

**MINNESOTA CENTER FOR
ENVIRONMENTAL ADVOCACY**

FINANCIAL STATEMENTS

For the Years Ended June 30, 2012 and 2011

MINNESOTA CENTER FOR ENVIRONMENTAL ADVOCACY

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
**MINNESOTA CENTER FOR
ENVIRONMENTAL ADVOCACY**
St. Paul, Minnesota

I have audited the accompanying statement of financial position of the Minnesota Center for Environmental Advocacy (MCEA), a nonprofit organization, as of June 30, 2012 and 2011 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. My responsibility is to express an opinion on these financial statements based on the audit.

I conducted the audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I 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. I believe that my audit provides a reasonable basis for my opinion.

In my 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, 2012 and 2011 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.

October 16, 2012

MINNESOTA CENTER FOR ENVIRONMENTAL ADVOCACY
Statement of Financial Position
June 30, 2012 and 2011

	<u>2012</u>	<u>2011</u>
ASSETS		
Cash and cash equivalents	\$ 561,768	\$ 473,697
Accounts receivable	37,662	63,387
Unconditional promises to give	50,000	384,500
Investments	1,165,932	1,131,871
Prepaid expenses	15,259	16,608
Property and leasehold improvements, net	<u>925</u>	<u>4,360</u>
TOTAL ASSETS	<u>\$ 1,831,546</u>	<u>\$ 2,074,423</u>
LIABILITIES		
Accounts payable	\$ 26,609	\$ 18,915
Accrued expenses	44,953	44,747
Deferred revenues	<u>44,005</u>	<u>75,839</u>
	<u>115,567</u>	<u>139,501</u>
NET ASSETS		
Unrestricted		
Undesignated	185,757	92,112
Designated by board for future programming needs	<u>654,432</u>	<u>620,454</u>
	<u>840,189</u>	<u>712,566</u>
Temporarily restricted	318,183	664,749
Permanently restricted - endowment fund	<u>557,607</u>	<u>557,607</u>
TOTAL NET ASSETS	<u>1,715,979</u>	<u>1,934,922</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 1,831,546</u>	<u>\$ 2,074,423</u>

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

MINNESOTA CENTER FOR ENVIRONMENTAL ADVOCACY
Statement of Activities
Year Ended June 30, 2012 with Comparative Totals for the Year Ended June 30, 2011

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>2012</u>	<u>2011</u>
REVENUES:					
Contributions	\$ 486,901	\$ 302,360	\$ -	\$ 789,261	\$ 1,195,255
Program services	339,512	-	-	339,512	341,816
Investment income	44,101	-	-	44,101	190,639
Miscellaneous income	4,527	-	-	4,527	1,007
Special event revenue	85,642	-	-	85,642	71,269
Less: Costs of direct benefits to donors	(15,276)	-	-	(15,276)	(15,175)
	<u>70,366</u>	<u>-</u>	<u>-</u>	<u>70,366</u>	<u>56,094</u>
TOTAL REVENUES	<u>945,407</u>	<u>302,360</u>	<u>-</u>	<u>1,247,767</u>	<u>1,784,811</u>
Net assets released from restrictions					
Restrictions satisfied by purpose and time	<u>648,926</u>	<u>(648,926)</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL REVENUES AND OTHER SUPPORT	<u>1,594,333</u>	<u>(346,566)</u>	<u>-</u>	<u>1,247,767</u>	<u>1,784,811</u>
EXPENSES:					
Program services:					
Clean energy	594,237	-	-	594,237	424,968
Water quality	286,748	-	-	286,748	348,701
Transportation and land use	229,772	-	-	229,772	265,964
Wildlife, natural resources and mining	103,801	-	-	103,801	94,988
Public health	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>126,153</u>
Total program services	1,214,558	-	-	1,214,558	1,260,774
Management and administrative	139,855	-	-	139,855	154,842
Fundraising	<u>112,297</u>	<u>-</u>	<u>-</u>	<u>112,297</u>	<u>114,384</u>
TOTAL EXPENSES	<u>1,466,710</u>	<u>-</u>	<u>-</u>	<u>1,466,710</u>	<u>1,530,000</u>
INCREASE (DECREASE) IN NET ASSETS	127,623	(346,566)	-	(218,943)	254,811
NET ASSETS AT BEGINNING OF YEAR	<u>712,566</u>	<u>664,749</u>	<u>557,607</u>	<u>1,934,922</u>	<u>1,680,111</u>
NET ASSETS AT END OF YEAR	<u>\$ 840,189</u>	<u>\$ 318,183</u>	<u>\$ 557,607</u>	<u>\$ 1,715,979</u>	<u>\$ 1,934,922</u>

