THE LAND INSTITUTE
Salina, Kansas

FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORT

June 30, 2017

CLUBINE AND RETTELE, CHARTERED
CERTIFIED PUBLIC ACCOUNTANTS
SALINA, KANSAS

THE LAND INSTITUTE
Salina, Kansas

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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, 2017, 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, 2017, 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, 2016 financial statements, and we expressed an unmodified opinion on those audited financial statements in our report dated September 15, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2016, 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 15, 2017

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Salina, Kansas

Exhibit I

STATEMENT OF FINANCIAL POSITION
June 30, 2017 with Comparative Totals as of June 30, 2016

	Unrestricted		Temporarily	Permanently	Totals	
	Operations	Fixed Assets	Restricted	Restricted	June 30, 2017 (Memorandum)	June 30, 2016 (Memorandum)
Assets						
Cash and cash equivalents (Note 1)	$ 4,942,529	$ 2,390,189	$ 912,368	$ -	$ 8,245,086	$ 7,843,086
Accounts receivable	2,422	-	-	-	2,422	14,948
Interest receivable	4,981	-	-	-	4,981	3,648
Note receivable	6,309	-	-	-	6,309	-
Prepaid expenses	80,099	10,181	-	-	90,280	47,907
Security deposit	-	-	-	-	-	775
Inventory	7,445	-	-	-	7,445	7,904
Pledges receivable (Note 4)	-	-	631,855	-	631,855	1,059,208
Cash and cash equivalents restricted for building construction	-	-	1,421,958	-	1,421,958	931,439
Cash and cash equivalents restricted for term endowment and permanent endowment (Note 11)	-	-	870,000	39,000	909,000	909,000
Beneficial interest in assets held by Greater Salina Community Foundation (Note 9)	22,072	-	-	-	22,072	19,635
Construction in progress	-	-	-	-	-	597,877
Property and equipment, net (Note 7)	-	6,911,668	-	-	6,911,668	6,177,522
Total Assets	$ 5,065,857	$ 9,312,038	$ 3,836,181	$ 39,000	$ 18,253,076	$ 17,612,949
Liabilities						
Accounts payable	$ 70,815	$ 13,031	$ 6,612	$ -	$ 90,458	$ 41,400
Payroll taxes and sales tax payable	133	-	-	-	133	442
Deferred income - Prairie Festival	-	-	-	-	-	11,010
Accrued vacations payable	59,901	-	-	-	59,901	63,345
Total Liabilities	130,849	13,031	6,612	-	150,492	116,197
Net Assets	4,935,008	9,299,007	3,829,569	39,000	18,102,584	17,496,752
Total Liabilities and Net Assets	$ 5,065,857	$ 9,312,038	$ 3,836,181	$ 39,000	$ 18,253,076	$ 17,612,949

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, 2017 with Comparative Totals For the Year Ended June 30, 2016

	Unrestricted				Totals	
	Operations	Fixed Assets	Temporarily Restricted	Permanently Restricted	June 30, 2017 (Memorandum)	June 30, 2016 (Memorandum)
Public Support, Revenue, Reimbursement and Reclassifications						
Public Support						
Grants						
Individuals	$ 1,156,834	$ -	$ 102,500	$ -	$ 1,259,334	$ 1,030,312
Foundations	1,965,368	-	361,846	-	2,327,214	2,813,187
Corporations and partnerships	-	-	89,373	-	89,373	8,534
Grants not spent	-	-	-	-	-	(9,961)
Total Public Support	3,122,202	-	553,719	-	3,675,921	3,842,072
Revenue						
Event fees	22,740	-	-	-	22,740	15,859
Book royalties, honoraria and miscellaneous	250	-	-	-	250	686
Rent income	6,601	-	-	-	6,601	12,898
Interest	48,557	-	-	-	48,557	37,019
Farm income	3,823	-	-	-	3,823	1,398
Book and merchandise sales	38,902	-	-	-	38,902	16,734
Net unrealized and realized gain (loss) on sale of investments	2,616	-	-	-	2,616	(199)
Gain (Loss) on sale of assets	-	2,400	-	-	2,400	(8,697)
Total Revenue	123,489	2,400	-	-	125,889	75,698
Reimbursement of joint project expenses	378,014	-	-	-	378,014	257,628
Reclassifications						
Net Assets Released from Restrictions						
Satisfaction of program restrictions	475,160	10,181	(485,341)	-	-	-
Expiration of time restrictions	250,000	-	(250,000)	-	-	-
Total Reclassifications (Note 8)	725,160	10,181	(735,341)	-	-	-
Total Public Support, Revenue, Reimbursement and Reclassifications	4,348,865	12,581	(181,622)	-	4,179,824	4,175,398

