



ALLIANCE FOR THE GREAT LAKES

FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

TOGETHER WITH INDEPENDENT
AUDITOR'S REPORT



INDEPENDENT AUDITOR'S REPORT

TO THE BOARD OF DIRECTORS
ALLIANCE FOR THE GREAT LAKES

Opinion

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 December 31, 2023, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

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 December 31, 2023, 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Alliance for the Great Lakes and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Alliance's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

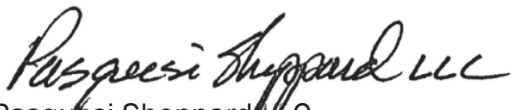
In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Alliance's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Alliance's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Report on Summarized Comparative Information

We have previously audited the Alliance for the Great Lakes 2022 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated May 23, 2023. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2022, is consistent, in all material respects, with the audited financial statements from which it has been derived.


Pasquesi Sheppard LLC
Lake Forest, Illinois

June 3, 2024

ALLIANCE FOR THE GREAT LAKES

STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2023 AND 2022

<u>ASSETS</u>		
	<u>2023</u>	<u>2022</u>
CURRENT:		
Cash and cash equivalents —		
Unrestricted	\$ 1,653,302	\$ 1,787,902
Restricted	1,350,806	1,195,513
Investments	6,144,695	5,296,317
Accounts receivable	71,059	157,825
Current portion of contributions receivable, net	604,621	1,111,458
Prepaid expenses and other assets	102,339	83,217
Total current assets	<u>\$ 9,926,822</u>	<u>\$ 9,632,232</u>
NONCURRENT:		
Noncurrent portion of contributions receivable, net	\$ 104,731	\$ 309,627
Security deposits	26,025	26,025
Beneficial interest in a perpetual trust	808,942	751,566
Operating lease right-of-use asset, net	673,434	744,687
Property and equipment, net	51,382	91,070
Total noncurrent assets	<u>\$ 1,664,514</u>	<u>\$ 1,922,975</u>
Total assets	<u><u>\$ 11,591,336</u></u>	<u><u>\$ 11,555,207</u></u>
 <u>LIABILITIES AND NET ASSETS</u>		
CURRENT LIABILITIES:		
Accounts payable	\$ 81,047	\$ 90,620
Accrued expenses and other liabilities	175,379	182,183
Current portion of lease liability	66,474	62,839
Total current liabilities	<u>\$ 322,900</u>	<u>\$ 335,642</u>
NONCURRENT LIABILITIES:		
Noncurrent portion of lease liability	\$ 620,959	\$ 687,433
Total liabilities	<u>\$ 943,859</u>	<u>\$ 1,023,075</u>
NET ASSETS:		
Without donor restrictions	\$ 7,778,377	\$ 7,163,968
With donor restrictions	2,869,100	3,368,164
Total net assets	<u>\$ 10,647,477</u>	<u>\$ 10,532,132</u>
Total liabilities and net assets	<u><u>\$ 11,591,336</u></u>	<u><u>\$ 11,555,207</u></u>

The accompanying notes are an integral part of this financial statement.

