

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

**CONSOLIDATED FINANCIAL STATEMENTS
AND INDEPENDENT AUDIT REPORT**

AUGUST 31, 2018

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying consolidated financial statements of Urban Ecology Center, Inc. (a nonprofit organization) and Affiliate, which comprise the consolidated statements of financial position as of August 31, 2018 and 2017, and the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the 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, 2018 and 2017, 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 16 to the financial statements, August 31, 2017 financial statements have been restated to correct a prior period error. Our opinion is not modified with respect to this matter.

Report on Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The schedules of consolidated functional expenses are presented for the purpose of additional analysis and are not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Scrubner, Cohen and Company, L.P.

Milwaukee, Wisconsin
December 17, 2018

URBAN ECOLOGY CENTER, INC. AND AFFILIATE
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AUGUST 31, 2018 AND 2017

<u>ASSETS</u>	<u>2018</u>	<u>(Restated) 2017</u>
CURRENT ASSETS		
Cash and cash equivalents	\$ 1,442,576	\$ 1,245,249
Receivables		
Accounts receivable	21,804	23,644
Accrued interest receivable	3,900	1,315
Government grants receivable	10,950	15,120
Grants receivable	556,475	513,700
Unconditional promises to give	120,570	877,500
Inventory	7,997	-
Prepaid expenses	61,143	62,222
Total current assets	<u>2,225,415</u>	<u>2,738,750</u>
PROPERTY AND EQUIPMENT, NET	<u>7,844,287</u>	<u>8,147,446</u>
LONG-TERM ASSETS		
Building maintenance fund	653,163	677,583
Vehicle reserve fund	96,988	51,988
State unemployment reserve cash fund	43,424	42,879
Endowments	2,417,581	1,142,658
Receivables		
Grants receivable, net	777,464	66,289
Unconditional promises to give, net	114,365	122,941
Total long-term assets	<u>4,102,985</u>	<u>2,104,338</u>
TOTAL ASSETS	<u>\$ 14,172,687</u>	<u>\$ 12,990,534</u>

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

URBAN ECOLOGY CENTER, INC. AND AFFILIATE
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AUGUST 31, 2018 AND 2017

<u>LIABILITIES AND NET ASSETS</u>	<u>2018</u>	<u>(Restated) 2017</u>
CURRENT LIABILITIES		
Accounts payable	\$ 30,910	\$ 44,691
Accrued payroll and benefits	199,749	192,316
Payroll withholdings and taxes payable	16,032	18,130
Deferred revenue	65,553	42,475
Grants payable	-	175,000
Funds held on behalf of others	8,294	6,909
Other current liabilities	4,084	3,414
Total current liabilities	<u>324,622</u>	<u>482,935</u>
LONG-TERM LIABILITIES		
Line of credit	-	275,000
Other long-term liabilities	8,169	12,253
Total long-term liabilities	<u>8,169</u>	<u>287,253</u>
TOTAL LIABILITIES	<u>332,791</u>	<u>770,188</u>
NET ASSETS		
Unrestricted	8,724,868	8,457,838
Unrestricted - board designated	837,006	647,622
Total unrestricted	<u>9,561,874</u>	<u>9,105,460</u>
Temporarily restricted	3,278,022	3,114,886
Permanently restricted	1,000,000	-
Total net assets	<u>13,839,896</u>	<u>12,220,346</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 14,172,687</u>	<u>\$ 12,990,534</u>

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

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

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
SUPPORT AND REVENUES				
Contributions	\$ 1,346,050	\$ 291,494	\$ -	\$ 1,637,544
Grants	186,738	2,387,737	1,000,000	3,574,475
Government grants	45,490	7,900	-	53,390
Program service fees	844,649	-	-	844,649
Fundraising events revenue, net of \$227,040 classified as contributions	55,744	-	-	55,744
Fundraising events expense	(36,971)	-	-	(36,971)
Investment income	26,394	-	-	26,394
Endowment return	51,292	68,970	-	120,262
Rental income	146,743	-	-	146,743
Other	29,701	-	-	29,701
	<u>2,695,830</u>	<u>2,756,101</u>	<u>1,000,000</u>	<u>6,451,931</u>
Net assets released from restrictions	2,592,965	(2,592,965)	-	-
Total support and revenues	<u>5,288,795</u>	<u>163,136</u>	<u>1,000,000</u>	<u>6,451,931</u>
EXPENSES				
Program services	3,861,707	-	-	3,861,707
Fundraising	515,980	-	-	515,980
General and administrative	454,694	-	-	454,694
Total expenses	<u>4,832,381</u>	<u>-</u>	<u>-</u>	<u>4,832,381</u>
CHANGE IN NET ASSETS	456,414	163,136	1,000,000	1,619,550
NET ASSETS - BEGINNING	<u>9,105,460</u>	<u>3,114,886</u>	<u>-</u>	<u>12,220,346</u>
NET ASSETS - ENDING	<u>\$ 9,561,874</u>	<u>\$ 3,278,022</u>	<u>\$ 1,000,000</u>	<u>\$ 13,839,896</u>

