

**MINNESOTA CENTER FOR  
ENVIRONMENTAL ADVOCACY**

FINANCIAL STATEMENTS

For the Years Ended June 30, 2017 and 2016

## 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, 2017 and 2016, 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, 2017 and 2016, 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.

October 9, 2017

**MINNESOTA CENTER FOR ENVIRONMENTAL ADVOCACY**  
**Statement of Financial Position**  
**June 30, 2017 and 2016**

	<u>2017</u>	<u>2016</u>
<b>ASSETS</b>		
Cash	\$ 992,358	\$ 675,119
Accounts receivable	21,086	10,850
Unconditional promises to give	493,500	437,080
Investments	1,535,417	1,463,329
Prepaid expenses	7,581	5,899
Property and leasehold improvements, net	<u>3,959</u>	<u>7,330</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 3,053,901</u></b>	<b><u>\$ 2,599,607</u></b>
<b>LIABILITIES</b>		
Accounts payable	\$ 11,808	\$ 10,077
Accrued expenses	<u>45,718</u>	<u>55,684</u>
	<u>57,526</u>	<u>65,761</u>
<b>NET ASSETS</b>		
Unrestricted		
Undesignated	282,240	319,691
Designated by board for future programming needs	<u>973,962</u>	<u>902,055</u>
	<u>1,256,202</u>	<u>1,221,746</u>
Temporarily restricted	1,182,566	754,493
Permanently restricted - endowment fund	<u>557,607</u>	<u>557,607</u>
<b>TOTAL NET ASSETS</b>	<b><u>2,996,375</u></b>	<b><u>2,533,846</u></b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u>\$ 3,053,901</u></b>	<b><u>\$ 2,599,607</u></b>

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

**MINNESOTA CENTER FOR ENVIRONMENTAL ADVOCACY**  
**Statement of Activities**  
**Year Ended June 30, 2017 with Comparative Totals for the Year Ended June 30, 2016**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>2017</u>	<u>2016</u>
<b>REVENUES:</b>					
Contributions	\$ 667,153	\$ 1,047,900	\$ -	\$ 1,715,053	\$ 1,176,808
Program services	175,000	-	-	175,000	279,351
Investment income	157,115	-	-	157,115	51,759
Miscellaneous income	938	-	-	938	5,563
Special event revenue	136,787	-	-	136,787	146,160
Less: Costs of direct benefits to donors	(29,493)	-	-	(29,493)	(28,279)
	<u>107,294</u>	<u>-</u>	<u>-</u>	<u>107,294</u>	<u>117,881</u>
<b>TOTAL REVENUES</b>	<u>1,107,500</u>	<u>1,047,900</u>	<u>-</u>	<u>2,155,400</u>	<u>1,631,362</u>
Net assets released from restrictions					
Restrictions satisfied by purpose and time	<u>619,827</u>	<u>(619,827)</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>TOTAL REVENUES AND OTHER SUPPORT</b>	<u>1,727,327</u>	<u>428,073</u>	<u>-</u>	<u>2,155,400</u>	<u>1,631,362</u>
<b>EXPENSES:</b>					
Program services:					
Clean energy	564,890	-	-	564,890	606,091
Water quality	485,550	-	-	485,550	427,578
Transportation and land use	105,255	-	-	105,255	137,352
Wildlife, natural resources and mining	<u>160,819</u>	<u>-</u>	<u>-</u>	<u>160,819</u>	<u>211,204</u>
Total program services	1,316,514	-	-	1,316,514	1,382,225
Management and administrative	216,458	-	-	216,458	159,314
Fundraising	<u>159,899</u>	<u>-</u>	<u>-</u>	<u>159,899</u>	<u>144,463</u>
<b>TOTAL EXPENSES</b>	<u>1,692,871</u>	<u>-</u>	<u>-</u>	<u>1,692,871</u>	<u>1,686,002</u>
<b>INCREASE (DECREASE) IN NET ASSETS</b>	<u>34,456</u>	<u>428,073</u>	<u>-</u>	<u>462,529</u>	<u>(54,640)</u>
<b>NET ASSETS AT BEGINNING OF YEAR</b>	<u>1,221,746</u>	<u>754,493</u>	<u>557,607</u>	<u>2,533,846</u>	<u>2,588,486</u>
<b>NET ASSETS AT END OF YEAR</b>	<u>\$ 1,256,202</u>	<u>\$ 1,182,566</u>	<u>\$ 557,607</u>	<u>\$ 2,996,375</u>	<u>\$ 2,533,846</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, 2017 and 2016**

