

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

**REPORT ON FINANCIAL STATEMENTS**

**YEAR ENDED December 31, 2023  
(with comparative totals for the year ended  
December 31, 2022)**

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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, 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 Inland Seas Education Association 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 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.

### ***Emphasis of Matter***

We draw attention to Note 9 in the financial statements, which discusses the correction of an error related to the restatement of the prior year financial statements presented as summarized comparative information. During the current year audit, a material error was identified, resulting in adjustments to the prior period amounts. As a result, the comparative figures for the year ended December 31, 2022 have been restated to reflect the corrected amounts.

*Maney Costeiran PC*

April 1, 2024

## **FINANCIAL STATEMENTS**

**INLAND SEAS EDUCATION ASSOCIATION**  
**STATEMENT OF FINANCIAL POSITION**  
**DECEMBER 31, 2023**  
**(With Comparative Amounts as of December 31, 2022)**

	2023	2022
<b>ASSETS</b>		
Current assets		
Cash	\$ 1,406,113	\$ 609,164
Accounts receivable	57,523	62,329
Contributions receivable	1,405,000	260,000
Prepaid expenses	11,335	10,235
Total current assets	2,879,971	941,728
Noncurrent assets		
Noncurrent portion of contributions receivable, net	548,769	687,300
Property and equipment, net	3,989,864	4,127,281
Total noncurrent assets	4,538,633	4,814,581
<b>TOTAL ASSETS</b>	<b>\$ 7,418,604</b>	<b>\$ 5,756,309</b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>LIABILITIES</b>		
Current liabilities		
Accounts payable	\$ 3,879	\$ 2,016
Accrued liabilities	50,262	34,379
Short-term note payable	-	375,750
Deferred revenue	18,563	13,769
<b>TOTAL LIABILITIES</b>	<b>72,704</b>	<b>425,914</b>
<b>NET ASSETS</b>		
Without donor restrictions	5,445,442	4,354,343
With donor restrictions	1,900,458	976,052
<b>TOTAL NET ASSETS</b>	<b>7,345,900</b>	<b>5,330,395</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 7,418,604</b>	<b>\$ 5,756,309</b>

See accompanying notes to financial statements.

**INLAND SEAS EDUCATION ASSOCIATION**  
**STATEMENT OF ACTIVITIES**  
**YEAR ENDED DECEMBER 31, 2023**  
**(With Comparative Totals for the Year Ended December 31, 2022)**

	Without Donor Restrictions	With Donor Restrictions	2023 Total	2022 Total
<b>SUPPORT AND REVENUE</b>				
Program fees	\$ 138,153	\$ -	\$ 138,153	\$ 98,042
Contributions of cash and other financial assets	864,415	1,105,991	1,970,406	1,444,557
Fundraising events	\$ 1,350			
Less related expenses	<u>(1,885)</u>	(535)	(535)	57,097
Contributions of non-financial assets	230,540	-	230,540	141,040
Grants	1,285,150	324,088	1,609,238	603,858
Merchandise sales	2,800			
Less cost of sales	<u>-</u>	2,800	2,800	7,226
Sale of donated boats	25,885	-	25,885	17,371
Dock and space rentals	8,234	-	8,234	13,045
Investment return, net	1,189	-	1,189	856
Employee Retention Credit	-	-	-	83,618
Net assets released from restrictions	<u>505,673</u>	<u>(505,673)</u>	<u>-</u>	<u>-</u>
<b>TOTAL SUPPORT AND REVENUE</b>	<u>3,061,504</u>	<u>924,406</u>	<u>3,985,910</u>	<u>2,466,710</u>
<b>EXPENSES</b>				
Program services	1,484,774	-	1,484,774	992,217
Supporting services				
General and administrative	234,755	-	234,755	191,635
Fundraising	<u>250,876</u>	<u>-</u>	<u>250,876</u>	<u>150,915</u>
<b>TOTAL EXPENSES</b>	<u>1,970,405</u>	<u>-</u>	<u>1,970,405</u>	<u>1,334,767</u>
<b>CHANGE IN NET ASSETS</b>	1,091,099	924,406	2,015,505	1,131,943
Restated net assets, beginning of period	<u>4,354,343</u>	<u>976,052</u>	<u>5,330,395</u>	<u>4,198,452</u>
Net assets, end of period	<u>\$ 5,445,442</u>	<u>\$ 1,900,458</u>	<u>\$ 7,345,900</u>	<u>\$ 5,330,395</u>

See accompanying notes to financial statements.

