

**MINNESOTA CENTER FOR  
ENVIRONMENTAL ADVOCACY**

**FINANCIAL STATEMENTS**

For the Years Ended June 30, 2019 and 2018

# 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, 2019 and 2018, 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 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, 2019 and 2018, 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 15, 2019

**MINNESOTA CENTER FOR ENVIRONMENTAL ADVOCACY**  
**Statements of Financial Position**  
**June 30, 2019 and 2018**

	<u>2019</u>	<u>2018</u>
<b>ASSETS</b>		
Cash, cash equivalents and restricted cash	\$ 1,372,346	\$ 1,207,204
Accounts receivable	12,852	84,963
Unconditional promises to give	266,700	495,000
Investments	1,485,885	1,406,957
Prepaid expenses	16,555	14,708
Property and leasehold improvements, net	<u>330,590</u>	<u>345,278</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 3,484,928</u></b>	<b><u>\$ 3,554,110</u></b>
<b>LIABILITIES</b>		
Accounts payable	\$ 37,022	\$ 55,718
Accrued expenses	<u>70,461</u>	<u>47,402</u>
	<u>107,483</u>	<u>103,120</u>
<b>NET ASSETS</b>		
Without donor restrictions:		
Undesignated	1,104,905	620,291
Designated by board for future programming needs	<u>924,554</u>	<u>845,822</u>
	<u>2,029,459</u>	<u>1,466,113</u>
With donor restrictions:		
Purpose restrictions	552,527	921,914
Time-restricted for future periods	237,852	505,356
Perpetual restriction - endowment	<u>557,607</u>	<u>557,607</u>
	<u>1,347,986</u>	<u>1,984,877</u>
<b>TOTAL NET ASSETS</b>	<b><u>3,377,445</u></b>	<b><u>3,450,990</u></b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u>\$ 3,484,928</u></b>	<b><u>\$ 3,554,110</u></b>

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



**MINNESOTA CENTER FOR ENVIRONMENTAL ADVOCACY**  
**Statements of Activities**  
Year Ended June 30, 2019 with Comparative Totals for the Year Ended June 30, 2018

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>2019</u>	<u>2018</u>
<b>REVENUES AND OTHER SUPPORT:</b>				
Contributions	\$ 1,134,271	\$ 473,852	\$ 1,608,123	\$ 2,112,298
Program services	146,500	-	146,500	175,000
Investment return	150,876	-	150,876	91,861
Miscellaneous income	35	-	35	1,039
Special event revenue	155,477	-	155,477	143,777
Less: Costs of direct benefits to donors	<u>(44,698)</u>	<u>-</u>	<u>(44,698)</u>	<u>(57,277)</u>
	110,779	-	110,779	86,500
<b>TOTAL REVENUES</b>	<u>1,542,461</u>	<u>473,852</u>	<u>2,016,313</u>	<u>2,466,698</u>
Net assets released from restrictions				
Restrictions satisfied by purpose and time	<u>1,110,743</u>	<u>(1,110,743)</u>	<u>-</u>	<u>-</u>
<b>TOTAL REVENUES AND OTHER SUPPORT</b>	<u>2,653,204</u>	<u>(636,891)</u>	<u>2,016,313</u>	<u>2,466,698</u>
<b>EXPENSES:</b>				
Program services:				
Clean energy and climate change	719,011	-	719,011	677,970
Natural resources and mining	569,489	-	569,489	486,190
Water quality	301,190	-	301,190	377,510
Environmental justice	<u>70,655</u>	<u>-</u>	<u>70,655</u>	<u>50,790</u>
Total program services	1,660,345	-	1,660,345	1,592,460
Management and general	237,532	-	237,532	228,338
Fundraising	<u>191,981</u>	<u>-</u>	<u>191,981</u>	<u>191,285</u>
<b>TOTAL EXPENSES</b>	<u>2,089,858</u>	<u>-</u>	<u>2,089,858</u>	<u>2,012,083</u>
<b>CHANGE IN NET ASSETS</b>	563,346	(636,891)	(73,545)	454,615
<b>NET ASSETS AT BEGINNING OF YEAR</b>	<u>1,466,113</u>	<u>1,984,877</u>	<u>3,450,990</u>	<u>2,996,375</u>
<b>NET ASSETS AT END OF YEAR</b>	<u>\$ 2,029,459</u>	<u>\$ 1,347,986</u>	<u>\$ 3,377,445</u>	<u>\$ 3,450,990</u>

