

MINNESOTA LAND TRUST

**FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT**

For The Years Ended
June 30, 2012 and 2011

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MINNESOTA LAND TRUST
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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Minnesota Land Trust
Saint Paul, Minnesota

We have audited the accompanying statements of financial position of Minnesota Land Trust as of June 30, 2012 and 2011, and the related statements of activities, functional expenses, and cash flows for the years then ended. These financial statements are the responsibility of Minnesota Land Trust's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Minnesota Land Trust as of June 30, 2012 and 2011, 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.

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying information listed as supplemental information in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.


HLB TAUTGES REDPATH, LTD.

September 26, 2012

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FINANCIAL STATEMENTS

MINNESOTA LAND TRUST
STATEMENTS OF FINANCIAL POSITION
June 30, 2012 and 2011

Statement 1

	<u>2012</u>	<u>2011</u>
Assets:		
Cash and cash equivalents	\$427,179	\$549,347
Contributions, grants and other receivables	182,102	426,901
Deposits and other	11,834	6,943
Furniture and equipment, net	10,797	21,684
Investments	3,189,211	2,893,157
Land held for resale - conservation	15,000	-
Land held for conservation	<u>9,000</u>	<u>9,000</u>
 Total assets	 <u><u>\$3,845,123</u></u>	 <u><u>\$3,907,032</u></u>
Liabilities and net assets:		
Liabilities:		
Accounts payable	\$14,311	\$4,915
Accrued expenses	<u>39,721</u>	<u>52,182</u>
Total liabilities	<u><u>54,032</u></u>	<u><u>57,097</u></u>
Net assets:		
Unrestricted	96,444	170,056
Unrestricted - board designated	1,112,234	1,176,764
Temporarily restricted	2,366,206	2,286,908
Permanently restricted	<u>216,207</u>	<u>216,207</u>
Total net assets	<u><u>3,791,091</u></u>	<u><u>3,849,935</u></u>
 Total liabilities and net assets	 <u><u>\$3,845,123</u></u>	 <u><u>\$3,907,032</u></u>

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

MINNESOTA LAND TRUST
STATEMENTS OF ACTIVITIES
For The Years Ended June 30, 2012 and 2011

Statement 2

	2012			2011			
	Unrestricted	Temporarily	Permanently	Unrestricted	Temporarily	Permanently	
		Restricted	Restricted		Restricted	Restricted	Restricted
			Total			Total	
Support and revenue:							
Contributions and grants	\$368,045	\$81,837	\$ -	\$449,882	\$658,740	\$ -	\$849,810
Government grant and contract revenue:							
ENRTF	172,717	22,500	-	195,217	622,227	-	774,227
OHF	240,129	74,000	-	314,129	711,680	-	768,680
All other	440,542	7,500	-	448,042	136,954	-	208,954
Special events:							
Contribution	50,190	-	-	50,190	-	-	-
Other	2,180	-	-	2,180	-	-	-
Less: direct expenses	(9,215)	-	-	(9,215)	-	-	-
Fees for service	95,250	-	-	95,250	24,750	-	24,750
Property condemnation proceeds	167,708	-	-	167,708	-	-	-
Other revenue	15,250	-	-	15,250	11,778	-	11,778
Interest and dividends	71,053	-	-	71,053	49,779	-	49,779
Change in fair value of investments	(136,370)	-	-	(136,370)	339,623	-	360,973
Insurance proceeds, net	31,352	-	-	31,352	-	-	-
Net assets released from restrictions:							
Satisfaction of program restrictions	106,539	(106,539)	-	-	135,126	-	-
Total support and revenue	1,615,370	79,298	0	1,694,668	2,690,637	0	3,048,951
Expenses:							
Program services	1,472,784	-	-	1,472,784	2,107,672	-	2,107,672
Management and general	98,667	-	-	98,667	130,423	-	130,423
Fund development	182,061	-	-	182,061	165,681	-	165,681
Total expenses	1,753,512	0	0	1,753,512	2,403,776	0	2,403,776
Revenue over (under) expenses	(138,142)	79,298	0	(58,844)	286,881	0	645,175
Loss on sale of land	-	-	-	-	36,594	-	36,594
Change in net assets	(138,142)	79,298	0	(58,844)	250,287	0	608,581
Net assets - beginning of period	1,346,820	2,286,908	216,207	3,849,935	1,096,533	1,928,614	3,241,354
Net assets - end of period	\$1,208,678	\$2,366,206	\$216,207	\$3,791,091	\$1,346,820	\$2,286,908	\$3,849,935

