

*Financial statements of:*

**THOMAS IRVINE DODGE NATURE CENTER**

Years ended  
August 31, 2018 and 2017

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## INDEPENDENT AUDITOR'S REPORT

Board of Directors  
Thomas Irvine Dodge Nature Center  
West St. 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, 2018 and 2017, and the related statements of activities and changes in net assets, cash flows and functional expenses 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, 2018 and 2017, and the results of its activities and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

*Schechter Dokken Kanter  
Andrews & Selzer Ltd.*

December 17, 2018

**THOMAS IRVINE DODGE NATURE CENTER**

STATEMENTS OF FINANCIAL POSITION  
AUGUST 31

	<u>2018</u>	<u>2017</u>
<b>Assets:</b>		
Cash and cash equivalents	\$ 114,837	\$ 54,354
Operating investments	754,645	552,507
Contributions receivable	15,276	49,146
Prepaid expenses and other assets	32,666	31,501
	<u>917,424</u>	<u>687,508</u>
Total current assets	917,424	687,508
Property and equipment, net	8,391,129	8,387,180
Board designated investments	436,399	459,690
Endowment investments	11,511,000	11,045,622
	<u>11,947,399</u>	<u>11,505,312</u>
Total noncurrent assets	11,947,399	11,505,312
Total assets	<u>\$ 21,255,952</u>	<u>\$ 20,580,000</u>
<b>Liabilities and net assets:</b>		
Liabilities:		
Accounts payable	\$ 16,994	\$ 14,327
Accrued expenses	120,063	115,236
Deferred revenue	146,128	180,391
	<u>283,185</u>	<u>309,954</u>
Total current liabilities:	283,185	309,954
Net assets:		
Unrestricted:		
Undesignated	4,193,566	4,161,458
Board-designated	436,399	459,690
Board-designated endowment	3,749,317	3,595,548
	<u>8,379,282</u>	<u>8,216,696</u>
Temporarily restricted	2,716,498	2,137,121
Permanently restricted	9,876,987	9,916,229
	<u>20,972,767</u>	<u>20,270,046</u>
Total net assets	20,972,767	20,270,046
Total liabilities and net assets	<u>\$ 21,255,952</u>	<u>\$ 20,580,000</u>

## THOMAS IRVINE DODGE NATURE CENTER

	2018			Total
	Unrestricted	Temporarily restricted	Permanently restricted	
Revenues, support and gains:				
Program service fees	\$ 415,588			\$ 415,588
Net investment return	371,853	\$ 567,420	\$ 5,758	945,031
Other revenue	21,543			21,543
Contributions	254,760	597,907	-	852,667
In-kind contributions	18,646			18,646
Special events, net direct expense of \$81,337 and \$92,918 in 2018 and 2017, respectively	167,837			167,837
Preschool tuition	763,366			763,366
Rental revenue	79,782			79,782
Net assets:				
Released from restriction pursuant to endowment spending-rate distribution formula	261,569	(216,569)	(45,000)	-
Released from restrictions and transfers	369,381	(369,381)		-
Total revenue, support and gains	<u>2,724,325</u>	<u>579,377</u>	<u>(39,242)</u>	<u>3,264,460</u>
Expenses:				
Nature and Environmental Education	2,114,744			2,114,744
Management and general	307,917			307,917
Fundraising and development	139,078			139,078
	<u>2,561,739</u>			<u>2,561,739</u>
Change in net assets	162,586	579,377	(39,242)	702,721
Net assets, beginning of year	<u>8,216,696</u>	<u>2,137,121</u>	<u>9,916,229</u>	<u>20,270,046</u>
Net assets, end of year	<u>\$ 8,379,282</u>	<u>\$ 2,716,498</u>	<u>\$ 9,876,987</u>	<u>\$ 20,972,767</u>

See notes to financial statements.

