ECOLOGY CENTER

CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2021 and 2020

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Ecology Center
Ann Arbor, Michigan

Opinion

We have audited the accompanying consolidated financial statements of Ecology Center (a nonprofit corporation), which comprise the consolidated statements of financial position as of December 31, 2021 and 2020, and the related consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of Ecology Center as of December 31, 2021 and 2020, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Ecology Center 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 consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Ecology Center's ability to continue as a going concern within one year after the date that the consolidated 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 consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated 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 consolidated 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 Ecology Center'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 consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Ecology Center'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.

Respectfully,

Bennett & Associates CPAs PLLC

Ann Arbor, Michigan
May 31, 2022

	2021	2020
ASSETS		
Cash and cash equivalents	$ 1,240,105	$ 568,398
Accounts receivable, net of allowance	737,930	912,298
Grants receivable	680,124	1,207,300
Prepaid expenses	10,879	55,756
Short-term investments	853,399	703,150
Property and equipment, net of accumulated depreciation	10,069,775	1,981,244
Contract acquisition costs, net of accumulated amortization	139,394	140,697
Endowment		
Cash and cash equivalents	85,061	84,611
Investments	336,306	283,024
TOTAL ASSETS	$ 14,152,973	$ 5,936,478
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable	$ 724,254	$ 196,426
Accrued liabilities	400,897	222,247
Refundable advances under Paycheck Protection Program	200,335	641,700
Refundable advances under supply agreements	50,000	-
Line of credit	-	-
Notes payable	9,125,315	1,222,032
TOTAL LIABILITIES	10,500,801	2,282,405
NET ASSETS		
Without donor restrictions		
Undesignated	1,520,884	417,304
Designated by the Board for endowment	85,061	84,611
	1,605,945	501,915
With donor restrictions		
Endowment	336,306	283,024
Purpose restrictions	1,709,921	2,869,134
	2,046,227	3,152,158
TOTAL NET ASSETS	3,652,172	3,654,073
TOTAL LIABILITIES AND NET ASSETS	$ 14,152,973	$ 5,936,478

	2021	2020
NET ASSETS WITHOUT DONOR RESTRICTIONS		
REVENUE AND SUPPORT		
Curbside collection contract	$ 2,551,632	$ 2,521,873
Drop-off facilities revenue, including fees, and sales of materials collected at the Drop Off Station and Recovery Yard	2,168,430	1,640,114
City of Ann Arbor Materials Recovery Facility contract revenue	1,638,578	1,728,685
Roll-off container fees	408,813	424,957
Education services	103,486	103,999
Grants received under Paycheck Protection Program	1,173,475	-
Grants and contributions	215,184	259,096
Gifts-in-kind	180,000	96,029
Special events, net of expenses of $28,731 in 2021	21,587	-
ReUse Center revenue	-	189,493
Other revenue and support	69,111	65,029
Net assets released from restrictions	2,433,379	1,277,608
TOTAL REVENUE AND SUPPORT WITHOUT DONOR RESTRICTIONS	10,963,675	8,306,883
EXPENSES		
Program services	9,016,546	8,000,131
Supporting services		
Management and general	747,561	767,046
Fundraising	110,807	84,581
TOTAL EXPENSES	9,874,914	8,851,758
CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS BEFORE GAINS AND LOSSES	1,088,761	(544,875)
GAINS AND LOSSES		
Net gain/(loss) on disposal of property and equipment	15,269	(144,798)
TOTAL GAINS AND LOSSES	15,269	(144,798)
CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS	1,104,030	(689,673)
NET ASSETS WITH DONOR RESTRICTIONS		
Grants and contributions	1,274,166	3,245,950
Investment return	53,282	45,729
Net assets released from restrictions	(2,433,379)	(1,277,608)
CHANGE IN NET ASSETS WITH DONOR RESTRICTIONS	(1,105,931)	2,014,071
CHANGE IN NET ASSETS	(1,901)	1,324,398
NET ASSETS AT BEGINNING OF YEAR	3,654,073	2,329,675
NET ASSETS AT END OF YEAR	$ 3,652,172	$ 3,654,073

		Supporting Services			
	Program Services	Management and General	Fund-Raising	Total 2021	Total 2020
Grants to Organizations	$ 306,378	$ -	$ -	$ 306,378	$ 180,000
Employee Compensation					
Salaries and wages	2,747,108	317,678	72,933	3,137,719	2,815,772
Employee benefits	608,149	54,797	12,132	675,078	679,813
Payroll taxes	204,615	23,597	5,602	233,814	203,023
	3,559,872	396,072	90,667	4,046,611	3,698,608
Other Expenses					
Accounting fees	174,744	120,015	-	294,759	242,537
Legal fees	20,660	6,670	-	27,330	22,277
Contract trucking	10,152	-	-	10,152	26,429
Fees for services - other	479,963	13,721	25,379	519,063	207,171
Fees for services - MRF	956,984	-	-	956,984	1,444,189
Advertising	26,744	-	-	26,744	3,534
Office expenses	337,346	38,333	10,489	386,168	293,573
Information technology	34,621	37,529	-	72,150	42,599
Occupancy	642,631	58,656	8,817	710,104	584,870
Disposal fees	373,648	-	-	373,648	306,840
Travel	12,853	1,478	529	14,860	10,316
Urban Wood, mulch and compost purchases	-	-	-	-	52,039
Equipment operating costs	1,205,764	226	-	1,205,990	1,034,218
Conferences and meetings	16,761	13,193	855	30,809	13,993
Interest	151,317	-	-	151,317	60,798
Depreciation and amortization	427,649	23,036	1,095	451,780	201,760
Insurance	192,026	25,114	686	217,826	220,297
Value of materials donated to ReUse Center	-	-	-	-	142,711
Taxes - sales	243	-	-	243	5,267
All other	86,190	13,518	1,021	100,729	57,732
	9,016,546	747,561	139,538	9,903,645	8,851,758
Less expenses included with revenues on the statement of activities	-	-	(28,731)	(28,731)	-
Total expenses included in the expense section of the statement of activities	$ 9,016,546	$ 747,561	$ 110,807	$ 9,874,914	$ 8,851,758

