

**MINNESOTA LAND TRUST**

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

For The Years Ended  
June 30, 2024 and 2023

**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, 2024 and 2023, 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, 2024 and 2023, 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 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 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 23, 2024

## **FINANCIAL STATEMENTS**

**MINNESOTA LAND TRUST**  
**STATEMENTS OF FINANCIAL POSITION**  
June 30, 2024 and 2023

**Statement 1**

	2024	2023
Assets:		
Cash and cash equivalents	\$715,568	\$312,404
Contributions receivable, net	127,380	92,535
Grants receivable	2,198,416	2,393,013
Deposits and other	48,643	52,924
Furniture and equipment, net	5,737	11,124
Investments	15,677,193	12,708,838
Land held for resale - conservation	29,260	29,260
Land held for conservation	134,000	134,000
Operating lease, right-to-use asset	244,584	276,764
Beneficial interest in real property	-	811,200
Total assets	<u>\$19,180,781</u>	<u>\$16,822,062</u>
Liabilities and net assets:		
Liabilities:		
Accounts payable	\$531,128	\$431,920
Accrued expenses	211,488	236,164
Refundable advance	14,809	14,171
Operating lease liability	248,010	280,080
Total liabilities	<u>1,005,435</u>	<u>962,335</u>
Net assets:		
Without donor restrictions	8,166,124	5,452,181
With donor restrictions	10,009,222	10,407,546
Total net assets	<u>18,175,346</u>	<u>15,859,727</u>
Total liabilities and net assets	<u>\$19,180,781</u>	<u>\$16,822,062</u>

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

**MINNESOTA LAND TRUST**  
**STATEMENTS OF ACTIVITIES**  
For The Years Ended June 30, 2024 and 2023

**Statement 2**

	2024			2023		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Support and revenue:						
Contributions:						
Individuals	\$961,457	\$93,531	\$1,054,988	\$859,546	\$237,509	\$1,097,055
Bequests	349,393	-	349,393	173,459	-	173,459
Foundation, corporate and other	320,724	175,000	495,724	297,216	35,000	332,216
Government grant and contract revenue:						
OHF	14,895,175	787,200	15,682,375	14,187,972	577,000	14,764,972
ENRTF	205,601	28,800	234,401	192,385	48,000	240,385
Federal and other	1,679,601	-	1,679,601	1,617,354	-	1,617,354
Special events:						
Contribution	341,238	-	341,238	358,060	-	358,060
Gifts-in-kind	27,506	-	27,506	7,806	-	7,806
Other	91,570	-	91,570	83,894	-	83,894
Less: direct expenses	(101,961)	-	(101,961)	(70,110)	-	(70,110)
Fees for service	4,076	-	4,076	20,102	-	20,102
Other revenue	30,578	-	30,578	30,050	-	30,050
Interest and dividends	347,978	18,395	366,373	231,302	21,729	253,031
Change in fair value of investments	1,337,553	46,766	1,384,319	848,015	33,533	881,548
Net assets released from restrictions:						
Satisfaction of program restrictions	1,548,016	(1,548,016)	-	545,355	(545,355)	-
Total support and revenue	<u>22,038,505</u>	<u>(398,324)</u>	<u>21,640,181</u>	<u>19,382,406</u>	<u>407,416</u>	<u>19,789,822</u>
Expenses:						
Program services	17,282,838	-	17,282,838	17,255,362	-	17,255,362
Management and general	1,416,071	-	1,416,071	693,981	-	693,981
Fund development	625,653	-	625,653	614,282	-	614,282
Total expenses	<u>19,324,562</u>	<u>0</u>	<u>19,324,562</u>	<u>18,563,625</u>	<u>0</u>	<u>18,563,625</u>
Change in net assets	2,713,943	(398,324)	2,315,619	818,781	407,416	1,226,197
Net assets - beginning of year	<u>5,452,181</u>	<u>10,407,546</u>	<u>15,859,727</u>	<u>4,633,400</u>	<u>10,000,130</u>	<u>14,633,530</u>
Net assets - end of year	<u><u>\$8,166,124</u></u>	<u><u>\$10,009,222</u></u>	<u><u>\$18,175,346</u></u>	<u><u>\$5,452,181</u></u>	<u><u>\$10,407,546</u></u>	<u><u>\$15,859,727</u></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, 2024 and 2023

