

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

CONSOLIDATED FINANCIAL STATEMENTS

AUGUST 31, 2022 AND 2021

URBAN ECOLOGY CENTER, INC. AND AFFILIATE
TABLE OF CONTENTS
AUGUST 31, 2022

	Page
INDEPENDENT AUDITOR'S REPORT	3 - 4
FINANCIAL STATEMENTS	
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION	5
CONSOLIDATED STATEMENTS OF ACTIVITIES	6 - 7
CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES	8 - 9
CONSOLIDATED STATEMENTS OF CASH FLOWS	10
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS	11 - 26



INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the 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, 2022 and 2021, 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.

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Urban Ecology Center, Inc. and affiliate as of August 31, 2022 and 2021, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Urban Ecology Center, Inc. and affiliate and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Urban Ecology Center, Inc. and affiliate's ability to continue as a going concern for one year after the date that the consolidated financial statements are issued.

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Urban Ecology Center, Inc. and affiliate's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Urban Ecology Center, Inc. and affiliate's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Scribner, Cohen and Company, S.C.

Milwaukee, Wisconsin
January 25, 2023

URBAN ECOLOGY CENTER, INC. AND AFFILIATE
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AUGUST 31, 2022 AND 2021

<u>ASSETS</u>	<u>2022</u>	<u>2021</u>
CURRENT ASSETS		
Cash and cash equivalents	\$ 2,449,385	\$ 3,092,419
Accounts receivable	36,367	864
Contributions receivable	61,000	903,900
Government grant receivable-employee retention credit	607,328	607,328
Inventory	2,754	4,182
Prepaid expenses	82,120	39,475
Total current assets	<u>3,238,954</u>	<u>4,648,168</u>
PROPERTY AND EQUIPMENT, NET	<u>7,264,871</u>	<u>7,293,649</u>
LONG-TERM ASSETS		
Cash and contributions receivable restricted for capital campaign	14,229,499	12,801,377
Building maintenance fund	613,567	610,041
Vehicle reserve fund	281,890	191,890
State unemployment reserve cash fund	50,285	50,260
Endowment funds-beneficial interest in assets held by GMF	6,725,590	7,645,878
Contributions receivable, net	7,000	10,000
Total long-term assets	<u>21,907,831</u>	<u>21,309,446</u>
TOTAL ASSETS	<u>\$ 32,411,656</u>	<u>\$ 33,251,263</u>
<u>LIABILITIES AND NET ASSETS</u>		
CURRENT LIABILITIES		
Accounts payable	\$ 84,063	\$ 27,984
Note payable-SBA paycheck protection program	-	693,500
Accrued payroll, benefits, and taxes withheld	140,740	127,181
Deferred revenue	76,198	105,806
Other	16,256	7,540
Total current liabilities	<u>317,257</u>	<u>962,011</u>
LONG-TERM LIABILITIES		
Other	<u>6,285</u>	<u>10,681</u>
TOTAL LIABILITIES	<u>323,542</u>	<u>972,692</u>
NET ASSETS		
Without donor restrictions	10,966,714	11,387,792
With donor restrictions	21,121,400	20,890,779
Total net assets	<u>32,088,114</u>	<u>32,278,571</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 32,411,656</u>	<u>\$ 33,251,263</u>

