

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

**CONSOLIDATED FINANCIAL STATEMENTS**

**AUGUST 31, 2021**

**URBAN ECOLOGY CENTER, INC. AND AFFILIATE**  
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**AUGUST 31, 2021**

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## INDEPENDENT AUDITOR'S REPORT

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

### **Report on the Audit of the Financial Statements**

#### ***Opinion***

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, 2021 and 2020, 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, 2021 and 2020, 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 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.'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.'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.'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 26, 2022

**URBAN ECOLOGY CENTER, INC. AND AFFILIATE**  
**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**  
**AUGUST 31, 2021 AND 2020**

<u>ASSETS</u>	<u>2021</u>	<u>2020</u>
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 5,725,501	\$ 2,813,856
Accounts receivable	864	18,085
Contributions receivable	2,939,400	1,472,947
Government grant receivable-employee retention credit	607,328	-
Inventory	4,182	4,557
Prepaid expenses	39,475	40,779
Total current assets	<u>9,316,750</u>	<u>4,350,224</u>
<b>PROPERTY AND EQUIPMENT, NET</b>	<u>7,293,649</u>	<u>7,391,720</u>
<b>LONG-TERM ASSETS</b>		
Building maintenance fund	610,041	610,795
Vehicle reserve fund	191,890	189,390
State unemployment reserve cash fund	50,260	48,917
Endowment funds-beneficial interest in assets held by GMF	7,645,878	3,704,896
Contributions receivable, net	8,142,795	531,264
Total long-term assets	<u>16,640,864</u>	<u>5,085,262</u>
<b>TOTAL ASSETS</b>	<u>\$ 33,251,263</u>	<u>\$ 16,827,206</u>
<b><u>LIABILITIES AND NET ASSETS</u></b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 27,984	\$ 12,188
Note payable-SBA paycheck protection program loan	693,500	691,700
Accrued payroll, benefits, and taxes withheld	127,181	297,274
Deferred revenue	105,806	86,041
Other current liabilities	7,540	5,395
Total current liabilities	<u>962,011</u>	<u>1,092,598</u>
<b>LONG-TERM LIABILITIES</b>		
Other long-term liabilities	<u>10,681</u>	<u>14,627</u>
<b>TOTAL LIABILITIES</b>	<u>972,692</u>	<u>1,107,225</u>
<b>NET ASSETS</b>		
Without donor restrictions	11,387,792	10,038,232
With donor restrictions	20,890,779	5,681,749
Total net assets	<u>32,278,571</u>	<u>15,719,981</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 33,251,263</u>	<u>\$ 16,827,206</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, 2021**

	Without Donor Restrictions	With Donor Restrictions	Total
<b>SUPPORT AND REVENUES</b>			
Contributions	\$ 1,913,041	\$ 16,553,894	\$ 18,466,935
Government grants	1,436,740	-	1,436,740
Program service fees	392,587	-	392,587
Fundraising events revenue, net of \$265,813 classified as contributions	20,640	-	20,640
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	2,321,914	(2,321,914)	-
Total support and revenues	<u>6,456,948</u>	<u>15,209,030</u>	<u>21,665,978</u>
<b>EXPENSES</b>			
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>
<b>CHANGE IN NET ASSETS</b>	1,349,560	15,209,030	16,558,590
<b>NET ASSETS - BEGINNING</b>	<u>10,038,232</u>	<u>5,681,749</u>	<u>15,719,981</u>
<b>NET ASSETS - ENDING</b>	<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 STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED AUGUST 31, 2020**

	Without Donor Restrictions	With Donor Restrictions	Total
<b>SUPPORT AND REVENUES</b>			
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, net	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	3,089,234	(3,089,234)	-
Total support and revenues	<u>5,387,383</u>	<u>(495,298)</u>	<u>4,892,085</u>
<b>EXPENSES</b>			
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>
<b>CHANGE IN NET ASSETS</b>	571,112	(495,298)	75,814
<b>NET ASSETS - BEGINNING</b>	<u>9,467,120</u>	<u>6,177,047</u>	<u>15,644,167</u>
<b>NET ASSETS - ENDING</b>	<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 FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED AUGUST 31, 2021**

