

FRIENDS OF SCHLITZ AUDUBON NATURE CENTER, INC.

CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2021 and 2020

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Friends of Schlitz Audubon Nature Center, Inc.
Milwaukee, Wisconsin

We have audited the accompanying financial statements of Friends of Schlitz Audubon Nature Center, Inc., which comprise the consolidated statements of financial position as of June 30, 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.

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.

Auditor's Responsibility

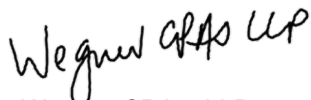
Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Friends of Schlitz Audubon Nature Center, Inc. as of June 30, 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.



Wegner CPAs, LLP
Waukesha, Wisconsin
November 30, 2021

FRIENDS OF SCHLITZ AUDUBON NATURE CENTER, INC.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
ASSETS		
CURRENT ASSETS		
Cash	\$ 564,979	\$ 272,664
Certificate of deposit	200,000	-
Accounts receivable	24,020	3,807
Unconditional promises to give	32,872	74,395
Inventory	21,450	29,444
Prepaid expenses	<u>58,351</u>	<u>58,828</u>
Total current assets	901,672	439,138
LEASEHOLD IMPROVEMENTS AND EQUIPMENT		
Leasehold improvements	1,036,302	1,001,801
Furniture and equipment	809,472	821,526
Construction in progress	18,668	25,454
Accumulated depreciation	<u>(971,511)</u>	<u>(889,624)</u>
Leasehold improvements and equipment, net	892,931	959,157
OTHER ASSETS		
Investments	<u>5,223,884</u>	<u>4,443,398</u>
Total assets	<u><u>\$ 7,018,487</u></u>	<u><u>\$ 5,841,693</u></u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Line of credit	\$ -	\$ 55,000
Accounts payable	62,848	58,730
Accrued expenses	49,644	28,095
Accrued compensation	236,302	184,297
Deferred revenue	388,133	340,195
Paycheck Protection Program advance	<u>72,395</u>	<u>289,583</u>
Total liabilities	809,322	955,900
NET ASSETS		
Without donor restrictions	5,905,361	4,548,834
With donor restrictions	<u>303,804</u>	<u>336,959</u>
Total net assets	<u>6,209,165</u>	<u>4,885,793</u>
Total liabilities and net assets	<u><u>\$ 7,018,487</u></u>	<u><u>\$ 5,841,693</u></u>

FRIENDS OF SCHLITZ AUDUBON NATURE CENTER, INC.
CONSOLIDATED STATEMENT OF ACTIVITIES
Year Ended June 30, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES AND OTHER SUPPORT			
Contributions			
General donations	\$ 689,813	\$ 401,080	\$ 1,090,893
Memorials and bequests	104,009	-	104,009
Membership dues	260,058	-	260,058
Special events	153,859	-	153,859
Paycheck Protection Program assistance	651,562	-	651,562
Admissions and program fees	381,690	-	381,690
Retail sales, net	34,967	-	34,967
Preschool	629,223	-	629,223
Rental income	88,149	-	88,149
Investment return, net	940,321	3,780	944,101
Other income	3,994	-	3,994
	<u>3,937,645</u>	<u>404,860</u>	<u>4,342,505</u>
Total revenues and other support			
EXPENSES			
Program services			
Educational programs	1,126,733	-	1,126,733
Land conservation	623,967	-	623,967
Nature preschool	646,887	-	646,887
	<u>2,397,587</u>	<u>-</u>	<u>2,397,587</u>
Total program services			
Supporting activities			
Management and general	416,450	-	416,450
Fundraising	230,127	-	230,127
	<u>3,044,164</u>	<u>-</u>	<u>3,044,164</u>
Total expenses			
NET ASSETS RELEASED FROM RESTRICTIONS			
Satisfaction of purpose restrictions and expiration of time restrictions	438,015	(438,015)	-
	<u>1,331,496</u>	<u>(33,155)</u>	<u>1,298,341</u>
Change in net assets before income tax benefit			
Income tax benefit	25,031	-	25,031
	<u>1,356,527</u>	<u>(33,155)</u>	<u>1,323,372</u>
Change in net assets			
Net assets at beginning of year	4,548,834	336,959	4,885,793
	<u>\$ 5,905,361</u>	<u>\$ 303,804</u>	<u>\$ 6,209,165</u>
Net assets at end of year			

