THE LAND INSTITUTE

FINANCIAL STATEMENTS
JUNE 30, 2018
TOGETHER WITH INDEPENDENT AUDITOR'S REPORT

THE LAND INSTITUTE

FINANCIAL STATEMENTS
JUNE 30, 2018

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Independent Auditor's 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, 2018 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.

Auditor's 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Land Institute as of June 30, 2018, and the changes in its net assets and its cash flows for the year then, in accordance with accounting principles generally accepted in the United States of America.

Correction of Error

As discussed in Note 20 to the financial statements, beginning net assets have been restated to correct the value of property, plant and equipment and the classification of net assets. Our opinion is not modified with respect to that matter.

Summers, Spencer & Company, P.A

Summers, Spencer & Company, P.A.
Salina, Kansas

September 28, 2018

THE LAND INSTITUTE

STATEMENT OF FINANCIAL POSITION

June 30,	2018				
	Unrestricted		Temporarily	Permanently	Total June 30, 2018
	Operations	Fixed Assets	Restricted	Restricted	(Memorandum)
Assets					
Cash and cash equivalents	$ 4,592,576	$ 2,704,269	$ 1,204,886	$ -	$ 8,501,731
Accounts receivable	3,260	-	-	-	3,260
Interest receivable	7,626	-	-	-	7,626
Prepaid expenses	99,428	16,978	-	-	116,406
Inventory	7,018	-	-	-	7,018
Pledges receivable	-	-	4,000	-	4,000
Cash and cash equivalents, restricted	870,000	-	-	39,000	909,000
Beneficial interest in assets held by Greater Salina Community Foundation	23,815	-	-	-	23,815
Construction in progress	-	1,894,906	-	-	1,894,906
Property and equipment, net	-	5,922,003	-	-	5,922,003
Total Assets	$ 5,603,723	$ 10,538,156	$ 1,208,886	$ 39,000	$ 17,389,765
Liabilities					
Accounts payable	$ 61,355	$ 9,658	$ 7,831	$ -	$ 78,844
Payroll taxes and sales tax payable	113	-	-	-	113
Accrued vacations payable	81,032	-	-	-	81,032
Grants paid in advance	-	-	1,195,905	-	1,195,905
Deferred revenue	950	-	-	-	950
Total Liabilities	143,450	9,658	1,203,736	-	1,356,844
Net Assets	4,590,272.80	10,528,498	5,150	39,000	15,162,920
Board Designated	870,000	-	-	-	870,000
Total Net Assets	5,460,273	10,528,498	5,150	39,000	16,032,920
Total Liabilities and Net Assets	$ 5,603,723	$ 10,538,156	$ 1,208,886	$ 39,000	$ 17,389,764

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STATEMENT OF ACTIVITIES

For the year ended June 30,	2018				
	Unrestricted		Temporarily	Permanently	Totals
	Operations	Fixed Assets	Restricted	Restricted	(Memorandum)
Public Support, Revenue, Reimbursement and Reclassifications					
Public Support					
Grants					
Individuals	$ 1,823,478	$ -	$ 174,900	$ -	$ 1,998,378
Foundations	1,881,224	-	75,000	-	1,956,224
Corporations and partnerships	51,804	-	-	-	51,804
Total Public Support	3,756,506	-	249,900	-	4,006,406
Revenue					
Event fees	12,020	-	-	-	12,020
Rent income	9,008	-	-	-	9,008
Interest	65,186	-	-	-	65,186
Farm income	1,544	-	-	-	1,544
Book and merchandise sales	4,563	-	-	-	4,563
Net unrealized and realized gain (loss) on sale of investments	2,079	-	-	-	2,079
Total Revenue	94,400	-	-	-	94,400
Reimbursement of joint project expenses	101,016	-	-	-	101,016
Reclassifications					
Net Assets Released from Restrictions					
Satisfaction of donor restrictions	101,297	1,596,858	(1,698,155)	-	-
Total Reclassifications (Note 8)	101,297	1,596,858	(1,698,155)	-	-
Total Public Support, Revenue, Reimbursement and Reclassifications	4,053,219	1,596,858	(1,448,255)	-	4,201,822
Expenses					
Program Services					
Education & Public Policy	683,648	-	-	-	683,648
NSA research	2,696,266	-	-	-	2,696,266
Total Program Services	3,379,914	-	-	-	3,379,914
Supporting Services					
Management and general	366,794	-	-	-	366,794
Fundraising	493,245	-	-	-	493,245
Total Supporting Services	860,039	-	-	-	860,039
Total Expenses	4,239,953	-	-	-	4,239,953
Change in Net Assets	(186,734)	1,596,858	(1,448,255)	-	(38,131)
Transfers	(408,000)	408,000	-	-	-
Net Assets, Beginning of Year, as Restated	6,055,007	8,523,640	1,453,405	39,000	16,071,051
Net Assets, End of Year	$ 5,460,273	$ 10,528,498	$ 5,150	$ 39,000	$ 16,032,920

