

**KANSAS LAND TRUST, INC.**

FINANCIAL STATEMENTS

DECEMBER 31, 2017

TOGETHER WITH ACCOUNTANT'S COMPILATION REPORT

**KANSAS LAND TRUST, INC.**  
**FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2017**

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### Accountant's Compilation Report

To the Board of Directors  
Kansas Land Trust, Inc.

Management is responsible for the accompanying financial statements of Kansas Land Trust, Inc. (a nonprofit organization), which comprise of the statement of financial position as of December 31, 2017, and the related statement of activities and cash flows for the year then ended, and the related notes to the financial statements in accordance with the accrual basis of accounting. We have performed a compilation engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. We did not audit or review the financial statements nor were we required to perform any procedures to verify the accuracy or completeness of the information provided by management. Accordingly, we do not express an opinion, a conclusion, nor provide any form of assurance on these financial statements.

We are not independent with respect to Kansas Land Trust, Inc.

*Summers, Spencer & Company P.A.*

Summers, Spencer & Company, P.A.  
Lawrence, KS

October 2, 2018

**KANSAS LAND TRUST, INC.**  
**STATEMENT OF FINANCIAL POSITION**

December 31,	2017
<b>ASSETS</b>	
Assets	
Cash and cash equivalents	\$ 463,684
Accounts receivable	1,688
Investments at fair value	839,414
Beneficial interest in assets held by others	9,988
Funds held in escrow	690,332
<i>Total assets</i>	\$ 2,005,106
<b>LIABILITIES AND NET ASSETS</b>	
Liabilities	
Deferred grant revenue	\$ 678,330
<i>Total liabilities</i>	678,330
Net assets	
Unrestricted	173,119
Temporarily restricted	1,153,657
<i>Total net assets</i>	1,326,776
<i>Total liabilities and net assets</i>	\$ 2,005,106

**KANSAS LAND TRUST, INC.**

**STATEMENT OF ACTIVITIES**

For the year ended December 31,	<b>2017</b>		
	<u>Unrestricted</u>	Temporarily <u>Restricted</u>	<u>Total</u>
Support and revenue			
Contributions	\$ 76,448	\$ -	\$ 76,448
Grants	3,000	-	3,000
Contract fee for service	32,718	-	32,718
Eminent domain	39,747	-	39,747
Fundraising events	7,599	-	7,599
Work study reimbursement	1,347	-	1,347
Investment income	17,104	44,177	61,281
Change in beneficial interest	(12)	-	(12)
Net assets released from restriction	17,458	(17,458)	-
<i>Total support and revenue</i>	<u>195,409</u>	<u>26,719</u>	<u>222,128</u>
Expenses			
Program	118,353	-	118,353
Supporting services:			
Management and general	33,250	-	33,250
Fundraising	1,340	-	1,340
<i>Total expenses</i>	<u>152,943</u>	<u>-</u>	<u>152,943</u>
Change in net assets	42,466	26,719	69,185
Net assets, beginning of year (as restated)	<u>130,653</u>	<u>1,126,938</u>	<u>1,257,591</u>
Net assets, end of year	<u>\$ 173,119</u>	<u>\$ 1,153,657</u>	<u>\$ 1,326,776</u>

**KANSAS LAND TRUST, INC.**

**STATEMENT OF CASH FLOWS**

For the year ended December 31,	2017
<b>Cash flows from operating activities</b>	
Change in net assets	\$ 69,185
Adjustments to reconcile change in net assets to net cash flows:	
Unrealized gain on investments	(44,165)
Change in beneficial interest	12
(Increase) decrease in operating assets:	
Accounts receivable	87,709
Funds held in escrow	32,767
Increase (decrease) in operating liabilities:	
Accounts payable	(143)
Deferred grant revenue	<u>(31,750)</u>
Net cash provided by operating activities	<u>113,615</u>
<b>Cash flows from investing activities</b>	
Reinvested investment income	(14,931)
Deposit to beneficial interest	(10,000)
Purchases of investments	<u>(508,590)</u>
Net cash used in investing activities	<u>(533,521)</u>
<b>Net decrease in cash and cash equivalents</b>	(419,906)
<b>Cash and cash equivalents, beginning of year</b>	<u>883,590</u>
<b>Cash and cash equivalents, end of year</b>	<u><u>\$ 463,684</u></u>

# KANSAS LAND TRUST, INC.

## NOTES TO FINANCIAL STATEMENTS

### Note 1 – Nature of organization

Kansas Land Trust, Inc. (the Organization) was incorporated as a 501(c)(3) organization under the laws of the State of Kansas in 1990 to protect and preserve lands of ecological, agricultural, scenic, historic or recreational significance in Kansas via conservation easements, purchase or other means. The Organization is governed by an eleven member board, consisting of community members with diverse skills and resources. The Organization's mission is to partner with landowners, communities and other conservation organizations to protect Kansas' most precious resources through land conservation.

