THE LAND INSTITUTE
Salina, Kansas

FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORT

June 30, 2015

CLUBINE AND RETTELE, CHARTERED
CERTIFIED PUBLIC ACCOUNTANTS
SALINA, KANSAS

THE LAND INSTITUTE
Salina, Kansas

I N D E X

CLUBINE & RETTELE CHARTERED

Certified Public Accountants

Robert I. Clubine, CPA.
David A. Rettele, CPA.
Jay D. Langley, CPA, CGMA
Jon K. Bell, CPA
Leslie M. Corbett, CPA,CGMA
Stacy J. Osner, CPA

Marci K. Fox, CPA
Linda A. Suelter, CPA
Valerie K. Linenberger, CPA
Johnna R. Vosseller, CPA

218 South Santa Fe
P.O. Box 2267
Salina, Kansas
67402-2267

Salina
785 / 825-5479
Salina Fax
785 / 825-2446

Ellsworth
785 / 472-3915
Ellsworth Fax
785 / 472-5478

INDEPENDENT AUDITORS' REPORT

To: The Board of Directors
The Land Institute

We have audited the accompanying financial statements of The Land Institute (a nonprofit organization), which comprise the statement of financial position as of June 30, 2015, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Land Institute as of June 30, 2015, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited The Land Institute's June 30, 2014 financial statements, and we expressed an unmodified opinion on those audited financial statements in our report dated September 11, 2014. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2014, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Clubine and Rettele, Chartered

CLUBINE AND RETTELE, CHARTERED

Salina, Kansas
September 18, 2015

THE LAND INSTITUTE
Salina, Kansas

Exhibit I

STATEMENT OF FINANCIAL POSITION
June 30, 2015 with Comparative Totals as of June 30, 2014

	Unrestricted		Temporarily	Permanently	Totals	
	Operations	Fixed Assets	Restricted	Restricted	June 30, 2015 (Memorandum)	June 30, 2014 (Memorandum)
Assets						
Cash and cash equivalents (Note 1)	$ 3,645,731	$ 2,362,388	$ 2,037,601	$ -	$ 8,045,720	$ 5,620,680
Accounts receivable	62,814	-	-	-	62,814	112,615
Interest receivable	3,432	-	-	-	3,432	3,650
Prepaid expenses	49,724	-	-	-	49,724	46,002
Security deposit	1,285	-	-	-	1,285	500
Inventory	5,686	-	-	-	5,686	6,265
Pledges receivable (Note 4)	-	-	1,856,226	-	1,856,226	1,065,671
Cash and cash equivalents restricted for term endowment and permanent endowment (Note 13)	-	-	870,000	39,000	909,000	909,000
Beneficial interest in assets held by Greater Salina Community Foundation (Note 11)	19,763	-	-	-	19,763	18,392
Property held for sale (Note 8)	-	9,000	-	-	9,000	18,000
Construction and website in progress and equipment in transit (Note 7)	-	262,306	-	-	262,306	
Property and equipment, net (Note 7)	-	5,982,268	-	-	5,982,268	6,579,467
Total Assets	$ 3,788,435	$ 8,615,962	$ 4,763,827	$ 39,000	$ 17,207,224	$ 14,380,242
Liabilities						
Accounts payable	$ 63,753	$ 130,578	$ -	$ -	$ 194,331	$ 35,508
Payroll taxes and sales tax payable	120	-	-	-	120	58
Security deposit payable	200	-	-	-	200	200
Accrued vacations payable	61,837	-	-	-	61,837	59,632
Total Liabilities	125,910	130,578	-	-	256,488	95,398
Net Assets	3,662,525	8,485,384	4,763,827	39,000	16,950,736	14,284,844
Total Liabilities and Net Assets	$ 3,788,435	$ 8,615,962	$ 4,763,827	$ 39,000	$ 17,207,224	$ 14,380,242

See accompanying notes to the financial statements which are an integral part hereof.

THE LAND INSTITUTE
Salina, Kansas

Exhibit II

STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2015 with Comparative Totals For the Year Ended June 30, 2014