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

MINNESOTA CENTER FOR ENVIRONMENTAL ADVOCACY
Statement of Cash Flows
Years Ended June 30, 2012 and 2011

	<u>2012</u>	<u>2011</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase (decrease) in net assets	\$ (218,943)	\$ 254,811
Adjustments to reconcile increase (decrease) in net assets to net cash provided (used) by operating activities:		
Depreciation	3,435	6,033
Realized and unrealized (gains) losses on investments	(18,710)	(167,000)
(Increase) decrease in operating assets:		
Accounts receivable	25,725	1,562
Unconditional promises to give	334,500	(69,500)
Prepaid expenses	1,349	1,183
Increase (decrease) in operating liabilities:		
Accounts payable	7,694	(85,918)
Accrued expenses	206	(1,837)
Deferred revenues	(31,834)	75,839
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>103,422</u>	<u>15,173</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of investments	378,789	130,365
Purchase of long-term investments	(394,140)	(106,261)
Purchase of equipment, net of disposition	-	(2,777)
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	<u>(15,351)</u>	<u>21,327</u>
INCREASE IN CASH AND CASH EQUIVALENTS	88,071	36,500
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>473,697</u>	<u>437,197</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u><u>\$ 561,768</u></u>	<u><u>\$ 473,697</u></u>

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

MINNESOTA CENTER FOR ENVIRONMENTAL ADVOCACY
Statement of Functional Expenses
Year Ended June 30, 2012

	<u>Supporting Services</u>				
	<u>Program</u>	<u>Management</u>	<u>Fund</u>	<u>Total</u>	
	<u>Services</u>	<u>and</u>	<u>Raising</u>	<u>Supporting</u>	<u>Total</u>
		<u>General</u>		<u>Services</u>	
Salaries, taxes and benefits	\$ 805,341	\$ 94,287	\$ 103,884	\$ 198,171	\$ 1,003,512
Consultants	166,098	11,411	2,173	13,584	179,682
Legal disbursements/library	9,744	-	-	-	9,744
Occupancy costs	54,430	1,317	1,319	2,636	57,066
Computer and website development	14,083	368	368	736	14,819
Office supplies	6,697	150	150	300	6,997
Telephone	15,051	342	342	684	15,735
Postage	4,127	96	96	192	4,319
Printing and copying	30,052	728	728	1,456	31,508
Professional fees	-	13,022	-	13,022	13,022
Investment fees	-	11,269	-	11,269	11,269
Dues	12,594	64	2,710	2,774	15,368
Insurance	4,011	5,978	268	6,246	10,257
Travel	20,143	171	172	343	20,486
Conferences and meetings	6,230	87	87	174	6,404
Grants	62,500	-	-	-	62,500
Marketing and branding	-	-	-	-	-
Miscellaneous	562	25	-	25	587
Depreciation	2,895	540	-	540	3,435
Total expenses	\$ 1,214,558	\$ 139,855	\$ 112,297	\$ 252,152	\$ 1,466,710
	<u>82.8%</u>	<u>9.5%</u>	<u>7.7%</u>	<u>17.2%</u>	<u>100.0%</u>

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

MINNESOTA CENTER FOR ENVIRONMENTAL ADVOCACY
Statement of Functional Expenses
Year Ended June 30, 2011

		<u>Supporting Services</u>			
	<u>Program</u>	<u>Management</u>	<u>Fund</u>	<u>Total</u>	
	<u>Services</u>	<u>and</u>	<u>Raising</u>	<u>Supporting</u>	<u>Total</u>
		<u>General</u>		<u>Services</u>	
Salaries, taxes and benefits	\$ 859,468	\$ 77,219	\$ 95,242	\$ 172,461	\$ 1,031,929
Consultants	192,026	26,923	8,637	35,560	227,586
Legal disbursements/library	10,309	-	-	-	10,309
Occupancy costs	54,083	1,492	1,492	2,984	57,067
Computer and website development	37,068	566	566	1,132	38,200
Office supplies	6,751	193	193	386	7,137
Telephone	15,686	427	427	854	16,540
Postage	4,260	107	107	214	4,474
Printing and copying	31,906	865	2,327	3,192	35,098
Professional fees	-	12,258	-	12,258	12,258
Investment fees	-	11,211	-	11,211	11,211
Dues and subscriptions	14,886	111	3,174	3,285	18,171
Insurance	1,305	21,462	-	21,462	22,767
Travel	15,644	146	146	292	15,936
Conferences and meetings	9,954	211	211	422	10,376
Grants	-	-	-	-	-
Marketing and branding	1,410	151	-	151	1,561
Miscellaneous	1,097	388	1,862	2,250	3,347
Depreciation	4,921	1,112	-	1,112	6,033
Total expenses	\$ 1,260,774	\$ 154,842	\$ 114,384	\$ 269,226	\$ 1,530,000
	<u>82.4%</u>	<u>10.1%</u>	<u>7.5%</u>	<u>17.6%</u>	<u>100.0%</u>

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

MINNESOTA CENTER FOR ENVIRONMENTAL ADVOCACY

Notes to Financial Statements

June 30, 2012 and 2011

1) Organizational Purpose

The Minnesota Center for Environmental Advocacy (MCEA) is a nonprofit charitable organization using law, science and research to protect Minnesota's environment. 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.

