MINNESOTA LAND TRUST

FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT

For The Years Ended
June 30, 2026 and 2025

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, 2026 and 2025, 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, 2026 and 2025, 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. 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 relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit.

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, which 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 generally accepted auditing standards 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 generally accepted auditing standards, 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 audits, significant audit findings, and certain internal control related matters that we identified during the audits.



REDPATH AND COMPANY, LLC
St. Paul, Minnesota

October 21, 2026

FINANCIAL STATEMENTS

MINNESOTA LAND TRUST
STATEMENTS OF FINANCIAL POSITION **Statement 1**
June 30, 2026 and 2025

	2026	2025
Assets:		
Cash and cash equivalents	$3,068,774	$1,230,709
Contributions receivable, net	91,123	1,478,369
Grants receivable	3,569,800	2,441,793
Deposits and other	62,875	47,927
Furniture and equipment, net	1,003	2,722
Investments	21,492,246	18,180,422
Contributed land - held in trust	1,450,163	1,450,163
Land held for resale - conservation	43,816	1,693,816
Land held for conservation	134,000	134,000
Operating lease, right-to-use asset	64,372	99,314
Total assets	$29,978,172	$26,759,235
Liabilities and net assets:		
Liabilities:		
Line of credit	$400,000	$ -
Accounts payable	706,691	535,332
Accrued expenses	665,584	313,603
Deferred revenue	-	13,900
Obligation for land conveyance	-	1,650,000
Operating lease liability	65,072	100,951
Total liabilities	1,837,347	2,613,786
Net assets:		
Without donor restrictions:		
Undesignated	991,975	524,277
Board designated	15,538,766	13,091,299
Total net assets without donor restrictions	16,530,741	13,615,576
With donor restrictions	11,610,084	10,529,873
Total net assets	28,140,825	24,145,449
Total liabilities and net assets	$29,978,172	$26,759,235

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

MINNESOTA LAND TRUST
STATEMENTS OF ACTIVITIES
For The Years Ended June 30, 2026 and 2025

Statement 2

	2026			2025		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Support and revenue:						
Contributions:						
Individuals	$1,919,049	$328,916	$2,247,965	$1,535,638	$391,890	$1,927,528
Bequests	25,736	-	25,736	1,642,023	-	1,642,023
Bequests - contributed land	-	-	-	1,450,163	-	1,450,163
Foundation, corporate and other	285,159	605,000	890,159	439,064	64,400	503,464
Government grant and contract revenue:						
OHF	10,948,191	1,008,000	11,956,191	15,407,848	923,000	16,330,848
ENRTF	254,346	-	254,346	78,914	-	78,914
CPL	497,567	-	497,567	1,112,380	-	1,112,380
Federal and other	1,733,812	-	1,733,812	1,731,631	-	1,731,631
Special events:						
Contribution	596,962	-	596,962	487,171	-	487,171
Gifts-in-kind	7,000	-	7,000	11,000	-	11,000
Other	136,527	-	136,527	102,593	-	102,593
Less: Direct expenses	(99,353)	-	(99,353)	(101,538)	-	(101,538)
Other revenue	21,386	-	21,386	35,175	-	35,175
Interest and dividends	555,783	15,147	570,930	387,813	14,365	402,178
Change in fair value of investments	2,424,226	84,743	2,508,969	1,601,863	56,997	1,658,860
Net assets released from restrictions:						
Satisfaction of program restrictions	961,595	(961,595)	-	930,001	(930,001)	-
Total support and revenue	20,267,986	1,080,211	21,348,197	26,851,739	520,651	27,372,390
Expenses:						
Program services	14,151,044	-	14,151,044	19,105,764	-	19,105,764
Management and general	1,719,206	-	1,719,206	1,440,425	-	1,440,425
Fund development	1,482,571	-	1,482,571	856,098	-	856,098
Total expenses	17,352,821	0	17,352,821	21,402,287	0	21,402,287
Change in net assets	2,915,165	1,080,211	3,995,376	5,449,452	520,651	5,970,103
Net assets - beginning of year	13,615,576	10,529,873	24,145,449	8,166,124	10,009,222	18,175,346
Net assets - end of year	$16,530,741	$11,610,084	$28,140,825	$13,615,576	$10,529,873	$24,145,449

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

MINNESOTA LAND TRUST
STATEMENTS OF FUNCTIONAL EXPENSES
For The Years Ended June 30, 2026 and 2025