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS  
YEARS ENDED AUGUST 31

2017			
Unrestricted	Temporarily restricted	Permanently restricted	Total
\$ 438,695			\$ 438,695
351,491	\$ 499,182	\$ 38,980	889,653
12,773			12,773
274,106	429,338	205,750	909,194
15,138			15,138
136,686			136,686
786,603			786,603
61,075			61,075
274,110	(224,019)	(50,091)	-
875,431	(875,431)		-
<u>3,226,108</u>	<u>(170,930)</u>	<u>194,639</u>	<u>3,249,817</u>
2,024,991			2,024,991
296,197			296,197
121,197			121,197
<u>2,442,385</u>			<u>2,442,385</u>
783,723	(170,930)	194,639	807,432
7,432,973	2,308,051	9,721,590	19,462,614
<u>\$ 8,216,696</u>	<u>\$ 2,137,121</u>	<u>\$ 9,916,229</u>	<u>\$ 20,270,046</u>

**THOMAS IRVINE DODGE NATURE CENTER**

 STATEMENTS OF CASH FLOWS  
 YEARS ENDED AUGUST 31

	<u>2018</u>	<u>2017</u>
Cash flows from operating activities:		
Change in net assets	\$ 702,721	\$ 807,432
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation	257,723	213,658
Donated securities	(298,206)	(209,456)
Net investment income reinvested	(945,031)	(889,653)
Contributions restricted to endowment	-	(205,750)
Changes in operating assets and liabilities:		
Contributions receivable	33,870	(43,373)
Prepaid expenses and other assets	(1,165)	16,955
Accounts payable	2,667	(33,940)
Accrued expenses	4,827	6,466
Deferred revenue	(34,263)	(1,578)
Net cash used in operating activities	<u>(276,857)</u>	<u>(339,239)</u>
Cash flows from investing activities:		
Purchase of:		
Property and equipment	(261,672)	(821,095)
Investments	(1,420,900)	-
Sale of investments	2,019,912	925,000
Net cash provided by investing activities	<u>337,340</u>	<u>103,905</u>
Cash flows from financing activities, cash collections on contributions for permanent endowment	<u>-</u>	<u>205,750</u>
Net change in cash and cash equivalents	60,483	(29,584)
Cash and cash equivalents, beginning	<u>54,354</u>	<u>83,938</u>
Cash and cash equivalents, ending	<u>\$ 114,837</u>	<u>\$ 54,354</u>



**THOMAS IRVINE DODGE NATURE CENTER**

	2018				
	Nature and Environmental Education	Support services		Total supporting services	Total
		Management and general	Fundraising and development		
Salaries	\$ 1,080,790	\$ 215,477	\$ 85,099	\$ 300,576	\$ 1,381,366
Payroll taxes	80,113	13,322	6,510	19,832	99,945
Employee benefits	98,235	3,589	6,871	10,460	108,695
	<b>1,259,138</b>	<b>232,388</b>	<b>98,480</b>	<b>330,868</b>	<b>1,590,006</b>
Program expenses	77,783			-	77,783
Professional fees	92,122	21,452	3,845	25,297	117,419
Repairs and maintenance	159,772	9,924	11,050	20,974	180,746
Miscellaneous	35,185	2,928	455	3,383	38,568
Dues and subscriptions	1,277	1,279	816	2,095	3,372
Insurance	36,841	1,474	368	1,842	38,683
Office expense	13,764	11,549	12,702	24,251	38,015
Conferences	769	2,717	-	2,717	3,486
Travel	5,140	77	300	377	5,517
Supplies	37,690	1,747	1,021	2,768	40,458
Advertising	3,034	-	3,671	3,671	6,705
Pension and retirement plans	42,900	9,919	3,254	13,173	56,073
Utilities	64,113	2,565	641	3,206	67,319
Real estate taxes	2,010	80	20	100	2,110
Scholarship awards	37,756			-	37,756
Depreciation	245,450	9,818	2,455	12,273	257,723
Special event direct expenses			81,337	81,337	81,337
	<b>2,114,744</b>	<b>307,917</b>	<b>220,415</b>	<b>528,332</b>	<b>2,643,076</b>
Less:					
Cost of direct benefits to donors			(81,337)	(81,337)	(81,337)
Total expenses	<b>\$ 2,114,744</b>	<b>\$ 307,917</b>	<b>\$ 139,078</b>	<b>\$ 446,995</b>	<b>\$ 2,561,739</b>
	<b>82.6%</b>	<b>12.0%</b>	<b>5.4%</b>	<b>17.4%</b>	<b>100.0%</b>

See notes to financial statements.