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

	2012				Total
	Program Services	Management and General	Fund Development	Supporting Services	
Expenses:					
Salaries	\$529,244	\$28,958	\$120,527	\$149,485	\$678,729
Payroll taxes and benefits	115,244	13,917	17,706	31,623	146,867
Other staff expenses	3,570	521	193	714	4,284
Total personnel costs	648,058	43,396	138,426	181,822	829,880
Travel	42,251	1,106	2,851	3,957	46,208
Memberships, dues, licenses	5,388	286	608	894	6,282
Meeting expense	2,210	2,141	592	2,733	4,943
Board expense	-	3,332	-	3,332	3,332
Rent and building maintenance	65,533	5,927	12,595	18,522	84,055
Office expense	50,727	3,277	6,177	9,454	60,181
Depreciation	6,988	745	1,584	2,329	9,317
Postage and delivery	7,712	689	13,152	13,841	21,553
Printing and photocopying	9,767	880	1,923	2,803	12,570
Insurance	-	7,407	-	7,407	7,407
Project expenses	352,075	-	-	-	352,075
Project expenses - conservation easement and land acquisition	236,458	-	-	-	236,458
Contracted services	13,826	1,475	3,135	4,610	18,436
Audit and accounting	-	13,201	-	13,201	13,201
External grants	27,050	-	-	-	27,050
Miscellaneous expense	4,741	14,805	1,018	15,823	20,564
Total expenses	\$1,472,784	\$98,667	\$182,061	\$280,728	\$1,753,512
Percentage	84%	6%	10%	16%	100%

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

	2011				Total
	Program Services	Management and General	Fund Development	Supporting Services	
Expenses:					
Salaries	\$450,991	\$42,141	\$107,748	\$149,889	\$600,880
Payroll taxes and benefits	98,643	12,496	15,520	28,016	126,659
Other staff expenses	1,920	113	241	354	2,274
Total personnel costs	551,554	54,750	123,509	178,259	729,813
Travel	39,402	992	2,140	3,132	42,534
Memberships, dues, licenses	3,044	216	710	926	3,970
Meeting expense	3,553	2,407	1,174	3,581	7,134
Board expense	-	3,346	-	3,346	3,346
Rent and building maintenance	62,571	5,553	11,801	17,354	79,925
Office expense	41,608	3,095	7,074	10,169	51,777
Depreciation	7,384	788	1,674	2,462	9,846
Postage and delivery	8,551	614	4,123	4,737	13,288
Printing and photocopying	10,047	976	6,285	7,261	17,308
Insurance	-	6,092	-	6,092	6,092
Project expenses	167,649	-	-	-	167,649
Project expenses - conservation easement and land acquisition	1,183,603	-	-	-	1,183,603
Contracted services	21,283	(500)	3,468	2,968	24,251
Audit and accounting	-	16,400	-	16,400	16,400
External grants	200	-	-	-	200
Miscellaneous expense	7,223	35,694	3,723	39,417	46,640
Total expenses	\$2,107,672	\$130,423	\$165,681	\$296,104	\$2,403,776
Percentage	88%	5%	7%	12%	100%

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

MINNESOTA LAND TRUST
STATEMENTS OF CASH FLOWS
For The Years Ended June 30, 2012 and 2011

Statement 4

	<u>2012</u>	<u>2011</u>
Cash flows from operating activities:		
Change in net assets	(\$58,844)	\$608,581
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	9,317	9,846
Realized and unrealized (gain) loss on investments	136,370	(360,973)
Loss on disposal of furniture and equipment	1,570	-
Loss from sale of land held for resale	-	36,594
Donated land held for resale - conservation	(15,000)	
(Increase) decrease in assets:		
Contributions, grants and other receivables	244,799	(223,807)
Deposit and other	(4,891)	4,801
Increase (decrease) in liabilities:		
Accounts payable	9,396	(10,976)
Accrued expenses	(12,461)	2,497
Net cash provided (used) by operating activities	<u>310,256</u>	<u>66,563</u>
Cash flows from investing activities:		
Purchase of investments, including re-invested income	(588,824)	(299,484)
Proceeds from sale of investments	156,400	480,769
Proceeds from sale of land held for resale	-	28,205
Purchase of furniture and equipment	-	(19,800)
Net cash provided (used) by investing activities	<u>(432,424)</u>	<u>189,690</u>
Net increase (decrease) in cash and cash equivalents	(122,168)	256,253
Cash and cash equivalents - beginning of year	<u>549,347</u>	<u>293,094</u>
Cash and cash equivalents - end of year	<u>\$427,179</u>	<u>\$549,347</u>
Supplemental disclosures of cash flows information:		
None		

