

**MINNESOTA LAND TRUST**

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

For The Years Ended  
June 30, 2019 and 2018

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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, 2019 and 2018, 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, 2019 and 2018, 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.

## **Emphasis of Matter – Change in Accounting Principle**

As discussed in Note 16 to the financial statements, Minnesota Land Trust implemented the provisions of the Accounting Standards Update (ASU) 2016-14 Not-For-Profit Entities (Topic 958) – *Presentation of Financial Statements of Not-For-Profit Entities*. Our opinion is not modified with respect to this matter.

## **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.  
St. Paul, Minnesota

October 24, 2019

## **FINANCIAL STATEMENTS**

**MINNESOTA LAND TRUST**  
**STATEMENTS OF FINANCIAL POSITION**  
June 30, 2019 and 2018

**Statement 1**

	<u>2019</u>	<u>2018</u>
Assets:		
Cash and cash equivalents	\$1,747,707	\$1,689,428
Capital campaign - promises to give, net	674,436	395,100
Contributions, grants and other receivables	1,321,057	943,259
Deposits and other	36,262	28,842
Furniture and equipment, net	43,393	15,565
Investments	5,592,784	4,856,306
Land held for resale - conservation	29,260	65,650
Land held for conservation	134,000	134,000
Beneficial interest in real property	<u>752,500</u>	<u>744,200</u>
 Total assets	 <u><u>\$10,331,399</u></u>	 <u><u>\$8,872,350</u></u>
Liabilities and net assets:		
Liabilities:		
Accounts payable	\$103,831	\$67,401
Accrued expenses	97,288	110,181
Line of credit	-	120,000
Total liabilities	<u>201,119</u>	<u>297,582</u>
Net assets:		
Without donor restrictions	2,269,722	1,950,116
With donor restrictions	<u>7,860,558</u>	<u>6,624,652</u>
Total net assets	<u>10,130,280</u>	<u>8,574,768</u>
 Total liabilities and net assets	 <u><u>\$10,331,399</u></u>	 <u><u>\$8,872,350</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, 2019 and 2018

**Statement 2**

	2019		2018		Total
	Without Donor Restrictions	With Donor Restrictions	Without Donor Restrictions	With Donor Restrictions	
Support and revenue:					
Contributions and grants:					
Capital campaign	\$ -	\$1,111,308	\$ -	\$819,533	\$819,533
All other	714,927	387,860	1,626,361	897,589	2,523,950
Government grant and contract revenue:					
ENRTF	1,018,688	-	365,813	-	365,813
OHF	5,352,109	312,000	4,131,666	380,000	4,511,666
All other	174,722	-	276,706	24,000	300,706
Special events:					
Contribution	167,331	-	144,399	-	144,399
Other	48,660	-	38,900	-	38,900
Less: direct expenses	(28,434)	-	(25,061)	-	(25,061)
Fees for service	100,150	-	-	-	-
Other revenue	16,094	-	18,025	-	18,025
Gain (loss) on sale of land	(23,491)	-	2,198	-	2,198
Interest and dividends	213,936	22,037	132,581	14,646	147,227
Change in fair value of investments	91,672	6,823	82,230	15,842	98,072
Net assets released from restrictions:					
Satisfaction of program restrictions	604,122	(604,122)	453,345	(453,345)	-
Total support and revenue	8,450,486	1,235,906	7,247,163	1,698,265	8,945,428
Expenses:					
Program services	7,340,960	-	5,517,193	-	5,517,193
Management and general	367,957	-	271,000	-	271,000
Fund development	421,963	-	320,909	-	320,909
Total expenses	8,130,880	0	6,109,102	0	6,109,102
Change in net assets	319,606	1,235,906	1,138,061	1,698,265	2,836,326
Net assets - beginning of year	1,950,116	6,624,652	812,055	4,926,387	5,738,442
Net assets - end of year	\$2,269,722	\$7,860,558	\$1,950,116	\$6,624,652	\$8,574,768

