

**MINNESOTA LAND TRUST**

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

For The Years Ended  
June 30, 2016 and 2015

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**MINNESOTA LAND TRUST**  
**TABLE OF CONTENTS**

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		<u>Page Number</u>
Independent Auditor's Report		1
<b>FINANCIAL STATEMENTS</b>		
Statements of Financial Position	Statement 1	4
Statements of Activities	Statement 2	5
Statements of Functional Expenses	Statement 3	6
Statements of Cash Flows	Statement 4	8
Notes to Financial Statements		9
<b>SUPPLEMENTAL INFORMATION</b>		
Schedule of Financial Position by Fund	Schedule 1	22
Schedule of Activities by Fund	Schedule 2	24

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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, 2016 and 2015, 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, 2016 and 2015, 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, P.A.*

REDPATH AND COMPANY, LTD.

St. Paul, Minnesota

October 13, 2016

## **FINANCIAL STATEMENTS**

**MINNESOTA LAND TRUST**  
**STATEMENTS OF FINANCIAL POSITION**  
June 30, 2016 and 2015

**Statement 1**

	<u>2016</u>	<u>2015</u>
Assets:		
Cash and cash equivalents	\$324,295	\$630,283
Contributions, grants and other receivables	681,068	481,631
Deposits and other	19,664	19,167
Furniture and equipment, net	5,149	1,921
Investments	3,700,150	3,745,055
Land held for resale - conservation	128,540	112,910
Land held for conservation	<u>182,119</u>	<u>57,119</u>
 Total assets	 <u><u>\$5,040,985</u></u>	 <u><u>\$5,048,086</u></u>
Liabilities and net assets:		
Liabilities:		
Accounts payable	\$45,603	\$33,383
Accrued expenses	<u>74,287</u>	<u>58,682</u>
Total liabilities	<u>119,890</u>	<u>92,065</u>
Net assets:		
Unrestricted	2,224	17,428
Unrestricted - board designated	796,079	1,075,035
Temporarily restricted	3,906,585	3,647,351
Permanently restricted	<u>216,207</u>	<u>216,207</u>
Total net assets	<u>4,921,095</u>	<u>4,956,021</u>
 Total liabilities and net assets	 <u><u>\$5,040,985</u></u>	 <u><u>\$5,048,086</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, 2016 and 2015

**Statement 2**

	2016			2015		
	Unrestricted	Temporarily	Permanently	Unrestricted	Temporarily	Permanently
		Restricted	Restricted		Restricted	Restricted
			Total			Total
Support and revenue:						
Contributions and grants	\$592,446	\$270,347	\$862,793	\$603,158	\$451,120	\$1,054,278
Government grant and contract revenue:						
ENRTF	559,637	30,000	589,637	94,313	15,000	109,313
OHF	1,818,271	180,000	1,998,271	1,752,071	165,000	1,917,071
All other	596,482	-	596,482	292,603	7,500	300,103
Special events:						
Contribution	131,044	-	131,044	70,038	-	70,038
Other	35,145	-	35,145	28,515	-	28,515
Less: direct expenses	(12,389)	-	(12,389)	(10,156)	-	(10,156)
Fees for service	3,639	-	3,639	5,280	-	5,280
Property condemnation proceeds	-	-	-	145,000	-	145,000
Violation proceeds	-	-	-	65,000	-	65,000
Other revenue	5,067	-	5,067	2,958	-	2,958
Interest and dividends	121,692	11,465	133,157	141,688	14,999	156,687
Change in fair value of investments	(101,278)	(11,041)	(112,319)	(88,231)	(9,303)	(97,534)
Net assets released from restrictions:						
Satisfaction of program restrictions	221,537	(221,537)	-	221,858	(221,858)	-
Total support and revenue	3,971,293	259,234	4,230,527	3,324,095	422,458	3,746,553
Expenses:						
Program services	3,796,101	-	3,796,101	3,035,288	-	3,035,288
Management and general	235,195	-	235,195	171,438	-	171,438
Fund development	234,157	-	234,157	224,892	-	224,892
Total expenses	4,265,453	0	4,265,453	3,431,618	0	3,431,618
Change in net assets	(294,160)	259,234	(34,926)	(107,523)	422,458	314,935
Net assets - beginning of period	1,092,463	3,647,351	4,956,021	1,199,986	3,224,893	4,641,086
Net assets - end of period	\$798,303	\$3,906,585	\$4,921,095	\$1,092,463	\$3,647,351	\$4,956,021

