

OZAUKEE NONPROFIT CENTER, INC.
GRAFTON, WISCONSIN

FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT
DECEMBER 31, 2023 AND 2022

OZAUKEE NONPROFIT CENTER, INC.
GRAFTON, WISCONSIN

TABLE OF CONTENTS

	<u>Page</u>
Independent Auditor's Report	2
Financial Statements	
Statements of Financial Position	4
Statements of Activities	5
Statements of Functional Expenses	6
Statements of Cash Flows	7
Notes to Financial Statements	8

1214 BRIDGE STREET
P.O. BOX 368
GRAFTON, WISCONSIN 53024

TELEPHONE: (262) 377-9988
FAX: (262) 377-9617

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, 2023 and 2022, 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, 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. 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

October 16, 2024

OZAUKEE NONPROFIT CENTER, INC.
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2023 AND 2022

	<u>2023</u>	<u>2022</u>
<u>ASSETS</u>		
Cash and cash equivalents	\$ 388,608	\$ 408,957
Certificates of deposit	490,018	200,000
Contributions receivable, net	10,432	13,565
Accounts receivable	2,590	35,447
Prepaid expenses	1,584	1,908
Prepaid lease commissions, less accumulated amortization of \$21,956 in 2023 and \$16,467 in 2022	32,935	38,424
Finance lease right of use asset	<u>11,404</u>	<u>14,087</u>
Subtotal	937,571	712,388
PROPERTY AND EQUIPMENT, NET	<u>2,884,583</u>	<u>2,925,375</u>
TOTAL ASSETS	<u>\$ 3,822,154</u>	<u>\$ 3,637,763</u>
<u>LIABILITIES AND NET ASSETS</u>		
LIABILITIES		
Accounts payable	\$ 11,665	\$ 9,327
Payroll and payroll taxes accrued	8,055	8,090
Real estate taxes payable	17,073	16,949
Grants payable	13,500	-
Security deposit	-	288
Refundable advance	200,000	1,900
Deferred revenue	1,986	3,243
Finance lease liability	11,626	14,087
Note payable	<u>1,915,447</u>	<u>1,966,102</u>
TOTAL LIABILITIES	2,179,352	2,019,986
NET ASSETS		
Without donor restrictions:		
Undesignated	1,327,153	1,328,996
Board designated	<u>275,217</u>	<u>275,217</u>
	1,602,370	1,604,213
With donor restrictions	<u>40,432</u>	<u>13,564</u>
Total net assets	<u>1,642,802</u>	<u>1,617,777</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 3,822,154</u>	<u>\$ 3,637,763</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, 2023 AND 2022

	2023			2022		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE AND SUPPORT						
Contributions and grants	\$ 127,181	\$ 36,432	\$ 163,613	\$ 120,652	\$ 7,564	\$ 128,216
Paycheck Protection Program grant	-	-	-	-	-	-
In-kind contributions	7,051	-	7,051	6,428	-	6,428
Rental income	335,421	-	335,421	302,778	-	302,778
Shared equipment fees	19,261	-	19,261	15,399	-	15,399
Special event:						
Revenue	55,722	-	55,722	60,277	-	60,277
Expenses	(14,017)	-	(14,017)	(13,511)	-	(13,511)
Interest and other	21,865	-	21,865	3,550	-	3,550
Released from restrictions	9,564	(9,564)	-	39,683	(39,683)	-
Total revenue & support	562,048	26,868	588,916	535,256	(32,119)	503,137
EXPENSES						
Program services:						
Building operation	420,860		420,860	430,198	-	430,198
Shared services	52,989	-	52,989	35,885	-	35,885
	<u>473,849</u>	<u>-</u>	<u>473,849</u>	<u>466,083</u>	<u>-</u>	<u>466,083</u>
Supporting services:						
General and administrative	53,409	-	53,409	36,877	-	36,877
Fundraising and development	36,633	-	36,633	26,634	-	26,634
	<u>90,042</u>	<u>-</u>	<u>90,042</u>	<u>63,511</u>	<u>-</u>	<u>63,511</u>
Total expenses	563,891	-	563,891	529,594	-	529,594
Changes in net assets	(1,843)	26,868	25,025	5,662	(32,119)	(26,457)
Beginning net assets	1,604,213	13,564	1,617,777	1,598,551	45,683	1,644,234
Ending net assets	<u>\$ 1,602,370</u>	<u>\$ 40,432</u>	<u>\$ 1,642,802</u>	<u>\$ 1,604,213</u>	<u>\$ 13,564</u>	<u>\$ 1,617,777</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, 2023 AND 2022

