MINNESOTA CENTER FOR ENVIRONMENTAL ADVOCACY

FINANCIAL STATEMENTS

For the Years Ended June 30, 2020 and 2019

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, 2020 and 2019, 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, 2020 and 2019, 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.

Sherry D. Heffernan, Ltd.

December 29, 2020

MINNESOTA CENTER FOR ENVIRONMENTAL ADVOCACY
Statements of Financial Position
June 30, 2020 and 2019

	2020	2019
ASSETS		
Cash, cash equivalents and restricted cash	$ 2,670,153	$ 1,372,346
Accounts receivable	26,953	12,852
Unconditional promises to give	200,000	266,700
Investments	1,579,168	1,485,885
Prepaid expenses	27,524	16,555
Property and leasehold improvements, net	302,892	330,590
TOTAL ASSETS	**$ 4,806,690**	**$ 3,484,928**
LIABILITIES		
Accounts payable	$ 29,696	$ 37,022
Accrued expenses	90,573	70,461
Refundable advance	329,300	-
	449,569	107,483
NET ASSETS		
Without donor restrictions:		
Undesignated	1,964,796	1,104,905
Designated by board for future programming needs	1,017,603	924,554
	2,982,399	2,029,459
With donor restrictions:		
Purpose restrictions	560,162	552,527
Time-restricted for future periods	256,953	237,852
Perpetual restriction - endowment	557,607	557,607
	1,374,722	1,347,986
TOTAL NET ASSETS	4,357,121	3,377,445
TOTAL LIABILITIES AND NET ASSETS	**$ 4,806,690**	**$ 3,484,928**

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

MINNESOTA CENTER FOR ENVIRONMENTAL ADVOCACY
Statements of Activities
Year Ended June 30, 2020 with Comparative Totals for the Year Ended June 30, 2019

	Without Donor Restrictions	With Donor Restrictions	2020	2019
REVENUES AND OTHER SUPPORT:				
Contributions	$ 1,974,305	$ 1,041,500	$ 3,015,805	$ 1,608,123
Program services	262,878	-	262,878	146,500
Investment return	97,209	-	97,209	150,876
Miscellaneous income	1,000	-	1,000	35
Special event revenue	237,873	-	237,873	155,477
Less: Costs of direct benefits to donors	(64,729)	-	(64,729)	(44,698)
	173,144	-	173,144	110,779
TOTAL REVENUES	2,508,536	1,041,500	3,550,036	2,016,313
Net assets released from restrictions				
Restrictions satisfied by purpose and time	1,014,764	(1,014,764)	-	-
TOTAL REVENUES AND OTHER SUPPORT	3,523,300	26,736	3,550,036	2,016,313
EXPENSES:				
Program services:				
Clean energy and climate change	1,194,004	-	1,194,004	719,011
Natural resources and mining	419,835	-	419,835	569,489
Water quality	288,262	-	288,262	301,190
Environmental justice	115,668	-	115,668	70,655
Total program services	2,017,769	-	2,017,769	1,660,345
Management and general	297,428	-	297,428	237,532
Fundraising	255,163	-	255,163	191,981
TOTAL EXPENSES	2,570,360	-	2,570,360	2,089,858
CHANGE IN NET ASSETS	952,940	26,736	979,676	(73,545)
NET ASSETS AT BEGINNING OF YEAR	2,029,459	1,347,986	3,377,445	3,450,990
NET ASSETS AT END OF YEAR	$ 2,982,399	$ 1,374,722	$ 4,357,121	$ 3,377,445

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

MINNESOTA CENTER FOR ENVIRONMENTAL ADVOCACY
Statements of Cash Flows
Years Ended June 30, 2020 and 2019