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

URBAN ECOLOGY CENTER, INC. AND AFFILIATE
CONSOLIDATED STATEMENT OF ACTIVITIES (RESTATED)
FOR THE YEAR ENDED AUGUST 31, 2017

	Unrestricted	Temporarily Restricted	Total
SUPPORT AND REVENUES			
Contributions	\$ 1,227,736	\$ 229,223	\$ 1,456,959
Grants	244,166	1,468,709	1,712,875
Government grants	37,955	-	37,955
Program service fees	614,673	-	614,673
Fundraising events revenue, net of \$209,225 classified as contributions	51,220	-	51,220
Fundraising events expense	(37,439)	-	(37,439)
Investment income	5,914	-	5,914
Endowment return	52,023	66,898	118,921
Gain on disposal of fixed assets	2,820	-	2,820
Rental income	138,473	-	138,473
Other	11,963	-	11,963
	<u>2,349,504</u>	<u>1,764,830</u>	<u>4,114,334</u>
Net assets released from restrictions	2,592,301	(2,592,301)	-
Total support and revenues	<u>4,941,805</u>	<u>(827,471)</u>	<u>4,114,334</u>
EXPENSES			
Program services	3,949,306	-	3,949,306
Fundraising	505,562	-	505,562
General and administrative	523,969	-	523,969
Total expenses	<u>4,978,837</u>	<u>-</u>	<u>4,978,837</u>
CHANGE IN NET ASSETS	(37,032)	(827,471)	(864,503)
NET ASSETS - BEGINNING	<u>9,142,492</u>	<u>3,942,357</u>	<u>13,084,849</u>
NET ASSETS - ENDING	<u>\$ 9,105,460</u>	<u>\$ 3,114,886</u>	<u>\$ 12,220,346</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, 2018 AND 2017**

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 1,619,550	\$ (864,503)
Adjustments to reconcile changes in net assets to net cash provided by/(used in) operating activities		
Depreciation	312,957	338,166
Discount on long-term receivables	44,901	(28,088)
Non-cash contribution of property and equipment	-	(6,600)
Realized gain on disposal of fixed assets	-	(2,820)
Bad debt	4,685	-
Changes in assets and liabilities		
Accounts receivable	(2,845)	6,884
Accrued interest receivable	(2,585)	(1,177)
Grants receivable	(800,275)	734,500
Government grants receivable	4,170	(11,602)
Unconditional promises to give	766,930	683,500
Inventory	(7,997)	-
Prepaid expenses	1,079	13,109
State unemployment reserve cash fund	(545)	(80)
Accounts payable	(13,781)	36,435
Accrued payroll and benefits	7,433	4,126
Payroll withholdings and taxes payable	(2,098)	9,368
Deferred revenue	23,078	2,770
Grants payable	(175,000)	175,000
Funds held on behalf of others	1,385	1,337
Net cash provided by operating activities	<u>1,781,042</u>	<u>1,090,325</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of fixed assets	-	3,222
Purchase of property and equipment	(9,798)	(219,150)
Net change in building maintenance fund	24,420	3,592
Net change in vehicle reserve fund	(45,000)	51,700
Net change in endowment fund	(1,274,923)	(462,098)
Net cash used in investing activities	<u>(1,305,301)</u>	<u>(622,734)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on line of credit	(275,000)	(525,000)
Payments on capital lease payable	(3,414)	(2,853)
Net cash used in financing activities	<u>(278,414)</u>	<u>(527,853)</u>
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	197,327	(60,262)
CASH AND CASH EQUIVALENTS - BEGINNING	<u>1,245,249</u>	<u>1,305,511</u>
CASH AND CASH EQUIVALENTS - ENDING	<u>\$ 1,442,576</u>	<u>\$ 1,245,249</u>

