



War Memorial Center

750 North Lincoln Memorial Drive ~ Milwaukee, Wisconsin 53202

Phone: 414-273-5533 ~ www.warmemorialcenter.org

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April 15, 2020

To: Chairman Theodore Lipscomb, Sr., Milwaukee County Board of Supervisors
Chairman Jason Haas, Committee on Parks, Energy, and Environment

RE: Informational Report regarding Financial Statements

Attached are the War Memorial's audited financial statements for the year ended December 31, 2019.

While public access to the building is closed during the *Safer at Home* order, the exterior Fitch Plaza overlooking Lake Michigan, home to several memorials including the Eternal Flame which lights the names of Milwaukee County war dead, remains open during normal business hours.

We are currently planning the following 75th Commemoration of End of World War II Events:

- Community Bell Ringing for Peace, May 8, 1:00 p.m.
- Newly placed WWII posters in Freedom Gallery focused on the homefront, donated to the War Memorial Center in 2019, June 1.
- VetFest, July 30, 3:00 p.m. – 10:00 p.m.
- On the Homefront Exhibit Highlighting Milwaukee's Efforts During the War, August through December
- Gold Star Families Memorial, August
- Field of Flags Opening Ceremony, August 29, 9:00 a.m.
- Traveling WWII Memorial, September 1 through 3
- Victory Dinner (ticket required), September 2, 5:00 p.m. – 9:00 p.m.

Please contact me if you have any questions.

Sincerely,

Dan Buttery

President & CEO

cc: Kelsey A. Evans, Coordinator, Committee on Parks, Energy and Environment



Milwaukee County War Memorial, Inc.

Milwaukee, Wisconsin

Financial Statements

Year Ended December 31, 2019 with Summarized Financial
Information for the Year Ended December 31, 2018



War Memorial Center

WIPFLi^{LLP}
CPAs and Consultants

Milwaukee County War Memorial, Inc.

Year Ended December 31, 2019 with Summarized Financial Information for the Year
Ended December 31, 2018

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Independent Auditor's Report

Board of Trustees
Milwaukee County War Memorial, Inc.
Milwaukee, Wisconsin

Report on the Financial Statements

We have audited the accompanying financial statements of Milwaukee County War Memorial, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2019, and the related statements of activities, functional expenses, and cash flows for the year then ended and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States. 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 Milwaukee County War Memorial, Inc. as of December 31, 2019, 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.

**Emphasis of Matter**

As discussed in Note 1 to the financial statements, Milwaukee County War Memorial, Inc. adopted the following Accounting Standards Updates (ASU) as of and for the year ended December 31, 2019: ASU 2014-09, *Revenue from Contracts with Customers* (Topic 606) and ASU No. 2018-08, *Not-for-Profit Entities* (Topic 958) - *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. Our opinion is not modified with respect to these matters.

Report on Summarized Comparative Information

We have previously audited Milwaukee County War Memorial, Inc.'s 2018 financial statements, and we expressed an unmodified opinion on those audited financial statements in our report dated February 27, 2019. In our opinion, the summarized comparative information, presented herein as of and for the year ended December 31, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived.

A handwritten signature in black ink that reads "Wipfli LLP".

Wipfli LLP
Milwaukee, Wisconsin

March 23, 2020

Milwaukee County War Memorial, Inc.

Statements of Financial Position

As of December 31, 2019 with Summarized Financial Information as of December 31, 2018

Assets	Operating	Building	Special Projects	2019 Total	2018 Total
Current assets:					
Cash	\$ 480,242	\$ -	\$ 1,151,706	\$ 1,631,948	\$ 1,151,497
Certificates of deposit	-	-	410,000	410,000	410,043
Accounts receivable	14,667	-	-	14,667	34,374
Current portion of promises to give	-	-	20,500	20,500	73,550
Prepaid expenses	35,836	-	109	35,945	46,221
Total current assets	530,745	-	1,582,315	2,113,060	1,715,685
Promises to give, net of current portion	-	-	17,770	17,770	36,538
Property and equipment:					
Building in-kind	-	11,400,000	-	11,400,000	11,400,000
Building improvements	-	1,318,335	-	1,318,335	1,304,590
Furniture and equipment	92,182	107,562	-	199,744	199,744
Construction in progress	-	-	-	-	6,873
Total property and equipment	92,182	12,825,897	-	12,918,079	12,911,207
Less - Accumulated depreciation	(86,364)	(1,027,314)	-	(1,113,678)	(582,817)
Property and equipment, net of accumulated depreciation	5,818	11,798,583	-	11,804,401	12,328,390
Other assets	-	84,075	-	84,075	-
TOTAL ASSETS	\$ 536,563	\$ 11,882,658	\$ 1,600,085	\$ 14,019,306	\$ 14,080,613

Milwaukee County War Memorial, Inc.

