

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

**CONSOLIDATED FINANCIAL STATEMENTS
AND INDEPENDENT AUDIT REPORT**

AUGUST 31, 2019

URBAN ECOLOGY CENTER, INC. AND AFFILIATE
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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, 2019 and 2018, and the related consolidated statements of activities, functional expenses 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 consolidated 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, 2019 and 2018, 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 1 to the consolidated financial statements, Urban Ecology Center, Inc. and Affiliate adopted the amendments in Accounting Standards Updates 2016-14, *Not-for-Profit Entities: Presentation of Financial Statements of Not-for-Profit Entities* and 2016-18 *Statement of Cash Flows* as of and for the year ended August 31, 2019. The amendments have been applied on a retrospective basis to the 2018 consolidated financial statements.

Scrubner, Cohen and Company, S.C.

Milwaukee, Wisconsin
January 29, 2020

URBAN ECOLOGY CENTER, INC. AND AFFILIATE
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AUGUST 31, 2019 AND 2018

<u>ASSETS</u>	<u>2019</u>	<u>2018</u>
CURRENT ASSETS		
Cash and cash equivalents	\$ 1,395,323	\$ 1,442,576
Accounts receivable	17,447	25,704
Contributions receivable	1,589,875	687,995
Inventory	5,025	7,997
Prepaid expenses	55,469	61,143
Total current assets	<u>3,063,139</u>	<u>2,225,415</u>
PROPERTY AND EQUIPMENT, NET	<u>7,605,317</u>	<u>7,844,287</u>
LONG-TERM ASSETS		
Building maintenance fund	607,537	653,163
Vehicle reserve fund	178,702	96,988
State unemployment reserve cash fund	47,490	43,424
Endowments	2,555,087	2,417,581
Contributions receivables, net	1,903,109	891,829
Total long-term assets	<u>5,291,925</u>	<u>4,102,985</u>
TOTAL ASSETS	<u>\$ 15,960,381</u>	<u>\$ 14,172,687</u>
<u>LIABILITIES AND NET ASSETS</u>		
CURRENT LIABILITIES		
Accounts payable	\$ 13,294	\$ 30,910
Accrued payroll, benefits, and taxes withheld	224,355	215,781
Deferred revenue	68,784	65,553
Other current liabilities	6,499	12,378
Total current liabilities	<u>312,932</u>	<u>324,622</u>
LONG-TERM LIABILITIES		
Other long-term liabilities	<u>3,282</u>	<u>8,169</u>
TOTAL LIABILITIES	<u>316,214</u>	<u>332,791</u>
NET ASSETS		
Without donor restrictions	9,467,120	9,561,874
With donor restrictions	6,177,047	4,278,022
Total net assets	<u>15,644,167</u>	<u>13,839,896</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 15,960,381</u>	<u>\$ 14,172,687</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, 2019**

	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUES			
Contributions	\$ 1,939,211	\$ 3,641,445	\$ 5,580,656
Government grants	39,569	-	39,569
Program service fees	966,639	-	966,639
Fundraising events revenue, net of \$239,392 classified as contributions	49,508	-	49,508
Fundraising events expense	(32,834)	-	(32,834)
Investment income, net	27,350	-	27,350
Endowment return, net	8,886	22,549	31,435
Rental income	136,455	-	136,455
Other	19,581	-	19,581
	<u>3,154,365</u>	<u>3,663,994</u>	<u>6,818,359</u>
Net assets released from restrictions	1,764,969	(1,764,969)	-
Total support and revenues	<u>4,919,334</u>	<u>1,899,025</u>	<u>6,818,359</u>
EXPENSES			
Program services	3,973,015	-	3,973,015
Fundraising	550,559	-	550,559
General and administrative	490,514	-	490,514
Total expenses	<u>5,014,088</u>	<u>-</u>	<u>5,014,088</u>
CHANGE IN NET ASSETS	(94,754)	1,899,025	1,804,271
NET ASSETS - BEGINNING	<u>9,561,874</u>	<u>4,278,022</u>	<u>13,839,896</u>
NET ASSETS - ENDING	<u>\$ 9,467,120</u>	<u>\$ 6,177,047</u>	<u>\$ 15,644,167</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, 2018