	Unrestricted		Temporarily	Permanently	Totals	
	Operations	Fixed Assets	Restricted	Restricted	June 30, 2015 (Memorandum)	June 30, 2014 (Memorandum)
Public Support, Revenue and Reclassifications						
Public Support						
Grants						
Individuals	$ 987,674	$ -	$ 150,200	$ -	$ 1,137,874	$ 4,074,742
Foundations	2,676,875	-	1,838,000	-	4,514,875	1,099,725
Corporations and partnerships	-	-	102,589	-	102,589	248,647
Total Public Support	3,664,549	-	2,090,789	-	5,755,338	5,423,114
Revenue						
Event fees	16,163	-	-	-	16,163	12,620
Book royalties, honoraria and miscellaneous	12,270	-	-	-	12,270	-
Rent income	11,912	-	-	-	11,912	4,901
Interest	31,748	-	-	-	31,748	32,976
Farm income	1,287	-	-	-	1,287	4,014
Book and merchandise sales	16,474	-	-	-	16,474	16,504
Net unrealized and realized gain (loss) on sale of investments	557	-	-	-	557	2,781
Gain (Loss) on sale of assets	-	(16,730)	-	-	(16,730)	2,800
Total Revenue	90,411	(16,730)	-	-	73,681	76,596
Reclassifications						
Net Assets Released from Restrictions						
Satisfaction of program restrictions	606,628	3,395	(610,023)	-	-	-
Expiration of time restrictions	450,000	-	(450,000)	-	-	-
Total Reclassifications (Note 10)	1,056,628	3,395	(1,060,023)	-	-	-
Total Public Support, Revenue and Reclassifications	4,811,588	(13,335)	1,030,766	-	5,829,019	5,499,710

See accompanying notes to the financial statements which are an integral part hereof.

THE LAND INSTITUTE
Salina, Kansas

Exhibit II

STATEMENT OF ACTIVITIES (Continued)
For the Year Ended June 30, 2015 with Comparative Totals for the Year Ended June 30, 2014

	Unrestricted		Temporarily	Permanently	Totals	
	Operations	Fixed Assets	Restricted	Restricted	June 30, 2015 (Memorandum)	June 30, 2014 (Memorandum)
Expenses						
Program Services						
Education & Public Policy	478,576	-	-	-	478,576	476,970
NSA research	1,933,005	-	-	-	1,933,005	1,419,908
Total Program Services	2,411,581	-	-	-	2,411,581	1,896,878
Supporting Services						
Management and general	294,334	-	-	-	294,334	278,173
Fundraising	448,212	-	-	-	448,212	529,724
Total Supporting Services	742,546	-	-	-	742,546	807,897
Total Expenses	3,154,127	-	-	-	3,154,127	2,704,775
Loss on impairment of Kansas City property (Note 8)	-	9,000	-	-	9,000	-
Total Expenses and Losses	3,154,127	9,000	-	-	3,163,127	2,704,775
Change in Net Assets	1,657,461	(22,335)	1,030,766	-	2,665,892	2,794,935
Transfers	(1,760,138)	1,760,138	-	-	-	-
Net Assets, Beginning of Year	3,765,202	6,747,581	3,733,061	39,000	14,284,844	11,489,909
Net Assets, End of Year	$ 3,662,525	$ 8,485,384	$ 4,763,827	$ 39,000	$ 16,950,736	$ 14,284,844

See accompanying notes to the financial statements which are an integral part hereof.

THE LAND INSTITUTE
Salina, Kansas

Exhibit III

STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended June 30, 2015 with Comparative Totals for the Year Ended June 30, 2014

	Program Services			Supporting Services			Totals	
	Education & Public Policy	NSA Research	Total	Management & General	Fundraising	Total	June 30, 2015 (Memorandum)	June 30, 2014 (Memorandum)
Salaries	$ 223,608	$ 831,964	$ 1,055,572	$ 193,211	$ 212,364	$ 405,575	$ 1,461,147	$ 1,511,849
Payroll taxes	17,503	54,040	71,543	13,555	20,441	33,996	105,539	108,531
Employee benefits	45,595	153,882	199,477	31,346	54,144	85,490	284,967	312,364
Employee recruitment	-	1,472	1,472	-	48,147	48,147	49,619	1,216
Total Salaries and Related Expenses	286,706	1,041,358	1,328,064	238,112	335,096	573,208	1,901,272	1,933,960
Advertising, promotion and printing	5,021	558	5,579	87	4,984	5,071	10,650	40,724
Books, subscriptions and dues	122	1,343	1,465	84	3,399	3,483	4,948	4,423
Computer expense	9,063	41,248	50,311	6,231	12,886	19,117	69,428	47,934
Contract services	10,114	265,520	275,634	5,184	21,135	26,319	301,953	77,988
Events	32,798	-	32,798	-	-	-	32,798	32,695
Gift of land (Note 14)	43,435	-	43,435	-	-	-	43,435	-
Insurance	10,232	34,534	44,766	7,035	12,151	19,186	63,952	58,654
Advisory and board meetings	-	-	-	9,355	-	9,355	9,355	7,377
Small equipment	1,265	7,067	8,332	389	361	750	9,082	10,692
Maintenance and repairs	4,478	63,581	68,059	5,557	5,318	10,875	78,934	55,579
Rent and utilities	4,070	18,927	22,997	2,798	4,833	7,631	30,628	32,129
Office supplies and repairs	2,279	8,592	10,871	1,602	2,706	4,308	15,179	18,509
Postage and freight	1,523	8,239	9,762	700	11,759	12,459	22,221	16,455
Professional services	4,283	18,521	22,804	2,945	5,086	8,031	30,835	29,190
Land report and other publications	36,445	-	36,445	-	-	-	36,445	34,808
Research stipends	-	138,000	138,000	-	-	-	138,000	22,400
Supplies and materials	-	61,110	61,110	517	-	517	61,627	50,567
Taxes	511	12,362	12,873	352	607	959	13,832	12,025
Telephone	742	2,505	3,247	538	881	1,419	4,666	6,803
Travel	25,327	19,206	44,533	2,187	26,817	29,004	73,537	74,974
Miscellaneous	162	548	710	672	193	865	1,575	1,973
Total Expenses Before Depreciation and Amortization	478,576	1,743,219	2,221,795	284,345	448,212	732,557	2,954,352	2,569,859
Depreciation and Amortization Expense	-	189,786	189,786	9,989	-	9,989	199,775	134,916
Total Expenses	$ 478,576	$ 1,933,005	$ 2,411,581	$ 294,334	$ 448,212	$ 742,546	$ 3,154,127	$ 2,704,775
Total Expenses, Year Ended June 30, 2014 (Memorandum)	$ 476,970	$ 1,419,908	$ 1,896,878	$ 278,173	$ 529,724	$ 807,897		