	2023						2022					
	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	\$ -	\$ -	\$ -	\$ -	\$ 734	\$ 734	\$ -	\$ -	\$ -	\$ -	\$ 1,839	\$ 1,839
Amortization	-	-	-	5,489	-	5,489	-	-	-	5,489	-	5,489
Cleaning	7,200	-	7,200	-	-	7,200	6,400	-	6,400	-	-	6,400
Community support	-	13,500	13,500	-	-	13,500	-	-	-	-	-	-
Depreciation	74,913	-	74,913	-	-	74,913	75,256	-	75,256	-	-	75,256
Insurance	12,066	-	12,066	-	-	12,066	12,894	-	12,894	-	-	12,894
Interest	78,604	-	78,604	-	-	78,604	80,611	-	80,611	-	-	80,611
Payroll:												
Salaries and wages	69,968	16,844	86,812	20,731	22,027	129,570	54,157	13,038	67,195	16,046	17,049	100,290
Payroll taxes	5,528	1,331	6,859	1,638	1,740	10,237	4,222	1,016	5,238	1,251	1,329	7,818
Professional fees	10,127	-	10,127	10,946	-	21,073	10,304	-	10,304	4,948	-	15,252
Real estate taxes	17,073	-	17,073	-	-	17,073	16,949	-	16,949	-	-	16,949
Repairs and maintenance	29,506	-	29,506	-	-	29,506	53,563	-	53,563	-	-	53,563
Shared Services:												
Copy machine	-	3,200	3,200	2,323	-	5,523	-	3,180	3,180	2,912	-	6,092
Internet and IT	961	9,230	10,191	-	-	10,191	1,111	9,244	10,355	-	-	10,355
Postage	-	3,756	3,756	731	-	4,487	-	3,913	3,913	828	-	4,741
Telephone	-	2,397	2,397	-	-	2,397	-	2,828	2,828	-	-	2,828
Snow removal/landscaping	64,423	-	64,423	-	-	64,423	64,418	-	64,418	-	-	64,418
Supplies	2,674	2,731	5,405	2,663	2,645	10,713	4,565	2,666	7,231	1,401	1,892	10,524
Utilities	47,817	-	47,817	-	-	47,817	45,748	-	45,748	-	-	45,748
Volunteer recognition	-	-	-	80	-	80	-	-	-	139	-	139
Website	-	-	-	170	170	340	-	-	-	197	197	394
Other	-	-	-	8,638	9,317	17,955	-	-	-	3,666	4,328	7,994
Total Expenses	\$ 420,860	\$ 52,989	\$ 473,849	\$ 53,409	\$ 36,633	\$ 563,891	\$ 430,198	\$ 35,885	\$ 466,083	\$ 36,877	\$ 26,634	\$ 529,594

