

Financial statements of:

THOMAS IRVINE DODGE NATURE CENTER

Years ended
August 31, 2022 and 2021

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Thomas Irvine Dodge Nature Center
West St. Paul, Minnesota

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Thomas Irvin Dodge Nature Center, which comprise the statements of financial position as of August 31, 2022 and 2021, and the related statements of activities, cash flows, and functional expenses for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Thomas Irvin Dodge Nature Center (Organization) as of August 31, 2022 and 2021 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.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

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

*Schechter Dokken Kanter
Andrews & Selzer Ltd.*

Minneapolis, MN
December 7, 2022

ASSETS	<u>2022</u>	<u>2021</u>
Current assets:		
Cash and cash equivalents	\$ 758,870	\$ 346,419
Operating investments	1,993,386	2,155,769
Contributions receivable, current	588,942	121,334
Cash surrender value of life insurance policy	11,520	-
Prepaid expenses and other current assets	34,979	9,100
	<u>3,387,697</u>	<u>2,632,622</u>
Property and equipment, net	9,503,424	9,169,696
Contributions receivable, long term	878,022	520,350
Board designated investments	447,490	678,118
Endowment investments	17,571,599	20,605,385
	<u>28,400,535</u>	<u>30,973,549</u>
Total noncurrent assets	<u>28,400,535</u>	<u>30,973,549</u>
Total assets	<u>\$ 31,788,232</u>	<u>\$ 33,606,171</u>

LIABILITIES AND NET ASSETS

	<u>2022</u>	<u>2021</u>
Current liabilities:		
Accounts payable	\$ 2,519	\$ 3,063
Accrued expenses	55,531	42,072
Deferred revenue	<u>170,205</u>	<u>171,747</u>
Total current liabilities	<u>228,255</u>	<u>216,882</u>
Net assets:		
Without donor restrictions:		
Undesignated	778,858	957,392
Designated by the Board for specific purpose	447,490	678,118
Designated by the Board for endowment	4,120,238	4,615,485
Invested in property and equipment	<u>5,203,622</u>	<u>4,869,894</u>
Total without donor restrictions	<u>10,550,208</u>	<u>11,120,889</u>
With donor restrictions:		
Perpetual in nature	13,606,361	16,189,900
Purpose restrictions	3,103,606	1,778,698
Restricted land	<u>4,299,802</u>	<u>4,299,802</u>
Total with donor restrictions	<u>21,009,769</u>	<u>22,268,400</u>
Total net assets	<u>31,559,977</u>	<u>33,389,289</u>
Total liabilities and net assets	<u><u>\$ 31,788,232</u></u>	<u><u>\$ 33,606,171</u></u>

See notes to financial statements.

THOMAS IRVINE DODGE NATURE CENTER

 STATEMENTS OF ACTIVITIES
 FOR THE YEARS ENDED AUGUST 31, 2022 AND 2021

	2022			2021		
	Without donor restrictions	With donor restrictions	Total	Without donor restrictions	With donor restrictions	Total
Revenues, support and gains:						
Program service fees	\$ 424,878		\$ 424,878	\$ 331,954		\$ 331,954
Contributions	739,008	\$ 2,128,347	2,867,355	873,921	\$ 1,590,318	2,464,239
Preschool tuition	793,595	-	793,595	707,532	-	707,532
Net investment (loss) return	(870,638)	(2,003,577)	(2,874,215)	1,508,862	2,887,357	4,396,219
Other revenue	86,564		86,564	14,288		14,288
In-kind contributions	6,149		6,149	49,771		49,771
Special events, net of direct expense of \$71,099 and \$35,722 in 2022 and 2021, respectively	258,081		258,081	284,223		284,223
Rental revenue	63,252		63,252	48,699		48,699
Released from restriction pursuant to endowment spending rate distribution formula	612,712	(612,712)	-	437,947	(437,947)	-
Released from restrictions	770,689	(770,689)	-	554,184	(554,184)	-
Total revenue, support and gains	2,884,290	(1,258,631)	1,625,659	4,811,381	3,485,544	8,296,925
Expenses:						
Nature and environmental education	2,492,725	-	2,492,725	2,237,199	-	2,237,199
Management and general	470,458	-	470,458	338,425	-	338,425
Fundraising and development	491,788	-	491,788	376,246	-	376,246
	3,454,971	-	3,454,971	2,951,870	-	2,951,870
Change in net assets	(570,681)	(1,258,631)	(1,829,312)	1,859,511	3,485,544	5,345,055
Net assets, beginning of year	11,120,889	22,268,400	33,389,289	9,261,378	18,782,856	28,044,234
Net assets, end of year	\$ 10,550,208	\$ 21,009,769	\$ 31,559,977	\$ 11,120,889	\$ 22,268,400	\$ 33,389,289

See notes to financial statements.

