THE LAND INSTITUTE

FINANCIAL STATEMENTS
JUNE 30, 2019
TOGETHER WITH INDEPENDENT AUDITOR'S REPORT

THE LAND INSTITUTE

FINANCIAL STATEMENTS
JUNE 30, 2019

Table of Contents

Independent Auditor's Report	1-2
Financial Statements:	
Statement of Financial Position	3
Statement of Activities	4
Statement of Functional Expenses	5
Statement of Cash Flows	6
Notes to Financial Statements	7-17

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CERTIFIED PUBLIC ACCOUNTANTS

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Independent Auditor's 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, 2019 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.

Auditor's 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 from 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 auditor's 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, 2019, 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.

Summers, Spencer + Company, P.A

Summers, Spencer & Company, P.A.
Salina, Kansas

September 27, 2019

THE LAND INSTITUTE

STATEMENT OF FINANCIAL POSITION

June 30,	2019
ASSETS	
Current assets	
Cash and cash equivalents	$ 7,680,483
Accounts receivable	108,211
Interest receivable	8,127
Prepaid expenses	106,387
Short-term pledges receivable	2,000
Total current assets	7,905,208
Other assets	
Cash and cash equivalents, restricted	870,000
Cash and cash equivalents, endowment	40,000
Beneficial interest in assets held by Greater Salina Community Foundation	25,290
Inventory	11,857
Property and equipment, net	8,361,110
Total other assets	9,308,257
Total assets	$ 17,213,465
LIABILITIES AND NET ASSETS	
Current liabilities	
Accounts payable	$ 37,025
Payroll taxes and sales tax payable	581
Accrued vacation payable	82,635
Grants paid in advance	1,087,172
Deferred revenue	21,000
Total liabilities	1,228,413
Net assets	
Without donor restrictions	
Designated by the Board	870,000
Undesignated	15,018,140
Total without donor restrictions	15,888,140
With donor restrictions	
Purpose restrictions	56,912
Perpetual in nature	40,000
Total with donor restrictions	96,912
Total net assets	15,985,052
Total liabilities and net assets	$ 17,213,465

THE LAND INSTITUTE

STATEMENT OF ACTIVITIES

June 30,	2019		
	Without Donor Restrictions	With Donor Restrictions	Total
Public support, revenue and reimbursement			
Public support			
Grants			
Individuals	$ 1,986,283	$ 89,000	$ 2,075,283
Foundations	2,156,256	10,000	2,166,256
Corporations and partnerships	382,196	40,000	422,196
Total public support	4,524,735	139,000	4,663,735
Revenue			
Event fees	20,950	-	20,950
Rent income	14,752	-	14,752
Interest	83,549	-	83,549
Farm income	2,252	-	2,252
Book and merchandise sales, net of direct fees	6,197	-	6,197
Net unrealized and realized gain on sale of investments	1,811	-	1,811
Total revenue	129,511	-	129,511
Reimbursement of joint project expenses	114,941	-	114,941
Net assets released from restriction	86,238	(86,238)	-
Total public support, revenue and reimbursement	4,855,425	52,762	4,908,187
Expenses			
Program services			
Education and public policy	996,842	-	996,842
NSA research	3,154,322	-	3,154,322
Total program services	4,151,164	-	4,151,164
Supporting services			
Management and general	353,957	-	353,957
Fundraising	450,934	-	450,934
Total supporting services	804,891	-	804,891
Total expenses	4,956,055	-	4,956,055
Increase (decrease) in net assets	(100,630)	52,762	(47,868)
Beginning net assets	15,988,771	44,150	16,032,920
Ending net assets	$ 15,888,141	$ 96,912	$ 15,985,052

