

**MINNESOTA CENTER FOR
ENVIRONMENTAL ADVOCACY**

FINANCIAL STATEMENTS

For the Years Ended June 30, 2014 and 2013

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 financial statements of Minnesota Center for Environmental Advocacy (MCEA), a nonprofit organization, which comprise the statement of financial position as of June 30, 2014 and 2013, and the related statements of activity, functional expenses and cash flows for the years then ended, 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 from material misstatement.

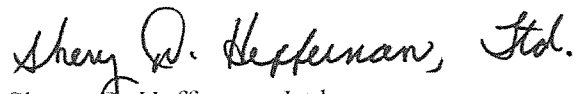
An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or 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, I 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. (Continued)

INDEPENDENT AUDITOR'S REPORT, continued

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

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, 2014 and 2013, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.


Sherry D. Heffernan, Ltd.

September 19, 2014

MINNESOTA CENTER FOR ENVIRONMENTAL ADVOCACY
Statement of Financial Position
June 30, 2014 and 2013

	<u>2014</u>	<u>2013</u>
ASSETS		
Cash and cash equivalents	\$ 863,254	\$ 843,207
Accounts receivable	17,071	8,533
Unconditional promises to give	75,000	327,700
Investments	1,434,662	1,238,264
Prepaid expenses	16,331	16,079
Property and leasehold improvements, net	<u>10,122</u>	<u>1,331</u>
TOTAL ASSETS	<u>\$ 2,416,440</u>	<u>\$ 2,435,114</u>
LIABILITIES		
Accounts payable	\$ 6,396	\$ 20,725
Accrued expenses	57,478	39,129
Deferred revenues	<u>24,250</u>	<u>19,142</u>
	<u>88,124</u>	<u>78,996</u>
NET ASSETS		
Unrestricted -		
Undesignated	425,913	450,351
Designated by board for future programming needs	<u>873,456</u>	<u>677,551</u>
	<u>1,299,369</u>	<u>1,127,902</u>
Temporarily restricted	471,340	670,609
Permanently restricted - endowment fund	<u>557,607</u>	<u>557,607</u>
TOTAL NET ASSETS	<u>2,328,316</u>	<u>2,356,118</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 2,416,440</u>	<u>\$ 2,435,114</u>

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

MINNESOTA CENTER FOR ENVIRONMENTAL ADVOCACY
Statement of Activities
Year Ended June 30, 2014 with Comparative Totals for the Year Ended June 30, 2013

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>2014</u>	<u>2013</u>
REVENUES:					
Contributions	\$ 541,444	\$ 319,231	\$ -	\$ 860,675	\$ 1,504,695
Program services	286,392	-	-	286,392	338,272
Investment income	208,858	-	-	208,858	143,657
Miscellaneous income	20,962	-	-	20,962	-
Special event revenue	125,746	-	-	125,746	106,105
Less: Costs of direct benefits to donors	(16,818)	-	-	(16,818)	(17,092)
	<u>108,928</u>	<u>-</u>	<u>-</u>	<u>108,928</u>	<u>89,013</u>
TOTAL REVENUES	<u>1,166,584</u>	<u>319,231</u>	<u>-</u>	<u>1,485,815</u>	<u>2,075,637</u>
Net assets released from restrictions					
Restrictions satisfied by purpose and time	<u>518,500</u>	<u>(518,500)</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL REVENUES AND OTHER SUPPORT	<u>1,685,084</u>	<u>(199,269)</u>	<u>-</u>	<u>1,485,815</u>	<u>2,075,637</u>
EXPENSES:					
Program services:					
Clean energy	438,480	-	-	438,480	457,289
Water quality	361,981	-	-	361,981	311,599
Transportation and land use	181,633	-	-	181,633	221,374
Wildlife, natural resources and mining	<u>236,033</u>	<u>-</u>	<u>-</u>	<u>236,033</u>	<u>180,147</u>
Total program services	1,218,127	-	-	1,218,127	1,170,409
Management and administrative	163,896	-	-	163,896	144,541
Fundraising	<u>131,594</u>	<u>-</u>	<u>-</u>	<u>131,594</u>	<u>120,548</u>
TOTAL EXPENSES	<u>1,513,617</u>	<u>-</u>	<u>-</u>	<u>1,513,617</u>	<u>1,435,498</u>
INCREASE (DECREASE) IN NET ASSETS	<u>171,467</u>	<u>(199,269)</u>	<u>-</u>	<u>(27,802)</u>	<u>640,139</u>
NET ASSETS AT BEGINNING OF YEAR	<u>1,127,902</u>	<u>670,609</u>	<u>557,607</u>	<u>2,356,118</u>	<u>1,715,979</u>
NET ASSETS AT END OF YEAR	<u>\$ 1,299,369</u>	<u>\$ 471,340</u>	<u>\$ 557,607</u>	<u>\$ 2,328,316</u>	<u>\$ 2,356,118</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, 2014 and 2013

