

FRIENDS OF SCHLITZ AUDUBON NATURE CENTER, INC.

CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2023 and 2022

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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 financial statements of Friends of Schlitz Audubon Nature Center, Inc., which comprise the consolidated statements of financial position as of June 30, 2023 and 2022, 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 accompanying financial statements present fairly, in all material respects, the financial position of Friends of Schlitz Audubon Nature Center, Inc. as of June 30, 2023 and 2022, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). 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 Friends of Schlitz Audubon Nature Center, Inc. and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of 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 Friends of Schlitz Audubon Nature Center, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Friends of Schlitz Audubon Nature Center, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Friends of Schlitz Audubon Nature Center, Inc.'s ability to continue as a going concern for a reasonable period of time.

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

Other Information Included in the Annual Report

Management is responsible for the other information included in the annual report. The other information comprises the information included in the annual report but does not include the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.



Wegner CPAs, LLP
Waukesha, Wisconsin
November 28, 2023

FRIENDS OF SCHLITZ AUDUBON NATURE CENTER, INC.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
ASSETS		
CURRENT ASSETS		
Cash	\$ 931,194	\$ 535,304
Certificate of deposit	-	200,000
Accounts receivable	10,040	2,932
Employee retention credit receivable	228,525	549,378
Unconditional promises to give	37,956	5,377
Inventory	39,602	31,473
Prepaid expenses	60,219	65,557
	<u>1,307,536</u>	<u>1,390,021</u>
LEASEHOLD IMPROVEMENTS AND EQUIPMENT		
Leasehold improvements	1,170,704	1,170,853
Furniture and equipment	936,606	851,047
Construction in progress	13,572	2,440
Accumulated depreciation	(1,141,803)	(1,055,721)
	<u>979,079</u>	<u>968,619</u>
OTHER ASSETS		
Investments	5,246,838	4,776,656
	<u>5,246,838</u>	<u>4,776,656</u>
Total assets	<u>\$ 7,533,453</u>	<u>\$ 7,135,296</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 61,287	\$ 53,448
Accrued expenses	122,917	169,503
Accrued compensation	218,398	205,372
Deferred revenue	472,979	426,223
	<u>875,581</u>	<u>854,546</u>
NET ASSETS		
Without donor restrictions	6,254,015	5,958,153
With donor restrictions	403,857	322,597
	<u>6,657,872</u>	<u>6,280,750</u>
Total liabilities and net assets	<u>\$ 7,533,453</u>	<u>\$ 7,135,296</u>

See accompanying notes.

FRIENDS OF SCHLITZ AUDUBON NATURE CENTER, INC.
CONSOLIDATED STATEMENT OF ACTIVITIES
Year Ended June 30, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES AND OTHER SUPPORT			
Contributions			
General donations	\$ 633,494	\$ 530,422	\$ 1,163,916
Memorials and bequests	34,263	-	34,263
Membership dues	268,745	-	268,745
Special events	154,933	-	154,933
Admissions and program fees	476,297	-	476,297
Retail sales, net	42,999	-	42,999
Preschool	754,714	-	754,714
Rental income	698,909	-	698,909
Investment return, net	511,700	9,588	521,288
Other income	3,538	-	3,538
	<u>3,579,592</u>	<u>540,010</u>	<u>4,119,602</u>
EXPENSES			
Program services			
Educational programs	1,358,446	-	1,358,446
Land conservation	619,979	-	619,979
Nature preschool	762,428	-	762,428
	<u>2,740,853</u>	<u>-</u>	<u>2,740,853</u>
Supporting activities			
Management and general	668,907	-	668,907
Fundraising	305,340	-	305,340
	<u>3,715,100</u>	<u>-</u>	<u>3,715,100</u>
NET ASSETS RELEASED FROM RESTRICTIONS			
Satisfaction of purpose restrictions and expiration of time restrictions	458,750	(458,750)	-
	<u>323,242</u>	<u>81,260</u>	<u>404,502</u>
Change in net assets before provision for income taxes			
Provision for income taxes	(27,380)	-	(27,380)
	<u>295,862</u>	<u>81,260</u>	<u>377,122</u>
Change in net assets			
Net assets at beginning of year	5,958,153	322,597	6,280,750
	<u>\$ 6,254,015</u>	<u>\$ 403,857</u>	<u>\$ 6,657,872</u>
Net assets at end of year			

See accompanying notes.

