FINANCIAL STATEMENTS

June 30, 2019

C O N T E N T S

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Landmark Conservancy, Inc.
Menomonie, Wisconsin

We have audited the accompanying financial statements of Landmark Conservancy, Inc., which comprise the statement of financial position as of June 30, 2019, 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 Landmark Conservancy, Inc. as of June 30, 2019, 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.

Adoption of New Accounting Pronouncement

As discussed in Note 1 to the financial statements, Landmark Conservancy, Inc. adopted the Financial Accounting Standards Board's Accounting Standards update (ASU) No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*, as of and for the year ended June 30, 2019. Our opinion is not modified with respect to this matter.

Wegner CPAs LLP

Wegner CPAs, LLP
Madison, Wisconsin
February 28, 2020

LANDMARK CONSERVANCY, INC.
STATEMENT OF FINANCIAL POSITION
June 30, 2019

ASSETS		
Cash	$	287,751
Accounts receivable		22,352
Property and equipment, net		12,315
Land held for sale		130,800
Land held for conservation		5,731,014
Beneficial interests in assets held by community foundations		1,173,519
Total assets	$	7,357,751
LIABILITIES		
Accounts payable	$	15,893
Accrued payroll and payroll taxes		43,849
Accrued real estate taxes		8,971
Note payable		8,616
Total liabilities		77,329
NET ASSETS		
Without donor restrictions		675,769
With donor restrictions		6,604,653
Total net assets		7,280,422
Total liabilities and net assets	$	7,357,751

See accompanying notes.

LANDMARK CONSERVANCY, INC.
STATEMENT OF ACTIVITIES
Year Ended June 30, 2019

CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS	
REVENUES	
Contributions and program service fees	$ 847,512
Trust fee income	10,352
Changes in beneficial interest in assets held by community foundations	25,618
Miscellaneous income	12,884
Total revenues without donor restrictions	896,366
EXPENSES AND LOSSES	
Program services	463,240
Management and general	187,437
Fundraising	42,402
Total expenses	693,079
NET ASSETS RELEASED FROM RESTRICTIONS	
Satisfaction of purpose restrictions	91,254
Change in net assets without donor restrictions	294,541
CHANGES IN NET ASSETS WITH DONOR RESTRICTIONS	
Contributions	667,700
Net assets released from restrictions	(91,254)
Change in net assets with donor restrictions	576,446
Change in net assets	870,987
Net assets at beginning of year	6,409,435
Net assets at end of year	$ 7,280,422

See accompanying notes.

LANDMARK CONSERVANCY, INC.
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended June 30, 2019

		Supporting Activities		
	Program Services	Management and General	Fundraising	Total Expenses
Salaries and wages	$ 271,107	$ 81,408	$ 30,818	$ 383,333
Employee benefits	27,858	8,657	3,277	39,792
Payroll taxes	26,135	7,848	2,962	36,945
Office supplies	24,155	1,859	620	26,634
Conferences and meetings	4,875	913	305	6,093
Postage and shipping	3,205	602	200	4,007
Dues	5,367	1,007	335	6,709
Insurance	6,654	578	164	7,396
Maintenance and repairs	9,535	-	-	9,535
Rent	9,814	1,841	613	12,268
Real estate taxes	12,554	-	-	12,554
Depreciation expense	3,487	654	218	4,359
Printing and publications	8,027	1,504	502	10,033
Professional fees	9,530	61,969	-	71,499
Telephone	4,445	833	278	5,556
Travel	14,141	2,630	874	17,645
Miscellaneous expense	5,964	10,831	-	16,795
Marketing	1,236	1,235	1,236	3,707
Land transferred	15,151	-	-	15,151
Interest expense	-	3,068	-	3,068
Total expenses	$ 463,240	$ 187,437	$ 42,402	$ 693,079

See accompanying notes.

LANDMARK CONSERVANCY, INC.
STATEMENT OF CASH FLOWS
Years Ended June 30, 2019 and 2018

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in net assets	$ 870,987
Adjustments to reconcile change in net assets to net cash flows from operating activities	
Depreciation	4,359
Donated land held for conservation	(505,900)
Donated land held for sale	(130,800)
Gain on sale of property	(1,257)
Change in value of beneficial interests in assets held by community foundations	(40,223)
Increase in assets	
Accounts receivable	(10,352)
Increase (decrease) in liabilities	
Accounts payable	(6,264)
Accrued payroll and payroll taxes	19,413
Accrued real estate taxes	4,855
Net cash flows from operating activities	204,818
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchases of land held for conservation	(262,000)
Transfers to beneficial interests in assets held by community foundations	(61)
Distributions from beneficial interests in assets held by community foundations	31,072
Net cash flows from investing activities	(230,989)
CASH FLOWS FROM FINANCING ACTIVITIES	
Proceeds from sale of property	58,860
Principal payments on long-term debt	(51,261)
Net cash flows from financing activities	7,599
Net change in cash	(18,572)
Cash at beginning of year	306,323
Cash at end of year	$ 287,751
SUPPLEMENTAL DISCLOSURES	
Cash paid for interest	$ 3,068
Donated land held for conservation	505,900
Donated land held for sale	130,800

See accompanying notes.

