

**MINNESOTA LAND TRUST**

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

For The Years Ended  
June 30, 2022 and 2021

**MINNESOTA LAND TRUST**  
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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Minnesota Land Trust  
St. Paul, Minnesota

### **Opinion**

We have audited the accompanying financial statements of Minnesota Land Trust (a nonprofit organization), which comprise the statements of financial position as of June 30, 2022 and 2021, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

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, 2022 and 2021, 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.

### **Basis for Opinion**

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Minnesota Land Trust and to meet our other ethical responsibilities in accordance with the relevant ethical requirements related to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Responsibilities of Management for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Minnesota Land Trust's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

### **Auditor's Responsibilities for the Audit of Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Minnesota Land Trust's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Minnesota Land Trust's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

A handwritten signature in black ink that reads "Redpath and Company Ltd." in a cursive, flowing script.

REDPATH AND COMPANY, LTD.  
St. Paul, Minnesota

October 31, 2022

## **FINANCIAL STATEMENTS**

**MINNESOTA LAND TRUST**  
**STATEMENTS OF FINANCIAL POSITION**  
June 30, 2022 and 2021

**Statement 1**

	<u>2022</u>	<u>2021</u>
Assets:		
Cash and cash equivalents	\$1,083,180	\$590,589
Capital campaign - promises to give, net	136,950	373,556
Contributions and grants receivable	2,346,488	2,620,013
Deposits and other	41,487	26,311
Furniture and equipment, net	19,105	28,544
Investments	10,747,864	12,207,878
Land held for resale	-	29,500
Land held for resale - conservation	29,260	29,260
Land held for conservation	134,000	134,000
Beneficial interest in real property	811,200	811,200
	<u>811,200</u>	<u>811,200</u>
Total assets	<u><u>\$15,349,534</u></u>	<u><u>\$16,850,851</u></u>
Liabilities and net assets:		
Liabilities:		
Accounts payable	\$274,061	\$506,206
Accrued expenses	155,595	168,943
Refundable advance	286,348	-
Total liabilities	<u>716,004</u>	<u>675,149</u>
Net assets:		
Without donor restrictions	4,633,400	6,474,017
With donor restrictions	10,000,130	9,701,685
Total net assets	<u>14,633,530</u>	<u>16,175,702</u>
Total liabilities and net assets	<u><u>\$15,349,534</u></u>	<u><u>\$16,850,851</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, 2022 and 2021

**Statement 2**

	2022			2021		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Support and revenue:						
Contributions and grants:						
Capital campaign	\$165,129	\$130,938	\$296,067	\$ -	\$1,061,162	\$1,061,162
All other	1,137,416	116,993	1,254,409	639,295	245,184	884,479
Government grant and contract revenue:						
ENRTF	72,521	-	72,521	48,099	24,000	72,099
OHF	8,265,077	539,000	8,804,077	13,307,794	539,000	13,846,794
PPP loan forgiveness	-	-	-	354,400	-	354,400
All other	1,294,693	-	1,294,693	1,138,650	120,000	1,258,650
Special events:						
Contribution	235,175	-	235,175	124,091	-	124,091
Gifts-in-kind	35,636	-	35,636	5,761	-	5,761
Other	105,705	-	105,705	86,782	-	86,782
Less: direct expenses	(44,035)	-	(44,035)	(20,208)	-	(20,208)
Fees for service	4,462	-	4,462	65,759	-	65,759
Other revenue	21,233	-	21,233	18,276	-	18,276
Gain (loss) on sale of land	(7,490)	-	(7,490)	(30,612)	-	(30,612)
Interest and dividends	208,494	10,279	218,773	174,663	9,774	184,437
Change in fair value of investments	(1,806,725)	(89,494)	(1,896,219)	1,818,069	111,706	1,929,775
Net assets released from restrictions:						
Satisfaction of program restrictions	409,271	(409,271)	-	1,746,938	(1,746,938)	-
Total support and revenue	<u>10,096,562</u>	<u>298,445</u>	<u>10,395,007</u>	<u>19,477,757</u>	<u>363,888</u>	<u>19,841,645</u>
Expenses:						
Program services	10,740,935	-	10,740,935	15,504,933	-	15,504,933
Management and general	826,473	-	826,473	467,491	-	467,491
Fund development	369,771	-	369,771	310,157	-	310,157
Total expenses	<u>11,937,179</u>	<u>0</u>	<u>11,937,179</u>	<u>16,282,581</u>	<u>0</u>	<u>16,282,581</u>
Change in net assets	(1,840,617)	298,445	(1,542,172)	3,195,176	363,888	3,559,064
Net assets - beginning of year	<u>6,474,017</u>	<u>9,701,685</u>	<u>16,175,702</u>	<u>3,278,841</u>	<u>9,337,797</u>	<u>12,616,638</u>
Net assets - end of year	<u>\$4,633,400</u>	<u>\$10,000,130</u>	<u>\$14,633,530</u>	<u>\$6,474,017</u>	<u>\$9,701,685</u>	<u>\$16,175,702</u>