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ 979,676	$ (73,545)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	70,268	64,204
Net realized and unrealized (gains) on investments	(55,939)	(136,528)
(Increase) decrease in operating assets:		
Accounts receivable	25,899	72,111
Unconditional promises to give	26,700	228,300
Prepaid expenses	(10,969)	(1,847)
Increase (decrease) in operating liabilities:		
Accounts payable	(7,326)	(18,696)
Accrued expenses	20,112	23,059
NET CASH PROVIDED BY OPERATING ACTIVITIES	1,048,421	157,058
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from government grant - refundable advance	329,300	-
NET CASH PROVIDED FROM FINANCING ACTIVITIES	329,300	-
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and leasehold improvements	(42,570)	(49,516)
Transfer from investment account	-	70,000
Proceeds from sale of investments	507,572	302,155
Purchase of long-term investments	(544,916)	(314,555)
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	(79,914)	8,084
INCREASE IN CASH, CASH EQUIVALENTS AND RESTRICTED CASH	1,297,807	165,142
CASH, CASH EQUIVALENTS AND RESTRICTED CASH AT BEGINNING OF YEAR	1,372,346	1,207,204
CASH, CASH EQUIVALENTS AND RESTRICTED CASH AT END OF YEAR	$ 2,670,153	$ 1,372,346

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

MINNESOTA CENTER FOR ENVIRONMENTAL ADVOCACY
Statement of Functional Expenses
Year Ended June 30, 2020

	Program Services	Supporting Services: Management and General	Supporting Services: Fund Raising	Supporting Services: Total Supporting Services	Total
Salaries, taxes and benefits	$ 1,456,909	$ 224,683	$ 180,075	$ 404,758	$ 1,861,667
Grants	107,547	-	-	-	107,547
Consultants	76,214	29,682	38,675	68,357	144,571
Legal disbursements/library	21,803	-	-	-	21,803
Occupancy costs	124,086	11,256	5,628	16,884	140,970
Information technology	38,977	2,498	6,684	9,182	48,159
Office supplies	3,617	170	1,410	1,580	5,197
Telephone	23,556	2,137	1,068	3,205	26,761
Postage	2,674	127	381	508	3,182
Printing and copying	38,094	2,397	2,397	4,794	42,888
Professional fees	9,286	12,408	7,143	19,551	28,837
Dues	13,429	1,209	702	1,911	15,340
Insurance	10,547	1,964	1,310	3,274	13,821
Travel	13,417	938	939	1,877	15,294
Conferences and meetings	7,949	482	241	723	8,672
Miscellaneous	10,300	2,025	3,058	5,083	15,383
Amortization	17,005	1,427	1,427	2,854	19,859
Depreciation	42,359	4,025	4,025	8,050	50,409
Investment fees	-	15,062	-	15,062	15,062
Direct benefits to donors	-	-	64,729	64,729	64,729
Total expenses	2,017,769	312,490	319,892	632,382	2,650,151
Less expenses included with revenues on the statement of activities	-	(15,062)	(64,729)	(79,791)	(79,791)
Total expenses included in the expense section of the statement of activities	**$ 2,017,769**	**$ 297,428**	**$ 255,163**	**$ 552,591**	**$ 2,570,360**
	78.5%	11.6%	9.9%	21.5%	100.0%

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

	Program Services	Supporting Services: Management and General	Supporting Services: Fund Raising	Supporting Services: Total Supporting Services	Total
Salaries, taxes and benefits	$ 1,219,192	$ 190,060	$ 152,124	$ 342,184	$ 1,561,376
Grants	-		-	-	-
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
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
Total expenses	1,660,345	252,198	236,679	488,877	2,149,222
Less expenses included with revenues on the statement of activities	-	(14,666)	(44,698)	(59,364)	(59,364)
Total expenses included in the expense section of the statement of activities	**$ 1,660,345**	**$ 237,532**	**$ 191,981**	**$ 429,513**	**$ 2,089,858**
	79.4%	11.4%	9.2%	20.6%	100.0%

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

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, groundwater and lakes and rivers, including protection from 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.

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 one donor comprising 100% of the balance at June 30, 2020 and from two donors comprising 84% of the balance at June 30, 2019.

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, 2020, the organization's uninsured cash balance was approximately $1,919,000.

Concentration of Contributions

In 2020 MCEA received approximately 38% of its total contribution revenues from three donors. In 2019 MCEA received approximately 34% 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 or gains in the period received and as assets, decreases of liabilities, or expenses, depending on the form of the benefits received. Conditional promises to give are recognized when the conditions on which they depend are substantially met. MCEA considers its Paycheck Protection Program ("PPP") funds as a refundable advance on the statement of financial position and is following the guidelines of a conditional promise to give and therefore cannot recognize a contribution until all conditions are met which management has determined to be upon forgiveness of the loan from the bank.

MCEA uses the allowance method to determine uncollectible, unconditional promises to give. The allowance is based on prior years' experience and management's analysis of specific promises made.

