

OZAUKEE NONPROFIT CENTER, INC.
GRAFTON, WISCONSIN

FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT
DECEMBER 31, 2022 AND 2021

OZAUKEE NONPROFIT CENTER, INC.
GRAFTON, WISCONSIN

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Independent Auditor's Report

Board of Directors
Ozaukee Nonprofit Center, Inc.
Grafton, Wisconsin

Opinion

We have audited the accompanying financial statements of Ozaukee Nonprofit Center, Inc. (a nonprofit organization), which comprise the statements of financial position as of December 31, 2022 and 2021, and the related 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 financial statements referred to above present fairly, in all material respects, the financial position of Ozaukee Nonprofit Center, Inc. as of December 31, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Ozaukee Nonprofit Center, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of 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 Ozaukee Nonprofit 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 generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

- Exercise professional 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 Ozaukee Nonprofit 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 Ozaukee Nonprofit 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.



Krause & Associates, SC

Grafton, Wisconsin

June 28, 2023

OZAUKEE NONPROFIT CENTER, INC.
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
<u>ASSETS</u>		
Cash and cash equivalents	\$ 408,957	\$ 604,155
Certificates of deposit	200,000	-
Contributions receivable, net	13,565	33,183
Accounts receivable	35,447	32,178
Prepaid expenses	1,908	5,171
Prepaid lease commissions, less accumulated amortization of \$16,467 in 2022 and \$10,978 in 2021	38,424	43,913
Finance lease right of use asset	<u>14,087</u>	<u>-</u>
Subtotal	712,388	718,600
PROPERTY AND EQUIPMENT, NET	<u>2,925,375</u>	<u>2,995,831</u>
TOTAL ASSETS	<u>\$ 3,637,763</u>	<u>\$ 3,714,431</u>
<u>LIABILITIES AND NET ASSETS</u>		
LIABILITIES		
Accounts payable	\$ 9,327	\$ 6,167
Payroll and payroll taxes accrued	8,090	8,534
Real estate taxes payable	16,949	17,186
Grant payable	-	21,100
Security deposit	288	-
Refundable advance	1,900	-
Deferred revenue	3,243	2,460
Finance lease liability	14,087	-
Note payable	<u>1,966,102</u>	<u>2,014,750</u>
TOTAL LIABILITIES	2,019,986	2,070,197
NET ASSETS		
Without donor restrictions:		
Undesignated	1,328,996	1,323,334
Board designated	<u>275,217</u>	<u>275,217</u>
	1,604,213	1,598,551
With donor restrictions	<u>13,564</u>	<u>45,683</u>
Total net assets	<u>1,617,777</u>	<u>1,644,234</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 3,637,763</u>	<u>\$ 3,714,431</u>

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

OZAUKEE NONPROFIT CENTER, INC.
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

	2022			2021		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE AND SUPPORT						
Contributions and grants	\$ 120,652	\$ 7,564	\$ 128,216	\$ 92,666	\$ 62,361	\$ 155,027
Paycheck Protection Program grant	-	-	-	10,320	-	10,320
In-kind contributions	6,428	-	6,428	13,548	-	13,548
Rental income	302,778	-	302,778	297,209	-	297,209
Shared equipment fees	15,399	-	15,399	16,390	-	16,390
Special event:						
Revenue	60,277	-	60,277	42,905	-	42,905
Expenses	(13,511)	-	(13,511)	(20,780)	-	(20,780)
Interest and other	3,550	-	3,550	2,453	-	2,453
Released from restrictions	39,683	(39,683)	-	53,664	(53,664)	-
Total revenue & support	535,256	(32,119)	503,137	508,375	8,697	517,072
EXPENSES						
Program services:						
Building operation	430,198	-	430,198	431,501	-	431,501
Shared services	35,885	-	35,885	42,823	-	42,823
	466,083	-	466,083	474,324	-	474,324
Supporting services:						
General and administrative:						
Operations	36,877	-	36,877	290,457	-	290,457
Loss on sale of building	-	-	-	-	-	-
Fundraising and development	26,634	-	26,634	36,326	-	36,326
	63,511	-	63,511	326,783	-	326,783
Total expenses	529,594	-	529,594	801,107	-	801,107
Changes in net assets	5,662	(32,119)	(26,457)	(292,732)	8,697	(284,035)
Beginning net assets	1,598,551	45,683	1,644,234	1,891,283	36,986	1,928,269
Ending net assets	<u>\$ 1,604,213</u>	<u>\$ 13,564</u>	<u>\$ 1,617,777</u>	<u>\$ 1,598,551</u>	<u>\$ 45,683</u>	<u>\$ 1,644,234</u>

