THE LAND INSTITUTE
Salina, Kansas

FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORT

June 30, 2016

CLUBINE AND RETTELE, CHARTERED
CERTIFIED PUBLIC ACCOUNTANTS
SALINA, KANSAS

THE LAND INSTITUTE
Salina, Kansas

I N D E X

CLUBINE & RETTELE CHARTERED

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INDEPENDENT AUDITORS' REPORT

To: The Board of Directors
The Land Institute

We have audited the accompanying financial statements of The Land Institute (a nonprofit organization), which comprise the statement of financial position as of June 30, 2016, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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 policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Land Institute as of June 30, 2016, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited The Land Institute's June 30, 2015 financial statements, and we expressed an unmodified opinion on those audited financial statements in our report dated September 18, 2015. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2015, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Clubine and Rettele, Chartered

CLUBINE AND RETTELE, CHARTERED

Salina, Kansas
September 15, 2016

THE LAND INSTITUTE
Salina, Kansas

Exhibit I

STATEMENT OF FINANCIAL POSITION
June 30, 2016 with Comparative Totals as of June 30, 2015

	Unrestricted		Temporarily	Permanently	Totals	
	Operations	Fixed Assets	Restricted	Restricted	June 30, 2016 (Memorandum)	June 30, 2015 (Memorandum)
Assets						
Cash and cash equivalents (Note 1)	$ 4,491,678	$ 2,200,864	$ 2,081,983	$ -	$ 8,774,525	$ 8,045,720
Accounts receivable	14,948	-	-	-	14,948	62,814
Interest receivable	3,648	-	-	-	3,648	3,432
Prepaid expenses	37,744	10,163	-	-	47,907	49,724
Security deposit	775	-	-	-	775	1,285
Inventory	7,904	-	-	-	7,904	5,686
Pledges receivable (Note 4)	-	-	1,059,208	-	1,059,208	1,856,226
Cash and cash equivalents restricted for term endowment and permanent endowment (Note 13)	-	-	870,000	39,000	909,000	909,000
Beneficial interest in assets held by Greater Salina Community Foundation (Note 11)	19,635	-	-	-	19,635	19,763
Property held for sale (Note 8)	-	-	-	-	-	9,000
Construction in progress (Note 7)	-	597,877	-	-	597,877	81,760
Website in progress	-	-	-	-	-	5,865
Equipment in transit	-	-	-	-	-	174,681
Property and equipment, net (Note 7)	-	6,177,522	-	-	6,177,522	5,982,268
Total Assets	$ 4,576,332	$ 8,986,426	$ 4,011,191	$ 39,000	$ 17,612,949	$ 17,207,224
Liabilities						
Accounts payable	$ 41,400	$ -	$ -	$ -	$ 41,400	$ 194,331
Payroll taxes and sales tax payable	442	-	-	-	442	120
Deferred income - Prairie Festival	11,010	-	-	-	11,010	-
Security deposit payable	-	-	-	-	-	200
Accrued vacations payable	63,345	-	-	-	63,345	61,837
Total Liabilities	116,197	-	-	-	116,197	256,488
Net Assets	4,460,135	8,986,426	4,011,191	39,000	17,496,752	16,950,736
Total Liabilities and Net Assets	$ 4,576,332	$ 8,986,426	$ 4,011,191	$ 39,000	$ 17,612,949	$ 17,207,224

See accompanying notes to the financial statements which are an integral part hereof.

THE LAND INSTITUTE
Salina, Kansas

Exhibit II

STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2016 with Comparative Totals For the Year Ended June 30, 2015

	Unrestricted		Temporarily	Permanently	Totals	
	Operations	Fixed Assets	Restricted	Restricted	June 30, 2016 (Memorandum)	June 30, 2015 (Memorandum)
Public Support, Revenue and Reclassifications						
Public Support						
Grants						
Individuals	$ 964,769	$ -	$ 65,543	$ -	$ 1,030,312	$ 1,137,874
Foundations	2,695,437	-	375,378	-	3,070,815	4,514,875
Corporations and partnerships	534	-	8,000		8,534	102,589
Grants not spent	-	-	(9,961)	-	(9,961)	-
Total Public Support	3,660,740	-	438,960	-	4,099,700	5,755,338
Revenue						
Event fees	15,859	-	-	-	15,859	16,163
Book royalties, honoraria and miscellaneous	686	-	-	-	686	12,270
Rent income	12,898	-	-	-	12,898	11,912
Interest	37,019	-	-	-	37,019	31,748
Farm income	1,398	-	-	-	1,398	1,287
Book and merchandise sales	16,734	-	-	-	16,734	16,474
Net unrealized and realized gain (loss) on sale of investments	(199)	-	-	-	(199)	557
Loss on sale of assets	-	(8,697)	-	-	(8,697)	(16,730)
Total Revenue	84,395	(8,697)	-	-	75,698	73,681
Reclassifications						
Net Assets Released from Restrictions						
Satisfaction of program restrictions	682,444	309,739	(992,183)	-	-	-
Expiration of time restrictions	250,000	-	(250,000)	-	-	-
Total Reclassifications (Note 10)	932,444	309,739	(1,242,183)	-	-	-
Total Public Support, Revenue and Reclassifications	4,677,579	301,042	(803,223)	-	4,175,398	5,829,019