THOMAS IRVINE DODGE NATURE CENTER

STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED AUGUST 31, 2022 and 2021

	2022					2021				
	Nature and Environmental Education	Supporting Services			Total	Nature and Environmental Education	Supporting Services			Total
		Management and general	Fundraising and development	Total supporting services			Management and general	Fundraising and development	Total supporting services	
Salaries	\$ 1,308,118	\$ 240,637	\$ 203,823	444,460	\$ 1,752,578	1,201,335	\$ 220,531	\$ 132,791	353,322	\$ 1,554,657
Payroll taxes	97,404	18,055	15,252	33,307	130,711	88,633	10,657	9,765	20,422	109,055
Employee benefits	99,094	11,926	15,730	27,656	126,750	96,440	9,834	7,464	17,298	113,738
	1,504,616	270,618	234,805	505,423	2,010,039	1,386,408	241,022	150,020	391,042	1,777,450
Program supplies expenses	85,891	225	1,738	1,963	87,854	47,766	234	1,848	2,082	49,848
Professional fees	73,548	104,154	87,422	191,576	265,124	25,668	20,781	105,186	125,967	151,635
Repairs and maintenance	212,258	24,913	31,007	55,920	268,178	176,419	42	-	42	176,461
Miscellaneous	1,632	2,971	874	3,845	5,477	18,385	8,485	561	9,046	27,431
Insurance	32,582	17,480	-	17,480	50,062	19,073	22,178	-	22,178	41,251
Life insurance premium	-	-	88,490	88,490	88,490	-	-	90,130	90,130	90,130
Office expense	21,516	11,356	26,267	37,623	59,139	13,397	15,184	14,169	29,353	42,750
Conferences and travel	5,663	4,255	1,041	5,296	10,959	5,083	2,922	392	3,314	8,397
Supplies	36,132	3,610	572	4,182	40,314	30,160	826	541	1,367	31,527
Advertising	1,047	3,514	7,894	11,408	12,455	910	391	4,390	4,781	5,691
Pension and retirement plans	49,264	11,946	7,823	19,769	69,033	48,652	10,344	5,004	15,348	64,000
Utilities	84,156	3,367	843	4,210	88,366	62,089	2,484	622	3,106	65,195
Scholarship awards	65,389	-	-	-	65,389	44,887	-	-	-	44,887
Depreciation	319,031	12,049	3,012	15,061	334,092	358,302	13,532	3,383	16,915	375,217
Special event direct expenses	-	-	71,099	71,099	71,099	-	-	35,722	35,722	35,722
	2,492,725	470,458	562,887	1,033,345	3,526,070	2,237,199	338,425	411,968	750,393	2,987,592
Less cost of direct benefits to donors	-	-	(71,099)	(71,099)	(71,099)	-	-	(35,722)	(35,722)	(35,722)
	\$ 2,492,725	\$ 470,458	\$ 491,788	\$ 962,246	\$ 3,454,971	\$ 2,237,199	\$ 338,425	\$ 376,246	\$ 714,671	\$ 2,951,870
	72.1%	13.6%	14.2%	27.9%	100.0%	75.8%	11.5%	12.7%	24.2%	100.0%

See notes to financial statements.

