

NATURAL HERITAGE LAND TRUST, INC.

FINANCIAL STATEMENTS

June 30, 2015 and 2014

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Natural Heritage Land Trust, Inc.
Madison, Wisconsin

Report on the Financial Statements

We have audited the accompanying financial statements of Natural Heritage Land Trust, Inc., which comprise the statements of financial position as of June 30, 2015 and 2014, and the related statements of activities, functional expenses, and cash flows for the years 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 Natural Heritage Land Trust, Inc. as of June 30, 2015 and 2014, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

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Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of expenditures of federal and state awards is presented for purposes of additional analysis as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the *State Single Audit Guidelines*, and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 19, 2015 on our consideration of Natural Heritage Land Trust, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Natural Heritage Land Trust, Inc.'s internal control over financial reporting and compliance.

Wegner CPAs, LLP

Wegner CPAs, LLP
Madison, Wisconsin
November 19, 2015

NATURAL HERITAGE LAND TRUST, INC.
STATEMENTS OF FINANCIAL POSITION
June 30, 2015 and 2014

	2015	2014
ASSETS		
Cash	\$ 235,337	\$ 150,140
Accounts receivable	3,000	271
Investments	711,088	731,337
Unconditional promises to give - net	27,944	36,714
Prepaid expenses	3,977	3,970
Equipment - net	3,278	5,197
Land held for conservation	5,559,976	4,706,651
Beneficial interest in assets held by Madison Community Foundation	325,045	327,141
Total assets	\$ 6,869,645	\$ 5,961,421
LIABILITIES		
Accounts payable	\$ 17,851	\$ 6,396
Accrued expenses	16,726	15,694
Deferred revenue	28,440	31,634
Total liabilities	63,017	53,724
NET ASSETS		
Unrestricted	6,439,049	5,545,573
Temporarily restricted	367,579	362,124
Total net assets	6,806,628	5,907,697
Total liabilities and net assets	\$ 6,869,645	\$ 5,961,421

See accompanying notes.

NATURAL HERITAGE LAND TRUST, INC.
STATEMENTS OF ACTIVITIES
Years Ended June 30, 2015 and 2014

	2015	2014
UNRESTRICTED NET ASSETS		
SUPPORT AND REVENUE		
Contributions	\$ 462,001	\$ 176,236
Grants	1,781,016	1,547,499
Rental income	400	1,500
Return on investments	1,324	88,424
Return on agency endowments	1,896	37,527
Service fees	18,769	1,289
Total unrestricted support and revenue	2,265,406	1,852,475
EXPENSES		
Program services	1,277,982	1,865,990
Supporting activities		
Management and general	44,452	39,040
Fundraising	78,790	78,831
Total supporting activities	123,242	117,871
Total expenses	1,401,224	1,983,861
NET ASSETS RELEASED FROM RESTRICTIONS		
Satisfaction of purpose restrictions	29,294	34,700
Change in unrestricted net assets	893,476	(96,686)
TEMPORARILY RESTRICTED NET ASSETS		
Contributions	34,749	96,834
Net assets released from restrictions		
Satisfaction of purpose restrictions	(29,294)	(34,700)
Change in temporarily restricted net assets	5,455	62,134
Change in net assets	898,931	(34,552)
Net assets - beginning of year	5,907,697	5,942,249
Net assets - end of year	<u>\$ 6,806,628</u>	<u>\$ 5,907,697</u>

See accompanying notes.

