



Financial Statements
August 31, 2016 and 2015

Thomas Irvine Dodge Nature Center

Thomas Irvine Dodge Nature Center

Table of Contents

August 31, 2016 and 2015

Independent Auditor's Report.....	1
Financial Statements	
Statements of Financial Position.....	3
Statements of Activities	4
Statements of Functional Expenses.....	6
Statements of Cash Flows.....	8
Notes to Financial Statements.....	9



Independent Auditor's Report

The Board of Directors
Thomas Irvine Dodge Nature Center
West Saint Paul, Minnesota

Report on the Financial Statements

We have audited the accompanying financial statements of Thomas Irvine Dodge Nature Center, which comprise the statements of financial position as of August 31, 2016 and 2015, and the related statements of activities, 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

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we 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, we 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.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Thomas Irvine Dodge Nature Center as of August 31, 2016 and 2015, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

A handwritten signature in cursive script that reads "Eide Bailly LLP".

Minneapolis, Minnesota
December 8, 2016

Thomas Irvine Dodge Nature Center
 Statements of Financial Position
 August 31, 2016 and 2015

	2016	2015
Assets		
Cash and cash equivalents	\$ 83,938	\$ 102,630
Operating investments	972,411	703,320
Contributions receivable	5,773	33,239
Prepaid expenses and other assets	48,456	24,812
Property and equipment, net	7,779,743	7,833,877
Endowment		
Investments	10,911,299	10,686,295
Total assets	\$ 19,801,620	\$ 19,384,173
Liabilities and Net Assets		
Accounts payable	\$ 48,267	\$ 26,539
Accrued liabilities	108,770	84,341
Deferred revenue	181,969	93,405
Total liabilities	339,006	204,285
Net Assets		
Unrestricted		
Undesignated	3,501,946	3,565,585
Board-designated endowment	3,931,027	3,863,882
	7,432,973	7,429,467
Temporarily restricted	2,308,051	2,041,477
Permanently restricted	9,721,590	9,708,944
Total net assets	19,462,614	19,179,888
Total liabilities and net assets	\$ 19,801,620	\$ 19,384,173

Thomas Irvine Dodge Nature Center
Statements of Activities
Year Ended August 31, 2016

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Revenue, Support, and Gains				
Program service fees	\$ 405,124	\$ -	\$ -	\$ 405,124
Membership dues	1,820	-	-	1,820
Net investment return	263,254	383,529	57,146	703,929
Other revenue	53,804	-	-	53,804
Contributions	188,135	356,715	500	545,350
In-kind contributions	72,796	-	-	72,796
Gross special events revenue	182,673	-	-	182,673
Less cost of direct benefits to donors	<u>(83,890)</u>	<u>-</u>	<u>-</u>	<u>(83,890)</u>
Net special events revenue	98,783	-	-	98,783
Preschool tuition	745,015	-	-	745,015
Rental revenue	63,211	-	-	63,211
Net assets released from restriction pursuant to endowment spending-rate distribution formula	256,268	(211,268)	(45,000)	-
Net assets released from restrictions and transfers	<u>262,402</u>	<u>(262,402)</u>	<u>-</u>	<u>-</u>
Total revenue, support, and gains	<u>2,410,612</u>	<u>266,574</u>	<u>12,646</u>	<u>2,689,832</u>
Expenses				
Program services	1,990,792	-	-	1,990,792
Management and general	288,396	-	-	288,396
Fundraising and development	127,918	-	-	127,918
Total expenses	<u>2,407,106</u>	<u>-</u>	<u>-</u>	<u>2,407,106</u>
Change in Net Assets	3,506	266,574	12,646	282,726
Net Assets, Beginning of Year	<u>7,429,467</u>	<u>2,041,477</u>	<u>9,708,944</u>	<u>19,179,888</u>
Net Assets, End of Year	<u>\$ 7,432,973</u>	<u>\$ 2,308,051</u>	<u>\$ 9,721,590</u>	<u>\$ 19,462,614</u>

Thomas Irvine Dodge Nature Center
Statements of Activities
Year Ended August 31, 2015

