

Troy Nature Society

Financial Report

June 30, 2022

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Independent Auditor's Report

To the Board of Directors of
Troy Nature Society

Opinion

We have audited the accompanying financial statements of Troy Nature Society (a nonprofit organization), which comprise the statement of financial position as of June 30, 2022, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year 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 Troy Nature Society as of June 30, 2022, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit 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 Troy Nature Society 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 Troy Nature Society'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 Troy Nature Society'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 Troy Nature Society'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.

Zerbo Consulting Group, P.C.

October 31, 2022

Statement of Financial Position

As of June 30, 2022

Assets

Current Assets

Cash and cash equivalents	\$ 146,589
Accounts receivable	28,090
Total Current Assets	<u>174,679</u>

Property and Equipment

Office equipment	4,178
Outdoor equipment	824
Total Cost	<u>5,002</u>
Less accumulated depreciation	<u>(5,002)</u>
Property and Equipment - Net	-

Other Assets

Beneficial Interest in Assets Held at Community Foundation (Note 2)	<u>19,284</u>
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Total Assets	<u><u>\$ 193,963</u></u>
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Liabilities and Net Assets

Current Liabilities

Accounts payable	\$ 8,863
Accrued payroll and payroll taxes	9,436
Deferred revenue	9,685
Total Current Liabilities	<u>27,984</u>

Net Assets

Without donor restrictions	
Undesignated	23,074
Board Designated (Note 2)	10,230
With donor restrictions (Note 2)	132,675
Total Net Assets	<u>165,979</u>

Total Liabilities and Net Assets	<u><u>\$ 193,963</u></u>
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Statement of Activities and Changes In Net Assets

Year Ended June 30, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and Other Support			
Program activities	\$ 70,492	\$ -	\$ 70,492
Donations and grants	38,735	133,159	171,894
Local government support (Note 3)	100,000	-	100,000
Fundraising events	35,890	-	35,890
Membership	11,247	-	11,247
In-kind (Note 7)	11,890	-	11,890
Other income (Note 5)	35,434	-	35,434
Net assets released from restrictions	66,177	(66,177)	-
Total Revenue and Other Support	<u>369,865</u>	<u>66,982</u>	<u>436,847</u>
Operating Expenses			
Program activities	263,110	-	263,110
Management and general	53,018	-	53,018
Fundraising	27,211	-	27,211
Total Expenses	<u>343,339</u>	<u>-</u>	<u>343,339</u>
Change in Net Assets	26,526	66,982	93,508
Net Assets - Beginning of year	<u>6,778</u>	<u>65,693</u>	<u>72,471</u>
Net Assets - End of year	<u>\$ 33,304</u>	<u>\$ 132,675</u>	<u>\$ 165,979</u>

Statement of Functional Expenses

Year Ended June 30, 2022

	Program Activities	Management and General	Fundraising	Total
Salaries and wages	\$ 171,307	\$ 25,754	\$ 13,548	\$ 210,609
Payroll taxes	13,046	2,055	1,011	16,112
Contracted services	25,985	-	-	25,985
Bank service charges	1,246	1,817	-	3,063
Computer	-	864	3,164	4,028
Office and postage	-	4,657	-	4,657
Supplies	18,114	-	-	18,114
Advertising and promotion	463	-	-	463
Professional Fees	-	7,650	-	7,650
Insurance	-	4,364	-	4,364
Telephone and internet	-	2,853	-	2,853
Owl care and feeding	6,838	-	-	6,838
Events	-	-	9,488	9,488
Transportation	3,602	-	-	3,602
In-kind	22,509	-	-	22,509
Miscellaneous	-	3,004	-	3,004
Total Expenses	\$ 263,110	\$ 53,018	\$ 27,211	\$ 343,339

Statement of Cash Flows

Year Ended June 30, 2022

Cash flows from Operating Activities:

Change in net assets	\$ 93,508
Adjustments to reconcile change in net assets to net cash from operating activities:	
Net unrealized loss on beneficial interest in assets held at Community Foundation	4,954
Forgiveness of Paycheck Protection Program Loan	(40,380)
Changes in operating assets and liabilities that provided (used) cash:	
Accounts receivable	(28,090)
Accounts payable	3,974
Accrued liabilities	(1,233)
Deferred revenue	2,125
Net cash provided by operating activities	<u>34,858</u>
Net increase in cash and cash equivalents	34,858
Cash and cash equivalents - Beginning of year	<u>111,731</u>
Cash and cash equivalents - End of year	<u><u>\$ 146,589</u></u>

June 30, 2022

Note 1 – Nature of Activities and Significant Accounting Policies

Organization

Troy Nature Society (the Organization) is tax exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code as an organization that is not a private foundation. The Organization's mission is to provide resources and education to inspire the appreciation and preservation of nature. The Organization's objectives include providing healthy outdoor experiences and educational activities for individuals of all ages, creating an understanding of the value and necessity of stewardship of the natural environment, and the preservation and protection of the Lloyd A. Stage Nature Center (the Center) located in Troy, Michigan, for future generations.

The City of Troy has a contract with the Organization that allows the Organization non-exclusive use of the Center. The City of Troy maintains oversight of the facility, which includes building maintenance, security, utilities, and custodial services. See Note 3.

Nature of Activities

The Organization develops and offers nature-related public educational programs to children and families, school fieldtrips, scout troops, and senior citizen centers. The Organization operates the Center and maintains the accompanying reserve trails, which are available to the public on specific days. Fees are charged for most educational and group-taught programs. Other sources of income include local government support, donations, and various fundraising events.

Basis of Presentation

The Organization reports information regarding its financial position and activities according to two classes of net assets that are based upon the existence or absence of restrictions on use that are placed there by its donors: net assets without donor restrictions and net assets with donor restrictions.

Net assets without donor restrictions are resources available to support operations and not subject to donor restrictions. The only limits on the use of net assets without donor restrictions are the broad limits resulting from the nature of the Organization, the environment in which it operates, the purposes specified in its corporate documents and its application for tax-exempt status and any limits resulting from contractual agreements with creditors and others that are entered into in the course of its operations.

Net assets with donor restrictions are subject to donor-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, such as those that the donor stipulates that resources be maintained in perpetuity.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates.

Cash and Cash Equivalents

For purposes of the statement of cash flows, highly liquid investments with maturities of three months or less when purchased are considered cash equivalents and recorded at cost, which approximates fair value.

June 30, 2022

Note 1 – Nature of Activities and Significant Accounting Policies (Continued)***Property and Equipment***

Property and equipment is carried at cost or, if donated, at fair market value at the time of donation. Depreciation is provided on a straight-line basis over the estimated useful lives of 3 to 27.5 years. The Organization's policy is to capitalize acquisitions of \$350 or more. For the year ended June 30, 2022, all property and equipment were fully depreciated and depreciation expense was \$0.

Contribution Revenue

Contributions of cash and other assets, including unconditional promises to give in the future, are reported as revenue when received and are measured at fair value. Contributions that are restricted by the donor are reported as an increase in net assets without donor restriction if the restriction expires in the reporting period in which the contributions are recognized. Contributions with donor-imposed time or purpose restrictions are reported as support with donor restrictions. All other contributions are reported as support without donor restrictions.

Unconditional promises to give with payments due in future periods are assumed to have an implicit time restriction. Those restrictions are released as contributions when collected or when allocations or grants are made to recipient organizations based on those future collections. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional. There were no conditional promises to give recognized as of June 30, 2022.

Concentrations of Credit Risk

The Organization derives most of its revenues from local government support, donations, and various fundraising events. For the year ended June 30, 2022, local government support was approximately 23% of total revenues.

Functional Allocation of Expenses

Costs of providing the program, management and general, and fundraising services have been reported on a functional basis in the statement of functional expenses. The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses required allocation on a reasonable basis that is consistently applied. Depreciation is allocated on the basis of the program or support service that uses the fixed asset. Costs have been allocated between the various programs and support services based on estimates determined by management. Although the methods of allocation used are considered appropriate, other methods could be used that would produce different amounts.