See accompanying notes to the financial statements which are an integral part hereof.

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Salina, Kansas

Exhibit II

STATEMENT OF ACTIVITIES (Continued)
For the Year Ended June 30, 2016 with Comparative Totals for the Year Ended June 30, 2015

	Unrestricted		Temporarily	Permanently	Totals	
	Operations	Fixed Assets	Restricted	Restricted	June 30, 2016 (Memorandum)	June 30, 2015 (Memorandum)
Expenses						
Program Services						
Education & Public Policy	529,758	-	-	-	529,758	478,576
NSA research	2,236,932	-	-	-	2,236,932	1,933,005
Total Program Services	2,766,690	-	-	-	2,766,690	2,411,581
Supporting Services						
Management and general	349,389	-	-	-	349,389	294,334
Fundraising	513,303	-	-	-	513,303	448,212
Total Supporting Services	862,692	-	-	-	862,692	742,546
Total Expenses	3,629,382	-	-	-	3,629,382	3,154,127
Loss on impairment of Kansas City property (Note 8)	-	-	-	-	-	9,000
Total Expenses and Losses	3,629,382	-	-	-	3,629,382	3,163,127
Change in Net Assets	1,048,197	301,042	(803,223)	-	546,016	2,665,892
Transfers	(200,000)	200,000	-	-	-	-
Net Assets, Beginning of Year	3,662,525	8,485,384	4,763,827	39,000	16,950,736	14,284,844
Prior period adjustment (Note 22)	(50,587)	-	50,587	-	-	-
Net Assets, End of Year	$ 4,460,135	$ 8,986,426	$ 4,011,191	$ 39,000	$ 17,496,752	$ 16,950,736

See accompanying notes to the financial statements which are an integral part hereof.

THE LAND INSTITUTE
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Exhibit III

STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended June 30, 2016 with Comparative Totals for the Year Ended June 30, 2015

	Program Services			Supporting Services			Totals	
	Education & Public Policy	NSA Research	Total	Management & General	Fundraising	Total	June 30, 2016 (Memorandum)	June 30, 2015 (Memorandum)
Salaries	$ 284,791	$ 904,756	$ 1,189,547	$ 225,275	$ 283,558	$ 508,833	$ 1,698,380	$ 1,461,147
Payroll taxes	19,672	67,472	87,144	16,019	22,422	38,441	125,585	105,539
Employee benefits	47,205	159,316	206,521	32,453	56,055	88,508	295,029	284,967
Employee recruitment	40,324	10,374	50,698	20,162	17,259	37,421	88,119	49,619
Total Salaries and Related Expenses	391,992	1,141,918	1,533,910	293,909	379,294	673,203	2,207,113	1,901,272
Advertising, promotion and printing	1,596	1,489	3,085	105	2,685	2,790	5,875	10,650
Books, subscriptions and dues	352	3,731	4,083	108	2,930	3,038	7,121	4,948
Computer expense	8,615	38,958	47,573	5,923	14,546	20,469	68,042	69,428
Contract services	12,864	392,461	405,325	3,680	29,300	32,980	438,305	301,953
Events	45,280	594	45,874	-	-	-	45,874	32,798
Gift of land	-	-	-	-	-	-	-	43,435
Insurance	11,232	37,909	49,141	7,722	13,338	21,060	70,201	63,952
Advisory and board meetings	-	-	-	7,876	-	7,876	7,876	9,355
Small equipment	749	9,132	9,881	515	1,209	1,724	11,605	9,082
Maintenance and repairs	3,867	72,813	76,680	4,582	4,592	9,174	85,854	78,934
Rent and utilities	3,971	15,342	19,313	2,730	4,715	7,445	26,758	30,628
Office supplies and repairs	2,108	7,981	10,089	1,492	2,983	4,475	14,564	15,179
Postage and freight	3,297	9,425	12,722	718	11,478	12,196	24,918	22,221
Professional services	4,135	24,836	28,971	2,843	4,911	7,754	36,725	30,835
Land report and other publications	35,166	-	35,166	-	-	-	35,166	36,445
Research stipends	-	122,201	122,201	-	-	-	122,201	138,000
Supplies and materials	-	78,999	78,999	-	-	-	78,999	61,627
Taxes	498	1,682	2,180	343	592	935	3,115	13,832
Telephone	794	2,679	3,473	546	943	1,489	4,962	4,666
Travel	1,918	39,975	41,893	2,804	38,452	41,256	83,149	73,537
Miscellaneous	1,324	4,622	5,946	1,378	1,335	2,713	8,659	1,575
Total Expenses Before Depreciation and Amortization	529,758	2,006,747	2,536,505	337,274	513,303	850,577	3,387,082	2,954,352
Depreciation and Amortization Expense	-	230,185	230,185	12,115	-	12,115	242,300	199,775
Total Expenses	$ 529,758	$ 2,236,932	$ 2,766,690	$ 349,389	$ 513,303	$ 862,692	$ 3,629,382	$ 3,154,127
Total Expenses, Year Ended June 30, 2015 (Memorandum)	$ 478,576	$ 1,933,005	$ 2,411,581	$ 294,334	$ 448,212	$ 742,546		

