

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

CONSOLIDATED FINANCIAL STATEMENTS

AUGUST 31, 2020

URBAN ECOLOGY CENTER, INC. AND AFFILIATE
TABLE OF CONTENTS
AUGUST 31, 2020

	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 - 23



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, 2020 and 2019, 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, 2020 and 2019, 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 No. 2018-08, Not-for-Profit Entities (Topic 958): *Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*, as of and for the year ended August 31, 2020. The ASU is effective for fiscal years beginning after December 15, 2018, with early adoption permitted. The Organizations' have adopted and applied the amendments to this ASU during the current fiscal year. The adoption of this ASU had no effect on financial statements the years ended August 31, 2020 and 2019.

Schubert, Cohen and Company, S.C.

Milwaukee, Wisconsin
January 25, 2021

URBAN ECOLOGY CENTER, INC. AND AFFILIATE
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AUGUST 31, 2020 AND 2019

<u>ASSETS</u>	<u>2020</u>	<u>2019</u>
CURRENT ASSETS		
Cash and cash equivalents	\$ 2,813,856	\$ 1,395,323
Accounts receivable	18,085	17,447
Contributions receivable	1,472,947	1,589,875
Inventory	4,557	5,025
Prepaid expenses	40,779	55,469
Total current assets	<u>4,350,224</u>	<u>3,063,139</u>
PROPERTY AND EQUIPMENT, NET	<u>7,391,720</u>	<u>7,605,317</u>
LONG-TERM ASSETS		
Building maintenance fund	610,795	607,537
Vehicle reserve fund	189,390	178,702
State unemployment reserve cash fund	48,917	47,490
Endowments-beneficial interest in assets held by GMF	3,704,896	2,555,087
Contributions receivable, net	531,264	1,903,109
Total long-term assets	<u>5,085,262</u>	<u>5,291,925</u>
TOTAL ASSETS	<u>\$ 16,827,206</u>	<u>\$ 15,960,381</u>
<u>LIABILITIES AND NET ASSETS</u>		
CURRENT LIABILITIES		
Accounts payable	\$ 12,188	\$ 13,294
Note payable-SBA paycheck protection program loan	691,700	-
Accrued payroll, benefits, and taxes withheld	297,274	224,355
Deferred revenue	86,041	68,784
Other current liabilities	5,395	6,499
Total current liabilities	<u>1,092,598</u>	<u>312,932</u>
LONG-TERM LIABILITIES		
Other long-term liabilities	<u>14,627</u>	<u>3,282</u>
TOTAL LIABILITIES	<u>1,107,225</u>	<u>316,214</u>
NET ASSETS		
Without donor restrictions	10,038,232	9,467,120
With donor restrictions	5,681,749	6,177,047
Total net assets	<u>15,719,981</u>	<u>15,644,167</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 16,827,206</u>	<u>\$ 15,960,381</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, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUES			
Contributions	\$ 1,654,117	\$ 2,511,078	\$ 4,165,195
Government grants	8,913	-	8,913
Program service fees	485,645	-	485,645
Fundraising events revenue, net of \$193,850 classified as contributions	24,987	-	24,987
Fundraising cost of direct benefit to donors	(13,020)	-	(13,020)
Investment income	17,429	-	17,429
Endowments-change in value of beneficial interest in assets held by GMF	37,868	82,858	120,726
Rental income	72,178	-	72,178
Other	10,032	-	10,032
	<u>2,298,149</u>	<u>2,593,936</u>	<u>4,892,085</u>
Net assets released from restrictions	<u>3,089,234</u>	<u>(3,089,234)</u>	<u>-</u>
Total support and revenues	<u>5,387,383</u>	<u>(495,298)</u>	<u>4,892,085</u>
EXPENSES			
Program services	3,657,502	-	3,657,502
Fundraising	615,207	-	615,207
General and administrative	543,562	-	543,562
Total expenses	<u>4,816,271</u>	<u>-</u>	<u>4,816,271</u>
CHANGE IN NET ASSETS	571,112	(495,298)	75,814
NET ASSETS - BEGINNING	<u>9,467,120</u>	<u>6,177,047</u>	<u>15,644,167</u>
NET ASSETS - ENDING	<u>\$ 10,038,232</u>	<u>\$ 5,681,749</u>	<u>\$ 15,719,981</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 cost of direct benefit to donors	(32,834)	-	(32,834)
Investment income, net	27,350	-	27,350
Endowments-change in value of beneficial interest in assets held by GMF	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 FUNCTIONAL EXPENSES
FOR THE YEAR ENDED AUGUST 31, 2020**