	Program Services	Supporting Services: Management and General	Supporting Services: Fund-Raising	Total 2020
Grants to Organizations	$ 180,000	$ -	$ -	$ 180,000
Employee Compensation				
Salaries and wages	2,504,951	268,975	41,846	2,815,772
Employee benefits	608,943	56,962	13,908	679,813
Payroll taxes	181,702	18,113	3,208	203,023
	3,295,596	344,050	58,962	3,698,608
Other Expenses				
Accounting fees	99,194	143,343	-	242,537
Legal fees	16,739	5,538	-	22,277
Contract trucking	26,429	-	-	26,429
Fees for services - other	184,410	11,771	10,990	207,171
Fees for services - MRF	1,444,189	-	-	1,444,189
Advertising	3,534	-	-	3,534
Office expenses	247,416	43,429	2,728	293,573
Information technology	18,836	23,763	-	42,599
Occupancy	519,038	58,374	7,458	584,870
Disposal fees	306,840	-	-	306,840
Travel	9,851	127	338	10,316
Urban Wood, mulch and compost purchases	52,039	-	-	52,039
Equipment operating costs	943,748	90,470	-	1,034,218
Conferences and meetings	8,843	5,108	42	13,993
Interest	60,798	-	-	60,798
Depreciation and amortization	189,593	10,689	1,478	201,760
Insurance	192,910	26,756	631	220,297
Value of materials donated to ReUse Center	142,711	-	-	142,711
Taxes - sales	5,267	-	-	5,267
All other	52,150	3,628	1,954	57,732
	8,000,131	767,046	84,581	8,851,758
Less expenses included with revenues on the statement of activities	-	-	-	-
Total expenses included in the expense section of the statement of activities	$ 8,000,131	$ 767,046	$ 84,581	$ 8,851,758

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ (1,901)	$ 1,324,398
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation and amortization	451,780	201,760
Realized and unrealized (gain)/loss on investments	(31,124)	(35,342)
(Gain)/loss on disposal of property and equipment	(15,269)	144,798
(Increase)/decrease in inventory of donated goods	-	46,682
Change in:		
Accounts receivable, net of allowance	174,368	(352,499)
Grants receivable	527,176	(949,800)
Prepaid expenses	44,877	(5,921)
Accounts payable	527,828	(184,191)
Accrued liabilities	178,650	(15,526)
Refundable advances under Paycheck Protection Program	(441,365)	641,700
Refundable advances under supply agreements	50,000	-
Outflows for contract acquisition costs	-	(140,697)
Grant revenue restricted to purchase of equipment	(31,588)	(726,750)
Net cash from (used for) operating activities	1,433,432	(51,388)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	(1,360,633)	(327,212)
Proceeds from sales of property and equipment	16,154	3,550
Purchases of investments	(181,260)	(438,545)
Proceeds from sales of investments	8,853	2,230
Net cash used for investing activities	(1,516,886)	(759,977)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net borrowings (repayments) under line of credit	-	(100,135)
Loan proceeds	1,006,621	-
Principal payments on notes	(282,598)	(122,432)
Outflows for debt issuance costs	-	(69,850)
Collection of grant funds restricted to purchase of equipment	31,588	726,750
Net cash from financing activities	755,611	434,333
NET CHANGE IN CASH AND CASH EQUIVALENTS	672,157	(377,032)
BEGINNING CASH AND CASH EQUIVALENTS	653,009	1,030,041
ENDING CASH AND CASH EQUIVALENTS	$ 1,325,166	$ 653,009

Ending cash and cash equivalents is presented on the consolidated statement of financial position as:

	2021	2020
Cash and cash equivalents	$ 1,240,105	$ 568,398
Endowment		
Cash and cash equivalents	85,061	84,611
	$ 1,325,166	$ 653,009

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

	2021	2020
Cash paid for interest	$ 248,508	$ 56,803
Interest capitalized	$ 104,909	$ -
Purchase of property and equipment by issuance of debt	$ 7,179,612	$ 1,126,560
Grant revenue recognized from forgiveness of PPP funds	$ 1,173,475	$ -

NOTE A - NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Organization

The Ecology Center is a 501(c)(3) nonprofit organization that develops innovative solutions for healthy people and a healthy planet. Its work is based on the belief that the central question of our time is how human beings are going to thrive in the world without destroying the earth's ability to sustain us. In the face of enormous environmental challenges, virtually all sectors of our society are now scrambling to create solutions, and the Ecology Center plays a critical role in advancing the best models.