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

URBAN ECOLOGY CENTER, INC. AND AFFILIATE
CONSOLIDATED STATEMENTS OF ACTIVITIES
FOR THE YEAR ENDED AUGUST 31, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUES			
Contributions	\$ 1,528,970	\$ 2,884,068	\$ 4,413,038
In-kind contributions	114,095	-	114,095
Government grants	734,971	-	734,971
Program service fees	724,071	-	724,071
Fundraising events revenue, net of \$258,753 classified as contributions	34,000	-	34,000
Fundraising cost of direct benefit to donors	(29,272)	-	(29,272)
Investment income, net	218,474	-	218,474
Endowments-change in value of beneficial interest in assets held by GMF	(108,111)	(670,042)	(778,153)
Rental income	129,694	-	129,694
Other	29,682	-	29,682
	<u>3,376,574</u>	<u>2,214,026</u>	<u>5,590,600</u>
Net assets released from restrictions	1,983,405	(1,983,405)	-
Total support and revenues	<u>5,359,979</u>	<u>230,621</u>	<u>5,590,600</u>
EXPENSES			
Program services	4,115,289	-	4,115,289
Fundraising	836,722	-	836,722
General and administrative	829,046	-	829,046
Total expenses	<u>5,781,057</u>	<u>-</u>	<u>5,781,057</u>
CHANGE IN NET ASSETS	(421,078)	230,621	(190,457)
NET ASSETS - BEGINNING	<u>11,387,792</u>	<u>20,890,779</u>	<u>32,278,571</u>
NET ASSETS - ENDING	<u>\$ 10,966,714</u>	<u>\$ 21,121,400</u>	<u>\$ 32,088,114</u>

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

URBAN ECOLOGY CENTER, INC. AND AFFILIATE
CONSOLIDATED STATEMENTS OF ACTIVITIES (CONTINUED)
FOR THE YEAR ENDED AUGUST 31, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUES			
Contributions	\$ 1,629,530	\$ 16,553,894	\$ 18,183,424
In-kind contributions	275,151	-	275,151
Government grants	1,436,740	-	1,436,740
Program service fees	392,587	-	392,587
Fundraising events revenue, net of \$257,453 classified as contributions	29,000	-	29,000
Fundraising cost of direct benefit to donors	(28,698)	-	(28,698)
Investment income, net	14,819	-	14,819
Endowments-change in value of beneficial interest in assets held by GMF	219,160	977,050	1,196,210
Rental income	10,037	-	10,037
Other	156,708	-	156,708
	<u>4,135,034</u>	<u>17,530,944</u>	<u>21,665,978</u>
Net assets released from restrictions	<u>2,321,914</u>	<u>(2,321,914)</u>	<u>-</u>
Total support and revenues	<u>6,456,948</u>	<u>15,209,030</u>	<u>21,665,978</u>
EXPENSES			
Program services	3,571,281	-	3,571,281
Fundraising	904,094	-	904,094
General and administrative	632,013	-	632,013
Total expenses	<u>5,107,388</u>	<u>-</u>	<u>5,107,388</u>
CHANGE IN NET ASSETS	1,349,560	15,209,030	16,558,590
NET ASSETS - BEGINNING	<u>10,038,232</u>	<u>5,681,749</u>	<u>15,719,981</u>
NET ASSETS - ENDING	<u>\$ 11,387,792</u>	<u>\$ 20,890,779</u>	<u>\$ 32,278,571</u>

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

URBAN ECOLOGY CENTER, INC. AND AFFILIATE
CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED AUGUST 31, 2022

	Program Services	Fundraising	General and Administrative	Total
EXPENSES				
Program supplies and activities	\$ 196,375	\$ -	\$ -	\$ 196,375
Salaries and wages	2,354,766	503,552	475,430	3,333,748
Payroll tax	167,944	36,156	34,776	238,876
Employee benefits	446,906	118,507	92,647	658,060
Worker's compensation	33,944	707	707	35,358
Professional services	224,598	106,000	99,758	430,356
Commercial insurance	88,948	1,251	17,632	107,831
Office and administration	12,524	2,275	44,260	59,059
Building maintenance and supplies	90,306	3,205	3,205	96,716
Occupancy	71,765	1,224	1,224	74,213
Travel and auto	56,008	1,059	828	57,895
Technology	83,768	32,518	22,043	138,329
Marketing	25,387	42,367	8,580	76,334
Hospitality	1,569	768	5,815	8,152
Depreciation	260,481	16,405	22,141	299,027
TOTAL EXPENSES BY FUNCTION	4,115,289	865,994	829,046	5,810,329
Less expenses included with revenues on the statements of activities:				
Fundraising cost of direct benefit to donors	-	(29,272)	-	(29,272)
TOTAL EXPENSES INCLUDED IN THE EXPENSES SECTION ON THE STATEMENTS OF ACTIVITIES	\$ 4,115,289	\$ 836,722	\$ 829,046	\$ 5,781,057