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

Note 1 NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

A. DESCRIPTION

Minnesota Land Trust (Land Trust) is a Minnesota nonprofit corporation and a 501(c)(3) public charity with a mission to preserve Minnesota's natural and scenic heritage through public and private partnerships. Since 1991, the Land Trust has been working with landowners and local communities to protect Minnesota's cherished but increasingly threatened lands and waters primarily through establishing, creating and monitoring perpetual conservation easements – recorded legal agreements that protect the land's natural and scenic features by restricting its use and development. Although the landowner retains ownership of the land and is responsible for its ongoing maintenance, the Land Trust holds the conservation easement and accepts responsibility for monitoring compliance with the terms of the easement and for defending the easement should the terms be threatened or violated.

As of June 30, 2012, the Land Trust has completed 439 land protection projects, permanently protecting more than 39,000 acres and more than 857,000 feet of shoreline.

M.L. 2011, First Special Session, Chapter 2, Article 3, Subdivision 19 and M.L. 2011, First Special Session, Chapter 6, Article 1, Section 2, Subdivision 15, contain new language governing conservation easement projects funded by the Environment and Natural Resources Trust Fund (ENRTF) and the Outdoor Heritage Fund (OHF) under these appropriations. This language mandates that money appropriated under these sections for easement monitoring and enforcement may be spent only on activities included in an easement monitoring and enforcement plan contained within the work program (for ENRTF) or accomplishment plan (for OHF). Money received for monitoring and enforcement, including earnings on the money received, shall be kept in a monitoring and enforcement fund held by the organization and dedicated to monitoring and enforcing conservation easements within Minnesota. Within 120 days after the close of the entity's fiscal year, an entity receiving appropriations for easement monitoring and enforcement must provide annual financial reports to the Legislative-Citizens Commission on Minnesota Resources and to the Lessard-Sams Outdoor Heritage Council on the easement monitoring and enforcement fund. Money appropriated under these sections for monitoring and enforcement of easements and earnings on the money appropriated shall revert to the state if: (1) the easement transfers to the state; (2) the holder of the easement fails to file an annual report and then fails to cure that default within 30 days of notification of the default by the state; or (3) the holder of the easement fails to comply with the terms of the monitoring and enforcement plan contained within the accomplishment plan and fails to cure that default within 90 days of notification of the default by the state.

B. BASIS OF PRESENTATION

The Land Trust's assets, liabilities, net assets and revenues are segregated into classes according to the uses of related resources. These classes of net assets are summarized as follows:

Unrestricted net assets – accounts for resources that the Board of Directors has discretion and intention to use in carrying on the Land Trust's activities.

Temporarily restricted net assets – accounts for resources restricted by the donors or grantors for specific activities or specific future periods.

Permanently restricted – accounts for endowment resources whose use by the Land Trust is limited by donor restrictions for investment in perpetuity.

C. CONTRIBUTIONS

Contributions, including unconditional promises to give, are recorded as received. Verbal promises to give are not recorded unless confirmed in writing. Contributions are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of donor restrictions, if any.

Conditional promises to give are recognized when the conditions on which they depend are substantially met. Unconditional promises to give that are expected to be collected within one year are recorded at their net realizable value. Unconditional promises to give that are expected to be collected in subsequent years are reported at the present value of estimated future cash flows, determined using approximate interest rates applicable to long-term government securities as of June 30 of the year in which the promises are received.

Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction is met in the same reporting period in which the support is received.

D. GOVERNMENT CONTRACTS

Revenue from government contracts is recognized when earned. Revenue is earned when eligible expenditures, as defined in each contract, are incurred. Expenditures under government contracts are subject to review by the granting authority.

E. CASH AND CASH EQUIVALENTS

For purposes of the statements of cash flows, the Land Trust considers cash on hand and on deposit in banks, money market mutual funds and investments purchased with maturity of three months or less to be cash equivalents, excluding money market mutual funds held for easement stewardship and enforcement and endowment purpose.