	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUES			
Contributions	\$ 1,532,788	\$ 3,679,231	\$ 5,212,019
Government grants	45,490	7,900	53,390
Program service fees	844,649	-	844,649
Fundraising events revenue, net of \$227,040 classified as contributions	55,744	-	55,744
Fundraising events expense	(36,971)	-	(36,971)
Investment income, net	26,394	-	26,394
Endowment return, net	51,292	68,970	120,262
Rental income	146,743	-	146,743
Other	29,701	-	29,701
	<u>2,695,830</u>	<u>3,756,101</u>	<u>6,451,931</u>
Net assets released from restrictions	2,592,965	(2,592,965)	-
Total support and revenues	<u>5,288,795</u>	<u>1,163,136</u>	<u>6,451,931</u>
EXPENSES			
Program services	3,861,707	-	3,861,707
Fundraising	515,980	-	515,980
General and administrative	454,694	-	454,694
Total expenses	<u>4,832,381</u>	<u>-</u>	<u>4,832,381</u>
CHANGE IN NET ASSETS	456,414	1,163,136	1,619,550
NET ASSETS - BEGINNING	<u>9,105,460</u>	<u>3,114,886</u>	<u>12,220,346</u>
NET ASSETS - ENDING	<u>\$ 9,561,874</u>	<u>\$ 4,278,022</u>	<u>\$ 13,839,896</u>

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

**URBAN ECOLOGY CENTER, INC. AND AFFILIATE
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED AUGUST 31, 2019**

	Program Services	Fundraising	General and Administrative	Total
EXPENSES				
Program supplies and activities	\$ 361,000	\$ -	\$ -	\$ 361,000
Salaries and wages	2,080,123	335,490	290,115	2,705,728
Payroll tax	158,140	25,057	21,007	204,204
Employee benefits	424,216	88,884	51,630	564,730
Worker's compensation	64,438	1,342	1,342	67,122
Professional services	118,231	21,305	48,863	188,399
Commercial insurance	92,248	1,421	19,316	112,985
Office and administration	25,848	26,178	27,442	79,468
Building maintenance and supplies	105,285	2,651	2,651	110,587
Occupancy	74,698	1,439	1,439	77,576
Travel and auto	55,345	432	92	55,869
Technology	54,254	18,834	10,871	83,959
Marketing	24,737	15,246	4,257	44,240
Visitor services & adventure equipment	27,884	-	-	27,884
Hospitality	12,091	4,162	3,371	19,624
Interest	1,887	-	-	1,887
Depreciation	292,590	8,118	8,118	308,826
TOTAL EXPENSES	\$ 3,973,015	\$ 550,559	\$ 490,514	\$ 5,014,088

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

**URBAN ECOLOGY CENTER, INC. AND AFFILIATE
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED AUGUST 31, 2018**

	Program Services	Fundraising	General and Administrative	Total
EXPENSES				
Program supplies and activities	\$ 231,096	\$ -	\$ -	\$ 231,096
Salaries and wages	2,061,606	327,217	264,056	2,652,879
Payroll tax	153,120	24,773	19,801	197,694
Employee benefits	425,256	80,328	54,305	559,889
Worker's compensation	70,443	2,694	2,587	75,724
Professional services	108,754	-	27,931	136,685
Commercial insurance	108,075	1,647	24,722	134,444
Office and administration	24,656	34,587	27,808	87,051
Building maintenance and supplies	131,313	3,359	3,359	138,031
Occupancy	71,277	1,406	1,251	73,934
Travel and auto	40,933	1,160	98	42,191
Technology	54,351	17,376	9,766	81,493
Marketing	30,162	8,600	5,068	43,830
Visitor services & adventure equipment	32,445	-	-	32,445
Hospitality	15,243	4,715	5,824	25,782
Interest	6,256	-	-	6,256
Depreciation	296,721	8,118	8,118	312,957
TOTAL EXPENSES	\$ 3,861,707	\$ 515,980	\$ 454,694	\$ 4,832,381