See accompanying notes to the financial statements which are an integral part hereof.

THE LAND INSTITUTE
Salina, Kansas

Exhibit IV

STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2015 with Comparative Totals for the Year Ended June 30, 2014

	June 30, 2015	June 30, 2014 (Memorandum)
Cash Flows From Operating Activities		
Cash received from public support and revenues	$ 4,956,061	$ 2,600,096
Interest received	31,966	33,248
Cash paid to employees, suppliers, program expenses, vendors and others	(2,777,052)	(2,548,908)
Net Cash Provided by Operating Activities	2,210,975	84,436
Cash Flows From Investing Activities		
Proceeds from sales of assets and investments	1,817,947	75,132
Note receivable payments received	-	690
Increase in restricted cash	-	(100,000)
Purchase of equipment, land and building	(1,603,882)	(258,687)
Net Cash Provided (Used) by Investing Activities	214,065	(282,865)
Net Cash Provided by Financing Activities		
Collection of contributions restricted for endowment and term endowment	-	100,000
Net Increase (Decrease) in Cash and Cash Equivalents	2,425,040	(98,429)
Cash and Cash Equivalents at beginning of year	5,620,680	5,719,109
Cash and Cash Equivalents at end of year (Note 1)	$ 8,045,720	$ 5,620,680

RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH PROVIDED BY OPERATING ACTIVITIES

	June 30, 2015	June 30, 2014 (Memorandum)
Change in Net Assets - Exhibit II	$ 2,665,892	$ 2,794,935
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	199,775	134,916
Donated investments, buildings and land included in contributions	(116,629)	(1,817,468)
Net unrealized and realized gain on sale of investments	(557)	(2,781)
Loss (Gain) on sale of assets	16,730	(2,800)
Loss on impairment of Kansas City property	9,000	-
Gift of land to Heart Land Green Burial, Inc.	43,435	-
Contributions restricted for endowment and term endowment	-	(100,000)
Administrative fee charged by Greater Salina Community Foundation	169	147
Decrease (Increase) in accounts receivable	49,801	(91,934)
Decrease in interest receivable	218	272
Increase in pledges receivable	(790,555)	(851,655)
Decrease in inventory	579	475
Increase in prepaid expenses	(3,722)	(6,873)
Increase in security deposit paid	(785)	(500)
Increase in accounts payable	135,357	14,462
Increase (Decrease) in payroll taxes and sales tax payable	62	(6)
Increase in security deposit received	-	200
Increase in vacations payable	2,205	13,046
Total Adjustments	(454,917)	(2,710,499)
Net Cash Provided by Operating Activities	$ 2,210,975	$ 84,436

Noncash investing and financing activities for the year ended June 30, 2015 consists of donated investments valued at $116,629.

See accompanying notes to the financial statements
which are an integral part hereof.

NOTES TO FINANCIAL STATEMENTS
June 30, 2015

The Land Institute is a 501(c)(3) non-profit educational and research organization devoted to sustainable agriculture and good stewardship of the earth.

1. Summary of Significant Accounting Policies

A. Organization: The Organization is a not-for-profit corporation organized under the laws of the State of Kansas. Income taxes are not provided for in the financial statements because the organization is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code and similar state provisions.

B. Basis of Accounting: The financial statements of The Land Institute have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities.

C. Basis of Presentation: The Organization reports information regarding its financial position and activities according to three classes of net assets that are based upon the existence or absence of restrictions on use that are placed by its donors: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets.