F. INVESTMENTS

Investments are presented at their fair values based on quoted values in published sources. As it is the Land Trust's policy to sell all donated securities upon receipt, donated securities are reported in the statements of activities at the gross proceeds resulting from sales, which approximates the fair value at the date of contribution. Realized and unrealized gains and losses from investments are reflected in the statements of activities.

G. RECEIVABLES

Receivables are stated at the amount management expects to collect from balances outstanding at year end. Accounts receivable are evaluated on a case-by-case basis to determine if they are delinquent. Based on management's assessment of the outstanding balances, it has concluded that losses on balances outstanding at year end, if any, will not be material. No allowance for uncollectible amounts is provided since all amounts were deemed collectible.

H. FURNITURE AND EQUIPMENT

Furniture and equipment is stated at cost or, if donated, at the estimated fair value at the date of the gift. The Land Trust uses a capitalization threshold of \$1,500. Depreciation is computed using the straight-line method over the estimated useful life of the furniture and equipment – three to seven years. Depreciation expense was \$9,317 and \$9,846 for the years ended June 30, 2012 and 2011, respectively.

I. REFUNDABLE ADVANCES

Cash received related to conditional contributions before the related conditions are met is reflected as refundable advances in the statements of financial position. The Land Trust allows the related donors the option of receiving refunds, or the opportunity to apply the contributions to other initiatives, if the conditions are not met. Refundable advances are recognized as contribution revenue when the donors no longer have the right to receive a refund. No refundable advances were recorded as of June 30, 2012 and 2011.

J. CONSERVATION EASEMENTS

Conservation easements accepted or purchased by the Land Trust are not recognized as assets or revenues in the accompanying financial statements because the Land Trust does not have fee title to the properties and there are no expected future economic benefits. If purchased, the costs of conservation easements are expensed when the easements are acquired.

K. DONATED SERVICES, MATERIAL, FACILITIES AND EQUIPMENT

The value of contributed services is recognized in the financial statements if the services received create or enhance nonfinancial assets or require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. The Land Trust receives donated services from a large number of volunteers assisting it in providing management and programmatic services, including approximately 1,859 and 1,844 hours of time contributed for easement monitoring and land protection work for the years ended June 30, 2012 and 2011, respectively. Since the value of the services did not meet the criteria for financial statement recognition, no amounts have been recognized in the accompanying statement of activities for these services for either 2012 or 2011.

Contributions of materials and equipment are recorded as support at their estimated fair value. Such donations are reported as unrestricted support unless the donor has restricted the use of the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as temporarily restricted support.

L. INCOME TAXES

The Land Trust is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. The Land Trust is a public charity and contributions to it qualify as a charitable tax deduction for the contributors.

A tax expense or benefit from an uncertain income tax position (including tax-exempt status) may be recognized only when it is more likely than not that the position will be sustained upon examination by taxing authorities. Management believes the Land Trust has no uncertain income tax positions that would result in an accrual, expense or benefit under the more likely than not standard.

M. ALLOCATION OF FUNCTIONAL EXPENSES

Costs of providing programs and supporting service activities have been summarized on a functional basis in the statements of functional expenses. Salaries and related costs are allocated between the program and supporting service categories based upon the estimated time expended by the employees in those categories. Other costs are allocated according to management's estimates or on a direct basis.

N. LAND

The Land Trust categorizes land that it owns in fee title in one of three categories:

- Land held for resale: Land without conservation value that has been given to the Land Trust to sell with proceeds going to support Land Trust conservation programs.
- Land held for resale-conservation: Land with conservation value that the Land Trust holds with the intent of selling or conveying the land to another conservation entity or with appropriate conservation restrictions.
- Land held for conservation: Land with conservation value, also known as nature preserves, which the Land Trust has no current plans to sell or transfer.

Donated land is recorded at estimated fair value at the time of donation using property tax assessments or appraisals and other information.

O. USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that effect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

MINNESOTA LAND TRUST
NOTES TO FINANCIAL STATEMENTS
June 30, 2012 and 2011

Note 2 INVESTMENTS

Investment detail at June 30 is as follows:

	2012				2011		
	Acquisition	Stewardship and Enforcement	Endowment	Total	Stewardship and Enforcement	Endowment	Total
Money market funds	\$ -	\$250,826	\$ -	\$250,826	\$24,624	\$ -	\$24,624
Fixed income mutual funds	153,722	1,047,631	-	1,201,353	1,022,034	-	1,022,034
Equity mutual funds	-	1,520,815	216,217	1,737,032	1,608,942	237,557	1,846,499
Total	<u>\$153,722</u>	<u>\$2,819,272</u>	<u>\$216,217</u>	<u>\$3,189,211</u>	<u>\$2,655,600</u>	<u>\$237,557</u>	<u>\$2,893,157</u>

Note 3 CONTRIBUTIONS, GRANTS AND OTHER RECEIVABLES

Contributions, grants and other receivables consisted of the following at June 30:

	2012	2011
Contributions receivable - stewardship and enforcement	\$33,207	\$224,657
Grants receivable	10,500	57,000
Other accounts receivable	138,395	145,244
Total	<u>\$182,102</u>	<u>\$426,901</u>

At June 30, 2012, stewardship and enforcement contributions receivable were scheduled to be received as follows: \$18,407 within one year and \$14,800 in one to five years. All other receivables at June 30, 2012 and 2011 were scheduled to be received within one year. A present value discount on long-term pledges was considered immaterial and not recorded.

Note 4 CONDITIONAL PROMISES TO GIVE

Upon acquisition of conservation easements, the Land Trust frequently asks the individual landowners to make voluntary contributions for the future stewardship and enforcement of the easements. When the pledge correspondence clearly indicates the pledge is conditional, it is not reflected as contribution revenue in the statement of activities until the related contribution is collected. Total conditional promises to give at June 30, 2012 and 2011 were \$72,090 and \$187,850, respectively.

MINNESOTA LAND TRUST
NOTES TO FINANCIAL STATEMENTS
June 30, 2012 and 2011

Note 5 FURNITURE AND EQUIPMENT

Furniture and equipment consisted of the following at June 30:

	<u>2012</u>	<u>2011</u>
Computer equipment	\$32,099	\$36,656
Office equipment	30,915	28,944
Furniture	-	26,176
Total	<u>63,014</u>	<u>91,776</u>
Less: accumulated depreciation	<u>(52,217)</u>	<u>(70,092)</u>
Net furniture and equipment	<u><u>\$10,797</u></u>	<u><u>\$21,684</u></u>

Note 6 NET ASSETS

A. BOARD DESIGNATED

Certain unrestricted net assets have been internally designated as follows at June 30:

	<u>2012</u>	<u>2011</u>
Fenton bequest	\$15,592	\$61,232
Crosby Estate	97,097	97,097
Acquisition	348,322	218,086
Stewardship and enforcement	<u>651,223</u>	<u>800,349</u>
Total	<u><u>\$1,112,234</u></u>	<u><u>\$1,176,764</u></u>

B. TEMPORARILY RESTRICTED

Temporarily restricted net assets were available for the following purposes at June 30:

	<u>2012</u>	<u>2011</u>
Operations	\$139,901	\$160,611
Land and easement acquisition	25,039	25,039
Easement stewardship	2,201,256	2,079,908
Endowment	<u>10</u>	<u>21,350</u>
Total temporarily restricted net assets	<u><u>\$2,366,206</u></u>	<u><u>\$2,286,908</u></u>

Note 7 ENDOWMENT FUND

A. GENERAL

The endowment fund is a donor-restricted permanent fund created to provide long-term general operating support of the Land Trust.

B. INTERPRETATION OF RELEVANT LAW AND ACCOUNTING PRESENTATION

The Board of Directors of the Land Trust has interpreted the State of Minnesota's enacted version of the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the Land Trust to consider the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds unless there are explicit donor stipulations to the contrary:

1. The duration and preservation of the fund.
2. The purposes of the Organization and the endowment fund.
3. General economic conditions.
4. The possible effect of inflation or deflation.
5. The expected total return from income and the appreciation of investments.
6. Other resources of the Organization.
7. The investment policy of the Organization.

For accounting purposes only, the Land Trust classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Land Trust.

