

Financial statements of:

**MINNESOTA CENTER FOR
ENVIRONMENTAL ADVOCACY**

Years ended
June 30, 2025 and 2024

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Suite 1600
100 Washington Avenue South
Minneapolis, MN 55401-2192

P 612.332.5500 F 612.332.1529
www.sdkcpa.com

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Minnesota Center for Environmental Advocacy
St. Paul, Minnesota

Opinion

We have audited the financial statements of Minnesota Center for Environmental Advocacy (the "Organization"), which comprise the statements of financial position as of June 30, 2025 and 2024, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as of June 30, 2025 and 2024, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

*Schechter Dokken Kanter
Andrews & Selzer Ltd.*

November 6, 2025
Minneapolis, MN

**MINNESOTA CENTER FOR
ENVIRONMENTAL ADVOCACY**

STATEMENTS OF FINANCIAL POSITION
JUNE 30

	<u>2025</u>	<u>2024</u>
Assets:		
Current assets:		
Cash and cash equivalents	\$ 3,164,137	\$ 1,523,066
Accounts receivable	-	77,000
Unconditional promises to give	633,847	224,524
Investments	45,369	278,079
Prepaid expenses	45,020	44,029
Total current assets	<u>3,888,373</u>	<u>2,146,698</u>
Unconditional promises to give, net of current portion	-	7,157
Property and leasehold improvements, net	87,308	112,348
Right-of-use assets:		
Operating leases	299,511	394,172
Financing leases	9,936	13,549
Investments, endowment	1,848,537	1,818,182
	<u>2,245,292</u>	<u>2,345,408</u>
Total assets	<u>\$ 6,133,665</u>	<u>\$ 4,492,106</u>
Liabilities and net assets:		
Current liabilities:		
Accounts payable	\$ 32,562	\$ 22,703
Accrued expenses	149,272	141,841
Deferred income	34,040	-
Current portion of lease liabilities:		
Operating	98,932	92,840
Financing	4,950	4,756
Total current liabilities	<u>319,756</u>	<u>262,140</u>
Lease liabilities, net of current portion:		
Operating	211,181	310,113
Financing	9,153	14,103
Total long-term liabilities	<u>220,334</u>	<u>324,216</u>
Total liabilities	<u>540,090</u>	<u>586,356</u>
Net assets:		
Without donor restrictions:		
Undesignated	2,205,579	1,374,911
Designated by board for future programming needs	1,290,930	1,160,576
Total net assets without donor restrictions	<u>3,496,509</u>	<u>2,535,487</u>
With donor restrictions	<u>2,097,066</u>	<u>1,370,263</u>
Total net assets	<u>5,593,575</u>	<u>3,905,750</u>
Total liabilities and net assets	<u>\$ 6,133,665</u>	<u>\$ 4,492,106</u>

See notes to financial statements.

**MINNESOTA CENTER FOR
ENVIRONMENTAL ADVOCACY**

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
YEARS ENDED JUNE 30

	2025			2024		
	Without donor restrictions	With donor restrictions	Total	Without donor restrictions	With donor restrictions	Total
Revenues and other support:						
Contributions	\$ 2,362,663	\$ 2,270,701	\$ 4,633,364	\$ 1,727,073	\$ 830,000	\$ 2,557,073
Program services	725,000	-	725,000	235,750	-	235,750
In-kind contributions	38,760	-	38,760	78,160	-	78,160
Investment return	126,863	-	126,863	219,857	-	219,857
Miscellaneous income	157,743	-	157,743	35,968	-	35,968
	3,411,029	2,270,701	5,681,730	2,296,808	830,000	3,126,808
Net assets released from restrictions satisfied by purpose and time	1,543,898	(1,543,898)	-	1,969,800	(1,969,800)	-
Total revenues and other support	4,954,927	726,803	5,681,730	4,266,608	(1,139,800)	3,126,808
Expenses:						
Program services:						
Clean energy and climate change	1,167,188		1,167,188	1,228,824		1,228,824
Northeastern Minnesota	606,591		606,591	692,574		692,574
Water quality	681,515		681,515	721,047		721,047
Healthy communities	535,890		535,890	523,637		523,637
Total program services	2,991,184		2,991,184	3,166,082		3,166,082
Management and general	410,923		410,923	377,481		377,481
Fundraising	591,798		591,798	596,787		596,787
Total expenses	3,993,905		3,993,905	4,140,350		4,140,350
Change in net assets	961,022	726,803	1,687,825	126,258	(1,139,800)	(1,013,542)
Net assets, beginning	2,535,487	1,370,263	3,905,750	2,409,229	2,510,063	4,919,292
Net assets, ending	\$ 3,496,509	\$ 2,097,066	\$ 5,593,575	\$ 2,535,487	\$ 1,370,263	\$ 3,905,750

See notes to financial statements.