NATURAL HERITAGE LAND TRUST, INC.
STATEMENTS OF FUNCTIONAL EXPENSES
Years Ended June 30, 2015 and 2014

	Program Services	Supporting Activities		Total
		Management and General	Fundraising	
2015				
Personnel	\$ 118,586	\$ 18,840	\$ 60,075	\$ 197,501
Professional services	1,763	12,806	5,000	19,569
Postage and printing	7,297	1,099	1,952	10,348
Occupancy	9,050	1,438	4,585	15,073
Land management	73,503	-	-	73,503
Communications	2,674	424	1,355	4,453
Supplies	7,295	699	2,230	10,224
Real estate taxes	8,103	-	-	8,103
Travel and meetings	382	61	194	637
Depreciation	1,152	183	584	1,919
Insurance	4,638	737	2,350	7,725
Events	7,350	-	465	7,815
Other	10,086	8,165	-	18,251
Total operating expenses	251,879	44,452	78,790	375,121
Grants and contributions	396,103	-	-	396,103
Land donations	630,000	-	-	630,000
Total expenses	\$ 1,277,982	\$ 44,452	\$ 78,790	\$ 1,401,224
	Program Services	Supporting Activities		Total
		Management and General	Fundraising	
2014				
Personnel	\$ 120,869	\$ 19,203	\$ 61,233	\$ 201,305
Professional services	14,036	13,316	-	27,352
Postage and printing	5,103	1,637	2,881	9,621
Occupancy	8,817	1,401	4,467	14,685
Land management	48,182	-	-	48,182
Communications	1,440	229	729	2,398
Supplies	3,242	515	1,642	5,399
Real estate taxes	1,148	-	-	1,148
Travel and meetings	678	108	344	1,130
Depreciation	1,152	183	584	1,919
Insurance	4,223	671	2,139	7,033
Events	-	-	4,812	4,812
Other	2,593	1,777	-	4,370
Total operating expenses	211,483	39,040	78,831	329,354
Grants and contributions	1,371,713	-	-	1,371,713
Easement acquisitions	118,714	-	-	118,714
Land donations	164,080	-	-	164,080
Total expenses	\$ 1,865,990	\$ 39,040	\$ 78,831	\$ 1,983,861

See accompanying notes.

NATURAL HERITAGE LAND TRUST, INC.
STATEMENTS OF CASH FLOWS
Years Ended June 30, 2015 and 2014

	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 898,931	\$ (34,552)
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Donated stock	(24,630)	(7,227)
Depreciation	1,919	1,919
Net realized and unrealized (gains) losses on investments	26,157	(62,509)
Loss on disposal of land held for conservation	4,325	3,029,916
Return on agency endowments	745	(37,527)
Amortization of discount on unconditional promises to give	(1,330)	1,951
(Increase) decrease in assets		
Accounts receivable	(2,729)	4,126
Unconditional promises to give	10,100	(5,900)
Prepaid expenses	(7)	(149)
Increase (decrease) in liabilities		
Accounts payable	11,455	(1,951)
Accrued expenses	1,032	(5,329)
Deferred revenue	(3,194)	23,744
Grants payable	-	(2,865,835)
Net cash provided by operating activities	922,774	40,677
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of investments	(29,133)	(24,944)
Proceeds from sales of investments	45,215	37,355
Purchases of land held for conservation	(857,650)	(19,714)
Distributions from agency endowments	10,091	9,926
Contributions to agency endowments	(6,100)	(51,100)
Net cash used in investing activities	(837,577)	(48,477)
Net change in cash	85,197	(7,800)
Cash - beginning of year	150,140	157,940
Cash - end of year	\$ 235,337	\$ 150,140
SUPPLEMENTAL DISCLOSURE		
Noncash investing transactions		
Donation of stock	\$ 24,630	\$ 7,227

See accompanying notes.

NATURAL HERITAGE LAND TRUST, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2015 and 2014

Natural Heritage Land Trust, Inc. (Trust) works to protect natural areas, wildlife habitats, working farms, healthy lakes and streams, and recreation land to provide a high quality of life in the Dane County, Wisconsin region. The Trust is supported primarily by contributions from the general public and grants from government agencies.

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The Trust reports information regarding its financial position and activities according to three classes of net assets:

Unrestricted net assets—Net assets that are not restricted by donors. Designations are voluntary board-approved segregations of unrestricted net assets for specific purposes, projects, or investments.

