

NORTH COUNTRY TRAIL ASSOCIATION, INC.

FINANCIAL STATEMENTS

December 31, 2023 and 2022

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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 statements of financial position as of December 31, 2023 and 2022, 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 accompanying financial statements present fairly, in all material respects, the financial position of North Country Trail Association, Inc. as of December 31, 2023 and 2022, 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 (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 audits. 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 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 April 1, 2024 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
April 1, 2024

NORTH COUNTRY TRAIL ASSOCIATION, INC.
STATEMENTS OF FINANCIAL POSITION
December 31, 2023 and 2022

	2023	2022
ASSETS		
CURRENT ASSETS		
Cash	\$ 526,982	\$ 630,704
Certificate of deposit	154,003	-
Government grants receivable	66,543	44,199
Prepaid expenses	8,268	45,000
Inventory	14,577	21,877
Total current assets	770,373	741,780
OTHER ASSETS		
Investments	1,066,735	867,719
Furniture and equipment, net	13,212	16,043
Total assets	\$ 1,850,320	\$ 1,625,542
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 12,349	\$ 7,149
Accrued expenses	32,157	25,742
Total liabilities	44,506	32,891
NET ASSETS		
Without donor restrictions	1,533,281	1,346,829
With donor restrictions	272,533	245,822
Total net assets	1,805,814	1,592,651
Total liabilities and net assets	\$ 1,850,320	\$ 1,625,542

See accompanying notes.

NORTH COUNTRY TRAIL ASSOCIATION, INC.
STATEMENTS OF ACTIVITIES
Years Ended December 31, 2023 and 2022

	2023	2022
CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS		
REVENUES		
Contributions		
Individuals	\$ 720,145	\$ 1,151,781
Foundations and corporations	174,049	172,528
Government grants	842,107	581,113
In-kind donations	2,549	2,901
Program events	70,985	57,290
Merchandise sales	42,411	42,512
Less: cost of sales	(20,320)	(22,388)
Investment return, net	62,041	(13,753)
Advertising	-	4,035
Other income	7,227	906
	<u>1,901,194</u>	<u>1,976,925</u>
Total revenues without donor restrictions	1,901,194	1,976,925
EXPENSES		
Program services		
Public service, education, and cartography	84,172	75,404
Trail work and planning	734,084	671,873
Networking and volunteer support	461,776	422,595
Supporting activities		
Management and general	331,444	318,188
Fundraising	202,182	151,544
	<u>1,813,658</u>	<u>1,639,604</u>
Total expenses	1,813,658	1,639,604
NET ASSETS RELEASED FROM RESTRICTIONS		
Satisfaction of purpose restrictions	98,916	14,924
	<u>98,916</u>	<u>14,924</u>
Change in net assets without donor restrictions	186,452	352,245
CHANGES IN NET ASSETS WITH DONOR RESTRICTIONS		
Contributions		
Individuals	2,895	21,599
Foundations and corporations	123,700	53,190
Investment return, net	(968)	(456)
Net assets released from restrictions	(98,916)	(14,924)
	<u>(98,916)</u>	<u>(14,924)</u>
Change in net assets with donor restrictions	26,711	59,409
Change in net assets	213,163	411,654
Net assets at beginning of year	1,592,651	1,180,997
Net assets at end of year	<u>\$ 1,805,814</u>	<u>\$ 1,592,651</u>

See accompanying notes.

NORTH COUNTRY TRAIL ASSOCIATION, INC.
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended December 31, 2023

