

The Ridges Sanctuary, Inc.

Audited Financial Statements
with
Independent Auditor's Report
For the Years Ended December 31, 2022 and 2021

The Ridges Sanctuary, Inc.

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March 16, 2023

To the Board of Directors
The Ridges Sanctuary, Inc.
Baileys Harbor, Wisconsin

Independent Auditor's Report

We have audited the accompanying financial statements of The Ridges Sanctuary, Inc. (a nonprofit organization), which comprise the Statement of Financial Position as of December 31, 2022, and the related Statements of Activities, Cash Flows and Functional Expenses 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 The Ridges Sanctuary, Inc. as of December 31, 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 The Ridges Sanctuary, Inc. 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 these 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 The Ridges Sanctuary, Inc.'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 The Ridges Sanctuary, Inc.'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 The Ridges Sanctuary, Inc.'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.



Gordon J. Maier & Company, LLP
Certified Public Accountants

The Ridges Sanctuary, Inc.
Statement of Financial Position
December 31, 2022 and 2021

| | 2022 | Restated 2021 |
|----------------------------------------|----------------------|--------------------------|
| Assets | | |
| Current Assets | | |
| Cash & Cash Equivalents | \$ 1,470,257 | \$ 911,296 |
| Accounts Receivable | 14,456 | 62,780 |
| Grants Receivable | - | 7,530 |
| Prepaid Expenses | 11,249 | 10,250 |
| Nature Store Inventories | 25,201 | 21,366 |
| Total Current Assets | 1,521,163 | 1,013,222 |
| Property and Equipment (Note 5) | | |
| Land | 6,206,493 | 5,005,716 |
| Land Improvements | 191,912 | 191,912 |
| Interpretive Center | 3,317,227 | 3,307,227 |
| Buildings | 257,192 | 248,484 |
| Equipment | 151,853 | 144,250 |
| | 10,124,677 | 8,897,589 |
| Less: Accumulated Depreciation | 1,015,610 | 867,550 |
| Net Property and Equipment | 9,109,067 | 8,030,039 |
| Other Assets | | |
| Cash Restricted for Long-Term Purposes | 599,350 | 530,110 |
| Endowment Investments | 3,277,609 | 3,650,289 |
| Beneficial Interest in Perpetual Trust | 139,195 | 168,977 |
| Total Other Assets | 4,016,154 | 4,349,376 |
| Total Assets | \$ 14,646,384 | \$ 13,392,637 |

The Accompanying Notes are an integral part of these Financial Statements

The Ridges Sanctuary, Inc.
Statement of Financial Position
December 31, 2022 and 2021

| | 2022 | Restated 2021 |
|-----------------------------------------------------------|---------------|--------------------------|
| Liabilities and Net Assets | | |
| Current Liabilities | | |
| Accounts Payable | \$ 363 | \$ 3,037 |
| Accrued Expenses | 1,727 | - |
| Accrued Payroll and Related Payroll Liabilities | 31,970 | 28,255 |
| Deferred Revenue | 150 | 150 |
| Note Payable (Note 8) | 1,146,906 | |
| Total Current Liabilities | 1,181,116 | 31,442 |
| Net Assets | | |
| Without Donor Restrictions | | |
| Undesignated | 1,446,953 | 795,804 |
| Designated by the Board for Endowment Fund | 510,963 | 510,963 |
| Designated by the Board for Operating Reserve | 40,000 | 40,000 |
| Investment in Property and Equipment, Net of Related Debt | 3,898,145 | 3,966,023 |
| Total Without Donor Restrictions | 5,896,061 | 5,312,790 |
| With Donor Restrictions (Note 7) | 7,569,207 | 8,048,405 |
| Total Net Assets | 13,465,268 | 13,361,195 |
| Total Liabilities and Net Assets | \$ 14,646,384 | \$ 13,392,637 |

The Accompanying Notes are an integral part of these Financial Statements

The Ridges Sanctuary, Inc.
Statement of Activities
For the Years Ended December 31, 2022 and 2021

