

**ODC NETWORK**  
**FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2022**  
**(WITH COMPARATIVE TOTALS FOR 2021)**

MEYAARD TOLMAN & VENLET p.c.  
Certified Public Accountants  
Zeeland, Michigan

**TABLE OF CONTENTS**

INDEPENDENT AUDITOR'S REPORT .....	1
STATEMENT OF FINANCIAL POSITION .....	3
STATEMENT OF ACTIVITIES .....	4
STATEMENT OF FUNCTIONAL EXPENSES .....	5
STATEMENT OF CASH FLOWS .....	6
NOTES TO FINANCIAL STATEMENTS .....	7



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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of  
ODC Network  
Holland, Michigan

We have audited the accompanying financial statements of ODC Network (a nonprofit organization), which comprise the statement of financial position as of December 31, 2022, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements

### Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of ODC Network as of December 31, 2022, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of ODC Network 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.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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 ODC Network'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 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 judgement 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 ODC Network's internal control. Accordingly, no such opinion is expressed.

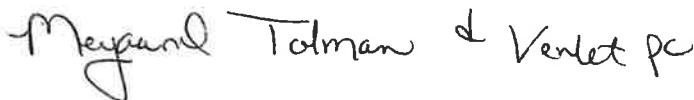
Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about ODC Network's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

**Report on Summarized Comparative Information**

We have previously audited ODC Network's 2021 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated June 6, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2021, is consistent, in all material respects, with the audited financial statements from which it has been derived.



Meynard Tolman & Venlet p.c.  
Certified Public Accountants  
September 27, 2023

**ODC NETWORK**  
**STATEMENT OF FINANCIAL POSITION**  
**DECEMBER 31, 2022**  
**(WITH COMPARATIVE TOTALS FOR DECEMBER 31, 2021)**

<u>ASSETS</u>	<u>2022</u>	<u>2021</u>
<b>CURRENT ASSETS:</b>		
Cash and cash equivalents	\$ 134,175	\$ 3,313,595
Marketable securities	235,047	279,874
Accounts and grants receivable	841,517	629,845
Pledges receivable, net	550,441	1,096,500
Prepaid expenses	521,639	216,166
Total Current Assets	<u>2,282,819</u>	<u>5,535,980</u>
<b>PROPERTY AND EQUIPMENT:</b>		
Land and land improvements - Nature Preserve	2,878,739	850,997
Land - Macatawa River Greenway	2,239,074	2,239,074
Land improvements - wetland formation costs	1,167,610	1,167,610
Land improvements - play area	141,850	141,850
Construction in progress - Dragonflies Preschool	-	1,366,870
Building and improvements	10,659,719	5,142,950
Furniture, fixtures and equipment	1,314,053	1,194,159
Vehicles	372,943	237,303
	<u>18,773,988</u>	<u>12,340,813</u>
Less accumulated depreciation	<u>(2,233,981)</u>	<u>(1,922,697)</u>
Net Property and Equipment	<u>16,540,007</u>	<u>10,418,116</u>
<b>OTHER ASSETS:</b>		
Deferred costs (Explorer Network)	161,158	-
Pledges receivable, net of current portion	596,144	144,989
Investments in Community Foundations	118,963	148,226
Total Other Assets	<u>876,265</u>	<u>293,215</u>
<b>TOTAL ASSETS</b>	<u>\$ 19,699,091</u>	<u>\$ 16,247,311</u>
 <u>LIABILITIES AND NET ASSETS</u>		
<b>CURRENT LIABILITIES:</b>		
Accounts payable and accrued expenses	\$ 640,663	\$ 353,479
Payroll and related taxes	73,475	79,431
Line of credit	1,680,000	-
Deferred revenue - tuition	116,948	147,216
Deferred revenue - program service and consulting	-	167,609
Deposits held for trips	440,544	163,105
Current portion of long-term liabilities	253,400	274,895
Total Current Liabilities	<u>3,205,030</u>	<u>1,185,735</u>
<b>LONG-TERM LIABILITIES:</b>		
Notes payable, net of current portion	<u>3,696,424</u>	<u>3,948,188</u>
Total Long-term Liabilities	<u>3,696,424</u>	<u>3,948,188</u>
Total Liabilities	<u>6,901,454</u>	<u>5,133,923</u>
<b>NET ASSETS:</b>		
Net assets without donor restrictions	11,469,113	8,544,269
Net assets with donor restrictions	<u>1,328,524</u>	<u>2,569,119</u>
Total Net Assets	<u>12,797,637</u>	<u>11,113,388</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 19,699,091</u>	<u>\$ 16,247,311</u>

