

SHARON LYNNE WILSON CENTER FOR THE ARTS, INC.

FINANCIAL STATEMENTS

August 31, 2021 and 2020

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Sharon Lynne Wilson Center for the Arts, Inc.
Brookfield, Wisconsin

We have audited the accompanying financial statements of Sharon Lynne Wilson Center for the Arts, Inc., which comprise the statements of financial position as of August 31, 2021 and 2020, and the related statements of activities, functional expenses, and cash flows for the years 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

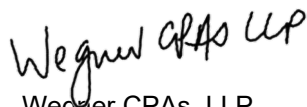
Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about 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 Sharon Lynne Wilson Center for the Arts, Inc. as of August 31, 2021 and 2020, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.



Wegner CPAs, LLP
Waukesha, Wisconsin
March 8, 2022

SHARON LYNNE WILSON CENTER FOR THE ARTS, INC.
STATEMENTS OF FINANCIAL POSITION
August 31, 2021 and 2020

	2021	2020
ASSETS		
CURRENT ASSETS		
Cash	\$ 916,173	\$ 221,593
Accounts receivable	38,952	21,745
Unconditional promises to give	129,550	46,382
Prepaid expenses	47,533	28,488
Total current assets	1,132,208	318,208
PROPERTY AND EQUIPMENT, NET	6,417,075	6,825,644
COLLECTIONS, NET	198,029	180,555
OTHER ASSETS		
Investments	473,333	399,510
Unconditional promises to give, net	4,445	21,431
Total other assets	477,778	420,941
Total assets	\$ 8,225,090	\$ 7,745,348
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 107,538	\$ 22,258
Accrued expenses	54,539	12,441
Deferred revenue	169,036	205,310
Funds held for others	26,567	29,152
Line of credit	165,000	410,000
Paycheck Protection Program loan	132,000	166,300
Current portion of long-term debt	47,057	52,834
Current portion of capital lease obligation	7,253	6,531
Total current liabilities	708,990	904,826
LONG TERM DEBT		
Long term debt	519,762	1,072,109
Long-term capital lease obligation	-	7,253
Total liabilities	1,228,752	1,984,188
NET ASSETS		
Without donor restrictions	6,245,065	5,212,197
With donor restrictions	751,273	548,963
Total net assets	6,996,338	5,761,160
Total liabilities and net assets	\$ 8,225,090	\$ 7,745,348

See accompanying notes.

SHARON LYNNE WILSON CENTER FOR THE ARTS, INC.
STATEMENT OF ACTIVITIES
Year Ended August 31, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE			
Contributions			
General contributions and grants	\$ 633,168	\$ 775,407	\$ 1,408,575
Annual giving	223,924	-	223,924
Special events			
Special events revenue	446,829	-	446,829
Less direct benefits to donors	(81,769)	-	(81,769)
Special events, net	365,060	-	365,060
Program service fees and other revenue			
Paycheck Protection Program loan forgiveness	168,268	-	168,268
Education income	24,515	-	24,515
Performance income	39,094	-	39,094
Facility rental income	495,975	-	495,975
Investment return, net	20,298	56,530	76,828
Other income	116,583	-	116,583
Total support and revenue	2,086,885	831,937	2,918,822
EXPENSES			
Program services	1,094,162	-	1,094,162
Management and general	351,540	-	351,540
Fundraising	216,242	-	216,242
Total expenses	1,661,944	-	1,661,944
Write off of uncollectible promises to give	-	(21,700)	(21,700)
Total expenses and loss	1,661,944	(21,700)	1,640,244
NET ASSETS RELEASED FROM RESTRICTIONS			
Satisfaction of purpose restrictions	539,296	(539,296)	-
Expiration of time restrictions	68,631	(68,631)	-
Change in net assets	1,032,868	202,310	1,235,178
Net assets at beginning of year	5,212,197	548,963	5,761,160
Net assets at end of year	\$ 6,245,065	\$ 751,273	\$ 6,996,338

See accompanying notes.