| | Without Donor Restrictions | With Donor Restrictions | 2022 Totals | Restated 2021 Totals |
|------------------------------------------------------------|---------------------------------------|------------------------------------|--------------------|---------------------------------|
| Public Support and Revenue | | | | |
| Public Support | | | | |
| Contributions | 718,798 | 405,513 | 1,124,311 | 1,862,750 |
| Grants | - | - | - | 5,000 |
| Memberships | 99,785 | - | 99,785 | 97,725 |
| PPP Loan | - | - | - | 88,835 |
| In-Kind Contributions | 46,086 | - | 46,086 | 4,233 |
| Special Events | 53,471 | - | 53,471 | 38,415 |
| Less: Costs of Direct Benefits | (19,843) | - | (19,843) | (10,332) |
| Special Events, Net | 33,628 | - | 33,628 | 28,083 |
| Total Public Support | 898,297 | 405,513 | 1,303,810 | 2,086,626 |
| Revenue | | | | |
| Nature Store Sales | 141,852 | - | 141,852 | 81,556 |
| Less: Cost of Goods Sold | (59,301) | - | (59,301) | (34,694) |
| Nature Store Sales, Net | 82,551 | - | 82,551 | 46,862 |
| Guided Hikes and Tours | 24,889 | - | 24,889 | 13,640 |
| Trail Fees | 73,015 | - | 73,015 | 69,566 |
| Workshops and Education Programs | 2,803 | - | 2,803 | 476 |
| Youth Programs | 54,828 | - | 54,828 | 46,216 |
| Other Income | 2,446 | - | 2,446 | 486 |
| Interest and Dividends | 854 | 74,454 | 75,308 | 55,435 |
| Gain on Sale of Assets | - | - | - | 1,938 |
| Total Revenue | 241,386 | 74,454 | 315,840 | 234,619 |
| Total Public Support and Revenue | 1,139,683 | 479,967 | 1,619,650 | 2,321,245 |
| Net Assets Released from Restrictions | 483,626 | (483,626) | - | - |
| Expenses | | | | |
| Program Services | 644,201 | - | 644,201 | 440,046 |
| Supporting Services: | | | | |
| Management and | 291,799 | - | 291,799 | 158,850 |
| General Fundraising | 104,038 | - | 104,038 | 88,142 |
| Total Expenses | 1,040,038 | - | 1,040,038 | 687,038 |
| Changes in Net Assets from Operating Activities | 583,271 | (3,659) | 579,612 | 1,634,207 |
| Other Changes in Net Assets | | | | |
| Net Realized and Unrealized Gains on Investments | - | (445,757) | (445,757) | 418,240 |
| Change in Beneficial Interest in Perpetual Trust | - | (29,782) | (29,782) | 13,447 |
| Total | - | (475,539) | (475,539) | 431,687 |
| Change in Net Assets Carried Forward | 583,271 | (479,198) | 104,073 | 2,065,894 |

The Accompanying Notes are an integral part of these Financial Statements

The Ridges Sanctuary, Inc.
Statement of Activities
For the Years Ended December 31, 2022 and 2021

| | Without Donor Restrictions | With Donor Restrictions | 2022 Totals | Restated 2021 Totals |
|----------------------------------------------------------------------------------------|---------------------------------------|------------------------------------|----------------------|---------------------------------|
| Change in Net Assets Brought Forward | 583,271 | (479,198) | 104,073 | 2,065,894 |
| Net Assets - January 1, 2022 as previously reported | 4,890,661 | 8,470,534 | 13,361,195 | 11,295,301 |
| Adjustment to correct misclassification of 2021 unrealized gain on Endowment assets | 422,129 | (422,129) | - | - |
| Net Assets - January 1, 2022 as restated | <u>5,312,790</u> | <u>8,048,405</u> | <u>13,361,195</u> | <u>11,295,301</u> |
| Net Assets - December 31, 2022 | <u>\$ 5,896,061</u> | <u>\$ 7,569,207</u> | <u>\$ 13,465,268</u> | <u>\$ 13,361,195</u> |

The Accompanying Notes are an integral part of these Financial Statements

The Ridges Sanctuary, Inc.
Statement of Cash Flows
For the Years Ended December 31, 2022 and 2021

| | 2022 | Restated 2021 |
|------------------------------------------------------------------------------------------------|----------------|--------------------------|
| | | |
| Cash Flows From Operating Activities | | |
| Change in Net Assets | 104,073 | 2,065,894 |
| Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities: | | |
| Depreciation | 148,060 | 136,897 |
| Realized and Unrealized Gain on Investments | 445,757 | (421,075) |
| Investment Income on Endowment Funds | (74,454) | (55,253) |
| Change in Beneficial Interest in Perpetual Trust | 29,782 | (13,447) |
| Gain on Disposal of Property and Equipment | - | (1,938) |
| (Increase) Decrease in Assets: | | |
| Accounts Receivable | 48,324 | (62,780) |
| Grants Receivable | 7,530 | 23,510 |
| Prepaid Expenses | (999) | (1,376) |
| Nature Store Inventories | (3,835) | (1,638) |
| Increase (Decrease) in Liabilities: | | |
| Accounts Payable | (2,674) | (2,103) |
| Accrued Expenses | 1,727 | (1,211) |
| Accrued Payroll and Related | 3,715 | 14,861 |
| Deferred Revenue | - | (1,860) |
| Net Cash Provided by Operating Activities | 707,006 | 1,678,481 |
| Cash Flows From Investing Activities | | |
| Contributions Restricted for Endowment | (124,310) | (828,920) |
| Cash Withdrawals from Endowment | 125,687 | 111,732 |
| Proceeds from Sale of Property and Equipment | - | 106,871 |
| Purchases of Property and Equipment | (1,227,088) | (345,875) |
| Net Cash Used by Investing Activities | (1,225,711) | (956,192) |
| Cash Flows From Financing Activities | | |
| Paycheck Protection Program Loan Proceeds | | |
| Paycheck Protection Program Loan Forgiveness | - | 88,835 |
| Principal Payments on Note Payable | - | (88,835) |
| Net Cash Provided (Used) by Financing Activities | 1,146,906 | - |
| | 1,146,906 | - |
| Net Increase In Cash And Cash Equivalent | 628,201 | 722,289 |

