

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

**CONSOLIDATED FINANCIAL STATEMENTS  
AND INDEPENDENT AUDIT REPORT**

**AUGUST 31, 2017**

**URBAN ECOLOGY CENTER, INC. AND AFFILIATE**  
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**AUGUST 31, 2017**

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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, 2017 and 2016, 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, 2017 and 2016, 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.

### **Emphasis of Matter**

As discussed in Note 15 to the financial statements, August 31, 2016 financial statements have been restated to correct a prior period error. Our opinion is not modified with respect to this matter.

### **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  
January 15, 2018

**URBAN ECOLOGY CENTER, INC. AND AFFILIATE  
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION  
AUGUST 31, 2017 AND 2016**

<u>ASSETS</u>	<u>2017</u>	<u>(Restated) 2016</u>
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 1,245,249	\$ 1,305,511
Receivables		
Accounts receivable	23,644	30,528
Accrued interest receivable	1,315	138
Government grants receivable	15,120	3,518
Grants receivable	513,700	835,700
Unconditional promises to give	877,500	935,000
Prepaid expenses	62,222	75,331
Total current assets	<u>2,738,750</u>	<u>3,185,726</u>
<b>PROPERTY AND EQUIPMENT, NET</b>	<u>8,147,446</u>	<u>8,289,909</u>
<b>LONG-TERM ASSETS</b>		
Restricted cash and cash equivalents	677,583	681,175
Bus reserve cash and cash equivalents	51,988	103,688
State unemployment reserve cash fund	42,879	42,799
Endowments	1,142,658	680,560
Receivables		
Grants receivable, net	66,289	465,770
Unconditional promises to give, net	122,941	733,872
Total long-term assets	<u>2,104,338</u>	<u>2,707,864</u>
<b>TOTAL ASSETS</b>	<u>\$ 12,990,534</u>	<u>\$ 14,183,499</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, 2017 AND 2016**

<u>LIABILITIES AND NET ASSETS</u>	<u>2017</u>	<u>(Restated) 2016</u>
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 44,691	\$ 8,256
Accrued payroll and benefits	192,316	188,190
Payroll withholdings and taxes payable	18,130	8,762
Deferred revenue	42,475	39,705
Grants payable	175,000	-
Funds held on behalf of others	6,909	5,572
Other current liabilities	3,414	32,498
Total current liabilities	<u>482,935</u>	<u>282,983</u>
<b>LONG-TERM LIABILITIES</b>		
Line of credit	275,000	800,000
Other long-term liabilities	12,253	15,667
Total long-term liabilities	<u>287,253</u>	<u>815,667</u>
<b>TOTAL LIABILITIES</b>	<u>770,188</u>	<u>1,098,650</u>
<b>NET ASSETS</b>		
Unrestricted	8,457,838	8,537,177
Unrestricted - board designated	552,184	511,371
Total unrestricted	<u>9,010,022</u>	<u>9,048,548</u>
Temporarily restricted	3,210,324	4,036,301
Total net assets	<u>12,220,346</u>	<u>13,084,849</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 12,990,534</u>	<u>\$ 14,183,499</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, 2017**

	Unrestricted	Temporarily Restricted	Total
<b>SUPPORT AND REVENUES</b>			
Contributions	\$ 1,227,736	\$ 229,223	\$ 1,456,959
Grants	244,166	1,468,709	1,712,875
Government grants	37,955	-	37,955
Program service fees	614,673	-	614,673
Fundraising events revenue, net of \$209,225 classified as contributions	51,220	-	51,220
Fundraising events expense	(37,439)	-	(37,439)
Investment income	3,813	2,101	5,914
Endowment return	52,023	66,898	118,921
Gain on disposal of fixed assets	2,820	-	2,820
Rental income	138,473	-	138,473
Other	11,963	-	11,963
	<u>2,347,403</u>	<u>1,766,931</u>	<u>4,114,334</u>
Net assets released from restrictions	<u>2,592,908</u>	<u>(2,592,908)</u>	<u>-</u>
Total support and revenues	<u>4,940,311</u>	<u>(825,977)</u>	<u>4,114,334</u>
<b>EXPENSES</b>			
Program services	3,608,483	-	3,608,483
Fundraising	497,481	-	497,481
General and administrative	515,888	-	515,888
Total supporting expenses	<u>4,621,852</u>	<u>-</u>	<u>4,621,852</u>
Interest expense	18,819	-	18,819
Depreciation and amortization	338,166	-	338,166
Total expenses	<u>4,978,837</u>	<u>-</u>	<u>4,978,837</u>
<b>CHANGE IN NET ASSETS</b>	(38,526)	(825,977)	(864,503)
<b>NET ASSETS - BEGINNING (RESTATED)</b>	<u>9,048,548</u>	<u>4,036,301</u>	<u>13,084,849</u>
<b>NET ASSETS - ENDING</b>	<u>\$ 9,010,022</u>	<u>\$ 3,210,324</u>	<u>\$ 12,220,346</u>