Landmark Conservancy, Inc. (Landmark) serves 20 counties in western and northwestern Wisconsin. We work primarily with private landowners who wish to conserve their land in perpetuity. Landmark staff evaluates and selects potential projects based on notable conservation values. We also work with local municipalities, state, and federal entities to create public preserves and trails for all to enjoy. Our primary tools for conservation are conservation easements and land acquisition. At this time, we have conserved over 30,000 acres in our 30 years of land protection work.

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Accounts Receivable

Landmark considers all accounts receivable to be fully collectible. Accordingly, no allowance for doubtful accounts has been developed. If amounts become uncollectible, they will be charged to operations when that determination is made.

Land Held for Conservation

The fair value of land owned by Landmark is calculated or estimated at the time of acquisition using the purchase price of the property for lands purchased at fair value and using either an appraisal, property tax assessed value or other information for donated lands or lands purchased through a known bargain sale. Many of these lands were purchased with public funds that impose land use restrictions. Established fair values have not been adjusted to reflect any of these grant restrictions, nor have values been adjusted to reflect any change in value over time.

Property and Equipment

Acquisitions of property and equipment in excess of $1,500 are capitalized. Property and equipment are carried at cost or, if donated, at the estimated fair value on the date of donation. Property and equipment is depreciated using the straight-line method over the estimated useful lives of the assets.

Conservation Easements

Conservation easements accepted or purchased by the Landmark are not recognized as assets or revenue in the accompanying financial statements because the Landmark does not hold fee title to these properties and there are no expected future economic benefits associated with the easements. In addition, conservation easements carry significant obligations to monitor and defend their terms. If purchased, the costs of conservation easements are expensed when the easements are acquired.

Contributions

Contributions received are recorded as increases in net assets without donor restriction and net assets with donor restrictions depending on the existence of any donor-imposed restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Expense Allocation

The financial statements report certain categories of expenses that are attributable to more than one program service or supporting activity. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include rent, depreciation, printing and publications, postage and shipping, and telephone, which are allocated on a square-footage basis, as well as salaries and wages, payroll taxes, and employee benefits, which are allocated on the basis of estimates of time and effort.

The following program services and supporting activities are included in the accompanying financial statements:

Program Services—Includes activities to protect land and water and build community support for land protection through outreach and education of the public.

Management and General—Includes accounting and production of financial reports, development and oversight of the annual budget, maintenance of personnel records, maintenance of personnel evaluations, and organizational governance.

Fundraising—Includes the cultivation of new donors, the administration of fundraising events, membership solicitations, direct mailings, and planned giving activities.

Adoption of New Accounting Pronouncement

Landmark Conservancy, Inc. adopted the Financial Accounting Standards Board's Accounting Standards Update No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*, as of and for the year ended June 30, 2019. This update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. A key change required by the update are the net asset classes used in these financial statements. Amounts previously reported as unrestricted net assets are now reported as net assets without donor restrictions and amounts previously reported as temporarily restricted net assets and permanently restricted net assets, if applicable, are now reported as net assets with donor restrictions.

Income Tax Status

Landmark is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. In addition, Landmark qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization other than a private foundation under Section 509(a)(2).

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 revenue and expenses. Actual results could differ from those estimates.

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Date of Management's Review

Management has evaluated subsequent events through February 28, 2020, the date which the financial statements were available to be issued.

NOTE 2—LAND HELD FOR CONSERVATION

Land held for conservation at June 30, 2019 consists of the following:

Devil's Punchbowl	$ 19,000
Bluff Creek 1 & 2	91,000
Love Lake 1	529,300
Bass Lake	405,000
Lake 26 Heron Rookery	148,000
Love Lake 2	550,000
Love Lake 3	360,000
Rush River Preserve	185,000
Love Lake 4	791,900
Trimbelle River Wildlife Area	45,409
Chippewa Glacial Lakes	160,000
Riley Forest	113,900
Ten Mile Creek	320,255
Chimney Rock	285,160
Russian Slough	35,000
Lincoln Community Forest	673,375
North Pikes Creek Comm Forest	250,815
MRB - Hedin Addition	382,000
Conservation Land:Love Lake 5	22,000
Ten Mile Creek II	240,000
Brownstone Trail Parcels	123,900
Land held for conservation	$ 5,731,014

NOTE 3—NOTE PAYABLE

Landmark has a note with a 4.74% interest rate, payable to Ally Bank in monthly installments of $273, secured by a truck. This note has an outstanding principal balance of $8,616 at June 30, 2019. This note matures June 25, 2022.