	Program Services	Fundraising	General and Administrative	Total
<b>EXPENSES</b>				
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
<b>TOTAL EXPENSE BY FUNCTION</b>	<b>3,571,281</b>	<b>932,792</b>	<b>632,013</b>	<b>5,136,086</b>
Less expenses included with revenues on the statement of activities:				
Fundraising cost of direct benefit to donors	-	(28,698)	-	(28,698)
<b>TOTAL EXPENSES INCLUDED IN THE EXPENSE SECTION ON THE STATEMENT OF ACTIVITIES</b>	<b>\$ 3,571,281</b>	<b>\$ 904,094</b>	<b>\$ 632,013</b>	<b>\$ 5,107,388</b>

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
<b>EXPENSES</b>				
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
<b>TOTAL EXPENSE BY FUNCTION</b>	<b>3,657,502</b>	<b>628,227</b>	<b>543,562</b>	<b>4,829,291</b>
Less expenses included with revenues on the statement of activities:				
Fundraising cost of direct benefit to donors	-	(13,020)	-	(13,020)
<b>TOTAL EXPENSES INCLUDED IN THE EXPENSE SECTION ON THE STATEMENT OF ACTIVITIES</b>	<b>\$ 3,657,502</b>	<b>\$ 615,207</b>	<b>\$ 543,562</b>	<b>\$ 4,816,271</b>

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, 2021 AND 2020**

	2021	2020
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 16,558,590	\$ 75,814
Adjustments to reconcile changes in net assets to net cash provided by/(used in) operating activities		
Depreciation	304,159	304,548
Loss on disposal of fixed assets	-	1,694
Property and equipment received in-kind	(190,043)	-
Change of discount on long-term receivables	138,969	(78,155)
Net realized and unrealized gain on beneficial interest	(1,196,210)	(120,727)
Forgiveness of note payable-SBA paycheck protection program loan	(691,700)	-
Changes in assets and liabilities		
Accounts receivable	17,221	(638)
Contributions and grants receivable	(9,824,281)	1,566,928
Inventory	375	468
Prepaid expenses	1,304	14,690
Accounts payable	18,246	(1,106)
Payroll withholdings and taxes payable	(170,093)	72,919
Deferred revenue	19,765	17,257
Other liabilities	(4,251)	(3,782)
Net cash provided by operating activities	<u>4,982,051</u>	<u>1,849,910</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of property and equipment	(16,045)	(78,622)
Purchase of investments	(2,819,332)	(1,080,816)
Distributions from endowments	74,560	51,734
Net cash used in investing activities	<u>(2,760,817)</u>	<u>(1,107,704)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from note payable-SBA paycheck protection program loan	<u>693,500</u>	<u>691,700</u>
<b>NET INCREASE IN CASH, CASH EQUIVALENTS AND RESTRICTED CASH</b>	2,914,734	1,433,906
<b>CASH, CASH EQUIVALENTS, AND RESTRICTED CASH - BEGINNING</b>	<u>3,662,958</u>	<u>2,229,052</u>
<b>CASH, CASH EQUIVALENTS, AND RESTRICTED CASH - ENDING</b>	<u>\$ 6,577,692</u>	<u>\$ 3,662,958</u>
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</b>		
Interest paid	<u>\$ 8,164</u>	<u>\$ 1,560</u>
<b>SUPPLEMENTAL DISCLOSURE OF NON-CASH INVESTING AND FINANCING ACTIVITIES</b>		
During the current year the Organizations incurred a capital lease obligation for the use of office equipment in the amount of:	<u>\$ -</u>	<u>\$ 21,052</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, 2021 AND 2020**

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**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, 2021 AND 2020**

**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:

	2021	2020
Cash and cash equivalents	\$ 5,725,501	\$ 2,813,856
Building maintenance fund	610,041	610,795
Vehicle reserve fund	191,890	189,390
State unemployment reserve cash fund	50,260	48,917
Cash, cash equivalents and restricted cash	<u>\$ 6,577,692</u>	<u>\$ 3,662,958</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, 2021 and 2020.

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, 2021, which includes rates ranging from 0.20% to 0.77% for two and five years, respectively. 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, 2021 AND 2020**

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

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.

Deferred Revenue

Deferred revenue for the years ended August 31, 2021 and 2020 includes program receipts for future fiscal years of \$105,806 and \$86,041, respectively. Nonrefundable annual membership dues are included in contribution revenue.