ALLIANCE FOR THE GREAT LAKES

STATEMENTS OF ACTIVITIES

FOR THE YEAR ENDED DECEMBER 31, 2023

WITH SUMMARIZED FINANCIAL INFORMATION FOR DECEMBER 31, 2022

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>	<u>2022</u>
REVENUES:				
Grants	\$ 792,000	\$ 1,054,500	\$ 1,846,500	\$ 2,123,000
Contributed goods and services	719,632	-	719,632	43,356
Contributions	1,434,064	159,621	1,593,685	1,408,472
Contracts	70,668	-	70,668	265,391
Fundraising events	139,257	-	139,257	201,697
Investment return	812,867	57,376	870,243	(229,701)
Contributed securities	14,217	-	14,217	13,848
Paycheck Protection Program debt forgiveness	-	-	-	397,933
Other	-	-	-	55,127
Net assets released from restrictions	1,770,561	(1,770,561)	-	-
Total revenues	<u>\$ 5,753,266</u>	<u>\$ (499,064)</u>	<u>\$ 5,254,202</u>	<u>\$ 4,279,123</u>
EXPENSES:				
Program services	\$ 3,869,215	\$ -	\$ 3,869,215	\$ 3,149,134
Management and general	626,849	-	626,849	568,789
Fundraising	642,793	-	642,793	531,594
Total expenses	<u>\$ 5,138,857</u>	<u>\$ -</u>	<u>\$ 5,138,857</u>	<u>\$ 4,249,517</u>
CHANGE IN NET ASSETS	<u>\$ 614,409</u>	<u>\$ (499,064)</u>	<u>\$ 115,345</u>	<u>\$ 29,606</u>
NET ASSETS AT BEGINNING OF YEAR	<u>7,163,968</u>	<u>3,368,164</u>	<u>10,532,132</u>	<u>10,502,526</u>
NET ASSETS AT END OF YEAR	<u>\$ 7,778,377</u>	<u>\$ 2,869,100</u>	<u>\$ 10,647,477</u>	<u>\$ 10,532,132</u>

The accompanying notes are an integral part of this financial statement.

ALLIANCE FOR THE GREAT LAKES

STATEMENTS OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED DECEMBER 31, 2023

WITH SUMMARIZED FINANCIAL INFORMATION FOR DECEMBER 31, 2022

	Program Services	Management and General	Fundraising	Total	2022
Salaries	1,553,805	\$ 422,343	\$ 397,895	\$ 2,374,043	\$ 2,250,439
Payroll taxes	118,778	32,285	30,417	181,480	180,480
Employee benefits	214,914	58,416	55,035	328,365	256,301
Consultants	877,796	6,257	40,460	924,513	771,079
Contributed goods and services —					
Legal	65,714	7,440	7,629	80,783	1,291
Marketing & other	630,021	-	-	630,021	38,607
Fundraising	-	-	8,827	8,827	13,928
Occupancy costs	95,002	15,392	15,782	126,176	187,996
Professional services	-	29,200	-	29,200	25,000
Supplies	68,839	2,925	7,607	79,371	93,431
Printing and reproduction	26,113	138	4,214	30,465	39,108
Conferences and events	58,612	4,181	31,607	94,400	127,366
Travel, lodging and meals	43,637	680	3,332	47,649	40,836
Postage and shipping	19,258	196	5,528	24,982	23,480
Depreciation	33,332	5,400	5,538	44,270	76,053
Telephone and internet	27,141	4,397	4,509	36,047	43,732
Other	29,573	36,517	23,303	89,393	72,098
Equipment and software rental	6,680	1,082	1,110	8,872	8,292
 Total functional expenses	 \$ 3,869,215	 \$ 626,849	 \$ 642,793	 \$ 5,138,857	 \$ 4,249,517

The accompanying notes are an integral part of this financial statement.

ALLIANCE FOR THE GREAT LAKES

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

	<u>2023</u>	<u>2022</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 115,345	\$ 29,606
Adjustments to reconcile changes in net assets to net cash provided by (used for) operating activities —		
Depreciation	44,270	76,053
Amortization of right-of-use asset	71,253	40,854
Gain on forgiveness of debt	-	(397,933)
Loss on disposal of assets	-	13,318
Realized and unrealized net gain on investments	(609,827)	284,053
Changes in operating assets and liabilities —		
Accounts receivable	86,766	(123,867)
Contributions receivable	721,837	51,271
Contributions receivable - change in discount	(10,104)	15,373
Prepaid expenses and other assets	(19,122)	(16,786)
Beneficial interest in a perpetual trust	(57,376)	34,384
Accounts payable	(9,573)	(2,635)
Accrued expenses and other liabilities	(6,804)	(92,330)
Deferred rent obligation	-	(46,207)
Operating lease liability	(62,839)	(35,269)
Net cash provided by (used for) operating activities	<u>\$ 263,826</u>	<u>\$ (170,115)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of investments	\$ (2,260,420)	\$ (6,802,694)
Contributed investments	(14,217)	(13,848)
Proceeds from sale of investments	2,036,086	2,808,979
Purchase of property and equipment	(4,582)	(79,944)
Net cash used for investing activities	<u>\$ (243,133)</u>	<u>\$ (4,087,507)</u>
CHANGE IN CASH AND CASH EQUIVALENTS	<u>\$ 20,693</u>	<u>\$ (4,257,622)</u>
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>2,983,415</u>	<u>7,241,037</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u><u>\$ 3,004,108</u></u>	<u><u>\$ 2,983,415</u></u>
<u>SUPPLEMENTARY NON-CASH FINANCING ACTIVITIES</u>		
Operating right-of-use asset obtained in exchange for operating lease liability	<u><u>\$ -</u></u>	<u><u>\$ 785,541</u></u>