Statements of Financial Position (Continued)

As of December 31, 2019 with Summarized Financial Information as of December 31, 2018

Liabilities and Net Assets	Operating	Building	Special Projects	2019 Total	2018 Total
Current liabilities:					
Accounts payable	\$ 10,947	\$ -	\$ -	\$ 10,947	\$ 36,367
Accrued expenses	84,084	-	-	84,084	86,998
Current portion of deferred revenue	112,713	-	147,733	260,446	196,219
Total current liabilities	207,744	-	147,733	355,477	319,584
Deferred revenue, less current portion	3,000	-	-	3,000	3,000
Total liabilities	210,744	-	147,733	358,477	322,584
Net assets:					
Without donor restrictions:					
Undesignated	150,001	-	993,083	1,143,084	1,087,698
Designated by the Board for:					
Operating reserve	170,000	-	325,000	495,000	170,000
Education program	-	-	-	-	10,705
Invested in property, equipment other assets	5,818	11,882,658	-	11,888,476	12,328,390
Total net assets without donor restrictions	325,819	11,882,658	1,318,083	13,526,560	13,596,793
With donor restrictions:					
Purpose restrictions:					
Operation Renew	-	-	41,544	41,544	-
Education program	-	-	1,000	1,000	6,211
Vietnam Veterans Memorial	-	-	14,460	14,460	14,615
Other	-	-	38,995	38,995	30,322
Time-restricted for future periods	-	-	38,270	38,270	110,088
Total net assets with donor restrictions	-	-	134,269	134,269	161,236
Total net assets	325,819	11,882,658	1,452,352	13,660,829	13,758,029
TOTAL LIABILITIES AND NET ASSETS	\$ 536,563	\$ 11,882,658	\$ 1,600,085	\$ 14,019,306	\$ 14,080,613

See accompanying notes to financial statements.

Milwaukee County War Memorial, Inc.

Statements of Activities

Year Ended December 31, 2019 with Summarized Financial Information for the Year Ended December 31, 2018

	Operating Budget	Without Donor Restrictions			With Donor Restrictions		2019 Total	2018 Total	2019 % of Budget
		Operating	Building	Special Projects	Special Projects	Special Projects			
Revenue:									
Parking revenue	\$ 550,000	\$ 381,971	\$ -	\$ -	\$ -	\$ 381,971	\$ 559,294		69%
Hall and plaza rentals	185,000	198,420	-	-	-	198,420	193,305		107%
Meeting room rentals	11,000	15,145	-	-	-	15,145	16,955		138%
Office rentals	202,000	202,566	-	-	-	202,566	196,552		100%
Catering commissions	25,000	30,450	-	-	-	30,450	30,201		122%
Liquor commissions	14,000	17,350	-	-	-	17,350	18,652		124%
Miscellaneous revenue	56,000	68,288	-	1,989	-	70,277	65,068		122%
July 3rd revenue	-	83,008	-	-	-	83,008	74,671		N/A
Interest	2,000	2,643	-	16,886	-	19,529	7,524		132%
Total revenues	1,045,000	999,841	-	18,875	-	1,018,716	1,162,222		96%
Operating support:									
Donations and grants	121,763	181,886	-	-	-	181,886	112,973		149%
Tax levy	486,000	486,000	-	-	-	486,000	486,000		100%
Gifts in-kind	13,000	16,552	84,075	55,945	-	156,572	18,678		127%
Total operating support	620,763	684,438	84,075	55,945	-	824,458	617,651		110%
Special Projects support:									
Operation Renew	-	-	-	-	-	251,732	138,869		
Education Fund	-	-	-	-	-	12,267	1,105		
Vietnam Memorial Fund	-	-	-	-	-	2,026	2,615		
Other funds	-	-	-	-	-	41,751	36,593		
Total Special Projects support	-	-	-	-	-	307,776	179,182		
Net assets released from restrictions		5,735	-	329,008	-	(334,743)	-		
Total support and revenue	1,665,763	1,690,014	84,075	403,828	-	2,177,917	1,959,055		101%

Milwaukee County War Memorial, Inc.

Statements of Activities (Continued)

Year Ended December 31, 2019 with Summarized Financial Information for the Year Ended December 31, 2018

