

FAMILY ENRICHMENT CENTER OF OZAUKEE, INC.
GRAFTON, WISCONSIN

FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT
DECEMBER 31, 2019 AND 2018

FAMILY ENRICHMENT CENTER OF OZAUKEE, INC.
GRAFTON, WISCONSIN

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Independent Auditor's Report

Board of Directors
Family Enrichment Center of Ozaukee, Inc.
Grafton, Wisconsin

We have audited the accompanying financial statements of the Family Enrichment Center of Ozaukee, Inc. (a nonprofit organization), which comprise the statements of financial position as of December 31, 2019 and 2018, and the related statements of activities, cash flows and functional expenses 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 audit. We conducted our audit 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 of 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 the Family Enrichment Center of Ozaukee, Inc. as of December 31, 2019 and 2018, 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.

A handwritten signature in black ink that reads "Krause & Associates, SC". The signature is written in a cursive style with a small mark above the 'A' in "Associates".

Krause & Associates, SC
Grafton, Wisconsin
June 9, 2020

FAMILY ENRICHMENT CENTER OF OZAUKEE, INC.
 STATEMENTS OF FINANCIAL POSITION
 DECEMBER 31, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
<u>ASSETS</u>		
Cash and cash equivalents	\$ 392,151	\$ 351,543
Accounts receivable	5,049	4,861
Prepaid expenses	-	-
PROPERTY AND EQUIPMENT		
Building and building improvements	2,241,729	2,207,125
Land	50,000	50,000
Furniture and equipment	<u>71,416</u>	<u>71,416</u>
Subtotal	2,363,145	2,328,541
Less accumulated depreciation	<u>(915,457)</u>	<u>(844,061)</u>
Property and equipment, net	<u>1,447,688</u>	<u>1,484,480</u>
TOTAL ASSETS	<u>\$ 1,844,888</u>	<u>\$ 1,840,884</u>
 <u>LIABILITIES AND NET ASSETS</u>		
LIABILITIES		
Accounts payable	\$ 11,099	\$ 2,918
Payroll and payroll taxes accrued	-	4,649
Deferred revenue	<u>-</u>	<u>-</u>
TOTAL LIABILITIES	11,099	7,567
NET ASSETS		
Without donor restrictions:		
Undesignated	1,551,052	1,558,100
Board designated	<u>275,217</u>	<u>275,217</u>
	1,826,269	1,833,317
With donor restrictions	<u>7,520</u>	<u>-</u>
Total net assets	<u>1,833,789</u>	<u>1,833,317</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 1,844,888</u>	<u>\$ 1,840,884</u>

The accompanying notes are an integral part of these financial statements.

FAMILY ENRICHMENT CENTER OF OZAUKEE, INC.
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

	2019			2018		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE AND SUPPORT						
Contributions and grants	\$ 89,011	\$ 7,520	\$ 96,531	\$ 31,436	\$ -	\$ 31,436
In-kind contributions	15,136	-	15,136	446	-	446
Rental income	127,175	-	127,175	132,750	-	132,750
Shared equipment fees	22,604	-	22,604	25,538	-	25,538
Special event:						
Revenue	-	-	-	33,626	-	33,626
Expenses	-	-	-	(14,386)	-	(14,386)
Interest income	1,174	-	1,174	1,095	-	1,095
Released from restrictions	-	-	-	-	-	-
Total revenue & support	255,100	7,520	262,620	210,505	-	210,505
EXPENSES						
Program services:						
Building operation	197,613		197,613	202,740	-	202,740
Shared services	30,392	-	30,392	38,311	-	38,311
	<u>228,005</u>	<u>-</u>	<u>228,005</u>	<u>241,051</u>	<u>-</u>	<u>241,051</u>
Supporting services:						
General and administrative	22,563	-	22,563	20,681	-	20,681
Fundraising and development	11,580	-	11,580	11,096	-	11,096
	<u>34,143</u>	<u>-</u>	<u>34,143</u>	<u>31,777</u>	<u>-</u>	<u>31,777</u>
Total expenses	262,148	-	262,148	272,828	-	272,828
Changes in net assets	(7,048)	7,520	472	(62,323)	-	(62,323)
Beginning net assets	1,833,317	-	1,833,317	1,895,640	-	1,895,640
Ending net assets	<u>\$ 1,826,269</u>	<u>\$ 7,520</u>	<u>\$ 1,833,789</u>	<u>\$ 1,833,317</u>	<u>\$ -</u>	<u>\$ 1,833,317</u>

The accompanying notes are an integral part of these financial statements.