### Note 2 – Summary of significant accounting policies

#### Basis of accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America.

#### Financial statement presentation

As outlined in the Financial Accounting Standards Boards Accounting Standards Codification (FASB ASC) 958-205, the Organization is required to report information regarding its financial position and activities according to three classes of net assets:

- Unrestricted net assets represent expendable funds available for operations which are not otherwise limited by donor restrictions.
- Temporarily restricted net assets consist of contributed funds subject to specific donor-imposed restrictions contingent upon specific performance of a future event or specific passage of time before the Organization may spend the funds.
- Permanently restricted net assets are subject to irrevocable donor restrictions requiring that the assets be maintained in perpetuity usually for the purpose of generating investment income to fund the donor intentions.

There were no permanently restricted net assets at December 31, 2017.

#### Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions what will affect the reported amounts and disclosures. Accordingly, actual results could differ from those estimates. Any adjustments applied to estimated amounts are recognized in the year in which such adjustments are determined.

#### Stewardship funds

Stewardship funds are recognized when the grantor makes a promise to give to Kansas Land Trust, Inc. that is, in substance, unconditional. Stewardship funds that are restricted by the grantor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the stewardship funds are recognized. All other grantor-restricted stewardship funds 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. Stewardship funds whose use is limited by grantor-restricted stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the Organization are recorded as permanently restricted net assets. For the year ended December 31, 2017, the Organization had temporarily restricted net assets of \$1,192,922.

# KANSAS LAND TRUST, INC.

## NOTES TO FINANCIAL STATEMENTS

### **Cash and cash equivalents**

The Organization considers demand deposits and certificates of deposits with original maturities of one year or less to be cash equivalents.

### **Investments**

The Organization carries investments in marketable securities with readily determinable fair values based on quoted prices in active markets in the Statement of Financial Position. Realized and unrealized gains and losses are reported in the Statement of Activities.

### **Beneficial interest in investments held by Foundation**

The Organization established a fund held by Douglas County Community Foundation (DCCF). The balance consists of the funds allocation of the pooled investment account held by DCCF. The Organization granted variance power to DCCF, which allows DCCF to modify any condition or restriction on its distributions for any specified charitable purpose or to any specified organization if, in the sole judgment of the DCCF's Board of Directors, such restriction or condition becomes unnecessary, incapable of fulfillment, or inconsistent with the charitable needs of the community. The fund is held and invested by DCCF for our benefit and is reported at fair value in the statement of financial position, with distributions and changes in fair value recognized in the statement of activities.

### **Fair value measurements**

The Organization has adopted the provisions of FASB ASC 820-10. Under this standard, fair value is defined as the price that would be received to sell an asset or paid to transfer a liability (i.e., the "exit price") in an orderly transaction between market participants at the measurement date.

In determining fair value, the Organization uses various valuation approaches. FASB ASC 820-10 establishes a hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. Observable inputs that market participants would use in pricing the asset or liability are developed based on market data obtained from sources independent of the Organization. Unobservable inputs are inputs that reflect the Organization's assumptions about the assumptions market participants would use in pricing the asset or liability developed based on the best information available in the circumstances. The hierarchy is broken down into three levels based on the observability of inputs as follows:

Level 1: Valuations based on quoted prices in active markets for identical assets or liabilities that the Organization has the ability to access. Valuation adjustments and block discounts are not applied to Level 1 instruments. Since valuations are based on quoted prices that are readily and regularly available in an active market, valuation of these products does not entail a significant degree of judgment.

Level 2: Valuations based on one or more quoted prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly.

Level 3: Valuations based on inputs that are unobservable and significant to the overall fair value measurement.

# KANSAS LAND TRUST, INC.

## NOTES TO FINANCIAL STATEMENTS

The availability of observable inputs can vary from product to product and is affected by a wide variety of factors, including, for example, the type of product, whether the product is new and not yet established in the marketplace, the liquidity of markets and other characteristics particular to the transaction. To the extent that valuation is based on models or inputs that are less observable or unobservable in the market, the determination of fair value requires more judgment. Accordingly, the degree for judgment exercised by the Organization in determining fair value is greatest for instruments categorized in Level 3.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, for disclosure purposes the level in the fair value hierarchy within which the fair value measurement falls in its entirety is determined based on the lowest level input that is significant to the fair value measurement in its entirety.

Fair value is a market-based measure considered from the perspective of a market participant rather than an entity-specific measure. Therefore, even when market assumptions are not readily available, the Organization's own assumptions are set to reflect those that the Organization believes market participants would use in pricing the asset or liability at the measurement date.

### **Conservation easements**

Conservation easements accepted or purchased by the Organization are not recognized as assets or revenues in the accompanying financial statements because the Land Trust does not have fee title to the properties and there are no expected future economic benefits. If purchased, the costs of the conservation easements are expensed when the easements are acquired.

### **Advertising costs**

Advertising costs are charged to operations when incurred.