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

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

	Unrestricted	Temporarily Restricted	Total
<b>SUPPORT AND REVENUES</b>			
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	1,383	2,143
Endowment return	16,076	10,916	26,992
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	2,771,024	(2,771,024)	-
Total support and revenues	<u>4,883,416</u>	<u>(411,204)</u>	<u>4,472,212</u>
<b>EXPENSES</b>			
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	310,875	-	310,875
Total expenses	<u>4,396,735</u>	<u>-</u>	<u>4,396,735</u>
<b>CHANGE IN NET ASSETS</b>	486,681	(411,204)	75,477
<b>NET ASSETS - BEGINNING</b>	<u>8,561,867</u>	<u>4,447,505</u>	<u>13,009,372</u>
<b>NET ASSETS - ENDING</b>	<u>\$ 9,048,548</u>	<u>\$ 4,036,301</u>	<u>\$ 13,084,849</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, 2017 AND 2016**

	2017	2016
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ (864,503)	\$ 75,477
Adjustments to reconcile changes in net assets to net cash provided by/(used in) operating activities		
Depreciation	338,166	310,875
Discount on long-term receivables	(28,088)	(47,356)
Non-cash contribution of property and equipment	(6,600)	-
Realized gain on disposal of fixed assets	(2,820)	(600)
Changes in assets and liabilities		
Accounts receivable	6,884	22,880
Accrued interest receivable	(1,177)	529
Grants receivable	734,500	126,801
Government grants receivable	(11,602)	6,482
Unconditional promises to give	683,500	330,545
Prepaid expenses	13,109	(17,449)
State unemployment reserve cash fund	(80)	(8,891)
Accounts payable	36,435	(45,390)
Accrued payroll and benefits	4,126	23,508
Payroll withholdings and taxes payable	9,368	(4,769)
Other accrued expenses	-	(401)
Deferred revenue	2,770	(26,026)
Grants payable	175,000	-
Funds held on behalf of others	1,337	(2,724)
Net cash provided by operating activities	<u>1,090,325</u>	<u>743,491</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from sale of fixed assets	3,222	600
Purchase of property and equipment	(219,150)	(178,437)
Net change in restricted cash	3,592	(63,812)
Net change in bus reserve cash	51,700	(21,473)
Net change in endowment fund	(462,098)	(574,555)
Net cash used in investing activities	<u>(622,734)</u>	<u>(837,677)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Payments on line of credit	(525,000)	(225,000)
Payments on capital lease payable	(2,853)	(1,341)
Net cash used in financing activities	<u>(527,853)</u>	<u>(226,341)</u>
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	(60,262)	(320,527)
<b>CASH AND CASH EQUIVALENTS - BEGINNING</b>	<u>1,305,511</u>	<u>1,626,038</u>
<b>CASH AND CASH EQUIVALENTS - ENDING</b>	<u>\$ 1,245,249</u>	<u>\$ 1,305,511</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, 2017 AND 2016**

	2017	2016
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</b>		
Interest paid	\$ 18,819	\$ 24,775
<b>SUPPLEMENTAL DISCLOSURE OF NON-CASH INVESTING AND FINANCING ACTIVITIES</b>		
During the current year, the Organizations capitalized donated services which had a fair value on the date of the contribution in the amount of:	\$ 6,600	\$ -
During the prior year the Organizations incurred a capital lease obligation for the use of office equipment in the amount of:	\$ -	\$ 19,861

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

**URBAN ECOLOGY CENTER, INC. AND AFFILIATE**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**AUGUST 31, 2017 AND 2016**

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**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.

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 60 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 offers programs for all ages, including adventure programming (canoeing, kayaking, snowshoeing, rock climbing, skiing, biking), after-school programs, evening and weekend community programs, and festivals. The Community Science program has turned once crime-ridden parks into field research sites for community members and local colleges and universities. Community-based land restoration activities connect people to the land and help steward native habitat in the heart of the city. A robust volunteer program matches over 3,400 volunteers to UEC activities. Altogether, over 125,000 youth and adult visits occur annually.