MCEA's program focuses include the following:

Clean Energy: focuses on long-term development of modern and sustainable energy sources for Minnesota and the replacement of out-dated, environmentally harmful energy sources like coal-fired electrical power plants. To support this goal, MCEA serves as legal counsel for several Minnesota energy partners including the Izaak Walton League, Wind on the Wires, Fresh Energy, Center for Energy and the Environment, and the Sierra Club's Retire Old Coal program.

Water Quality: focuses on protecting Minnesota's greatest natural resource and economic asset, its water. For example, MCEA advocates for the adoption of protective nitrogen and phosphorous standards for flowing waters, defends the state's numeric nitrogen and phosphorous standards for lakes and reservoirs, and fully participates in large-scale implementation plans for turbidity reductions in the Minnesota River and phosphorus reductions in Lake Pepin. MCEA also acts as a watchdog to assure that clean water funds from the Legacy Amendment are targeted effectively. MCEA continues to provide legal and technical pressure on Minnesota agency officials to meet federal standards for water quality permitting and enforcement.

Transportation and Land Use: advocates for public policy platforms and funding mechanisms that support a broad set of choices for how we live and get around, both to protect the environment and improve public health. MCEA played a major role in the Central Corridor Light Rail Transit (LRT) and is a leader in the formative stages of the proposed Southwest LRT line and the Bottineau Corridor, a future transit line that could bring enormous benefits to the citizens of north Minneapolis as economic equity issues are addressed while the project is being developed.

Wildlife, Natural Resources and Mining: works to conserve, protect, and advocate for policies and practices that will sustain lakes, rivers, forest and streams, as well as the communities that depend upon them to prevent long term damage and destruction. For example, MCEA has been a key leader in the Red River basin since 1998 when a mediation agreement was signed that proposed a new approach to achieve both flood damage reduction and natural resource enhancement goals.

MINNESOTA CENTER FOR ENVIRONMENTAL ADVOCACY
Notes to Financial Statements

1) Organizational Purpose, continued

MCEA works to ensure that proposed new copper nickel mines and existing taconite mines comply with all applicable federal, state and local environmental safeguards and that Minnesota's taxpayers are not left with the bill for long-term cleanup costs.

2) Summary of Significant Accounting Policies

Basis of Accounting and Presentation

The financial statements of MCEA have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities. 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 one donor comprising 100% of the balance at June 30, 2012 and from two donors comprising 100% of the balance at June 30, 2011.

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 has historically maintained its deposits in one financial institution located in the Twin Cities. In March 2012 the organization opened a deposit account with a second financial institution in order to maximize the Federal Deposit Insurance Corporation (FDIC) coverage. The balances are insured by the FDIC up to \$250,000. At June 30, 2012, the organization's uninsured cash balance was approximately \$71,000.

Concentration of Contributions

In 2012 MCEA received approximately 42% of its total contribution revenues from three donors. In 2011 MCEA received approximately 56% of its total contribution 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 Financial 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

Fair Value Measurements

MCEA determined the fair value of certain assets and liabilities in accordance with the provisions of accounting Standards Codification (ASC) 820, "Fair Value Measurements" (formerly Statement of Financial Accounting Standards (SFAS) Statement No. 157, *Fair Value Measurements*), which provides a framework for measuring fair value under generally accepted accounting principles.

ASC 820 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. ASC 820 requires that valuation techniques maximize the use of observable inputs and minimize the use of unobservable inputs. ASC 820 also establishes a fair value hierarchy, which prioritizes the valuation inputs into three broad levels.

Level 1 inputs consist of quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date. Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the related asset or liability. Level 3 inputs are unobservable inputs and reflect management's best estimate of what market participants would use as fair value.

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.

Deferred Revenues

Revenue from program service contracts is recognized as it is earned through expenditure in accordance with the agreements.

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 in connection with the accomplishment of its program services. These donated services, which had an estimated value of \$59,000 in 2012 and \$29,500 in 2011, were not recognized in the financial statements because they did not meet the criteria for recognition under SFAS No. 116.