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

	2019				Total
	Program Services	Management and General	Fund Development	Supporting Services	
Expenses:					
Salaries	\$964,811	\$199,380	\$190,765	\$390,145	\$1,354,956
Payroll taxes and benefits	173,574	57,868	33,223	91,091	264,665
Other staff expenses	4,732	3,158	993	4,151	8,883
Total personnel costs	1,143,117	260,406	224,981	485,387	1,628,504
Travel	75,146	1,154	8,118	9,272	84,418
Memberships, dues, licenses	6,825	715	2,351	3,066	9,891
Meeting expense	2,323	3,520	474	3,994	6,317
Board expense	-	2,131	-	2,131	2,131
Rent and building maintenance	94,479	10,078	21,415	31,493	125,972
Office expense	80,187	7,293	19,227	26,520	106,707
Depreciation	9,654	1,030	2,188	3,218	12,872
Postage and delivery	11,367	1,157	55,873	57,030	68,397
Printing and photocopying	18,042	1,903	5,703	7,606	25,648
Insurance	-	35,252	-	35,252	35,252
Project expenses	981,037	-	-	-	981,037
Project expenses - conservation easement and land acquisition	4,891,344	-	-	-	4,891,344
Contracted services	9,213	15,940	79,998	95,938	105,151
Audit and accounting	-	19,125	-	19,125	19,125
External grants	10,500	-	-	-	10,500
Special events	-	-	28,434	28,434	28,434
Miscellaneous expense	7,726	8,253	1,635	9,888	17,614
Total expenses	7,340,960	367,957	450,397	818,354	8,159,314
Less: expenses included with revenues on the statement of activities:					
Special event direct expenses	-	-	(28,434)	-	(28,434)
Total expenses included in the expense section on the statement of activities	\$7,340,960	\$367,957	\$421,963	\$818,354	\$8,130,880
Percentage	90%	5%	5%	10%	100%

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

	2018				Total
	Supporting Services			Total Supporting Services	
	Program Services	Management and General	Fund Development		
Expenses:					
Salaries	\$950,421	\$163,797	\$124,910	\$288,707	\$1,239,128
Payroll taxes and benefits	194,187	31,223	24,088	55,311	249,498
Other staff expenses	3,596	1,062	174	1,236	4,832
Total personnel costs	1,148,204	196,082	149,172	345,254	1,493,458
Travel	63,770	1,607	3,922	5,529	69,299
Memberships, dues, licenses	4,533	484	1,662	2,146	6,679
Meeting expense	2,384	3,423	361	3,784	6,168
Board expense	-	2,271	-	2,271	2,271
Rent and building maintenance	75,795	8,085	17,180	25,265	101,060
Office expense	64,307	6,727	17,426	24,153	88,460
Depreciation	6,450	689	1,462	2,151	8,601
Postage and delivery	9,543	795	39,391	40,186	49,729
Printing and photocopying	19,555	2,086	4,432	6,518	26,073
Insurance	-	21,261	-	21,261	21,261
Project expenses	621,309	-	3,227	3,227	624,536
Project expenses - conservation easement and land acquisition	3,470,225	-	-	-	3,470,225
Contracted services	14,902	1,590	82,204	83,794	98,696
Audit and accounting	-	17,550	-	17,550	17,550
External grants	11,356	-	-	-	11,356
Special events	-	-	25,061	25,061	25,061
Miscellaneous expense	4,860	8,350	470	8,820	13,680
Total expenses	5,517,193	271,000	345,970	616,970	6,134,163
Less: expenses included with revenues on the statement of activities:					
Special event direct expenses	-	-	(25,061)	-	(25,061)
Total expenses included in the expense section on the statement of activities	\$5,517,193	\$271,000	\$320,909	\$616,970	\$6,109,102
Percentage	90%	5%	5%	10%	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, 2019 and 2018