FRIENDS OF SCHLITZ AUDUBON NATURE CENTER, INC.
CONSOLIDATED STATEMENT OF ACTIVITIES
Year Ended June 30, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES AND OTHER SUPPORT			
Contributions			
General donations	\$ 815,706	\$ 574,430	\$ 1,390,136
Memorials and bequests	65,468	-	65,468
Membership dues	272,324	-	272,324
Special events	139,363	-	139,363
Paycheck Protection Program assistance	72,396	-	72,396
Families First Coronavirus Program Assistance	549,377	-	549,377
Admissions and program fees	438,771	-	438,771
Retail sales, net	42,847	-	42,847
Preschool	715,826	-	715,826
Rental income	523,751	-	523,751
Investment return, net	(670,721)	3,324	(667,397)
Other income	4,783	-	4,783
	<u>2,969,891</u>	<u>577,754</u>	<u>3,547,645</u>
EXPENSES			
Program services			
Educational programs	1,251,226	-	1,251,226
Land conservation	586,982	-	586,982
Nature preschool	708,419	-	708,419
	<u>2,546,627</u>	<u>-</u>	<u>2,546,627</u>
Supporting activities			
Management and general	605,799	-	605,799
Fundraising	267,774	-	267,774
	<u>3,420,200</u>	<u>-</u>	<u>3,420,200</u>
NET ASSETS RELEASED FROM RESTRICTIONS			
Satisfaction of purpose restrictions and expiration of time restrictions	558,961	(558,961)	-
	<u>108,652</u>	<u>18,793</u>	<u>127,445</u>
Change in net assets before income tax benefit			
Provision for income taxes	(55,860)	-	(55,860)
	<u>52,792</u>	<u>18,793</u>	<u>71,585</u>
Change in net assets			
Net assets at beginning of year	5,905,361	303,804	6,209,165
	<u>\$ 5,958,153</u>	<u>\$ 322,597</u>	<u>\$ 6,280,750</u>
Net assets at end of year			

See accompanying notes.

FRIENDS OF SCHLITZ AUDUBON NATURE CENTER, INC.
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
Year Ended June 30, 2023

	Program Services			Supporting Activities		Total Expenses	
	Educational Programs	Land Conservation	Nature Preschool	Total Program Services	Management and General		Fundraising
Salaries and benefits	\$ 1,088,642	\$ 458,514	\$ 601,029	\$ 2,148,185	\$ 301,999	\$ 211,013	\$ 2,661,197
Educational supplies	45,137	-	10,044	55,181	1,313	-	56,494
Insurance	14,719	14,644	7,921	37,284	7,276	7,276	51,836
Office and other supplies	1,232	-	2,534	3,766	38,239	7,989	49,994
Professional fees	34,840	-	5,927	40,767	70,110	-	110,877
Promotional, printing, and postage	34,007	-	1,833	35,840	5,749	28,648	70,237
Depreciation	41,177	42,792	8,329	92,298	22,497	-	114,795
Land improvement grants	-	5,936	-	5,936	-	-	5,936
Travel and auto costs	6,856	7,915	1,586	16,357	300	322	16,979
Telephone	14,436	6,080	7,970	28,486	4,005	2,799	35,290
Maintenance	28,925	12,183	86,788	127,896	31,795	5,607	165,298
Property taxes	-	51,118	-	51,118	-	-	51,118
Utilities	26,046	10,970	14,380	51,396	7,225	5,049	63,670
Food and beverage	-	-	-	-	-	16,979	16,979
Event fees and supplies	-	-	-	-	-	15,882	15,882
Rental and catering events	-	-	-	-	99,366	-	99,366
Bank service fees	-	-	-	-	79,033	-	79,033
Cost of goods sold	72,105	-	-	72,105	-	-	72,105
Other	22,429	9,827	14,087	46,343	-	3,776	50,119
Total expenses	1,430,551	619,979	762,428	2,812,958	668,907	305,340	3,787,205
Less expenses included with revenues on the consolidated statement of activities	(72,105)	-	-	(72,105)	-	-	(72,105)
Total expenses included in expense section on the consolidated statement of activities	<u>\$ 1,358,446</u>	<u>\$ 619,979</u>	<u>\$ 762,428</u>	<u>\$ 2,740,853</u>	<u>\$ 668,907</u>	<u>\$ 305,340</u>	<u>\$ 3,715,100</u>