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



MINNESOTA LAND TRUST  
STATEMENTS OF FUNCTIONAL EXPENSES  
For The Years Ended June 30, 2022 and 2021

Statement 3  
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	2022				Total
	Program Services	Supporting Services		Total Supporting Services	
Management and General		Fund Development			
Expenses:					
Salaries	\$1,738,614	\$521,584	\$223,536	\$745,120	\$2,483,734
Payroll taxes and benefits	345,474	103,643	44,419	148,062	493,536
Other staff expenses	4,122	3,021	378	3,399	7,521
Total personnel costs	2,088,210	628,248	268,333	896,581	2,984,791
Travel	49,435	5,568	1,032	6,600	56,035
Memberships, dues, licenses	12,805	3,131	2,116	5,247	18,052
Meeting expense	15,828	2,822	17,388	20,210	36,038
Board expense	-	1,636	-	1,636	1,636
Rent and building maintenance	109,847	32,954	14,123	47,077	156,924
Office expense	97,770	28,545	16,412	44,957	142,727
Depreciation	9,064	2,719	1,165	3,884	12,948
Postage and delivery	30,186	8,115	11,316	19,431	49,617
Printing and photocopying	7,848	2,051	8,089	10,140	17,988
Insurance	36,856	7,388	3,166	10,554	47,410
Project expenses	2,618,136	-	-	-	2,618,136
Project expenses - conservation easement and land acquisition	5,557,204	-	-	-	5,557,204
Contracted services	35,699	40,356	18,243	58,599	94,298
Audit and accounting	-	49,937	-	49,937	49,937
External grants	38,027	350	-	350	38,377
Special events	-	-	44,035	44,035	44,035
Miscellaneous expense	34,020	12,653	8,388	21,041	55,061
Total expenses	10,740,935	826,473	413,806	1,240,279	11,981,214
Less: expenses included with revenues on the statement of activities:					
Special event direct expenses	-	-	(44,035)	-	(44,035)
Total expenses included in the expense section on the statements of activities	\$10,740,935	\$826,473	\$369,771	\$1,240,279	\$11,937,179
Percentage	90%	7%	3%	10%	100%

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

MINNESOTA LAND TRUST  
STATEMENTS OF FUNCTIONAL EXPENSES  
For The Years Ended June 30, 2022 and 2021

Statement 3  
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	2021				Total
	Program Services	Supporting Services		Total Supporting Services	
		Management and General	Fund Development		
Expenses:					
Salaries	\$1,241,323	\$215,273	\$187,057	\$402,330	\$1,643,653
Payroll taxes and benefits	271,445	68,826	37,182	106,008	377,453
Other staff expenses	2,118	4,581	695	5,276	7,394
Total personnel costs	1,514,886	288,680	224,934	513,614	2,028,500
Travel	44,214	80	1,762	1,842	46,056
Memberships, dues, licenses	9,459	1,478	1,573	3,051	12,510
Meeting expense	269	2,785	4,413	7,198	7,467
Board expense	-	284	-	284	284
Rent and building maintenance	117,597	22,232	13,492	35,724	153,321
Office expense	108,810	20,272	15,792	36,064	144,874
Depreciation	14,199	2,684	1,629	4,313	18,512
Postage and delivery	14,524	2,159	32,506	34,665	49,189
Printing and photocopying	8,721	1,546	3,083	4,629	13,350
Insurance	-	33,975	-	33,975	33,975
Project expenses	3,793,753	-	2,451	2,451	3,796,204
Project expenses - conservation easement and land acquisition	9,802,750	-	-	-	9,802,750
Contracted services	35,672	36,479	4,822	41,301	76,973
Audit and accounting	-	53,748	-	53,748	53,748
External grants	17,300	-	-	-	17,300
Special events	-	-	20,208	20,208	20,208
Miscellaneous expense	22,779	1,089	3,700	4,789	27,568
Total expenses	15,504,933	467,491	330,365	797,856	16,302,789
Less: expenses included with revenues on the statement of activities:					
Special event direct expenses	-	-	(20,208)	(20,208)	(20,208)
Total expenses included in the expense section on the statements of activities	\$15,504,933	\$467,491	\$310,157	\$777,648	\$16,282,581
Percentage	95%	3%	2%	5%	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, 2022 and 2021