STATEMENTS OF CASH FLOWS

THOMAS IRVINE DODGE NATURE CENTER

FOR THE YEARS ENDED AUGUST 31, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
Cash flows from operating activities:		
Change in net assets	\$ (1,829,312)	\$ 5,345,055
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation expense	334,092	375,217
Donated securities	(254,269)	(137,212)
Contributions restricted to endowment	(77,750)	(55,000)
Change in value of cash surrender value of life insurance	(11,520)	-
Unrealized (gains)/ losses	3,499,290	(3,921,351)
Changes in operating assets and liabilities:		
Contributions receivable	(825,280)	(640,800)
Prepaid expenses and other assets	(25,879)	5,373
Accounts payable	(544)	(52,789)
Accrued expenses	13,459	(19,311)
Deferred revenue	(1,542)	43,792
Net cash provided by operating activities	<u>820,745</u>	<u>942,974</u>
Cash flows from investing activities		
Purchase of:		
Property and equipment	(673,853)	(624,184)
Proceeds from sale of equipment	6,033	-
Net investment income reinvested	(625,853)	(472,729)
Investments	30,589	(361,568)
Sale of investments	777,040	288,669
Net cash used in investing activities	<u>(486,044)</u>	<u>(1,169,812)</u>
Cash flows from financing activities		
Contributions restricted to endowment	<u>77,750</u>	<u>55,000</u>
Net increase (decrease) in cash	412,451	(171,838)
Cash, beginning of year	<u>346,419</u>	<u>518,257</u>
Cash, end of year	<u>\$ 758,870</u>	<u>\$ 346,419</u>

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):

Tuition Revenue:

Revenue from contracts with students for tuition is reported at the amount that reflects the consideration to which the preschool expects to be entitled in exchange for providing instruction. These amounts are due from parents and others, and includes variable consideration.

Revenue is recognized as performance obligations are satisfied, which is ratably over the year. Generally, the preschool bills students monthly.

Tuition payments received in advance are recorded as deferred income.

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.

Property and equipment:

Property and equipment additions over \$5,000 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, 2022 and 2021.

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):

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.

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 5,426 and 6,831 hours of service during the years ended August 31, 2022 and 2021, respectively. Contributed goods and property are recorded at fair value at the date of donation. The Organization records donated professional services at the fair values of the services received.

Advertising expenses:

Advertising costs are expensed as incurred, and were \$12,455 and \$5,691 during the years ended August 31, 2022 and 2021, 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. These expenses are classified generally as follows: Salaries and benefits, insurance and information technology are classified based on estimates of time spent. Professional fees and marketing are classified based on a review of charges. Occupancy is classified based on estimated use of space. Depreciation and amortization expenses are classified based on use of assets. Other expenses are classified based on a combination of time spent and review of charges.

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

Income taxes:

The Organization is exempt, as a public charity, from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code and applicable state statutes. However, income from certain activities not directly related to the Organization's tax-exempt purpose could result in taxable income.

The Organization has evaluated its tax positions for uncertainty and has no unrecognized tax matters that are required to be disclosed.

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. Investments are made by diversified investment managers whose performance is monitored by management and the Finance 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 Finance Committee believe that the investment policies and guidelines are prudent for the long-term welfare of the Organization.

Reclassifications:

Certain reclassifications have been made to the 2021 financial statements to conform to the 2022 presentation. Such changes had no effect on beginning or ending net assets.

Subsequent events:

The Organization has evaluated subsequent events through December 7, 2022, the date that the financial statements were to be issued.

2. Liquidity:

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

	<u>2022</u>	<u>2021</u>
Financial assets at year-end:		
Cash and cash equivalents	\$ 758,870	\$ 346,419
Contributions and accounts receivable, current	588,942	116,510
Investments	<u>1,993,386</u>	<u>2,155,769</u>
 Financial assets available to meet general expenditures over the next twelve months	 <u>\$ 3,341,198</u>	 <u>\$ 2,618,698</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 7. 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. Contributions receivable:

	<u>2022</u>	<u>2021</u>
Less than one year	\$ 588,942	\$ 171,334
One to five years	<u>925,140</u>	<u>470,350</u>
	1,514,082	641,684
Less present value discount	<u>47,118</u>	<u>-</u>
	<u>\$ 1,466,964</u>	<u>\$ 641,684</u>

4. 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 the 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. 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.