See accompanying notes to the financial statements which are an integral part hereof.

THE LAND INSTITUTE
Salina, Kansas

Exhibit IV

STATEMENT OF CASH FLOWS

For the Year Ended June 30, 2016 with Comparative Totals for the Year Ended June 30, 2015

	June 30, 2016	June 30, 2015 (Memorandum)
Cash Flows From Operating Activities		
Cash received from public support and revenues	$ 4,983,801	$ 4,956,061
Interest received	36,803	31,966
Cash paid to employees, suppliers, program expenses, vendors and others	(3,538,086)	(2,777,052)
Net Cash Provided by Operating Activities	1,482,518	2,210,975
Cash Flows From Investing Activities		
Proceeds from sales of assets and investments	24,004	1,817,947
Purchase of equipment, land and building	(777,717)	(1,603,882)
Net Cash Provided (Used) by Investing Activities	(753,713)	214,065
Net Increase in Cash and Cash Equivalents	728,805	2,425,040
Cash and Cash Equivalents at beginning of year	8,045,720	5,620,680
Cash and Cash Equivalents at end of year (Note 1)	$ 8,774,525	$ 8,045,720

RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH PROVIDED BY OPERATING ACTIVITIES

	June 30, 2016	June 30, 2015 (Memorandum)
Change in Net Assets - Exhibit II	$ 546,016	$ 2,665,892
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	242,300	199,775
Donated investments included in contributions	(19,368)	(116,629)
Net unrealized and realized loss (gain) on sale of investments	199	(557)
Loss on sale of assets	8,697	16,730
Loss on impairment of Kansas City property	-	9,000
Gift of land to Heart Land Green Burial, Inc.	-	43,435
Administrative fee charged by Greater Salina Community Foundation	188	169
Decrease in accounts receivable	47,866	49,801
Decrease (Increase) in interest receivable	(216)	218
Decrease (Increase) in pledges receivable	797,018	(790,555)
Decrease (Increase) in inventory	(2,218)	579
Decrease (Increase) in prepaid expenses	1,817	(3,722)
Decrease (Increase) in security deposit paid	510	(785)
Increase (Decrease) in accounts payable	(152,931)	135,357
Increase in payroll taxes and sales tax payable	322	62
Increase in deferred income - Prairie Festival	11,010	-
Decrease in security deposit received	(200)	-
Increase in vacations payable	1,508	2,205
Total Adjustments	936,502	(454,917)
Net Cash Provided by Operating Activities	$ 1,482,518	$ 2,210,975

Noncash investing activities consisted of donated investments of $19,368.

See accompanying notes to the financial statements which are an integral part hereof.

NOTES TO FINANCIAL STATEMENTS
June 30, 2016

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

1. Summary of Significant Accounting Policies

A. Organization: The Organization is a not-for-profit corporation organized under the laws of the State of Kansas. Income taxes are not provided for in the financial statements because the organization is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code and similar state provisions.

B. Basis of Accounting: The financial statements of The Land Institute have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities.

C. Basis of Presentation: The Organization reports information regarding its financial position and activities according to three classes of net assets that are based upon the existence or absence of restrictions on use that are placed by its donors: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets.

D. Estimates: Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Management believes that the estimates and assumptions are reasonable in the circumstances; however, actual results could differ from those estimates.

