

FINANCIAL STATEMENTS

FRESHWATER SOCIETY
ST. PAUL, MINNESOTA

FOR THE YEARS ENDED
JUNE 30, 2024 AND 2023

FRESHWATER

Freshwater Society
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June 30, 2024 and 2023

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Freshwater Society
St. Paul, Minnesota

Opinion

We have audited the accompanying financial statements of Freshwater Society (the Organization), which comprise the statements of financial position as of June 30, 2024 and 2023, and the related statements of activities, functional expenses and cash flows for the years 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 Freshwater Society as of June 30, 2024 and 2023, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits 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 Freshwater Society and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Freshwater Society'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 are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization'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.



Abdo
Minneapolis, Minnesota
May 13, 2025



FINANCIAL STATEMENTS

Freshwater Society
Statements of Financial Position
June 30, 2024 and 2023

	<u>2024</u>	<u>2023</u>
Assets		
Current Assets		
Cash and cash equivalents	\$ 49,530	\$ 226,938
Grants, contracts and other receivables	1,061,591	1,260,067
Prepaid expenses	16,851	27,392
Inventory	31,417	30,160
Total Current Assets	<u>1,159,389</u>	<u>1,544,557</u>
Property and Equipment		
Building improvements	14,739	14,739
Furniture, equipment, and software	34,848	34,848
Total Property and Equipment, Cost	49,587	49,587
Less Accumulated Depreciation and Amortization	(40,256)	(31,925)
Total Property and Equipment, Net	<u>9,331</u>	<u>17,662</u>
Other Assets		
Right-of-use asset - operating lease	109,787	161,370
Investments	5,104,820	5,246,392
Artwork	14,300	14,300
Total Other Assets	<u>5,228,907</u>	<u>5,422,062</u>
Total Assets	<u>\$ 6,397,627</u>	<u>\$ 6,984,281</u>
Liabilities and Net Assets		
Current Liabilities		
Accounts payable	\$ 9,111	\$ 22,747
Accrued expenses	60,508	53,374
Operating lease liability - current portion	57,285	54,998
Total Current Liabilities	<u>126,904</u>	<u>131,119</u>
Noncurrent Liabilities		
Operating lease liability - noncurrent portion	65,348	122,100
Total Liabilities	<u>192,252</u>	<u>253,219</u>
Net Assets		
Without donor restrictions		
Undesignated	(337,424)	(260,054)
Board designated endowment	5,104,820	5,246,392
Total without donor restrictions	4,767,396	4,986,338
With donor restrictions	1,437,979	1,744,724
Total Net Assets	<u>6,205,375</u>	<u>6,731,062</u>
Total Liabilities and Net Assets	<u>\$ 6,397,627</u>	<u>\$ 6,984,281</u>

See Independent Auditor's Report and Notes to the Financial Statements.

Freshwater Society
Statements of Activities
For the Years Ended June 30, 2024 and 2023

	2024		
	Without Donor Restrictions	With Donor Restrictions	Total
Support			
Donations, gifts and contracts	\$ 307,357	\$ 501,800	\$ 809,157
Revenues and Gains			
Calendar sales	221,416	-	221,416
Program service fees	31,800	-	31,800
Conferences, symposium and lecture revenue	5,500	-	5,500
Interest and investment income	585,427	12,353	597,780
Total Revenues and Gains	844,143	12,353	856,496
Net assets released from restrictions	820,898	(820,898)	-
Total Support, Revenues and Gains	1,972,398	(306,745)	1,665,653
Expenses			
Program services	1,777,978	-	1,777,978
Management and general	296,240	-	296,240
Fundraising	117,122	-	117,122
Total Expenses	2,191,340	-	2,191,340
Change in Net Assets	(218,942)	(306,745)	(525,687)
Net Assets, July 1	4,986,338	1,744,724	6,731,062
Net Assets, June 30	\$ 4,767,396	\$ 1,437,979	\$ 6,205,375

See Independent Auditor's Report and Notes to the Financial Statements.

