



BERBERICH TRAHAN & CO., P.A.

*Certified Public Accountants*

# KANSAS LAND TRUST, INC.

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FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2011 AND 2010

KANSAS LAND TRUST, INC.

FINANCIAL STATEMENTS

Years Ended December 31, 2011 and 2010

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## INDEPENDENT AUDITOR'S REPORT

Board of Directors  
Kansas Land Trust, Inc.:

We have audited the accompanying statements of cash receipts and disbursements of the Kansas Land Trust, Inc. (the Organization) for the years ended December 31, 2011 and 2010. These financial statements are the responsibility of the Organization's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As described in Note 1 to the financial statements, these financial statements were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash receipts and disbursements of the Organization for the years ended December 31, 2011 and 2010, on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated \_\_\_\_\_, 2012 on our consideration of the Organization'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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

\_\_\_\_\_, 2012  
Topeka, Kansas

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# KANSAS LAND TRUST, INC.

## STATEMENTS OF CASH RECEIPTS AND DISBURSEMENTS

Years Ended December 31, 2011 and 2010

	2011	2010
Receipts:		
Contributions	\$ 94,163	\$ 159,761
Grants	160,558	2,554,065
Merchandise sales	602	1,536
Interest income	3,028	3,235
Other receipts	2,670	618
Total receipts	261,021	2,719,215
Disbursements:		
Easement purchases	-	1,405,000
Army Compatible Use Buffer Program	32,642	41,505
Payroll and related disbursements	147,388	180,514
Printing	5,421	4,296
Rent	13,093	12,998
Postage	1,741	2,649
Merchandise	10	469
Office supplies	8,002	11,744
Professional fees	6,725	6,825
Conference and training	780	3,423
Travel	2,031	2,475
Meals	231	804
Dues, subscriptions and fees	1,589	2,052
Telephone	1,766	1,547
Events and fundraising	1,793	6,382
Insurance	2,378	2,936
Utilities	1,341	1,206
Internet provider	660	645
Equipment	-	2,352
Title	536	1,082
Independent contractor	4,239	-
Website development	-	151
Miscellaneous	(249)	217
Total disbursements	232,117	1,691,272
Excess of receipts over disbursements	28,904	1,027,943
Cash and investments, beginning of year	1,446,959	419,016
Cash and investments, end of year	\$ 1,475,863	\$ 1,446,959
Cash and investments consist of:		
Cash	\$ 1,445,745	\$ 1,416,841
Investments, as restated	30,118	30,118
	\$ 1,475,863	\$ 1,446,959

See accompanying notes to financial statements.

KANSAS LAND TRUST, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2011 and 2010

1 - Organization and Summary of Significant Accounting Policies

Organization

Kansas Land Trust, Inc. (the Organization) has been organized to protect and preserve lands of ecological, agricultural, scenic, historic or recreational significance in Kansas via conservation easements, purchase or other means.

Basis of Accounting and Presentation

The Organization's accounts are maintained on a cash basis, and the statements of cash receipts and disbursements recognize only cash received and disbursed. Therefore, receivables and payables, long-lived assets, accrued income and expenses and amortization and depreciation, which would be recognized under generally accepted accounting principles, and which may be material in amount, are not recognized in the accompanying financial statements.

Investments

The Organization's investments are reported at cost.

Income Tax Matters

The Organization has received a determination letter from the Internal Revenue Service that indicates the Organization qualifies as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code. The Organization has not been classified as a private foundation under Section 509(a)(2).

The Organization's policy is to evaluate uncertain tax positions annually. Management evaluated the Organization's tax positions and concluded that the Organization had taken no uncertain tax positions that require adjustment to or disclosure in the financial statements.

Forms 990 and 990T filed by the Organization are subject to examination by the Internal Revenue Service (IRS) up to three years from the extended due date of each return. Forms 990 and 990T filed by the Organization are no longer subject to examination for the fiscal years ended 2007 and prior.

KANSAS LAND TRUST, INC.  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

1 - Organization and Summary of Significant Accounting Policies (Continued)

Prior Period Adjustment

The financial statement was restated for the year ended December 31, 2010 to properly reflect investments at cost. The effect of this restatement on investments recorded at December 31, 2010 was a decrease of \$ 2,031. There was no effect on current year receipts or disbursements as a result of this adjustment.

