

Troy Nature Society

Financial Report

June 30, 2024

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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, 2024, 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, 2024, 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.

Emphasis of Matter

As discussed in Note 6 to the financial statements, the beginning of the year net assets have been adjusted to correct a misstatement. Our opinion is not modified with respect to this matter.

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.

September 30, 2024

Statement of Financial Position

As of June 30, 2024

Assets

Current Assets

Cash and cash equivalents	\$	51,647
Restricted cash		93,625
Accounts receivable - pledges		1,000
Total Current Assets		<u>146,272</u>

Property and Equipment

Office equipment		3,798
Outdoor equipment		3,165
Total Cost		<u>6,963</u>
Less accumulated depreciation		<u>(4,536)</u>
Property and Equipment - Net		<u>2,427</u>

Total Assets	\$	<u><u>148,699</u></u>
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Liabilities and Net Assets

Current Liabilities

Accounts payable	\$	6,374
Accrued payroll and payroll taxes		10,116
Deferred revenue		8,743
Total Current Liabilities		<u>25,233</u>

Net Assets

Without donor restrictions		30,201
With donor restrictions		93,265
Total Net Assets		<u>123,466</u>

Total Liabilities and Net Assets	\$	<u><u>148,699</u></u>
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Statement of Activities and Changes In Net Assets

Year Ended June 30, 2024

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and Other Support			
Donations and grants	\$ 108,386	\$ 15,735	\$ 124,121
Local government support (Note 2)	100,000	-	100,000
Program activities	71,011	-	71,011
Fundraising events	41,160	-	41,160
Membership	11,690	-	11,690
In-kind (Note 3)	16,361	-	16,361
Other income	2,139	-	2,139
Net assets released from restrictions	8,052	(8,052)	-
Total Revenue and Other Support	<u>358,799</u>	<u>7,683</u>	<u>366,482</u>
Operating Expenses			
Program activities	207,997	-	207,997
Management and general	48,764	-	48,764
Fundraising	71,799	-	71,799
Total Expenses	<u>328,560</u>	<u>-</u>	<u>328,560</u>
Change in Net Assets	30,239	7,683	37,922
Net Assets - Beginning of year	<u>(38)</u>	<u>85,582</u>	<u>85,544</u>
Net Assets - End of year	<u><u>\$ 30,201</u></u>	<u><u>\$ 93,265</u></u>	<u><u>\$ 123,466</u></u>

Statement of Functional Expenses

Year Ended June 30, 2024

	Program Activities	Management and General	Fundraising	Total
Salaries and wages	\$ 163,042	\$ 17,485	\$ 40,189	\$ 220,716
Payroll taxes	12,433	929	3,044	16,406
Contracted services	50	-	-	50
Bank service charges	2,087	237	-	2,324
Computer	-	2,748	3,120	5,868
Office and postage	-	5,910	-	5,910
Supplies	15,986	-	-	15,986
Advertising and promotion	1,513	-	-	1,513
Professional Fees	-	6,700	-	6,700
Insurance	-	4,703	-	4,703
Telephone and internet	-	3,213	-	3,213
Owl care and feeding	6,016	-	-	6,016
Events	-	-	14,370	14,370
Depreciation	633	-	-	633
In-kind	6,237	-	10,124	16,361
Miscellaneous	-	6,839	952	7,791
Total Expenses	\$ 207,997	\$ 48,764	\$ 71,799	\$ 328,560

Statement of Cash Flows

Year Ended June 30, 2024

Cash flows from Operating Activities:

Change in net assets	\$ 37,922
Adjustments to reconcile change in net assets to net cash from operating activities:	
Depreciation	633
Changes in operating assets and liabilities that provided (used) cash:	
Accounts receivable - pledges	(1,000)
Accounts payable	2,682
Accrued liabilities	926
Deferred revenue	1,898
Net cash provided by operating activities	<u>43,061</u>

Net increase in cash and cash equivalents 43,061

Cash and cash equivalents - Beginning of year 102,211

Cash and cash equivalents - End of year \$ 145,272

Statement of Financial Position Classification of Cash and Cash Equivalents

Cash and cash equivalents	\$ 51,647
Cash for restricted purposes	93,625
Total cash and cash equivalents	<u><u>\$ 145,272</u></u>

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 2.

