

**URBAN ECOLOGY CENTER, INC.
AND AFFILIATE**

**CONSOLIDATED FINANCIAL STATEMENTS
AND INDEPENDENT AUDIT REPORT**

AUGUST 31, 2016

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Urban Ecology Center, Inc.
Milwaukee, Wisconsin

We have audited the accompanying consolidated financial statements of Urban Ecology Center, Inc. (a nonprofit organization) and Affiliate, which comprise the consolidated statements of financial position as of August 31, 2016 and 2015, and the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated financial statements.

To the Board of Directors of
Urban Ecology Center, Inc.

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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of Urban Ecology Center, Inc. and Affiliate as of August 31, 2016 and 2015, 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.

Report on Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The schedules of consolidated functional expenses are presented for the purpose of additional analysis and are not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Scrubner, Cohen and Company, S.C.

Milwaukee, Wisconsin

December 19, 2016

URBAN ECOLOGY CENTER, INC. AND AFFILIATE
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AUGUST 31, 2016 AND 2015

<u>ASSETS</u>	<u>2016</u>	<u>2015</u>
CURRENT ASSETS		
Cash and cash equivalents	\$ 1,305,511	\$ 1,626,038
Receivables		
Accounts receivable	30,528	53,408
Accrued interest receivable	138	667
Government grants receivable	3,518	10,000
Grants receivable	835,700	672,500
Unconditional promises to give	935,000	862,045
Prepaid expenses	75,331	57,882
Total current assets	<u>3,185,726</u>	<u>3,282,540</u>
PROPERTY AND EQUIPMENT, NET	<u>8,289,909</u>	<u>8,417,440</u>
LONG-TERM ASSETS		
Restricted cash and cash equivalents	681,175	617,363
Bus reserve cash and cash equivalents	103,688	82,215
State unemployment reserve cash fund	42,799	33,908
Endowments	680,560	106,005
Receivables		
Grants receivable, net	465,770	736,326
Unconditional promises to give, net	733,872	1,109,461
Total long-term assets	<u>2,707,864</u>	<u>2,685,278</u>
TOTAL ASSETS	<u>\$ 14,183,499</u>	<u>\$ 14,385,258</u>

The accompanying notes are an integral part of these financial statements.

URBAN ECOLOGY CENTER, INC. AND AFFILIATE
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AUGUST 31, 2016 AND 2015

LIABILITIES AND NET ASSETS	<u>2016</u>	<u>2015</u>
CURRENT LIABILITIES		
Accounts payable	\$ 8,256	\$ 53,646
Accrued payroll and benefits	188,190	164,682
Payroll withholdings and taxes payable	8,762	13,531
Deferred revenue	39,705	65,731
Funds held on behalf of others	5,572	8,296
Other current liabilities	32,498	36,500
Total current liabilities	<u>282,983</u>	<u>342,386</u>
LONG-TERM LIABILITIES		
Line of credit	800,000	1,025,000
Other long-term liabilities	15,667	8,500
Total long-term liabilities	<u>815,667</u>	<u>1,033,500</u>
TOTAL LIABILITIES	<u>1,098,650</u>	<u>1,375,886</u>
NET ASSETS		
Unrestricted	7,976,335	8,089,578
Unrestricted - board designated	511,371	188,220
Total unrestricted	<u>8,487,706</u>	<u>8,277,798</u>
Temporarily restricted	4,597,143	4,731,574
Total net assets	<u>13,084,849</u>	<u>13,009,372</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 14,183,499</u>	<u>\$ 14,385,258</u>

The accompanying notes are an integral part of these financial statements.

URBAN ECOLOGY CENTER, INC. AND AFFILIATE
CONSOLIDATED STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED AUGUST 31, 2016

	Unrestricted	Temporarily Restricted	Total
SUPPORT AND REVENUES			
Contributions	\$ 1,054,268	\$ 1,005,707	\$ 2,059,975
Grants	233,671	1,341,814	1,575,485
Government grants	59,183	-	59,183
Program service fees	593,322	-	593,322
Fundraising events revenue, net of \$233,988 classified as contributions	38,738	-	38,738
Fundraising events expense	(13,174)	-	(13,174)
Investment income	760	12,299	13,059
Realized and unrealized gain on investments	16,076	-	16,076
Gain on disposal of fixed assets	600	-	600
Rental income	120,776	-	120,776
Other	8,172	-	8,172
	<u>2,112,392</u>	<u>2,359,820</u>	<u>4,472,212</u>
Net assets released from restrictions	2,494,251	(2,494,251)	-
Total support and revenues	<u>4,606,643</u>	<u>(134,431)</u>	<u>4,472,212</u>
EXPENSES			
Program services	3,130,377	-	3,130,377
Fundraising	470,012	-	470,012
General and administrative	460,696	-	460,696
Total supporting expenses	<u>4,061,085</u>	<u>-</u>	<u>4,061,085</u>
Interest expense	24,775	-	24,775
Depreciation and amortization	310,875	-	310,875
Total expenses	<u>4,396,735</u>	<u>-</u>	<u>4,396,735</u>
CHANGE IN NET ASSETS	209,908	(134,431)	75,477
NET ASSETS - BEGINNING	<u>8,277,798</u>	<u>4,731,574</u>	<u>13,009,372</u>
NET ASSETS - ENDING	<u>\$ 8,487,706</u>	<u>\$ 4,597,143</u>	<u>\$ 13,084,849</u>

The accompanying notes are an integral part of these financial statements.