	Public Service, Education and, Cartography	Trail Work and Planning	Networking and Volunteer Support	Management and General	Fundraising	Total Expenses
Personnel	\$ 71,542	\$ 403,531	\$ 224,406	\$ 177,045	\$ 151,422	\$ 1,027,946
Trail maintenance and protection	-	74,884	-	-	-	74,884
Travel and meeting expenses	5,999	38,872	11,130	17,220	4,011	77,232
Professional fees	703	1,406	29,432	56,986	4,946	93,473
Information technology	3,119	3,914	2,301	34,176	-	43,510
Publications	36	3,622	30,228	-	220	34,106
Outreach and hospitality	-	34,950	25,102	17	3,132	63,201
Trail equipment and supplies	-	128,614	-	-	-	128,614
Postage	19	689	6,901	5,655	10,877	24,141
Advertising and promotion	-	1,958	8,411	361	24,745	35,475
Training	-	19,496	3,365	-	-	22,861
Rent and utilities	1,413	2,862	12,480	4,060	1,177	21,992
Special event supplies	-	3,641	100,721	-	-	104,362
Telephone and internet	661	5,089	976	468	756	7,950
Insurance	-	-	-	4,524	-	4,524
Dues and subscriptions	-	1,584	203	7,000	330	9,117
Office equipment and supplies	593	1,066	25,671	1,272	494	8,780
Finance and banking fees	-	-	-	13,983	-	13,983
Affiliate agreements	-	7,000	-	-	-	7,000
Repairs and maintenance	87	58	765	104	72	1,086
Depreciation	-	-	-	2,831	-	2,831
Miscellaneous	-	848	-	5,742	-	6,590
Total expenses	84,172	734,084	482,092	331,444	202,182	1,833,974
Less expenses included with revenues on the statement of activities	-	-	(20,316)	-	-	(20,316)
Total expenses included in expense sections on the statement of activities	\$ 84,172	\$ 734,084	\$ 461,776	\$ 331,444	\$ 202,182	\$ 1,813,658

See accompanying notes.

NORTH COUNTRY TRAIL ASSOCIATION, INC.
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended December 31, 2022

	Public Service, Education and Cartography	Trail Work and Planning	Networking and Volunteer Support	Management and General	Fundraising	Total Expenses
Personnel	\$ 69,420	\$ 356,674	\$ 192,567	\$ 155,260	\$ 120,029	\$ 893,950
Trail maintenance and protection	-	112,094	-	-	-	112,094
Travel and meeting expenses	645	26,935	2,906	25,447	498	56,431
Professional fees	-	-	-	44,660	-	44,660
Information technology	2,564	3,354	2,153	36,502	-	44,573
Publications	-	9,426	35,236	-	1,780	46,442
Outreach and hospitality	-	24,272	98,541	402	4,388	127,603
Trail equipment and supplies	-	101,012	-	-	-	101,012
Postage	-	965	5,632	9,115	2,986	18,698
Advertising and promotion	-	1,230	481	5,032	14,205	20,948
Training	-	7,315	7,646	-	1,654	16,615
Rent and utilities	1,437	3,376	12,698	3,944	1,198	22,653
Special event supplies	-	5,113	57,715	970	2,500	66,298
Telephone and internet	666	4,128	954	489	753	6,990
Insurance	-	-	-	11,863	-	11,863
Dues and subscriptions	-	1,942	110	7,580	-	9,632
Office equipment and supplies	599	2,541	27,539	511	1,492	10,294
Finance and banking fees	-	-	-	11,152	-	11,152
Affiliate agreements	-	6,000	-	-	-	6,000
Repairs and maintenance	73	49	703	930	61	1,816
Grants to others	-	-	-	1,500	-	1,500
Depreciation	-	-	-	2,831	-	2,831
Miscellaneous	-	5,447	102	-	-	5,549
Total expenses	75,404	671,873	444,983	318,188	151,544	1,661,992
Less expenses included with revenues on the statement of activities	-	-	(22,388)	-	-	(22,388)
Total expenses included in expense sections on the statement of activities	\$ 75,404	\$ 671,873	\$ 422,595	\$ 318,188	\$ 151,544	\$ 1,639,604

See accompanying notes.

NORTH COUNTRY TRAIL ASSOCIATION, INC.
STATEMENTS OF CASH FLOWS
Years Ended December 31, 2023 and 2022

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 213,163	\$ 411,654
Adjustments to reconcile change in net assets to net cash flows from operating activities		
Net realized and unrealized (gains) losses on investments	(28,136)	16,587
Depreciation	2,831	2,831
(Increase) decrease in assets		
Government grants receivable	(22,344)	(3,418)
Prepaid expenses	36,732	(45,000)
Inventory	7,300	55
Increase (decrease) in liabilities		
Accounts payable	5,200	(15,155)
Accrued expenses	6,415	10,158
Refundable advance	-	(12,206)
Net cash flows from operating activities	221,161	365,506
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of and interest reinvested in certificate of deposit	(154,003)	-
Purchases of investments	(266,474)	(1,064,848)
Proceeds from sales of investments	95,594	582,713
Net cash flows from investing activities	(324,883)	(482,135)
Change in cash	(103,722)	(116,629)
Cash at beginning of year	630,704	747,333
Cash at end of year	\$ 526,982	\$ 630,704

See accompanying notes.