**Statement 4**

	<u>2019</u>	<u>2018</u>
Cash flows from operating activities:		
Change in net assets	\$1,555,512	\$2,836,326
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	12,872	8,601
Contributions to permanently restricted net assets	-	(54,000)
Realized and unrealized gain on investments	(98,495)	(98,072)
(Increase) decrease in assets:		
Capital campaign - promises to give, net	(279,336)	(245,643)
Contributions, grants and other receivables	(377,798)	(162,961)
Land held for resale - conservation	36,390	62,890
Land held for conservation	-	48,119
Deposits and other	(7,420)	(10,890)
Beneficial interest in real property	(8,300)	(744,200)
Increase (decrease) in liabilities:		
Accounts payable	36,430	5,865
Accrued expenses	(12,893)	32,628
Net cash provided by operating activities	<u>856,962</u>	<u>1,678,663</u>
Cash flows from investing activities:		
Purchase of furniture and equipment	(40,700)	(3,260)
Purchase of investments, including re-invested income	(933,641)	(1,160,552)
Proceeds from sale of investments	295,658	658,500
Net cash used by investing activities	<u>(678,683)</u>	<u>(505,312)</u>
Cash flows from financing activities:		
Proceeds from contributions restricted for investment in endowment	-	54,000
Net change on line of credit	(120,000)	120,000
Net cash provided (used) by financing activities	<u>(120,000)</u>	<u>174,000</u>
Net increase in cash and cash equivalents	58,279	1,347,351
Cash and cash equivalents - beginning of year	<u>1,689,428</u>	<u>342,077</u>
Cash and cash equivalents - end of year	<u><u>\$1,747,707</u></u>	<u><u>\$1,689,428</u></u>

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 protect and restore Minnesota's most vital natural lands in order to provide wildlife habitat, clean water, outdoor experiences and scenic beauty for generations to come. The Land Trust accomplishes this mission through the following three strategies.

**PROTECTION:** Since 1991, the Land Trust has been working with landowners and local communities to protect and restore 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, 2019, the Land Trust has completed 577 land protection projects, permanently protecting 59,166 acres and 1,806,412 feet of shoreline since its founding in 1991.

**RESTORATION:** The Land Trust's restoration work expanded this fiscal year in several areas. The Land Trust continued to move the St. Louis River Restoration Initiative forward by initiating the new Interstate Island restoration project and advancing the existing Perch Lake and Grassy Point projects. The Land Trust also advanced its private lands restoration work by hiring a new Private Lands Restoration Program Manager, assisting the US Fish and Wildlife Service to restore 300 acres of prairies and wetlands and commencing 190 acres of other restoration projects lead by the Land Trust.

**ENGAGEMENT:** The Land Trust's engagement work with the City of Duluth also continued to move forward. The outdoor recreation projects the City has invested in with the Land Trust's help are nearing completion or well underway: The Grand Avenue Nordic Center opened in November 2018; the St. Louis River National Water Trail plan and maps were adopted; the mini-master plan for Quarry Park was passed; and several new segments on the Duluth Traverse multi-use trail were completed. The Land Trust also helped Duluth Youth Outdoors in their efforts to connect Duluth's young population to the outdoors through various adventure activities. Finally, the Land Trust helped the City with its outdoor recreation marketing and helped plan and implement the second annual Trails Summit.

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

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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. NET ASSETS**

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

*Net assets without donor restrictions* – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. The governing board has designated, from net assets without donor restrictions, net assets for an operating reserve and board-designated endowment.

*Net assets with donor restrictions* – Net assets subject to donor- (or certain grantor-) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. The Land Trust reports contributions restricted by donors as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

**C. PROMISES TO GIVE AND CONTRIBUTIONS**

Contributions, including unconditional promises to give, are recorded at net realizable value. Verbal promises to give are not recorded unless confirmed in writing. The Land Trust uses the allowance method to determine uncollectible unconditional pledges receivable. The allowance is based on 5% of the pledged amount. Promises to give are presented net of allowance for doubtful accounts of \$35,497 and \$21,233 for the years ended June 30, 2019 and 2018, respectively.

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. At June 30, 2019 and 2018 the present value discount on long-term pledges was considered immaterial and therefore was not recorded.

**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 \$12,872 and \$8,601 for the years ended June 30, 2019 and 2018, 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, 2019 and 2018.

**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

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programmatic services, including approximately 2,349 and 2,462 hours of time contributed for easement monitoring and land protection work for the years ended June 30, 2019 and 2018, 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 2019 or 2018.

Contributions of materials and equipment are recorded as support at their estimated fair value. Such donations are reported as support without donor restrictions 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 support with donor restrictions.

**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.
- As described in Note 7, the Land Trust is a remainder beneficiary of a grantor-retained life estate.

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  
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**O. USE OF ESTIMATES**

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

**P. SUBSEQUENT EVENTS**

Management has evaluated subsequent events through October 24, 2019, the date the financial statements were available to be issued.