	<u>2017</u>	<u>2016</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Increase (decrease) in net assets	\$ 462,529	\$ (54,640)
<b>Adjustments to reconcile increase (decrease) in net assets to net cash provided (used) by operating activities:</b>		
Depreciation	3,371	5,502
Net realized and unrealized (gains) on investments	(131,940)	(24,228)
<b>(Increase) decrease in operating assets:</b>		
Accounts receivable	(10,236)	(1,202)
Unconditional promises to give	(56,420)	(164,880)
Prepaid expenses	(1,682)	35
<b>Increase (decrease) in operating liabilities:</b>		
Accounts payable	1,731	(29,194)
Accrued expenses	(9,966)	331
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<u>257,387</u>	<u>(268,276)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Transfer from investment account	70,000	70,000
Proceeds from sale of investments	189,899	427,259
Purchase of long-term investments	(200,047)	(439,930)
<b>NET CASH PROVIDED BY INVESTING ACTIVITIES</b>	<u>59,852</u>	<u>57,329</u>
<b>INCREASE (DECREASE) IN CASH</b>	317,239	(210,947)
<b>CASH AT BEGINNING OF YEAR</b>	<u>675,119</u>	<u>886,066</u>
<b>CASH AT END OF YEAR</b>	<u>\$ 992,358</u>	<u>\$ 675,119</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, 2017**

		<b>Supporting Services</b>			
	<b>Program</b>	<b>Management</b>	<b>Fund</b>	<b>Total</b>	
	<b><u>Services</u></b>	<b><u>and</u></b>	<b><u>Raising</u></b>	<b><u>Supporting</u></b>	<b><u>Total</u></b>
		<b><u>General</u></b>		<b><u>Services</u></b>	
Salaries, taxes and benefits	\$ 1,026,324	\$ 173,709	\$ 141,847	\$ 315,556	\$ 1,341,880
Consultants	84,370	5,917	-	5,917	90,287
Legal disbursements/library	14,752	-	-	-	14,752
Occupancy costs	54,480	2,866	1,434	4,300	58,780
Information technology	26,392	985	985	1,970	28,362
Office supplies	8,136	150	1,660	1,810	9,946
Telephone	15,637	823	411	1,234	16,871
Postage	4,107	104	932	1,036	5,143
Printing and copying	31,578	1,087	1,087	2,174	33,752
Professional fees	5,442	9,883	5,684	15,567	21,009
Investment fees	-	15,208	-	15,208	15,208
Dues and subscriptions	12,823	419	2,044	2,463	15,286
Insurance	8,250	3,074	512	3,586	11,836
Travel	7,998	191	1,276	1,467	9,465
Conferences and meetings	6,864	205	460	665	7,529
Grants	-	-	-	-	-
Miscellaneous	6,648	1,508	1,238	2,746	9,394
Depreciation	2,713	329	329	658	3,371
<b>Total expenses</b>	<b><u>\$ 1,316,514</u></b>	<b><u>\$ 216,458</u></b>	<b><u>\$ 159,899</u></b>	<b><u>\$ 376,357</u></b>	<b><u>\$ 1,692,871</u></b>
	<u>77.8%</u>	<u>12.8%</u>	<u>9.4%</u>	<u>22.2%</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, 2016**