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, 2023 AND 2022

	<u>2023</u>	<u>2022</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in net assets	\$ 25,025	\$ (26,457)
Adjustments to reconcile changes in net assets to net cash provided by operating activities		
Depreciation	74,913	75,256
Amortization	5,489	5,489
Amortization of discount on finance lease liability	222	-
Investment income certificates of deposit	(15,018)	-
(Increase) decrease in contributions receivable	3,133	19,618
(Increase) decrease in accounts receivable	32,857	(3,269)
(Increase) decrease in prepaid expenses	324	3,263
Increase (decrease) in accounts payable	2,338	3,160
Increase (decrease) in accrued payroll and taxes	(35)	(444)
Increase (decrease) in real estate taxes payable	124	(237)
Increase (decrease) in grants payable	13,500	(21,100)
Increase (decrease) in security deposits	(288)	288
Increase (decrease) in refundable advance	198,100	1,900
Increase (decrease) in deferred revenue	<u>(1,257)</u>	<u>783</u>
Net cash provided by (used in) operating activities	<u>339,427</u>	<u>58,250</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of certificates of deposit	(275,000)	(200,000)
Purchase of property and equipment	<u>(34,121)</u>	<u>(4,800)</u>
Net cash provided by (used in) investing activities	<u>(309,121)</u>	<u>(204,800)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayments of note payable	<u>(50,655)</u>	<u>(48,648)</u>
Net cash provided by (used in) financing activities	<u>(50,655)</u>	<u>(48,648)</u>
Net increase (decrease) in cash and cash equivalents	(20,349)	(195,198)
Cash and cash equivalents at beginning of year	<u>408,957</u>	<u>604,155</u>
Cash and cash equivalents at end of year	<u>\$ 388,608</u>	<u>\$ 408,957</u>
Supplemental disclosure of cash flow information:		
Cash paid for interest	<u>\$ 78,604</u>	<u>\$ 80,611</u>
In-kind contributions	<u>\$ 7,051</u>	<u>\$ 6,428</u>

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

OZAUKEE NONPROFIT CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

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 allowance for credit losses

Accounts receivable are stated at the amount of consideration from customers, of which the Center has an unconditional right to receive and consist of noninterest-bearing amounts due for space rental and reimbursements. The Center provides its services to a broad range of customers primarily in Ozaukee County Wisconsin area. The Center grants credit in the normal course of business to customers and recognizes an expected allowance for credit losses to reduce credit risk. At each

OZAUKEE NONPROFIT CENTER, INC.
NOTES TO FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2023 AND 2022

A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

3. Accounts receivable and allowance for credit losses - continued

reporting date, this estimate is updated to reflect any changes in credit risk since the receivable was initially recorded. This estimate is calculated on a pooled basis where similar risk characteristics exist. Accounts receivable are evaluated individually when they do not share similar risk characteristics which could exist in circumstances where amounts are considered at risk or uncollectible. The allowance estimate is derived from a review of the Center's historical losses based on the aging of receivables. This estimate is adjusted for management's assessment of current conditions, reasonable and supportable forecasts regarding future events, and any other factors deemed relevant by the Center. The Center believes historical loss information is a reasonable starting point in which to calculate the expected allowance for credit losses as the Center's customers have remained fairly constant for many years. Management believes all accounts receivables are fully collectible, and accordingly, management determined that no allowance for credit losses was required at December 31, 2023 and 2022.

The Center writes off receivables when there is information that indicates the debtor is facing significant financial difficulty and there is no possibility of recovery. If any recoveries are made from any accounts previously written off, they will be recognized in revenue. There were no write-offs of accounts for the years ended December 31, 2023 and 2022. 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, 2023 and 2022, management determined that no allowance for uncollectible contributions receivable was required. See Note C.

OZAUKEE NONPROFIT CENTER, INC.
NOTES TO FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2023 AND 2022

A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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.

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, 2023 and 2022.

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.

OZAUKEE NONPROFIT CENTER, INC.
NOTES TO FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2023 AND 2022

A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

7. Net assets – continued

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, 2023, the Center has one cost-reimbursed grant, which is conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the Center has incurred expenditures in compliance with specific contract or grant provisions. Amounts received prior to incurring qualifying expenditures are reported as refundable advances in the statements of financial position. See Note F. The Center has no conditional contributions as of December 31, 2022.

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 \$734 and \$1,839 during the years ended December 31, 2023 and 2022, respectively.

OZAUKEE NONPROFIT CENTER, INC.
NOTES TO FINANCIAL STATEMENTS – CONTINUED
DECEMBER 31, 2023 AND 2022

A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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.

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, 2023 and 2022. The Center has not incurred any interest or penalties for income taxes for the years ended December 31, 2023 and 2022.

14. Subsequent Events

Management has evaluated subsequent events for recognition and disclosure in the financial statements through October 16, 2024, which is the date that the financial statements were available to be issued.