E. Comparative Financial Information: 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 generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization’s financial statements for the year ended June 30, 2015, from which the summarized information was derived.

F. Cash and Cash Equivalents: The Land Institute considers all bank accounts, savings accounts and certificates of deposit to be cash equivalents. Cash and cash equivalents for the purpose of the Statement of Cash Flows excludes cash and cash equivalents restricted for term endowment and permanent endowment.

G. Receivables: Pledges receivable and accounts receivable are considered to be fully collectible. Accordingly, no allowances for doubtful accounts are required. Amounts considered uncollectible, if any, are charged off to operations as incurred.

H. Inventory: Inventory is stated at cost determined by the first-in, first-out method and consists of books, totes, mugs, and shirts.

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

J. Property and Equipment: All acquisitions of property and equipment in excess of $1,000 are capitalized and are recorded at cost. Depreciation is determined using the direct write-down method. The direct write-down method recognizes depreciation at irregular intervals at the direction of management based on actual circumstances.

K. Public Support and Revenue: Contributions and grants are generally available for unrestricted use in the year of the gift unless specifically restricted by the donor. Conditional promises to give are not recognized in the financial statements until the conditions are substantially met. Unconditional promises to give are recorded as receivables in the year made. Amounts received or pledged that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support that increases those net asset classes. 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.

Endowment contributions and investments are permanently and temporarily restricted by the donor. Endowment funds are invested in fully FDIC insured accounts in accordance with investment policy. Investment earnings are available for operations and are recorded in unrestricted net assets.

Contributions of donated noncash assets are recorded at their fair values in the period received. Contributions of donated services that create or enhance nonfinancial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased, if not provided by donation, are recorded at their fair values in the period received.

The net fixed assets balance is recorded as a separate component in unrestricted net assets. The funded depreciation method of accounting is used and provides for the transfer of cash from the unrestricted operations net assets to the unrestricted fixed assets net assets to the extent of the current year's depreciation expense at the Board of Directors' discretion.

L. Expense Allocation: The costs of providing various programs and other activities have been summarized on a functional basis in the Statement of Activities and in the Statement of Functional Expenses. Accordingly, certain costs have been allocated among programs and supporting services benefited.

2. Program and Service Activities

The program and service activities of The Land Institute are as follows

Program Services - To provide services related to the educational, NSA research, and other programs of The Land Institute.

Supporting Services

Management and General - Direction of the overall affairs of The Land Institute's administration, personnel, and accounting.

Fundraising - Activities to secure support from the private and public sectors for the needs of the education, NSA research, and other programs and administration of The Land Institute.

3. Certificates of Deposit

Certificates of deposit totaling $3,355,544 are included in cash in the accompanying financial statements. The certificates bear interest ranging from .31% to 2.1% and have maturities ranging from six to sixty-one months, with penalties for early withdrawal. Any penalties for early withdrawal would not have a material effect on the financial statements.

4. Pledges Receivable

Pledges receivable as of June 30, 2016 are temporarily restricted net assets. These unconditional promises to give are to be received in the fiscal years ending June 30, 2017, June 30, 2018, June 30, 2019 and June 30, 2020. Pledges receivable consist of amounts receivable from three individuals, two foundations, and one corporation and other entities.

The timing of the receipt of the pledges receivable is summarized as follows:

Amounts due in:	
Less than one year	$ 994,333
One to five years	64,875
More than five years	-
Total	$ 1,059,208

All unconditional promises to give are recorded at net realizable value. Net realizable value was not materially different from the present value of the estimated future cash flow of unconditional promises to be collected in one to five years.

5. Conditional Promise to Give

During the fiscal year ending June 30, 2015, The Land Institute received a conditional promise to give in the amount of $7,500,000 for the period from October 1, 2014 to October 1, 2019 for general support of research activities. $1,500,000 was received in the fiscal year ending June 30, 2016. The donor may terminate the grant agreement immediately if any terms or conditions of the grant agreement are violated, if any portion of the grant funds are spent or disbursed for purposes other than those permitted by the grant agreement, if The Land Institute ceases to be a tax-exempt organization, if the donor determines that The Land Institute is not capable of satisfactorily completing its work, or for any other reason in the donor's discretion. The donor also reserves the right to unilaterally revise the terms and conditions of the grant agreement if there is a change in the chief executive officer or other key position.

6. Operating Leases

A farmer agreed to pay $30 an acre for 2016 haying rights on 26 acres of property owned by The Land Institute. The rent income for this lease was $780 for the year ended June 30, 2016.