The Ecology Center's key strategies are to educate consumers to help keep their families healthy and safe; to push corporations to use clean energy and make safe products; to provide people with innovative services that promote healthy people and a healthy planet; and to work with policymakers to establish laws that protect communities and the environment.

Today, from offices and facilities in Ann Arbor and Detroit, the Ecology Center runs campaigns and initiatives in the following areas:

- **Safe and Healthy Materials** - a set of projects and campaigns to redesign consumer products, and to transform our materials economy so that it is safe for people and the food web. The Ecology Center's role is to test products to promote demand for safer alternatives; advocate for the elimination of lead poisoning in the Great Lakes; organize communities to address PFAS contamination; and use community science methods to reduce air pollution in Detroit. We leverage the size of the health care industry, and the status of health care professionals as opinion leaders to frame our issues in terms of health, with a special focus on children's health. These projects include the nationally acclaimed **Healthy Stuff.org**, a consumer database about toxic chemicals in consumer products.
- **Energy and Climate Change -** policy campaigns and projects at the local, state, and regional levels, designed to rapidly phase out the use of fossil fuels, stabilize the concentration of carbon dioxide in the atmosphere, and ward off the worst impacts of climate change. Our role is to champion energy affordability and electric vehicle infrastructure in state policy venues; to develop innovative municipal clean energy programs and policies; to mobilize diverse stakeholders to participate in public policy debates in Michigan and the Midwest; and to bring regional expertise to those forums.
- **Recycling and Zero Waste** - environmental education and advocacy to promote expanded mission-based recycling in Michigan, and to develop initiatives that envision a non-consumptive society, a dematerialized economy, and a world without waste. In 1970, the Ecology Center developed one of the country's first community-based recycling programs. Today the Ecology Center's role is helping effect a cultural transformation in the way we design, consume, and dispose of products, with a focus on "better, not more." In this field, our direct services are provided in Ann Arbor and southeast Michigan - and our education and advocacy efforts have broader scope.

Unlike most of its peer advocacy organizations, the Ecology Center also incorporates green social enterprise into our strategies. These ventures advance the organization's core environmental mission and strategies, demonstrate the real-world viability of green business, and generate funds for environmental programs. Currently, the green services are managed by our nonprofit subsidiary, Recycle Ann Arbor:

- **Zero Waste Services** - includes a recycling collection service for residents and businesses, a materials recovery facility, a recycling drop-off station, a construction waste recycling service, and an Eco-Park to develop new zero waste enterprises. These services are managed by **Recycle Ann Arbor (RAA)**, a wholly-owned nonprofit subsidiary of the Ecology Center. The Ecology Center is the sole member of Recycle Ann Arbor.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, *continued*

Principles of Consolidation
The accompanying consolidated financial statements include the accounts of Ecology Center and its controlled organization, Recycle Ann Arbor, for the years ended December 31, 2021 and 2020. All significant intercompany transactions have been eliminated.

Basis of Accounting
The consolidated financial statements of Ecology Center have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables, and other liabilities.

Net Assets
Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net assets without donor restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.

Net assets with donor restrictions – Net assets subject to donor- (or certain grantor-) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Use of 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 reported revenues and expenses. It is at least reasonably possible that the significant estimates used will change within the next year.

Cash Equivalents
Ecology Center considers all short-term investments with an original maturity of three months or less to be cash equivalents.

Accounts Receivable and Allowance for Doubtful Accounts
Accounts and grants receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a charge to expense and a credit to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable. Management has established an allowance for uncollectible accounts receivable based on evaluation of collectability of outstanding accounts receivable.

Agency Transactions
As a service to some other organizations, Ecology Center receives and disburses funds for them, acting as an agent. These funds belong to others, and Ecology Center, having no claim to them, records neither income nor expenses in its financial statements pursuant to these transactions.

Property and Equipment
Property and equipment are recorded at cost when purchased and at estimated fair market value when donated. Depreciation on property and equipment is provided on a straight-line basis over the estimated useful lives of the assets, ranging from 3 to 15 years. Ecology Center has a set capitalization policy where new property and equipment over $2,000 is capitalized and those under the limit are expensed. RAA capitalizes new property and equipment over $3,000. Repair costs that materially add to the value of, substantially prolong the useful life of, or adapt the asset to a new or different use are also capitalized.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, *continued*

Investments

Investment purchases are recorded at cost, or if donated, at fair value on the date of donation. Thereafter, investments are reported at their fair values in the statements of financial position. Net investment return/(loss) is reported in the statements of activities and consists of interest and dividend income, realized and unrealized capital gains and losses, less external and direct internal investment expenses.

Revenue Recognition

Ecology Center recognizes revenue when it transfers promised goods or services to customers in an amount that reflects the consideration in which it expects to be entitled in exchange for those goods or services.

