

THE BELWIN CONSERVANCY

**CONSOLIDATED FINANCIAL STATEMENTS WITH
SUPPLEMENTARY INFORMATION**

**FOR THE YEARS ENDED
DECEMBER 31, 2014 AND 2013**

THE BELWIN CONSERVANCY
CONSOLIDATED FINANCIAL STATEMENTS
WITH SUPPLEMENTARY INFORMATION

For the Years Ended December 31, 2014 and 2013

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
The Belwin Conservancy
St. Louis Park, Minnesota

We have audited the accompanying consolidated financial statements of The Belwin Conservancy (a nonprofit organization) and an affiliate, which comprise the consolidated statements of financial position as of December 31, 2014 and 2013, and the related consolidated statements of activities and changes in net assets, and cash flows for the years then ended, and the related notes to consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated financial statements based on our audits. We conducted our audits 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.

(Continued)

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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of The Belwin Conservancy and an affiliate as of December 31, 2014 and 2013, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Consolidating Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating information shown on pages 18 and 19 is presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position and changes in net assets of the individual entities, and it is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The consolidating information has been subjected to the auditing procedures applied in the audits of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the consolidating information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Saint Paul, Minnesota
July 28, 2015

*Mahoney Ulbrich
Christiansen Russ P.A.*

THE BELWIN CONSERVANCY

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

December 31, 2014 and 2013

	<u>2014</u>	<u>2013</u>
ASSETS		
Cash	\$ 81,754	\$ 69,580
Cash - restricted for LWBAF	7,470	-
Contributions receivable	6,545	1,000
Grant receivable	8,394	56,950
Receivable from affiliate	124	45
Investments	12,314,130	12,278,335
Land and conservation easements	9,204,710	9,204,710
Buildings and equipment, net	1,281,559	1,264,729
Endowment investments	128,753	125,297
	<u>\$ 23,033,440</u>	<u>\$ 23,000,646</u>
LIABILITIES AND NET ASSETS		
Accounts payable	\$ 6,055	\$ 16,174
Accrued payroll	14,968	13,708
Note payable	4,700	9,500
Conditional contribution	1,524,973	1,538,257
Total liabilities	<u>1,550,696</u>	<u>1,577,639</u>
Net assets:		
Unrestricted	10,808,860	10,816,685
Temporarily restricted	534,131	556,675
Permanently restricted	10,139,753	10,049,647
Total net assets	<u>21,482,744</u>	<u>21,423,007</u>
	<u>\$ 23,033,440</u>	<u>\$ 23,000,646</u>

See accompanying notes to consolidated financial statements.

THE BELWIN CONSERVANCY

CONSOLIDATED STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS

For the Years Ended December 31, 2014 and 2013

	2014			Total
	Unrestricted	Temporarily restricted	Permanently restricted	
Revenues and support:				
Contributions	\$ 292,627	\$ -	\$ 90,106	\$ 382,733
Net assets released upon satisfaction of time and program restrictions	26,000	(26,000)	-	-
In-kind services	11,262	-	-	11,262
Government grants	81,535	-	-	81,535
Investment income	288,150	3,456	-	291,606
Rent income	100,380	-	-	100,380
Total revenues and support	<u>799,954</u>	<u>(22,544)</u>	<u>90,106</u>	<u>867,516</u>
Expenses:				
Program services:				
Environmental	373,661	-	-	373,661
Recreation	117,205	-	-	117,205
	<u>490,866</u>	<u>-</u>	<u>-</u>	<u>490,866</u>
Management and general	145,330	-	-	145,330
Fundraising	171,583	-	-	171,583
Total expenses	<u>807,779</u>	<u>-</u>	<u>-</u>	<u>807,779</u>
Change in net assets	(7,825)	(22,544)	90,106	59,737
Net assets, beginning of year	<u>10,816,685</u>	<u>556,675</u>	<u>10,049,647</u>	<u>21,423,007</u>
Net assets, end of year	<u>\$ 10,808,860</u>	<u>\$ 534,131</u>	<u>\$ 10,139,753</u>	<u>\$ 21,482,744</u>
	2013			
Revenues and support:				
Contributions	\$ 220,338	\$ 75,000	\$ 90,106	\$ 385,444
Net assets released upon satisfaction of time and program restrictions	50,000	(50,000)	-	-
Government grants	133,722	-	-	133,722
Investment income	1,388,311	2,047	-	1,390,358
Rent income	16,200	-	-	16,200
Miscellaneous income	18,883	-	-	18,883
Total revenues and support	<u>1,827,454</u>	<u>27,047</u>	<u>90,106</u>	<u>1,944,607</u>
Expenses:				
Program services:				
Environmental	308,531	-	-	308,531
Recreation	14,502	-	-	14,502
	<u>323,033</u>	<u>-</u>	<u>-</u>	<u>323,033</u>
Management and general	232,633	-	-	232,633
Fundraising	138,666	-	-	138,666
Total expenses	<u>694,332</u>	<u>-</u>	<u>-</u>	<u>694,332</u>
Change in net assets	1,133,122	27,047	90,106	1,250,275
Net assets, beginning of year	<u>9,683,563</u>	<u>529,628</u>	<u>9,959,541</u>	<u>20,172,732</u>
Net assets, end of year	<u>\$ 10,816,685</u>	<u>\$ 556,675</u>	<u>\$ 10,049,647</u>	<u>\$ 21,423,007</u>