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.

Note 1 – Nature of Activities and Significant Accounting Policies (Continued)***Pledges Receivable***

Pledges receivable are recognized when a donor makes a promise to give that is unconditional. Pledges expected to be collected within one year are recorded at their net realizable value. Those expected to be collected beyond one year are discounted to present value. An allowance for uncollectible pledges is recorded based on management's assessment of collectability. There are no pledges deemed uncollectible as of June 30, 2024.

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 \$1,000 or more. For the year ended June 30, 2024, depreciation expense was \$633.

Revenue and Other Support

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. The Organization receives support in the form of local government, corporate, and individual grants and contributions. Management has determined that these grants and contributions are from arrangements for which there is no commensurate benefit provided to the resource providers. Therefore, all of this support is considered to be contribution revenue. 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, 2024.

The Organization offers program related experiences where the performance obligation is delivery of the program. Fees for these programs are based on the type of program and the number of participants in each program. These revenues are treated as exchange transactions and are recognized as revenue after delivery of the program has occurred.

The Organization conducts special fundraising events in which the gross proceeds paid by the participant represents payment for the direct cost of the benefits received by the participant at the event. The performance obligation is delivery of the event, and revenue is recognized after the event has taken place. Any funds received in excess of proceeds paid by participants would represent contribution revenue to the Organization. There were no proceeds deemed to be contributions at any held events for the year ended June 30, 2024.

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, 2024, local government support was approximately 28% 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.

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

Functional Allocation of Expenses (Continued)

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 September 30, 2024, which is the date the financial statements were available to be issued.

Note 2 – 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, 2024, 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, 2024.

Note 3 – In-kind Donations

The Organization received various in-kind donations for its wine tasting fundraiser, Nature Uncorked, held in November 2023. The in-kind donations were used at the fundraiser, and there were no donor-imposed restrictions associated with the contributed non-financial assets. The Organization also received admission fees to multiple programs for schools. 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, 2024 are as follows:

Description	Value
Silent auction Items (various items including but not limited to gift baskets and gift cards)	\$ 10,124
Admission fees to Organization programs for schools	6,237
Total	<u>\$ 16,361</u>

Note 4 – 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, 2024

Note 4 – Endowment Funds with North Woodward Community Foundation (Continued)

The Community Foundation also has variance power over the endowment in that the Community Foundation's principles and procedures for advised funds provided 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, and 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.

Since the Community Foundation holds variance power over the endowment, which legally grants it the ability to redirect funds to other beneficiaries, the Organization did not recognize the endowment assets as of June 30, 2024. As of June 30, 2024, the value of the endowment fund held by the Community Foundation was approximately \$26,755.

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.

Note 5 – Liquidity and Availability of Financial Resources

The Organization has \$146,272 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 pledges receivable. Of the financial assets, \$93,625 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 specific programs and funds. 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 \$55,000. The Organization has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

Note 6 – Prior Period Adjustment

Beginning of year net assets has been adjusted to correct an error made in accounting for the beneficial interest in endowment assets held by the North Woodward Community Foundation. These assets were previously classified as other assets with and without donor restrictions based on endowment contributions previously made. Given the endowment agreement grants the Community Foundation variance power, regardless of the Organization being the sole beneficiary, the Organization does not have sufficient control over the endowment assets to recognize them on its statement of financial position. As a result, as of June 30, 2023, net assets without and with donor restrictions were reduced by \$10,230 and \$14,536, respectively, and the beneficial interest in assets held at Community Foundation was reduced by \$24,766.