

NORTH COUNTRY TRAIL ASSOCIATION, INC.

FINANCIAL STATEMENTS

December 31, 2021

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
North Country Trail Association, Inc.
Lowell, Michigan

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of North Country Trail Association, Inc., which comprise the statement of financial position as of December 31, 2021, 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 accompanying financial statements present fairly, in all material respects, the financial position of North Country Trail Association, Inc. as of December 31, 2021, 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 (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards (Government Auditing Standards)* issued by the Comptroller General of the United States. 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 North Country Trail Association, Inc. 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.

Correction of an Error

As described in Note 12 to the financial statements, a certain error resulting in net assets with restrictions being overstated and net assets without restrictions being understated at December 31, 2020 was discovered by management of North Country Trail Association, Inc. during the current year. Accordingly, an adjustment has been made to net assets classifications as of the beginning of the year to correct the error. Our opinion is not modified with respect to this matter.

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 North Country Trail Association, Inc.'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 GAAS and *Government 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 GAAS and *Government 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 North Country Trail Association, Inc.'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 North Country Trail Association, Inc.'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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 23, 2022 on our consideration of North Country Trail Association, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of North Country Trail Association, Inc.'s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering North Country Trail Association, Inc.'s internal control over financial reporting and compliance.



Wegner CPAs, LLP
Madison, Wisconsin
May 23, 2022

NORTH COUNTRY TRAIL ASSOCIATION, INC.
STATEMENT OF FINANCIAL POSITION
December 31, 2021

ASSETS

CURRENT ASSETS

Cash	\$ 747,333
Grants receivable	40,781
Inventory	<u>21,932</u>

Total current assets 810,046

OTHER ASSETS

Investments	402,171
Furniture and equipment, net	<u>18,874</u>

Total assets \$ 1,231,091

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts payable	\$ 22,304
Accrued expenses	15,584
Refundable advance	<u>12,206</u>

Total liabilities 50,094

NET ASSETS

Without donor restrictions	994,584
With donor restrictions	<u>186,413</u>

Total net assets 1,180,997

Total liabilities and net assets \$ 1,231,091

See accompanying notes.

NORTH COUNTRY TRAIL ASSOCIATION, INC.
STATEMENT OF ACTIVITIES
Year Ended December 31, 2021

CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS

REVENUES AND GAINS

Contributions	
Individuals	\$ 645,534
Foundations and corporations	127,642
Government grants	645,043
In-kind donations	128
Forgiveness of Paycheck Protection Program loan	41,880
Merchandise sales	49,543
Less: cost of sales	(21,921)
Investment return, net	17,570
Other income	4,699
	<hr/>
Total revenues and gains	1,510,118

EXPENSES

Program services	
Public service, education, and cartography	82,147
Trail work and planning	676,086
Networking and volunteer support	307,961
Supporting activities	
Management and general	170,498
Fundraising	162,241
	<hr/>
Total expenses	1,398,933

NET ASSETS RELEASED FROM RESTRICTIONS

Satisfaction of program restrictions	69,023
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Change in net assets without donor restrictions 180,208

CHANGES IN NET ASSETS WITH DONOR RESTRICTIONS

Individuals	69,529
Foundations and corporations	27,303
Investment return	2,010
Net assets released from restrictions	(69,023)
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Change in net assets with donor restrictions 29,819

Change in net assets 210,027

Net assets at beginning of year 970,970

Net assets at end of year \$ 1,180,997

See accompanying notes.

NORTH COUNTRY TRAIL ASSOCIATION, INC.
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended December 31, 2021