See accompanying notes to consolidated financial statements.

THE BELWIN CONSERVANCY

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the Years Ended December 31, 2014 and 2013

Increase (Decrease) in Cash

	<u>2014</u>	<u>2013</u>
Cash flows from operating activities:		
Change in net assets	\$ 59,737	\$ 1,250,275
Adjustments to reconcile the change in net assets to net cash from operating activities:		
Depreciation	108,096	108,065
Reinvested investment income	(884,185)	(1,106,783)
Realized/unrealized (gain) loss on investments	592,579	(283,575)
Contributions restricted for land purchases	(90,106)	(90,106)
Contribution restricted for buildings and equipment	(30,000)	(10,000)
Conditional contribution recognized	(13,284)	(11,000)
Changes in operating assets and liabilities:		
Contributions receivable	(5,545)	1,000
Grant receivable	48,556	(45,039)
Receivable from affiliates	(79)	1,455
Accounts payable and accrued expenses	7,315	617
Net cash from operating activities	<u>(206,916)</u>	<u>(185,091)</u>
Cash flows from investing activities:		
Deposits/(withdrawal) to reserve	(7,470)	-
Payments for buildings and equipment	(141,100)	(138,444)
Sale of investments	334,094	2,195,383
Purchase of investments	<u>(81,739)</u>	<u>(1,966,071)</u>
Net cash from investing activities	<u>103,785</u>	<u>90,868</u>
Cash flows from financing activities:		
Contributions restricted for land purchases	90,106	90,106
Contributions restricted for buildings and equipment	30,000	10,000
Principal payments on note payable	<u>(4,800)</u>	<u>(9,600)</u>
Net cash from financing activities	<u>115,306</u>	<u>90,506</u>
Net increase (decrease) in cash	12,175	(3,717)
Cash, beginning of year	<u>69,580</u>	<u>73,297</u>
Cash, end of year	<u>\$ 81,755</u>	<u>\$ 69,580</u>
Supplemental cash flow information:		
Building and equipment additions included in accounts payable	<u>\$ -</u>	<u>\$ 16,174</u>

See accompanying notes to consolidated financial statements.

THE BELWIN CONSERVANCY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended December 31, 2014 and 2013

1. **ORGANIZATION**

The Belwin Conservancy (Belwin) is a nonprofit organization that is dedicated to preservation, restoration and appreciation of our natural world. It owns approximately 1,400 acres of land in Afton, West Lakeland Township and Lakeland, Minnesota. Belwin comprises one of the largest privately owned nature preserves in the Twin Cities region with a focus on connecting people and the natural world.

Belwin does its work in a number of ways including:

Environmental -

Ecological Restoration: Belwin has a very active program of ecological restoration dating back to the early 1970's when it was a pioneer in prairie restoration. Its activities have expanded to restoration of many different types of habitats and species over the years. It has major investments in equipment allowing it to engage in large scale restoration efforts.

