

CONSERVATION MINNESOTA

FINANCIAL STATEMENTS

For the Years Ended June 30, 2019 and 2018

CONSERVATION MINNESOTA

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Conservation Minnesota
Minneapolis, Minnesota

I have audited the accompanying financial statements of Conservation Minnesota, a nonprofit organization, which comprise the statements of financial position as of June 30, 2019 and 2018, and the related statements of activity, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on the audit. I conducted the audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I 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, I 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.

(Continued)

INDEPENDENT AUDITOR'S REPORT, continued

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Conservation Minnesota as of June 30, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Emphasis of Matter

I have also audited, in accordance with auditing standards generally accepted in the United States of America, the consolidated financial statements of Conservation Minnesota and its related organization, Conservation Minnesota Voter Center, which comprise the consolidated statements of financial positions as of June 30, 2019 and 2018, and the related consolidated statements of activity, functional expenses and cash flows for the years then ended (none of which is presented herein), and I expressed an unmodified opinion on those financial statements. Such consolidated financial statements are the general-purpose financial statements of Conservation Minnesota and its related organization, and the financial statements of Conservation Minnesota presented herein are not a valid substitute for those consolidated financial statements.

Sherry D. Heffernan, Ltd.

Sherry D. Heffernan, Ltd.

September 26, 2019

CONSERVATION MINNESOTA
Statement of Financial Position
June 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 378,072	\$ 317,122
Cash and cash equivalents - board designated	118,831	117,391
	496,903	434,513
Accounts receivable	-	2,675
Promises to give	49,715	30,000
Grants receivable	315,000	105,000
Prepaid expenses	18,982	20,183
	880,600	592,371
Fixed assets:		
Website design and software	22,608	22,608
Property and equipment	3,275	6,782
	25,883	29,390
Less accumulated depreciation	(25,883)	(29,390)
	-	-
TOTAL ASSETS	\$ 880,600	\$ 592,371
CURRENT LIABILITIES		
Due to (from) related organization	\$ 3,560	\$ (5,011)
Accounts payable	26,903	31,336
Accrued expenses	75,450	58,557
	105,913	84,882
NET ASSETS		
Net assets without donor restrictions		
Undesignated	43,094	85,580
Board designated	118,831	117,391
	161,925	202,971
Net assets with donor restrictions	612,762	304,518
	774,687	507,489
TOTAL NET ASSETS	\$ 880,600	\$ 592,371
TOTAL LIABILITIES AND NET ASSETS	\$ 880,600	\$ 592,371

The accompanying notes are an integral part of these financial statements.

CONSERVATION MINNESOTA
Statement of Activities
For the Years Ended June 30, 2019 and 2018

	2019			2018		
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
REVENUES AND OTHER SUPPORT						
SUPPORT:						
Grants	\$ 526,600	\$ 625,000	\$ 1,151,600	\$ 526,500	\$ 133,000	\$ 659,500
Grants (to) from related organization	81,000	-	81,000	(39,300)	-	(39,300)
Contributions	737,601	15,000	752,601	571,000	-	571,000
OTHER REVENUE:						
Fees for services	7,015	-	7,015	10,050	-	10,050
Interest income and miscellaneous	4,415	-	4,415	1,559	-	1,559
	<u>1,356,631</u>	<u>640,000</u>	<u>1,996,631</u>	<u>1,069,809</u>	<u>133,000</u>	<u>1,202,809</u>
Net assets released from restrictions	<u>331,756</u>	<u>(331,756)</u>	<u>-</u>	<u>325,958</u>	<u>(325,958)</u>	<u>-</u>
TOTAL SUPPORT AND REVENUE	<u>1,688,387</u>	<u>308,244</u>	<u>1,996,631</u>	<u>1,395,767</u>	<u>(192,958)</u>	<u>1,202,809</u>
EXPENSES:						
Program services	1,426,976	-	1,426,976	1,196,631	-	1,196,631
Management and general	238,615	-	238,615	140,060	-	140,060
Fundraising	63,842	-	63,842	70,829	-	70,829
TOTAL EXPENSES	<u>1,729,433</u>	<u>-</u>	<u>1,729,433</u>	<u>1,407,520</u>	<u>-</u>	<u>1,407,520</u>
CHANGE IN NET ASSETS	(41,046)	308,244	267,198	(11,753)	(192,958)	(204,711)
NET ASSETS AT BEGINNING OF YEAR	<u>202,971</u>	<u>304,518</u>	<u>507,489</u>	<u>214,724</u>	<u>497,476</u>	<u>712,200</u>
NET ASSETS AT END OF YEAR	<u>\$ 161,925</u>	<u>\$ 612,762</u>	<u>\$ 774,687</u>	<u>\$ 202,971</u>	<u>\$ 304,518</u>	<u>\$ 507,489</u>

The accompanying notes are an integral part of these financial statements.