**MINNESOTA CENTER FOR
ENVIRONMENTAL ADVOCACY**

STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30

	<u>2025</u>	<u>2024</u>
Cash flows from operating activities:		
Change in net assets	\$ 1,687,825	\$ (1,013,542)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation and amortization	45,312	63,680
Net return on investments	(126,863)	(219,857)
Receipt of donated securities	(17,541)	(174,756)
Operating leases, right-of-use assets, lease liabilities	1,821	3,860
(Increase) decrease in operating assets:		
Accounts receivable	77,000	(43,500)
Unconditional promises to give	(402,166)	1,038,670
Prepaid expenses	(991)	35,883
Increase (decrease) in operating liabilities:		
Accounts payable	9,859	(73)
Accrued expenses	7,431	(5,490)
Deferred revenue	34,040	(53,750)
	<u>1,315,727</u>	<u>(368,875)</u>
Net cash provided by (used in) operating activities		
Cash flows from investing activities:		
Purchase of:		
Property and leasehold improvements	(16,659)	(1,641)
Investments	(3,241)	(1,018)
Proceeds from sale of investments	350,000	510,256
	<u>330,100</u>	<u>507,597</u>
Net cash provided by investing activities		
Cash flows from financing activities, payments on financing lease	<u>(4,756)</u>	<u>(8,571)</u>
Net change in cash and cash equivalents	1,641,071	130,151
Cash and cash equivalents, beginning	<u>1,523,066</u>	<u>1,392,915</u>
Cash and cash equivalents, ending	<u>\$ 3,164,137</u>	<u>\$ 1,523,066</u>
Non-cash financing and investing activity, equipment financing lease		<u>\$ 31,058</u>

	2025					2024				
	Support services			Total support services	Total	Support services			Total support services	Total
	Program services	Management and general	Fundraising			Program services	Management and general	Fundraising		
Salaries, taxes and benefits	\$ 2,454,512	\$ 224,686	\$ 476,135	\$ 700,821	\$ 3,155,333	\$ 2,489,449	\$ 254,604	\$ 441,436	\$ 696,040	\$ 3,185,489
Consultants and experts	101,531	58,149	-	58,149	159,680	207,058	3,064	16,594	19,658	226,716
Legal disbursements and research	-	18,201	-	18,201	18,201	209	15,013	-	15,013	15,222
Occupancy and office operations	209,603	14,259	41,761	56,020	265,623	199,857	15,109	35,335	50,444	250,301
Outside services	113,878	-	25,172	25,172	139,050	119,656	14,215	24,074	38,289	157,945
Development and communication	-	37,639	38,322	75,961	75,961	3,672	4,220	74,135	78,355	82,027
Communications services	15,546	-	5,250	5,250	20,796	80,041	-	-	-	80,041
License, dues, and memberships	19,317	1,837	-	1,837	21,154	15,868	20,975	-	20,975	36,843
Staff expenses	32,690	-	5,158	5,158	37,848	12,990	2,505	1,557	4,062	17,052
Insurance	42,060	-	-	-	42,060	25,733	4,501	2,323	6,824	32,557
Depreciation and amortization	2,047	39,652	-	39,652	41,699	11,549	43,275	1,333	44,608	56,157
Legislative Expenses	-	500	-	500	500	-	-	-	-	-
Bad Debt	-	16,000	-	16,000	16,000	-	-	-	-	-
Total expenses	\$ 2,991,184	\$ 410,923	\$ 591,798	\$ 1,002,721	\$ 3,993,905	\$ 3,166,082	\$ 377,481	\$ 596,787	\$ 974,268	\$ 4,140,350

1. Nature of business and summary of significant accounting policies:

The Minnesota Center for Environmental Advocacy (MCEA) is a nonprofit charitable organization using law, science and research to protect Minnesota's environment, its natural resources and the health of its people. Since 1974, MCEA's lawyers and policy experts have worked in all three branches of government to see that environmental standards are enforced and when necessary to change statutes and rules to better protect the environment.

