

*Financial statements of:*

**THOMAS IRVINE DODGE NATURE CENTER**

Years ended  
August 31, 2019 and 2018

	Page
Independent auditor's report	1
Financial statements:	
Statements of financial position	2
Statements of activities and changes in net assets	3
Statements of cash flows	4
Statements of functional expenses	5
Notes to financial statements	6-19



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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, 2019 and 2018, 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, 2019 and 2018, 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.

## Emphasis of Matter

On August 18, 2016, FASB issued Accounting Standards Update (ASU) 2016-14, Not-for-Profit Entities (Topic 958) – *Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, provides additional information about liquidity and availability of resources, and improves the consistency in the type of information provided about expenses and investment return. ASU 2016-14 was implemented in 2019 and has been reflected in the presentation of these financial statements. The ASU has been applied retrospectively to all periods presented. The ASU did not result in changes in net assets or between net assets with donor restrictions and net assets without donor restrictions. The ASU did result in net asset presentation moving from three classifications to two classifications.

*Schechter Dokken Kanter  
Andrews & Selzer Ltd.*

December 16, 2019

**THOMAS IRVINE DODGE NATURE CENTER**

## STATEMENTS OF FINANCIAL POSITION

AUGUST 31

	<u>2019</u>	<u>2018</u>
<b>Assets:</b>		
Current Assets:		
Cash and cash equivalents	\$ 86,164	\$ 114,837
Operating investments	1,114,916	754,645
Contributions receivable	43,959	15,276
Prepaid expenses and other assets	<u>36,115</u>	<u>32,666</u>
Total current assets	<u>1,281,154</u>	<u>917,424</u>
Property and equipment, net	8,774,399	8,391,129
Board designated investments	330,742	436,399
Endowment investments	<u>11,389,831</u>	<u>11,511,000</u>
Total noncurrent assets	<u>20,494,972</u>	<u>20,338,528</u>
Total assets	<u>\$ 21,776,126</u>	<u>\$ 21,255,952</u>
<b>Liabilities and net assets:</b>		
Current liabilities:		
Accounts payable	\$ 106,042	\$ 16,994
Accrued expenses	113,198	120,063
Deferred revenue	<u>164,746</u>	<u>146,128</u>
Total current liabilities:	<u>383,986</u>	<u>283,185</u>
Net assets:		
Without donor restrictions		
Undesignated	298,413	102,239
Designated by the Board for specific purpose	330,742	436,399
Designated by the Board for endowment	3,657,167	3,749,317
Invested in property and equipment	<u>4,474,597</u>	<u>4,091,327</u>
	<u>8,760,919</u>	<u>8,379,282</u>
With donor restrictions		
Perpetual in nature	7,732,664	7,761,683
Purpose restrictions	598,755	532,000
Restricted land	<u>4,299,802</u>	<u>4,299,802</u>
	<u>12,631,221</u>	<u>12,593,485</u>
Total net assets	<u>21,392,140</u>	<u>20,972,767</u>
Total liabilities and net assets	<u>\$ 21,776,126</u>	<u>\$ 21,255,952</u>

See notes to financial statements.

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## THOMAS IRVINE DODGE NATURE CENTER

	2019		
	Without donor restrictions	With donor restrictions	Total
Revenues, support and gains:			
Program service fees	\$ 446,237		\$ 446,237
Contributions	560,685	\$ 632,830	1,193,515
Preschool tuition	816,523		816,523
Net investment return	43,875	283,425	327,300
Other revenue	31,791		31,791
In-kind contributions	71,982		71,982
Special events, net of direct expense of \$43,837 and \$81,337 in 2019 and 2018, respectively	177,637		177,637
Rental revenue	75,374		75,374
Net assets:			
Released from restriction pursuant to endowment spending-rate distribution formula	277,980	(277,980)	-
Released from restrictions and transfers	600,539	(600,539)	-
Total revenue, support and gains	<u>3,102,623</u>	<u>37,736</u>	<u>3,140,359</u>
Expenses:			
Nature and Environmental Education	2,076,194		2,076,194
Management and general	327,923		327,923
Fundraising and development	316,869		316,869
	<u>2,720,986</u>		<u>2,720,986</u>
Change in net assets	381,637	37,736	419,373
Net assets, beginning of year	<u>8,379,282</u>	<u>12,593,485</u>	<u>20,972,767</u>
Net assets, end of year	<u>\$ 8,760,919</u>	<u>\$ 12,631,221</u>	<u>\$ 21,392,140</u>

See notes to financial statements.