FRIENDS OF SCHLITZ AUDUBON NATURE CENTER, INC.
CONSOLIDATED STATEMENT OF ACTIVITIES
Year Ended June 30, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES AND OTHER SUPPORT			
Contributions			
General donations	\$ 589,253	\$ 652,555	\$ 1,241,808
Memorials and bequests	26,974	100,000	126,974
Membership dues	210,667	-	210,667
Special events	36,074	-	36,074
Paycheck Protection Program assistance	144,792	-	144,792
Admissions and program fees	328,028	-	328,028
Retail sales, net	30,340	-	30,340
Preschool	469,778	-	469,778
Rental income	403,804	-	403,804
Investment return, net	74,346	-	74,346
Other income	3,768	-	3,768
	<u>2,317,824</u>	<u>752,555</u>	<u>3,070,379</u>
Total revenues and other support	2,317,824	752,555	3,070,379
EXPENSES			
Program services			
Educational programs	1,214,249	-	1,214,249
Land conservation	712,587	-	712,587
Nature preschool	622,092	-	622,092
	<u>2,548,928</u>	<u>-</u>	<u>2,548,928</u>
Total program services	2,548,928	-	2,548,928
Supporting activities			
Management and general	446,903	-	446,903
Fundraising	247,731	-	247,731
	<u>3,243,562</u>	<u>-</u>	<u>3,243,562</u>
Total expenses	3,243,562	-	3,243,562
NET ASSETS RELEASED FROM RESTRICTIONS			
Satisfaction of purpose restrictions and expiration of time restrictions	861,020	(861,020)	-
	<u>(64,718)</u>	<u>(108,465)</u>	<u>(173,183)</u>
Change in net assets before provision for income taxes	(64,718)	(108,465)	(173,183)
Provision for income taxes	(12,003)	-	(12,003)
	<u>(76,721)</u>	<u>(108,465)</u>	<u>(185,186)</u>
Change in net assets	(76,721)	(108,465)	(185,186)
Net assets at beginning of year	4,625,555	445,424	5,070,979
	<u>\$ 4,548,834</u>	<u>\$ 336,959</u>	<u>\$ 4,885,793</u>
Net assets at end of year	\$ 4,548,834	\$ 336,959	\$ 4,885,793

FRIENDS OF SCHLITZ AUDUBON NATURE CENTER, INC.
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
Year Ended June 30, 2021

