

CENTER FOR RESILIENT CITIES, INC.

**CONSOLIDATED FINANCIAL STATEMENTS
WITH CONSOLIDATING INFORMATION**

December 31, 2018 and 2017

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Center for Resilient Cities, Inc.
Madison, Wisconsin

We have audited the accompanying financial statements of Center for Resilient Cities, Inc., which comprise the consolidated statements of financial position as of December 31, 2018 and 2017, the related consolidated statements of activities and cash flows for the years then ended, and the related consolidated statement of functional expenses for the year ended December 31, 2018, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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 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 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 financial statements.

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 financial statements referred to above present fairly, in all material respects, the financial position of Center for Resilient Cities, Inc. as of December 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.

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Adoption of New Accounting Pronouncement

As discussed in Note 1 to the financial statements, Center for Resilient Cities, Inc. adopted the Financial Accounting Standards Board's Accounting Standards Update (ASU) No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*, as of and for the year ended December 31, 2018. The requirements of the ASU have been applied retrospectively to all periods presented. Our opinion is not modified with respect to this matter.

Report on Consolidating Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The consolidating schedules of financial position and activities are presented for purposes of additional analysis of the financial statements rather than to present the financial position and changes in net assets of the individual entities, and they are not a required part of the 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 financial statements. The consolidating information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the consolidating information is fairly stated in all material respects in relation to the financial statements as a whole.

Wegner CPAs LLP

Wegner CPAs, LLP
Madison, Wisconsin
March 7, 2019

CENTER FOR RESILIENT CITIES, INC.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
December 31, 2018 and 2017

	2018	2017
ASSETS		
Cash	\$ 202,054	\$ 226,686
Prepaid expenses	3,414	1,391
Accounts receivable	61,461	9,991
Unconditional promises to give	-	273,921
Cash held in escrow	99,000	141,900
Note receivable	4,956,000	4,956,000
Property and equipment, net	7,549,477	7,673,413
Intangible assets, net	486	8,556
Beneficial interest in assets held by Madison Community Foundation	117,019	123,879
Land held in trust	88,200	88,200
Total assets	\$ 13,077,111	\$ 13,503,937
LIABILITIES		
Accounts payable	\$ 42,962	\$ 28,485
Accrued interest	583,896	515,021
Deferred revenue	5,758	-
Lines of credit	1,500,000	1,500,000
Notes payable	7,365,340	7,373,659
Total liabilities	9,497,956	9,417,165
NET ASSETS		
Without donor restrictions	3,487,083	3,476,318
With donor restrictions	92,072	610,454
Total net assets	3,579,155	4,086,772
Total liabilities and net assets	\$ 13,077,111	\$ 13,503,937

See accompanying notes.

CENTER FOR RESILIENT CITIES, INC.
CONSOLIDATED STATEMENTS OF ACTIVITIES
Years Ended December 31, 2018 and 2017

	2018	2017
CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS		
REVENUE		
Contributions	\$ 394,745	\$ 138,445
Rent and other income	74,238	74,245
Interest income	50,147	49,778
Change in value of beneficial interest in assets held by Madison Community Foundation	(2,461)	18,536
Total revenue without donor restrictions	516,669	281,004
EXPENSES		
Personnel	199,387	237,642
Professional services	79,409	104,768
Interest and financing	243,064	245,719
Facilities and equipment	199,903	195,762
Donations	240,933	-
Property development and management	18,015	20,673
Insurance	20,249	19,382
Office and operations	26,990	42,216
Travel and meetings	1,057	3,317
Public relations	1,032	867
Other	3,367	2,745
Total expenses before depreciation and amortization	1,033,406	873,091
Depreciation and amortization	132,006	129,109
Total expenses	1,165,412	1,002,200
NET ASSETS RELEASED FROM RESTRICTIONS		
Satisfaction of program restrictions	659,508	496,731
Change in net assets without donor restrictions	10,765	(224,465)
CHANGES IN NET ASSETS WITH DONOR RESTRICTIONS		
Contributions	141,126	439,182
Loss on uncollectible promise to give	-	(129,000)
Net assets released from restrictions	(659,508)	(496,731)
Change in net assets with donor restrictions	(518,382)	(186,549)
Change in net assets	(507,617)	(411,014)
Net assets at beginning of the year	4,086,772	4,497,786
Net assets at end of year	<u>\$ 3,579,155</u>	<u>\$ 4,086,772</u>

See accompanying notes.