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

2018		
Without restrictions	With donor restrictions	Total
\$ 415,588		\$ 415,588
254,760	\$ 597,907	852,667
763,366		763,366
371,853	573,178	945,031
21,543		21,543
18,646		18,646
167,837		167,837
79,782		79,782
261,569	(261,569)	-
369,381	(369,381)	-
<u>2,724,325</u>	<u>540,135</u>	<u>3,264,460</u>
2,113,631		2,113,631
308,808		308,808
139,300		139,300
<u>2,561,739</u>		<u>2,561,739</u>
162,586	540,135	702,721
8,216,696	12,053,350	20,270,046
<u>\$ 8,379,282</u>	<u>\$ 12,593,485</u>	<u>\$ 20,972,767</u>



**THOMAS IRVINE DODGE NATURE CENTER**

 STATEMENTS OF CASH FLOWS  
 YEARS ENDED AUGUST 31

	<u>2019</u>	<u>2018</u>
Cash flows from operating activities:		
Change in net assets	\$ 419,373	\$ 702,721
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation	275,403	257,723
Donated securities	(256,145)	(298,206)
Net investment income reinvested	(327,300)	(945,031)
Contributions restricted to endowment	(831)	-
Changes in operating assets and liabilities:		
Contributions receivable	(28,683)	33,870
Prepaid expenses and other assets	(3,449)	(1,165)
Accounts payable	89,048	2,667
Accrued expenses	(6,865)	4,827
Deferred revenue	18,618	(34,263)
Net cash provided by (used in) operating activities	<u>179,169</u>	<u>(276,857)</u>
Cash flows from investing activities:		
Purchase of:		
Property and equipment	(658,673)	(261,672)
Investments	-	(1,420,900)
Sale of investments	450,000	2,019,912
Net cash (used in) provided by investing activities	<u>(208,673)</u>	<u>337,340</u>
Cash flows from financing activities, cash collections on contributions for permanent endowment	<u>831</u>	<u>-</u>
Net change in cash and cash equivalents	(28,673)	60,483
Cash and cash equivalents, beginning	<u>114,837</u>	<u>54,354</u>
Cash and cash equivalents, ending	<u>\$ 86,164</u>	<u>\$ 114,837</u>

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**THOMAS IRVINE DODGE NATURE CENTER**

	2019				
	Nature and Environmental Education	Support services		Total supporting services	Total
		Management and general	Fundraising and development		
Salaries	\$ 1,073,672	\$ 218,502	\$ 120,363	\$ 338,865	\$ 1,412,537
Payroll taxes	83,000	12,668	6,094	18,762	101,762
Employee benefits	103,532	7,777	8,788	16,565	120,097
	<b>1,260,204</b>	<b>238,947</b>	<b>135,245</b>	<b>374,192</b>	<b>1,634,396</b>
Program supplies expenses	77,316	-	-	-	77,316
Professional fees	54,550	30,878	34,028	64,906	119,456
Repairs and maintenance	126,790	7,875	8,769	16,644	143,434
Miscellaneous	10,840	4,613	102	4,715	15,555
Dues and subscriptions	1,811	1,445	2,365	3,810	5,621
Insurance	36,685	1,467	367	1,834	38,519
Life insurance premium	-	-	110,520	110,520	110,520
Office expense	11,915	14,557	12,015	26,572	38,487
Conferences	1,232	3,334	458	3,792	5,024
Travel	3,122	98	232	330	3,452
Supplies	58,743	2,508	657	3,165	61,908
Advertising	1,522	380	5,269	5,649	7,171
Pension and retirement plans	38,054	7,728	3,319	11,047	49,101
Utilities	59,098	2,364	591	2,955	62,053
Real estate taxes	30,919	1,237	309	1,546	32,465
Scholarship awards	41,105	-	-	-	41,105
Depreciation	262,288	10,492	2,623	13,115	275,403
Special event direct expenses			43,837	43,837	43,837
	<b>2,076,194</b>	<b>327,923</b>	<b>360,706</b>	<b>688,629</b>	<b>2,764,823</b>
Less:					
Cost of direct benefits to donors			(43,837)	(43,837)	(43,837)
Total expenses	<b>\$ 2,076,194</b>	<b>\$ 327,923</b>	<b>\$ 316,869</b>	<b>\$ 644,792</b>	<b>\$ 2,720,986</b>
	76.3%	12.1%	11.6%	23.7%	100.0%

See notes to financial statements.

