURRENT LIABILITIES:</b>		
Noncurrent portion of note payable	\$ 390,395	\$ -
Noncurrent portion of deferred obligation	51,974	67,864
Total noncurrent liabilities	<u>\$ 442,369</u>	<u>\$ 67,864</u>
Total liabilities	<u>\$ 824,292</u>	<u>\$ 379,482</u>
<b>NET ASSETS:</b>		
Without donor restrictions	\$ 2,853,934	\$ 2,992,621
With donor restrictions	2,787,455	1,989,197
Total net assets	<u>\$ 5,641,389</u>	<u>\$ 4,981,818</u>
Total liabilities and net assets	<u><u>\$ 6,465,681</u></u>	<u><u>\$ 5,361,300</u></u>

The accompanying notes are an integral part of these financial statements.

**ALLIANCE FOR THE GREAT LAKES**

**STATEMENTS OF ACTIVITIES**

**FOR THE YEAR ENDED AUGUST 31, 2020**

**WITH SUMMARIZED FINANCIAL INFORMATION FOR AUGUST 31, 2019**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>	<u>2019</u>
<b>REVENUES:</b>				
Grants	\$ 625,261	\$ 1,311,141	\$ 1,936,402	\$ 2,422,181
Contributed goods and services	13,480	-	13,480	71,911
Contributions	1,049,757	1,000,000	2,049,757	1,074,364
Contracts	35,134	-	35,134	143,147
Fundraising events	56,917	-	56,917	196,971
Investment return	137,354	-	137,354	27,790
Contributed securities	91,735	-	91,735	58,319
Other	-	-	-	1,597
Net assets released from restrictions	1,512,883	(1,512,883)	-	-
<b>Total revenues</b>	<b>\$ 3,522,521</b>	<b>\$ 798,258</b>	<b>\$ 4,320,779</b>	<b>\$ 3,996,280</b>
<b>EXPENSES:</b>				
Program services	\$ 2,892,267	\$ -	\$ 2,892,267	\$ 2,759,168
Management and general	386,188	-	386,188	411,117
Fundraising	382,753	-	382,753	515,589
<b>Total expenses</b>	<b>\$ 3,661,208</b>	<b>\$ -</b>	<b>\$ 3,661,208</b>	<b>\$ 3,685,874</b>
<b>CHANGE IN NET ASSETS</b>	<b>\$ (138,687)</b>	<b>\$ 798,258</b>	<b>\$ 659,571</b>	<b>\$ 310,406</b>
<b>NET ASSETS AT BEGINNING OF YEAR</b>	<b>2,992,621</b>	<b>1,989,197</b>	<b>4,981,818</b>	<b>4,671,412</b>
<b>NET ASSETS AT END OF YEAR</b>	<b>\$ 2,853,934</b>	<b>\$ 2,787,455</b>	<b>\$ 5,641,389</b>	<b>\$ 4,981,818</b>

The accompanying notes are an integral part of these financial statements.

ALLIANCE FOR THE GREAT LAKES

STATEMENTS OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED AUGUST 31, 2020

WITH SUMMARIZED FINANCIAL INFORMATION FOR AUGUST 31, 2019

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>	<u>2019</u>
Salaries	\$ 1,441,375	\$ 248,161	\$ 238,710	\$ 1,928,246	\$ 1,898,134
Payroll taxes	109,763	18,898	18,180	146,841	154,299
Employee benefits	151,672	26,113	25,119	202,904	219,902
Consultants	728,355	7,034	12,255	747,644	633,643
Contributed goods and services —					
Legal	-	-	-	-	29,613
Marketing & other	11,379	-	-	11,379	-
Fundraising	-	-	2,101	2,101	42,299
Occupancy costs	188,245	25,035	24,578	237,858	234,580
Professional services	1,979	25,263	258	27,500	24,000
Supplies	46,492	775	8,199	55,466	28,005
Printing and reproduction	14,363	64	11,803	26,230	36,198
Conferences and events	61,032	10,617	10,836	82,485	106,471
Travel, lodging and meals	46,704	1,587	2,096	50,387	71,111
Postage and shipping	7,319	152	1,983	9,454	36,408
Depreciation	50,729	6,747	6,623	64,099	82,215
Telephone and internet	23,516	3,128	3,070	29,714	28,734
Other	3,497	11,838	16,179	31,514	53,567
Equipment and software rental	5,847	776	763	7,386	6,695
	<u>\$ 2,892,267</u>	<u>\$ 386,188</u>	<u>\$ 382,753</u>	<u>\$ 3,661,208</u>	<u>\$ 3,685,874</u>
Total functional expenses	<u>\$ 2,892,267</u>	<u>\$ 386,188</u>	<u>\$ 382,753</u>	<u>\$ 3,661,208</u>	<u>\$ 3,685,874</u>