MINNESOTA CENTER FOR ENVIRONMENTAL ADVOCACY
Notes to Financial Statements

2) Summary of Significant Accounting Policies, continued

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.

Comparative Financial Information

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with MECA's financial statements for the year ended June 30, 2011, from which the summarized information was derived.

3) Unconditional Promises to Give

Unconditional promises to give of \$50,000 and \$384,500 at June 30, 2012 and 2011, respectively, are receivable within one year and are primarily for future program services.

4) Investments

Investments are reported on the basis of quoted market prices and consist of the following at June 30, 2012 and 2011:

MINNESOTA CENTER FOR ENVIRONMENTAL ADVOCACY
Notes to Financial Statements

4) Investments, continued

	<u>2012</u>	<u>2011</u>
Level 1: Quoted prices in active markets for identical assets:		
Equity securities	\$ 757,640	\$ 759,612
Level 2: Significant other observable inputs:		
Treasury notes, government and other bonds	367,188	372,846
Money market funds	<u>41,104</u>	<u>-587</u>
	<u>\$ 1,165,932</u>	<u>\$ 1,131,871</u>
Investment return is summarized as follows:		
	<u>2012</u>	<u>2011</u>
Interest and dividend income	\$ 25,391	\$ 24,310
Net realized and unrealized gains (losses)	<u>18,710</u>	<u>167,000</u>
	<u>\$ 44,101</u>	<u>\$ 191,310</u>

Expenses relating to investment revenues, including investment advisory fees were \$11,269 in 2012 and \$11,211 in 2011.

5) Property and Leasehold Improvements

Property and leasehold improvements consist of the following at June 30, 2012 and 2011:

	<u>2012</u>	<u>2011</u>
Furniture and equipment	\$ 60,051	\$ 60,051
Leasehold improvements	<u>14,471</u>	<u>14,471</u>
	74,522	74,522
Less accumulated depreciation	<u>73,597</u>	<u>70,162</u>
	<u>\$ 925</u>	<u>\$ 4,360</u>

Depreciation of \$3,435 and \$6,033 was recorded for the years ended June 30, 2012 and 2011, respectively.

6) Operating Leases

MCEA leases office space under an operating lease which expires June 30, 2013. Monthly rent is \$4,756 which includes utilities, real estate taxes and insurance. Rent expense was \$57,067 for the years ended June 30, 2012 and 2011.

Future minimum lease payments under this operating lease are \$58,779.

MINNESOTA CENTER FOR ENVIRONMENTAL ADVOCACY
Notes to Financial Statements

7) Retirement Plans

In January 2008 MCEA adopted a defined contribution plan and can elect to match an employee's pre-tax contribution up to three percent of the employee's salary. There were no employer contributions made by MCEA in 2012 or 2011.

8) Restrictions on Net Assets

Temporarily restricted net assets are available for the following purposes at June 30, 2012 and 2011:

	<u>2012</u>	<u>2011</u>
Time restrictions	\$ 80,322	\$ 108,113
Environmental programs	<u>237,861</u>	<u>556,636</u>
	<u>\$ 318,183</u>	<u>\$ 664,749</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 \$654,432 and \$620,454 as of June 30, 2012 and 2011, respectively. These amounts are not available for general operations until released by the Board of Directors. The balances include \$33,978 of net gain on investments in 2012 and \$180,099 of net gain on investments in 2011.

10) Endowment Fund

MCEA has a donor-restricted endowment fund. It also has a fund designated by the Board of Directors which is not deemed to be an endowment fund (see footnote 9). As required by generally accepted accounting principles, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law: 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 permanently restricted net assets (a) the original value of gifts donated to the permanent endowment and (b) the original value of subsequent gifts to the permanent endowment. In accordance with Minnesota UPMIFA, the organization 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.

MINNESOTA CENTER FOR ENVIRONMENTAL ADVOCACY
Notes to Financial Statements

10) Endowment Fund, continued

There were no changes in the permanently restricted endowment fund and the balance at June 30, 2012 and 2011 was \$557,607.

Return Objectives and Risk Parameters: MCEA has adopted investment and spending policies for endowment assets that attempt to provide a predicable 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.

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.

12) Income Taxes

The organization has evaluated its potential exposure for uncertain tax positions and management has expressed there are no uncertain tax positions as of June 30, 2012. Tax returns for the past three tax years remain open for examination by tax jurisdictions.

MINNESOTA CENTER FOR ENVIRONMENTAL ADVOCACY
Notes to Financial Statements

13) Subsequent Events

MCEA has evaluated subsequent events through October 16, 2012, the date the financial statements were available to be issued. MCEA is not aware of any subsequent events that require recognition or disclosure in the financial statements.