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Revenue, Support, and Gains				
Program service fees	\$ 394,611	\$ -	\$ -	\$ 394,611
Membership dues	12,057	-	-	12,057
Net investment return	(70,199)	(63,333)	(35,489)	(169,021)
Other revenue	14,873	-	-	14,873
Contributions	220,238	345,660	2,950	568,848
In-kind contributions	10,199	-	-	10,199
Gross special events revenue	215,261	-	-	215,261
Less cost of direct benefits to donors	(91,639)	-	-	(91,639)
Net special events revenue	123,622	-	-	123,622
Preschool tuition	761,140	-	-	761,140
Rental revenue	61,571	-	-	61,571
Net assets released from restrictions pursuant to endowment spending-rate distribution formula	256,984	(256,984)	-	-
Net assets released from restrictions and transfers	139,497	(139,497)	-	-
Total revenue, support and gains	<u>1,924,593</u>	<u>(114,154)</u>	<u>(32,539)</u>	<u>1,777,900</u>
Expenses				
Program services	1,893,233	-	-	1,893,233
Management and general	290,398	-	-	290,398
Fundraising and development	132,796	-	-	132,796
Total expenses	<u>2,316,427</u>	<u>-</u>	<u>-</u>	<u>2,316,427</u>
Change in Net Assets	(391,834)	(114,154)	(32,539)	(538,527)
Net Assets, Beginning of Year	<u>7,821,301</u>	<u>2,155,631</u>	<u>9,741,483</u>	<u>19,718,415</u>
Net Assets, End of Year	<u><u>\$ 7,429,467</u></u>	<u><u>\$ 2,041,477</u></u>	<u><u>\$ 9,708,944</u></u>	<u><u>\$ 19,179,888</u></u>

Thomas Irvine Dodge Nature Center
Statements of Functional Expenses
Year Ended August 31, 2016

	Nature and Environmental Education	Supporting Services		Total Supporting Services	Total
		Management and General	Fundraising and Development		
Expenses					
Salaries	\$ 1,041,474	\$ 191,910	\$ 81,087	\$ 272,997	\$ 1,314,471
Payroll taxes	79,614	10,406	5,138	15,544	95,158
Employee benefits	113,450	4,295	1,795	6,090	119,540
Total salaries	1,234,538	206,611	88,020	294,631	1,529,169
Program expenses	70,531	-	-	-	70,531
Professional fees	13,327	40,890	-	40,890	54,217
Repairs and maintenance	184,365	5,935	6,609	12,544	196,909
Miscellaneous expense	15,382	1,658	789	2,447	17,829
Dues and subscriptions	2,379	545	2,826	3,371	5,750
Insurance	35,492	1,554	374	1,928	37,420
Office expense	19,883	7,145	19,909	27,054	46,937
Conferences	267	3,604	1,281	4,885	5,152
Travel	7,329	68	1,051	1,119	8,448
Supplies	37,366	1,655	769	2,424	39,790
Advertising	5,536	-	925	925	6,461
Pension/retirement plan	36,140	8,518	2,812	11,330	47,470
Utilities	50,543	1,249	312	1,561	52,104
Real estate taxes	3,835	153	38	191	4,026
Scholarship awards	64,628	-	-	-	64,628
Depreciation	209,251	8,811	2,203	11,014	220,265
Special event direct expenses	-	-	83,890	83,890	83,890
Investment management fees	-	42,397	-	42,397	42,397
Total Expenses by Function	1,990,792	330,793	211,808	542,601	2,533,393
Less Expenses Included with Revenues on the Statement of Activities					
Cost of direct benefits to donors	-	-	(83,890)	(83,890)	(83,890)
Investment fees	-	(42,397)	-	(42,397)	(42,397)
Expenses Included in the Expense Section of the Statement of Activities	\$ 1,990,792	\$ 288,396	\$ 127,918	\$ 416,314	\$ 2,407,106
	83%	12%	5%	17%	100%

Thomas Irvine Dodge Nature Center
Statements of Functional Expenses
Year Ended August 31, 2015