D. Estimates: Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Management believes that the estimates and assumptions are reasonable in the circumstances; however, actual results could differ from those estimates.

E. Comparative Financial Information: The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended June 30, 2014, from which the summarized information was derived.

F. Cash and Cash Equivalents: The Land Institute considers all bank accounts, savings accounts and certificates of deposit to be cash equivalents. Cash and cash equivalents for the purpose of the Statement of Cash Flows excludes cash and cash equivalents restricted for term endowment and permanent endowment.

G. Receivables: Pledges receivable and accounts receivable are considered to be fully collectible. Accordingly, no allowances for doubtful accounts are required. Amounts considered uncollectible, if any, are charged off to operations as incurred.

H. Inventory: Inventory is stated at cost determined by the first-in, first-out method and consists of books, totes, mugs, and shirts.

I. Investments: Investments in marketable equity securities with readily determinable fair values and all investments in debt securities are stated at fair market values in the Statement of Financial Position. Unrealized gains and losses are included in the change in net assets in the accompanying Statement of Activities.

J. Property and Equipment: All acquisitions of property and equipment in excess of $1,000 are capitalized and are recorded at cost. Depreciation is determined using the direct write-down method. The direct write-down method recognizes depreciation at irregular intervals at the direction of management based on actual circumstances.

K. Public Support and Revenue: Contributions and grants are generally available for unrestricted use in the year of the gift unless specifically restricted by the donor. Conditional promises to give are not recognized in the financial statements until the conditions are substantially met. Unconditional promises to give are recorded as receivables in the year made. Amounts received or pledged that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support that increases those net asset classes. When a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Endowment contributions and investments are permanently and temporarily restricted by the donor. Endowment funds are invested in fully FDIC insured accounts in accordance with investment policy. Investment earnings are available for operations and are recorded in unrestricted net assets.

Contributions of donated noncash assets are recorded at their fair values in the period received. Contributions of donated services that create or enhance nonfinancial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased, if not provided by donation, are recorded at their fair values in the period received.

The net fixed assets balance is recorded as a separate component in unrestricted net assets. The funded depreciation method of accounting is used and provides for the transfer of cash from the unrestricted operations net assets to the unrestricted fixed assets net assets to the extent of the current year's depreciation expense at the Board of Directors' discretion.

L. Expense Allocation: The costs of providing various programs and other activities have been summarized on a functional basis in the Statement of Activities and in the Statement of Functional Expenses. Accordingly, certain costs have been allocated among programs and supporting services benefited.

2. Program and Service Activities

The program and service activities of The Land Institute are as follows

Program Services - To provide services related to the educational, NSA research, and other programs of The Land Institute.

Supporting Services

Management and General - Direction of the overall affairs of The Land Institute's administration, personnel, and accounting.

Fundraising - Activities to secure support from the private and public sectors for the needs of the education, NSA research, and other programs and administration of The Land Institute.

3. Certificates of Deposit

Certificates of deposit totaling $2,622,778 are included in cash in the accompanying financial statements. The certificates bear interest ranging from .25% to 2.1% and have maturities ranging from six to sixty months, with penalties for early withdrawal. Any penalties for early withdrawal would not have a material effect on the financial statements.

4. Pledges Receivable

Pledges receivable as of June 30, 2015 are temporarily restricted net assets. These unconditional promises to give are to be received in the fiscal years ending June 30, 2016 and June 30, 2017. Pledges receivable consist of amounts receivable from three individual, three foundations, and three corporations and other entities.

The timing of the receipt of the pledges receivable is summarized as follows:

Amounts due in:	
Less than one year	$ 1,126,226
One to five years	730,000
More than five years	-
Total	$ 1,856,226

All unconditional promises to give are recorded at net realizable value. Net realizable value was not materially different from the present value of the estimated future cash flow of unconditional promises to be collected in one to five years.

5. Conditional Promise to Give

During the fiscal year ending June 30, 2015, The Land Institute received a conditional promise to give $7,500,000 for the period from October 1, 2014 to October 1, 2019 for general support of research activities. $1,500,000 was received in the fiscal year ending June 30, 2015. The donor may terminate the grant agreement immediately if any terms or conditions of the grant agreement are violated, if any portion of the grant funds are spent or disbursed for purposes other than those permitted by the grant agreement, if The Land Institute ceases to be a tax-exempt organization, if the donor determines that The Land Institute is not capable of satisfactorily completing its work, or for any other reason in the donor's discretion. The donor also reserves the right to unilaterally revise the terms and conditions of the grant agreement if there is a change in the chief executive officer or other key position.

6. Operating Leases

A farmer agreed to pay $35 an acre for 2015 haying rights on 26 acres of property owned by The Land Institute. The rent income for this lease was $910 for the year ended June 30, 2015.