**Note 2 LIQUIDITY AND AVAILABILITY**

The Land Trust's financial assets available within one year of the balance sheet date for general expenditures are as follows at June 30, 2019:

Financial assets	\$9,335,984
Less those unavailable for general expenditures within one year, due to:	
Donor-imposed restrictions:	
Restricted by donor with purpose restrictions **	(6,621,591)
Restricted by donor in perpetuity	(323,207)
Board designations:	
Acquisition	(279,024)
Stewardship and Enforcement	<u>(584,313)</u>
Total	<u><u>\$1,527,849</u></u>

\*\* Excludes \$915,760 of nonfinancial assets with purpose restrictions.

The Land Trust structures its financial assets to be available as its general expenditures, liabilities and other obligations come due. The Land trust could also draw up to \$250,000 on its line of credit as disclosed in Note 12.

**MINNESOTA LAND TRUST**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2019 and 2018

**Note 3 INVESTMENTS**

Investment detail at June 30 is as follows:

	2019			Total
	Acquisition	Stewardship and Enforcement	Endowment	
Fixed income mutual funds	\$274,031	\$1,368,655	\$ -	\$1,642,686
Equity mutual funds	-	3,025,328	400,682	3,426,010
Balanced mutual funds	-	482,788	41,300	524,088
<b>Total</b>	<b>\$274,031</b>	<b>\$4,876,771</b>	<b>\$441,982</b>	<b>\$5,592,784</b>

  

	2018			Total
	Acquisition	Stewardship and Enforcement	Endowment	
Fixed income mutual funds	\$260,172	\$1,529,830	\$ -	\$1,790,002
Equity mutual funds	-	2,185,506	362,000	2,547,506
Balanced mutual funds	-	466,652	52,146	518,798
<b>Total</b>	<b>\$260,172</b>	<b>\$4,181,988</b>	<b>\$414,146</b>	<b>\$4,856,306</b>

**Note 4 CONTRIBUTIONS, GRANTS AND OTHER RECEIVABLES**

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

	2019	2018
Contributions receivable - stewardship and enforcement	\$336,000	\$240,000
Grants receivable	112,500	7,000
Other receivables	872,557	696,259
<b>Total</b>	<b>\$1,321,057</b>	<b>\$943,259</b>

**MINNESOTA LAND TRUST**  
**NOTES TO FINANCIAL STATEMENTS**  
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**Note 5 PROMISES TO GIVE RECEIVABLE**

**A. UNCONDITIONAL**

Unconditional promises to give are expected to be collected as follows at June 30:

	<u>2019</u>	<u>2018</u>
Due in one year	\$267,433	\$126,400
Due in two to five years	<u>442,500</u>	<u>289,933</u>
Total	709,933	416,333
Less: allowance	<u>(35,497)</u>	<u>(21,233)</u>
Total	<u><u>\$674,436</u></u>	<u><u>\$395,100</u></u>

**B. CONDITIONAL**

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. Upon acquisition of conservation easements, occasionally the Land Trust asks the individual landowners to make voluntary contributions for the future stewardship and enforcement of the easements. Stewardship conditional promises to give that are likely to be collectible at June 30, 2019 and 2018 were \$3,500 and \$4,100, respectively. Capital Campaign conditional promises to give that are likely to be collected at June 30, 2019 and 2018 were \$917,500 and \$120,000, respectively.

**Note 6 FURNITURE AND EQUIPMENT**

Furniture and equipment consisted of the following at June 30:

	<u>2019</u>	<u>2018</u>
Computer equipment	\$73,867	\$34,794
Office equipment	30,915	30,915
Furniture and fixtures	<u>1,626</u>	<u>-</u>
Total	106,408	65,709
Less: accumulated depreciation	<u>(63,015)</u>	<u>(50,144)</u>
Net furniture and equipment	<u><u>\$43,393</u></u>	<u><u>\$15,565</u></u>

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**Note 7 BENEFICIAL INTEREST IN REAL PROPERTY**

The Land Trust is the remainder beneficiary of a grantor-retained life estate. Under the terms of the Retained Life Estate agreement dated December 20, 2017, the donors executed a deed giving the Land Trust a remainder interest in their 31.41-acre homestead, while retaining the right to occupy and maintain the property during their lifetime. The life estate will terminate automatically one year after the husband's death. The beneficial interest in real property is recorded at an estimated fair value of \$752,500 and \$744,200 at June 30, 2019 and 2018, respectively.