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

**MINNESOTA CENTER FOR ENVIRONMENTAL ADVOCACY**  
**Statements of Cash Flows**  
**Years Ended June 30, 2019 and 2018**

	<u>2019</u>	<u>2018</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ (73,545)	\$ 454,615
<b>Adjustments to reconcile change in net assets to net cash provided by operating activities:</b>		
Depreciation and amortization	64,204	26,319
Net realized and unrealized (gains) on investments	(136,528)	(79,109)
Loss on disposition of leasehold improvements	-	2,977
<b>(Increase) decrease in operating assets:</b>		
Accounts receivable	72,111	(63,877)
Unconditional promises to give	228,300	(1,500)
Prepaid expenses	(1,847)	(7,127)
<b>Increase (decrease) in operating liabilities:</b>		
Accounts payable	(18,696)	43,910
Accrued expenses	23,059	1,684
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>157,058</b>	<b>377,892</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of property and leasehold improvements	(49,516)	(370,615)
Transfer from investment account	70,000	220,000
Proceeds from sale of investments	302,155	396,650
Purchase of long-term investments	(314,555)	(409,081)
<b>NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES</b>	<b>8,084</b>	<b>(163,046)</b>
<b>INCREASE IN CASH, CASH EQUIVALENTS AND RESTRICTED CASH</b>	<b>165,142</b>	<b>214,846</b>
<b>CASH, CASH EQUIVALENTS AND RESTRICTED CASH AT BEGINNING OF YEAR</b>	<b>1,207,204</b>	<b>992,358</b>
<b>CASH, CASH EQUIVALENTS AND RESTRICTED CASH AT END OF YEAR</b>	<b>\$ 1,372,346</b>	<b>\$ 1,207,204</b>

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



**MINNESOTA CENTER FOR ENVIRONMENTAL ADVOCACY**  
**Statement of Functional Expenses**  
**Year Ended June 30, 2019**

	<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	\$ 1,219,192	\$ 190,060	\$ 152,124	\$ 342,184	\$ 1,561,376
Consultants	97,994	12,416	10,346	22,762	120,756
Legal disbursements/library	24,429	-	-	-	24,429
Occupancy costs	99,103	7,686	3,843	11,529	110,632
Information technology	30,223	2,113	5,131	7,244	37,467
Office supplies	9,460	563	3,536	4,099	13,559
Telephone	21,366	1,657	828	2,485	23,851
Postage	3,108	120	359	479	3,587
Printing and copying	31,528	1,698	1,698	3,396	34,924
Professional fees	8,732	11,212	6,431	17,643	26,375
Dues and subscriptions	13,588	912	591	1,503	15,091
Insurance	10,707	1,936	1,291	3,227	13,934
Travel	14,117	408	408	816	14,933
Conferences and meetings	13,882	654	327	981	14,863
Employee recruitment	-	-	-	-	-
Miscellaneous	7,377	1,765	736	2,501	9,878
Amortization	16,107	1,151	1,151	2,302	18,409
Depreciation	39,432	3,181	3,181	6,362	45,794
Investment fees	-	14,666	-	14,666	14,666
Direct benefits to donors	-	-	44,698	44,698	44,698
<b>Total expenses</b>	<u>1,660,345</u>	<u>252,198</u>	<u>236,679</u>	<u>488,877</u>	<u>2,149,222</u>
Less expenses included with revenues on the statement of activities	<u>-</u>	<u>(14,666)</u>	<u>(44,698)</u>	<u>(59,364)</u>	<u>(59,364)</u>
<b>Total expenses included in the expense section of the statement of activities</b>	<u><b>\$ 1,660,345</b></u>	<u><b>\$ 237,532</b></u>	<u><b>\$ 191,981</b></u>	<u><b>\$ 429,513</b></u>	<u><b>\$ 2,089,858</b></u>
	<u>79.4%</u>	<u>11.4%</u>	<u>9.2%</u>	<u>20.6%</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, 2018**