STATEMENTS OF FUNCTIONAL EXPENSES  
YEARS ENDED AUGUST 31

2017				
Nature and Environmental Education	Support services		Total supporting services	Total
	Management and general	Fundraising and development		
\$ 1,060,502	\$ 193,439	\$ 84,706	\$ 278,145	\$ 1,338,647
85,329	6,650	4,166	10,816	96,145
119,601	4,846	1,175	6,021	125,622
1,265,432	204,935	90,047	294,982	1,560,414
56,853	-	-	-	56,853
60,008	37,121	2,290	39,411	99,419
129,107	8,018	8,930	16,948	146,055
15,585	1,925	475	2,400	17,985
1,586	1,285	1,356	2,641	4,227
37,124	1,485	371	1,856	38,980
11,256	8,375	12,123	20,498	31,754
437	2,931	866	3,797	4,234
5,050	2,946	274	3,220	8,270
42,454	5,936	252	6,188	48,642
1,561	52	1,213	1,265	2,826
43,857	9,190	-	9,190	53,047
92,581	3,703	926	4,629	97,210
3,892	156	39	195	4,087
54,724	-	-	-	54,724
203,484	8,139	2,035	10,174	213,658
-	-	92,918	92,918	92,918
2,024,991	296,197	214,115	510,312	2,535,303
-	-	(92,918)	(92,918)	(92,918)
<u>\$ 2,024,991</u>	<u>\$ 296,197</u>	<u>\$ 121,197</u>	<u>\$ 417,394</u>	<u>\$ 2,442,385</u>
82.9%	12.1%	5.0%	17.1%	100.0%

1. Nature of business 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 uncollectible 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 \$2,000 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, 2018 and 2017.

## 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.

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

## 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 15,776 and 12,094 hours of service during the years ended August 31, 2018 and 2017, 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 \$6,705 and \$2,826 during the years ended August 31, 2018 and 2017, respectively.

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

## Functional allocation of expenses:

The cost of program and supporting services 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:

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 accounting principles generally accepted in the United States of America 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 from donors 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 17, 2018, the date of the financial statements were to be issued.

**2. Fair value measurements and disclosures:**

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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 judgement, 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.

2. Fair value measurements and disclosures (continued):

The following table presents the fair value hierarchy for the balances of the assets of the Organization measured at fair value on a recurrent basis as of August 31:

	<b>2018</b>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Cash and money market funds, at cost	\$ 551,535			\$ 551,535
Equities and mutual funds	7,535,154			7,535,154
Fixed income securities	3,698,269			3,698,269
Alternative investments, hedge funds		917,086		917,086
	<u>\$ 11,784,958</u>	<u>\$ 917,086</u>	<u>\$ 0</u>	<u>\$ 12,702,044</u>
	<b>2017</b>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Cash and money market funds, at cost	\$ 474,611			\$ 474,611
Equities and mutual funds	7,377,283			7,377,283
Fixed income securities	2,864,583			2,864,583
Alternative investments, hedge funds	210,402	\$ 1,130,940		1,341,342
	<u>\$ 10,926,879</u>	<u>\$ 1,130,940</u>	<u>\$ 0</u>	<u>\$ 12,057,819</u>

**THOMAS IRVINE DODGE NATURE CENTER**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
YEARS ENDED AUGUST 31, 2018 and 2017

## 3. Net investment return:

Net investment return consists of the following for the years ended August 31, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Investments:		
Interest and dividends	\$ 290,539	\$ 223,015
Net realized and unrealized gain	722,413	710,207
Less investment management and custodial fees	<u>(67,921)</u>	<u>(43,569)</u>
	<u>945,031</u>	<u>889,653</u>