	Program Services			Supporting Activities		Total Expenses	
	Educational Programs	Land Conservation	Nature Preschool	Total Program Services	Management and General		Fundraising
Salaries and benefits	\$ 924,183	\$ 402,436	\$ 501,301	\$ 1,827,920	\$ 182,053	\$ 163,319	\$ 2,173,292
Educational supplies	35,178	-	6,492	41,670	1,421	-	43,091
Insurance	12,488	12,487	6,722	31,697	6,193	6,193	44,083
Office and other supplies	1,418	-	430	1,848	38,311	3,993	44,152
Professional fees	29,871	-	1,756	31,627	60,490	-	92,117
Promotional, printing, and postage	32,412	-	424	32,836	8,147	21,081	62,064
Depreciation	31,976	41,121	7,207	80,304	15,287	-	95,591
Land improvement grants	-	77,323	-	77,323	-	-	77,323
Travel and auto costs	1,594	17,084	-	18,678	100	61	18,839
Telephone	14,076	6,130	7,636	27,842	2,773	2,488	33,103
Maintenance	10,711	4,664	83,904	99,279	26,551	1,893	127,723
Property taxes	-	48,994	-	48,994	-	-	48,994
Utilities	23,475	10,223	12,734	46,432	4,625	4,149	55,206
Food and beverage	-	-	-	-	-	17,942	17,942
Event fees and supplies	-	-	-	-	-	7,416	7,416
Rental and catering events	-	-	-	-	10,029	-	10,029
Bank service fees	-	-	-	-	53,879	-	53,879
Cost of goods sold	55,227	-	-	55,227	-	-	55,227
Other	9,351	3,505	18,281	31,137	6,591	1,592	39,320
Total expenses	1,181,960	623,967	646,887	2,452,814	416,450	230,127	3,099,391
Less expenses included with revenues on the consolidated statement of activities	(55,227)	-	-	(55,227)	-	-	(55,227)
Total expenses included in expense section on the consolidated statement of activities	<u>\$ 1,126,733</u>	<u>\$ 623,967</u>	<u>\$ 646,887</u>	<u>\$ 2,397,587</u>	<u>\$ 416,450</u>	<u>\$ 230,127</u>	<u>\$ 3,044,164</u>

See accompanying notes.

FRIENDS OF SCHLITZ AUDUBON NATURE CENTER, INC.
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
Year Ended June 30, 2020

	Program Services				Supporting Activities		Total Expenses
	Educational Programs	Land Conservation	Nature Preschool	Total Program Services	Management and General	Fundraising	
Salaries and benefits	\$ 970,838	\$ 429,105	\$ 470,398	\$ 1,870,341	\$ 231,347	\$ 199,212	\$ 2,300,900
Educational supplies	43,560	-	5,075	48,635	1,011	-	49,646
Insurance	11,917	11,917	6,575	30,409	5,908	5,908	42,225
Office and other supplies	3,218	-	1,364	4,582	19,055	3,289	26,926
Professional fees	47,397	-	6,375	53,772	30,651	-	84,423
Promotional, printing, and postage	35,367	-	809	36,176	14,885	19,146	70,207
Depreciation	30,143	37,350	10,285	77,778	20,430	-	98,208
Land improvement grants	-	139,710	-	139,710	-	-	139,710
Travel and auto costs	6,506	10,065	614	17,185	20	232	17,437
Telephone	13,607	6,014	6,593	26,214	3,243	2,792	32,249
Maintenance	16,201	7,161	82,260	105,622	12,131	3,324	121,077
Property taxes	-	49,752	-	49,752	-	-	49,752
Utilities	23,809	10,524	11,537	45,870	5,674	4,886	56,430
Event fees and supplies	-	-	-	-	-	5,343	5,343
Rental and catering events	-	-	-	-	56,190	-	56,190
Bank service fees	-	-	-	-	43,692	-	43,692
Income tax expense	-	-	-	-	12,003	-	12,003
Cost of goods sold	47,982	-	-	47,982	-	-	47,982
Other	11,686	10,989	20,207	42,882	2,666	3,599	49,147
Total expenses	1,262,231	712,587	622,092	2,596,910	458,906	247,731	3,303,547
Less expenses included with revenues or presented separately on the consolidated statement of activities	(47,982)	-	-	(47,982)	(12,003)	-	(59,985)
Total expenses included in expense section on the consolidated statement of activities	<u>\$ 1,214,249</u>	<u>\$ 712,587</u>	<u>\$ 622,092</u>	<u>\$ 2,548,928</u>	<u>\$ 446,903</u>	<u>\$ 247,731</u>	<u>\$ 3,243,562</u>

See accompanying notes.