A house, barn, and barn house at 984 N. 1800 Road, Lawrence, KS are being leased to a tenant in exchange for property maintenance and providing housekeeping services for guests of The Land Institute. The tenant reimburses The Land Institute for all utilities less $6 per day for each day that The Land Institute uses the facilities. The term of the lease is for one year beginning January 1, 2014. After the expiration of the initial term, the lease shall automatically renew on a year-to-year basis. The lease terminated on July 31, 2015.

7. Property and Equipment

Property and equipment at June 30, 2015 is summarized by the following schedule:

Land	$ 2,028,308
Land improvements	27,527
Buildings	3,588,426
Leasehold improvements	28,744
Equipment	1,373,296
Vehicles	98,928
	7,145,229
Less: Accumulated depreciation	1,162,961
Total Property and Equipment	$ 5,982,268

Construction and website in progress includes $77,760 in construction costs related to a building to be competed in July, 2015, a $4,000 payment for the design of a building to be constructed in the fall of 2015, and $5,865 website and development costs for a website project that will be completed in 2015. Equipment in transit of $174,681 is farm equipment that was completed by June 30, 2015 but had not been transported to The Land Institute.

8. Property Held for Sale

Vacant lots located in Kansas City, Missouri were donated to The Land Institute in the fiscal year ended June 30, 2010. The appraised value of the lots was $31,500 and an environmental study was conducted at a cost of $1,200. The lots have been listed for sale several years and have not sold. An impairment loss pf $14,700 was recognized in the Statement of Activities for the year ended June 30, 2013. An additional impairment loss of $9,000 is being recognized and is included in the Statement of Activities for the year ended June 30, 2015. The impairment loss represents the excess of the aggregate carrying value of the lots over their fair value less estimated selling costs. The Kansas City lots are reported on the Statement of Financial Position as "Property held for sale" valued at $9,000.

9. Right of First Refusal Agreement

As part of an agreement with Saline County, Kansas to allow the County to purchase 2.057 acres of land to improve East Water Well Road, The Land Institute received a right of first refusal to purchase an agreed upon piece of land.

10. Restrictions on Net Assets

Temporarily restricted net assets are available for the following purposes or periods:

Periods after June 30, 2015	$ 650,000
Capital assets	1,739,223
Term endowment	870,000
Program activities	
NSA research	1,504,604
Total Temporarily Restricted Net Assets	$ 4,763,827

Net assets were released from donor restrictions by incurring expenses satisfying the purpose or time restrictions specified by donors as follows:

Purpose restriction accomplished:	
NSA research	$ 606,628
Asset purchases	3,395
Total purpose restrictions accomplished	610,023
Time restrictions expired	450,000
Total Restrictions Released	$ 1,060,023

Permanently restricted net assets consist of an endowment fund account to be held indefinitely, the income from which is expendable to support operating activities.

11. Beneficial Interest in Assets held by Greater Salina Community Foundation

The Land Institute has a board-designated endowment held in pooled investment funds with the Greater Salina Community Foundation (the Foundation). The Land Institute transferred $10,000 to the Greater Salina Community Foundation in the fiscal year ended June 30, 2005 and $789 in the fiscal year ended June 30, 2015, and may make additions to its organization fund. The Land Institute gave variance power over the transferred assets to the Foundation which allows the Foundation to exercise ultimate authority and control over the assets. Should the purpose for which the fund at the Foundation was created ever become obsolete or incapable of fulfillment, or should The Land Institute cease to exist, the Foundation will disperse any distributions from the fund to a similar charity comparable to The Land Institute for purposes as similar as possible to those set forth in The Land Institute's agreement with the Foundation.

The Land Institute's organization fund is invested by and held at the Foundation. The fund is co-mingled with other Foundation funds to encourage maximum investment performance. The Foundation's portfolio is managed with a view toward maximization of total return considering inflation risk, interest rate risk, and business or economic risk, while at all times being prudently diversified. The investment policy governing the underlying investments is established by the Board of the Foundation. The investment process of the Foundation seeks to achieve an after-cost total rate of return, (interest and dividend payments plus realized and unrealized capital appreciation) which exceeds the annual distribution with acceptable levels of risk. The assets are invested in a well-diversified asset mix, which includes equity and debt securities, fixed income and cash that is intended to result in a consistent inflation-protected rate of return that has sufficient liquidity to make an annual distribution of 5% while growing the funds if possible. Actual returns in any given year may vary. Investment strategies are managed to not expose the funds to unacceptable levels of risk.

At the end of the Foundation's fiscal year (June 30), the Foundation calculates the spendable balance from the Land Institute's organization fund. The spendable balance is calculated based on 5% of the average daily balance of the fund from the previous 20 quarters. If the fund is below the minimum of $10,000 at the end of the fiscal year, no allocation will be made from the fund to the spendable balance for the year. The balance of the endowed portion of The Land Institute's total fund is included when making these calculations. The endowed portion is funded by third-party donors and is recorded on the books of the Foundation rather than The Land Institute. Distributions from the organization fund are ordinarily processed within 30 days of a written request by The Land Institute.

