

BUR OAK LAND TRUST
Iowa City, Iowa

Financial Statements

December 31, 2017

BUR OAK LAND TRUST

Contents	Page
Independent Auditors' Report	1-2
Financial Statements:	
Statement of Assets, Liabilities and Net Assets – Modified Cash Basis.....	3
Statement of Support, Revenues, Expenses and Changes in Net Assets – Modified Cash Basis	4
Notes to Financial Statements	5-13



CPAs and Advisors

Independent Auditors' Report

To the Board of Directors
Bur Oak Land Trust
Iowa City, Iowa

We have audited the accompanying financial statements of Bur Oak Land Trust (a nonprofit Organization), which comprise the statement of assets, liabilities, and net assets – modified cash basis as of December 31, 2017, and the related statement of support, revenues, expenses, and changes in net assets – modified cash basis for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statement

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting as described in Note 1; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on the 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 auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting polices 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.

tdtpc.com

Burlington	Cedar Rapids	Centerville	Fairfield	Mt. Pleasant	Muscatine	Oskaloosa	Pella	West Des Moines
319.753.9877	319.393.2374	641.437.4296	641.472.6171	319.385.9718	563.264.2727	641.672.2523	641.628.9411	515.657.5800

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets, liabilities and net assets of Bur Oak Land Trust as of December 31, 2017, and its support, revenue, and expenses for the year then ended in accordance with the modified cash basis of accounting described in Note 1.

Basis of Accounting

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Report on Summarized Comparative Information

The summarized comparative information presented in the statement of support, revenues, expenses, and changes in net assets – modified cash basis for the year ended December 31, 2016, was derived from an unaudited financial statement, and has not been audited, reviewed, or compiled and, accordingly, we express no opinion on it.

TDE&T CPAs and Advisors, P.C.

Pella, Iowa
March 8, 2018

BUR OAK LAND TRUST
Statement of Assets, Liabilities and Net Assets -- Modified Cash Basis
December 31, 2017

Assets	
Assets	
Current assets:	
Cash and cash equivalents	\$ 36,932
Certificates of deposit	47,691
Investments	663,267
Rent deposit	1,000
Total current assets	748,890
Investments, long-term	40,766
Property and equipment:	
Land	1,989,720
Equipment	58,216
	2,047,936
Less: accumulated depreciation	23,089
Net property and Equipment	2,024,847
Total assets	\$ 2,814,503
Liabilities and Net Assets	
Liabilities	
Current liabilities:	
Current maturities of long-term debt	\$ 72,000
Accrued liabilities	4,158
Total current liabilities	76,158
Long-term debt, net of current maturities	72,000
Total liabilities	148,158
Net Assets:	
Unrestricted	
Undesignated	1,759,812
Board designated	623,028
Temporarily restricted	257,887
Permanently restricted	25,618
Total net assets	2,666,345
Total liabilities and net assets	\$ 2,814,503

See accompanying notes to financial statements.

BUR OAK LAND TRUST
Statement of Support, Revenues, Expenses and
Changes in Net Assets -- Modified Cash Basis
For the Year Ended December 31, 2017