CONSERVATION MINNESOTA
Statement of Cash Flows
For the Years Ended June 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 267,198	\$ (204,711)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	-	105
Change in assets and liabilities:		
Accounts receivable	2,675	(2,675)
Promises to give	(19,715)	7,000
Grants receivable	(210,000)	153,200
Prepaid expenses	1,201	(9,981)
Due to (from) related organization	8,571	(87,407)
Accounts payable	(4,433)	14,899
Accrued expenses	<u>16,893</u>	<u>23,617</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES AND INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	62,390	(105,953)
 CASH, CASH EQUIVALENTS AND RESTRICTED CASH AT BEGINNING OF YEAR	 <u>434,513</u>	 <u>540,466</u>
 CASH, CASH EQUIVALENTS AND RESTRICTED CASH AT END OF YEAR	 <u>\$ 496,903</u>	 <u>\$ 434,513</u>

The accompanying notes are an integral part of these financial statements.

CONSERVATION MINNESOTA
Statement of Functional Expenses
For the Years Ended June 30, 2019 and 2018

	2019					2018				
	Supporting Services					Supporting Services				
	Program Services	Management and General	Fund Raising	Total Supporting Services	Total	Program Services	Management and General	Fund Raising	Total Supporting Services	Total
Salaries, taxes and benefits	\$ 618,935	\$ 168,515	\$ 26,757	\$ 195,272	\$ 814,207	\$ 709,970	\$ 107,045	\$ 33,361	\$ 140,406	\$ 850,376
Contract services	342,293	21,080	2,722	23,802	366,095	147,820	17,174	3,281	20,455	168,275
Occupancy	38,253	18,215	-	18,215	56,468	40,337	4,675	600	5,275	45,612
Printing and copying	153,045	1,746	21,708	23,454	176,499	160,418	-	23,918	23,918	184,336
Postage and delivery	75,752	541	12,205	12,746	88,498	67,008	862	8,733	9,595	76,603
Digital communication	147,189	-	-	-	147,189	-	-	-	-	-
Database management	20,334	2,127	-	2,127	22,461	21,281	1,423	-	1,423	22,704
Website maintenance	3,151	-	420	420	3,571	10,497	-	-	-	10,497
Office expenses	3,566	12,889	-	12,889	16,455	6,985	2,598	626	3,224	10,209
Travel	11,572	3,302	30	3,332	14,904	17,592	1,325	109	1,434	19,026
Conferences and meetings	7,262	8,325	-	8,325	15,587	7,959	4,186	201	4,387	12,346
Insurance	5,624	1,875	-	1,875	7,499	6,669	762	-	762	7,431
Depreciation/amortization	-	-	-	-	-	95	10	-	10	105
Total expenses	\$ 1,426,976	\$ 238,615	\$ 63,842	\$ 302,457	\$ 1,729,433	\$ 1,196,631	\$ 140,060	\$ 70,829	\$ 210,889	\$ 1,407,520
	<u>83%</u>	<u>13%</u>	<u>4%</u>	<u>17%</u>	<u>100%</u>	<u>85%</u>	<u>10%</u>	<u>5%</u>	<u>15%</u>	<u>100%</u>

The accompanying notes are an integral part of these financial statements.

CONSERVATION MINNESOTA
Notes to Financial Statements
June 30, 2019 and 2018

1) Nature of Activities

Conservation Minnesota (hereinafter referred to as CM or the organization) is a Minnesota nonprofit corporation established in 2002 to educate private citizens and organizations concerned with conservation and the basic processes and techniques of effective participation in government and policy development. The organization works to conserve and protect Minnesota's natural resources and its environment, to increase citizen participation in government and the democratic process, and to provide conservation information that is beneficial in decision making by individuals and their communities.

Conservation Minnesota's program focuses include the following:

Public Education

Conservation Minnesota provides credible, non-partisan information about current and emerging issues that affect public health, water quality, and Minnesota's Great Outdoors so that individual Minnesotans can make informed decisions that protect our health and natural resources.

Public Engagement

Conservation Minnesota is guided by the priorities of Minnesotans and engages its statewide network of over 70,000 individuals and local leaders with meaningful opportunities to help solve the conservation issues that they tell us are most important.