The accompanying notes are an integral part of these financial statements.

ALLIANCE FOR THE GREAT LAKES

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED AUGUST 31, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Change in net assets	\$ 659,571	\$ 310,406
Adjustments to reconcile changes in net assets to net cash (used for) provided by operating activities –		
Depreciation	64,099	82,215
Realized and unrealized net (gain) loss on investments	(104,348)	8,375
Changes in operating assets and liabilities –		
Accounts receivable	53,244	44,104
Contributions receivable	(880,800)	(535,184)
Contributions receivable - change in discount	(9,647)	9,647
Prepaid expenses and other assets	30,843	10,308
Accounts payable	(30,802)	162,062
Accrued expenses and other liabilities	85,802	5,171
Deferred rent obligation	(12,503)	(9,117)
Net cash (used for) provided by operating activities	<u>\$ (144,541)</u>	<u>\$ 87,987</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchase of investments	\$ (753,556)	\$ (430,562)
Contributed investments	(91,735)	(58,319)
Proceeds from sale of investments	894,720	440,562
Purchase of property and equipment	<u>(139,007)</u>	<u>(9,740)</u>
Net cash used for investing activities	<u>\$ (89,578)</u>	<u>\$ (58,059)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Proceeds from notes payable	<u>\$ 402,313</u>	<u>\$ -</u>
<b>CHANGE IN CASH AND CASH EQUIVALENTS</b>	<u>\$ 168,194</u>	<u>\$ 29,928</u>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	<u>2,794,402</u>	<u>2,764,474</u>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<u><u>\$ 2,962,596</u></u>	<u><u>\$ 2,794,402</u></u>

The accompanying notes are an integral part of these financial statements.

## ALLIANCE FOR THE GREAT LAKES

### NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2020 AND 2019

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#### (1) DESCRIPTION OF THE ALLIANCE:

Alliance for the Great Lakes (the Alliance) believes that Great Lakes water belongs to all people who live in the Great Lakes region, and that healthy, clean and accessible water is a right for all life. As an Illinois not-for-profit corporation serving the Great Lakes, the Alliance adheres to the highest principles of fiscal stewardship in building and maintaining support for its work. The all-volunteer professional board of directors provides consistent oversight of the Alliance's strategic and financial commitments. The Alliance concentrates its efforts in four main areas:

**Clean Water for People:** Across the Great Lakes, clean, safe and affordable water services are not available in all communities. Aging water infrastructure in urban and rural areas creates the greatest burden on low-income communities and communities of color. Our Great Lakes water supply requires constant vigilance. The Alliance works with community groups, government agencies and elected officials to advocate for solutions to these problems. In Illinois, the Alliance produced the Calumet Databook, a 200+ page resource utilizing quantitative and qualitative data analysis that reflects the lived experiences of residents of neighborhoods adjacent to the Calumet River, one of the most industrialized and contaminated riverfront areas in the Great Lakes region. This will be used as a foundation for a new industrial modernization plan being created by the city of Chicago. In Detroit, we developed a series of case studies of five cities across the country, detailing their work with green stormwater infrastructure, to be used to inform and motivate similar work in the Detroit area. In Ohio, we are creating a Candidate Education toolkit to educate candidates about issues regarding water infrastructure and affordability, and a Resident Education toolkit to inform voters in advance of 2021 municipal elections. Across the region, the Alliance has worked to encourage city and state governments to impose moratoria on water shutoffs, and work to restore water service to all residents amidst the public health crisis of the COVID-19 pandemic. We led advocacy that resulted in improvements to the regulations governing the implementation of the Great Lakes Compact – the policy that protects the Great Lakes water supply from diversion to other parts of the country. Finally, we pushed back on numerous efforts by U.S. EPA to roll back environmental protections that would have long-term consequences for Great Lakes water.

