

**INLAND SEAS EDUCATION ASSOCIATION
SUTTONS BAY, MICHIGAN**

**AUDITED FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016**

INLAND SEAS EDUCATION ASSOCIATION

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Inland Seas Education Association

We have audited the accompanying financial statements of Inland Seas Education Association (a nonprofit organization), which comprise the statements of financial position as of June 30, 2017 and 2016, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

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 misstatements, 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.

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Board of Directors
Inland Seas Education Association
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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Inland Seas Education Association as of June 30, 2017 and 2016, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Vanderwal, Spratto & Richards, P.C.

Vanderwal, Spratto & Richards, P.C.
Certified Public Accountants
Traverse City, Michigan
April 17, 2018

INLAND SEAS EDUCATION ASSOCIATION
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2017 AND 2016

ASSETS

	<u>2017</u>	<u>2016</u>
Cash and cash equivalents	\$ 577,686	\$ 342,583
Certificates of deposit	34,000	126,000
Accounts receivable	3,666	5,811
Unconditional pledges receivable	569,200	75,000
Inventories	5,227	6,942
Prepaid expenses	11,251	13,205
Accrued interest receivable	235	269
Property and equipment, net	<u>1,568,786</u>	<u>1,347,498</u>
 Total Assets	 <u>\$2,770,051</u>	 <u>\$1,917,308</u>

LIABILITIES AND NET ASSETS

Liabilities:		
Accounts payable	\$ 20,034	\$ 11,543
Accrued liabilities	34,300	25,735
Deferred revenue	62,159	21,230
Long-term debt	<u>209,843</u>	<u>389,526</u>
 Total Liabilities	 <u>\$ 326,336</u>	 <u>\$ 448,034</u>
 Net Assets:		
Unrestricted	\$1,661,813	\$1,316,151
Temporarily restricted	<u>781,902</u>	<u>153,123</u>
 Total Net Assets	 <u>\$2,443,715</u>	 <u>\$1,469,274</u>
 Total Liabilities and Net Assets	 <u>\$2,770,051</u>	 <u>\$1,917,308</u>

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

INLAND SEAS EDUCATION ASSOCIATION
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2017
WITH COMPARATIVE TOTALS FOR 2016

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>2017 Total</u>	<u>2016 Totals</u>
<u>Revenues, Gains and Other Support</u>				
Program fees	\$ 104,751	\$ -	\$ 104,751	\$ 102,566
Contributions	6,994	968,238	975,232	280,857
Fundraising events	\$ 7,928			
Less related expenses	<u>(7,504)</u>	424	424	5,328
Inkind donations	446,787	-	446,787	151,212
Grants and contracts	193,506	120,920	314,426	277,405
Merchandise sales	\$ 9,398			
Less cost of sales	<u>(4,727)</u>	4,671	4,671	2,784
Sale of donated boats	37,125	-	37,125	56,746
Dock and space rentals	10,000	-	10,000	8,100
Investment income	756	-	756	373
Gain (Loss) on sale of assets	-	-	-	800
Net assets released due to satisfaction of usage restrictions	<u>460,379</u>	<u>(460,379)</u>	<u>-</u>	<u>-</u>
Total revenues, gains and other support	<u>\$ 1,265,393</u>	<u>\$ 628,779</u>	<u>\$ 1,894,172</u>	<u>\$ 886,171</u>
<u>Expenses</u>				
Program services	\$ 718,128	\$ -	\$ 718,128	\$ 576,521
General and administrative	127,264	-	127,264	130,345
Fund raising	74,339	-	74,339	76,721
Total expenses	<u>\$ 919,731</u>	<u>\$ -</u>	<u>\$ 919,731</u>	<u>\$ 783,587</u>
<u>Change in Net Assets</u>	<u>\$ 345,662</u>	<u>\$ 628,779</u>	<u>\$ 974,441</u>	<u>\$ 102,584</u>
Net assets - at beginning of year	<u>1,316,151</u>	<u>153,123</u>	<u>1,469,274</u>	<u>1,366,690</u>
<u>Net Assets at End of Year</u>	<u><u>\$ 1,661,813</u></u>	<u><u>\$ 781,902</u></u>	<u><u>\$ 2,443,715</u></u>	<u><u>\$ 1,469,274</u></u>