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

URBAN ECOLOGY CENTER, INC. AND AFFILIATE
CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES (CONTINUED)
FOR THE YEAR ENDED AUGUST 31, 2021

	Program Services	Fundraising	General and Administrative	Total
EXPENSES				
Program supplies and activities	\$ 78,134	\$ -	\$ -	\$ 78,134
Salaries and wages	2,024,171	511,211	354,367	2,889,749
Payroll tax	148,975	34,201	19,029	202,205
Employee benefits	442,738	111,227	37,941	591,906
Worker's compensation	42,446	1,442	327	44,215
Professional services	225,740	181,863	88,427	496,030
Commercial insurance	56,776	808	26,572	84,156
Office and administration	38,445	9,039	25,828	73,312
Building maintenance and supplies	83,345	1,654	28,377	113,376
Occupancy	57,371	939	1,293	59,603
Travel and auto	28,401	45	421	28,867
Technology	54,141	28,357	21,390	103,888
Marketing	19,742	40,332	-	60,074
Hospitality	1,981	398	4,033	6,412
Depreciation	268,875	11,276	24,008	304,159
TOTAL EXPENSES BY FUNCTION	3,571,281	932,792	632,013	5,136,086
Less expenses included with revenues on the statements of activities:				
Fundraising cost of direct benefit to donors	-	(28,698)	-	(28,698)
TOTAL EXPENSES INCLUDED IN THE EXPENSES SECTION ON THE STATEMENTS OF ACTIVITIES	\$ 3,571,281	\$ 904,094	\$ 632,013	\$ 5,107,388

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, 2022 AND 2021**

	<u>2022</u>	<u>2021</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (190,457)	\$ 16,558,590
Adjustments to reconcile changes in net assets to net cash provided by/(used in) operating activities		
Depreciation	299,027	304,159
Property and equipment received in-kind	-	(190,043)
Change of discount on long-term receivables	-	(18,736)
Contributions restricted for capital campaign	(1,588,390)	(10,202,295)
Net realized and unrealized gain/(loss) on beneficial interest	778,153	(1,196,210)
Forgiveness of note payable-SBA paycheck protection program	(693,500)	(691,700)
Changes in assets and liabilities		
Accounts receivable	(35,503)	17,221
Contributions and grants receivable	845,900	501,719
Inventory	1,428	375
Prepaid expenses	(42,645)	1,304
Accounts payable	58,079	18,246
Payroll withholdings and taxes payable	13,559	(170,093)
Deferred revenue	(29,608)	19,765
Other liabilities	2,320	(4,251)
Net cash provided by/(used in) operating activities	<u>(581,637)</u>	<u>4,948,051</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(270,249)	(16,045)
Purchase of investments	-	(2,819,332)
Distributions from endowments	142,135	74,560
Net cash used in investing activities	<u>(128,114)</u>	<u>(2,760,817)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Collections of contributions restricted for capital campaign	3,172,181	34,000
Proceeds from note payable-SBA paycheck protection program	-	693,500
Net cash provided by financing activities	<u>3,172,181</u>	<u>727,500</u>
NET INCREASE IN CASH, CASH EQUIVALENTS AND RESTRICTED CASH	2,462,430	2,914,734
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH - BEGINNING	<u>6,577,692</u>	<u>3,662,958</u>
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH - ENDING	<u>\$ 9,040,122</u>	<u>\$ 6,577,692</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Interest paid	<u>\$ 1,093</u>	<u>\$ 8,164</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, 2022 AND 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

Urban Ecology Center, Inc. ("UEC") uses education and community building to restore and heal the 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.

