Financial statements of:

MINNESOTA CENTER FOR ENVIRONMENTAL ADVOCACY

Years ended
June 30, 2022 and 2021

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Minnesota Center for Environmental Advocacy
St. Paul, Minnesota

Opinion

We have audited the financial statements of Minnesota Center for Environmental Advocacy (Organization), which comprise the statement of financial position as of June 30, 2022, and the related statement of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as of June 30, 2022, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Other Matter

The financial statements of the Organization for the year ended June 30, 2021 were audited by another auditor who expressed an unmodified opinion on those statements on November 1, 2021.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Organization's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control–related matters that we identified during the audit.

Schechter Dokken Kanter
Andrews & Selcer Ltd.

Minneapolis, MN
December 8, 2022

	2022	2021
Assets:		
Current assets:		
Cash and cash equivalents	**$ 2,398,295**	$ 2,597,039
Accounts receivable	**97,000**	88,070
Unconditional promises to give	**243,500**	375,000
Investments	**13,545**	
Prepaid expenses	**61,694**	36,006
Total current assets	**2,814,034**	3,096,115
Property and leasehold improvements, net	**210,191**	263,689
Investments, endowment	**1,625,632**	1,931,143
Unconditional promises to give, net of current portion	**154,129**	
	1,989,952	2,194,832
Total assets	**$ 4,803,986**	$ 5,290,947
Liabilities and net assets:		
Current liabilities:		
Accounts payable	**$ 57,716**	$ 28,573
Accrued expenses	**129,957**	98,884
Total current liabilities	**187,673**	127,457
Net assets:		
Without donor restrictions:		
Undesignated	**2,017,510**	2,289,409
Designated by board for future programming needs	**1,068,025**	1,368,698
Total net assets without donor restrictions	**3,085,535**	3,658,107
With donor restrictions	**1,530,778**	1,505,383
Total net assets	**4,616,313**	5,163,490
Total liabilities and net assets	**$ 4,803,986**	$ 5,290,947

See notes to financial statements.

	2022			2021		
	Without donor restrictions	**With donor restrictions**	**Total**	Without donor restrictions	With donor restrictions	Total
Revenues and other support						
Contributions	**$ 1,852,593**	**$ 1,450,500**	**$ 3,303,093**	1,919,446	$ 1,173,070	$ 3,092,516
Refundable advance - government grant	**-**		**-**	329,300		329,300
Program services	**162,000**		**162,000**	200,500		200,500
In-kind contributions	**69,570**		**69,570**	78,000		78,000
Investment (loss) return	**(232,712)**		**(232,712)**	424,191		424,191
Miscellaneous income	**5,818**		**5,818**	10,700		10,700
	1,857,269	**1,450,500**	**3,307,769**	2,962,137	1,173,070	4,135,207
Net assets released from restrictions satisfied by purpose and time	**1,425,105**	**(1,425,105)**		1,042,409	(1,042,409)	
Total revenues and other support	**3,282,374**	**25,395**	**3,307,769**	4,004,546	130,661	4,135,207
Expenses:						
Program services:						
Clean energy and climate change	**1,267,835**		**1,267,835**	1,462,927		1,462,927
Northeastern Minnesota	**681,310**		**681,310**	378,513		378,513
Water quality	**618,924**		**618,924**	185,512		185,512
Healthy communities	**399,400**		**399,400**	450,913		450,913
Total program services	**2,967,469**	**-**	**2,967,469**	2,477,865	-	2,477,865
Management and general	**427,167**		**427,167**	470,290		470,290
Fundraising	**460,310**		**460,310**	380,683		380,683
Total expenses	**3,854,946**	**-**	**3,854,946**	3,328,838	-	3,328,838
Change in net assets	**(572,572)**	**25,395**	**(547,177)**	675,708	130,661	806,369
Net assets, beginning	**3,658,107**	**1,505,383**	**5,163,490**	2,982,399	1,374,722	4,357,121
Net assets, ending	**$ 3,085,535**	**$ 1,530,778**	**$ 4,616,313**	$ 3,658,107	$ 1,505,383	$ 5,163,490

See notes to financial statements.