(Continued)

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

**URBAN ECOLOGY CENTER, INC. AND AFFILIATE
CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)
FOR THE YEARS ENDED AUGUST 31, 2018 AND 2017**

	<u>2018</u>	<u>2017</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Interest paid	<u>\$ 6,256</u>	<u>\$ 18,819</u>
SUPPLEMENTAL DISCLOSURE OF NON-CASH INVESTING AND FINANCING ACTIVITIES		
During the current year, the Organizations capitalized donated services which had a fair value on the date of the contribution in the amount of:	<u>\$ -</u>	<u>\$ 6,600</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, 2018 AND 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

Urban Ecology Center, Inc. (“UEC”) is a not-for-profit corporation that educates and inspires people to understand and value nature as motivation for positive change, neighborhood by neighborhood.

The accompanying consolidated financial statements include the accounts of UEC and UEC Land Corp, collectively known as the “Organizations”. UEC Land Corp was created in December 2013 to receive, hold and manage land, supporting UEC’s activities.

UEC’s environmental community centers:

- provide outdoor science education for urban youth;
- protect and use public natural areas, making them safe, accessible and vibrant;
- preserve and enhance these natural areas and their surrounding waters;
- promote community by offering resources that support learning, volunteerism, stewardship, recreation and camaraderie; and
- practice and model environmentally responsible behaviors.

UEC’s major program is the school program, the Neighborhood Environmental Education Project (NEEP), which serves over 60 urban neighborhood schools with high quality science programs. UEC partners with schools to provide 22 half-day field experiences annually, which provide hands-on science and environmental education programs designed to complement the schools’ science curricula and connect students to the natural sanctuaries of Riverside, Washington and Three Bridges Parks, and develop relationships with UEC’s teaching staff and volunteers throughout their K-12 career.

Outside of the school day and on weekends, UEC offers programs for all ages, including adventure programming (canoeing, kayaking, snowshoeing, rock climbing, skiing, biking), after-school programs, evening and weekend community programs, and festivals. The Community Science program has turned once crime-ridden parks into field research sites for community members and local colleges and universities. Community-based land restoration activities connect people to the land and help steward native habitat in the heart of the city. A robust volunteer program matches more than 4,700 volunteers to UEC activities. Altogether, nearly 125,000 youth and adult visits occur annually.

Five major capital and planning projects occurred in the year ended August 31, 2018: 1) With generous donor support, UEC grew its endowment reserves; 2) the Milwaukee Rotary Centennial Arboretum trail system was completed with the construction of a ramp from the Oak Leaf Trail to North Avenue, in partnership with Milwaukee County; 3) UEC completed the expansion of the school program at the Menomonee Valley branch, increasing the number of schools served at the branch from 11 to 22;

URBAN ECOLOGY CENTER, INC. AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
AUGUST 31, 2018 AND 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Nature of Operations (Continued)

4) UEC continued planning for the long-term future of the Washington Park branch, working with Milwaukee County, the community and park stakeholders; and 5) UEC began the master plan visioning process for the Riverland property at the Riverside Park branch.

Basis of Accounting

The accrual basis of accounting is used wherein revenues and expenses are reflected in the period earned or incurred.

Basis of Presentation

The consolidated financial statements of UEC and UEC Land Corp. have been presented in accordance with FASB ASC 958-205. Under FASB ASC 958-205, the Organizations are required to report information regarding its financial position and activities according to classes of net assets as follows:

Unrestricted net assets - Unrestricted net assets include unrestricted resources available for the Organizations' operations. Unrestricted net assets also include resources expendable for acquisition of fixed assets for the Organizations.

Temporarily and permanently restricted net assets - Temporarily and permanently restricted net assets include resources which are restricted by the donor. Restrictions are satisfied either by the passage of time or by actions of the Organizations.

Cash and Cash Equivalents

For purposes of the consolidated statement of cash flows, the Organizations consider all highly liquid investments available for current use with an initial maturity of twelve months or less to be cash equivalents. Certain funds that are restricted for long-term purposes are reported as long-term assets on the statements of financial position.