**INLAND SEAS EDUCATION ASSOCIATION**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**YEAR ENDED DECEMBER 31, 2023**  
**(With Comparative Totals for the Year Ended December 31, 2022)**

	Supporting Services			2023 Total	2022 Total
	Program Services	General and Administration	Fundraising		
Expenses					
Salaries and wages	\$ 591,876	\$ 123,641	\$ 74,894	\$ 790,411	\$ 586,163
Intern stipends	30,769	5	-	30,774	36,222
Retirement plan contributions	13,480	3,039	1,760	18,279	12,396
Other employee benefits	42,969	12,824	8,126	63,919	48,247
Payroll taxes	37,741	9,672	15,417	62,830	48,223
Direct program expenses	8,169	-	-	8,169	10,399
Accounting fees	21,685	6,666	4,980	33,331	39,319
Legal fees	746	163	48	957	-
Consulting fees	-	-	-	-	2,100
Supplies	4,615	1,386	8,756	14,757	6,237
Telephone	3,711	1,142	857	5,710	4,841
Postage and delivery	1,007	310	1,160	2,477	1,897
Occupancy costs	5,515	1,080	786	7,381	6,630
Equipment rental and maintenance	16,528	3,591	3,207	23,326	17,985
Printing and publications	1,861	573	2,238	4,672	3,879
Travel	10,273	3,247	20,741	34,261	13,770
Grant expenses	33,274	15	386	33,675	22,805
Interest	-	153	-	153	90
Depreciation	87,610	26,957	20,218	134,785	92,771
Advertising and marketing	8,944	-	2,380	11,324	4,354
Charter fees	11,440	-	-	11,440	11,267
Contract services	43,389	1,322	46,036	90,747	75,553
Training and education	5,900	1,741	1,286	8,927	28,957
Dues and subscriptions	4,981	807	763	6,551	2,313
Insurance	51,629	3,208	2,406	57,243	45,546
Events expense	15	-	1,870	1,885	82
Fundraising expense	-	-	-	-	11,296
Licenses and permits	1,380	97	73	1,550	250
Bank charges	3,220	801	714	4,735	3,523
Ship operating costs	94,480	-	-	94,480	43,221
Volunteer expenses	4,536	-	-	4,536	2,798
Loss on disposition of fixed assets	104,360	32,111	24,082	160,553	-
Miscellaneous expense	1,293	204	9,562	11,059	16,592
Donated in-kind expenses					
Ship volunteer instructors	199,121	-	-	199,121	115,355
Boat shop volunteers	31,419	-	-	31,419	25,685
Amortization of dock usage	6,853	-	-	6,853	6,853
<b>Total expenses</b>	<b>1,484,789</b>	<b>234,755</b>	<b>252,746</b>	<b>1,972,290</b>	<b>1,347,619</b>
Less expenses netted with revenues					
Fundraising events	(15)	-	(1,870)	(1,885)	(11,378)
Cost of merchandise sales	-	-	-	-	(1,474)
	<b>\$ 1,484,774</b>	<b>\$ 234,755</b>	<b>\$ 250,876</b>	<b>\$ 1,970,405</b>	<b>\$ 1,334,767</b>

See accompanying notes to financial statements.



**INLAND SEAS EDUCATION ASSOCIATION**  
**STATEMENT OF CASH FLOWS**  
**YEAR ENDED DECEMBER 31, 2023**  
**(With Comparative Amounts for the Year Ended December 31, 2022)**

	<u>2023</u>	<u>2022</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 2,015,505	\$ 1,131,943
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation/amortization	141,638	99,624
Loss on disposal of fixed assets	160,553	-
(Increase) decrease in:		
Accounts receivable	4,806	(48,349)
Prepaid expenses	(1,100)	538
Grants receivable	-	78,000
Contributions receivable	(1,006,469)	(932,300)
Increase (decrease) in:		
Accounts payable	1,863	(34,619)
Accrued liabilities	15,883	8,086
Deferred revenue	4,794	2,669
	<u>1,337,473</u>	<u>305,592</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of fixed assets	(208,217)	(906,460)
Proceeds from sale of fixed assets	43,443	-
	<u>(164,774)</u>	<u>(906,460)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from short-term note	-	375,750
Borrowing on line of credit	25,000	-
Payments on short-term note	(375,750)	-
Payments on line of credit	(25,000)	-
	<u>(375,750)</u>	<u>375,750</u>
<b>NET INCREASE (DECREASE) IN CASH</b>	<b>796,949</b>	<b>(225,118)</b>
Cash, beginning of period	<u>609,164</u>	<u>834,282</u>
Cash, end of period	<u><u>\$ 1,406,113</u></u>	<u><u>\$ 609,164</u></u>
<b>Supplemental disclosure of cash flow information</b>		
Cash paid during the period for interest	<u>\$ 153</u>	<u>\$ 90</u>
Federal income tax paid	<u>\$ -</u>	<u>\$ 500</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 and Credit Losses

The Association is exposed to credit losses primarily through contributions. 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 credit losses expense and an adjustment to the allowance for credit losses. The Association's expected loss allowance is 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>2023</u>	<u>2022</u>
Accounts receivable, beginning of period	<u>\$ 62,329</u>	<u>\$ 13,980</u>
Accounts receivable, end of period	<u>\$ 57,523</u>	<u>\$ 62,329</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.