	Nature and Environmental Education	Supporting Services		Total Supporting Services	Total
		Management and General	Fundraising and Development		
Expenses					
Salaries	\$ 990,575	\$ 182,047	\$ 73,667	\$ 255,714	\$ 1,246,289
Payroll taxes	77,391	8,657	4,766	13,423	90,814
Employee benefits	88,827	24,827	3,439	28,266	117,093
Total salaries	1,156,793	215,531	81,872	297,403	1,454,196
Program expenses	54,248	-	-	-	54,248
Professional fees	15,819	33,578	-	33,578	49,397
Repairs and maintenance	181,807	5,935	6,609	12,544	194,351
Miscellaneous expense	8,678	1,245	521	1,766	10,444
Dues and subscriptions	1,657	974	3,093	4,067	5,724
Insurance	34,381	1,554	363	1,917	36,298
Office expense	12,042	8,436	24,140	32,576	44,618
Conferences	297	2,141	475	2,616	2,913
Travel	6,293	17	789	806	7,099
Supplies	38,341	3,202	385	3,587	41,928
Advertising	3,048	315	9,503	9,818	12,866
Pension/retirement plan	36,469	8,211	2,732	10,943	47,412
Utilities	57,843	1,249	312	1,561	59,404
Real estate taxes	4,764	153	38	191	4,955
Scholarship awards	94,159	-	-	-	94,159
Depreciation	186,594	7,857	1,964	9,821	196,415
Special event direct expenses	-	-	91,639	91,639	91,639
Investment management fees	-	44,727	-	44,727	44,727
Total Expenses by Function	1,893,233	335,125	224,435	559,560	2,452,793
Less Expenses Included with Revenues on the Statement of Activities					
Cost of direct benefits to donors	-	-	(91,639)	(91,639)	(91,639)
Investment fees	-	(44,727)	-	(44,727)	(44,727)
Expenses Included in the Expense Section of the Statement of Activities	\$ 1,893,233	\$ 290,398	\$ 132,796	\$ 423,194	\$ 2,316,427
	83%	10%	7%	17%	100%

Thomas Irvine Dodge Nature Center
Statements of Cash Flows
Years Ended August 31, 2016 and 2015

	2016	2015
Operating Activities		
Change in net assets	\$ 282,726	\$ (538,527)
Adjustments to reconcile change in net assets to net cash from (used for) operating activities		
Depreciation	220,264	196,415
Realized and unrealized (gain) loss on operating investments	(22,017)	7,027
Endowment net investment return	(674,388)	177,972
Donated property and equipment	(51,250)	-
Contributions restricted to endowment	(500)	(2,950)
Changes in operating assets and liabilities		
Contributions receivable	27,466	(24,109)
Prepaid expenses and other assets	(23,644)	14,690
Accounts payable	21,728	(10,107)
Accrued liabilities	24,429	(96,654)
Deferred revenue	88,564	(41,533)
Net Cash used for Operating Activities	(106,622)	(317,776)
Investing Activities		
Purchase of property and equipment	(114,880)	(50,889)
Purchase of operating investments	(247,074)	(4,952)
Withdrawal from endowment	449,384	424,901
Net Cash from Investing Activities	87,430	369,060
Financing Activities		
Cash collections on contributions for permanent endowment	500	2,950
Net Cash from Financing Activities	500	2,950
Net Change in Cash and Cash Equivalents	(18,692)	54,234
Cash and Cash Equivalents, Beginning of Year	102,630	48,396
Cash and Cash Equivalents, End of Year	\$ 83,938	\$ 102,630

Note 1 - Principal Activity and Significant Accounting Policies

Organization

Thomas Irvine Dodge Nature Center (the Organization) was founded in 1967 by Olivia Irvine Dodge. The Organization resides on 462 acres in West St. Paul, Cottage Grove, and Mendota Heights, Minnesota. The Organization is incorporated under the Minnesota Nonprofit Corporation Act. The mission of the Organization is to provide exceptional experiences in nature through environmental education.

Cash and Cash Equivalents

The Organization considers all cash and highly liquid financial instruments with original maturities of three months or less, and which are neither held for nor restricted by donors for long-term purposes, to be cash and cash equivalents. Cash and highly liquid financial instruments restricted to capital expenditures, permanent endowment, or other long-term purposes of the Organization are excluded from this definition.

Contributions Receivable

Grants and unconditional contributions receivable expected to be collected within one year are recorded at net realizable value. Grants and unconditional contributions receivable expected to be collected in future years are initially recorded at fair value using present value techniques incorporating risk-adjusted discount rates designed to reflect the assumptions market participants would use in pricing the asset. In subsequent years, amortization of the discounts is included in contribution revenue in the statement of activities. Management determines the allowance for uncollectable contributions receivable based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Contributions receivable are written off when deemed uncollectable. No allowance has been provided for, since management believes all grants and contributions receivable are expected to be collected.