2) Summary of Significant Accounting Policies, continued

Investments

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

Fair Value Measurements

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

Level 1 inputs 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 $198,000 in 2020 and $88,000 in 2019, were not recognized in the financial statements because they did not meet the criteria for recognition as contributed services.

2) Summary of Significant Accounting Policies, continued

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:

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

Contributions are recognized when cash, securities or other assets, or an unconditional promise to give is received. Conditional promises - that is, those with a measurable performance or other barrier and a right of return - are not recognized until the conditions on which they depend have been substantially met. Federal grants are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Consequently, at June 30, 2020, $329,300, which was received in connection with the Paycheck Protection Program (see Note 8), has not been recognized in the accompanying financial statements because the conditions of forgiveness have not been met.

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

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

2) Summary of Significant Accounting Policies, continued

Functional Allocation of Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the Statement of Activities. The Statements of Functional Expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

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.

Adoption of New Accounting Standards

For the year ended June 30, 2019, MCEA adopted the Financial Accounting Standards Board's Accounting Standards Update (ASU) No. 2016-14: *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities.* This update addressed the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources and the lack of consistency in the type of information provided about expenses and investment return between not-for-profit entities. ASU 2016-14 required that amounts previously reported as unrestricted net assets are now reported as net assets without donor restrictions and amounts previously reported as temporarily restricted net assets and permanently restricted net assets are now reported as net assets with donor restrictions.

Effective July 1, 2019, MCEA has adopted FASB ASU No. 2018-*08 Not-for-Profit Entities: Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made (Topic 958)*, which is intended to improve the usefulness and understandability of MCEA's financial reporting. This ASU provides guidance on determining whether a transaction should be accounted for as a contribution or as an exchange transaction. A primary aspect of this guidance is the determination on whether two parties receive and sacrifice commensurate value to distinguish which guidance should be applied. FASB 958-605, *Not-for-Profit Entities – Revenue Recognition* should be followed for exchange transactions. Since MCEA is using the optional one year deferral of FASB 606, previous guidance for exchange transactions is followed.

2) Summary of Significant Accounting Policies, continued

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, 2019, from which the summarized information was derived.

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, 2020 and 2019, are as follows:

	2020	2019
Cash, cash equivalents and restricted cash	$ 2,670,153	$ 1,372,346
Accounts receivable and unconditional promises to give	226,953	279,552
	2,897,106	1,651,898,
Less:		
Cash restricted by purpose or time	-610,163	-552,527
Unconditional promises to give restricted by time	-200,000	-235,000
Net unrestricted cash and accounts receivable	2,086,943	864,371
Investments	1,579,168	1,485,885
Less:		
Perpetual donor restricted – Endowment	-557,607	-557,607
Designated by board for future programming needs	-1,017,603	-924,554
Accrued investment fees	-3,958	-3,724
Net unrestricted investments	-	-
Financial assets available for general expenditures within one year	$ 2,086,943	$ 864,371

4) Restricted Cash

MCEA had restricted cash of $610,163 and $552,527, at June 30, 2020 and 2019, respectively, which was included within cash and cash equivalents reported on the statement of financial position and is included in the 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 or by time restrictions.

5) Unconditional Promises to Give

Unconditional promises to give of $200,000 and $266,700 at June 30, 2020 and 2019, 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, 2020 and 2019:

	2020	2019
Level 1: Quoted prices in active markets for identical assets:		
Equity securities	$ 1,116,888	$ 982,170
Level 2: Significant other observable inputs:		
Treasury notes, government and other bonds	453,002	470,400
Money market funds	9,278	33,315
	$ 1,579,168	$ 1,485,885

Investment return for the years ended June 30, 2020 and 2019 is summarized as follows:

	2020	2019
Interest and dividend income	$ 56,332	$ 29,014
Net realized and unrealized gains	55,939	136,528
Investment advisory fees	-15,062	-14,666
	$ 97,209	$ 150,876

At June 30, 2020 and 2019 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, 2020 and 2019:

	2020	2019
Furniture and equipment	$ 260,634	$ 220,834
Leasehold improvements	209,562	206,792
	470,196	427,626
Less accumulated depreciation and amortization	167,304	97,036
	$ 302,892	$ 330,590

Depreciation and amortization of $70,268 and $64,203 was recorded for the years ended June 30, 2020 and 2019, respectively.