Freshwater Society
Statements of Activities (Continued)
For the Years Ended June 30, 2024 and 2023

	2023		
	Without Donor Restrictions	With Donor Restrictions	Total
Support			
Donations, gifts and contracts	\$ 304,802	\$ 1,777,444	\$ 2,082,246
Special event income, net of expenses of \$18,368	24,688	-	24,688
Total Support	<u>329,490</u>	<u>1,777,444</u>	<u>2,106,934</u>
Revenues and Gains			
Calendar sales	231,600	-	231,600
Program service fees	43,540	-	43,540
Conferences, symposium and lecture revenue	32,550	-	32,550
Interest and investment income	413,225	8,550	421,775
Total Revenues and Gains	<u>720,915</u>	<u>8,550</u>	<u>729,465</u>
Net assets released from restrictions	<u>403,748</u>	<u>(403,748)</u>	<u>-</u>
Total Support, Revenues and Gains	<u>1,454,153</u>	<u>1,382,246</u>	<u>2,836,399</u>
Expenses			
Program services	1,290,477	-	1,290,477
Management and general	215,989	-	215,989
Fundraising	117,587	-	117,587
Total Expenses	<u>1,624,053</u>	<u>-</u>	<u>1,624,053</u>
Change in Net Assets	(169,900)	1,382,246	1,212,346
Net Assets, July 1	<u>5,156,238</u>	<u>362,478</u>	<u>5,518,716</u>
Net Assets, June 30	<u>\$ 4,986,338</u>	<u>\$ 1,744,724</u>	<u>\$ 6,731,062</u>

See Independent Auditor's Report and Notes to the Financial Statements.

Freshwater Society
Statements of Functional Expenses
For the Years Ended June 30, 2024 and 2023

	2024			2023	
	Program Services	Management and General	Fundraising	Total Expenses	Total Expenses
Building rent, utilities and miscellaneous	\$ 56,336	\$ 34,490	\$ 11,101	\$ 101,927	\$ 101,343
Calendar cost of goods sold	109,523	-	-	109,523	93,521
Contracted services and professional fees	70,092	39,621	7,954	117,667	199,476
Depreciation expense	4,690	2,756	885	8,331	6,538
Fees and miscellaneous	7,880	2,580	2,534	12,994	8,592
Grant subawards	749,633	178	-	749,811	244,978
Insurance	10,587	6,220	1,997	18,804	19,696
Marketing and promotion	3,320	637	11	3,968	2,129
Meetings, events and program activities	11,582	3,268	1,823	16,673	14,129
Memberships, dues and subscriptions	5,521	1,314	2,596	9,431	6,947
Postage, mailing and delivery	32,323	2,306	683	35,312	32,365
Printing and reproduction	1,618	834	1,041	3,493	3,215
Salaries and employee benefits	672,026	190,596	78,700	941,322	806,828
Staff training, education and development	7,800	-	505	8,305	42,540
Supplies and minor equipment	2,770	7,084	6,425	16,279	19,759
Telephone and internet	3,425	3,439	642	7,506	5,758
Travel and transportation	28,852	917	225	29,994	16,239
Total Expenses	<u>\$ 1,777,978</u>	<u>\$ 296,240</u>	<u>\$ 117,122</u>	<u>\$ 2,191,340</u>	<u>\$ 1,624,053</u>

See Independent Auditor's Report and Notes to the Financial Statements.