	2023	2022
Deferred revenue, beginning of period	\$ 13,769	\$ 11,100
Deferred revenue, end of period	\$ 18,563	\$ 13,769

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, 2023 and 2022, consist of the following:

	2023	2022
Net assets without donor restrictions	\$ 5,445,442	\$ 4,354,343

**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, 2023 and 2022, consist of the following:

	2023	2022
Purpose restrictions		
Scholarships for student class costs	\$ 203,178	\$ 130,238
Tom Kelly Biological Station	10,000	10,000
Time restrictions		
Operational costs for future fiscal years	1,138,510	148,514
Future of Great Lakes Education Campaign	548,770	687,300
	\$ 1,900,458	\$ 976,052

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 and grants of cash and other assets received without donor stipulations are reported as revenue and net assets without donor restrictions. Gifts and grants 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 years ended December 31, 2023 and 2022, the fair value the Association received for services by instructors on the science ships, other professionals, and dock rental totaled \$230,540, \$141,040, and \$6,853, respectively. These amounts were recognized as program service expenses.

Contributed volunteer time is valued based on the most recently published value of volunteer time by state by Independent Sector and the number of hours contributed. Contributed dock rental is based on the standard rate per foot and the length of dock utilized by the Association.

For the years ended December 31, 2023 and 2022, the Association reported donor restricted net assets of \$47,971 and \$54,824, respectively, for the value of dock rental, which will be recognized in expenses over the remaining life of the agreement.

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 years ended December 31, 2023 and 2022, advertising costs amounted to \$11,324 and \$4,354, 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.

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

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

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 December 31, 2023 and 2022, these activities resulted in income tax amounting to \$0 and \$500, 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.

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.

The Association performs ongoing credit evaluations of its contributors financial condition whenever deemed necessary. The Association evaluates and maintains, if necessary, an allowance for credit losses based on the expected collectability of all accounts receivable, which takes into consideration an analysis of historical credit losses, specific contributor creditworthiness and current economic trends. Management believes that the Association's concentration of credit risk is 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 1, 2024, 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.

**NOTE 3 - CONTRIBUTIONS RECEIVABLE**

At December 31, 2023, unconditional promises to give consist of pledges by six donors, with two donors accounting for \$1,750,000 of the total promises to give (before discounting). The unconditional promises to give, totaling \$2,020,000 will be paid at \$1,405,000 in 2024, \$365,000 in 2025, and \$250,000 in 2026. 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.

**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.

Unconditional promises to give are estimated to be collected as follows at December 31, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Within one year	\$ 1,405,000	\$ 260,000
In one to five years	<u>615,000</u>	<u>750,000</u>
	2,020,000	1,010,000
Less discount to net present value at rate of 8.50% for 2023 and 4.50% for 2022	<u>(66,231)</u>	<u>(62,700)</u>
Contributions receivable, net	<u><u>\$ 1,953,769</u></u>	<u><u>\$ 947,300</u></u>

**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, 2023 and 2022, 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>2023</u>	<u>2022</u>
Financial assets available at year-end		
Cash	\$ 1,406,113	\$ 609,164
Accounts receivable	57,523	62,329
Contributions receivable	<u>1,953,769</u>	<u>947,300</u>
Total financial assets available at year-end	3,417,405	1,618,793
Less:		
Purpose restricted funds	(213,178)	(140,238)
Noncurrent contributions receivable	<u>(548,769)</u>	<u>(687,300)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u><u>\$ 2,655,458</u></u>	<u><u>\$ 791,255</u></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)	2023	2022
Construction in progress	N/A	\$ -	\$ 13,965
Land and improvements	N/A	1,759,267	1,759,267
Buildings	40	1,630,434	1,611,769
Equipment	5	239,885	189,891
Furniture and fixtures	5-7	87,509	87,509
Science ships	20	1,489,175	1,642,927
Docks	12	12,955	12,955
Right-to-use-Dock	10	68,530	68,530
		<u>5,287,755</u>	<u>5,386,813</u>
Less accumulated depreciation/amortization		<u>(1,297,891)</u>	<u>(1,259,532)</u>
		<u>\$ 3,989,864</u>	<u>\$ 4,127,281</u>
Depreciation/amortization expense		<u>\$ 141,638</u>	<u>\$ 99,624</u>

**NOTE 6 - 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 ended December 31, 2023 and 2022, the Association made matching contributions totaling \$18,278 and \$12,396, respectively.