NORTH COUNTRY TRAIL ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2023 and 2022

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 grants from various government funding sources. The Association is managed by its Board of Directors and has approximately 4,000 members and contributors.

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.

Inventory

Inventory consists of clothing, guide books, posters, patches, stickers, and pins. Inventory is stated at the lower of cost or net realizable value. Cost is determined by the first-in, first-out method.

Investments

The Association reports investments in equity securities with readily determinable fair values and all investments in debt securities at their fair values in the statements of financial position. Unrealized gains and losses are included in the change in net assets in the accompanying statements of activities.

Furniture and Equipment

The Association capitalizes all purchases and donations of furniture and equipment over \$5,000. Purchased furniture and equipment are carried at cost. Donations of furniture and equipment are carried 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.

Promises to Give

Unconditional promises to give are recognized as revenues in the period received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional.

NORTH COUNTRY TRAIL ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2023 and 2022

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Contributions

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.

Government Grants

The Association receives grants from government agencies 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.

In-kind Donations

The Association has a policy where members of the board of directors are reimbursed for their travel to meetings. However, if a board member elects not to be reimbursed, the Association recognizes an in-kind donation based on the amount the board member paid. All in-kind donations of board member travel for the years ended December 31, 2023 and 2022 were used for management and general activities. The Association also receives a significant amount of support from its board members and volunteers. No amounts were recognized in the financial statements for contributed volunteer services as they did not meet the criteria for recognition under accounting principles generally accepted in the United States of America.

Program Events

Registration fees for program events are recognized as revenue when the event takes place and the fees can no longer be refunded.

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.

NORTH COUNTRY TRAIL ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2023 and 2022

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Expense Allocation

The financial statements report certain categories of expenses that are attributable to more than one program service or supporting activity. Therefore, these 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 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 Association serves as the Trail data steward on behalf of the National Park Service. The 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.

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 total \$10,369 and \$1,911 for the years ended December 31, 2023 and 2022, respectively.

NORTH COUNTRY TRAIL ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2023 and 2022

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases

The Association does not recognize short-term leases in the statement of financial position. For these leases, the Association recognizes the lease payments in the change in net assets on a straight-line basis over the lease term and variable lease payments in the period in which the obligation for those payments is incurred. The Association also does not separate nonlease components from lease components for all classes of underlying assets and instead accounts for each separate lease component and the nonlease components associated with that lease component as a single lease component. If the rate implicit in the lease is not readily determinable, the Association uses a risk-free rate as the discount rate for the lease for all classes of underlying assets.

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 revenues and expenses. Actual results could differ from those estimates.

Date of Management’s Review

Management has evaluated subsequent events through April 1, 2024, the date which the financial statements were available to be issued.

NOTE 2 – INVESTMENTS

Investments are comprised of the following:

	2023	2022
Money market mutual fund	\$ 764,363	\$ 760,029
Sweep account	173,581	-
Mutual funds	128,791	107,690
	\$ 1,066,735	\$ 867,719

Fair values of money market mutual funds, sweep account, 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
December 31, 2023 and 2022

NOTE 3 – FURNITURE AND EQUIPMENT

Furniture and equipment consist of the following:

	2023	2022
Furniture and equipment	\$ 27,810	\$ 27,810
Less: Accumulated depreciation	(14,598)	(11,767)
Furniture and equipment, net	\$ 13,212	\$ 16,043

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.

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
December 31, 2023 and 2022

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", 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
December 31, 2023 and 2022

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.