See accompanying notes.

**ODC NETWORK**  
**STATEMENT OF ACTIVITIES**  
**YEAR ENDED DECEMBER 31, 2022**  
**(WITH COMPARATIVE TOTALS FOR YEAR ENDED DECEMBER 31, 2021)**

	Without Donor <u>Restrictions</u>	With Donor <u>Restrictions</u>	2022 <u>Total</u>	2021 <u>Total</u>
<b>REVENUE, GAINS AND OTHER SUPPORT:</b>				
Special events:				
Revenues	\$ 155,123	\$ -	\$ 155,123	\$ 569,577
Direct expenses	<u>(50,773)</u>	-	<u>(50,773)</u>	<u>(38,384)</u>
Special events, net	104,350	-	104,350	531,193
Contributions and grants	3,928,816	1,405,817	5,334,633	4,628,132
Donated property, materials and services	27,785	-	27,785	46,356
Program revenue	2,656,393	-	2,656,393	1,588,194
Investment income (loss)	(70,898)	-	(70,898)	48,512
Rent revenue	6,050	-	6,050	14,062
Miscellaneous revenue	101,094	-	101,094	94,961
Mitigation credit revenue	662,100	-	662,100	1,328,200
Mitigation credit expenses	(231,735)	-	(231,735)	(464,870)
PPP and EIDL forgiven loans	-	-	-	445,395
Loss on asset dispositions	(3,067)	-	(3,067)	(1,212)
Net assets released from restrictions	<u>2,646,412</u>	<u>(2,646,412)</u>	<u>-</u>	<u>-</u>
Total Revenues	<u>9,827,300</u>	<u>(1,240,595)</u>	<u>8,586,705</u>	<u>8,258,923</u>
<b>EXPENSES:</b>				
Program services	6,050,802	-	6,050,802	4,659,642
Management and general	596,828	-	596,828	483,497
Fundraising	<u>254,826</u>	-	<u>254,826</u>	<u>150,136</u>
Total Expenses	<u>6,902,456</u>	<u>-</u>	<u>6,902,456</u>	<u>5,293,275</u>
CHANGE IN NET ASSETS	2,924,844	(1,240,595)	1,684,249	2,965,648
NET ASSETS, JANUARY 1	<u>8,544,269</u>	<u>2,569,119</u>	<u>11,113,388</u>	<u>8,147,740</u>
NET ASSETS, DECEMBER 31	<u>\$11,469,113</u>	<u>\$ 1,328,524</u>	<u>\$ 12,797,637</u>	<u>\$ 11,113,388</u>

See accompanying notes.

**ODC NETWORK**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**YEAR ENDED DECEMBER 31, 2022**  
**(WITH COMPARATIVE TOTALS FOR YEAR ENDED DECEMBER 31, 2021)**

