

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

REPORT ON FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2020

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Inland Seas Education Association

Report on the Financial Statements

We have audited the accompanying financial statements of Inland Seas Education Association (the Association) (a nonprofit organization), which comprise the statement of financial position as of June 30, 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 Inland Seas Education Association as of June 30, 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 Inland Seas Education Association's 2019 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated February 28, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2019, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Maney Costeiran PC

December 4, 2020

FINANCIAL STATEMENTS

INLAND SEAS EDUCATION ASSOCIATION
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2020
(With Comparative Amounts as of June 30, 2019)

	<u>2020</u>	<u>2019</u>
ASSETS		
Current assets		
Cash	\$ 668,959	\$ 481,190
Investments	-	64,000
Accounts receivable	23,417	5,779
Grants receivable	40,000	-
Pledges receivable	155,000	225,000
Inventories	-	2,459
Prepaid expenses	16,874	14,482
	<u>904,250</u>	<u>792,910</u>
Noncurrent assets		
Noncurrent portion of pledges receivable, net	15,000	150,000
Property and equipment, net	2,587,585	2,599,355
	<u>2,602,585</u>	<u>2,749,355</u>
TOTAL ASSETS	<u>\$ 3,506,835</u>	<u>\$ 3,542,265</u>
LIABILITIES AND NET ASSETS		
LIABILITIES		
Current liabilities		
Accounts payable	\$ 19,864	\$ 68,474
Accrued liabilities	32,194	41,341
Paycheck protection program loan	101,414	-
Deferred revenue	51,313	79,512
Current portion of long-term debt	100,000	71,806
	<u>304,785</u>	<u>261,133</u>
Noncurrent liabilities		
Noncurrent portion of long-term debt	91,806	400,000
	<u>91,806</u>	<u>400,000</u>
TOTAL LIABILITIES	<u>396,591</u>	<u>661,133</u>
NET ASSETS		
Without donor restrictions		
Undesignated	2,900,207	2,597,244
With donor restrictions	210,037	283,888
	<u>3,110,244</u>	<u>2,881,132</u>
TOTAL NET ASSETS	<u>3,110,244</u>	<u>2,881,132</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 3,506,835</u>	<u>\$ 3,542,265</u>

See accompanying notes to financial statements.

INLAND SEAS EDUCATION ASSOCIATION
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2020
(With Comparative Amounts for year ended June 30, 2019)

	Without Donor Restrictions	With Donor Restrictions	2020 Total	2019 Total
SUPPORT AND REVENUE				
Program fees	\$ 97,597	\$ -	\$ 97,597	\$ 137,976
Contributions	271,199	36,059	307,258	279,336
Fundraising events	\$ 88,664			
Less related expenses	<u>(7,952)</u>	80,712	80,712	221
In-kind donations	190,096	-	190,096	309,251
Grants and contracts	366,549	248,193	614,742	520,973
Merchandise sales	\$ 2,109			
Less cost of sales	<u>(2,839)</u>	(730)	(730)	2,612
Sale of donated boats	19,575	-	19,575	13,720
Dock and space rentals	10,842	-	10,842	10,483
Investment return, net	1,814	-	1,814	2,168
(Loss) on sale of assets	-	-	-	(10,150)
Net assets released from restrictions	358,103	(358,103)	-	-
TOTAL SUPPORT AND REVENUE	<u>1,395,757</u>	<u>(73,851)</u>	<u>1,321,906</u>	<u>1,266,590</u>
EXPENSES				
Program services				
GTSI	80,712	-	80,712	76,948
Public Charters	107,249	-	107,249	106,845
Schoolship	391,272	-	391,272	432,653
Utopia	40,928	-	40,928	160,373
YPIS	42,958	-	42,958	40,420
Other programs	174,953	-	174,953	142,961
General and administrative	149,393	-	149,393	143,486
Fundraising	105,329	-	105,329	90,933
TOTAL EXPENSES	<u>1,092,794</u>	<u>-</u>	<u>1,092,794</u>	<u>1,194,619</u>
CHANGE IN NET ASSETS	302,963	(73,851)	229,112	71,971
Net assets, beginning of year	2,597,244	283,888	2,881,132	2,809,161
Net assets, end of year	<u>\$ 2,900,207</u>	<u>\$ 210,037</u>	<u>\$ 3,110,244</u>	<u>\$ 2,881,132</u>

See accompanying notes to financial statements.