	2026				
		Supporting Services			
	Program Services	Management and General	Fund Development	Total Supporting Services	Total
Expenses:					
Salaries	$2,043,956	$1,062,001	$698,007	$1,760,008	$3,803,964
Payroll taxes and benefits	439,804	237,390	138,215	375,605	815,409
Other staff expenses	9,812	13,617	1,803	15,420	25,232
Total personnel costs	2,493,572	1,313,008	838,025	2,151,033	4,644,605
Travel	79,501	14,914	11,597	26,511	106,012
Memberships, dues, licenses	721	20,776	650	21,426	22,147
Meeting expense	5,962	14,050	35,699	49,749	55,711
Board expense	-	9,526	1,130	10,656	10,656
Occupancy	96,204	39,809	33,271	73,080	169,284
IT services	87,859	82,776	55,345	138,121	225,980
Office expense	20,282	9,433	8,090	17,523	37,805
Depreciation	997	413	309	722	1,719
Postage and mailings	39	6,494	89,394	95,888	95,927
Communications and promotion	-	5,144	57,107	62,251	62,251
Printing and photocopying	-	168	1,145	1,313	1,313
Insurance	60,218	6,256	4,692	10,948	71,166
Project expenses	5,002,752	-	1,798	1,798	5,004,550
Project expenses - conservation easement and land acquisition	6,260,220	-	-	-	6,260,220
Contracted services	42,137	105,588	288,161	393,749	435,886
Audit and accounting	-	37,859	-	37,859	37,859
External grants	-	35,092	-	35,092	35,092
Special events	-	-	99,353	99,353	99,353
Other event expense	169	744	36,597	37,341	37,510
Miscellaneous expense	411	17,156	19,561	36,717	37,128
Total expenses	14,151,044	1,719,206	1,581,924	3,301,130	17,452,174
Less: Expenses included with revenues on the statements of activities:					
Special event direct expenses	-	-	(99,353)	(99,353)	(99,353)
Total expenses included in the expense section on the statements of activities	$14,151,044	$1,719,206	$1,482,571	$3,201,777	$17,352,821
Percentage	82%	10%	8%	18%	100%

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

	2025				
		Supporting Services			
	Program Services	Management and General	Fund Development	Total Supporting Services	Total
Expenses:					
Salaries	$2,110,335	$851,765	$418,355	$1,270,120	$3,380,455
Payroll taxes and benefits	407,571	182,669	77,578	260,247	667,818
Other staff expenses	8,596	26,609	2,558	29,167	37,763
Total personnel costs	2,526,502	1,061,043	498,491	1,559,534	4,086,036
Travel	97,532	6,559	6,244	12,803	110,335
Memberships, dues, licenses	287	53,801	-	53,801	54,088
Meeting expense	5,395	12,331	4,831	17,162	22,557
Board expense	-	8,000	-	8,000	8,000
Occupancy	115,749	36,279	20,731	57,010	172,759
IT services	63,854	28,918	45,499	74,417	138,271
Office expense	23,123	8,451	5,017	13,468	36,591
Depreciation	2,020	633	362	995	3,015
Postage and mailings	309	6,234	77,057	83,291	83,600
Printing and photocopying	1,644	666	2,234	2,900	4,544
Insurance	58,781	5,499	3,142	8,641	67,422
Project expenses	5,049,044	-	-	-	5,049,044
Project expenses - conservation easement and land acquisition	11,158,651	-	-	-	11,158,651
Contracted services	2,477	128,669	148,288	276,957	279,434
Audit and accounting	-	26,525	-	26,525	26,525
External grants	-	24,930	-	24,930	24,930
Special events	-	-	101,538	101,538	101,538
Miscellaneous expense	396	31,887	44,202	76,089	76,485
Total expenses	19,105,764	1,440,425	957,636	2,398,061	21,503,825
Less: Expenses included with revenues on the statements of activities:					
Special event direct expenses	-	-	(101,538)	(101,538)	(101,538)
Total expenses included in the expense section on the statements of activities	$19,105,764	$1,440,425	$856,098	$2,296,523	$21,402,287
Percentage	89%	7%	4%	11%	100%

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

MINNESOTA LAND TRUST
STATEMENTS OF CASH FLOWS **Statement 4**
For The Years Ended June 30, 2026 and 2025