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

**INLAND SEAS EDUCATION ASSOCIATION
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2016**

	Unrestricted	Temporarily Restricted	Total
<u>Revenues, Gains and Other Support</u>			
Program fees	\$ 102,566	\$ -	\$ 102,566
Contributions	265,987	14,870	280,857
Fundraising events	\$ 15,047		
Less related expenses	(9,719)	-	5,328
Inkind donations	151,212	-	151,212
Grants and contracts	170,713	106,692	277,405
Merchandise sales	\$ 6,705		
Less cost of sales	(3,921)	-	2,784
Sale of donated boats	56,746	-	56,746
Dock and space rentals	8,100	-	8,100
Interest and dividend income	373	-	373
Gain (loss) on sale of assets	800	-	800
Net assets released due to satisfaction of usage restrictions	221,278	(221,278)	-
Total revenues, gains and other support	\$ 985,887	\$ (99,716)	\$ 886,171
<u>Expenses</u>			
Program services	\$ 576,521	\$ -	\$ 576,521
General and administrative	130,345	-	130,345
Fund raising	76,721	-	76,721
Total expenses	\$ 783,587	\$ -	\$ 783,587
<u>Change in Net Assets</u>	\$ 202,300	\$ (99,716)	\$ 102,584
Net assets - at beginning of year	1,113,851	252,839	1,366,690
<u>Net Assets at End of Year</u>	\$ 1,316,151	\$ 153,123	\$ 1,469,274

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

**INLAND SEAS EDUCATION ASSOCIATION
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2017
WITH COMPARATIVE TOTALS FOR 2016**

	Program Services	General and Administrative	Fund Raising	2017 Total	2016 Totals
Salaries and wages	\$ 238,261	\$ 58,864	\$ 27,719	\$ 324,844	\$ 277,359
Intern stipends	7,000	-	2,000	9,000	8,000
Retirement plan contributions	4,785	1,182	557	6,524	5,998
Other employee benefits	37,748	9,326	4,392	51,466	42,277
Payroll taxes	20,389	5,037	2,372	27,798	24,891
Direct program expenses	20,694	-	-	20,694	7,605
Accounting fees	15,627	4,808	3,606	24,041	24,570
Legal fees	455	140	105	700	495
Supplies	2,853	504	413	3,770	4,918
Telephone	2,640	612	381	3,633	3,829
Postage and delivery	1,516	394	1,659	3,569	3,696
Occupancy costs	11,593	3,346	2,306	17,245	17,344
Equipment rental and maintenance	3,546	768	599	4,913	12,308
Printing and publications	1,311	450	387	2,148	5,096
Travel	3,665	985	972	5,622	4,712
Grant expenses	12,159	-	-	12,159	2,313
Interest	8,035	2,474	1,853	12,362	17,821
Depreciation	24,832	9,911	9,911	44,654	35,860
Advertising and marketing	6,179	2,167	1,637	9,983	7,137
Charter fees	20,625	-	-	20,625	27,110
Contract services	55,545	5,858	4,743	66,146	40,468
Training and education	1,941	152	163	2,256	3,292
Dues and subscriptions	810	248	513	1,571	3,281
Insurance	16,043	7,826	1,263	25,132	22,072
Licenses and permits	206	20	25	251	346
Bank charges	792	752	1,529	3,073	2,054
Ship operating costs	53,127	59	16	53,202	16,212
Ship survey costs	-	-	-	-	3,496
Volunteer expenses	7,192	-	-	7,192	4,482
Sales commissions paid	-	-	3,258	3,258	-
Miscellaneous expense	822	761	1,960	3,543	4,038
Donated inkind expenses:					
Ship volunteer instructors	120,328	-	-	120,328	125,933
Boat shop volunteers	12,020	-	-	12,020	17,214
Accounting	-	9,900	-	9,900	6,360
Legal	-	720	-	720	-
Other professional services	5,389	-	-	5,389	1,000
Total expenses	<u>\$ 718,128</u>	<u>\$ 127,264</u>	<u>\$ 74,339</u>	<u>\$ 919,731</u>	<u>\$ 783,587</u>