**Statement 4**

	<u>2022</u>	<u>2021</u>
Cash flows from operating activities:		
Change in net assets	(\$1,542,172)	\$3,559,064
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	12,948	18,512
Realized and unrealized (gain) loss on investments	1,896,219	(1,929,775)
(Increase) decrease in assets:		
Capital campaign - promises to give, net	236,606	196,236
Contributions and grants receivables	273,525	(311,024)
Land held for resale	29,500	134,500
Deposits and other	(15,176)	875
Beneficial interest in real property	-	(22,800)
Increase (decrease) in liabilities:		
Accounts payable	(232,145)	441,738
Accrued expenses	(13,348)	13,419
Refundable advance	286,348	-
Refundable advance - PPP loan	-	(354,400)
Net cash provided by operating activities	<u>932,305</u>	<u>1,746,345</u>
Cash flows from investing activities:		
Purchase of furniture and equipment	(3,509)	(8,799)
Purchase of investments, including re-invested income	(1,172,051)	(2,455,236)
Proceeds from sale of investments	735,846	396,772
Net cash used by investing activities	<u>(439,714)</u>	<u>(2,067,263)</u>
Net increase (decrease) in cash and cash equivalents	492,591	(320,918)
Cash and cash equivalents - beginning of year	<u>590,589</u>	<u>911,507</u>
Cash and cash equivalents - end of year	<u><u>\$1,083,180</u></u>	<u><u>\$590,589</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, 2022, the Land Trust has completed 653 land protection projects, permanently protecting 73,306 acres and 2,338,645 feet of shoreline since its founding in 1991.

**RESTORATION:** The Land Trust's Restoration Program seeks to rebuild important complexes of wetlands, forests, prairies, and other threatened natural systems. This ecological restoration provides multiple public benefits, including enhanced wildlife habitat, cleaner water, accessibility, and resiliency to a changing climate. In one of its signature projects, the Land Trust has partnered with local, state, federal and tribal entities over the past decade to recover the ecological functions and usability of the St. Louis River estuary in Duluth, which is a globally unique 12,000-acre wetland complex and one of the largest freshwater estuaries in the world. The Restoration Program also helps individual landowners throughout the state restore important habitats on their properties such as savannas, prairies, and wetlands and manage them with future generations in mind.

**ENGAGEMENT:** Through our Engagement Program, the Land Trust is committed to investing in efforts designed to engage current and future generations of Minnesotans in the great outdoors. This includes working with outdoor user groups and youth service agencies to bridge the equity and adventure gap that is widespread in Minnesota communities, connecting underserved populations with difficult-to-access outdoor experiences.

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

**MINNESOTA LAND TRUST**  
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June 30, 2022 and 2021

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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**

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.

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 \$6,685 and \$19,661 for the years ended June 30, 2022 and 2021, respectively.

At June 30, 2022 and 2021 the present value discount on long-term pledges was considered immaterial and therefore was not recorded.

**D. REVENUE AND REVENUE RECOGNITION**

The Land Trust recognizes contributions and support revenue when cash, securities or other assets, or an unconditional promise to give is received. Conditional promises to give, that is, those with a measurable performance or other barrier, and right of return, are not recognized until the conditions on which they depend have been met. Verbal promises to give are considered to be conditional, and are not recorded unless confirmed in writing.

The Land Trust receives various government grants that are generally cost-reimbursable agreements, which are conditional upon certain performance requirements and/or the incurrence of allowable qualifying expenditures. Revenue is recognized as qualifying expenditures are incurred, or other contractual conditions are met. Cash received prior to incurring qualifying expenditures are reported as refundable

**MINNESOTA LAND TRUST**  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2022 and 2021

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advances in the statements of financial position. At June 30, 2022 and 2021, refundable advances were \$286,348 and \$0, respectively. At June 30, 2022 and 2021, cost-reimbursable grants approximating \$36,100,000 and \$35,200,000 had been awarded but not recognized in the accompanying financial statements, respectively. Expenditures under government contracts are subject to review by the granting authority.