See accompanying notes.

FRIENDS OF SCHLITZ AUDUBON NATURE CENTER, INC.
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
Year Ended June 30, 2022

	Program Services			Supporting Activities		Total Expenses	
	Educational Programs	Land Conservation	Nature Preschool	Total Program Services	Management and General		Fundraising
Salaries and benefits	\$ 988,433	\$ 402,444	\$ 560,926	\$ 1,951,803	\$ 246,520	\$ 178,064	\$ 2,376,387
Educational supplies	43,286	-	7,998	51,284	1,241	-	52,525
Insurance	13,216	13,213	7,120	33,549	6,520	6,519	46,588
Office and other supplies	1,560	-	1,299	2,859	29,699	13,316	45,874
Professional fees	49,898	-	3,280	53,178	129,407	-	182,585
Promotional, printing, and postage	32,051	-	384	32,435	9,149	21,081	62,665
Depreciation	35,693	42,233	8,329	86,255	17,931	-	104,186
Land improvement grants	-	31,681	-	31,681	-	-	31,681
Travel and auto costs	5,657	9,663	52	15,372	12	61	15,445
Telephone	13,723	5,587	7,788	27,098	3,422	2,472	32,992
Maintenance	29,746	12,111	84,955	126,812	12,798	5,359	144,969
Property taxes	-	49,876	-	49,876	-	-	49,876
Utilities	25,263	10,286	14,337	49,886	6,301	4,551	60,738
Food and beverage	-	-	-	-	-	19,230	19,230
Event fees and supplies	-	-	-	-	-	15,529	15,529
Rental and catering events	-	-	-	-	71,767	-	71,767
Bank service fees	-	-	-	-	65,205	-	65,205
Cost of goods sold	71,840	-	-	71,840	-	-	71,840
Other	12,700	9,888	11,951	34,539	5,827	1,592	41,958
Total expenses	1,323,066	586,982	708,419	2,618,467	605,799	267,774	3,492,040
Less expenses included with revenues on the consolidated statement of activities	(71,840)	-	-	(71,840)	-	-	(71,840)
Total expenses included in expense section on the consolidated statement of activities	<u>\$ 1,251,226</u>	<u>\$ 586,982</u>	<u>\$ 708,419</u>	<u>\$ 2,546,627</u>	<u>\$ 605,799</u>	<u>\$ 267,774</u>	<u>\$ 3,420,200</u>

See accompanying notes.

FRIENDS OF SCHLITZ AUDUBON NATURE CENTER, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
Years Ended June 30, 2023 and 2022

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 377,122	\$ 71,585
Adjustments to reconcile change in net assets to net cash flows from operating activities		
Depreciation	114,795	104,186
Loss on disposal of leasehold improvements and equipment	402	-
Net realized and unrealized (gains) losses on investments	(283,749)	840,204
(Increase) decrease in assets		
Accounts receivable	(7,108)	21,088
Employee retention credit receivable	320,853	(549,378)
Unconditional promises to give	(32,579)	27,495
Inventory	(8,129)	(10,023)
Prepaid expenses	5,338	(7,206)
Increase (decrease) in liabilities		
Accounts payable	7,839	(9,400)
Accrued expenses	(46,586)	119,859
Accrued compensation	13,026	(30,930)
Deferred revenue	46,756	38,090
Paycheck Protection Program advance	-	(72,395)
Net cash flows from operating activities	507,980	543,175
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sales of investments	1,534,156	1,978,908
Purchases of investments and interest reinvested	(1,720,589)	(2,371,884)
Redemption of certificate of deposit	200,000	-
Proceeds from sale of leasehold improvements and equipment	1,750	-
Purchases of leasehold improvements and equipment	(127,407)	(179,874)
Net cash flows from investing activities	(112,090)	(572,850)
Change in cash	395,890	(29,675)
Cash at beginning of year	535,304	564,979
Cash at end of year	\$ 931,194	\$ 535,304
SUPPLEMENTAL INFORMATION		
Cash paid for income taxes	\$ 73,400	\$ -

See accompanying notes.