The accompanying notes are an integral part of this financial statement.

ALLIANCE FOR THE GREAT LAKES

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2023 AND 2022

(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 continues to work toward the outcomes outlined in its current strategy: Ensure safer, cleaner, more accessible water for all, enable people and communities to safely enjoy and rely on all the Lakes have to offer, and listen to the communities that depend on the lakes and include them in the decisions that affect them. The Alliance continues to execute these objectives through the four core pillars of Water Advocacy, Local Partnerships, Engagement, and Operations and Fundraising.

Water Advocacy is how the Alliance works to improve the federal and state programs, policies and funding necessary to protect, conserve and restore the Great Lakes and healthy water. In 2023, the Alliance worked to secure appropriated funding of the Great Lakes Restoration Initiative (GLRI) totaling \$368 million for FY2023. We released a new study that details the investments needed to significantly curb agricultural pollution in western Lake Erie, and that current funding plans are woefully inadequate. Our work helped secure \$114 million from the states of Michigan and Illinois to fund the non-federal portion of a project to prevent the introduction of invasive carp into the Great Lakes. We advocated for and won protections against plastic pollution in the state of Illinois. And we continue to convene the national State Revolving Fund (SRF) Advocates Forum to analyze and make recommendations of how funding is allocated for drinking, sewage and stormwater infrastructure improvements in the Great Lakes to ensure that equitable investments are made in communities that have suffered from decades of disinvestment and poor water quality.

Local Partnerships build more capacity for Great Lakes water protection at the community level. In Cleveland, we work with the mayor's staff and various local agencies to develop lead service line mapping and an equitable strategy and timeline for replacement. We strengthened the Cleveland Environmental Advocacy Coalition, developing joint policy priorities and an advocacy strategy for a variety of green and blue issues in Cleveland. In Chicago, the Alliance was invited to support local environmental justice leaders to draft success metrics for the city's lead service line replacement, water affordability and water governance programs.

ALLIANCE FOR THE GREAT LAKES

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2023 AND 2022

Engagement of people is how we grow a credible and lasting voice for the Great Lakes. 2023 marked 20 years of collecting litter data through our Adopt-a-Beach program, which is then provided to researchers across the globe to begin to fill the massive gap in research regarding freshwater plastic pollution and its effects on people and wildlife. The Alliance continued to grow its Ambassadors program that trains advocates to speak on behalf of the Great Lakes in communities across the Great Lakes region.

Operations and Fundraising is the backbone that enables the Alliance to advance toward our vision. It supports a healthy Board of Directors, staff and fiscal condition and is mission critical to delivery of our program work. The Alliance has human resources practices and policies that enable all staff and board members to live our values, grow and develop as individuals, and maximize the capacity of the Alliance.

(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:

Adoption of ASC Topic 842, Accounting for Leases –

In February 2016 the FASB issued ASU 2016-02, Leases, which created Accounting Standards Codification (“ASC”) Topic 842. Under ASU 2016-02, an entity recognizes right-of-use assets and lease liabilities on its balance sheet, and discloses key information about the amount, timing and uncertainty of cash flows arising from leasing arrangements. The Company adopted the new guidance effective January 1, 2022, using the optional transition method, which required application of the new guidance to only those leases that existed at the date of adoption. The Company elected the “practical expedients” which permitted the Company to not reassess its prior conclusions about lease identification, lease classification and initial direct costs. The Company also elected to apply the guidance to use the discount rate corresponding to the remaining lease term at transition. Adoption of the new standard resulted in the recognition of the right-of-use asset and lease liability of \$785,541 on June 1, 2022, the inception of the current operating lease.