OZAUKEE NONPROFIT CENTER, INC.
 NOTES TO FINANCIAL STATEMENTS – CONTINUED
 DECEMBER 31, 2023 AND 2022

A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

15. New Accounting Standards

Effective January 1, 2023, the Center adopted Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 326, Financial Instruments - Credit Losses, which changes the method of measuring credit losses for most financial assets and certain other instruments that are not measured at fair value through change in net assets. The standard changes the measurement of credit losses from the incurred loss model to the expected loss model and requires enhanced disclosures to provide information for analysis of the Center's exposure to credit risk and the measurement of credit losses. Financial assets held by the Center that are subject to the new standard consist primarily of accounts receivable. The impact of the adoption is not considered to be material to the financial statements and primarily resulted in enhanced disclosures.

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, 2023 and 2022, comprise the following:

	2023	2022
Cash and cash equivalents	\$ 388,608	\$ 408,957
Certificates of deposit	490,018	200,000
Contributions receivable	10,432	13,565
Accounts receivable	2,590	35,447
Less amounts unavailable for general expenditures:		
Donor purpose restrictions	(32,000)	(6,000)
	<u>\$ 859,648</u>	<u>\$ 651,969</u>

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

NOTES TO FINANCIAL STATEMENTS – CONTINUED
DECEMBER 31, 2023 AND 2022

C – CONTRIBUTIONS RECEIVABLE

Unconditional promises to give are to be collected as follows as of December 31, 2023 and 2022:

	2023	2022
Within one year	\$ 8,432	\$ 9,565
In one to five years	2,000	4,000
Over five years	-	-
	10,432	13,565
Less allowance for uncollectible amount	-	-
	<u>\$ 10,432</u>	<u>\$ 13,565</u>

At December 31, 2023 and 2022, contributions receivable in over one to five years are not recorded at present value due to the minor impact of the calculated discount.

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.

NOTES TO FINANCIAL STATEMENTS – CONTINUED
DECEMBER 31, 2023 AND 2022

D – FAIR VALUE MEASUREMENT AND DISCLOSURES - CONTINUED

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.

Assets that were accounted for at fair value on a recurring basis as of December 31, 2023 are as follows:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Certificates of deposit	<u>\$ -</u>	<u>\$ 490,018</u>	<u>\$ -</u>	<u>\$ 490,018</u>

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>

NOTES TO FINANCIAL STATEMENTS – CONTINUED
DECEMBER 31, 2023 AND 2022

E – PROPERTY AND EQUIPMENT

At December 31, 2023 and 2022, property and equipment consist of the following:

	2023	2022
Building and building improvements	\$2,768,296	\$2,734,175
Land	340,000	340,000
Furniture and equipment	77,657	77,657
Subtotal	3,185,953	3,151,832
Less accumulated depreciation	(301,370)	(226,457)
Property and equipment, net	<u>\$2,884,583</u>	<u>\$2,925,375</u>

Depreciation expense for the years ended December 31, 2023 and 2022 was \$74,913 and \$75,256, respectively.

F – REFUNDABLE ADVANCE

In June 2023, the Center received a \$200,000 American Rescue Plan Act (ARPA) grant from Ozaukee County. The funds are to be used for specific approved capital purposes and must be spent by December 31, 2024. The Center initially recorded the grant 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 (qualifying expenditures) and right of return of the ARPA funds no longer exists. As of December 31, 2023, the Center has not incurred qualifying expenditures and has not recognized any revenue; \$200,000 is reflected as a refundable advance in the statements of financial position, as qualifying expenditures have not yet been incurred.

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.

NOTES TO FINANCIAL STATEMENTS – CONTINUED
DECEMBER 31, 2023 AND 2022

G – NOTE PAYABLE – CONTINUED

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 \$1,915,447 and \$1,966,102 as of December 31, 2023 and 2022, respectively. Aggregate annual maturities on the foregoing borrowing at December 31, 2023 are as follows:

2024	\$	52,528
2025		54,910
2026		57,173
2027		59,530
2028		61,791
2029 and thereafter		<u>1,629,515</u>
Total		<u>\$ 1,915,447</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, 2023 and 2022.