Environmental Education: Belwin's primary focus in Environmental Education is through a cooperative program with the St. Paul Public School District where it provides and maintains 225 acres with trails and buildings to support a program that is designed and run by the District. The program focus is on 3rd and 5th grade students from the District although the facilities are also used on a limited basis by other schools and ages. This successful program began in 1971.

Bison: Belwin has approximately 190 acres of its restored prairie in fenced pasture for bison and provides observation overlooks as well as close up tours of the herd to the public. Since Belwin is located just 15 miles from downtown St. Paul, this allows a very unique experience to an urban population. It also monitors the prairie utilized by the bison and compares it to prairie not grazed to understand the impact this native but extirpated species has on its environment.

Ecological Research: Belwin makes its property available for ecological research which has taken many forms over the years. Studying bison grazing behavior, the discovery of a species of crane fly new to science, and migrating bird censuses have all benefited from the use of Belwin's property for research. Because Belwin is a private nonprofit organization, it can often accommodate research requests not possible on public land. Additionally, its unique natural attributes and proximity to the Twin Cities make it convenient for researchers to access.

Land Acquisition: Belwin has had a very active land acquisition program since 1986 when it owned just 225 acres. While it has acquired the majority of available property in its area that is undeveloped, it continues to look at opportunities on its borders that would benefit from protection resulting from fee or conservation easement acquisition.

(Continued)

THE BELWIN CONSERVANCY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended December 31, 2014 and 2013

1. **ORGANIZATION (Continued)**

Observatory: Belwin has partnered with the Minnesota Astronomical Society in creating the Joseph J. Casby Observatory located next to The Belwin Outdoor Science education center. The observatory permanently houses an eight foot long 10" TMB Apochromatic Refracting Telescope - one of the finest in the state. Programs using the observatory are run by the Astronomical Society.

Art, (Science) and Nature: Belwin provides high quality, diverse art (and science) programming, both participatory and observatory that will in all cases include an environmental message that leaves participants delighted with the experience and enlightened to environmental issues.

Recreation - Belwin offers the community two types of recreational facilities:

The Lucy Winton Bell Athletic Fields (LWBAF) with soccer, baseball and football fields covers 50 acres. It is operated primarily for children participating in the programs run by the St. Croix Soccer Club and St. Croix Valley Athletic Association. The high quality fields were opened in 1999 after local community leaders asked Belwin to participate in providing facilities that were not otherwise available in the community.

Passive hiking trails are available to the public and maintained by Belwin in numerous places on its property including adjacent to the Lucy Winton Bell Athletic Fields.

The primary funding sources for Belwin's programs are private contributions, government grants and investment income. During 2011, the Belwin Supporting Fund (the Fund), a Minnesota nonprofit corporation, was formed. The Fund, affiliated with the Belwin Conservancy through common control, was formed for the purpose of holding, managing and disposing of all current cash and investment holdings that were contributed to Belwin by any descendants of James Ford Bell.

2. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Principles of Consolidation - The consolidated financial statements include the accounts of Belwin Conservancy (the Conservancy) and its affiliated supporting organization, Belwin Supporting Fund (the Fund), collectively called Belwin. Inter-company transactions and balances have been eliminated in consolidation.

Use of Estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

(Continued)

THE BELWIN CONSERVANCY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended December 31, 2014 and 2013

2. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Financial Statement Presentation - Belwin reports information regarding its financial position and activities according to three classes of net assets:

- Unrestricted net assets represent the portion of net assets that are not subject to donor restrictions.
- Temporarily restricted net assets arise from contributions that are restricted by donors for specific purposes or time periods.
- Permanently restricted net assets arise from contributions that the donor has stipulated must be maintained in perpetuity, and include land and easements to be held in perpetuity as well as contributions restricted for acquisition of land and easements.

Contribution Revenue Recognition - Contributions are recognized when the donor makes an unconditional promise to give to Belwin. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires or is fulfilled, temporarily restricted net assets are reclassified to unrestricted net assets.

The conditional contribution was recorded as a liability upon collection and is recognized as revenue when the conditions have been satisfied.

Cash Equivalents - Belwin considers all highly liquid investments with an original maturity of three months or less, except cash held in brokerage accounts, to be cash equivalents.

Functional Expenses - Expenses have been allocated between program and supporting service classifications based upon direct expenditures and estimates made by Belwin's management.