A house, barn, and barn house at 984 N. 1800 Road, Lawrence, KS were being leased to a tenant in exchange for property maintenance and providing housekeeping services for guests of The Land Institute. The tenant reimbursed The Land Institute for all utilities less $6 per day for each day that The Land Institute used the facilities. The term of the lease was for one year beginning January 1, 2014. After the expiration of the initial term, the lease automatically renewed on a year-to-year basis. The lease terminated on July 31, 2015.

7. Property and Equipment

Property and equipment at June 30, 2016 is summarized by the following schedule:

Land	$ 2,030,308
Land improvements	63,890
Buildings	3,749,068
Leasehold improvements	28,744
Equipment	1,580,900
Vehicles	98,928
	7,551,838
Less: Accumulated depreciation	1,374,316
Total Property and Equipment	$ 6,177,522

At June 30, 2016, construction in progress represents $597,877 of costs related to the construction of a threshing facility which will be completed in the fiscal year ending June 30, 2017.

8. Property Held for Sale

Vacant lots located in Kansas City, Missouri were donated to The Land Institute in the fiscal year ended June 30, 2010. The appraised value of the lots was $31,500 and an environmental study was conducted at a cost of $1,200. The lots had been listed for sale several years and had not sold. An impairment loss of $14,700 was recognized in the Statement of Activities for the year ended June 30, 2013. An additional impairment loss of $9,000 was recognized in the Statement of Activities for the year ended June 30, 2015. The impairment losses represented the excess of the aggregate carrying value of the lots over their fair value less estimated selling costs. The Kansas City lots were sold on February 17, 2016 for $7,500 less selling expenses of $2,606.

9. Right of First Refusal Agreement

As part of an agreement with Saline County, Kansas to allow the County to purchase 2.057 acres of land to improve East Water Well Road, The Land Institute received a right of first refusal to purchase an agreed upon piece of land.

10. Restrictions on Net Assets

Temporarily restricted net assets are available for the following purposes or periods:

Periods after June 30, 2016	$	400,000
Capital assets		1,431,439
Term endowment		870,000
Program activities		
Education (communication)		85,006
NSA research		1,224,746
Total Temporarily Restricted Net Assets	$	4,011,191

Net assets were released from donor restrictions by incurring expenses satisfying the purpose or time restrictions specified
by donors as follows:

Purpose restriction accomplished:		
NSA research	$	669,742
Education (communication)		12,702
Asset purchases		309,739
Total purpose restrictions accomplished		992,183
Time restrictions expired		250,000
Total Restrictions Released	$	1,242,183

Permanently restricted net assets consist of an endowment fund account to be held indefinitely, the income from which is expendable to support operating activities.

11. Beneficial Interest in Assets held by Greater Salina Community Foundation

The Land Institute has a board-designated endowment held in pooled investment funds with the Greater Salina Community Foundation (the Foundation). The Land Institute transferred $10,000 to the Greater Salina Community Foundation in the fiscal year ended June 30, 2005 and $789 in the fiscal year ended June 30, 2015, and may make additions to its organization fund. The Land Institute gave variance power over the transferred assets to the Foundation which allows the Foundation to exercise ultimate authority and control over the assets. Should the purpose for which the fund at the Foundation was created ever become obsolete or incapable of fulfillment, or should The Land Institute cease to exist, the Foundation will disperse any distributions from the fund to a similar charity comparable to The Land Institute for purposes as similar as possible to those set forth in The Land Institute's agreement with the Foundation.

The Land Institute's organization fund is invested by and held at the Foundation. The fund is co-mingled with other Foundation funds to encourage maximum investment performance. The Foundation's portfolio is managed with a view toward maximization of total return considering inflation risk, interest rate risk, and business or economic risk, while at all times being prudently diversified. The investment policy governing the underlying investments is established by the Board of the Foundation. The investment process of the Foundation seeks to achieve an after-cost total rate of return, (interest and dividend payments plus realized and unrealized capital appreciation) which exceeds the annual distribution with acceptable levels of risk. The assets are invested in a well-diversified asset mix, which includes equity and debt securities, fixed income and cash that is intended to result in a consistent inflation-protected rate of return that has sufficient liquidity to make an annual distribution of 5% while growing the funds if possible. Actual returns in any given year may vary. Investment strategies are managed to not expose the funds to unacceptable levels of risk.

At the end of the Foundation's fiscal year (June 30), the Foundation calculates the spendable balance from the Land Institute's organization fund. The spendable balance is calculated based on 5% of the average daily balance of the fund from the previous 20 quarters. If the fund is below the minimum of $10,000 at the end of the fiscal year, no allocation will be made from the fund to the spendable balance for the year. The balance of the endowed portion of The Land Institute's total fund is included when making these calculations. The endowed portion is funded by third-party donors and is recorded on the books of the Foundation rather than The Land Institute. Distributions from the organization fund are ordinarily processed within 30 days of a written request by The Land Institute.