Public Policy

Conservation Minnesota develops and advocates for public policies that ensure our cherished Minnesota lakes, lands and way of life are protected for the benefit of current and future generations.

2) Summary of Significant Accounting Policies

Basis of Accounting and Presentation

The financial statements of the organization have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities. The organization is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

Net assets without donor restrictions are resources over which the Board of Directors has discretionary control. Net assets with donor restrictions are resources which are subject to a donor imposed restriction which generally will be satisfied by organizational actions, the passage of time or they may be restricted permanently.

CONSERVATION MINNESOTA
Notes to Financial Statements

2) Summary of Significant Accounting Policies, continued

Cash and Cash Equivalents

For the purposes of the statement of cash flows, the organizations consider all highly liquid investments with an initial maturity of three months or less to be cash equivalents.

Concentrations of Credit Risk

Financial instruments that potentially subject the organization to concentrations of credit risk consist principally of temporary cash investments and grants receivable. The organization places its temporary cash investments with financial institutions as noted below. Concentrations of credit risk with respect to grants receivable are limited due to the financial stability of the contributors.

CM grants receivable include amounts from one donor comprising 82% of the balance at June 30, 2019 and two donors comprising 96% of the balance at June 30, 2018.

Concentrations of Credit Risk Arising from Cash Deposits in Excess of Insured Limits

The organization maintains its deposits in financial institutions located in the Twin Cities. The balances are insured by the Federal Deposit Insurance Corporation up to \$250,000. At June 30, 2019 the organization's uninsured cash balance was approximately \$96,000.

Concentration of Public Support

In 2019 CM received approximately 69% of its total public support from three donors. In 2018 CM received approximately 32% of its total public support from two donors.

Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from those estimates.

Accounts Receivable

Accounts receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probably uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual accounts. There were no significant bad debts in 2019 or 2018.

CONSERVATION MINNESOTA
Notes to Financial Statements

2) Summary of Significant Accounting Policies, continued

Promises to Give

Unconditional promises to give are recognized as revenues or gains in the period received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional.

Grants Receivable

Grants receivable, which are from foundations or other non-profit organizations, are recognized as revenues in the period received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received.

Fixed Assets

The organization capitalizes all expenditures for property and equipment, website design and software in excess of \$5,000. Purchased fixed assets are recorded at cost. Donated property is carried at the approximate fair value at the date of donation. Depreciation is computed using the straight-line method over estimated useful lives of three years. Depreciation expense was zero and \$105 in 2019 and 2018, respectively.

Contributed Services

Contributed services are recognized as contributions if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the organization.

Net Assets Designated for Specific Purposes by Board of Directors

The Board of Directors authorized cash reserve funds to provide an internal source of funds for situations such as one-time unbudgeted expenses, unanticipated loss in funding or uninsured losses.

Net Assets

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

Net Assets without Donor Restrictions – Net assets available for use in general operations and not subject to donor restrictions. The governing board has designated, from net assets without donor restrictions, cash reserve funds to provide an internal source of funds for situations such as one-time unbudgeted expenses, unanticipated loss in funding or uninsured losses.

CONSERVATION MINNESOTA
Notes to Financial Statements

2) Summary of Significant Accounting Policies, continued

Net Assets, continued

Net Assets with Donor Restrictions – Net assets subject to donor imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Revenue and Revenue Recognition

Revenue is recognized when earned. Fee for services 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, or unconditional promise to give is received.

Expense Allocation

The costs of providing various programs and other activities have been summarized on a functional basis in the Statement of Activities and in the Statement of Functional Expenses. 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

CM has a tax-exempt status under Section 501(c)(3) of the Internal Revenue Code and Minnesota Statute 290.05. It has been classified as an organization that is not a private foundation under Section 509(a)(2) of the Internal Revenue Code and contributions by donors are tax deductible.

3) Liquidity and Availability

CM considers contributions without donor restrictions and contributions with donor restrictions for use in current programs which are ongoing, major and central to its annual operations to be available to meet cash needs for general expenditures. The organization manages its liquidity and reserves following these guiding principles: operating within a prudent range of financial soundness and stability and maintaining sufficient reserves to provide reasonable assurance that long-term obligations will be discharged.

CM considers all expenditures related to its ongoing activities related to its organizational purpose as well as the conduct of services undertaken to support those activities to be general expenditures. Annual operations are defined as activities occurring during the organization's fiscal year.

