

MINNESOTA LAND TRUST

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

For The Years Ended
June 30, 2015 and 2014

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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 financial statements of Minnesota Land Trust (a not-for-profit corporation), which comprise the statements of financial position as of June 30, 2015 and 2014, and the related statements of activities, 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

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Minnesota Land Trust as of June 30, 2015 and 2014, 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.

Other Matters

Our audits were 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 audits 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 additional 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.

Redpath and Company, Ltd.

REDPATH AND COMPANY, LTD.
St. Paul, Minnesota

October 14, 2015

FINANCIAL STATEMENTS

MINNESOTA LAND TRUST
STATEMENTS OF FINANCIAL POSITION
June 30, 2015 and 2014

Statement 1

	<u>2015</u>	<u>2014</u>
Assets:		
Cash and cash equivalents	\$630,283	\$422,223
Contributions, grants and other receivables	481,631	465,405
Deposits and other	19,167	11,434
Furniture and equipment, net	1,921	1,867
Investments	3,745,055	3,820,064
Land held for resale - conservation	112,910	-
Land held for conservation	57,119	9,000
	<u>5,048,086</u>	<u>4,729,993</u>
Total assets		
	<u><u>\$5,048,086</u></u>	<u><u>\$4,729,993</u></u>
Liabilities and net assets:		
Liabilities:		
Accounts payable	\$33,383	\$55,859
Accrued expenses	58,682	33,048
Total liabilities	<u>92,065</u>	<u>88,907</u>
Net assets:		
Unrestricted	17,428	59,233
Unrestricted - board designated	1,075,035	1,140,753
Temporarily restricted	3,647,351	3,224,893
Permanently restricted	216,207	216,207
Total net assets	<u>4,956,021</u>	<u>4,641,086</u>
	<u><u>\$5,048,086</u></u>	<u><u>\$4,729,993</u></u>
Total liabilities and net assets		

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

MINNESOTA LAND TRUST
 STATEMENTS OF ACTIVITIES
 For The Years Ended June 30, 2015 and 2014

	2015			2014				
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Support and revenue:								
Contributions and grants	\$603,158	\$451,120	\$ -	\$1,054,278	\$369,023	\$125,711	\$ -	\$494,734
Government grant and contract revenue:								
ENRTF	94,313	15,000	-	109,313	431,344	90,000	-	521,344
OHF	1,752,071	165,000	-	1,917,071	689,185	194,000	-	883,185
All other	292,603	7,500	-	300,103	239,514	79,000	-	318,514
Special events:								
Contribution	70,038	-	-	70,038	72,663	-	-	72,663
Other	28,515	-	-	28,515	23,775	-	-	23,775
Less: direct expenses	(10,156)	-	-	(10,156)	(10,437)	-	-	(10,437)
Fees for service	5,280	-	-	5,280	28,900	-	-	28,900
Property condemnation proceeds	145,000	-	-	145,000	-	-	-	-
Violation proceeds	65,000	-	-	65,000	-	-	-	-
Other revenue	2,958	-	-	2,958	1,959	-	-	1,959
Interest and dividends	141,688	14,999	-	156,687	133,840	14,653	-	148,493
Change in fair value of investments	(88,231)	(9,303)	-	(97,534)	308,929	44,457	-	353,386
Net assets released from restrictions:								
Satisfaction of program restrictions	221,858	(221,858)	-	-	126,786	(126,786)	-	-
Total support and revenue	3,324,095	422,458	0	3,746,553	2,415,481	421,035	0	2,836,516
Expenses:								
Program services	3,035,288	-	-	3,035,288	2,021,999	-	-	2,021,999
Management and general	171,438	-	-	171,438	120,187	-	-	120,187
Fund development	224,892	-	-	224,892	195,883	-	-	195,883
Total expenses	3,431,618	0	0	3,431,618	2,338,069	0	0	2,338,069
Change in net assets	(107,523)	422,458	0	314,935	77,412	421,035	0	498,447
Net assets - beginning of period	1,199,986	3,224,893	216,207	4,641,086	1,122,574	2,803,858	216,207	4,142,639
Net assets - end of period	\$1,092,463	\$3,647,351	\$216,207	\$4,956,021	\$1,199,986	\$3,224,893	\$216,207	\$4,641,086