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

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Exhibit II

STATEMENT OF ACTIVITIES (Continued)
For the Year Ended June 30, 2017 with Comparative Totals for the Year Ended June 30, 2016

	Unrestricted		Temporarily	Permanently	Totals	
	Operations	Fixed Assets	Restricted	Restricted	June 30, 2017 (Memorandum)	June 30, 2016 (Memorandum)
Expenses						
Program Services						
Education & Public Policy	681,543	-	-	-	681,543	529,758
NSA research	2,130,211	-	-	-	2,130,211	2,236,932
Total Program Services	2,811,754	-	-	-	2,811,754	2,766,690
Supporting Services						
Management and general	334,883	-	-	-	334,883	349,389
Fundraising	427,355	-	-	-	427,355	513,303
Total Supporting Services	762,238	-	-	-	762,238	862,692
Total Expenses	3,573,992	-	-	-	3,573,992	3,629,382
Change in Net Assets	774,873	12,581	(181,622)	-	605,832	546,016
Transfers	(300,000)	300,000	-	-	-	-
Net Assets, Beginning of Year	4,460,135	8,986,426	4,011,191	39,000	17,496,752	16,950,736
Net Assets, End of Year	$ 4,935,008	$ 9,299,007	$ 3,829,569	$ 39,000	$ 18,102,584	$ 17,496,752

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

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Exhibit III

STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended June 30, 2017 with Comparative Totals for the Year Ended June 30, 2016

	Program Services			Supporting Services			Totals	
	Education & Public Policy	NSA Research	Total	Management & General	Fundraising	Total	June 30, 2017 (Memorandum)	June 30, 2016 (Memorandum)
Salaries	$ 303,652	$ 964,090	$ 1,267,742	$ 234,884	$ 245,125	$ 480,009	$ 1,747,751	$ 1,698,380
Payroll taxes	22,407	67,562	89,969	16,052	21,492	37,544	127,513	125,585
Employee benefits	50,132	173,840	223,972	32,635	46,513	79,148	303,120	295,029
Employee recruitment	-	1,563	1,563	370	1,677	2,047	3,610	88,119
Total Salaries and Related Expenses	376,191	1,207,055	1,583,246	283,941	314,807	598,748	2,181,994	2,207,113
Advertising, promotion and printing	-	-	-	-	-	-	-	5,875
Books, subscriptions and dues	201	1,947	2,148	181	3,868	4,049	6,197	7,121
Communications	102,297	6,163	108,460	-	7,110	7,110	115,570	-
Computer expense	13,345	57,295	70,640	7,872	41,131	49,003	119,643	68,042
Contract services	23,917	70,414	94,331	2,448	6,394	8,842	103,173	438,305
Events	79,159	11,534	90,693	-	-	-	90,693	45,874
Insurance	12,088	42,687	54,775	7,797	10,960	18,757	73,532	70,201
Advisory and board meetings	-	-	-	4,973	-	4,973	4,973	7,876
Small equipment	145	19,866	20,011	91	136	227	20,238	11,605
Maintenance and repairs	5,274	58,934	64,208	4,060	3,815	7,875	72,083	85,854
Rent and utilities	5,366	21,315	26,681	3,480	4,959	8,439	35,120	26,758
Office supplies and repairs	3,006	10,863	13,869	1,930	3,348	5,278	19,147	14,564
Postage and freight	1,230	9,204	10,434	685	1,097	1,782	12,216	24,918
Professional services	2,931	49,972	52,903	3,567	2,749	6,316	59,219	36,725
Land report and other publications	-	-	-	-	-	-	-	35,166
Research stipends	50,000	230,365	280,365	-	-	-	280,365	122,201
Supplies and materials	140	107,102	107,242	-	-	-	107,242	78,999
Taxes	418	1,542	1,960	261	392	653	2,613	3,115
Telephone	72	267	339	45	68	113	452	4,962
Travel	5,733	34,461	40,194	3,580	26,493	30,073	70,267	83,149
Miscellaneous	30	111	141	19	28	47	188	8,659
Total Expenses Before Depreciation and Amortization	681,543	1,941,097	2,622,640	324,930	427,355	752,285	3,374,925	3,387,082
Depreciation and Amortization Expense	-	189,114	189,114	9,953	-	9,953	199,067	242,300
Total Expenses	$ 681,543	$ 2,130,211	$ 2,811,754	$ 334,883	$ 427,355	$ 762,238	$ 3,573,992	$ 3,629,382
Total Expenses, Year Ended June 30, 2016 (Memorandum)	$ 529,758	$ 2,236,932	$ 2,766,690	$ 349,389	$ 513,303	$ 862,692		