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, 2019 AND 2018**

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 1,804,271	\$ 1,619,550
Adjustments to reconcile changes in net assets to net cash provided by/(used in) operating activities		
Depreciation	308,826	312,957
Discount on long-term receivables	43,720	44,901
Bad debt	-	4,685
Changes in assets and liabilities		
Accounts receivable	8,257	(5,430)
Contributions and government grants receivable	(1,956,880)	(29,175)
Inventory	2,972	(7,997)
Prepaid expenses	5,674	1,079
Accounts payable	(17,616)	(13,781)
Payroll withholdings and taxes payable	8,574	5,335
Deferred revenue	3,231	23,078
Grants payable	-	(175,000)
Other liabilities	(10,766)	(2,029)
Net cash provided by operating activities	200,263	1,778,173
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(69,856)	(9,798)
Net change in endowment fund	(137,506)	(1,274,923)
Net cash used in investing activities	(207,362)	(1,284,721)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on line of credit	-	(275,000)
NET INCREASE/(DECREASE) IN CASH, CASH EQUIVALENTS AND RESTRICTED CASH	(7,099)	218,452
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH - BEGINNING	2,236,151	2,017,699
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH - ENDING	\$ 2,229,052	\$ 2,236,151
 SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Interest paid	\$ 1,887	\$ 6,256

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

URBAN ECOLOGY CENTER, INC. AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
AUGUST 31, 2019 AND 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

Urban Ecology Center, Inc. (“UEC”) uses education and community building to restore and heal our urban natural world in the city of Milwaukee. The environmental community centers provide outdoor science education for urban youth; protect and use public natural areas, making them safe and accessible; preserve and enhance natural areas and their surrounding waters; promote community by offering resources that support learning, volunteerism, stewardship, and recreation; and practice and model environmentally responsible behaviors.

The UEC’s major program is the school program which serves over 60 urban neighborhood schools with high quality science programs. UEC also offers outdoor programs for all ages; has turned once crime-ridden parks into field research sites for community members and local colleges and universities; and conducts land restoration activities in the heart of the city.

The UEC is a non-profit organization funded primarily through donor contributions, grants, revenue associated programs listed above, facilities rentals and investment income.

Consolidated Financial Statements

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.

Basis of Presentation

The accompanying consolidated financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States, wherein revenues and expenses are reflected in the period earned or incurred.

Classification of Net Assets

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

Net assets without donor restrictions - Net assets available for use in general operations and not subject to donor-imposed restrictions.

URBAN ECOLOGY CENTER, INC. AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
AUGUST 31, 2019 AND 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Classification of Net Assets (Continued)

Net assets with donor restrictions - Net assets subject to donor-imposed restriction. Some restrictions are temporary in nature, in that they may be met either by actions of the Organizations and/or the passage of time. Other donor restrictions may be permanent in nature and require the Organizations to maintain resources in perpetuity.

Cash, Cash Equivalents and Restricted Cash

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 is being held for use in maintaining the Organizations' facilities, the purchase of program vehicles, and funding in lieu of unemployment tax payments to the State of Wisconsin. The restricted cash and cash equivalents for the building maintenance fund and the restricted vehicle reserve fund include donor restricted and board designated net assets (see Notes 7 and 8).

The following table provides a reconciliation of cash, cash equivalents, and restricted cash reported within the statement of financial position that sum to the total of the same such amounts shown in the statement of cash flows:

	<u>2019</u>	<u>2018</u>
Cash and cash equivalents	\$ 1,395,323	\$ 1,442,576
Building maintenance fund	607,537	653,163
Vehicle reserve fund	178,702	96,988
State unemployment reserve cash fund	<u>47,490</u>	<u>43,424</u>
Cash, cash equivalents and restricted cash	<u>\$ 2,229,052</u>	<u>\$ 2,236,151</u>

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, 2019 and 2018.