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

	2015				Total
	Program Services	Management and General	Fund Development	Supporting Services	
Expenses:					
Salaries	\$667,120	\$92,447	\$147,356	\$239,803	\$906,923
Payroll taxes and benefits	123,966	15,517	23,879	39,396	163,362
Other staff expenses	3,739	544	833	1,377	5,116
Total personnel costs	794,825	108,508	172,068	280,576	1,075,401
Travel	56,813	1,726	5,609	7,335	64,148
Memberships, dues, licenses	4,773	296	1,207	1,503	6,276
Meeting expense	3,500	4,817	2,261	7,078	10,578
Board expense	-	880	-	880	880
Rent and building maintenance	65,192	6,141	13,049	19,190	84,382
Office expense	53,655	3,780	8,172	11,952	65,607
Depreciation	1,384	148	314	462	1,846
Postage and delivery	11,058	972	12,643	13,615	24,673
Printing and photocopying	17,232	1,812	4,505	6,317	23,549
Insurance	-	7,758	-	7,758	7,758
Project expenses	490,700	-	-	-	490,700
Project expenses - conservation easement and land acquisition	1,486,025	-	-	-	1,486,025
Contracted services	11,989	1,779	2,718	4,497	16,486
Audit and accounting	-	16,050	-	16,050	16,050
External grants	35,314	2,000	-	2,000	37,314
Miscellaneous expense	2,828	14,771	2,346	17,117	19,945
Total expenses	\$3,035,288	\$171,438	\$224,892	\$396,330	\$3,431,618
Percentage	88%	5%	7%	12%	100%

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

	2014				Total
	Program Services	Management and General	Fund Development	Supporting Services	
Expenses:					
Salaries	\$577,139	\$52,271	\$127,843	\$180,114	\$757,253
Payroll taxes and benefits	107,177	13,537	23,365	36,902	144,079
Other staff expenses	1,613	1,373	212	1,585	3,198
Total personnel costs	685,929	67,181	151,420	218,601	904,530
Travel	48,099	1,092	3,176	4,268	52,367
Memberships, dues, licenses	10,541	1,022	3,107	4,129	14,670
Meeting expense	2,457	1,581	1,245	2,826	5,283
Board expense	-	1,595	-	1,595	1,595
Rent and building maintenance	60,987	5,742	12,201	17,943	78,930
Office expense	33,163	2,533	5,387	7,920	41,083
Depreciation	2,799	299	635	934	3,733
Postage and delivery	8,810	775	12,761	13,536	22,346
Printing and photocopying	16,947	1,804	3,943	5,747	22,694
Insurance	-	7,259	-	7,259	7,259
Project expenses	336,804	-	-	-	336,804
Project expenses - conservation easement and land acquisition	776,680	-	-	-	776,680
Contracted services	17,909	710	1,509	2,219	20,128
Audit and accounting	-	13,315	-	13,315	13,315
External grants	18,250	-	-	-	18,250
Miscellaneous expense	2,624	15,279	499	15,778	18,402
Total expenses	\$2,021,999	\$120,187	\$195,883	\$316,070	\$2,338,069
Percentage	86%	5%	9%	14%	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, 2015 and 2014