	Public Service, Education and, Cartography	Trail Work and Planning	Networking and Volunteer Support	Management and General	Fundraising	Total Expenses
Personnel	\$ 66,796	\$ 303,563	\$ 188,771	\$ 79,872	\$ 124,223	\$ 763,225
Trail maintenance and protection	-	237,237	-	-	-	237,237
Travel and meeting expenses	450	26,196	763	12,651	4,783	44,843
Professional fees	6,132	4,145	5,532	21,808	4,467	42,084
Information technology	3,291	8,264	9,662	17,143	-	38,360
Publications	-	11,826	24,283	-	-	36,109
Outreach and hospitality	-	17,929	17,974	-	-	35,903
Trail equipment and supplies	-	31,199	-	-	-	31,199
Postage	2,040	1,360	18,019	2,448	1,700	25,567
Advertising and promotion	-	2,592	280	938	21,747	25,557
Training	-	18,416	5,168	-	1,844	25,428
Rent and utilities	1,579	1,053	13,948	1,895	1,316	19,791
Special event supplies	-	4,561	6,730	-	-	11,291
Telephone and internet	888	592	7,840	1,064	740	11,124
Insurance	-	-	-	10,753	-	10,753
Dues and subscriptions	-	1,143	-	8,884	496	10,523
Office equipment and supplies	713	800	28,497	1,223	710	10,022
Finance and banking fees	-	-	-	8,496	-	8,496
Affiliate agreements	-	4,960	100	-	-	5,060
Repairs and maintenance	258	172	2,281	311	215	3,237
Grants to others	-	-	-	2,000	-	2,000
Depreciation	-	-	-	940	-	940
Miscellaneous	-	112	-	72	-	184
	<u>82,147</u>	<u>676,120</u>	<u>329,848</u>	<u>170,498</u>	<u>162,241</u>	<u>1,420,854</u>
Total expenses	82,147	676,120	329,848	170,498	162,241	1,420,854
Less expenses included with merchandise sales in the statement of activities	-	(34)	(21,887)	-	-	(21,921)
	<u>-</u>	<u>(34)</u>	<u>(21,887)</u>	<u>-</u>	<u>-</u>	<u>(21,921)</u>
Total expenses as shown on the statement of activities	<u>\$ 82,147</u>	<u>\$ 676,086</u>	<u>\$ 307,961</u>	<u>\$ 170,498</u>	<u>\$ 162,241</u>	<u>\$ 1,398,933</u>

See accompanying notes.

NORTH COUNTRY TRAIL ASSOCIATION, INC.
STATEMENT OF CASH FLOWS
Year Ended December 31, 2021

CASH FLOWS FROM OPERATING ACTIVITIES

Change in net assets	\$ 210,027
Adjustments to reconcile change in net assets to net cash flows from operating activities	
Realized and unrealized gain on investments	(17,296)
Depreciation	940
Forgiveness of Paycheck Protection Program loan	(41,880)
(Increase) decrease in assets	
Grants receivable	(5,590)
Prepaid expenses	4,058
Inventory	(15,766)
Increase (decrease) in liabilities	
Accounts payable	2,196
Accrued expenses	15,584
Refundable advance	(67,034)

Net cash flows from operating activities

85,239

CASH FLOWS FROM INVESTING ACTIVITIES

Purchases of investments	(301,628)
Proceeds from sale of investments	264,437
Purchases of furniture and equipment	(19,814)

Net cash flows from investing activities

(57,005)

Change in cash

28,234

Cash at beginning of year

719,099

Cash at end of year

\$ 747,333

See accompanying notes.

NORTH COUNTRY TRAIL ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
Year Ended December 31, 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

North Country Trail Association, Inc. (Association) is a not-for-profit entity that develops, maintains, protects, and promotes the North Country National Scenic Trail as the premier hiking path across the northern tier of the United States. Support comes primarily from contributions from individuals, contributions from foundations and corporations, and various government funding sources.

Basis of Accounting

The financial statements are presented using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP).

Inventory

Inventory consists of clothing, guide books, posters, patches, stickers, and pins. Inventory is stated as the lower of cost or market under the first-in, first-out (FIFO) method.

Investments

The Association reports investments in money market funds and mutual funds with readily determinable fair values in the statement of financial position. Realized and unrealized gains and losses are included in the change in net assets in the accompanying statement of activities.

Furniture and Equipment

The Association capitalizes all purchases and donations of furniture and equipment over \$5,000. Donations of furniture and equipment are recorded at their estimated fair value on the date of donation. Depreciation is computed using the straight-line method over the estimated useful lives of the assets.

Contributions

Contributions, including unconditional promises to give, are recognized as revenue in the period in which the promise is made. Conditional promises to give are not recognized as revenue until the conditions on which they depend have been substantially met. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, 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.

NORTH COUNTRY TRAIL ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
Year Ended December 31, 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Government Grants

The Association receives grants from government agencies and others that are conditioned upon the Association incurring qualifying expenses. Revenue from these grants is generally recognized on a reimbursement basis, that is, when qualifying expenses are incurred by the Association, both a receivable from the grantor agency and revenue are recorded. Grants are also generally restricted by the grantor for a specified purpose. Grants whose conditions and restrictions are met in the same reporting period that the revenue is recognized are reported as increases in net assets without donor restrictions. Certain grantors pay in advance of incurring the specified costs; in those cases, the amount received in excess of amounts spent on reimbursable costs is reported as a refundable advance.