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

**INLAND SEAS EDUCATION ASSOCIATION
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2016**

	Program Services	General and Administrative	Fund Raising	Total
Salaries and wages	\$ 185,860	\$ 60,990	\$ 30,509	\$ 277,359
Intern stipends	6,000	-	2,000	8,000
Retirement plan contributions	4,019	1,319	660	5,998
Other employee benefits	23,949	13,528	4,800	42,277
Payroll taxes	16,680	5,473	2,738	24,891
Direct program expenses	7,405	187	13	7,605
Accounting fees	15,970	4,914	3,686	24,570
Legal fees	322	99	74	495
Supplies	3,522	895	501	4,918
Telephone	2,736	641	452	3,829
Postage and delivery	1,644	425	1,627	3,696
Occupancy costs	11,897	3,070	2,377	17,344
Equipment rental and maintenance	6,354	1,287	4,667	12,308
Printing and publications	2,844	709	1,543	5,096
Travel	2,672	1,509	531	4,712
Grant expenses	2,313	-	-	2,313
Interest	11,583	3,566	2,672	17,821
Depreciation	13,594	11,133	11,133	35,860
Advertising and marketing	4,434	1,866	837	7,137
Charter fees	27,110	-	-	27,110
Contract services	33,116	4,167	3,185	40,468
Training and education	2,447	457	388	3,292
Dues and subscriptions	2,108	396	777	3,281
Insurance	17,604	4,270	198	22,072
Licenses and permits	326	20	-	346
Bank charges	390	949	715	2,054
Ship operating costs	16,096	116	-	16,212
Ship survey costs	3,496	-	-	3,496
Volunteer expenses	3,913	566	3	4,482
Miscellaneous expense	2,970	433	635	4,038
Donated inkind expenses:				
Ship volunteer instructors	125,933	-	-	125,933
Boat shop volunteers	17,214	-	-	17,214
Accounting	-	6,360	-	6,360
Legal	-	-	-	-
Other professional services	-	1,000	-	1,000
Total expenses	<u>\$ 576,521</u>	<u>\$ 130,345</u>	<u>\$ 76,721</u>	<u>\$ 783,587</u>

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

**INLAND SEAS EDUCATION ASSOCIATION
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016**

<u>Cash Flows From Operating Activities</u>	2017	2016
Change in net assets	\$ 974,441	\$ 102,584
Adjustments to reconcile change in net assets to net cash provided by continuing operations:		
Depreciation	44,654	35,860
(Gain) Loss on sale of assets	-	(800)
Inkind donation of assets	(244,506)	-
(Increase) decrease in current assets:		
Accounts receivable	2,179	3,264
Inventories	1,715	(1,910)
Prepaid expenses	1,954	9,668
Unconditional pledges receivable	(494,200)	-
Increase (decrease) in current liabilities:		
Accounts payable	8,491	448
Accrued liabilities	8,565	(5,219)
Deferred revenue	40,929	(14,187)
Net cash flows from continuing operations	<u>\$ 344,222</u>	<u>\$ 129,708</u>
 <u>Cash Flows From Investing Activities</u>		
Proceeds from asset sales	\$ -	\$ 800
Purchases of certificates of deposit	-	(126,000)
Redemptions of certificates of deposit	92,000	-
Purchases of property and equipment	(21,436)	(8,543)
Net cash flows from investing activities	<u>\$ 70,564</u>	<u>\$ (133,743)</u>
 <u>Cash Flows From Financing Activities</u>		
Principal reductions in long-term debt	<u>\$ (179,683)</u>	<u>\$ (14,225)</u>
Net cash flows from financing activities	<u>\$ (179,683)</u>	<u>\$ (14,225)</u>
 <u>Net Increase (Decrease) in Cash and Cash Equivalents</u>	 \$ 235,103	 \$ (18,260)
 Cash and cash equivalents at beginning of year	 <u>342,583</u>	 <u>360,843</u>
 <u>Cash and Cash Equivalents at End of Year</u>	 <u><u>\$ 577,686</u></u>	 <u><u>\$ 342,583</u></u>
 <u>Supplemental Disclosures:</u>		
Cash paid for interest	<u>\$ 12,362</u>	<u>\$ 17,821</u>
 Federal income tax paid	 <u>\$ 238</u>	 <u>\$ 285</u>