Reclassification

Certain prior year information was reclassified to conform to the current year presentation.

2 - Restricted Cash and Investments

The Organization had restricted cash and investments as follows at December 31:

	2011	2010
Donor-restricted:		
Stewardship funds	\$ 324,649	\$ 306,543
Grant restricted:		
Easements	1,034,347	1,034,347
Wiedemann grant	3,430	
Board designated:		
Stewardship funds (legal defense)	105,128	105,128
Total restricted	<u>\$ 1,467,554</u>	<u>\$ 1,446,018</u>

Restricted cash and investments were spent during the years ended December 31 as follows:

	2011	2010
Donor restricted:		
Easements	\$ -	\$ 1,500
Signage	-	1,580
Digital and office equipment	-	6,500
	<u>\$ -</u>	<u>\$ 9,580</u>

KANSAS LAND TRUST, INC.

NOTES TO FINANCIAL STATEMENTS  
(Continued)

3 - Functional Disbursements

Disbursements classified by function are as follows for the years ended December 31:

	2011	2010
Program services	\$ 187,631	\$ 1,626,618
Management and general	42,683	57,803
Fundraising	1,803	6,851
	<u>\$ 232,117</u>	<u>\$ 1,691,272</u>

4 - Investments

Investments held by the Organization which consisted of an equity and income mutual fund had a cost of \$ 30,118 at December 31, 2011 and 2010 and had fair values of \$ 32,355 and \$ 32,149 at December 31, 2011 and 2010, respectively.

5 - Operating Lease

The Organization had a lease agreement for office space which expired on December 30, 2011. The lease provided for monthly payments of \$ 950. Lease expense for the years ended December 31, 2011 and 2010 was \$ 13,093 and \$ 12,998, respectively. A new one-year lease agreement for office space was signed on December 31, 2011, with monthly lease payments of \$ 950. The Organization also entered into a new month-to-month lease agreement for storage space that began in October 2010. The lease provides for monthly payments of \$ 83.

KANSAS LAND TRUST, INC.

NOTES TO FINANCIAL STATEMENTS  
(Continued)

6 - Easements

During 2010, the Organization purchased five easements. The fair market value of the purchased easements was \$ 2,526,900. The Organization received grants in the amount of \$ 1,431,362, \$ 1,000,000, \$ 750,000 and \$ 250,000 from the U.S. Army Research and Development Engineering Command (RDECOM), the Natural Resource Conservation Service (NRCS) Farm and Ranch Lands Protection Program (FRPP), the Department of the Interior Wildlife Restoration program and the Kansas Department of Wildlife and Parks, respectively. At December 31, 2011 and 2010, there was \$ 1,034,347 of grant monies received but not yet spent for an easement in process. During 2011, the Organization did not purchase any easements.

The values of the easements contributed by the landowners are not reflected in the accompanying financial statements as they are prepared on a cash basis.

7 - Economic Dependency

The Organization receives the majority of its funds from federal, state and local grantor agencies. In the event these grants were discontinued or severely restricted, the activities of the Organization would be curtailed accordingly.

8 - Retirement Plan

The Organization's SIMPLE IRA plan is a defined contribution pension plan. This plan allows employees to defer a percentage of their income on a pre-tax basis through contributions to the savings plan. The Organization matches employee contributions up to 3% of the employees' compensation. Disbursements for the years ended December 31, 2011 and 2010 were \$ 2,876 and \$ 5,567, respectively.

9 - Subsequent Events

The Organization has evaluated subsequent events through the date of the independent auditor's report, which is the date that the financial statements are available to be issued.





BERBERICH TRAHAN & CO., P.A.  
Certified Public Accountants

**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**

The Board of Directors  
Kansas Land Trust, Inc.:

We have audited the financial statements of the Kansas Land Trust, Inc. (the Organization) as of and for the year ended December 31, 2011 and have issued our report thereon dated \_\_\_\_\_, 2012. We conducted our audit 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.

**Internal Control Over Financial Reporting**

Management of the Organization is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Organization's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over financial reporting.

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 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.

Our consideration of internal control over financial reporting 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 financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

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### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization's financial statements are free of 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*.