Property and Equipment

Property and equipment additions over \$1,000 are recorded at cost, or if donated, at fair value on the date of donation. Depreciation and amortization are computed using the straight-line method over the estimated useful lives of the assets ranging from 5 to 30 years. When assets are sold or otherwise disposed of, the cost and related depreciation or amortization are removed from the accounts, and any remaining gain or loss is included in the statement of activities. Costs of maintenance and repairs that do not improve or extend the useful lives of the respective assets are expensed currently.

The Organization reviews the carrying values of property and equipment for impairment whenever events or circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. When considered impaired, an impairment loss is recognized to the extent carrying value exceeds the fair value of the asset. There were no indicators of asset impairment during the years ended August 31, 2016 and 2015.

Investments

Investment purchases are recorded at cost, or if donated, at fair value on the date of donation. Thereafter, investments are reported at their fair values in the statements of financial position. Net investment return (loss) is reported in the statements of activities and consists of interest and dividend income, realized and unrealized capital gains and losses, less investment management and custodial fees.

Net Assets

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

Unrestricted Net Assets – Net assets available for use in general operations. Unrestricted Board-designated net assets consist of net assets designated by the Board of Directors for operating reserve and quasi-endowment.

Temporarily Restricted Net Assets – Net assets subject to donor restrictions that may or will be met by expenditures or actions of the Organization and/or the passage of time, and certain income earned on permanently restricted net assets that has not yet been appropriated for expenditure by the Organization's Board of Directors.

The Organization reports contributions as temporarily restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Permanently Restricted Net Assets – Net assets whose use is limited by donor-imposed restrictions that neither expire by the passage of time nor can be fulfilled or otherwise removed by action of the Organization. The restrictions stipulate that resources be maintained permanently but permit the Organization to expend the income generated in accordance with the provisions of the agreements.

Revenue and Revenue Recognition

Revenue is recognized when earned. Program service fees and payments under cost-reimbursable contracts received in advance are deferred to the applicable period in which the related services are performed or expenditures are incurred, respectively. Contributions are recognized when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met.

Donated Services and In-Kind Contributions

Volunteers contribute significant amounts of time to the Organization's program services, administration, and fundraising and development activities; however, the financial statements do not reflect the value of these contributed services because they do not meet recognition criteria prescribed by generally accepted accounting principles. Volunteers contributed approximately 11,677 and 8,670 hours of service during the years ended August 31, 2016 and 2015, respectively. Contributed goods and property are recorded at fair value at the date of donation. The Organization records donated professional services at the respective fair values of the services received.

Advertising Expenses

Advertising costs are expensed as incurred, and approximated \$6,461 and \$12,866 during the years ended August 31, 2016 and 2015, respectively.

Functional Allocation of Expenses

The costs of program and supporting services activities have been summarized on a functional basis in the statements 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

Thomas Irvine Dodge Nature Center is organized as a Minnesota nonprofit corporation and has been recognized by the Internal Revenue Service (IRS) as exempt from federal income taxes under Section 501(a) of the Internal Revenue Code as an organization described in Section 501(c)(3), qualifies for the charitable contribution deduction under Section 170(b)(1)(A)(vi), and has been determined not to be a private foundation under Section 509(a)(1). The Organization is annually required to file a Return of Organization Exempt from Income Tax (Form 990) with the IRS. In addition, the Organization is subject to income tax on net income that is derived from business activities that are unrelated to the exempt purpose. The Organization has determined it is not subject to unrelated business income tax and has not filed an Exempt Organization Business Income Tax Return (Form 990-T) with the IRS.

The Organization believes that it has appropriate support for any tax positions taken affecting its annual filing requirements, and as such, does not have any uncertain tax positions that are material to the financial statements. The Organization would recognize future accrued interest and penalties related to unrecognized tax benefits and liabilities in income tax expense if such interest and penalties are incurred.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates and those differences could be material.

Financial Instruments and Credit Risk

The Organization manages deposit concentration risk by placing cash, money market accounts, and certificates of deposit with financial institutions believed by management to be creditworthy. At times, amounts on deposit may exceed insured limits or include uninsured investments in money market mutual funds. To date, the Organization has not experienced losses in any of these accounts. Credit risk associated with accounts receivable, grants receivable and contributions receivable is considered to be limited due to high historical collection rates and because substantial portions of the outstanding amounts are due donors expected with no history of not following through on their commitment. Investments are made by diversified investment managers whose performance is monitored by management and the Investment Committee of the Board of Directors. Although the fair values of investments are subject to fluctuation on a year-to-year basis, management and the Investment Committee believe that the investment policies and guidelines are prudent for the long-term welfare of the Organization.