	2022	2021
Cash flows from operating activities:		
Change in net assets	**$ (547,177)**	$ 806,369
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	**84,204**	76,457
Net loss (return) on investments	**221,966**	(413,897)
(Increase) decrease in operating assets:		
Accounts receivable	**(8,930)**	(61,117)
Unconditional promises to give	**(22,629)**	(175,000)
Prepaid expenses	**(25,688)**	(8,482)
Increase (decrease) in operating liabilities:		
Accounts payable	**29,143**	(1,123)
Accrued expenses	**31,073**	8,311
Forgiveness of refundable advance, government grant	**-**	(329,300)
Net cash used in operating activities	**(238,038)**	(97,782)
Cash flows from investing activities:		
Purchase of property and leasehold improvements	**(30,706)**	(37,254)
Proceeds from sale of investments	**70,000**	430,798
Purchase of long term investments	**-**	(368,876)
Net cash provided by investing activities	**39,294**	24,668
Net change in cash and cash equivalents	**(198,744)**	(73,114)
Cash and cash equivalents, beginning	**2,597,039**	2,670,153
Cash and cash equivalents, ending	**$ 2,398,295**	$ 2,597,039

See notes to financial statements.

	2022					2021				
		Support services					Support services			
	Program services	**Management and general**	**Fundraising**	**Total support services**	**Total**	Program services	Management and general	Fundraising	Total support services	Total
Salaries, taxes and benefits	**$ 2,316,252**	**$ 131,709**	**$ 324,129**	**$ 455,838**	**$ 2,772,090**	$ 1,768,027	$ 411,859	$ 268,821	$ 680,680	$ 2,448,707
Consultants and experts	**330,172**	**45,577**	**27,525**	**73,102**	**403,274**	294,897	12,184	37,568	49,752	344,649
Legal disbursements and research	**20,429**	**-**	**-**	**-**	**20,429**	20,202	-	-	-	20,202
Occupancy and office operations	**187,623**	**21,383**	**50,466**	**71,849**	**259,472**	206,666	19,117	22,793	41,910	248,576
Outside services	**1,970**	**140,515**	**-**	**140,515**	**142,485**	28,193	7,151	12,562	19,713	47,906
Development and communication	**9,433**	**144**	**52,015**	**52,159**	**61,592**	42,163	3,809	7,189	10,998	53,161
Communications services	**34,806**	**718**	**-**	**718**	**35,524**	6,915	902	21,639	22,541	29,456
Legislative expenses	**5,787**	**-**	**-**	**-**	**5,787**	1,275	-	-	-	1,275
License, dues, and memberships	**10,686**	**3,302**		**3,302**	**13,988**	16,419	1,551	674	2,225	18,644
Staff expenses	**31,963**	**8,523**	**3,508**	**12,031**	**43,994**	15,998	4,986	1,531	6,517	22,515
Insurance	**-**	**12,107**		**12,107**	**12,107**	13,172	2,471	1,647	4,118	17,290
Depreciation and amortization	**18,348**	**63,189**	**2,667**	**65,856**	**84,204**	63,938	6,260	6,259	12,519	76,457
Total expenses	**$ 2,967,469**	**$ 427,167**	**$ 460,310**	**$ 887,477**	**$ 3,854,946**	$ 2,477,865	$ 470,290	$ 380,683	$ 850,973	$ 3,328,838

1. Nature of business and summary of significant accounting policies:

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.

Across all of its programs, MCEA's strategic advantage is a staff of in-house experts with decades of experience and knowledge of how the law works to protect the environment and public health. We identify and implement strategies that use law and science as central or supplemental tools to achieve better outcomes for climate solutions, clean water, public health, and communities. We support those strategies through legal action, effective communication with the public and decision-makers, and legislative influence.

MCEA's program focuses include the following:

Clean Energy and Climate Change **-** MCEA'S Climate Team strives to achieve equitable, economy-wide reductions in greenhouse gases that will exceed both the amount and timelines in Minnesota's Next Generation Energy Act, while encouraging equitable community and institutional resilience to adapt to unavoidable climate change. MCEA advocates for state-level strategies at the legislature, agencies, and courts that maximize reduction of greenhouse gas emissions from all sources, including transportation, electricity, residential, commercial, industrial, and agriculture. MCEA's strategy includes long-term development of modern and sustainable energy sources for Minnesota and shifting away from fossil fuel use in order to reduce carbon pollution. To support this goal, MCEA serves as legal counsel for several Minnesota clean energy organizations.

Northeastern Minnesota Program **-** This program works to protect the land, water, and people of Northeastern Minnesota, and to promote a safe and healthy future for all Northeastern Minnesotans. MCEA works to protect Northeastern Minnesota communities and waters from mining pollution, especially sulfide mining pollution, by holding state agencies accountable in permitting and enforcement processes. MCEA also works to protect and enhance Northeastern Minnesota lands, forests, and biodiversity, especially for climate resilience. This program is designed to partner with local communities most affected by historic pollution, and build bridges to new partners, including those with whom our views may not always align.