**Aquatic Invasive Species:** Aquatic invasive species pose a serious threat to the ecology and economy of the Great Lakes. The Alliance advocates for solutions that prevent the introduction of aquatic invasive species into the Lakes. We work to prevent the introduction and spread of aquatic invasive species in ballast water of ships that travel the Great Lakes and to prevent a catastrophic invasion by Asian carp. In the past year, the Alliance secured critical bi-partisan Congressional support of construction of the Brandon Road Lock and Dam project to build new protections against invasive Asian carp near Joliet, Illinois. The Alliance also secured signatures from more than 4,000 individuals and 39 organizations on a letter to Illinois Governor Pritzker, urging him to sign the design agreement as the non-federal



## ALLIANCE FOR THE GREAT LAKES

### NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2020 AND 2019

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sponsor of the project. The Alliance has submitted detailed comments on US EPA's proposed standards for regulating aquatic invasive species in ballast water. We also advocated to the Canadian government to implement its own strong ballast water policy for both oceangoing and freshwater vessels, as Canadian ballast water rules have as much impact on the invasive species issue as those of the U.S. EPA and U.S. Coast Guard.

**Agriculture and Water:** Nonpoint source runoff from agriculture continues to be one of the greatest threats to water quality across the Great Lakes states. We work with research scientists, local and state agencies, business interests, and people affected by agricultural pollution to create accountability and responsibility for cleaning up this source of pollution that can cause harmful algal blooms. The Alliance is currently focused on this work in the western Lake Erie basin and the Lower Fox River watershed and Green Bay in Wisconsin. In western Lake Erie, the Alliance provided comments and oversight of Ohio's Domestic Action Plan for cleanup, convened water partners across the region to provide public messaging on the state's failure to meet its 20% reduction target of phosphorus entering the lake by 2020, and is working to implement a new pollution reduction plan for Lake Erie. In Wisconsin, the Alliance has built a coalition of county governments, the Oneida nation, researchers, and agricultural interests, to create a common agenda and share responsibility in reducing phosphorus pollution in the Lower Fox River basin. This coalition is establishing measurement systems and a larger framework that creates accountability among all members of this coalition.

**Communications & Engagement:** The Alliance provides an array of programs that educate and engage its supporters, allowing them to become more active advocates of our work, and help advance improvements to the Great Lakes. The Adopt-a-Beach program is the largest cleanup program on the lakes, engaging thousands of volunteers each year across all eight Great Lakes states to remove tens of thousands of pounds of trash from Great Lakes beaches. Also, the Alliance released a newly redesigned volunteer website, [adopt.greatlakes.org](http://adopt.greatlakes.org), which provides volunteers a new, user-friendly experience allowing for supporters to more easily and deeply engage with the Alliance's programming. Additionally, we provide our Young Professional Council an opportunity for leadership in creating awareness and fundraising campaigns to support our work. And the Alliance Ambassadors work to help inform the public about the Alliance through public events and other advocacy campaigns. In 2020, the Alliance released its Voter Toolkit, a non-partisan resource that provided voters of Great Lakes states tips for getting involved in elections, clean water questions to ask of candidates running for office, along with state-specific information regarding a voter's registration status, how and where to vote safely, and all pertinent deadlines.

## ALLIANCE FOR THE GREAT LAKES

### NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2020 AND 2019

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#### (2) ACCOUNTING POLICIES AND PRACTICES:

The financial statements of the Alliance have been prepared on the accrual basis of accounting. The following is a summary of the major accounting policies and practices of the Alliance, which affect significant elements of the accompanying financial statements:

##### Change in Accounting Principle –

On November 17, 2016, the FASB issued ASU No. 2016-18, Restricted Cash (“ASU 2016-18”), which addresses classification and presentation of changes in restricted cash on the statement of cash flows. ASU 2016-18 requires an entity’s reconciliation of the beginning-of-period and end-of-period total amounts shown on the statement of cash flows to include in cash and cash equivalents amounts generally described as restricted cash and restricted cash equivalents. The Alliance adopted ASU 2016-18 as of September 1, 2019 and applied the standard on a retrospective basis. Management believes that the adoption of the new accounting standard provides a better presentation of cash flows to the users of its financial statements.