Statement 4

	<u>2015</u>	<u>2014</u>
Cash flows from operating activities:		
Change in net assets	\$314,935	\$498,447
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	1,846	3,733
Realized and unrealized (gain) loss on investments	97,534	(353,386)
(Increase) decrease in assets:		
Contributions, grants and other receivables	(16,226)	(194,103)
Land held for resale - conservation	(112,910)	-
Land held for conservation	(48,119)	-
Deposits and other	(7,733)	392
Increase (decrease) in liabilities:		
Accounts payable	(22,476)	18,281
Accrued expenses	25,634	(9,424)
Net cash provided (used) by operating activities	<u>232,485</u>	<u>(36,060)</u>
Cash flows from investing activities:		
Purchase of equipment	(1,900)	-
Purchase of investments, including re-invested income	(542,137)	(350,941)
Proceeds from sale of investments	519,612	332,169
Net cash provided (used) by investing activities	<u>(24,425)</u>	<u>(18,772)</u>
Net increase (decrease) in cash and cash equivalents	208,060	(54,832)
Cash and cash equivalents - beginning of year	<u>422,223</u>	<u>477,055</u>
Cash and cash equivalents - end of year	<u>\$630,283</u>	<u>\$422,223</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, 2015, the Land Trust has completed 491 land protection projects, permanently protecting 46,538 acres and 1,039,891 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, and subsequent appropriations funded by the Environment and Natural Resources Trust Fund (ENRTF) and the Outdoor Heritage Fund (OHF) contain language governing conservation easement stewardship and reporting requirements. 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.

MINNESOTA LAND TRUST
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June 30, 2015 and 2014

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.

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 \$1,846 and \$3,733 for the years ended June 30, 2015 and 2014, 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, 2015 and 2014.

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 1,972 and 2,214 hours of time contributed for easement monitoring and land protection work for the years ended June 30, 2015 and 2014, 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 2015 or 2014.

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

MINNESOTA LAND TRUST
NOTES TO FINANCIAL STATEMENTS
June 30, 2015 and 2014

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 has received notification that it qualifies as a tax-exempt organization under Section 501(c)(3) of the U.S. Internal Revenue Code and corresponding provisions of State law and, accordingly, is not subject to federal or state income taxes. However, any unrelated business income may be subject to taxation. The Land Trust has not had any material unrelated business income. The Land Trust's 2012 through 2014 tax years are open to examination by regulatory authorities.

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, 2015 and 2014

P. RECLASSIFICATION

Certain prior year amounts have been reclassified to conform with the current year presentation. The change was to classify as cash equivalents all money market funds held with brokers.

Note 2 INVESTMENTS

Investment detail at June 30 is as follows:

	2015				2014			
	Acquisition	Stewardship and Enforcement	Endowment	Total	Acquisition	Stewardship and Enforcement	Endowment	Total
Corporate bonds	\$ -	\$150,000	\$ -	\$150,000	\$ -	\$94,000	\$ -	\$94,000
Fixed income mutual funds	80,491	1,105,583	-	1,186,074	196,725	1,106,845	-	1,303,570
Equity mutual funds	-	2,108,793	300,188	2,408,981	-	2,113,005	309,489	2,422,494
Total	\$80,491	\$3,364,376	\$300,188	\$3,745,055	\$196,725	\$3,313,850	\$309,489	\$3,820,064

Note 3 CONTRIBUTIONS, GRANTS AND OTHER RECEIVABLES

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

	2015	2014
Contributions receivable - stewardship and enforcement	\$2,600	\$12,850
Grants receivable	215,000	242,250
Other receivables	264,031	210,305
Total	\$481,631	\$465,405

At June 30, 2015, stewardship and enforcement contributions receivable were scheduled to be received as follows: \$850 within one year and \$1,750 in two to seven years. All other receivables at June 30, 2015 and 2014 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 that are likely to be collectible at June 30, 2015 and 2014 were \$13,440 and \$11,480, respectively.

MINNESOTA LAND TRUST
NOTES TO FINANCIAL STATEMENTS
June 30, 2015 and 2014

Note 5 FURNITURE AND EQUIPMENT

Furniture and equipment consisted of the following at June 30:

	<u>2015</u>	<u>2014</u>
Computer equipment	\$33,999	\$32,099
Office equipment	30,915	30,915
Total	<u>64,914</u>	<u>63,014</u>
Less: accumulated depreciation	<u>(62,993)</u>	<u>(61,147)</u>
Net furniture and equipment	<u>\$1,921</u>	<u>\$1,867</u>