URBAN ECOLOGY CENTER, INC. AND AFFILIATE
CONSOLIDATED STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED AUGUST 31, 2015

	Unrestricted	Temporarily Restricted	Total
SUPPORT AND REVENUES			
Contributions	\$ 1,129,627	\$ 103,571	\$ 1,233,198
Grants	182,805	2,059,307	2,242,112
Government grants	24,506	-	24,506
Program service fees	553,140	-	553,140
Fundraising events revenue, net of \$186,689 classified as contributions	34,950	-	34,950
Fundraising events expense	(17,475)	-	(17,475)
Investment income	712	2,583	3,295
Realized and unrealized gain on investments	656	-	656
Gain on disposal of fixed assets	(2,610)	-	(2,610)
Rental income	117,956	-	117,956
Other	13,447	-	13,447
	<u>2,037,714</u>	<u>2,165,461</u>	<u>4,203,175</u>
Net assets released from restrictions	2,111,563	(2,111,563)	-
Total support and revenues	<u>4,149,277</u>	<u>53,898</u>	<u>4,203,175</u>
EXPENSES			
Program services	2,988,347	-	2,988,347
Fundraising	441,910	-	441,910
General and administrative	462,767	-	462,767
Total supporting expenses	<u>3,893,024</u>	<u>-</u>	<u>3,893,024</u>
Interest expense	25,165	-	25,165
Depreciation	312,121	-	312,121
Total expenses	<u>4,230,310</u>	<u>-</u>	<u>4,230,310</u>
CHANGE IN NET ASSETS	(81,033)	53,898	(27,135)
NET ASSETS - BEGINNING	<u>8,358,831</u>	<u>4,677,676</u>	<u>13,036,507</u>
NET ASSETS - ENDING	<u>\$ 8,277,798</u>	<u>\$ 4,731,574</u>	<u>\$ 13,009,372</u>

The accompanying notes are an integral part of these financial statements.

**URBAN ECOLOGY CENTER, INC. AND AFFILIATE
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED AUGUST 31, 2016 AND 2015**

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 75,477	\$ (27,135)
Adjustments to reconcile changes in net assets to net cash provided by/(used in) operating activities		
Depreciation	310,875	312,121
Bad debts	-	111
Discount on long-term receivables	(47,356)	(12,268)
Non-cash contribution of property and equipment	-	(760)
Realized (gain)/loss on disposal of fixed assets	(600)	2,610
Changes in assets and liabilities		
Accounts receivable	22,880	19,557
Accrued interest receivable	529	(104)
Grants receivable	126,801	(430,791)
Government grants receivable	6,482	(10,000)
Unconditional promises to give	330,545	759,318
Prepaid expenses	(17,449)	39,111
State unemployment reserve cash fund	(8,891)	(135)
Accounts payable	(45,390)	23,522
Accrued payroll and benefits	23,508	2,479
Payroll withholdings and taxes payable	(4,769)	3,525
Other accrued expenses	(401)	2,000
Deferred revenue	(26,026)	(26,359)
Funds held on behalf of others	(2,724)	-
Net cash provided by operating activities	<u>743,491</u>	<u>656,802</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of fixed assets	600	-
Purchase of property and equipment	(178,437)	(395,124)
Net change in restricted cash	(63,812)	(61,059)
Net change in bus reserve cash	(21,473)	52,554
Net change in endowment fund	(574,555)	(17,532)
Net cash used in investing activities	<u>(837,677)</u>	<u>(421,161)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on line of credit	(225,000)	-
Payments on capital lease payable	(1,341)	-
Net cash used in financing activities	<u>(226,341)</u>	<u>-</u>
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	(320,527)	235,641
CASH AND CASH EQUIVALENTS - BEGINNING	<u>1,626,038</u>	<u>1,390,397</u>
CASH AND CASH EQUIVALENTS - ENDING	<u>\$ 1,305,511</u>	<u>\$ 1,626,038</u>

(Continued)

The accompanying notes are an integral part of these financial statements.

**URBAN ECOLOGY CENTER, INC. AND AFFILIATE
CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)
FOR THE YEARS ENDED AUGUST 31, 2016 AND 2015**

	<u>2016</u>	<u>2015</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Interest paid	<u>\$ 24,775</u>	<u>\$ 25,165</u>
SUPPLEMENTAL DISCLOSURE OF NON-CASH INVESTING AND FINANCING ACTIVITIES		
During the prior year, the Organizations capitalized the following donated services which had a fair value on the date of the contribution in the amount of:	<u>\$ -</u>	<u>\$ 760</u>
During the current year the Organizations incurred a capital lease obligation for the use of office equipment in the amount of:	<u>\$ 19,861</u>	<u>\$ -</u>

The accompanying notes are an integral part of these financial statements.