**NOTE 7 - COMMUNITY FOUNDATION FUNDS**

The Association is the beneficiary of four funds established with Grand Traverse Regional Community Foundation (GTRCF) and one fund established with Ann Arbor Area Community Foundation (AAACF). 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.



**INLAND SEAS EDUCATION ASSOCIATION  
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**NOTE 7 - COMMUNITY FOUNDATION FUNDS (continued)**

The information for the five funds for years ended December 31, 2023 and 2022, are as follows:

Inland Seas Education Association Scholarship Endowment Fund (GTRCF)

	2023	2022
Transfer by Association to Foundation	\$ -	\$ -
Grants received by Association from Foundation	2,600	2,560
Total assets in fund	68,617	61,882
Funds available for distribution	2,670	2,600

Inland Seas Education Association Operating Endowment Fund (GTRCF)

	2023	2022
Transfer by Association to Foundation	\$ -	\$ -
Grants received by Association from Foundation	2,110	2,090
Total assets in fund	55,859	50,370
Funds available for distribution	2,170	2,110

Inland Seas Education Association Endowment Fund (AAACF)

	2023	2022
Transfer by Association to Foundation	\$ -	\$ -
Grants received by Association from Foundation	24,613	24,249
Total assets in fund	602,598	549,448
Funds available for distribution	-	-

Inland Seas Education Association Lee Scholarship Endowment Fund (GTRCF)

	2023	2022
Transfer by Association to Foundation	\$ -	\$ -
Grants received by Association from Foundation	2,590	2,570
Total assets in fund	67,579	61,282
Funds available for distribution	2,650	2,590

Inland Seas Education Association Gordon V. Brown Memorial Endowment Fund (GTRCF)

	2023	2022
Transfer by Association to Foundation	\$ 3,000	\$ -
Grants received by Association from Foundation	2,280	2,160
Total assets in fund	68,439	58,998
Funds available for distribution	2,440	2,280

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**NOTE 8 - LINE OF CREDIT**

The Association has a line of credit with State Savings Bank to cover potential cash flow shortages. The line of credit limit is \$500,000 and is collateralized by the Association’s real property. Interest on this line of credit is based on prime rate. At December 31, 2023, the balance on the line of credit was \$0. For the year ended December 31, 2023, the Association paid \$153 for interest on borrowings.

**NOTE 9 - RESTATEMENT OF NET ASSETS**

Beginning net assets has been restated to correct for understated net assets with donor restrictions. The effect of the restatement on beginning net assets for the current and prior period are as follows:

Net assets as of December 31, 2022	\$ 5,275,571
Prior period adjustment	<u>54,824</u>
Restated net assets as of December 31, 2022	<u><u>\$ 5,330,395</u></u>
 <u>Net Assets</u>	
Net assets as of December 31, 2021	\$ 4,136,775
Prior period adjustment	<u>61,677</u>
Restated net assets as of December 31, 2021	<u><u>\$ 4,198,452</u></u>

**NOTE 10 - ADOPTION OF A NEW ACCOUNTING STANDARD**

For the year ended December 31, 2023, the Association implemented the following new pronouncement: Financial Accounting Standards Board (the “FASB”) Accounting Standard Update (“ASU”) No. 2016-13, *Financial Instruments - Credit Losses* (Topic 326) (“ASU 2016-13”).

**Summary:**

In June 2016, the FASB issued ASU 2016-13 and thereafter issued additional ASUs to clarify and update the guidance in ASU 2016-13 (collectively, “CECL”). The objective of ASU 2016-13 is to provide financial statement users with more decision-useful information about current expected credit losses on financial instruments and other commitments to extend credit held by a reporting entity. The most significant change in this standard is a shift from the incurred loss model to the expected loss model. Under the standard, disclosures are required to provide users of the financial statements with useful information in analyzing an entity’s exposure to credit risk and the measurement of credit losses. The Association adopted the new standard on January 1, 2023 using the modified-retrospective approach.

The Association determined that the adoption of ASU 2016-13 did not have a material impact on assets, liabilities, or net assets as of the date of adoption and primarily resulted in enhanced disclosures.