URBAN ECOLOGY CENTER, INC. AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
AUGUST 31, 2019 AND 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contributions Receivable

Contributions receivable include grant and pledges due from private sources for operations, grounds and facility enhancements and for use in the Organizations' programs.

Contributions receivable that are expected to be collected within one year are recorded at net realizable value. Contributions receivable 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, 2019, which was 1.91% for short-term (1-3 years) and 1.87% for mid-term (3-9 years). Amortization of the discounts is included in contribution revenue with donor restrictions.

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.

Investment income (including realized and unrealized gains and losses, interest and dividends) is reported in revenue with or without donor restrictions based on donor designation, law or appropriations approved by the Board of Directors. Investment expenses are netted with investment return on the consolidated statement of activities.

The Organizations follow 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, 2019 AND 2018

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
Vehicles	5
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, 2019 and 2018 includes program receipts for future fiscal years of \$68,784 and \$65,553, 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 3,600 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.

URBAN ECOLOGY CENTER, INC. AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
AUGUST 31, 2019 AND 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contributions

Contributions that are recorded with a donor restriction, are either temporarily restricted or permanently restricted, depending on the nature of the donor or time restriction. 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 net assets without donor restrictions and reported in the consolidated statements of activities as net assets released from restrictions.

Government Grant Revenue

Government grants are recognized to the extent of expenses 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.

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 2015 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 29, 2020, the date which the financial statements were available to be issued. It has been determined that no subsequent events need to be disclosed.

URBAN ECOLOGY CENTER, INC. AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
AUGUST 31, 2019 AND 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Reclassification

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

Change in Accounting Policy

In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958)—Presentation of Financial Statements of Not-for-Profit Entities*. This ASU addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Organizations have implemented ASU 2016-14 and have adjusted the presentation in these financial statements accordingly. The ASU has been applied retrospectively to all periods presented.

In November 2016, FASB issued ASU 2016-18, *Statement of Cash Flows*, which requires that a statement of cash flows explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. Therefore, amounts generally described as restricted cash and restricted cash equivalents should be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows. The Organizations have early implemented ASU 2016-18 and have adjusted the presentation in these financial statements accordingly. The ASU has been applied retrospectively to all periods presented.

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 \$1,189,741 and \$1,030,997 at August 31, 2019 and 2018, respectively.

URBAN ECOLOGY CENTER, INC. AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
AUGUST 31, 2019 AND 2018

NOTE 3 – CONTRIBUTIONS RECEIVABLE

Contributions receivable are due as follows:

Fiscal Year Ended August 31,	2020	\$ 1,589,875
	2021	1,500,000
	2022	<u>500,000</u>
		3,589,875
Less: unamortized discount		<u>(96,891)</u>
Total		<u><u>\$ 3,492,984</u></u>

NOTE 4 - PROPERTY AND EQUIPMENT

Property and equipment consists of the following at August 31, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Land	\$ 2,308,234	\$ 2,308,234
Furniture and equipment	212,278	218,057
Vehicles	716,841	716,841
Building and improvements	6,973,422	6,929,472
Building materials	40,379	40,379
Land improvements	462,891	443,087
Asset in progress	6,102	-
Exhibits	85,724	85,724
Art	333,320	333,320
Software	<u>47,102</u>	<u>47,102</u>
	11,186,293	11,122,216
Less accumulated depreciation	<u>(3,580,976)</u>	<u>(3,277,929)</u>
Net property and equipment	<u><u>\$ 7,605,317</u></u>	<u><u>\$ 7,844,287</u></u>

Depreciation and amortization expense for the years ended August 31, 2019 and 2018 was \$308,826 and \$312,957, 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, 2019 AND 2018

NOTE 5 - ENDOWMENT FUNDS

The Board of Directors of UEC has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA), as adopted by the Wisconsin state legislature, as requiring UEC to preserve the fair value of the donor's original gift, as of the date of the gift, absent explicit donor stipulations to the contrary. As a result of this interpretation, UEC classifies as net assets with permanent donor restrictions (a) the original value of the donor's gifts to the permanent endowment, (b) the original value of the donor's subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in net assets with permanent restrictions is classified as net assets with temporary donor restrictions until those amounts are appropriated for expenditure by UEC in a manner consistent with the standard of prudence prescribed by UPMIFA.