Freshwater Society
Statements of Functional Expenses (Continued)
For the Years Ended June 30, 2024 and 2023

	2023			
	Program Services	Management and General	Fundraising	Total Expenses
Building rent, utilities and miscellaneous	\$ 58,650	\$ 29,559	\$ 13,134	\$ 101,343
Calendar cost of goods sold	93,487	-	34	93,521
Contracted services and professional fees	164,451	20,947	14,078	199,476
Depreciation expense	3,796	1,916	826	6,538
Fees and miscellaneous	6,034	1,563	995	8,592
Grant subawards	244,978	-	-	244,978
Insurance	11,419	5,791	2,486	19,696
Marketing and promotion	1,956	173	-	2,129
Meetings, events and program activities	11,278	1,215	1,636	14,129
Memberships, dues and subscriptions	5,386	399	1,162	6,947
Postage, mailing and delivery	27,517	1,552	3,296	32,365
Printing and reproduction	2,099	1,092	24	3,215
Salaries and employee benefits	591,466	142,440	72,922	806,828
Staff training, education and development	42,073	219	248	42,540
Supplies and minor equipment	8,419	6,640	4,700	19,759
Telephone and internet	2,690	2,482	586	5,758
Travel and transportation	14,778	1	1,460	16,239
	<u>14,778</u>	<u>1</u>	<u>1,460</u>	<u>16,239</u>
Total Expenses	<u>\$ 1,290,477</u>	<u>\$ 215,989</u>	<u>\$ 117,587</u>	<u>\$ 1,624,053</u>

See Independent Auditor's Report and Notes to the Financial Statements.

Freshwater Society
Statements of Cash Flows
For the Years Ended June 30, 2024 and 2023

	<u>2024</u>	<u>2023</u>
Cash Flows from Operating Activities		
Change in net assets	\$ (525,687)	\$ 1,212,346
Adjustment to reconcile change in net assets to net cash used by operating activities:		
Depreciation	8,331	6,538
(Gain) loss on investments	(597,780)	(420,419)
Amortization of right-of-use asset	51,583	51,112
(Increase) decrease in assets:		
Grants, contracts and other receivables	198,476	(1,123,712)
Prepaid expenses	10,541	4,071
Inventory	(1,257)	(15,000)
Increase (decrease) in liabilities:		
Accounts payable	(13,636)	(74,728)
Accrued expenses	7,134	(34,528)
Deferred rent liability	-	(226)
Operating lease liability	(54,465)	(52,767)
Net Cash Used by Operating Activities	<u>(916,760)</u>	<u>(447,313)</u>
Cash Flows from Investing Activities		
Purchase of property and equipment	-	(5,379)
Proceeds from sale of investments	739,352	504,195
Purchase of investments	-	(38,236)
Net Cash Provided by Investing Activities	<u>739,352</u>	<u>460,580</u>
Change in Cash and Cash Equivalents	(177,408)	13,267
Beginning Cash and Cash Equivalents	<u>226,938</u>	<u>213,671</u>
Ending Cash and Cash Equivalents	<u>\$ 49,530</u>	<u>\$ 226,938</u>
Supplemental Disclosure of Non-Cash Operating Activities		
Right-of -use assets obtained in exchange for new operating lease liabilities	<u>\$ -</u>	<u>\$ 229,865</u>

See Independent Auditor's Report and Notes to the Financial Statements.

Freshwater Society
Notes to the Financial Statements
June 30, 2024 and 2023

Note 1: Summary of Significant Accounting Policies

A. Nature of Activities

Freshwater Society (the Organization) is a Minnesota-based nonprofit organization that for more than 50 years has worked to educate and inspire people to value, conserve and protect all freshwater resources. Its goals are to increase the education, awareness and stewardship of citizens to reduce nonpoint pollution of our lakes, rivers and streams, and to increase conservation behavior to ensure sustainable water resources for generations to come. It works toward accomplishing those goals by a broad range of activities and programs designed to educate, inform, and engage citizens. It also advocates for state and local policies that optimize conservation, water use efficiency, water re-use, and prevention of nonpoint pollution.

B. Basis of Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Contributions received are recorded as an increase in net assets without donor restrictions or net assets with donor restrictions, depending on the existence or nature of any donor restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

Without Donor Restrictions (Unrestricted)

Those resources over which the Board of Directors has discretionary control.