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STATEMENT OF FUNCTIONAL EXPENSES

For the year ended June 30,	2018						
	Program Services			Supporting Services			Total
	Education & Public Policy	NSA Research	Total	Management & General	Fundraising	Total	June 30, 2018 (Memorandum)
Salaries	$ 388,238	$ 1,231,472	$ 1,619,710	$ 222,734	$ 277,472	$ 500,206	$ 2,119,916
Payroll taxes	26,860	86,913	113,773	16,795	20,319	37,114	150,887
Employee benefits	70,338	189,501	259,839	46,748	59,084	105,832	365,671
Employee recruitment	249	3,681	3,930	834	676	1,510	5,440
Total Salaries and Related Expenses	485,685	1,511,567	1,997,252	287,111	357,551	644,662	2,641,914
Advertising, promotion and printing	8,814	758	9,572	10	3,702	3,712	13,284
Books, subscriptions and dues	582	9,154	9,736	453	5,270	5,723	15,459
Communications	1,162	13,473	14,635	241	318	559	15,194
Computer expense	16,010	61,912	77,922	10,589	15,182	25,771	103,693
Contract services	25,284	79,073	104,357	2,535	2,025	4,560	108,917
Direct mailing	-	-	-	-	4,194	4,194	4,194
Events	42,249	14,439	56,688	-	-	-	56,688
Honoraria	3,500	-	3,500	-	-	-	3,500
Insurance	15,155	40,228	55,383	10,231	13,067	23,298	78,681
Advisory and board meetings	-	-	-	14,159	-	14,159	14,159
Small equipment	5,189	40,483	45,672	3,177	-	3,177	48,849
Maintenance and repairs	5,967	93,652	99,619	5,659	4,845	10,504	110,123
Rent and utilities	10,794	34,527	45,321	6,744	8,109	14,853	60,174
Office supplies and repairs	3,517	9,799	13,316	2,380	2,938	5,318	18,634
Postage and freight	1,229	7,988	9,217	679	1,191	1,870	11,087
Professional services	3,600	31,576	35,176	2,332	3,162	5,494	40,670
Land report and other publications	36,366	-	36,366	-	-	-	36,366
Research stipends	-	258,509	258,509	-	-	-	258,509
Supplies and materials	57	160,236	160,293	-	-	-	160,293
Taxes	567	1,551	2,118	358	507	865	2,983
Travel	17,921	43,922	61,843	5,219	71,184	76,403	138,246
Total Expenses Before Depreciation	683,648	2,412,847	3,096,495	351,877	493,245	845,122	3,941,617
Depreciation and Amortization	-	283,419	283,419	14,917	-	14,917	298,336
Total Expenses	$ 683,648	$ 2,696,266	$ 3,379,914	$ 366,794	$ 493,245	$ 860,039	$ 4,239,953

The accompanying notes are an integral part of the financial statements.