Four major capital and planning projects occurred in the year ended August 31, 2017: 1) UEC grew the Milwaukee Rotary Centennial Arboretum Preservation Fund in partnership with Milwaukee Rotary Club, to perpetually preserve and maintain the Arboretum; 2) UEC completed a series of projects in the Milwaukee Rotary Centennial Arboretum, including a storm water habitat pond and signage for the

**URBAN ECOLOGY CENTER, INC. AND AFFILIATE**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**AUGUST 31, 2017 AND 2016**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Nature of Operations (Continued)

geologic/educational cairn sculptures; 3) UEC began 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; and 4) UEC continued 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, 2017.

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 \$677,583 and \$681,175, is included in temporarily restricted net assets at August 31, 2017 and 2016, 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, 2017 AND 2016**

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**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 years ended August 31, 2017 and 2016.

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, 2017, which was 1.29% for short-term and 1.95% 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, 2017 AND 2016**

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**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, 2017 and 2016 includes program receipts for future fiscal years of \$42,475 and \$39,705, 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 3,400 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, 2017 AND 2016**

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**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 \$15,120 and \$3,518 of exchange transactions receivable as of August 31, 2017 and 2016, respectively.

Environmental Costs

The Organizations had 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, 2017 and 2016, 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.

Reclassification

Certain reclassifications have been made to the prior year's financial statements to conform to the current year's presentation.

**URBAN ECOLOGY CENTER, INC. AND AFFILIATE**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**AUGUST 31, 2017 AND 2016**

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**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 2013 and prior have passed the statute of limitations for audit by the Internal Revenue Service.

Date of Management's Review

Management has evaluated subsequent events through January 15, 2018, 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 \$963,484 and \$935,196 at August 31, 2017 and 2016, respectively.

**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,	
2018	\$ 1,391,200
2019	117,500
2020	40,000
2021	<u>40,000</u>
	1,588,700
Less: unamortized discount	<u>(8,270)</u>
Total	<u>\$ 1,580,430</u>



**URBAN ECOLOGY CENTER, INC. AND AFFILIATE**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**AUGUST 31, 2017 AND 2016**

**NOTE 4 - PROPERTY AND EQUIPMENT**

Property and equipment consists of the following at August 31, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Land	\$ 2,308,234	\$ 2,295,417
Furniture and equipment	948,898	902,736
Building and improvements	6,929,472	6,807,538
Building materials	40,379	40,379
Land improvements	433,289	433,289
Asset improvements in progress	-	14,940
Exhibits	85,724	85,724
Art	333,320	326,720
Software	<u>47,102</u>	<u>47,102</u>
	11,126,418	10,953,845
Less accumulated depreciation	<u>(2,978,972)</u>	<u>(2,663,936)</u>
Net property and equipment	<u>\$ 8,147,446</u>	<u>\$ 8,289,909</u>

Depreciation and amortization expense for the years ended August 31, 2017 and 2016 was \$338,166 and \$310,875, respectively. Amortization of equipment under capital lease is included in depreciation and amortization.

Land

Estimated environmental remediation costs accrued in a prior year were decreased during the years ended August 31, 2017 and 2016, resulting in a decrease to the cost basis of the land in the amount of \$1,903 and \$13,355, respectively (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. The roof was placed in service during the year ending August 31, 2017.

**URBAN ECOLOGY CENTER, INC. AND AFFILIATE**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**AUGUST 31, 2017 AND 2016**

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**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.

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.

**URBAN ECOLOGY CENTER, INC. AND AFFILIATE**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
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**NOTE 5 - ENDOWMENT FUND (CONTINUED)**

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 \$147,837 and \$116,014 for the years ended August 31, 2017 and 2016, respectively. The market value of the investments as provided by the Greater Milwaukee Foundation for the Milwaukee Rotary Centennial Arboretum endowment fund was \$994,821 and \$564,546 for the year ended August 31, 2017 and 2016, respectively.

Endowment fund activity for the year ended August 31, 2017 is as follows:

	Unrestricted board- designated	Temporarily restricted	Total
Beginning balance	\$ 407,682	\$ 272,878	\$ 680,560
Contributions	40,491	325,000	365,491
Investment management fees	(4,891)	(7,043)	(11,934)
Income, realized & unrealized gains	56,914	73,941	130,855
Distributions	-	(22,314)	(22,314)
Ending balance	<u>\$ 500,196</u>	<u>\$ 642,462</u>	<u>\$ 1,142,658</u>

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>

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.