	2026	2025
Cash flows from operating activities:		
Change in net assets	$3,995,376	$5,970,103
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	1,719	3,015
Noncash operating lease expense	(937)	(1,789)
Realized and unrealized (gain) loss on investments	(2,508,969)	(1,658,860)
Contributed land	-	(1,450,163)
(Increase) decrease in assets:		
Contributions receivable	1,387,246	(1,350,989)
Grants receivable	(1,128,007)	(243,377)
Land held for resale - conservation	1,650,000	(1,664,556)
Deposits and other	(14,948)	716
Increase (decrease) in liabilities:		
Accounts payable	171,359	4,204
Accrued expenses	351,981	102,115
Deferred revenue	(13,900)	13,900
Refundable advance	-	(14,809)
Obligation for land conveyance	(1,650,000)	1,650,000
Net cash provided by operating activities	2,240,920	1,359,510
Cash flows from investing activities:		
Purchase of investments, including re-invested income	(1,374,380)	(1,331,370)
Proceeds from sale of investments	571,525	487,001
Net cash used in investing activities	(802,855)	(844,369)
Cash flows from financing activities:		
Net proceeds from line of credit	400,000	-
Net increase in cash and cash equivalents	1,838,065	515,141
Cash and cash equivalents - beginning of year	1,230,709	715,568
Cash and cash equivalents - end of year	$3,068,774	$1,230,709

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 land, water, and wildlife so that nature thrives – for everyone, forever. 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, 2026, the Land Trust has completed 768 conservation easements which permanently protect 82,439 acres and approximately 3,000,000 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 fostering a conservation ethos by building connections to nature and increasing access to meaningful nature experiences for all Minnesotans. The Engagement Program advocates for greater access to outdoor recreation and supports local partners who lead inclusive, community-based programs.

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

B. 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 Board of Directors has designated a portion of these net assets for future operations, land easement acquisitions, stewardship and enforcement, and a 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, based upon historical experience and a review of subsequent collections. Promises to give are presented net of allowance for doubtful accounts of $0 for the years ended June 30, 2026 and 2025.

At June 30, 2026 and 2025 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.

At June 30, 2026 and 2025, the Land Trust had conditional promises to give of $500,000 and $0, respectively, that were not recognized in the accompanying financial statements because the conditions upon which they depend had not been met. Recognition is dependent upon the satisfaction of specified conditions, including governmental approvals, legislative action, and project development milestones associated with the Sawmill Dome Highlands Project.

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 advances in the statements of financial position. At June 30, 2026 and 2025, refundable advances were $0. At June 30, 2026 and 2025, cost-reimbursable grants totaling approximately $73,080,000 and $57,550,000, respectively, had been awarded but

not recognized in the accompanying financial statements. Expenditures under government contracts are subject to review by the granting authority.

Fees for service and other revenue are recognized at a point in time when the related services are provided or the underlying transaction occurs.

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. ACCOUNTS RECEIVABLE AND ALLOWANCE FOR CREDIT LOSSES

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. The Land Trust provides an allowance for uncollectible accounts based on management's assessment of historical losses as well as reasonable and supportable forecasts regarding future events. No allowance for credit losses was deemed necessary at June 30, 2026 and 2025.

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 $5,000. Depreciation is computed using the straight-line method over the estimated useful life of the furniture and equipment – three to seven years. Depreciation expense was $1,719 and $3,015 for the years ended June 30, 2026 and 2025, 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. LEASES

For any lease with an initial term in excess of 12 months, the related leased asset and liability are recognized on the balance sheet as either operating or finance leases at the inception of an agreement where it is determined that a lease exists. The Land Trust has elected to exclude short-term leases for all classes of underlying assets from balance sheet recognition. A lease is considered to be short-term if it contains a lease term of 12 months or less. Lease expenses related to short-term leases is recognized on a straight-line basis over the term of the lease. The Land Trust may enter into leases that contain both lease and non-lease components.

Operating lease assets are included in operating lease right-of-use ("ROU") asset. ROU assets represent the right to use an underlying asset for the lease term and operating lease liabilities represent the obligation to make lease payments arising from the related operating lease.

K. DONATED SERVICES, MATERIALS, LAND, 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 4,720 and 8,200 hours of time contributed for easement monitoring, land protection work, and management support activities for the years ended June 30, 2026 and 2025, respectively. Since the value of the services did not meet the criteria for financial statement recognition, no amounts have been recognized in the accompanying statements of activities for these services for either 2026 or 2025.