Note 6 NET ASSETS

A. BOARD DESIGNATED

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

	<u>2015</u>	<u>2014</u>
Crosby Estate	\$ -	\$4,997
Acquisition	250,444	44,650
Stewardship and enforcement	<u>824,591</u>	<u>1,091,106</u>
Total	<u>\$1,075,035</u>	<u>\$1,140,753</u>

B. TEMPORARILY RESTRICTED

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

	<u>2015</u>	<u>2014</u>
Operations	\$575,165	\$351,353
Land and easement acquisition	45,039	45,039
Easement stewardship	2,958,169	2,750,219
Endowment	<u>68,978</u>	<u>78,282</u>
Total temporarily restricted net assets	<u>\$3,647,351</u>	<u>\$3,224,893</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, 2015 and 2014

C. FINANCIAL INFORMATION

Endowment fund activity for 2014 and 2015 is as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Net assets - June 30, 2013	\$ -	\$34,172	\$216,207	\$250,379
Investment return:				
Interest and dividends	-	14,653	-	14,653
Change in fair value	-	44,457	-	44,457
Total investment return	<u>0</u>	<u>59,110</u>	<u>0</u>	<u>59,110</u>
Contributions	-	-	-	-
Appropriation for expenditure	<u>-</u>	<u>(15,000)</u>	<u>-</u>	<u>(15,000)</u>
Net assets - June 30, 2014	<u>-</u>	<u>78,282</u>	<u>216,207</u>	<u>294,489</u>
Investment return:				
Interest and dividends	-	14,999	-	14,999
Change in fair value	-	(9,303)	-	(9,303)
Total investment return	<u>0</u>	<u>5,696</u>	<u>0</u>	<u>5,696</u>
Contributions	-	-	-	-
Appropriation for expenditure	<u>-</u>	<u>(15,000)</u>	<u>-</u>	<u>(15,000)</u>
Net assets - June 30, 2015	<u>\$0</u>	<u>\$68,978</u>	<u>\$216,207</u>	<u>\$285,185</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, 2015 and June 30, 2014 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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B. FINANCIAL INFORMATION

Stewardship and enforcement fund activity for the year ended June 30, 2015 is as follows:

	Unrestricted	Temporarily Restricted	Total
Net assets - June 30, 2013	\$829,988	\$2,344,813	\$3,174,801
Investment return:			
Interest and dividends	129,325	-	129,325
Change in fair value	307,427	-	307,427
Total investment return	436,752	0	436,752
Contributions/grants	-	405,406	405,406
Unrestricted funds added to the fund	15,000	-	15,000
Appropriation for expenditure	(190,634)	-	(190,634)
Net assets - June 30, 2014	1,091,106	2,750,219	3,841,325
Investment return:			
Interest and dividends	140,243	-	140,243
Change in fair value	(86,639)	-	(86,639)
Total investment return	53,604	0	53,604
Contributions/grants	-	207,950	207,950
Unrestricted funds added to the fund	115,000	-	115,000
Appropriation for expenditure	(435,119)	-	(435,119)
Net assets - June 30, 2015	\$824,591	\$2,958,169	\$3,782,760

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.

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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.

Note 9 LEASE AGREEMENTS

The Land Trust leases office space in St. Paul, Minnesota under lease agreements expiring January 31, 2020. In addition, MLT leases office space in Duluth, Minnesota on a month to month basis.

The following is a schedule of future minimum payments for noncancellable operating leases as of June 30, 2015:

<u>Years Ending June 30,</u>	<u>Amount</u>
2016	\$68,946
2017	70,329
2018	71,738
2019	73,169
2020	<u>30,840</u>
Total	<u><u>\$315,022</u></u>

Rent expenses, including operating expenses, for the years ended June 30, 2015 and 2014, for all operating leases, was \$84,382 and \$78,930, 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 to 2% of the participants' compensation on a matching basis. Contributions to the Plan were \$9,479 and \$7,690 during the years ended June 30, 2015 and 2014.

Note 11 CONCENTRATIONS

CONCENTRATION OF CREDIT RISK

The Land Trust periodically has cash deposits with bank balances in excess of FDIC insurance. As of June 30, 2015, all bank balances were covered by FDIC insurance.