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.

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. The governing board has designated, from net assets without donor restrictions, net assets for operating reserves and board-designated endowments.

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.

URBAN ECOLOGY CENTER, INC. AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
AUGUST 31, 2022 AND 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 8 and 9). Cash restricted for the capital campaign includes donor designated net assets (see Note 4).

The following table provides a reconciliation of cash, cash equivalents, and restricted cash reported within the statement of financial position to the sum of the corresponding amounts within the statements of cash flows:

	<u>2022</u>	<u>2021</u>
Cash and cash equivalents	\$ 2,449,385	\$ 3,092,419
Cash restricted for capital campaign	5,644,995	2,633,082
Building maintenance fund	613,567	610,041
Vehicle reserve fund	281,890	191,890
State unemployment reserve cash fund	50,285	50,260
Cash, cash equivalents, and restricted cash	<u>\$ 9,040,122</u>	<u>\$ 6,577,692</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, 2022 and 2021.

Contributions Receivable

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

URBAN ECOLOGY CENTER, INC. AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
AUGUST 31, 2022 AND 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contributions Receivable (Continued)

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 on August 31 of the year in which the pledge is received and range from 0.20% to 3.46%. Amortization of the discounts is included in contribution revenue with donor restrictions.

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.

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

Endowment Funds/Beneficial Interest in Assets Held by GMF

Endowment funds are held by the Greater Milwaukee Foundation (GMF) and are reported at fair value. Change in the beneficial interest is included in the statement of activities and includes realized and unrealized gains and losses, interest, and dividends net of expenses. The endowment fund activity is reported in net assets with or without donor restrictions based on donor designation, law or appropriations approved by the Board of Directors.

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.

URBAN ECOLOGY CENTER, INC. AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
AUGUST 31, 2022 AND 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue and Revenue Recognition

The Organizations have adopted Accounting Standards Update (ASU) No. 2014-09 - Revenue from Contracts with Customers (Topic 606), as amended, as management believes the standard improves the usefulness and understandability of the Organizations' financial reporting.

Because all performance obligations relate to contracts with a duration of less than one year, the organizations have elected to apply the optional exemption provided in FASB ASC 606-10-50-14(a) and, therefore, are not required to disclose the aggregate amount of the transaction price allocated to performance obligations that are unsatisfied or partially unsatisfied at the end of the reporting period. The Organizations rarely have unsatisfied or partially unsatisfied performance obligations at fiscal year-end as all contracted services have been completed at the end of the fiscal year.

The Organizations recognize revenue from program service fee when the performance obligations of providing the services are met. Gift shop sales are recognized at the time of purchase. Membership dues, which are nonrefundable, are considered to have an exchange element, so are recognized immediately as a contribution when received.

Special events revenue is comprised of an exchange element based upon the direct benefits donors receive and are a contribution element for the difference. The Organizations recognize special events revenue equal to the fair value of direct benefits to donors when the special event takes place. The contribution element of special event revenue is recognized immediately, unless there is a right of return if the special event does not take place.

Accounts Receivable and Contract Balances

Opening and closing balances for deferred revenue and accounts receivable arising from contracts with customers include:

	<u>08/31/22</u>	<u>08/31/21</u>	<u>08/31/20</u>
Deferred revenue	<u>\$ 76,198</u>	<u>\$ 105,806</u>	<u>\$ 86,041</u>
Accounts receivable	<u>\$ 36,367</u>	<u>\$ 864</u>	<u>\$ 18,085</u>

Contract assets arise when the Organizations transfer goods or services to a customer in advance of receiving consideration and the right to consideration is conditioned on something other than the passage of time. Contract assets are transferred to receivables when the right to receive consideration becomes unconditional and the Organizations are able to invoice the customer. Contract liabilities represent the Organizations' obligation to transfer goods or services to a customer when consideration has already been received from the customer. When transfer of control of the related goods or service occurs, contract liabilities are reclassified, and revenue is recognized. There were no contract assets at August 31, 2022, August 31, 2021, or August 31, 2020.