Fees for service are recognized at a point in time when the underlying service has been provided. Other revenue consists of funds from annual assessments of homeowner associates and an easement release, and are recognized at a point in time, when the assessments took place or the easement release was received.

Special event revenue is comprised of an exchange element based upon the direct benefits donors receive and a contribution element for the difference. The Land Trust recognizes special events revenue equal to the fair value of direct benefits to donors when the special event takes place and the contribution element of the special event revenue immediately, unless there is a right of return if the special event does not take place.

**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.

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.

**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 receivables 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 \$12,948 and \$18,512 for the years ended June 30, 2022 and 2021, respectively.

**I. 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.

**J. 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 \$811,200 at June 30, 2022 and 2021.

**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 2,060 and 2,160 hours of time contributed for easement monitoring, land protection work, and management support activities for the years ended June 30, 2022 and 2021, 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 2022 or 2021.

The Land Trust receives items to be sold at its annual auction. Contributed auction items are valued at the gross selling price received. There were no donor-imposed restrictions associated with the donated items. The total amount recognized for the annual auction donated items is \$35,636 and \$5,761 for the years ended June 30, 2022 and 2021, respectively. All contributed items were sold at the annual auction.

Contributions of other 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. There were no contributions of other materials and equipment for each of the years ended June 30, 2022 and 2021.

#### **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.

#### **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.



**MINNESOTA LAND TRUST**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2022 and 2021

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**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:

	<u>2022</u>	<u>2021</u>
Financial assets	\$14,314,482	\$15,792,036
Less those unavailable for general expenditures within one year, due to:		
Donor-imposed restrictions:		
Restricted by donor with purpose restrictions *	(8,702,513)	(8,404,018)
Restricted by donor in perpetuity	(323,207)	(323,207)
Board designations:		
Acquisition **	(379,999)	(377,068)
Stewardship and Enforcement	(2,447,549)	(4,565,093)
Endowment	<u>(50,000)</u>	<u>(50,000)</u>
Total	<u>\$2,411,214</u>	<u>\$2,072,650</u>

\* Excludes nonfinancial assets with purpose restrictions of \$974,460 at June 30, 2022 and 2021.

\*\* Excludes nonfinancial assets with board designations of \$0 and \$29,500 at June 30, 2022 and 2021, respectively.

The Land Trust structures its financial assets to be available as its general expenditures, liabilities and other obligations come due. Additionally, the Land Trust maintains a line of credit as disclosed in Note 10.

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**Note 3 INVESTMENTS**

Investment detail at June 30 is as follows:

	2022			
	Acquisition	Stewardship and Enforcement	Endowment	Total
Fixed income mutual funds	\$522,857	\$3,572,446	\$179,495	\$4,274,798
Equity mutual funds	-	6,167,362	305,704	6,473,066
Total	<u>\$522,857</u>	<u>\$9,739,808</u>	<u>\$485,199</u>	<u>\$10,747,864</u>
	2021			
	Acquisition	Stewardship and Enforcement	Endowment	Total
Fixed income mutual funds	\$570,891	\$3,875,635	\$207,236	\$4,653,762
Equity mutual funds	-	7,168,477	385,639	7,554,116
Total	<u>\$570,891</u>	<u>\$11,044,112</u>	<u>\$592,875</u>	<u>\$12,207,878</u>

**Note 4 PROMISES TO GIVE RECEIVABLE**

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

	2022	2021
Due in one year	\$99,635	\$274,217
Due in two to five years	44,000	119,000
Total	<u>143,635</u>	<u>393,217</u>
Less: allowance	<u>(6,685)</u>	<u>(19,661)</u>
Total	<u>\$136,950</u>	<u>\$373,556</u>

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**Note 5 FURNITURE AND EQUIPMENT**

Furniture and equipment consisted of the following at June 30:

	<u>2022</u>	<u>2021</u>
Computer equipment	\$72,980	\$84,265
Office equipment	5,806	36,721
Furniture and fixtures	7,986	7,986
Total	<u>86,772</u>	<u>128,972</u>
Less: accumulated depreciation	<u>(67,667)</u>	<u>(100,428)</u>
Net furniture and equipment	<u>\$19,105</u>	<u>\$28,544</u>