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

THE LAND INSTITUTE
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Exhibit IV

STATEMENT OF CASH FLOWS

For the Year Ended June 30, 2017 with Comparative Totals for the Year Ended June 30, 2016

	June 30, 2017	June 30, 2016 (Memorandum)
Cash Flows From Operating Activities		
Cash received from public support, reimbursement, and revenues	$ 4,019,463	$ 4,483,801
Interest received	47,224	36,803
Cash paid to employees, suppliers, program expenses, vendors and others	(3,370,569)	(3,538,086)
Net Cash Provided by Operating Activities	696,118	982,518
Cash Flows From Investing Activities		
Loan to employee	(25,000)	-
Collections on loan	18,691	-
Proceeds from sales of assets and investments	37,346	24,004
Increase in cash restricted for building construction	(490,519)	(192,216)
Purchase of equipment, land and building	(335,336)	(777,717)
Net Cash Used by Investing Activities	(794,818)	(945,929)
Net Cash Provided by Financing Activities		
Collection of contributions restricted for building construction	500,700	500,000
Net Increase in Cash and Cash Equivalents	402,000	536,589
Cash and Cash Equivalents at beginning of year	7,843,086	7,306,497
Cash and Cash Equivalents at end of year (Note 1)	$ 8,245,086	$ 7,843,086

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

	June 30, 2017	June 30, 2016 (Memorandum)
Change in Net Assets - Exhibit II	$ 605,832	$ 546,016
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	199,067	242,300
Donated investments included in contributions	(34,957)	(19,368)
Net unrealized and realized loss (gain) on sale of investments	(2,616)	199
Loss (Gain) on sale of assets	(2,400)	8,697
Contributions restricted for building construction	(500,700)	(500,000)
Administrative fee charged by Greater Salina Community Foundation	190	188
Decrease in accounts receivable	12,526	47,866
Increase in interest receivable	(1,333)	(216)
Decrease in pledges receivable	427,353	797,018
Decrease (Increase) in inventory	459	(2,218)
Decrease (Increase) in prepaid expenses	(42,373)	1,817
Decrease in security deposit paid	775	510
Increase (Decrease) in accounts payable	49,058	(152,931)
Increase (Decrease) in payroll taxes and sales tax payable	(309)	322
Increase (Decrease) in deferred income - Prairie Festival	(11,010)	11,010
Decrease in security deposit received	-	(200)
Increase (Decrease) in vacations payable	(3,444)	1,508
Total Adjustments	90,286	436,502
Net Cash Provided by Operating Activities	$ 696,118	$ 982,518

Noncash investing activities consisted of donated investments of $34,957.

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

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, 2016, from which the summarized information was derived. Advertising, printing, Land Report production and mailing costs, and telephone expenses are included in the communications expense line for the June 30, 2017 financial statements.

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 building construction, 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, caps, water bottles, 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 $2,500 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

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

Supporting Services

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

<u>Fundraising</u> - 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 $3,119,362 are included in cash in the accompanying financial statements. The certificates bear interest ranging from .31% to 2.1% and have maturities ranging from six to sixty-one 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, 2017 are temporarily restricted net assets. These unconditional promises to give are to be received in the fiscal years ending June 30, 2018, June 30, 2019, and June 30, 2020. Pledges receivable consist of amounts receivable from four individuals, three foundations, and one other entity.

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

Amounts due in:	
Less than one year	$ 476,459
One to five years	155,396
More than five years	-
Total	$ 631,855

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 in the amount of $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, 2017. 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 paid $625 for 2017 haying rights on 26 acres of property owned by The Land Institute.

7. Property and Equipment

Property and equipment at June 30, 2017 is summarized by the following schedule:

Land	$ 2,030,308
Land improvements	77,533
Buildings	4,512,647
Leasehold improvements	58,597
Equipment	1,707,038
Vehicles	80,963
	8,467,086
Less: Accumulated depreciation	1,555,418
Total Property and Equipment	$ 6,911,668

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.

8. Restrictions on Net Assets

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

Periods after June 30, 2017	$ 250,000
Capital assets	1,421,958
Term endowment	870,000
Program activities	
Education (communication)	105,139
NSA research	1,182,472
Total Temporarily Restricted Net Assets	$ 3,829,569

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	$	395,243
Education (communication)		79,917
Asset purchases		10,181
Total purpose restrictions accomplished		485,341
Time restrictions expired		250,000
Total Restrictions Released	$	735,341

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

9. 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, 2017 was as follows:

Beginning balance, July 1, 2016	$	19,635
Appreciation		2,627
Additions		-
Investment fees		(190)
Ending balance, June 30, 2017	$	22,072

10. 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, 2017:

Description	6/30/2017	Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Beneficial Interest	$ 22,072	-	22,072	-
Total	$ 22,072	$ -	$ 22,072	$ -

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, 2017.