As of May 31, 2019 Landmark had sold a piece of property in Bayfield, Wisconsin which previously secured a loan from Chippewa Valley Bank, The note payable was completely paid off in the process of the sale of property.

NOTE 4—PROPERTY AND EQUIPMENT

Property and equipment at June 30, 2019 consists of the following:

Property and equipment	$	41,300
Accumulated depreciation		(28,985)
Property and equipment, net	$	12,315

NOTE 5—OPERATING LEASES

Landmark has an operating lease agreement for its office space located at 500 East Main Street, Menomonie, Wisconsin, with BMO Harris Bank that commenced on April 1, 2014 and expires on May 31, 2019 requiring monthly payments of $800.The lease was renewed on June 1, 2019 and expires on May 31, 2024, requiring an increased monthly payment of $1,167. The base rate of the lease is expected to increase by 3 percent every year.

On June 1, 2019, Landmark also entered into second operating Lease for office space located at 35360 Whitetail Avenue, Bayfield, Wisconsin, with Engfer Properties LLC. The lease commenced on June 1, 2019 and expires on June 1, 2021, requiring monthly payments of $475 and a security deposit of $475.

Lease expense for the year ended 2019 was $9,425. Future minimum lease payments for the year ended June 30, 2020, 2021, 2022, 2023 and 2024 are $19,273, $14,469, $14,904, $15,351, and $14,457, respectively.

NOTE 6—NET ASSETS

Net assets with donor restrictions at June 30, 2019 are available for the following purposes:

Land held for conservation	$	5,474,214
Stewardship and defense		1,121,754
Purpose-restricted grants		8,685
	$	6,604,653

Net assets without donor restrictions at June 30, 2019 consisted of the following:

Designated for land held for conservation	$	256,800
Designated for land acquisition		53,707
Designated for agency endowment funds		85,171
Designated for stewardship and defense		77,107
Undesignated		202,984
	$	675,769

NOTE 7—CONTINGENCY

Landmark holds various conservation easements that may require expenditures to monitor and defend the provisions of the easements.

NOTE 8—ENDOWMENTS

Landmark has established endowments at the St. Croix Valley Community Foundation (SCVCF), the Duluth Superior Area Community Foundation (DSCF), the Community Foundation of Dunn County (CFDC) and Natural Resources Foundation of Wisconsin (NRF) as follows:

Duluth Superior Area Community Foundation	$	883,831
Community Foundation of Dunn County		101,257
St. Croix Valley Community Foundation		85,171
National Resources Foundation of Wisconsin		103,260
Beneficial interests in assets held by community foundations	$	1,173,519

As of June 30, 2019, the board of directors has designated $85,171 of net assets without donor restrictions as a general endowment fund to support the mission of the Landmark. Since that amount resulted from an internal designation and is not donor-restricted, it is classified and reported as net assets without donor restrictions. Since the designation to hold the assets as a quasi-endowment is not a donor restriction, the net assets with donor restrictions of the quasi-endowment fund are reclassified to net assets without donor restrictions as the purpose restriction is met.

The board of directors of Landmark has interpreted Wisconsin's 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 any explicit donor stipulations to the contrary. As a result of this interpretation, Landmark classifies as net assets without donor restrictions (a) the original value of gifts donated to the endowment, (b) the original value of subsequent gifts to the endowment, and (c) accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added. Donor-restricted amounts not retained in perpetuity are subject to appropriation for expenditure by Landmark in a manner consistent with the standard of prudence prescribed by UPMIFA.

Landmark has interpreted UPMIFA as not requiring the maintenance of purchasing power of the original gift amount contributed to an endowment fund, unless a donor stipulates to the contrary. As a result of this interpretation, when reviewing its donor-restricted endowment funds, Landmark considers a fund to be underwater if the fair value of the fund is less than the sum of the original value of the initial and subsequent gift amounts donated to the fund and any accumulations to the fund that are required to be maintained in perpetuity.

Landmark 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 Landmark 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 Landmark; (7) the investment policies of Landmark.

Landmark has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the original investment of the endowment. Under these policies, the endowment assets are invested in a manner that is intended to produce returns to fund the sustainability of Landmark's work while assuming a moderate level of investment risk.