	Operating Budget	Without Donor Restrictions			With Donor Restrictions		2019 Total	2018 Total	2019 % of Budget
		Operating	Building	Special Projects	Special Projects	Special Projects			
Expenses:									
Personnel services:									
Salaries and wages	\$ 690,000	\$ 645,744	\$ -	\$ -	\$ -	\$ 645,744	\$ 645,568		94%
Employee group benefits	220,000	181,978	-	-	-	181,978	170,395		83%
Social security taxes	51,000	47,525	-	-	-	47,525	47,600		93%
Unemployment insurance	4,000	725	-	-	-	725	1,715		18%
Worker's compensation	10,000	6,868	-	-	-	6,868	7,156		69%
Total personnel services	975,000	882,840	-	-	-	882,840	873,434		91%
Professional fees:									
Ash and rubbish removal	10,000	5,983	-	-	-	5,983	9,008		60%
Custodial fees	75,000	70,076	-	-	-	70,076	71,654		93%
Consulting fees	10,000	4,411	-	-	-	4,411	1,463		44%
Audit fees	12,000	12,000	-	-	-	12,000	12,400		100%
Total professional fees	107,000	92,470	-	-	-	92,470	94,525		86%
Advertising and promotion:									
Marketing fees	42,000	45,221	-	-	-	45,221	53,821		108%
Advertising and photography	45,000	43,126	-	-	-	43,126	33,079		96%
Printing and production	4,000	155	-	-	-	155	1,972		4%
Total advertising and promotion	91,000	88,502	-	-	-	88,502	88,872		97%

Milwaukee County War Memorial, Inc.

Statements of Activities (Continued)

Year Ended December 31, 2019 with Summarized Financial Information for the Year Ended December 31, 2018

	Operating Budget	Without Donor Restrictions				With Donor Restrictions		2018 Total	2019 Total	2019 % of Budget
		Operating	Building	Special Projects	Total	Special Projects				
Space and utilities:										
Insurance premiums	\$ 25,000	\$ 23,170	\$ -	\$ -	\$ 23,170	\$ -	\$ 23,170	20,634		93%
Building service contracts	41,000	29,873	-	-	29,873	-	29,873	38,569		73%
Building maintenance and repairs	55,000	33,529	-	-	33,529	-	33,529	38,674		61%
Grounds maintenance and repairs	55,000	34,885	-	-	34,885	-	34,885	41,559		63%
Security monitoring fees	10,000	10,000	-	-	10,000	-	10,000	10,000		100%
Steam	85,000	68,801	-	-	68,801	-	68,801	62,874		81%
Electricity	115,000	76,973	-	-	76,973	-	76,973	81,233		67%
Gas	7,000	3,608	-	-	3,608	-	3,608	2,633		52%
Water and sewer	11,000	11,145	-	-	11,145	-	11,145	9,210		101%
Telephone	7,000	6,514	-	-	6,514	-	6,514	7,393		93%
Employee uniforms	2,000	56	-	-	56	-	56	375		3%
Household supplies	12,000	7,414	-	-	7,414	-	7,414	7,415		62%
Miscellaneous expense	20,000	12,329	-	-	12,329	-	12,329	13,754		62%
Depreciation expense	5,000	3,909	526,953	-	530,862	-	530,862	504,270		78%
New and replacement equipment	30,000	-	-	-	-	-	-	12,313		0%
Total space and utilities	480,000	322,206	526,953	-	849,159	-	849,159	850,906		67%
Office and administration:										
Auto allowance	500	422	-	-	422	-	422	308		84%
Meetings	6,500	5,403	-	-	5,403	-	5,403	7,989		83%
Postage	4,000	1,405	-	-	1,405	-	1,405	1,312		35%
Administrative expense	22,200	21,772	-	-	21,772	-	21,772	17,732		98%
Bank fees	6,000	6,333	-	-	6,333	-	6,333	5,368		106%
Total office and administration	39,200	35,335	-	-	35,335	-	35,335	32,709		90%

Milwaukee County War Memorial, Inc.

Statements of Activities (Continued)

Year Ended December 31, 2019 with Summarized Financial Information for the Year Ended December 31, 2018

	Operating Budget	Without Donor Restrictions			With Donor Restrictions		2019 Total	2018 Total	2019 % of Budget
		Operating	Building	Special Projects	Special Projects	Total			
Other activities:									
Education program expenses	\$ 15,000	\$ 9,423	\$ -	\$ -	\$ -	\$ 9,423	\$ 9,718	\$ 9,718	63%
Fundraising expense	128,500	129,268	-	-	-	129,268	37,912	37,912	101%
July 3rd event expenses	-	38,600	-	-	-	38,600	37,570	37,570	N/A
Total other activities	143,500	177,291	-	-	-	177,291	85,200	85,200	124%
Special Projects:									
Miscellaneous expense	-	-	-	1,904	-	1,904	1,784	1,784	
Contingency reserve	-	-	-	-	-	-	41,046	41,046	
Operation Renew	-	-	-	17,701	-	17,701	12,806	12,806	
Education fund	-	-	-	11,884	-	11,884	-	-	
Vietnam Memorial fund	-	-	-	2,181	-	2,181	2,285	2,285	
Other funds	-	-	-	88,883	-	88,883	26,485	26,485	
Total Special Projects	-	-	-	122,553	-	122,553	84,406	84,406	
Total expenses	1,835,700	1,598,644	526,953	122,553	-	2,248,150	2,110,052	2,110,052	87%
Transfers between funds		(132,290)	13,745	118,545	-	-	-	-	
Change in net assets	(169,937)	(40,920)	(429,133)	399,820	(26,967)	(97,200)	(150,997)	(150,997)	
Net assets at beginning		366,739	12,311,791	918,263	161,236	13,758,029	13,909,026	13,909,026	
Net assets at end	\$	325,819	\$11,882,658	\$ 1,318,083	\$ 134,269	\$13,660,829	\$13,758,029	\$13,758,029	

See accompanying notes to financial statements.