On August 18, 2016, the FASB issued ASU 2016-14, Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-For-Profit Entities. The amendments in this update went into effect for the Alliance on September 1, 2018. The Alliance has adjusted the presentation of its August 31, 2019 financial statements accordingly. The new standards change the following aspects of the Alliance’s 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 notes to the financial statements include a new disclosure about liquidity and the availability of resources (Note 17).

##### Financial Statement Presentation –

The Alliance prepares its financial statements to present its financial position and activities based on the existence or absence of donor-imposed restrictions as follows:

- Net assets without donor restrictions represent funds, which are available for the Alliance to utilize, at the discretion of management and the Board of Directors, in any of its programs or supporting activities.

ALLIANCE FOR THE GREAT LAKES

NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2020 AND 2019

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- Net assets with donor restrictions are resources that are subject to donor-imposed restrictions. Some restrictions are temporary in nature, such as those that are restricted by a donor for use for a particular purpose or in a particular future period. Other restrictions may be perpetual in nature, such as those that the donor stipulates that resources be maintained in perpetuity.

Cash Equivalents —

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

The following table reconciles the cash on the statement of financial position to the statement of cash flows:

	<u>2020</u>	<u>2019</u>
Restricted cash	\$ 831,808	\$ 923,997
Unrestricted cash	2,130,788	1,870,405
Total cash	<u>\$ 2,962,596</u>	<u>\$ 2,794,402</u>

Investments —

Under U.S. Generally Accepted Accounting Principles (GAAP), the Alliance reports investments in marketable securities with readily determinable fair values in the statement of financial position. The Alliance states its investments at fair value based on closing prices reported on the active market on which the individual securities are traded, or the net value of shares held in the case of mutual funds. The Alliance records purchases and sales of securities on a trade-date basis. Unrealized gains and losses are included in the change in net assets.

Fair Value Measurements —

The Alliance follows GAAP, which has established a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under GAAP are as follows:

## ALLIANCE FOR THE GREAT LAKES

### NOTES TO FINANCIAL STATEMENTS

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*Level 1* – Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Alliance has the ability to access.

*Level 2* – Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

*Level 3* – Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

GAAP bases the fair value measurement level of the assets or liabilities within the fair value hierarchy on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

#### Accounts and Contributions Receivable –

Management states accounts and contributions receivable at the amounts it expects to collect. Management records an allowance for doubtful accounts if deemed necessary by its historical experience with collection and analysis of current economic conditions.

#### Property and Equipment –

The Alliance carries property and equipment at cost or fair value for contributed items, net of accumulated depreciation. Management computes depreciation on a straight-line basis over the useful lives of the assets, which are typically three or five years or the remaining lease term in the case of leasehold improvements. The Alliance capitalizes additions with a cost in excess of \$1,000 and a useful life greater than one year. The Alliance expenses the cost of maintenance, repairs, and minor improvements, which do not extend the useful life of the asset, as incurred.

## ALLIANCE FOR THE GREAT LAKES

### NOTES TO FINANCIAL STATEMENTS

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#### Website Development Costs –

The Alliance accounts for website development costs as capital assets and amortizes them on a straight-line method over their estimated useful lives of three years. The Alliance expenses costs related to the planning stage of development projects as well as ongoing website operating and support costs as incurred.

#### Grants and Contributions –

The Alliance recognizes the full amount of the grants and contributions received in the year that the donor contributed them as support without donor restrictions or with donor restrictions, depending on the existence and/or nature of any donor restrictions.

The Alliance reports gifts of cash and other assets as with donor restrictions if they are received with donor-imposed stipulations that limit the use of donated assets. When a donor restriction expires, or a stipulated time restriction ends, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions. The Alliance calculates releases from restrictions based on personnel and other costs charged to projects funded by restricted contributions and grants.