		<u>Supporting Services</u>			<u>Total</u>
		<u>Program</u> <u>Services</u>	<u>Management</u> <u>and</u> <u>General</u>	<u>Fund</u> <u>Raising</u>	<u>Total</u> <u>Supporting</u> <u>Services</u>
Salaries, taxes and benefits	\$ 970,676	\$ 124,967	\$ 126,106	\$ 251,073	\$ 1,221,749
Consultants	194,239	-	-	-	194,239
Legal disbursements/library	18,443	-	-	-	18,443
Occupancy costs	54,360	2,720	1,700	4,420	58,780
Information technology	30,198	1,002	1,002	2,004	32,202
Office supplies	5,669	130	130	260	5,929
Telephone	16,196	810	506	1,316	17,512
Postage	4,504	146	641	787	5,291
Printing and copying	30,462	919	2,319	3,238	33,700
Professional fees	5,045	9,187	4,995	14,182	19,227
Investment fees	-	14,670	-	14,670	14,670
Dues	14,073	291	2,345	2,636	16,709
Insurance	8,250	3,217	536	3,753	12,003
Travel	13,546	341	569	910	14,456
Conferences and meetings	5,730	267	133	400	6,130
Grants	5,000	-	-	-	5,000
Miscellaneous	1,764	170	2,526	2,696	4,460
Depreciation	4,070	477	955	1,432	5,502
<b>Total expenses</b>	<b>\$ 1,382,225</b>	<b>\$ 159,314</b>	<b>\$ 144,463</b>	<b>\$ 303,777</b>	<b>\$ 1,686,002</b>
	<u>82.0%</u>	<u>9.4%</u>	<u>8.6%</u>	<u>18.0%</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, 2017 and 2016

#### **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. MCEA advocates for agencies to consider the full cost of air emissions when evaluating potential energy sources, especially coal. To support this goal, MCEA serves as legal counsel for several Minnesota Energy Partners including Wind on the Wires, Fresh Energy, Center for Energy and Environment, and Sierra Club.

**Water Quality:** focuses on protecting Minnesota's greatest natural resource and economic asset, its water. MCEA advocates for the adoption and effective implementation of protective nitrogen and phosphorous standards for lakes and streams, and to safeguard drinking water supplies from nitrate pollution. MCEA also works to reduce pollution from agricultural sources through oversight, planning, collaboration and incentive programs at federal, state and local levels. MCEA's work in the lake Superior Basin focuses on strengthening the great Lake Compact to protect against inter-basin withdrawals and obtaining funding for cleanup of the St. Louis River. MCEA also acts as a watchdog to assure that clean water funds from the Legacy Amendment are targeted effectively.

**Mining, Wildlife and Natural Resources:** Mining addressees the potential environmental impacts of proposed nonferrous sulfide mining projects in northeastern Minnesota, including water and air pollution, wetland loss and tailings basin stability. MCEA's focus is to ensure that the proposed mines prove they can meet applicable environmental standards, that agencies use the best available science to evaluate these proposals, and the long-term interest of taxpayers and the environment are protected.

MINNESOTA CENTER FOR ENVIRONMENTAL ADVOCACY  
Notes to Financial Statements

**1) Organizational Purpose, continued**

**Mining, Wildlife and Natural Resources, continued**

MCEA works to conserve, protect, and advocate for policies and practices that will sustain lakes, rivers, streams, wetlands and forest, as well as the communities that depend upon them. MCEA has been a key advocate for strengthening protections of Minnesota wetlands, improving its agricultural draining for habitat enhancement, ensuring the integrity of its Public Waters Inventory, and funding for actions and research that work to stop the spread of aquatic invasive species.

**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.

**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.

MINNESOTA CENTER FOR ENVIRONMENTAL ADVOCACY  
Notes to Financial Statements

**2) Summary of Significant Accounting Policies, continued**

**Concentrations of Credit Risk**

Financial instruments that potentially subject MCEA to concentrations of credit risk consist principally of temporary cash investments and unconditional promises to give. The organization places its temporary cash investments with financial institutions as noted below. Concentrations of credit risk with respect to unconditional promises receivable are limited due to the financial stability of the contributors. Unconditional promises to give include amounts from two donors comprising 96% of the balance at June 30, 2017 and from one donor comprising 92% of the balance at June 30, 2016.

**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 (total of \$500,000). At June 30, 2017, the organization's uninsured cash balance was approximately \$492,000.

**Concentration of Contributions**

In 2017 MCEA received approximately 36% of its total contribution revenues from two donors. In 2016 MCEA received approximately 45% 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.

MINNESOTA CENTER FOR ENVIRONMENTAL ADVOCACY  
Notes to Financial Statements

**2) Summary of Significant Accounting Policies, continued**

**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.

**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.

**Earned Revenue**

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.