Milwaukee County War Memorial, Inc.

Statements of Functional Expenses

Year Ended December 31, 2019 with Summarized Financial Information for the Year Ended December 31, 2018

	Program	Management and General	Fundraising	2019 Total	2018 Total
Salaries and wages	\$ 324,878	\$ 229,305	\$ 91,561	\$ 645,744	\$ 646,568
Employee group benefits	78,733	64,830	38,415	181,978	170,395
Payroll taxes	30,473	17,830	6,815	55,118	56,471
Consulting	-	-	48,372	48,372	51,099
Audit services	-	12,000	-	12,000	12,400
Legal fees	-	4,411	-	4,411	1,463
Security	10,000	-	-	10,000	10,000
Custodial fees	70,076	-	-	70,076	71,654
Education program	23,097	-	-	23,097	9,718
Advertising and photography	89,358	-	1,000	90,358	40,603
Marketing	47,221	1,800	23,790	72,811	53,821
Administrative expenses	15,732	6,040	8,427	30,199	29,809
Meetings and travel	2,875	3,303	780	6,958	10,097
Postage	1,405	-	5,068	6,473	12,879
Printing and production	1,528	-	38,735	40,263	6,325
Supplies	7,414	-	-	7,414	7,415
Employee uniforms	56	-	-	56	375
Bank charges	-	6,676	-	6,676	5,681
Telephone	4,106	2,109	338	6,553	7,393
Electricity	76,973	-	-	76,973	81,233
Gas	3,608	-	-	3,608	2,633
Steam	68,801	-	-	68,801	62,874
Water and sewer	11,145	-	-	11,145	9,210
Ash and rubbish removal	5,983	-	-	5,983	9,008
Insurance	20,921	2,249	-	23,170	20,634
Maintenance and repairs:					
Building	63,402	-	-	63,402	78,147
Grounds	37,054	-	-	37,054	43,837
Equipment	-	-	-	-	12,313
Depreciation	530,862	-	-	530,862	504,270
Miscellaneous and event expenses	107,338	-	1,257	108,595	81,727
Total expenses	\$ 1,633,039	\$ 350,553	\$ 264,558	\$ 2,248,150	\$ 2,110,052

See accompanying notes to financial statements.

Milwaukee County War Memorial, Inc.

Statements of Cash Flows

Year Ended December 31, 2019 with Summarized Financial Information for the Year Ended December 31, 2018

	2019	2018
Cash flows from operating activities:		
Change in net assets	\$ (97,200)	\$ (150,997)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Contributions designated for capital expenditures	(39,812)	(138,869)
Donations of other assets received	(84,075)	-
Depreciation expense	530,862	504,270
Changes in operating assets and liabilities:		
Accounts receivable	19,707	118,259
Promises to give	70,086	3,307
Prepaid expenses	10,276	(22,960)
Accounts payable	(25,420)	(146,075)
Accrued expenses	(2,914)	(307)
Deferred revenue	64,227	87,659
Net cash provided by operating activities	445,737	254,287
Cash flows from investing activities:		
Purchases of certificates of deposit	-	(400,015)
Proceeds from certificates of deposit	43	-
Capital expenditures	(6,873)	(1,070,714)
Net cash used in investing activities	(6,830)	(1,470,729)
Cash flows from financing activities - Contributions designated for capital expenditures	41,544	245,255
Net increase (decrease) in cash	480,451	(971,187)
Cash at beginning of year	1,151,497	2,122,684
Cash at end of year	\$ 1,631,948	\$ 1,151,497

See accompanying notes to financial statements.

Milwaukee County War Memorial, Inc.

Notes to Financial Statements

Year Ended December 31, 2019

Note 1: Summary of Significant Accounting Policies

Nature of Activities

Milwaukee County War Memorial, Inc. (the "War Memorial") is organized under the laws of the State of Wisconsin as a nonprofit, non-stock corporation. Through memorials and exhibits, the War Memorial honors the sacrifices made by veterans in defense of our freedom. The War Memorial is committed to honor the dead - serve the living through community events, educational programs, and supportive services provided to veterans and veteran service organizations.

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States ("GAAP").

The War Memorial maintains its accounts in accordance with the principles and practices of fund accounting. Fund accounting is the procedure by which resources for various purposes are classified for accounting purposes in accordance with activities or objectives specified by donors.

Summarized Financial Information

The financial statements include certain summarized financial information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States. Accordingly, such information should be read in conjunction with the War Memorial's financial statements for the year ended December 31, 2018, from which the summarized financial information was derived.