## 4. Property and equipment:

Property and equipment consists of the following at August 31:

	<u>2018</u>	<u>2017</u>
Land	\$ 5,640,296	\$ 5,640,296
Land improvements	813,461	806,495
Buildings	4,920,132	4,079,090
Equipment	1,009,684	952,284
Construction in progress	<u>31,264</u>	<u>675,000</u>
	<b>12,414,837</b>	12,153,165
Less accumulated depreciation	<u>4,023,708</u>	<u>3,765,985</u>
	<u>\$ 8,391,129</u>	<u>\$ 8,387,180</u>



5. Endowments:

The Organization’s endowment consist 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, 2018 and 2017, 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 the 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, 2018 and 2017, the Organization had the following endowment net asset composition by type of fund:

	<b>2018</b>			
	<b>Unrestricted designated</b>	<b>Temporarily restricted</b>	<b>Permanently restricted</b>	<b>Total</b>
Donor-restricted endowment funds		\$ 2,184,498	\$ 5,577,185	\$ 7,761,683
Board-designated endowment funds	\$ 3,749,317			3,749,317
	<u>\$ 3,749,317</u>	<u>\$ 2,184,498</u>	<u>\$ 5,577,185</u>	<u>\$ 11,511,000</u>

5. Endowments (continued):

	2017			Total
	Unrestricted designated	Temporarily restricted	Permanently restricted	
Donor-restricted endowment funds		\$ 1,833,647	\$ 5,616,427	\$ 7,450,074
Board-designated endowment funds	\$ 3,595,548			3,595,548
	<u>\$ 3,595,548</u>	<u>\$ 1,833,647</u>	<u>\$ 5,616,427</u>	<u>\$ 11,045,622</u>

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 investment. 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 2018 and 2017, the spending rate maximum was 5%. In establishing this policy, the Organization considered the long-term expected return on the endowment, and the set rate with the objective of maintaining the purchasing power of the endowment over time.

**THOMAS IRVINE DODGE NATURE CENTER**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
YEARS ENDED AUGUST 31, 2018 and 2017

## 5. Endowments (continued):

Changes in endowment net assets for the years ended August 31, 2018 and 2017 are as follows:

	2018			
	Unrestricted designated	Temporarily restricted	Permanently restricted	Total
Endowment net assets, beginning	<u>\$ 3,595,548</u>	<u>\$ 1,833,647</u>	<u>\$ 5,616,427</u>	<u>\$ 11,045,622</u>
Investment return:				
Investment income	89,081	130,158	61,198	280,437
Net realized and unrealized gain (loss), net of fees	<u>257,088</u>	<u>437,262</u>	<u>(55,440)</u>	<u>638,910</u>
	<u>346,169</u>	<u>567,420</u>	<u>5,758</u>	<u>919,347</u>
Distributions:				
Appropriation of endowment assets pursuant of spending rate policy		(216,569)	(45,000)	(261,569)
Transfer to remove board-designated endowment funds	<u>(192,400)</u>			<u>(192,400)</u>
	<u>(192,400)</u>	<u>(216,569)</u>	<u>(45,000)</u>	<u>(453,969)</u>
	<u>\$ 3,749,317</u>	<u>\$ 2,184,498</u>	<u>\$ 5,577,185</u>	<u>\$ 11,511,000</u>

**THOMAS IRVINE DODGE NATURE CENTER**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
YEARS ENDED AUGUST 31, 2018 and 2017

