

**MINNESOTA CENTER FOR
ENVIRONMENTAL ADVOCACY**

FINANCIAL STATEMENTS

For the Years Ended June 30, 2008 and 2007

MINNESOTA CENTER FOR ENVIRONMENTAL ADVOCACY

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INDEPENDENT AUDITOR'S REPORT

Board of Directors

**MINNESOTA CENTER FOR
ENVIRONMENTAL ADVOCACY**

St. Paul, Minnesota

We have audited the accompanying statement of financial position of the Minnesota Center for Environmental Advocacy (MCEA), a nonprofit organization, as of June 30, 2008 and 2007 and the related statements of activity, functional expenses and cash flows for the years then ended. These financial statements are the responsibility of MCEA's management. Our responsibility is to express an opinion on these financial statements based on the audit.

We conducted our audit 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Minnesota Center for Environmental Advocacy as of June 30, 2008 and 2007 and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Sherry D. Heffernan, Ltd.
Sherry D. Heffernan, Ltd.

August 19, 2008

MINNESOTA CENTER FOR ENVIRONMENTAL ADVOCACY
Statement of Financial Position
June 30, 2008 and 2007

	<u>2008</u>	<u>2007</u>
ASSETS		
Cash and cash equivalents	\$ 1,021,160	\$ 1,074,034
Accounts receivable	79,441	102,226
Unconditional promises to give	199,700	570,623
Investments	954,411	1,023,212
Prepaid expenses	16,350	16,165
Property and leasehold improvements, net	<u>5,281</u>	<u>22,018</u>
TOTAL ASSETS	<u>\$ 2,276,343</u>	<u>\$ 2,808,278</u>
LIABILITIES		
Accounts payable	\$ 10,901	\$ 22,004
Accrued expenses	<u>57,256</u>	<u>47,118</u>
	<u>68,157</u>	<u>69,122</u>
NET ASSETS		
Unrestricted		
Undesignated	677,298	783,067
Designated by board for long-term investments	<u>415,791</u>	<u>484,592</u>
	<u>1,093,089</u>	<u>1,267,659</u>
Temporarily restricted	567,490	923,890
Permanently restricted - endowment fund	<u>547,607</u>	<u>547,607</u>
TOTAL NET ASSETS	<u>2,208,186</u>	<u>2,739,156</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 2,276,343</u>	<u>\$ 2,808,278</u>

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

MINNESOTA CENTER FOR ENVIRONMENTAL ADVOCACY
Statement of Activities
For the Years Ended June 30, 2008 and 2007

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>2008</u>	<u>2007</u>
REVENUES:					
Contributions	\$ 730,120	\$ 272,200	\$ -	\$ 1,002,320	\$ 1,440,354
Program services	170,014			170,014	186,370
Investment income	(17,912)			(17,912)	186,269
Special event revenue	-			-	9,160
Less: Costs of direct benefits to donors	-	-	-	-	4,142
	-	-	-	-	5,018
TOTAL REVENUES	<u>882,222</u>	<u>272,200</u>	<u>-</u>	<u>1,154,422</u>	<u>1,818,011</u>
Net assets released from restrictions					
Restrictions satisfied by purpose and time	628,600	(628,600)	-	-	-
TOTAL REVENUES AND OTHER SUPPORT	<u>1,510,822</u>	<u>(356,400)</u>	<u>-</u>	<u>1,154,422</u>	<u>1,818,011</u>
EXPENSES:					
Program services:					
Transportation and land use	236,214			236,214	545,815
Public health	266,261			266,261	209,746
Wildlife and natural resources	233,319			233,319	248,424
Water quality	374,665			374,665	204,143
Clean energy	231,634	-	-	231,634	312,813
Total program services	1,342,093	-	-	1,342,093	1,520,941
Management and administrative	174,955			174,955	139,734
Fundraising	168,344	-	-	168,344	140,322
TOTAL EXPENSES	<u>1,685,392</u>	<u>-</u>	<u>-</u>	<u>1,685,392</u>	<u>1,800,997</u>
INCREASE (DECREASE) IN NET ASSETS	(174,570)	(356,400)	-	(530,970)	17,014
NET ASSETS AT BEGINNING OF YEAR	<u>1,267,659</u>	<u>923,890</u>	<u>547,607</u>	<u>2,739,156</u>	<u>2,722,142</u>
NET ASSETS AT END OF YEAR	<u>\$ 1,093,089</u>	<u>\$ 567,490</u>	<u>\$ 547,607</u>	<u>\$ 2,208,186</u>	<u>\$ 2,739,156</u>

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

MINNESOTA CENTER FOR ENVIRONMENTAL ADVOCACY
Statement of Cash Flows
For the Years Ended June 30, 2008 and 2007