	Program Services	Fundraising	General and Administrative	Total
EXPENSES				
Program supplies and activities	\$ 108,512	\$ -	\$ -	\$ 108,512
Salaries and wages	2,160,962	360,154	328,703	2,849,819
Payroll tax	156,665	29,092	14,418	200,175
Employee benefits	413,693	77,552	58,588	549,833
Worker's compensation	54,088	1,127	1,127	56,342
Professional services	124,697	56,730	60,026	241,453
Commercial insurance	78,636	1,245	15,325	95,206
Office and administration	13,118	24,768	29,038	66,924
Building maintenance and supplies	90,499	2,421	2,536	95,456
Occupancy	75,404	1,407	1,407	78,218
Travel and auto	28,481	1,156	51	29,688
Technology	39,909	31,786	16,360	88,055
Marketing	17,116	28,813	4,453	50,382
Hospitality	8,261	2,968	3,451	14,680
Depreciation	287,461	9,008	8,079	304,548
TOTAL EXPENSE BY FUNCTION	3,657,502	628,227	543,562	4,829,291
Less expenses included with revenues on the statement of activities				
Fundraising cost of direct benefit to donors	-	(13,020)	-	(13,020)
TOTAL EXPENSES INCLUDED IN THE EXPENSE SECTION ON THE STATEMENT OF ACTIVITIES	<u>\$ 3,657,502</u>	<u>\$ 615,207</u>	<u>\$ 543,562</u>	<u>\$ 4,816,271</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	\$ 388,884	\$ -	\$ -	\$ 388,884
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	27,735	26,178	27,442	81,355
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	48,080	4,257	77,074
Hospitality	12,091	4,162	3,371	19,624
Depreciation	292,590	8,118	8,118	308,826
TOTAL EXPENSE BY FUNCTION	3,973,015	583,393	490,514	5,046,922
Less expenses included with revenues on the statement of activities				
Fundraising cost of direct benefit to donors	-	(32,834)	-	(32,834)
TOTAL EXPENSES INCLUDED IN THE EXPENSE SECTION ON THE STATEMENT OF ACTIVITIES	<u>\$ 3,973,015</u>	<u>\$ 550,559</u>	<u>\$ 490,514</u>	<u>\$ 5,014,088</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, 2020 AND 2019**

	<u>2020</u>	<u>2019</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 75,814	\$ 1,804,271
Adjustments to reconcile changes in net assets to net cash provided by/(used in) operating activities		
Depreciation	304,548	308,826
Loss on disposal of fixed assets	1,694	-
Change of discount on long-term receivables	(78,155)	43,720
Changes in assets and liabilities		
Accounts receivable	(638)	8,257
Contributions receivable	1,566,928	(1,956,880)
Inventory	468	2,972
Prepaid expenses	14,690	5,674
Accounts payable	(1,106)	(17,616)
Payroll withholdings and taxes payable	72,919	8,574
Deferred revenue	17,257	3,231
Other liabilities	(3,782)	(10,766)
Net cash provided by operating activities	<u>1,970,637</u>	<u>200,263</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(78,622)	(69,856)
Net change in endowments-beneficial interest in assets held by GMF	(1,149,809)	(137,506)
Net cash used in investing activities	<u>(1,228,431)</u>	<u>(207,362)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from note payable-SBA paycheck protection program loan	<u>691,700</u>	<u>-</u>
NET INCREASE/(DECREASE) IN CASH, CASH EQUIVALENTS AND RESTRICTED CASH	1,433,906	(7,099)
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH - BEGINNING	<u>2,229,052</u>	<u>2,236,151</u>
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH - ENDING	<u>\$ 3,662,958</u>	<u>\$ 2,229,052</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Interest paid	<u>\$ 1,560</u>	<u>\$ 1,887</u>
SUPPLEMENTAL DISCLOSURE OF NON-CASH INVESTING AND FINANCING ACTIVITIES		
During the current year the Organizations incurred a capital lease obligation for the use of office equipment in the amount of:	<u>\$ 21,052</u>	<u>\$ -</u>