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

THE LAND INSTITUTE

STATEMENT OF FUNCTIONAL EXPENSES

For the year ended June 30,	2019						
	Program Services			Supporting Services			Total
	Education & Public Policy	NSA Research	Total	Management & General	Fundraising	Total	June 30, 2019 (Memorandum)
Salaries	$ 501,955	$ 1,462,801	$ 1,964,756	$ 209,621	$ 264,291	$ 473,912	$ 2,438,668
Payroll taxes	34,487	103,589	138,076	15,278	17,680	32,958	171,034
Employee benefits	89,699	231,597	321,296	35,074	43,777	78,851	400,147
Employee recruitment	-	4,441	4,441	1,211	-	1,211	5,652
Total salaries and related expenses	626,141	1,802,428	2,428,569	261,184	325,748	586,932	3,015,501
Advertising, promotion and printing	7,255	402	7,657	1,251	5,217	6,468	14,125
Books, subscriptions and dues	3,285	4,869	8,154	1,926	2,533	4,459	12,613
Communications	732	2,097	2,829	340	451	791	3,620
Computer expense	18,212	53,675	71,887	5,852	7,298	13,150	85,037
Contract services	44,779	179,571	224,350	10,282	4,675	14,957	239,307
Direct mailing	-	-	-	-	7,842	7,842	7,842
Events	135,987	33,648	169,635	-	14,542	14,542	184,177
Honoraria	2,000	-	2,000	-	-	-	2,000
Insurance	23,334	56,354	79,688	8,190	10,427	18,617	98,305
Advisory and board meetings	-	-	-	20,384	-	20,384	20,384
Small equipment	1,922	66,626	68,548	2,982	5,567	8,549	77,097
Maintenance and repairs	6,522	73,855	80,377	3,338	3,200	6,538	86,915
Rent and utilities	27,210	75,871	103,081	7,884	10,064	17,948	121,029
Office supplies and repairs	3,391	3,873	7,264	1,082	2,047	3,129	10,393
Postage and freight	2,016	11,642	13,658	498	1,754	2,252	15,910
Professional services	4,637	25,848	30,485	2,156	1,937	4,093	34,578
Land report and other publications	35,200	-	35,200	-	-	-	35,200
Research stipends	-	242,368	242,368	-	-	-	242,368
Supplies and materials	1,597	159,766	161,363	-	-	-	161,363
Taxes	561	1,683	2,244	302	296	598	2,842
Travel	37,561	39,152	76,713	9,713	47,336	57,049	133,762
Miscellaneous	14,500	-	14,500	-	-	-	14,500
Total expenses before depreciation	996,842	2,833,728	3,830,570	337,364	450,934	788,298	4,618,868
Depreciation and amortization	-	320,594	320,594	16,593	-	16,593	337,187
Total expenses	$ 996,842	$ 3,154,322	$ 4,151,164	$ 353,957	$ 450,934	$ 804,891	$ 4,956,055

THE LAND INSTITUTE

STATEMENT OF CASH FLOWS

For the year ended June 30,	2019
Cash flows from operating activities	
Change in net assets	$ (47,868)
Adjustments to reconcile change in net assets to net cash provided by operating activities	
Depreciation of property, plant and equipment	337,187
Contributed investments	(14,831)
Contributions restricted for endowment	(1,000)
Gain on investments	(1,578)
(Increase) decrease in assets	
Accounts receivable	(104,951)
Interest receivable	(501)
Pledges receivable	2,000
Inventory	(4,839)
Prepaid expenses	10,021
Increase (decrease) in liabilities	
Accounts payable	(41,820)
Payroll taxes and sales tax payable	467
Grants paid in advance	(108,733)
Deferred income	20,050
Accrued vacation payable	1,603
Net cash provided by operating activities	45,207
Cash flows from investing activities	
Purchase of property, plant and equipment	(881,388)
Purchase of restricted investment	(1,000)
Proceeds from sale of donated investments	14,933
Net cash used by investing activities	(867,455)
Cash flows from financing activities	
Contributions restricted for endowment	1,000
Net cash provided by financing activities	1,000
Net decrease in cash	(821,248)
Cash and cash equivalents at beginning of year	9,371,731
Cash and cash equivalents at end of year	$ 8,550,483

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

THE LAND INSTITUTE

NOTES TO FINANCIAL STATEMENTS

Note 1 – Description of organization

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

Note 2 – Summary of significant accounting policies

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.