**URBAN ECOLOGY CENTER, INC. AND AFFILIATE**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**AUGUST 31, 2017 AND 2016**

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**NOTE 6 – GRANT PAYABLE**

Included in grant payable as of August 31, 2017 is a gift to support construction of a ramp to the Oak Leaf Trail at North Avenue. The gift is supported by funds raised in prior years for the Milwaukee Rotary Centennial Arboretum project and completes the accessible trail plan within the Arboretum. The \$175,000 payable is expected to be paid in full by August 31, 2018.

**NOTE 7 - FUNDS HELD ON BEHALF OF OTHERS**

UEC currently acts in the capacity of an agent on behalf of two not-for-profit organizations: Washington Park Neighbors 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 \$6,909 and \$5,572 for the years ended August 31, 2017 and 2016.

**NOTE 8 - 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, 2017, the one-month LIBOR rate plus 2.25% was 3.482%. 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, 2017 and 2016 was \$275,000 and \$800,000, 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, 2017 and 2016.

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, 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. The line of credit bears interest at the one-month LIBOR rate plus 2.25%, which is payable monthly. As of August 31, 2017, the one-month LIBOR rate plus 2.25% was 3.482%. 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, 2017 and 2016.

**URBAN ECOLOGY CENTER, INC. AND AFFILIATE**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**AUGUST 31, 2017 AND 2016**

**NOTE 9 - COMMITMENTS AND CONTINGENCIES**

Included in Other Liabilities on the consolidated statements of financial position for the year ending August 31, 2016 is the estimated cost of remediating the environmental matters disclosed in Note 1. The current portion was \$29,645 and there was no long term portion as of August 31, 2016. During the year ended August 31, 2017 the Organization completed the remediation. There was no outstanding environmental liability as of August 31, 2017.

During the year ended August 31, 2017, the total accrued environmental liability decreased by \$29,645 as shown below:

Estimated August 31, 2016	\$ 29,645
Expenses incurred and paid	(27,742)
Reduction of estimated costs	<u>(1,903)</u>
Estimated August 31, 2017	<u>\$ -</u>

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>

**NOTE 10 - TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted net assets consist of the following as of August 31, 2017 and 2016:

	<u>2017</u>	(Restated) <u>2016</u>
Purpose restricted - programs	\$ 960,678	\$ 621,983
Time & purpose restricted - programs	276,733	489,334
Time & purpose restricted - land acquisition	232,258	536,405
Time restricted	1,063,072	1,707,404
Building maintenance (see Note 1)	<u>677,583</u>	<u>681,175</u>
Total temporarily restricted net assets	<u>\$ 3,210,324</u>	<u>\$ 4,036,301</u>

Due to a correction of an error the temporarily restricted net assets for the year ended August 31, 2016 have been restated (see note 15).

**URBAN ECOLOGY CENTER, INC. AND AFFILIATE**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**AUGUST 31, 2017 AND 2016**

**NOTE 11 - 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 \$29,325 and \$29,810 for the years ended August 31, 2017 and 2016, respectively.

Total donated materials, property, and equipment of \$21,309 and \$18,157 are included in contribution revenue on the statement of activities for the years ended August 31, 2017 and 2016, respectively. Items valued over \$5,000 are 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.

The Organizations only record donated items that are used in operations. The Organizations received donated materials of \$2,928 and \$3,702 during the years ended August 31, 2017 and 2016 that did not meet the recognition criteria.

**NOTE 12 - DONATED SERVICES**

The Organizations received donated environmental planning, information technology consulting, legal, and other professional services. During the years ended August 31, 2017 and 2016, donated services were valued at \$59,661 and \$45,036, respectively. Donated services are included in contributions with a corresponding asset or expense charged to program, fundraising and general and administrative expense as follows:

	<u>2017</u>	<u>2016</u>
Legal services – general and administrative	\$ 47,502	\$ 30,521
Legal services –program	-	7,183
Advertising and printing services - fundraising	1,484	6,132
Other professional services – capitalized	6,600	-
Other professional services – general and administrative	1,200	-
Other professional services – program	<u>2,875</u>	<u>1,200</u>
Total donated services	<u>\$ 59,661</u>	<u>\$ 45,036</u>

**NOTE 13 - RETIREMENT PLAN**

UEC had a Simple IRA plan during the year ended August 31, 2016 and made matching contributions to the plan for each eligible employee for up to 3% of the calendar year employee's wages. During the year ended August 31, 2017 UEC adopted a 403(b) plan, effective January 1, 2017 and makes matching contributions to the plan of up to 3% of each eligible employee's wages. Contribution expense was \$58,845 and \$50,585 for the years ended August 31, 2017 and 2016, respectively.