	Program Services	Management and General	Fundraising	2022 Total	2021 Total
Payroll	\$ 3,124,747	\$ 358,451	\$ 200,777	\$ 3,683,975	\$ 2,662,358
Payroll taxes	228,793	26,246	14,701	269,740	196,757
Employee benefits	296,236	33,983	19,034	349,253	267,097
Total personnel and benefits	<u>3,649,776</u>	<u>418,680</u>	<u>234,512</u>	<u>4,302,968</u>	<u>3,126,212</u>
Project Clarity - direct expenses	<u>273,692</u>	<u>-</u>	<u>-</u>	<u>273,692</u>	<u>126,630</u>
Contracted services	<u>484,222</u>	<u>65,658</u>	<u>-</u>	<u>549,880</u>	<u>397,606</u>
Explorer Network	176,067	-	-	176,067	182,636
Other supplies and miscellaneous	67,216	-	-	67,216	50,739
Teaching and preschool expenses	127,345	-	-	127,345	71,630
Conservation projects	36,029	-	-	36,029	20,928
Program events	13,662	-	-	13,662	10,169
Animal feed and supplies	31,633	-	-	31,633	30,028
Total programming expenses	<u>451,952</u>	<u>-</u>	<u>-</u>	<u>451,952</u>	<u>366,130</u>
Utilities and cleaning	74,378	5,598	-	79,976	53,713
Rentals and repairs	37,798	4,200	-	41,998	26,668
Site maintenance and improvements	81,696	-	-	81,696	59,057
Community projects	165,957	-	-	165,957	349,622
Other operational expenses	63,649	3,820	-	67,469	47,503
Total operational expenses	<u>423,478</u>	<u>13,618</u>	<u>-</u>	<u>437,096</u>	<u>536,563</u>
Depreciation	323,628	13,485	-	337,113	270,184
Advertising and marketing	38,868	4,319	-	43,187	49,924
Interest and bank fees	127,750	53,040	-	180,790	118,496
Insurance	105,720	11,835	1,569	119,124	90,285
Miscellaneous	33,742	5,954	-	39,696	44,362
Travel and vehicle expenses	27,376	1,711	5,133	34,220	25,240
Telephone	31,009	3,445	-	34,454	34,918
Office and computer supplies	29,071	3,420	1,710	34,201	69,944
Postage and shipping	4,997	312	937	6,246	4,502
Staff development	25,239	-	-	25,239	7,823
Printing	508	115	7,257	7,880	11,378
Meetings	19,774	1,236	3,708	24,718	13,078
Special events	-	-	50,773	50,773	38,384
Total Functional Expenses	<u>\$ 6,050,802</u>	<u>\$ 596,828</u>	305,599	6,953,229	5,331,659
Less direct special event expenses			<u>(50,773)</u>	<u>(50,773)</u>	<u>(38,384)</u>
			<u>\$ 254,826</u>	<u>\$ 6,902,456</u>	<u>\$ 5,293,275</u>
Percentage of Expenses	87.02%	8.58%	4.40%	100.00%	

See accompanying notes.

**ODC NETWORK**  
**STATEMENT OF CASH FLOWS**  
**YEAR ENDED DECEMBER 31, 2022**  
**(WITH COMPARATIVE TOTALS FOR YEAR ENDED DECEMBER 31, 2021)**

	2022	2021
<b><u>CASH FLOWS FROM OPERATING ACTIVITIES:</u></b>		
Change in net assets	\$ 1,684,249	\$ 2,965,648
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Donated property and equipment	(18,871)	-
Donated securities received	-	(35,613)
Depreciation and amortization	337,113	270,184
Loss on asset disposition	3,067	1,212
Net (gains) losses on investments	49,738	(19,200)
Paycheck Protection Program loan forgiveness	-	(445,395)
Change in operating assets and liabilities:		
Decrease (increase) in receivables and prepaids	(583,399)	(282,886)
Increase (decrease) in:		
Accounts payable and miscellaneous current liabilities	281,228	197,319
Deferred revenue and trip deposits	79,562	(45,358)
Net Cash Provided (Used) By Operating Activities	1,832,687	2,605,911
<b><u>CASH FLOWS FROM INVESTING ACTIVITIES:</u></b>		
Investment in property and equipment	(6,443,200)	(1,728,905)
Change in investment in Community Foundation agency fund	29,263	(16,553)
Purchase of investments (through reinvested dividends)	(4,911)	-
Net Cash Provided (Used) By Investing Activities	(6,418,848)	(1,745,458)
<b><u>CASH FLOWS FROM FINANCING ACTIVITIES:</u></b>		
Proceeds from Paycheck Protection Program loan	-	445,395
Net change in short-term borrowings	1,680,000	-
Proceeds from long-term borrowings	-	4,069,206
Payments on long-term liabilities	(273,259)	(2,458,265)
Net Cash Provided (Used) By Financing Activities	1,406,741	2,056,336
Net change in cash and cash equivalents	(3,179,420)	2,916,789
Cash and cash equivalents, beginning	3,313,595	396,806
Cash and cash equivalents, ending	\$ 134,175	\$ 3,313,595

Interest of \$153,181 and \$94,216 was paid during the years ended  
December 31, 2022 and 2021, respectively.