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.

Basis of presentation
The Organization follows generally accepted accounting principles for non-profit organizations and reports information regarding its financial position and activities according to two classes of net assets: without donor restrictions and with donor restrictions which are reported as follows:

- Net assets without donor restrictions represent expendable funds available for operations which are not otherwise limited by donor restrictions.
- Net assets with donor restrictions consist of contributed funds subject to specific donor-imposed restrictions contingent upon specific performance of a future-event before Organization may spend the funds. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

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.

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 perpetual endowment.

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.

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.

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

Property, plant and equipment
Property and equipment are stated at cost, if purchased, or at fair value at the date of gift, if donated, less accumulated depreciation. Additions with a cost or fair value of less than $2,500 and expenditures for repairs and maintenance are charged against income as incurred. Additions and improvements with cost or fair value in excess of $2,500 are capitalized for financial reporting purposes. Depreciation of property, plant and equipment is computed using the straight-line method over the estimated useful lives. Following is a summary of the useful lives for each asset class:

	Life
Buildings and improvements	15 - 40 years
Equipment and vehicles	5 - 15 years

Public support and revenue
Contributions and grants are generally available for undesignated 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 with donor restricted support. When a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Endowment contributions and investments are perpetually or purpose 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 undesignated 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.

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 based on reasonable estimates of time and effort and are consistently applied.

Pending accounting pronouncements
In May 2014, FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers,* which provides a robust framework for addressing revenue recognition issues and replaces most of the existing revenue recognition

guidance including industry-specific guidance, in current U.S. GAAP. The standard is effective for nonpublic entities for periods beginning after December 15, 2018. Management is currently evaluating the effect that the standard will have in the financial statements.

In February 2017, FASB issued ASU 2017-02, *Leases* (topic 842). The guidance in the ASU supersedes the leasing guidance in Topic 840, Leases. Under the new guidance, leases will be classified as either finance or operating with classification affecting the pattern of expense recognition in the statement of activities. The new standard is effective for fiscal year beginning after December 15, 2020, including interim periods within those fiscal years. Adoption of the standard is not expected to have a significant impact on the Institute's financial statements.

In June 2018, the FASB issued ASU 2018-08, *Clarifying the Scope and Accounting Guidance for Contributions Received and Made.* The guidance should assist entities in (1) evaluating whether transactions should be accounted for as contributions or as exchange transactions and (2) determining whether a contribution is conditional. The new standard is effective for fiscal years beginning after December 15, 2019, including interim period within those fiscal years.

Note 3 – Liquidity and availability

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the balance sheet date comprise the following:

Cash and cash equivalents	$ 8,590,483
Accounts receivable	108,211
Interest receivable	8,127
Short term pledges receivable	2,000
Total financial assets available within one year	8,708,821
Less those generally unavailable for expenditure due to:	
Donor-imposed restrictions	(96,912)
Board designated funds	(870,000)
Financial assets available to meet cash needs for general expenditures within one year	$ 7,741,909

In addition to financial assets available to meet general expenditures over the next twelve months, the Organization approves an operating budget and anticipates collecting sufficient revenue to cover general expenditures not covered by donor restricted resources.

Note 4 – 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, Natural Systems Agriculture (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.

Note 5 – Property and equipment

Land, building and equipment consist of:

Land	$ 2,030,308
Land improvements	77,533
Buildings	6,890,000
Leasehold improvements	58,597
Equipment	2,119,401
Vehicles	105,958
	11,281,797
Less: Accumulated depreciation	2,920,687
Total property and equipment	$ 8,361,110

Depreciation expense was $337,187 for the year ended June 30, 2019.

Note 6 – 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.

Note 7 – 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, 2019. 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.

