

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

**Financial Statements**

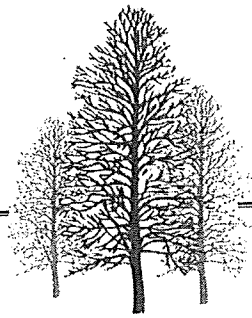
Year Ended September 30, 2018

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# PETERSON METZ Ltd.

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## 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 financial position as of September 30, 2018, 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 financial position of the North Lakeland Discovery Center, Inc. as of September 30, 2018, the respective changes in net assets 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 Matters**

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 8 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 material respects in relation to the financial statements as a whole.

*Peterson Metz & Co.*  
Peterson Metz Ltd.

Minocqua, Wisconsin  
January 16, 2019

**North Lakeland Discovery Center**  
**Statement of Financial Position**  
**September 30, 2018**

**ASSETS**

Current Assets:	\$425,591
Cash and Cash Equivalents	86,268
Accounts Receivable	208,833
Contribution Receivable	2,425
Inventories	<u>723,117</u>
Total Current Assets	
Property and Equipment	1,681,191
Buildings and Improvements	116,325
Grounds Equipment	264,529
Recreation Equipment	84,288
Office Equipment	<u>2,146,333</u>
Total Property and Equipment	898,176
Less- Accumulated Depreciation	<u>1,248,157</u>
Net Property and Equipment	
Other Assets	1,356
Trademark, Net of Amortization	378,833
Contribution Receivable, noncurrent	77,099
Investments	<u>457,288</u>
Total Other Assets	
	<u>\$2,428,562</u>

**TOTAL ASSETS**

**LIABILITIES AND NET ASSETS**

Current liabilities:	\$7,329
Accounts Payable	19,884
Accrued Wages	210
Accrued Payroll Taxes	<u>27,423</u>
Total current liabilities	
Net position:	1,498,944
Unrestricted	852,195
Temporarily Restricted	50,000
Permanently Restricted	<u>2,401,139</u>
Total net assets	
	<u>\$2,428,562</u>

**TOTAL LIABILITIES AND NET ASSETS**

See accompanying notes to financial statements.

**North Lakeland Discovery Center  
Statement of Activities  
For the Year Ended September 30, 2018**

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>SUPPORT AND REVENUES</b>				
Program Fees	\$125,769	\$0	\$0	\$125,769
Membership Dues	199,400	0	0	199,400
Grants	119,668	0	0	119,668
Contributions	1,670	8,135	0	9,805
Capital Campaign	0	789,715	0	789,715
Facilities Use	64,632	0	0	64,632
Special Events	77,033	42,722	0	119,755
Retail and Concession Income	3,717	0	0	3,717
In-Kind Contributions	59,511	0	0	59,511
Miscellaneous Income	778	0	0	778
<b>TOTAL SUPPORT AND REVENUES</b>	<u>652,178</u>	<u>840,572</u>	<u>0</u>	<u>1,492,750</u>
<b>NET ASSETS RELEASED FROM RESTRICTION</b>	<u>140,361</u>	<u>(140,361)</u>	<u>0</u>	<u>0</u>
<b>TOTAL SUPPORT, REVENUES, AND TRANSFERS</b>	<u>792,539</u>	<u>700,211</u>	<u>0</u>	<u>1,492,750</u>
<b>EXPENSES</b>				
Program Services	597,725	0	0	597,725
Management and General	194,528	0	0	194,528
Fundraising	119,021	0	0	119,021
<b>TOTAL EXPENSES</b>	<u>911,274</u>	<u>0</u>	<u>0</u>	<u>911,274</u>
<b>CHANGE IN NETASSETS BEFORE OTHER INCOME AND (EXPENSES)</b>	<u>(118,735)</u>	<u>700,211</u>	<u>0</u>	<u>581,476</u>
<b>OTHER INCOME AND (EXPENSES)</b>				
Interest and Dividend Income	7,837	0	0	7,837
Unrealized Gain/(Loss) on Investments	1,484	0	0	1,484
Gain/ (Loss) on Disposal of Assets	(689)	0	0	(689)
<b>TOTAL OTHER INCOME AND (EXPENSES)</b>	<u>8,632</u>	<u>0</u>	<u>0</u>	<u>8,632</u>
<b>CHANGE IN NET ASSETS</b>	<u>(110,103)</u>	<u>700,211</u>	<u>0</u>	<u>590,108</u>
<b>NET ASSETS AT BEGINNING OF YEAR</b>	<u>1,609,047</u>	<u>151,984</u>	<u>50,000</u>	<u>1,811,031</u>
<b>NET ASSETS AT END OF YEAR</b>	<u>\$1,498,944</u>	<u>\$852,195</u>	<u>\$50,000</u>	<u>\$2,401,139</u>

See accompanying notes to financial statements.