8) Refundable Advance
On April 30, 2020 MCEA received loan proceeds (considered a refundable advance) in the amount of $329,300 under the Paycheck Protection Program ("PPP"). The PPP, established as part of the Coronavirus Aid, Relief and Economic Security Act ("CARES Act"), provides for loans to qualifying business and nonprofits for amounts up to 2.5 times of the average monthly payroll expenses of the qualifying business or nonprofit. The loan and accrued interest are forgivable after an eight week or twenty-four week period, to be chosen by the borrower, as long as the borrower uses the loan proceeds for eligible purposes, including payroll, benefits, rent and utilities, and maintains its payroll levels. Borrowers who received loans prior to June 5, 2020 can elect an 8-week covered period or a 24-week period. MCEA elected the 24-week period and expended all funds as of June 30, 2020. The amount of loan forgiveness will be reduced if the borrower terminates employees or reduces salaries during the twenty-four week period.

The unforgiven portion of the PPP loan is payable over two years with an interest rate of 1%, with a deferral of payments for the first six months. The organization believes it has used the proceeds for purposes consistent with the PPP and that its use of the loan proceeds will meet the conditions for forgiveness of the loan.

9) Operating Leases
MCEA leases office space under an operating lease which 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. It also began leasing an office space in Duluth, Minnesota May 1, 2020 with a lease that expires April 20, 2022, with an option to extend the lease for one year. Monthly rent is $1,433. Rent expense was $140,970 and $110,632 for the years ended June 30, 2020 and 2019, respectively.

9) Operating Leases, continued

Future minimum lease payments (excluding tax and operating cost adjustments) under these operating leases which have remaining terms in excess of one year as of June 30, 2020 are:

Year Ending June 30,	Amount
2021	$ 94,144
2022	94,300
2023	80,274
2024	82,088
2025	83,902
Thereafter	285,267
	$ 719,975

10) 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. In January 2020 that plan was restated. The organization can now elect to match an employee's pre-tax or post-tax contribution up to 3% of the employee's salary plus 50% of the amount of the employee's contributions that exceed 3% of their salary but not to exceed 5% of their salary. There were employer contributions of $48,795 and $33,205 in 2020 and 2019, respectively.

11) Board Designated Net Assets

Board designated net asset balances are $1,017,603 and $924,554 as of June 30, 2020 and 2019, 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 approved a transfer of $70,000 in 2019 to pay for general operations.

The Board designated net asset balances include $93,049 and $148,732 of net gain on investments for the years ended June 30, 2020 and 2019, respectively. Net gain includes interest and dividends, and realized and unrealized gains or losses on investments less investment fees.

12) Net Assets with Donor Restrictions

Net assets with donor restrictions are available for the following purposes at June 30, 2020 and 2019:

	2020	2019
Purpose restrictions	$ 560,162	$ 552,527
Time-restricted for future periods	256,953	237,852
Perpetual restriction - endowment	557,607	557,607
	$ 1,374,722	$ 1,347,986

12) Net Assets with Donor Restrictions, 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 net assets with donor restrictions – endowment funds (a) the original value of gifts donated to the endowment and (b) the original value of subsequent gifts to the endowment.

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

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

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

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

13) 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.

14) 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, 2020. Tax returns for the past three tax years remain open for examination by tax jurisdictions.

15) Subsequent Events, Risks and Uncertainties

MCEA has evaluated subsequent events through December 29, 2020, 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, except as noted below.

In March 2020, the World Health Organization declared the spread of Coronavirus Disease (COVID-19) a worldwide pandemic. The COVID-19 outbreak in the United States has caused business disruption through mandated and voluntary closings of multiple service organizations, including our operations beginning mid-March 2020. Specific to the organization, COVID-19 has and will impact various parts of its 2020 operations and financial results including but not limited to additional costs for emergency preparedness, disease control and containment, potential shortages of personnel, and/or loss of revenue due to reductions in certain revenue streams.

While the disruption is currently expected to be temporary, there is considerable uncertainty around the duration of the pandemic and its effects on operations. The organization expects this matter may negatively impact its operating results, but management believes the organization is taking appropriate actions to mitigate the negative impact. However, the full impact of COVID-19 is unknown and cannot be reasonably estimated as of December 29, 2020.