Subsequent Events

The Organization has evaluated subsequent events through December 8, 2016, the date the financial statements were available to be issued.

Note 2 - Fair Value Measurements and Disclosures

Certain assets are reported at fair value in the financial statements. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal, or most advantageous, market at the measurement date under current market conditions regardless of whether that price is directly observable or estimated using another valuation technique. Inputs used to determine fair value refer broadly to the assumptions that market participants would use in pricing the asset or liability, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset or liability based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability based on the best information available. A three-tier hierarchy categorizes the inputs as follows:

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities that the Organization can access at the measurement date.
- Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. These include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability, and market-corroborated inputs.
- Level 3 – Unobservable inputs for the asset or liability. In these situations, the Organization develops inputs using the best information available in the circumstances.

In some cases, the inputs used to measure the fair value of an asset or a liability might be categorized within different levels of the fair value hierarchy. In those cases, the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement. Assessing the significance of a particular input to entire measurement requires judgment, taking into account factors specific to the asset or liability. The categorization of an asset within the hierarchy is based upon the pricing transparency of the asset and does not necessarily correspond to the Organization's assessment of the quality, risk or liquidity profile of the asset or liability.

A significant portion of the Organization's investment assets are classified within Level 1 because they are comprised of equity, mutual funds and hedge fund securities with readily determinable fair values based on daily redemption values. The Organization also invests in fixed income securities and alternative investments, including hedge funds, and hard assets, which are valued by the custodians of the securities using pricing models based on credit quality, time to maturity, stated interest rates and market-rate assumptions, and are classified within Level 2 since there are observable inputs, but they are not traded on an active market.

The following table presents assets measured at fair value on a recurring basis, except those measured at cost as identified below, at August 31, 2016:

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Operating investments				
Cash and money market funds (at cost)	\$ 529,891	\$ -	\$ -	\$ 529,891
Equities and mutual funds	442,520	-	-	442,520
	<u>\$ 972,411</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 972,411</u>
Endowment assets				
Equities and mutual funds	\$ 7,155,455	\$ -	\$ -	\$ 7,155,455
Fixed income securities	-	2,261,742	-	2,261,742
Alternative investments				
Hedge funds	433,520	1,060,582	-	1,494,102
	<u>\$ 7,588,975</u>	<u>\$ 3,322,324</u>	<u>\$ -</u>	<u>\$ 10,911,299</u>

The following table presents assets measured at fair value on a recurring basis, except those measured at cost as identified below, at August 31, 2015:

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Operating investments				
Cash and money market funds (at cost)	\$ 277,101	\$ -	\$ -	\$ 277,101
Equities and mutual funds	426,219	-	-	426,219
	<u>\$ 703,320</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 703,320</u>
Endowment assets				
Cash and money market funds (at cost)	\$ 373,559	\$ -	\$ -	\$ 373,559
Equities and mutual funds	6,471,534	-	-	6,471,534
Fixed income securities	-	2,004,778	-	2,004,778
Alternative investments				
Hedge funds	-	1,695,873	-	1,695,873
Hard assets	-	140,551	-	140,551
	<u>\$ 6,845,093</u>	<u>\$ 3,841,202</u>	<u>\$ -</u>	<u>\$ 10,686,295</u>

Note 3 - Net Investment Return

Net investment return consists of the following for the years ended August 31, 2016 and 2015:

	2016	2015
Operating investments		
Interest and dividends	\$ 7,524	\$ 15,978
Net realized and unrealized gain (loss)	22,017	(7,027)
	29,541	8,951
Endowment investments		
Interest and dividends	201,728	196,549
Net realized and unrealized gain (loss)	515,057	(329,794)
Less investment management and custodial fees	(42,397)	(44,727)
	674,388	(177,972)
	\$ 703,929	\$ (169,021)

Note 4 - Property and Equipment

Property and equipment consists of the following at August 31, 2016 and 2015:

	2016	2015
Land	\$ 5,640,296	\$ 5,640,296
Land improvements	798,449	782,564
Buildings	4,034,609	3,956,412
Equipment	858,716	838,893
	11,332,070	11,218,165
Less accumulated depreciation	(3,552,327)	(3,384,288)
	\$ 7,779,743	\$ 7,833,877