CENTER FOR RESILIENT CITIES, INC.
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended December 31, 2018

	Program Services			Supporting Activities		Total Expenses	
	RRC Programming	Food Program	GJP	Other Programs	Management and General		Fundraising
Personnel	\$ 68,950	\$ 52,240	\$ -	\$ 3,997	\$ 64,606	\$ 9,594	\$ 199,387
Professional services	1,996	35,822	-	9,479	32,013	99	79,409
Interest and financing	233,341	1,686	-	129	7,456	452	243,064
Facilities and equipment	174,209	148	-	7,507	16,939	1,100	199,903
Donations	26,347	-	214,586	-	-	-	240,933
Property development and management	15,755	-	-	1,604	639	17	18,015
Insurance	15,119	2,394	-	183	2,291	262	20,249
Office and operations	9,233	2,760	-	11,087	3,567	343	26,990
Travel and meetings	418	-	-	366	238	35	1,057
Public relations	419	-	-	338	240	35	1,032
Other	128	-	-	1,065	2,101	73	3,367
Total expenses before depreciation and amortization	545,915	95,050	214,586	35,755	130,090	12,010	1,033,406
Depreciation and amortization	126,726	-	-	-	5,144	136	132,006
Total expenses	\$ 672,641	\$ 95,050	\$ 214,586	\$ 35,755	\$ 135,234	\$ 12,146	\$ 1,165,412

See accompanying notes.

CENTER FOR RESILIENT CITIES, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
Years Ended December 31, 2018 and 2017

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (507,617)	\$ (411,014)
Adjustments to reconcile change in net assets to net cash flows from operating activities		
Depreciation and amortization	132,006	129,109
Change in value of beneficial interest in assets held by Madison Community Foundation	2,461	(18,535)
Change in assets and liabilities		
Prepaid expenses	(2,023)	(857)
Accounts receivable	(51,470)	(9,190)
Unconditional promises to give	59,335	221,408
Accounts payable	14,477	(4)
Accrued interest	68,875	68,875
Deferred revenue	5,758	(5,451)
Net cash flows from operating activities	(278,198)	(25,659)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	-	(37,841)
Deposits to escrow	42,900	42,900
Distributions from beneficial interest in assets held by Madison Community Foundation	4,399	4,100
Net cash flows from investing activities	47,299	9,159
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from lines of credit	50,000	50,194
Payments of lines of credit	(50,000)	(50,194)
Payments of notes payable	(8,319)	(5,416)
Proceeds from contributions restricted for project development	214,586	50,000
Net cash flows from financing activities	206,267	44,584
Net change in cash	(24,632)	28,084
Cash at beginning of year	226,686	198,602
Cash at end of year	<u>\$ 202,054</u>	<u>\$ 226,686</u>
SUPPLEMENTAL INFORMATION		
Cash paid for interest, net of capitalized amount	\$ 121,906	\$ 128,261

See accompanying notes.

CENTER FOR RESILIENT CITIES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2018 and 2017

Center for Resilient Cities, Inc. (Center) began operations in February 1996 as a non-stock, not-for-profit organization and was incorporated in May 1996 under the name Urban Open Space Foundation, Inc. In November 2007, the organization changed its name to Center for Resilient Cities, Inc. The Center builds robust and thriving urban communities that are healthy, just, economically viable and environmentally sound. Johnsons Park Development, LLC was formed in 2007 to develop three parcels of land, known as the Johnsons Park Initiative, in the Lindsay Heights neighborhood of Milwaukee, Wisconsin. These parcels, Alice's Garden, Brown Street Academy Schoolyard, and Johnsons Park, create 19 acres of high-quality, resilient, green space in Milwaukee's central city. Badger Resilience Research Center, LLC was formed in 2009 to develop the Resilience Research Center. This project, located on Madison, Wisconsin's south side, includes a neighborhood center, with productive urban agriculture and a project-based charter middle school, in a green-built, energy efficient building that will be submitted for a LEED NC Platinum rating. It will serve as a multigenerational neighborhood hub for healthy resilient living, socializing, training, and research.

In April 2014, the Resilience Research Center, Inc. ("RRC", a non-profit corporation) was incorporated. On May 29, 2014, the RRC purchased all interests in the Badger Resilience Research Center, LLC ("BRRC") from the Center for \$5,798,000. Interests included land, a building, its contents, pledges of operating support, and other receivables. All activity related to the BRRC will henceforth flow through the RRC, and all contract related to such activity were transferred from the Center to the RRC. The Center will provide personnel and overhead services to the RRC at cost.