ALLIANCE FOR THE GREAT LAKES

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2023 AND 2022

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.
- 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 the 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>2023</u>	<u>2022</u>
Unrestricted cash	\$ 1,653,302	\$ 1,787,902
Restricted cash	<u>1,350,806</u>	<u>1,195,513</u>
Total cash	<u>\$ 3,004,108</u>	<u>\$ 2,983,415</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.

ALLIANCE FOR THE GREAT LAKES

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2023 AND 2022

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:

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.

ALLIANCE FOR THE GREAT LAKES

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2023 AND 2022

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.

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 represent 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.

ALLIANCE FOR THE GREAT LAKES

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2023 AND 2022

Contracts —

For the purpose 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.

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.

(3) INVESTMENTS:

Investments consisted of the following as of December 31:

	<u>2023</u>	<u>2022</u>
Equity mutual funds	\$ 4,108,230	\$ 3,492,854
Bonds and fixed income mutual funds	1,845,282	1,668,523
Exchange traded funds	191,183	134,940
	<u>\$ 6,144,695</u>	<u>\$ 5,296,317</u>

Cash held in the investment account as of December 31, 2023 and 2022, was \$172,848 and \$252,950, respectively.

ALLIANCE FOR THE GREAT LAKES

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2023 AND 2022

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

	<u>2023</u>	<u>2022</u>
Realized and unrealized net gain		
on investments	\$ 609,827	\$ (284,053)
Interest and dividends	<u>203,040</u>	<u>88,736</u>
	<u>\$ 812,867</u>	<u>\$ (195,317)</u>

Investment fees consisted of \$29,066 and \$11,894 for the years ending December 31, 2023 and 2022, respectively.

(4) FAIR VALUE MEASUREMENTS:

Management has determined that the Alliance's interest in a perpetual trust is a Level 3 asset within the fair value hierarchy. 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 CREDIT LOSSES:

Management considers receivables fully collectible. Accordingly, there was no allowance for credit losses at December 31, 2023 and 2022.

(6) CONTRIBUTIONS RECEIVABLE:

Contributions receivable relate to amounts receivable under unconditional grants from private foundations and other entities. The average discount rate used for the years ended December 31, 2023 and 2022, was 4.79% and 4.73%, respectively, which was calculated based on the one-year US Treasury note. The present value of the contributions receivable at December 31, is shown below:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Amounts due in:		
Less than one year	\$ 604,621	\$ 1,111,458
One to five years	110,000	325,000
Discount	<u>(5,269)</u>	<u>(15,373)</u>
Total contributions receivable	<u>\$ 709,352</u>	<u>\$ 1,421,085</u>

ALLIANCE FOR THE GREAT LAKES

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2023 AND 2022

(7) EMPLOYEE RETENTION CREDIT:

The Employee Retention Credit (ERC), provided eligible employers a refundable tax credit against certain employment taxes. On December 27, 2020, additional changes extended and expanded, the initial provisions through December 31, 2021. The ERC was equal to 70% of qualified wages paid to employees during a quarter. For the year ended December 31, 2023, the Alliance received \$3,007 of interest income related to the ERC on the Statement of Activities. For the year ended December 31, 2022, the Alliance recorded \$55,127 of income related to the ERC.

(8) PROPERTY AND EQUIPMENT:

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

	<u>2023</u>	<u>2022</u>
Website development costs	\$ 119,800	\$ 119,800
Leasehold improvements	5,916	5,916
Furniture and equipment	<u>256,279</u>	<u>251,697</u>
	\$ 381,995	\$ 377,413
Less - Accumulated depreciation	<u>(330,613)</u>	<u>(286,343)</u>
	<u><u>\$ 51,382</u></u>	<u><u>\$ 91,070</u></u>

Depreciation expense was \$44,270 and \$76,053 for the years ended December 31, 2023 and 2022, respectively.

(9) NOTE PAYABLE:

On April 5, 2021, the Alliance received a loan of \$397,933 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. This loan had been forgiven in full during the year ended December 31, 2022.