Restricted cash is being held for use in maintaining the Organizations' facilities and the purchase of program vehicles. 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 Note 9), and accordingly, are not included in total cash and cash equivalents for the statement of cash flow purposes.

URBAN ECOLOGY CENTER, INC. AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
AUGUST 31, 2018 AND 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Accounts Receivable

Accounts receivable that are deemed uncollectible are written off to bad debt expense. Receivables are generally due within 30 days. Since the direct charge-off method is used, no allowance for uncollectible accounts is deemed necessary. Management feels that the direct charge-off method does not result in a material difference from the allowance method. Bad debt expense was \$4,685 for the fiscal year ended August 31, 2018. There was no bad debt expense for the fiscal year ended August 31, 2017.

Grants Receivable and Unconditional Promises to Give

Grants receivable and unconditional promises to give include grant and pledge amounts due from private sources for operations, grounds and facility enhancements and for use in the Organizations' programs.

Grants receivable and unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Grants receivable and unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using the risk-free interest rate applicable at August 31, 2018, which was 2.42% for short-term and 2.80% for mid-term. Amortization of the discounts is included in temporarily restricted contribution revenue.

Investments/Endowment Fund

Endowment investments are held at Greater Milwaukee Foundation and are reported at fair value, with realized and unrealized gains and losses included in the statement of activities.

The Organizations follow FASB ASC 820, which clarifies how organizations are required to use a fair value measure for recognition and disclosure by establishing a common definition of fair value, creating a framework for measuring fair value and expanding disclosures about fair value measurements. FASB ASC 820 establishes a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value. These tiers include Level 1, defined as observable inputs such as quoted market prices in active markets; Level 2, defined as inputs other than quoted market prices in active markets that are either directly or indirectly observable; and Level 3, defined as unobservable inputs in which little or no market data exists, therefore requiring an entity to develop its own assumptions.

Property and Equipment

All individual acquisitions of property and equipment in excess of \$5,000 and all expenditures for repairs, maintenance, renewals and betterments that materially prolong the useful lives of assets are capitalized. Property and equipment are carried at cost or, if donated, at the approximate fair value at the date of donation.

URBAN ECOLOGY CENTER, INC. AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
AUGUST 31, 2018 AND 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property and Equipment (Continued)

Property and equipment are depreciated using the straight-line method over the following useful lives:

	<u>Years</u>
Furniture and equipment	5
Vehicles	5
Building and building improvements	5 - 39
Land improvements	15 - 20
Software	3 - 5
Exhibits	7

Deferred Revenue

Deferred revenue for the years ended August 31, 2018 and 2017 includes program receipts for future fiscal years of \$65,553 and \$42,475, respectively. Nonrefundable annual membership dues are included in contribution revenue.

Donated Materials

Items donated and used by the Organizations are recorded at their estimated fair market value. The Organizations also receive donated materials which are used for fundraising events. Items donated and used for fundraising are recorded at their realized value if sold at auction or estimated fair market value if used in another capacity.

Donated Services

Donated services are recognized as contributions in accordance with FASB ASC 958-605 if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills and would otherwise be purchased by the entity. Over 4,700 unpaid volunteers have made significant contributions of their time in the furtherance of the Organizations' projects. The value of these donated services is not reflected in the accompanying financial statements since the recognition criteria under FASB ASC 958-605 were not met.

Contributions

Contributions are recorded as unrestricted, temporarily restricted or permanently restricted, depending on the existence and/or nature of any donor or time restrictions. All contributions designated for a specific purpose by a donor are recorded as temporarily restricted for the specified program. When a donor restriction expires, that is, when a stipulated time restriction ends or a purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the consolidated statements of activities as net assets released from restrictions.

URBAN ECOLOGY CENTER, INC. AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
AUGUST 31, 2018 AND 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Government Grant Revenue

Government grants are recognized to the extent of expenses incurred. Government grants are considered exchange transactions and are reported as unrestricted. Included in current grants receivable was \$10,950 and \$15,120 of exchange transactions receivable as of August 31, 2018 and 2017, respectively.

Allocation of Functional Expenses

Functional expenses are charged to each program based on direct expenditures incurred. Any expenditures not directly chargeable are allocated to the programs based on related staff time or square footage.

Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

Income Taxes

The Organizations are exempt organizations for income tax purposes under Section 501(c)(3) of the Internal Revenue Code and are, therefore, generally exempt from federal and state income taxes. The Organizations are classified as organizations that are not private foundations.

The Organizations file information returns in the U.S. federal jurisdiction and the state of Wisconsin. None of UEC's filed information returns are currently under examination by the Internal Revenue Service. The U.S. federal information returns for fiscal year 2014 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 December 17, 2018, the date which the financial statements were available to be issued. It has been determined that no subsequent events need to be disclosed.

Reclassifications

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

URBAN ECOLOGY CENTER, INC. AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
AUGUST 31, 2018 AND 2017

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

The Organizations maintain cash accounts at various banks. Interest-bearing accounts at each institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. The uninsured portion, without regard to outstanding checks and deposits in transit, was \$1,030,997 and \$963,484 at August 31, 2018 and 2017, respectively.

NOTE 3 - GRANTS RECEIVABLE AND UNCONDITIONAL PROMISES TO GIVE

Grants receivable and unconditional promises to give are due as follows:

Fiscal Year Ended August 31,			
	2019	\$	677,045
	2020		505,000
	2021		<u>440,000</u>
			1,622,045
Less: unamortized discount			<u>(53,171)</u>
Total			<u>\$ 1,568,874</u>

NOTE 4 - PROPERTY AND EQUIPMENT

Property and equipment consists of the following at August 31, 2018 and 2017:

	2018	2017
Land	\$ 2,308,234	\$ 2,308,234
Furniture and equipment	218,057	232,057
Vehicles	716,841	716,841
Building and improvements	6,929,472	6,929,472
Building materials	40,379	40,379
Land improvements	443,087	433,289
Exhibits	85,724	85,724
Art	333,320	333,320
Software	<u>47,102</u>	<u>47,102</u>
	11,122,216	11,126,418
Less accumulated depreciation	<u>(3,277,929)</u>	<u>(2,978,972)</u>
Net property and equipment	<u>\$ 7,844,287</u>	<u>\$ 8,147,446</u>

URBAN ECOLOGY CENTER, INC. AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
AUGUST 31, 2018 AND 2017

NOTE 4 - PROPERTY AND EQUIPMENT (CONTINUED)

Depreciation and amortization expense for the years ended August 31, 2018 and 2017 was \$312,957 and \$338,166, respectively. Amortization of equipment under capital lease is included in depreciation and amortization.

Land

Estimated environmental remediation costs accrued in a prior year were decreased during the year ended August 31, 2017, resulting in a decrease to the cost basis of the land in the amount of \$1,903.

NOTE 5 - ENDOWMENT FUNDS

The Board of Directors of UEC has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA), as adopted by the Wisconsin state legislature, as requiring UEC to preserve the fair value of the donor's original gift, as of the date of the gift, absent explicit donor stipulations to the contrary. As a result of this interpretation, UEC classifies as permanently restricted net assets (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 restricted 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 permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by UEC in a manner consistent with the standard of prudence prescribed by UPMIFA.

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

As of August 31, 2008, UEC designated unrestricted net assets into a general endowment fund to support the mission of the Organizations. Since that amount resulted from an internal designation and is not donor-restricted, it is classified and reported as unrestricted board-designated net assets. The endowment fund is maintained by the Greater Milwaukee Foundation. Distributions from the Fund shall be made in accordance with the Greater Milwaukee Foundation's distribution policy and additional distributions may be made if recommended by a two-thirds majority vote of the UEC's Board of Directors and approved by the Foundation's Board of Directors.

As of December 14, 2015, UEC designated net assets into an endowment fund to support the preservation and maintenance of the Milwaukee Rotary Centennial Arboretum. This endowment fund includes both donor restricted funds and board designated funds which are included in temporarily

URBAN ECOLOGY CENTER, INC. AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
AUGUST 31, 2018 AND 2017

NOTE 5 - ENDOWMENT FUNDS (CONTINUED)

restricted net assets and unrestricted board-designated net assets, respectively. The endowment fund is maintained by the Greater Milwaukee Foundation. Distributions from the Fund shall be made in accordance with the Greater Milwaukee Foundation's distribution policy and additional distributions may be made if recommended by a two-thirds majority vote of the UEC's Board of Directors and approved by the Foundation's Board of Directors.