Investments - Investments are recorded at their fair values. Investment earnings and unrealized gains and losses are included in the change in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law. When investments are sold, cost is determined using specific identification. Marketable securities contributed by donors are recorded at fair market value at the time of the contribution.

Buildings and Equipment - Buildings and equipment are carried at cost and depreciated over the estimated useful life of the assets using the straight-line method. Expenditures in excess of \$1,000 are capitalized. Buildings are depreciated over 40 years, improvements are depreciated over 5 - 40 years, and equipment is depreciated over 3 - 7 years. Significant improvements and betterments that extend the life of the asset are capitalized. Maintenance and repairs are expensed as incurred.

Contributions of cash that must be used for property and equipment are reported as temporarily restricted. Belwin reports expiration of donor restrictions when the acquired assets are placed in service, unless the donor has specified the length of time the item must be used.

(Continued)

THE BELWIN CONSERVANCY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended December 31, 2014 and 2013

2. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Land - Belwin purchases land with the intention of holding it to prevent development, restoring the land, and providing a venue for research and education. Land is recorded at fair market value, if known; otherwise it is recorded at cost. Belwin uses land options to set the purchase price of land it is interested in purchasing in the future. Land options are recorded at cost. If an option is exercised, the cost of the option is added to the purchase price of the land.

Conservation Easements - Belwin believes it is most appropriate to account for the conservation easements as a collection. The conservation easements are recorded at a nominal value of \$1 each on the statement of financial position. Conservation easements acquired are reported as expenses on the statement of activities at appraised fair market value. Any difference between the appraised value and cost is recorded as an in-kind contribution. No conservation easements were purchased in 2014 and 2013.

Donated Materials and Services - Donated materials are recorded as contributions at their estimated fair market value in the period received. Donated services are recorded as contributions at their estimated fair value only if the services create or enhance a nonfinancial asset or if the services require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Belwin received \$11,262 of contributed marketing and consulting services during 2014. No contributed services were recorded in 2013.

Income Taxes - Belwin is exempt from income taxes under Internal Revenue Code Section 501(c)(3) and applicable Minnesota Statutes, except to the extent it has taxable income from businesses that are not related to its exempt purpose. Belwin did not have any unrelated business income in 2014 or 2013. Belwin believes that it has appropriate support for any tax positions taken, and accordingly, does not have any uncertain tax positions that are material to the financial statements.

Federal and state tax authorities generally have the right to examine the current and previous three years of returns. Belwin is not currently under examination by any taxing jurisdiction.

3. **CONTRIBUTIONS RECEIVABLE**

Contributions receivable are due within one year.

During 2014, Belwin received a 1:1 matching grant in the amount of \$15,000 from a private foundation to purchase equipment. Belwin raised an equivalent amount from individuals and other sources to receive this grant.

(Continued)

THE BELWIN CONSERVANCY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended December 31, 2014 and 2013

4. **INVESTMENTS**

Investments consisted of the following as of December 31:

	<u>2014</u>	<u>2013</u>
Mutual funds:		
U.S. government money market funds	\$ 4,805,062	\$ 4,849,564
Prime money market	48,278	48,273
Diversified emerging markets	808,320	856,415
Foreign large blend	35,946	37,462
Large blend	44,529	39,561
Exchange traded funds:		
Foreign large blend	857,844	946,040
Common and collective trust funds:		
Large cap index	206,164	181,520
Large cap	2,630,631	2,451,740
Small cap value	498,249	469,025
Small cap growth	481,770	458,872
Commodities hedge fund	-	202,873
Partnerships and LLC's invested in:		
Small business venture capital	316,408	367,973
Distressed companies	175,449	330,176
Emerging growth	354,705	305,470
Real estate	404,847	399,313
Municipal trust	474,576	319,983
Multi-sector credit-related assets	191,001	90,721
Healthcare industry	109,104	48,651
	<u>12,442,883</u>	<u>12,403,632</u>
Total investments		
Endowment investments	<u>(128,753)</u>	<u>(125,297)</u>
	<u>\$12,314,130</u>	<u>\$ 12,278,335</u>

Investment income is summarized as follows:

	<u>2014</u>	<u>2013</u>
Interest and dividend income	\$ 884,184	\$ 1,106,783
Net realized and unrealized gains (losses)	<u>(592,578)</u>	<u>283,575</u>
	<u>\$ 291,606</u>	<u>\$ 1,390,358</u>

(Continued)

THE BELWIN CONSERVANCY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended December 31, 2014 and 2013

5. **FAIR VALUE MEASUREMENTS**

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

The fair value measurement accounting literature establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels: Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority; Level 2 inputs are inputs other than quoted prices included within level 1 that are observable for the asset or liabilities, either directly or indirectly, through corroboration with observable market data; and Level 3 inputs have the lowest priority. Belwin uses appropriate valuation techniques based on the available inputs to measure the fair value of its investments. When available, Belwin measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value. Level 3 inputs are only used when Level 1 or Level 2 inputs are not available.

Level 1 Fair Value Measurements

The fair value of mutual and exchange traded funds is based on quoted net asset values of the shares held by Belwin at year end.

Level 2 Fair Value Measurements

The fair value of common and collective trust funds is based on the unit value of units held by Belwin at year end, as determined by the trustees based on the underlying investments, including guaranteed investment contracts and security-backed contracts which are valued by discounting the related cash flows based on current yields of similar instruments. Redemptions are permitted at unit value at the end of each month.

Level 3 Fair Value Measurements

The fair value of investments in partnerships and LLC's is based on the respective net asset value reported by management of each partnership and LLC. Net asset values are determined using valuation methodologies that consider a range of factors in estimating the exit price from the perspective of market participants, including but not limited to the price at which each investment was acquired, the nature of the investment, local market conditions, trading values on public exchanges for comparable securities, current and projected operating performance, financial condition, and financing transactions subsequent to the acquisition of the investment.

(Continued)

THE BELWIN CONSERVANCY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended December 31, 2014 and 2013

5. **FAIR VALUE MEASUREMENTS (Continued)**

Most investments held by the partnerships and LLC's are valued using level 3 inputs. Redemptions are not permitted during the life of the entities. When the underlying assets are sold, the proceeds, less any incentives due to the manager, will be distributed to the investors. It is estimated that the underlying assets will be liquidated over the next 5 to 7 years.

The inputs or methodology used for valuing securities are not necessarily an indication of the risk associated with investing in those securities. The following is a summary of the inputs used to value Belwin's investments as of December 31, 2014 and 2013:

	<u>Fair Value Measurements at Reporting Date Using</u>			
	<u>Fair Value</u>	<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Other Significant Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
December 31, 2014				
Mutual and exchange traded funds	\$ 6,599,979	\$ 6,599,979	\$ -	\$ -
Common and collective trust funds	3,816,814	-	3,816,814	-
Partnerships and LLC's	<u>2,026,090</u>	<u>-</u>	<u>-</u>	<u>2,026,090</u>
Total	<u>\$12,442,883</u>	<u>\$ 6,599,979</u>	<u>\$ 3,816,814</u>	<u>\$ 2,026,090</u>
December 31, 2013				
Mutual and exchange traded funds	\$ 6,777,315	\$ 6,777,315	\$ -	\$ -
Common and collective trust funds	3,764,030	-	3,764,030	-
Partnerships and LLC's	<u>1,862,287</u>	<u>-</u>	<u>-</u>	<u>1,862,287</u>
Total	<u>\$12,403,632</u>	<u>\$ 6,777,315</u>	<u>\$ 3,764,030</u>	<u>\$ 1,862,287</u>

(Continued)

THE BELWIN CONSERVANCY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended December 31, 2014 and 2013

5. **FAIR VALUE MEASUREMENTS (Continued)**

The following table provides a summary of changes in fair value of Belwin's Level 3 assets, including the portion of gains (losses) included in changes in net assets related to those assets.