Across all of its programs, MCEA's strategic advantage is a staff of in-house experts with decades of experience and knowledge of how the law works to protect the environment and public health. We identify and implement strategies that use law and science as central or supplemental tools to achieve better outcomes for climate solutions, clean water, public health, and communities. We support those strategies through legal action, effective communication with the public and decision-makers, and legislative influence.

MCEA's program focuses include the following:

Clean Energy and Climate Change - MCEA'S Climate Team strives to achieve equitable, economy-wide greenhouse gas reductions that will exceed both the amount and timelines in Minnesota's Next Generation Energy Act, while encouraging equitable community and institutional resilience to adapt to unavoidable climate change. MCEA advocates for state-level strategies at the legislature, agencies, and courts that maximize reduction of greenhouse gas emissions from all sources, including transportation, electricity, residential, commercial, industrial, and agriculture. MCEA's strategy includes long-term development of modern and sustainable energy sources for Minnesota and shifting away from fossil fuel use in order to reduce carbon pollution. To support this goal, MCEA serves as legal counsel for several Minnesota clean energy organizations.

Northeastern Minnesota Program - This program works to protect the land, water, and people of Northeastern Minnesota, and to promote a safe and healthy future for all Northeastern Minnesotans. MCEA works to protect Northeastern Minnesota communities and waters from mining pollution, especially sulfide mining pollution, by holding state agencies accountable in permitting and enforcement processes. MCEA also works to protect and enhance Northeastern Minnesota lands, forests, and biodiversity, especially for climate resilience. This program is designed to partner with local communities most affected by historic pollution, and build bridges to new partners, including those with whom our views may not always align.

Water Quality - MCEA's Water Quality program focuses on protecting Minnesota's greatest natural resource and economic asset: its water. Minnesotans rely on our water for drinking, recreation, travel, a wide variety of economic activity, and well-being. MCEA works to protect surface and groundwater by securing more effective controls on agricultural runoff and pollution. MCEA also seeks to protect Lake Superior from the dual threats of pollution and invasive species. MCEA partners with communities to protect local drinking water sources from a wide range of threats that undermine public health. MCEA also acts as a watchdog to assure that clean water funds from the Legacy Amendment and Lottery funds are targeted effectively.

Healthy Communities – Environmental harm falls more heavily on some communities that are historically and disproportionately affected by environmental impacts and pollution. In these areas, environmental laws are ignored or enforced in such a way to protect polluters, not the community. MCEA's advocacy focuses on building and protecting healthy communities for all. The Healthy Communities program leverages MCEA's legal skills, organizational resources, and access to decision-makers to build power for communities and fight for environmental justice alongside our partners. MCEA is proud to have dedicated and general funding to support environmental justice work and aims to integrate environmental justice principles into every aspect of its work.

1. Nature of business and summary of significant accounting policies: (continued):

Basis of presentation:

MCEA classifies its net assets, revenues and expenses based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of MCEA and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. Designated amounts represent those revenues which the governing board has set aside for future programming needs.

Net Assets With Donor Restrictions – Net assets subject to donor (or certain grantor) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

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:

MCEA maintains its cash in bank deposit accounts at a financial institution where balances, at times, may exceed federally insured limits. No loss has been experienced due to this practice.

Concentration of contributions:

MCEA received approximately 11% of its total contribution revenues from one donor during the year ended June 30, 2025 and had no significant concentrations in contribution revenues during the year ended June 30, 2024. Unconditional promises to give include amounts from three and two donors comprising 58% and 69% of total receivables at June 30, 2025 and 2024, respectively.

Accounts receivable and allowance for credit losses:

For accounts receivable, the allowance for credit losses is based on management's assessment of the collectability of specific customer accounts, the aging of the accounts receivable, historical experience, and other currently available evidence. If actual defaults are higher than the historical experience, management's estimates of the recoverability of amounts due the Organization could be adversely affected. At June 30, 2025 and 2024 the Organization had no allowance for credit loss based on historical experience.