FAMILY ENRICHMENT CENTER OF OZAUKEE, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in net assets	\$ 472	\$ (62,323)
Adjustments to reconcile changes in net assets to net cash provided by operating activities		
Depreciation	71,396	72,322
(Increase) decrease in accounts receivable	(188)	(2,793)
(Increase) in prepaid expenses	-	1,256
Increase (decrease) in accounts payable	8,181	2,918
Increase (decrease) in accrued payroll and taxes	(4,649)	4,649
Increase (decrease) in deferred revenue	<u>-</u>	<u>(3,850)</u>
Net cash provided by (used in) Operating activities	75,212	12,179
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	<u>(34,604)</u>	<u>(5,768)</u>
Net cash used in investing activities	<u>(34,604)</u>	<u>(5,768)</u>
Net increase (decrease) in cash and cash equivalents	40,608	6,411
Cash and cash equivalents at beginning of year	<u>351,543</u>	<u>345,132</u>
Cash and cash equivalents at end of year	<u>\$ 392,151</u>	<u>\$ 351,543</u>
Supplemental disclosure of cash flow information:		
Cash paid for interest	<u>\$ -</u>	<u>\$ -</u>
In-kind contributions	<u>\$ 15,136</u>	<u>\$ 446</u>

The accompanying notes are an integral part of these financial statements.

FAMILY ENRICHMENT CENTER OF OZAUKEE, INC.
STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

	2019						2018					
	Program Services			Supporting Services			Program Services			Supporting Services		
	Building Operation	Shared Services	Total	General & Administrative	Fundraising & Development	Total	Building Operation	Shared Services	Total	General & Administrative	Fundraising & Development	Total
Advertising and promotion	\$ -	\$ -	\$ -	\$ -	\$ 1,249	\$ 1,249	\$ -	\$ -	\$ -	\$ -	\$ 2,042	\$ 2,042
Cleaning	-	-	-	-	-	-	3,549	3,500	7,049	-	-	7,049
Depreciation	71,396	-	71,396	-	-	71,396	72,322	-	72,322	-	-	72,322
Equipment	100	-	100	-	-	100	9,294	-	9,294	-	-	9,294
Insurance	7,285	-	7,285	-	-	7,285	7,297	-	7,297	-	-	7,297
Landscaping	7,993	-	7,993	-	-	7,993	10,438	-	10,438	-	-	10,438
Payroll:												
Salaries and wages	27,656	6,511	34,167	8,462	8,897	51,526	31,876	6,132	38,008	7,656	8,367	54,031
Payroll taxes	2,071	487	2,558	633	667	3,858	2,618	504	3,122	629	687	4,438
Professional fees	-	-	-	7,055	-	7,055	-	-	-	7,127	-	7,127
Repairs and maintenance	44,438	-	44,438	-	-	44,438	29,466	-	29,466	-	-	29,466
Shared Services:												
Copy machine	-	5,697	5,697	316	-	6,013	-	6,369	6,369	316	-	6,685
Fax machine	-	-	-	-	-	-	-	115	115	-	-	115
Internet and IT	293	7,469	7,762	1,220	-	8,982	465	10,145	10,610	931	-	11,541
Postage	-	4,255	4,255	188	-	4,443	-	5,450	5,450	523	-	5,973
Telephone	-	4,417	4,417	-	-	4,417	-	4,715	4,715	-	-	4,715
Snow removal	12,750	-	12,750	-	-	12,750	10,405	-	10,405	-	-	10,405
Supplies	3,363	1,556	4,919	1,591	-	6,510	4,396	1,209	5,605	1,055	-	6,660
Utilities	20,268	-	20,268	-	-	20,268	20,215	-	20,215	-	-	20,215
Volunteer recognition	-	-	-	484	-	484	-	-	-	548	-	548
Website	-	-	-	621	621	1,242	-	-	-	1,200	-	1,200
Other	-	-	-	1,993	146	2,139	399	172	571	696	-	1,267
Total Expenses	\$ 197,613	\$ 30,392	\$ 228,005	\$ 22,563	\$ 11,580	\$ 262,148	\$ 202,740	\$ 38,311	\$ 241,051	\$ 20,681	\$ 11,096	\$ 272,828

The accompanying notes are an integral part of these financial statements.

FAMILY ENRICHMENT CENTER OF OZAUKEE, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A summary of the significant accounting policies consistently applied in the preparation of the accompanying financial statements follows.

1. Organization and business activity

The Family Enrichment Center of Ozaukee, Inc. (Center) is incorporated under the laws of the State of Wisconsin. The Center is a centralized facility for not-for-profit agencies. The Center provides shared common areas and administrative equipment to enhance coordinated program results and cultivate joint planning and programming. The following are nonprofits of the Center:

Advocates of Ozaukee, Inc.
Alzheimer's Association
Big Brothers Big Sisters of Ozaukee, Inc.
COPE Services, Inc.
Energy Services
Family Enrichment Center, Inc.
Habitat for Humanity of Ozaukee, Inc.
Independence First, Inc.
Interfaith Caregivers, Inc.
Mel's Charities, Inc.
Ozaukee Family Services, Inc.
Ozaukee County Health and Human Services: Birth to 3

2. Cash and cash equivalents

For purposes of the statements of cash flows, the Center considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents.