	<u>2014</u>	<u>2013</u>
<u>Beginning of Year Fair Value</u>	\$ 1,862,287	\$ 1,641,907
Purchases	520,935	424,686
Sales	-	-
Gains (losses)	<u>(357,132)</u>	<u>(204,306)</u>
End of Year Fair Value	<u><u>\$ 2,026,090</u></u>	<u><u>\$ 1,862,287</u></u>

6. **BUILDINGS AND EQUIPMENT**

Buildings and equipment consisted of the following:

	<u>2014</u>	<u>2013</u>
Buildings and improvements	\$ 3,969,872	\$ 3,882,109
Equipment	<u>471,195</u>	<u>434,032</u>
	4,441,067	4,316,141
Less: accumulated depreciation	<u>(3,159,508)</u>	<u>(3,051,412)</u>
	<u><u>\$ 1,281,559</u></u>	<u><u>\$ 1,264,729</u></u>

7. **LAND AND CONSERVATION EASEMENTS**

Land located in Afton, Lakeland and West Lakeland Township, Minnesota was either donated to Belwin or was purchased with Belwin funds or contributions designated by the donor to purchase a specific piece of land. These donations were transferred to Belwin with the understanding that the land shall be forever maintained as open space with much of it in a natural state for educational and research purposes and shall always, regardless of future ownership, be so held, developed and managed so as to preserve and enhance its natural features and significance for the future education and enjoyment of the public. No land was purchased in 2014 and 2013.

Conservation easements are perpetual agreements between Belwin and landowners under which the landowners agree to abide by certain restrictions designed to preserve the open space or conservation value of their land. These agreements are binding on all landowners. Conservation easements held by Belwin cover 79.61 acres of property, all of which are owned by individual landowners. Conservation easements held by Minnesota Land Trust cover 711 acres of Belwin's property.

(Continued)

THE BELWIN CONSERVANCY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended December 31, 2014 and 2013

8. **NOTE PAYABLE**

The note payable is due to Open Door Foundation with interest at an amount equal to the one-month London InterBank Rate of Exchange plus seventy-five basis points payable quarterly and principal payments of \$4,800 due annually. The final principal payment of \$4,700 is due December 31, 2015. No interest was paid in 2014 or 2013.

9. **RESTRICTED NET ASSETS**

Temporarily Restricted - Temporarily restricted net assets are for the following purposes:

	<u>2014</u>	<u>2013</u>
General operating - time restricted	\$ -	\$ 1,000
Unappropriated endowment earnings	16,946	13,490
Art and nature	307,857	332,857
Program expansion	<u>209,328</u>	<u>209,328</u>
	<u>\$ 534,131</u>	<u>\$ 556,675</u>

Permanently Restricted - Permanently restricted net assets consist of the following:

	<u>2014</u>	<u>2013</u>
Investments - endowment	\$ 111,807	\$ 111,807
Investments restricted by donors for		
Volkert land purchases	789,142	699,036
Land and easements	<u>9,238,804</u>	<u>9,238,804</u>
	<u>\$ 10,139,753</u>	<u>\$ 10,049,647</u>

10. **CONDITIONAL CONTRIBUTION**

During 2007, Belwin received a conditional contribution of \$2,000,000. The conditional contribution matches new gifts from individuals, corporations and foundations on a 1:1 basis. The contribution was recorded as a liability upon receipt and is recognized as revenue as the matching requirements are met. \$13,284 and \$11,000 of matching contributions were recognized in 2014 and 2013, respectively.

(Continued)

THE BELWIN CONSERVANCY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended December 31, 2014 and 2013

11. **RELATED PARTIES**

The Afton Land Partnership (the Partnership) owns land adjacent to land held by Belwin. One of the partners of the Partnership is on the Board of Directors of Belwin. The Partnership and Belwin share certain equipment and operating costs in the maintenance of these properties.

The Fund receives investment advisory and accounting services from Burr Oak, Inc., a family investment and advisory office with some owners that also serve on the Conservancy and the Fund board. The Fund paid Burr Oak, Inc. \$44,496 and \$40,331 in 2014 and 2013, respectively.

12. **COMMITMENTS AND CONTINGENCIES**

Employees - Belwin has an agreement with Doherty Employer Services (Doherty) whereby Belwin's employees have become employees of Doherty for administrative and personnel purposes. Doherty assumed responsibility for administrative employment matters, such as payment of wages and all federal, state and local payroll taxes, FICA, unemployment contributions, providing workers compensation coverage, complying with the Immigration Reform and Control Act, providing non-obligatory fringe benefit programs for Covered Employees, and complying with COBRA for qualified Covered Employees and dependents.