**URBAN ECOLOGY CENTER, INC. AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
AUGUST 31, 2016 AND 2015**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

Urban Ecology Center, Inc. ("UEC") is a not-for-profit corporation that educates and inspires people to understand and value nature as motivation for positive change, neighborhood by neighborhood.

The accompanying consolidated financial statements include the accounts of UEC and UEC Land Corp, collectively known as the "Organizations". UEC Land Corp was created in December 2013 to receive, hold and manage land, supporting UEC's activities. All material inter-organization balances and transactions were eliminated in consolidation.

UEC's environmental community centers:

- provide outdoor science education for urban youth;
- protect and use public natural areas, making them safe, accessible and vibrant;
- preserve and enhance these natural areas and their surrounding waters;
- promote community by offering resources that support learning, volunteerism, stewardship, recreation and camaraderie; and
- practice and model environmentally responsible behaviors.

UEC's major program is the school program, the Neighborhood Environmental Education Project (NEEP), which serves over 50 urban neighborhood schools with high quality science programs. UEC partners with schools to provide 24 half-day trips annually, which provide hands-on science and environmental education programs designed to complement the schools' science curricula and connect students to the natural sanctuaries of Riverside, Washington and Three Bridges Parks, and develop relationships with UEC's teaching staff and volunteers throughout their K-12 career.

Outside of the school day and on weekends, UEC offer programs for all ages. The Citizen Science program has turned once crime-ridden parks into field research sites for local colleges and universities. Urban Adventures provides canoeing, kayaking, snowshoeing, rock climbing, skiing, biking outings and training. Summer camps, after-school programs, evening and weekend community programs, volunteer opportunities and adult interest groups round out the activities.

Four major capital and planning projects occurred during the year ended August 31, 2016:

- UEC set up the Milwaukee Rotary Centennial Arboretum Preservation Fund in partnership with Milwaukee Rotary Club, to perpetually preserve and maintain the Arboretum;
- UEC completed a series of projects in the Milwaukee Rotary Centennial Arboretum, including an erosion control project, entrance signs, and geologic/educational cairn sculptures;

URBAN ECOLOGY CENTER, INC. AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
AUGUST 31, 2016 AND 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- UEC prepped for the expansion of the school program at the Menomonee Valley branch, to increase the number of schools served at that branch from 11 to 22;
- UEC began conceptual planning for the future of the Washington Park branch, imagining with the community and park stakeholders about the future of UEC programming and a renovated facility to serve increased activities.

Basis of Accounting

The accrual basis of accounting is used wherein revenues and expenses are reflected in the period earned or incurred.

Basis of Presentation

The consolidated financial statements of UEC and UEC Land Corp. have been presented in accordance with FASB ASC 958-205. Under FASB ASC 958-205, the Organizations are required to report information regarding its financial position and activities according to classes of net assets as follows:

Unrestricted net assets - Unrestricted net assets include unrestricted resources available for the Organizations' operations. Unrestricted net assets also include resources expendable for acquisition of fixed assets for the Organizations.

Temporarily and permanently restricted net assets - Temporarily and permanently restricted net assets include resources which are restricted by the donor. Restrictions are satisfied either by the passage of time or by actions of the Organizations. There were no permanently restricted net assets as of August 31, 2016.

Cash and Cash Equivalents

For purposes of the consolidated statement of cash flows, the Organizations consider all highly liquid investments available for current use with an initial maturity of twelve months or less to be cash equivalents. Certain funds that are restricted for long-term purposes are reported as long-term assets on the statements of financial position.

Restricted cash has been designated for use in maintaining the Organizations' facilities. Interest earned on the funds is added to the principal and is similarly designated. Restricted cash and cash equivalents totaling \$681,175 and \$617,363, is included in temporarily restricted net assets at August 31, 2016 and 2015, respectively (see Note 9), and accordingly, is not included in total cash and cash equivalents for the statement of cash flow purposes.

URBAN ECOLOGY CENTER, INC. AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
AUGUST 31, 2016 AND 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Accounts Receivable

Accounts receivable that are deemed uncollectible are written off to bad debt expense. Receivables are generally due within 30 days. Since the direct charge-off method is used, no allowance for uncollectible accounts is deemed necessary. Management feels that the direct charge-off method does not result in a material difference from the allowance method. There was no bad debt expense for the fiscal year ended August 31, 2016. Bad debt expense totaled \$111 for the fiscal year ended August 31, 2015.

Grants Receivable and Unconditional Promises to Give

Grants receivable and unconditional promises to give include grant and pledge amounts due from private sources for operations, grounds and facility enhancements and for use in the Organizations' programs.

Grants receivable and unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Grants receivable and 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 the risk-free interest rate applicable at August 31, 2016, which was 0.56% for short-term and 1.18% for mid-term. Amortization of the discounts is included in temporarily restricted contribution revenue.