3. Accounts receivable and credit policies

Accounts receivable consist primarily of noninterest-bearing amounts due for space rental and program services. The Center determines the allowance for uncollectible accounts receivable based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Accounts receivable are written off when deemed uncollectible. At December 31, 2019 and 2018, management determined that no allowance for uncollectible accounts receivable was required.

FAMILY ENRICHMENT CENTER OF OZAUKEE, INC.
NOTES TO FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2019 AND 2018

A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

3. Accounts receivable and credit policies - continued

Receivables from contracts with customers are reported as accounts receivable, in the accompanying statements of financial position. Contract liabilities are reported as deferred revenue in the accompanying statements of financial position.

4. Prepaid expenses

Prepaid expenses represent disbursements paid in advance for the subsequent fiscal year.

5. Property and equipment

Property and equipment are recorded at cost or fair market value if donated. The Center's policy is to capitalize all tangible assets which separately or in the aggregate have an acquisition cost of \$500 or greater. Major additions and improvements are capitalized. Property and equipment are depreciated over the estimated useful lives of the assets, ranging from 5 to 39 years, using the straight-line method. When assets are sold or otherwise disposed of, the cost and related depreciation or amortization are removed from the accounts, and any resulting gain or loss is included in the statements of activities. Costs of maintenance and repairs that do not improve or extend the useful lives of the respective assets are expensed currently. Depreciation expense for the years ended December 31, 2019 and 2018 was \$71,396 and \$72,322, respectively.

The Center reviews the carrying values of property and equipment for impairment whenever events or circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. When considered impaired, an impairment loss is recognized to the extent carrying value exceeds the fair value of the asset. There were no indicators of asset impairment during the years ended December 31, 2019 and 2018.

6. Net assets

The Center follows the accrual method of accounting wherein revenues and expenses are recorded in the period earned or incurred. 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:

FAMILY ENRICHMENT CENTER OF OZAUKEE, INC.
NOTES TO FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2019 AND 2018

A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

6. Net assets - continued

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. The Board of Directors has established a board designated fund. The fund consists of certain unrestricted donations, contributions and investment income the Center has received. The funds are to be used for specific Board designated purposes.

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.

7. Revenue and Revenue Recognition

Revenue is recognized from rental payments and shared services when the services are provided. All services are transferred at a point in time. Contributions are recognized when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met. As of December 31, 2019 and 2018, the Center has no conditional contributions.

8. Donated services and in-kind contributions

Volunteers contribute significant amounts of time to our program services, administration, and fundraising and development activities; however, the financial statements do not reflect the value of these contributed services because they do not meet recognition criteria prescribed by generally accepted accounting principles. Contributed goods are recorded at fair value at the date of donation. The Center records donated professional services at the respective fair values of the services received (see Note F).

9. Advertising costs

Advertising costs are expensed as incurred, and totaled \$1,249 and \$2,042 during the years ended December 31, 2019 and 2018, respectively.

FAMILY ENRICHMENT CENTER OF OZAUKEE, INC.
NOTES TO FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2019 AND 2018

A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

10. Allocation of functional expenses

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include occupancy, depreciation, salaries and wages, payroll taxes, professional services, office expenses, supplies, insurance, and other, which are allocated on the basis of estimates of time and effort.

11. Use of estimates

The preparation of the financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and 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.

12. Income taxes

The Center is a not-for-profit corporation as described in Section 501(c)(3) of the Internal Revenue Code and is exempt from federal income taxes on related income pursuant to Section 501(a) of the Code.

The Center evaluates its tax positions and assesses their uncertainty, if any, through review and application of various sources of tax authority including statutes, regulations, rulings, court cases and widely held administrative practices.

The Center's informational returns are subject to examination by the IRS, generally for three years after they were filed. Management believes that no uncertain tax positions exist for the Center at December 31, 2019 and 2018. The Center has not incurred any interest or penalties for income taxes for the years ended December 31, 2019 and 2018.

13. Subsequent Events

Management has evaluated subsequent events for recognition and disclosure in the financial statements through June 9, 2020, which is the date that the financial statements were available to be issued. Subsequent events were noted for disclosure, see Note H.