Temporarily restricted net assets—Net assets whose use has been limited by donor-imposed time restrictions or purpose restrictions.

Permanently restricted net assets—Net assets that have been restricted by donors to be maintained by the Trust in perpetuity.

Accounts Receivable

The Trust considers all accounts receivable to be fully collectible. Accordingly, no allowance for doubtful accounts has been developed. If amounts become uncollectible, they will be charged to operations when that determination is made.

Investments

Investments in marketable securities with readily determinable fair values are stated at their fair values in the statements of financial position. Realized and unrealized gains and losses are included in the change in net assets in the accompanying statements of activities.

Promises to Give

Unconditional promises to give are recognized as revenues or gains in the period received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional.

Equipment

Acquisitions of equipment in excess of \$1,500 are capitalized. Equipment is carried at cost or, if donated, at the estimated fair value on the date of donation. Equipment is depreciated using the straight-line method over the estimated useful lives of the assets.

NATURAL HERITAGE LAND TRUST, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2015 and 2014

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Land Held for Conservation

Purchases of land are recorded at cost or, if donated, at the estimated fair value on the date of donation. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use, and contributions of cash that must be used to acquire property are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, the Trust reports expiration of donor restrictions when the assets are placed in service, and reclassifies temporarily restricted net assets to unrestricted net assets at that time.

Conservation Easements

Conservation easements accepted or purchased by the Trust are not recognized as assets or revenue in the accompanying financial statements because the Trust does not hold fee title to these properties and there are no expected future economic benefits associated with the easements. In addition, conservation easements carry significant obligations to monitor and defend their terms. If purchased, the costs of conservation easements are expensed when the easements are acquired.

Contributions

Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets, depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions.

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 revenue and expenses. Actual results could differ from those estimates.

Income Tax Status

The Trust is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. In addition, the Trust qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization other than a private foundation under Section 509(a)(2).

NATURAL HERITAGE LAND TRUST, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2015 and 2014

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Date of Management's Review

Management has evaluated subsequent events through November 19, 2015, the date which the financial statements were available to be issued.

Expense Allocation

The costs of providing various program services and supporting activities are summarized on a functional basis in the statements of activities and in the statements of functional expenses. Accordingly, certain costs have been allocated among the program services and supporting activities benefited. The following program services and supporting activities are included in the accompanying financial statements:

Program services—Includes activities to protect land and water and build community support for land protection through outreach and education of the public.

Management and general—Includes accounting and production of financial reports, development and oversight of the annual budget, maintenance of personnel records, personnel evaluations, and organizational governance.

Fundraising—Includes the cultivation of new donors, the administration of fundraising events, membership solicitations, direct mailings, and planned giving activities.

NOTE 2—INVESTMENTS

Investments at June 30, 2015 and 2014 consisted of the following:

	2015	2014
Cash	\$ 34,057	\$ 7,273
Exchange traded funds	58,593	17,859
Mutual funds comprised of equities	362,380	449,854
Mutual funds comprised of fixed income securities	256,058	256,351
Investments	<u>\$ 711,088</u>	<u>\$ 731,337</u>

Return on investments for the years ended June 30, 2015 and 2014 consisted of the following:

	2015	2014
Interest and dividends	\$ 32,121	\$ 33,698
Net realized and unrealized gains (losses)	(26,157)	62,509
Investment fees	(4,640)	(7,783)
Return on investments	<u>\$ 1,324</u>	<u>\$ 88,424</u>

NATURAL HERITAGE LAND TRUST, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2015 and 2014

NOTE 3—UNCONDITIONAL PROMISES TO GIVE

Unconditional promises to give at June 30, 2015 and 2014 consist of the following:

	2015	2014
Receivable in less than one year	\$ 5,100	\$ 10,100
Receivable in one to five years	26,700	31,800
Unconditional promises to give	31,800	41,900
Less discounts to net present value	(3,856)	(5,186)
Unconditional promises to give - net	<u>\$ 27,944</u>	<u>\$ 36,714</u>

Unconditional promises to give receivable in more than one year are discounted at 5%.