Merchandise Sales

Revenue from merchandise sales is recognized when the customer receives and pays for the merchandise. The Association does not have any financing components as payment is received at or shortly after the point of sale. Returns are expected to be insignificant.

Expense Allocation

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include personnel, advertising and promotion, dues and subscriptions, information technology, office equipment and supplies, outreach and hospitality, postage, professional fees, rent and utilities, repairs and maintenance, telephone and internet, training, and travel and meeting expenses, which are all allocated on the basis of estimates of time and effort.

The following program services and supporting activities are included in the accompanying financial statements:

Public service, education, and cartography—Mapping 4,800 miles of North Country Trail, the NCTA serves as the Trail data steward on behalf of the National Park Service. Association provides map and analysis to the National Park Service and other agency partners, the Association staff, volunteers, media contacts and trail users.

Trail work and planning—The Association works with the National Park Service to plan the route of the Trail. Together, the Association and the National Park Service collaborate on all aspects of trail policy, planning and management. The Association also works with other federal, state and local agencies to ensure these plans for the North Country Trail are included in their land management plans and master plans.

Networking and volunteer support—A strong network of volunteers, organized by Chapters, are responsible for building and maintaining the Trail. They also build and maintain structures and associated amenities like bridges, shelters, campsites and signage. The Association provides support to volunteers through field grants, training, volunteer recognition and awards programs, and more.

NORTH COUNTRY TRAIL ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
Year Ended December 31, 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Management and general—Includes the functions necessary to maintain an equitable employment program; ensure an adequate working environment; provide coordination and articulation the Association’s program strategy; secure proper administrative functioning of the board of directors; and maintain and manage the financial and budgetary responsibilities of the Association.

Fundraising—Provides the structure necessary to encourage and secure private financial support from individuals, foundations, and corporations.

Advertising

The Association expenses advertising production costs as they are incurred and advertising communication costs the first time the advertising takes place. Advertising costs totaled \$2,702 for the year ended December 31, 2021.

Income Tax Status

The Association is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. In addition, the Association qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an Association other than a private foundation under Section 509(a)(2).

Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenue and expenses. Actual results could differ from those estimates.

Date of Management’s Review

Management has evaluated subsequent events through May 23, 2022, the date which the financial statements were available to be issued.

NOTE 2 – INVESTMENTS

Investments are comprised of the following:

Money market mutual fund	\$ 266,128
Mutual funds	<u>136,043</u>
Total investments	<u><u>\$ 402,171</u></u>

Fair values of money market and mutual funds are based on quoted net asset values of the shares as reported by the fund. The funds must publish their daily net asset value and transact at that price. The funds held by the Association are considered to be actively traded.

NORTH COUNTRY TRAIL ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
Year Ended December 31, 2021

NOTE 3 – FURNITURE AND EQUIPMENT

Furniture and equipment is comprised of the following:

Furniture and equipment	\$ 27,810
Less: accumulated depreciation	<u>(8,936)</u>
Furniture and equipment, net	<u>\$ 18,874</u>

NOTE 4 – ENDOWMENT

The Association's long term investment endowment funds consist of funds held at an institution and were established for a variety of restricted and designated purposes. As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board of Directors of the Association has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Association retains in perpetuity (a) the original value of gifts and (b) the original value of subsequent gifts. The remaining portion of the donor restricted endowment fund that is not retained in perpetuity is appropriated for expenditure by the Association in the manner consistent with the policies of the endowment fund. Net assets associated with endowment funds designated by the board of directors are classified and reported based on the existence or absence of donor-imposed restrictions. Board designated endowments are classified as net assets without donor restrictions. The Association has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment funds while also maintaining the purchasing power of those endowment assets over the long term.

The Association has adopted the accounting and disclosure guidance provided by UPMIFA. As such, the Association has adopted the required provisions of the act.

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor restricted endowment funds may fall below the level that the donor or UPMIFA requires the Association to retain.

Investment Policy

The investment policy and spending rules for endowment assets are intended to provide a predictable stream of funding for endowment purposes while maintaining the purchasing power of the endowment assets over time. Accordingly, this investment policy seeks to achieve a real (after inflation and expenses) total rate of return (including investment income as well as capital appreciation) equal to or greater than the annual distribution rate specified in the spending policy below.