This report is intended solely for the information and use of the Board of Directors, management, others within the Organization, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

\_\_\_\_\_, 2012

KANSAS LAND TRUST, INC.

SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS

December 31, 2011

**Finding No. 2010-1 - Significant Deficiency**

*Condition* – The Organization was not able to provide a complete schedule of expenditures of federal awards (SEFA).

*Criteria* – An entity that expends federal awards must have controls in place that would enable the entity to compile a SEFA. A SEFA identifies and tracks all federal awards and their related information, including but not limited to the Catalog of Federal Domestic Assistance (CFDA No.), grant award title, grant award amount and federal expenditures.

*Cause* – The Organization does not have controls in place to identify all federal awards granted to the Organization.

*Effect* – A SEFA allows for increased knowledge of all federal grant activity in the Organization. The lack of a complete SEFA hinders this knowledge and could lead to grant noncompliance in the event of individual grant administrator turnover.

*Questioned Costs* – None.

*Recommendation* – We recommend that all grants of the Organization be tracked by a central grant administrator that would prepare the SEFA and oversee expenditures of and compliance with the federal grant programs.

*Management's Response/Corrective Action Plan (Unaudited)* – The Organization has had controls in place to track receipt of, compliance with and expenditures of federal awards on an informal basis. However, in the past the Organization has not compiled the information into a complete Schedule of Expenditures of Federal Awards (SEFA). The Organization has now developed a process whereby the Executive Director, as the Organization's grant administrator, is responsible for identifying, tracking and assuring compliance with all federal awards that the Organization receives. Information to be identified and tracked will include, but may not be limited to the Catalog of Federal Domestic Assistance number, grant award title, grant award amount and federal expenditures. This information will be compiled and a complete SEFA will be prepared for the Organization on an annual basis. The SEFA will be presented annually to the Board of Directors for review and approval.

*Follow-up* – The Organization was able to provide a schedule of expenditures of federal awards. This finding is considered resolved.

KANSAS LAND TRUST, INC.

SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS  
(Continued)

**Finding No. 2010-2 - Significant Deficiency**

*Federal Program* – Farm and Ranch Lands Protection Program (CFDA No. 10.913), U.S. Department of Agriculture; Wildlife Restoration (CFDA No. 15.611), U.S. Department of the Interior, passed through Kansas Department of Wildlife and Parks

*Condition* – During the Organization’s procurement process, the Organization did not document verification that parties awarded contracts were not on the Excluded Parties List System.

*Criteria* – Under 2 CFR 180.300, “When a non-federal entity enters into a covered transaction with an entity at a lower tier, the non-federal entity must verify that the entity is not suspended or debarred or otherwise excluded. This verification may be accomplished by checking the *Excluded Parties List System (EPLS)* maintained by the General Services Administration (GSA), collecting a certification from the entity, or adding a clause or condition to the covered transaction with that entity.”

*Cause* – The Organization did not document their verification that the party they entered into a covered transaction with was not suspended or debarred.

*Effect* – The Organization could enter into a contract with a suspended or debarred party.

*Questioned Costs* – Unknown.

*Recommendation* – The Organization should verify all vendors awarded contracts are not on the Excluded Parties List System and should include language in their contracts to obligate parties involved to disclose their status concerning eligibility to receive contracts for federal funds.

*Management’s Response/Corrective Action Plan (Unaudited)* – The Organization has been in the practice of checking the *Excluded Parties List System (EPLS)*, maintained by the General Services Information, prior to entering into a covered transaction with an entity at a lower-tier, to assure that such entity is not listed. However, the Organization had not been documenting its files with evidence that the Organization had checked the EPLS list, and that the lower-tier entity was not on the EPLS list. As well, the Organization had not been including language in contracts with lower-tier entities that obligates such entities to disclose their status or to certify that they have not been suspended or debarred from covered transactions. In the future, the Organization will document in its files each time that it has checked the EPLS list for a covered transaction and that the entity in question does not appear on the EPLS list. In addition, the Organization will include language in contracts with lower-tier entities that will receive federal funds from the Organization requiring such entity to disclose their status or to certify that they have not been suspended or debarred from covered transactions.

KANSAS LAND TRUST, INC.

SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS  
(Continued)

*Follow-up* – The Organization has a process into place to check the EPLS for parties to which federal monies are spent. This finding is considered resolved.