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>	<u>(Summarized) 2016</u>
Operating support and revenue:					
Contributions:					
Contributions and grants	\$ 126,771	11,450	-	138,221	347,145
Capital Campaign	-	115,777	-	115,777	203,973
Land transaction	3,289	-	-	3,289	-
Other income - deer tag sale, net	5,000	-	-	5,000	4,550
Miscellaneous income	5,812	-	-	5,812	5,666
Net assets released from restrictions	78,326	(78,326)	-	-	-
	<u>219,198</u>	<u>48,901</u>	<u>-</u>	<u>268,099</u>	<u>561,334</u>
Special events					
Special events	56,420	-	-	56,420	61,631
Less: Costs of direct benefit to donors	11,715	-	-	11,715	12,532
Net special event revenue	44,705	-	-	44,705	49,099
Transfer from board designated funds to operations	19,095	-	-	19,095	-
Total operating support and revenue	<u>282,998</u>	<u>48,901</u>	<u>-</u>	<u>331,899</u>	<u>610,433</u>
Operating expenditures:					
Program services:					
Property Stewardship	121,200	-	-	121,200	96,211
Education and awareness	45,689	-	-	45,689	35,038
Supporting services:					
Administrative support	55,439	-	-	55,439	49,949
Fundraising	51,565	-	-	51,565	65,982
Total operating expenditures	<u>273,893</u>	<u>-</u>	<u>-</u>	<u>273,893</u>	<u>247,180</u>
Change in net assets from operating activities	<u>9,105</u>	<u>48,901</u>	<u>-</u>	<u>58,006</u>	<u>363,253</u>
Non-operating activities:					
Grants to others	(20,000)	-	-	(20,000)	-
In-kind donations - land	389,000	-	-	389,000	-
In-kind donations - equipment	-	-	-	-	11,000
Investment income	12,806	410	-	13,216	9,657
Net realized and unrealized gains	82,698	3,292	-	85,990	14,278
Endowment contributions	-	-	-	-	3,348
Transfer from board designated funds to operations	(19,095)	-	-	(19,095)	-
Change in net assets from non-operating activities	<u>445,409</u>	<u>3,702</u>	<u>-</u>	<u>449,111</u>	<u>38,283</u>
Change in net assets	<u>454,514</u>	<u>52,603</u>	<u>-</u>	<u>507,117</u>	<u>401,536</u>
Net assets at beginning of year	<u>1,928,326</u>	<u>205,284</u>	<u>25,618</u>	<u>2,159,228</u>	<u>1,757,692</u>
Net assets at end of year	<u>\$ 2,382,840</u>	<u>257,887</u>	<u>25,618</u>	<u>2,666,345</u>	<u>2,159,228</u>

See accompanying notes to financial statements.

BUR OAK LAND TRUST
Notes to the Financial Statements
December 31, 2017

Note 1 – Nature of Activities and Significant Accounting Policies

Nature of Activities - The Trust was organized under the laws of the State of Iowa with a mission to preserve our natural heritage through protection and management of land and water with significant environmental value.

Modified Cash Basis - The accompanying financial statement have been prepared on the modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. That basis differs from generally accepted accounting principles in that income and expenses are recognized only as cash is received or paid, and receivables and payables are not reflected in the statements except for deposits and accrued taxes. Property and equipment is recognized when cash is disbursed or when donated property is conveyed to the Trust.

Basis of Presentation - In accordance with the Financial Accounting Standards Board Accounting Standards Codification (FASB ASC), the Trust reports information regarding its financial position and activities within three classes of net assets: unrestricted, temporarily restricted and permanently restricted based on donor specifications.

Unrestricted – Net assets that are not subject to donor-imposed restrictions.

Temporarily restricted – Net assets subject to donor-imposed restrictions that will be met either by actions of the Trust or the passage of time. Donor restricted contributions whose restrictions are met in the same reporting period are reported as unrestricted support.

Permanently restricted – Net assets subject to donor-imposed restrictions that are required to be maintained permanently (i.e., in perpetuity) by the Trust. Generally, the donors of those assets permit the Trust to use all or part of the income earned on related investments for specific purposes.

The permanently restricted Terrafirma fund is for Terrafirma, a national non-profit insurance pool that would provide additional conservation easement defense and fee-owned property defense support. The Trust is building this fund so the earnings can pay for the annual premiums.

The Bur Oak Land Trust uses a range of tools to help conserve important natural resources in Iowa. The Trust recognizes the importance of using conservation easements but also recognizes the perpetual responsibilities of being a conservation easement grantee. The Trust has specific policies and takes specific actions as necessary to monitor and enforce the provisions of conservation easements which it holds. To further ensure the integrity of conservation easements held by the Trust, separate board designated accounts were established to provide for a property stewardship position, property management, and conservation easement legal defense and stewardship.

The Trust established a policy that requires that funds be set aside as part of the acquisition of each conservation easement. It is part of the project funding policy of the Trust that these funds be invested so as to prevent loss of principal when possible. As part of the annual budget process, a portion of the earnings will be included in operating revenues to cover the costs of baseline documentation, annual monitoring, and technical assistance to the landowners.