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

	2016				Total
	Program Services	Management and General	Fund Development	Supporting Services	
Expenses:					
Salaries	\$799,909	\$113,531	\$143,197	\$256,728	\$1,056,637
Payroll taxes and benefits	168,223	21,373	25,987	47,360	215,583
Other staff expenses	4,549	546	219	765	5,314
Total personnel costs	972,681	135,450	169,403	304,853	1,277,534
Travel	54,565	1,912	4,629	6,541	61,106
Memberships, dues, licenses	3,522	300	1,236	1,536	5,058
Meeting expense	4,066	4,311	1,484	5,795	9,861
Board expense	-	410	-	410	410
Rent and building maintenance	73,611	7,852	16,685	24,537	98,148
Office expense	58,297	5,742	12,428	18,170	76,467
Depreciation	1,410	150	320	470	1,880
Postage and delivery	8,797	912	21,580	22,492	31,289
Printing and photocopying	5,241	12,159	3,564	15,723	20,964
Insurance	-	31,673	-	31,673	31,673
Project expenses	1,329,920	-	-	-	1,329,920
Project expenses - conservation easement and land acquisition	1,216,250	-	-	-	1,216,250
Contracted services	9,241	922	1,959	2,881	12,122
Audit and accounting	-	16,720	-	16,720	16,720
External grants	54,292	-	-	-	54,292
Miscellaneous expense	4,208	16,682	869	17,551	21,759
Total expenses	\$3,796,101	\$235,195	\$234,157	\$469,352	\$4,265,453
Percentage	89%	6%	5%	11%	100%

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.

**MINNESOTA LAND TRUST**  
**STATEMENTS OF CASH FLOWS**  
For The Years Ended June 30, 2016 and 2015

**Statement 4**

	<u>2016</u>	<u>2015</u>
Cash flows from operating activities:		
Change in net assets	(\$34,926)	\$314,935
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	1,880	1,846
Realized and unrealized (gain) loss on investments	112,319	97,534
(Increase) decrease in assets:		
Contributions, grants and other receivables	(199,437)	(16,226)
Land held for resale - conservation	(15,630)	(112,910)
Land held for conservation	(125,000)	(48,119)
Deposits and other	(497)	(7,733)
Increase (decrease) in liabilities:		
Accounts payable	12,220	(22,476)
Accrued expenses	15,605	25,634
Net cash provided (used) by operating activities	<u>(233,466)</u>	<u>232,485</u>
Cash flows from investing activities:		
Purchase of equipment	(5,108)	(1,900)
Purchase of investments, including re-invested income	(410,684)	(542,137)
Proceeds from sale of investments	343,270	519,612
Net cash provided (used) by investing activities	<u>(72,522)</u>	<u>(24,425)</u>
Net increase (decrease) in cash and cash equivalents	(305,988)	208,060
Cash and cash equivalents - beginning of year	<u>630,283</u>	<u>422,223</u>
Cash and cash equivalents - end of year	<u><u>\$324,295</u></u>	<u><u>\$630,283</u></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, 2016, the Land Trust has completed 508 land protection projects, permanently protecting 48,690 acres and 1,096,470 feet of shoreline.

As part of the strategic plan adopted by the Board in 2014, the Land Trust added additional tools—restoration and engagement—to help further the mission. In 2016, a large restoration project was successfully completed in the St. Louis River Estuary. This project, including salaries and contracted services, was in excess of \$900,000. This work is expected to vary substantially from year to year. On the engagement side, in 2015 and 2016 the Land Trust was contracted by the City of Duluth to help plan and execute the City's ambitious Outdoor Adventure Experience project

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.

*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 \$1,880 and \$1,846 for the years ended June 30, 2016 and 2015, 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, 2016 and 2015.

**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

**MINNESOTA LAND TRUST**  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2016 and 2015

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donated services from a large number of volunteers assisting it in providing management and programmatic services, including approximately 2,084 and 1,972 hours of time contributed for easement monitoring and land protection work for the years ended June 30, 2016 and 2015, 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 2016 or 2015.

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 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.

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.