Investments/Endowment Fund

Endowment investments are held at Greater Milwaukee Foundation and are reported at fair value, with realized and unrealized gains and losses included in the statement of activities.

The Organizations follows FASB ASC 820, which clarifies how organizations are required to use a fair value measure for recognition and disclosure by establishing a common definition of fair value, creating a framework for measuring fair value and expanding disclosures about fair value measurements. FASB ASC 820 establishes a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value. These tiers include Level 1, defined as observable inputs such as quoted market prices in active markets; Level 2, defined as inputs other than quoted market prices in active markets that are either directly or indirectly observable; and Level 3, defined as unobservable inputs in which little or no market data exists, therefore requiring an entity to develop its own assumptions.

Property and Equipment

All individual acquisitions of property and equipment in excess of \$5,000 and all expenditures for repairs, maintenance, renewals and betterments that materially prolong the useful lives of assets are capitalized. Property and equipment are carried at cost or, if donated, at the approximate fair value at the date of donation.

URBAN ECOLOGY CENTER, INC. AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
AUGUST 31, 2016 AND 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property and Equipment (Continued)

Property and equipment are depreciated using the straight-line method over the following useful lives:

	<u>Years</u>
Furniture and equipment	5 - 7
Building and building improvements	5 - 39
Land improvements	15 - 20
Software	3 - 5
Exhibits	7

Deferred Revenue

Deferred revenue for the years ended August 31, 2016 and 2015 includes program receipts for future fiscal years of \$39,705 and \$65,731, respectively. Nonrefundable annual membership dues are included in contribution revenue.

Donated Materials

Items donated and used by the Organizations are recorded at their estimated fair market value. The Organizations also receive donated materials which are used for fundraising events. Items donated and used for fundraising are recorded at their realized value if sold at auction or estimated fair market value if used in another capacity.

Donated Services

Donated services are recognized as contributions in accordance with FASB ASC 958-605 if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills and would otherwise be purchased by the entity. Over 4,000 unpaid volunteers have made significant contributions of their time in the furtherance of the Organizations' projects. The value of these donated services is not reflected in the accompanying financial statements since the recognition criteria under FASB ASC 958-605 were not met.

Contributions

Contributions are recorded as unrestricted, temporarily restricted or permanently restricted, depending on the existence and/or nature of any donor or time restrictions. All contributions designated for a specific purpose by a donor are recorded as temporarily restricted for the specified program. When a donor restriction expires, that is, when a stipulated time restriction ends or a purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the consolidated statements of activities as net assets released from restrictions.

URBAN ECOLOGY CENTER, INC. AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
AUGUST 31, 2016 AND 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Government Grant Revenue

Government grants are recognized to the extent of expenses incurred. Government grants are considered exchange transactions and are reported as unrestricted. Included in current grants receivable was \$3,518 of exchange transactions receivable as of August 31, 2016. There were no exchange transactions receivable for the fiscal year ended August 31, 2015.

Environmental Costs

The Organizations have certain environmental matters related to property purchased in the year ended August 31, 2014. The Organizations believe that these remediation costs increase the capacity of the land for future use by UEC, and therefore capitalized these estimated costs as land on the Consolidated Statement of Financial Position as of August 31, 2014. During the years ended August 31, 2016 and 2015, additional information became available and the accrued remediation cost estimates were decreased, which resulted in a decrease to the cost basis of the land account. See Notes 4 and 8.

Remediation costs that relate to an existing condition caused by past operations of a previous land owner were accrued when it was probable that these costs would be incurred and could be reasonably estimated and recorded on an undiscounted basis. Ongoing environmental compliance costs, including maintenance, monitoring and legal costs, will be expensed as incurred.

Allocation of Functional Expenses

Functional expenses are charged to each program based on direct expenditures incurred. Any expenditures not directly chargeable are allocated to the programs based on related staff time or square footage.

Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

URBAN ECOLOGY CENTER, INC. AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
AUGUST 31, 2016 AND 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Taxes

The Organizations are exempt organizations for income tax purposes under Section 501(c)(3) of the Internal Revenue Code and are, therefore, generally exempt from federal and state income taxes. The Organizations are classified as organizations that are not private foundations.

The Organizations file information returns in the U.S. federal jurisdiction and the state of Wisconsin. None of UEC's filed information returns are currently under examination by the Internal Revenue Service. The U.S. federal information returns for fiscal year 2012 and prior have passed the statute of limitations for audit by the Internal Revenue Service.

Accounting for Uncertainty in Income Taxes

The Organizations follow the provisions of FASB ASC 740-10, which clarifies the accounting for uncertainty in income taxes recognized in the Organizations financial statements. The codification prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. The codification also provides guidance on derecognition and measurement of a tax position taken or expected to be taken in a tax return.

The Organizations did not have unrecognized tax benefits as of August 31, 2016 and do not expect this to change significantly over the next 12 months. The Organizations would recognize interest and penalties associated with the Organizations tax positions as a component of unrelated business income tax expense on the statement of activities. As of August 31, 2016 and 2015, the Organizations have not accrued interest or penalties related to uncertain tax positions.