Activity in the board-designated (unrestricted) endowment fund included in investment income and expense during the fiscal year ended June 30, 2015 was as follows:

Beginning balance, July 1, 2014	$	18,392
Appreciation		751
Additions		789
Investment fees		(169)
Ending balance, June 30, 2015	$	19,763

12. Fair Value Measurements

For assets and liabilities measured at fair value on a recurring basis during the period, U.S. generally accepted accounting principles requires quantitative disclosures about the fair value measurements separately for each major category of assets and liabilities.

Those assets measured at fair value on a recurring basis in the Statement of Net Assets and the types of inputs used to estimate fair value are as follows at June 30, 2015:

Description	6/30/2015	Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Beneficial Interest	$ 19,763	-	19,763	-
Total	$ 19,763	$ -	$ 19,763	$ -

Fair value for the beneficial interest is measured using the fair value of the assets held in the Greater Salina Community Foundation as reported by the Foundation at June 30, 2015.

13. Endowment Funds

The Land Institute's permanent endowment and term endowment funds are invested in fully FDIC insured money market and certificate of deposit accounts in accordance with investment policy. As required by generally accepted accounting principles, net assets associated with endowment funds are classified and reported based on the existence of or absence of donor-imposed restrictions.

The Board of Directors of The Land Institute has interpreted the State Prudent Management of Institutional Funds Act (SPMIFA) as requiring the presentation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, The Land Institute classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by The Land Institute in a manner consistent with the standard of prudence prescribed by SPMIFA. In accordance with SPMIFA, The Land Institute considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the various funds, (2) the purposes of the donor-restricted endowment funds, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of The Land Institute, and (7) The Land Institute's investment policies.

Investment Policies. The Land Institute has adopted investment policies, approved by the Board of Directors, for endowment assets that attempt to provide a reasonable long term rate of return on the endowment and that consider preservation of the endowment for the long term and the long term needs of The Land Institute. The endowment shall be invested only in the following: publicly traded mutual funds; publicly traded bond mutual funds; fully FDIC insured certificates of deposit; fully FDIC insured money market accounts; and United States bonds, notes, treasury bills, and similar obligations (guaranteed by the United States) of agencies of the United States. Any such bond mutual funds shall be invested at least 75 percent in bonds or other indebtedness of the United States or agencies of the United States. All such stock and bond mutual funds shall be organized in and operated under the laws of the United States. Investments in assets that do not pay dividends or interest may be made if the investment committee believes the long term capital appreciation or other future income from the assets is a reasonable basis for making the investment. To achieve a balance between stock fund and bond fund investments, the preservation of the real purchasing power of the endowment shall be considered while at the same time providing protection against declines in the market value of equity assets.

Spending Policy. The Land Institute has a policy of spending the endowment earnings for operations.

Endowment net asset composition by type of fund as of June 30, 2015 is as follows:

	Temporarily Restricted	Permanently Restricted	Endowment Assets
Donor-Restricted Endowment Funds	$ 870,000	$ 39,000	$ 909,000

Changes in endowment net assets as of June 30, 2015 are as follows.

	Temporarily Restricted	Permanently Restricted	Total Net Endowment Assets
Endowment net assets, beginning of year	$ 870,000	$ 39,000	$ 909,000
Contributions	-	-	-
Investment income	11,913	78	11,991
Net appreciation (depreciation)	-	-	-
Amounts appropriated for expenditure	(11,913)	(78)	(11,991)
Endowment net assets, end of year	$ 870,000	$ 39,000	$ 909,000

14. Related Party Transactions

The Land Institute leases 25 acres of farmland including certain water rights, two buildings and two barns, and non-mechanized farm equipment from a member of the board of directors, Wes Jackson. The terms of the lease provide for annual automatic lease renewals unless specific notice is given and annual rentals of $ 8,400, with the lessor paying for repairs, property taxes, electricity, and insurance.

The Land Institute leases 3.03 acres of land to an employee, Lee DeHaan. The term of the lease is for 100 years commencing on September 15, 2005. An annual rental of $1 plus real property taxes and assessments is payable in advance on or before January 2nd of each year. The lessee shall make all improvements and repairs to the property.

A house located at 2281 E. Water Well Road is being leased to an employee, John Mai, for $400 a month for a one year term beginning April 1, 2014. The rent income for this lease was $5,200 for the year ended June 30, 2015. Upon termination of the initial one-year term, either party may terminate this agreement upon providing 180 days written notice.