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

**INLAND SEAS EDUCATION ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016**

Note 1 – Mission and Summary of Significant Accounting Policies

Nature of Activities

Inland Seas Education Association (the “Association”), a not-for-profit organization, provides information in aquatic science and other sciences and enhances the learning opportunities for youths and adults in aquatic science aboard traditional vessels on Grand Traverse Bay and Lake Michigan. The Association receives its support through grants, donations and fees paid by area schools and adults who participate in programs offered by the Association.

Basis of Accounting and Financial Statement Presentation

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

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management of the Association to make estimates and assumptions that affect certain reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the year. Accordingly, actual amounts could differ from those estimates.

Cash and Cash Equivalents

Cash and cash equivalents include demand deposits in a bank and money market funds with maturities of 90 days or less. At June 30, 2017 and 2016, the uninsured, uncollateralized deposits amounted to \$ 169,375 and \$ 95,640 respectively. Management evaluates the bank in which the Association deposits its funds and assesses the level of risk associated with the institution. Management believes that the Association is not exposed to any significant credit risk on its cash deposits.

Concentration of Contributions or Grants

In 2015/16, the Association received approximately 8% of its total revenue and support from one donor. In 2016/17, the Association received approximately 26% of its total revenue from one donor and 13% from another.

Inventory

Inventory consists of marine apparel purchased and held for resale. Marine apparel is stated at the lower of cost, principally determined by the first-in, first-out (“FIFO”) method, or market.

**INLAND SEAS EDUCATION ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016**

Note 1 – Mission and Summary of Significant Accounting Policies (continued)

Revenue Recognition for Program Fees

Program fees consist of amounts received for educational classes held aboard the Association's sailing vessels. Revenues are generally recognized upon commencement of the classes. Deferred revenues consist of deposits received in advance of the school year program. The deferred revenue will be recognized in the statement of activities when services are provided in the upcoming school year.

Accounts Receivable

Using the accrual method of accounting, accounts receivable are recognized when services are provided. Accounts receivable are considered delinquent when amounts due are aged greater than 30 days. At June 30, 2017 and 2016, receivables past due 90 days or more amounted to \$ 1,966 and \$ 671 respectively. Uncollectible accounts are written off when deemed uncollectible. No reserve is maintained. Bad debt expense for the years ended June 30, 2017 and 2016 amounted to \$ -0- for both years. Accounts receivable are not secured or collateralized.

Contributions

Contributions, including unconditional pledges, are recorded when received as increases in unrestricted, temporarily restricted, or permanently restricted net assets, depending on the existence or nature of any donor restrictions. All donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions.

Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions are met in the same year in which the contributions are received.

Contributed Services

The Association benefits from professional services donated to the Association by science ship instructors and other professionals. Since these skills are considered to be of a specialized nature that the Association would contract for if the services were not donated, the fair value of the donated services is recognized as a contribution and a corresponding expense in the accompanying statements of activities. During the years ended June 30, 2017 and 2016, the fair value received for services contributed by instructors on the science ship and other professionals totaled \$ 148,537 and \$ 150,507 respectively.