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

URBAN ECOLOGY CENTER, INC. AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
AUGUST 31, 2020 AND 2019

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. 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, 2020 AND 2019

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 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:

	2020	2019
Cash and cash equivalents	\$ 2,813,856	\$ 1,395,323
Building maintenance fund	610,795	607,537
Vehicle reserve fund	189,390	178,702
State unemployment reserve cash fund	48,917	47,490
Cash, cash equivalents and restricted cash	\$ 3,662,958	\$ 2,229,052

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, 2020 and 2019.

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, 2020, which was 0.17% for short-term (1-3 years) and 0.41% for mid-term (3-9 years). Amortization of the discounts is included in contribution revenue with donor restrictions.

URBAN ECOLOGY CENTER, INC. AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
AUGUST 31, 2020 AND 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Endowment Funds/Beneficiary Assets Held by Greater Milwaukee Foundation

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.

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

Deferred Revenue

Deferred revenue for the years ended August 31, 2020 and 2019 includes program receipts for future fiscal years of \$86,041 and \$68,784, respectively. Nonrefundable annual membership dues are included in contribution revenue.

URBAN ECOLOGY CENTER, INC. AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
AUGUST 31, 2020 AND 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue and Revenue Recognition

We recognize revenue from sales of services 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 a contribution element for the difference. We recognize special events revenue equal to the fair value of direct benefits to donors when the special event takes place. We recognize the contribution element of special event revenue immediately, unless there is a right of return if the special event does not take place.

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 1,400 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

We 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.

URBAN ECOLOGY CENTER, INC. AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
AUGUST 31, 2020 AND 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 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 2016 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 25, 2021, 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.

Change in Accounting Policy

The Organization adopted the Financial Accounting Standards Board's Accounting Standards Update (ASU) No. 2018-08, Not-for-Profit Entities (Topic 958): *Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*, as of and for the year ended August 31, 2020. This update addresses the complexity of evaluating whether transactions such as grants and similar contracts with government agencies and others should be accounted for as exchange transactions or contributions. The ASU also assists entities in determining whether a contribution is conditional. The ASU is effective for fiscal years beginning after December 15, 2018, with early adoption permitted. The Organizations' have adopted and applied the amendments to this ASU during the current fiscal year. The adoption of this ASU had no effect on financial statements the years ended August 31, 2020 and 2019.

URBAN ECOLOGY CENTER, INC. AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
AUGUST 31, 2020 AND 2019

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 \$2,612,084 and \$1,189,741 at August 31, 2020 and 2019, respectively.

NOTE 3 - CONTRIBUTIONS RECEIVABLE

Contributions receivable are due as follows:

Fiscal Year Ended August 31,	2021	2022
	\$ 1,472,947	550,000
		<u>2,022,947</u>
Less: unamortized discount		<u>(18,736)</u>
Total		<u>\$ 2,004,211</u>

NOTE 4 - PROPERTY AND EQUIPMENT

Property and equipment consists of the following at August 31, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Land	\$ 2,308,234	\$ 2,308,234
Furniture and equipment	172,980	212,278
Vehicles	751,153	716,841
Building and improvements	6,973,422	6,973,422
Building materials	36,622	40,379
Land improvements	472,013	462,891
Asset in progress	-	6,102
Exhibits	85,724	85,724
Art	333,320	333,320
Software	66,415	47,102
	<u>11,199,883</u>	<u>11,186,293</u>
Less accumulated depreciation	<u>(3,808,163)</u>	<u>(3,580,976)</u>
Net property and equipment	<u>\$ 7,391,720</u>	<u>\$ 7,605,317</u>

Depreciation expense for the years ended August 31, 2020 and 2019 was \$304,548 and \$308,826, respectively. Amortization of equipment under capital lease is included in depreciation expense.