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

OZAUKEE NONPROFIT CENTER, INC.
STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

	2022						2021					
	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	\$ -	\$ -	\$ -	\$ -	\$ 1,839	\$ 1,839	\$ -	\$ -	\$ -	\$ -	\$ 9,445	\$ 9,445
Amortization	-	-	-	5,489	-	5,489	-	-	-	5,489	-	5,489
Cleaning	6,400	-	6,400	-	-	6,400	7,585	-	7,585	-	-	7,585
Depreciation	75,256	-	75,256	-	-	75,256	86,638	-	86,638	-	-	86,638
Insurance	12,894	-	12,894	-	-	12,894	13,381	-	13,381	-	-	13,381
Interest	80,611	-	80,611	-	-	80,611	77,869	-	77,869	-	-	77,869
Payroll:												
Salaries and wages	54,157	13,038	67,195	16,046	17,049	100,290	54,852	13,205	68,057	16,252	17,268	101,577
Payroll taxes	4,222	1,016	5,238	1,251	1,329	7,818	4,273	1,029	5,302	1,266	1,345	7,913
Professional fees	10,304	-	10,304	4,948	-	15,252	16,095	-	16,095	7,699	5,500	29,294
Real estate taxes	16,949	-	16,949	-	-	16,949	17,164	-	17,164	-	-	17,164
Repairs and maintenance	53,563	-	53,563	-	-	53,563	39,561	-	39,561	-	-	39,561
Shared Services:												
Copy machine	-	3,180	3,180	2,912	-	6,092	-	5,719	5,719	1,523	-	7,242
Internet and IT	1,111	9,244	10,355	-	-	10,355	1,439	10,700	12,139	402	-	12,541
Postage	-	3,913	3,913	828	-	4,741	-	3,109	3,109	1,745	-	4,854
Telephone	-	2,828	2,828	-	-	2,828	-	4,568	4,568	103	-	4,671
Snow removal/landscaping	64,418	-	64,418	-	-	64,418	60,297	-	60,297	-	-	60,297
Supplies	4,565	2,666	7,231	1,401	1,892	10,524	6,926	2,323	9,249	-	-	9,249
Utilities	45,748	-	45,748	-	-	45,748	45,421	-	45,421	-	-	45,421
Volunteer recognition	-	-	-	139	-	139	-	-	-	16	-	16
Website	-	-	-	197	197	394	-	-	-	243	243	486
Other	-	-	-	3,666	4,328	7,994	-	2,170	2,170	7,439	2,525	12,134
Loss on sale of building	-	-	-	-	-	-	-	-	-	248,280	-	248,280
Total Expenses	\$ 430,198	\$ 35,885	\$ 466,083	\$ 36,877	\$ 26,634	\$ 529,594	\$ 431,501	\$ 42,823	\$ 474,324	\$ 290,457	\$ 36,326	\$ 801,107