See accompanying notes.



**ODC NETWORK**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2022 AND 2021**

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NATURE OF ACTIVITIES

In 2000, a local nonprofit Wildlife Unlimited of Allegan and Ottawa Counties formed a partnership with the Ottawa Area Intermediate School District to create an outdoor education center that would serve the Allegan and Ottawa counties schools and community. This entity was the Outdoor Discovery Center (ODC). Nine years later, the ODC merged with the Macatawa Greenway Partnership in an effort to leverage and expand their missions. That was the beginning of a significant growth period for the ODC. In the coming years, 9 additional business divisions were developed that drive our goals to redefine education, restore and conserve land and water, and to make our community the best place to live, work, play and learn. Our breadth of services led to a name change to the **ODC Network** which serves as the parent organization that performs essential, mission specific work to drive community change, growth, and impact in conservation and education.

**The ODC Network mission is to advance outdoor education and conservation.** The ODC Network operates two Greenway projects, a watershed clean-up initiative, three nature-based preschools, two nature centers, multiple wildlife preserves, an eco-tour business, a land conservation and restoration business, and an educational consulting business. The following business divisions have been established to facilitate the programs and projects of the ODC Network. They are registered as assumed names of the ODC Network and are licensed to do business as ODC Network:

**ODC Network Business Divisions:**

**Outdoor Discovery Center (ODC) (2000):** The ODC provides educational opportunities to the West Michigan community to enhance the knowledge and understanding of our natural and cultural resources. The Outdoor Discovery Center is home to a variety of habitats, walking trails, live animal exhibits, and a wide array of educational facilities. The Outdoor Discovery Center is open *free* to the public 365 days a year.

**Macatawa River Greenway (MRG) (2009):** Founded in 1996, it became part of the ODC. Its mission is to protect and enhance natural lands, streams, and open spaces within the Lake Macatawa watershed for public enjoyment and the preservation of plant and wildlife habitat. Where appropriate, the MRG will create parks and open spaces for recreation, conservation, water quality improvement, and preservation.

**ODC Explorer Network (2012)** It provides nature-based, small group eco-tour excursions with experienced travelers and naturalists from the ODC Network. The ODC Explorer Network connects people with unique ecosystems and experiences aimed at building knowledge and understanding of the unique natural history and cultural history of the world. On average, the ODC Explorer Network facilitates two eco-tour adventures each year.

**ODC Early Childhood (2013, 2017, 2020, 2022):** The Early Childhood business line includes Little Hawks Discovery Preschool, Hatchlings Child Care, Seedlings Discovery Preschool, and Dragonflies Discovery Preschool. These are nature-based early childhood programs that focus on connecting early learners to the outdoors. Nearly 400 children ages 0-5 attend these programs each year where they are provided a quality early childhood experience that prepares them to be active, independent learners who have knowledge of and an appreciation for the natural world and ensuring a healthier lifestyle.

**Project Clarity (PC) (2013):** The PC mission is to restore the water quality of Lake Macatawa and the Macatawa Watershed through a multi-phased approach focused on land restoration, Best Management Practices (BMPs), community education, and long-term sustainability. Over the past 4 years over 100 watershed restoration projects have been implemented in the Macatawa Watershed.

**ODC Conservation Services (2016):** Its purpose is to provide land management and restoration services, invasive species management, and wildlife habitat and conservation improvement to public and private land

owners in the Kalamazoo and Macatawa River Watershed region. Currently, ODC Conservation Services provide habitat management services to over 100 customers in West Michigan.