Ecology Center's contracts generally do not contain contingent revenue or warranties, and contract modifications are generally minimal.

Grants and contributions

Contributions, including unconditional promises to give, are recognized when received. All contributions are reported as increases in net assets without donor restrictions unless use of the contributed assets is specifically restricted by the donor. Amounts received that are restricted by the donor to use in future periods or for specific purposes are reported as increases in net assets with donor restrictions. Unconditional promises with payments due in future years have an implied restriction to be used in the year the payment is due, and therefore are reported as restricted until the payment is due, unless the contribution is clearly intended to support activities of the current fiscal year. Conditional promises, such as matching grants, are not recognized until they become unconditional, that is, until all conditions on which they depend are substantially met.

Grants, including forgivable loans under the Paycheck Protection Program (PPP loans), are considered conditional contributions. Revenue is recognized as the conditions are met. For most grants, conditions are considered met when allowable expenses are incurred. For PPP loans, conditions are considered met when forgiveness is granted by the lending institution.

Curbside collection contract

Performance obligations related to the curbside collection contract consist of weekly curbside collection services to single-family, multi-family and business units within the City of Ann Arbor and are transferred to the customer over time. RAA bills monthly in accordance with the contract terms, so contract receivables may exist at year end. The contract terms are straightforward and do not involve significant judgment in the timing or amount of revenue recognized.

Drop-off facility user fees, sales of collected material, ReUse Center revenue, roll-off container fees

Drop-off facility user fees, sales of collected materials, ReUse Center sales and roll-off container fees are recognized at a point in time as the sales are made or services are provided. Some fees are billed to customers rather than collected at the time of the transaction, so contract receivables may exist at year end.

City of Ann Arbor Materials Recovery Facility contract revenue

RAA provides contract services to the City of Ann Arbor for materials handling at the Materials Recovery Facility (MRF). RAA accepts all the recycling material collected by the City of Ann Arbor and loads the material into long-haul trucks for delivery to processing plants. RAA is the prime contractor and subcontracts the hauling and processing of the material. On-site processing at the MRF began December 1, 2021, upon completion of RAA's rebuild of the facility.

Performance obligations related to MRF operation contract revenue are transferred to the customer over time, billed monthly in accordance with the contract terms, so contract receivables may exist at year end. The contract terms are straightforward and do not involve significant judgment in the timing or amount of revenue recognized. The contract includes a rebate to the City based on the amount realized from sale of the processed materials. The rebate is calculated monthly and netted against the revenue earned.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, *continued*

Disaggregation of Revenue from Contracts with Customers

	2021	2020
Recognized over time	$ 4,190,210	$ 4,250,558
Recognized at a point in time	2,680,729	2,358,563
	$ 6,870,939	$ 6,609,121

Contract Balances
Contract receivables are shown on the consolidated statement of financial position as accounts receivable.

Contract liabilities are shown on the consolidated statement of financial position as refundable advances under supply agreements.

Capitalized contract acquisition costs, net of accumulated amortization, totaled $139,394 and $140,697 at December 31, 2021 and 2020, respectively. Amortization of these costs began when the MRF facility began materials processing and are being amortized ratably over the remainder of the contract. Capitalization of contract acquisition costs involves judgement regarding which costs were incremental in acquiring the contract.

Donated Material
RAA's ReUse Center closed due to COVID restrictions in March 2020 and closed permanently in September 2020. Prior to its closing, the ReUse Center received donations of materials that were then offered for sale. The donated material was recorded at fair value. The fair value of donated materials was considered to be equal to the value received when the materials were sold.

Presentation of Sales Tax
The State of Michigan imposes a sales tax on all of RAA's sales to non-exempt customers. RAA collects that sales tax and remits the entire amount to the state. RAA's accounting policy is to include the tax collected and remitted to the state in revenue and cost of sales. The amount of sales tax expense was $243 and $5,267 in 2021 and 2020, respectively.

Advertising Costs
Advertising costs are expensed as incurred.

Functional Allocation of Expenses
The cost of providing various programs and other activities have been summarized on a functional basis in the consolidated statement of activities and consolidated statement of functional expenses. Expenses are summarized and categorized based upon their functional classification as either program or supporting services. Specific expenses that are readily identifiable to a single program or activity are charged directly to that function. Certain categories of expenses are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include depreciation and insurance, which are allocated on a square-footage basis, as well as salaries, wages, employee benefits, and fees for services, which are allocated on the basis of estimates of time and effort.

Income Tax Status
Ecology Center and RAA are considered separate entities for tax purposes and are both exempt from federal income taxes under provisions of the Internal Revenue Code Section 501(c)(3). Donations to either organization qualify for the charitable contribution deduction. Neither is considered a private foundation.

Ecology Center and RAA file their own Form 990 returns.

Reclassifications
Certain reclassifications of amounts previously reported have been made to the accompanying consolidated financial statements to maintain consistency between periods presented. The reclassifications had no impact on previously reported net assets.

Subsequent Events
Subsequent events have been evaluated through May 31, 2022, the date the financial statements were available to be issued.