**Note 6 NET ASSETS**

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

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

	<u>2022</u>	<u>2021</u>
Undesignated	\$696,160	\$703,276
Board designated:		
Operations	1,059,692	749,080
Land and easement acquisition	379,999	406,568
Stewardship and enforcement	2,447,549	4,565,093
Endowment	<u>50,000</u>	<u>50,000</u>
Total	<u>\$4,633,400</u>	<u>\$6,474,017</u>

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**B. WITH DONOR RESTRICTIONS**

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

	2022		
	Purpose Restricted	Permanent in Nature	Total
Capital campaign	\$1,987,298	\$ -	\$1,987,298
General conservation	138,567	-	138,567
Land and easement acquisitions	1,137,087	-	1,137,087
Endowment	90,333	323,207	413,540
Stewardship and enforcement	6,323,638	-	6,323,638
Total	<u>\$9,676,923</u>	<u>\$323,207</u>	<u>\$10,000,130</u>
	2021		
	Purpose Restricted	Permanent in Nature	Total
Capital campaign	\$2,071,083	\$ -	\$2,071,083
General conservation	199,265	-	199,265
Land and easement acquisitions	1,138,931	-	1,138,931
Endowment	191,210	323,207	514,417
Stewardship and enforcement	5,777,989	-	5,777,989
Total	<u>\$9,378,478</u>	<u>\$323,207</u>	<u>\$9,701,685</u>

**Note 7    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. Additionally, the endowment fund contains assets that have been designed by the board as a “quasi-endowment”.

**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.

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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 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 2022 and 2021 is as follows:

	<u>2022</u>	<u>2021</u>
Endowment:		
Board designated	\$50,000	\$50,000
Available for appropriation	90,333	172,609
Permanent in nature	216,207	216,207
Judd Lake:		
Available for appropriation	-	18,601
Permanent in nature	<u>107,000</u>	<u>107,000</u>
Total	<u><u>\$463,540</u></u>	<u><u>\$564,417</u></u>

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Endowment fund activity for 2022 and 2021 is as follows:

	Board Designated	With Donor Restrictions		Total
		Purpose Restricted	Permanent in Nature	
Net assets - June 30, 2020	\$50,000	\$98,188	\$323,207	\$471,395
Investment return:				
Interest and dividends	-	9,774	-	9,774
Change in fair value	-	111,706	-	111,706
Total investment return	0	121,480	0	121,480
Contributions and transfers	-	-	-	-
Appropriation for expenditure	-	(28,458)	-	(28,458)
Net assets - June 30, 2021	50,000	191,210	323,207	564,417
Investment return:				
Interest and dividends	-	10,280	-	10,280
Change in fair value	-	(89,495)	-	(89,495)
Total investment return	0	(79,215)	0	(79,215)
Contributions and transfers	-	-	-	-
Appropriation for expenditure	-	(21,662)	-	(21,662)
Net assets - June 30, 2022	\$50,000	\$90,333	\$323,207	\$463,540

**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, 2022 and 2021, 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 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 2022 and 2021 is as follows:

	2022		
	Without Donor Restrictions	With Donor Restrictions	Total
Board designated	\$2,447,549	\$ -	\$2,447,549
Donor restricted:			
General conservation	-	6,323,638	6,323,638
Capital campaign	-	1,256,045	1,256,045
	<u>\$2,447,549</u>	<u>\$7,579,683</u>	<u>\$10,027,232</u>
	2021		
	Without Donor Restrictions	With Donor Restrictions	Total
Board designated	\$4,565,093	\$ -	\$4,565,093
Donor restricted:			
General conservation	-	5,777,989	5,777,989
Capital campaign	-	1,172,244	1,172,244
	<u>\$4,565,093</u>	<u>\$6,950,233</u>	<u>\$11,515,326</u>

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Stewardship and enforcement fund activity for 2022 and 2021 is as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Net assets - June 30, 2020	\$1,371,485	\$6,120,864	\$7,492,349
Investment return:			
Interest and dividends, net of fees	170,677	-	170,677
Change in fair value	1,820,831	-	1,820,831
Total investment return	1,991,508	0	1,991,508
Contributions/grants/fees for service	24,000	696,081	720,081
Capital campaign transfer in	-	133,288	133,288
Contributions/grants transfer in	1,550,100	-	1,550,100
Appropriation for expenditure	(372,000)	-	(372,000)
Net assets - June 30, 2021	4,565,093	6,950,233	11,515,326
Investment return:			
Interest and dividends, net of fees	204,334	-	204,334
Change in fair value	(1,783,640)	-	(1,783,640)
Total investment return	(1,579,306)	0	(1,579,306)
Contributions/grants/fees for service	6,762	545,650	552,412
Capital campaign transfer in	-	83,800	83,800
Contributions/grants transfer in	-	-	-
Appropriation for expenditure	(545,000)	-	(545,000)
Net assets - June 30, 2022	\$2,447,549	\$7,579,683	\$10,027,232

**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 9 LEASE AGREEMENTS**

The Land Trust leases office space in St. Paul, Minnesota under a lease agreement that expires September 30, 2025. Minimum monthly lease payments increase 2.5% annually and are \$8,866-\$9,548 over the remaining lease term.