5. Endowments (continued):

	2017			Total
	Unrestricted designated	Temporarily restricted	Permanently restricted	
Endowment net assets, beginning	\$ 3,483,414	\$ 1,558,484	\$ 5,421,788	\$ 10,463,686
Investment return:				
Investment income	59,045	111,223	41,924	212,192
Net realized and unrealized gain (loss), net of fees	<u>246,370</u>	<u>387,958</u>	<u>(2,944)</u>	<u>631,384</u>
	<u>305,415</u>	<u>499,181</u>	<u>38,980</u>	<u>843,576</u>
Contributions			<u>205,750</u>	<u>205,750</u>
Distributions:				
Appropriation of endowment assets pursuant of spending rate policy		(224,018)	(50,091)	(274,109)
Transfer to remove board-designated endowment funds	<u>(193,281)</u>			<u>(193,281)</u>
	<u>(193,281)</u>	<u>(224,018)</u>	<u>(50,091)</u>	<u>(467,390)</u>
	<u>\$ 3,595,548</u>	<u>\$ 1,833,647</u>	<u>\$ 5,616,427</u>	<u>\$ 11,045,622</u>

6. Restricted net assets:

Temporarily restricted net assets at August 31, 2018 and 2017 consist of:

	2018	2017
Restricted by donors for:		
Property improvements	\$ 439,513	\$ 166,369
Nature and Environmental Education activities	-	1,818
Preschool continuing education	736	1,810
Scholarships	27,921	31,007
General operating for future periods	8,327	38,468
Repairs and maintenance	25,502	64,002
Shepard Farms programs	30,000	-
Unspent appreciation of endowment funds which must be appropriated for expenditures before use	<u>2,184,498</u>	<u>1,833,647</u>
	<u>\$ 2,716,497</u>	<u>\$ 2,137,121</u>

6. Restricted net assets (continued):

Net assets were released from restrictions as follows during the years ended August 31, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Satisfaction of time and purpose restrictions:		
Property improvements	\$ 230,913	\$ 708,518
Nature and Environmental Education activities	1,817	34,055
Preschool continuing education	824	2,930
Scholarships	23,686	25,754
General operating	37,141	29,174
Repairs and maintenance	<u>75,000</u>	<u>75,000</u>
	<u>\$ 369,381</u>	<u>\$ 875,431</u>
Restricted-purpose spending-rate distributions and appropriations:		
General operating	\$ 126,569	\$ 129,477
Farm endowment	45,000	47,005
Peterson Naturalist position	45,000	50,091
Preschool scholarships endowment		1,467
Volunteer	<u>45,000</u>	<u>46,069</u>
	<u>\$ 261,569</u>	<u>\$ 274,109</u>

Permanently restricted net assets consist of endowment funds restricted by donors for investment in perpetuity. Earnings on endowment funds are available for the purposes specified 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, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Restricted-purpose spending-rate distributions and appropriations:		
General operating	\$ 1,765,835	\$ 1,765,834
Farm endowment	847,932	847,932
Peterson Naturalist position	1,467,186	1,506,429
Volunteer	990,167	990,167
Preschool scholarship endowment	<u>506,065</u>	<u>506,065</u>
	<u>5,577,185</u>	5,616,427
Restricted land	<u>4,299,802</u>	<u>4,299,802</u>
	<u>\$ 9,876,987</u>	<u>\$ 9,916,229</u>

**7. Donated professional services and materials:**

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The Organization received donated professional services and materials as follows during the years ended August 31, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Event expense	\$ 8,687	\$ 7,509
Supplies	898	5,009
Capital assets	<u>12,443</u>	<u>9,338</u>
	<u>\$ 22,028</u>	<u>\$ 21,856</u>

**8. Employee benefits**

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The Organization has a 403(b) defined contribution retirement plan covering all permanent employees. The contributions to the plan are discretionary based upon Board approval each year. The Organization contributed 4.5% of an employee's compensation during the years ending August 31, 2018 and 2017. Expense charged to operations for the years ended August 31, 2018 and 2017 amounted to \$56,073 and \$53,047, respectively.

**9. Related party transactions:**

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The Organization receives significant contributions from current and past board members. During the years ended August 31, 2018 and 2017, the Organization received contribution revenue of \$349,314 and \$232,905, respectively from current board members. The Organization received \$1,027 and \$5,024 of in-kind contribution revenue from current board members during the years ended August 2018 and 2017, respectively.