NOTE B - LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of December 31, 2021 and 2020, comprise the following:

	2021	2020
Financial assets:		
Cash and cash equivalents	$ 1,240,105	$ 568,398
Accounts receivable, net of allowance	737,930	912,298
Grants receivable	680,124	1,207,300
Short-term investments	853,399	703,150
Cash and cash equivalents held for endowment purposes	85,061	84,611
Investments held for endowment purposes	336,306	283,024
Total financial assets	3,932,925	3,758,781
Less financial assets held to meet donor-imposed restrictions:		
Purpose-restricted net assets	(1,709,921)	(2,142,384)
Donor-restricted endowment funds	(336,306)	(283,024)
Less board-designated endowment funds	(85,061)	(84,611)
Amount available for general expenditures within one year	$ 1,801,637	$ 1,248,762

The above table reflects donor-restricted and board-designated endowment funds as unavailable because it is the organization's intention to invest those resources for the long-term support of the organization. However, in the case of need, the Board of Directors could appropriate resources from either the donor-restricted funds ($336,306, of which $52,487 is the original gift) or from its board-designated endowment fund ($85,061). Note Q provides more information about those funds and about the spending policies for all endowment funds.

As part of its liquidity management plan, Ecology Center has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations become due. RAA can also draw upon an available line of credit (as discussed in Note H).

NOTE C - GRANTS RECEIVABLE

Grants receivable consist of unconditional promises to give from private foundations. Management considers all unconditional promises to give fully collectible. Unconditional promises to give are estimated to be collected as follows at December 31:

	2021	2020
Within one year	$ 680,124	707,300
In one to five years	-	500,000
Over five years	-	-
	$ 680,124	$ 1,207,300

NOTE D - CHANGES IN VALUATION ALLOWANCE FOR ACCOUNTS RECEIVABLE

Changes in the valuation allowance for accounts receivable are:

	2021	2020
Beginning balance	$ 19,500	$ 19,500
Provision for realization losses	-	55
Recoveries / (Write-offs)	-	(55)
Ending balance	$ 19,500	$ 19,500

Accounts receivable 90 days or more past due totaled $86,327 at December 31, 2021.

NOTE E - INVESTMENTS

Investments are stated at December 31 as follows:

	2021	2020
At fair value:		
Mutual funds		
Neuberger Berman	$ 141,279	$ 114,459
Domini	90,774	74,833
Pax World	79,253	68,732
Total investments at fair value	311,306	258,024
At unamortized cost:		
Certificates of deposit	878,399	728,150
Total investments	$ 1,189,705	$ 986,174

Mutual funds are valued at the net asset value provided by the investment manager, which is the value that would be received if the funds were redeemed at the financial statement date. All investments at fair value are classified as Level 1 in the fair value hierarchy established in FASB ASC 820 *Fair Value Measurement*. Fair values for Level 1 assets are taken from quoted prices in active markets.

Investment returns are as follows:

	2021	
	Without Donor Restrictions	With Donor Restrictions
Dividends and interest	$ 2,392	$ 22,158
Net realized and unrealized gains/(losses)	-	31,124
Total investment return	$ 2,392	$ 53,282

	2020	
	Without Donor Restrictions	With Donor Restrictions
Dividends and interest	$ 6,699	$ 10,387
Net realized and unrealized gains/(losses)	-	35,342
Total investment return	$ 6,699	$ 45,729

Investment expenses are not material.

NOTE F - PROPERTY AND EQUIPMENT

Property and equipment consists of the following at December 31:

	2021	2020
Land	$ 685,504	$ -
Buildings and improvements	710,942	-
Leasehold improvements	132,889	310,369
Curbside equipment	2,336,453	136,819
MRF work in progress and equipment deposit	-	1,217,196
MRF equipment and improvements	6,186,048	-
Office equipment	198,250	245,465
Commercial equipment	101,059	101,059
DOS equipment and improvements	258,392	254,392
Recovery yard equipment	1,677,217	1,702,569
	12,286,754	3,967,869
Less accumulated depreciation	(2,216,979)	(1,986,625)
	$ 10,069,775	$ 1,981,244

Substantially all of RAA's property and equipment, with a net book value of approximately $10 million, is collateral for various notes payable.

NOTE G - RETIREMENT PLANS

Ecology Center has established a Tax Sheltered Annuity Plan under Section 403(b) of the Internal Revenue Code for all eligible employees. Employees can elect to defer a portion of their wages under the requirements of the Internal Revenue Code. Ecology Center will match 200% of the employee's contribution, not to exceed 5% of the employee's compensation, to be paid no later than 60 days after year-end. For 2021 and 2020, expense under the retirement plan was $52,780 and $45,325, respectively.

RAA sponsors two defined contribution plans (the Plans) covering all employees with 90 days of service who agree to make contributions to the Plans. One plan is for non-union employees. The other plan is for union employees. The employer match was reinstated in 2021. Employer contributions totaled $26,643 and $0 in 2021 and 2020, respectively.

NOTE H - LINE OF CREDIT

RAA has a $500,000 line of credit with Level One Bank, at the bank's prime rate +1.00%, (but not less than 5%). The interest rate at December 31, 2021 was 5.00%. There was $0 outstanding on the line of credit at both December 31, 2021 and 2020. The line of credit is secured by substantially all assets and cross-collateralized with other loans from Level One Bank. This line of credit agreement is dated May 18, 2020 and will continue until all of RAA's loans with Level One Bank are paid in full, or until RAA and Level One Bank agree in writing to terminate the line.