**Statement 3**  
**Page 1 of 2**

	2024				Total
	Supporting Services			Total Supporting Services	
	Program Services	Management and General	Fund Development	Total Supporting Services	Total
Expenses:					
Salaries	\$1,837,751	\$886,652	\$346,383	\$1,233,035	\$3,070,786
Payroll taxes and benefits	343,081	182,348	60,648	242,996	586,077
Other staff expenses	3,668	21,647	596	22,243	25,911
Total personnel costs	2,184,500	1,090,647	407,627	1,498,274	3,682,774
Travel	75,427	4,662	5,974	10,636	86,063
Memberships, dues, licenses	575	20,404	80	20,484	21,059
Meeting expense	2,728	7,119	2,606	9,725	12,453
Board expense	-	3,466	-	3,466	3,466
Occupancy	121,350	29,204	20,510	49,714	171,064
IT services	69,971	33,614	11,698	45,312	115,283
Office expense	22,861	6,440	4,002	10,442	33,303
Depreciation	3,826	915	646	1,561	5,387
Postage and mailings	191	6,401	72,402	78,803	78,994
Printing and photocopying	1,822	1,352	-	1,352	3,174
Insurance	42,260	10,118	7,143	17,261	59,521
Project expenses	4,619,575	-	-	-	4,619,575
Project expenses - conservation easement and land acquisition	10,096,689	-	-	-	10,096,689
Contracted services	550	107,626	60,229	167,855	168,405
Audit and accounting	-	32,227	-	32,227	32,227
External grants	36,240	-	-	-	36,240
Special events	-	-	101,961	101,961	101,961
Miscellaneous expense	4,273	61,876	32,736	94,612	98,885
Total expenses	17,282,838	1,416,071	727,614	2,143,685	19,426,523
Less: Expenses included with revenues on the statements of activities:					
Special event direct expenses	-	-	(101,961)	(101,961)	(101,961)
Total expenses included in the expense section on the statements of activities	\$17,282,838	\$1,416,071	\$625,653	\$2,041,724	\$19,324,562
Percentage	89%	7%	3%	11%	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, 2024 and 2023

**Statement 3**  
**Page 2 of 2**

	2023				Total
	Supporting Services			Total Supporting Services	
	Program Services	Management and General	Fund Development		
Expenses:					
Salaries	\$2,315,331	\$305,052	\$385,548	\$690,600	\$3,005,931
Payroll taxes and benefits	407,952	92,369	70,969	163,338	571,290
Other staff expenses	10,444	9,071	1,125	10,196	20,640
Total personnel costs	2,733,727	406,492	457,642	864,134	3,597,861
Travel	78,509	10,182	6,123	16,305	94,814
Memberships, dues, licenses	6,307	17,251	3,370	20,621	26,928
Meeting expense	1,578	10,629	3,865	14,494	16,072
Board expense	-	1,299	-	1,299	1,299
Occupancy	129,760	18,534	20,220	38,754	168,514
IT services	62,427	26,083	18,155	44,238	106,665
Office expense	37,355	15,820	6,172	21,992	59,347
Depreciation	6,146	877	958	1,835	7,981
Postage and mailings	1,202	5,521	60,536	66,057	67,259
Printing and photocopying	1,695	2,081	710	2,791	4,486
Insurance	58,621	3,293	3,593	6,886	65,507
Project expenses	9,197,440	-	-	-	9,197,440
Project expenses - conservation easement and land acquisition	4,871,685	-	-	-	4,871,685
Contracted services	1,154	129,279	17,997	147,276	148,430
Audit and accounting	-	18,709	-	18,709	18,709
External grants	56,424	-	-	-	56,424
Special events	-	-	70,110	70,110	70,110
Miscellaneous expense	11,332	27,931	14,941	42,872	54,204
Total expenses	17,255,362	693,981	684,392	1,378,373	18,633,735
Less: Expenses included with revenues on the statements of activities:					
Special event direct expenses	-	-	(70,110)	(70,110)	(70,110)
Total expenses included in the expense section on the statements of activities	\$17,255,362	\$693,981	\$614,282	\$1,308,263	\$18,563,625
Percentage	93%	4%	3%	7%	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, 2024 and 2023

