

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

REPORT ON FINANCIAL STATEMENTS

**YEAR ENDED December 31, 2022
(with comparative totals for the eighteen months
ended December 31, 2021)**

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Inland Seas Education Association

Opinion

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 December 31, 2022, 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 Inland Seas Education Association as of December 31, 2022, 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 Inland Seas Education Association 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 these 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 Inland Seas Education Association'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 Inland Seas Education Association'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 Inland Seas Education Association'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 Inland Seas Education Association's 2021 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated April 8, 2022. In our opinion, the summarized comparative information presented herein as of and for the eighteen-month period ended December 31, 2021, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Maney Costeiran PC

April 4, 2023

FINANCIAL STATEMENTS

INLAND SEAS EDUCATION ASSOCIATION
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2022
(With Comparative Amounts as of December 31, 2021)

	2022	2021
ASSETS		
Current assets		
Cash	\$ 609,164	\$ 834,282
Accounts receivable	62,329	13,980
Grants receivable	-	78,000
Contributions receivable	260,000	10,000
Prepaid expenses	10,235	10,773
Total current assets	941,728	947,035
Noncurrent assets		
Noncurrent portion of contributions receivable, net	687,300	5,000
Property and equipment, net	4,072,457	3,258,768
Total noncurrent assets	4,759,757	3,263,768
TOTAL ASSETS	\$ 5,701,485	\$ 4,210,803
LIABILITIES AND NET ASSETS		
LIABILITIES		
Current liabilities		
Accounts payable	\$ 2,016	\$ 36,635
Accrued liabilities	34,379	26,293
Short-term note payable	375,750	-
Deferred revenue	13,769	11,100
TOTAL LIABILITIES	425,914	74,028
NET ASSETS		
Without donor restrictions	4,354,343	4,009,851
With donor restrictions	921,228	126,924
TOTAL NET ASSETS	5,275,571	4,136,775
TOTAL LIABILITIES AND NET ASSETS	\$ 5,701,485	\$ 4,210,803

See accompanying notes to financial statements.

INLAND SEAS EDUCATION ASSOCIATION
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2022
(With Comparative Amounts for Eighteen Months Ended December 31, 2021)

	Without Donor Restrictions	With Donor Restrictions	2022 Total	2021 Total
SUPPORT AND REVENUE				
Program fees	\$ 98,042	\$ -	\$ 98,042	\$ 137,254
Contributions of cash and other financial assets	751,432	693,125	1,444,557	495,884
Paycheck Protection Program loan forgiveness	-	-	-	200,074
Fundraising events	\$ 68,475			
Less related expenses	<u>(11,378)</u>	-	57,097	1,895
Contributions of non-financial assets	141,040	-	141,040	224,433
Grants	299,479	304,379	603,858	1,367,903
Merchandise sales	8,700			
Less cost of sales	<u>(1,474)</u>	7,226	7,226	4,923
Sale of donated boats	17,371	-	17,371	126,306
Dock and space rentals	13,045	-	13,045	8,461
Investment return, net	856	-	856	37
Employee Retention Credit	83,618	-	83,618	-
Net assets released from restrictions	<u>203,200</u>	<u>(203,200)</u>	<u>-</u>	<u>-</u>
TOTAL SUPPORT AND REVENUE	<u>1,672,406</u>	<u>794,304</u>	<u>2,466,710</u>	<u>2,567,170</u>
EXPENSES				
Program services	985,364	-	985,364	1,095,559
Supporting services				
General and administrative	191,635	-	191,635	268,741
Fundraising	<u>150,915</u>	<u>-</u>	<u>150,915</u>	<u>176,339</u>
TOTAL EXPENSES	<u>1,327,914</u>	<u>-</u>	<u>1,327,914</u>	<u>1,540,639</u>
CHANGE IN NET ASSETS	344,492	794,304	1,138,796	1,026,531
Net assets, beginning of period	<u>4,009,851</u>	<u>126,924</u>	<u>4,136,775</u>	<u>3,110,244</u>
Net assets, end of period	<u>\$ 4,354,343</u>	<u>\$ 921,228</u>	<u>\$ 5,275,571</u>	<u>\$ 4,136,775</u>

See accompanying notes to financial statements.