Classification of Net Assets

Net assets and revenues, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the War Memorial and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. The governing board has designated, from net assets without donor restrictions, net assets for use in specific programs and as an operating reserve.

Net Assets with Donor Restrictions – Net assets subject to donor- (or certain grantor-) 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 explicit donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Milwaukee County War Memorial, Inc.

Notes to Financial Statements

Year Ended December 31, 2019

Note 1: Summary of Significant Accounting Policies (Continued)

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that directly affect certain reported amounts and disclosures. Accordingly, actual results may differ from these estimates.

Certificates of Deposit

Certificates of deposit with original maturities greater than three months and remaining maturities less than one year that are not debt securities are considered to be other short-term investments. Certificates of deposit are carried at cost which approximates fair value.

Accounts Receivable

Accounts receivable are generally amounts due for facility and office rentals that have been earned by the War Memorial but not received at December 31, 2019. Payments of accounts receivable are allocated to the specific invoices identified on the client's remittance advice, or, if unspecified, are applied to the earliest unpaid invoices. Management individually reviews all past due accounts receivable balances and estimates the portion, if any, of the balance that will not be collected. At December 31, 2019, balances are considered fully collectible, and accordingly, no allowance for uncollectible balances has been recorded.

Promises to Give

Unconditional promises to give are reported at fair value at the date the promise is received. Conditional promises to give are reported at fair value at the date the gift is deemed unconditional. Promises to give whose eventual uses are restricted by the donors are recorded as increases in net assets with donor restrictions. Promises to give without a purpose restriction to be collected in future periods are also recorded as an increase to net assets with donor restrictions and reclassified to net assets without donor restrictions when received.

Management individually reviews all past due promises to give and estimates the portion, if any, of the balance that will not be collected. At December 31, 2019, balances are considered fully collectible, and accordingly, no allowance for uncollectible balances has been recorded.

Unconditional promises to give that are expected to be collected in future years are recorded at the present value of estimated future cash flows. The discount on those amounts was computed using a 3.00% rate at December 31, 2019. The War Memorial uses a risk-adjusted discount rate commensurate with the risks involved based upon management's analysis of the expected cash flows from the promises to give. The amortization of the discount is recognized as contribution income over the duration of the promise.

Milwaukee County War Memorial, Inc.

Notes to Financial Statements

Year Ended December 31, 2019

Note 1: Summary of Significant Accounting Policies (Continued)

Property and Equipment

Property and equipment is stated at cost if purchased or fair value at date of gift if donated and capitalized. When assets are retired or otherwise disposed of, their costs and related accumulated depreciation are removed from the accounts and resulting gains or losses are included in income.

The War Memorial reports gifts of property and equipment as support without donor restrictions unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash and other assets that must be used to acquire long-lived assets are reported as support with donor restrictions. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the War Memorial reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Property and equipment is depreciated using the straight-line method over the estimated useful lives of the assets as follows:

	Useful Lives
Building and building improvements	5 to 30 years
Furniture and equipment	3 to 10 years

Other Assets

Other assets consist of donated posters and artwork held for display at the War Memorial Center. The posters and artwork do not meet the definition of a collection as they are not subject to an organizational policy that requires proceeds from the sale of the posters and artwork to be reinvested in other collection items. Gifts of posters and artwork are measured at fair value at the date of donation.

Impairment of Long-Lived Assets

The War Memorial reviews long-lived assets for impairment whenever events or circumstances indicate the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future undiscounted cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of carrying amount or the fair value less costs to sell. During the year ended December 31, 2019, the War Memorial determined that no evaluations of recoverability were necessary.

Milwaukee County War Memorial, Inc.

Notes to Financial Statements

Year Ended December 31, 2019

Note 1: Summary of Significant Accounting Policies (Continued)

Deferred Revenue

Deferred revenue consists of funds received in advance for facility and office rentals. Revenue will be recognized in future periods as earned. Amounts expected to be earned within the next year are classified as current liabilities and those expected to be earned beyond one year are classified as long-term liabilities in the accompanying statements of financial position.

Deferred revenue also includes \$147,733 of funds received by the War Memorial from donors under conditional grant agreements. The funds are restricted for use in the Greenprint Milwaukee Shoreline Master Plan project (see Note 10) and education programs. The funds will be recognized as support upon satisfying the conditions of the grant agreements.

Revenue Recognition

Parking Revenue

Parking revenue includes single day, event, monthly, and long-term parking contracts. Single day and event parking passes can be either purchased by customers in advance or upon entering the parking lot. Monthly and long-term parking rates are established in individual contracts with payment generally due monthly in advance. The War Memorial's performance obligation is to reserve and make available parking spaces. Single day and event parking revenue is recorded at a point in time, upon providing access to the parking lot to customers. Monthly and long-term parking revenue is recognized ratably over the period for which the parking permits have been sold and based on outputs.