NORTH COUNTRY TRAIL ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
Year Ended December 31, 2021

NOTE 4 – ENDOWMENT (continued)

Donor Restricted Endowment

Donor Restricted Endowment assets shall be invested in a well-diversified (balanced) asset mix including both equity and debt securities. The intended result is to achieve a real (after inflation and expenses) total rate of return of 4%. Therefore, the Association expects its endowment assets, over time, to produce an average rate of return of approximately 6% to 8% annually and inflation to average 2% to 4% annually. Actual returns in any given year may vary from this amount. Investment risk is measured in terms of the total Endowment Fund. Although investment assets and allocation between asset classes and strategies are managed to not expose the fund to unacceptable levels of risk, there is the possibility that the Endowment Fund could be subject to losses as a result of market declines in any given year.

Board Designated Endowment

The Board Designated Endowment assets may be invested according to the Donor Restricted Endowment investment rules stated in the paragraph above or in a manner consistent with the intended use of the funds.

Spending Policy

Donor Restricted Endowment

Four percent (4%) of the Donor Restricted Endowment Fund will be appropriated for distribution each year, calculated based on the average fair market value of the prior 12 quarters through the calendar year end preceding the fiscal year in which the distribution is planned. For endowments that were established within the last 12 quarters, quarters for which the balance was zero will not be included in the calculation of fair market value.

This should, considering the requirements specified in the "Investment Policy for Endowment Funds" presented above, allow the real purchasing power of the Donor Restricted Endowment to remain constant over time (excluding growth through the addition of new funds). The percentage appropriated for distribution will be reviewed at least every 3 years by the Finance Committee, or sooner if deemed necessary by the Finance Committee, subject to final approval by the Board of Directors.

The 4% annual distribution from the Donor Restricted Endowment does not carry forward to subsequent years if not taken in the current year. Annual distributions in excess of 4% must be deemed to be prudent under UPMIFA and approved by favorable vote of at least three fourths of the then currently serving members of the Board of Directors.

Each year the Board of Directors will decide how much of the distribution will be used to fund general operations, the Board Designated Endowment and/or the Board Designated Cash Reserves.

NORTH COUNTRY TRAIL ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
Year Ended December 31, 2021

NOTE 4 – ENDOWMENT (continued)

Board Designated Endowment

The Board Designated Endowment is not subject to UPMIFA spending rules, however any distribution of Board Designated Endowment funds must be for purposes specified and approved by the Board of Directors.

Endowment net asset composition by type of fund as of December 31, 2021, is as follows:

Original endowment corpus funds with donor restrictions	\$ 14,693
Board-designated endowment funds without donor restrictions	<u>121,350</u>
Total endowment net assets	<u><u>\$ 136,043</u></u>

Changes in endowment net assets for the year ended December 31, 2021 is as follows:

	Without Donor Restrictions	With Donor Restrictions	Total Endowment Net Assets
Endowment net assets, beginning of year	\$ 103,899	\$ 12,683	\$ 116,582
Dividends	2,165	-	2,165
Net appreciation	<u>15,286</u>	<u>2,010</u>	<u>17,296</u>
Endowment net assets, end of year	<u><u>\$ 121,350</u></u>	<u><u>\$ 14,693</u></u>	<u><u>\$ 136,043</u></u>

NOTE 5 – NET ASSETS

Net assets with donor restrictions at December 31, 2021 were restricted for the following purposes:

Endowment	\$ 14,693
Bequests	79,072
Trail protection	48,849
Trail construction	27,663
Equity, diversity and inclusion initiatives	6,425
Wages	5,878
Other	<u>3,833</u>
Total net assets with donor restrictions	<u><u>\$ 186,413</u></u>

NORTH COUNTRY TRAIL ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
Year Ended December 31, 2021

NOTE 5 – NET ASSETS (continued)

The Association's board of directors has designated net assets without donor restrictions for the following purposes:

Schoolhouse sale proceeds	\$	35,000
Field Grant reserves		50,707
Operating reserves		134,622
Smith bequests		131,506
North Country Trail endowment fund		83,084
Bruce E. Matthews marketing and outreach endowment fund		38,266
Undesignated		521,399
Total net assets without restrictions	\$	994,584

NOTE 6 – RETIREMENT PLANS

The Association provides a tax-deferred 403(b) retirement plan for employees who meet certain qualifications. Under the plan, the Association has the discretion of matching 100% of the employees' contributions up to a maximum match of 5% for employees' gross pay. The Association's 403(b) contributions for the year ended December 31, 2021 were \$21,195.