**Note 8 NET ASSETS**

**A. WITHOUT DONOR RESTRICTIONS - BOARD DESIGNATED**

Net assets without donor restrictions are as follows at June 30:

	<u>2019</u>	<u>2018</u>
Undesignated	\$50,488	\$16,946
Board designated:		
Operations	1,355,897	1,163,601
Land and easement acquisition	279,024	288,528
Stewardship and enforcement	<u>584,313</u>	<u>481,041</u>
Total	<u>\$2,269,722</u>	<u>\$1,950,116</u>

At June 30, 2019, the amount reported as board designated includes a bequest received in 2018 of \$978,601. The bequest letter states that a portion of the funds are to be used for conservation on the North Shore of Lake Superior, which would be considered net assets with donor restrictions. The amount the donor intended to be restricted was not specified in the bequest letter. The Land Trust is working to determine the appropriate amount to be restricted, which includes seeking input from the donor's family.

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**B. WITH DONOR RESTRICTIONS**

Net assets with donor restrictions were available for the following purposes at June 30:

	2019		
	Purpose Restricted	Permanent in Nature	Total
Capital campaign	\$1,583,230	\$ -	\$1,583,230
General conservation	267,845	-	267,845
Land and easement acquisitions	1,050,128	-	1,050,128
Endowment	98,204	323,207	421,411
Stewardship and enforcement	4,537,944	-	4,537,944
Total	<u>\$7,537,351</u>	<u>\$323,207</u>	<u>\$7,860,558</u>
	2018		
	Purpose Restricted	Permanent in Nature	Total
Capital campaign	\$870,123	\$ -	\$870,123
General conservation	171,531	-	171,531
Land and easement acquisitions	992,303	-	992,303
Endowment	90,344	323,207	413,551
Stewardship and enforcement	4,177,144	-	4,177,144
Total	<u>\$6,301,445</u>	<u>\$323,207</u>	<u>\$6,624,652</u>

**Note 9 ENDOWMENT FUND**

**A. GENERAL**

The endowment fund consists of two funds with donor restrictions created to provide long-term 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 endowment funds with donor restrictions 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.

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6. Other resources of the Organization.
7. The investment policy of the Organization.

For accounting purposes only, the Land Trust retains in perpetuity (a) the original value of gifts donated to the endowment, (b) the original value of subsequent gifts to the endowment, and (c) any accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added. Donor-restricted amounts not retained in perpetuity are subject to appropriation for expenditure by the Land Trust in a manner consistent with the standard of prudence prescribed by UPMIFA.

**C. FINANCIAL INFORMATION**

Endowment net asset composition by type of fund for 2019 and 2018 is as follows:

	<u>2019</u>	<u>2018</u>
Endowment:		
Available for appropriation	\$95,773	\$90,174
Permanent in nature	216,207	216,207
Judd Lake:		
Available for appropriation	2,431	170
Permanent in nature	<u>107,000</u>	<u>107,000</u>
Total	<u>\$421,411</u>	<u>\$413,551</u>

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Endowment fund activity for 2019 and 2018 is as follows:

	With Donor Restrictions		Total
	Purpose Restricted	Permanent in Nature	
Net assets - June 30, 2017	\$80,014	\$269,207	\$349,221
Investment return:			
Interest and dividends	14,646	-	14,646
Change in fair value	15,842	-	15,842
Total investment return	30,488	0	30,488
Contributions	-	54,000	54,000
Appropriation for expenditure	(20,158)	-	(20,158)
Net assets - June 30, 2018	90,344	323,207	413,551
Investment return:			
Interest and dividends	22,037	-	22,037
Change in fair value	6,823	-	6,823
Total investment return	28,860	0	28,860
Contributions	-	-	-
Appropriation for expenditure	(21,000)	-	(21,000)
Net assets - June 30, 2019	\$98,204	\$323,207	\$421,411

**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.

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**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 net assets without donor restrictions. For fiscal years ending June 30, 2019 and 2018, there were no funds with deficiencies.