Promises to give:

Unconditional promises to give are recognized as revenues or gains in the period the promise is made. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

MCEA uses the allowance method to determine uncollectible, unconditional promises to give. The allowance is based on prior years' experience and management's analysis of specific promises made. Promises to give receivable in more than one year are discounted to present value. Uncollectible promises are expected to be insignificant.

1. Nature of business and summary of significant accounting policies: (continued):

Investments:

MCEA reports investments in marketable securities with readily determinable fair values and all investments in debt securities at their fair values in the statement of financial position. Net investment return (loss) is reported in the statement of activities and consists of interest and dividend income, realized and unrealized capital gains and losses, less external investment expenses.

Fair value measurements:

MCEA determines the fair value of certain assets and liabilities in accordance with generally accepted accounting principles, which defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. Valuation techniques should maximize the use of observable inputs and minimize the use of unobservable inputs. A fair value hierarchy has also been established which prioritizes the valuation inputs into three broad levels.

Level 1 – Inputs that reflect unadjusted quoted prices in active markets for identical investments, such as stocks, corporate and government bonds that the Organization has the ability to access as of the measurement date.

Level 2 – Inputs, other than quoted prices, that are observable for the asset or liability either directly or indirectly, including inputs from markets that are not considered to be active.

Level 3 – Inputs that are unobservable. Unobservable inputs reflect the Organization’s own assumptions about the factors market participants would use in pricing an investment and is based on the best information available in the circumstances.

Use of estimates:

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America includes the use of estimates that affect the financial statements. Actual results could differ from those estimates.

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. Leasehold improvements are amortized over approximately ten years.

1. Nature of business and summary of significant accounting policies: (continued):

Leases:

The Organization leases office space and determines if an arrangement is a lease at inception. Operating and financing leases are included in right-of-use (ROU) assets and lease liabilities on the statements of financial position. ROU assets represent the Organization's right to use an underlying asset for the lease term and lease liabilities represent the Organization's obligation to make lease payments arising from the lease. ROU assets and liabilities are recognized at the lease commencement date based on the present value of lease payments over the lease term. As the office space leases do not provide an implicit rate, the Organization uses a risk-free rate based on the information available at commencement date in determining the present value of lease payments. The ROU asset also includes any lease payments made and non-lease costs and lease incentives. The lease terms may include options to extend or terminate the lease when it is reasonably certain that the Organization will exercise that option. Lease expense for lease payments is recognized on a straight-line basis over the lease term. The Organization has elected to recognize payments for short-term leases with a lease term of 12 months or less as expenses incurred and these leases are not included as lease liabilities or ROU assets on the statements of financial position.

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 MCEA.

A significant number of legal services are contributed to MCEA. These donated services are used in MCEA's programming are valued at the typically-charged rates reported by the individuals providing the services.

Revenue and revenue recognition:

Contributions are recognized when cash, securities or other assets, or an unconditional promise to give is received. Conditional promises consist of those with a measurable performance or other barrier and a right of return and are not recognized until the conditions on which they depend have been substantially met. Certain grants are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses.

All donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets with donor restriction are reclassified to net assets without donor restriction.

Program service fees are deferred to the applicable period in which the related services are performed, or expenditures are incurred.

1. Nature of business and summary of significant accounting policies: (continued):

Functional allocation of expenses:

The costs of providing various programs and other activities have been summarized on a functional basis in the Statement of Activities. The Statements of Functional Expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Except for certain items allocated on a direct basis, expenses are assigned to the general category throughout the year and allocated at year end among the program and management and general categories based on the ratio of full time equipment (FTE) per category. For occupancy expenses related to the St. Paul office, are calculated using only FTEs based in that office.

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 a public charity under Section 509(a)(2) of the Internal Revenue Code and contributions by donors are tax deductible.

Management evaluated MCEA's tax positions and concluded that MCEA had taken no uncertain tax positions that require adjustment to the financial statements to comply with the provisions of this guidance related to uncertain tax positions.

Reclassifications:

Certain reclassifications have been made to the 2024 financial statements to conform to the 2025 presentation.

Subsequent events:

Management has evaluated for subsequent events through November 6, 2025, the date the financial statements were available for issuance.