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

The Greater Milwaukee Foundation is an independent organization established for the purpose of managing funds which have been established to favor specific charitable agencies and institutions within the greater Milwaukee community. The Urban Ecology Center Endowment Fund, the Milwaukee Rotary Centennial Arboretum Preservation Fund, and the Anonymous Endowment are component funds of the Greater Milwaukee Foundation and are subject to the provisions contained within the agreements signed at the inception of each endowment fund. One of the provisions in these agreements, the variance power, concerns the power to vary some of the terms of the agreements:

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

The net investment activity of the endowment funds is considered to be unrealized gains or losses on investments and are reported in the statements of activities as such.

Management was unable to obtain a listing of the underlying investments in these accounts and is relying on the Greater Milwaukee Foundation to provide complete and accurate accounting. The market value of the investments as provided by the Greater Milwaukee Foundation for the Urban Ecology Center Endowment Fund was \$282,896 and \$147,837 for the years ended August 31, 2018 and 2017, respectively. The market value of the investments as provided by the Greater Milwaukee Foundation for the Milwaukee Rotary Centennial Arboretum endowment fund was \$1,123,354 and \$994,821 for the year ended August 31, 2018 and 2017, respectively. The market value of the investments as provided by the Greater Milwaukee Foundation for the Anonymous endowment fund established during the fiscal year ending August 31, 2018 was \$1,011,331.

URBAN ECOLOGY CENTER, INC. AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
AUGUST 31, 2018 AND 2017

NOTE 5 - ENDOWMENT FUNDS (CONTINUED)

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

	Unrestricted board- designated	Temporarily restricted	Permanently restricted	Total
Beginning balance	\$ 500,196	\$ 642,462	\$ -	\$ 1,142,658
Contributions	113,474	75,000	1,000,000	1,188,474
Investment management fees	(6,675)	(9,490)	-	(16,165)
Income, realized & unrealized gains	57,967	78,460	-	136,427
Distributions	-	(33,813)	-	(33,813)
Ending balance	<u>\$ 664,962</u>	<u>\$ 752,619</u>	<u>\$ 1,000,000</u>	<u>\$ 2,417,581</u>

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

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

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

URBAN ECOLOGY CENTER, INC. AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
AUGUST 31, 2018 AND 2017

NOTE 6 - GRANT PAYABLE

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

NOTE 7 - FUNDS HELD ON BEHALF OF OTHERS

UEC currently acts in the capacity of an agent on behalf of two not-for-profit organizations: Washington Park Neighbors and Healthy Communities Project. Contributions received are reported as a current liability, net of disbursements, made on behalf of the organizations. Funds held on behalf of others totaled \$8,294 and \$6,909 for the years ended August 31, 2018 and 2017.

NOTE 8 - BANK LINES OF CREDIT

UEC obtained a \$2,000,000 line of credit with BMO Harris Bank N.A. on December 19, 2013 with a maturity date of December 19, 2018. The line of credit bears interest at the one-month LIBOR rate plus 2.25%, which is payable monthly. As of August 31, 2018, the one-month LIBOR rate plus 2.25% was 4.33%. The line of credit is secured with all pledges received in the "Park Place" campaign as well as all other qualified pledges receivable.

The line of credit includes covenants regarding reporting, unrestricted net assets by the Organizations of at least \$6,815,604, and minimum liquidity of \$800,000. All covenants were met for the years ended August 31, 2018 and 2017.

There was no outstanding balance on this line of credit as of the fiscal year ended August 31, 2018. The outstanding balance on the line of credit as of the fiscal year ended August 31, 2017 was \$275,000. As of August 31, 2018, UEC can no longer draw on this 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, 2018, the one-month LIBOR rate plus 2.25% was 4.33%. 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, 2018 and 2017.

URBAN ECOLOGY CENTER, INC. AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
AUGUST 31, 2018 AND 2017

NOTE 9 - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consist of the following as of August 31, 2018 and 2017:

	2018	(Restated) 2017
Purpose restricted - programs	\$ 890,543	\$ 960,678
Purpose restricted - land development	167,805	-
Time & purpose restricted - programs	158,405	276,733
Time & purpose restricted - land development	-	232,258
Time restricted	1,483,160	1,063,072
Vehicle reserve fund (see Note 1)	25,000	-
Building maintenance fund (see Note 1)	553,109	582,145
	<u>\$ 3,278,022</u>	<u>\$ 3,114,886</u>
Total temporarily restricted net assets		

Due to a correction of an error the temporarily restricted net assets for the year ended August 31, 2017 have been restated (see note 16).