ALLIANCE FOR THE GREAT LAKES

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2023 AND 2022

(10) BOARD-DESIGNATED FUNDS:

The Lee Botts Endowment is a board-designated fund named for the Alliance's founder and is included in net assets without donor restrictions. During the year ended December 31, 2022, the Board voted to rename this fund as the "Lee Botts Strategic Fund" (the Fund) as it is not a true endowment fund. The Alliance held the majority of the assets of the fund in an 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 Fund, including any net appreciation, for general operating purposes from time to time. A transfer that represents more than 20% of the Fund's balance must get approval by two-thirds of the Board of Directors. Changes in the endowment net assets are as follows for the years ended December 31:

	<u>2023</u>	<u>2022</u>
Net assets, beginning of the year	\$ 5,549,267	\$ 1,610,600
Contributions	14,217	13,848
Transfers	-	4,132,314
Net appreciation (depreciation)	609,826	(284,053)
Interest and dividends	173,394	88,452
Investment fees	<u>(29,161)</u>	<u>(11,894)</u>
Net assets, end of the year	<u>\$ 6,317,543</u>	<u>\$ 5,549,267</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 totaling \$2,869,100 and \$3,368,164 in cash and cash equivalents as well as receivables at December 31, 2023 and 2022, respectively. During the years ended December 31, 2023 and 2022, the Alliance released net assets with donor restrictions of \$1,770,561 and \$1,971,258, respectively, from donor restriction by incurring charges that satisfied the restrictions specified by the donors.

In October 2021 the Alliance became the beneficiary of an irrevocable trust which the donor stipulated must be maintained in perpetuity. The trust will make annual distributions to the Alliance in future years. The Alliance recorded the annual distribution revenue of \$40,447 and \$37,624 in connection with this gift during the years ending December 31, 2023 and 2022, respectively. The fair value of the Trust assets for the years ended December 31, 2023 and 2022, were \$808,942 and \$751,566, respectively.

ALLIANCE FOR THE GREAT LAKES

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2023 AND 2022

(12) OPERATING LEASES:

Upon adoption of ASC 842, leases are classified as either operating or financing (formerly capital leases) by the lessee depending on whether the lease terms provide for control of the underlying asset to be transferred to the lessee. When control transfers to the lessee, we classify the lease as a financing lease. All other leases are recorded as operating leases. Effective January 1, 2022, for all leases with an initial lease term in excess of twelve months, a right-of-use asset (ROU) with a corresponding lease liability on our statement of financial position was recorded. The Company elected the practical expedient for all leases less than 12 months did not record a ROU asset or corresponding lease liability. ROU assets represent the right to use an underlying asset for the lease term and lease liabilities represent the obligation to make lease payments arising from the lease. ROU assets and lease liabilities are recognized at commencement, or in the year of transition the effective date, of the lease based on the present value of lease payments over the lease term. Right-of-use assets are adjusted for any lease payments made on or before commencement of the lease, less any lease incentives received. For the years ended December 31, 2023 and 2022, all leases were considered operating leases.

The lease liability represents future lease payments for lease and non-lease components discounted for present value. Lease payments that may be included in the lease liability include fixed payments, variable lease payments that are based on an index or rate. Certain leases contain rent escalation clauses that are specifically stated in the lease, and these are included in the calculation of the lease liability. Variable lease payments for lease and non-lease components which are not based on an index or rate (real estate taxes and common area maintenance) are excluded from the calculation of the lease liability and are recognized in the statement of income during the period incurred.

A discount rate is used to determine the net present value of the gross lease obligations when calculating the lease liability and related ROU asset. In cases in which the rate implicit in the lease is readily determinable, that rate is utilized for discounting purposes. In most cases, the lease agreements do not have a discount rate that is readily determinable and therefore the Company utilized an estimate of the incremental borrowing rate determined at lease commencement or lease modification. For adoption of the new standard, the rate was determined at the effective date. For leases after the effective date, the lease term is determined by taking into account the initial period stated in the lease, adjusted for any renewal options that the company is reasonably certain to exercise.