Date of Management's Review

Management has evaluated subsequent events through December 19, 2016, the date which the financial statements were available to be issued. It has been determined that no subsequent events need to be disclosed.

NOTE 2 - CONCENTRATION OF CREDIT RISK FOR CASH HELD AT BANKS

The Organizations maintain cash accounts at various banks. Interest-bearing accounts at each institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. The uninsured portion, without regard to outstanding checks and deposits in transit, was \$935,196 and \$949,350 at August 31, 2016 and 2015, respectively.

URBAN ECOLOGY CENTER, INC. AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
AUGUST 31, 2016 AND 2015

NOTE 3 - GRANTS RECEIVABLE AND UNCONDITIONAL PROMISES TO GIVE

Grants receivable and unconditional promises to give are due as follows:

Fiscal Year Ended August 31,	
2017	\$ 1,770,700
2018	1,181,000
2019	45,000
2020	<u>10,000</u>
	3,006,700
Less: unamortized discount	<u>(36,358)</u>
Total	<u>\$ 2,970,342</u>

NOTE 4 - PROPERTY AND EQUIPMENT

Property and equipment consists of the following at August 31, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Land	\$ 2,295,417	\$ 2,308,772
Furniture and equipment	902,736	782,313
Building and improvements	6,807,538	6,807,538
Building materials	40,379	40,379
Land improvements	433,289	433,289
Asset improvements in progress	14,940	19,457
Exhibits	85,724	85,724
Art	326,720	276,507
Software	<u>47,102</u>	<u>47,102</u>
	10,953,845	10,801,081
Less accumulated depreciation	<u>(2,663,936)</u>	<u>(2,383,641)</u>
Net property and equipment	<u>\$ 8,289,909</u>	<u>\$ 8,417,440</u>

Depreciation and amortization expense for the years ended August 31, 2016 and 2015 was \$310,875 and \$312,121, respectively. Amortization of equipment under capital lease is included in depreciation and amortization.

URBAN ECOLOGY CENTER, INC. AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
AUGUST 31, 2016 AND 2015

NOTE 4 - PROPERTY AND EQUIPMENT (CONTINUED)

Land

Demolition costs in the amount of \$252,101 were capitalized during the year ended August 31, 2015 related to the intended demolition of a building on the Riverland Property purchased during the year ended August 31, 2014. Additionally, estimated environmental remediation costs accrued in the year ended August 31, 2014 were decreased during the year ended August 31, 2015, resulting in a \$97,153 decrease to the cost basis of the land (see note 8).

The net decrease in the cost basis of the land during the year ended August 31, 2016 is due to an additional decrease of \$13,355 in the estimated environmental remediation costs that were accrued and capitalized in the year ended August 31, 2014 (see note 8).

Asset Improvements in Progress

Asset improvements in progress as of August 31, 2016 were \$14,940, which consists of a deposit on a roof replacement project related to the Riverland property. Asset improvements in progress as of August 31, 2015 were \$19,457, which included costs related to statuary for the Arboretum.

NOTE 5 - ENDOWMENT FUND

As of August 31, 2008, UEC designated unrestricted net assets into a general endowment fund to support the mission of the Organizations. Since that amount resulted from an internal designation and is not donor-restricted, it is classified and reported as unrestricted board-designated net assets. The endowment fund is maintained by the Greater Milwaukee Foundation. It is UEC's intention to refrain from disbursing any endowment fund principal or interest until the fund balance reaches \$250,000. UEC has determined that investment of the endowment funds will remain with Greater Milwaukee Foundation and invested as they deem prudent.

As of December 14, 2015, UEC designated net assets into an endowment fund to support the preservation and maintenance of the Milwaukee Rotary Centennial Arboretum. This endowment fund includes both donor restricted funds and board designated funds which are included in temporarily restricted net assets and unrestricted board-designated net assets, respectively. The endowment fund is maintained by the Greater Milwaukee Foundation. Distributions from the Fund shall be made in accordance with the Greater Milwaukee Foundation's distribution policy and additional distributions may be made if recommended by a two-thirds majority vote of the UEC's Board of Directors and approved by the Foundation's Board of Directors.

URBAN ECOLOGY CENTER, INC. AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
AUGUST 31, 2016 AND 2015

NOTE 5 - ENDOWMENT FUND (CONTINUED)

The Greater Milwaukee Foundation is an independent organization established for the purpose of managing funds which have been established to favor-specific charitable agencies and institutions within the greater Milwaukee community. The Urban Ecology Center Endowment Fund and the Milwaukee Rotary Centennial Arboretum Preservation Fund are component funds of the Greater Milwaukee Foundation and are subject to the provisions contained within the agreements signed at the inception of each endowment fund. One of the provisions in these agreements, the variance power, concerns the power to vary some of the terms of the agreements:

The Board of Trustees of the Greater Milwaukee Foundation shall have the power to modify any restriction or condition on the distribution of funds for any specified charitable purpose or to a specified organization if, in the sole judgment of the Board, such restriction or condition becomes, in effect, unnecessary, incapable of fulfillment or inconsistent with the charitable needs of the community served.