**North Lakeland Discovery Center  
Statement of Cash Flows  
Year Ended September 30, 2018**

Increase (Decrease) in Cash:	
Cash Flows from Operating Activities:	<u>\$590,108</u>
Change in Net Assets	
Adjustments to Reconcile Change in Net Assets to Net Cash	
Provided by Operating Activities	116,756
Depreciation and Amortization	689
Gain on Disposition of Assets	(587,666)
Increase in Contribution Receivable	
Change in operating assets and liabilities:	(42,511)
Accounts Receivable	2,131
Insurance Refund	0
Inventories	4,084
Accounts Payable	5,534
Accrued Wages	91
Accrued Payroll Taxes	<u>(500,892)</u>
Total Adjustments	<u>89,216</u>
Net Cash Flows Provided by Operating Activities	
Cash Flows from Investing Activities:	14,230
Proceeds from Asset Disposal	(22,785)
Acquisition of Property and Equipment	197,864
Proceeds from Sale of Investments	(80,390)
Purchase of Investments	(1,484)
Unrealized Gain on Investments	<u>107,435</u>
Net Cash Flows from Financing Activities	
	<u>196,651</u>
Net Change in Cash	
	<u>228,940</u>
Cash and Cash Equivalents at Beginning of Year	
	<u>\$425,591</u>
Cash and Cash Equivalents at End of Year	

See accompanying notes to financial statements.

**North Lakeland Discovery Center  
Statement of Functional Expenses  
For the Year Ended September 30, 2018**

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total Expenses</u>
<b>EXPENSES</b>				
Salaries and Wages	\$259,951	\$82,167	\$25,356	\$367,474
Payroll Taxes	17,252	4,926	1,644	23,822
Utilities	9,025	1,489	0	10,514
Program Expense	98,128	22,847	23,810	144,785
Fundraising	0	0	36,240	36,240
In-Kind Expense	54,011	0	0	54,011
Donor Funded Projects	11,221	14,825	17,633	43,679
Marketing	10,478	1,672	44	12,194
Travel	626	292	4	922
Continuing Education	70	604	0	674
Professional Services	0	18,635	0	18,635
Depreciation and Amortization	102,745	14,011	0	116,756
Office Expense and Postage	7,873	7,738	456	16,067
Telephone	7,865	1,475	490	9,830
Supplies	135	1,951	13,267	15,353
Repairs and Maintenance	1,586	8,007	70	9,663
Insurance	8,192	2,048	0	10,240
Dues and Subscriptions	607	2,322	0	2,929
Permits and Application	372	392	7	771
Credit Card Expense	0	6,623	0	6,623
Retail and Concession Expense	1,825	0	0	1,825
Vehicle Expense	5,764	2,504	0	8,268
<b>TOTAL FUNCTIONAL EXPENSES</b>	<u><u>\$597,725</u></u>	<u><u>\$194,528</u></u>	<u><u>\$119,021</u></u>	<u><u>\$911,274</u></u>

See accompanying notes to financial statements.



# NORTH LAKELAND DISCOVERY CENTER, INC.

Notes to Financial Statements  
Year Ended September 30, 2018

## 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-stock, nonprofit Wisconsin Corporation organized under Chapter 181 of the Wisconsin Statutes and is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. Its headquarters are in Manitowish Waters, Wisconsin. The purpose of the Organization is to enrich lives and inspire an ethic of care for Wisconsin's Northwoods, through the facilitation of connections among people, nature and community. 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. Using this method, revenues are recognized when earned and expenses are recognized when incurred.

### 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.

### Classification of Net Assets

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

*Unrestricted net assets* – Net assets that are not subject to donor-imposed stipulations.

## NORTH LAKELAND DISCOVERY CENTER, INC.

Notes to Financial Statements  
Year Ended September 30, 2018

*Temporarily restricted net assets* – Net assets subject to donor-imposed stipulations that may or will be met, either by actions of the Organization and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. When funding is received, that is restricted by the donor, and the restrictions are met in the reporting period, the funds are considered unrestricted.

*Permanently restricted net assets* – Net assets subject to donor-imposed stipulations that may be maintained permanently by the Organization. Generally, the donors of these assets permit the Organization to use all or part of the income earned on any related investments for general or specific purposes.

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.

### Cash

All cash and cash equivalents are stated at cost, which equals fair value. For purposes of the statement of cash flows, the Organization considers all equity securities and deposits purchased with a maturity of three months or less to be cash equivalents.

Deposits of the Organization are subject to custodial credit risk. Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, an Organization will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of the outside party.

Deposits with financial institutions are insured by the Federal Deposit Insurance Corporation (FDIC) in the amount of \$250,000 for the combined amount of all accounts per official custodian per insured depository institution.

At year-end, the bank balance of the Organization's deposits was \$425,838 and the carrying amount was \$425,591. Amounts exposed to custodial credit risk as uninsured or uncollateralized were \$36,565.