**Statement 4**

	2024	2023
Cash flows from operating activities:		
Change in net assets	\$2,315,619	\$1,226,197
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	5,387	1,981
Noncash operating lease expense	110	3,316
Realized and unrealized (gain) loss on investments	(1,384,319)	(881,548)
(Increase) decrease in assets:		
Contributions receivable	(34,845)	44,415
Grants receivable	194,597	(46,525)
Deposits and other	4,281	(11,437)
Beneficial interest in real property	811,200	-
Increase (decrease) in liabilities:		
Accounts payable	99,208	157,859
Accrued expenses	(24,676)	80,569
Refundable advance	638	(272,177)
Net cash provided by operating activities	1,987,200	302,650
Cash flows from investing activities:		
Purchase of investments, including re-invested income	(2,070,036)	(2,164,248)
Proceeds from sale of investments	486,000	1,084,822
Net cash used in investing activities	(1,584,036)	(1,079,426)
Net increase (decrease) in cash and cash equivalents	403,164	(770,776)
Cash and cash equivalents - beginning of year	312,404	1,083,180
Cash and cash equivalents - end of year	\$715,568	\$312,404

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, 2024, the Land Trust has completed 724 land protection projects, permanently protecting 82,082 acres and 2,748,651 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 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, based upon historical experience and a review of subsequent collections. Promises to give are presented net of allowance for doubtful accounts of \$0 and \$2,650 for the years ended June 30, 2024 and 2023, respectively.

At June 30, 2024 and 2023 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 advances in the statements of financial position. At June 30, 2024 and 2023, refundable advances were \$14,809 and \$14,171, respectively. At June 30, 2024 and 2023, cost-reimbursable grants approximating \$53,200,000 and \$49,700,000 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. 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 December 31, 2024 and 2023.

#### **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 \$5,387 and \$7,981 for the years ended June 30, 2024 and 2023, 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 was recorded at an estimated fair value of \$811,200 at June 30, 2023. During fiscal year 2024 the life estate terminated, and The Land Trust sold the donated property.

## **K. 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.

## **L. 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 2,450 and 1,225 hours of time contributed for easement monitoring, land protection work, and management support activities for the years ended June 30, 2024 and 2023, 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 2024 or 2023.

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 \$27,506 and \$7,806 for the years ended June 30, 2024, and 2023, 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, 2024, and 2023.

## **M. 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.

#### **N. 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.

#### **O. LAND**

The Land Trust categorizes land that it owns in fee title in one of four 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 1J, 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.

#### **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.

#### **Q. RECENTLY ADOPTED ACCOUNTING PRONOUNCEMENTS**

The Land Trust adopted the provisions of FASB Accounting Standards Codification (FASB ASC) 326: *Financial Instruments—Credit Losses* as of January 1, 2023, which replaced the incurred loss impairment method with a method that reflects lifetime expected credit losses. Adoption of the new standard did not significantly impact the Land Trust's financial statements.

#### **R. RECLASSIFICATIONS**

Certain reclassifications have been made to the June 30, 2023 presentation to provide comparability to the June 30, 2024 presentation. Net assets and changes in net assets are unchanged due to these reclassifications.

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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>2024</u>	<u>2023</u>
Financial assets	\$18,718,557	\$15,506,790
Less those unavailable for general expenditures within one year, due to:		
Donor-imposed restrictions:		
Restricted by donor with purpose restrictions *	(9,522,755)	(9,109,879)
Restricted by donor in perpetuity	(323,207)	(323,207)
Board designations:		
Acquisition	(433,104)	(409,458)
Stewardship and Enforcement	(5,777,620)	(3,236,059)
Endowment	<u>(50,000)</u>	<u>(50,000)</u>
 Total	 <u>\$2,611,871</u>	 <u>\$2,378,187</u>

\* Excludes nonfinancial assets with purpose restrictions of \$163,260 and \$974,460 at June 30, 2024 and 2023.

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, which could be drawn upon as necessary.

**Note 3 INVESTMENTS**

Investment detail at June 30 is as follows:

	<u>2024</u>			
	<u>Acquisition</u>	<u>Stewardship and Enforcement</u>	<u>Endowment</u>	<u>Total</u>
Fixed income mutual funds	\$513,948	\$5,088,427	\$182,601	\$5,784,976
Equity mutual funds	<u>-</u>	<u>9,529,340</u>	<u>362,877</u>	<u>9,892,217</u>
 Total	 <u>\$513,948</u>	 <u>\$14,617,767</u>	 <u>\$545,478</u>	 <u>\$15,677,193</u>
	<u>2023</u>			
	<u>Acquisition</u>	<u>Stewardship and Enforcement</u>	<u>Endowment</u>	<u>Total</u>
Fixed income mutual funds	\$529,502	\$4,010,451	\$166,488	\$4,706,441
Equity mutual funds	<u>-</u>	<u>7,688,569</u>	<u>313,828</u>	<u>8,002,397</u>
 Total	 <u>\$529,502</u>	 <u>\$11,699,020</u>	 <u>\$480,316</u>	 <u>\$12,708,838</u>