Activity in the board-designated (unrestricted) endowment fund included in investment income and expense during the fiscal year ended June 30, 2016 was as follows:

Beginning balance, July 1, 2015	$	19,763
Appreciation		60
Additions		-
Investment fees		(188)
Ending balance, June 30, 2016	$	19,635

12. Fair Value Measurements

For assets and liabilities measured at fair value on a recurring basis during the period, U.S. generally accepted accounting principles requires quantitative disclosures about the fair value measurements separately for each major category of assets and liabilities.

Those assets measured at fair value on a recurring basis in the Statement of Net Assets and the types of inputs used to estimate fair value are as follows at June 30, 2016:

Description	6/30/2016	Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Beneficial Interest	$ 19,635	-	19,635	-
Total	$ 19,635	$ -	$ 19,635	$ -

Fair value for the beneficial interest is measured using the fair value of the assets held in the Greater Salina Community Foundation as reported by the Foundation at June 30, 2016.

13. Endowment Funds

The Land Institute's permanent endowment and term endowment funds are invested in fully FDIC insured money market and certificate of deposit accounts in accordance with investment policy. As required by generally accepted accounting principles, net assets associated with endowment funds are classified and reported based on the existence of or absence of donor-imposed restrictions.

The Board of Directors of The Land Institute has interpreted the State Prudent Management of Institutional Funds Act (SPMIFA) as requiring the presentation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, The Land Institute classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by The Land Institute in a manner consistent with the standard of prudence prescribed by SPMIFA. In accordance with SPMIFA, The Land Institute considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the various funds, (2) the purposes of the donor-restricted endowment funds, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of The Land Institute, and (7) The Land Institute's investment policies.

Investment Policies. The Land Institute has adopted investment policies, approved by the Board of Directors, for endowment assets that attempt to provide a reasonable long term rate of return on the endowment and that consider preservation of the endowment for the long term and the long term needs of The Land Institute. The endowment shall be invested only in the following: publicly traded mutual funds; publicly traded bond mutual funds; fully FDIC insured certificates of deposit; fully FDIC insured money market accounts; and United States bonds, notes, treasury bills, and similar obligations (guaranteed by the United States) of agencies of the United States. Any such bond mutual funds shall be invested at least 75 percent in bonds or other indebtedness of the United States or agencies of the United States. All such stock and bond mutual funds shall be organized in and operated under the laws of the United States. Investments in assets that do not pay dividends or interest may be made if the investment committee believes the long term capital appreciation or other future income from the assets is a reasonable basis for making the investment. To achieve a balance between stock fund and bond fund investments, the preservation of the real purchasing power of the endowment shall be considered while at the same time providing protection against declines in the market value of equity assets.

Spending Policy. The Land Institute has a policy of spending the endowment earnings for operations.

Endowment net asset composition by type of fund as of June 30, 2016 is as follows:

	Temporarily Restricted	Permanently Restricted	Endowment Assets
Donor-Restricted Endowment Funds	$ 870,000	$ 39,000	$ 909,000

Changes in endowment net assets as of June 30, 2016 are as follows.

	Temporarily Restricted	Permanently Restricted	Total Net Endowment Assets
Endowment net assets, beginning of year	$ 870,000	$ 39,000	$ 909,000
Contributions	-	-	-
Investment income	11,232	78	11,310
Net appreciation (depreciation)	-	-	-
Amounts appropriated for expenditure	(11,232)	(78)	(11,310)
Endowment net assets, end of year	$ 870,000	$ 39,000	$ 909,000

14. Related Party Transactions

The Land Institute leases 25 acres of farmland including certain water rights, two buildings and two barns, and non-mechanized farm equipment from a member of the board of directors, Wes Jackson. The terms of the lease provide for annual automatic lease renewals unless specific notice is given and annual rentals of $ 8,400, with the lessor paying for repairs, property taxes, electricity, and insurance.

The Land Institute leases 3.03 acres of land to an employee, Lee DeHaan. The term of the lease is for 100 years commencing on September 15, 2005. An annual rental of $1 plus real property taxes and assessments is payable in advance on or before January 2nd of each year. The lessee shall make all improvements and repairs to the property.