2. Liquidity and availability:

MCEA regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. It considers all contributions for use in current programs which are ongoing, major and central to its annual operations to be available to meet cash needs for general expenditures. The organization manages its liquidity and reserves following these guiding principles: operating within a prudent range of financial soundness and stability and maintaining sufficient reserves to provide reasonable assurance that long-term obligations will be discharged.

The organization considers all expenditures related to its ongoing activities related to its organizational purpose as well as the conduct of services undertaken to support those activities to be general expenditures. Annual operations are defined as activities occurring during the organization's fiscal year.

2. Liquidity and availability (continued):

Financial assets available for general expenditures, that is, without donor or other restrictions limiting their use, within one year at June 30, are as follows:

	<u>2025</u>	<u>2024</u>
Financial assets at year end:		
Cash and cash equivalents	\$ 3,164,137	\$ 1,523,066
Accounts receivable and unconditional promises to give	633,847	308,681
Investments	<u>1,893,906</u>	<u>2,096,261</u>
Total financial assets	<u>5,691,890</u>	<u>3,928,008</u>
Less amounts not available to be used within one year:		
Net assets restricted by the donor:		
Into perpetuity for endowment	557,607	557,607
As to purpose or time	1,539,459	812,656
Net assets designated by the board for future programming needs	<u>1,290,930</u>	<u>1,160,576</u>
	<u>3,387,996</u>	<u>2,530,839</u>
Financial assets available for general expenditures over the next twelve months	<u>\$ 2,303,894</u>	<u>\$ 1,397,169</u>

3. Unconditional promises to give:

	<u>2025</u>	<u>2024</u>
Gross pledges	\$ 633,847	\$ 232,024
Less discount on long-term pledges	<u>-</u>	<u>(343)</u>
Net pledges receivable	633,847	231,681
Less portion collectible within one year	<u>633,847</u>	<u>224,524</u>
Portion collectible in one to five years	<u>\$ -</u>	<u>\$ 7,157</u>

4. Investments:

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

	<u>2025</u>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Mutual funds	\$ 281,982	\$ -	\$ -	\$ 281,982
Equity securities	<u>1,033,312</u>	-	-	<u>1,033,312</u>
	<u>\$ 1,315,294</u>			<u>1,315,294</u>
Not subject to the fair value measurements:				
Money market funds (at cost) and cash				29,721
Treasury notes, government and other bonds at cost				<u>548,891</u>
				<u>\$ 1,893,906</u>
	<u>2024</u>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Equity securities	<u>\$ 1,293,074</u>	<u>\$ -</u>	<u>\$ -</u>	\$ 1,293,074
Not subject to the fair value measurements:				
Money market funds (at cost) and cash				5,448
Treasury notes, government and other bonds at cost				547,885
Unmanaged bonds				<u>249,854</u>
				<u>\$ 2,096,261</u>

5. Property and leasehold improvements:

Property and leasehold improvements consist of the following at June 30:

	<u>2025</u>	<u>2024</u>
Furniture and equipment	\$ 237,851	\$ 351,483
Leasehold improvements	<u>209,562</u>	<u>209,562</u>
	447,413	561,045
Less accumulated depreciation	<u>360,105</u>	<u>448,697</u>
	<u>\$ 87,308</u>	<u>\$ 112,348</u>

Depreciation expense totaled \$41,699 and \$56,157 for the years ended June 30, 2025 and 2024, respectively.

6. Leases:

Future principal and interest payments under all finance leases as of June 30, 2025, are as follows:

Year ending June 30	Amount
2026	\$ 5,424
2027	5,424
2028	4,068
Total minimum finance lease payments	14,916
Less amount representing interest	(813)
Present value of net minimum finance lease payments	\$ <u>14,103</u>

The weighted-average remaining lease terms for finance leases were 2.67 and 3.75 years as of June 30, 2025 and 2024, respectively. The weighted-average discount rate for finance leases was 4.0% as of both June 30, 2025 and 2024.

Operating leases:

The Organization has operating leases for office space through September 2028 which include payments for common area maintenance.

Operating lease costs were \$176,510 and \$175,331 for the years ended June 30, 2025 and 2024, respectively.