SHARON LYNNE WILSON CENTER FOR THE ARTS, INC.
STATEMENT OF ACTIVITIES
Year Ended August 31, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE			
Contributions			
General contributions and grants	\$ 314,122	\$ 62,942	\$ 377,064
Annual giving	246,787	-	246,787
Special events	159,520	-	159,520
Program service fees and other revenue			
Education income	65,357	-	65,357
Performance income	251,311	-	251,311
Facility rental income	408,700	-	408,700
Investment return, net	(38,898)	-	(38,898)
Other income	74,155	-	74,155
Total support and revenue	1,481,054	62,942	1,543,996
EXPENSES			
Program services	1,470,086	-	1,470,086
Management and general	452,291	-	452,291
Fundraising	219,371	-	219,371
Total expenses	2,141,748	-	2,141,748
NET ASSETS RELEASED FROM RESTRICTIONS			
Satisfaction of purpose restrictions	4,650	(4,650)	-
Expiration of time restrictions	131,914	(131,914)	-
Change in net assets	(524,130)	(73,622)	(597,752)
Net assets at beginning of year	5,736,327	622,585	6,358,912
Net assets at end of year	\$ 5,212,197	\$ 548,963	\$ 5,761,160

See accompanying notes.

SHARON LYNNE WILSON CENTER FOR THE ARTS, INC.
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended August 31, 2021

	Program Services	Management and General	Fundraising	Direct Benefits to Donors	Total Expenses
Salaries and wages	\$ 231,546	\$ 143,021	\$ 85,493	\$ -	\$ 460,060
Employee benefits	17,188	54,804	6,860	-	78,852
Artist and instructor fees	48,825	-	-	-	48,825
Ticketing	-	26,538	-	-	26,538
Food and beverages	16,996	4,838	400	41,558	63,792
Performance supplies and equipment	69,312	-	-	23,488	92,800
Marketing	17,929	12,144	3,327	-	33,400
Travel and lodging	1,052	1,136	2,946	-	5,134
Professional and consulting fees	-	25,233	16,717	-	41,950
Dues and subscriptions	-	3,860	-	-	3,860
Office supplies	-	9,503	-	-	9,503
Printing and postage	-	7,887	2,491	-	10,378
Technology	-	7,294	-	-	7,294
Bank and credit card fees	-	17,696	-	-	17,696
Maintenance and repairs	106,062	3,459	5,764	-	115,285
Utilities	121,004	3,946	6,576	-	131,526
Insurance	34,491	1,125	1,874	-	37,490
Depreciation	393,720	12,839	21,398	-	427,957
Interest	36,037	12,336	1,959	-	50,332
Campaign supplies and equipment	-	-	39,975	-	39,975
Special event supplies and equipment	-	-	20,419	16,723	37,142
Other	-	3,881	43	-	3,924
Total expenses	1,094,162	351,540	216,242	81,769	1,743,713
Less expenses included with support and revenue on the statement of activities	-	-	-	(81,769)	(81,769)
Total expenses included in the expenses section of the statement of activities	\$ 1,094,162	\$ 351,540	\$ 216,242	\$ -	\$ 1,661,944

See accompanying notes.

SHARON LYNNE WILSON CENTER FOR THE ARTS, INC.
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended August 31, 2020

	Program Services	Management and General	Fundraising	Total Expenses
Salaries and wages	\$ 357,453	\$ 190,964	\$ 82,373	\$ 630,790
Employee benefits	26,744	89,115	6,192	122,051
Artist and instructor fees	188,949	-	-	188,949
Ticketing	-	29,031	-	29,031
Food and beverages	7,948	1,489	20,919	30,356
Performance supplies and equipment	74,013	-	10,373	84,386
Marketing	113,104	15,524	12,588	141,216
Travel and lodging	8,953	8,687	1,504	19,144
Professional and consulting fees	-	23,327	19,935	43,262
Dues and subscriptions	-	7,333	-	7,333
Office supplies	-	9,326	-	9,326
Printing and postage	-	9,268	1,003	10,271
Technology	-	8,411	-	8,411
Bank and credit card fees	-	17,388	-	17,388
Maintenance and repairs	99,267	3,289	5,481	108,037
Utilities	115,696	3,773	6,288	125,757
Insurance	33,557	1,094	1,824	36,475
Depreciation	394,846	12,875	21,459	429,180
Interest	49,556	18,474	2,693	70,723
Other	-	2,923	26,739	29,662
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total expenses	<u>\$ 1,470,086</u>	<u>\$ 452,291</u>	<u>\$ 219,371</u>	<u>\$ 2,141,748</u>

See accompanying notes.