NOTE 4—LAND HELD FOR CONSERVATION

Land held for conservation at June 30, 2015 and 2014 consisted of the following:

	2015	2014
Koltes	\$ 1,145,123	\$ 1,143,173
Paulson / Patrick Marsh	1,080,170	1,080,170
Stern / Patrick Marsh	785,586	785,586
Arg Matey / Patrick Marsh	686,184	686,184
Carpenter / Westport	625,383	625,383
Borke	348,609	348,609
Eggleston / Muir	858,563	9,163
Wilke Preserve	24,058	24,058
Other	6,300	4,325
Land held for conservation	<u>\$ 5,559,976</u>	<u>\$ 4,706,651</u>

NOTE 5—EQUIPMENT

Equipment at June 30, 2015 and 2014 consisted of the following:

	2015	2014
Equipment	\$ 10,013	\$ 10,013
Less accumulated depreciation	6,735	4,816
Equipment - net	<u>\$ 3,278</u>	<u>\$ 5,197</u>

NATURAL HERITAGE LAND TRUST, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2015 and 2014

NOTE 6—CONTINGENCY

The Trust holds 57 conservation easements that may require expenditures to monitor and defend the provisions of the easements.

NOTE 7—NET ASSETS

The Trust's board of directors has chosen to place the following limitations on unrestricted net assets at June 30, 2015 and 2014:

	2015	2014
Designated for capital preservation and growth	\$ 485,093	\$ 451,842
Designated for agency endowment	338,200	327,141
Undesignated	5,615,756	4,766,590
Unrestricted	<u>\$ 6,439,049</u>	<u>\$ 5,545,573</u>

Temporarily restricted net assets are available for the following purposes at June 30, 2015 and 2014:

	2015	2014
Monitoring and enforcement of conservation easements	\$ 265,600	\$ 274,270
Wilke preserve	36,669	37,269
Other conservation programs	65,310	50,585
Temporarily restricted net assets	<u>\$ 367,579</u>	<u>\$ 362,124</u>

Easement Stewardship provides for baseline development, monitoring and enforcement, with a view to prompt identification and enforcement of violations of the terms of conservation easements granted to the Trust. *Easement Legal Defense* provides for expenses incurred in the enforcement, by litigation or otherwise, of the terms of any easement granted to the Trust.

The following was the status of these funds as of June 30, 2015 and 2014:

	2015	2014
Temporarily restricted	\$ 302,269	\$ 311,539
Board designated	338,200	327,141
Easement Stewardship and Legal Defense	<u>\$ 640,469</u>	<u>\$ 638,680</u>

NATURAL HERITAGE LAND TRUST, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2015 and 2014

NOTE 8—AGENCY ENDOWMENTS

The Trust has established two agency endowments at the Madison Community Foundation (MCF) and two trusts held by SVA Plumb Wealth Management as follows:

	2015	2014
Beneficial interest in assets held by MCF	\$ 325,045	\$ 327,141
Assets held by SVA Plumb Wealth Management	271,884	279,495
Endowment funds	<u>\$ 596,929</u>	<u>\$ 606,636</u>

As of June 30, 2015, the board of directors has designated approximately \$228,000 of unrestricted net assets as a general endowment fund to support the mission of the Trust. Since that amount resulted from an internal designation and is not donor-restricted, it is classified and reported as unrestricted net assets. In addition, the Trust received contributions of approximately \$369,000 restricted for stewardship and defense. The board of directors decided these contributions should be held as a quasi-endowment fund and the income of the fund will be spent for the restricted purpose. Since the designation to hold the assets as a quasi-endowment is not a donor restriction, the temporarily restricted net assets of the quasi-endowment fund are reclassified to unrestricted net assets as the purpose restriction is met.

