

**North Lakeland Discovery Center, Inc.
Manitowish Waters, Wisconsin**

Financial Statements and Supplement ary Information

Year Ended September 30, 2017

TABLE OF CONTENTS

	Page
Independent Auditor's Report	3
Financial Statements	
Statement of Net Position	5
Statement of Activities	6
Statement of Cash Flows	7
Schedule of Functional Expenses	8
Notes to Financial Statements	9

INDEPENDENT AUDITOR'S REPORT

Board of Directors
North Lakeland Discovery Center, Inc.
Manitowish Waters, Wisconsin

Report on the Financial Statements

We have audited the accompanying financial statements of North Lakeland Discovery Center, Inc. (a non-profit organization), which comprise the statement of net position as of September 30, 2017, and the related statement of activities, functional expenses, and cash flows for the year 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 from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the net position of the North Lakeland Discovery Center, Inc. as of September 30, 2017, the respective changes in net position and, where applicable, cash flows thereof, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Mat ters

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of functional expenses on page 15 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all materia l respects in relation to the financial statements as a whole.

Peterson Metz Ltd.

Minocqua , Wisconsin
February 23, 2018

North Lakeland Discovery Center
Statement of Net Position
September 30, 2017

ASSETS

Current Assets:

Cash	\$228,940
Accounts Receivable	43,757
Insurance Refund	2,132
Inventories	2,425
Total Current Assets	277,254

Property and Equipment

Buildings and Improvements	1,681,991
Goods Equipment	151,434
Recreation Equipment	259,029
Office Equipment	85,313
Total Property and Equipment	2,177,767
Less- Accumulated Depreciation	820,853
Net Property and Equipment	1,356,914

Other Assets

Trademark, Net of Amortization	1,489
Investments	193,088
Total Other Assets	194,577

TOTAL ASSETS

\$1,828,745

LIABILITIES AND NET POSITION

Current liabilities :

Accounts Payable	\$3,245
Accrued Wages	14,350
Accrued Payroll Taxes	119
Total current liabilities	17,714

Net position:

Unrestricted	1,609,047
Temporarily Restricted	151,984
Permanently Restricted	50,000
Total net position	1,811,031

TOTAL LIABILITIES AND NET POSITION

\$1,828,745

See accompanying notes to financial statements.

North Lakeland Discovery Center
Statement of Activities
For the Year Ended September 30, 2017

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	
SUPPORT AND REVENUES					
Program Fees	\$138,359	\$0	\$0	\$138,359	
Membership Dues	201,199	0	0	201,199	
Grants	122,662	0	0	[22,662	
Contributions	39,906	30,000	0	69,906	
Facilities Use	65,719	0	0	65,719	
Special Events	143,458	0	0	143,458	
Retail and Concession Income	4,430	0	0	4,430	
Miscellaneous Income	202	0		0	202
TOTAL SUPPORT AND REVENUES	715,935	30,000	0	745,935	
EXPENSES					
Program Services	595,457	0	0	595,457	
Management and General	210,824	0	0	210,824	
Fundraising	64,667	0		0	
			64,667		
TOTAL EXPENSES	870,948	0		870,948	
NET ASSETS RELEASED FROM RESTRICTION	120,554	(120,554)	0	0	
CHANGE IN NET POSITION BEFORE OTHER INCOME AND (EXPENSES)	(34,459)	(90,554)	0	(125,013)	
OTHER INCOME AND (EXPENSES)					
Interest and Dividend Income	17,685	0	0	17,685	
Unrealized Gain/(Loss) on Investments	(3,186)	0	0	(3,186)	
Gain/ (Loss) on Disposal of Assets	0	0	0	0	
TOTAL GAINS AND LOSSES	14,499	0		0	14,499
CHANGE IN NET POSITION	(19,960)	(90,554)	0	(110,514)	
NET POSITION - BEGINNING	1,629,007	242,538	50,000	1,921,545	
NET POSITION- ENDING	<u>\$1,609,047</u>	<u>\$151,984</u>	<u>\$50,000</u>	<u>\$1,811,031</u>	

See accompanying notes to financial statements.

North Lakeland Discovery Center
State ment of Cash Flows
Year Ended September 30, 2017

Increase (Decrease) in Cash:

Cash Flows from Operating Activities:

Change in Net Position	(\$110,514)
Adjustments to Reconcile Change in Net Position to Net Cash	
Flows from Operating Activities	
Depreciation and Amortization	120,175
Loss on disposition of assets	0
Change in operating assets and liabilities:	
Accounts Receivable	32,093
Insurance Refund	(2,132)
Inventories	(970)
Accounts Payable	(9,834)
Accrued Wages	1,318
Accrued Payroll Taxes	(2,627)
Total Adjustments	138,023
Net Cash Flows from Operating Activities	27,509
Cash Flows from Investing Activities:	
Proceeds from Asset Disposal	0
Acquisition of Property and Equipment	(32,792)
Proceeds from Sale of Investments	131,745
Reinvested Investment Earnings	(17,685)
Unrealized Loss on Investments	3,186
Net Cash Flows from Financing Activities	84,454
Net Change in Cash	111,963
CASH - BEGINNING	116,977
CASH - ENDING	\$228,940

See accompanying notes to financial statements.