During 2025, the Land Trust recognized contribution revenue without donor restrictions related to three parcels of land with an estimated fair market value of $1,450,163. As of the date of these financial statements, legal title to the parcels is held in trust on behalf of the Land Trust. The transfer of title is expected to be completed during fiscal year 2027.

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 was $7,000 and $11,000 for the years ended June 30, 2026 and 2025, respectively.

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 during the years ended June 30, 2026 and 2025.

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. Costs are assigned to a specific department on a direct basis whenever possible. Salaries and related costs are allocated between the program and supporting service categories based upon the actual time expended by the employees in those categories. Shared expenses that relate to the organization as a whole or which cannot be easily divided between departments are allocated based on all hours worked by department or program.

N. LAND

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

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

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

O. OBLIGATION FOR LAND CONVEYANCE

The Minnesota Land Trust, in partnership with the Northern Waters Land Trust, entered into grant agreements with the State of Minnesota to purchase 430 acres of strategic northern land in fee title. Pursuant to the grant agreements, the Minnesota Land Trust will convey the property at no cost to the Minnesota Department of Natural Resources for public use as a wildlife management area. The Minnesota Land Trust recorded a Notice of Funding Restrictions in the land records contemporaneously with the land acquisition as required by Minnesota Statute Section 97A.056, subd. 17.

The Minnesota Land Trust's portion of the purchase agreement was $1,650,000. The property title was conveyed to the State of Minnesota on May 11, 2026, satisfying the related obligation.

P. 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.

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:

	2026	2025
Financial assets	$28,221,943	$23,331,293
Less amounts unavailable for general expenditures within one year, due to:		
Donor-imposed restrictions:		
Restricted by donor with purpose restrictions	(11,280,877)	(10,206,666)
Restricted by donor in perpetuity	(329,207)	(323,207)
Board designations:		
Acquisition *	(304,988)	(284,918)
Stewardship and Enforcement	(10,654,298)	(7,769,429)
Endowment	(50,000)	(50,000)
Total	$5,602,573	$4,697,073

* Excludes nonfinancial assets with purpose restrictions of $177,816 at June 30, 2026 and 2025.

The Land Trust structures its financial assets to be available as general expenditures, liabilities, and other obligations come due. As part of its liquidity management strategy, the Land Trust maintains cash and investment balances sufficient to meet anticipated operating needs.

The Board of Directors has designated certain net assets without donor restrictions for future operations and an operating reserve. Because these amounts may be undesignated by Board action and used to support operations, they are included in financial assets available to meet general expenditures within one year. Amounts designated for acquisitions, stewardship and enforcement, and endowment purposes are not intended to be used for general expenditures and, accordingly, are excluded from financial assets available to meet general expenditures within one year.

Additionally, the Land Trust maintains a line of credit as disclosed in Note 10 that may be drawn upon, if necessary, to meet short-term operating cash flow needs.

Note 3 INVESTMENTS

Investment detail at June 30 is as follows:

	2026				
	Operating	Acquisition	Stewardship and Enforcement	Endowment	Total
Fixed income mutual funds	$ -	$630,678	$6,712,933	$219,323	$7,562,934
Equity mutual funds	-	-	13,464,041	465,271	13,929,312
Total	$ -	$630,678	$20,176,974	$684,594	$21,492,246

	2025				
	Operating	Acquisition	Stewardship and Enforcement	Endowment	Total
Fixed income mutual funds	$ -	$543,577	$5,777,951	$194,419	$6,515,947
Equity mutual funds	-	-	11,216,742	422,421	11,639,163
Corporate stock	25,312	-	-	-	25,312
Total	$25,312	$543,577	$16,994,693	$616,840	$18,180,422

Note 4 PROMISES TO GIVE RECEIVABLE

All contributions receivable are expected to be collected within one year. As of June 30, 2026, 84% of contributions and grants receivable were from one donor. As of June 30, 2025, 93% of contributions and grants receivable were from one donor.