SHARON LYNNE WILSON CENTER FOR THE ARTS, INC.
STATEMENTS OF CASH FLOWS
August 31, 2021 and 2020

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 1,235,178	\$ (597,752)
Adjustments to reconcile change in net assets to net cash flows from operating activities		
Depreciation of property and equipment	410,631	411,855
Donated collections	(34,800)	-
Depreciation of collections	17,326	17,325
Loss on disposal of equipment	-	995
Bad debt	21,700	-
Paycheck Protection Program loan forgiven	(168,268)	-
Interest accrued on Paycheck Protection Program loan	1,968	-
Unrealized and realized (gain) loss on investments	(60,320)	68,628
Change in value of long-term unconditional promises to give (Increase) decrease in assets	(4,714)	(312)
Accounts receivable	(17,207)	(8,265)
Unconditional promises to give	(83,168)	53,034
Prepaid expenses	(19,045)	33,498
Increase (decrease) in liabilities		
Accounts payable	85,280	(63,928)
Accrued expenses	42,098	(82,606)
Deferred revenue	(36,274)	(11,999)
Funds held for others	(2,585)	27,962
Net cash flows from operating activities	1,387,800	(151,565)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of investments	3,300	162,347
Purchases of investments	(17,231)	(185,912)
Proceeds from sale of property and equipment	-	250
Purchases of property and equipment	(2,062)	(28,909)
Net cash flows from investing activities	(15,993)	(52,224)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net proceeds (payments) from line of credit	(245,000)	210,000
Proceeds from Paycheck Protection Program loan	132,000	166,300
Principal payments on capital lease obligations	(6,531)	(6,886)
Principal payments on long term debt	(557,696)	(69,575)
Net cash flows from financing activities	(677,227)	299,839
Change in cash	694,580	96,050
Cash at beginning of year	221,593	125,543
Cash at end of year	\$ 916,173	\$ 221,593
SUPPLEMENTAL DISCLOSURES		
Cash paid for interest	\$ 50,332	\$ 70,723
Noncash investing and financing activities		
Property and equipment financed with accounts payable	-	1,696
Donation of collection	34,800	-

See accompanying notes.

SHARON LYNNE WILSON CENTER FOR THE ARTS, INC.
NOTES TO FINANCIAL STATEMENTS
August 31, 2021 and 2020

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

Sharon Lynne Wilson Center for the Arts, Inc. (the Organization) is a nonprofit, tax-exempt organization that serves as a bridge for the arts by connecting communities, linking arts organizations, and fostering a collaborative spirit that keeps the arts alive and growing in Southeast Wisconsin. The Organization operates a performing and visual arts and educational facility located in Brookfield, Wisconsin. The Organization is primarily funded by contributions and grants.

Accounts Receivable

Accounts receivable primarily consists of amounts due from customers for performances, events, and rentals. Accounts receivable are stated at the amount management expects to be collected from outstanding balances. As of August 31, 2021 and 2020, management has determined, based on historical experience, that all amounts that are fully collectible and no allowance for doubtful accounts is necessary.

Promises to Give

Unconditional promises to give are recognized as revenues in the period received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using applicable risk-adjusted interest rates. Amortization of the discount is included in general contributions and grants in the statements of activities. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional.

Property and Equipment

Property and equipment are carried at cost, or, if donated, at the approximate fair value at the time of donation. All acquisitions of property over \$1,000 and all expenditures for repairs, maintenance, and improvements that materially prolong the useful lives of assets are capitalized. Depreciation is provided using the straight-line method over the estimated useful lives of the assets.

Collections

The Organization's collections consist of sculptures and works of art and are held to enhance the experience of the performing and visual arts and educational facility. Each of the items is catalogued, preserved, documented and cared for on a regular basis.

Collections are carried at cost, or, if donated, at the approximate fair value at the time of donation. Depreciation is provided using the straight-line method over the estimated useful lives of the assets.

SHARON LYNNE WILSON CENTER FOR THE ARTS, INC.
NOTES TO FINANCIAL STATEMENTS
August 31, 2021 and 2020

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments

The Organization reports investments in marketable equity securities with readily determinable fair values in the statements of financial position. Unrealized gains and losses are included in the change in net assets in the accompanying statements of activities.

Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such change could materially affect the amounts reported in the statements of financial position.

Contributions

Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

Revenue Recognition

The Organization's revenue primarily consists of ticket sales to performances, fees from educational programs, and rental income.