Hall, Plaza, and Meeting Room Rentals and Catering and Liquor Commissions

The War Memorial leases the War Memorial Center facilities for conferences, weddings, and other events under the terms of facilities rental contracts. The contracts are generally for a specific date and require a non-refundable, non-transferable deposit upon signing. Customers also agree to utilize food and beverage caterers from an approved caterer listing and the War Memorial charges a commission on all catering services based on the number of plates provided to guests. Total payment of contract costs is generally required no later than 90 days prior to the event date. If a customer cancels the event with less than 90 days prior notice, the full amount of charges, including commissions and other fees remain payable to the War Memorial. The War Memorial's performance obligation is to provide access to customers to the facilities on the date of the event. Revenue is recognized as the War Memorial provides the goods and services at the time of the event. Revenue from deposits for cancelled events is recognized at the time the War Memorial is notified of the cancellation.

Milwaukee County War Memorial, Inc.

Notes to Financial Statements

Year Ended December 31, 2019

Note 1: Summary of Significant Accounting Policies (Continued)

Revenue Recognition (Continued)

Office Rentals and Miscellaneous Revenue

The War Memorial has operating lease agreements with various organizations to occupy space in the War Memorial Center Facility. The War Memorial also has operating lease agreements with outside parties that occupy non-office areas on the facility grounds. These leases are generally renewable annually. The War Memorial recognizes lease revenue ratably over the term of the lease.

July 3rd Revenue

July 3rd revenue consists of ticket sales for the City of Milwaukee's July 3rd fireworks display. Tickets to the event are sold in advance, are non-refundable, and individually priced. The War Memorial's performance obligation is to provide customers with access to the War Memorial Center facilities for viewing the fireworks display, a reserved table, and meal services. Revenue is recognized at the time of the event when the War Memorial provides the goods and services to the customer.

Donations and Grants

Donations and grants are evaluated to determine if they contain conditions prior to recognizing revenue. Unconditional donations and grants are recognized as revenue when cash or other assets are received. Unconditional promises to give are recognized as revenue and a receivable when the promise is received from the donor. Conditional donations and grants are recognized as revenue when the barriers to entitlement are overcome. Assets received for which the condition has not been satisfied are recorded as deferred revenue.

Unconditional donations and grants or conditional donations and grants in which the barriers to entitlement have been overcome are recorded as support with or without donor restrictions, depending on the existence and nature of any donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Contributed property and equipment are recorded at fair value at the date of donation. Contributions with donor imposed stipulations regarding how long the contributed assets must be used are recorded as net assets with donor restrictions; otherwise, the contributions are recorded as net assets without donor restrictions.

Tax Levy

Subject to annual approval, Milwaukee County (the "County") provides support to the War Memorial from annual tax levies. The War Memorial has determined that the County's planned support constitutes a conditional promise to give and, accordingly, recognizes the County's support as the conditions are satisfied.

Milwaukee County War Memorial, Inc.

Notes to Financial Statements

Year Ended December 31, 2019

Note 1: Summary of Significant Accounting Policies (Continued)

Gifts In-Kind

The War Memorial has recorded in-kind contributions for services used in operations in the statements of activities in accordance with GAAP which requires only contributions of services received that create or enhance a nonfinancial asset or require specialized skill by the individual possessing those skills and would typically need to be purchased if not provided by donation be recorded. In-kind contributions recognized in 2019 total \$156,572, which includes services as described above in addition to donated World War I and World War II posters, advertising, and equipment rental.

Sales Taxes

The War Memorial records sales taxes collected from customers as a liability (excluded from revenues and expenses).

Functional Allocation of Expenses

The statements of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Salaries and wages, employee benefits and payroll taxes are allocated based upon time and effort. Administrative expenses are allocated based on utilization. Telephone expense is allocated based on full-time equivalents and utilization.

Advertising

Advertising costs are expensed as incurred and totaled \$90,358 for the year ended December 31, 2019.

Income Taxes

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

The War Memorial has certain activities which are considered unrelated to their exempt purpose and, accordingly, are taxable in accordance with the Code. The War Memorial was not required to pay taxes on income related to these activities during the year ended December 31, 2019.

The War Memorial recognizes the benefit of a tax position only after determining whether it is more likely than not that the taxing authority would sustain the tax position upon examination of the technical merits of the tax position assuming the taxing authority has full knowledge of all information. The War Memorial has recorded no assets or liabilities related to uncertain tax positions.

Milwaukee County War Memorial, Inc.

Notes to Financial Statements

Year Ended December 31, 2019

Note 1: Summary of Significant Accounting Policies (Continued)

New Accounting Pronouncements

In 2016, the FASB issued ASU No. 2016-02, *Leases* (Topic 842), which is intended to improve financial reporting on leasing transactions. ASU No. 2016-02 will require lessees to recognize right of use assets and lease obligations for operating and finance leases under terms greater than 12 months. ASU No. 2016-02 is effective for fiscal years beginning after December 15, 2020, with early adoption permitted. ASU No. 2016-02 must be applied modified retrospectively. The War Memorial is evaluating the impact of the provisions of ASU No. 2016-02.