NOTE 8—ENDOWMENTS (continued)

To satisfy its long-term rate-of-return objectives, Landmark relies on the Foundations' total return strategy in which investment returns are achieved through both realized and unrealized gains/loss and interest and dividends. Landmark, through the Foundations, targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Endowment net asset composition by type of fund as of June 30, 2019 are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Board designated endowment funds	$ 85,171	$ -	$ 85,171
Quasi-endowment funds	77,107	1,011,241	1,088,348
Total funds	$ 162,278	$ 1,011,241	$ 1,173,519

Changes in endowment net assets for 2019 are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets- beginning of year	$ 154,034	$ 1,010,273	$ 1,164,307
Contributions	-	61	61
Investment income	29,522	3,703	33,225
Net appreciation/ depreciation	5,263	1,735	6,998
Distributions	(26,541)	(4,531)	(31,072)
Endowment net assets- end of year	$ 162,278	$ 1,011,241	$ 1,173,519

NOTE 9—FAIR VALUE MEASUREMENTS

Fair values of assets measured on a recurring basis at June 30, 2019 are as follows:

	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Beneficial interests in assets held by community foundations	$ 1,173,519	$ -	$ -	$ 1,173,519

Landmark's beneficial interests in assets held by community foundations represent agreements between Landmark and SCVCF, DSCF, CFDC, and NRF in which Landmark transfers assets to

NOTE 9—FAIR VALUE MEASUREMENTS (continued)

SCVCF, DSCF, CFDC, and NRF in exchange for future distributions. The beneficial interests are not actively traded and significant other observable inputs are not available. Thus, the fair value of the beneficial interests is measured at the proportional share of the underlying assets as reported to Landmark by SCVCF, DSCF, CFDC, and NRF. Little information about those assets is released publicly.

The estimated value does not necessarily represent the amounts that may be ultimately realized due to the occurrence of future circumstances that cannot be reasonably determined. The following table presents additional information about assets measured at fair value on a recurring basis using significant unobservable inputs:

	Beneficial Interests in Assets Held by Community Foundations
Beginning balance	$ 1,164,059
Change in value of beneficial interests	40,471
Transfers	61
Distributions	(31,072)
Ending balance	$ 1,173,519

NOTE 10—COMMUNITY TRUST FUNDS

The West Wisconsin Land Trust Fund has been established as component funds of the Duluth-Superior Community Foundation (DSCF). DSCF, as a community foundation, serves the mutual interests of the Duluth/Superior area and those individuals who wish to enhance the quality of life in the community through charitable giving. Component funds of DSCF are established by donors for the benefit of the community, and, when these funds are established, donors may indicate what organizations or causes should benefit from distributions from the fund.

However, donors also grant DSCF variance power that allows DSCF to modify the donors' stipulations under certain circumstances as DSCF monitors the changing needs of the community. Therefore, the West Wisconsin Land Trust Fund is not included in Landmark's financial statements.

The St. Croix River Protection Fund has been established as component funds of the St. Croix Valley Community Foundation (SCVCF). SCVCF, as a community foundation, serves the mutual interests of the St. Croix Valley area and those individuals who wish to enhance the quality of life in the community through charitable giving. Component funds of SCVCF are established by donors for the benefit of the community, and, when these funds are established, donors may indicate what organizations or causes should benefit from distributions from the fund. However, donors also grant SCVCF variance power that allows SCVCF to modify the donors' stipulations under certain circumstances as SCVCF monitors the changing needs of the community. Therefore, the St. Croix River Protection Fund is not included in Landmark's financial statements.

NOTE 10—COMMUNITY TRUST FUNDS (continued)

The amount available for annual distribution represents 5% of a rolling twelve-quarter average, and Landmark's practice is to withdraw its annual distribution. All other interest and appreciation is added to the Funds. Principal may not be drawn from the Funds except with approval of the SCVCF's board of governors. No distributions were received from DSCF or SCVCF during 2019. The fair value of both funds at June 30, 2019 was $101,936.

NOTE 11—LIQUIDITY AND AVAILABILITY

The following table reflects the Landmark Conservancy, Inc. financial assets of June 30, 2019, reduced by amounts that are not available to meet general expenditures within one year of the statement of financial position date because of contractual restrictions or internal board designations. Amounts not available to meet general expenditures within one year may also include net assets with donor restrictions.

Financial assets, at year end	$ 1,483,622
Less those unavailable for general expenditures within one year due to:	
Internal board designation	215,955
Restricted by donor with time or purpose restrictions	1,042,278
Restricted for perpetuity	88,460
Financial assets available to meet cash needs for general expenditures within one year	$ 136,929

Landmark is substantially supported by contributions. As part of Landmark's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures and liabilities come due. There is a fund established by the board of advisors that may be drawn upon in the event of distress or an immediate liquidity need resulting from events outside the typical life cycle of converting financial assets to cash or settling financial liabilities.