Note 5 - Endowments

The Organization's endowment consists of multiple individual funds established by donors to provide annual funding for specific activities and general operations. The endowment also includes certain unrestricted net assets designated for endowment by the Board of Directors. Net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The Organization's Board of Directors has interpreted the Minnesota 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, unless there are explicit donor stipulations to the contrary. At August 31, 2016 and 2015, there were no such donor stipulations. As a result of this interpretation, the Organization classifies as permanently restricted net assets (a) the original value of gifts donated to the endowment, (b) the original value of subsequent gifts donated to the endowment (including promises to give net of discount and allowance for doubtful accounts, and (c) accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added. The remaining portion of the donor-restricted endowment is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by UPMIFA. The Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund
- The purposes of the organization and the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the organization
- The investment policies of the organization

As of August 31, 2016 and 2015, the Organization had the following endowment net asset composition by type of fund:

	Unrestricted	Unrestricted Designated	Temporarily Restricted	Permanently Restricted	Total
<u>August 31, 2016</u>					
Donor-restricted endowment funds	\$ -	\$ -	\$ 1,558,484	\$ 5,421,788	\$ 6,980,272
Board-designated endowment funds	447,613	3,483,414	-	-	3,931,027
	\$ 447,613	\$ 3,483,414	\$ 1,558,484	\$ 5,421,788	\$ 10,911,299
<u>August 31, 2015</u>					
Donor-restricted endowment	\$ -	\$ -	\$ 1,413,271	\$ 5,409,142	\$ 6,822,413
Board-designated endowment	432,075	3,431,807	-	-	3,863,882
	\$ 432,075	\$ 3,431,807	\$ 1,413,271	\$ 5,409,142	\$ 10,686,295

Investment and Spending Policies

The Organization has adopted investment and spending policies for the endowment that attempt to provide a predictable stream of funding for operations while seeking to maintain the purchasing power of the endowment assets. Over time, long-term rates of return should be equal to an amount sufficient to maintain the purchasing power of the endowment assets, to provide the necessary capital to fund the spending policy, and to cover the costs of managing the endowment investments. The target minimum rate of return is the Consumer Price Index plus 5% on an annual basis. Actual returns in any given year may vary from this amount. To satisfy this long-term rate-of-return objective, the investment portfolio is structured on a total-return approach through which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends).

A significant portion of the funds are invested to seek growth of principal over time. The Organization uses an endowment spending-rate formula to determine the maximum amount to spend from the endowment each year. The rate, determined and adjusted from time to time by the Board of Directors, is applied to the average fair value of the endowment investments for the prior 12 quarters at August 31 of each year to determine the spending amount for the upcoming year. During 2016 and 2015, the spending rate maximum was 5%. In establishing this policy, the Organization considered the long-term expected return on the endowment, and set the rate with the objective of maintaining the purchasing power of the endowment over time.

Changes in endowment net assets for the years ended August 31, 2016 and 2015, are as follows:

	<u>Unrestricted</u>	<u>Unrestricted Designated</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<u>Year Ended August 31, 2016</u>					
Endowment net assets, beginning of year	\$ 432,075	\$ 3,431,807	\$ 1,413,271	\$ 5,409,142	\$ 10,686,295
Investment return					
Investment income	7,951	69,460	98,991	30,326	206,728
Net realized and unrealized gain (loss), net of fees	20,682	167,668	257,490	26,820	472,660
	<u>28,633</u>	<u>237,128</u>	<u>356,481</u>	<u>57,146</u>	<u>679,388</u>
Contributions	-	-	-	500	500
Distributions					
Appropriation of endowment assets pursuant of spending-rate policy	-	-	(211,268)	(45,000)	(256,268)
Transfers	(6,295)	5,205	-	-	(1,090)
Transfer to remove Board-designated endowment funds	<u>(6,800)</u>	<u>(190,726)</u>	<u>-</u>	<u>-</u>	<u>(197,526)</u>
Endowment net assets, end of year	<u>\$ 447,613</u>	<u>\$ 3,483,414</u>	<u>\$ 1,558,484</u>	<u>\$ 5,421,788</u>	<u>\$ 10,911,299</u>

Thomas Irvine Dodge Nature Center
Notes to Financial Statements
August 31, 2016 and 2015