The building constructed by the BRRC qualified as a "qualified low-income community investment" and enabled the RRC to receive low-interest financing through a New Markets Tax Credits Investment. GWO Sub CDE 6, LLC (GWO) loaned \$6,860,000 to the RRC (1.24731% note, collateralized by the Resilience Research Center, semi-annual payment of interest only through September 2020, and then principal and interest semi-annual payments at the applicable interest rate from October 2020 through May 2049. Since the future interest rates are unknown, future principal payment is shown in the thereafter column in the schedule of future minimum principal payments.)

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation

The financial statements include the accounts of the Center and its wholly owned subsidiaries, RRC and Johnsons Park Development, LLC. All material intra-entity transactions have been eliminated.

Promises to Give

Unconditional promises to give are recognized as revenues in the period received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional.

CENTER FOR RESILIENT CITIES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2018 and 2017

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property and Equipment

The Center capitalizes all expenditures for property and equipment in excess of \$3,000. Property and equipment are carried at cost or, if donated, at the approximate fair value at the date of donation. Depreciation is computed using the straight-line method.

Contributions

Contributions received are recorded as increases in net assets without donor restriction or net assets with donor restrictions depending on the existence of any donor-imposed restrictions. When a restriction expires, 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.

Donated Services

Donated services are recognized as contributions 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 Center.

Income Tax Status

The Center and RRC are both exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. Johnsons Park Development, LLC is treated as a disregarded entity for federal income tax purposes and information pertaining to its finances and operations is reported on the Center's federal exempt organization returns.

Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from those estimates.

Expense Allocation

The financial statements report certain categories of expenses that are attributable to more than one program service or supporting activity. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include personnel, insurance, office and operations, travel and meetings, public relations and other, which are allocated on the basis of estimates of time and effort, as well as interest and financing, property development and management, and depreciation and amortization, which are allocated on a square-footage basis.

CENTER FOR RESILIENT CITIES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2018 and 2017

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The following program services and supporting activities are included in the accompanying financial statements.

Greater Johnsons Park—The Johnsons Park Initiative is a community-driven action plan to improve the health and safety of an urban Milwaukee Neighborhood via physical infrastructure improvements and programmatic outreach efforts. The plan encompassed a 19-acre site and included 4 catalytic projects:

- (1) Infrastructure improvements and educational programming at Alice's Garden (a 2-acre community garden; completed in 2010);
- (2) Implementation of a 4-acre schoolyard greening project and outdoor classroom at Brown Street Academy (a Milwaukee Public School, completed in 2012); and
- (3) Infrastructure improvements to Johnsons Park (an 11.5-acre Milwaukee County park, completed in 2016)
- (4) Transfer of capital campaign funds remaining to a maintenance and programming fund for the benefit of Lindsay Heights residents. Named "Johnsons Park Fund," at the RCM Community Trust belonging to the Rotary Club of Milwaukee, the fund will support maintenance of new park features and park programming. The fund will be administered by a committee made up of the Rotary Club of Milwaukee and neighborhood residents (completed in 2018).

Resilience Research Center—RRC owns the Badger Rock Center building, which has transformed a vacant lot and abandoned school building located on the south side of Madison, Wisconsin, into a new building constructed to LEED Platinum standards that includes a neighborhood center with productive urban agriculture and a project-based charter middle school as collaborative partners and tenants. The building serves as a multi-generational neighborhood hub for socializing, learning, training, research, and healthy resilient living. The Badger Rock Neighborhood Center offers monthly CommUNITY dinners (average attendance 150 people; highest attendance 300 people) and provides space for community events, including serving as the neighborhood polling place (voter turnout above 90% in presidential elections), gatherings, and enriching programming for all ages. The Hmong Language and Culture Enrichment Program (HLCEP, 45 students, in its fourth year), is the first of its kind in Wisconsin and only the second program of its kind nationwide. HLCEP provides full-Hmong language immersion and teaches Hmong immigrant history and cultural practices (music, art, games, dance, foodways) to help Hmong children feel grounded in their home culture. Research shows that children who feel connected to their families' cultural traditions perform better in academic subjects in school. RRC contracts with Center for Resilient Cities for its staffing and administrative services.