The Trust has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the original investment of the endowment. Under these policies, the endowment assets are invested in a manner that is intended to produce returns to fund the sustainability of the Trust's work while assuming a moderate level of investment risk. To satisfy its long-term rate-of-return objectives, the Trust relies on the Foundations' total return strategy in which investment returns are achieved through both realized and unrealized gains/loss and interest and dividends. The Trust, through the Foundations, targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

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

	Unrestricted	Temporarily Restricted	Permanently Restricted	2015 Total
Board designated endowments	\$ 227,880	\$ -	\$ -	\$ 227,880
Quasi-endowment funds	110,320	258,729	-	369,049
Total funds	<u>\$ 338,200</u>	<u>\$ 258,729</u>	<u>\$ -</u>	<u>\$ 596,929</u>

NATURAL HERITAGE LAND TRUST, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2015 and 2014

NOTE 8—AGENCY ENDOWMENTS (continued)

Endowment net asset composition by type of fund as of June 30, 2014 is as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>2014 Total</u>
Board designated endowments	\$ 234,592	\$ -	\$ -	\$ 234,592
Quasi-endowment funds	102,715	269,329	-	372,044
Total funds	<u>\$ 337,307</u>	<u>\$ 269,329</u>	<u>\$ -</u>	<u>\$ 606,636</u>

Changes in endowment net assets for the years ended June 30, 2015 and 2014

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>2015 Total</u>
Endowment net assets - beginning of year	\$ 337,307	\$ 269,329	\$ -	\$ 606,636
Contributions	1,000	5,100	-	6,100
Investment income	2,496	14,145	-	16,641
Net depreciation	(1,501)	(8,504)	-	(10,005)
Amounts appropriated for expenditures	<u>(1,102)</u>	<u>(21,341)</u>	<u>-</u>	<u>(22,443)</u>
Endowment net assets - end of year	<u>\$ 338,200</u>	<u>\$ 258,729</u>	<u>\$ -</u>	<u>\$ 596,929</u>

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>2014 Total</u>
Endowment net assets - beginning of year	\$ 282,261	\$ 220,229	\$ -	\$ 502,490
Contributions	21,100	30,000	-	51,100
Investment income	11,290	3,653	-	14,943
Net appreciation	39,412	23,319	-	62,731
Amounts appropriated for expenditures	<u>(16,756)</u>	<u>(7,872)</u>	<u>-</u>	<u>(24,628)</u>
Endowment net assets - end of year	<u>\$ 337,307</u>	<u>\$ 269,329</u>	<u>\$ -</u>	<u>\$ 606,636</u>

NOTE 9—OPERATING LEASES

The Trust leases office space under an operating lease that expires in June 2020 and requires monthly payments of \$1,172. Rent expense was \$14,178 and \$13,811 for years ended June 30, 2015 and 2014.

NATURAL HERITAGE LAND TRUST, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2015 and 2014

NOTE 9—OPERATING LEASES (continued)

The Trust also leases a copier under an operating lease that expires in February 2019 and requires monthly payments of \$145. Lease expense was for both years ended June 30, 2015 and 2014.

Future minimum lease payments are \$18,360, \$18,829, \$19,309, \$18,824, and \$17,376 for the years ended June 30, 2016, 2017, 2018, 2019, and 2020.

NOTE 10—RETIREMENT PLAN

The Trust sponsors a defined contribution retirement plan for employees who work 20 or more hours per week for the Trust. Employer contributions to the plan were 3% of the employee's annual compensation. Contributions are fully vested when made. Retirement expense was \$3,371 and \$2,902 for the years ended June 30, 2015 and 2014.