**INLAND SEAS EDUCATION ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016**

Note 1 – Mission and Summary of Significant Accounting Policies (continued)

Property and Equipment and Depreciation

Property and equipment are recorded at historical cost or at appraisal value at the date of gift if acquired by donation, net of accumulated depreciation. Major improvements and renewals are capitalized, while ordinary maintenance and repairs are expensed. Management annually reviews these assets to determine whether carrying values have been impaired. Depreciation is computed using the straight-line method over the estimated useful lives of the related assets which are summarized as follows:

Building	40 years
Equipment	5 years
Furniture and fixtures	5-7 years
Science ships	20 years
Docks	12 years

Functional Allocation of Expenses

The Association allocates its expenses on a functional basis among its program and support services. Expenses that can be identified with a specific program or support service are allocated directly according to their natural expenditure classification. Payroll and related expenses are allocated based on estimated time spent in each area by personnel. Common expenses are generally split based on management estimates.

Federal Income Taxes

The Association is exempt from federal income tax under Section 501(c)(3) of the U.S. Internal Revenue Code. However, income from certain activities not directly related to the Association's tax-exempt purpose is subject to taxation as unrelated business income. This consists of dock rental income and sale of marina apparel. These activities resulted in income tax amounting to \$ 238 and \$ 285 for the 2016/17 and 2015/16 fiscal years respectively. In addition, the Association qualifies for the charitable contribution deduction under IRC Section 170(b)(1)(A) and has been classified as an organization that is not a private foundation under IRC section 509(a)(2).

The Association files income tax returns in the U.S. federal jurisdiction. The Association is no longer subject to U.S. federal tax examinations by tax authorities for years ending before June 30, 2014. No authorities have commenced income tax examinations as of the date of these financial statements.

Advertising Costs

The Association expenses advertising costs as incurred. For the years ended June 30, 2017 and 2016, advertising costs amounted to \$ 9,983 and \$ 7,137 respectively.

**INLAND SEAS EDUCATION ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016**

Note 1 – Mission and Summary of Significant Accounting Policies (continued)

Subsequent Events

Subsequent events have been evaluated by management through April 17, 2018, the date the financial statements were available to be issued.

Note 2 – Certificates of Deposit

At June 30, 2017, the Association had funds on deposit with a bank, evidenced by a certificate of deposit as follows:

	Amount	Maturity Date	Interest Rate
\$	34,000	07/26/17	.75%

At June 30, 2016, the Association had funds on deposit with various banks, evidenced by certificates of deposit as follows:

	Amount	Maturity Date	Interest Rate
\$	33,000	07/13/16	.55%
	26,000	10/14/16	.65%
	33,000	01/11/17	.85%
	34,000	04/20/17	.70%
\$	126,000		

Note 3 – Unconditional Pledges to Give

Unconditional pledges to give consist of pledges by two donors. The pledges, totaling \$ 600,000, will be paid over the next four years at \$ 150,000 per year and have been adjusted to present value using a discount rate of 3%. The unamortized discount on the pledges to give amounts to \$ 30,800 at June 30, 2017. The funds being received are to be used for the payoff of the Association's mortgage debt and for the construction of the Tom Kelly Biological Station. It is anticipated that the pledges will be paid in full.

**INLAND SEAS EDUCATION ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016**

Note 4 – Property and Equipment

Property and equipment consists of the following:

	2017	2016
Land and improvements	\$ 998,945	\$ 998,945
Building	525,126	518,609
Equipment	134,166	116,743
Furniture and fixtures	56,868	56,868
Science ships	737,947	495,946
Docks	12,955	12,955
	<u>\$ 2,466,007</u>	<u>\$ 2,200,066</u>
Less: Accumulated depreciation	(897,221)	(852,568)
Property and Equipment, net	<u>\$ 1,568,786</u>	<u>\$ 1,347,498</u>

Note 5 – Mortgage Debt

	<u>2017</u>	<u>2016</u>
Mortgage note payable to a bank bearing interest at 4.30% per annum, payable at \$ 2,670 per month beginning December 15, 2013. The note is due in full on November 15, 2018, and is secured by real estate.		
Balance due	<u>\$ 210,411</u>	<u>\$ 390,496</u>

Current maturities are as follows:

2017/18	\$ 23,461
2018/19	186,858
	<u>\$ 210,319</u>

This note was paid in full in January, 2018.