STATEMENTS OF FUNCTIONAL EXPENSES  
YEARS ENDED AUGUST 31

2018				
Nature and Environmental Education	Support services		Total supporting services	Total
	Management and general	Fundraising and development		
\$ 1,080,790	\$ 215,477	\$ 85,099	\$ 300,576	\$ 1,381,366
80,113	13,322	6,510	19,832	99,945
98,235	3,589	6,871	10,460	108,695
1,259,138	232,388	98,480	330,868	1,590,006
77,783			-	77,783
68,746	21,452	3,845	25,297	94,043
159,772	9,924	11,050	20,974	180,746
35,185	2,928	455	3,383	38,568
1,277	1,279	816	2,095	3,372
36,841	1,474	368	1,842	38,683
13,764	11,549	12,702	24,251	38,015
769	2,717	-	2,717	3,486
5,140	77	300	377	5,517
37,690	1,747	1,021	2,768	40,458
3,034	-	3,671	3,671	6,705
42,900	9,919	3,254	13,173	56,073
64,113	2,565	641	3,206	67,319
24,273	971	242	1,213	25,486
37,756			-	37,756
245,450	9,818	2,455	12,273	257,723
		81,337	81,337	81,337
2,113,631	308,808	220,637	529,445	2,643,076
-	-	(81,337)	(81,337)	(81,337)
<u>\$ 2,113,631</u>	<u>\$ 308,808</u>	<u>\$ 139,300</u>	<u>\$ 448,108</u>	<u>\$ 2,561,739</u>
82.5%	12.1%	5.4%	17.5%	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.

## Contributions:

Unconditional contributions are recorded when promised as support without or with donor restrictions, depending on the existence and/or nature of any restrictions. A conditional contribution is a promise to give that depends on the occurrence of a specified future and uncertain event. A conditional contribution is recorded as revenue and/or receivable when the conditions on which they depend are substantially met or explicitly waived by the donor, that is, when the conditional contribution becomes unconditional.

All contributions are considered to be available for without donor restrictions use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as support with donor restrictions that increases that net asset class. However, if a restriction is fulfilled in the same time period in which the contribution is received, the Organization reports the support as without donor restrictions.

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

## 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, 2019 and 2018.

## 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.

## Change in accounting principle:

On August 18, 2016, FASB issued Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, provides additional information about liquidity and availability of resources, and improves the consistency in the type of information provided about expenses and investment return. ASU 2016-14 was implemented in 2019 and has been reflected in the presentation of these financial statements. The ASU has been applied retrospectively to all periods presented. The new standard changes the following aspects of the financial statements:

- The unrestricted net asset class has been renamed Net Assets Without Donor Restrictions
- The temporarily and permanently restricted net asset classes have been combined into a single net asset class called Net Assets With Donor Restrictions
- The financial statements include a disclosure about liquidity and availability of resources (Note 2)

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

## Basis of presentation or financial statements presentation:

Net assets and revenues, expenses, gains and losses are classified based on existence or absences of donor-imposed restrictions. Net assets and changes therein are classified into the following categories:

*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 board has set aside for a particular purpose.

*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. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

## Revenue and revenue recognition:

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 7,625 and 15,776 hours of service during the years ended August 31, 2019 and 2018, 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 \$7,171 and \$6,705 during the years ended August 31, 2019 and 2018, respectively.

## 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.

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

## 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 are 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 16, 2019, the date that the financial statements were to be issued.



2. Liquidity:

The following represents the Organization’s financial assets at August 31:

	<u>2019</u>	<u>2018</u>
Financial assets at year-end:		
Cash and cash equivalents	\$ 86,164	\$ 114,837
Contributions and accounts receivable, net	43,959	15,276
Investments	<u>12,835,489</u>	<u>12,702,044</u>
Total financial assets	<u>12,965,612</u>	<u>12,832,157</u>
Less amounts not available to be used within one year:		
Net assets with donor restrictions (net of restricted land)	8,331,419	8,293,683
Less net assets with purpose restrictions to be met in less than a year	(598,755)	(532,000)
Designated net assets by the board	<u>3,987,909</u>	<u>4,185,716</u>
	<u>11,720,573</u>	<u>11,947,399</u>
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 1,245,039</u>	<u>\$ 884,758</u>

The Organization’s endowment funds consist of donor-restricted endowments and funds designated by the board as endowments. Income from donor-restricted endowments are restricted for specific purposes, with the exception of the amounts available for general use. Donor-restricted endowment funds are not available for general expenditures.

The board-designated endowment and donor-restricted endowment available for general use is subject to an annual spending rate of 5% as described in Note 6. Although the Organization does not intend to spend from this board-designated endowment (other than amounts appropriated for general expenditures as part of the Board’s annual budget approval and appropriation) , these amounts could be made available if necessary.