NOTE 10 - PERMANENTLY RESTRICTED NET ASSETS

Permanently restricted net assets as of August 31, 2018 consist of donor restricted net assets that are restricted for a permanent endowment for the benefit of UEC. Permanently restricted net assets for the fiscal year ending August 31, 2018 were \$1,000,000. There were no permanently restricted net assets for the year ending August 31, 2017.

NOTE 11 - DONATED MATERIALS

Materials donated and used for the auction at the Summer Solstice Event are recorded at their realized sale value and are included in contribution revenue on the statements of activities. The realized sale value of donated materials sold at the Summer Solstice Event's auction was \$30,900 and \$29,325 for the years ended August 31, 2018 and 2017, respectively.

Total donated materials, property, and equipment of \$38,585 and \$21,309 are included in contribution revenue on the statement of activities for the years ended August 31, 2018 and 2017, 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.

URBAN ECOLOGY CENTER, INC. AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
AUGUST 31, 2018 AND 2017

NOTE 11 - DONATED MATERIALS (CONTINUED)

The Organizations only record donated items that are used in operations. The Organizations received donated materials of \$9,785 and \$2,928 during the years ended August 31, 2018 and 2017 that did not meet the recognition criteria.

NOTE 12 - DONATED SERVICES

The Organizations received donated environmental planning, information technology consulting, legal, and other professional services. During the years ended August 31, 2018 and 2017, donated services were valued at \$22,584 and \$59,661, respectively. Donated services are included in contributions with a corresponding asset or expense charged to program, fundraising and general and administrative expense as follows:

	2018	2017
Legal services – general and administrative	\$ 11,878	\$ 47,502
Legal services – program	5,606	-
Other professional services – capitalized	-	6,600
Other professional services – general and administrative	-	1,200
Other professional services – fundraising	200	1,484
Other professional services – program	4,900	2,875
Total donated services	\$ 22,584	\$ 59,661

NOTE 13 - RETIREMENT PLAN

UEC had a Simple IRA plan prior to January 1, 2017 and made matching contributions to the plan for each eligible employee for up to 3% of the calendar year employee's wages. During the year ended August 31, 2017 UEC adopted a 403(b) plan, effective January 1, 2017 and made matching contributions to the plan of up to 3% of each eligible employee's wages. Contribution expense was \$60,415 and \$58,845 for the years ended August 31, 2018 and 2017, respectively.

URBAN ECOLOGY CENTER, INC. AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
AUGUST 31, 2018 AND 2017

NOTE 14 - LEASE COMMITMENTS

Beginning in April 2016, UEC leased office equipment under a capital lease agreement ending April 20, 2021. The assets and liabilities under capital leases are recorded at the lower of the present value of the minimum lease payments or the fair value of the assets.

	2018	2017
Equipment	\$ 19,860	\$ 19,860
Less accumulated amortization	(9,599)	(5,627)
Total	\$ 10,261	\$ 14,233

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
2019	\$ 4,084	\$ 1,887	\$ 3,140	\$ 9,111
2020	4,887	1,084	3,140	9,111
2021	3,282	201	1,832	5,315
	\$ 12,253	\$ 3,172	\$ 8,112	\$ 23,537

UEC also leases a building at the Washington Park branch under an operating lease agreement that expires November 25, 2019. Future minimum operating lease payments are as follows:

For the year ended August 31,	
2019	\$ 12,000
2020	3,000
Total	\$ 15,000

Lease expense for the years ended August 31, 2018 and 2017 was \$14,601 and \$15,302, respectively.

URBAN ECOLOGY CENTER, INC. AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
AUGUST 31, 2018 AND 2017

NOTE 15 - RELATED PARTIES

UEC/MVP Project Inc. is a separate Section 501(c)(3) nonprofit organization formed in partnership between UEC and Menomonee Valley Partners, Inc. to implement a joint effort called "*Menomonee Valley - From the Ground Up*". Part of this effort was to build the third branch for the Urban Ecology Center, Inc. The Executive Director of UEC serves as a member of the Board of Directors of UEC/MVP Project Inc.