In accordance with UPMIFA, UEC considers the following factors in making a determination to appropriate or accumulate donor restricted endowment funds: (a) the duration and preservation of the various funds, (b) the purposes of the donor-restricted endowment funds, (c) general economic conditions, (d) the possible effect of inflation and deflation, (e) the expected total return from income and the appreciation of investments, (f) other resources of UEC, and (g) UEC's investment policies.

As of August 31, 2008, UEC designated net assets without donor restrictions 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 net assets without donor restrictions-board-designated. 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.

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 net assets with temporary donor restrictions and net assets without donor restrictions-board restricted, 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.

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NOTE 5 - ENDOWMENT FUNDS (CONTINUED)

In July 2018, UEC received a permanently restricted endowment to support and sustain the organization. This endowment fund is maintained by the Greater Milwaukee Foundation. Beginning in July 2022, distributions can be made from the earnings of the fund upon request of UEC but always within Greater Milwaukee Foundation's distribution policy.

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, the Milwaukee Rotary Centennial Arboretum Preservation Fund, and the Anonymous Endowment 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 \$385,952 and \$282,896 for the years ended August 31, 2019 and 2018, respectively. The market value of the investments as provided by the Greater Milwaukee Foundation for the Milwaukee Rotary Centennial Arboretum Endowment Fund was \$1,126,272 and \$1,123,354 for the year ended August 31, 2019 and 2018, respectively. The market value of the investments as provided by the Greater Milwaukee Foundation for the Anonymous Endowment Fund was \$1,042,863 and \$1,011,331 for the year ended August 31, 2019 and 2018, respectively.

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NOTE 5 - ENDOWMENT FUNDS (CONTINUED)

Endowment fund activity for the year ended August 31, 2019 is as follows:

	Without donor restrictions - board designated	With donor restrictions - temporarily restricted	With donor restrictions - permanently restricted	Total
Beginning balance	\$ 664,962	\$ 752,619	\$ 1,000,000	\$ 2,417,581
Contributions	108,958	44,840	-	153,798
Investment management fees	(8,302)	(21,158)	-	(29,460)
Income, realized & unrealized gains	17,188	43,707	-	60,895
Distributions	(9,756)	(37,971)	-	(47,727)
Ending balance	<u>\$ 773,050</u>	<u>\$ 782,037</u>	<u>\$ 1,000,000</u>	<u>\$ 2,555,087</u>

Endowment fund activity for the year ended August 31, 2018 is as follows:

	Without donor restrictions - board designated	With donor restrictions - temporarily restricted	With donor restrictions - permanently restricted	Total
Beginning balance	\$ 500,196	\$ 642,462	\$ -	\$ 1,142,658
Contributions	113,474	75,000	1,000,000	1,188,474
Investment management fees	(6,675)	(9,490)	-	(16,165)
Income, realized & unrealized gains	57,967	78,460	-	136,427
Distributions	-	(33,813)	-	(33,813)
Ending balance	<u>\$ 664,962</u>	<u>\$ 752,619</u>	<u>\$ 1,000,000</u>	<u>\$ 2,417,581</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.

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NOTE 6 - BANK LINE OF CREDIT

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, 2019, the one-month LIBOR rate plus 2.25% was 4.42%. 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, 2019 and 2018.

NOTE 7 - NET ASSETS WITHOUT DONOR RESTRICTIONS

Net assets without donor restrictions but which have been board designated for various purposes consists of the following as of August 31, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
UEC endowment fund	\$ 385,952	\$ 282,896
Arboretum preservation endowment fund	387,097	382,066
Vehicle reserve fund	120,202	71,988
Building maintenance fund	<u>111,278</u>	<u>100,055</u>
Total net assets with board designations	<u>\$ 1,004,529</u>	<u>\$ 837,005</u>

Endowment funds are further described in Note 5. Vehicle reserve funds and building maintenance funds are further described in Note 1.