The Accompanying Notes are an integral part of these Financial Statements

The Ridges Sanctuary, Inc.
Statement of Cash Flows
For the Years Ended December 31, 2022 and 2021

| | 2022 | Restated 2021 |
|----------------------------------------------------------|--------------|--------------------------|
| Net Increase In Cash And Cash Equivalents | 628,201 | 722,289 |
| Cash and Cash Equivalents - Beginning of Year | 1,441,406 | 719,117 |
| Cash And Cash Equivalents - End of Year | 2,069,607 | 1,441,406 |
| Reconciliation to Statement of Financial Position | | |
| Cash and Cash Equivalents | 1,470,257 | 911,296 |
| Cash Restricted for Long-Term Purposes | 599,350 | 530,110 |
| Total | \$ 2,069,607 | \$ 1,441,406 |
| Supplementary Disclosure of Cash Flow Information | | |
| Interest paid | \$ 166 | \$ - |

The Accompanying Notes are an integral part of these Financial Statements

The Ridges Sanctuary, Inc.
Statement of Functional Expenses
For the Years Ended December 31, 2022 and 2021

| | Supporting Services | | | Total Supporting Services | 2022 Total | 2021 Total |
|----------------------------------------------------------------------------------|---------------------|-------------------------|-------------------|---------------------------------|---------------------|-------------------|
| | Program Services | Management & General | Fundraising | | | |
| Operating Expenses | | | | | | |
| Salaries | \$ 272,894 | \$ 72,458 | \$ 71,179 | \$ 143,637 | \$ 416,531 | \$ 286,509 |
| Employee Health Insurance | - | - | - | - | - | 4,854 |
| Employee Retirement Plan | 19,152 | 4,934 | 4,934 | 9,868 | 29,020 | 19,397 |
| Fringe Benefits | - | 3,400 | - | 3,400 | 3,400 | 3,101 |
| Payroll Taxes | 21,387 | 5,046 | 5,044 | 10,090 | 31,477 | 23,125 |
| | <u>313,433</u> | <u>85,838</u> | <u>81,157</u> | <u>166,995</u> | <u>480,428</u> | <u>336,986</u> |
| Advertising | 3,319 | - | 6,102 | 6,102 | 9,421 | 9,451 |
| Audit and Accounting | - | 14,949 | - | 14,949 | 14,949 | 10,405 |
| Bank and Credit Card Fees | - | 11,388 | - | 11,388 | 11,388 | 7,940 |
| Bridges, Trails, and Land Maintenance | 1,638 | 1,062 | - | 1,062 | 2,700 | 2,756 |
| Continuing Education | 1,237 | 1,035 | - | 1,035 | 2,272 | 2,088 |
| Contracted IT | 175 | 175 | 233 | 408 | 583 | 1,083 |
| Cost of Direct Benefit to Donors | 17,773 | 127 | 1,944 | 2,071 | 19,844 | 10,332 |
| Depreciation | 121,409 | 17,767 | 8,884 | 26,651 | 148,060 | 136,897 |
| Development | 148 | - | 6,129 | 6,129 | 6,277 | 7,394 |
| Dues and Subscriptions | 1,068 | 186 | 531 | 717 | 1,785 | 1,496 |
| Facilities and Buildings | 1,770 | 1,336 | - | 1,336 | 3,106 | 2,388 |
| Gift Shop Cost of Goods Sold | 59,301 | - | - | - | 59,301 | 34,694 |
| Grant | - | - | - | - | - | 215 |
| Insurance | 27,071 | 3,963 | 1,981 | 5,944 | 33,015 | 27,519 |
| Interest Expense | - | 166 | - | 166 | 166 | - |
| Land Maintenance | 1,151 | 3,196 | - | 3,196 | 4,347 | 4,481 |
| Legal | - | 186 | - | 186 | 186 | 6,081 |
| Meeting and Event Support | - | 379 | - | 379 | 379 | 340 |
| Miscellaneous | - | 110 | - | 110 | 110 | - |
| Nature Store Expenses | 1,694 | - | - | - | 1,694 | - |
| Office Supplies | 1,226 | 1,147 | 1,546 | 2,693 | 3,919 | 4,436 |
| Other Designated Expense | 63,913 | 113,547 | 3,159 | 116,706 | 180,619 | 34,907 |
| Orchid | 14,409 | - | - | - | 14,409 | 8,990 |
| Postage | - | 1,964 | 1,430 | 3,394 | 3,394 | 3,019 |
| Printing and Reproduction | 4,899 | 21 | 4,955 | 4,976 | 9,875 | 9,993 |
| Professional Services | 2,667 | 1,958 | 375 | 2,333 | 5,000 | 8,824 |
| Program and Workshop Expenses | 6,995 | - | - | - | 6,995 | 3,974 |
| Rangelight Renovations | 35 | 695 | - | 695 | 730 | 14,993 |
| Small Equipment Purchases | 6,036 | 4,822 | 4,951 | 9,773 | 15,809 | 19,984 |
| Travel | 1,371 | - | - | - | 1,371 | - |
| Telephone | - | 7,960 | - | 7,960 | 7,960 | 8,009 |
| Utilities | 11,272 | 4,112 | 505 | 4,617 | 15,889 | 12,389 |
| Ridges Inn Expense | 39,492 | - | - | - | 39,492 | - |
| Bad Debt Expense | - | 13,710 | - | 13,710 | 13,710 | - |
| Total Operating Expenses | <u>703,502</u> | <u>291,799</u> | <u>123,882</u> | <u>415,681</u> | <u>1,119,183</u> | <u>732,064</u> |
| Less: Expenses Included with Revenues on the Statements of Activities: | | | | | | |
| Gift Shop Cost of Goods Sold | (59,301) | - | - | - | (59,301) | (34,694) |
| Cost of Direct Benefits to Donors | - | - | (19,844) | (19,844) | (19,844) | (10,332) |
| | <u>-</u> | <u>-</u> | <u>(19,844)</u> | <u>(19,844)</u> | <u>(19,844)</u> | <u>(10,332)</u> |
| Total Expenses Included in the Expense Section on the Statement of Activities | <u>\$ 644,201</u> | <u>\$ 291,799</u> | <u>\$ 104,038</u> | <u>\$ 395,837</u> | <u>\$ 1,040,038</u> | <u>\$ 687,038</u> |