Note 8 – Net assets with donor restrictions

Net assets with donor restrictions are available for the following purposes or periods:

NSA research	$	54,912
Education (communication)		2,000
Total purpose restricted		56,912
Perpetual restricted		40,000
Total net assets with donor restrictions	$	96,912

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	$	83,088
Education (communication)		3,150
Total restrictions released	$	86,238

Perpetual net assets with donor restrictions consist of an endowment fund account to be held indefinitely, the income from which is expendable to support operating activities.

Note 9 – Certificates of deposit

Certificates of deposit totaling $3,364,483 are included in cash in the accompanying financial statements. The certificates bear interest ranging from .35% to 2.20% 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.

Note 10 – Beneficial interest in assets held by Greater Salina Community Foundation

The Land Institute's portion of board-designated endowment is 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 fund included investment income and expense during the fiscal year ended June 30, 2019 was as follows:

Beginning balance, July 1, 2018	$	23,815
Appreciation		1,665
Investment fees		(190)
Ending balance, June 30, 2019	$	25,290

Note 11 – 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, 2019:

Description	6/30/2019	Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Beneficial Interest	$ 25,290	$ -	$ 25,290	$ -
Total	$ 25,290	$ -	$ 25,290	$ -

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, 2019.

Note 12– Endowment funds

The Land Institute's perpetual 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 donor-restricted, perpetual in nature, net assets (a) the original value of gifts donated to the donor-restricted, perpetual in nature, endowment, (b) the original value of subsequent gifts to the donor-restricted, perpetual in nature, endowment, and (c) accumulations to the donor-restricted, perpetual in nature, 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 perpetual restricted net assets is classified as purpose or time 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, 2019 is as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds	$ -	$ 40,000	$ 40,000
Board designated funds	870,000	-	870,000
Total	$ 870,000	$ 40,000	$ 910,000

Changes in endowment net assets as of June 30, 2019 are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	$ 870,000	$ 39,000	$ 909,000
Contributions	-	1,000	1,000
Investment income	13,620	626	14,246
Net appreciation (depreciation)	-	-	-
Amounts appropriated for expenditure	(13,620)	(626)	(14,246)
Endowment net assets, end of year	$ 870,000	$ 40,000	$ 910,000

Note 13 – 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, 2019, Land Institute interns resided in a rental home, apartment, studio and two homes, both of which are owned by The Land Institute. The rent income for this housing was $13,762 for the year ended June 30, 2019. The Land Institute paid rent of approximately $600 for an apartment, $900 per month for a house and $300 per month for a studio.

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.

Note 14 – Board members' contributions

Grants and contributions received from members of the Board of Directors and organizations related to them, totaled $338,045 for the year ended June 30, 2019.

Note 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.

Note 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, 2019 were $68,120. Employees may also contribute their own pre-tax dollars under another retirement plan. The Land Institute does not match this voluntary contribution.

Note 17 – Grants

During the year ended June 30, 2019, the Land Institute donated $177,332 to five 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.

Note 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. All revenue and expenses incurred through the arrangement are included on the statement of activities.

Note 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 Project expenses paid by The Land Institute will be included in their research program expenses.

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's 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.

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

Note 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, 2019, The Land Institute had no uninsured cash. The company also maintains accounts at two brokerage firms including cash balances totaling $235,800, eighteen insured savings accounts totaling $4,449,404, and four certificates of deposit totaling $968,000. All are insured by the FDIC.

Note 21 – Change in accounting principle

During the June 30, 2019 year, The Land Institute adopted FASB ASU 2016-14, *Not-for-profit Entities* (Topic 958) – *Presentation of Financial Statements of Not-for-Profit Entities.* The Organization has adjusted the presentation of its financial statements accordingly. The new standards change the following aspects of the Institution's financial statements:

- The financial statements include a new disclosure about liquidity and availability of resources (Note 3)
- The temporarily restricted and permanently restricted net asset classes have been renamed net assets with donor restrictions
- The unrestricted net asset class has been renamed net assets without donor restrictions

Note 22 – Subsequent events

Management has evaluated subsequent events through September 27, 2019, the date the financial statements were available to be issued.