Operating lease expense (rent expense) is recorded as a single expense recognized on a straight-line basis over the lease term.

The Alliance entered into an operating lease that commenced in June 2022 to lease office space in Chicago, Illinois until 2032. Expense recognized under this lease was approximately \$126,000 and \$175,000 for the years ended December 31, 2023 and 2022.

ALLIANCE FOR THE GREAT LAKES

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2023 AND 2022

The components of rent expense under the new lease standard, ASC 842, for the years ended December 31, 2023 and 2022, were as follows:

	<u>2023</u>	<u>2022</u>
Operating	\$ 80,717	\$ 91,286
Variable	45,459	96,710
Total	<u>\$ 126,176</u>	<u>\$ 187,996</u>

Additional information with respect to the Alliance's operating lease as of December 31, 2023 and 2022, is as follows:

	<u>2023</u>	<u>2022</u>
Remaining lease term (years)	<u>9</u>	<u>10</u>
Discount rate	<u>2.50%</u>	<u>2.50%</u>

Future minimum payments under the Chicago lease as of December 31, 2023, are as follows:

2024	\$ 82,735
2025	84,804
2026	86,924
2027	89,097
2028	91,324
2029 & Thereafter	<u>329,298</u>
Total minimum lease payments	\$ 764,182
Less amounts representing interest	<u>(76,749)</u>
Total operating lease liability	<u>\$ 687,433</u>

ALLIANCE FOR THE GREAT LAKES

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2023 AND 2022

(13) JOINT COSTS:

The Alliance allocated the following joint costs for the years ended December 31, 2023 and 2022:

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>	<u>2022</u>
Consultants	\$ 38,621	\$ 6,257	\$ 6,416	\$ 51,294	\$ 101,379
Contributed goods and services - Legal	45,925	7,440	7,629	60,994	-
Occupancy costs	95,002	15,392	15,782	126,176	187,996
Supplies	18,055	2,925	3,000	23,980	28,775
Printing and reproduction	851	138	141	1,130	1,443
Conferences and events	25,806	4,181	4,287	34,274	31,767
Travel, lodging and meals	4,198	680	698	5,576	1,043
Postage and shipping	1,208	196	201	1,605	4,571
Depreciation	33,332	5,400	5,538	44,270	76,053
Telephone and internet	27,141	4,397	4,509	36,047	43,732
Other	29,573	4,791	4,913	39,277	13,110
Equipment and software rental	6,680	1,082	1,110	8,872	8,292
Total joint costs	<u>\$ 326,392</u>	<u>\$ 52,879</u>	<u>\$ 54,224</u>	<u>\$ 433,495</u>	<u>\$ 498,161</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 6% and 4% of salary for the years ending December 31, 2023 and 2022, respectively. The Alliance's contribution was approximately \$101,000 and \$56,000 for the years ended December 31, 2023 and 2022, respectively.

(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 December 31, 2023 and 2022. The Alliance is generally no longer subject to examination by the Internal Revenue Service for years before 2020.

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

ALLIANCE FOR THE GREAT LAKES

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2023 AND 2022

(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 58% of total receivables as of December 31, 2023. Receivables from four foundations and other entities represent 69% of total receivables as of December 31, 2022. The Alliance has not experienced significant losses from these organizations.

(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>2023</u>	<u>2022</u>
Financial assets at year-end	\$ 10,738,156	\$ 10,610,208
Less those unavailable for general expenditures within one year, due to:		
Donor imposed restrictions of time or purpose	(2,869,100)	(3,368,164)
Board designated endowment fund	<u>(6,317,543)</u>	<u>(5,549,267)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 1,551,513</u>	<u>\$ 1,692,777</u>

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

ALLIANCE FOR THE GREAT LAKES

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2023 AND 2022

(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 December 31, 2023, grants from five organizations comprised 76% of grant revenue and 27% of total revenue. For the year ended December 31, 2022, grants from two organizations comprised 49% of grant revenue and 24% of total revenue.

(19) SUBSEQUENT EVENTS:

In June of 2024, the Alliance was awarded a federal grant of approximately \$5.5 million to be disbursed through the year ending December 31, 2030. 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.