INLAND SEAS EDUCATION ASSOCIATION
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2020
(With Comparative Amounts for year ended June 30, 2019)

	Program Services						General and		2020 Total	2019 Total		
	GTSI	Public Charters	Schoolship	Utopia	YPIS	Other programs	Total	Administration			Fundraising	
Expenses												
Salaries and wages	\$ 46,049	\$ 60,116	\$ 131,642	\$ 459	\$ 24,106	\$ 61,634	\$ 324,006	\$ 68,722	\$ 50,421	\$ 443,149	\$ 388,855	
Intern stipends	1,502	1,767	3,887	-	707	970	8,833	-	-	8,833	8,557	
Retirement plan contributions	834	1,088	2,383	8	436	1,116	5,865	1,244	913	8,022	7,494	
Other employee benefits	6,387	8,338	18,258	64	3,343	8,548	44,938	9,531	6,993	61,462	58,101	
Payroll taxes	3,818	4,985	10,915	38	1,999	5,110	26,865	5,698	4,181	36,744	31,961	
Direct program expenses	10,033	993	1,530	-	-	4,963	17,519	-	-	17,519	9,520	
Accounting fees	808	7,003	13,737	-	2,963	3,699	28,210	-	-	28,210	28,591	
Legal fees	-	-	-	-	-	-	-	-	-	-	2,500	
Consulting fees	-	-	-	-	-	-	-	-	6,500	6,500	18,000	
Supplies	118	1,021	2,107	114	432	1,278	5,070	-	40	5,110	5,250	
Telephone	115	1,000	1,962	-	423	913	4,413	-	-	4,413	4,137	
Postage and delivery	35	300	596	-	127	105	1,163	-	920	2,083	2,997	
Occupancy costs	452	3,917	7,682	-	1,657	5,146	18,854	-	-	18,854	24,316	
Equipment rental and maintenance	52	452	1,723	-	191	241	2,659	-	1,635	4,294	2,984	
Printing and publications	95	825	1,619	-	349	286	3,174	-	524	3,698	3,798	
Travel	751	2,145	4,239	1,213	906	1,928	11,182	-	351	11,533	6,534	
Grant expenses	6,479	207	508	-	88	23,646	30,928	-	26	30,954	43,915	
Interest	58	499	2,015	-	211	6,426	9,209	-	-	9,209	3,771	
Depreciation	256	2,221	4,355	15,278	939	2,917	25,966	43,696	-	69,662	60,905	
Advertising and marketing	149	1,298	2,546	-	549	493	5,035	-	270	5,305	4,728	
Charter fees	-	-	-	-	-	-	-	-	-	-	21,250	
Contract services	142	595	1,190	2,000	249	4,275	8,451	-	21,738	30,189	34,531	
Training and education	793	550	1,183	-	232	660	3,418	-	528	3,946	949	
Dues and subscriptions	133	629	1,309	-	266	292	2,629	-	25	2,654	3,072	
Insurance	1,392	4,320	8,305	2,290	1,799	8,298	26,404	5,422	-	31,826	28,544	
Events expense	3	26	50	3,812	80	2,099	6,070	-	620	6,690	3,932	
Fundraising expense	-	-	-	-	-	-	-	-	1,262	1,262	1,445	
Licenses and permits	8	67	132	545	28	-	780	-	87	867	598	
Bank charges	112	1,291	873	-	448	368	3,092	-	526	3,618	5,434	
Ship operating costs	-	415	2,519	11,145	-	30,716	44,795	-	-	44,795	72,579	
Volunteer expenses	81	701	1,375	42	297	250	2,746	-	-	2,746	3,909	
Sales commissions paid	-	-	-	-	-	-	-	-	1,120	1,120	-	
Miscellaneous expense	60	506	1,624	6	213	675	3,084	-	8,531	11,615	11,446	
Donated in-kind expenses												
Ship volunteer instructors	-	-	143,744	-	-	-	143,744	-	-	143,744	174,365	
Boat shop volunteers	-	-	17,314	7,726	-	-	25,040	-	-	25,040	108,928	
Accounting	-	-	-	-	-	-	-	15,080	-	15,080	12,100	
Total expenses	80,715	107,275	391,322	44,740	43,038	177,052	844,142	149,393	107,211	1,100,746	1,199,996	
Less fundraising events expenses netted with revenues	(3)	(26)	(50)	(3,812)	(80)	(2,099)	(6,070)	-	(1,882)	(7,952)	(5,377)	
	<u>\$ 80,712</u>	<u>\$ 107,249</u>	<u>\$ 391,272</u>	<u>\$ 40,928</u>	<u>\$ 42,958</u>	<u>\$ 174,953</u>	<u>\$ 838,072</u>	<u>\$ 149,393</u>	<u>\$ 105,329</u>	<u>\$ 1,092,794</u>	<u>\$ 1,194,619</u>	