MINNESOTA LAND TRUST
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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:

	2015			2014		
	Level 1	Level 2	Total	Level 1	Level 2	Total
Investments:						
Corporate bonds	\$ -	\$150,000	\$150,000	\$ -	\$94,000	\$94,000
Fixed income mutual funds	1,186,074	-	1,186,074	1,303,570	-	1,303,570
Equity mutual funds	2,408,981	-	2,408,981	2,422,494	-	2,422,494
Total	<u>\$3,595,055</u>	<u>\$150,000</u>	<u>\$3,745,055</u>	<u>\$3,726,064</u>	<u>\$94,000</u>	<u>\$3,820,064</u>

Money market funds and mutual funds are valued using quoted prices in active markets. Corporate bonds are valued using inputs which may include market data and/or quoted market prices from markets that are not active or are for the same or similar assets in active markets.

Note 13 LINE OF CREDIT

The Land Trust has a \$150,000 line of credit agreement with a commercial bank. Interest on the line of credit is variable, with an initial rate of 3.25%, and expires on February 11, 2016. It is secured by all assets of the Land Trust. At June 30, 2015 and 2014, there was no amount drawn on the line of credit.

Note 14 SUBSEQUENT EVENTS

Management has evaluated subsequent events through October 14, 2015, the date that this report was available to be issued.

SUPPLEMENTAL INFORMATION

	2015				
	Operating	Acquisition	Stewardship and Enforcement	Endowment	Total
Assets:					
Cash and cash equivalents	\$131,611	\$44,963	\$453,711	(\$2)	\$630,283
Interfund transfers in transit	112,928	-	(97,928)	(15,000)	-
Contributions, grants and other receivables	419,031	-	62,600	-	481,631
Deposits and other	19,167	-	-	-	19,167
Furniture and equipment, net	1,921	-	-	-	1,921
Investments	-	80,491	3,364,377	300,187	3,745,055
Land held for resale - conservation	-	112,910	-	-	112,910
Land held for conservation	-	57,119	-	-	57,119
Total assets	\$684,658	\$295,483	\$3,782,760	\$285,185	\$5,048,086
Liabilities and net assets:					
Liabilities:					
Accounts payable	\$33,383	\$	\$	\$	\$33,383
Accrued expenses	58,682	-	-	-	58,682
Total liabilities	92,065	0	0	0	92,065
Net assets:					
Unrestricted	17,428	-	-	-	17,428
Unrestricted - board designated	-	250,444	824,591	-	1,075,035
Temporarily restricted	575,165	45,039	2,958,169	68,978	3,647,351
Permanently restricted	-	-	-	216,207	216,207
Total net assets	592,593	295,483	3,782,760	285,185	4,956,021
Total liabilities and net assets	\$684,658	\$295,483	\$3,782,760	\$285,185	\$5,048,086

	2014				
	Operating	Acquisition	Stewardship and Enforcement	Endowment	Total
Assets:					
Cash and cash equivalents	\$90,784	\$15,680	\$315,759	\$ -	\$422,223
Interfund transfers in transit	169,950	(131,816)	(23,134)	(15,000)	-
Contributions, grants and other receivables	230,455	100	234,850	-	465,405
Deposits and other	11,434	-	-	-	11,434
Furniture and equipment, net	1,867	-	-	-	1,867
Investments	-	196,725	3,313,850	309,489	3,820,064
Land held for conservation	-	9,000	-	-	9,000
	<u>\$504,490</u>	<u>\$89,689</u>	<u>\$3,841,325</u>	<u>\$294,489</u>	<u>\$4,729,993</u>
Liabilities and net assets:					
Liabilities:					
Accounts payable	\$55,859	\$ -	\$ -	\$ -	\$55,859
Accrued expenses	33,048	-	-	-	33,048
	<u>88,907</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>88,907</u>
Net assets:					
Unrestricted	59,233	-	-	-	59,233
Unrestricted - board designated	4,997	44,650	1,091,106	-	1,140,753
Temporarily restricted	351,353	45,039	2,750,219	78,282	3,224,893
Permanently restricted	-	-	-	216,207	216,207
Total net assets	<u>415,583</u>	<u>89,689</u>	<u>3,841,325</u>	<u>294,489</u>	<u>4,641,086</u>
Total liabilities and net assets	<u>\$504,490</u>	<u>\$89,689</u>	<u>\$3,841,325</u>	<u>\$294,489</u>	<u>\$4,729,993</u>