4. 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:

	2022			Total
	Level 1	Level 2	Level 3	
Cash and money market funds, at cost	\$ 316,220			\$ 316,220
Equities and mutual funds	11,387,474			11,387,474
Fixed income securities	4,518,504			4,518,504
	<u>\$ 16,222,198</u>	<u>\$ -</u>	<u>\$ -</u>	<u>16,222,198</u>
Investments measured at net asset value, alternative investments, hedge funds				<u>3,790,277</u>
				<u>\$ 20,012,475</u>

	2021			Total
	Level 1	Level 2	Level 3	
Cash and money market funds, at cost	\$ 665,701			\$ 665,701
Equities and mutual funds	14,266,762			14,266,762
Fixed income securities	5,123,179			5,123,179
	<u>\$ 20,055,642</u>	<u>\$ -</u>	<u>\$ -</u>	<u>20,055,642</u>
Investments measured at net asset value, alternative investments, hedge funds				<u>3,383,630</u>
				<u>\$ 23,439,272</u>

5. Net investment return:

Net investment return (loss) consists of the following for the years ended August 31, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Interest and dividends	\$ 558,226	\$ 437,690
Net realized and unrealized (losses) gain	(3,332,080)	4,056,334
Less investment management and custodial fees	<u>(100,361)</u>	<u>(97,805)</u>
	<u>\$ (2,874,215)</u>	<u>\$ 4,396,219</u>

6. Property and equipment:

Property and equipment consists of the following at August 31:

	<u>2022</u>	<u>2021</u>
Land	\$ 5,640,296	\$ 5,640,296
Land improvements	1,459,179	1,443,697
Buildings improvements	5,942,118	5,794,420
Equipment	1,559,421	1,287,916
Construction in Progress	<u>134,735</u>	<u>-</u>
	14,735,749	14,166,329
Less accumulated depreciation	<u>5,232,325</u>	<u>4,996,633</u>
	<u>\$ 9,503,424</u>	<u>\$ 9,169,696</u>

7. 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 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.

7. Endowments (continued):

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, 2022 and 2021, 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

As of August 31, 2022 and 2021, the Organization had the following endowment net asset composition by type of fund:

	<u>2022</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	\$ -	\$ 2,489,868	\$ 11,116,493	\$ 13,606,361
Board-designated endowment funds	<u>4,120,238</u>	<u>-</u>	<u>-</u>	<u>4,120,238</u>
	<u>\$ 4,120,238</u>	<u>\$ 2,489,868</u>	<u>\$ 11,116,493</u>	<u>17,726,599</u>
Less contributions receivable restricted to endowment				<u>155,000</u>
Endowment investments				<u>\$ 17,571,599</u>

7. Endowments (continued):

	2021			Total
	Without donor restrictions -designated	With donor restrictions -accumulated	With donor restrictions -original gift	
Donor-restricted endowment funds	\$ -	\$ 4,909,473	\$ 11,280,427	\$ 16,189,900
Board-designated endowment funds	<u>4,615,485</u>	<u>-</u>	<u>-</u>	<u>4,615,485</u>
	<u>\$ 4,615,485</u>	<u>\$ 4,909,473</u>	<u>\$ 11,280,427</u>	<u>\$ 20,805,385</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 2022 and 2021, 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.

7. Endowments (continued):

Changes in endowment net assets for the years ended August 31, 2022 and 2021 are as follows:

	2022			Total
	Without donor restrictions -designated	With donor restrictions -accumulated	With donor restrictions -original gift	
Endowment net assets, beginning	<u>\$ 4,615,485</u>	<u>\$ 4,909,472</u>	<u>\$ 11,280,428</u>	<u>\$ 20,805,385</u>
Investment return:				
Investment income	119,485	360,871	102,395	582,751
Net realized and unrealized gain (loss), net of fees	<u>(737,708)</u>	<u>(2,167,763)</u>	<u>(299,080)</u>	<u>(3,204,551)</u>
	<u>(618,223)</u>	<u>(1,806,892)</u>	<u>(196,685)</u>	<u>(2,621,800)</u>
Contributions, including receivables			<u>32,750</u>	<u>32,750</u>
Transfers	<u>327,528</u>			<u>327,528</u>
Distributions:				
Appropriation of endowment assets pursuant of spending rate policy		(612,712)		(612,712)
Undesignated board-designated quasi-endowment assets	<u>(204,552)</u>			<u>(204,552)</u>
	<u>(204,552)</u>	<u>(612,712)</u>	-	<u>(817,264)</u>
	<u>\$ 4,120,238</u>	<u>\$ 2,489,868</u>	<u>\$ 11,116,493</u>	<u>\$ 17,726,599</u>