Life Estates - Two life estates exist on certain land owned by Belwin. Under these life estates, the former owners have the right to live in their houses until their death.

Solar Energy System - In February 2014, Belwin entered into an agreement to purchase and install a solar electric system on its property using seller financing. A subsidiary of the seller will acquire the solar system from Belwin under a capital lease agreement, and then sell the power generated to Belwin. The capital lease is for a 20 year term, however the lease is subject to a put and call agreement after 5 years. Belwin is the fee title owner of the solar system, and the subsidiary of the seller is the tax owner of the solar system and eligible for federal tax credits. Installation of the solar system started in fall of 2014 and was completed in early 2015. The solar system went live on June 1, 2015. Annual payments begin June 1, 2016. For the first ten years, \$11,191 is due. For the next three years, \$3,300 will be due. The payments are due even if the put or call is exercised. Utility costs savings and state rebates are expected to finance the annual payments.

13. **RETIREMENT SAVINGS PLANS**

Belwin has a defined contribution retirement plan under Section 401(k) of the Internal Revenue Code. Generally, all employees of Belwin who are over 21 years of age and who have completed 60 days of service with Belwin are eligible to participate in the plan. Employer contributions are discretionary. Employer contributions to the Plan in 2014 and 2013 totaled \$7,759 and \$8,119, respectively.

(Continued)

THE BELWIN CONSERVANCY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended December 31, 2014 and 2013

14. **ENDOWMENT**

At December 31, 2014, Belwin has one donor-restricted endowment. Earnings on the endowment are not restricted in use. As required by generally accepted accounting principles, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law - The Board of Directors of Belwin has interpreted the Minnesota version of the Prudent Management of Institutional Funds Act (MPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment fund, absent explicit donor stipulations to the contrary. As a result of this interpretation, Belwin 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 donor did not require that any income be added to the endowment. The remaining portion of endowment investments is classified as temporarily restricted net assets until these amounts are appropriated for expenditure by Belwin.

In accordance with MPMIFA, Belwin 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 purposes of Belwin and the donor-restricted endowment fund
- (3) General economic conditions
- (4) The possible effect of inflation and deflation
- (5) The expected total return from income and the appreciation of investments
- (6) Other resources of the organization
- (7) The investment policies of Belwin

Changes in endowment net assets for the year ended December 31, 2014 follow:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	\$ -	\$ 13,490	\$ 111,807	\$ 125,297
Investment return:				
Interest income, net of fees	-	2,025	-	2,025
Appreciation	-	1,431	-	1,431
Endowment net assets, end of year	<u>\$ -</u>	<u>\$ 16,946</u>	<u>\$ 111,807</u>	<u>\$ 128,753</u>

(Continued)

THE BELWIN CONSERVANCY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended December 31, 2014 and 2013

14. **ENDOWMENT (Continued)**

Changes in endowment net assets for the year ended December 31, 2013 follow:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	\$ -	\$ 11,443	\$ 111,807	\$ 123,250
Investment return:				
Interest income, net of fees	-	510	-	510
Appreciation	-	1,537	-	1,537
Endowment net assets, end of year	<u>\$ -</u>	<u>\$ 13,490</u>	<u>\$ 111,807</u>	<u>\$ 125,297</u>

Return Objectives and Risk Parameters - Belwin has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding. Under these policies, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to achieve a positive return after inflation and distribution over an extended period of time and maintain sufficient income and liquidity to provide for reasonable cash flow requirements.

Strategies Employed for Achieving Objectives - To satisfy its income and liquidity objectives, Belwin invests endowment assets in large blend mutual funds and money market accounts beginning in October 2013. Previously the endowment was invested in a money market account.

15. **LUCY WINTON BELL ATHLETIC FIELD**

Belwin entered into a cooperative management agreement for the operation and maintenance of the athletic field with two non-profit sports organizations in April 2011. Prior to 2014, one of the non-profit organizations agreed to provide the financial resources to operate and maintain the athletic field. Beginning 2014, three parties mutually agreed to select one of the parties to be a facility manager. The facility manager is responsible for managing all regular operations and day-to-day maintenance of the LWBAF in accordance with the terms of the agreement. Belwin collects a user fee from the other two parties and pays the facility manager the same fee as the user fee.