The Accompanying Notes are an integral part of these Financial Statements

The Ridges Sanctuary, Inc.
Notes to Financial Statements
December 31, 2022

Note 1. Nature of Organization

The Ridges Sanctuary, Inc. (the Organization) is a nonprofit organization organized under the laws of the state of Wisconsin in 1937. The Organization's purpose is to protect the Sanctuary and inspire stewardship of natural areas through programs of education, outreach and research. The Ridges Sanctuary, Inc. is located in Door County, Wisconsin, and carries out its mission through the following programs:

Land Protection- Includes protecting Sanctuary land through acquisition and stewardship, and providing opportunities for people to enjoy the land forever.

Education and Outreach - Includes encouraging stewardship throughout Door County, increasing the appreciation for rich natural landscape and to foster connections with the natural world.

Research - Includes serving as a regional, national and international destination for research on the Sanctuary and Door County landscapes, ecosystems and individual species.

The Organization is supported primarily through contributions, grants, membership and program fees, income from Nature Store sales, and endowment income.

Note 2. Summary of Significant Accounting Policies

Basis of Accounting

The financial statements of The Ridges Sanctuary, Inc. have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables, and other liabilities.

Basis of Presentation

Financial statement presentation follows the standards of FASB ASC 958, *Not-for-Profit Entities*. Under FASB ASC 958, the Organization is required to report information regarding its financial position and activities according to two classes of net assets: without donor restrictions and with donor restrictions.

Net assets of the Organization and changes therein are classified and reported as follows:

Without Donor Restrictions—Net assets that are not subject to donor-imposed restrictions.

With Donor Restrictions—Net assets subject to donor-imposed restrictions that will be met either by actions of the Organization and/or the passage of time.

The Ridges Sanctuary, Inc.
Notes to Financial Statements
December 31, 2022

Note 2. Summary of Significant Accounting Policies (cont.)

Cash and Cash Equivalents

Cash is defined for the purposes of this financial statement as demand deposits with banks or financial institutions, and all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents.

Nature Store Inventory

Inventory is comprised of program-related merchandise held for sale in the gift shop and is stated at the lower of cost or net-realizable value.

Property and Equipment

Property and equipment purchases are stated at cost, while donated items are capitalized at fair value at the date of donation. It is the Organization's policy to capitalize property and equipment over \$2,500 with a useful life of more than one year while lesser amounts are expensed. Depreciation is computed on the straight-line method over the estimated useful lives of the assets which range between three and forty years.