The net investment activity of the endowment funds is considered to be unrealized gains or losses on investments and are reported in the statements of activities as such.

Management was unable to obtain a listing of the underlying investments in these accounts and is relying on the Greater Milwaukee Foundation to provide complete and accurate accounting. The market value of the investments as provided by the Greater Milwaukee Foundation for the Urban Ecology Center Endowment Fund was \$116,014 and \$106,005 for the years ended August 31, 2016 and 2015, respectively. The market value of the investments as provided by the Greater Milwaukee Foundation for the Milwaukee Rotary Centennial Arboretum endowment fund was \$564,546 for the year ended August 31, 2016.

Endowment fund activity for the year ended August 31, 2016 is as follows:

	Unrestricted board- designated	Temporarily restricted	Total
Beginning balance	\$ 106,005	\$ -	\$ 106,005
Contributions	286,497	275,000	561,497
Investment management fees	(2,424)	(1,769)	(4,193)
Income, realized & unrealized gains	17,604	12,685	30,289
Distributions	-	(13,038)	(13,038)
Ending balance	<u>\$ 407,682</u>	<u>\$ 272,878</u>	<u>\$ 680,560</u>

URBAN ECOLOGY CENTER, INC. AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
AUGUST 31, 2016 AND 2015

NOTE 5 - ENDOWMENT FUND (CONTINUED)

Endowment fund activity for the year ended August 31, 2015 is as follows:

	Unrestricted board- designated	Temporarily restricted	Total
Beginning balance	\$ 88,473	\$ -	\$ 88,473
Contributions	17,382	-	17,382
Investment management fees	(482)	-	(482)
Income, realized & unrealized gains	632	-	632
Ending balance	<u>\$ 106,005</u>	<u>\$ -</u>	<u>\$ 106,005</u>

The endowment fund investments are classified as Level 2 investments, for which fair value is measured based on inputs other than quoted market prices in active markets that are either directly or indirectly observable.

NOTE 6 - FUNDS HELD ON BEHALF OF OTHERS

UEC currently acts in the capacity of an agent on behalf of two not-for-profit organizations: Neighborhoods United for Washington Park and Healthy Communities Project. Contributions received are reported as a current liability, net of disbursements, made on behalf of the organizations. Funds held on behalf of others totaled \$5,572 and \$8,296 for the years ended August 31, 2016 and 2015.

NOTE 7 - BANK LINES OF CREDIT

UEC obtained a \$2,000,000 line of credit with BMO Harris Bank N.A. on December 19, 2013 with a maturity date of December 19, 2018. The line of credit bears interest at the one-month LIBOR rate plus 2.25%, which is payable monthly. As of August 31, 2016, the one-month LIBOR rate plus 2.25% was 2.744%. The line of credit is secured with all pledges received in the "Park Place" campaign as well as all other qualified pledges receivable. The outstanding balance on the line of credit as of the years ended August 31, 2016 and 2015 was \$800,000 and \$1,025,000, respectively.

The line of credit includes covenants regarding reporting, unrestricted net assets by the Organizations of at least \$6,815,604 and minimum liquidity of \$800,000. All covenants were met for the years ended August 31, 2016 and 2015.

URBAN ECOLOGY CENTER, INC. AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
AUGUST 31, 2016 AND 2015

NOTE 7 - BANK LINES OF CREDIT (CONTINUED)

The line of credit has a mandatory pre-payment clause after June 17, 2014 of principal beyond 70% of unpaid pledges and a step-down in available principal according to the following schedule:

December 19, 2016	\$ 1,000,000
December 19, 2017	\$ 500,000
December 19, 2018	\$ 0

UEC has a \$250,000 line of credit at BMO Harris Bank N.A. that automatically renews each year, with a final maturity date of February 16, 2017. The line of credit bears interest at the one-month LIBOR rate plus 2.25%, which is payable monthly. As of August 31, 2016, the one-month LIBOR rate plus 2.25% was 2.744%. The line of credit is secured by a general business security agreement. There was no outstanding balance on the line of credit as of the years ended August 31, 2016 and 2015.

NOTE 8 - COMMITMENTS AND CONTINGENCIES

Included in Other Liabilities on the consolidated statements of financial position is the estimated cost of remediating the environmental matters disclosed in Note 1. The current portion is \$29,645 and there is no long term portion as of August 31, 2016. The current and long term portions were \$36,500 and \$8,500, respectively as of August 31, 2015.