See accompanying notes to financial statements.

INLAND SEAS EDUCATION ASSOCIATION
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2020
(With Comparative Amounts for year ended June 30, 2019)

	<u>2020</u>	<u>2019</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 229,112	\$ 71,971
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	69,662	60,905
Loss on sale of assets	-	10,150
(Increase) decrease in		
Accounts receivable	(17,638)	(2,143)
Inventories	2,459	906
Prepaid expenses	(2,392)	(448)
Grants receivable	(40,000)	12,809
Pledges receivable	205,000	210,971
Accrued interest receivable	-	618
Increase (decrease) in		
Accounts payable	(48,610)	(4,400)
Accrued liabilities	(9,147)	(1,181)
Deferred revenue	(28,199)	49,527
	<u>360,247</u>	<u>409,685</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	-	(64,000)
Maturity of investments	64,000	96,000
Purchase of fixed assets	(57,892)	(945,270)
Proceeds from sale of fixed assets	-	11,200
	<u>6,108</u>	<u>(902,070)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuance of long-term debt	-	500,000
Proceeds from paycheck protection program loan	101,414	-
Principal payments on long-term debt	(280,000)	(28,194)
	<u>(178,586)</u>	<u>471,806</u>
NET INCREASE (DECREASE) IN CASH	187,769	(20,579)
Cash, beginning of year	<u>481,190</u>	<u>501,769</u>
Cash, end of year	<u>\$ 668,959</u>	<u>\$ 481,190</u>
Supplemental disclosure of cash flow information		
Cash paid during the year for interest	<u>\$ 9,209</u>	<u>\$ 3,771</u>
Federal income tax paid	<u>\$ -</u>	<u>\$ 1,370</u>

See accompanying notes to financial statements.

**INLAND SEAS EDUCATION ASSOCIATION
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - DESCRIPTION OF THE ORGANIZATION

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.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Association conform to U.S. generally accepted accounting principles (GAAP) as applicable to nonprofit entities. The Financial Accounting Standards Board (FASB) is the accepted standard-setting body for establishing nonprofit accounting and financial reporting principles.

The following is a summary of the significant accounting policies of the Association:

Basis of Accounting - Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made regardless of the measurement focus applied.

The financial statements of the Association are accounted for using the accrual basis of accounting in accordance with GAAP for nonprofit organizations. The Association recognizes income when earned and expenses when incurred.

Cash - Cash consist of checking, money market accounts, and cash on hand.

Investments - Investments consist of certificates of deposit with an original maturity of greater than 90 days from the date of purchase. Investments are recorded at fair value. Net investment return or loss is included in the statement of activities and consists of interest and dividend income, realized and unrealized gains and losses, less investment expenses.

Receivables - Receivables are deemed to be fully collectible by management. Accordingly, no allowance for doubtful accounts is required for accounts receivable.

Grants receivable consists of reimbursements of grant related expenses. Pledges receivable consist amounts due to the Association for amounts pledged by outside donors but not yet collected.

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**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property and Equipment - 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

Paycheck Protection Program Loan - On April 28, 2020, the Association received a \$101,414 loan under the CARES Act through the Paycheck Protection Program. The liability is potentially forgivable, to the extent the funds are used for eligible expenses over the 24-week period following the issue date. Repayment terms are monthly installments of \$5,703 including interest of 1% through maturity of April 1, 2022. The Association anticipates full loan forgiveness.

Deferred Revenue - 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.