	<u>2008</u>	<u>2007</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase (decrease) in net assets	\$ (530,970)	\$ 17,014
Adjustments to reconcile increase (decrease) in net assets to net cash used by operating activities:		
Depreciation	16,737	19,135
Unrealized (gain) loss on investments	75,004	(122,470)
Realized (gain) loss on investments	10,785	6,548
(Increase) decrease in operating assets:		
Accounts receivable	22,785	(92,096)
Unconditional promises to give	370,923	96,433
Prepaid expenses	(185)	(156)
Increase (decrease) in operating liabilities:		
Accounts payable	(11,103)	(22,746)
Accrued expenses	10,138	1,882
NET CASH USED BY OPERATING ACTIVITIES	<u>(35,886)</u>	<u>(96,456)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of investments	199,580	109,692
Purchase of long-term investments	<u>(216,568)</u>	<u>(124,364)</u>
NET CASH USED BY INVESTING ACTIVITIES	<u>(16,988)</u>	<u>(14,672)</u>
DECREASE IN CASH AND CASH EQUIVALENTS	(52,874)	(111,128)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>1,074,034</u>	<u>1,185,162</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 1,021,160</u>	<u>\$ 1,074,034</u>

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

MINNESOTA CENTER FOR ENVIRONMENTAL ADVOCACY
Statement of Functional Expenses
For the Year Ended June 30, 2008

	<u>Program Services</u>	<u>Management and General</u>	<u>Fund Raising</u>	<u>Total</u>
Salaries, taxes and benefits	\$ 1,041,597	\$ 120,067	\$ 132,681	\$ 1,294,345
Consultants	52,538	6,432	349	59,319
Legal disbursements/library	14,546	-	-	14,546
Occupancy costs	49,591	1,709	1,709	53,009
Computer maintenance	23,162	792	792	24,746
Office supplies	7,439	1,980	908	10,327
Telephone	11,334	386	386	12,106
Postage	4,037	139	4,611	8,787
Printing and copying	44,183	1,518	9,068	54,769
Professional fees	-	13,123	-	13,123
Investment fees	-	10,065	-	10,065
Legislative expenses	2,673	-	-	2,673
Dues	9,930	98	3,784	13,812
Insurance	1,273	9,467	-	10,740
Travel	13,467	188	10,787	24,442
Conferences and meetings	10,288	177	3,247	13,712
Grants	25,000	-	-	25,000
Marketing and branding	17,052	3,260	-	20,312
Miscellaneous	957	1,843	22	2,822
Depreciation	13,026	3,711	-	16,737
Total expenses	<u>\$ 1,342,093</u>	<u>\$ 174,955</u>	<u>\$ 168,344</u>	<u>\$ 1,685,392</u>
	<u>79.63%</u>	<u>10.38%</u>	<u>9.99%</u>	<u>100.00%</u>

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

MINNESOTA CENTER FOR ENVIRONMENTAL ADVOCACY
Statement of Functional Expenses
For the Year Ended June 30, 2007

	<u>Program</u> <u>Services</u>	<u>Management</u> <u>and</u> <u>General</u>	<u>Fund</u> <u>Raising</u>	<u>Total</u>
Salaries, taxes and benefits	\$ 951,202	\$ 98,320	\$ 116,777	\$ 1,166,299
Consultants	157,626	-	4,637	162,263
Legal disbursements/library	22,148	-	-	22,148
Occupancy costs	49,534	1,794	897	52,225
Computer maintenance	18,501	667	334	19,502
Office supplies	7,038	1,975	2,114	11,127
Telephone	12,518	452	226	13,196
Postage	3,598	121	4,344	8,063
Printing and copying	151,553	1,442	4,814	157,809
Professional fees	-	8,213	-	8,213
Investment fees	-	9,914	-	9,914
Legislative expenses	1,716	-	-	1,716
Dues and subscriptions	11,525	52	4,273	15,850
Insurance	1,709	9,268	-	10,977
Travel	18,341	223	111	18,675
Conferences and meetings	7,798	201	101	8,100
Transfer remaining grant balance	88,292	-	-	88,292
Marketing and branding	-	-	-	-
Miscellaneous	1,222	4,577	1,694	7,493
Depreciation	16,620	2,515	-	19,135
Total expenses	<u>\$ 1,520,941</u>	<u>\$ 139,734</u>	<u>\$ 140,322</u>	<u>\$ 1,800,997</u>
	<u>84.45%</u>	<u>7.76%</u>	<u>7.79%</u>	<u>100.00%</u>

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

MINNESOTA CENTER FOR ENVIRONMENTAL ADVOCACY
Notes to Financial Statements
June 30, 2008 and 2007

1) Organization

Organizational Purpose

The Minnesota Center for Environmental Advocacy (MCEA) is a nonprofit charitable organization using law, science and research to protect Minnesota's natural resources, wildlife and public health. Since 1974, MCEA has worked in the courts, the legislature and at state agencies using science and policy to develop, communicate and implement environmental change. Support is primarily through contributions from foundations and individuals.