FRIENDS OF SCHLITZ AUDUBON NATURE CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2023 and 2022

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 services related to venue rental.

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 real estate tax refunds and commissions. Accounts receivable are stated at the amount management expects to be collected from outstanding balances. As of June 30, 2023 and 2022, 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, 2023 and 2022

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 met the PPP's eligibility criteria and the loans were forgiven. The Organization recognized amounts expected to be forgiven as revenue when it incurred 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.

Advertising

Advertising costs are expensed as incurred. Advertising expense for the years ended June 30, 2023 and 2022 was \$20,352 and \$15,773, respectively.

FRIENDS OF SCHLITZ AUDUBON NATURE CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2023 and 2022

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. 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.

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 of revenues and expenses during the reporting period. Actual results could differ from those estimates.

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. Income tax expense for the years ended June 30, 2023 and 2022 was \$27,380 and \$55,860, respectively.

Date of Management's Review

Management has evaluated subsequent events through November 28, 2023, the date which the financial statements were available to be issued.

FRIENDS OF SCHLITZ AUDUBON NATURE CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2023 and 2022

NOTE 2—INVESTMENTS

Investments are comprised of the following:

	2023	2022
Cash and equivalents held by investment managers	\$ 128,670	\$ 238,878
Stocks	1,189,580	1,131,653
Fixed income funds	1,763,557	1,861,962
Corporate bonds	966,000	956,712
Taxable bond funds	1,199,031	587,451
	\$ 5,246,838	\$ 4,776,656

Fair values for stocks, fixed income funds, and taxable bond funds 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 3—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% (8.34% at June 30, 2023).

NOTE 4—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). On February 10, 2021, the SBA approved forgiveness of the Organization's \$434,375 first draw loan. On December 6, 2021, the SBA approved forgiveness of the Organization's \$434,375 second draw loan.

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. 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.

FRIENDS OF SCHLITZ AUDUBON NATURE CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2023 and 2022

NOTE 5—CONDITIONAL GRANTS

The Organization received grants that are conditioned upon the Organization incurring certain qualifying expenses under the grants. At June 30, 2023, these conditional grants to give totaled approximately \$5,900. These grants will be recognized as revenue when the respective conditions are met in future years.

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.

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.

FRIENDS OF SCHLITZ AUDUBON NATURE CENTER, INC.
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NOTE 6—ENDOWMENT (continued)

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:

	2023		
	Without Donor Restrictions	With Donor Restrictions	Total
Board-designated endowment funds	\$ 4,436,846	\$ -	\$ 4,436,846
Donor-restricted endowment funds:			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	-	71,902	71,902
	\$ 4,436,846	\$ 71,902	\$ 4,508,748
	2022		
	Without Donor Restrictions	With Donor Restrictions	Total
Board-designated endowment funds	\$ 4,198,809	\$ -	\$ 4,198,809
Donor-restricted endowment funds:			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	-	69,402	69,402
	\$ 4,198,809	\$ 69,402	\$ 4,268,211

FRIENDS OF SCHLITZ AUDUBON NATURE CENTER, INC.
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NOTE 6—ENDOWMENT (continued)

Changes in endowment net assets are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets at June 30, 2021	\$ 5,027,498	\$ 66,902	\$ 5,094,400
Investment return, net	(641,029)	-	(641,029)
Contributions	38,400	2,500	40,900
Amounts appropriated for expenditure	<u>(226,060)</u>	<u>-</u>	<u>(226,060)</u>
Endowment net assets at June 30, 2022	4,198,809	69,402	4,268,211
Investment return, net	463,931	-	463,931
Contributions	24,720	2,500	27,220
Amounts appropriated for expenditure	<u>(250,614)</u>	<u>-</u>	<u>(250,614)</u>
Endowment net assets at June 30, 2023	<u>\$ 4,436,846</u>	<u>\$ 71,902</u>	<u>\$ 4,508,748</u>