**MINNESOTA LAND TRUST**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2016 and 2015

**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.

**Note 2 INVESTMENTS**

Investment detail at June 30 is as follows:

	2016				2015			
	Acquisition	Stewardship and Enforcement	Endowment	Total	Acquisition	Stewardship and Enforcement	Endowment	Total
Corporate bonds	\$ -	\$ -	\$ -	\$ -	\$ -	\$150,000	\$ -	\$150,000
Fixed income mutual funds	82,488	1,133,015	-	1,215,503	80,491	1,105,583	-	1,186,074
Equity mutual funds	-	2,199,038	285,609	2,484,647	-	2,108,794	300,187	2,408,981
Total	\$82,488	\$3,332,053	\$285,609	\$3,700,150	\$80,491	\$3,364,377	\$300,187	\$3,745,055

**Note 3 CONTRIBUTIONS, GRANTS AND OTHER RECEIVABLES**

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

	2016	2015
Contributions receivable - stewardship and enforcement	\$212,100	\$62,600
Grants receivable	10,000	155,000
Other receivables	458,968	264,031
Total	\$681,068	\$481,631

At June 30, 2016, stewardship and enforcement contributions receivable were scheduled to be received as follows: \$800 within one year and \$1,300 in two to five years. All other receivables at June 30, 2016 and 2015 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, 2016 and 2015 were \$5,780 and \$13,440, respectively.

**MINNESOTA LAND TRUST**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2016 and 2015

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**Note 5 FURNITURE AND EQUIPMENT**

Furniture and equipment consisted of the following at June 30:

	<u>2016</u>	<u>2015</u>
Computer equipment	\$12,924	\$33,999
Office equipment	<u>30,915</u>	<u>30,915</u>
Total	43,839	64,914
Less: accumulated depreciation	<u>(38,690)</u>	<u>(62,993)</u>
Net furniture and equipment	<u><u>\$5,149</u></u>	<u><u>\$1,921</u></u>

**Note 6 NET ASSETS**

**A. BOARD DESIGNATED**

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

	<u>2016</u>	<u>2015</u>
Acquisition	\$393,073	\$250,444
Stewardship and enforcement	<u>403,006</u>	<u>824,591</u>
Total	<u><u>\$796,079</u></u>	<u><u>\$1,075,035</u></u>

**B. TEMPORARILY RESTRICTED**

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

	<u>2016</u>	<u>2015</u>
Operations	\$576,570	\$575,165
Land and easement acquisition	35,039	45,039
Easement stewardship	3,239,854	2,958,169
Endowment	<u>55,122</u>	<u>68,978</u>
Total	<u><u>\$3,906,585</u></u>	<u><u>\$3,647,351</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, 2016 and 2015

**C. FINANCIAL INFORMATION**

Endowment fund activity for 2015 and 2016 is as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Net assets - June 30, 2014	\$ -	\$78,282	\$216,207	\$294,489
Investment return:				
Interest and dividends	-	14,999	-	14,999
Change in fair value	-	(9,303)	-	(9,303)
Total investment return	0	5,696	0	5,696
Contributions	-	-	-	-
Appropriation for expenditure	-	(15,000)	-	(15,000)
Net assets - June 30, 2015	-	68,978	216,207	285,185
Investment return:				
Interest and dividends	-	11,464	-	11,464
Change in fair value	-	(11,040)	-	(11,040)
Total investment return	0	424	0	424
Contributions	-	-	-	-
Appropriation for expenditure	-	(14,280)	-	(14,280)
Net assets - June 30, 2016	\$0	\$55,122	\$216,207	\$271,329

**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, 2016 and June 30, 2015 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.

**MINNESOTA LAND TRUST**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2016 and 2015

**B. FINANCIAL INFORMATION**

Stewardship and enforcement fund activity for the year ended June 30, 2016 and June 30, 2015 is as follows:

	Unrestricted	Temporarily Restricted	Total
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
Investment return:			
Interest and dividends	120,009	-	120,009
Change in fair value	(101,594)	-	(101,594)
Total investment return	18,415	0	18,415
Contributions/grants	-	281,685	281,685
Unrestricted funds added to the fund	-	-	-
Appropriation for expenditure	(440,000)	-	(440,000)
Net assets - June 30, 2016	\$403,006	\$3,239,854	\$3,642,860

**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 expenses associated with managing, upholding or defending an easement or other interest in land held by the Land Trust.