NOTE I - NOTES PAYABLE

Notes payable consists of the following at December 31:

	2021	2020
Promissory note to Level One Bank, payable at $2,173 monthly. 5.25% interest. Secured by all assets.	$ -	$ 14,807
Promissory note to Level One Bank, payable at $1,964 monthly until September 2023. 5.50% interest. Secured by all assets.	39,231	60,021
Promissory note to Caterpillar Financial Services Corporation, payable at $2,809 monthly until January 2024. 7.10% interest. Secured by equipment purchased with the funds.	62,021	90,494
Promissory note to Alta Equipment Company, payable at $1,950 monthly until February 2026. 4.15% interest. Secured by equipment purchased with the funds.	87,402	106,560
$5.1 million credit facility with Level One Bank for purchase of equipment for Materials Recovery Facility. Funds under this facility are drawn as needed to pay for equipment. Payments are interest only for the first year. Thereafter payments are $47,222 principal plus interest monthly until November 2030. Secured by equipment purchased with the funds, then all assets.	4,760,412	1,020,000
Promissory note to Closed Loop rPET Fund, LP. Payments are interest only for the first year. Thereafter payments are $9,605 monthly until January 2030. 6.00% interest. Secured by all assets. Subordination is junior to Materials Recovery Facility loan.	800,000	-
Promissory note to Level One Bank, payable at $5,840 monthly. Balloon payment due May 2026. Interest 4.25%. Secured by real property purchased with funds, cross collateralized with all Level One Bank loans.	919,388	-
Promissory note to Levine Family Foundation, payable at $4,293 monthly until May 2051. Interest 8.00%.	582,197	-
Promissory note to The Huntington National Bank, payable at $27,741 monthly. Balloon payment due July 2026. Interest 4.26%. Secured by trucks purchased with funds. First priority in collateral and proceeds; no sales or junior liens.	1,848,288	-
Promissory note to The Huntington National Bank, payable at $1,343 monthly until June 2026. Interest 4.26%. Secured by equipment purchased with funds. First priority in collateral and proceeds; no sales or junior liens.	68,074	-
Promissory note to The Huntington National Bank, payable at $526 monthly until September 2026. Interest 4.26%. Secured by equipment purchased with funds. First priority in collateral and proceeds; no sales or junior liens.	27,505	-
	9,194,518	1,291,882
Less: Unamortized debt issuance costs	(69,203)	(69,850)
	$ 9,125,315	$ 1,222,032

NOTE I - NOTES PAYABLE, *continued*

Aggregate principal payments in the succeeding years are as follows:

2022	$	1,005,223
2023		1,038,359
2024		986,446
2025		1,006,316
2026		2,195,411
Thereafter		2,962,763
Total principal payments	$	9,194,518

NOTE J - REFUNDABLE ADVANCES UNDER PAYCHECK PROTECTION PROGRAM

In April 2020, Ecology Center and RAA were granted loans from Level One Bank in the amounts of $194,100 and $447,600, respectively, pursuant to the Paycheck Protection Program (the “PPP”) under Division A, Title I of the CARES Act, which was enacted March 27, 2020. Ecology Center and RAA received notices of forgiveness from the Small Business Administration for these PPP loans for the full amounts effective June 23, 2021 and May 12, 2021, respectively.

In January 2021, Ecology Center and RAA were granted second PPP loans from Level One Bank in the amounts of $200,335 and $531,775, respectively. RAA received the notice of forgiveness from the Small Business Administration for this PPP loan for the full amount effective December 13, 2021.

Under the terms of the PPP, certain amounts of the loans may be forgiven if they are used for qualifying expenses as described in the CARES Act. Management estimates that the loans would or will be forgiven in full and is accounting for them as conditional government grants. The entire balances are included in refundable advances on the consolidated statement of financial position when granted and before forgiveness. Once conditions for forgiveness have been substantially met, the amounts forgiven are recognized as revenue. Cash receipt of PPP funds are classified as operating cash flows.

NOTE K - REFUNDABLE ADVANCES UNDER SUPPLY AGREEMENTS

In 2021, RAA entered into supply agreements with two customers. Both agreements were effective November 1, 2021, and have 10-year terms. RAA received a $50,000 advance under one agreement in 2021, and a $100,000 advance on the other in 2022. The advances are recorded as liabilities until repaid.

The advances will be repaid to the customers through a $.01 per pound discount on purchases of certain plastic materials. The purchases are to be made at market prices, less the discount until the advances are repaid. One agreement calls for a minimum of $10,000 to be repaid per year, whether through purchase discount or payment.

NOTE L - LEASES

Operating Leases

Ecology Center leases its office space in Ann Arbor under a seven-year operating lease ending in May 2023. Ecology Center also leases office space in Detroit under a month-to-month operating lease. Rental expense under these leases was $115,264 and $118,806 in 2021 and 2020, respectively.