**Note 10 STEWARDSHIP AND ENFORCEMENT FUND**

**A. GENERAL**

The stewardship and enforcement fund operates as a quasi-endowment and consists of funds without donor restrictions and funds with donor restrictions.

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.

**B. FINANCIAL INFORMATION**

Stewardship and enforcement net asset composition by type of fund for 2018 and 2019 is as follows:

	2019		Total
	Without Donor Restrictions	With Donor Restrictions	
Board designated	\$584,313	\$ -	\$584,313
Donor restricted:			
General conservation	-	4,537,944	4,537,944
Capital campaign	-	236,952	236,952
<b>Total</b>	<b>\$584,313</b>	<b>\$4,774,896</b>	<b>\$5,359,209</b>

  

	2018		Total
	Without Donor Restrictions	With Donor Restrictions	
Board designated	\$481,041	\$ -	\$481,041
Donor restricted:			
General conservation	-	4,177,144	4,177,144
Capital campaign	-	225,452	225,452
<b>Total</b>	<b>\$481,041</b>	<b>\$4,402,596</b>	<b>\$4,883,637</b>



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Stewardship and enforcement fund activity for 2019 and 2018 is as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Net assets - June 30, 2017	<u>\$448,047</u>	<u>\$3,852,904</u>	<u>\$4,300,951</u>
Investment return:			
Interest and dividends	135,041	-	135,041
Change in fair value	<u>85,956</u>	<u>-</u>	<u>85,956</u>
Total investment return	<u>220,997</u>	<u>0</u>	<u>220,997</u>
Contributions/grants/fees for service	-	451,242	451,242
Capital campaign transfer in	-	100,000	100,000
Appropriation for expenditure	<u>(188,003)</u>	<u>(1,550)</u>	<u>(189,553)</u>
Net assets - June 30, 2018	<u>481,041</u>	<u>4,402,596</u>	<u>4,883,637</u>
Investment return:			
Interest and dividends	201,614	-	201,614
Change in fair value	<u>86,658</u>	<u>-</u>	<u>86,658</u>
Total investment return	<u>288,272</u>	<u>0</u>	<u>288,272</u>
Contributions/grants/fees for service	60,000	372,300	432,300
Capital campaign transfer in	-	-	-
Appropriation for expenditure	<u>(245,000)</u>	<u>-</u>	<u>(245,000)</u>
Net assets - June 30, 2019	<u>\$584,313</u>	<u>\$4,774,896</u>	<u>\$5,359,209</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, additional 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.

For accounting purposes, the Land Trust's policy for amounts appropriated for expenditure is to first use amounts without donor restrictions until depleted and then funds with donor restrictions. Investment income and losses are fully allocated to without donor restrictions.

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**Note 11 LEASE AGREEMENTS**

The Land Trust leases office space in St. Paul, Minnesota under a lease agreement that was set to expire January 31, 2020. In August 2018, the Land Trust renewed this lease agreement through September 30, 2025. Minimum monthly lease payments start October 1, 2018 at \$8,233 and will increase 2.5% annually for the remainder of the lease period.

On June 17, 2019 the Land Trust entered into a lease agreement for office space in Duluth, Minnesota through April 30, 2024. Minimum monthly lease payments start September 1, 2019 at \$2,855 increasing \$70 annually for the remainder of the lease period.

Future minimum payments for noncancellable operating leases, including the renewed lease, is as follows:

<u>Years Ending</u> <u>June 30,</u>	<u>Amount</u>
2020	\$133,897
2021	138,403
2022	141,823
2023	145,306
2024	142,446
Thereafter	<u>142,516</u>
Total	<u><u>\$844,391</u></u>

Rent expense, including operating expenses, for the years ended June 30, 2019 and 2018, for all operating leases, was \$125,972 and \$101,060, respectively.

**Note 12 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 set at the Prime rate (5.50% and 5.00% June 30, 2019 and 2018, respectively), and matures on August 11, 2020. It is secured by all assets of the Land Trust. At June 30, 2019 and 2018, there was \$0 and \$120,000 outstanding on the line of credit, respectively.

**Note 13 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 \$22,800 and \$19,803 during the years ended June 30, 2019 and 2018, respectively.