MCEA's program services are as follows:

Transportation and Land Use – The transportation and land use program advocates for public policy platforms and funding mechanisms that support an efficient mix of land uses and more compact forms of development, provide a broad set of choices for how we live and get around, protect the environment, and improve public health. MCEA has been working to build business and public support for a balanced system of multimodal transportation and a dedicated source of funding for public transit. It also advocates for policies that will encourage more transit-oriented forms of development.

Public Health - The public health program addresses the risks posed by toxic chemicals in our air, water and soil. Our focus includes advocating for policies to protect children's health; identifying links between environmental pollutants and disease and removing the risk factors; and improving management and reducing the use of hazardous pesticides contaminating Minnesota's drinking and surface waters.

Wildlife and Natural Resources - The wildlife and natural resources program seeks to protect and enhance the many natural treasures that Minnesotans enjoy and cherish. We are currently working to protect the sustainability of Minnesota's forests and environmentally sensitive lakes and rivers, and advocating for policies that protect wetlands and the species that depend upon them from damage and destruction.

Water Quality – The water quality program is focused on protecting Minnesota's greatest natural resource and economic asset - its water. This program addresses threats to lakes and rivers, particularly in the Mississippi, Minnesota and Red River watersheds.

MINNESOTA CENTER FOR ENVIRONMENTAL ADVOCACY
Notes to Financial Statements

1) **Organization, continued**

Clean Energy - The clean energy program focuses on long-term development of modern and sustainable energy sources for Minnesota and the replacement of outdated, environmentally harmful energy sources. The program provides legal representation to clean energy advocacy organizations in Minnesota, and lobbies for a variety of clean energy and energy efficiency measures at the Capitol. Combating climate change is central to the clean energy program and plays an increasingly influential role in MCEA's legal and legislative work.

2) **Summary of Significant Accounting Policies**

Basis of Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not-for-Profit Organizations*. Under SFAS No. 117, MCEA is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets.

Unrestricted assets are resources over which the Board of Directors has discretionary control. Temporarily restricted assets are resources which are subject to a donor imposed restriction which generally will be satisfied by organizational actions or the passage of time. Permanently restricted resources are subject to a donor imposed restriction that such assets are restricted permanently.

Cash and Cash Equivalents

For purposes of the statement of cash flows, MCEA considers all unrestricted cash and other highly liquid investments purchased with an original maturity of three months or less to be cash equivalents.

Concentrations of Credit Risk

Financial instruments that potentially subject MCEA to concentrations of credit risk consist principally of temporary cash investments and unconditional promises to give. The organization places its temporary cash investments with financial institutions as noted below. Concentrations of credit risk with respect to unconditional promises receivable are limited due to the financial stability of the contributors. Unconditional promises to give include amounts from two donors comprising 69% of the balance at June 30, 2008 and from three donors comprising 95% of the balance at June 30, 2007.

MINNESOTA CENTER FOR ENVIRONMENTAL ADVOCACY
Notes to Financial Statements

2) Summary of Significant Accounting Policies, continued

Concentrations of Credit Risk Arising from Cash Deposits in Excess of Insured Limits

The organization maintains its cash and certificates of deposit in one financial institution located in the Twin Cities. The balances are insured by the Federal Deposit Insurance Corporation up to \$100,000. At June 30, 2008, the organization's uninsured cash and certificates of deposit balance was \$921,160.

Concentration of Contributions

In 2008 MCEA received approximately 24% of its total revenues from two donors. In 2007 MCEA received approximately 36% of its total revenues from one donor.

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.

Accounts Receivable

Accounts receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probably uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual accounts. There have been no charges to bad debt expense or the valuation allowance.

Promises to Give

Unconditional promises to give are recognized as revenues or gains in the period received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received.

Investments

MCEA carries investments in marketable securities with readily determinable fair values and all investments in debt securities at their fair values in the Statement of Position. Unrealized gains and losses are included in the change in net assets in the accompanying Statement of Activities.

MINNESOTA CENTER FOR ENVIRONMENTAL ADVOCACY
Notes to Financial Statements

2) Summary of Significant Accounting Policies, continued

Property and Leasehold Improvements

MCEA capitalizes all expenditures for property and leasehold improvements in excess of \$1,500. Purchased property and leasehold improvements are recorded at cost. Donated property is carried at the approximate fair value at the date of donation. Depreciation is computed using the straight-line method over estimated useful lives of three to ten years.

Donated Services

Donated services are recognized as contributions in accordance with SFAS No. 116, *Accounting for Contributions Received and Contributions Made* 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 MCEA.