URBAN ECOLOGY CENTER, INC. AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
AUGUST 31, 2022 AND 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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, and are performed by people with those skills and would otherwise be purchased by the entity. Over 1,200 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

The Organizations report contributions restricted by donors as increases in net assets with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends, or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statements of activities as net assets released from restrictions. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as restricted revenue when received and released from restrictions when the assets are placed in service.

Government Grant Revenue

Government grants are recognized to the extent of expenses incurred. UEC has entered into certain contractual relationships with governmental agencies which provide, in part, for the potential audit and adjustment by the agencies of payments made to UEC. No governmental audits or proposed adjustments of payments are pending currently.

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.

URBAN ECOLOGY CENTER, INC. AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
AUGUST 31, 2022 AND 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 other than private foundations.

The Organizations file information returns in the U.S. federal jurisdiction and the state of Wisconsin. None of the filed information returns are currently under examination by the Internal Revenue Service. The U.S. federal information returns for fiscal year 2018 and prior have passed the statute of limitations for audit by the Internal Revenue Service.

Accounting Standards Update

Accounting Standards Update 2016-02, Leases (Topic 842) was issued to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the balance sheet and disclosing key information about leasing arrangements. This update will be effective for annual periods beginning after December 15, 2021.

Date of Management's Review

Management has evaluated subsequent events through January 25, 2023, the date which the financial statements were available to be issued. It has been determined that no subsequent events need to be disclosed.

Reclassification

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

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

The Organizations maintain cash accounts at various banks. 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 \$8,003,907 and \$5,553,076 at August 31, 2022 and 2021, respectively. The Organizations have never experienced any losses related to these balances.

URBAN ECOLOGY CENTER, INC. AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
AUGUST 31, 2022 AND 2021

NOTE 3 - CONTRIBUTIONS RECEIVABLE

Contributions receivables are due as follows:

Fiscal Year Ended August 31,	
2023	\$ 61,000
2024	2,472,000
2025	2,395,000
2026	1,168,261
2027	50,000
	<u>6,146,261</u>
Less: unamortized discount	<u>(119,478)</u>
Total	<u><u>\$ 6,026,783</u></u>

Contributions receivable appear as follows in the statements of financial position:

	<u>2022</u>	<u>2021</u>
Contributions receivable (current)	\$ 61,000	\$ 903,900
Contributions receivable, net (long-term)	7,000	10,000
Contributions receivable restricted for capital campaign	<u>8,584,504</u>	<u>10,168,295</u>
	<u><u>\$ 8,652,504</u></u>	<u><u>\$ 10,178,295</u></u>

NOTE 4 - CAPITAL CAMPAIGN

During fiscal year-end 2021, UEC embarked on a capital campaign named Imagine Campaign. Based on donor restrictions, UEC has classified as long-term certain cash and contributions receivable restricted to Imagine Campaign that are not available for use in its operations.

The following table provides a reconciliation of cash and contributions receivable restricted for use as of August 31, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Cash restricted for capital campaign	\$ 5,644,995	\$ 2,633,082
Contributions receivable restricted for capital campaign	<u>8,584,504</u>	<u>10,168,295</u>
	<u><u>\$ 14,229,499</u></u>	<u><u>\$ 12,801,377</u></u>

URBAN ECOLOGY CENTER, INC. AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
AUGUST 31, 2022 AND 2021