Beneficial Interests in Perpetual Trusts

The Organization has been named as an irrevocable beneficiary of a perpetual trust held and administered by independent trustees. Perpetual trusts provide for the distribution of the net income of the trusts to the Organization; however, the Organization will never receive the assets of the trusts. At the date the Organization receives notice of a beneficial interest, a contribution with donor restrictions of a perpetual nature is recorded in the statement of activities, and a beneficial interest in perpetual trust is recorded in the statement of financial position at the fair value of the underlying trust assets. Thereafter, beneficial interests in the trusts are reported at the fair value of the trusts' assets in the statement of financial position, trust distributions are recognized as without donor restrictions in the statement of activities, and changes in fair value are recognized as with donor restrictions in the statement of activities.

Restricted and Unrestricted Revenue and Support

The Organization has adopted FASB ASC 958, *Not-for-Profit Entities*.

Contributions received are recorded as support without donor restriction or with donor restriction, depending on the existence and/or nature of any restrictions.

Support that is restricted by the donor is reported as an increase in net assets without donor restriction if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in net assets with donor restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restriction are reclassified to net assets without donor restriction and reported in the Statement of Activities as net assets released from restrictions.

The Ridges Sanctuary, Inc.
Notes to Financial Statements
December 31, 2022

Note 2. Summary of Significant Accounting Policies (cont.)

Donated Services and In-Kind Contributions

Donated services are recognized as contributions in accordance with FASB ASC 958, *Not-for-Profit Entities*, if the services (a) create or enhance non-financial assets or (b) require specialized skills, are performed by people with those skills and would otherwise be purchased by the Organization. The Organization received donated services for the years ended December 31, 2022 and 2021 in the amounts of \$6,086 and \$4,233, respectively.

As of December 31, 2022 and 2021 the Organization received donated land in the amount of \$40,000 and donated materials \$4,233, respectively, that have been reflected on the financial statements.

Presentation of Sales Tax

The Organization collects sales tax from customers and remits the entire amount to the appropriate governmental entities. The Organization's accounting policy is to exclude the tax collected and remitted from revenues and expenses.

Advertising Costs

Advertising costs are expensed as incurred and approximated \$9,421 and \$9,451 during the years ended December 31, 2022 and 2021, respectively.

Functional Expense Classification

Directly identifiable expenses are charged to program services and supporting services. Expenses related to more than one function are charged to program services and supporting services on the basis of periodic time spent. Management and general expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Organization.

Income Tax Status

The Organization is exempt from Federal income taxes under its present method of operation as provided in Section 501(c)(3) of the Internal Revenue Code. Having qualified for exemption under provisions of the Internal Revenue Code, the Organization is also exempt from Wisconsin income taxes as provided in Section 71.01(3)(a) of the Wisconsin Statutes.

The Ridges Sanctuary, Inc.
Notes to Financial Statements
December 31, 2022

Note 2. Summary of Significant Accounting Policies (cont.)

Concentration of Risk

Cash and Cash Equivalents

The Organization maintains cash balances at Nicolet National Bank. Accounts at the banks are interest-bearing transaction accounts and, as of December 31, 2022 and 2021, are fully insured up to \$250,000 by the Federal Deposit Insurance Corporation (FDIC). The cash accounts held at the banking institution as of December 31, 2022 and 2021, had \$1,988,479 and \$1,483,461, respectively, on deposit, of which \$1,738,479 and \$1,233,461 was not insured by the FDIC.

Investments

The Organization records investment purchases at cost, or if donated, at fair value on the date of donation. Thereafter, investments are reported at their fair values in the statement of financial position. Net investment return/(loss) is reported in the statement of activities and consists of interest and dividend income, realized capital gains and losses, less external and direct internal investment expenses.

Investments are made by diversified investment managers whose performance is monitored by the Organization and the Investment Committee of the Board of Directors. Although the fair values of investments are subject to fluctuation on a year-to-year basis, the Organization and the Investment Committee believe that the investment policies and guidelines are prudent for the long-term welfare of the Organization.

Revenue/Receivable

The Organization's operations are located in Baileys Harbor, Wisconsin. The Organization's major source of revenue and support is derived from contributions.

Risk associated with accounts receivable and grants receivable is considered to be limited due to high historical collection rates and because substantial portions of the outstanding amounts are due from board members, governmental agencies, and foundations supportive of the Organization's mission.

The Ridges Sanctuary, Inc.
Notes to Financial Statements
December 31, 2022

Note 3. Liquidity and Availability

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following at December 31, 2022 and 2021:

| | 2022 | 2021 |
|------------------------------|---------------------|-------------------|
| Cash and Accounts Receivable | \$ <u>1,484,713</u> | \$ <u>981,606</u> |

The Organization has endowment funds consisting of donor-restricted endowments and funds designated by the Board as endowments. During 2019, the endowment trustees and Board of Directors passed an amendment to the endowment trust treating board designated funds as if they are donor-restricted endowments. Distributions from both categories equal 5% of the average balances over the prior three years. Virtually all of the \$137,724 to be distributed during 2023 is available for general expenditure. The Organization's current fundraising efforts offer potential donors the option of identifying how the income from their endowment donation will be allocated. Donors may choose from four options: operations, land management, orchid research, and education. As the nonoperational categories grow, part of the endowment distribution will be restricted accordingly.