FRIENDS OF SCHLITZ AUDUBON NATURE CENTER, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
Years Ended June 30, 2020 and 2019

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 1,323,372	\$ (185,186)
Adjustments to reconcile change in net assets to net cash flows from operating activities		
Depreciation	95,591	98,208
Net realized and unrealized (gains) losses on investments	(835,640)	49,821
Loss on sale of leasehold improvements and equipment	-	3,919
(Increase) decrease in assets		
Accounts receivable	(20,213)	9,003
Unconditional promises to give	41,523	(74,395)
Inventory	7,994	(10,325)
Prepaid expenses	477	(32,510)
Increase (decrease) in liabilities		
Accounts payable	4,118	(10,906)
Accrued expenses	21,549	1,498
Accrued compensation	52,005	(708)
Deferred revenue	47,938	31,761
Paycheck Protection Program advance	(217,188)	289,583
Net cash flows from operating activities	521,526	169,763
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sales of investments	1,390,353	349,529
Purchases of investments and interest reinvested	(1,335,198)	(259,517)
Purchase of certificate of deposit	(200,000)	-
Proceeds from sale of leasehold improvements and equipment	-	2,750
Purchases of leasehold improvements and equipment	(29,366)	(381,401)
Net cash flows from investing activities	(174,211)	(288,639)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on line of credit	(55,000)	(40,000)
Change in cash	292,315	(158,876)
Cash at beginning of year	272,664	431,540
Cash at end of year	\$ 564,979	\$ 272,664
SUPPLEMENTAL INFORMATION		
Cash paid for income taxes	\$ -	\$ 14,851
Cash paid for interest	1,649	2,147

FRIENDS OF SCHLITZ AUDUBON NATURE CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2021 and 2020

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

Friends of Schlitz Audubon Nature Center, Inc. (Organization) operates a nature education facility in Milwaukee County, Wisconsin in accordance with a contract that runs through the year 2049. Restrictions in the contract require the land be used primarily for the purpose of conducting a nature center devoted to the preservation of wild plant and animal life in their natural habitats, the conservation of the ecological system represented in the area, and the education of members of the general public with respects to wildlife, ecology, and nature conservation. The Organization is primarily supported by contributions.

The Organization has a wholly-owned for-profit subsidiary, Natural Events, Inc. (Corporation). The Corporation provides the bar and various other ancillary services for clients who rent the Organization's facilities for private events. The Corporation's revenue primarily consists of rental fees.

Principles of Consolidation

The financial statements include the accounts of the Organization and the Corporation. All material intra-entity transactions have been eliminated.

Accounts Receivable

Accounts receivable primarily represent amounts due from customers for various program registration fees. Accounts receivable are stated at the amount management expects to be collected from outstanding balances. As of June 30, 2021 and 2020, management has determined, based on historical experience, that all amounts are fully collectible and no allowance for doubtful accounts is necessary.

Promises to Give

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

Leasehold Improvements and Equipment

Acquisitions of leasehold improvements and equipment over \$5,000 and expenditures for repairs, maintenance, renewals, and betterments that materially prolong the useful lives of assets are capitalized. Leasehold improvements and equipment are carried at cost or, if donated, at the approximate fair value at the date of donation. Depreciation is computed using the straight-line method over the estimated useful lives of the assets as follows:

Leasehold improvements	10-30 years
Furniture and equipment	5-10 years

FRIENDS OF SCHLITZ AUDUBON NATURE CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2021 and 2020

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Inventory

Inventory consists of supplies, gifts, clothes, and educational materials, and is stated at the lower of cost or net realizable value. Cost is determined by the first-in, first-out method.

Investments

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

Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain 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 change could materially affect the amounts reported in the consolidated statements of financial position.

Paycheck Protection Program Loans

The Organization received loans under the Paycheck Protection Program (PPP) established by the Coronavirus Aid, Relief, and Economic Security Act and administered by the U.S. Small Business Administration. The loans will be fully forgiven if the funds are used for payroll costs, interest on mortgages, rent, and utilities. The Organization expects to meet the PPP's eligibility criteria and believes the loans are, in substance, grants that are expected to be forgiven. The Organization recognizes amounts expected to be forgiven as revenue when it incurs qualifying expenses.