### 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

# NORTH LAKE LAND DISCOVERY CENTER, INC.

Notes to Financial Statements  
Year Ended September 30, 2018

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 fair value. Fair value represents the quoted market values of the underlying investments on the last business day of the fiscal year including current income. Investment income or loss (including realized and unrealized gains and losses on investments, interest, and dividends) is included in unrestricted net assets unless the income or loss is restricted by donor or law. Realized gains and losses are determined by specific identification.

Gifts of securities are record at fair value based on the means of high and low quoted price of stock transactions at the date of the gift. It is the Organization's policy to sell donated securities immediately after receipt, unless the donor specifically states the gift of stock must be held.

## **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.

## **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.

# NORTH LAKELAND DISCOVERY CENTER, INC.

Notes to Financial Statements  
Year Ended September 30, 2018

The Organization received in-kind contributions of equipment and supplies during the year ended September 30, 2018, with a fair value on the dates of donation of \$33,111.

The Organization received contributed services during the year ended September 30, 2018, with a fair value on the dates of donation of \$26,400.

## 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.

## 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.

## Fair Value Measurements

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an ordinary transaction between market participants at the measurement date. A three-tier hierarchy

# NORTH LAKE LAND DISCOVERY CENTER, INC.

Notes to Financial Statements  
Year Ended September 30, 2018

prioritizes the inputs used in measuring fair value. These tiers include Level 1, defined as observable inputs such as quoted market prices in active markets; Level 2, defined as inputs other than quoted market prices in active markets that are either directly or indirectly observable; and Level 3, defined as unobservable inputs in which little or no market data exists, therefore, requiring an entity to develop its own assumptions. The asset's or liability's fair value measurement within the hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

## Income Tax Status

The Organization is a nonprofit corporation as described in Section 501(c)(3) of the Internal Revenue Code (the "Code") and is exempt from federal income taxes on related income pursuant to Section 501(a) of the Code. The Organization is also exempt from state income taxes on related income.

The Organization is required to assess whether it is more-likely-than not that a tax position will be sustained upon examination on the technical merits of the position assuming the taxing authority has full knowledge of all information. If the tax position does not meet the more-likely-than-not recognition threshold, the benefit of that position is not recognized in the financial statements. The Organization has determined there are no amounts to record as assets or liabilities related to uncertain tax positions. 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 2016, 2017, and 2018 are subject to examination by the IRS, generally for three years after they were filed.

## Subsequent Events

The Organization has evaluated events and transactions for potential recognition or disclosure in the financial statements through January 16, 2019, which is the date the financial statements were available to be issued.

# NORTH LAKELAND DISCOVERY CENTER, INC.

Notes to Financial Statements  
Year Ended September 30, 2018

## Note 2 - Temporarily Restricted Net Assets

At September 30, 2018 temporarily restricted assets are available for the following purposes:

	<u>2018</u>
Capital Projects	\$81,584
Capital Campaign	716,939
Xcel-Purple Loose	1,500
Fund-a-wish	26,736
Excel Herb Garden	2,614
Friends of Van Vliet	17,973
Bird Club	4,849
	<u>\$852,195</u>

## Note 3 - Endowment Funds

Permanently restricted endowment fund assets at September 30, 2018 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 - Fair Value Measurements

Following is a description of the valuation methodology used for assets measured at fair value, as well as the classification within the fair value hierarchy.

Equities, treasury notes, mortgage backed securities and mutual funds are measured using Level 1 as quoted prices are available as they are traded in an active market.

U.S. government securities, municipal obligations, and corporate bonds and notes are measured using Level 2 as valuations are based on quoted market prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly.

The fair value of certificates of deposit are estimated to approximate deposit account balances, payable on demand, or due at maturity, as no discounts for credit quality or liquidity were determined to be applicable (Level 2 inputs).

Assets measured at fair value on a recurring basis as of September 30, 2018, segregated by the level of the valuation inputs within the fair value hierarchy utilized to measure fair value are as follows:

## NORTH LAKELAND DISCOVERY CENTER, INC.

Notes to Financial Statements  
Year Ended September 30, 2018

	Recurring Fair Value Measurements Using			Assets Measured at Fair Value
	Level 1	Level 2	Level 3	
Money Market	\$0	\$841	\$0	\$841
Equities	53,231			53,231
Fixed Income	23,027			23,027
	<u>\$76,258</u>	<u>\$841</u>	<u>\$0</u>	<u>\$77,099</u>

### Note 5 - Contributions Receivable

Unconditional promises to give are recorded as receivables and revenue when received. In 2018, the Organization began a capital campaign to obtain funds to make improvements to the campus, building, and programming. Pledges are expected to be realized as follows:

Current	\$208,833
Non-current	<u>378,833</u>
	<u>\$587,666</u>

### Note 6 - 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.

### 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.