### **Funds held in escrow**

The Organization received grant money in advance, under the Department of Defense Army Compatible Use Buffer (ACUB) Program, for easements planned to be purchased during the grant period. Through an agreement between Kansas Land Trust and Fort Riley, these funds are held by a third-party escrow agent at First American Title Insurance Company, in the Organization's name, but cannot be accessed by the Organization without explicit authorization from the manager of the ACUB Program at Fort Riley. These funds are shown on the Organization's financial statements as Funds Held in Escrow. At December 31, 2017, there was \$690,332 of grant monies received but not yet spent for planned easements and easements in process. These funds are fully federally insured.

### **Income taxes**

The Organization is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code and, therefore, has no provision for federal income taxes. In addition, the Organization 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). Income determined to be unrelated business taxable income (UBTI) would be taxable.

The Organization files as a tax-exempt organization. As of December 31, 2017, its 2014 through 2016 fiscal year tax returns are open for examination by the IRS.

# KANSAS LAND TRUST, INC.

## NOTES TO FINANCIAL STATEMENTS

### Functional expenses

The costs of providing various programs and supporting services have been summarized on a functional basis in the statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

### Revenue recognition

Certain grants received by the Organization include grantor imposed restrictions that require unspent funding be returned at the end of the grant period. The income for these grants is recognized as expenses are incurred. Grant funds received but not yet expended are reported as deferred grant revenue on the Statement of Financial Position.

### Concentration of credit risk

The Organization is subject to credit risk due to bank accounts and certificates of deposit that are placed in financial institutions. As of December 31, 2017, there were no amounts in excess of federally insured limits.

### Note 3 – Investments

The Organization's investments consist of the following at December 31, 2017:

	Cost basis	Fair Value	Unrealized appreciation (depreciation)
Brokerage cash	\$ 331	\$ 331	\$ -
Mutual funds	359,981	444,625	84,644
Exchange traded funds	381,669	394,458	12,789
	<u>\$ 741,981</u>	<u>\$ 839,414</u>	<u>\$ 97,433</u>

### Note 4 – Fair value measurements

The Organization uses fair value measurements to record fair value adjustments to certain assets and to determine fair value disclosures. For additional information on how the Organization measures fair value, refer to Note 1 – Summary of Significant Accounting Policies. The Organization has a significant portion of assets classified within Level 1 because those investments comprise open-end mutual funds with readily determinable fair values based on daily redemption value. The fair value of our beneficial interest in assets held by the community foundation is based on the fair value of fund investments as reported by the community foundation. These are considered to be Level 3 measurements

**KANSAS LAND TRUST, INC.**

**NOTES TO FINANCIAL STATEMENTS**

The following table presents assets measured at fair value on a recurring basis as of December 31, 2017:

	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Brokerage cash	\$ 331	\$ 331	\$ -	\$ -
Beneficial interest in				
Assets held by community foundation	9,988	-	-	9,988
Mutual funds				
Large value	252,915	252,915	-	-
Large blend	80,094	80,094	-	-
Mid-cap value	31,694	31,694	-	-
Large growth	79,922	79,922	-	-
Exchange traded funds				
Consumer defensive	23,907	23,907	-	-
Corporate bond	60,971	60,971	-	-
Emerging markets	23,781	23,781	-	-
Foreign blend	14,965	14,965	-	-
Global real estate	23,567	23,567	-	-
Intermediate-term bond	183,853	183,853	-	-
Mid-cap value	32,049	32,049	-	-
Small value	31,365	31,365	-	-
	<u>\$ 849,402</u>	<u>\$ 839,414</u>	<u>\$ -</u>	<u>\$ 9,988</u>

The following is a reconciliation of the beginning and ending balance of assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the year ended December 31, 2017:

December 31, 2016	\$ -
Total dividend income and gains/losses	8
Contributions/additions	10,001
Fees	<u>(21)</u>
December 31, 2017	<u>\$ 9,988</u>

**Note 5 – Commitments and contingencies**

The Organization receives a substantial amount of its support from federal, state and local governments. A significant reduction in the level of this support, if this were to occur, may have an effect on the Organization's programs and activities.

**Note 6 – Operating lease**

The Organization leases its office space in an agreement that does not exceed one year in length. Rent expense for the year ended December 31, 2017 was \$9,143.

## **KANSAS LAND TRUST, INC.**

### **NOTES TO FINANCIAL STATEMENTS**

#### **Note 7 – Easements**

During 2017, the Organization had no easement purchases. The values of easements contributed by the landowners are not reflected in the accompanying financial statements as discussed in Note 2.

#### **Note 8 – Risk management**

The Organization is exposed to various risks of loss related to limited torts; thefts of, damage to and destruction of assets; errors and omissions and natural disasters. The Organization carries commercial insurance and has not incurred any losses in the past three years.

#### **Note 9 – Subsequent events**

Management has evaluated subsequent events through October 2, 2018, the date which the financial statements were available to be issued.

#### **Note 10 – Correction of error**

An error resulting in an overstatement of previously reported deferred revenue was discovered during the current year. Accordingly, an adjustment of \$13,019 was made during 2017 to write down deferred revenue as of the beginning of the year. A corresponding entry was made to reduce previously reported net assets.