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

OZAUKEE NONPROFIT CENTER, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in net assets	\$ (26,457)	\$ (284,035)
Adjustments to reconcile changes in net assets to net cash provided by operating activities		
Depreciation	75,256	86,638
Amortization	5,489	5,489
In-kind donations capitalized	-	(7,600)
Loss on disposal of property and equipment	-	248,280
(Increase) decrease in contributions receivable	19,618	3,803
(Increase) decrease in accounts receivable	(3,269)	(20,588)
(Increase) decrease in prepaid expenses	3,263	(1,972)
Increase (decrease) in accounts payable	3,160	(13,415)
Increase (decrease) in accrued payroll and taxes	(444)	6,726
Increase (decrease) in real estate taxes payable	(237)	699
Increase (decrease) in grants payable	(21,100)	12,100
Increase (decrease) in security deposits	288	(833)
Increase (decrease) in refundable advance	1,900	-
Increase (decrease) in deferred revenue	<u>783</u>	<u>1,405</u>
Net cash provided by (used in) operating activities	<u>58,250</u>	<u>36,697</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of certificates of deposit	(200,000)	-
Proceeds from sale of property and equipment	-	1,108,680
Purchase of property and equipment	<u>(4,800)</u>	<u>(555,003)</u>
Net cash provided by (used in) investing activities	<u>(204,800)</u>	<u>553,677</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from note payable	-	349,797
Repayments of note payable	<u>(48,648)</u>	<u>(715,770)</u>
Net cash provided by (used in) financing activities	<u>(48,648)</u>	<u>(365,973)</u>
Net increase (decrease) in cash and cash equivalents	(195,198)	224,401
Cash and cash equivalents at beginning of year	<u>604,155</u>	<u>379,754</u>
Cash and cash equivalents at end of year	<u>\$ 408,957</u>	<u>\$ 604,155</u>
Supplemental disclosure of cash flow information:		
Cash paid for interest	<u>\$ 80,611</u>	<u>\$ 77,869</u>
In-kind contributions	<u>\$ 6,428</u>	<u>\$ 13,548</u>

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

OZAUKEE NONPROFIT CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

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 Ozaukee Nonprofit Center, 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
All My Friends
Big Brothers Big Sisters of Ozaukee
Equus Workforce Solutions
Forward Careers
Habitat for Humanity, Ozaukee
Independence First
Interfaith Caregivers
Lakeshore Realtors Association
Lexi 4 Love Foundation
Lutheran Social Services
Mel's Charities
Mr. Bob's Under the Bridge
National Alliance for Mental Illness, Ozaukee
Sirona Recovery
Your Best Life

2. Cash and cash equivalents

The Center considers all highly liquid financial instruments with original maturities of three months or less, which are neither held for nor restricted by donors for long-term purposes, to be cash and cash equivalents.

3. Accounts receivable and credit policies

Accounts receivable consist primarily of noninterest-bearing amounts due for space rental and reimbursements. 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, 2022 and 2021, management determined that no allowance for uncollectible accounts was required.

OZAUKEE NONPROFIT CENTER, INC.
NOTES TO FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2022 AND 2021

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. Contributions receivable

The Center records unconditional promises to give that are expected to be collected within one year at net realizable value. Unconditional promises to give expected to be collected in future years are initially recorded at fair value using present value techniques incorporating risk-adjusted discount rates designed to reflect the assumptions market participants would use in pricing the asset. In subsequent years, amortization of the discounts is included in contribution revenue in the statements of activities. The Center determines the allowance for uncollectable promises to give based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Contributions receivable are written off when deemed uncollectable. At December 31, 2022 and 2021, management determined that no allowance for uncollectable contributions receivable was required. See Note C.

5. Prepaid expenses

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

6. 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 \$1,000 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. See Note E.

OZAUKEE NONPROFIT CENTER, INC.
NOTES TO FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2022 AND 2021

A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

6. Property and equipment - continued

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, 2022 and 2021.

7. 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:

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.

8. 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, 2022 and 2021, the Center has no conditional contributions.

OZAUKEE NONPROFIT CENTER, INC.
NOTES TO FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2022 AND 2021

A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

9. 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 K.

10. Advertising costs

Advertising costs are expensed as incurred, and totaled \$1,839 and \$9,445 during the years ended December 31, 2022 and 2021, respectively.

11. 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.

12. 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 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, and those differences could be material.

13. 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.

OZAUKEE NONPROFIT CENTER, INC.
NOTES TO FINANCIAL STATEMENTS – CONTINUED
DECEMBER 31, 2022 AND 2021

A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

13. Income taxes - continued

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, 2022 and 2021. The Center has not incurred any interest or penalties for income taxes for the years ended December 31, 2022 and 2021.

14. Subsequent Events

Management has evaluated subsequent events for recognition and disclosure in the financial statements through June 28, 2023, which is the date that the financial statements were available to be issued.