Food Program—The University of Wisconsin Center for Agricultural Systems and College of Agricultural Sciences are initiating a new School for Urban Agriculture (SUA) in partnership with two Madison community nonprofits, Community GroundWorks (CGW) and the Center for Resilient Cities (Center), both nationally recognized for their expertise in urban agriculture practice. The SUA is supported by a three-year USDA Higher Education Challenge grant. The grant's long-term goal is a self-supporting program serving a wide range of students. The SUA

CENTER FOR RESILIENT CITIES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2018 and 2017

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

will recruit and train current and future urban agriculture workers—people interested in gaining skills and knowledge in growing food, building community and earning a livelihood. The school will offer different types of instruction to fit the needs of a range of students, including 1-year and 2-year short-course or technical college students, 4-year UW-Madison students, Wisconsin high school students, and non-credit community member students. In addition to on-campus training, students will be placed in internships with CGW and the Center. Key outcomes of the school will be the development of an urban agriculture curriculum, an evaluation of the first two years of activity, a set of best practices for the partnering of nonprofits with universities, and production of a national Urban Agriculture Community of Practice framework.

Other Programs—In 2018, the Center also continued to provide technical assistance to local governments in the areas of food policy and food systems planning, and environmental systems.

Management and general—Includes the functions necessary to maintain an equitable employment program; ensure an adequate working environment; provide coordination and articulation of the Center's program strategy; secure proper administrative functioning of the board of directors; maintain competent legal services for the program administration of the Center; and manage the financial and budgetary responsibilities of the Center.

Fundraising—Provides the structure necessary to encourage and secure private financial from individuals, foundations, and corporations.

Adoption of New Accounting Pronouncement

The Center adopted the Financial Accounting Standards Board's Accounting Standards Update No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*, as of and for the year ended December 31, 2018. This update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The changes required by the update have been applied retrospectively to all periods presented. A key change required by the update are the net asset classes used in these financial statements. Amounts previously reported as unrestricted net assets are now reported as net assets without donor restrictions and amounts previously reported as temporarily restricted net assets and permanently restricted net assets, if applicable, are now reported as net assets with donor restrictions.

Date of Management's Review

Management has evaluated subsequent events through March 7, 2019, the date which the financial statements were available to be issued.

NOTE 2—NOTE RECEIVABLE

The Center has a note receivable from GWO. The note requires semiannual interest payments at 1% interest. The note is due in one principal payment in September 2020.

CENTER FOR RESILIENT CITIES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2018 and 2017

NOTE 3—PROMISES TO GIVE

Unconditional promises to give at December 31, 2017 are as follows:

Greater Johnsons Park	\$ 147,950
Resilience Research Center	100,800
Other	<u>25,171</u>
Unconditional promises to give	<u>\$ 273,921</u>

All unconditional promises to give at December 31, 2017, are receivable in less than one year.

NOTE 4—PROPERTY AND EQUIPMENT

Property and equipment at consist of the following:

	<u>2018</u>	<u>2017</u>
Furniture and equipment	\$ 60,102	\$ 60,102
Building	7,649,118	7,649,118
Land	585,342	585,342
Land improvements	134,075	134,074
Less accumulated depreciation	<u>(879,160)</u>	<u>(755,223)</u>
Property and equipment, net	<u>\$ 7,549,477</u>	<u>\$ 7,673,413</u>

Depreciation expense for the years ended December 31, 2018 and 2017 was \$123,937 and \$118,609.

NOTE 5—INTANGIBLE ASSETS

Intangible assets consist of the following:

	<u>2018</u>	<u>2017</u>
Website redesign	\$ 31,500	\$ 31,500
Less accumulated amortization	<u>(31,014)</u>	<u>(22,944)</u>
Intangible assets, net	<u>\$ 486</u>	<u>\$ 8,556</u>

Amortization expense for the years ended December 31, 2018 and 2017 was \$8,069 and \$10,500.

CENTER FOR RESILIENT CITIES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2018 and 2017

NOTE 6—NOTES PAYABLE AND LINES OF CREDIT

The Center has a \$50,000 line of credit, which had an outstanding balance at December 31, 2018 and 2017 of \$50,000. Advances on the credit line are payable in a single principal payment at maturity plus monthly interest payments. The credit line carries an interest rate of 1% over prime and shall not be less than 5%. The line matures on July 23, 2019 and is secured by a GBSA.

The Center also has a \$1,750,000 line of credit from the president of the board of directors, which had an outstanding balance at December 31, 2018 and 2017 of \$1,450,000. Advances on the credit line are payable in a single principal payment at maturity plus periodic payments of interest. The credit line carries an interest rate of 5.5%. The line matures on July 20, 2019.