As part of its liquidity management, the Organization structures its financial assets to be available as its general expenditures, liabilities, and other obligations become due. The Organization operates with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures. Monthly financial statements containing budget versus actual results are reviewed.

### 3. 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 equities and mutual funds with readily determinable fair values based.

The estimated fair value of alternative investments, that is, hedge funds, or other private investment fund structures, is based on the practical expedient of the net asset values provided by the respective external investment fund managers, adjusted for cash flows through August 31. The Organization also takes into consideration discussions with fund investment managers and audited financial information to determine overall reasonableness of the recorded value. Because of the inherent uncertainty of valuations, values measured using net asset values may differ from the values that would have been used had a ready market existed. Investments measured using net asset values are not assigned to a level in the fair value hierarchy.

3. 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>2019</b>			<b>Total</b>
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	
Cash and money market funds, at cost	\$ 584,919			\$ 584,919
Equities and mutual funds	7,276,073			7,276,073
Fixed income securities	3,690,091			3,690,091
	<u>\$ 11,551,083</u>	<u>\$ 0</u>	<u>\$ 0</u>	
Investments measured at net asset value, alternative investments, hedge funds				<u>1,284,406</u>
				<u>\$ 12,835,489</u>

	<b>2018</b>			<b>Total</b>
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	
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
	<u>\$ 11,784,958</u>	<u>\$ 0</u>	<u>\$ 0</u>	
Investments measured at net asset value, alternative investments, hedge funds				<u>917,086</u>
				<u>\$ 12,702,044</u>

4. Net investment return:

Net investment return consists of the following for the years ended August 31, 2019 and 2018:

	<b>2019</b>	<b>2018</b>
Interest and dividends	\$ 341,209	\$ 290,539
Net realized and unrealized gain	51,282	722,413
Less investment management and custodial fees	<u>(65,192)</u>	<u>(67,921)</u>
	<u>\$ 327,299</u>	<u>\$ 945,031</u>

5. Property and equipment:

Property and equipment consists of the following at August 31:

	<u>2019</u>	<u>2018</u>
Land	\$ 5,640,296	\$ 5,640,296
Land improvements	1,267,167	813,461
Buildings	4,977,715	4,920,132
Equipment	1,082,036	1,009,684
Construction in progress	<u>90,296</u>	<u>31,264</u>
	<b>13,057,510</b>	12,414,837
Less accumulated depreciation	<u>4,283,111</u>	<u>4,023,708</u>
	<b><u>\$ 8,774,399</u></b>	<b><u>\$ 8,391,129</u></b>

6. 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 net assets without donor restrictions 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, 2019 and 2018, there were no such donor stipulations. As a result of this interpretation, the Organization classifies as donor restricted net assets held in perpetuity (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 accumulated earnings on the donor-restricted endowment is classified as donor-restricted 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

6. Endowments (continued):

As of August 31, 2019 and 2018, the Organization had the following endowment net asset composition by type of fund:

	<u>2019</u>			<u>Total</u>
	<u>Without donor restrictions -designated</u>	<u>With donor restrictions -accumulated</u>	<u>With donor restrictions -original gift</u>	
Donor-restricted endowment funds	\$	\$ 2,076,264	\$ 5,656,400	\$ 7,732,664
Board-designated endowment funds	<u>3,657,167</u>			<u>3,657,167</u>
	<u>\$ 3,657,167</u>	<u>\$ 2,076,264</u>	<u>\$ 5,656,400</u>	<u>\$ 11,389,831</u>
	<u>2018</u>			
	<u>Without donor restrictions -designated</u>	<u>With donor restrictions -accumulated</u>	<u>With donor restrictions -original gift</u>	<u>Total</u>
Donor-restricted endowment funds		\$ 2,184,498	\$ 5,577,185	\$ 7,761,683
Board-designated endowment funds	<u>\$ 3,749,317</u>			<u>3,749,317</u>
	<u>\$ 3,749,317</u>	<u>\$ 2,184,498</u>	<u>\$ 5,577,185</u>	<u>\$ 11,511,000</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. 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 2019 and 2018, 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.