Ticket sales are recognized when the performance occurs or over the period of performances. Tickets can be purchased in advance and up to the day of the performance either online at the Organization's website or their box office. If a performance is canceled, customers have the option to receive a credit for a future performance, have their fees refunded, or donate the fees to the Organization. Sales taxes collected from customers are excluded from revenue.

Fees from educational programs are recognized when the event occurs. The Organization generally bills for these services prior to or on the date the services are provided.

Payments for tickets to performances and fees for educational events received in advance are deferred and recognized when the event takes place.

The Organization rents space at their facility to various arts organizations. Rent revenues are recognized in the period when occupants use the space.

SHARON LYNNE WILSON CENTER FOR THE ARTS, INC.
NOTES TO FINANCIAL STATEMENTS
August 31, 2021 and 2020

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income Tax Status

The Organization is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. In addition, the Organization qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization other than a private foundation under Section 509(a)(2).

Expense Allocation

The financial statements report certain categories of expenses that are attributable to program services and supporting activities. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include salaries and wages, employee benefits, maintenance and repairs, utilities, insurance, depreciation, and interest, which are allocated on the basis of estimates of time and effort.

Advertising Costs

Advertising costs for the promotion of performances are expensed as they are incurred. Advertising expenses totaled \$13,645 and \$22,862 for the years ended August 31, 2021 and 2020, respectively.

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 reporting period. Actual results could differ from those estimates.

Date of Management's Review

Management has evaluated subsequent events through March 8, 2022, the date which the financial statements were available to be issued.

NOTE 2—UNCONDITIONAL PROMISES TO GIVE

Unconditional promises to give consist of the following:

	2021	2020
Receivable in less than one year	\$ 129,550	\$ 46,382
Receivable in one to five years	5,000	25,000
Discount on long-term unconditional promises to give at 4%	(555)	(3,569)
Unconditional promises to give, net	\$ 133,995	\$ 67,813

SHARON LYNNE WILSON CENTER FOR THE ARTS, INC.
NOTES TO FINANCIAL STATEMENTS
August 31, 2021 and 2020

NOTE 3—PROPERTY AND EQUIPMENT

Property and equipment consists of the following:

	<u>2021</u>	<u>2020</u>
Building	\$ 9,500,000	\$ 9,500,000
Leasehold improvements	717,338	717,338
Building improvements	1,729,214	1,729,214
Furniture, fixtures, and equipment	<u>1,455,907</u>	<u>1,453,846</u>
Total property and equipment	13,402,459	13,400,398
Accumulated depreciation	<u>(6,985,384)</u>	<u>(6,574,754)</u>
Property and equipment, net	<u>\$ 6,417,075</u>	<u>\$ 6,825,644</u>

NOTE 4—INVESTMENTS

Investments consist of the following:

	<u>2021</u>	<u>2020</u>
Cash and cash equivalents held by investment managers	\$ 88,350	\$ 89,190
Equities	125,720	177,350
Exchange traded funds	259,263	95,677
Corporate bond funds	-	10,050
Real estate investment trusts	<u>-</u>	<u>27,243</u>
	<u>\$ 473,333</u>	<u>\$ 399,510</u>

Fair values for equities, exchange traded funds, corporate bond funds, and real estate investment trusts are determined by reference to quoted market prices and other relevant information generated by market transactions.

NOTE 5—LINE OF CREDIT

The Organization maintains a line of credit at a bank with a maximum availability of \$500,000 that expires in February 2023. The outstanding balance on the line of credit was \$165,000 and \$410,000 as of August 31, 2021 and 2020, respectively. Borrowings on the line of credit accrue interest, payable monthly at a rate equal to the Prime rate (3.25% at August 31, 2021). The line of credit is collateralized by a general business security agreement on substantially all the Organization's assets and require the Organization to meet certain covenants.

SHARON LYNNE WILSON CENTER FOR THE ARTS, INC.
NOTES TO FINANCIAL STATEMENTS
August 31, 2021 and 2020

NOTE 6—PAYCHECK PROTECTION PROGRAM LOANS

The Organization received loans totaling \$298,300 under the Paycheck Protection Program (PPP) established by the Coronavirus Aid, Relief, and Economic Security (CARES) Act and administered by the U.S. Small Business Administration (SBA). The loans accrue interest at 1% but payments are deferred for borrowers who apply for forgiveness until SBA remits the borrower's forgiveness amount to the lender. The amount of forgiveness depends, in part, on the total amount of eligible expenses paid by the Organization during the covered period. Eligible expenses may include payroll costs, interest on mortgages, rent, and utilities. Any unforgiven portion is payable over two years.