Notes payable consisted of the following:

	2018	2017
1.25% notes payable to GWOFF Sub CDE 6, LLC., collateralized by a mortgage security agreement. Semi-annual interest only payments through September 2020, then semi-annual principal and interest payments through May 31, 2049.	\$ 6,860,000	\$ 6,860,000
5.5% note payable to Monona Bank, collateralized by a GSA. Monthly payments of \$4,540 including interest, due May 29, 2021.	429,775	459,388
5.5% note payable to FCI collateralized by a GSA. Monthly payments of \$2,775 including interest, due May 29, 2021.	154,985	179,073
Less unamortized debt issuance costs	(79,420)	(124,802)
Notes payable	\$ 7,365,340	\$ 7,373,659

Interest expense was \$190,781 and \$193,261 for the years ended December 31, 2018 and 2017.

Amortization of the debt issuance costs is reported as interest expense in the consolidated statements of activities.

Future principal payments on the notes payable are as follows for the years ending December 31:

2019	\$ 57,186
2020	60,412
2021	467,162
Thereafter	6,860,000
Total	\$ 7,444,760

CENTER FOR RESILIENT CITIES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2018 and 2017

NOTE 7—NET ASSETS

Net assets with donor restrictions are restricted for the following purposes or periods:

	2018	2017
Subject to expenditure for specified purpose:		
Food Program	\$ 453	\$ -
Greater Johnsons Park	-	214,213
Resilience Research Center - Operations	843	165,884
Resilience Research Center - Debt service	-	104,735
Other	2,576	37,422
	3,872	522,254
Not subject to appropriation or expenditure:		
James and Mildred Green Community Garden		
Land held in trust	88,200	88,200
Total net assets with donor restrictions	\$ 92,072	\$ 610,454

NOTE 8—FAIR VALUE MEASUREMENTS

Fair values of assets measured on a recurring basis are as follows:

Assets at Fair Value as of December 31, 2018				
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Beneficial interest in assets held by Madison Community Foundation	\$ 117,019	\$ -	\$ -	\$ 117,019
Assets at Fair Value as of December 31, 2017				
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Beneficial interest in assets held by Madison Community Foundation	\$ 123,879	\$ -	\$ -	\$ 123,879

CENTER FOR RESILIENT CITIES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2018 and 2017

NOTE 8—FAIR VALUE MEASUREMENTS (continued)

The beneficial interest in assets held by Madison Community Foundation represents an agreement between the Center and the Foundation in which the Center transfers assets to the Foundation in exchange for future distributions. The beneficial interest is not actively traded and significant other observable inputs are not available. The fair value of the beneficial interest is based on the fair value of the underlying assets as reported to the Center by the Foundation. Little information about those assets is released publicly. The estimated fair value does not necessarily represent the amounts that may be ultimately realized due to the occurrence of future circumstances that cannot be reasonably determined.

The table below presents a reconciliation from the beginning balance to the ending balance of the beneficial interest in assets held by Madison Community Foundation measured at fair value on a recurring basis using significant unobservable inputs for the years ended December 31, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Beginning balance	\$ 123,879	\$ 109,444
Distributions	(4,399)	(4,100)
Change in value of beneficial interest	<u>(2,461)</u>	<u>18,535</u>
Ending balance	<u>\$ 117,019</u>	<u>\$ 123,879</u>

NOTE 9—RETIREMENT PLAN

The Center contributes to a Simple IRA retirement plan in which all full-time employees are eligible to participate. The Center matches employee contributions on a dollar-for-dollar basis up to 3% of each employee's salary. Retirement expense for 2018 and 2017 was \$4,593 and \$6,150.

NOTE 10—CONCENTRATION

For the years ended December 31, 2018 and 2017, 63% and 66% of the Center's revenue came from one donor.

CENTER FOR RESILIENT CITIES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2018 and 2017

NOTE 11—FUNCTIONAL EXPENSES

Expenses by Function for the year ended December 31, 2017 are as follows:

Program services	
Resilience Research Center	\$ 738,332
Other programs	<u>59,619</u>
Total program services	797,951
Supporting activities	
Management and general	173,542
Fundraising	<u>30,707</u>
Total expenses	<u><u>\$ 1,002,200</u></u>

NOTE 12—LIQUIDITY AND AVAILABILITY

The table below reflects the Center's financial assets as of the date of the consolidated statement of financial position reduced by amounts not available for general expenditures within one year of the date of the consolidated statement of financial position:

Financial assets at year end	\$ 5,435,534
Less those unavailable for general expenditures within one year:	
Restricted by donors with time or purpose restrictions	3,872
Long-term investment funds	113,019
Long-term note receivable	4,956,000
Cash held in escrow	<u>99,000</u>
Financial assets available to meet cash needs for general expenditures within one year	<u><u>\$ 263,643</u></u>

To help manage unanticipated liquidity needs, the Center has committed lines of credit in the amount of \$1,800,000, \$300,000 of which is available and could be drawn upon. As part of the Center's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

CENTER FOR RESILIENT CITIES, INC.
CONSOLIDATING SCHEDULE OF FINANCIAL POSITION
December 31, 2018

	Center for Resilient Cities, Inc.	Resilience Research Center, Inc.	Eliminations	Consolidated Totals
ASSETS				
Cash	\$ 148,862	\$ 53,192	\$ -	\$ 202,054
Prepaid expenses	1,981	1,433	-	3,414
Accounts receivable	341,454	1,649	(281,642)	61,461
Cash held in escrow	-	99,000	-	99,000
Note receivable	4,956,000	-	-	4,956,000
Property and equipment, net	-	5,340,750	2,208,727	7,549,477
Intangible assets, net	-	486	-	486
Beneficial interest in assets held by Madison Community Foundation	117,019	-	-	117,019
Land held in trust	88,200	-	-	88,200
Total assets	\$ 5,653,516	\$ 5,496,510	\$ 1,927,085	\$ 13,077,111
LIABILITIES				
Accounts payable	\$ 15,922	\$ 110,445	\$ (83,405)	\$ 42,962
Accrued interest	583,896	-	-	583,896
Lines of credit	1,500,000	198,237	(198,237)	1,500,000
Notes payable	584,759	6,780,581	-	7,365,340
Total liabilities	2,684,577	7,095,021	(281,642)	9,497,956
NET ASSETS				
Without donor restrictions	2,877,710	(1,599,354)	2,208,727	3,487,083
With donor restrictions	91,229	843	-	92,072
Total net assets	2,968,939	(1,598,511)	2,208,727	3,579,155
Total liabilities and net assets	\$ 5,653,516	\$ 5,496,510	\$ 1,927,085	\$ 13,077,111

CENTER FOR RESILIENT CITIES, INC.
CONSOLIDATING SCHEDULE OF ACTIVITIES
Year Ended December 31, 2018

	Center for Resilient Cities, Inc.	Resilience Research Center, Inc.	Eliminations	Consolidated Totals
CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS				
REVENUE				
Contributions	\$ 129,062	\$ 265,683	\$ -	\$ 394,745
Rent and other income	609	88,954	(15,325)	74,238
Interest income	50,133	14	-	50,147
Change in value of beneficial interest in assets held by Madison Community Foundation	(2,461)	-	-	(2,461)
Management fees	118,238	-	(118,238)	-
Total revenue without donor restrictions	295,581	354,651	(133,563)	516,669
EXPENSES				
Personnel	199,387	93,950	(93,950)	199,387
Professional services	61,835	17,574	-	79,409
Interest and financing	105,216	137,848	-	243,064
Facilities and equipment	22,837	197,571	(20,505)	199,903
Donations	267,250	24,923	(51,240)	240,933
Property development and management	1,604	16,411	-	18,015
Insurance	19,207	14,250	(13,208)	20,249
Office and operations	20,146	7,744	(900)	26,990
Travel and meetings	1,055	2	-	1,057
Public relations	1,032	-	-	1,032
Other	2,244	5,123	(4,000)	3,367
Total expenses before depreciation and amortization	701,813	515,396	(183,803)	1,033,406
Depreciation and amortization	-	132,006	-	132,006
Total expenses	701,813	647,402	(183,803)	1,165,412
NET ASSETS RELEASED FROM RESTRICTIONS				
Satisfaction of program restrictions	628,899	80,849	(50,240)	659,508
Change in net assets without donor restrictions	222,667	(211,902)	-	10,765
CHANGES IN NET ASSETS WITH DONOR RESTRICTIONS				
Contributions	139,528	51,838	(50,240)	141,126
Net assets released from restrictions	(628,899)	(80,849)	50,240	(659,508)
Change in net assets with donor restrictions	(489,371)	(29,011)	-	(518,382)
Change in net assets	(266,704)	(240,913)	-	(507,617)
Net assets at beginning of the year	3,235,643	(1,357,598)	2,208,727	4,086,772
Net assets at end of year	\$ 2,968,939	\$ (1,598,511)	\$ 2,208,727	\$ 3,579,155