11. 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, 2017 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, 2017 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	11,439	78	11,517
Net appreciation (depreciation)	-	-	-
Amounts appropriated for expenditure	(11,439)	(78)	(11,517)
Endowment net assets, end of year	$ 870,000	$ 39,000	$ 909,000

12. Related Party Transactions

The Land Institute leases approximately 30 acres of pasture and woodland including specified buildings from the S. Wesley Jackson Trust. Wes Jackson is the former President of The Land Institute and is currently an employee of the organization. The current lease went into effect on July 1, 2016. The terms of the lease provide for annual automatic lease renewals unless specific notice is given and annual rentals of $12,000, with the lessor paying for repairs, property taxes, utilities, and insurance. The Land Institute will provide mowing services for the property from May through September for $100 per month.

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.

During the fiscal year ended June 30, 2017, Land Institute interns rented a furnished shared 3-bedroom house at 3537 S. Ohio and a house located at 2281 E. Water Well Road, both of which are owned by The Land Institute. The rent income for these leases was $4,125 for the year ended June 30, 2017. These houses are being rented on a month-to-month basis. Other entities also leased portions of these houses for some part of the fiscal year for a total of $1,850. The Land Institute paid rent of $1,785 for an apartment at 1130 Parkwood Drive which was used to house interns. The apartment was vacated on September 30, 2016. A security deposit of $775 was paid for this apartment and $240 was returned after cleaning expenses and a partial month's rent was deducted..

On July 1, 2016, an employee of The Land Institute borrowed $25,000 pursuant to an employment contract. The note bears an interest rate of 2.5% and the monthly loan payments are being deducted from the employee's monthly paycheck. The final payment on the loan will be made on September 30, 2017. The balance of the note receivable is $6,039 at June 30, 2017.

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 19). 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.

13. Board Member Contributions

Grants and contributions received from members of the Board of Directors and organizations related to them, totaled $712,803 for the year ended June 30, 2017.

14. Grants and Contributions

The Land Institute receives significant public support from individuals, foundations, corporations, and other entities. During the year, fifty foundations contributed a total of $2,327,214 and one corporation contributed a total of $89,373. The remaining public support of $1,259,334 came from numerous individuals.

15. Advertising

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

16. 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, 2017 were $53,664. Employees may also contribute their own pre-tax dollars under another retirement plan. The Land Institute does not match this voluntary contribution.

17. During the year ended June 30, 2017, The Land Institute donated $50,000 to another not-for-profit organization to support Ecospheric Studies. The Land Institute also donated $83,500 to four American universities, and $20,000 to a university in China to support research performed by these organizations that relates to and enhances the work of The Land Institute.

18. 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.

19. 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 others 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.

The Malone Family Land Preservation Foundation reimbursed The Land Institute $378,014 for salaries and benefits of science staff who worked on the Perennial Agriculture Project during calendar year 2016.

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 Chief Operating Officer for The Land Institute (75%) and is also the Project Manager for The Perennial Agriculture Project (25%).

20. 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, 2017, The Land Institute had uninsured cash of $2,240 in one bank. The company also maintains accounts at two brokerage firms including cash balances totaling $244,926, twenty-eight insured savings accounts totaling $6,571,111, and three certificates of deposit totaling $735,000. All are insured by the FDIC.

21. Prior Period Adjustment

A joint project expense reimbursement of $257,628 was received in the fiscal year ended June 30, 2016 and was incorrectly reported as a restricted grant. The reimbursement was moved from Temporarily Restricted Foundation Grant income to Reimbursement of joint project expenses in the June 30, 2016 Memorandum column of the Statement of Activities. Cash restricted for building construction, in the amount of $931,439, was not appropriately segregated on the Statement of Financial Position in the fiscal year ended June 30, 2016. It has been appropriately reported in the June 30, 2016 Memorandum column of the Statement of Financial Position and changes were made in the June 30, 2016 Memorandum column of the Statement of Cash Flows to report the receipt of the cash restricted for building construction and the increase in the restricted cash for the year.

22. Subsequent Events

Subsequent events were evaluated through September 15, 2017, which is the date the financial statements were available to be issued.

23. Open Tax Years

The Land Institute's Forms 990, *Return of Organization Exempt from Income Tax,* for the years ending 2014, 2015, 2016, and 2017 are subject to examination by the IRS, generally for three years after they are filed.