Change in Accounting Policy

In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers* (Topic 606). The core principle of the guidance in ASU 2014-09 is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The War Memorial adopted this guidance effective January 1, 2019. The War Memorial applied Topic 606 on a retrospective basis and elected the practical expedient in paragraph FASB ASC 606-10-65-1(f)(1), under which an entity need not restate contracts that begin and are completed within the same annual reporting period. There was no change to reported revenue, net assets, or the change in net assets for either period presented.

In June 2018, the FASB issued ASU No. 2018-08, *Not-for-Profit Entities* (Topic 958) - *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The amendments in this ASU assist in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) subject to Subtopic 958-605 or as exchange (reciprocal) transactions subject to Accounting Standards Codification 606 and (2) determining whether a contribution is conditional. The contribution guidance in Subtopic 958-605 requires an entity to determine whether a transaction is conditional, which affects the timing of the revenue recognized. The War Memorial has applied the amendments in this ASU on a retrospective basis. There was no change on opening balances of net assets and no prior period results were restated.

Subsequent Events

Subsequent events have been evaluated through March 23, 2020, which is the date the financial statements were available to be issued.

Note 2: Concentration of Credit Risk

The War Memorial maintains depository relationships with an area financial institution. Balances on deposit are insured by the Federal Deposit Insurance Corporation (FDIC) up to specified limits. Balances in excess of FDIC limits are uninsured. The War Memorial has not experienced any losses with these accounts and management believes the War Memorial is not exposed to any significant risk on cash.

Milwaukee County War Memorial, Inc.

Notes to Financial Statements

Year Ended December 31, 2019

Note 3: Liquidity and Availability

Financial assets available for general expenditure, that is, without donor or other restrictions or designations limiting their use, within twelve months of the statement of financial position date comprise the following:

Cash	\$ 1,631,948
Certificates of deposit	410,000
Accounts receivable	14,667
Promises to give	20,500
Total financial assets	2,077,115
Less:	
Restricted program contributions included in cash	(95,999)
Restricted and conditional grant funds received in advance included in cash	(147,733)
Total financial assets available for general expenditure	\$ 1,833,383

The War Memorial's Board of Trustees has established an operating reserve fund to provide an internal resource of funds to assist the War Memorial during periods of unexpected loss of funding, unexpected increase in expenses, or unexpected reduction in revenues. The operating reserve is funded with surplus operating funds and, from time to time, specific revenue sources as determined by the Board of Trustees. The target minimum amount to be designated as operating reserves is equal to three month's average of the highest monthly operating expenses, excluding depreciation and other non-cash expenses. Operating reserves at December 31, 2019 totaled \$495,000.

Note 4: Promises to Give

Promises to give consist of the following as of December 31, 2019:

Less than one year	\$ 20,500
One to five years	20,000
Total promises to give	40,500
Less: Unamortized discount	(2,230)
Net promises to give	38,270
Less: Current portion	(20,500)
Promises to give, net of current portion	\$ 17,770

Milwaukee County War Memorial, Inc.

Notes to Financial Statements

Year Ended December 31, 2019

Note 5: Net Assets With Donor Restrictions

Net assets with donor restrictions, which have either purpose or time restrictions, are as follows as of December 31, 2019:

Restricted as to use - War Memorial Center:

Operation Renew Project Fund	\$	41,544
Purple Heart Memorial Fund		4,574
Congressional Medal of Honor Fund		586
Memorial Day Parade Fund		393
9/11 Memorial Fund		4,332
Education Program		1,000
POW/MIA programs		17,830
Vet Fest Fund		10,710
Other		570
Restricted as to use - Vietnam Veterans Memorial		14,460
Time-restricted for future periods - Promises to give		38,270

Total net assets with donor restrictions	\$	134,269
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Net assets were released from restrictions by incurring expenses satisfying the restricted purpose or by occurrence of other events specified by donors as follows for the year ended December 31, 2019:

Operation Renew capital expenditures	\$	282,006
Memorial Day Parade		707
Education Program		17,478
Vietnam Veterans Memorial		2,181
Vet Fest		30,871
Other		1,500

Net assets released from restrictions	\$	334,743
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Note 6: Contract Balances

Opening and closing balances for contract liabilities and accounts receivable arising from contracts with customers include:

<i>As of December 31,</i>	2019	2018
Contract liabilities - Deferred revenue	\$ 89,858	\$ 71,740
Accounts receivable - Contracts with customers	\$ 10,217	\$ 34,374

Milwaukee County War Memorial, Inc.