Subsequent Events

The financial statements and related disclosures include evaluation of events up through and including October 31, 2022, which is the date the financial statements were available to be issued.

Note 2 – Endowment Funds with North Woodward Community Foundation and Fair Value Measurement***Endowment Funds with North Woodward Community Foundation***

Effective March 29, 2018, The Organization is the beneficiary under an agency endowment agreement with the North Woodward Community Foundation (the Community Foundation) by a reciprocal transfer of funds to the Community Foundation. The Community Foundation has the power to retain, invest, and reinvest the assets of the endowment to further the charitable or other exempt purposes of the Organization.

June 30, 2022

Note 2 – Endowment Funds with North Woodward Community Foundation and Fair Value Measurement (Continued)

The Community Foundation also has variance power over the endowment in that the Community Foundation's principles and procedures for advised funds provide that the commitments, grants, or expenditures from the funds shall be made to the Organization at such time or times and in such amount or amounts as determined by the Community Foundation. The Organization is the Community Foundation's sole beneficiary. If the Organization ceases to exist or no longer performs its functions under the provision of the agreement, the Community Foundation shall continue to administer and disburse fund assets in a manner deemed appropriate.

The agency funds are included as beneficial interest in assets held on the Statement of Financial Position of the Organization. At inception of the agreement, the Organization transferred \$10,230 of the Organization's net assets without donor restrictions that were approved by the board of directors to be transferred to the Community Foundation for endowment purposes. The Community Foundation also provided matching funds as a related donor and for the benefit of the Organization upon inception. Investment income of the fund, net of expenses, and any net realized and unrealized gains and losses are included in Other Income in the Statement of Activities and Changes in Net Assets.

The Organization may from time to time submit to the Community Foundation recommendations regarding specific purposes or amounts for distributions to the Organization. All recommendations from the Organization are to be advisory, and the Community Foundation may accept or reject them, applying reasonable standards and guidelines with regard thereto.

Fair Value Measurement

The Organization reports the fair value of the endowment fund as the Beneficial Interest in Assets Held in Community Foundation on the Statement of Financial Position.

Accounting standards require certain assets and liabilities be reported at fair value in the financial statements and provide a framework for establishing that fair value. The framework for determining fair value is based on a hierarchy that prioritizes the inputs and valuation techniques used to measure fair value.

The following table presents information about the Organization's assets measured at fair value on a recurring basis at June 30, 2022 and the valuation techniques used by the Organization to determine those fair values.

Fair values determined by Level 1 inputs use quoted prices in active markets for identical assets that the Organization has the ability to access.

Fair values determined by Level 2 inputs use other inputs that are observable, either directly or indirectly. These Level 2 inputs include quoted prices for similar assets in active markets and other inputs, such as interest rates and yield curves, that are observable at commonly quoted intervals.

Level 3 inputs are unobservable inputs, including inputs that are available in situations where there is little, if any, market activity for the related asset. These Level 3 fair value measurements are based primarily on management's own estimates using pricing models, discounted cash flow methodologies, or similar techniques taking into account the characteristics of the asset.

In instances whereby inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The Organization's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset.

June 30, 2022

Note 2 – Endowment Funds with North Woodward Community Foundation and Fair Value Measurement (Continued)

The following table presents information about the Organization's assets measured at fair value on a recurring basis at June 30, 2022:

	Assets Measured at Fair Value on a Recurring Basis at	
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Balance at June 30, 2022
Beneficial interest in assets held at North Woodward Community Foundation:		
Cash and cash equivalents	\$ 661	\$ 661
Fixed income securities	4,221	4,221
Equity securities	14,402	14,402
Total beneficial interest at fair value	<u>\$ 19,284</u>	<u>\$ 19,284</u>

The Organization reports changes in endowment fund value as gains or losses on the Statement of Activities and Changes in Net Assets. Changes in the endowment for the year ended June 30, 2022 are as follows:

Balance as of July 1, 2021	\$ 24,238
Net realized/unrealized loss	<u>(4,954)</u>
Balance as of June 30, 2022	<u>\$ 19,284</u>

For the year ended June 30, 2022, as a practical expedient, \$10,230 transferred by the board of directors upon agreement inception is classified in net assets without donor restrictions – board designated while the remaining fair value of \$9,054 is recorded in net assets with donor restrictions on the Statement of Financial Position.