On June 23, 2021, the SBA preliminarily approved forgiveness of the Organization's first draw loan totaling \$166,300. The Organization is in the process of applying for forgiveness of its second draw loan. The Organization must retain PPP documentation in its files for six years after the date the loan is forgiven or repaid in full and permit authorized representatives of SBA to access such files upon request. SBA may review any loan at any time at its discretion. Therefore, SBA may review the Organization's good-faith certification concerning the necessity of its loan request, whether the Organization calculated the loan amount correctly, whether the Organization used loan proceeds for the allowable uses specified in the CARES Act, and whether the Organization is entitled to loan forgiveness in the amount claimed on its application. If SBA determines the Organization was ineligible for the loan or for forgiveness in whole or in part, SBA will seek repayment of the outstanding loan balance.

NOTE 7—CAPITAL LEASE

The Organization leases equipment under a capital lease. As such, the equipment leased has been recorded as a fixed asset and is amortized over its economic life.

Net book value of the leased equipment is as follows:

Equipment	\$ 29,968
Less accumulated amortization	<u>24,475</u>
	<u>\$ 5,493</u>

Future minimum lease payments under the capital lease due in the year ended August 31, 2022 is \$7,676, including \$423 representing interest as of August 31, 2021.

It is the Organization's policy to include amortization expense on assets acquired under capital leases with depreciation expense on owned assets.

NOTE 8—LONG TERM DEBT

The Organization refinanced its note payable that matured in September 2021, with a note payable requiring monthly payments of \$5,945, including interest at 4.35%. The note payable is due February 2024. The note is collateralized by a general business security agreement and real estate. The balance as of August 31, 2021 was \$566,819.

SHARON LYNNE WILSON CENTER FOR THE ARTS, INC.
NOTES TO FINANCIAL STATEMENTS
August 31, 2021 and 2020

NOTE 8—LONG TERM DEBT (continued)

Future minimum principal payments for the years ending August 31 are as follows:

2022	\$	47,057
2023		49,145
2024		470,617

NOTE 9—NET ASSETS

Net assets with donor restrictions are restricted for the following purposes or periods:

	<u>2021</u>	<u>2020</u>
Subsequent years' operations	\$ 134,550	\$ 77,813
Arts park	211,246	177,246
Mortgage reduction	29,723	-
Endowment subject to the Organization's spending policy:		
General use	166,690	115,678
Eddy award	145,895	125,000
Tim Wnuk endowment	<u>63,169</u>	<u>53,226</u>
Net assets with donor restrictions	<u>\$ 751,273</u>	<u>\$ 548,963</u>

NOTE 10—ENDOWMENT

In 2003, the Organization received funds from a single donor with a restriction to use the funds to establish an endowment. In 2007, the Organization received \$125,000 from a donor with a restriction to use the funds to establish an endowment to fund the annual Eddy Award. In 2019, the Organization received \$51,370 to establish the Tim Wnuk endowment. The Organization is working with the Wnuk family to determine the purpose for which the earnings will be used.

The board of directors of the Organization has interpreted Wisconsin's Uniform Prudent Management of Institutional Funds Act (UPMIFA) as not requiring the maintenance of purchasing power of the original gift amount contributed to an endowment fund, unless a donor stipulates the contrary. As a result of this interpretation, when reviewing its donor-restricted endowment funds, the Organization considers a fund to be underwater if the fair value of the fund is less than the sum of (a) the original value of initial and subsequent gift amounts donated to the fund and (b) any accumulations to the fund that are required to be maintained in perpetuity in accordance with the direction of the applicable donor gift instrument. The Organization has interpreted UPMIFA to permit spending from underwater funds in accordance with the measures required under the law.

SHARON LYNNE WILSON CENTER FOR THE ARTS, INC.
NOTES TO FINANCIAL STATEMENTS
August 31, 2021 and 2020

NOTE 10—ENDOWMENT (continued)

In accordance with UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the fund, (2) the purposes of the Organization and the donor-restricted endowment fund, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of the Organization, and (7) the Organization's investment policies

Investment Return Objectives, Risk Parameters, and Strategies. The Organization has adopted investment policies for endowment assets that attempt to provide a predictable stream of funding while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Organization must hold in perpetuity.