Contributions

Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statements of activities as net assets released from restrictions.

Membership Dues

Membership dues, which are nonrefundable, are comprised of an exchange element based on the value of benefits provided, and a contribution element for the difference between the total dues paid and the exchange element. The Organization considers the exchange element to be immaterial to the financial statements and recognizes membership dues as a contribution when payment is received.

FRIENDS OF SCHLITZ AUDUBON NATURE CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2021 and 2020

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue Recognition

The Organization's revenue primarily consists of admissions, camp and event registrations, preschool tuition, and product sales at its retail store. Revenue from admissions and camp and event registrations are generally considered to be single performance obligations that are satisfied at a point in time. Admissions are recognized at the time the customer pays for admittance into the nature center. Camp and event registrations are recognized when the camp or event takes place. Payments for camp and event registrations received in advance are deferred and recognized in the period the camp or event occurs.

The Organization receives tuition for its preschool programming. Tuition is recognized on a straight-line basis over the course of the school year. The Organization bills for tuition based on payment plans elected by the individual either in a lump-sum payment or installments over the course of the school year. Advance billings are deferred until the services are performed.

Revenue from product sales at the retail store is recognized when the customer receives and pays for the merchandise. Sales taxes collected from customers are excluded from revenue. The Organization does not have any financing components as payment is received at or shortly after the point of sale. Returns are expected to be insignificant.

Advertising

Advertising costs are expensed as incurred. Advertising expense for the years ended June 30, 2021 and 2020 was \$10,823 and \$15,584, respectively.

Expense Allocation

The financial statements report certain categories of expenses that are attributable to more than one program service or supporting activity. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include salaries and benefits, insurance, telephone, and utilities, which are allocated on the basis of estimates of time and effort.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts revenues and expenses during the reporting period. Actual results could differ from those estimates.

Reclassifications

Certain amounts in the prior year's financial statements have been reclassified for comparative purposes to conform to the current year's presentation.

FRIENDS OF SCHLITZ AUDUBON NATURE CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2021 and 2020

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income Tax Status

The Organization is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. The Corporation files income tax returns in the U.S. federal jurisdiction and the State of Wisconsin. Income taxes are provided for the tax effects of transactions reported in the financial statements and consist of taxes currently due. The Corporation had no income tax expense for the year ended June 30, 2021, due to an operating loss and was able to claim a current year refund of \$5,697 and carryback of \$18,094. Income tax expense for the year ended June 30, 2020 was \$12,003.

Date of Management's Review

Management has evaluated subsequent events through November 30, 2021, the date which the financial statements were available to be issued.

NOTE 2—CONDITIONAL GRANTS

The Organization received grants that are conditioned upon the Organization incurring certain qualifying expenses under the grants. At June 30, 2021 and 2020, these conditional grants to give totaled approximately \$70,000 and \$42,000, respectively. These grants will be recognized as revenue when the respective conditions are met in future years.

NOTE 3—INVESTMENTS

Investments are comprised of the following:

	2021	2020
Cash and equivalents held by investment managers	\$ 326,592	\$ 102,432
Equity mutual funds	1,283,502	1,290,151
Fixed income funds	1,819,853	342,838
Corporate bonds	1,562,432	1,838,340
Corporate stocks	231,505	869,637
	\$ 5,223,884	\$ 4,443,398

Fair values for equity mutual funds, fixed income funds, and corporate stocks are valued at unadjusted quoted prices reported on the active markets on which the individual securities are traded, which are Level 1 fair value measurements. Fair values for corporate bonds are valued using a market approach that uses as inputs observed interest rates and yield curves, prices in active markets for similar assets, and prices for identical assets in inactive markets that have been adjusted by observable indexes, which are Level 2 fair value measurements.