15. New Accounting Standards

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*, which supersedes existing guidance in *Topic 840, Leases*. The FASB subsequently issued the following additional ASUs, which amend and clarify Topic 842: ASU 2018-01, *Land Easement Practical Expedient for Transition to Topic 842*; ASU 2018-10, *Codification Improvements to Topic 842, Leases*; ASU 2018-11, *Leases (Topic 842): Targeted Improvements*; ASU 2018-20, *Narrow-scope Improvements for Lessors*; ASU 2019-01, *Leases (Topic 842): Codification Improvements*; ASU 2020-05, *Leases (Topic 842): Lessors—Certain Leases with Variable Lease Payments*; and ASU 2021-09, *Leases (Topic 842): Discount Rate for Lessees That Are Not Public Business Entities*. Topic 842 amends both lessor and lessee accounting with the most significant change being the requirement for lessees to recognize right-of-use (ROU) assets and lease liabilities on the statement of financial position for operating leases.

The Center adopted the leasing standards effective January 1, 2022, using the modified retrospective approach with January 1, 2022 as the initial date of application. The Center elected to use all available practical expedients provided in the transition guidance. These allowed the Center to not reassess the identification, classification and initial direct costs of lessor agreements and to use hindsight in lessee and lessor agreements for determining lease term and right-of-use asset impairment. Topic 842 had no effect to beginning net assets or statement of financial position accounts related to lessor accounting. As a lessee, the Center recorded \$14,087 in right-of-use lease assets and lease liabilities for the year ended December 31, 2022. See note J.

OZAUKEE NONPROFIT CENTER, INC.
NOTES TO FINANCIAL STATEMENTS – CONTINUED
DECEMBER 31, 2022 AND 2021

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 statements of financial position date of December 31, 2022 and 2021, comprise the following:

	2022	2021
Cash and cash equivalents	\$ 408,957	\$ 604,155
Certificates of deposit	200,000	-
Contributions receivable	13,565	33,183
Accounts receivable	35,447	32,178
Less amounts unavailable for general expenditures:		
Donor purpose restrictions	(6,000)	(45,683)
	<u>\$ 651,969</u>	<u>\$ 623,833</u>

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

C – CONTRIBUTIONS RECEIVABLE

Unconditional promises to give are to be collected as follows as of December 31, 2022 and 2021:

	2022	2021
Within one year	\$ 9,565	\$ 19,572
In one to five years	4,000	14,000
Over five years	-	-
	13,565	33,572
Less discount to net present value at 2.5%	-	(389)
Less allowance for uncollectible amount	-	-
	<u>\$ 13,565</u>	<u>\$ 33,183</u>

At December 31, 2022, contributions receivable in over one to five years are not recorded at present value due to the minor impact of the calculated discount.

OZAUKEE NONPROFIT CENTER, INC.
NOTES TO FINANCIAL STATEMENTS – CONTINUED
DECEMBER 31, 2022 AND 2021

D – FAIR VALUE MEASUREMENT AND DISCLOSURES

The Center reports certain assets at fair value in the financial statements. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal, or most advantageous, market at the measurement date under current market conditions regardless of whether that price is directly observable or estimated using another valuation technique. Inputs used to determine fair value refer broadly to the assumptions that market participants would use in pricing the asset or liability, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset or liability based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability based on the best information available.

A three-tier hierarchy categorizes the inputs as follows:

Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities that we can access at the measurement date.

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. These include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability, and market-corroborated inputs.

Level 3 – Unobservable inputs for the asset or liability. In these situations, we develop inputs using the best information available in the circumstances.

In some cases, the inputs used to measure the fair value of an asset or a liability might be categorized within different levels of the fair value hierarchy. In those cases, the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement. Assessing the significance of a particular input to entire measurement requires judgment, taking into account factors specific to the asset or liability. The categorization of an asset within the hierarchy is based upon the pricing transparency of the asset and does not necessarily correspond to our assessment of the quality, risk, or liquidity profile of the asset or liability.

The Center invests in certificates of deposit in the financial markets. Those certificates of deposit are valued by the custodians of the securities using pricing models based on credit quality, time to maturity, stated interest rates, and market-rate assumptions, and are classified within Level 2.