CONSERVATION MINNESOTA
Notes to Financial Statements

3) Liquidity and Availability, continued

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year at June 30, 2019, are as follows:

Cash and cash equivalents	\$ 378,072
Less cash restricted for programs	-22,762
Promises to give	49,715
Grants receivable	315,000
Less grant receivable due June 30, 2020	<u>-300,000</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 420,025</u>

4) Restricted Cash

CM had restricted cash of \$22,7672 and \$98,268 at June 30, 2019 and 2018, respectively, which were included in cash and cash equivalents reported within the statement of financial position that sum to the total of the same such amounts shown in the statement of cash flows. Amounts included in restricted cash represent amounts required to be used for specific program purposes by the donor.

5) Promises to Give and Grants Receivable

CM's promises to give and grants receivable are collectible in less than one year. The discount to present value amount is not significant and uncollectible promises are expected to be insignificant.

6) Operating Lease

CMVC leases office space under an operating lease which expires September 30, 2020. Monthly rent is \$3,381 which includes utilities, real estate taxes and insurance. Rent expense was \$40,406 for 2019 with \$36,346 allocated to CM (see Note 8.) In 2018 rent expense was \$39,763 with \$35,789 allocated to CM.

Future minimum lease payments (excluding additional taxes, maintenance and utilities) under operating leases that have remaining terms in excess of one year as of June 30, 2019 are:

<u>Year Ending June 30,</u>	<u>Amount</u>
2020	\$ 41,094
2021	<u>10,317</u>
	<u>\$ 51,411</u>

CONSERVATION MINNESOTA
Notes to Financial Statements

7) Retirement Plan

Conservation Minnesota sponsors a 401(k) retirement plan under CMVC (see Note 8). The Plan states that the board may make discretionary matching or profit sharing contributions. The organization currently matches up to 4% of gross salaries for qualified employees. The Plan requires two years of service before the employee is fully vested on employer contributions. Employees may make additional pre-tax contributions through payroll deductions. Plan expense was \$26,321 and \$25,629 for CM for the years ended June 30, 2019 and 2018, respectively.

8) Related Organization

Conservation Minnesota Voter Center, Inc. (CMVC) is a Minnesota nonprofit corporation established in 1999. It researches public opinion and government actions on conservation issues, providing reliable information to help Minnesotans make decisions that protect the health of our air, water, communities and families. CMVC is exempt from federal income tax under Code Section 501(c)(4) of the Internal Revenue Code and Minnesota Statute 290.05.

CMVC has six Board members, all of whom are also included on CM's Board of 20 members and therefore it is considered a related organization.

CM has a resource allocation agreement with CMVC. In this agreement, both organizations share certain resources, including office space, maintenance and personnel. As part of this agreement, CMVC was reimbursed approximately \$336,600 in 2019 and \$962,500 in 2018. CM owed CMVC \$3,560 at June 30, 2019 and CM had a receivable from CMVC of \$5,011 at June 30, 2018.

CMVC has a rent lease agreement through September 30, 2020. CM is obligated to pay its share of rent expense based on the same basis as other expenses as noted above.

CMVC made net grants to CM of \$81,000 for the year ended June 30, 2019. CM made net grants to CMVC of \$39,300, for the year ended June 30, 2018.

9) Board Designated Net Assets

Board designated net asset balances are \$118,831 and \$116,754 as of June 30, 2019 and 2018, respectively. These amounts are not available for general operations unless released by the Board of Directors.

CONSERVATION MINNESOTA
Notes to Financial Statements

10) Net Assets with Donor Restrictions

Net assets with donor restrictions for CM are available for the following purposes at June 30, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Time restrictions	\$ 590,000	\$ 304,518
Specific programs	<u>22,762</u>	<u>-</u>
	<u>\$ 612,762</u>	<u>\$ 304,518</u>

11) Grantor or Donor Restrictions

Certain contributions or grants from donors are subject to special audit by the donor. Such audits could result in claims against the organization for disallowed costs or noncompliance with grantor restrictions. No provision has been made for any liabilities that may arise from such audits since the amounts, if any, cannot be determined at this date.

12) Income Taxes

The organization has evaluated its potential exposure for uncertain tax positions and management has expressed there are no uncertain tax positions as of June 30, 2019. Tax returns for the past three tax years remain open for examination by tax jurisdictions.

13) Subsequent Events

The organization has evaluated subsequent events through September 26, 2019, the date the financial statements were available to be issued. It is not aware of any subsequent events that require recognition or disclosure in the consolidated financial statements.