	<u>Unrestricted</u>	<u>Unrestricted Designated</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<u>Year Ended August 31, 2015</u>					
Endowment net assets, beginning of year	\$ 431,321	\$ 3,682,578	\$ 1,733,588	\$ 5,441,681	\$ 11,289,168
Investment return					
Investment income	-	73,994	158,044	(35,489)	196,549
Net realized and unrealized gain (loss), net of fees	-	(153,144)	(221,377)	-	(374,521)
	<u>-</u>	<u>(79,150)</u>	<u>(63,333)</u>	<u>(35,489)</u>	<u>(177,972)</u>
Contributions	-	-	-	2,950	2,950
Distributions					
Appropriation of endowment assets pursuant of spending-rate policy	-	-	(256,984)	-	(256,984)
Transfer to remove Board-designated endowment funds	-	(170,867)	-	-	(170,867)
Transfers	754	(754)	-	-	-
	<u>754</u>	<u>(754)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Endowment net assets, end of year	<u>\$ 432,075</u>	<u>\$ 3,431,807</u>	<u>\$ 1,413,271</u>	<u>\$ 5,409,142</u>	<u>\$ 10,686,295</u>

Note 6 - Restricted Net Assets

Temporarily restricted net assets at August 31, 2016 and 2015, consist of:

	<u>2016</u>	<u>2015</u>
Restricted by donors for		
Property improvements	\$ 655,401	\$ 434,691
Nature and environmental education activities	8,023	9,323
Preschool continuing education	3,740	4,624
Scholarships	49,761	70,008
General operating for future periods	32,642	105,000
Repairs and maintenance	-	4,560
Unspent appreciation of endowment funds which must be appropriated for expenditure before use	<u>1,558,484</u>	<u>1,413,271</u>
	<u>\$ 2,308,051</u>	<u>\$ 2,041,477</u>

Thomas Irvine Dodge Nature Center
Notes to Financial Statements
August 31, 2016 and 2015

Net assets were released from restrictions as follows during the years ended August 31, 2016 and 2015:

	2016	2015
Satisfaction of time and purpose restrictions		
Property improvements	\$ 16,291	\$ 2,854
Nature and environmental education activities	28,800	40,050
Preschool continuing education	884	676
Scholarships	49,447	37,026
General operating	107,358	54,451
Repairs and maintenance	59,622	4,440
	\$ 262,402	\$ 139,497
Restricted-purpose spending-rate distributions and appropriations		
General operating	\$ 121,268	\$ 156,984
Farm endowment	45,000	-
Peterson Naturalist position	45,000	45,000
Volunteer	45,000	45,000
Preschool scholarships	-	10,000
	\$ 256,268	\$ 256,984

Permanently restricted net assets consist of endowment funds restricted by donors for investment in perpetuity. Earnings on endowment funds are available for the purposes specific by the donors, or in certain cases, for the unrestricted use of the Organization. The permanently restricted net asset balances, classified by restriction on the use of earnings, are as follows at August 31, 2016 and 2015:

	2016	2015
Endowment		
General endowment	\$ 1,760,084	\$ 2,607,517
Farm endowment	847,932	-
Peterson Naturalist endowment	1,517,540	1,505,393
Volunteer endowment	990,167	990,167
Preschool scholarships endowment	306,065	306,065
Subtotal endowment	5,421,788	5,409,142
Restricted land	4,299,802	4,299,802
Total	\$ 9,721,590	\$ 9,708,944

Note 7 - Donated Professional Services and Materials

The Organization received donated professional services and materials as follows during the years ended August 31, 2016 and 2015:

	2016	2015
Event expense	\$ 55,096	\$ 30,626
Supplies	15,287	6,057
Capital assets	51,250	-
	\$ 121,633	\$ 36,683

Note 8 - Employee Benefits

In April 1994, the Organization established a 403(b) defined contribution retirement plan covering all permanent employees. Effective September 1, 2009, the contributions to the plan became discretionary based upon Board approval each year. The Organization contributed 4.5% of an employee's compensation during the years ending August 31, 2016 and 2015. Expense charged to operations for the years ended August 31, 2016 and 2015, amounted to \$47,470 and \$47,412.

Note 9 - Related Party Transactions

The Organization receives significant contributions from current and past Board members. During the years ended August 31, 2016 and 2015, the Organization received contribution revenue of \$347,734 and \$215,607 from current Board members. The Organization received \$19,498 and \$24,860 of in-kind contribution revenue from current Board members during the years ended August 31, 2016 and 2015.

During the year ended August 31, 2015, the Organization entered into agreements with a company which provided them with insurance. A Board member of the Organization was employed by this company in 2015.