Note 5 FURNITURE AND EQUIPMENT

Furniture and equipment consisted of the following at June 30:

	2026	2025
Computer equipment	$68,229	$68,229
Office equipment	5,806	5,806
Furniture and fixtures	7,986	7,986
Total	82,021	82,021
Less: Accumulated depreciation	(81,018)	(79,299)
Net furniture and equipment	$1,003	$2,722

Note 6 NET ASSETS

A. WITHOUT DONOR RESTRICTIONS - BOARD DESIGNATED

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

	2026	2025
Undesignated	$991,975	$524,277
Board designated:		
Operations	3,343,115	4,251,530
Operating reserve	1,008,549	557,606
Land and easement acquisition	482,804	462,734
Stewardship and enforcement	10,654,298	7,769,429
Endowment	50,000	50,000
Total	$16,530,741	$13,615,576

B. WITH DONOR RESTRICTIONS

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

	2026		
	Purpose Restricted	Permanent in Nature	Total
General Conservation	$946,977	$ -	$946,977
Land and easement acquisitions	254,303	-	254,303
Endowment	236,819	222,207	459,026
Judd Lake	45,045	107,000	152,045
Stewardship and enforcement *	9,797,733	-	9,797,733
Total	$11,280,877	$329,207	$11,610,084

	2025		
	Purpose Restricted	Permanent in Nature	Total
General conservation	$436,676	$ -	$436,676
Land and easement acquisitions	294,282	-	294,282
Endowment	176,433	216,207	392,640
Judd Lake	27,541	107,000	134,541
Stewardship and enforcement *	9,271,734	-	9,271,734
Total	$10,206,666	$323,207	$10,529,873

* Includes capital campaign

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 Land Trust and the endowment fund.
3. General economic conditions.
4. The possible effect of inflation or deflation.
5. The expected total return from income and the appreciation of investments.
6. Other resources of the Land Trust.
7. The investment policy of the Land Trust.

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 is as follows at June 30:

	2026	2025
Endowment:		
Board designated	$50,000	$50,000
Available for appropriation	236,819	176,433
Permanent in nature	222,207	216,207
Judd Lake:		
Available for appropriation	45,045	27,541
Permanent in nature	107,000	107,000
Total	$661,071	$577,181

Endowment fund activity for the years ended June 30 is as follows:

		With Donor Restrictions		
	Board Designated	Purpose Restricted	Permanent in Nature	Total
Net assets - June 30, 2024	$50,000	$155,112	$323,207	$528,319
Investment return:				
Interest and dividends	-	14,365	-	14,365
Change in fair value	-	56,997	-	56,997
Total investment return	0	71,362	0	71,362
Contributions and transfers	-	-	-	-
Appropriation for expenditure	-	(22,500)	-	(22,500)
Net assets - June 30, 2025	50,000	203,974	323,207	577,181
Investment return:				
Interest and dividends	-	15,147	-	15,147
Change in fair value	-	84,743	-	84,743
Total investment return	0	99,890	0	99,890
Contributions and transfers	-	-	6,000	6,000
Appropriation for expenditure	-	(22,000)	-	(22,000)
Net assets - June 30, 2026	$50,000	$281,864	$329,207	$661,071

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, based on the average fund value over the previous 12 quarters.

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 ended June 30, 2026 and 2025, 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 is as follows at June 30:

	2026		
	Without Donor Restrictions	With Donor Restrictions	Total
Board designated	$10,654,298	$ -	$10,654,298
Donor restricted:			
General conservation	-	8,317,288	8,317,288
Capital campaign	-	1,480,445	1,480,445
Total	$10,654,298	$9,797,733	$20,452,031

	2025		
	Without Donor Restrictions	With Donor Restrictions	Total
Board designated	$7,769,429	$ -	$7,769,429
Donor restricted:			
General conservation	-	7,791,288	7,791,288
Capital campaign	-	1,480,445	1,480,445
Total	$7,769,429	$9,271,733	$17,041,162

Stewardship and enforcement fund activity for the years ended June 30 is as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Net assets - June 30, 2024	$5,777,620	$8,832,933	$14,610,553
Investment return:			
Interest and dividends, net of fees	387,900	-	387,900
Change in fair value	1,550,778	-	1,550,778
Total investment return	1,938,678	0	1,938,678
Contributions, grants, fees for service	53,131	925,800	978,931
Appropriation for expenditure	-	(487,000)	(487,000)
Net assets - June 30, 2025	7,769,429	9,271,733	17,041,162
Investment return:			
Interest and dividends, net of fees	385,210	-	385,210
Change in fair value	2,494,512	-	2,494,512
Total investment return	2,879,722	0	2,879,722
Contributions, grants, fees for service	5,147	1,064,000	1,069,147
Appropriation for expenditure	-	(538,000)	(538,000)
Net assets - June 30, 2026	$10,654,298	$9,797,733	$20,452,031

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, through June 30, 2025, the Land Trust's policy for amounts appropriated for expenditure was to first use amounts without donor restrictions until depleted, followed by funds with donor restrictions. Effective July 1, 2025, the Land Trust's policy changed to first use funds with donor restrictions until depleted, followed by funds without donor restrictions. Investment income and losses are fully allocated to without donor restrictions.