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**Note 14 CONCENTRATIONS**

**CONCENTRATION OF CREDIT RISK**

At times, bank balances may be in excess of the Federal Deposit Insurance Corporation (FDIC) limit. The Land Trust has not experienced any losses in such accounts. Management believes it is not exposed to any significant credit risk on cash and cash equivalents.

**Note 15 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:

	June 30, 2019		
	Level 1	Level 2	Total
Investments:			
Fixed income mutual funds	\$1,642,686	\$ -	\$1,642,686
Equity mutual funds	3,426,010	-	3,426,010
Balanced mutual funds	524,088	-	524,088
Beneficial interest in real property	-	752,500	752,500
	<u>\$5,592,784</u>	<u>\$752,500</u>	<u>\$6,345,284</u>
	June 30, 2018		
	Level 1	Level 2	Total
Investments:			
Fixed income mutual funds	\$1,790,001	\$ -	\$1,790,001
Equity mutual funds	2,547,507	-	2,547,507
Balanced mutual funds	518,798	-	518,798
Beneficial interest in real property	-	744,200	744,200
	<u>\$4,856,306</u>	<u>\$744,200</u>	<u>\$5,600,506</u>

Mutual funds are valued using quoted prices in active markets and the beneficial interest in real property is valued using significant other observable inputs.

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**Note 16 CHANGE IN ACCOUNTING PRINCIPLE**

Effective July 1, 2018 Minnesota Land Trust implemented the provisions of Accounting Standards Update (ASU) 2016-14, Not-for-Profit Entities (Topic 958) – *Presentation of Financial Statements of Not-for Profit Entities*.

This update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The presentation in these financial statements has been adjusted accordingly. Net assets as of July 1, 2017 were reclassified by category with no impact on total net asset.

## **SUPPLEMENTAL INFORMATION**

	2019				
	Operating	Acquisition	Stewardship and Enforcement	Endowment	Total
Assets:					
Cash and cash equivalents	\$1,521,766	\$117,074	\$108,438	\$429	\$1,747,707
Interfund transfers in transit	13	20,987	-	(21,000)	-
Capital campaign - promises to give, net	636,436	-	38,000	-	674,436
Contributions, grants and other receivables	983,757	1,300	336,000	-	1,321,057
Deposits and other	36,262	-	-	-	36,262
Furniture and equipment, net	43,393	-	-	-	43,393
Investments	-	274,031	4,876,771	441,982	5,592,784
Land held for resale - conservation	-	29,260	-	-	29,260
Land held for conservation	-	134,000	-	-	134,000
Beneficial interest in real property	-	752,500	-	-	752,500
Total assets	\$3,221,627	\$1,329,152	\$5,359,209	\$421,411	\$10,331,399
Liabilities and net assets:					
Liabilities:					
Accounts payable	\$103,831	\$-	\$-	\$-	\$103,831
Accrued expenses	97,288	-	-	-	97,288
Total liabilities	201,119	0	0	0	201,119
Net assets:					
Without donor restrictions	1,406,385	279,024	584,313	-	2,269,722
With donor restrictions	1,614,123	1,050,128	4,774,896	421,411	7,860,558
Total net assets	3,020,508	1,329,152	5,359,209	421,411	10,130,280
Total liabilities and net assets	\$3,221,627	\$1,329,152	\$5,359,209	\$421,411	\$10,331,399

	2018				
	Operating	Acquisition	Stewardship and Enforcement	Endowment	Total
Assets:					
Cash and cash equivalents	\$1,260,207	\$105,109	\$304,649	\$19,463	\$1,689,428
Interfund transfers in transit	(49,942)	(30,000)	100,000	(20,058)	-
Capital campaign - promises to give, net	338,100	-	57,000	-	395,100
Contributions, grants and other receivables	701,559	1,700	240,000	-	943,259
Deposits and other	28,842	-	-	-	28,842
Furniture and equipment, net	15,565	-	-	-	15,565
Investments	-	260,172	4,181,988	414,146	4,856,306
Land held for resale - conservation	-	65,650	-	-	65,650
Land held for conservation	-	134,000	-	-	134,000
Beneficial interest in real property	-	744,200	-	-	744,200
Total assets	\$2,294,331	\$1,280,831	\$4,883,637	\$413,551	\$8,872,350
Liabilities and net assets:					
Liabilities:					
Accounts payable	\$67,401	\$-	\$-	\$-	\$67,401
Accrued expenses	110,181	-	-	-	110,181
Line of credit	120,000	-	-	-	120,000
Total liabilities	297,582	0	0	0	297,582
Net assets:					
Without donor restrictions	1,180,547	288,528	481,041	-	1,950,116
With donor restrictions	816,202	992,303	4,402,596	413,551	6,624,652
Total net assets	1,996,749	1,280,831	4,883,637	413,551	8,574,768
Total liabilities and net assets	\$2,294,331	\$1,280,831	\$4,883,637	\$413,551	\$8,872,350