MINNESOTA LAND TRUST
NOTES TO FINANCIAL STATEMENTS
June 30, 2012 and 2011

C. FINANCIAL INFORMATION

Endowment fund activity for 2011 and 2012 is as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Net assets - June 30, 2010	(\$31,629)	\$ -	\$216,207	\$184,578
Investment return:				
Interest and dividends	-	1,887	-	1,887
Change in fair value	31,629	19,463	-	51,092
Total investment return	<u>31,629</u>	<u>21,350</u>	<u>0</u>	<u>52,979</u>
Contributions	-	-	-	-
Appropriation for expenditure	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net assets - June 30, 2011	<u>0</u>	<u>21,350</u>	<u>216,207</u>	<u>237,557</u>
Investment return:				
Interest and dividends	-	4,585	-	4,585
Change in fair value	-	(16,025)	-	(16,025)
Total investment return	<u>0</u>	<u>(11,440)</u>	<u>0</u>	<u>(11,440)</u>
Contributions	-	-	-	-
Appropriation for expenditure	<u>-</u>	<u>(9,900)</u>	<u>-</u>	<u>(9,900)</u>
Net assets - June 30, 2012	<u>\$0</u>	<u>\$10</u>	<u>\$216,207</u>	<u>\$216,217</u>

D. INVESTMENT RETURN OBJECTIVES AND RISK PARAMETERS

The Land Trust has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Land Trust must hold in perpetuity or for a donor-specified period(s).

E. ENDOWMENT DISTRIBUTION POLICY

The Land Trust's policy is that distributions are determined based on the value of the Endowment Fund as of the end of the prior fiscal year. Distributions of up to 5% of the fund value may be made annually for support of operating expenses.

F. FUNDS WITH DEFICIENCIES

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Land Trust to retain as a fund of perpetual duration. In accordance with GAAP, deficiencies of this nature are reported in unrestricted net assets. For fiscal years ending June 30, 2012 and June 30, 2011 there were no funds with deficiencies.

Note 8 STEWARDSHIP AND ENFORCEMENT FUND

A. GENERAL

The stewardship and enforcement fund operates as a quasi-endowment and consists of unrestricted, board-designated funds and donor funds that are temporarily restricted for purpose.

The stewardship and enforcement fund has been created to meet two needs; to provide a long-term, ongoing source of income to cover the annual costs associated with monitoring and managing the portfolio of conservation easements and protected areas, and to be available to cover extraordinary expenses associated with managing, upholding or defending an easement should its terms or validity be at risk.

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June 30, 2012 and 2011

B. FINANCIAL INFORMATION

Stewardship and enforcement fund activity for the year ended June 30, 2012 is as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Net assets - June 30, 2010	\$581,929	\$1,746,327	\$2,328,256
Investment return:			
Interest and dividends	39,570	-	39,570
Change in fair value	308,450	-	308,450
Total investment return	<u>348,020</u>	<u>0</u>	<u>348,020</u>
Contributions/grants	-	333,581	333,581
Unrestricted funds added to the fund	-	-	-
Appropriation for expenditure	<u>(129,600)</u>	<u>-</u>	<u>(129,600)</u>
Net assets - June 30, 2011	<u>800,349</u>	<u>2,079,908</u>	<u>2,880,257</u>
Investment return:			
Interest and dividends	60,718	-	60,718
Change in fair value	(118,792)	-	(118,792)
Total investment return	<u>(58,074)</u>	<u>0</u>	<u>(58,074)</u>
Contributions/grants	-	121,348	121,348
Unrestricted funds added to the fund	40,000	-	40,000
Appropriation for expenditure	<u>(131,052)</u>	<u>-</u>	<u>(131,052)</u>
Net assets - June 30, 2012	<u>\$651,223</u>	<u>\$2,201,256</u>	<u>\$2,852,479</u>

C. INVESTMENT AND DISTRIBUTION POLICY

The Land Trust has adopted investment and spending policies for the stewardship and enforcement fund assets that attempt to provide a predictable stream of funding to programs supported by the fund while seeking to maintain the purchasing power of the fund assets.

The Land Trust's policy is that up to 5% of the value of the stewardship and enforcement fund at the end of the prior fiscal year can be spent annually to meet ongoing conservation easement stewardship needs and obligations. With the approval of the Board of Directors, funds can be used to meet extraordinary expenses associated with managing, upholding or defending an easement or other interest in land held by the Land Trust.

For accounting purposes, the Land Trust's policy for amounts appropriated for expenditure is to first use unrestricted amounts until depleted and then temporarily restricted donor funds. Investment income and losses are fully allocated to unrestricted.

MINNESOTA LAND TRUST
NOTES TO FINANCIAL STATEMENTS
June 30, 2012 and 2011

Note 9 LEASE AGREEMENTS

The Land Trust leases office space in several locations under lease agreements expiring at various dates through June 2017.