**URBAN ECOLOGY CENTER, INC. AND AFFILIATE**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**AUGUST 31, 2017 AND 2016**

**NOTE 14 - 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>2017</u>	<u>2016</u>
Equipment	\$ 19,860	\$ 19,860
Less accumulated amortization	<u>(5,627)</u>	<u>(1,655)</u>
Total	<u>\$ 14,233</u>	<u>\$ 18,205</u>

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>
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	<u>3,282</u>	<u>201</u>	<u>1,832</u>	<u>5,315</u>
	<u>\$ 15,667</u>	<u>\$ 5,729</u>	<u>\$ 11,252</u>	<u>\$ 32,648</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,	
2018	\$ 12,000
2019	<u>3,000</u>
Total	<u>\$ 15,000</u>

Lease expense for the years ended August 31, 2017 and 2016 was \$15,302 and \$16,058, respectively.

**URBAN ECOLOGY CENTER, INC. AND AFFILIATE**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**AUGUST 31, 2017 AND 2016**

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**NOTE 15 - 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 \$544,402 and \$558,689 during the years ended August 31, 2017 and 2016, respectively, for expenses directly related to *Menomonee Valley - From the Ground Up.*

**NOTE 16 – PRIOR PERIOD ADJUSTMENT**

The beginning unrestricted net assets and temporarily restricted net assets as well as the net assets released from restrictions for the year ended August 31, 2016 has been restated to correct a prior period error related to an overstatement of temporarily restricted net assets. The adjustment decreased beginning temporarily restricted net assets and increased beginning unrestricted net assets by \$284,069. Additionally, the net asset released from restrictions was increased by \$276,773. This resulted in a decrease in ending temporarily restricted net assets and an increase in ending unrestricted net assets of \$560,842. There was no change to the total net assets and there was no net effect on the consolidated statements of activities as a result of this correction.



**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, 2017**

	Program Services	Fundraising	General and Administrative	Total
<b>EXPENSES</b>				
Program expense	\$ 174,650	\$ -	\$ -	\$ 174,650
Arboretum project	36,737	-	1,178	37,915
Riverland project	21,432	-	5,692	27,124
Wages	1,971,532	329,143	292,482	2,593,157
Payroll tax	148,944	24,951	22,139	196,034
Employee benefits	394,531	70,864	57,041	522,436
Professional development	17,784	2,149	2,512	22,445
Worker's compensation	57,921	9,887	9,419	77,227
Professional memberships	1,143	2,175	449	3,767
Professional services	137,771	-	52,975	190,746
Hospitality	12,550	2,281	1,651	16,482
General	15,985	12,551	25,525	54,061
Insurance	90,320	1,578	20,716	112,614
Office	5,636	790	707	7,133
Internship fees	24,414	-	-	24,414
Store	11,662	-	-	11,662
Building maintenance & supplies	87,237	2,762	2,762	92,761
Rent	15,301	-	-	15,301
Utilities	48,899	1,680	1,680	52,259
Technology	46,344	16,017	9,251	71,612
Marketing	39,361	9,572	8,937	57,870
Postage and shipping	4,052	10,963	415	15,430
Travel and auto	31,613	118	78	31,809
Equipment expense	37,664	-	-	37,664
Grants to others	175,000	-	-	175,000
Miscellaneous	-	-	279	279
<b>TOTAL SUPPORTING EXPENSES</b>	<b>\$ 3,608,483</b>	<b>\$ 497,481</b>	<b>\$ 515,888</b>	<b>\$ 4,621,852</b>

See independent auditor's report.

**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
<b>EXPENSES</b>				
Program expense	\$ 162,460	\$ -	\$ -	\$ 162,460
Arboretum project	90,876	-	5	90,881
Riverland project	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	9,220	1,118	689	11,027
Internship fees	7,522	-	-	7,522
Store	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	54,372	36	36	54,444
Miscellaneous	-	-	1,441	1,441
<b>TOTAL SUPPORTING EXPENSES</b>	<b>\$ 3,130,377</b>	<b>\$ 470,012</b>	<b>\$ 460,696</b>	<b>\$ 4,061,085</b>

See independent auditor's report.