Under this policy, as approved by the board of directors, the endowment assets are invested in a manner that is intended to produce results to fund the programs of the Organization, while assuming a moderate level of investment risk.

To satisfy its long-term rate of return objectives, the Organization relies on its endowment committee and third-party advisors to implement strategies where investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends).

Spending Policy. The Organization has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by the endowments, while seeking to maintain the original amount of the endowment. The Organization works with its endowment committee and investment advisors to achieve positive investment results. Endowment income is spent as needed.

Endowment net asset balances and composition by type of fund is as follows:

	<u>2021</u>	<u>2020</u>
Donor-restricted endowment funds:		
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	\$ 320,668	\$ 292,048
Accumulated investment gains	<u>55,086</u>	<u>1,856</u>
	<u>\$ 375,754</u>	<u>\$ 293,904</u>

SHARON LYNNE WILSON CENTER FOR THE ARTS, INC.
NOTES TO FINANCIAL STATEMENTS
 August 31, 2021 and 2020

NOTE 10—ENDOWMENT (continued)

Changes in endowment funds for the years ended August 31, 2021 and 2020 are as follows:

	2021	2020
Endowment funds at beginning of year	\$ 293,904	\$ 293,904
Contributions	28,620	-
Investment return, net	56,530	-
Appropriations	(3,300)	-
Endowment funds at end of year	\$ 375,754	\$ 293,904

NOTE 11—OPERATING LEASE

The organization entered into a sublease and use agreement with the Elmbrook School District for the use of its facilities effective August 1, 2012 for an initial ten-year term with two five-year renewal options. The lease requires monthly payments of \$14,777, increasing annually by the lesser of the “School District State Aid Adjustment” or the “Consumer Price Index”. Rental income from this lease was \$178,914 and \$179,240, respectively, for the year ended August 31, 2021 and 2020. The organization also rents its facilities to organizations and individuals for various events. Total rental income for the year ended August 31, 2021 and 2020 was \$495,975 and \$408,700, respectively.

Future minimum rents to be received under non-cancelable operating leases as of August 31, 2021, consist of \$164,005 to be collected in the year ended August 31, 2022.

NOTE 12—CONCENTRATION RISK

The Organization maintains cash balances at a financial institution in southeast Wisconsin. Accounts at the institution are insured by the Federal Deposit Insurance Corporation up to \$250,000. At August 31, 2021, the Organization’s uninsured cash balances total approximately \$664,000. All cash balances were fully insured at August 31, 2020.

NOTE 13—RISKS AND UNCERTAINTIES

The COVID-19 outbreak has caused disruption for nonprofit organizations and other businesses and has resulted in significant volatility in the financial markets. The Organization held classes virtually and held limited classes and performances during the year. While disruption is currently expected to be temporary, there is considerable uncertainty around the duration of restrictions. At this time, the potential related financial impact cannot be reasonably estimated.

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NOTE 14—LIQUIDITY AND AVAILABILITY

The following table reflects the Organization’s financial assets as of the date of the statements of financial position reduced by amounts not available for expenditures within one year of the date of the statements of financial position because of donor-imposed or other restrictions:

	<u>2021</u>	<u>2020</u>
Financial assets at year-end:		
Cash	\$ 916,173	\$ 221,593
Accounts receivable	38,952	21,745
Unconditional promises to give	133,995	67,813
Investments	<u>473,333</u>	<u>399,510</u>
 Total financial assets	 1,562,453	 710,661
 Less those unavailable for general expenditures within one year:		
Donor-restricted to maintain as an endowment	(375,754)	(293,904)
Restricted by donors with time restrictions	(35,616)	(31,431)
Restricted by donors with purpose restrictions	(240,969)	(177,246)
Funds held for others	<u>(26,567)</u>	<u>(29,152)</u>
 Financial assets available to meet cash needs for general expenditures within one year	 <u>\$ 883,547</u>	 <u>\$ 178,928</u>

The Organization maintains its financial assets to be available as its general expenditures, liabilities, and other obligations come due. As part of its liquidity management, the Organization has access to draw upon its line of credit (see footnote 5).