The following is a schedule of future minimum payments for noncancellable operating leases as of June 30, 2012:

<u>Years Ending June 30,</u>	<u>Amount</u>
2013	\$60,036
2014	60,136
2015	61,338
2016	62,565
2017	<u>58,410</u>
Total	<u><u>\$302,485</u></u>

Rent expenses, including operating expenses, for the years ended June 30, 2012 and 2011, for all operating leases, was \$78,978 and \$79,925, respectively.

Note 10 RETIREMENT PLAN

Employees of the Land Trust meeting certain eligibility requirements are eligible to participate in a contributory 401(k) retirement plan whereby the Land Trust contributes up 2% of the participants' compensation on a matching basis. Contributions to the Plan were \$8,193 and \$7,462 during the years ended June 30, 2012 and 2011.

Note 11 CONCENTRATIONS

CONCENTRATION OF SUPPORT

The Land Trust receives a substantial portion of its support from government funding including the Environmental and Natural Resources Trust Fund and Outdoor Heritage Fund of the State of Minnesota through contracts with the Department of Natural Resources. Government funding accounts for 56% and 57% of total revenue for the years ended June 30, 2012 and 2011, respectively.

CONCENTRATION OF CREDIT RISK

The Land Trust periodically has cash deposits with bank balances in excess of FDIC insurance. As of June 30, 2012, all bank balances were covered by FDIC insurance.

MINNESOTA LAND TRUST
NOTES TO FINANCIAL STATEMENTS
June 30, 2012 and 2011

Note 12 FAIR VALUE MEASUREMENTS

Under GAAP, fair value is defined as the price that would be received to sell an asset or paid to transfer a liability (i.e., the “exit price”) in an orderly transaction between market participants at the measurement date. GAAP establishes a fair value hierarchy categorized into three levels based on the inputs used. Generally, the three levels are as follows:

- Level 1 – Quoted prices in active markets for identical assets.
- Level 2 – Significant other observable inputs.
- Level 3 – Significant unobservable inputs.

Assets and liabilities that are measured at fair value on a recurring basis are as follows at June 30:

	Level 1	
	2012	2011
Money market mutual funds included with cash equivalents	\$195,439	\$23,106
Investments:		
Money market mutual funds	250,826	-
Fixed income mutual funds	1,201,355	1,023,552
Equity mutual funds	1,737,030	1,846,499
Total	<u>\$3,384,650</u>	<u>\$2,893,157</u>

Note 13 SUBSEQUENT EVENTS

Management has evaluated subsequent events through September 26, 2012, the date that this report was available to be issued.

SUPPLEMENTAL INFORMATION

	2012				
	Operating	Acquisition	Stewardship and Enforcement	Endowment	Total
Assets:					
Cash and cash equivalents	\$231,740	\$195,439	\$ -	\$ -	\$427,179
Contributions, grants and other receivables	148,695	200	33,207	-	182,102
Deposits and other	11,834	-	-	-	11,834
Furniture and equipment, net	10,797	-	-	-	10,797
Investments	-	153,722	2,819,272	216,217	3,189,211
Land held for resale - conservation	-	15,000	-	-	15,000
Land held for conservation	-	9,000	-	-	9,000
Total assets	\$403,066	\$373,361	\$2,852,479	\$216,217	\$3,845,123
Liabilities and net assets:					
Liabilities:					
Accounts payable	\$14,311	\$ -	\$ -	\$ -	\$14,311
Accrued expenses	39,721	-	-	-	39,721
Total liabilities	54,032	0	0	0	54,032
Net assets:					
Unrestricted	96,444	-	-	-	96,444
Unrestricted - board designated	112,689	348,322	651,223	-	1,112,234
Temporarily restricted	139,901	25,039	2,201,256	10	2,366,206
Permanently restricted	-	-	-	216,207	216,207
Total net assets	349,034	373,361	2,852,479	216,217	3,791,091
Total liabilities and net assets	\$403,066	\$373,361	\$2,852,479	\$216,217	\$3,845,123