Note 9 OPERATING LEASES

The Land Trust leases office space in St. Paul, Minnesota under a long-term, noncancelable operating lease agreement through September 30, 2026. Minimum monthly lease payments increase annually by 2.5% and range from $9,548 to $9,551 over the remaining lease term.

Subsequent to year-end, the Land Trust entered into a noncancelable operating lease agreement for office space in St. Paul, Minnesota, commencing on August 1, 2026, and continuing through January 31, 2032. The agreement provides for six months of rent abatement, after which monthly base rent ranges from $6,424 to $7,447, increasing annually by 3.0% over the remaining lease term.

The Land Trust leases office space in Duluth, Minnesota under a long-term, noncancelable operating lease agreement through April 30, 2027. Minimum monthly lease payments increase annually by $70 and range from $3,275 to $3,345 over the remaining lease term.

The Land Trust leases certain equipment at various terms under long-term non-cancelable operating leases through January 2027.

The Land Trust includes in the determination of the right-of-use assets and lease liabilities any renewal options when the options are reasonably certain to be exercised.

Total office space operating lease expense for the years ended June 30, 2026 and 2025 was $155,602 and $153,476, respectively. As of June 30, 2026, the weighted average remaining lease term was 0.6 years, and the weighted average discount rate was 4.88%. As of June 30, 2025, the weighted average remaining lease term was 1.3 years, and the weighted average discount rate was 4.92%.

The following table summarizes the supplemental cash flow information for the year ended June 30:

	2026	2025
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from operating leases	$155,602	$155,265
Right-of-use assets obtained in exchange for lease liabilities:		
Operating leases	$114,612	$ -

The future minimum payments under noncancellable operating leases are as follows:

Year Ending June 30,	Amount
2027	$65,455
Total lease payments	65,455
Less: Present value discount	(383)
Present value of lease liabilities	$65,072

Note 10 LINE OF CREDIT

The Land Trust has a revolving line of credit agreement with a commercial bank that provides for borrowings of up to $2,000,000 and matures on July 22, 2027. Borrowings bear interest at the greater of 0.5% below the prime rate or 5.5%. The line of credit is secured by substantially all assets of the Land Trust and is subject to certain financial and nonfinancial covenants. At June 30, 2026 and 2025, outstanding borrowings under the line of credit were $400,000 and $0, respectively.

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 $66,333 and $62,476 during the years ended June 30, 2026 and 2025, respectively.

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.

Investments that are measured at fair value on a recurring basis are as follows at June 30:

	Level 1	
	2026	2025
Fixed income mutual funds	$7,562,934	$6,515,947
Equity mutual funds	13,929,312	11,639,163
Corporate stock	-	25,312
Total	$21,492,246	$18,180,422

Mutual funds and corporate stock are valued using quoted prices in active markets.

Note 13 COMMITMENTS AND CONTINGENCIES

PROGRAM COMPLIANCE

The Land Trust receives financial assistance from governmental agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audit could become a liability of the Land Trust. To the extent, if any, that such a review reduces expenditures allowable under these contracts, the Land Trust will record such disallowance at the time the determination is made.

PPP LOAN AND LOAN FORGIVENESS

The Land Trust received a $354,400 Paycheck Protection Program (PPP) loan, which was fully forgiven on August 19, 2021. 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 SUBSEQUENT EVENTS

As disclosed in Note 9, effective August 1, 2026, the Land Trust entered into a noncancelable lease agreement for office space in St. Paul, Minnesota. Because the lease commenced subsequent to June 30, 2026, the related right-of-use asset and lease liability have not been recognized in the accompanying financial statements.

In October 2026, the Board of Directors approved the acceptance of three parcels of real property to be donated to the Land Trust. As of the date the financial statements were available to be issued, the transfer of the properties had not been completed, and the Land Trust was continuing to work with the donor to finalize the terms and details of the transfer. Accordingly, no amounts related to the proposed donation have been recognized in the accompanying financial statements as of June 30, 2026. The value of the properties and the financial effect of the transaction have not yet been determined.

Management has evaluated subsequent events for recognition or disclosure through October 21, 2026, the date that the financial statements were available to be issued.