Note 4. Fair Value Measurements And Disclosures

The Organization follows fair value measurement accounting standards, which provide a comprehensive framework for measuring fair value and expand disclosures that are required about fair value measurements. Specifically, this accounting standard sets forth a definition of fair value and establishes a hierarchy prioritizing the inputs to valuation techniques, giving the highest priority to quoted prices in active markets for identical assets and liabilities and the lowest priority to unobservable value inputs. The levels within the hierarchy are as follows:

Level 1—Unadjusted quoted prices for identical assets and liabilities in active markets

Level 2—Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly

Level 3—Valuation derived from valuation techniques in which one or more significant inputs or significant value drivers are unobservable

The Ridges Sanctuary, Inc.
Notes to Financial Statements
December 31, 2022

Note 4. Fair Value Measurements And Disclosures (cont.)

All of the Organization's investment assets are classified within Level 1 because they comprise open-end mutual funds with readily determinable fair values based on daily redemption values. The fair value of the beneficial interest in perpetual trust is based on the fair value of fund investments as reported by the trustee which are also considered to be Level 1 measurements.

The following table presents assets measured at fair value on a recurring basis at December 31, 2022:

| | Fair Value Measurements at Report Date Using | | | |
|---------------------------------|------------------------------------------------------------------------------------|----------------------------------------------------------------------|--------------------------------------------------------------|--------------|
| | Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) | Total |
| Endowment Investments: | | | | |
| Stock Funds | \$ 2,713,466 | \$ - | \$ - | \$ 2,713,466 |
| Bond Funds | 74,569 | - | - | 74,569 |
| Short-Term Cash Reserves | 489,574 | - | - | 489,574 |
| Total | 3,277,609 | - | - | 3,277,609 |
| Beneficial Interests in: | | | | |
| Perpetual Trusts | 139,195 | - | - | 139,195 |
| Total | \$ 3,416,804 | \$ - | \$ - | \$ 3,416,804 |

This information is an integral part of these Financial Statements.

The Ridges Sanctuary, Inc.
Notes to Financial Statements
December 31, 2022

Note 4. Fair Value Measurements And Disclosures (cont.)

The following table presents assets measured at fair value on a recurring basis at December 31, 2021:

| | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) | Total |
|---------------------------------|-----------------------------------------------------------------------------------------------|----------------------------------------------------------------------|--------------------------------------------------------------|--------------|
| Endowment Investments: | | | | |
| Stock Funds | \$ 2,668,796 | \$ - | \$ - | \$ 2,668,796 |
| Bond Funds | 75,893 | - | - | 75,893 |
| Short-Term Cash Reserves | 905,600 | - | - | 905,600 |
| Total | 3,650,289 | - | - | 3,650,289 |
| Beneficial Interests in: | | | | |
| Perpetual Trusts | 168,977 | - | - | 168,977 |
| Total | \$3,819,266 | \$ - | \$ - | \$3,819,266 |

Note 5. Property and Equipment

Property and equipment consists of the following at December 31:

| | 2022 | 2021 |
|-------------------------------------------------|--------------|--------------|
| Construction Work in Process | \$ - | \$ - |
| Land | 6,206,493 | 5,005,716 |
| Land Improvements | 191,912 | 191,912 |
| Buildings and Improvements | 3,574,419 | 3,555,711 |
| Equipment | 151,853 | 144,250 |
| Subtotal | 10,124,677 | 8,897,589 |
| Less: Accumulated Depreciation and Amortization | (1,015,610) | (867,550) |
| Total Property and Equipment, Net | \$ 9,109,067 | \$ 8,030,039 |

Depreciation expense totaled \$148,060 and \$136,897 for the years ended December 31, 2022 and 2021, respectively.

This information is an integral part of these Financial Statements.

The Ridges Sanctuary, Inc.
Notes to Financial Statements
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Note 6. Endowment

The Organization has established an endowment consisting of one fund established by donors to provide annual funding for specific activities and general operations. The endowment includes certain net assets without donor restrictions that have been designated by the Board of Directors.