NOTE 11—FAIR VALUE MEASUREMENTS

Fair values of assets measured on a recurring basis at June 30, 2015 and 2014 are as follows:

		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
2015	Fair Value			
Exchange traded funds	\$ 58,593	\$ 58,593	\$ -	\$ -
Mutual funds comprised of equities	362,380	362,380	-	-
Mutual funds comprised of fixed income securities	256,058	256,058	-	-
Beneficial interest in assets held by MCF	325,045	-	-	325,045
	<u>\$ 1,002,076</u>	<u>\$ 677,031</u>	<u>\$ -</u>	<u>\$ 325,045</u>
2014				
Exchange traded funds	\$ 17,859	\$ 17,859	\$ -	\$ -
Mutual funds comprised of equities	449,854	449,854	-	-
Mutual funds comprised of fixed income securities	256,351	256,351	-	-
Beneficial interest in assets held by MCF	327,141	-	-	327,141
	<u>\$ 1,051,205</u>	<u>\$ 724,064</u>	<u>\$ -</u>	<u>\$ 327,141</u>

Fair values for exchange traded funds and mutual funds are determined by reference to quoted market prices and other relevant information generated by market transactions.

NATURAL HERITAGE LAND TRUST, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2015 and 2014

NOTE 11—FAIR VALUE MEASUREMENTS (continued)

The Trust's beneficial interest in assets held by Madison Community Foundation represents an agreement between the Trust and the Foundation in which the Trust transfers assets to the Foundation in exchange for future distributions. The beneficial interest is not actively traded and significant other observable inputs are not available. Thus, the fair value of the beneficial interest is measured at the proportional share of the underlying assets as reported to the Trust by the Foundation. Little information about those assets is released publicly. The estimated value does not necessarily represent the amounts that may be ultimately realized due to the occurrence of future circumstances that cannot be reasonably determined. The following table presents additional information about assets measured at fair value on a recurring basis using significant unobservable inputs:

	Beneficial Interest in Assets Held by Madison Community Foundation	
	2015	2014
Beginning balance	\$ 327,141	\$ 248,440
Change in value of beneficial interest included in change in net assets	1,896	37,527
Purchases	6,100	51,100
Sales	(10,092)	(9,926)
Ending balance	<u>\$ 325,045</u>	<u>\$ 327,141</u>

The change in value of the beneficial interest included in the change in net assets is reported as return on agency endowments in the statements of activities.

NOTE 12—COMMUNITY TRUST FUND

The Eugenie Mayer Bolz Family Foundation contributed \$125,000 in 2000 to establish the Dane County Natural Heritage Foundation Trust (Fund) at the Madison Community Foundation. The Foundation, as a community trust, serves the mutual interests of Dane County and those individuals and organizations who wish to enhance the quality of life in the community through charitable giving. Component funds of the Foundation are established by donors for the benefit of the community, and, when these funds are established, donors may indicate what organizations or causes should benefit from distributions from the fund. However, donors also grant the Foundation variance power that allows the Foundation to modify the donors' stipulations under certain circumstances as the Foundation monitors the changing needs of the community. Therefore, the Fund is not included in the Trust's financial statements.

The fair value of the Fund at the Foundation was \$175,404 and \$179,926 at June 30, 2015 and 2014. The amount available for annual distribution represents 4.75% of a rolling twelve-quarter average. The Trust received distributions of \$7,560 and \$7,689 from the Fund during the years ended June 30, 2015 and 2014.

NATURAL HERITAGE LAND TRUST, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
Year Ended June 30, 2015

<u>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Federal Expenditures</u>
Department of the Interior Direct Programs Natural Resource Damage Assessment, Restoration and Implementation	15.658		\$ 450,000
North American Wetlands Conservation Fund	15.623		392,083
Total expenditures of federal awards			<u>\$ 842,083</u>
<u>State Grantor/Program Title</u>		<u>State Identifying Number</u>	<u>State Expenditures</u>
Wisconsin Department of Natural Resources Knowles-Nelson Stewardship			<u>\$ 713,025</u>

See accompanying notes to schedule of expenditures of federal and state awards

NATURAL HERITAGE LAND TRUST, INC.
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
Year Ended June 30, 2015

NOTE 1 – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal and state awards includes the federal and state grant activity of Natural Heritage Land Trust, Inc. under programs of the federal government and state agencies for the year ended June 30, 2015. The information in this schedule is presented in accordance with the requirements of the Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the *State Single Audit Guidelines*. Because the schedule presents only a selected portion of the operations of Natural Heritage Land Trust, Inc., it is not intended to and does not present the financial position, changes in net assets, or cash flows of Natural Heritage Land Trust, Inc.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-122, *Cost Principles for Non-Profit Organizations*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers are presented where available.



INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Directors
Natural Heritage Land Trust, Inc.
Madison, Wisconsin

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Natural Heritage Land Trust, Inc., 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, and have issued our report thereon dated November 19, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Natural Heritage Land Trust, Inc.'s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Natural Heritage Land Trust, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of Natural Heritage Land Trust, Inc.'s internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Natural Heritage Land Trust, Inc.'s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Wegner CPAs, LLP

Wegner CPAs, LLP
Madison, Wisconsin
November 19, 2015



Wegner CPAs

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL AND MAJOR STATE PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133 AND THE STATE SINGLE AUDIT GUIDELINES

To the Board of Directors
Natural Heritage Land Trust, Inc.
Madison, Wisconsin

Report on Compliance for Each Major Federal and Major State Program

We have audited Natural Heritage Land Trust, Inc.'s compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* and the *State Single Audit Guidelines* that could have a direct and material effect on each of Natural Heritage Land Trust, Inc.'s major federal and major state programs for the year ended June 30, 2015. Natural Heritage Land Trust, Inc.'s major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal and state programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Natural Heritage Land Trust, Inc.'s major federal and major state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*; and the *State Single Audit Guidelines*. Those standards, OMB Circular A-133, and the *Guidelines* require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal or major state program occurred. An audit includes examining, on a test basis, evidence about Natural Heritage Land Trust, Inc.'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal and major state program. However, our audit does not provide a legal determination of Natural Heritage Land Trust, Inc.'s compliance.

Opinion on Each Major Federal and Major State Program

In our opinion, Natural Heritage Land Trust, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal and major state programs for the year ended June 30, 2015.

Report on Internal Control Over Compliance

Management of Natural Heritage Land Trust, Inc. is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Natural Heritage Land Trust, Inc.'s

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internal control over compliance with the types of requirements that could have a direct and material effect on each major federal and major state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal and major state program and to test and report on internal control over compliance in accordance with OMB Circular A-133, and the *State Single Audit Guidelines* but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Natural Heritage Land Trust, Inc.'s internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal or state program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal or state program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal or state program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133, and the *State Single Audit Guidelines*. Accordingly, this report is not suitable for any other purpose.

Wegner CPAs, LLP

Wegner CPAs, LLP
Madison, Wisconsin
November 19, 2015

NATURAL HERITAGE LAND TRUST, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2015

Section I—Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified?	None reported
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified?	None reported
Type of auditor's report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133?	No

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
15.623	North American Wetlands Conservation Fund
15.658	Natural Resource Damage Assessment, Restoration and Implementation

Dollar threshold used to distinguish between type A and type B programs:	\$	300,000
Auditee qualified as low-risk auditee?		No

Section II—Financial Statement Findings

None matters were reported

Section III—Federal and State Award Findings and Questioned Costs

None matters were reported

NATURAL HERITAGE LAND TRUST, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2015

Section IV—Other Issues


Does the auditor's report or the notes to the financial statements include disclosure with regard to substantial doubt as to the auditee's ability to continue as a going concern? No

Does the audit report show audit issues (i.e., material non-compliance, non-material non-compliance, questioned costs, material weakness, significant deficiency, management letter comment, excess revenue, or excess reserve) related to grants/contracts with funding agencies that require audits to be in accordance with the *State Single Audit Guidelines*:

Department of Natural Resources No

Was a management letter or other document conveying audit comments issued as a result of this audit? No

Name and signature of partner



Bruce Mayer, CPA

Date of report

November 19, 2015