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STATEMENT OF CASH FLOWS

For the year ended June 30,	2018
Cash flow from operating activities	
Change in net assets	$ (38,131)
Adjustments to reconcile change in net assets to net cash provided by operating activities	
Depreciation of property, plant and equipment	298,336
Contributed investments	(36,003)
Gain on investments	(1,871)
(Increase) decrease in assets	
Accounts receivable	(838)
Interest receivable	(2,645)
Pledges receivable	246,000
Note receivable	6,309
Inventory	427
Prepaid expenses	(26,126)
Increase (decrease) in liabilities	
Accounts payable	(11,614)
Payroll taxes and sales tax payable	(20)
Grants paid in advance	314,395
Deferred income	950
Vacations payable	21,131
Net cash provided by operating activities	770,300
Cash flows from investing activities	
Purchase of property, plant and equipment	(1,971,743)
Proceeds from sale of donated investments	36,130
Net cash used by investing activities	(1,935,613)
Net decrease in cash	(1,165,313)
Cash and cash equivalents at beginning of year	10,537,044
Cash and cash equivalents at end of year	$ 9,371,731

The accompanying notes are an integral part of the financial statements.

NOTES TO FINANCIAL STATEMENTS

Note 1 – Description of organization

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

Note 2 – Summary of significant accounting policies

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.

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.

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, temporarily restricted and permanently restricted net assets.

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.

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 building construction, term endowment, and permanent endowment.

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.

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

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

Depreciation
Depreciation of property, plant and equipment is computed using the straight-line method over the estimated useful lives.

Acquisitions of property, plant and equipment
Purchases of property, plant and equipment are recorded at cost and donated acquisitions are valued at fair value when received.

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.

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.

Pending accounting pronouncements
In August 2016, the FASB issued ASU No. 2016 -14, *Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not -for-Profit Entities.* ASU 2016 -14 guidance simplifies the current net asset classification requirements from three net asset classifications to two. The amendment also improves the information presented in the financial statements and notes regarding liquidity, financial performance, and cash flows. The standard is effective for annual reporting periods in fiscal years that begin after December 15, 2017. Management is currently evaluating the standard and does not anticipate it will have a material impact on the Organization’s financial statements.

In February 2016, the FASB issued ASU No. 2016 -02 (Topic 842). ASU 2016 -02 replaces existing leasing rules with a comprehensive lease measurement and recognition standard and expanded disclosure requirements. ASU 2016-02 will require lessees to recognize most leases on their statement of financial position as liabilities, with corresponding “right -of-use” assets. The standard is effective for annual reporting periods in fiscal years that begin after December 15, 2019. Management is currently evaluating the magnitude and other potential impacts on the Organization’s financial statements.

Note 3 – 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, Natural Systems Agriculture (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.

Note 4 – Property and equipment

Land, building and equipment consist of:

Land	$ 2,030,308
Land improvements	77,533
Buildings	4,522,092
Leasehold improvements	58,597
Equipment	1,770,321
Vehicles	92,273
	8,551,124
Less: Accumulated depreciation	2,629,121
Total property and equipment	$ 5,922,003

Depreciation expense was $298,336 for the year ended June 30, 2018.

Note 5 – 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.

Note 6 – 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, 2018. 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.

Note 7 – Restrictions on net assets

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

Periods after June 30, 2018	$	-
Communications program		5,150
Total temporarily restricted net assets	$	5,150

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	$	101,297
Asset purchases		1,596,858
Total purpose restrictions accomplished		1,698,155
Time restrictions expired		-
Total restrictions released	$	1,698,155

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

Note 8 – Certificates of deposit

Certificates of deposit totaling $3,604,100 are included in cash in the accompanying financial statements. The certificates bear interest ranging from .35% to 2.20% 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.