	<u>Program Services</u>	<u>Supporting Services</u>			<u>Total</u>
		<u>Management and General</u>	<u>Fund Raising</u>	<u>Total Supporting Services</u>	
Salaries, taxes and benefits	\$ 1,206,665	\$ 170,573	\$ 150,903	\$ 321,476	\$ 1,528,141
Consultants	161,413	4,850	5,500	10,350	171,763
Legal disbursements/library	12,781	-	-	-	12,781
Occupancy costs	47,164	3,368	1,684	5,052	52,216
Information technology	30,046	1,502	1,502	3,004	33,050
Office supplies	9,768	521	6,815	7,336	17,104
Telephone	15,544	1,110	555	1,665	17,209
Postage	1,075	38	806	844	1,919
Printing and copying	24,108	1,194	1,194	2,388	26,496
Professional fees	7,322	10,447	4,803	15,250	22,572
Dues	15,077	1,454	1,809	3,263	18,340
Insurance	9,279	2,954	591	3,545	12,824
Travel	9,073	844	9,211	10,055	19,128
Conferences and meetings	17,134	381	3,459	3,840	20,974
Employee recruitment	-	22,500	-	22,500	22,500
Miscellaneous	4,441	4,227	79	4,306	8,747
Amortization	3,931	258	258	516	4,447
Depreciation	17,639	2,117	2,116	4,233	21,872
Investment fees	-	15,201	-	15,201	15,201
Direct benefits to donors	-	-	57,277	57,277	57,277
<b>Total expenses</b>	<u>1,592,460</u>	<u>243,539</u>	<u>248,562</u>	<u>492,101</u>	<u>2,084,561</u>
Less expenses included with revenues on the statement of activities	<u>-</u>	<u>(15,201)</u>	<u>(57,277)</u>	<u>(72,478)</u>	<u>(72,478)</u>
<b>Total expenses included in the expense section of the statement of activities</b>	<u>\$ 1,592,460</u>	<u>\$ 228,338</u>	<u>\$ 191,285</u>	<u>\$ 419,623</u>	<u>\$ 2,012,083</u>
	<u>79.1%</u>	<u>11.4%</u>	<u>9.5%</u>	<u>20.9%</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, 2019 and 2018

**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 and Climate Change:** This program focuses on overall reduction of greenhouse gas emissions necessary to avoid the worst effects of climate change. MCEA advocates for state-level strategies at the legislature, agencies, and courts that maximize reduction of greenhouse gas emissions. MCEA's strategy includes long-term development of modern and sustainable energy sources for Minnesota and retirement of fossil fuel plants in order to reduce carbon pollution. To support this goal, MCEA serves as legal counsel for several Minnesota Energy Partners including Clean Grid Alliance, Fresh Energy, and Sierra Club.

Across all of its programs, MCEA's long-standing reputation for excellence and effectiveness and its strategic advantage of smart, strategic in-house lawyers, policy experts, and communications savvy combine to ensure the greatest possible impact. MCEA's advocacy is driven by law and science, and its staff can deploy a variety of tactics to ensure the best possible outcome for Minnesota's environment and the health of its people.

**Natural Resources and Mining:** This program addresses 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 that the long-term interest of taxpayers and the environment are protected.

**Water Quality:** MCEA's Water Quality program focuses on protecting Minnesota's greatest natural resource and economic asset: its water. MCEA supports strengthening statewide protections for drinking water. MCEA will also continue its advocacy to protect ground water, lakes and rivers, and agricultural pollutants such as phosphorus, nitrate, and bacteria. MCEA partners with local communities concerned about the impact of factory farms on their drinking water to provide legal support and representation, a powerful combination of local activism and legal prowess that has proven effective repeatedly.