FAMILY ENRICHMENT CENTER OF OZAUKEE, INC.
NOTES TO FINANCIAL STATEMENTS – CONTINUED
DECEMBER 31, 2019 AND 2018

B – LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date of December 31, 2019, comprise the following:

Cash and cash equivalents	\$ 392,151
Accounts receivable	5,049
Less amounts unavailable for general expenditures:	
Donor purpose restrictions	<u>(4,520)</u>
	<u>\$ 392,680</u>

As part of its liquidity plan, The Center invests cash in excess of daily requirements in short-term money market funds.

C – NET ASSETS

Net assets without donor restrictions have been designated by the board for the following purposes as of December 31, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Major repairs fund	<u>\$ 275,217</u>	<u>\$ 275,217</u>

Contributions received are recorded as donor restricted net assets depending on the existence and or nature of any donor-imposed restrictions. As restrictions are met and funds expended, assets are released from restrictions. Net assets with donor restrictions are restricted for the following purposes as of December 31, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
<u>Purpose restriction</u>		
Resource development	\$ 3,000	\$ -
Strategic plan	<u>4,250</u>	<u>-</u>
	<u>\$ 7,520</u>	<u>\$ -</u>

D – RENTAL INCOME

The Center leases portions of its facility to several other nonprofit organizations through separate lease agreements. Monthly rents vary by lease and range from \$147 - \$3,990. Length of the leases varies per agreement. Rental income under these lease agreements totaled \$125,870 and \$132,750 for the years ended December 31, 2019 and 2018, respectively.

FAMILY ENRICHMENT CENTER OF OZAUKEE, INC.
NOTES TO FINANCIAL STATEMENTS – CONTINUED
DECEMBER 31, 2019 AND 2018

D – RENTAL INCOME – CONTINUED

The following is a schedule of future minimum rentals under the leases as of December 31, 2019:

2020	\$ 136,621
2021	84,866
2022	58,287
2023	<u>54,273</u>
	<u>\$ 334,047</u>

E – LEASE COMMITMENTS

The Center leases a copy machine under a lease that expires in August 2022. Monthly payments under this lease are \$265. Lease payments totaled \$3,180 annually for the years ended December 31, 2019 and 2018. Minimum future rental payments under this lease are:

2020	\$ 3,180
2021	3,180
2022	<u>2,915</u>
	<u>\$ 9,275</u>

F – DONATED FACILITIES, SERVICES AND PERSONAL PROPERTY

The Center receives various types of contributed goods and services support, including professional services, supplies and auction items. Donated services and supplies are reported in the financial statements for voluntary donations of professional services and supplies when those services and supplies create or enhance nonfinancial assets or require specialized skills, are provided by individuals possessing those skills, and typically would be purchased if not provided by donation. The Center received donated professional services and supplies with an approximate fair value of \$15,136 and \$446 for the years ended December 31, 2019 and 2018, respectively.

A substantial number of unpaid volunteers have made significant contributions of their time to develop the Center's operations. No amounts have been recognized in the statements of activities because the criteria for recognition under U.S. GAAP have not been satisfied.

FAMILY ENRICHMENT CENTER OF OZAUKEE, INC.
NOTES TO FINANCIAL STATEMENTS – CONTINUED
DECEMBER 31, 2019 AND 2018

F – DONATED FACILITIES, SERVICES AND PERSONAL PROPERTY –
CONTINUED

The Center received donated personal property which the Center used as auction and raffle items and supplies for the charity event held during the year ended December 31, 2018. Revenue received from the sale of the auction and raffle items is reflected in the statements of activities and no amounts have been reflected for the donation of supplies for the charity events in the statements of activities.

G – FUNDS HELD BY GREATER MILWAUKEE FOUNDATION

The Greater Milwaukee Foundation (Foundation), a community foundation, holds a designated endowment fund on behalf of the Center. The Foundation invests these funds and makes investment decisions. The Foundation determines the amount of income to be distributed annually from the designated endowment fund to the Center. The Center received a grant from the fund totaling \$9,681 for the year ended December 31, 2019.

H – SUBSEQUENT EVENTS

On March 11, 2020, the World Health Organization declared the outbreak of a coronavirus (COVID-19) a pandemic. As a result, economic uncertainties have arisen which are likely to negatively impact support and revenue. The COVID-19 outbreak in the United States has resulted in reduced activities, cancellation or postponement of events, as well as temporary closures where government mandated. At the current time, we are unable to quantify the potential effects of this pandemic on our future financial statements.

Subsequent to year end, the Center closed on the purchase of a new building in Grafton. The purchase price of the new building was \$1,975,000. The Center obtained a mortgage from a local bank in the amount of \$2,800,000 to finance the purchase and necessary renovations. The Center plans to occupy the new building in the fall of 2020. The current building will be sold. The Center is currently working with current and potential new tenants to relocate to new space.

In April 2020, the board of directors approved changing the name of the Organization to the Ozaukee Nonprofit Center, Inc. Management has filed the necessary documents with the State of Wisconsin.