	<u>2014</u>	<u>2013</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase (decrease) in net assets	\$ (27,802)	\$ 640,139
Adjustments to reconcile increase (decrease) in net assets to net cash provided by operating activities:		
Depreciation	2,397	1,192
Realized and unrealized (gains) on investments	(174,844)	(110,399)
(Increase) decrease in operating assets:		
Accounts receivable	(8,538)	29,129
Unconditional promises to give	252,700	(277,700)
Prepaid expenses	(252)	(820)
Increase (decrease) in operating liabilities:		
Accounts payable	(14,329)	(5,884)
Accrued expenses	18,349	(5,824)
Deferred revenues	5,108	(24,863)
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>52,789</u>	<u>244,970</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Transfer from investment account	-	60,000
Proceeds from sale of investments	56,312	253,457
Purchase of long-term investments	(77,866)	(275,390)
Purchase of equipment	(11,188)	(1,598)
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	<u>(32,742)</u>	<u>36,469</u>
INCREASE IN CASH AND CASH EQUIVALENTS	20,047	281,439
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>843,207</u>	<u>561,768</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u><u>\$ 863,254</u></u>	<u><u>\$ 843,207</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, 2014

		<u>Supporting Services</u>			<u>Total</u>
		<u>Program Services</u>	<u>Management and General</u>	<u>Fund Raising</u>	
Salaries, taxes and benefits	\$ 892,446	\$ 121,261	\$ 116,653	\$ 237,914	\$ 1,130,360
Consultants	147,055	-	1,283	1,283	148,338
Legal disbursements/library	13,351	-	-	-	13,351
Occupancy costs	54,768	2,469	1,543	4,012	58,780
Information technology	14,950	547	547	1,094	16,044
Office supplies	5,590	112	112	224	5,814
Telephone	15,770	711	444	1,155	16,925
Postage	4,215	123	3,380	3,503	7,718
Printing and copying	28,586	791	791	1,582	30,168
Professional fees	-	15,907	3,223	19,130	19,130
Investment fees	-	13,846	-	13,846	13,846
Dues	12,170	244	2,097	2,341	14,511
Insurance	6,236	4,993	555	5,548	11,784
Travel	13,735	288	288	576	14,311
Conferences and meetings	3,254	97	49	146	3,400
Grants	-	-	-	-	-
Miscellaneous	4,485	2,255	-	2,255	6,740
Depreciation	1,516	252	629	881	2,397
Total expenses	\$ 1,218,127	\$ 163,896	\$ 131,594	\$ 295,490	\$ 1,513,617
	<u>80.5%</u>	<u>10.8%</u>	<u>8.7%</u>	<u>19.5%</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, 2013

		<u>Supporting Services</u>			<u>Total</u>
		<u>Program Services</u>	<u>Management and General</u>	<u>Fund Raising</u>	
Salaries, taxes and benefits	\$ 810,919	\$ 102,824	\$ 107,458	\$ 210,282	\$ 1,021,201
Consultants	129,706	491	491	982	130,688
Legal disbursements/library	9,661	-	-	-	9,661
Occupancy costs	55,720	1,530	1,530	3,060	58,780
Information technology	25,727	700	700	1,400	27,127
Office supplies	4,585	122	122	244	4,829
Telephone	11,981	329	329	658	12,639
Postage	3,382	89	1,094	1,183	4,565
Printing and copying	29,057	798	3,529	4,327	33,384
Professional fees	179	16,364	2,023	18,387	18,566
Investment fees	-	12,438	-	12,438	12,438
Dues and subscriptions	10,450	57	2,726	2,783	13,233
Insurance	5,507	6,250	329	6,579	12,086
Travel	15,521	161	161	322	15,843
Conferences and meetings	2,990	56	56	112	3,102
Grants	50,000	-	-	-	50,000
Miscellaneous	4,018	2,146	-	2,146	6,164
Depreciation	1,006	186	-	186	1,192
Total expenses	\$ 1,170,409	\$ 144,541	\$ 120,548	\$ 265,089	\$ 1,435,498
	<u>81.5%</u>	<u>10.1%</u>	<u>8.4%</u>	<u>18.5%</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, 2014 and 2013

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, 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.

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 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 Sierra Club.

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.

Land Use and Transportation: advocates for public policy platforms and funding mechanisms that support more compact and mixed-use forms of development, broaden choices for how we live and get around, provide residents access to the region's environmental, social and economic opportunities, protect forest, farms and natural areas, and improve the quality of the air we breathe and the water we drink. MCEA works to make certain that racially diverse and transit-dependent neighborhoods will benefit from the region's substantial investment in transitway corridors. MCEA also works to integrate authorities and align investments at the local, regional and state levels to mitigate Minnesota's contribution to greenhouse gas emissions and adapt to the coming changes in Minnesota's climate.

MINNESOTA CENTER FOR ENVIRONMENTAL ADVOCACY
Notes to Financial Statements

1) Organizational Purpose, continued

Wildlife, Natural Resources and Mining: works to conserve, protect, and advocate for policies and practices that will sustain lakes, rivers, streams, wetlands, and forests, as well as the communities that depend upon them to prevent long term damage and destruction. For example, MCEA has been a key advocate for strengthening Minnesota's Wetland Conservation Act and for funding for actions and research that work to stop the spread of aquatic invasive species.