NOTE 7 – OPERATING LEASES

The Association leases office space in Lowell, Michigan, that requires monthly payments of \$1,200. The lease expires in March 2024. The Association leases a second office space in Detroit Lakes, Minnesota, that requires monthly payments of \$160. The lease renews automatically on an annual basis. Total lease expense for the year ended December 31, 2021 was \$16,701.

Future minimum lease payments for the years ending December 31 are as follows:

2022	\$	16,320
2023		14,400
2024		2,400

NOTE 8– CONCENTRATIONS

Contributions

The Association received grants from the National Park Service, a division of the United States Department of the Interior, of \$432,744 during the year ended December 31, 2021. These grants represented approximately 27% of the Association's total revenue in 2021.

Credit Risk

The Association maintains cash balances at two financial institutions located in Michigan. Accounts at each institution are insured by the Federal Deposit Insurance Corporation up to \$250,000. At December 31, 2021, the Association's uninsured cash balances total approximately \$500,000.

NORTH COUNTRY TRAIL ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
Year Ended December 31, 2021

NOTE 9 – CONDITIONAL GRANTS

The Association has several grants that are conditioned upon the Association incurring qualifying expenses under the grant programs. At December 31, 2021, the remainder of these conditional grants total \$353,906. These conditional grants will be recognized as revenue when the respective conditions are met in future years.

NOTE 10 – PAYCHECK PROTECTION PROGRAM LOAN

On May 5, 2020, the Association received a \$41,880 loan under the Paycheck Protection Program (PPP) established by the Coronavirus Aid, Relief, and Economic Security (CARES) Act and administered by the U.S. Small Business Administration (SBA). The Association accounts for funds received under the PPP as a grant conditioned upon the organization incurring qualifying expenses. Prior to December 31, 2020, the Association incurred \$41,880 of qualifying expenses and subsequently applied for forgiveness. On April 17, 2021, the SBA preliminarily approved forgiveness of the loan and the Association recognized the grant assistance as a contribution for the year ended December 31, 2021.

The Association must retain PPP documentation in its files for six years after the date the loan is forgiven and permit authorized representatives of SBA to access such files upon request. SBA may review any loan at any time at its discretion. Therefore, SBA may review the Association's good-faith certification concerning the necessity of its loan request, whether the organization calculated the loan amount correctly, whether the Association used loan proceeds for the allowable uses specified in the CARES Act, and whether the Association is entitled to loan forgiveness in the amount claimed on its application. If SBA determines the Association was ineligible for the loan or for forgiveness in whole or in part, SBA will seek repayment of funds.

NOTE 11 – LIQUIDITY AND AVAILABILITY

The table below reflects the Association's financial assets as of the date of the statement of financial position reduced by amounts not available for general expenditures within one year of the date of the statement of financial position because of donor-imposed, board designations, or other restrictions.

Financial assets at end of year	\$ 1,190,285
Less those unavailable for general expenditures within one year due to:	
Donor-restricted endowment fund	(14,693)
Restricted by donor with purpose restrictions	(171,720)
Board-designated endowment funds	(121,350)
Board-designated funds	<u>(351,834)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 530,688</u>

As needs arise, operating reserve funds may be used to cover any current cash needs upon board approval. As a part of the Association's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

NORTH COUNTRY TRAIL ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
Year Ended December 31, 2021

NOTE 12 – PRIOR PERIOD ADJUSTMENT

During the year ended December 31, 2021, it was found that net assets without donor restrictions were understated and net assets with donor restrictions were overstated as of December 31, 2020. The restatement of net assets as of December 31, 2021 is as follows:

	<u>Previously Reported</u>	<u>Change</u>	<u>Restated Totals</u>
Net assets without donor restrictions	\$ 724,916	\$ 89,460	\$ 814,376
Net assets with donor restrictions	246,054	(89,460)	156,594

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Directors
North Country Trail Association, Inc.
Lowell, Michigan

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of North Country Trail Association, Inc., which comprise North Country Trail Association, Inc.'s statement of financial position as of December 31, 2021, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated May 23, 2022.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered North Country Trail Association, Inc.'s internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of North Country Trail Association, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of North Country Trail Association, Inc.'s internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether North Country Trail Association, Inc.'s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with

Government Auditing Standards in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Wegner CPAs LLP

Wegner CPAs, LLP
Madison, Wisconsin
May 23, 2022