#### Contributed Goods and Services –

The Alliance records non-cash contributions at their estimated fair market value at the date of the contribution. The Alliance recognizes the monetary value of contributed services that represents specialized skills as revenue. The Alliance does not assign monetary value to the work of volunteers who perform unspecialized tasks, as it is not practical to estimate the value of volunteer activity accurately.

#### Contracts –

For purposes of the statement of activities, contracts are grants that the Alliance considers exchange transactions. Accordingly, the Alliance recognizes contract revenue when it has performed the services or fulfilled the conditions of the agreement. The Alliance recognizes a liability for funds received where conditions have yet to be satisfied at year-end.

#### Allocation of Expenses –

The Alliance incurs costs that provide program, fundraising, and general and administrative benefit. Directly identifiable expenses are charged to programs and supporting services. Management charges joint functional expenses to programs and support services based on periodic time and expense studies.

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NOTES TO FINANCIAL STATEMENTS

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Use of Estimates –

The preparation of financial statements, in conformity with GAAP, requires management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities at the date of the financial statements, the disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

New Accounting Pronouncement –

In May 2014 the FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*, requiring an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The updated standard will replace most existing revenue recognition guidance in GAAP when it becomes effective and permits the use of either a full retrospective or retrospective with cumulative effect transition method. The standard is effective as of September 1, 2020, for the Alliance. The Alliance has not yet selected a transition method and is currently evaluating the effect that the standard will have on its financial statements.

Prior Period Information –

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with GAAP. Accordingly, such information should be read in conjunction with the organization's financial statements for the year ended August 31, 2019, from which the summarized information was derived.

**(3) INVESTMENTS:**

Investments consisted of the following as of August 31:

	<u>2020</u>	<u>2019</u>
Equity mutual funds	\$ 980,089	\$ 809,043
Bonds and fixed income mutual funds	342,521	458,648
	<u>\$ 1,322,610</u>	<u>\$ 1,267,691</u>

Cash held in the investment account as of August 31, 2020 and 2019, was \$1,191,655 and \$1,014,567, respectively.

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Investment return consisted of the following for the years ended August 31:

	<u>2020</u>	<u>2019</u>
Realized and unrealized net gain		
(loss) on investments	\$ 104,348	\$ (8,375)
Interest and dividends	33,006	36,165
	<u>\$ 137,354</u>	<u>\$ 27,790</u>

Investment fees consisted of \$6,778 and \$7,661 for the years ending August 31, 2020 and 2019, respectively.

**(4) FAIR VALUE MEASUREMENTS:**

Management has determined that all investments held by the Alliance are level 1 assets within the fair value hierarchy based on the lowest level of input that is significant to the fair value measurement.

**(5) ALLOWANCE FOR DOUBTFUL ACCOUNTS:**

Management considers receivables fully collectible. Accordingly, there was no allowance for doubtful accounts at August 31, 2020 and 2019.

**(6) CONTRIBUTIONS RECEIVABLE:**

Contributions receivable relate to amounts receivable under unconditional grants from private foundations and other entities. Included in contributions receivable in the accompanying statements of financial position are the following unconditional pledges at August 31:

	<u>2020</u>	<u>2019</u>
Amounts due in:		
Less than one year	\$ 1,926,297	\$ 574,188
One to five years	29,350	500,659
Gross contributions receivable	\$ 1,955,647	\$ 1,074,847
Unamortized discount	-	(9,647)
Net contributions receivable	<u>\$ 1,955,647</u>	<u>\$ 1,065,200</u>

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The interest rate used to discount unconditional pledges for the year ending August 31, 2019 was 1.87%.

**(7) PROPERTY AND EQUIPMENT:**

Property and equipment consisted of the following as of August 31:

	<u>2020</u>	<u>2019</u>
Website development costs	\$ 79,800	\$ 79,800
Leasehold improvements	32,948	32,948
Furniture and equipment	379,296	240,289
	<u>\$ 492,044</u>	<u>\$ 353,037</u>
Less - Accumulated depreciation	<u>(342,388)</u>	<u>(278,289)</u>
	<u>\$ 149,656</u>	<u>\$ 74,748</u>

Depreciation expense was \$64,099 and \$82,215 for the years ended August 31, 2020 and 2019, respectively.