MINNESOTA CENTER FOR ENVIRONMENTAL ADVOCACY  
Notes to Financial Statements

**2) Summary of Significant Accounting Policies, continued**

**Donated Services, continued**

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 \$54,000 in 2017 and \$84,000 in 2016, were not recognized in the financial statements because they did not meet the criteria for recognition under generally accepted accounting principles.

**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, 2016, from which the summarized information was derived.

**3) Unconditional Promises to Give**

Unconditional promises to give of \$493,500 and \$437,080 at June 30, 2017 and 2016, respectively, are receivable within one year and are primarily for future program services.

MINNESOTA CENTER FOR ENVIRONMENTAL ADVOCACY  
Notes to Financial Statements

**4) Investments**

Investments are reported on the basis of quoted market prices and consist of the following at June 30, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Level 1: Quoted prices in active markets for identical assets:		
Equity securities	\$ 1,043,276	\$ 932,544
Level 2: Significant other observable inputs:		
Treasury notes, government and other bonds	476,429	483,635
Money market funds	<u>15,712</u>	<u>47,150</u>
	<u>\$ 1,535,417</u>	<u>\$ 1,463,328</u>

Investment return for the years ended June 30, 2017 and 2016 is summarized as follows:

	<u>2017</u>	<u>2016</u>
Interest and dividend income	\$ 25,175	\$ 27,531
Net realized and unrealized gains	<u>131,940</u>	<u>24,228</u>
	<u>\$ 157,115</u>	<u>\$ 51,759</u>

Expenses relating to investment revenues, including investment advisory fees were \$15,208 in 2017 and \$14,670 in 2016.

At June 30, 2017 and 2016 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, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Furniture and equipment	\$ 18,130	\$ 18,130
Leasehold improvements	<u>19,051</u>	<u>19,051</u>
	37,181	37,181
Less accumulated depreciation	<u>33,222</u>	<u>29,851</u>
	<u>\$ 3,959</u>	<u>\$ 7,330</u>

Depreciation of \$3,371 and \$5,502 was recorded for the years ended June 30, 2017 and 2016, respectively.



## MINNESOTA CENTER FOR ENVIRONMENTAL ADVOCACY

### Notes to Financial Statements

#### 6) Operating Leases

MCEA leases office space under an operating lease which expired June 30, 2015. It is currently on a verbal month-to-month lease agreement and has been notified that the lease agreement will cease as of March 31, 2018. 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, 2017 and 2016.

#### 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 \$27,723 and \$24,477 in 2017 and 2016, respectively.

#### 8) Board Designated Net Assets

Board designated net asset balances are \$973,962 and \$902,055 as of June 30, 2017 and 2016, respectively, and are included in Investments in the Statement of Financial Position. These amounts are not available for general operations until released by the Board of Directors. The board designated net asset balances include \$141,907 and \$36,986 of net gain on investments for the years ended June 30, 2017 and 2016, respectively. Net gain includes realized and unrealized gains or losses on investments less investment fees.

#### 9) Temporarily Restricted Net Assets

Temporarily restricted net assets are available for the following purposes at June 30, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Time restrictions	\$ 11,085	\$ 8,200
Environmental programs	<u>1,171,481</u>	<u>746,293</u>
	<u>\$ 1,182,566</u>	<u>\$ 754,493</u>

There is restricted cash of approximately \$689,000 and \$293,000 relative to these temporarily restricted net assets as of June 30, 2017 and 2016, respectively.

#### 10) Permanently Restricted Endowment Fund

MCEA has a donor-restricted endowment fund, which is included in Investments in the Statement of Financial Position. The balance was \$557,607 at June 30, 2017 and 2016.

MCEA also has a fund designated by the Board of Directors which is not deemed to be an endowment fund (see Note 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.



MINNESOTA CENTER FOR ENVIRONMENTAL ADVOCACY  
Notes to Financial Statements

**10) Permanently Restricted Endowment Fund, continued**

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.

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.

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**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, 2017. Tax returns for the past three tax years remain open for examination by tax jurisdictions.

**13) Subsequent Events**

MCEA has evaluated subsequent events through October 9, 2017, 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.