Land Institute interns are renting a furnished shared 3-bedroom house at 3537 S. Ohio which is owned by The Land Institute, a house at 230 E. Republic which is being leased by The Land Institute for the interns, and apartments at 1912 Glendale Road and 1920 Glendale Road which are being leased by The Land Institute for the interns. The rent income for these leases was $6,711 for the year ended June 30, 2015. The Land Institute paid rent of $1,000 for the house at 230 E. Republic for the year ended June 30, 2015 and also paid a security deposit of $500. The house at 230 E. Republic was only rented from May 15, 2014 to September 15, 2014. $390 of the $500 security deposit was returned. The Land Institute paid rent of $3,696 for the apartments at 1912 and 1920 Glendale Road for the year ended June 30, 2015 and also paid security deposits totaling $1,285. The apartment at 1912 Glendale Road is only being rented from May 1, 2015 to September 30, 2015 and the apartment at 1920 Glendale Road is only being rented from May 1, 2015 to August 31, 2015. A security deposit of $200 was received for the house at 3537 S. Ohio. The house at 3537 S. Ohio is being rented on a month-to-month basis.

The Land Institute donated 13.6 acres of land located in Ottawa County, Kansas to Heart Land Green Burial, Inc. to help establish a green burial cemetery. The land had a value of $43,435 and costs of $1,060 were paid by The Land Institute for a survey and a special-use permit. Heart Land Green Burial, Inc. is a Kansas not-for-profit corporation. The treasurer of the organization is Timothy Crews who is the Director of Research at The Land Institute, and Timothy's wife is the president of the organization.

During the fiscal year ended June 30, 2015, The Land Institute sold land and a homestead in Douglas County, Kansas to the Malone Family Land Preservation Foundation for $1.7 million. The Land Institute has a joint project agreement with the Malone Family Land Preservation Foundation (see Note 20). The Malone Family Land Preservation Foundation will place a conservation easement on the property to bar commercial development in perpetuity. The Land Institute will continue to access the property to conduct agricultural research and will have first option to buy the property at fair market value in fifteen years. The property was donated to The Land Institute in 2013 and 2014 and The Land Institute recognized a loss of $20,130 on the sale of the property.

15. Board Member Contributions

Grants and contributions received from members of the Board of Directors and organizations related to them, totaled $754,336 for the year ended June 30, 2015.

16. Grants and Contributions

The Land Institute receives significant public support from individuals, foundations, corporations, and other entities. During the year, forty-seven foundations contributed a total of $4,514,875 and two corporations and other entities contributed a total of $102,589. The remaining public support of $1,137,874 came from numerous individuals.

17. Advertising

The Land Institute uses advertising to promote its programs among the audiences it serves. The production costs of advertising are expensed as incurred.

18. Retirement Plan

The Land Institute has a defined contribution salary deferral plan covering employees meeting certain requirements. Under the plan, The Land Institute contributes five percent of each eligible employee's salary. The contribution expenses incurred in the fiscal year ending June 30, 2015 were $54,730. Employees may also contribute their own pre-tax dollars under another retirement plan. The Land Institute does not match this voluntary contribution.

19. Collaborative Arrangement

The Land Institute and Kansas State University entered into a collaborative agreement on May 12, 2014 in order to develop Natural Systems Agriculture. Forms of program collaboration may include seeking acceptance by the University for granting adjunct faculty status for researchers at The Land Institute who end up collaborating on projects or serve on graduate student committees, joint use of facilities after respective approvals of each Party, collaborative proposal submissions for funding in targeted areas, sponsored research projects under separate research agreements executed between the Parties and/or with third parties, and exchange of faculty and/or students in accordance with the Parties' respective institutional procedures regarding same. Specific collaborative tasks other than those mentioned above shall be determined through mutual consultation and agreement of the Parties.

Transportation and per diem expenses for each Party shall be determined through mutual consultation and agreement of the Parties, but at least initially, each Party will be responsible for their own respective costs of participation and collaboration. The Parties shall strive to make the results of the collaboration publicly known to the scientific community and society at large utilizing numerous outreach methods, including publications, seminars, lectures, and conferences, which will be clearly established prior to the commencement of a definitive activity, or by mutual agreement at any time. Procedures for disclosing results shall be determined through mutual consultation and agreement by the Parties. Details concerning the sharing of expenses, publication of results, ownership of reports, data and results, and other matters shall be determined through mutual consultation and agreement by the Parties. For the avoidance of doubt, either Party may publish its results from any collaborative projects. Treatment of intellectual property rights will be more specifically outlined in separate research agreements and shall be determined consistent with principles of U.S. Patent Law, as well as each Party's regulations, procedures and policies. Ownership of intellectual property shall vest in the Party whose personnel conceived the subject matter and diligently pursued reducing the subject matter to practice, and such Party may perfect legal protection therein in its own name and at its own expense. Jointly made or generated intellectual property shall be jointly owned by the Parties unless otherwise agreed in writing.