NOTE 8 - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with temporary restrictions that consist of the following as of August 31, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Purpose restricted - programs	\$ 845,251	\$ 890,543
Purpose restricted - land development	100,580	167,805
Time & purpose restricted - programs	374,904	158,405
Time restricted	3,301,553	1,483,160
Vehicle reserve fund	58,500	25,000
Building maintenance fund	<u>496,259</u>	<u>553,109</u>
Total temporarily restricted net assets	<u>\$ 5,177,047</u>	<u>\$ 3,278,022</u>

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NOTE 8 - NET ASSETS WITH DONOR RESTRICTIONS (CONTINUED)

Net assets with permanent restrictions as of August 31, 2019 consist of donor restricted funds that are restricted for a permanent endowment for the benefit of UEC. Net assets with permanent restrictions for the fiscal year ending August 31, 2019 and 2018 were \$1,000,000.

NOTE 9 - 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 \$38,825 and \$30,900 for the years ended August 31, 2019 and 2018, respectively.

Total donated materials, property, and equipment of \$20,593 and \$38,585 are included in contribution revenue on the statement of activities for the years ended August 31, 2019 and 2018, 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 \$1,035 and \$9,785 during the years ended August 31, 2019 and 2018 that did not meet the recognition criteria.

NOTE 10 - DONATED SERVICES

The Organizations received donated environmental planning, information technology consulting, legal, and other professional services. During the years ended August 31, 2019 and 2018, donated services were valued at \$43,210 and \$22,584, 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>2019</u>	<u>2018</u>
Legal services – general and administrative	\$ 24,983	\$ 11,878
Legal services – program	16,777	5,606
Other professional services – fundraising	-	200
Other professional services – program	<u>1,450</u>	<u>4,900</u>
Total donated services	<u>\$ 43,210</u>	<u>\$ 22,584</u>

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NOTE 11 - RETIREMENT PLAN

The UEC adopted a 403(b) plan, effective January 1, 2017, and made matching contributions to the plan of up to 3% of each eligible employee's wages. Contribution expense was \$54,204 and \$60,415 for the years ended August 31, 2019 and 2018, respectively.

NOTE 12 - 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.

	2019	2018
Equipment	\$ 19,860	\$ 19,860
Less accumulated amortization	(13,571)	(9,599)
Total	\$ 6,289	\$ 10,261

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:

	Principal Portion	Interest Portion	Image Charges	Gross Lease Payments
2020	\$ 4,887	\$ 1,084	\$ 3,140	\$ 9,111
2021	3,282	201	1,832	5,315
	\$ 8,169	\$ 1,285	\$ 4,972	\$ 14,426

UEC also leases a building at the Washington Park branch under an operating lease agreement that expires November 25, 2020. Future minimum operating lease payments are as follows:

For the year ended August 31,	
2020	\$ 12,000
2021	3,000
Total	\$ 15,000

Lease expense for the years ended August 31, 2019 and 2018 was \$15,100 and \$14,600, respectively.

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NOTE 13 - 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 \$330,516 and \$332,269 during the years ended August 31, 2019 and 2018, respectively, for expenses directly related to *Menomonee Valley - From the Ground Up*.

NOTE 14 – LIQUIDITY AND AVAILABILITY

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

Financial assets at year-end:	
Cash and cash equivalents	\$ 1,395,323
Long term restricted cash	833,729
Endowments	2,555,087
Accounts receivable	17,447
Contributions receivable, net	<u>3,492,984</u>
Total financial assets	8,294,570
Unavailable for general expenditures within one year	
Cash and cash equivalents with purpose restrictions	1,073,884
Endowments	2,555,087
Contributions receivable with time or purpose restrictions, net	<u>1,903,109</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 2,762,490</u>

UEC's goal is to maintain financial assets to meet at least 45 days of operating expenses (approximately \$600,000). As part of its liquidity management, UEC invests cash in excess of daily requirements in short-term investments, including certificates of deposits and money market funds. In the event of an unanticipated liquidity need, UEC could draw upon its \$250,000 line of credit. Additionally, funds set aside for board designation could be made available.