A house located at 2281 E. Water Well Road was being leased to an employee, John Mai, for $400 a month for a one year term beginning April 1, 2014. After the expiration of the initial one-year term, either party could terminate the agreement upon providing 180 days written notice. The rent income for this lease was $3,600 for the year ended June 30, 2016. The lease was terminated on April 30, 2016.

During the fiscal year ended June 30, 2016, Land Institute interns rented a furnished shared 3-bedroom house at 3537 S. Ohio which is owned by The Land Institute, apartments at 1912 Glendale Road and 1920 Glendale Road which were being leased by The Land Institute for the interns, and an apartment at 1130 Parkwood Drive which is also being leased for interns. The rent income for these leases was $9,297 for the year ended June 30, 2016. The house at 3537 S. Ohio is being rented on a month-to-month basis. The Land Institute paid rent of $1,770 for the apartments at 1912 and 1920 Glendale Road for the year ended June 30, 2016. Security deposits totaling $1,285 were paid for these apartments and $896 of the security deposits was returned when the leases ended. The apartment at 1912 Glendale Road was only rented from May 1, 2015 to September 30, 2015 and the apartment at 1920 Glendale Road was only rented from May 1, 2015 to August 31, 2015. The Land Institute paid rent of $2,370 for the apartment at 1130 Parkwood Drive for the year ended June 30, 2016. A security deposit of $775 was paid for this apartment when the lease started on April 11, 2016. The apartment is being rented on a month-to-month basis.

During the fiscal year ended June 30, 2015, The Land Institute sold land and a homestead in Douglas County, Kansas to the Malone Family Land Preservation Foundation for $1.7 million. The Land Institute has a joint project agreement with the Malone Family Land Preservation Foundation (see Note 20). The Malone Family Land Preservation Foundation will place a conservation easement on the property to bar commercial development in perpetuity. The Land Institute will continue to access the property to conduct agricultural research and will have first option to buy the property at fair market value in fifteen years. The property was donated to The Land Institute in 2013 and 2014 and The Land Institute recognized a loss of $20,130 on the sale of the property.

15. Board Member Contributions

Grants and contributions received from members of the Board of Directors and organizations related to them, totaled $477,386 for the year ended June 30, 2016.

16. Grants and Contributions

The Land Institute receives significant public support from individuals, foundations, corporations, and other entities. During the year, thirty-eight foundations contributed a total of $3,070,815 and three corporations and other entities contributed a total of $8,534. The remaining public support of $1,030,312 came from numerous individuals.

17. Advertising

The Land Institute uses advertising to promote its programs among the audiences it serves. The production costs of advertising are expensed as incurred.

18. Retirement Plan

The Land Institute has a defined contribution salary deferral plan covering employees meeting certain requirements. Under the plan, The Land Institute contributes five percent of each eligible employee's salary. The contribution expenses incurred in the fiscal year ending June 30, 2016 were $62,255. Employees may also contribute their own pre-tax dollars under another retirement plan. The Land Institute does not match this voluntary contribution.

19. Collaborative Arrangement

The Land Institute and Kansas State University entered into a collaborative agreement on May 12, 2014 in order to develop Natural Systems Agriculture. Forms of program collaboration may include seeking acceptance by the University for granting adjunct faculty status for researchers at The Land Institute who end up collaborating on projects or serve on graduate student committees, joint use of facilities after respective approvals of each Party, collaborative proposal submissions for funding in targeted areas, sponsored research projects under separate research agreements executed between the Parties and/or with third parties, and exchange of faculty and/or students in accordance with the Parties' respective institutional procedures regarding same. Specific collaborative tasks other than those mentioned above shall be determined through mutual consultation and agreement of the Parties.

Transportation and per diem expenses for each Party shall be determined through mutual consultation and agreement of the Parties, but at least initially, each Party will be responsible for their own respective costs of participation and collaboration. The Parties shall strive to make the results of the collaboration publicly known to the scientific community and society at large utilizing numerous outreach methods, including publications, seminars, lectures, and conferences, which will be clearly established prior to the commencement of a definitive activity, or by mutual agreement at any time. Procedures for disclosing results shall be determined through mutual consultation and agreement by the Parties. Details concerning the sharing of expenses, publication of results, ownership of reports, data and results, and other matters shall be determined through mutual consultation and agreement by the Parties. For the avoidance of doubt, either Party may publish its results from any collaborative projects. Treatment of intellectual property rights will be more specifically outlined in separate research agreements and shall be determined consistent with principles of U.S. Patent Law, as well as each Party's regulations, procedures and policies. Ownership of intellectual property shall vest in the Party whose personnel conceived the subject matter and diligently pursued reducing the subject matter to practice, and such Party may perfect legal protection therein in its own name and at its own expense. Jointly made or generated intellectual property shall be jointly owned by the Parties unless otherwise agreed in writing.