Notes to Financial Statements

Year Ended December 31, 2019

Note 6: Contract Balances (Continued)

Contract assets arise when the War Memorial transfers goods or services to a customer in advance of receiving consideration and the right to consideration is conditioned on something other than the passage of time, such as work in process or unbilled receivables. Contract assets are transferred to receivables when the right to receive consideration becomes unconditional and the War Memorial is able to invoice the customer. As of December 31, 2019 and 2018, the War Memorial did not have any contract assets. Contract liabilities represent the War Memorial's obligation to transfer goods or services to a customer when consideration has already been received from the customer, such as deferred revenue. When transfer of control of the related good or service occurs, contract liabilities are reclassified, and revenue is recognized.

Note 7: Disaggregation of Revenues from Contracts with Customers

The following is a breakdown of the War Memorial's revenue by source:

Year Ended December 31, 2019

Revenue from contracts with customers - Recognized at a point in time:	
Parking revenue - Daily and events	\$ 198,984
Hall and plaza rentals	198,420
Meeting room rentals	15,145
Catering commissions	30,450
Liquor commissions	17,350
July 3rd revenue	83,008
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Total revenue from contracts with customers - Recognized at a point in time	543,357
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Revenues from contracts with customers - Recognized over time:	
Parking revenue - Monthly and long-term	182,987
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Total revenue from contracts with customers	726,344
Rental income - Office rentals	202,566
Other income	89,806
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Total revenues	\$ 1,018,716

With the exception of monthly and long-term parking, the War Memorial's revenues from contracts with customers are accounted for at the point in time when control of the goods or services transfers to the customer and the War Memorial's performance obligation is satisfied. Monthly and long-term parking revenue is recognized over time as the customer simultaneously receives and consumes the benefits of parking permits issued to them by the War Memorial.

Milwaukee County War Memorial, Inc.

Notes to Financial Statements

Year Ended December 31, 2019

Note 8: War Memorial Center Facility Agreement

On December 18, 2017, the War Memorial, the County, and the Milwaukee Art Museum, Inc. established Lakefront Cultural Center Condominium Association (the "Association"), with each party sharing an equal controlling interest. Under the terms of the Condominium Agreement, the County approved a transfer of ownership to the War Memorial of the portions of the War Memorial Center Facility occupied by the War Memorial at that time. The value of the property received by the War Memorial was appraised at \$11,400,000. The War Memorial is prohibited from conveying or mortgaging title to the transferred property without consent of the other members of the Association. Subject to annual approval, the County will continue to support the War Memorial at \$486,000 per year through 2023 and then at a diminishing level through 2033.

Note 9: Maintenance Agreement

The War Memorial has entered into a maintenance agreement for War Memorial Center Facility elevators requiring monthly fees of \$2,156, payable quarterly through May 2023. Monthly fees are subject to adjustment based upon the service provider's effective labor rates for its union employees. The agreement is subject to an early termination fee of 50% of the remaining scheduled fees. Expenses under this agreement in 2019 totaled \$25,675.

Note 10: Greenprint Milwaukee Shoreline Master Plan

The War Memorial, in cooperation with the County, has received grants from the National Fish and Wildlife Foundation, the Fund for Lake Michigan, and the Milwaukee Metropolitan Sewerage District for current and future projects focusing on renovating parking lots while incorporating pedestrian friendly pathways, bioretention, porous pavement, and native plants to manage stormwater along Milwaukee's shoreline. The total project is budgeted at \$1,546,000 with the County responsible for overseeing construction and renovations. The War Memorial is responsible for reporting on project progress and outcomes and funding future plant replacement as needed at an estimated cost of \$5,000 annually. The project is expected to begin in 2020.

Note 11: Retirement Plans

403(b) Plan

The War Memorial has a 403(b) plan covering all eligible employees with 2 or more years of service. The War Memorial is required to make contributions, based upon years of service, of between 5% and 11% of employee contributions to the plan. Benefit plan expense under this plan for the year ended December 31, 2019 was \$35,962.

Milwaukee County War Memorial, Inc.

Notes to Financial Statements

Year Ended December 31, 2019

Note 11: Retirement Plans (Continued)

Pension Plan - Union Employees

The War Memorial's union employees are covered by a union sponsored, collectively bargained, multi-employer pension plan. The total pension expense under this plan for the year ended December 31, 2019 was \$4,667. Under the plan, the War Memorial pays contributions monthly to a separate pension fund based upon the number of hours worked by each eligible employee into a pension fund held by the union. These contributions are determined in accordance with the provisions of negotiated labor contracts. The pension fund is under the control of the union and the War Memorial is not responsible for any shortfall in plan assets.

Note 12: Operating Lease

The War Memorial leases a copier under the terms of an operating lease agreement expiring in September 2024 and requiring monthly payments of \$236. Minimum lease commitments over are as follows:

<i>Years Ending December 31,</i>		
2020	\$	2,833
2021		2,833
2022		2,833
2023		2,833
2024		2,124
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Total minimum lease payments	\$	13,456

Lease expense for the year ended December 31, 2019, was \$708.