**ODC Education Network (2017):** It provides a customized set of professional development and nature-based education opportunities to help students, educators and education administrators create a personal relationship with their environment. ODC Education Network has a team of education professionals that work with schools and organizations to build connections between the classroom and the outdoors using project-based learning, environmental education, and customized experiences that build relevance, context and meaning into an educational experience. Currently there are 17 schools working with the ODC Education Network to connect their classrooms, schools and students to the outdoors.

**Kalamazoo River Greenway (KRG) (2018):** The mission is to protect and enhance natural lands, streams, and open spaces within the Kalamazoo River Watershed in Allegan County for public enjoyment and the preservation of plant and wildlife habitat. Where appropriate, the KRG will create parks and open spaces for recreation, conservation, water quality improvement, and preservation.

**DeGraaf Nature Center (2018):** Owned by the City of Holland, this 18-acre nature center is located in the heart of the City. The contractual management of the Center was transitioned to the ODC Network with the goal of growing the impact and program opportunities offered at DeGraaf by the ODC Network staff. It serves as an urban nature education site, expanding our ability to serve more people.

**Nature-rich Community (2020):** The newest of the ODC Business Divisions, Nature-rich is an initiative that was developed to promote a systems-based sustainability program to advance not only ODC Network's internal sustainability efforts, but also to promote sustainability through the community.

**Today,** the ODC Network has...

- **900 acres of land** and manage an additional 2,000+ acres
- More than **75,000 children and families** participate in ODC programming each year
- **Highly rated nature-based early childhood preschool programs** for nearly 400 children 0-5
- **Education Network** that consults with 17 area schools on using nature in their curriculum
- **Annual operating budget** of approximately \$6 million with 70% earned income from services/programs
- **105 employees** that facilitate programming and projects throughout West Michigan

## SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**BASIS OF PRESENTATION** - The accompanying financial statements have been prepared on the accrual basis of accounting. The financial statements are presented in accordance with the provisions of FASB ASC 958, *Not-for-profit Entities*, and the AICPA Audit and Accounting Guide for Not-for-Profit Organizations (the "Guide").

Under the provisions of FASB ASC 958 and the Guide, net assets and revenues, expenses, gains and losses are classified according to two classes of net assets: net assets without donor restriction and net assets with donor restriction.

- a.) Net Assets Without Donor Restrictions - Net assets that are not subject to donor-imposed stipulations.
- b.) Net Assets with Donor Restrictions - Net assets whose use is limited by donor-imposed time and/or purpose restrictions.

**INCOME TAX EXEMPTION** - The Organization qualifies as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code.

**PROPERTY, EQUIPMENT AND DEPRECIATION** - Purchased equipment is recorded at cost and donated assets are recorded at fair market value. Depreciation is computed using the straight-line method over the estimated lives of the assets placed into service.

ESTIMATES - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results may differ from those estimates.

CASH AND CASH EQUIVALENTS - The Organization considers all short-term investments with an original maturity of three months or less to be cash equivalents. The carrying amounts approximate fair value.

The Organization occasionally maintains deposits in excess of federally insured limits. The risk is managed by maintaining all deposits in reputable financial institutions.

COMPENSATED ABSENCES - The Organization has not accrued compensated absences since the amount is determined to be immaterial to the financial statements.

DONATED SERVICES - Volunteers have donated significant amounts of time in support of the Organization's activities. However, the value of these services is not reflected in the accompanying statements, as these services do not meet the criteria for recognition as set forth under generally accepted accounting principles.

DONATED PROPERTY AND EQUIPMENT - Donations of property and equipment are recorded as support at their estimated fair value at the date of donation. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Organization reclassifies net assets with donor restrictions to net assets without donor restrictions at that time.

ANIMAL MOUNTS - Animal mounts purchased are capitalized at cost and animal mounts donated are capitalized at the fair market value on the date of donation. Animal mounts are depreciated using the straight line method over their estimated useful lives.