Balance due on mortgage	\$ 210,411
Less: Deferred financing charges	(568)
Net mortgage debt	<u>\$ 209,843</u>

**INLAND SEAS EDUCATION ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016**

Note 6 – Temporarily Restricted Net Assets

Temporarily restricted net assets are available for the following purposes:

	2017	2016
Discovery Pier Improvements	\$ 30,000	\$ -
Operational costs for future fiscal years	995	76,995
Scholarships for student class costs	39,355	40,427
Publication costs for book describing the history of Inland Seas Educational Association	-	760
Costs associated with the Discovering the Great Lakes Program	8,339	34,941
Mortgage retirement and Tom Kelly Biological Station construction costs	703,213	-
	\$ 781,902	\$ 153,123

Note 7– Employee Retirement Plan

The Association has in place a SIMPLE retirement plan. In this plan, the Association will be required to match an employee’s salary deferrals up to 3% of the employee’s compensation. Matching contributions totaling \$ 6,524 and \$ 5,998 were made during the 2016/17 and 2015/2016 fiscal years respectively.

Note 8 – Related Party Transactions

Contributions, including in-kind professional services, from members of the Board of Directors and employees for the years ended June 30, 2017 and 2016 amounted to \$ 20,735 and \$ 12,624 respectively.

During the 2014/15 fiscal year, the Association entered into a contract with the executive director’s wife to implement a fundraising and marketing plan related to satisfying the requirements of a conditional promise to give. The cost of this contract for the years ended June 30, 2016 and 2015 amounted to \$ 20,833 and \$ 4,167 respectively, for a total of \$ 25,000.

Another contract was executed for 2016/17 at a total cost of \$ 25,000.

Note 9 – Community Foundation Funds

The Association is the beneficiary of two funds established with Grand Traverse Regional Community Foundation. Funds are available for distribution to the Association upon recommendation of the fund advisory board, subject to variance powers held by the Community Foundation.

**INLAND SEAS EDUCATION ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016**

Note 9 – Community Foundation Funds, continued

The assets held in the funds are not recorded in the financial statements of the Association because they are subject to variance power held by the Community Foundation which allows the Foundation, in its sole discretion, to change the beneficiary or withhold amounts from distribution.

Current year information for the two funds is as follows:

Inland Seas Education Association Scholarship Endowment Fund

	2017	2016
Transfer by Association to Foundation	\$ -0-	\$ -0-
Grants received by Association from Foundation	2,265	2,271
Total assets in fund	58,272	54,276
Funds available for distribution	-0-	-0-

Inland Seas Education Association Operating Endowment Fund

Transfer by Association to Foundation	\$ -0-	\$ -0-
Grants received by Association from Foundation	1,825	1,824
Total assets in fund	47,124	43,885
Funds available for distribution	-0-	-0-

Note 10 – Prior Period Adjustment

During fiscal year 2016/17, it was discovered that temporarily restricted contributions in the amount of \$ 12,470 received during fiscal year 2015/16, had erroneously been reported as unrestricted contributions. The financial statements as of and for the year ended June 30, 2016, have been restated to reflect this correction. The effect of this error was that the 2015/16 change in unrestricted net assets had been overstated and the change in temporarily restricted net asset had been understated by \$ 12,470.

Note 11 – Conditional Promise to Give

During fiscal year 2016/17, the Association received notification of a promise to give by a donor, contingent on the Association raising the necessary matching contributions. The donor is willing to match the contributions raised by the Association in the amount of \$ 100,000 for funds raised through November 30, 2017, \$ 75,000 for funds raised from December 1, 2017 through November 30, 2018 and \$ 75,000 for funds raised from December 1, 2018 through November 30, 2019.

Subsequent to year end, the Association has been awarded the first gift of \$ 100,000.

**INLAND SEAS EDUCATION ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016**

Note 12 – Subsequent Events

At the October, 2017 board of director's meeting, the board approved proceeding with Phase 1 of the Campus renovation plan at an estimated cost of \$ 225,000.