Interpretation of Relevant Law

The Board of Directors of The Ridges Sanctuary, Inc., has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, The Ridges Sanctuary, Inc., classifies as net assets with donor restrictions: (a) the original value of gifts donated to the permanent endowment, and (b) the original value of subsequent gifts to the permanent endowment. In accordance with UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund
- The purposes of the Organization and the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- The investment policies of the Organization

Endowment Net Asset Composition by Type of Fund as of December 31, 2022:

| As of December 31, 2022 | Without Donor Restriction | With Donor Restrictions | Total |
|-----------------------------------------------------------------|--------------------------------------|------------------------------------|---------------------|
| Board Designated Endowment Funds | \$ 510,963 | | \$ 510,963 |
| Donor Restricted Endowment Funds: | | | |
| Original Donor-Restricted Gift Amount | | | |
| and Amounts required to be Maintained in Perpetuity by Donor | | \$ 3,263,636 | 3,263,636 |
| Accumulated Gains | | (496,990) | (496,990) |
| Total | \$ 510,963 | \$ 2,766,646 | \$ 3,277,609 |

This information is an integral part of these Financial Statements.

The Ridges Sanctuary, Inc.
Notes to Financial Statements
December 31, 2022

Note 6. Endowment (cont.)

Endowment Net Asset Composition by Type of Fund as of December 31, 2021:

| As of December 31, 2021 | Without Donor Restriction | With Donor Restrictions | Total |
|----------------------------------------------------------------------------------------------------------|--------------------------------------|------------------------------------|---------------------|
| Board Designated Endowment Funds | \$ 510,963 | | \$ 510,963 |
| Donor Restricted Endowment Funds: | | | |
| Original Donor-Restricted Gift Amount and Amounts required to be Maintained in Perpetuity by Donor | | \$ 2,717,197 | 2,717,197 |
| Accumulated Gains | | 422,129 | 422,129 |
| | | <u>3,139,326</u> | <u>2,717,197</u> |
| Total | <u>\$ 510,963</u> | <u>\$ 3,139,326</u> | <u>\$ 3,650,289</u> |

Investment and Spending Policies

The Organization has adopted investment and spending policies for the Endowment that attempt to provide a predictable stream of funding for operations while seeking to maintain the purchasing power of the endowment assets. Over time, long-term rates of return should be equal to an amount sufficient to maintain the purchasing power of the Endowment assets, to provide the necessary capital to fund the spending policy, and to cover the costs of managing the Endowment investments. The target minimum rate of return is the Consumer Price Index plus 5% on an annual basis. Actual returns in any given year may vary from this amount. To satisfy this long-term rate-of-return objective, the investment portfolio is structured on a total-return approach through which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). A significant portion of the funds are invested to seek growth of principal over time.

The investment strategy of the Endowment believes that investing in index equity mutual funds with higher return expectations and lower cost which outweigh their short-term volatility. As a result, the majority of assets will be invested in index equity and REIT mutual funds which are globally diversified and uncorrelated, which should reduce the variability of returns over time and provide more stability. Cash and short-term mutual bond funds are not a strategic asset of the fund and are used to meet short and intermediate term liquidity needs and avoid untimely equity liquidation during years of economic stress. The asset allocation should provide an expected total return equal to or greater than the primary objective of the Endowment. The equity portfolio will be constructed to be at a targeted allocation and it will be rebalanced back to the target allocation periodically. The allocation between equities and cash and short-term bond funds will be reviewed periodically and will be changed according to economic conditions.

The Ridges Sanctuary, Inc.
Notes to Financial Statements
December 31, 2022

Note 6. Endowment (cont.)

The following is the target asset portfolio of the Organization as of December 31, 2022:

| Asset Class | Target Asset Mix | Asset Mix Range |
|----------------|------------------------|--------------------|
| Bonds and Cash | 15% | 10-20% |
| Stocks | 85% | 80-90% |
| Foreign Stock | 25% | 25% |

The Organization uses an endowment spending-rate formula to determine the maximum amount to spend from the Endowment, including those endowments deemed to be underwater, each year. The spending rate, determined and adjusted from time to time by the board of directors, is applied to the average three-year fair value of the Endowment investments as determined on September 30 of each year to determine the spending amount for the upcoming year. During 2022, the spending rate maximum was 5%.

Changes in Endowment Net Assets for the years ended December 31, 2022 and 2021 are as follows:

| | Without Donor Restrictions | With Donor Restrictions | Total |
|-------------------------------------------------------------------|---------------------------------------|------------------------------------|---------------------|
| As of December 31, 2022 | | | |
| Endowment Net Assets – Beginning of Year | \$ 510,963 | \$ 3,139,326 | \$ 3,650,289 |
| Investment Return | | (371,302) | (371,302) |
| Contributions | | 124,310 | 124,310 |
| Appropriations of Endowment Assets Pursuant to Spending Policy | | (125,688) | (125,688) |
| Endowment Net Assets – End of Year | <u>\$ 510,963</u> | <u>\$ 2,766,646</u> | <u>\$ 3,277,609</u> |
| As of December 31, 2021 | | | |
| Endowment Net Assets – Beginning of Year | \$ 384,555 | \$ 2,072,218 | \$ 2,456,773 |
| Investment Return | | 473,493 | 473,493 |
| Contributions | | 828,920 | 828,920 |
| Appropriations of Endowment Assets Pursuant to Spending Policy | 126,408 | (235,305) | (108,897) |
| Endowment Net Assets – End of Year | <u>\$ 510,963</u> | <u>\$ 3,139,326</u> | <u>\$ 3,650,289</u> |

This information is an integral part of these Financial Statements.