**(8) NOTE PAYABLE:**

On April 24, 2020, the Alliance received a loan of \$402,313 under the Small Business Administration's Paycheck Protection Program. Under the terms of the loan, the balance will be fully forgiven provided the Alliance meets the relevant requirements. These requirements include limitations on how the funds may be spent, with the majority of the funds required to be spent on payroll and employee benefits.

The Alliance intends to apply for loan forgiveness during the year ending August 31, 2021. The Alliance expects that all or substantially all of the loan will be forgiven as management believes the Alliance has complied with the relevant requirements. Any amounts not forgiven would bear interest at 1%, with the first payment due August 9, 2021.

**(9) DEFERRED RENT OBLIGATION:**

The Alliance recognizes rent expense by the straight-line method over the terms of its lease. In connection with its lease detailed in Note 12, the lessor granted the Alliance rent abatement for initial months of the lease agreement. Accordingly, the Alliance recorded a liability for deferred rent.



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(10) ENDOWMENT AND BOARD-DESIGNATED FUNDS:

The Lee Botts Endowment (the Endowment) is a board-designated fund named for the Alliance's founder and is included in net assets without donor restrictions. The Alliance held the majority of the assets of the fund in a separate investment account, which the board designated for the long-term purposes of the Alliance. The fund is conservatively invested in money market funds, fixed income mutual funds, and equity mutual funds in order to preserve purchasing power. The Alliance may use investment income for general operating purposes. The Alliance may use principal of the Endowment, including any net appreciation, for general operating purposes upon approval by seventy-five percent of the Board of Directors. Changes in the endowment net assets are as follows for the years ended August 31:

	<u>2020</u>	<u>2019</u>
Net assets, beginning of the year	\$ 1,189,337	\$ 1,155,957
Contributions	34,308	25,331
Net appreciation (depreciation)	102,352	(11,479)
Interest and dividends	30,203	27,014
Investment fees	(6,602)	(7,486)
Net assets, end of the year	<u>\$ 1,349,598</u>	<u>\$ 1,189,337</u>

(11) NET ASSETS WITH DONOR RESTRICTIONS:

Net assets with donor restrictions arise primarily from grants received from private foundations to support various environmental projects. The Alliance held net assets with donor restrictions in cash and cash equivalents as well as receivables at August 31, 2020 and 2019. During the years ended August 31, 2020 and 2019, the Alliance released net assets with donor restrictions of \$1,512,883 and \$1,433,097, respectively, from donor restriction by incurring charges that satisfied the restrictions specified by the donors.

As of August 31, 2020, the Alliance had not received any gifts, which the donor stipulated must be maintained in perpetuity.

**ALLIANCE FOR THE GREAT LAKES**

**NOTES TO FINANCIAL STATEMENTS**

**AUGUST 31, 2020 AND 2019**

**(12) OPERATING LEASES:**

The Alliance entered into an operating lease that commenced in February 2014 to lease office space in Chicago, Illinois until 2024. Expense recognized under this lease was approximately \$238,000 and \$235,000 for the years ended August 31, 2020 and 2019, respectively. Future minimum payments under the Chicago lease as of August 31, 2020, are as follows:

2021	\$ 103,586
2022	106,972
2023	110,360
2024	<u>46,571</u>
Total minimum lease payments	<u>\$ 367,489</u>

**(13) JOINT COSTS:**

The Alliance allocated the following joint costs for the years ended August 31, 2020 and 2019:

	<b><u>Program Services</u></b>	<b><u>Management and General</u></b>	<b><u>Fundraising</u></b>	<b><u>Total</u></b>	<b><u>2019</u></b>
Consultants	\$ 45,370	\$ 6,034	\$ 5,924	\$ 57,328	\$ 56,164
Occupancy costs	188,245	25,035	24,578	237,858	234,580
Supplies	5,831	775	760	7,366	8,382
Printing and reproduction	480	64	63	607	800
Conferences and events	3,597	477	471	4,545	35,988
Travel, lodging and meals	318	42	41	401	1,961
Postage and shipping	1,144	152	149	1,445	6,672
Depreciation	50,729	6,747	6,623	64,099	82,215
Telephone and internet	23,516	3,128	3,070	29,714	28,734
Other	3,497	465	457	4,419	4,472
Legal fees	1,979	263	258	2,500	-
Equipment and software rental	5,847	776	763	7,386	6,695
Total joint costs	<u>\$ 330,553</u>	<u>\$ 43,958</u>	<u>\$ 43,157</u>	<u>\$ 417,668</u>	<u>\$ 466,663</u>