MINNESOTA CENTER FOR ENVIRONMENTAL ADVOCACY  
Notes to Financial Statements

**1) Organizational Purpose, continued**

**Water Quality, continued**

MCEA's work in the Lake Superior Basin focuses on strengthening the Great Lakes Compact to protect against inter-basin withdrawals, and working to put policies in place that protect against the spread of aquatic invasive species into Lake Superior. MCEA also acts as a watchdog to assure that clean water funds from the Legacy Amendment and Lottery funds are targeted effectively.

**Environmental Justice:** Environmental harms fall 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 seeking environmental justice for all. MCEA partners with communities across the state where pollution is concentrated and where legal representation and expertise will have the greatest impact. 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.

**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 two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

**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 to give are limited due to the financial stability of the contributors. Unconditional promises to give include amounts from two donors comprising 84% of the balance at June 30, 2019 and from two donors comprising 71% of the balance at June 30, 2018.

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 three 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 \$750,000). At June 30, 2019, the organization's uninsured cash balance was approximately \$622,000.

**Concentration of Contributions**

In 2019 MCEA received approximately 34% of its total contribution revenues from two donors. In 2018 MCEA received approximately 36% 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 probable 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 in the period received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received.

**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.

MINNESOTA CENTER FOR ENVIRONMENTAL ADVOCACY  
Notes to Financial Statements

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

**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 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. Leasehold improvements are amortized over approximately ten years.

**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 \$71,500 in 2019 and \$31,000 in 2018, were not recognized in the financial statements because they did not meet the criteria for recognition under generally accepted accounting principles.

**Net Assets**

Net assets, revenues, gain and losses are classified based on the existence or absence of donor or grantor imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

MINNESOTA CENTER FOR ENVIRONMENTAL ADVOCACY  
Notes to Financial Statements

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

**Net Assets, continued**

Net Assets without Donor Restrictions – Net assets available for use in general operations and not subject to donor restrictions. The governing Board has designated, from net assets without donor restrictions, net assets for future programming needs.

Net Assets with Donor Restrictions – Net assets subject to donor 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 or grantor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. 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.

**Revenue and Revenue Recognition**

Revenues are recognized when earned. Program service fees are deferred to the applicable period in which the related services are performed or expenditures are incurred. Contributions are recognized when cash, securities or other assets, or an unconditional promise to give is received. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met.

**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.

**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, 2018, from which the summarized information was derived.

MINNESOTA CENTER FOR ENVIRONMENTAL ADVOCACY  
Notes to Financial Statements

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

**Reclassifications**

Certain reclassifications of amounts previously reported have been made to the accompanying financial statements to maintain consistency between periods presented. The reclassifications had no impact on previously reported net assets.

**3) 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.

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year at June 30, 2019, are as follows:

Cash, cash equivalents and restricted cash	\$ 1,372,346
Accounts receivable and unconditional promises to give	<u>279,552</u>
	1,651,898
Less:	
Cash restricted by purpose	-552,527
Accounts receivable restricted by purpose	<u>-235,000</u>
Net unrestricted cash and accounts receivable	864,371
Investments	1,485,885
Less:	
Perpetual donor restricted – Endowment	-557,607
Designated by board for future programming needs	-924,554
Accrued investment fees	<u>-3,724</u>
Net unrestricted investments	-
Financial assets available for general expenditures within one year	<u>\$ 864,371</u>



MINNESOTA CENTER FOR ENVIRONMENTAL ADVOCACY  
Notes to Financial Statements

**3) Liquidity and Availability, continued**

The net assets designated by the board for future programming needs are invested for long-term appreciation and current income but remain available and may be spent at the discretion of the Board.

**4) Restricted Cash**

MCEA had restricted cash of \$552,527 and \$921,914, at June 30, 2019 and 2018, respectively, which was included in cash and cash equivalents reported within the statement of financial position that sum to the total of the same such amounts shown in the statement of cash flows.

Amounts included in restricted cash represent amounts required to be used for specific program purposes by the donor.