During the year ended August 31, 2016, the total accrued environmental liability decreased by \$15,355 as shown below:

Estimated August 31, 2015	\$ 45,000
Expenses incurred and paid	(1,599)
Reduction of estimated costs	<u>(13,756)</u>
Estimated August 31, 2016	<u>\$ 29,645</u>

During the year ended August 31, 2015, the total accrued environmental liability decreased by \$109,000 as shown below:

Estimated August 31, 2014	\$ 154,000
Expenses incurred and paid	(13,847)
Reduction of estimated costs	<u>(95,153)</u>
Estimated August 31, 2015	<u>\$ 45,000</u>

URBAN ECOLOGY CENTER, INC. AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
AUGUST 31, 2016 AND 2015

NOTE 8 - COMMITMENTS AND CONTINGENCIES (CONTINUED)

The Organizations have accrued their best estimate of their obligation regarding the site. Actual costs to be incurred at the site in the future may vary from the estimates, given the inherent uncertainties in evaluating environmental liabilities. The Organizations' ultimate liability cannot be reasonably determined; however, management believes that the outcome of these contingencies will not have a material adverse effect on the Organizations' financial statements.

As of May 22, 2015, UEC became party to a Three Bridges Park Programming Agreement with Redevelopment Authority of the City of Milwaukee, City of Milwaukee, State of Wisconsin by its Department of Natural Resources, UEC/MVP Project Inc, and Menomonee Valley Partners Inc. The agreement requires UEC to have a full-time equivalent land steward for Three Bridges Park funded through calendar year 2016. This commitment amounts to approximately \$48,000 annually.

NOTE 9 - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consist of the following as of August 31, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Purpose restricted - programs	\$ 621,983	\$ 720,565
Time & purpose restricted - programs	489,334	289,664
Purpose restricted - land acquisition	560,842	284,069
Time & purpose restricted - land acquisition	1,129,316	1,687,701
Time restricted	1,114,493	1,132,212
Building maintenance (see Note 1)	<u>681,175</u>	<u>617,363</u>
Total temporarily restricted net assets	<u>\$ 4,597,143</u>	<u>\$ 4,731,574</u>

NOTE 10 - DONATED MATERIALS

Materials donated and used for the auction at the Summer Solstice Event are recorded at their realized sale value and are included in contribution revenue on the statements of activities.

The realized sale value of donated materials sold at the Summer Solstice Event's auction was \$29,810 and \$31,433 for the years ended August 31, 2016 and 2015, respectively.

Total donated materials, property, and equipment of \$18,157 and \$31,740 are included in contribution revenue on the statement of activities for the years ended August 31, 2016 and 2015, respectively. Items valued over \$5,000 were capitalized at their estimated value and are included in furniture and equipment, land, and building on the consolidated statements of financial position. The remaining items are charged to program services, fundraising, and general and administrative expenses on the consolidated statements of activities, as appropriate.

URBAN ECOLOGY CENTER, INC. AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
AUGUST 31, 2016 AND 2015

NOTE 10 - DONATED MATERIALS (CONTINUED)

The Organizations only record donated items that are used in operations. The Organization received donated materials of \$3,702 and \$5,740 during the years ended August 31, 2016 and 2015 that did not meet the recognition criteria.

NOTE 11 - DONATED SERVICES

The Organizations received donated environmental planning, information technology consulting, legal, and other professional services. During the years ended August 31, 2016 and 2015, donated services were valued at \$45,036 and \$31,179, respectively. Donated services are included in contributions with a corresponding expense charged to program, fundraising and general and administrative expense as follows:

	<u>2016</u>	<u>2015</u>
Legal services – general and administrative	\$ 30,521	\$ 21,903
Legal services – Riverland Property program	-	3,573
Legal services – Riverside Park program	7,183	-
Advertising services - fundraising	5,781	2,550
Printing services - fundraising	351	535
Technology services - fundraising	-	760
Data analysis services – general and administrative	-	500
Prof. development – general and administrative	-	750
Bicycle assembly – education program	<u>1,200</u>	<u>608</u>
Total donated services	<u>\$ 45,036</u>	<u>\$ 31,179</u>

NOTE 12 - RETIREMENT PLAN

UEC has a Simple IRA plan and makes matching contributions to the plan for each eligible employee for up to 3% of the calendar year employee's wages. Contribution expense was \$50,585 and \$46,952 for the years ended August 31, 2016 and 2015, respectively.

NOTE 13 - LEASE COMMITMENTS

Beginning in April 2016, UEC leased office equipment under a capital lease agreement ending April 20, 2021. The assets and liabilities under capital leases are recorded at the lower of the present value of the minimum lease payments or the fair value of the assets.

	<u>2016</u>
Equipment	\$ 19,860
Less accumulated amortization	<u>(1,655)</u>
Total	<u>\$ 18,205</u>

URBAN ECOLOGY CENTER, INC. AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
AUGUST 31, 2016 AND 2015

NOTE 13 - LEASE COMMITMENTS (CONTINUED)

The current and long-term portion of the capital lease payable are included in Other Liabilities on the consolidated statement of financial position. The future minimum payments under the capital lease are as follows:

	<u>Principle Portion</u>	<u>Interest Portion</u>	<u>Image Charges</u>	<u>Gross Lease Payments</u>
2017	\$ 2,853	\$ 3,118	\$ 3,140	\$ 9,111
2018	3,414	2,557	3,140	9,111
2019	4,084	1,887	3,140	9,111
2020	4,887	1,084	3,140	9,111
2021	3,282	201	1,832	5,315
	<u>\$ 18,520</u>	<u>\$ 8,847</u>	<u>\$ 14,392</u>	<u>\$ 41,759</u>

UEC also leases a building at the Washington Park branch under an operating lease agreement that expires November 25, 2018. Future minimum operating lease payments are as follows:

For the year ended August 31,	
2017	\$ 12,000
2018	12,000
2019	<u>3,000</u>
Total	<u>\$ 27,000</u>

Lease expense for the years ended August 31, 2016 and 2015 was \$16,058 and \$18,752, respectively.