NOTE 5 - PROPERTY AND EQUIPMENT

Property and equipment consist of the following at August 31, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Land	\$ 2,308,234	\$ 2,308,234
Furniture and equipment	365,568	361,473
Vehicles	742,253	742,253
Building and improvements	6,999,290	6,973,422
Building materials	36,622	36,622
Land improvements	462,214	472,013
Asset in progress	244,106	3,820
Exhibits	74,979	74,979
Art	333,320	333,320
Software	66,415	66,415
	<u>11,633,001</u>	<u>11,372,551</u>
Less: accumulated depreciation	<u>(4,368,130)</u>	<u>(4,078,902)</u>
Property and equipment, net	<u>\$ 7,264,871</u>	<u>\$ 7,293,649</u>

Included in Asset in Progress as of August 31, 2022, are design and project management costs related to remodeling projects at the Riverland campus and Washington Park branch.

Depreciation expense for the years ended August 31, 2022 and 2021 was \$299,027 and \$304,159, respectively. Amortization of equipment under capital lease is included in depreciation expense.

NOTE 6 - ENDOWMENT FUNDS/BENEFICIAL INTEREST IN ASSETS HELD BY GMF

During the fiscal year ended 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 (GMF). Distributions from the Fund shall be made in accordance with the GMF's distribution policy and additional distributions may be made if recommended by a two-thirds majority vote of UEC's Board of Directors and approved by the GMF's Board of Directors.

URBAN ECOLOGY CENTER, INC. AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
AUGUST 31, 2022 AND 2021

NOTE 6 - ENDOWMENT FUNDS/BENEFICIAL INTEREST IN ASSETS HELD BY GMF (CONTINUED)

In December 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 GMF. Distributions from the Fund shall be made in accordance with the GMF's distribution policy and additional distributions may be made if recommended by a two-thirds majority vote of UEC's Board of Directors and approved by the GMF' Board of Directors.

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

During the fiscal year ended August 31, 2021, UEC received a contribution restricted by the donor to support and maintain Three Bridges Park. These funds were deposited into an endowment fund at the GMF and include both temporary and permanent donor restrictions. Distributions from the Fund shall be made in accordance with the GMF's distribution policy and additional distributions may be made if recommended by a two-thirds majority vote of UEC's Board of Directors and approved by the GMF's Board of Directors.

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.

URBAN ECOLOGY CENTER, INC. AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
AUGUST 31, 2022 AND 2021

NOTE 6 - ENDOWMENT FUNDS/BENEFICIAL INTEREST IN ASSETS HELD BY GMF (CONTINUED)

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.

GMF 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, the Prairie Springs - Paul Fleckenstein Charitable Trust Endowment Fund, and the Three Bridges Park Endowment Fund are component funds of GMF 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.

Management was unable to obtain a listing of the underlying investments in these accounts and is relying on the GMF to provide complete and accurate accounting. The market value of the investments as provided by GMF is as follows as of August 31:

	2022	2021
Urban Ecology Center Endowment Fund	\$ 458,630	\$ 529,922
Milwaukee Rotary Centennial Arboretum Endowment Fund	1,213,676	1,402,553
Prairie Springs - Paul Fleckenstein Charitable Trust Endowment Fund	2,892,042	3,213,955
Three Bridges Park Endowment Fund	2,161,242	2,499,448
Total	\$ 6,725,590	\$ 7,645,878

URBAN ECOLOGY CENTER, INC. AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
AUGUST 31, 2022 AND 2021

NOTE 6 - ENDOWMENT FUNDS/BENEFICIAL INTEREST IN ASSETS HELD BY GMF (CONTINUED)

Endowment fund activity for the year ended August 31, 2022 is as follows:

	Without donor restrictions - board designated	With donor restrictions - temporarily restricted	With donor restrictions - permanently restricted	Total
Beginning balance	\$ 1,043,637	\$ 4,009,241	\$ 2,593,000	\$ 7,645,878
Contributions	-	-	-	-
Investment management fees	(8,338)	(33,168)	-	(41,506)
Income, realized & unrealized gains, net	(99,773)	(636,873)	-	(736,646)
Distributions	(16,364)	(125,772)	-	(142,136)
Ending balance	<u>\$ 919,162</u>	<u>\$ 3,213,428</u>	<u>\$ 2,593,000</u>	<u>\$ 6,725,590</u>