The Ridges Sanctuary, Inc.
Notes to Financial Statements
December 31, 2022

Note 7. Net Assets with Donor Restrictions

Net assets with donor restrictions are restricted to the following purposes or periods as of December 31, 2022 and 2021:

| For the Year Ended December 31, | 2022 | 2021 |
|---------------------------------------------------------|------------------|------------------|
| Subject to Expenditure for Specified Purpose: | | |
| MP Capital Campaign | 500 | -- |
| Range Light Renovation | 77,935 | 79,786 |
| Land Fund | 105,671 | 81,795 |
| Orchid Project | 36,430 | 39,873 |
| Memorials | 681 | 681 |
| Taxidermy | 3,500 | 3,500 |
| Educational Programs | 111,599 | 107,174 |
| North Campus Project | -- | 49,890 |
| Master Plan | 149,816 | 150,997 |
| Ridges Rd Native Plant Restoration Project | 10,000 | 10,000 |
| Reserve Study | -- | 10,000 |
| Equipment | -- | 28,264 |
| Ridges Inn | 20,676 | 26,373 |
| Bridge and Boardwalk Replacement | 14,753 | 59,185 |
| Property Acquisition | 28,841 | 24,522 |
| Various Small Projects | 5,723 | 3,846 |
| Wildlife Survey & Research | 200 | 200 |
| Book Project | 23,500 | -- |
| Office Equipment and Supplies | 9,525 | -- |
| Total | 599,350 | 676,086 |
| Endowments: | | |
| Subject to Spending Policy and Appropriation | | |
| Available for general Use | (496,990) | 422,129 |
| Total | (496,990) | 422,129 |
| Subject to Perpetual Restrictions: | | |
| Land Maintenance | 96,073 | 96,073 |
| Education Endowment | 37,444 | 37,444 |
| General Endowment | 3,130,119 | 2,583,680 |
| Total | 3,263,636 | 2,717,197 |
| Total Endowments | 2,766,646 | 3,139,326 |
| Not Subject to Spending Policy or Appropriation: | | |
| Beneficial Interests in Perpetual Trusts | 139,195 | 168,977 |
| Stewardship Land Restricted for Use | 4,064,016 | 4,064,016 |
| Total | 4,203,211 | 4,232,993 |
| Total Net Assets with Donor Restrictions | 7,569,207 | 8,048,405 |

This information is an integral part of these Financial Statements.

The Ridges Sanctuary, Inc.
Notes to Financial Statements
December 31, 2022

Note 8. Debt

On June 21, 2022 The Ridges Sanctuary, Inc. secured financing for the acquisition of the Ridges Inn property in the amount of \$1,200,000, against which \$1,149,906 was drawn on December 21, 2022. The promissory note, which bears interest at a rate of 4.5% annually, requires monthly payments of interest only until maturity on June 21, 2023 when the entire outstanding balance is due.

Note 9. Income Taxes

The Organization's Form 990, *Return of Organization Exempt from Income Tax*, for the years ending 2021, 2020, and 2019 are subject to examination by the IRS, generally for three years after they were filed.

Note 10. Employee Benefits

All employees of the Organization are eligible to receive a retirement benefit after one year of employment through a SEP IRA. The annual employer contribution to the SEP IRA accounts is based on a uniform percentage of salary as determined by the board of directors. For the year ended December 31, 2022 and 2021 the Organization contributed 6% of the employee's gross wages into the retirement plan in the amount of \$9,167 and \$8,773, respectively.

Note 11. PPP Loan

During the year ended December 31, 2021, the Organization received loan proceeds from SBA in the amount of \$88,835, pursuant to the Paycheck Protection Program (PPP), which was enacted March 27, 2020. The PPP, established as part of the Coronavirus Aid, Relief, and Economic Security Act ("CARES Act"), provides for loans to qualifying organization's for amounts up to 2.5 times of the average monthly payroll expenses of the qualifying organization.

The loans and accrued interest are forgivable after eight weeks as long as the borrower uses the loan proceeds for eligible purposes, including payroll, benefits, rent, and utilities, and maintains its payroll levels. The amount of loan forgiveness will be reduced if the borrower terminates employees or reduces salaries during the elected eight-week or twenty-four-week period.

Note 12. Comparative Financial Information

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended December 31, 2021, from which the summarized information was derived.

Note 13. Subsequent Events

Subsequent events have been evaluated through February 14, 2023, which is the date the financial statements were available to be issued.