**MINNESOTA LAND TRUST**  
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**Note 4     PROMISES TO GIVE RECEIVABLE**

Contributions receivable and capital campaign promises to give are expected to be collected as follows at June 30:

	<u>2024</u>	<u>2023</u>
Due in one year	\$82,380	\$92,995
Due in two to five years	<u>45,000</u>	<u>2,190</u>
Total	127,380	95,185
Less: Allowance	<u>-</u>	<u>(2,650)</u>
Total	<u><u>\$127,380</u></u>	<u><u>\$92,535</u></u>

**Note 5     FURNITURE AND EQUIPMENT**

Furniture and equipment consisted of the following at June 30:

	<u>2024</u>	<u>2023</u>
Computer equipment	\$68,229	\$72,980
Office equipment	5,806	5,806
Furniture and fixtures	<u>7,986</u>	<u>7,986</u>
Total	82,021	86,772
Less: Accumulated depreciation	<u>(76,284)</u>	<u>(75,648)</u>
Net furniture and equipment	<u><u>\$5,737</u></u>	<u><u>\$11,124</u></u>

**Note 6     NET ASSETS**

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

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

	<u>2024</u>	<u>2023</u>
Undesignated	\$696,833	\$696,972
Board designated:		
Operations	1,208,567	1,059,692
Land and easement acquisition	433,104	409,458
Stewardship and enforcement	5,777,620	3,236,059
Endowment	<u>50,000</u>	<u>50,000</u>
Total	<u><u>\$8,166,124</u></u>	<u><u>\$5,452,181</u></u>

## B. WITH DONOR RESTRICTIONS

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

	2024		
	Purpose Restricted	Permanent in Nature	Total
Capital campaign	\$1,683,617	\$ -	\$1,683,617
General conservation	178,281	-	178,281
Land and easement acquisitions	316,517	-	316,517
Endowment	155,112	323,207	478,319
Stewardship and enforcement	7,352,488	-	7,352,488
Total	<u>\$9,686,015</u>	<u>\$323,207</u>	<u>\$10,009,222</u>

  

	2023		
	Purpose Restricted	Permanent in Nature	Total
Capital campaign	\$1,716,818	\$ -	\$1,716,818
General conservation	182,253	-	182,253
Land and easement acquisitions	1,120,931	-	1,120,931
Endowment	113,449	323,207	436,656
Stewardship and enforcement	6,950,888	-	6,950,888
Total	<u>\$10,084,339</u>	<u>\$323,207</u>	<u>\$10,407,546</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 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.

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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 2024 and 2023 is as follows:

	<u>2024</u>	<u>2023</u>
Endowment:		
Board designated	\$50,000	\$50,000
Available for appropriation	155,112	113,449
Permanent in nature	216,207	216,207
Judd Lake:		
Permanent in nature	<u>107,000</u>	<u>107,000</u>
Total	<u><u>\$528,319</u></u>	<u><u>\$486,656</u></u>

**MINNESOTA LAND TRUST**  
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Endowment fund activity for 2024 and 2023 is as follows:

	Board Designated	With Donor Restrictions Purpose Restricted	Permanent in Nature	Total
Net assets - June 30, 2022	\$50,000	\$90,333	\$323,207	\$463,540
Investment return:				
Interest and dividends	-	10,372	-	10,372
Change in fair value	-	31,869	-	31,869
Total investment return	0	42,241	0	42,241
Contributions and transfers	-	-	-	-
Appropriation for expenditure	-	(19,125)	-	(19,125)
Net assets - June 30, 2023	50,000	113,449	323,207	486,656
Investment return:				
Interest and dividends	-	18,395	-	18,395
Change in fair value	-	46,766	-	46,766
Total investment return	0	65,161	0	65,161
Contributions and transfers	-	-	-	-
Appropriation for expenditure	-	(23,498)	-	(23,498)
Net assets - June 30, 2024	\$50,000	\$155,112	\$323,207	\$528,319

**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, 2024 and 2023, 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 for 2024 and 2023:

	2024		
	Without Donor Restrictions	With Donor Restrictions	Total
Board designated	\$5,777,620	\$ -	\$5,777,620
Donor restricted:			
General conservation	-	7,352,488	7,352,488
Capital campaign	-	1,480,445	1,480,445
Total	<u>\$5,777,620</u>	<u>\$8,832,933</u>	<u>\$14,610,553</u>
	2023		
	Without Donor Restrictions	With Donor Restrictions	Total
Board designated	\$3,236,059	\$ -	\$3,236,059
Donor restricted:			
General conservation	-	6,950,888	6,950,888
Capital campaign	-	1,473,847	1,473,847
Total	<u>\$3,236,059</u>	<u>\$8,424,735</u>	<u>\$11,660,794</u>

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Stewardship and enforcement fund activity for 2024 and 2023 is as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Net assets - June 30, 2022	\$2,447,549	\$7,579,683	\$10,027,232
Investment return:			
Interest and dividends, net of fees	229,035	-	229,035
Change in fair value	848,016	-	848,016
Total investment return	1,077,051	0	1,077,051
Contributions, grants, fees for service	181,459	627,250	808,709
Capital campaign transfer in	-	217,802	217,802
Contributions, grants transfer in	-	-	-
Appropriation for expenditure	(470,000)	-	(470,000)
Net assets - June 30, 2023	3,236,059	8,424,735	11,660,794
Investment return:			
Interest and dividends, net of fees	309,935	-	309,935
Change in fair value	1,332,420	-	1,332,420
Total investment return	1,642,355	0	1,642,355
Contributions, grants, fees for service	84,206	847,600	931,806
Capital campaign transfer in	-	6,598	6,598
Contributions, grants transfer in	815,000	-	815,000
Appropriation for expenditure	-	(446,000)	(446,000)
Net assets - June 30, 2024	\$5,777,620	\$8,832,933	\$14,610,553

**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.

**Note 9 OPERATING LEASES**

The Land Trust leases office space in St. Paul, Minnesota under a long-term non-cancelable operating lease agreement through September 30, 2025. Minimum monthly lease payments increase 2.5% annually and are \$9,318-\$9,548 over the remaining lease term.

The Land Trust lease office space in Duluth, Minnesota under a long-term non-cancelable operating lease agreement through May 30, 2026. Minimum monthly lease payments increase by \$70 annually and are \$3,205-\$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, 2024 and 2023 was \$178,574 and \$152,030, respectively. As of June 30, 2024, the weighted average remaining lease term was 1.9 years, and the weighted average discount rate was 4.86%. As of June 30, 2023, the weighted average remaining lease term was 2.1 years, and the weighted average discount rate was 4.75%.

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

	2024	2023
<u>Cash paid for amounts included in the measurement of lease liabilities:</u>		
Operating cash flows from operating leases	<u>\$152,264</u>	<u>\$148,714</u>
<u>Right-of-use assets obtained in exchange for lease liabilities:</u>		
Operating leases	<u>\$109,650</u>	<u>\$412,636</u>

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

Year Ending June 30,	Amount
2025	\$155,265
2026	69,643
2027	<u>34,620</u>
Total lease payments	259,528
Less: Present value discount	<u>(11,518)</u>
Present value of lease liabilities	<u>\$248,010</u>

#### **Note 10 LINE OF CREDIT**

The Land Trust has a revolving line of credit agreement with a commercial bank that matures on 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. At June 30, 2024 and 2023, there was \$0 outstanding on the line of credit.

#### **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 \$56,406 and \$52,465 during the years ended June 30, 2024 and 2023, 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.

Assets and liabilities that are measured at fair value on a recurring basis are as follows at June 30:

		2024		
		Level 1	Level 2	Total
Investments:				
	Fixed income mutual funds	\$5,784,976	\$ -	\$5,784,976
	Equity mutual funds	9,892,217	-	9,892,217
	Total	<u>\$15,677,193</u>	<u>\$ -</u>	<u>\$15,677,193</u>
		2023		
		Level 1	Level 2	Total
Investments:				
	Fixed income mutual funds	\$4,706,441	\$ -	\$4,706,441
	Equity mutual funds	8,002,397	-	8,002,397
	Beneficial interest in real property	-	811,200	811,200
	Total	<u>\$12,708,838</u>	<u>\$811,200</u>	<u>\$13,520,038</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 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**

Management has evaluated subsequent events for recognition or disclosure through October 23, 2024, the date that the financial statements were available to be issued.

On July 22, 2024, the Land Trust obtained a line of credit with a bank for \$2,000,000, maturing July 22, 2025. The line of credit bears interest at 0.5% under the prime rate or 6.5%, whichever is greater. The line of credit is secured by the assets of the Land Trust and is subject to certain financial and nonfinancial covenants.