7. Endowments (continued):

	2021			Total
	Without donor restrictions -designated	With donor restrictions -accumulated	With donor restrictions -original gift	
Endowment net assets, beginning	\$ 3,873,262	\$ 2,478,673	\$ 11,006,625	\$ 17,358,560
Investment return:				
Investment income	109,637	258,268	79,163	447,068
Net realized and unrealized gain (loss), net of fees	<u>778,086</u>	<u>2,542,839</u>	<u>7,087</u>	<u>3,655,540</u>
	<u>887,723</u>	<u>2,801,107</u>	<u>86,250</u>	<u>4,102,608</u>
Contributions, including receivables			<u>255,000</u>	<u>255,000</u>
Distributions:				
Appropriation of endowment assets pursuant of spending rate policy		(370,500)	(67,447)	(437,947)
Undesignated board-designated quasi-endowment assets	<u>(145,309)</u>			<u>(472,837)</u>
	<u>(145,309)</u>	<u>(370,500)</u>	<u>(67,447)</u>	<u>(910,784)</u>
	<u>\$ 4,615,485</u>	<u>\$ 4,909,472</u>	<u>\$ 11,280,428</u>	<u>\$ 20,805,385</u>

8. Net assets, with donor restrictions: _____

Net assets with donor restrictions at August 31, 2022 and 2021 consist of:

	<u>2022</u>	<u>2021</u>
Restricted by donors for:		
Property improvements	\$ 44,657	\$ 114,489
Nature and environmental education activities	304,479	334,432
Scholarships	22,545	33,727
General operating for future periods	6,662	1,662
Shepard Farms programs	15,415	15,415
Capital improvements	1,496,332	891,363
Time restricted	<u>1,213,516</u>	<u>387,610</u>
	<u>3,103,606</u>	<u>1,778,698</u>
Restricted by donors to be invested in perpetuity and the accumulated earnings on those gifts:		
General operating	3,553,565	4,195,860
Farm endowment	1,560,932	1,832,484
Peterson Naturalist position	1,403,294	1,624,978
Pre-School scholarship endowment	767,977	872,012
Driscoll maintenance fund	251,741	250,000
Volunteer	1,251,313	1,485,986
Ford preschool	<u>4,817,539</u>	<u>5,928,580</u>
	13,606,361	16,189,900
Restricted land	<u>4,299,802</u>	<u>4,299,802</u>
	<u>17,906,163</u>	<u>20,489,702</u>
Total net assets with donor restrictions	<u>\$ 21,009,769</u>	<u>\$ 22,268,400</u>

8. Net assets, with donor restrictions (continued): _____

Net assets were released from restrictions as follows during the years ended August 31, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Satisfaction of time and purpose restrictions:		
Property improvements	\$ 69,832	\$ 27,147
Nature and environmental education	468,829	481,945
Scholarships	11,182	7,781
General operating	-	32,486
Repairs and maintenance	-	728
Shepard Farms	-	4,097
Time	<u>220,846</u>	<u>-</u>
	<u>\$ 770,689</u>	<u>\$ 554,184</u>
Restricted-purpose spending-rate distributions and appropriations:		
General operating	\$ 148,044	\$ 122,014
Farm endowment	60,000	62,469
Peterson Naturalist	50,000	67,447
Capital campaign	304,668	135,500
Volunteer	<u>50,000</u>	<u>50,517</u>
	<u>\$ 612,712</u>	<u>\$ 437,947</u>

9. Donated professional services and materials:

The Organization records donated services and materials at market cost. In-kind donations include supplies, capital assets and skilled professional services used in the pre-school and programming, and donated items and professional services used in special events. The Organization received donated professional services and materials as follows during the years ended August 31, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Event expense	\$ 14,855	\$ 4,743
Supplies	12,168	4,239
Services	-	11,868
Capital assets	-	28,921
	<u>\$ 27,023</u>	<u>\$ 49,771</u>

10. Employee benefits:

The Organization has a 403(b) defined contribution retirement plan covering all regular employees. The contributions to the plan are discretionary based upon Board approval each year. The Organization contributed up to 5% of an employee's compensation during the years ending August 31, 2022 and 2021. Expense charged to operations for the years ended August 31, 2022 and 2021 amounted to \$69,033 and \$64,000, respectively.

11. Cash surrender value on life insurance policy:

The Organization is the owner and beneficiary of a whole 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 \$88,490 and \$90,130 was donated for the year ended August 31, 2022 and 2021, respectively by the insured who is also a board member. The cash surrender value at August 31, 2022, was \$11,520.