**5) Unconditional Promises to Give**

Unconditional promises to give of \$266,700 and \$495,000 at June 30, 2019 and 2018, respectively, are primarily for future program services. The discount to present value amount is not significant and uncollectible promises are expected to be insignificant.

**6) Investments**

Investments are reported on the basis of quoted market prices and consist of the following at June 30, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Level 1: Quoted prices in active markets for identical assets:		
Equity securities	\$ 982,170	\$ 906,099
Level 2: Significant other observable inputs:		
Treasury notes, government and other bonds	470,400	487,125
Money market funds	<u>33,315</u>	<u>13,733</u>
	<u>\$ 1,485,885</u>	<u>\$ 1,406,957</u>

Investment return for the years ended June 30, 2019 and 2018 is summarized as follows:

	<u>2019</u>	<u>2018</u>
Interest and dividend income	\$ 29,014	\$ 27,952
Net realized and unrealized gains	136,528	79,110
Investment advisory fees	<u>-14,666</u>	<u>-15,201</u>
	<u>\$ 150,876</u>	<u>\$ 91,861</u>

MINNESOTA CENTER FOR ENVIRONMENTAL ADVOCACY  
Notes to Financial Statements

**6) Investments, continued**

At June 30, 2019 and 2018 the total investment balance is considered partially designated by the board for future programming needs and partially restricted for the endowment fund with donor restrictions.

**7) Property and Leasehold Improvements**

Property and leasehold improvements consist of the following at June 30, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Furniture and equipment	\$ 220,834	\$ 198,157
Leasehold improvements	<u>206,792</u>	<u>186,791</u>
	427,626	384,948
Less accumulated depreciation and amortization	<u>97,036</u>	<u>39,670</u>
	<u>\$ 330,590</u>	<u>\$ 345,278</u>

Depreciation and amortization of \$64,203 and \$26,319 was recorded for the years ended June 30, 2019 and 2018, respectively.

**8) Operating Leases**

MCEA leases office space under an operating lease which commenced April 1, 2018 and expires September 30, 2028, with an option to extend the lease for a period of five years. Monthly rent is approximately \$6,000. In addition to the base rent, MCEA will also pay tax and operating cost adjustments monthly, which are currently estimated to be approximately \$3,900 per month. Rent expense was \$110,632 and \$52,217 for each of the years ended June 30, 2019 and 2018, respectively.

Future minimum lease payments (excluding tax and operating cost adjustments) under this operating lease which has a remaining term in excess of one year as of June 30, 2019 are:

<u>Year Ending June 30,</u>	<u>Amount</u>
2020	\$ 74,832
2021	76,646
2022	78,460
2023	80,274
Thereafter	<u>369,169</u>
	<u>\$ 679,381</u>

**9) 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 \$33,205 and \$27,074 in 2019 and 2018, respectively.

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**10) Board Designated Net Assets**

Board designated net asset balances are \$924,554 and \$845,822 as of June 30, 2019 and 2018, 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. In 2018 the Board approved a specific transfer of \$150,000 to pay for a portion of the property and leasehold improvements acquired in connection with the office move. The Board also approved transfers of \$70,000 in 2019 and 2018 to pay for general operations.

The Board designated net asset balances include \$148,732 and \$91,860 of net gain on investments for the years ended June 30, 2019 and 2018, respectively. Net gain includes interest and dividends, and realized and unrealized gains or losses on investments less investment fees.

**11) Net Assets with Donor Restrictions**

Net assets with donor restrictions are available for the following purposes at June 30, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Purpose restrictions	\$ 552,527	\$ 921,914
Time-restricted for future periods	237,852	505,356
Perpetual restriction - endowment	<u>557,607</u>	<u>557,607</u>
	<u>\$ 1,347,986</u>	<u>\$ 1,984,877</u>

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 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.

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**11) Net Assets with Donor Restrictions, continued**

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.

**12) 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.

**13) 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, 2019. Tax returns for the past three tax years remain open for examination by tax jurisdictions.

**14) Subsequent Events**

MCEA has evaluated subsequent events through October 15, 2019, 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.