UEC/MVP Project Inc. made grants to UEC totaling \$332,269 and \$544,402 during the years ended August 31, 2018 and 2017, respectively, for expenses directly related to *Menomonee Valley - From the Ground Up*.

NOTE 16 – PRIOR PERIOD ADJUSTMENT

The beginning unrestricted net assets and temporarily restricted net assets as well as the net assets released from restrictions for the year ended August 31, 2017 have been restated to correct a prior period error related to an overstatement of temporarily restricted net assets. The adjustment decreased beginning temporarily restricted net assets and increased beginning unrestricted net assets by \$93,994. Additionally, the net asset released from restrictions was decreased by \$607 and temporarily restricted investment income in the amount of \$2,101 was reclassified as unrestricted investment income. This resulted in a decrease in ending temporarily restricted net assets and an increase in ending unrestricted net assets of \$95,438. There was no change to the total net assets and there was no net effect on the consolidated statements of activities as a result of this correction.

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

SUPPLEMENTARY SCHEDULES

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

	Program Services	Fundraising	General and Administrative	Total
EXPENSES				
Program supplies and activities	\$ 239,497	\$ -	\$ -	\$ 239,497
Riverland project	48,837	5,138	4,019	57,994
Wages	2,061,606	327,217	264,056	2,652,879
Payroll tax	153,120	24,773	19,801	197,694
Employee benefits	418,863	78,701	53,698	551,262
Professional development	6,318	1,627	607	8,552
Worker's compensation	70,443	2,694	2,587	75,724
Professional services	50,312	-	24,931	75,243
Hospitality	15,243	4,715	5,824	25,782
General	14,544	17,981	25,072	57,597
Insurance	103,075	1,647	23,722	128,444
Office	5,304	854	697	6,855
Internship fees	23,945	-	-	23,945
Building maintenance and supplies	123,326	3,359	3,359	130,044
Rent	14,601	-	-	14,601
Utilities	47,330	1,406	1,251	49,987
Technology	54,351	17,376	9,766	81,493
Marketing	30,336	8,600	5,068	44,004
Postage and shipping	4,355	5,929	4	10,288
Travel and auto	40,933	1,160	98	42,191
Equipment	32,391	-	-	32,391
Interest	6,256	-	-	6,256
Depreciation	296,721	8,118	8,118	312,957
Miscellaneous	-	4,685	2,016	6,701
TOTAL EXPENSES	\$ 3,861,707	\$ 515,980	\$ 454,694	\$ 4,832,381

See independent auditor's report.

URBAN ECOLOGY CENTER, INC. AND AFFILIATE
SUPPLEMENTARY SCHEDULE OF CONSOLIDATED FUNCTIONAL EXPENSES
FOR THE YEAR ENDED AUGUST 31, 2017

	Program Services	Fundraising	General and Administrative	Total
EXPENSES				
Program supplies and activities	\$ 211,387	\$ -	\$ 1,178	\$ 212,565
Riverland project	21,432	-	5,692	27,124
Wages	1,971,532	329,143	292,482	2,593,157
Payroll tax	148,944	24,951	22,139	196,034
Employee benefits	394,531	70,864	57,041	522,436
Professional development	18,927	4,324	2,961	26,212
Worker's compensation	57,921	9,887	9,419	77,227
Professional services	137,771	-	52,975	190,746
Hospitality	12,550	2,281	1,651	16,482
General	15,985	12,551	25,525	54,061
Insurance	90,320	1,578	20,716	112,614
Office	5,636	790	707	7,133
Internship fees	24,414	-	-	24,414
Building maintenance and supplies	87,237	2,762	2,762	92,761
Rent	15,301	-	-	15,301
Utilities	48,899	1,680	1,680	52,259
Technology	46,344	16,017	9,251	71,612
Marketing	51,023	9,572	8,937	69,532
Postage and shipping	4,052	10,963	415	15,430
Travel and auto	31,613	118	78	31,809
Equipment	37,664	-	-	37,664
Grants to others	175,000	-	-	175,000
Interest	18,819	-	-	18,819
Depreciation	322,004	8,081	8,081	338,166
Miscellaneous	-	-	279	279
TOTAL EXPENSES	\$ 3,949,306	\$ 505,562	\$ 523,969	\$ 4,978,837

See independent auditor's report.