BUR OAK LAND TRUST
Notes to the Financial Statements
December 31, 2017

Note 1 – Nature of Activities and Significant Accounting Policies (Continued)

The Trust has further established a board designated conservation easement legal defense account. This account is to be used for legal defense, arbitration or litigation costs associated with enforcing the provisions of any conservation easement held by the Trust. It is the policy of the Trust that these funds be invested so as to prevent loss of principal when possible. Any investment income attributed to the conservation easement legal defense account shall remain in the account. The principal and any investment income of the account may be used for legal defense. Any legal actions taken by the Trust or use of the conservation easement legal defense account require approval of the Board.

Operating Measure - The Trust measures operations by including all revenue and expenses related to the mission of the Trust, releases of donor restrictions, and transfers from reserves for operating purposes approved by the Board of Directors.

Use of Estimates - The preparation of financial statements in conformity with the modified cash basis of accounting requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period and disclosures in the financial statements. Actual results could differ from those estimates.

Investments - The Trust carries investments at their fair value based on quoted market prices in the statement of financial position. Unrealized gains and losses are included in the change in net assets in the accompanying statement of activities. The Trust's investments consist of money market funds, certificates of deposit, and mutual funds.

Functional Expense Allocations - The cost of providing the Trust's programs and other activities is summarized on a functional basis in the statement of activities and statement of functional expenses. Expenses that can be identified with a specific program or support service are charged directly to that program or support service. Costs common to multiple functions have been allocated among the various functions benefited based on the estimates made by the Trust's management.

Income Taxes - The Trust, a not-for-profit Trust, is exempt from income taxes under Section 501 (c)(3) of the Internal Revenue Code, except to the extent of taxes on unrelated business income.

The Trust follows the accounting for uncertainty in income tax requirements of the Income Tax Topic of the FASB *Accounting Standards Codification*. Management has evaluated their material tax positions and determined no income tax effects with respect to the financial statements. The Trust's federal income tax returns open by statute are subject to examination by the tax authorities. The Trust has not been notified of any impending examinations by tax authorities, and no examinations are in process.

Restricted and Unrestricted Revenue and Support - Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor-imposed restrictions. Donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

BUR OAK LAND TRUST
Notes to the Financial Statements
December 31, 2017

Note 1 – Nature of Activities and Significant Accounting Policies (Continued)

Comparative Totals - The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with the modified cash basis of accounting. Accordingly, such information should be read in conjunction with the Trust's financial statements for the year ended December 31, 2016, from which the summarized information is derived.

Subsequent Events - Management has evaluated all subsequent events and transactions through March 8, 2018, the date the financial statements were available to be issued.

Note 2 – In-Kind Contributions

Land, equipment, and securities contributed to the Trust are valued and recorded at their fair value on the donation date. Donated securities are immediately sold and proceeds are invested according to the Trust's investment policy. In-kind contributions are not recorded as revenue and expense in the accompanying financial statements, with the exception of those donated items that are capitalized as property and equipment. In-kind contributions consist of donated land, space and equipment rental, conservation easements, equipment, auction items for the Under a Cider Moon fundraiser, and services relating to properties maintained by the Trust, and totaled \$425,787 for the year ended December 31, 2017.

Note 3 – Property and Equipment

The properties and equipment recorded at historical cost and related accumulated depreciation held by the Trust as of December 31, 2017 were as follows:

Land		
Belgum Grove	\$	90,000
Big Grove		350,000
Pappy Dickens Preserve		160,000
Hora Woods		4,180
O'Mara-Newport Woods		300,000
Shimek Ravine		64,070
Strub Prairie		25,000
Kessler Prairie		139,000
Muddy Creek Preserve		250,000
Turkey Creek Preserve		247,470
Big Grove Addition		360,000
	\$	<u>1,989,720</u>
Equipment		
Tractor	\$	11,500
2004 Ford Truck		11,000
Other equipment		35,716
		<u>58,216</u>
Less: Accumulated depreciation		<u>(23,089)</u>
Total Equipment		<u>35,127</u>
Total property and equipment	\$	<u>2,024,847</u>

Depreciation expense for the year ended December 31, 2017 was \$8,318.