With Donor Restrictions (Restricted)

Those resources subject to temporary donor-imposed restrictions which will be satisfied by actions of the Organization or passage of time, and those resources subject to permanent donor-imposed restrictions that may be maintained permanently. The Organization reports contributions as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends, or purpose restriction is accomplished, restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions.

C. Use of Estimates

The preparation of financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

D. Cash and Cash Equivalents

Cash and cash equivalents include cash in checking, savings, and petty cash. The Organization maintains cash balances with quality financial institutions. At times, bank balances may exceed FDIC insurance limits.

E. Investments

The Organization records investment purchases at cost, or if donated, at fair value on the date of donation. Thereafter, investments are reported at their fair values in the statements of financial position. Net investment return (loss) is reported in the statements of activities and consists of interest and dividend income, realized and unrealized capital gains and losses, less investment management and custodial fees.

Freshwater Society
Notes to the Financial Statements
June 30, 2024 and 2023

Note 1: Summary of Significant Accounting Policies (Continued)

F. Grants, Contract and Other Receivables

Receivables due in the next year are stated at their net realizable value. Receivables are assessed individually for collectability based on the surrounding facts and circumstances and management's past history. When all collection efforts have been exhausted, the accounts are written off against the allowance. As of June 30, 2024 and 2023, the Organization believes all balances to be collectible, therefore no allowance is necessary.

G. Inventory

Inventory consists of Minnesota Weather Guide Environment Calendars. Inventory is valued at the lower of cost or market on a first-in, first-out basis and includes printing and development costs.

H. Property and Equipment

Property and equipment are carried at cost, if purchased, or fair market value at the date of the gift, if received as a contribution. Management has elected to capitalize and depreciate assets with a value of \$3,000 or greater. Depreciation is computed by the straight-line method and is charged to expense over the estimated useful life. Cost of maintenance, repairs and minor replacements are expensed as incurred. The estimated useful lives of property and equipment are three to five years. Depreciation expense was \$8,331 and \$6,538 for the years ended June 30, 2024 and 2023, respectively.

I. Revenue Recognition Policy

Revenue

Performance Obligations

The performance obligation related to calendar sales is satisfied when the sale takes place. Therefore, Freshwater Society recognizes revenue at a point in time.

Contract Balances

The timing of revenue recognition, billings, and cash collection results in billed receivables (contract assets) which are recorded on the statement of financial position.

The beginning and ending contract balances were as follows:

	<u>June 30, 2024</u>	<u>June 30, 2023</u>	<u>July 1, 2022</u>
Other receivables	<u>\$ 7,924</u>	<u>\$ 274</u>	<u>\$ 9,015</u>

Support

All donations, gifts and contracts are available for unrestricted use unless specifically restricted by the donor. The Organization reports donations, gifts and contracts as restricted support if they are received with donor or grantor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a 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 combined statement of activities as net assets released from restrictions. Net Assets with donor restrictions are reported as net assets without donor restrictions if the restrictions are met in the same period as received.

Freshwater Society
Notes to the Financial Statements
June 30, 2024 and 2023

Note 1: Summary of Significant Accounting Policies (Continued)

J. Special Event Income

The Organization has an annual fundraising event each spring called Water Connects Us. The special event income represents ticket sales, donations, and the fair market value of donated items for the live and silent auctions and raffle. A summary of the net special event income is as follows:

	2024	2023
Gross revenue	\$ -	\$ 43,056
Direct expenses	-	(18,368)
Net Special Event Income	<u>\$ -</u>	<u>\$ 24,688</u>

The gross revenue and direct expenses include auction-related in-kind donations of \$0 and \$5,134 for the years ended June 30, 2024 and 2023, respectively.

K. Donated Services and Supplies

Donated services meeting the requirement for recognition (i.e., requiring a specialized skill or creating or enhancing non-financial assets), if any, are reflected in the financial statements. The value of these services is determined objectively using the market value of similar services. Donated supplies are recorded at fair market value at the date of contribution. Total in-kind donations of \$0 and \$5,134 have been recorded for the years ended June 30, 2024 and 2023, respectively. The contributions are not restricted and are used at the annual fundraising event.