Note 9 – 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, 2018 was as follows:

Beginning balance, July 1, 2017	$	22,072
Appreciation		1,933
Additions		-
Investment fees		(190)
Ending balance, June 30, 2018	$	23,815

Note 10 – 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, 2018:

Description	6/30/2018	Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Beneficial Interest	$ 23,815	$ -	$ 23,815	$ -
Total	$ 23,815	$ -	$ 23,815	$ -

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, 2018.

Note 11– 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, 2018 is as follows:

	Unrestricted	Permanently Restricted	Total
Donor-restricted endowment funds	$ -	$ 39,000	$ 39,000
Board designated funds	870,000	-	870,000
Total	$ 870,000	$ 39,000	$ 909,000

Changes in endowment net assets as of June 30, 2018 are as follows:

	Unrestricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$ 870,000	$ 39,000	$ 909,000
Contributions	-	-	-
Investment income	12,267	426	12,693
Net appreciation (depreciation)	-	-	-
Amounts appropriated for expenditure	(12,267)	(426)	(12,693)
Endowment net assets, end of year	$ 870,000	$ 39,000	$ 909,000

Note 12 – Related party transactions

The Land Institute leases approximately 30 acres of pasture and woodland including specified buildings from the S. Wesley Jackson Trust. Wes Jackson is the former President of The Land Institute and is currently an employee of the organization. The current lease went into effect on July 1, 2016. The terms of the lease provide for annual automatic lease renewals unless specific notice is given and annual rentals of $12,000, with the lessor paying for repairs, property taxes, utilities, and insurance. The Land Institute will provide mowing services for the property from May through September for $100 per month.

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.

During the fiscal year ended June 30, 2018, Land Institute interns resided in rental homes, both of which are owned by The Land Institute. The rent income for these leases was $4,125 for the year ended June 30, 2018. These houses are being rented on a month-to-month basis. Other entities also leased portions of these houses for some part of the fiscal year. The Land Institute paid rent of approximately $725 for an apartment, which was also used to house interns.

On July 1, 2016, an employee of The Land Institute borrowed $25,000 pursuant to an employment contract. The note bear an interest rate of 2.5% and the monthly loan payments are being deducted from the employee's monthly paycheck. The final payment on the loan was made September 30, 2017.

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 19). 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.

Note 13 – Board members contributions

Grants and contributions received from members of the Board of Directors and organizations related to them, totaled $533,708 for the year ended June 30, 2018.

Note 14 – Advertising

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

Note 15 – 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, 2018 were $43,981. Employees may also contribute their own pre-tax dollars under another retirement plan. The Land Institute does not match this voluntary contribution.

Note 16 – Grants

During the year ended June 30, 2018, the Land Institute donated $127,500 to four American universities, and $20,000 to a university in China to support research performed by these organizations that relates to and enhances the work of The Land Institute.

Note 17 – 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.

Note 18 – 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 Project expenses paid by The Land Institute will be included in their research program expenses.

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 Malone Family Land Preservation Foundation reimbursed The Land Institute $96,702 for salaries and benefits of science staff who worked on the Perennial Agriculture Project during calendar year 2017.

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 Chief Strategy Officer for The Land Institute (75%) and is also the Project Manager for The Perennial Agriculture Project (25%).

Note 19 – 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, 2018, The Land Institute had uninsured cash of $2,240 in one bank. The company also maintains accounts at two brokerage firms including cash balances totaling $244,926, twenty-eight insured savings accounts totaling $6,571,111, and three certificates of deposit totaling $735,000. All are insured by the FDIC.

Note 20 – Prior period adjustment

The net asset beginning balance has been restated to correct the balance shown in accumulated depreciation at the end of the prior year by $775,367. The net asset beginning balance has also been restated $1,256,163 to correct amounts previously reported as temporarily restricted and properly report them as unrestricted.

Note 21 – Subsequent events

Management has evaluated subsequent events through September 28, 2018, the date the financial statements were available to be issued.