**URBAN ECOLOGY CENTER, INC. AND AFFILIATE**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**AUGUST 31, 2021 AND 2020**

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

Revenue and Revenue Recognition

The Organizations 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. The Organizations 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, 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

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. 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.

**URBAN ECOLOGY CENTER, INC. AND AFFILIATE**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**AUGUST 31, 2021 AND 2020**

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**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 2017 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 26, 2022, the date which the financial statements were available to be issued. It has been determined that no subsequent events need to be disclosed.

Change in Accounting Policy

There have been no changes to accounting policies during the fiscal year ended August 31, 2021.

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. 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 \$5,553,076 and \$2,612,084 at August 31, 2021 and 2020, respectively.

**URBAN ECOLOGY CENTER, INC. AND AFFILIATE**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**AUGUST 31, 2021 AND 2020**

**NOTE 3 - CONTRIBUTIONS RECEIVABLE**

Contributions receivable are due as follows:

Fiscal Year Ended August 31,		
	2022	\$ 2,939,400
	2023	2,095,500
	2024	2,052,500
	2025	2,052,500
	2026	2,050,000
	2027	<u>50,000</u>
		11,239,900
Less: unamortized discount		<u>(157,705)</u>
Total		<u><u>\$11,082,195</u></u>

**NOTE 4 - PROPERTY AND EQUIPMENT**

Property and equipment consists of the following at August 31, 2021 and 2020:

	2021	2020
Land	\$ 2,308,234	\$ 2,308,234
Furniture and equipment	361,473	172,980
Vehicles	742,253	751,153
Building and improvements	6,973,422	6,973,422
Building materials	36,622	36,622
Land improvements	472,013	472,013
Asset in progress	3,820	-
Exhibits	74,979	85,724
Art	333,320	333,320
Software	<u>66,415</u>	<u>66,415</u>
	11,372,551	11,199,883
Less: accumulated depreciation	<u>(4,078,902)</u>	<u>(3,808,163)</u>
Net property and equipment	<u><u>\$ 7,293,649</u></u>	<u><u>\$ 7,391,720</u></u>

Depreciation expense for the years ended August 31, 2021 and 2020 was \$304,159 and \$304,548, respectively. Amortization of equipment under capital lease is included in depreciation expense.



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**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.

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 Greater Milwaukee Foundation and include both temporary and permanent donor restrictions. Distributions from the Fund shall be made in accordance with the Greater Milwaukee Foundation's distribution policy and additional distributions may be made if recommended by a two-thirds majority vote of the UEC's Board of Directors and approved by the Foundation's Board of Directors.

The 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.

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**NOTE 5 - 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.

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, the Anonymous Endowment Fund, and the Three Bridges Park Endowment Fund are component funds of the Greater Milwaukee Foundation and are subject to the provisions contained within the agreements signed at the inception of each endowment fund. One of the provisions in these agreements, the variance power, concerns the power to vary some of the terms of the agreements:

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

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 \$529,922 and \$423,090 for the years ended August 31, 2021 and 2020, respectively. The market value of the investments as provided by the Greater Milwaukee Foundation for the Milwaukee Rotary Centennial Arboretum Endowment Fund was \$1,402,553 and \$1,140,897 for the years ended August 31, 2021 and 2020, respectively. The market value of the investments as provided by the Greater Milwaukee Foundation for the Anonymous Endowment Fund was \$3,213,955 and \$2,140,909 for the years ended August 31, 2021 and 2020, respectively. The market value of the investments as provided by the Greater Milwaukee Foundation for the Three Bridges Park Endowment Fund was \$2,499,448 for the year ended August 31, 2021. Refer to Note 13 for further discussion about the related party contribution from UEC/MVP Project Inc. that funded the Three Bridges Park Endowment.

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

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>

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, net	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>

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

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**NOTE 6 - BANK LINE OF CREDIT**

UEC has a \$250,000 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, 2021, the one-month LIBOR rate plus 2.25% was 2.34%. 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, 2021 and 2020.