URBAN ECOLOGY CENTER, INC. AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
AUGUST 31, 2020 AND 2019

NOTE 5 - 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. 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.

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 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.

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 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.

URBAN ECOLOGY CENTER, INC. AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
AUGUST 31, 2020 AND 2019

NOTE 5 - ENDOWMENT FUNDS/BENEFICIAL INTEREST IN ASSETS HELD BY GMF (CONTINUED)

The Greater Milwaukee Foundation is an independent organization established for the purpose of managing funds which have been established to favor specific charitable agencies and institutions within the greater Milwaukee community. The Urban Ecology Center Endowment Fund, 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 \$423,090 and \$385,952 for the years ended August 31, 2020 and 2019, respectively. The market value of the investments as provided by the Greater Milwaukee Foundation for the Milwaukee Rotary Centennial Arboretum Endowment Fund was \$1,140,897 and \$1,126,272 for the year ended August 31, 2020 and 2019, respectively. The market value of the investments as provided by the Greater Milwaukee Foundation for the Anonymous Endowment Fund was \$2,140,909 and \$1,042,863 for the year ended August 31, 2020 and 2019, respectively. Endowment fund activity for the year ended August 31, 2020 is as follows:

	Without donor restrictions - board designated	With donor restrictions - temporarily restricted	With donor restrictions - permanently restricted	Total
Beginning balance	\$ 773,050	\$ 782,037	\$ 1,000,000	\$ 2,555,087
Contributions	30,816	50,000	1,000,000	1,080,816
Investment management fees	(9,960)	(27,754)	-	(37,714)
Income, realized & unrealized gains	47,829	110,612	-	158,441
Distributions	(12,290)	(39,444)	-	(51,734)
Ending balance	<u>\$ 829,445</u>	<u>\$ 875,451</u>	<u>\$ 2,000,000</u>	<u>\$ 3,704,896</u>

URBAN ECOLOGY CENTER, INC. AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
AUGUST 31, 2020 AND 2019

NOTE 5 - ENDOWMENT FUNDS/BENEFICIAL INTEREST IN ASSETS HELD BY GMF (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>

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

NOTE 6 - 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, 2020, the one-month LIBOR rate plus 2.25% was 2.41%. 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, 2020 and 2019.

NOTE 7 - 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, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
UEC endowment fund	\$ 423,090	\$ 385,952
Arboretum preservation endowment fund	406,355	387,097
Vehicle reserve fund	155,890	120,202
Building maintenance fund	<u>122,237</u>	<u>111,278</u>
Total net assets with board designations	<u>\$ 1,107,572</u>	<u>\$ 1,004,529</u>

URBAN ECOLOGY CENTER, INC. AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
AUGUST 31, 2020 AND 2019

NOTE 7 - NET ASSETS WITH BOARD DESIGNATIONS (CONTINUED)

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, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Purpose restricted - programs	\$ 829,781	\$ 845,251
Purpose restricted - land development	79,154	100,580
Time & purpose restricted - programs	538,414	374,904
Time restricted	1,712,342	3,301,553
Vehicle reserve fund	33,500	58,500
Building maintenance fund	<u>488,558</u>	<u>496,259</u>
Total temporarily restricted net assets	<u>\$ 3,681,749</u>	<u>\$ 5,177,047</u>

Net assets with permanent restrictions as of August 31, 2020 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, 2020 and 2019 were \$2,000,000 and \$1,000,000, respectively.

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 \$27,130 and \$38,825 for the years ended August 31, 2020 and 2019, respectively.

Total donated materials, property, and equipment of \$9,903 and \$20,593 are included in contribution revenue on the statement of activities for the years ended August 31, 2020 and 2019, 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 \$2,163 and \$1,035 during the years ended August 31, 2020 and 2019 that did not meet the recognition criteria.