	2019				
	Operating	Acquisition	Stewardship and Enforcement	Endowment	Total
Support and revenue:					
Contributions and grants:					
Capital campaign	\$1,097,808	\$ -	\$13,500	\$ -	\$1,111,308
All other	1,007,687	48,300	46,800	-	1,102,787
Government grant and contract revenue:					
ENRTF	28,988	989,700	-	-	1,018,688
OHF	1,490,465	3,861,644	312,000	-	5,664,109
All other	174,722	-	-	-	174,722
Special events:					
Contribution	167,331	-	-	-	167,331
Other	48,660	-	-	-	48,660
Less: direct expenses	(28,434)	-	-	-	(28,434)
Fees for service	40,150	-	60,000	-	100,150
Other revenue	16,094	-	-	-	16,094
Gain (loss) on sale of land	-	(23,491)	-	-	(23,491)
Interest and dividends	4,399	7,923	201,614	22,037	235,973
Change in fair value of investments	(1,050)	6,064	86,658	6,823	98,495
Interfund transfers in (out), net	216,475	49,525	(245,000)	(21,000)	-
Total support and revenue	4,263,295	4,939,665	475,572	7,860	9,686,392
Expenses:					
Program services	2,449,616	4,891,344	-	-	7,340,960
Management and general	367,957	-	-	-	367,957
Fund development	421,963	-	-	-	421,963
Total expenses	3,239,536	4,891,344	0	0	8,130,880
Change in net assets	1,023,759	48,321	475,572	7,860	1,555,512
Net assets - beginning of year	1,996,749	1,280,831	4,883,637	413,551	8,574,768
Net assets - end of year	\$3,020,508	\$1,329,152	\$5,359,209	\$421,411	\$10,130,280



	2018				
	Operating	Acquisition	Stewardship and Enforcement	Endowment	Total
Support and revenue:					
Contributions and grants:					
Capital campaign	\$817,533	\$ -	\$2,000	\$ -	\$819,533
All other	1,680,510	744,200	45,240	54,000	2,523,950
Government grant and contract revenue:					
ENRTF	132,663	233,150	-	-	365,813
OHF	932,991	3,198,675	380,000	-	4,511,666
All other	276,706	-	24,000	-	300,706
Special events:					
Contribution	144,399	-	-	-	144,399
Other	38,900	-	-	-	38,900
Less: direct expenses	(25,061)	-	-	-	(25,061)
Fees for service	14,654	-	-	-	14,654
Other revenue	3,371	-	-	-	3,371
Gain on sale of land	-	2,198	-	-	2,198
Interest and dividends	3,555	3,524	135,041	14,646	156,766
Change in fair value of investments	(320)	(3,406)	85,956	15,842	98,072
Interfund transfers in (out), net	(94,037)	202,095	(88,000)	(20,058)	-
Total support and revenue	3,925,864	4,380,436	584,237	64,430	8,954,967
Expenses:					
Program services	2,045,217	3,470,325	1,551	100	5,517,193
Management and general	280,539	-	-	-	280,539
Fund development	320,909	-	-	-	320,909
Total expenses	2,646,665	3,470,325	1,551	100	6,118,641
Change in net assets	1,279,199	910,111	582,686	64,330	2,836,326
Net assets - beginning of year	717,550	370,720	4,300,951	349,221	5,738,442
Net assets - end of year	\$1,996,749	\$1,280,831	\$4,883,637	\$413,551	\$8,574,768

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