	2015				
	Operating	Acquisition	Stewardship and Enforcement	Endowment	Total
Support and revenue:					
Contributions and grants	\$920,918	\$112,910	\$20,450	\$ -	\$1,054,278
Government grant and contract revenue:					
ENRTF	42,313	52,000	15,000	-	109,313
OHF	318,046	1,434,025	165,000	-	1,917,071
All other	292,603	-	7,500	-	300,103
Special events:					
Contribution	70,038	-	-	-	70,038
Other	28,515	-	-	-	28,515
Less: direct expenses	(10,156)	-	-	-	(10,156)
Fees for service	5,280	-	-	-	5,280
Property condemnation proceeds	50,000	45,000	50,000	-	145,000
Violation proceeds	-	-	65,000	-	65,000
Other revenue	2,958	-	-	-	2,958
Interest and dividends	-	1,445	140,243	14,999	156,687
Change in fair value of investments	86	(1,680)	(86,637)	(9,303)	(97,534)
Interfund transfers in (out), net	402,002	48,119	(435,121)	(15,000)	-
Total support and revenue	<u>2,122,603</u>	<u>1,691,819</u>	<u>(58,565)</u>	<u>(9,304)</u>	<u>3,746,553</u>
Expenses:					
Program services	1,549,263	1,486,025	-	-	3,035,288
Management and general	171,438	-	-	-	171,438
Fund development	224,892	-	-	-	224,892
Total expenses	<u>1,945,593</u>	<u>1,486,025</u>	<u>0</u>	<u>0</u>	<u>3,431,618</u>
Change in net assets	177,010	205,794	(58,565)	(9,304)	314,935
Net assets - beginning of period	415,583	89,689	3,841,325	294,489	4,641,086
Net assets - end of period	<u>\$592,593</u>	<u>\$295,483</u>	<u>\$3,782,760</u>	<u>\$285,185</u>	<u>\$4,956,021</u>

	2014				
	Operating	Acquisition	Stewardship and Enforcement	Endowment	Total
Support and revenue:					
Contributions and grants	\$452,328	\$ -	\$42,406	\$ -	\$494,734
Government grant and contract revenue:					
ENRTF	104,364	326,980	90,000	-	521,344
OHF	270,685	418,500	194,000	-	883,185
All other	239,514	-	79,000	-	318,514
Special events:					
Contribution	72,663	-	-	-	72,663
Other	23,775	-	-	-	23,775
Less: direct expenses	(10,437)	-	-	-	(10,437)
Fees for service	13,900	-	15,000	-	28,900
Property condemnation proceeds	-	-	-	-	-
Other revenue	1,959	-	-	-	1,959
Interest and dividends	7	4,508	129,325	14,653	148,493
Change in fair value of investments	-	1,502	307,427	44,457	353,386
Interfund transfers in (out), net	323,450	(117,816)	(190,634)	(15,000)	-
Total support and revenue	1,492,208	633,674	666,524	44,110	2,836,516
Expenses:					
Program services	1,245,319	776,680	-	-	2,021,999
Management and general	120,187	-	-	-	120,187
Fund development	195,883	-	-	-	195,883
Total expenses	1,561,389	776,680	0	0	2,338,069
Revenue over (under) expenditures	(69,181)	(143,006)	666,524	44,110	498,447
Gain on sale of land	-	-	-	-	-
Change in net assets	(69,181)	(143,006)	666,524	44,110	498,447
Net assets - beginning of period	484,764	232,695	3,174,801	250,379	4,142,639
Net assets - end of period	\$415,583	\$89,689	\$3,841,325	\$294,489	\$4,641,086

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