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

Net assets without donor restrictions - Net assets available for use in general operations and not subject to donor or grantor restrictions. Net assets without donor restrictions as of June 30, 2020 and 2019, consist of the following:

	2020	2019
Undesignated	\$ 2,900,207	\$ 2,597,244

**INLAND SEAS EDUCATION ASSOCIATION
NOTES TO FINANCIAL STATEMENTS**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Net assets with donor restrictions - Net assets subject to donor (or grantor) imposed restrictions. Some donor restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor restrictions are perpetual in nature, where the donor stipulates that resources are maintained in perpetuity. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as revenue when the assets are placed in service. Donor restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, or when the stipulated purpose has been accomplished. Net assets with donor restrictions that are temporary in nature as of June 30, 2020 and 2019, consist of the following:

	2020	2019
Operational costs for future fiscal years	\$ 87,853	\$ 31,200
Scholarships for student class costs	122,184	151,790
Mortgage retirement and Tom Kelly Biological Station construction costs	-	100,898
	\$ 210,037	\$ 283,888

Revenue and Revenue Recognition - Revenue is recognized when earned. Program service fees received in advance, if any, are recorded as deferred revenue. Contributions are recognized when cash, securities or other assets, or an unconditional promise to give is received. Conditional promises to give are recognized when the conditions on which they depend have been substantially met.

Contributed Materials, Equipment, and Services - GAAP require recognition of professional services received if those services (a) create or enhance long-lived assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. GAAP also require contributions of tangible assets to be recognized at fair value when received and the value of donated services to be recorded as contributions in the period the services are rendered. The amounts reflected in the financial statements as in-kind contributions will be offset by like amounts included in expenses. During the years ended June 30, 2020 and 2019, the fair value the Association received for services by instructors on the science ship and other professionals totaled \$183,864 and \$215,703, respectively.

Functional Expense Allocation - The costs of providing program and other activities have been reported in the statement of activities. The statement of functional expenses present the natural classification of expenses that are allocated to program or supporting functions of the Association. 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.

Advertising Costs - The Association expenses costs as incurred. For the years ended June 30, 2020 and 2019, advertising costs amounted to \$5,305 and \$4,728, respectively.

**INLAND SEAS EDUCATION ASSOCIATION
NOTES TO FINANCIAL STATEMENTS**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America require management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from these estimates.

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. For the years ended June 30, 2020 and 2019, these activities resulted in income tax amounting to \$0 and \$1,370, 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 is subject to IRS and state examinations for a period of at least three years after the Form 990 has been filed.

Subsequent Events - In preparing these financial statements, the Association has evaluated events and transactions for potential recognition or disclosure through December 4, 2020, the date the financial statements were available to be issued.

Comparative Data - The financial statements include certain summarized prior-year comparative information in order to provide an understanding of the changes in the Association's financial position and operations.

NOTE 3 - LIQUIDITY AND AVAILABILITY

The Association monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Association considers all expenditures related to its ongoing program service activities to be general expenditures.

**INLAND SEAS EDUCATION ASSOCIATION
NOTES TO FINANCIAL STATEMENTS**

NOTE 3 - LIQUIDITY AND AVAILABILITY (continued)

The following reflects the Association's financial assets as of June 30, 2020 and 2019, which are deemed available for general expenditures within one year of the statement of net position date. Amounts not available include net assets with donor restrictions.

	<u>2020</u>	<u>2019</u>
Financial assets available at year-end		
Cash	\$ 668,959	\$ 481,190
Investments	-	64,000
Accounts receivable	23,417	5,779
Grants receivable	40,000	-
Pledges receivable	<u>155,000</u>	<u>225,000</u>
Total financial assets available at year-end	887,376	775,969
Donor imposed restrictions		
Less purpose restricted funds	<u>(210,037)</u>	<u>(283,888)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 677,339</u>	<u>\$ 492,081</u>

In addition to financial assets available to meet general expenditures over the next 12 months, the Association operates with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures.