NOTE 4—LINE OF CREDIT

The Organization has a \$400,000 unsecured revolving line of credit agreement which is due on demand upon 90 days' advance notice to the Organization. The line of credit accrues interest monthly at the Wall Street Journal prime rate plus 0.09% (3.34% at June 30, 2021).

FRIENDS OF SCHLITZ AUDUBON NATURE CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2021 and 2020

NOTE 5—PAYCHECK PROTECTION PROGRAM LOANS

The Organization received loans totaling \$868,750 under the Paycheck Protection Program (PPP) established by the Coronavirus Aid, Relief, and Economic Security (CARES) Act and administered by the U.S. Small Business Administration (SBA). SBA may review any loan at any time at its discretion. Therefore, SBA may review the Organization's good-faith certification concerning the necessity of its loan request, whether the Organization calculated the loan amount correctly, whether the Organization used loan proceeds for the allowable uses specified in the CARES Act, and whether the Organization is entitled to loan forgiveness in the amount claimed on its application. If SBA determines the Organization was ineligible for the loan or for forgiveness in whole or in part, SBA will seek repayment of the outstanding loan balance. On February 10, 2021, the SBA approved forgiveness of the Organization's \$434,375 first draw loan. The Organization is in the process of applying for forgiveness of its second draw loan. The Organization must retain PPP documentation in its files for six years after the date the loan is forgiven or repaid in full and permit authorized representatives of SBA to access such files upon request.

NOTE 6—ENDOWMENT

The Organization's endowment consists of funds designated by the board of directors and donor-restricted funds established to support the mission of the Organization. As required by generally accepted accounting principles, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The board of directors of the Organization has interpreted Wisconsin's Uniform Prudent Management of Institutional Funds Act (UPMIFA) as not requiring the maintenance of purchasing power of the original gift amount contributed to an endowment fund, unless a donor stipulates the contrary. As a result of this interpretation, when reviewing its donor-restricted endowment funds, the Organization considers a fund to be underwater if the fair value of the fund is less than the sum of (a) the original value of initial and subsequent gift amounts donated to the fund and (b) any accumulations to the fund that are required to be maintained in perpetuity in accordance with the direction of the applicable donor gift instrument. The Organization has interpreted UPMIFA to permit spending from underwater funds in accordance with the measures required under the law.

In accordance with UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the fund, (2) the purposes of the Organization and the donor-restricted endowment fund, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of the Organization, and (7) the Organization's investment policies.

Investment Return Objectives, Risk Parameters, and Strategies. The Organization has adopted investment policies for endowment assets that attempt to provide a predictable stream of funding while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Organization must hold in perpetuity as well as board-designated funds. Under this policy, as approved by the board of directors, the endowment assets are invested in a manner that is intended to produce results to fund the programs of the Organization, while assuming a moderate level of investment risk.

FRIENDS OF SCHLITZ AUDUBON NATURE CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2021 and 2020

NOTE 6—ENDOWMENT (continued)

To satisfy its long-term rate-of-return objectives, the Organization 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). The Organization targets a diversified asset allocation that includes equity-based investments and debt securities to achieve its long-term return objectives within prudent risk constraints. The board of directors also requires that funds in the investment account shall not be used as collateral for any debt or loan unless approved by a majority of the board of directors.

Spending Policy. The Organization’s endowment was established for financial emergencies or furthering the exempt purpose of the Organization. Distributions from the endowment will only be made if the board of directors of the Organization approve the appropriation of endowment earnings. The board of directors of the Organization will meet at least semi-annually to consider any funding requests and make distributions if deemed appropriate. The Organization has a policy that permits spending from underwater funds depending on the degree to which the fund is underwater, unless otherwise precluded by donor intent or relevant laws and regulations.