ALLOCATION OF FUNCTIONAL EXPENSES - Functional expenses have been allocated between program services, management and general and fundraising activities, based on an analysis of specific transactions and also management estimates as to value provided to each area.

COMPARATIVE FINANCIAL INFORMATION - The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended December 31, 2021, from which the summarized information was derived.

REVENUE RECOGNITION - Revenue is recognized when earned. Program revenues received in advance are deferred to the applicable period in which the related services are performed or expenditures are incurred, respectively. Contributions are recognized when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met. Contributions received with a donor-stipulation that limits their use are reported as revenue and net assets with donor restrictions. When a donor-stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

FAIR VALUE OF ASSETS - The Organization adopted the Financial Accounting Standards Board's (FASB) standard which provides a framework for measuring fair value under generally accepted accounting principles. The Standard defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date.

The standard for *Fair Value Measurements* establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. Fair value measurement is determined based on the assumptions (referred to as inputs) which market participants would use in pricing the investment, as follows:

- Level 1 inputs – observable quote price in an active market for an identical investment;
- Level 2 inputs – input that is observable for the investment, either directly or indirectly, other than quoted prices included within Level 1;
- Level 3 inputs – unobservable inputs for the investment, used only when observable inputs are not available

Unrealized, as well as realized gains and losses on investments are included in the change in net assets in the accompanying financial statements. Investment return that is restricted by the donor is reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the investment return is recognized.

The Organization invests in publicly traded securities which are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the statement of financial position.

LEASES - The Organization calculates operating lease liabilities using its incremental borrowing rate, using a comparable period with the lease term. All lease and non-lease components are combined for all leases. Lease payments for leases with a term of 12 months or less are expensed on a straight-line basis over the term of the lease with no lease asset or liability recognized. The Organization had no operating leases during the year ended December 31, 2022.

#### INVESTMENTS (MARKETABLE SECURITIES)

The Organization has invested in mutual funds, which are considered Level 1 inputs, and are reported at fair market value. The Organization earned dividends and interest of \$4,911 and \$6,258; reported realized and unrealized income (loss) of (\$49,738) and \$12,942 during the years ended December 31, 2022 and 2021, respectively. The fair market value was \$235,047 and \$279,874 at December 31, 2022 and 2021, respectively.

#### RETIREMENT PLAN

Effective April 1, 2019, the Organization established a Simple IRA retirement plan. Employees earning \$5,000 or more annually are eligible to participate. The Organization contributes a matching contribution up to 3% of eligible compensation. The Organization contributed \$69,185 and \$61,601 during the years ended December 31, 2022 and 2021, respectively.

#### BENEFICIAL INTERESTS

The Organization has been named as a beneficiary in multiple wills. As these are revocable and the timing and amounts cannot be determined, the value of any such future contributions is not reflected within these financial statements.

## NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consist of the following at December 31:

	<u>2022</u>	<u>2021</u>
Pledges receivable	\$ 1,146,585	\$ 1,241,489
Donor restricted contributions, to be used as follows:		
New early childhood site	-	1,327,630
Eldean Education Center	<u>181,939</u>	<u>-</u>
Total Net Assets With Donor Restrictions	<u>\$ 1,328,524</u>	<u>\$ 2,569,119</u>

## INVESTMENTS IN COMMUNITY FOUNDATIONS

The Organization has invested in two local community foundations. Investments are stated at fair value and consist of the following at December 31:

Founding funds within:	<u>2022</u>	<u>2021</u>
Community Foundation of Holland/ Zeeland Area	\$ 113,026	\$ 140,663
Allegan County Community Foundation	<u>5,937</u>	<u>7,563</u>
Total Investments	<u>\$ 118,963</u>	<u>\$ 148,226</u>

The Organization also has agency endowment funds within these community foundations. The Foundations combine the endowment fund of the Organization with other funds of the Foundation and invest them based on their investing guidelines. The Organization may request that any earnings be paid out to the Organization or reinvested into the investment. The fair value of \$407,664 at December 31, 2022 is not recorded within these financial statements.