BUR OAK LAND TRUST
Notes to the Financial Statements
December 31, 2017

Note 4 – Investments

Investments in mutual funds and money market accounts are stated at fair value for the year ended December 31, 2017 as follows:

Mutual funds	\$ 662,513
Money market	41,520
Totals	<u>\$ 704,033</u>

The following summarizes the change in fair value for the year ended December 31, 2017:

Fair value at December 31, 2016	\$ 632,660
Reinvested dividends and interest	13,216
Reinvested proceeds from donated investments	4,657
Sales of investment securities	(29,870)
Fees and other charges	(2,620)
Net realized and unrealized gain on investments	85,990
Fair value at December 31, 2017	<u>\$ 704,033</u>

Note 5 – Fair Value Measurements

The Trust's investments are reported at fair value in the accompanying statement of assets, liabilities, and net assets—modified cash basis. The methods used to measure fair value may produce an amount that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Trust believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The Fair Value Measurements and Disclosures Topic of the FASB Accounting Standards Codification establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities. (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three Levels of the fair value hierarchy under the Topic are described below:

Basis of Fair Value Measurement

- Level 1 Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities;
- Level 2 Quoted prices in markets that are not considered to be active or financial instruments for which all significant inputs are observable, either directly or indirectly;
- Level 3 Prices or valuations that require inputs that are both significant to the fair value measurement and unobservable.

BUR OAK LAND TRUST
Notes to the Financial Statements
December 31, 2017

Note 5 – Fair Value Measurements (Continued)

The following tables present by Level, within the fair value hierarchy, the Trust's investment assets at fair value, as of December 31, 2017, As required by the Topic, investment assets are classified in their entirety based upon the lowest Level of input that is significant to the fair value measurement. The Trust had no Level 2 or Level 3 investments at December 31, 2017.

Description	December 31, 2017	Quoted Prices In Active Markets for Identical Assets (Level 1)	Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Mutual funds fixed income	\$ 242,696	\$ 242,696	\$ -	\$ -
Mutual funds - equity	419,817	419,817	-	-
Money market accounts	41,520	41,520	-	-
	<u>\$ 704,033</u>	<u>\$ 704,033</u>	<u>\$ -</u>	<u>\$ -</u>

Note 6 – Long-Term Debt

The Trust entered into an installment real estate contract to purchase land dated July 27, 2015. The balance remaining on the contract at December 31, 2017, was \$144,000. The agreement calls for annual payments of \$72,000 plus accrued interest at the rate of 1.77% through July 27, 2019. The agreement is collateralized by the land purchased.

The aggregate annual maturities at December 31, 2017 are as follows:

2018	\$ 72,000
2019	<u>72,000</u>
Total	144,000
Less current maturities	<u>(72,000)</u>
Long-term debt	<u>\$ 72,000</u>

BUR OAK LAND TRUST
Notes to the Financial Statements
December 31, 2017

Note 7 – Net Assets

The following classifications reflect the nature of restrictions on temporarily restricted, permanently restricted, and board designated net assets as of December 31, 2017:

Donor restricted:	
Temporarily restricted	
Dane property	\$ 5,000
Capital campaign-Big Grove	237,735
Woodland savanna restoration	1,750
Interpretive signs at Shimek Ravine	4,700
Bridge at Turkey Creek Nature Preserve	3,000
Terraforma endowment – accumulated earnings	3,702
Easement stewardship	500
Easement defense	500
Belgum Grove seed project	1,000
Total temporarily restricted	<u>257,887</u>
Permanently restricted	
Terraforma endowment	<u>25,618</u>
Total donor restricted	<u>\$ 283,505</u>
Board designated:	
Terraforma endowment	\$ 11,445
Easement defense	96,504
Easement stewardship	105,757
Property Stewardship	53,194
Property defense	7,470
Property management	101,800
Land acquisition	102,290
Operating Reserve	<u>144,568</u>
Total board designated	<u>623,028</u>
Unrestricted:	
Undesignated net assets	<u>1,759,812</u>
Total net assets	<u>\$ 2,666,345</u>