MCEA works to ensure that state and federal agencies use the best available science to evaluate proposed new copper nickel or "sulfide" mines; to encourage maximum transparency and public participation as part of the regulatory process; to require that all mines in Minnesota comply with all applicable federal, state and local environmental safeguards; and to protect Minnesota's taxpayers from long-term cleanup costs at mining sites.

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, 2014 and from two donors comprising 99.2% of the balance at June 30, 2013.

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 deposits in two financial institutions located in the Twin Cities. The balances are insured by the Federal Deposit Insurance Corporation up to \$250,000 at each institution. At June 30, 2014, the organization's uninsured cash balance was approximately \$376,600.

Concentration of Contributions

In 2014 MCEA received approximately 41% of its total contribution revenues from two donors. In 2013 MCEA received approximately 48% of its total contribution revenues from two donors.

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 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 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 \$78,000 in 2014 and \$39,000 in 2013, were not recognized in the financial statements because they did not meet the criteria for recognition under generally accepted accounting principles.

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 MCEA's financial statements for the year ended June 30, 2013, from which the summarized information was derived.

3) Unconditional Promises to Give

Unconditional promises to give of \$75,000 and \$327,700 at June 30, 2014 and 2013, 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, 2014 and 2013:

MINNESOTA CENTER FOR ENVIRONMENTAL ADVOCACY
Notes to Financial Statements

4) Investments, continued

	<u>2014</u>	<u>2013</u>
Level 1: Quoted prices in active markets for identical assets:		
Equity securities	\$ 939,050	\$ 819,189
Level 2: Significant other observable inputs:		
Treasury notes, government and other bonds	464,386	415,091
Money market funds	<u>31,226</u>	<u>3,984</u>
	<u>\$ 1,434,662</u>	<u>\$ 1,238,264</u>

Investment return is summarized as follows:

	<u>2014</u>	<u>2013</u>
Interest and dividend income	\$ 34,014	\$ 33,258
Net realized and unrealized gains	<u>174,844</u>	<u>110,399</u>
	<u>\$ 208,858</u>	<u>\$ 143,657</u>

Expenses relating to investment revenues, including investment advisory fees were \$13,846 in 2014 and \$12,438 in 2013.

At June 30, 2014 and 2013 the total investment balance is considered partially designated by the board for future programming needs and partially restricted for an endowment fund.

5) Property and Leasehold Improvements

Property and leasehold improvements consist of the following at June 30, 2014 and 2013:

	<u>2014</u>	<u>2013</u>
Furniture and equipment	\$ 20,915	\$ 54,345
Leasehold improvements	<u>14,471</u>	<u>14,471</u>
	35,386	68,816
Less accumulated depreciation	<u>25,264</u>	<u>67,485</u>
	<u>\$ 10,122</u>	<u>\$ 1,331</u>

Depreciation of \$2,397 and \$1,192 was recorded for the years ended June 30, 2014 and 2013, respectively.

6) Operating Leases

MCEA leases office space under an operating lease which expires June 30, 2015. Monthly rent is \$4,898 which includes utilities, real estate taxes and insurance. Rent expense was \$58,780 for each of the years ended June 30, 2014 and 2013.

Future minimum lease payments under this operating lease are \$58,780.

MINNESOTA CENTER FOR ENVIRONMENTAL ADVOCACY
Notes to Financial Statements

7) Retirement Plan

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 employer contributions of \$21,482 in 2014 and zero in 2013.

8) Designated Net Assets

The designated net asset balances are \$873,456 and \$677,551 as of June 30, 2014 and 2013, respectively. These amounts are not available for general operations until released by the Board of Directors. The Board of Directors has designated the use of cumulative earnings from the endowment fund for future programming needs. The net asset balances include \$195,905 and \$102,151 of net gain on investments in 2014 and 2013, respectively.

In June 2013 the Board of Directors authorized a transfer of \$60,000 from this fund to the undesignated cash account for general operating purposes.

9) Restrictions on Net Assets

Temporarily restricted net assets are available for the following purposes at June 30, 2014 and 2013:

	<u>2014</u>	<u>2013</u>
Time restrictions	\$ 9,631	\$ 61,233
Environmental programs	<u>461,709</u>	<u>609,376</u>
	<u>\$ 471,340</u>	<u>\$ 670,609</u>

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 8). 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.

MINNESOTA CENTER FOR ENVIRONMENTAL ADVOCACY
Notes to Financial Statements

10) Endowment Fund, continued

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.

There were no changes in the endowment fund and the balance at June 30, 2014 and 2013 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.

MINNESOTA CENTER FOR ENVIRONMENTAL ADVOCACY
Notes to Financial Statements

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, 2014. Tax returns for the past three tax years remain open for examination by tax jurisdictions.

13) Subsequent Events

MCEA has evaluated subsequent events through September 19, 2014, 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.