NOTE 4 - UNCONDITIONAL PLEDGES TO GIVE

Unconditional pledges to give consist of pledges by three donors. The pledges, totaling \$170,000, will be paid at \$155,000 in the first year, and \$5,000 in each of the second, third, and fourth years. The discount on pledges to give are immaterial to the financial statements, therefore pledges receivable was not discounted in 2020. The funds being received are to be used 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**

NOTE 5 - PROPERTY AND EQUIPMENT

Property and equipment consists of the following:

	Estimated Useful Lives (in Years)	2020	2019
Land and improvements	N/A	\$ 1,001,380	\$ 1,001,380
Buildings	40	1,588,737	1,549,416
Equipment	5	171,471	158,466
Furniture and fixtures	5-7	74,991	74,991
Science ships	20	771,385	768,787
Docks	12	<u>12,955</u>	<u>12,955</u>
		3,620,919	3,565,995
Less accumulated depreciation		<u>(1,033,334)</u>	<u>(966,640)</u>
		<u>\$ 2,587,585</u>	<u>\$ 2,599,355</u>
Depreciation expense		<u>\$ 69,662</u>	<u>\$ 60,905</u>

NOTE 6 - MORTGAGE DEBT

The Association has a mortgage note payable to a bank bearing interest at 2.75% per annum, due in annual installments of \$100,000 from December 3, 2020 to December 3, 2021. The outstanding balance as of June 30, 2020, was \$191,806.

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. For the years ending June 30, 2020 and 2019, the Association made matching contributions totaling \$8,022 and \$7,494, respectively.

**INLAND SEAS EDUCATION ASSOCIATION
NOTES TO FINANCIAL STATEMENTS**

NOTE 8 - 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.

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.

The information for the two funds for the years ended June 30, 2020 and 2019 are as follows:

Inland Seas Education Association Scholarship Endowment Fund

	2020	2019
Transfer by Association to Foundation	\$ -	\$ -
Grants received by Association from Foundation	2,370	2,310
Total assets in fund	57,895	59,414
Funds available for distribution	-	-

Inland Seas Education Association Operating Endowment Fund

	2020	2019
Transfer by Association to Foundation	\$ -	\$ -
Grants received by Association from Foundation	1,930	1,871
Total assets in fund	47,123	48,264
Funds available for distribution	-	-

NOTE 9 - CONDITIONAL PROMISE TO GIVE

During fiscal year 2017-2018, 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.

The Association was awarded the first gift of \$100,000 during the year ended June 30, 2018, the second gift of \$75,000 during the year ended June 30, 2019, and the third gift of \$75,000 during the year ended June 30, 2020.

**INLAND SEAS EDUCATION ASSOCIATION
NOTES TO FINANCIAL STATEMENTS**

NOTE 10 - NEW ACCOUNTING STANDARDS

In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers*, which it and all subsequent amendments to the ASU No. 2014-09, replaced most existing revenue recognition guidance in U.S. GAAP. The Association adopted the provisions of this guidance on July 1, 2019 using the retrospective approach. The Association has performed an assessment of its revenue contracts as well as worked with industry participants on matters of interpretation and application and has not identified any material changes to the timing or amount of its revenue recognition under ASU 2014-09. The Association's accounting policies did not change materially as a result of applying the principles of revenue recognition from ASU 2014-09 and are largely consistent with existing guidance and current practices applied by the Association.

In June 2018, the FASB issued ASU No. 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The ASU provides guidance to distinguish recognition practices of contribution activity related to the adoption of ASU 2014-09. The Association adopted the provisions of this guidance in conjunction with ASU 2014-09. There was no impact to revenue recognized for the years ended June 30, 2020 or 2019 as a result of implementing ASU 2018-08.

NOTE 11 - UNCERTAINTIES

The COVID-19 outbreak in the United States has caused business disruption through mandated and voluntary closings of many businesses. While the disruption is currently expected to be temporary, there is considerable uncertainty around the duration of the closings. Therefore, the Association expects this matter to potentially negatively impact its operating results. However, the related financial impact and duration cannot be reasonably estimated at this time.

NOTE 12 - SUBSEQUENT EVENTS

In July 2020, the Association received notification that the Ann Arbor Area Community Foundation had received a gift of \$500,000 to establish a permanent endowment fund for the benefit of the Association. The Association will be entitled to annual distributions from the fund beginning in the fall of 2020.

In September 2020 the Association paid off the outstanding balance of the mortgage payable described in Note 6.