## PLEDGES RECEIVABLE

At December 31, 2022, the balance due on pledges receivable is scheduled to be received as follows:

Years ending December 31,	
2023	\$ 550,441
2024	272,191
2025	242,192
2026	<u>113,194</u>
Subtotal	1,178,018
Present value discount	<u>(31,433)</u>
Net	<u>\$ 1,146,585</u>

## CONCENTRATION OF CREDIT RISK/PLEDGES RECEIVABLE

The Organization had unconditional pledges receivable (promises to give) of \$1,146,585 at December 31, 2022. As they are deemed to be fully collectible in future years, given the reputable nature of the donors, no allowance has been recorded for uncollectible pledges. A three percent discount has been applied to record the pledges at present value.

## NON-CASH CONTRIBUTIONS

For the years ended December 31, the Organization received the following non-cash contributions which were recorded within these financial statements as revenue and program expense or property and equipment, at their estimated fair value at the date of receipt.

	<u>2022</u>	<u>2021</u>
Program materials and services	\$ 8,914	\$ 46,356
Property and equipment	18,871	-

Additionally, a substantial number of volunteers have donated significant amounts of time to the Organization's services, administration and fundraising. The value of these services is impossible to determine and has not been included in these financial statements.

## LONG-TERM LIABILITIES

In August 2021, the Organization restructured its bank debt with a different financial institution. A new long-term loan of \$2,196,681 was established at the terms shown below. The loan is secured by the real estate owned by ODC Network. The loan proceeds paid off all former bank long-term debt totaling \$2,196,681.

At December 31, the Organization's long-term liabilities consist of the following:

	<u>2022</u>	<u>2021</u>
Land contract payable, secured by real estate. Principal payment of \$175,000 was paid in 2018; and the loan was reduced by \$25,000 by the lender in 2018. Annual payments are due of \$68,750 plus 2% interest in 2019 through 2022.	\$ -	\$ 68,750
Note payable - Small Business Administration (EIDL loan) The loan balance originated at \$150,000 and through loan modifications, the loan balance increased to \$2,000,000. Starting in November 2022, monthly payments are due of \$8,667 including 2.75% interest. The note matures in 2050. It is secured by all tangible and intangible personal property.	1,992,151	2,000,000
Note payable - bank, secured by real estate. Monthly payments of \$21,338 including 3.08% interest. The loan matures August 27, 2031.	1,941,906	2,134,061
Note payable - John Deere, secured by equipment. The loan is interest-free and requires 60 monthly payments of \$375.	<u>15,767</u>	<u>20,272</u>
Total Long-term Liabilities	<u>\$ 3,949,824</u>	<u>\$ 4,223,083</u>

Maturities of long-term liabilities are as follows for years ending December 31,

2023	\$	253,400
2024		261,000
2025		268,900
2026		274,700
2027		280,800
Thereafter		<u>2,611,024</u>
Total	\$	<u>3,949,824</u>

The primary restrictive covenant contained in the Organization's debt agreements with the bank are as follows: The Company must maintain:

Minimum Net Assets Without Donor Restrictions - ODC Network shall maintain a minimum balance of \$4,000,000 of Net Assets Without Donor Restrictions.

#### LINES OF CREDIT

At December 31, 2022, the Organization's available lines of credit consist of the following:

Line of credit – bank, maximum \$3,000,000. Variable interest rate of Prime less 3/4% with a floor of 2.5%. Secured by the real estate owned by ODC Network. The line matures September 1, 2023. Subject to the same bank covenants as the long-term bank note payable. There were borrowings outstanding of \$1,680,000 and \$0 at December 31, 2022 and 2021, respectively.

Line of credit – bank, maximum \$600,000. Variable interest rate of Prime less 1/2% with a floor of 2.5%. Secured by the real estate owned by ODC Network. The line matures September 1, 2024. Subject to the same bank covenant as the long-term bank note payable. This line is available to allow the Organization to purchase additional real estate should opportunity arise. There are no borrowings outstanding at December 31, 2022 or 2021.