**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, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
UEC endowment fund	\$ 529,922	\$ 423,090
Arboretum preservation endowment fund	513,714	406,355
Vehicle reserve fund	158,390	155,890
Building maintenance fund	<u>123,873</u>	<u>122,237</u>
Total net assets with board designations	<u>\$ 1,325,899</u>	<u>\$ 1,107,572</u>

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

**NOTE 8 - NET ASSETS WITH DONOR RESTRICTIONS**

Net assets with temporary restrictions that consist of the following as of August 31, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Program restrictions - next fiscal year	\$ 417,859	\$ 633,651
Capital campaign	12,801,377	-
Building maintenance fund	486,169	488,558
Vehicle reserve fund	33,500	33,500
Arboretum endowment	888,839	734,543
Three Bridges park endowment	2,406,448	-
Land development	49,642	79,154
Other time restrictions	<u>1,213,955</u>	<u>1,712,342</u>
Total temporarily restricted net assets	<u>\$ 18,297,789</u>	<u>\$ 3,681,748</u>

Net assets with permanent restrictions as of August 31, 2021 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, 2021 and 2020 were \$2,593,000 and \$2,000,000, respectively.

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**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 \$29,375 and \$27,130 for the years ended August 31, 2021 and 2020, respectively.

Total donated materials, property, and equipment of \$246,418 and \$9,903 are included in contribution revenue on the statement of activities for the years ended August 31, 2021 and 2020, 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 \$0 and \$2,163 during the years ended August 31, 2021 and 2020, respectively, that did not meet the recognition criteria.

**NOTE 10 - DONATED SERVICES**

The Organizations received donated environmental planning, information technology consulting, legal, and other professional services. During the years ended August 31, 2021 and 2020, donated services were valued at \$28,733 and \$32,920, respectively. Donated services are included in contributions with a corresponding asset or expense charged to program, fundraising and general and administrative expense as follows:

	2021	2020
Legal services - general and administrative	\$ 28,733	\$ 28,976
Legal services - program	-	3,944
Total donated services	\$ 28,733	\$ 32,920

**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 \$65,429 and \$64,342 for the years ended August 31, 2021 and 2020, respectively.

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**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.

	2021	2020
Equipment	\$ 21,052	\$ 21,052
Less: accumulated amortization	(6,331)	(2,807)
Total	\$ 14,721	\$ 18,245

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
2022	\$ 4,040	\$ 1,094	\$ 3,050	\$ 8,184
2023	4,396	738	3,050	8,184
2024	4,782	352	3,050	8,184
2025	1,258	26	762	2,046
	\$ 14,476	\$ 2,210	\$ 9,912	\$ 26,598

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. UEC may end the operating lease prior to May 2022 by exercising its option to purchase the Boathouse, or by allowing its option to purchase to expire in November 2021. Operating lease payments are \$1,000 per month. As of August 31, 2021, future minimum operating lease payments are \$10,000 through May 2022.

Lease expense for the years ended August 31, 2021 and 2020 was \$12,300 and \$13,500, respectively.

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**NOTE 13 - RELATED PARTIES**

UEC/MVP Project Inc. is a separate Section 501(c)(3) nonprofit organization formed in partnership between UEC and Menomonee Valley Partners, Inc. to implement a joint effort called "*Menomonee Valley - From the Ground Up*". Part of this effort was to build the third branch for the Urban Ecology Center, Inc. The Executive Director of UEC serves as a member of the Board of Directors of UEC/MVP Project Inc. UEC/MVP Project Inc. 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 and \$66,183 during the year ended August 31, 2020 for expenses directly related to *Menomonee Valley - From the Ground Up*. Refer to Note 5 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	\$ 5,725,501
Contributions receivable, short-term	2,939,400
Government grant receivable-employee retention credit	607,328
Accounts receivable	<u>864</u>
Total current financial assets	9,273,093
Donor restricted for specific purpose	<u>5,115,683</u>
Financial assets available for use	<u><u>\$ 4,157,410</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.

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**NOTE 15 - CORONAVIRUS (COVID-19) PANDEMIC, SBA LOANS AND EMPLOYEE RETENTION CREDIT**

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 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 therefore recognized as government grant revenue. 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 is subject to a note dated March 31, 2021, issued by BMO Harris Bank, NA. The loan and accrued interest are forgivable after a covered period (up to 24 weeks) as long as the borrower uses the loan proceeds for eligible purposes. The unforgiven portion of the loan is payable over five years at an interest rate of 1% with a deferral of payments for the first ten months. As of August 31, 2021, 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 as government grant revenue 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.

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 expects to receive Employee Retention Credit proceeds of \$607,328 during the fiscal year ending August 31, 2022, 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, 2021.