INLAND SEAS EDUCATION ASSOCIATION
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2022
(With Comparative Totals for Eighteen Months Ended December 31, 2021)

	Program Services	Supporting Services		2022 Total	2021 Total
		General and Administration	Fundraising		
Expenses					
Salaries and wages	\$ 420,571	\$ 109,424	\$ 56,168	\$ 586,163	\$ 631,187
Intern stipends	33,637	2,318	267	36,222	28,313
Retirement plan contributions	8,653	2,485	1,258	12,396	13,271
Other employee benefits	33,351	9,400	5,496	48,247	98,265
Payroll taxes	34,666	8,932	4,625	48,223	52,148
Direct program expenses	10,367	32	-	10,399	12,414
Accounting fees	25,557	7,864	5,898	39,319	21,916
Consulting fees	1,470	420	210	2,100	16,369
Supplies	4,576	949	712	6,237	4,786
Telephone	3,147	968	726	4,841	5,664
Postage and delivery	1,467	216	214	1,897	3,044
Occupancy costs	4,696	1,110	824	6,630	8,235
Equipment rental and maintenance	13,077	3,645	1,263	17,985	22,104
Printing and publications	3,028	486	365	3,879	3,471
Travel	9,542	2,434	1,794	13,770	14,157
Grant expenses	22,805	-	-	22,805	59,861
Interest	49	20	21	90	1,402
Depreciation	60,301	18,554	13,916	92,771	127,163
Advertising and marketing	4,329	-	25	4,354	10,271
Charter fees	11,267	-	-	11,267	-
Contract services	40,532	6,376	28,645	75,553	68,344
Training and education	9,887	10,897	8,173	28,957	4,184
Dues and subscriptions	1,765	281	267	2,313	3,491
Insurance	38,714	3,911	2,921	45,546	39,227
Events expense	47	-	35	82	19
Fundraising expense	266	-	11,030	11,296	5,228
Licenses and permits	-	250	-	250	539
Bank charges	1,929	663	931	3,523	5,630
Ship operating costs	38,221	-	5,000	43,221	38,324
Volunteer expenses	2,798	-	-	2,798	3,919
Sales commissions paid	-	-	-	-	4,298
Miscellaneous expense	5,396	-	11,196	16,592	25,037
Donated in-kind expenses					
Ship volunteer instructors	115,355	-	-	115,355	173,556
Boat shop volunteers	25,685	-	-	25,685	41,484
Total expenses	987,151	191,635	161,980	1,340,766	1,547,321
Less expenses netted with revenues					
Fundraising events	(313)	-	(11,065)	(11,378)	(5,247)
Cost of merchandise sales	(1,474)	-	-	(1,474)	(1,435)
	<u>\$ 985,364</u>	<u>\$ 191,635</u>	<u>\$ 150,915</u>	<u>\$ 1,327,914</u>	<u>\$ 1,540,639</u>

See accompanying notes to financial statements.

INLAND SEAS EDUCATION ASSOCIATION
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2022
(With Comparative Amounts for Eighteen Months Ended December 31, 2021)

	<u>2022</u>	<u>2021</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 1,138,796	\$ 1,026,531
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	92,771	127,163
Forgiveness of paycheck protection program loan	-	(200,074)
(Increase) decrease in:		
Accounts receivable	(48,349)	9,437
Prepaid expenses	538	6,101
Grants receivable	78,000	(38,000)
Contributions receivable	(932,300)	155,000
Increase (decrease) in:		
Accounts payable	(34,619)	16,771
Accrued liabilities	8,086	(5,901)
Deferred revenue	2,669	(40,213)
	<u>305,592</u>	<u>1,056,815</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES		
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of fixed assets	<u>(906,460)</u>	<u>(798,346)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from short-term note	375,750	-
Proceeds from paycheck protection program loan	-	98,660
Principal payments on long-term debt	-	(191,806)
	<u>375,750</u>	<u>(93,146)</u>
NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES		
NET INCREASE (DECREASE) IN CASH	(225,118)	165,323
Cash, beginning of period	<u>834,282</u>	<u>668,959</u>
Cash, end of period	<u><u>\$ 609,164</u></u>	<u><u>\$ 834,282</u></u>
Supplemental disclosure of cash flow information		
Cash paid during the period for interest	<u><u>\$ 90</u></u>	<u><u>\$ 1,402</u></u>
Federal income tax paid	<u><u>\$ 500</u></u>	<u><u>\$ 10,313</u></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 primarily 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.