North Lakeland Discovery Center
Statement of Functional Expenses
For the Year Ended September 30, 2017

EXPENSES	Program Services	Management and General	Fundraising	Total Exeenses
Salaries and Wages	\$25 8,531	\$81,718	\$25,217	\$365,466
Payroll Taxes	17,562	5,015	1,673	24,250
Utilities	9,135	1,507	0	10,642
Program Expense	156,668	33,816	23,810	214,294
Donor Funded Projects	2,078	2,745	3,265	8,088
Marketing	16,994	2,711	71	19,776
Travel	717	335	4	1,056
Continuing Education	177	1,527	0	1,704
Professional Services	0	36,270	0	36,270
Depreciation and Amortization	105,754	14,421	0	120,175
Office Expense and Postage	4,841	4,759	281	9,881
Telephone	5,843	1,095	365	7,303
Supplies	99	1,450	9,859	11,408
Repairs and Maintenance	2,526	12,755	111	15,392
Insurance	8,659	2,165	0	10,824
Dues and Subscriptions	325	1,245	0	1,570
Permits and Application	405	426	11	842
Credit Card Expense	0	5,258	0	5,258
Retail and Concession Expense	1,444	0	0	1,444
Vehicle Expense	3,699	1,606	0	5,305
TOTAL FUNCTIONAL EXPENSES	\$595,457	\$210,824	\$64,667	\$870,948

See accompanying notes to financial statements .

NORTH LAKELAND DISCOVERY CENTER, INC.

Notes to Financial Statements
Year Ended September 30, 2017

Note 1

Summary of Significant Accounting Policies

This summary of significant accounting policies of North Lakeland Discovery Center, Inc. (the "Organization") is presented to assist in understanding the Organization's financial statements. The financial statements and notes are representations of the Organization's management who is responsible for the integrity and objectivity of the financial statements. These accounting policies conform to accounting principles generally accepted in the United States of America and have been consistently applied in the preparation of the financial statements.

Organization

The Organization is a non-profit organization for the purpose of providing a community-oriented learning center dedicated to exploring, preserving, and enhancing the area's natural, cultural, and historic resources. The Organization is a hands-on field education center. Schools, clubs, and the general public utilize the programs and facilities.

Funding for the Organization comes from corporate and individual membership dues, workshop fees, camp store sales, and donations from businesses, service clubs, and individuals.

Basis of accounting

The financial statements of the Organization have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Cash

Cash consists of demand and time deposits with financial institutions and is carried at cost.

Deposits in each bank are insured by the F.D.I.C. deposit insurance in the amount of \$250,000. The bank balance of the Organization's deposits are \$219,786 and the carrying amount is \$228,940.

NORTH LAKELAND DISCOVERY CENTER, INC.

Notes to Financial Statements
Year Ended September 30, 2017

Accounts Receivable

Receivables are stated at the amount management expects to collect from balances outstanding at year-end. Based on management's assessment of the outstanding balances, it has concluded that realization losses on balances outstanding at year-end will be immaterial. If amounts become uncollectible they are charged to expense in the period in which that determination is made.

Inventories

Inventories, which consist of books and items for sale, are valued at the lower of cost of market. Donated items are recorded as estimated fair market value at the date of donation.

Investments

Investments are stated at market value. The cost of donated investments is represented by the fair value at the date of gift.

Contributions

Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires or is fulfilled, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Financial Statement Presentation

The Organization presents its financial position and activities according to three classes of net assets:

- Unrestricted net assets are the part of net assets of the Organization that is neither permanently restricted nor temporarily restricted by donor-imposed stipulations.
- Temporarily restricted net assets are those whose use by the Organization is subject to donor-imposed stipulations that can be fulfilled by actions of the Organization pursuant to those stipulations or that expire by the passage of time.

NORTH LAKELAND DISCOVERY CENTER, INC.

Notes to Financial Statements
Year Ended September 30, 2017

- Permanently restricted net assets have been restricted by donors to be maintained by the Organization in perpetuity. Generally, the donors of such assets permit the Organization to use all or part of the income earned on the assets.

Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law. Expirations of temporary restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as net assets related from restrictions.

Property, Equipment and Depreciation

Property and equipment is stated at cost, or fair value if donated to the Organization, less accumulated depreciation.

The cost of assets sold, retired or otherwise disposed of and the related accumulated depreciation are eliminated from the accounts in the year of asset disposal. Any resulting gain or loss on disposal is recognized in that same year.

Expenditures for maintenance and repairs are charged against operations. Renewals and betterments that materially extend the life of an asset are capitalized.