In order to ensure a long-term funding source and ensure a continuation of the Organization’s mission, the board of directors directed that distributions from the account shall be board-designated, with the exception of donor-restricted funds. Distributions from these board-designated funds are limited to a 5% spending rule. Any other distributions from the account require a majority vote by the board of directors.

Endowment net asset composition by type of fund is as follows:

	2021		
	Without Donor Restrictions	With Donor Restrictions	Total
Board-designated endowment funds	\$ 5,027,498	\$ -	\$ 5,027,498
Donor-restricted endowment funds:			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	-	66,902	66,902
	\$ 5,027,498	\$ 66,902	\$ 5,094,400
	2020		
	Without Donor Restrictions	With Donor Restrictions	Total
Board-designated endowment funds	\$ 4,270,590	\$ -	\$ 4,270,590
Donor-restricted endowment funds:			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	-	64,902	64,902
	\$ 4,270,590	\$ 64,902	\$ 4,335,492

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NOTE 6—ENDOWMENT (continued)

Changes in endowment net assets are as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment net assets at June 30, 2019	\$ 4,492,431	\$ 85,467	\$ 4,577,898
Investment return, net	71,956	1,117	73,073
Contributions	30,050	4,000	34,050
Amounts appropriated for expenditure	<u>(323,847)</u>	<u>(25,682)</u>	<u>(349,529)</u>
Endowment net assets at June 30, 2020	4,270,590	64,902	4,335,492
Investment return, net	939,938	3,780	943,718
Contributions	36,750	2,000	38,750
Amounts appropriated for expenditure	<u>(219,780)</u>	<u>(3,780)</u>	<u>(223,560)</u>
Endowment net assets at June 30, 2021	<u>\$ 5,027,498</u>	<u>\$ 66,902</u>	<u>\$ 5,094,400</u>

NOTE 7—NET ASSETS

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

	<u>2021</u>	<u>2020</u>
Board-designated endowment funds	\$ 5,027,498	\$ 4,270,590
Specific projects	29,484	7,906
Undesignated	<u>848,379</u>	<u>270,338</u>
	<u>\$ 5,905,361</u>	<u>\$ 4,548,834</u>

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

	<u>2021</u>	<u>2020</u>
Subject to expenditure for specific purpose:		
Nature preschool	\$ 113,476	\$ 121,665
Education/scholarships	29,045	49,412
Raptor program	18,167	14,685
Land conservation	76,214	86,295
Endowment:		
Subject to the Organization's spending policy and appropriation:		
General use	<u>66,902</u>	<u>64,902</u>
	<u>\$ 303,804</u>	<u>\$ 336,959</u>

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NOTE 8—FUNDS HELD BY GREATER MILWAUKEE FOUNDATION

The Greater Milwaukee Foundation (Foundation), a community foundation, received a \$933,000 endowment for the benefit of the Organization in February 1995 as part of the settlement of a donor's estate. The Foundation received additional funds of \$594,666 for this endowment on behalf of Organization in October 1996 from tax refunds related to the estate. The Foundation invests these funds, makes investment decisions, and determines the amount of income to be distributed annually to the Organization. Although the Organization is the sole net income beneficiary from this endowment, the declaration of trust for the Foundation gives the Foundation unilateral variance power to alter the restriction on any donation without the donor's approval.

As a result, these assets have been excluded from the Organization's financial statements. The market value of the endowment was \$3,493,632 and \$2,920,106 at June 30, 2021 and 2020, respectively. Contributions from this endowment were \$103,341 and \$105,381 for the years ended June 30, 2021 and 2020, respectively.

NOTE 9—CONCENTRATIONS OF CREDIT RISK

The Organization maintains cash balances at financial institutions located in southeastern Wisconsin. Accounts at each institution are insured by the Federal Deposit Insurance Corporation up to \$250,000. At June 30, 2021 and 2020, the Organization's uninsured cash balances total approximately \$292,000 and \$4,000, respectively.