Cash

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

Accounts Receivable

Accounts receivable represent consideration from third-parties, of which the Association has an unconditional right to receive. Accounts receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual accounts. Currently, no allowance for doubtful accounts is considered necessary. Changes to the valuation allowance have not been material to the financial statements. Beginning and ending balances for accounts receivable is reported as follows at December 31:

	<u>2022</u>	<u>2021</u>
Accounts receivable, beginning of period	<u>\$ 13,980</u>	<u>\$ 23,417</u>
Accounts receivable, end of period	<u>\$ 62,329</u>	<u>\$ 13,980</u>

**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

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 year.

	2022	2021
Deferred revenue, beginning of period	\$ 11,100	\$ 51,313
Deferred revenue, end of period	\$ 13,769	\$ 11,100

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 December 31, 2022 and 2021, consist of the following:

	2022	2021
Net assets without donor restrictions	\$ 4,354,343	\$ 4,009,851

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Net Assets (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 December 31, 2022 and 2021, consist of the following:

	2022	2021
Purpose restrictions		
Scholarships for student class costs	\$ 130,238	\$ 100,323
Tom Kelly Biological Station	10,000	-
Time restrictions		
Operational costs for future fiscal years	93,690	26,601
Future of Great Lakes Education Campaign	687,300	-
	\$ 921,228	\$ 126,924

Revenue and Revenue Recognition

Program service revenue is recognized when earned. Program service fees received in advance, if any, are recorded as deferred revenue.

Contributions of cash and other assets received without donor stipulations are reported as revenue and net assets without donor restrictions. Gifts received with a donor stipulation that limits their use are reported as revenue and net assets with donor restrictions. When a donor-stipulated time restriction ends, or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Unconditional contributions expected to be collected within one year are reported at their net realizable value. Unconditional contributions expected to be collected in future years are initially reported at fair value determined using the discounted present value of estimated future cash flow technique. The resulting discount is amortized using the level-yield method and is reported as contribution revenue.

Conditional contributions depend on the occurrence of a specified future and uncertain event to bind the donor and are recognized as assets and revenue when the conditions are substantially met, and the gift becomes unconditional.

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 contributions of non-financial assets will be offset by like amounts included in expenses. During the year ended December 31, 2022 and the eighteen month period ended December 31, 2021, the fair value the Association received for services by instructors on the science ship and other professionals totaled \$141,040 and \$224,433, 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 advertising costs as incurred. For the year ended December 31, 2022 and the eighteen month period ended December 31, 2021, advertising costs amounted to \$4,354 and \$10,271, respectively.

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 year ended December 31, 2022 and the eighteen month period ended December 31, 2021, these activities resulted in income tax amounting to \$500 and \$10,313, 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.

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Concentration of Risk

The Association is required to disclose significant concentrations of risk regardless of the degree of such risk. Financial instruments that potentially subject the Association to concentrations of credit risk consist principally of cash and contributions receivable. The Association places its cash with FDIC insured financial institutions. Although such cash balances exceeded the federally insured limits at certain times during the year, they are, in the opinion of management, subject to minimal risk. The Association has not experienced losses in any of these accounts.

Credit risk associated with contributions receivable is considered to be limited due to high historical collection rates and because substantial portions of the outstanding amounts are due from individuals and foundations supportive of the Association's mission.

Subsequent Events

In preparing these financial statements, the Association has evaluated events and transactions for potential recognition or disclosure through April 4, 2023, the date the financial statements were available to be issued.

Comparative Data

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

Change in Fiscal Year End

In 2021, the Association changed its fiscal year end from June 30 to December 31 to better align with its operations and programs. The current period financial statements report a twelve-month period while the comparative amounts for 2021 represent an eighteen-month period. Therefore, the comparative amounts presented are not entirely comparable.

NOTE 3 - CONTRIBUTIONS RECEIVABLE

Unconditional promises to give are estimated to be collected as follows at December 31, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Within one year	\$ 260,000	\$ 10,000
In one to five years	<u>750,000</u>	<u>5,000</u>
	1,010,000	15,000
Less discount to net present value at rate of 4.50%	<u>(62,700)</u>	<u>-</u>
Contributions receivable, net	<u><u>\$ 947,300</u></u>	<u><u>\$ 15,000</u></u>

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

NOTE 3 - CONTRIBUTIONS RECEIVABLE (continued)

At December 31, 2022, one donor accounted for \$1,000,000 of the total promises to give (before discounting).

During the year ended December 31, 2022, a long-term supporter of the Association made an unconditional promise to give the Association \$250,000 annually for four consecutive years. The current year contributions were reported as contributions without donor restrictions, while the promise to give was reported as contributions with donor-imposed time restrictions.