#### NEW ACCOUNTING GUIDANCE IMPLEMENTATION

As of January 1, 2022, the Organization changed its accounting method for leases as a result of implementing the requirements in the Financial Accounting Standard Board's Accounting Standards Codification (ASC) 842 Leases, using the modified retrospective transition method. There were no cumulative effect adjustments to the Organization's net assets as of January 1, 2022.

The new lease guidance requires the recognition of a right-of-use asset and a lease liability for operating leases. The Organization elected the package of practical expedients, which allowed, among other things, for not reassessing the lease classification or initial direct costs for existing leases. The Organization has not elected the hindsight practical expedient.

As of January 1, 2022, there were no finance or operating lease right-of-use assets nor corresponding lease liabilities recognized. Adoption of the new guidance had no impact to the statement of activities or cash flows for the year ended December 31, 2022.

## WETLAND DEVELOPMENT / MITIGATION BANK

In 2015, two large wetland development projects were completed on newly acquired land. A 42 acre wetland mitigation bank was created on property that was donated to the Organization in 2015 with fair market value of \$472,000. This project is located just south of Haworth Global Headquarters in Holland, Michigan. The mitigation bank is adjacent to a highly disturbed tributary of the Macatawa River and was designed to filter runoff water from neighboring farms, businesses and roads as well as take high-water overflow from the tributary. It serves as flood storage and water filtration for Project Clarity. In addition to its environmental benefit, the Mitigation Bank also has 42 wetland mitigation credits available for sale, as of September 2016. The credit value varies with market fluctuation, but it is estimated to have over \$3 million in wetland credit value. The credits are projected to sell over a 15 year period. As the dates and amounts of any potential sales are unknown, the value of any future sales is not recorded in these financial statements.

The other major wetland project was completed on the Middle Macatawa property located south of Adams Street, East of 96<sup>th</sup> Avenue in Zeeland Township. Nearly 45 acres of new wetland was created in this area that serves as flood storage, water filtration and wildlife habitat.

## MITIGATION BANK REVENUE (EXPENSES)

In 2022, the Organization sold a total of 6.48 credits within eight transactions and received \$662,100.

In 2021, the Organization sold a total of 12.1 credits within eight transactions and received \$1,328,200.

The Organization pays a 35% administrative cost to the contracted service provider which handles these transactions on behalf of the Organization.

## LIQUIDITY

The following reflects the Organization's financial assets as of the statement of financial position date, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the statement of financial position date.

### Financial assets at December 31:

	<u>2022</u>	<u>2021</u>
Cash and cash equivalents	\$ 134,175	\$ 3,313,595
Accounts and grants receivable	841,517	629,845
Pledges receivable, current portion	550,441	1,096,500
Marketable securities	235,047	279,874
Less donor restricted for specific purposes	<u>(732,380)</u>	<u>(2,424,130)</u>
Financial assets available to meet cash needs for general expenditure within one year	<u>\$ 1,028,800</u>	<u>\$ 2,895,684</u>



#### PAYCHECK PROTECTION PROGRAM (PPP) FORGIVEN LOAN

In February 2021, the Organization received a second PPP loan from Choice One Bank for \$445,395. The funds were primarily used for payroll costs during spring and summer 2021. The loan was forgiven in December 2021 by the Small Business Administration, and the \$445,395 is recorded as revenue for the year ended December 31, 2021.

#### AMERICAN RESCUE PLAN ACT GRANT

In December 2022, ODC Network was awarded a grant from Ottawa County through the American Rescue Plan Act ("ARPA") to expand childcare opportunities throughout the County. ODC Network will be creating childcare capacity to address the countywide shortage. The grant awards ODC Network a total of \$7,500,000 to be used before December 2026. No revenue or expenses are reflected in the statement of activities for the year ended December 31, 2022.

#### SUBSEQUENT EVENTS

Subsequent events were evaluated through September 27, 2023, which is the date the financial statements were available to be issued.

In early 2022, the Organization filed for an Employer Retention Credit in the amount of \$204,132. The refund was received in 2023 and is recorded as revenue in the year ending December 31, 2023.