**(14) RETIREMENT PLAN:**

The Alliance has established a defined contribution retirement plan that allows eligible employees to defer a portion of their compensation until retirement. The Alliance matches employee contributions up to 4% of salary. The Alliance's contribution was approximately \$52,000 and \$47,000 for the years ended August 31, 2020 and 2019, respectively.

ALLIANCE FOR THE GREAT LAKES

NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2020 AND 2019

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(15) INCOME TAXES:

The Alliance is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and applicable state law. The Alliance files forms 990 in the U.S. federal jurisdiction and various states.

There were no unrecognized tax benefits identified or recorded as liabilities for the years ended August 31, 2020 and 2019. The Alliance is generally no longer subject to examination by the Internal Revenue Service for years before 2017.

Management periodically reviews its tax positions and has determined that there are no material uncertain tax positions that require recognition in the financial statements.

(16) CONCENTRATIONS OF CREDIT RISK:

Financial instruments, which potentially subject the Alliance to concentrations of credit risk, consist principally of cash and receivables. Management believes the Alliance has negligible exposure to any significant credit risk on cash and receivables.

The Alliance maintains its cash in bank deposit accounts, which at times, may exceed federally insured limits. The Alliance has not experienced any losses in such accounts.

Receivables from four foundations and other entities represent approximately 86% of total receivables as of August 31, 2020. Receivables from two foundations and other entities represent approximately 79% of total receivables as of August 31, 2019. The Alliance has not experienced significant losses from these organizations.

ALLIANCE FOR THE GREAT LAKES

NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2020 AND 2019

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**(17) LIQUIDITY:**

The following reflects the Alliance's financial assets as of the statement of financial position date, reduced by amounts not available for general use because of donor-imposed restrictions within one year of the statement of financial position date. Amounts that are available for use within one year for general purposes include pledges receivable within one year for which use is not stipulated by the donor:

	<u>2020</u>	<u>2019</u>
Financial assets at year-end	\$ 6,258,646	\$ 5,198,330
Less those unavailable for general expenditures within one year, due to:		
Donor imposed restrictions of time or purpose	(2,787,455)	(1,989,197)
Board designated endowment fund	<u>(1,349,598)</u>	<u>(1,189,337)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 2,121,593</u>	<u>\$ 2,019,796</u>

As part of the Alliance's liquidity management, it invests cash in excess of daily requirements in short term investments.

**(18) SIGNIFICANT SUPPORT:**

The Alliance received significant support from private foundations and similar organizations in the form of restricted and unrestricted grant awards, including multi-year awards. For the year ended August 31, 2020, grants from two organizations comprised 38% of grant revenue and 17% of total revenue. Additionally, a single donation made up 49% of contribution revenue and 23% of total revenue. For the year ended August 31, 2019, grants from three organizations comprised 54% of grant revenue and 33% of total revenue.

**(19) SUBSEQUENT EVENTS:**

The Alliance's management has performed an analysis of activities and transactions subsequent to the report date, to determine the need for any adjustments to and/or disclosures within the audited financial statements for the year then ended. Management has performed their analysis through the report date, the date which the financial statements were available to be issued.

ALLIANCE FOR THE GREAT LAKES

NOTES TO FINANCIAL STATEMENTS

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In January 2020 the World Health Organization officially declared the coronavirus (COVID-19) a pandemic. Beginning in March 2020 and continuing through the date which the financial statements were available to be issued, a number of states instituted “shelter in place” orders as well other guidance in response to the pandemic. These responses included closing nonessential businesses and limiting travel, which have had an adverse impact on the economy. The impact on the Alliance cannot be reasonably estimated at this time.