NOTE 14 - RELATED PARTIES

UEC/MVP Project Inc. is a separate Section 501(c)(3) nonprofit organization formed in partnership between UEC and Menomonee Valley Partners, Inc. to implement a joint effort called "Menomonee Valley - From the Ground Up." Part of this effort was to build the third branch for the Urban Ecology Center, Inc. The Executive Director of UEC serves as a member of the Board of Directors of UEC/MVP Project Inc.

UEC/MVP Project Inc. made grants to UEC totaling \$558,689 and \$447,724 during the years ended August 31, 2016 and 2015, respectively, for expenses directly related to *Menomonee Valley - From the Ground Up*.

**URBAN ECOLOGY CENTER, INC.
AND AFFILIATE**

SUPPLEMENTARY SCHEDULES

URBAN ECOLOGY CENTER, INC. AND AFFILIATE
SUPPLEMENTARY SCHEDULE OF CONSOLIDATED FUNCTIONAL EXPENSES
FOR THE YEAR ENDED AUGUST 31, 2016

	Program Services	Fundraising	General and Administrative	Total
EXPENSES				
Program expense	\$ 162,460	\$ -	\$ -	\$ 162,460
Arboretum project expenses	90,876	-	5	90,881
Riverland project expenses	23,231	215	4,275	27,721
Wages	1,828,451	297,513	271,400	2,397,364
Payroll tax	137,953	23,273	20,778	182,004
Employee benefits	373,731	64,084	51,034	488,849
Professional development	14,806	424	539	15,769
Worker's compensation	50,895	8,822	8,143	67,860
Professional memberships	1,071	1,434	57	2,562
Professional services	42,959	-	51,374	94,333
Hospitality	11,835	779	3,541	16,155
General	16,755	30,221	18,601	65,577
Insurance	68,459	1,625	15,110	85,194
Office expenses	9,220	1,118	689	11,027
Internship fees	7,522	-	-	7,522
Store expenses	3,470	-	-	3,470
Building maintenance & supplies	51,257	1,632	1,632	54,521
Rent	12,001	-	-	12,001
Utilities	44,457	1,400	1,400	47,257
Technology expenses	47,825	18,460	10,162	76,447
Marketing	39,780	8,978	92	48,850
Postage and shipping	4,472	9,876	89	14,437
Travel and auto	32,519	122	298	32,939
Equipment expense	54,372	36	36	54,444
Miscellaneous	-	-	1,441	1,441
TOTAL SUPPORTING EXPENSES	\$ 3,130,377	\$ 470,012	\$ 460,696	\$ 4,061,085

See independent auditor's report.

URBAN ECOLOGY CENTER, INC. AND AFFILIATE
SUPPLEMENTARY SCHEDULE OF CONSOLIDATED FUNCTIONAL EXPENSES
FOR THE YEAR ENDED AUGUST 31, 2015

	Program Services	Fundraising	General and Administrative	Total
EXPENSES				
Program expense	\$ 190,395	\$ -	\$ -	\$ 190,395
Arboretum project expenses	19,819	-	-	19,819
Riverland project expenses	46,501	-	10,895	57,396
Wages	1,762,031	301,379	279,646	2,343,056
Payroll tax	138,159	22,683	21,081	181,923
Employee benefits	300,861	54,216	45,547	400,624
Professional development	46,017	1,590	3,634	51,241
Worker's compensation	37,714	6,537	6,034	50,285
Professional memberships	825	947	250	2,022
Professional services	28,013	-	39,631	67,644
Hospitality	14,496	3,269	4,356	22,121
General	15,480	8,023	15,160	38,663
Insurance	70,108	1,597	15,654	87,359
Office expenses	11,763	3,269	1,193	16,225
Internship fees	16,712	1,890	-	18,602
Store expenses	9,238	1,166	1,166	11,570
Building maintenance & supplies	56,115	1,039	1,039	58,193
Rent	12,001	-	-	12,001
Utilities	39,563	1,298	1,298	42,159
Technology expenses	32,005	8,864	13,875	54,744
Marketing	46,354	13,042	-	59,396
Postage and shipping	7,342	10,804	2,042	20,188
Travel and auto	44,929	297	155	45,381
Equipment expense	41,675	-	-	41,675
Miscellaneous	231	-	111	342
TOTAL SUPPORTING EXPENSES	\$ 2,988,347	\$ 441,910	\$ 462,767	\$ 3,893,024

See independent auditor's report.