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 increase \$70 annually and are \$3,065-\$3,135 over the remaining lease term.

Future minimum payments for noncancellable operating leases are as follows:

Years Ending June 30,	Amount
2023	\$145,306
2024	142,446
2025	113,873
2026	<u>28,643</u>
Total	<u><u>\$430,268</u></u>

Rent expense, including operating expenses, for the years ended June 30, 2022 and 2021, for all operating leases, was \$156,924 and \$153,321, respectively.

**Note 10 LINE OF CREDIT**

The Land Trust has a revolving line of credit agreement with a commercial bank that matures on July 11, 2022. The agreement provides for borrowing up to \$300,000, subject to a borrowing base maximum as determined by the bank. Interest on the line of credit is set at the Prime rate +1% (5.75% at June 30, 2022). The line of credit is secured by all assets of the Land Trust and is subject to financial and nonfinancial covenants. At June 30, 2022 and 2021, there was \$0 outstanding on the line of credit.

On July 22, 2022, The Land Trust obtained a new line of credit through July 22, 2024. The agreement provides for borrowing up to \$3,000,000, with fixed interest at 4.75%. The line of credit is secured by all assets of the Land Trust and is subject to financial and nonfinancial covenants.

**Note 11 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 \$45,365 and \$33,871 during the years ended June 30, 2022 and 2021, respectively.

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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:

	June 30, 2022		
	Level 1	Level 2	Total
Investments:			
Fixed income mutual funds	\$4,274,798	\$ -	\$4,274,798
Equity mutual funds	6,473,066	-	6,473,066
Beneficial interest in real property	-	811,200	811,200
	<u>\$10,747,864</u>	<u>\$811,200</u>	<u>\$11,559,064</u>
	June 30, 2021		
	Level 1	Level 2	Total
Investments:			
Fixed income mutual funds	\$4,653,762	\$ -	\$4,653,762
Equity mutual funds	7,554,116	-	7,554,116
Beneficial interest in real property	-	811,200	811,200
	<u>\$12,207,878</u>	<u>\$811,200</u>	<u>\$13,019,078</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.

**Note 13 PPP LOAN FORGIVENESS**

On April 16, 2020, the Land Trust received a \$354,400 forgivable loan from the US Small Business Administration (SBA) under the Paycheck Protection Program created by Section 1102 of the Coronavirus Aid, Relief, and Economic Security Act (the “CARES Act”). Loan proceeds are to be used for payroll costs and other expenses as permitted by the CARES Act.

The Land Trust determined that underlying conditions were met and recognized contribution revenue under FASB ASC 958-605 upon submitting the forgiveness application to the SBA on January 20, 2021. The Land Trust received notification of full forgiveness from the SBA on August 19, 2021.

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Expenditures claimed under this program are subject to review and audit by the SBA for six years from the date of loan forgiveness. Management believes that any liability for disallowances, which may arise as a result of an audit, would not be material.

**Note 14 CHANGE IN ACCOUNTING PRINCIPLE**

In fiscal year 2022, the Organization adopted Accounting Standards Update (ASU) 2020-07, Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets. The new guidance requires nonprofit entities to present contributed nonfinancial assets as a separate line item in the statement of activities, apart from contributions of cash or other financial assets. The standard also increases the disclosure requirements around contributed nonfinancial assets, including disaggregating by category the types of contributed nonfinancial assets a nonprofit entity has received. Adoption of this standard required increased disclosure and a reclassification of prior year information to conform to the new required method of presentation

**Note 15 SUBSEQUENT EVENTS**

Subsequent to year end, the Land Trust obtained a new line of credit agreement through July 22, 2024. See Note 10 for further details.

Management has evaluated subsequent events for recognition or disclosure through October 31, 2022, the date that the financial statements were available to be issued.