Future minimum lease payments (excluding tax and operating cost adjustments) under these operating leases which have remaining terms in excess of one year as of June 30, 2025, are as follows:

Year ending June 30	Amount
2026	\$ 106,912
2027	103,972
2028	89,496
2029	15,118
Total minimum operating lease payments	315,498
Less amount representing interest	5,385
Total operating lease liabilities	\$ <u>310,113</u>

The weighted-average remaining lease terms for operating leases were 2.68 years and 3.6 years as of June 30, 2025 and 2024, respectively. The weighted-average discount rates for operating leases were 3.31% and 3.34%, as of June 30, 2025 and 2024, respectively.

6. Leases (continued):

MCEA rents space to an organization under a sublease agreement. Rental revenue under the leases was \$6,840 and \$6,340 in 2025 and 2024, respectively. Future minimum receipts under noncancellable subleases are as follows:

<u>Year ending June 30</u>	<u>Amount</u>
2026	\$ 6,750
2027	<u>5,750</u>
	<u>\$ 12,500</u>

7. Retirement plan:

MCEA has a defined contribution plan and the Organization can elect to match an employee's pre-tax or post-tax contribution up to 2% of the employee's salary plus 50% of the amount of the employee's contributions that exceed 3% of their salary but not to exceed 5% of their salary. There were employer contributions of \$49,427 and \$56,247 in 2025 and 2024, respectively.

8. Net assets with donor restrictions:

Net assets with donor restrictions are available for the following purposes at June 30:

	<u>2025</u>	<u>2024</u>
Purpose restrictions	\$ 867,750	\$ 703,583
Time-restricted for future periods	671,709	109,073
Perpetual restriction, endowment	<u>557,607</u>	<u>557,607</u>
	<u>\$ 2,097,066</u>	<u>\$ 1,370,263</u>

9. Net assets released from restrictions:

Net assets with donor restrictions were used during June 30:

	<u>2025</u>	<u>2024</u>
Purpose restrictions	\$ 888,834	\$ 1,387,250
Time-restricted for future periods	<u>645,064</u>	<u>582,550</u>
	<u>\$ 1,533,898</u>	<u>\$ 1,969,800</u>

10. Endowment:

The Board of Directors of MCEA has interpreted the Minnesota adopted Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, MCEA classifies as net assets with donor restrictions - endowment funds (a) the original value of gifts donated to the endowment and (b) the original value of subsequent gifts to the endowment.

It considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) The duration and preservation of the fund, (2) the purposes of the organization and the donor-restricted endowment fund, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of the organization, and (7) the investment policies of the organization.

Return Objectives and Risk Parameters: MCEA has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the organization must hold in perpetuity or for a donor-specified period. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to produce results that provide a reasonable balance between the desire for growth and the need to protect principal.

Strategies Employed for Achieving Objectives: To satisfy its long-term rate-of-return objectives, the organization relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). It targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Spending Policy and How the Investment Objectives Relate to Spending Policy: MCEA has a policy that allows the Board of Directors’ discretion in determining annually the spending policy and considers the balance between re-investment of annual earnings with the operating needs of the organization. This is consistent with the organization's objective to maintain the purchasing power of the endowment assets held in perpetuity as well as to provide additional real growth through new gifts and investment return.

The composition of the Organization’s endowment fund by type for the years ended June 30 is as follows:

	2025		
	Without donor restrictions, Board designated	With donor restrictions	Total
Total endowment funds	\$ 1,290,930	\$ 557,607	\$ 1,848,537

10. Endowment (continued):

	2024		
	Without donor restrictions, Board designated	With donor restrictions	Total
Total endowment funds	\$ 1,160,576	\$ 557,607	\$ 1,718,183

Changes in endowment funds are as follows:

	Without donor restrictions	With donor restrictions	Total
Endowment funds, July 1, 2023	\$ 1,143,777	\$ 557,607	\$ 1,701,384
Investment earnings, net appreciation of investments	201,799	-	201,799
Appropriation for expenditure	(185,000)	-	(185,000)
Endowment funds, June 30, 2024	1,160,576	557,607	1,718,183
Investment earnings, net appreciation of investments	130,354	-	130,354
Endowment funds, June 30, 2025	\$ 1,290,930	\$ 557,607	\$ 1,848,537

11. 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.