OZAUKEE NONPROFIT CENTER, INC.
 NOTES TO FINANCIAL STATEMENTS – CONTINUED
 DECEMBER 31, 2022 AND 2021

D – FAIR VALUE MEASUREMENT AND DISCLOSURES - CONTINUED

Assets that were accounted for at fair value on a recurring basis as of December 31, 2022 are as follows:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Certificates of deposit	\$ <u>-</u>	\$ <u>200,000</u>	\$ <u>-</u>	\$ <u>200,000</u>

E – PROPERTY AND EQUIPMENT

At December 31, 2022 and 2021, property and equipment consist of the following:

	<u>2022</u>	<u>2021</u>
Building and building improvements	\$2,734,175	\$2,729,375
Land	340,000	340,000
Furniture and equipment	77,657	77,657
Construction in process	<u>-</u>	<u>-</u>
Subtotal	3,151,832	3,147,032
Less accumulated depreciation	<u>(226,457)</u>	<u>(151,201)</u>
Property and equipment, net	<u>\$2,925,375</u>	<u>\$2,995,831</u>

Depreciation expense for the years ended December 31, 2022 and 2021 was \$75,256 and \$86,638, respectively.

F – REFUNDABLE ADVANCE – PAYCHECK PROTECTION LOAN

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.

The Center was granted a \$10,320 loan under the Paycheck Protection Program “PPP” administered by a Small Business Administration (SBA) approved partner during the COVID-19 outbreak. The loan was uncollateralized and was fully guaranteed by the Federal government. The Center initially recorded the loan as a refundable advance and subsequently recognized grant revenue in accordance with guidance for conditional contributions; that is, once the measurable performance or other barrier and right of return of the PPP loan no longer existed. The Center has recognized \$10,320 as grant revenue for the year ended December 31, 2021.

OZAUKEE NONPROFIT CENTER, INC.
NOTES TO FINANCIAL STATEMENTS – CONTINUED
DECEMBER 31, 2022 AND 2021

G – NOTE PAYABLE

In April 2020, the Center received a loan of \$2,800,000 for the purchase and improvements of a new building (Dakota building). The note required interest only payments during the first 12 months at an interest rate of 3.25%. The note is secured by the Dakota building. After the initial 12-month period, the Center had the option to convert the note to permanent financing.

During 2021, the note was converted to permanent financing. The effective date of the new loan was August 12, 2021, with an original balance of \$2,030,460. The term is 10 years, with principal and interest payments payable monthly at an interest rate of 3.99% and a balloon payment due in 2031. The note is secured by the Dakota building. The balance outstanding was \$1,966,102 and \$2,014,750 as of December 31, 2022 and 2021, respectively. Aggregate annual maturities on the foregoing borrowing at December 31, 2022 are as follows:

2023	\$ 50,658
2024	52,528
2025	54,910
2026	57,173
2027	59,530
2028 and thereafter	<u>1,691,303</u>
Total	<u>\$ 1,966,102</u>

As part of the purchase of the Dakota building, \$54,892 was paid to a management company related to services rendered related to securing a tenant for a portion of the building. The management company is responsible for collecting rent and necessary day to day maintenance needs for this portion of the building. The fees are being amortized on a straight-line basis over 10 years, the term of the tenant lease. Amortization expense was \$5,489 for the years ended December 31, 2022 and 2021

OZAUKEE NONPROFIT CENTER, INC.
 NOTES TO FINANCIAL STATEMENTS – CONTINUED
 DECEMBER 31, 2022 AND 2021

H – NET ASSETS

Net assets without donor restrictions have been designated by the board for the following purposes as of December 31, 2022 and 2021:

	2022	2021
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, 2022 and 2021:

	2022	2021
Purpose restriction		
Internal accounting	\$ -	\$ 6,000
Marketing plan	-	6,500
Contributions receivable – subject to passage of time	<u>13,365</u>	<u>33,183</u>
	<u>\$ 13,365</u>	<u>\$ 45,683</u>

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of the passage of time or other events specified by the donors as follows for the years ended December 31, 2022 and 2021:

Purpose restriction		
Internal accounting	\$ 6,000	\$ -
Marketing plan	6,500	-
Capital	-	39,861
Contributions receivable – subject to passage of time	<u>27,183</u>	<u>13,803</u>
	<u>\$ 39,683</u>	<u>\$ 53,664</u>