URBAN ECOLOGY CENTER, INC. AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
AUGUST 31, 2020 AND 2019

NOTE 10 - DONATED SERVICES

The Organizations received donated environmental planning, information technology consulting, legal, and other professional services. During the years ended August 31, 2020 and 2019, donated services were valued at \$32,920 and \$43,210, 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>2020</u>	<u>2019</u>
Legal services – general and administrative	\$ 28,976	\$ 24,983
Legal services – program	3,944	16,777
Other professional services – program	-	1,450
Total donated services	<u>\$ 32,920</u>	<u>\$ 43,210</u>

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 \$64,342 and \$54,204 for the years ended August 31, 2020 and 2019, respectively.

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.

	<u>2020</u>	<u>2019</u>
Equipment	\$ 21,052	\$ 19,860
Less accumulated amortization	<u>(2,807)</u>	<u>(13,571)</u>
Total	<u>\$ 18,245</u>	<u>\$ 6,289</u>

URBAN ECOLOGY CENTER, INC. AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
AUGUST 31, 2020 AND 2019

NOTE 12 - LEASE COMMITMENTS (CONTINUED)

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

	<u>Principal Portion</u>	<u>Interest Portion</u>	<u>Image Charges</u>	<u>Gross Lease Payments</u>
2021	\$ 3,782	\$ 1,352	\$ 3,050	\$ 8,184
2022	4,100	1,034	3,050	8,184
2023	4,444	690	3,050	8,184
2024	4,817	316	3,050	8,183
2025	1,266	17	762	2,045
	<u>\$ 18,409</u>	<u>\$ 3,409</u>	<u>\$ 12,962</u>	<u>\$ 34,780</u>

UEC also leases a building at the Washington Park branch under an operating lease agreement that expires November 25, 2020. As of August 31, 2020, future minimum operating lease payments are \$3,000 through November 2020. Subsequent to year-end a new lease was signed which extends the lease term to May 25, 2022, and includes an option to purchase.

Lease expense for the years ended August 31, 2020 and 2019 was \$13,500 and \$15,100, respectively.

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 \$66,183 and \$330,516 during the years ended August 31, 2020 and 2019, 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:

URBAN ECOLOGY CENTER, INC. AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
AUGUST 31, 2020 AND 2019

NOTE 14 - LIQUIDITY AND AVAILABILITY (CONTINUED)

Financial assets at year-end:	
Cash and cash equivalents	\$ 2,813,856
Long term restricted cash	849,102
Endowments-beneficial interest in assets held by GMF	3,704,896
Accounts receivable	18,085
Contributions receivable, net	<u>2,004,211</u>
Total financial assets	9,390,150
Unavailable for general expenditures within one year	
Cash and cash equivalents with purpose restrictions	1,126,777
Endowments-beneficial interest in assets held by GMF	3,704,896
Contributions receivable with time or purpose restrictions, net	<u>531,264</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 4,027,213</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.

NOTE 15 - CORONAVIRUS (COVID-19) PANDEMIC AND SBA LOAN

The COVID-19 outbreak in the United States has caused business disruption through mandated and voluntary closing of operations. While the disruption is currently expected to be temporary, there is considerable uncertainty around the effects of the pandemic. Future potential impacts may include continued disruptions or restrictions on our employees' ability to work and impairment of our ability to obtain contributions and volunteers. The future effects of these issues are unknown, and the related financial impact and duration cannot be reasonably estimated at this time.

UEC received a loan in the amount of \$691,700 under the Paycheck Protection Program established by the Coronavirus Aid, Relief, and Economic Security (CARES) Act. The loan is subject to a note dated April 15, 2020 issued by BMO Harris Bank, NA. The loan and accrued interest are forgivable after a covered period (24-weeks) as long as the borrower uses the loan proceeds for eligible purposes. The unforgiven portion of the loan is payable over two years at an interest rate of 1%, with a deferral of payments for the first ten months. As of August 31, 2020 the loan has not been forgiven. The Organization believes that the used loan proceeds have met the conditions for the forgiveness of the loan. UEC will record the loan forgiveness upon being legally released from the loan obligation. Accordingly, the loan has been classified as a short-term liability on the statement of financial position and no interest expense has been accrued.