Prior to signing the collaborative agreement, The Land Institute entered into a research agreement with Kansas State University to support a post doctoral researcher to carry out laboratory and field work to identify and quantify non-legume sources of nitrogen fixation in perennial crop agroecosystems. The term of the project was November 12, 2013 to November 11, 2014 and the cost to The Land Institute shall not exceed $54,940. The Land Institute paid Kansas State University $39,956 under this agreement for the year ended June 30, 2015. The Land Institute entered into another research agreement with Kansas State University to support a post-doctoral researcher to carry out laboratory and field work to identify and quantify non-legume sources of nitrogen fixation in perennial crop agroecosystems. The term of the project was January 1, 2015 to April 30, 2015 and the amount of the agreement is $23,188. The Land Institute paid Kansas State University $23,188 under this agreement for the year ended June 30, 2015. The expense related to these agreements is reported as contract services in the financial statements.

20. Joint Project Agreement

The Land Institute and the Malone Family Land Preservation Foundation entered into a joint project agreement on September 15, 2014 to further the research and development of perennial agriculture. The project is referred to as “The Perennial Agriculture Project in conjunction with the Malone Family Land Preservation Foundation and The Land Institute.” The agreement shall continue through December 31, 2029 unless terminated prior to that date in accordance with the provisions of the agreement. The Malone Family Land Preservation Foundation will provide up to $1.5 million each year during the term of the agreement to pay costs directly associated with the Project. It shall first pay expenses that it directly incurs and if that amount is less than $1.5 million in a calendar year, it will reimburse The Land Institute for reasonable project-related expenses incurred by The Land Institute up to a maximum of $1.5 million of combined expenses for the two entities. The Malone Family Land Preservation Foundation may choose to exceed the annual $1.5 million cap in any particular calendar year but must reduce the $1.5 million cap by a like amount in the future. The project costs may include land acquisitions, construction of facilities, and purchasing equipment. Real property, buildings, or other facilities and equipment acquired by The Malone Family Land Preservation Foundation shall remain its property during the term of the agreement and thereafter. However, at the conclusion of the agreement, The Land Institute may purchase any such real property, buildings or other facilities and equipment at fair market value if the Malone Family Land Preservation Foundation chooses to sell such assets. Any assets purchased by The Land Institute (and not reimbursed by the Malone Family Land Preservation Foundation) will remain the property of The Land Institute during the term of the agreement and thereafter but the Malone Family Land Preservation Foundation will continue to have the non-exclusive right to use such assets. The Malone Family Land Preservation Foundation will select a project director for the project who will prepare a research agenda and budget for each calendar year and will contract with researchers, scientists, students and others to conduct research and provide other services in furtherance of the project. The project director will oversee the activities and progress of the Project and will provide a detailed report of the activities and progress of the Project by January 31 of each year. The two entities will each be permitted to access each other facilities in connection with the Project as reasonably necessary and will each provide seed stock and germplasm as well as other research products at no cost and free of future royalties. The Land Institute must permit the Malone Family Land Preservation Foundation and the Project access to the research and records of The Land Institute, including research and records compiled prior to the date of the Agreement as reasonably necessary to further the research and activities of the Project. The Land Institute and the Malone Family Land Preservation Foundation must each carry and maintain a comprehensive general liability insurance policy in an amount of $1,000,000 per occurrence and $2,000,000 in the aggregate and each must include the other party as an additional insured. The Land Institute must provide the Malone Family Land Preservation Foundation with evidence of insurance for vehicles operated in conjunction with the project. The Project expenses paid by The Land Institute will be included in their research program expenses.

Timothy Crews is Director of Research for The Land Institute (80%) and is also the Project Director for The Perennial Agriculture Project. Rachel Stroer is the Project Manager for The Perennial Agriculture Project (75%) and is also an employee of The Land Institute (25%).

21. Concentrations of Credit Risk

The company maintains cash balances and certificates of deposit at several banks. Balances at each bank are insured by the Federal Deposit Insurance Corporation up to $250,000. At June 30, 2015, The Land Institute had no uninsured cash in banks. The company also maintains accounts at two brokerage firms including cash balances totaling $200,649 and twenty-three insured savings accounts totaling $5,509,581 which are insured by the FDIC.

22. Subsequent Events

Subsequent events were evaluated through September 18, 2015, which is the date the financial statements were available to be issued. On September 17, 2015, Wes Jackson announced his intention to step down as president of The Land Institute in June, 2016. The Land Institute’s board of directors has begun a national search for a successor.

23. Open Tax Years

The Land Institute's Forms 990, *Return of Organization Exempt from Income Tax,* for the years ending 2012, 2013, 2014, and 2015 are subject to examination by the IRS, generally for three years after they are filed.