Endowment fund activity for the year ended August 31, 2021 is as follows:

	Without donor restrictions - board designated	With donor restrictions - temporarily restricted	With donor restrictions - permanently restricted	Total
Beginning balance	\$ 829,445	\$ 875,451	\$ 2,000,000	\$ 3,704,896
Contributions	10,000	2,216,333	593,000	2,819,333
Investment management fees	(11,292)	(44,258)	-	(55,550)
Income, realized & unrealized gains, net	230,453	1,021,308	-	1,251,761
Distributions	(14,969)	(59,593)	-	(74,562)
Ending balance	<u>\$ 1,043,637</u>	<u>\$ 4,009,241</u>	<u>\$ 2,593,000</u>	<u>\$ 7,645,878</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, 2022 AND 2021

NOTE 7 - BANK LINE OF CREDIT

UEC has a \$250,000 demand line of credit at BMO Harris Bank, N.A. The line of credit bears interest at the one-month LIBOR rate plus 2.25%, which is payable monthly. As of August 31, 2022, the effective rate was 4.67%. 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, 2022 and 2021.

NOTE 8 - NET ASSETS WITH BOARD DESIGNATIONS

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

	<u>2022</u>	<u>2021</u>
UEC endowment fund	\$ 458,630	\$ 529,922
Arboretum preservation endowment fund	460,531	513,714
Vehicle reserve fund	248,480	158,390
Building maintenance fund	127,399	123,873
Total net assets with board designations	<u>\$ 1,295,040</u>	<u>\$ 1,325,899</u>

Endowment funds are further described in Note 6. Vehicle reserve funds and building maintenance funds are further described in Note 1.

NOTE 9 - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with temporary restrictions that consist of the following as of August 31:

	<u>2022</u>	<u>2021</u>
Program restrictions - next fiscal year	\$ 287,222	\$ 417,859
Capital campaign	14,468,667	12,801,377
Building maintenance fund	486,169	486,169
Vehicle reserve fund	33,500	33,500
Arboretum endowment	753,145	888,839
Three Bridges park endowment	2,068,241	2,406,448
Land development	39,424	49,642
Other time restrictions	392,032	1,213,945
Total temporarily restricted net assets	<u>\$ 18,528,400</u>	<u>\$ 18,297,779</u>

**URBAN ECOLOGY CENTER, INC. AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
AUGUST 31, 2022 AND 2021**

NOTE 9 - NET ASSETS WITH DONOR RESTRICTIONS (CONTINUED)

Net assets with permanent restrictions as of August 31, 2022 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, 2022 and 2021 were \$2,593,000 and \$2,593,000, respectively.

NOTE 10 - DONATED NONFINANCIAL ASSETS

The Organizations received the following contributions of nonfinancial assets for the year ended August 31:

	<u>2022</u>	<u>2021</u>
Auction items	\$ 27,595	\$ 29,375
Legal services - general and administrative	-	28,733
Legal services - program services	74,051	-
Information technology system	-	190,043
Equipment and supplies	12,449	27,000
	<u>\$ 114,095</u>	<u>\$ 275,151</u>

Materials donated and used for the auction at the Summer Solstice Event are recorded at their realized sale value.

Donated legal services received are reported using market rates provided by donating law firms. Services are related to environmental planning, legal, and other program planning.

Contributed equipment and supplies are utilized in the various programs as appropriate. 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 expenses on the consolidated statements of activities.

NOTE 11 - RETIREMENT PLAN

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 \$64,140 and \$65,429 for the years ended August 31, 2022 and 2021, respectively.

URBAN ECOLOGY CENTER, INC. AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
AUGUST 31, 2022 AND 2021

NOTE 12 - LEASE COMMITMENTS

Beginning December 20, 2019, UEC leased office equipment under a capital lease agreement ending December 20, 2024. 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.