A significant number of legal services are contributed to MCEA in connection with the accomplishment of its program services. These donated services, which had an estimated value of \$147,000 in 2008 and \$203,000 in 2007, were not recognized in the financial statements because they did not meet the criteria for recognition under SFAS No. 116.

Restricted and Unrestricted Revenue

Contributions received are recorded as increases in unrestricted, temporarily restricted, or permanently restricted net assets, depending on the existence and/or nature of any donor restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions.

Expense Allocation

The costs of providing various programs and other activities have been summarized on a functional basis in the Statement of Activities and in the Statement of Functional Expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Income Taxes

MCEA has a tax-exempt status under Section 501(c)(3) of the Internal Revenue Code and Minnesota Statute 290.05. It has been classified as an organization that is not a private foundation under Section 509(a)(2) of the Internal Revenue Code and contributions by donors are tax deductible.

MINNESOTA CENTER FOR ENVIRONMENTAL ADVOCACY
Notes to Financial Statements

3) Certificates of Deposit

Certificates of deposit totaling \$972,733 at June 30, 2008 are included in cash in the accompanying financial statements. The certificates bear interest ranging from 2.30% to 4.00% and have maturities ranging from one to eleven months, with penalties for early withdrawal. Any penalties for early withdrawal would not have a material effect on the financial statements.

4) Investments

Investments are reported on the basis of quoted market prices and consist of the following at June 30, 2008 and 2007:

	<u>2008</u>	<u>2007</u>
Equity securities	\$ 572,719	\$ 685,744
Treasury notes and government bonds	335,725	314,616
Money market funds	45,967	22,852
Total	<u>\$ 954,411</u>	<u>\$1,032,212</u>

Investment return is summarized as follows:

	<u>2008</u>	<u>2007</u>
Interest and dividend income	\$ 27,052	\$ 24,586
Net realized gains (losses)	-10,785	-6,548
Net unrealized gains (losses)	<u>-75,004</u>	<u>122,470</u>
Investment income	-58,737	140,508
Interest income on certificates of deposit	<u>40,825</u>	<u>45,761</u>
Total investment income	<u>\$ -17,912</u>	<u>\$ 186,269</u>

Expenses relating to investment revenues, including investment advisory fees were \$10,065 in 2008 and \$9,917 in 2007.

5) Property and Leasehold Improvements

Property and leasehold improvements consist of the following:

	<u>2008</u>	<u>2007</u>
Furniture and equipment	\$ 112,575	\$ 112,575
Leasehold improvements	<u>14,471</u>	<u>14,471</u>
	127,046	127,046
Less accumulated depreciation	<u>121,765</u>	<u>105,028</u>
	<u>\$ 5,281</u>	<u>\$ 22,018</u>

Depreciation of \$16,737 and \$19,135 was recorded for the years ended June 30, 2008 and 2007.

MINNESOTA CENTER FOR ENVIRONMENTAL ADVOCACY
Notes to Financial Statements

6) Operating Leases

MCEA leases office space under an operating lease, which expires June 30, 2011. Monthly rent is \$4,483 which includes utilities, real estate taxes and insurance. Rent expense was \$53,008 and \$52,225 for the years ended June 30, 2008 and 2007, respectively.

Future minimum lease payments under operating leases that have remaining terms in excess of one year as of June 30, 2008 are as follows:

Years Ending June 30,	
2009	\$ 54,598
2010	56,236
2011	<u>57,067</u>
	<u>\$ 167,901</u>

7) Retirement Plans

MCEA provided a 403(b) retirement plan for qualified employees through December 2007. The plan was funded by employee contributions through a salary reduction arrangement. There were no employer contributions made by MCEA.

In January 2008 MCEA adopted a defined contribution plan and matches an employee's pre-tax contribution up to three percent of the employee's salary. Total retirement expense for MCEA was approximately \$9,200 for the year ended June 30, 2008.

8) Restrictions on Net Assets

Temporarily restricted net assets are available for the following purposes:

	<u>2008</u>	<u>2007</u>
Time restrictions	\$ 137,200	\$ 472,000
Environmental programs	<u>430,290</u>	<u>451,890</u>
	<u>\$ 567,490</u>	<u>\$ 923,890</u>

9) Designations

The Board of Directors has designated the use of cumulative earnings from the endowment fund for future programming needs. The designated net asset balances are \$415,791 and \$484,592 as of June 30, 2008 and 2007, respectively. These amounts are not available for general operations until released by the Board of Directors. The balances include \$68,801 of net loss on investments in 2008 and \$130,594 of net earnings on investments in 2007.

10) Grantor or Donor Restrictions

Certain contributions or grants from donors are subject to special audit by the donor. Such audits could result in claims against the organization for disallowed costs or noncompliance with grantor restrictions. No provision has been made for any liabilities that may arise from such audits since the amounts, if any, cannot be determined at this date.