H – NET ASSETS

Net assets without donor restrictions have been designated by the board for the following purposes as of December 31, 2023 and 2022:

	<u>2023</u>	<u>2022</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.

OZAUKEE NONPROFIT CENTER, INC.
NOTES TO FINANCIAL STATEMENTS – CONTINUED
DECEMBER 31, 2023 AND 2022

H – NET ASSETS – CONTINUED

Net assets with donor restrictions are restricted for the following purposes as of December 31, 2023 and 2022:

Purpose restriction	2023	2022
Solar panels	\$ 30,000	\$ -
Contributions receivable – subject to passage of time	10,432	13,564
	\$ 40,432	\$ 13,564

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, 2023 and 2022:

Purpose restriction		
Internal accounting	\$ -	\$ 6,000
Marketing plan	-	6,500
Contributions receivable – subject to passage of time	9,564	27,183
	\$ 9,564	\$ 39,683

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 \$158 - \$9,867. Length of the leases varies per agreement. Rental income under these lease agreements totaled \$335,421 and \$302,778 for the years ended December 31, 2023 and 2022, respectively. The following is a schedule of future minimum rentals under the leases as of December 31, 2023:

2024	\$ 199,172
2025	118,404
2026	118,404
2027	118,404
2028	118,404
2029	118,404
	\$ 791,192

OZAUKEE NONPROFIT CENTER, INC.
NOTES TO FINANCIAL STATEMENTS – CONTINUED
DECEMBER 31, 2023 AND 2022

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, 2023 and 2022 are as follows:

	2023	2022
Finance right-of-use assets – property and equipment, net	<u>\$ 11,404</u>	<u>\$ 14,087</u>
Finance lease liabilities	<u>\$ 11,626</u>	<u>\$ 14,087</u>

Total lease costs for the years ended December 31, 2023 and 2022 is as follows:

	2023	2022
Finance lease cost:		
Amortization of right-of-use assets	\$ 2,383	\$ -
Interest expense	<u>508</u>	<u>-</u>
	<u>\$ 2,891</u>	<u>\$ -</u>

The following table summarizes the supplemental cash flow information for the years ended December 31, 2023 and 2022:

	2023	2022
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from finance leases	\$ 469	\$ -
Financing cash flows from finance leases	<u>2,252</u>	<u>-</u>
	<u>\$ 2,721</u>	<u>\$ -</u>

OZAUKEE NONPROFIT CENTER, INC.
NOTES TO FINANCIAL STATEMENTS – CONTINUED
DECEMBER 31, 2023 AND 2022

J – LEASE COMMITMENTS – CONTINUED

	2023	2022
Right-of-use assets obtained in exchange for lease liabilities:		
Finance leases	\$ -	\$ 14,087

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

	2023	2022
Weighted-average remaining lease term in year:		
Finance leases	4.25	5.25
Weighted-average discount rate:		
Finance leases	3.99%	3.99%

The future minimum lease payments under noncancelable finance leases with terms greater than one year are listed below as of December 31, 2023:

2024	\$ 2,969
2025	2,969
2026	2,969
2027	2,969
2028	741
 Total undiscounted lease payments	 12,617
Less interest	(991)
 Present value of lease liabilities	 \$ 11,626

OZAUKEE NONPROFIT CENTER, INC.
NOTES TO FINANCIAL STATEMENTS – CONTINUED
DECEMBER 31, 2023 AND 2022

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 \$7,051 and \$6,428 for the years ended December 31, 2023 and 2022:

	2023	2022
Supplies	\$ 500	\$ 1,890
Special event supplies	6,551	4,538
Total	\$ 7,051	\$ 6,428

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 \$11,920 and \$11,128 for the years ended December 31, 2023 and 2022, respectively.

M – CONCENTRATION OF CREDIT RISK

The Center maintains its cash balance at one financial institution located in Southeastern Wisconsin, which, at times, may exceed federally insured limits. Accounts at the banks are insured by the Federal Deposit Insurance Corporation up to \$250,000 per financial institution. The Center has not experienced any losses with these accounts, and management believes the Center is not exposed to any significant credit risk.