16. **SUBSEQUENT EVENTS**

Management has evaluated subsequent events through July 28, 2015, the date on which the financial statements were available for issue, and identified no further significant events or transactions to disclose.

SUPPLEMENTARY INFORMATION

THE BELWIN CONSERVANCY

CONSOLIDATING STATEMENT OF FINANCIAL POSITION

December 31, 2014

	Belwin Conservancy	Belwin Supporting Fund	Total	Eliminations	Total
ASSETS					
Cash	\$ 81,754	\$ -	\$ 81,754	\$ -	\$ 81,754
Cash - restricted for LWBAF	7,470	-	7,470	-	7,470
Contributions receivable	6,545	-	6,545	-	6,545
Grant receivable	8,394	-	8,394	-	8,394
Receivable from affiliate	1,538,381	-	1,538,381	(1,538,257)	124
Investments	-	12,314,130	12,314,130	-	12,314,130
Land and conservation easements	9,204,710	-	9,204,710	-	9,204,710
Buildings and equipment, net	1,281,559	-	1,281,559	-	1,281,559
Endowment investments	128,753	-	128,753	-	128,753
	<u>\$ 12,257,567</u>	<u>\$ 12,314,130</u>	<u>\$ 24,571,697</u>	<u>\$ (1,538,257)</u>	<u>\$ 23,033,440</u>
LIABILITIES AND NET ASSETS					
Accounts payable	\$ 6,055	\$ -	\$ 6,055	-	\$ 6,055
Due to affiliate	-	1,538,257	1,538,257	(1,538,257)	-
Accrued payroll	14,968	-	14,968	-	14,968
Note payable	4,700	-	4,700	-	4,700
Conditional contribution	1,524,973	-	1,524,973	-	1,524,973
Total liabilities	<u>1,550,696</u>	<u>1,538,257</u>	<u>3,088,953</u>	<u>(1,538,257)</u>	<u>1,550,696</u>
Net assets:					
Unrestricted	130,950	10,677,910	10,808,860	-	10,808,860
Temporarily restricted	526,274	97,963	624,237	(90,106)	534,131
Permanently restricted	10,049,647	-	10,049,647	90,106	10,139,753
Total net assets	<u>10,706,871</u>	<u>10,775,873</u>	<u>21,482,744</u>	<u>-</u>	<u>21,482,744</u>
	<u>\$ 12,257,567</u>	<u>\$ 12,314,130</u>	<u>\$ 24,571,697</u>	<u>\$ (1,538,257)</u>	<u>\$ 23,033,440</u>

See independent auditor's report

THE BELWIN CONSERVANCY

CONSOLIDATING STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

For the Year Ended December 31, 2014

	Belwin Conservancy	Belwin Supporting Fund	Total	Eliminations	Total
Revenues and support:					
Contributions	\$ 579,593	\$ 191,106	\$ 770,699	\$ (387,966)	\$ 382,733
In-kind materials and services	11,262	-	11,262	-	11,262
Government grants	81,535	-	81,535	-	81,535
Investment income	3,456	288,150	291,606	-	291,606
Rent income	100,380	-	100,380	-	100,380
Total revenues and support	<u>776,226</u>	<u>479,256</u>	<u>1,255,482</u>	<u>(387,966)</u>	<u>867,516</u>
Expenses:					
Program services:					
Environmental	373,661	-	373,661	-	373,661
Recreation	117,205	-	117,205	-	117,205
	<u>490,866</u>	<u>-</u>	<u>490,866</u>	<u>-</u>	<u>490,866</u>
Management and general	100,835	432,461	533,296	(387,966)	145,330
Fundraising	171,583	-	171,583	-	171,583
Total expenses	<u>763,284</u>	<u>432,461</u>	<u>1,195,745</u>	<u>(387,966)</u>	<u>807,779</u>
Change in net assets	12,942	46,795	59,737	-	59,737
Net assets, beginning of year	<u>10,693,929</u>	<u>10,729,078</u>	<u>21,423,007</u>	<u>-</u>	<u>21,423,007</u>
Net assets, end of year	<u>\$ 10,706,871</u>	<u>\$ 10,775,873</u>	<u>\$ 21,482,744</u>	<u>\$ -</u>	<u>\$ 21,482,744</u>

See independent auditor's report