NOTE 4 - 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.

The following reflects the Association's financial assets as of December 31, 2022 and 2021, 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>2022</u>	<u>2021</u>
Financial assets available at year-end		
Cash	\$ 609,164	\$ 834,282
Accounts receivable	62,329	13,980
Grants receivable	-	78,000
Contributions receivable	<u>947,300</u>	<u>15,000</u>
Total financial assets available at year-end	1,618,793	941,262
Less:		
Purpose restricted funds	(140,238)	(100,323)
Noncurrent contributions receivable	<u>(687,300)</u>	<u>(5,000)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 791,255</u>	<u>\$ 835,939</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.

**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)	2022	2021
Construction in progress	N/A	\$ 13,965	\$ -
Land and improvements	N/A	1,759,267	1,755,467
Buildings	40	1,611,769	1,611,769
Equipment	5	189,891	172,738
Furniture and fixtures	5-7	87,509	87,509
Science ships	20	1,642,927	771,385
Docks	12	12,955	12,955
		<u>5,318,283</u>	<u>4,411,823</u>
Less accumulated depreciation		<u>(1,245,826)</u>	<u>(1,153,055)</u>
		<u>\$ 4,072,457</u>	<u>\$ 3,258,768</u>
Depreciation expense		<u>\$ 92,771</u>	<u>\$ 127,163</u>

NOTE 6 - SHORT-TERM NOTE PAYABLE

On November 17, 2022, the Association entered into an agreement with Sailing Charters, LLC to purchase a new vessel. The agreement calls for quarterly payments of \$93,938. The outstanding balance as of December 31, 2022 is \$375,750.

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 year ended December 31, 2022 and the eighteen month period ended December 31, 2021, the Association made matching contributions totaling \$12,396 and \$13,271, 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 and one fund established with Ann Arbor Area 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 Foundations.

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 Foundations which allow the Foundations, in their sole discretion, to change the beneficiary or withhold amounts from distribution.

The information for the three funds for year ended December 31, 2022 and the eighteen month period ended December 31, 2021 are as follows:

Inland Seas Education Association Scholarship Endowment Fund (GTRCF)

	2022	2021
Transfer by Association to Foundation	\$ -	\$ -
Grants received by Association from Foundation	2,560	2,380
Total assets in fund	61,882	75,923
Funds available for distribution	2,600	2,560

Inland Seas Education Association Operating Endowment Fund (GTRCF)

	2022	2021
Transfer by Association to Foundation	\$ -	\$ -
Grants received by Association from Foundation	2,090	1,930
Total assets in fund	50,370	61,805
Funds available for distribution	2,110	2,090

Inland Seas Education Association Endowment Fund (AAACF)

	2022	2021
Transfer by Association to Foundation	\$ -	\$ -
Grants received by Association from Foundation	24,249	44,066
Total assets in fund	549,448	661,166
Funds available for distribution	-	-

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

NOTE 9 - PAYCHECK PROTECTION PROGRAM LOANS

On April 28, 2020, the Association received a \$101,414 loan under the CARES Act through the Paycheck Protection Program. The Association received approval for forgiveness of the loan in full and has accordingly recognized contribution revenue in the amount of \$101,414 for the eighteen month period ended December 31, 2021.

On January 27, 2021, the Association received \$98,660 loan under the CARES Act through the Paycheck Protection Program. The Association received approval for forgiveness of the loan in full and has accordingly recognized contribution revenue in the amount of \$98,660 for the eighteen month period ended December 31, 2021.

NOTE 10 - EMPLOYEE RETENTION CREDIT

The CARES Act provides an employee retention credit, which is a refundable tax credit against certain employment taxes of up to \$5,000 per employee for eligible employers. The tax credit is equal to 50% of qualified wages paid to employees during a quarter, capped at \$10,000 of qualified wages per employee through December 31, 2020. Additional relief provisions were passed by the United States government, which extended and slightly expanded the qualified wage caps on these credits through December 31, 2021. Based on these additional provisions, the tax credit is now equal to 70% of qualified wages paid to employees during a quarter, and the limit on qualified wages per employee has been increased to \$10,000 of qualified wages per quarter.

The Association qualified for the tax credit under the CARES Act and recorded \$83,618 of revenue related to Employee Retention Credit. As of December 31, 2022, the Association has a \$42,276 receivable balance from the United States government related to the CARES Act, which is recorded in "accounts receivable" on the statement of financial position.