BUR OAK LAND TRUST
Notes to the Financial Statements
December 31, 2017

Note 8 – Endowments

The Trust's endowment consists of a fund established to generate income designed to pay premiums for TerraFirma, a national non-profit insurance pool that would provide additional conservation easement defense and fee-owned property defense support. Its endowment consists of donor-restricted and board-designated endowment funds. As required by the modified cash basis of accounting, net assets associated with endowment funds, including funds designated by the Board to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board of the Trust has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation 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. Consequently, the Trust classifies permanently restricted net assets as:

- The original value of gifts donated to the permanent endowment, and
- The original value of subsequent gifts to the permanent endowment.

Interpretation of Relevant Law - The remaining portion of the donor-restricted endowment fund not classified as permanently restricted is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Trust's Board. In accordance with UPMIFA, the Trust considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. The duration and preservation of the fund
2. The purpose of the Trust and the donor-restricted endowment fund
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 Trust
7. The investment policies of the Trust

Return Objectives and Risk Parameters - The Trust has adopted investment and spending policies for endowment assets that attempt to preserve the real value, or purchasing power, of the endowment fund assets and the annual support provided by these assets for an infinite period. The endowment assets are invested in a manner that is based on a broad number of diversified asset classes to produce results with the expectation that the rate of return will be equal to or greater than a predetermined weighted average benchmark of several market indices.

Spending Policy - The Trust has a policy of appropriating funds for distribution to pay TerraFirma insurance premiums once the fund is able to support such payments. As of December 31, 2017, no premiums have yet been paid by the fund.

BUR OAK LAND TRUST
Notes to the Financial Statements
December 31, 2017

Note 8 – Endowments (Continued)

Strategies Employed for Achieving Objectives - The Trust relies on a total return strategy in which investment returns are achieved through capital appreciation and current yield (interest and dividends). The Trust targets a diversified asset allocation that emphasizes growth instruments and equity securities to achieve its long-term objectives within prudent risk constraints. The target allocation for the years ended June 30, 2017 and 2016, was as follows:

Asset Category	Target Allocation
Equity	60%
Debt	40%
Total	100%

Endowment net asset composition by type of fund as of December 31, 2017:

		Temporarily Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor restricted endowment funds	\$	-	-	25,618	25,618
Endowment earnings		-	3,702	-	3,702
Board-designated funds		11,445	-	-	11,445
Total	\$	11,445	3,702	25,618	40,765

Changes in endowment net assets for the year ended June 30, 2017:

		Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Net Assets, beginning of year	\$	10,000	-	25,618	35,618
Net appreciation		1,445	3,702	-	5,147
Net Assets, end of year	\$	11,445	3,702	25,618	40,765

Note 9 – Lease Commitments

The Trust leases office space under a lease agreement which runs through November 2019. Under the lease, the monthly rent expense is \$1,024 plus utilities. Rent expense included in supporting services expenses was \$12,288 for the year ended December 31, 2017.

BUR OAK LAND TRUST
Notes to the Financial Statements
December 31, 2017

Note 9 – Lease Commitments (Continued)

The total minimum rental commitment for leases, are as follows:

<u>Years ending December 31:</u>	
2018	\$ 12,288
2019	<u>11,264</u>
	\$ <u>23,552</u>

Note 10 – Related Party Transactions

The Trust received donations from employees and members of the Board of Directors totaling \$23,120 for the year ended December 31, 2017.

Note 11 – Designated Funds Held by a Community Foundation

Designated funds for the benefit of Bur Oak Land Trust have been established by donors with The Community Foundation of Johnson County (Foundation). In establishing a designated fund, the donor grants variance power to the Foundation, and an asset is not recognized by the Organization. Revenue is recognized upon receipt of distributions. The balances of these funds held for the Organization's benefit totaled \$174,425 at December 31, 2017. The Organization received distributions of \$7,526 from the Foundation for the year ended December 31, 2017.