20. Joint Project Agreement

The Land Institute and the Malone Family Land Preservation Foundation entered into a joint project agreement on September 15, 2014 to further the research and development of perennial agriculture. The project is referred to as "The Perennial Agriculture Project in conjunction with the Malone Family Land Preservation Foundation and The Land Institute." The agreement shall continue through December 31, 2029 unless terminated prior to that date in accordance with the provisions of the agreement. The Malone Family Land Preservation Foundation will provide up to $1.5 million each year during the term of the agreement to pay costs directly associated with the Project. It shall first pay expenses that it directly incurs and if that amount is less than $1.5 million in a calendar year, it will reimburse The Land Institute for reasonable project-related expenses incurred by The Land Institute up to a maximum of $1.5 million of combined expenses for the two entities. The Malone Family Land Preservation Foundation may choose to exceed the annual $1.5 million cap in any particular calendar year but must reduce the $1.5 million cap by a like amount in the future. The project costs may include land acquisitions, construction of facilities, and purchasing equipment. Real property, buildings, or other facilities and equipment acquired by The Malone Family Land Preservation Foundation shall remain its property during the term of the agreement and thereafter. However, at the conclusion of the agreement, The Land Institute may purchase any such real property, buildings or other facilities and equipment at fair market value if the Malone Family Land Preservation Foundation chooses to sell such assets. Any assets purchased by The Land Institute (and not reimbursed by the Malone Family Land Preservation Foundation) will remain the property of The Land Institute during the term of the agreement and thereafter but the Malone Family Land Preservation Foundation will continue to have the non-exclusive right to use such assets. The Malone Family Land Preservation Foundation will select a project director for the project who will prepare a research agenda and budget for each calendar year and will contract with researchers, scientists, students and others to conduct research and provide other services in furtherance of the project. The project director will oversee the activities and progress of the Project and will provide a detailed report of the activities and progress of the Project by January 31 of each year. The two entities will each be permitted to access each other's facilities in connection with the Project as reasonably necessary and will each provide seed stock and germplasm as well as other research products at no cost and free of future royalties. The Land Institute must permit the Malone Family Land Preservation Foundation and the Project access to the research and records of The Land Institute, including research and records compiled prior to the date of the Agreement as reasonably necessary to further the research and activities of the Project. The Land Institute and the Malone Family Land Preservation Foundation must each carry and maintain a comprehensive general liability insurance policy in an amount of $1,000,000 per occurrence and $2,000,000 in the aggregate and each must include the other party as an additional insured. The Land Institute must provide the Malone Family Land Preservation Foundation with evidence of insurance for vehicles operated in conjunction with the project. The Project expenses paid by The Land Institute will be included in their research program expenses.

The Malone Family Land Preservation Foundation reimbursed The Land Institute $257,628 for salaries and benefits of science staff who worked on the Perennial Agriculture Project during calendar year 2015.

Timothy Crews is Director of Research for The Land Institute (80%) and is also the Project Director for The Perennial Agriculture Project. Rachel Stroer is the Project Manager for The Perennial Agriculture Project (75%) and is also an employee of The Land Institute (25%).

21. Concentrations of Credit Risk

The company maintains cash balances and certificates of deposit at several banks. Balances at each bank are insured by the Federal Deposit Insurance Corporation up to $250,000. At June 30, 2016, The Land Institute had no uninsured cash in banks. The company also maintains accounts at two brokerage firms including cash balances totaling $294,773, twenty-five insured savings accounts totaling $5,431,077, and four certificates of deposit totaling $980,000. All are insured by the FDIC.

22. Prior Period Adjustment

A restricted grant of $50,587, received in the fiscal year ended June 30, 2015, was recorded as an unrestricted grant in error. The net asset balances have been adjusted to correctly account for the restriction.

23. Subsequent Events

Subsequent events were evaluated through September 15, 2016, which is the date the financial statements were available to be issued. Wes Jackson will retire from the presidency of The Land Institute on September 30, 2016. Upon his retirement as President, Wes Jackson will be retained as an employee of The Land Institute with the title of President Emeritus and will perform services for The Land Institute in accordance with the terms of his employment contract. Fred Iutzi will be the new President of The Land Institute as of October 1, 2016. Managing Director Scott Seirer will be retiring effective September 30, 2016.

24. Open Tax Years

The Land Institute's Forms 990, *Return of Organization Exempt from Income Tax,* for the years ending 2013, 2014, 2015, and 2016 are subject to examination by the IRS, generally for three years after they are filed.