**MINNESOTA LAND TRUST**  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2016 and 2015

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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:

<u>Years Ending June 30,</u>	<u>Amount</u>
2017	\$70,329
2018	71,738
2019	73,169
2020	<u>30,840</u>
Total	<u><u>\$246,076</u></u>

Rent expenses, including operating expenses, for the years ended June 30, 2016 and 2015, for all operating leases, was \$98,148 and \$84,382, 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 \$14,602 and \$9,479 during the years ended June 30, 2016 and 2015.

**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, 2016 and 2015, all bank balances were covered by FDIC insurance.

**MINNESOTA LAND TRUST**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2016 and 2015

**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:

	2016			2015		
	Level 1	Level 2	Total	Level 1	Level 2	Total
Investments:						
Corporate bonds	\$ -	\$ -	\$ -	\$ -	\$150,000	\$150,000
Fixed income mutual funds	1,215,503	-	1,215,503	1,186,074	-	1,186,074
Equity mutual funds	2,484,647	-	2,484,647	2,408,981	-	2,408,981
Total	<u>\$3,700,150</u>	<u>\$0</u>	<u>\$3,700,150</u>	<u>\$3,595,055</u>	<u>\$150,000</u>	<u>\$3,745,055</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 \$250,000 line of credit agreement with a commercial bank. Interest on the line of credit is variable, with a rate of 3.50%, and matures on February 11, 2017. It is secured by all assets of the Land Trust. At June 30, 2016 and 2015, there was no amount outstanding on the line of credit.

**Note 14 SUBSEQUENT EVENTS**

Management has evaluated subsequent events through October 13, 2016, the date that this report was available to be issued.



## **SUPPLEMENTAL INFORMATION**

	2016			
	Operating	Acquisition	Stewardship and Enforcement	Total
Assets:				
Cash and cash equivalents	\$195,623	\$44,965	\$83,707	\$324,295
Interfund transfers in transit	9,280	(10,000)	15,000	-
Contributions, grants and other receivables	468,968	-	212,100	681,068
Deposits and other	19,664	-	-	19,664
Furniture and equipment, net	5,149	-	-	5,149
Investments	-	82,488	3,332,053	3,700,150
Land held for resale - conservation	-	128,540	-	128,540
Land held for conservation	-	182,119	-	182,119
Total assets	\$698,684	\$428,112	\$3,642,860	\$5,040,985
Liabilities and net assets:				
Liabilities:				
Accounts payable	\$45,603	\$-	\$-	\$45,603
Accrued expenses	74,287	-	-	74,287
Total liabilities	119,890	0	0	119,890
Net assets:				
Unrestricted	2,224	-	-	2,224
Unrestricted - board designated	-	393,073	403,006	796,079
Temporarily restricted	576,570	35,039	3,239,854	3,906,585
Permanently restricted	-	-	-	216,207
Total net assets	578,794	428,112	3,642,860	4,921,095
Total liabilities and net assets	\$698,684	\$428,112	\$3,642,860	\$5,040,985

	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

	2016				
	Operating	Acquisition	Stewardship and Enforcement	Endowment	Total
Support and revenue:					
Contributions and grants	\$650,478	\$140,630	\$71,685	\$ -	\$862,793
Government grant and contract revenue:					
ENRTF	118,237	441,400	30,000	-	589,637
OHF	1,043,421	774,850	180,000	-	1,998,271
All other	596,482	-	-	-	596,482
Special events:					
Contribution	131,044	-	-	-	131,044
Other	35,145	-	-	-	35,145
Less: direct expenses	(12,389)	-	-	-	(12,389)
Fees for service	3,639	-	-	-	3,639
Other revenue	5,067	-	-	-	5,067
Interest and dividends	-	1,683	120,009	11,465	133,157
Change in fair value of investments	-	316	(101,594)	(11,041)	(112,319)
Interfund transfers in (out), net	464,280	(10,000)	(440,000)	(14,280)	-
Total support and revenue	3,035,404	1,348,879	(139,900)	(13,856)	4,230,527
Expenses:					
Program services	2,579,851	1,216,250	-	-	3,796,101
Management and general	235,195	-	-	-	235,195
Fund development	234,157	-	-	-	234,157
Total expenses	3,049,203	1,216,250	0	0	4,265,453
Change in net assets	(13,799)	132,629	(139,900)	(13,856)	(34,926)
Net assets - beginning of period	592,593	295,483	3,782,760	285,185	4,956,021
Net assets - end of period	\$578,794	\$428,112	\$3,642,860	\$271,329	\$4,921,095

	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
Interest and dividends	2,958	1,445	140,243	14,999	159,645
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>

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