6. Endowments (continued):

Changes in endowment net assets for the years ended August 31, 2019 and 2018 are as follows:

	2019			Total
	Without donor restrictions designated	With donor restrictions -accumulated	With donor restrictions -original gift	
Endowment net assets, beginning	<u>\$ 3,749,317</u>	<u>\$ 2,184,498</u>	<u>\$ 5,577,185</u>	<u>\$ 11,511,000</u>
Investment return:				
Investment income	97,999	160,634	49,455	308,088
Net realized and unrealized gain (loss), net of fees	<u>(24,945)</u>	<u>(40,888)</u>	<u>78,929</u>	<u>13,096</u>
	<u>73,054</u>	<u>119,746</u>	<u>128,384</u>	<u>321,184</u>
Contributions			<u>831</u>	<u>831</u>
Distributions:				
Appropriation of endowment assets pursuant of spending rate policy		(227,980)	(50,000)	(277,980)
Transfer to remove board-designated endowment funds	<u>(165,204)</u>			<u>(165,204)</u>
	<u>(165,204)</u>	<u>(227,980)</u>	<u>(50,000)</u>	<u>(443,184)</u>
	<u>\$ 3,657,167</u>	<u>\$ 2,076,264</u>	<u>\$ 5,656,400</u>	<u>\$ 11,389,831</u>

6. Endowments (continued):

	2018			Total
	Without donor restrictions designated	With donor restrictions -accumulated	With donor restrictions -original gift	
Endowment net assets, beginning	\$ 3,595,548	\$ 1,833,647	\$ 5,616,427	\$ 11,045,622
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, 2019 and 2018

## 7. Net assets, with donor restrictions: \_\_\_\_\_

Net assets with donor restrictions at August 31, 2019 and 2018 consist of:

	<u>2019</u>	<u>2018</u>
Restricted by donors for:		
Property improvements	\$ 513,418	\$ 439,513
Nature and Environmental Education activities	5,888	
Preschool continuing education		736
Scholarships	34,583	27,921
General operating for future periods	7,207	8,327
Repairs and maintenance	14,248	25,502
Shepard Farms programs	<u>23,411</u>	<u>30,000</u>
	<u>598,755</u>	<u>531,999</u>
Restricted by donors to be invested in perpetuity and the accumulated earnings on those gifts:		
General operating	3,111,803	3,174,976
Farm endowment	1,363,631	1,387,249
Peterson Naturalist position	1,545,570	1,467,187
Volunteer	1,103,492	1,131,815
Preschool scholarship endowment	<u>608,168</u>	<u>600,457</u>
	7,732,664	7,761,684
Restricted land	<u>4,299,802</u>	<u>4,299,802</u>
	<u>12,032,466</u>	<u>12,061,486</u>
Total Net assets with donor restrictions	<u>\$ 12,631,221</u>	<u>\$ 12,593,485</u>



**THOMAS IRVINE DODGE NATURE CENTER**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
YEARS ENDED AUGUST 31, 2019 and 2018

## 7. Net assets, with donor restrictions (continued): \_\_\_\_\_

Net assets were released from restrictions as follows during the years ended August 31, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Satisfaction of time and purpose restrictions:		
Property improvements	\$ 518,501	\$ 230,913
Nature and Environmental Education activities		1,817
Preschool continuing education	736	824
Scholarships	14,338	23,686
General operating	5,121	37,141
Repairs and maintenance	55,254	75,000
Shepard Farms	<u>6,589</u>	
	<u>\$ 600,539</u>	<u>\$ 369,381</u>
Restricted-purpose spending-rate distributions and appropriations:		
General operating	\$ 127,980	\$ 126,569
Farm endowment	50,000	45,000
Peterson Naturalist position	50,000	45,000
Volunteer	<u>50,000</u>	<u>45,000</u>
	<u>\$ 277,980</u>	<u>\$ 261,569</u>

**8. 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, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Event expense	\$ 1,738	\$ 5,305
Supplies	16,434	898
Capital assets	<u>53,810</u>	<u>12,443</u>
	<u>\$ 71,982</u>	<u>\$ 18,646</u>

**9. 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 5% and 4.5% of an employee's compensation during the years ending August 31, 2019 and 2018, respectively. Expense charged to operations for the years ended August 31, 2019 and 2018 amounted to \$49,101 and \$56,073, respectively.

**10. Cash surrender value on life insurance**

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The Organization is the owner and beneficiary of a life insurance policy with a death benefit of \$2,000,000. The policy was donated to the Organization in August of 2019. The premium of \$110,520 is donated each year by the insured who is also a board member. There was no cash surrender value at August 31, 2019.

**11. Related party transactions:**

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The Organization receives significant contributions from current and past board members. During the years ended August 31, 2019 and 2018, the Organization received contribution revenue of \$382,865 and \$349,314, respectively from current board members. The Organization received \$15,970 and \$1,027 of in-kind contribution revenue from current board members during the years ended August 2019 and 2018, respectively.

The Organization is the owner and beneficiary of a life insurance policy on an insured board member (see Note 10).