L. Income Taxes

The Organization is organized as a Minnesota nonprofit corporation and has been recognized by the Internal Revenue Service (IRS) as exempt from federal income taxes under Section 501(a) of the Internal Revenue Code as an organization described in Section 501(c)(3), qualifies for the charitable contribution deduction under Section 170(b)(1)(A)(vi), and has been determined not to be a private foundation under Section 509(a)(1). The Organization is annually required to file a Return of Organization Exempt from Income Tax (Form 990) with the IRS.

M. Functional Allocation of Expenses

The costs of program and supporting services activities have been summarized on a functional basis in the statement of expenses. The statements of functional expenses present the natural classification detail of expenses by function. The largest portion of expenses, including salaries and benefits, are charged directly to the applicable functional category. For those expenses that are organization-wide in nature, allocations to the programs and supporting services benefited are determined by management on an equitable basis using a full-time equivalent methodology.

N. New Accounting Standards

In June 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2016-13, Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments ("ASC 2016-13" or ASC 326") which significantly changed how entities will measure credit losses for most financial assets and certain other instruments that aren't measured at fair value through net income. 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 Organization adopted the standard effective July 1, 2023. The impact of the adoption was not considered material to the financial statements and primarily resulted in new/enhanced disclosures only.

Note 1: Summary of Significant Accounting Policies (Continued)

O. Advertising

The Organization expenses advertising costs as incurred and had advertising costs of \$3,968 and \$2,129 for the years ended June 30, 2024 and 2023, respectively.

P. Subsequent Events

In preparing the financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through May 13, 2025, the date the financial statements were available to be issued.

Note 2: Fair Value Measurements and Disclosures

The Organization reports certain assets at fair value in the financial statements. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal, or most advantageous, market at the measurement date under current market conditions, regardless of whether that price is directly observable or estimated using another valuation technique. Inputs used to determine fair value refer broadly to the assumptions that market participants would use in pricing the asset or liability, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset or liability based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability based on the best information.

Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities that we can access at the measurement date.

Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. These include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability, and market-corroborated inputs.

Level 3 - Unobservable inputs for the asset or liability. In these situations, we develop inputs using the best information available in the circumstances.

In some cases, the inputs used to measure the fair value of an asset, or a liability might be categorized within different levels of the fair value hierarchy. In those cases, the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement. Assessing the significance of a particular input to entire measurement requires judgment, taking into account factors specific to the asset or liability. The categorization of an asset within the hierarchy is based upon the pricing transparency of the asset and does not necessarily correspond to our assessment of the quality, risk or liquidity profile of the asset or liability.

Following is a description of the valuation methodologies used for assets measured at fair value.

Money Market Funds: Valued at \$1 per share.

Common Stock and Fixed Income Securities: Valued at the daily closing price of the underlying stocks and securities. The stocks and securities held by the Organization are deemed to be actively traded.

Freshwater Society
Notes to the Financial Statements
June 30, 2024 and 2023

Note 2: Fair Value Measurements and Disclosures (Continued)

The following table presents assets measured at fair value on a recurring basis as of June 30, 2024.

	Quoted Prices in Active Markets for Identical Assets/Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Money market fund	\$ 84,997	\$ -	\$ -	\$ 84,997
Fixed income securities	1,625,411	-	-	1,625,411
Common stock	3,394,412	-	-	3,394,412
Total Investments	<u>\$ 5,104,820</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,104,820</u>

The following table presents assets measured at fair value on a recurring basis as of June 30, 2023.