Composition of and changes in endowment net assets for the years ended December 31 is as follows:

	2023		
	Without Donor Restrictions	With Donor Restrictions	Total Endowment Net Assets
Endowment net assets, beginning of year	\$ 92,954	\$ 14,737	\$ 107,691
Dividends	26,150	-	26,150
Net appreciation (depreciation)	(6,017)	967	(5,050)
Endowment net assets, end of year	<u>\$ 113,087</u>	<u>\$ 15,704</u>	<u>\$ 128,791</u>
	2022		
	Without Donor Restrictions	With Donor Restrictions	Total Endowment Net Assets
Endowment net assets, beginning of year	\$ 121,350	\$ 14,693	\$ 136,043
Contributions	-	500	500
Dividends	6,034	-	6,034
Net appreciation (depreciation)	(34,430)	(456)	(34,886)
Endowment net assets, end of year	<u>\$ 92,954</u>	<u>\$ 14,737</u>	<u>\$ 107,691</u>

NORTH COUNTRY TRAIL ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2023 and 2022

NOTE 5 – NET ASSETS

Net assets with donor restrictions are restricted for the following purposes:

	2023	2022
Endowment	\$ 15,704	\$ 14,737
Bequests	64,872	64,872
Trail protection	29,903	47,752
Trail construction	143,522	77,886
Equity, diversity and inclusion initiatives	6,239	30,625
Wages	9,700	5,878
Other	2,593	4,072
	\$ 272,533	\$ 245,822

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

	2023	2022
Field grant reserves	\$ 33,561	\$ 48,737
Operating reserves	741,046	635,030
Bequests	132,026	125,000
North Country Trail endowment fund	89,152	71,366
Bruce E. Matthews marketing and outreach endowment fund	23,935	21,588
Undesignated	513,561	445,108
	\$ 1,533,281	\$ 1,346,829

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 participants' contributions up to 5% of the individual participant's gross pay. The Association's contributions for the years ended December 31, 2023 and 2022 were \$27,097 and \$24,627, respectively.

NORTH COUNTRY TRAIL ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2023 and 2022

NOTE 7 – LEASES

The Association leases office space under an operating lease that ended March 1, 2024. Operating lease cost for the year ended December 31, 2023, was \$16,320. As of December 31, 2023, future minimum lease payments total \$2,400 for the year ending December 31, 2024. The Association expects to renew the office space lease for a short-term lease, however, it is under negotiation as of the report date.

Rental expenses total \$16,817 for the year ended December 31, 2022.

NOTE 8 – CONCENTRATIONS

Government Grants

The Association received grants totaling \$446,000 and \$445,707 from the National Park Service, during the years ended December 31, 2023 and 2022, respectively. These grants accounted for 22% and 21% of the Association's total revenue for the years ended December 31, 2023 and 2022, respectively.

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, 2023 and 2022, the Association's uninsured cash balances total approximately \$263,000 and \$389,000, respectively.

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, 2023 and 2022, these conditional grants total \$415,450 and \$287,259, respectively. The remainder of these conditional grants will be recognized as revenue when the respective conditions are met in future years.

NOTE 10 – LIQUIDITY AND AVAILABILITY

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

NORTH COUNTRY TRAIL ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2023 and 2022

NOTE 10 – LIQUIDITY AND AVAILABILITY (continued)

	2023	2022
Financial assets at end of year	\$ 1,814,263	\$ 1,542,622
Less those unavailable for general expenditures within one year due to:		
Donor-restricted endowment fund	(15,704)	(14,737)
Restricted by donor with purpose restrictions	(256,829)	(231,085)
Board-designated endowment funds	(113,087)	(92,954)
Board-designated funds	(906,633)	(808,767)
Financial assets available to meet cash needs for general expenditures within one year	\$ 522,010	\$ 395,079

As needs arise, operating reserve funds of \$383,737 and \$200,248 at December 31, 2023 and 2022, respectively, may be used to cover any current cash needs upon approval of the board of directors. 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.

NOTE 11 – 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). On April 17, 2021, the SBA preliminarily approved forgiveness of the loan. 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 Association 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 the forgiven loan balance.

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, 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, and have issued our report thereon dated April 1, 2024.

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.

A handwritten signature in black ink that reads "Wegner CPAs LLP". The signature is written in a cursive, slightly slanted style.

Wegner CPAs, LLP
Madison, Wisconsin
April 1, 2024