RAA leased its Industrial Road office and operations facilities under an operating lease that ended in March 2021. RAA vacated this space at the end of the lease and relocated to the Materials Recovery Facility (MRF). Rental expense under this lease was $89,340 and $261,197 in 2021 and 2020, respectively.

The MRF land and building shell are being leased from the City of Ann Arbor for $100 per year. RAA is responsible for all capital and operating costs of rebuilding and operating the MRF. This lease agreement became effective in September 2020 upon execution of the Services Agreement with the City of Ann Arbor that authorized RAA to rebuild the facility so that materials could be processed on-site. On-site processing began December 1, 2021. The term of the lease coincides with RAA's MRF Services Agreement, ending in 2030.

RAA leased its Jackson Road property until purchasing it in May of 2021. Rental expense under this lease was $30,000 and $72,000 in 2021 and 2020, respectively.

RAA also leased several trucks for its curbside collection operation under monthly leases. These leases ended in 2021, and RAA purchased some of the leased trucks.

Future minimum rental payments required under building and office equipment leases are as follows:

2022	$	117,103
2023		49,195
2024		-
2025		-
2026		-
Thereafter		-
Total payments	$	166,298

Sublease

Ecology Center subleased a portion of its office space under a yearly lease agreement that ended May 31, 2020. The sublease was not renewed. Payments received under this sublease totaled $5,620 in 2020.

NOTE M - CONTRIBUTED NONFINANCIAL ASSETS (GIFTS-IN-KIND)

For the years ended December 31, 2021 and 2020, contributed nonfinancial assets recognized within the consolidated statement of activities included:

	2021	2020
MRF facilities lease	$ 180,000	$ -
Items donated to ReUse Center	-	96,029

RAA recognized contributed nonfinancial assets within revenue, including contributed use of facilities and items donated to its ReUse Center that were then offered for sale. The ReUse Center closed permanently in September 2020. Unless otherwise noted, contributed nonfinancial assets did not have donor-imposed restrictions.

Contributed Use of MRF Facilities

Under a land and building lease agreement and services agreement with the City of Ann Arbor, the City of Ann Arbor is leasing to RAA the premises commonly known as the MRF. Under the terms of the lease agreement, RAA pays $100 per year for use of the premises. In valuing the contributed use of the MRF facilities, RAA estimated the fair value on the basis of what RAA would have paid to the City of Ann Arbor for the year had the services agreement been terminated early by the City due to non-appropriation.

NOTE M - CONTRIBUTED NONFINANCIAL ASSETS (GIFTS-IN-KIND), *continued*

Per the agreement with the City of Ann Arbor, in the event that the services agreement is terminated for non-appropriation and the lease term is extended, the agreed-upon monthly rent for 2021 was $15,000. RAA accounts for this below-market lease as a conditional contribution and recognizes in-kind revenue and expense as the conditions are met.

Items Donated to ReUse Center

Prior to its closing in September 2020, the ReUse Center received donations of materials that were then offered for sale. In valuing the items donated to the ReUse Center, RAA estimated the fair value to be equal to the value received when the materials were sold.

NOTE N - CONCENTRATIONS

Major Customers

Revenue from various contracts with the City of Ann Arbor totaled $4,251,690 and $4,327,499 in 2021 and 2020, respectively. Accounts receivable from the City of Ann Arbor totaled $473,612 and $752,241 at December 31, 2021 and 2020, respectively.

The curbside collection revenue is based on the number of single families served and multi-family and commercial carts processed. The contract expires in June 2026. The Materials Recovery Facility (MRF) revenue is from managing the operations at the Ann Arbor Materials Recovery Facility. The contract expires in December 2030.

In 2020, RAA, under an agreement with the City of Ann Arbor, used various pieces of equipment purchased and owned by the city. RAA did not capitalize these assets and the value of their use is not included in revenue. Effective January 2021, new contract terms require RAA to provide and maintain this equipment.

Under a land and building lease agreement with the City of Ann Arbor, the City of Ann Arbor is leasing to RAA the premises commonly known as the MRF.

Cash Balances

Cash accounts are guaranteed by the Federal Deposit Insurance Corporation (FDIC) up to $250,000 per bank. At December 31, 2021, cash deposited with financial institutions exceeded the federally insured limit by $187,705 for Ecology Center and $655,274 for RAA.

Labor Supply

Eighteen of Ecology Center’s employees are covered by a collective bargaining agreement with the United Auto Workers Union which expires July 1, 2024. RAA has a labor contract with the UAW affecting RAA employees. The current agreement expires April 30, 2024.