NOTE 10—RETIREMENT PLAN

The Organization sponsors a retirement savings plan established under Section 401(k) of the Internal Revenue Code for all employees. All full-time employees are eligible to participate immediately upon date of hire. All part-time employees are eligible after completing 1,000 hours of service within a 12-month period. Under the plan, employees may elect to make 401(k) deferral contributions subject to certain IRS limitations. The employer may make contributions equal to a percentage of each participant's salary reductions and/or other discretionary amounts as specified by the board of directors. For the years ending June 30, 2021 and 2020, there was no discretionary employer contribution.

NOTE 11—LIQUIDITY AND AVAILABILITY

The Organization strives to maintain liquid financial assets sufficient to cover 90 days of general expenditures. Financial assets in excess of daily cash requirements are invested in money market funds and investments. The Organization manages its liquidity and reserves following three guiding principles: operating within a prudent range of financial soundness and stability, maintaining adequate liquid assets to fund near-term operating needs, and maintaining sufficient reserves to provide reasonable assurance that obligations will be discharged.

The Organization's financial assets include the investments maintained for its board-designated endowment funds in the amount of \$5,027,498 and \$4,270,590, respectively. Distributions of endowment earnings can be used for general purposes upon approval of the Organization's board of directors in accordance with the spending policy for the endowment.

The Organization also has a \$400,000 unsecured revolving line of credit agreement that is available to be drawn on for liquidity purposes.

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NOTE 12—LIQUIDITY AND AVAILABILITY (continued)

The table below presents financial assets available for general expenditures within one year of the date of the consolidated statements of financial position reduced by amounts not available for general expenditures within one year of the date of the consolidated statements of financial position because of donor-imposed restrictions or other designations:

	<u>2021</u>	<u>2020</u>
Financial assets at end of year		
Cash	\$ 564,979	\$ 272,664
Certificate of deposit	200,000	-
Accounts receivable	24,020	3,807
Unconditional promises to give	32,872	74,395
Investments	<u>5,223,884</u>	<u>4,443,398</u>
 Total financial assets at end of year	 6,045,755	 4,794,264
 Less those unavailable for general expenditures within one year:		
Restricted by donor with purpose restrictions	(236,902)	(272,057)
Restricted by donor for endowment	(66,902)	(64,902)
Designated for endowment	(5,027,498)	(4,270,590)
Designated for specific projects	(29,484)	(7,906)
 Add approved endowment draw for following year	 <u>223,560</u>	 <u>223,560</u>
 Financial assets available to meet cash needs for general expenditures within one year	 <u>\$ 908,529</u>	 <u>\$ 402,369</u>

As part of the Organization's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

NOTE 13—AGREEMENTS WITH NATIONAL

Effective July 1, 2014, the National Audubon Society (National) and the Organization entered into a management, licensing, and land lease agreement that is effective through June 30, 2039, with an option to renew for an additional 10 years. The agreement allows the Organization to use the land and buildings owned by National to operate the nature center in consideration for \$100. The Organization will pay all taxes, utilities, insurance, and repairs and maintenance on the property under this lease. There are no future minimum lease payments on this lease.

Also, an endowment fund was established at National when the land that the nature center operates on was donated. National maintains this endowment fund which provides support for the operation of the Organization for as long as the agreement is in effect. The fair value of the endowment as of June 30, 2021 and 2020 was \$4,934,349 and \$4,245,013, respectively, and the amount the Organization received as a distribution from this endowment was \$192,240 and \$191,112 for the years then ended.

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NOTE 14—COVID-19 CONSIDERATIONS

The COVID-19 outbreak has caused disruption for nonprofit organizations and has resulted in significant volatility in the financial markets. The Organization has had temporary reductions of various program services it provides and had cancellations of events and meetings in 2020. While the disruption is currently expected to be temporary, there is considerable uncertainty around the duration of restrictions on gatherings and potential economic impacts. At this time, the potential related financial impact cannot be reasonably estimated.