	2022	2021
Equipment	\$ 21,052	\$ 21,052
Less: accumulated amortization	(10,344)	(6,331)
Total	\$ 10,708	\$ 14,721

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
2023	\$ 4,396	\$ 738	\$ 3,050	\$ 8,184
2024	4,782	352	3,050	8,184
2025	1,258	26	762	2,046
	\$ 10,436	\$ 1,116	\$ 6,862	\$ 18,414

UEC leases the Boathouse in Washington Park under an operating lease entered between UEC and Milwaukee County Department of Parks Recreation and Culture on November 25, 2013. The lease agreement was extended until May 25, 2022, under an option to purchase agreement for the Boathouse entered between UEC and Milwaukee County on November 18, 2020. The lease agreement and option to purchase was further extended to May 2024 through an agreement signed in April 2022. Operating lease payments are \$1,000 per month. As of August 31, 2022, future minimum operating lease payments are \$12,000 for fiscal year 2022-2023 and \$9,000 for fiscal year 2023-2024.

Lease expense for the years ended August 31, 2022 and 2021 was \$13,801 and \$12,300, respectively.

URBAN ECOLOGY CENTER, INC. AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
AUGUST 31, 2022 AND 2021

NOTE 13 - RELATED PARTIES

UEC/MVP Project Inc. was 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. dissolved during the year ended August 31, 2021.

UEC/MVP Project Inc. made grants to UEC totaling \$2,441,559 during the year ended August 31, 2021 for an endowment to maintain Three Bridges Park for expenses directly related to *Menomonee Valley - From the Ground Up*. Refer to Note 6 for further discussion.

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.

Current financial assets:

Cash and cash equivalents	\$ 2,449,385
Contributions receivable, short-term	61,000
Government grant receivable - employee retention credit	607,328
Accounts receivable	<u>36,367</u>
Total current financial assets	3,154,080
Less: donor restricted for specific purpose	<u>337,647</u>
Financial assets available for use	<u><u>\$ 2,816,433</u></u>

UEC's goal is to maintain financial assets to meet at least 45 days of operating expenses (approximately \$680,000). 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.

URBAN ECOLOGY CENTER, INC. AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
AUGUST 31, 2022 AND 2021

NOTE 15 - SBA LOANS AND EMPLOYEE RETENTION CREDIT

UEC received a loan in the amount of \$691,700 under the Paycheck Protection Program Draw 1 established by the Coronavirus Aid, Relief, and Economic Security (CARES) Act during the fiscal year ended August 31, 2020. The Paycheck Protection Program Draw 1 loan was forgiven during the fiscal year ended August 31, 2021 and recognized as government grant revenue at that time. UEC received a loan in the amount of \$693,500 under the Paycheck Protection Program Draw 2 established by the Economic Aid Act during the fiscal year ended August 31, 2021. The loan was forgiven during the fiscal year ended August 31, 2022 and is recognized as government grant revenue on the statement of activities.

The Consolidated Appropriations Act of 2021 enabled eligible employers to receive both Paycheck Protection Program loan proceeds and Employee Retention Credit proceeds. UEC received Paycheck Protection Program Draw 1 proceeds during the prior fiscal year ended August 31, 2020, and therefore qualifying for Employee Retention Credit proceeds was legislatively an impossibility as of August 31, 2020. The Consolidated Appropriations Act of 2021 allowed UEC to re-evaluate Employee Retention Credit for quarters in both 2020 and 2021. As such, UEC applied for Employee Retention Credit proceeds of \$607,328, in connection with payroll expenses incurred during the fiscal years ended August 31, 2021, and August 31, 2020. The full \$607,328 was recognized as government grant revenue on the statement of activities for the fiscal year ended August 31, 2021, and as a short-term government grant receivable on the statement of financial position as of August 31, 2022 and 2021.