Water Quality **-** MCEA's Water Quality program focuses on protecting Minnesota's greatest natural resource and economic asset: its water. Minnesotans rely on our water for drinking, recreation, travel, a wide variety of economic activity, and well-being. MCEA works to protect surface and groundwater by securing more effective controls on agricultural runoff and pollution. MCEA also seeks to protect Lake Superior from the dual threats of pollution and invasive species. MCEA partners with communities to protect local drinking water sources from a wide range of threats that undermine public health. MCEA also acts as a watchdog to assure that clean water funds from the Legacy Amendment and Lottery funds are targeted effectively.

1. Nature of business and summary of significant accounting policies: (continued):

MCEA's program focuses include the following (continued):
Healthy Communities - 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 building and protecting healthy communities for all. The Healthy Communities Program leverages MCEA's legal skills, organizational resources, and access to decision-makers to build power for communities and fight for environmental justice alongside our partners. MCEA is proud to have dedicated and general funding to support environmental justice work from its funders and aims to integrate environmental justice principles into every aspect of its work.

Basis of presentation:

MCEA classifies its net assets, revenues and expenses based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of MCEA 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 (or certain grantor) restrictions. Designated amounts represent those revenues which the governing board has set aside for future programming needs.

Net Assets With Donor Restrictions – Net assets subject to donor (or certain grantor) 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. 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.

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:

MCEA maintains its cash in bank deposit accounts at a financial institution where balances, at times, may exceed federally insured limits. No loss has been experienced due to this practice.

Concentration of contributions:

MCEA received approximately 26% of its total contribution revenues from two donors during the year ended June 30, 2021. No one donor comprised over 10% of revenues for the year ended June 30, 2022. Unconditional promises to give include amounts from two donors comprising 56% and 85% of total receivables at June 30, 2022 and 2021, respectively.

Use of estimates:

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America includes the use of estimates that affect the financial statements. Actual results could differ from those estimates.

1. Nature of business and summary of significant accounting policies: (continued):

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. All amounts due at June 30, 2022 and 2021 are considered collectible, accordingly, no reserve for doubtful accounts is necessary.

Promises to give:

Unconditional promises to give are recognized as revenues or gains in the period the promise is made. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

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. Promises to give receivable in more than one year are discounted to present value. Uncollectible promises are expected to be insignificant.

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.

1. Nature of business and summary of significant accounting policies: (continued):

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. These donated services are used in MCEA's programming are valued at the typically-charged rates reported by the individuals providing the services.

Revenue and revenue recognition:

Contributions are recognized when cash, securities or other assets, or an unconditional promise to give is received. Conditional promises consist of those with a measurable performance or other barrier and a right of return and are not recognized until the conditions on which they depend have been substantially met. Certain grants are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses

Revenue and revenue recognition (continued):

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.

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. Except for certain items allocated on a direct basis, expenses are assigned to the general category throughout the year and allocated at year end among the program and management and general categories based on the ratio of FTE per category. For occupancy expenses related to the Minneapolis office, the FTE ratio is calculated using only FTEs based in that office.

1. Nature of business and summary of significant accounting policies: (continued):

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.

Management evaluated MCEA's tax positions and concluded that MCEA had taken no uncertain tax positions that require adjustment to the financial statements to comply with the provisions of this guidance related to uncertain tax positions.

Reclassifications:

Certain reclassifications have been made to the 2021 financial statements to conform to the 2022 presentation.

Subsequent events:

Management has evaluated for subsequent events through December 8, 2022, the date the financial statements were available for issuance.

2. 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, 2022 and 2021, are as follows:

2. Liquidity and availability (continued):

	2022	2021
Financial assets at year end:		
Cash and cash equivalents	**$ 2,398,295**	$ 2,597,039
Accounts receivable and unconditional promises to give	**494,629**	463,070
Investments	**1,639,177**	1,931,143
Total financial assets	**4,532,101**	4,991,252
Less amounts not available to be used within one year:		
Net assets restricted by the donor:		
Into perpetuity for endowment	**557,607**	557,607
As to purpose or time	**973,171**	931,545
Net assets designated by the board for future programming needs	**1,068,025**	1,368,698
	2,598,803	2,857,850
Financial assets available for general expenditures over the next twelve months	**$ 1,933,298**	$ 2,133,402