NOTE 7—NET ASSETS

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

	2023	2022
Board-designated endowment funds	\$ 4,436,846	\$ 4,198,809
Specific projects	39,084	39,084
Undesignated	<u>1,778,085</u>	<u>1,720,260</u>
	<u>\$ 6,254,015</u>	<u>\$ 5,958,153</u>

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

	2023	2022
Subject to expenditure for specific purpose:		
Nature preschool	\$ 94,195	\$ 81,987
Education/scholarships	86,888	52,875
Raptor program	36,099	16,470
Land conservation	114,773	101,863
Endowment:		
Subject to the Organization's spending policy and appropriation:		
General use	<u>71,902</u>	<u>69,402</u>
	<u>\$ 403,857</u>	<u>\$ 322,597</u>

FRIENDS OF SCHLITZ AUDUBON NATURE CENTER, INC.
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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 \$2,979,457 and \$2,846,854 at June 30, 2023 and 2022, respectively. Contributions from this endowment were \$110,695 and \$105,016 for the years ended June 30, 2023 and 2022, 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, 2023 and 2022, the Organization's uninsured cash balances totaled approximately \$515,000 and \$95,000, 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 year ending June 30, 2023, there was no discretionary employer contribution. For the year ending June 30, 2022, the discretionary employer contribution totaled \$32,285.

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.

FRIENDS OF SCHLITZ AUDUBON NATURE CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
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NOTE 11—LIQUIDITY AND AVAILABILITY (continued)

The Organization's financial assets include the investments maintained for its board-designated endowment funds in the amount of \$4,436,846 and \$4,198,809, 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.

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>2023</u>	<u>2022</u>
Financial assets at end of year		
Cash	\$ 931,194	\$ 535,304
Certificate of deposit	-	200,000
Accounts receivable	10,040	2,932
Employee retention credit receivable	228,525	549,378
Unconditional promises to give	37,956	5,377
Investments	<u>5,246,838</u>	<u>4,776,656</u>
Total financial assets at end of year	6,454,553	6,069,647
Less those unavailable for general expenditures within one year:		
Restricted by donor with purpose restrictions	(331,955)	(253,195)
Restricted by donor for endowment	(71,902)	(69,402)
Designated for endowment	(4,436,846)	(4,198,809)
Designated for specific projects	(39,084)	(39,084)
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>\$ 1,798,326</u>	<u>\$ 1,732,717</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 12—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.

FRIENDS OF SCHLITZ AUDUBON NATURE CENTER, INC.
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NOTE 12—AGREEMENTS WITH NATIONAL (continued)

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, 2023 and 2022 was \$4,396,500 and \$4,193,331, respectively, and the amount the Organization received as a distribution from this endowment was \$201,132 and \$192,456 for the years then ended.

NOTE 13—EMPLOYEE RETENTION CREDIT

During the year ended June 30, 2022, the Organization claimed Employee Retention Credits (ERC) totaling \$549,378 under the provisions the Coronavirus Aid, Relief, and Economic Security Act, as amended. Employers are eligible for the ERC if they experience either a significant decline in gross receipts or the full or partial suspension of operations because of governmental orders limiting commerce, travel, or group meetings due to COVID-19. The Organization determined it had a suspension of operations and claimed the ERC for the first, second, and third quarter of 2020. The Organization determined it had a significant decline in gross receipts and claimed the ERC for the third quarter of 2021. The Internal Revenue Service (IRS) generally has five years from the date an ERC claim is filed to audit the claim. Therefore, the IRS may audit the Organization's eligibility for the ERC and its substantiation of the amounts claimed. If the IRS determines the Organization was ineligible for the ERC, the Organization could be required to repay the amount claimed along with penalties and interest.