Note 3 – City of Troy

In June 2017, the City of Troy approved an operational agreement with the Organization to operate the Lloyd A. Stage Nature Center located in Troy, Michigan, effective July 1, 2017, which allows the Organization non-exclusive use of the property. The agreement expires on June 30, 2027.

In conjunction with this agreement, the City of Troy includes the Organization in its annual budget within the City's Park and Recreation Department for building and ground routine maintenance as well as an annual appropriation for Organization operations. For the year ended June 30, 2022, the City of Troy provided the Organization with an appropriation for organizational operations in the amount of \$100,000.

The appropriation in the amount of \$100,000 is recorded as Local Government Support on the Statement of Activities and Changes in Net Assets for the year ended June 30, 2022.

Note 4 – Owl Fund

The Organization supports and cares for five owls, and the Owl Fund supports owl related expenses including but not limited to owl food, veterinary care, and routine habitat maintenance. The Owl Fund donations totaled \$10,349 for the year ended June 30, 2022, which is approximately 6% of Organization donations. Owl Fund donations are included within Donations with donor restrictions on the Statement of Activities and Changes in Net Assets.

June 30, 2022

Note 5 – Other Income

On January 30, 2020, the World Health Organization (“WHO”) announced a global health emergency because of a new strain of coronavirus originating in Wuhan, China (the “COVID-19 outbreak”) and the risks to the international community as the virus spread globally beyond its point of origin. On March 11, 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally.

As a result of the COVID-19 outbreak, the Organization was eligible for its second Paycheck Protection Program Loan dated February 1, 2021 in the amount of \$40,380. The Organization used its second Paycheck Protection Program Loan on qualifying expenses during the applicable covered period, and the Loan was forgiven by the Small Business Administration on February 18, 2022.

Based on the Loan forgiveness received, the Organization’s second Paycheck Protection Program Loan is recognized within Other Income on the Statement of Activities and Changes in Net Assets for the year ended June 30, 2022.

Note 6 – United Way of Southeast Michigan Grant

In December of 2021, the United Way of Southeastern Michigan (UWSEM) granted the Organization \$112,360 to improve the overall quality of life for people of Southeastern Michigan. The Organization created the Mindfulness at Stage program, which is a unique program designed to provide a variety of nature-based guided mindfulness activities and resources to support mental wellbeing. The Organization recognizes this grant as an unconditional contribution as UWSEM has not received a direct benefit of commensurate value and there are no barriers to overcome before the Organization is entitled to the transfer of assets. The grant is recognized within Donations and Grants with donor restrictions on the Statement of Activities and Changes in Net Assets for the year-ended June 30, 2022.

Note 7 – In-kind Donations

The Organization received various in-kind donations for its wine tasting fundraiser, Nature Uncorked, held in November 2021. The in-kind donations were used at the fundraiser, and there were no donor-imposed restrictions associated with the contributed non-financial assets. Fair value of the contributed non-financial assets was determined based on the market value cost of a given item. In-kind donations for the year-ended June 30, 2022 are as follows:

Description	Value
Vendor food and beverages (including bottles of wine, beer, and food)	\$ 4,395
Silent auction items (various items including but not limited to gift baskets and gift cards)	7,495
Total	<u>\$ 11,890</u>

Note 8 – Liquidity and Availability of Financial Resources

The Organization has \$174,679 of financial assets available within one year of the statement of financial position date to meet cash needs for general expenditure consisting of cash and cash equivalents and accounts receivable. None of the financial assets are subject to donor or other contractual restrictions that make them unavailable for general expenditure within one year of the statement of financial position date with the exception of funds to be used for Organization programs and funds as described in Note 2. The Organization has a goal to maintain financial assets, which consist of cash and cash equivalents and accounts receivable, on hand to meet 60 days of normal operating expenses, which are, on average approximately \$58,000. The Organization has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.