3. Unconditional promises to give:

	2022	2021
Gross pledges	**$ 407,100**	$ 375,000
Less discount on long-term pledges	**(9,471)**	-
Net pledges receivable	**397,629**	375,000
Less portion collectible within one year	**243,500**	375,000
Portion collectible in one to five years	**$ 154,129**	$ -

4. Investments:

Investments are reported on the basis of quoted market prices and consist of the following at June 30, 2022 and 2021:

	2022			
	Level 1	**Level 2**	**Level 3**	**Total**
Equity securities	**$ 1,149,951**	**$ -**	**$ -**	**$ 1,149,951**
Not subject to the fair value measurements:				
Money market funds (at cost) and cash				**5,223**
Treasury notes, government and other bonds at cost				**481,747**
				$ 1,636,921

4. Investments (continued):

	2021			
	Level 1	Level 2	Level 3	Total
Equity securities	$ 1,315,749	$ -	$ -	$ 1,315,749
Not subject to the fair value measurements:				
Money market funds				21,767
Treasury notes, government and other bonds				593,627
				$ 1,931,143

5. Property and leasehold improvements:

Property and leasehold improvements consist of the following at June 30, 2022 and 2021:

	2022	2021
Furniture and equipment	**$ 320,944**	$ 297,888
Leasehold improvements	**209,562**	209,562
	530,506	507,450
Less accumulated depreciation	**320,315**	243,761
	$ 210,191	$ 263,689

6. 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 $6,500. In addition to the base rent, MCEA will also pay tax and operating cost adjustments monthly, which are currently estimated to be approximately $5,600 per month. It also began leasing an office space in Duluth, Minnesota May 1, 2020 with a lease that expires April 20, 2023, with an option to extend the lease for one year. Monthly rent is $1,584. Rent expense was $164,697 and $158,892 for the years ended June 30, 2022 and 2021, respectively.

6. 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, 2022 are:

Year ending June 30	Amount
2023	$ 99,358
2024	98,308
2025	83,902
2026	85,716
2027	87,530
Thereafter	112,020
	$ 566,835

MCEA rents space to an organization under a sublease agreement. Rental revenue under the leases was $5,000 and $6,000 in 2022 and 2021, respectively. Future minimum receipts under noncancellable subleases are $5,250 for the year ended June 30, 2023.

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 3% 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 $87,043 and $79,239 in 2022 and 2021, respectively.

8. Net assets with donor restrictions:

Net assets with donor restrictions are available for the following purposes at June 30, 2022 and 2021:

	2022	2021
Purpose restrictions	**$ 621,071**	$ 672,245
Time-restricted for future periods	**352,100**	275,531
Perpetual restriction, endowment	**557,607**	557,607
	$ 1,530,778	$ 1,505,383

9. Net assets released from restrictions:

Net assets with donor restrictions were used during June 30, 2022 and 2021:

	2022	2021
Purpose restrictions	**$ 936,171**	$ 1,042,409
Time-restricted for future periods	**488,934**	-
	$ 1,425,105	$ 1,042,409

10. Endowment:

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.

10. Endowment (continued):

The composition of the Organization's endowment fund by type for the years ended June 30 is as follows:

	2022		
	Without donor restrictions, Board designated	**With donor restrictions**	**Total**
Total endowment funds	**$ 1,068,025**	**$ 557,607**	**$ 1,625,632**

	2021		
	Without donor restrictions, Board designated	With donor restrictions	Total
Total endowment funds	$ 1,373,536	$ 557,607	$ 1,931,143

Changes in endowment funds are as follows:

	Without donor restrictions	With donor restrictions	Total
Endowment funds, July 1, 2020	$ 1,021,561	557,607	$ 1,579,168
Investment earnings, net appreciation of investments	421,975	-	421,975
Appropriation for expenditure	(70,000)	-	(70,000)
Endowment funds, board designated, June 30, 2021	$ 1,373,536	$ 557,607	$ 1,931,143
Investment earnings, net depreciation of investments	**(235,511)**	**-**	**(235,511)**
Appropriation for expenditure	**(70,000)**	**-**	**(70,000)**
Endowment funds, June 30, 2022	**$ 1,068,025**	**$ 557,607**	**$ 1,625,632**

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. Pending accounting standard:

The Financial Accounting Standards Board (FASB) has issued a new lease accounting standard that has not yet been implemented by MCEA but is expected to impact future financial statements. This lease standard will be effective for MCEA beginning with its year ended June 30, 2023. Under this new standard, the MCEA's leases with terms of more than twelve months will be required to be recognized as assets and liabilities. MCEA is currently assessing the impact of this new lease standard on its financial statements.