	Quoted Prices in Active Markets for Identical Assets/Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Money market fund	\$ 196,927	\$ -	\$ -	\$ 196,927
Fixed income securities	1,487,996	-	-	1,487,996
Common stock	3,561,469	-	-	3,561,469
Total Investments	<u>\$ 5,246,392</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,246,392</u>

Net investment income (loss) detail for the years ended June 30 is as follows:

	2024	2023
Interest and dividends	\$ 96,781	\$ 96,227
Realized gains	120,218	23,957
Unrealized gains	432,855	351,832
Management and other fees	<u>(52,074)</u>	<u>(50,241)</u>
Net Investment Income	<u>\$ 597,780</u>	<u>\$ 421,775</u>

Note 3: Endowments

The Organization's endowments consist of two funds: one fund established and restricted by a donor to provide support for student scholarship, educational programs for students, and the general support of the educational programs; and another fund consisting of unrestricted net assets designated for endowment by the Board of Directors. As required by generally accepted accounting principles, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Freshwater Society
Notes to the Financial Statements
June 30, 2024 and 2023

Note 3: Endowments (Continued)

The Organization has interpreted the State of Minnesota's enacted version of the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the Organization to consider the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds unless there are explicit donor stipulations to the contrary:

- The duration and preservation of the fund
- The purposes of the Organization and the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the Organization
- The investment policies of the Organization

For accounting purposes only, the Organization classifies as permanently restricted net assets (a) the original value of gifts donated to the endowment, (b) the original value of subsequent gifts to the endowment, and (c) accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Organization.

As of June 30, 2024 and 2023, the Organization had the following endowment net asset composition by type of fund:

	2024		2023	
	Without Donor Restrictions	With Donor Restrictions	Without Donor Restrictions	With Donor Restrictions
Board-designated endowment	\$ 5,104,820	\$ -	\$ 5,246,392	\$ -
Donor-restricted endowment	-	166,270	-	153,917
Total Endowment	<u>\$ 5,104,820</u>	<u>\$ 166,270</u>	<u>\$ 5,246,392</u>	<u>\$ 153,917</u>

The Organization has adopted investment and spending policies for the board restricted endowment that attempts to provide a predictable stream of cash for operations while seeking to maintain the purchasing power of the endowment assets. Over time, long-term rates of return should be equal to an amount sufficient to maintain the purchasing power of the endowment assets, to provide the necessary capital to fund the spending policy, and to cover the costs of managing the endowment investments. To satisfy its long-term rate-of-return objectives, the Organization relies on a total return strategy in which investments returns are achieved through capital appreciation (realized and unrealized) and current yield (interest and dividends). To achieve its investment objectives and annual rate of return, the endowment assets of the Organization are invested approximately 65% in equity and 35% in fixed income.

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Note 3: Endowments (Continued)

The Organization uses an endowment spending-rate formula for the board designated endowment to determine the amount to spend from the endowment each year. The spending rate is equal to 5% of the average fair value of the endowment investments for the prior 12 quarters as of March 31 each year to determine the spending amount for the upcoming year. This rate may be adjusted from time to time by the Board of Directors. In establishing the spending policy, the Board of Directors consider the long-term expected return on the endowment and sets the rate with the objective of maintaining the purchasing power of the endowment over time.

Changes in endowment net assets for the years ended June 30, 2024 and 2023 are as follows:

	2024		2023	
	Without Donor Restrictions	With Donor Restrictions	Without Donor Restrictions	With Donor Restrictions
Endowment net assets, July 1	\$ 5,246,392	\$ 153,917	\$ 4,937,679	\$ 145,367
Endowment assets appropriated for expenditure	(737,798)	-	(404,195)	-
Endowment contributions	-	-	304,428	-
Investment income (loss), net of fees	596,226	12,353	408,480	8,550
Endowment Net Assets, June 30	<u>\$ 5,104,820</u>	<u>\$ 166,270</u>	<u>\$ 5,246,392</u>	<u>\$ 153,917</u>

Note 4: Net Assets with Donor Restrictions

Restricted net assets as of June 30, are as follows:

	2024	2023
Temporarily Restricted		
Program Activities	\$ 1,271,709	\$ 1,590,807
Accumulated Endowment Earnings - Education Programs	107,895	95,542
Total Temporarily Restricted	<u>1,379,604</u>	<u>1,686,349</u>
Permanently Restricted		
Endowment Fund - Education Programs	<u>58,375</u>	<u>58,375</u>
Total Net Assets with Donor Restrictions	<u>\$ 1,437,979</u>	<u>\$ 1,744,724</u>

Net assets were released from restrictions during the years ended June 30, 2024 and 2023 by incurring expenses satisfying the restricted purposes for program activities in the amount of \$983,813 and \$403,748, respectively.

Note 5: Retirement Plan

The Organization participates in a 401(k) defined contribution retirement plan which covers all employees who meet eligibility requirements and elect to participate in the plan. The plan provides eligible employees matching contributions of 100% on the first 3% and 50% on the next 2% of the employee's compensation. Contributions to the plan totaled \$24,015 and \$17,694 for the years ended June 30, 2024 and 2023, respectively.

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Note 6: Leases

The Organization has a lease agreement for office space which commenced on April 1, 2021, and is set to expire on July 31, 2026. The lease requires initial monthly payments of \$4,412 with an annual adjustment of 3%.

The following summarizes additional information about the Organization's leases at June 30:

	2024	2023
Lease Expense		
Operating lease expense	\$ 53,231	\$ 53,286
Other Information		
Operating cash flows from operating leases	\$ 56,590	\$ 54,941
ROU assets obtained in exchange for new operating lease liabilities	-	229,865
Weighted-average remaining lease term in years for operating leases	2.08	3.08
Weighted-average discount rate for operating leases	1.08%	1.08%

Maturities of operating lease liabilities are as follows:

Year ended June 30:	Amount
2025	\$ 58,287
2026	60,036
2027	5,648
Total undiscounted cash flows	123,971
Less: present value discount	(1,338)
Total lease liabilities	\$ 122,633

Note 7: Liquidity and Availability of Financial Assets

Financial assets consist of the Organization's cash and cash equivalents, investments, and accounts receivable. The following represents the Organization's financial assets as of June 30, 2024 and 2023, reduced by amounts not available for general use within one year:

	2024	2023
Cash and cash equivalents	\$ 49,530	\$ 226,938
Grants, contracts and other receivables	1,061,591	1,260,067
Investments	5,104,820	5,246,392
Total Financial Assets	6,215,941	6,733,397
Less: Financial Assets Unavailable for General Expenditure within One Year, Due to:		
Donor-imposed restrictions	(1,437,979)	(1,744,724)
Board designations Quasi endowment; primarily for long-term investing	(5,104,820)	(5,246,392)
Total Unavailable Financial Assets	(6,542,799)	(6,991,116)
Financial Assets Available to Meet Cash Needs for General Expenditure within One Year	\$ (326,858)	\$ (257,719)

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Note 7: Liquidity and Availability of Financial Assets (Continued)

The Organization regularly monitors liquidity required to meet its operating needs and other contractual commitments and invests excess cash in board designated reserve funds.

As described in Note 3, the Organization's endowment funds consist of a donor-restricted endowment and a quasi-endowment. Income from the donor-restricted endowment is restricted for a specific purpose and therefore is not available for general expenditures. The spending objectives of the quasi-endowment were meant to maintain the principal corpus while allowing the Organization to use the annual investment income for general operations. The current spending rate established is 5%. The board restriction, spending policy and fund parameters of the quasi endowment can be changed and removed at any time by the board in the event of an unanticipated liquidity need.

The Organization also previously maintained a board designated operating reserve that was established to maintain an adequate level of unrestricted cash to support any unforeseen cash shortfalls of day-to-day operations with a target level of 2-3 months annual operating expenses in the fund.

The grants receivable are subject to an implied time restriction but are expected to be collected within one year.