NOTE O - BOARD DESIGNATED NET ASSETS

Board designated net assets are available for the following purposes at December 31:

	2021	2020
Mary Beth Doyle Memorial Fund	$ 48,669	$ 48,669
Rebecca Head Memorial Fund	36,392	35,942
	$ 85,061	$ 84,611

NOTE P - NET ASSETS WITH DONOR RESTRICTIONS

At December 31, net assets with donor restrictions are restricted for the following purposes or periods:

	2021	2020
Purpose restrictions, available for spending:		
Ecology Center programs	$ 1,709,921	$ 2,142,384
MRF equipment purchases	-	726,750
	1,709,921	2,869,134
Endowment Funds, which must be appropriated by the Board of Directors before use:		
Donors specified for the general use of the organization, time restricted until appropriated (original gift $52,487)	336,306	283,024
Total Endowment Funds managed by the organization	336,306	283,024
	$ 2,046,227	$ 3,152,158

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of the passage of time or other events specified by the donors as follows for the years ended December 31, 2021 and 2020:

	2021	2020
Satisfaction of purpose restrictions		
Ecology Center programs	$ 1,675,041	$ 1,277,408
MRF equipment purchases	758,338	-
	2,433,379	1,277,408
Restricted-purpose spending-rate distributions and appropriations		
Ecology Center programs	-	200
	-	200
	$ 2,433,379	$ 1,277,608

NOTE Q - ENDOWMENT

Ecology Center's endowment (the Endowment) consists of four individual funds established for a variety of purposes. The Endowment includes both donor-restricted endowment funds and funds designated by the Board of Directors to function as endowments. As required by GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

Ecology Center has interpreted the Michigan Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the date of the donor-restricted endowment funds, unless there are explicit donor stipulations to the contrary. At December 31, 2021 and 2020, there were no such donor stipulations. As a result of this interpretation, Ecology Center retains in perpetuity (a) the original value of initial and subsequent gift amounts (including promises to give net of discount and allowance for doubtful accounts) donated to the Endowment and (b) any accumulations to the Endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added. Donor-restricted amounts not retained in perpetuity are subject to appropriation for expenditure by Ecology Center in a manner consistent with the standard of prudence prescribed by UPMIFA. Ecology Center considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

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

Endowment Composition by Type of Fund

The following schedule summarizes the endowment net asset composition by type of fund as of December 31, 2021:

	Without Donor Restrictions	With Donor Restrictions	Total
Board-designated endowment funds	$ 85,061	$ -	$ 85,061
Donor-restricted endowment funds			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	-	52,487	52,487
Accumulated investment gains	-	283,819	283,819
Total funds	$ 85,061	$ 336,306	$ 421,367

The following schedule summarizes the endowment net asset composition by type of fund as of December 31, 2020:

	Without Donor Restrictions	With Donor Restrictions	Total
Board-designated endowment funds	$ 84,611	$ -	$ 84,611
Donor-restricted endowment funds			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	-	52,487	52,487
Accumulated investment gains	-	230,537	230,537
Total funds	$ 84,611	$ 283,024	$ 367,635

NOTE Q - ENDOWMENT, *continued*

Change in Endowment Net Assets

The changes in endowment net assets for the years ended December 31, 2021 are presented in the following schedule:

	Without Donor Restrictions	With Donor Restrictions	Total
Net assets, beginning of year	$ 84,611	$ 283,024	$ 367,635
Net investment return	-	53,282	53,282
Contributions	-	-	-
Additional board designation	450	-	450
Amounts appropriated for expenditure	-	-	-
Other changes	-	-	-
Net assets, end of year	$ 85,061	$ 336,306	$ 421,367

The changes in endowment net assets for the years ended December 31, 2020 are presented in the following schedule:

	Without Donor Restrictions	With Donor Restrictions	Total
Net assets, beginning of year	$ 83,911	$ 237,295	$ 321,206
Net investment return	-	45,729	45,729
Contributions	-	900	900
Amounts appropriated for expenditure	-	(900)	(900)
Other changes	700	-	700
Net assets, end of year	$ 84,611	$ 283,024	$ 367,635

Return Objectives and Risk Parameters

Ecology Center has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that Ecology Center must hold in perpetuity.

Under this policy, as approved by the Board of Directors, the Ecology Center's goal is to earn a stable and predictable amount of current income from the endowment, while reinvesting additional interest in years when Ecology Center's investments do well.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, Ecology Center relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). Ecology Center targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

NOTE Q - ENDOWMENT, *continued*

Spending Policy and How the Investment Objectives Relate to Spending Policy

The Ecology Center's policy is to transfer funds annually from its endowment to its general fund in an amount equal to 4% of the once-a-year average balance for the past four years. The amount will be measured on a "4-point/4-year" average. This average is based on the value of the endowment at 12/31 for previous years 1-3, and at 9/30 for the 4th year.

Transfers will not be made if doing so would bring the account value below the original endowment investment amount to be held in perpetuity. Also, the director and/or board may opt out of this annual transfer if the account value has recently fallen and/or for any other reason that is deemed to be in the best interests of the Ecology Center and/or the endowment principal in the account.

This is consistent with Ecology Center's objective to maintain the purchasing power of the endowment assets held in perpetuity as well as to provide additional real growth through new gifts and investment return.

NOTE R - NEW ACCOUNTING PRONOUNCEMENTS

The FASB issued ASU No. 2016-02, *Leases (Topic 842)*, which will require recognition of an asset and liability for most leases entered into by lessees. ASU No. 2016-02 will be effective beginning in 2022. Ecology Center is currently evaluating the impact the adoption of ASU No. 2016-02 will have on its consolidated financial statements.

NOTE S - SUBSEQUENT EVENTS

In 2022, before the issuance of these consolidated financial statements, RAA borrowed approximately $150,000 to purchase fire suppression equipment for the MRF.