OZAUKEE NONPROFIT CENTER, INC.
 NOTES TO FINANCIAL STATEMENTS – CONTINUED
 DECEMBER 31, 2022 AND 2021

I – RENTAL INCOME

The Center leases portions of its facility to several other nonprofit organizations and one for profit corporation through separate lease agreements. Monthly rents vary by lease and range from \$156 - \$9,867. Length of the leases varies per agreement. Rental income under these lease agreements totaled \$302,778 and \$297,209 for the years ended December 31, 2022 and 2021, respectively. The following is a schedule of future minimum rentals under the leases as of December 31, 2022:

2023	\$ 253,658
2024	196,596
2025	118,404
2026	118,404
2027	118,404
2028 and after	<u>236,808</u>
	<u>\$ 1,042,274</u>

J – LEASE COMMITMENTS

During 2022, the Center signed a lease for a new copy machine under a long-term non-cancelable finance lease agreement. The first payment is January 2023. The lease expires in March 2028. The Center includes in the determination of the right-of-use assets and lease liabilities any renewal options when the options are reasonably certain to be exercised. The current lease does not contain a renewal option.

The weighted-average discount rate is based on the discount rate implicit in the lease. If the implicit rate is not readily determinable from the lease, we estimate an applicable incremental borrowing rate. The incremental borrowing rate is estimated using our applicable borrowing rates and the contractual lease term.

Total right-of-use assets and lease liabilities at December 31, 2022 are as follows:

Finance right-of-use assets – property and equipment, net	<u>\$ 14,087</u>
Finance lease liabilities	<u>\$ 14,087</u>

As the lease commences January 1, 2023, total lease costs for the year ended December 31, 2022 are zero.

OZAUKEE NONPROFIT CENTER, INC.
NOTES TO FINANCIAL STATEMENTS – CONTINUED
DECEMBER 31, 2022 AND 2021

J – LEASE COMMITMENTS – CONTINUED

The following table summarizes the supplemental cash flow information for the year ended December 31, 2022:

Cash paid for amounts included in the measurement of lease liabilities:	
Operating cash flows from finance leases	\$ -
Financing cash flows from finance leases	<u>-</u>
	<u>\$ -</u>
Right-of-use assets obtained in exchange for lease liabilities:	
Finance leases	<u>\$ 14,087</u>

The following summarizes the weighted-average remaining lease term and weighted-average discount rate:

	<u>2022</u>
Weighted-average remaining lease term in year:	
Finance leases	5.25
Weighted-average discount rate:	
Finance leases	3.99%

The future minimum lease payments under noncancelable finance leases with terms greater than one year are listed below as of December 31, 2022:

2023	\$ 2,969
2024	2,969
2025	2,969
2026	2,969
2027	2,969
2028	<u>990</u>
Total undiscounted lease payments	15,835
Less interest	<u>(1,748)</u>
Present value of lease liabilities	<u>\$ 14,087</u>

OZAUKEE NONPROFIT CENTER, INC.
 NOTES TO FINANCIAL STATEMENTS – CONTINUED
 DECEMBER 31, 2022 AND 2021

J – LEASE COMMITMENTS – CONTINUED

As noted in footnote A-15, the Center adopted the leasing standards effective January 1, 2022, using the modified retrospective approach with January 1, 2022 as the initial date of application. The Center elected to use all available practical expedients provided in the transition guidance. These allowed the Center to not reassess the identification, classification and initial direct costs of lessor agreements and to use hindsight in lessee and lessor agreements for determining lease term and right-of-use asset impairment. As such, lease expense for the previous copy machine was \$3,180 and \$3,180 for 2022 and 2021, respectively and is included in shared services copy machine expenses on the statements of functional expenses.

K – 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 \$6,428 and \$13,548 for the years ended December 31, 2022 and 2021:

	2022	2021
Supplies	\$ 1,890	\$ 948
Special event supplies	4,538	5,000
Capitalized equipment	-	7,600
Total	\$ 6,428	\$ 13,548

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.

L – 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 grants from the fund totaling \$11,128 and \$10,630 for the years ended December 31, 2022 and 2021, respectively.