Depreciation of property and equipment is provided using the straight-line method for financial reporting purposes at rates based on the following estimated useful lives:

	<u>Years</u>
Buildings and Improvements	5 -40
Grounds Equipment	5 - 10
Recreation Equipment	5 - 20
Office Equipment	3 - 10

Trademark

The trademark is stated at cost, net of accumulated amortization. The trademark is being amortized over a useful life of 15 years.

NORTH LAKELAND DISCOVERY CENTER, INC.

Notes to Financial Statements
Year Ended September 30, 2017

In-Kind Contributions

The Organization records various types of in-kind contributions including professional services, equipment and supplies. Contributed services are recognized if the services received (a) create or enhance long-lived assets, or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Contributions of tangible assets are recognized at fair value when received. The amounts reflected in the accompanying financial statements as in-kind contributions are offset by a like amount included in assets or expenses.

The Organization received in-kind contributions of equipment and supplies during the year ended September 30, 2017, with a fair value on the dates of donation of \$30,610.

The Organization received contributed services during the year ended September 30, 2017, with a fair value on the dates of donation of \$18,000.

Functional Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Income Taxes

The Organization is a non-profit organization under Section 501(c)(3) of the Internal Revenue Code, and thus is exempt from income taxes. Gifts, grants and bequests are deductible by donors within limitations of the Internal Revenue Code.

The Organization continually evaluates its tax position, changes in tax law and new authoritative rulings for potential implications to its tax status. The Organization's Forms 990, *Return of Organization Exempt from Income Tax*, for the years ending 2015, 2016, and 2017 are subject to examination by the IRS, generally for three years after they were filed.

Subsequent Events

The Organization has evaluated all subsequent events through February 23, 2018, the date the financial statements were available to be issued. Subsequent to the fiscal year ended September 30, 2017, the Organization received \$107,416 towards their Capital Campaign and \$495,700 in pledges.

NORTH LAKELAND DISCOVERY CENTER, INC.

Notes to Financial Statements
Year Ended September 30, 2017

Note 2

Temporarily Restricted Net Assets

At September 30, 2017 temporarily restricted assets are available for the following purposes:

	<u>2017</u>
Capital Projects	\$95,210
Fund-a-wish 2016/2017	32,747
Excel Herbar Garden	1,114
Friends of Van Vliet	19,855
Aquatic Invasive Species	306
Bird Club	<u>2,752</u>
	<u>\$151,984</u>

Note 3

Permanently Restricted Assets - Endowment Fund

Permanently restricted endowment fund assets at September 30, 2017 were \$50,000.

An initial contribution of Native American artifacts was made by Joe Ilg. The donor approved a sale of the artifacts which resulted in \$50,000. The funds were then transferred to an endowment fund to be set aside for a specific purpose.

Note 4

Investments

The Financial Accounting Standards Board (FASB) establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy are described below:

- Level 1 Quote prices (unadjusted) for identical assets or liabilities in active markets that the Organization has the ability to access as of the measurement date.

- Level 2 Significant other observable inputs other than level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not

NORTH LAKELAND DISCOVERY CENTER, INC.

Notes to Financial Statements
Year Ended September 30, 2017

active; or other inputs that are observable or can be corroborated by observable market data.

Level 3 Significant unobservable inputs that reflect the Organization's own assumptions about the assumptions that market participants would use in pricing an asset or liability.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Fair value of assets measured on a recurring basis at September 30, 2017 are as follows:

Fair Value Measurements at Reporting Date Using Quoted prices in Markets that are Active (Level 1)	
	2017
Money Market	\$2,254
Equities	96,952
Fixed Income	93,882
	<u>\$193,088</u>

Notes

Easement

The majority of the land and buildings that comprise the North Lakeland Discovery Center, Inc. campus are owned by the Wisconsin Department of Natural Resources ("DNR"). Effective March 17, 2016, the Organization occupies the premises under a Perpetual Easement. The easement is for the purpose of maintaining, operating, repairing and replacing the facilities and grounds on the trails and premises, including any future improvements or additions to the present facilities for the use by the general public consistent with the Organization's mission to enrich lives and inspire an ethic of care for Wisconsin's Northwoods, through facilitation of connections among nature, people and community, providing low or no-cost nature-based outdoor education and recreational programs open to the public.

NORTH LAKELAND DISCOVERY CENTER, INC.

Notes to Financial Statements
Year Ended September 30, 2017

Note 6

Pledges

The Organization has begun a capital campaign to obtain funds to make improvements to the campus, buildings, and programming. As of September 30, 2017 there was no pledges received for the capital campaign.

Note 7

Risk Management

The Organization is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; error and omissions; injuries to employees; and illnesses of employees. These risks are covered by commercial insurance purchased from independent third parties. Settled claims for these risks have not exceeded commercial insurance coverage for the past three years.