	2011				Total
	Operating	Acquisition	Stewardship and Enforcement	Endowment	
Assets:					
Cash and cash equivalents	\$549,347	\$ -	\$ -	\$ -	\$549,347
Contributions, grants and other receivables	202,244	-	224,657	-	426,901
Deposits and other	6,943	-	-	-	6,943
Furniture and equipment, net	(234,125)	234,125	-	-	-
Investments	21,684	-	-	-	21,684
Land held for resale	-	-	2,655,600	237,557	2,893,157
Land held for resale - conservation	-	-	-	-	-
Land held for conservation	-	9,000	-	-	9,000
Total assets	\$546,093	\$243,125	\$2,880,257	\$237,557	\$3,907,032
Liabilities and net assets:					
Liabilities:					
Accounts payable	\$4,915	\$ -	\$ -	\$ -	\$4,915
Accrued expenses	52,182	-	-	-	52,182
Total liabilities	57,097	0	0	0	57,097
Net assets:					
Unrestricted	170,056	-	-	-	170,056
Unrestricted - board designated	158,329	218,086	800,349	-	1,176,764
Temporarily restricted	160,611	25,039	2,079,908	21,350	2,286,908
Permanently restricted	-	-	-	216,207	216,207
Total net assets	488,996	243,125	2,880,257	237,557	3,849,935
Total liabilities and net assets	\$546,093	\$243,125	\$2,880,257	\$237,557	\$3,907,032

	2012				
	Operating	Acquisition	Stewardship and Enforcement	Endowment	Total
Support and revenue:					
Contributions and grants	\$417,534	\$15,000	\$17,348	\$ -	\$449,882
Government grant and contract revenue:					
ENRTF	73,717	99,000	22,500	-	195,217
OHF	145,429	94,700	74,000	-	314,129
All other	440,542	-	7,500	-	448,042
Special events:					
Contribution	50,190	-	-	-	50,190
Other	2,180	-	-	-	2,180
Less: direct expenses	(9,215)	-	-	-	(9,215)
Fees for service	5,250	50,000	40,000	-	95,250
Property condemnation proceeds	-	167,708	-	-	167,708
Other revenue	15,250	-	-	-	15,250
Interest and dividends	66	5,684	60,718	4,585	71,053
Change in fair value of investments	-	(1,553)	(118,792)	(16,025)	(136,370)
Insurance proceeds, net	31,352	-	-	-	31,352
Interfund transfers in (out), net	204,797	(63,845)	(131,052)	(9,900)	-
Total support and revenue	<u>1,377,092</u>	<u>366,694</u>	<u>(27,778)</u>	<u>(21,340)</u>	<u>1,694,668</u>
Expenses:					
Program services	1,236,326	236,458	-	-	1,472,784
Management and general	98,667	-	-	-	98,667
Fund development	182,061	-	-	-	182,061
Total expenses	<u>1,517,054</u>	<u>236,458</u>	<u>0</u>	<u>0</u>	<u>1,753,512</u>
Change in net assets	(139,962)	130,236	(27,778)	(21,340)	(58,844)
Net assets - beginning of period	488,996	243,125	2,880,257	237,557	3,849,935
Net assets - end of period	<u>\$349,034</u>	<u>\$373,361</u>	<u>\$2,852,479</u>	<u>\$216,217</u>	<u>\$3,791,091</u>

	2011				
	Operating	Acquisition	Stewardship and Enforcement	Endowment	Total
Support and revenue:					
Contributions and grants	\$734,729	\$62,500	\$52,581	\$ -	\$849,810
Government grant and contract revenue:					
ENRTF	161,927	460,300	152,000	-	774,227
OHF	122,780	588,900	57,000	-	768,680
All other	109,454	27,500	72,000	-	208,954
Fees for service	24,750	-	-	-	24,750
Other revenue	11,778	-	-	-	11,778
Interest and dividends	169	8,153	39,570	1,887	49,779
Change in fair value of investments	-	1,431	308,450	51,092	360,973
Interfund transfers in (out), net	202,140	(72,540)	(129,600)	-	-
Total support and revenue	<u>1,367,727</u>	<u>1,076,244</u>	<u>552,001</u>	<u>52,979</u>	<u>3,048,951</u>
Expenses:					
Program services	924,069	1,183,603	-	-	2,107,672
Management and general	130,423	-	-	-	130,423
Fund development	165,681	-	-	-	165,681
Total expenses	<u>1,220,173</u>	<u>1,183,603</u>	<u>0</u>	<u>0</u>	<u>2,403,776</u>
Revenue over (under) expenses	147,554	(107,359)	552,001	52,979	645,175
Loss on sale of land	36,594	-	-	-	36,594
Change in net assets	110,960	(107,359)	552,001	52,979	608,581
Net assets - beginning of period	378,036	350,484	2,328,256	184,578	3,241,354
Net assets - end of period	<u>\$488,996</u>	<u>\$243,125</u>	<u>\$2,880,257</u>	<u>\$237,557</u>	<u>\$3,849,935</u>

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