

**BUR OAK LAND TRUST**  
**Iowa City, Iowa**

Financial Statements

December 31, 2019

## BUR OAK LAND TRUST

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## Independent Auditors' Report

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

We have audited the accompanying financial statements of Bur Oak Land Trust (a nonprofit Organization), which comprise the statement of assets, liabilities, and net assets – modified cash basis as of December 31, 2019, and the related statements of support, revenues, expenses, and changes in net assets – modified cash basis, and functional expenses for the year then ended, and the related notes to the financial statements.

### **Management's Responsibility for the Financial Statement**

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

### **Auditors' Responsibility**

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets, liabilities and net assets of Bur Oak Land Trust as of December 31, 2019, and its support, revenue, and expenses for the year then ended in accordance with the modified cash basis of accounting described in Note 1.

**Basis of Accounting**

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

**Report on Summarized Comparative Information**

The summarized comparative information presented in the statement of support, revenues, expenses, and changes in net assets – modified cash basis for the year ended December 31, 2018, was derived from an unaudited financial statement, and has not been audited, reviewed, or compiled and, accordingly, we express no opinion on it.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated March 23, 2020, on our consideration of Bur Oak Land Trust's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Bur Oak Land Trust's internal control over financial reporting and compliance.

*TDT CPAs and Advisors, P.C.*

Cedar Rapids, Iowa  
March 23, 2020

**BUR OAK LAND TRUST**  
**Statement of Assets, Liabilities and Net Assets -- Modified Cash Basis**  
**December 31, 2019**

| Assets                            |              |
|-----------------------------------|--------------|
| <b>Assets</b>                     |              |
| Current assets                    |              |
| Cash and cash equivalents         | \$ 21,265    |
| Investments                       | 612,259      |
| Rent deposit                      | 1,000        |
| Total current assets              | 634,524      |
| Long-term assets                  |              |
| Investments                       | 42,136       |
| Total long-term assets            | 42,136       |
| Property and equipment:           |              |
| Land                              | 2,289,720    |
| Equipment                         | 96,721       |
|                                   | 2,386,441    |
| Less: accumulated depreciation    | 43,611       |
| Net property and equipment        | 2,342,830    |
| Total assets                      | \$ 3,019,490 |
| <b>Liabilities and Net Assets</b> |              |
| <b>Liabilities</b>                |              |
| Current liabilities:              |              |
| Agency liabilities                | \$ 1,000     |
| Accrued liabilities               | 10,145       |
| Total current liabilities         | 11,145       |
| Total liabilities                 | 11,145       |
| <b>Net Assets:</b>                |              |
| Without donor restrictions        |              |
| Undesignated                      | 2,174,155    |
| Board designated                  | 582,728      |
| With donor restriction            | 251,462      |
| Total net assets                  | 3,008,345    |
| Total liabilities and net assets  | \$ 3,019,490 |

See accompanying notes to financial statements.

**BUR OAK LAND TRUST**  
**Statement of Support, Revenues, Expenses and**  
**Changes in Net Assets -- Modified Cash Basis**  
**For the Year Ended December 31, 2019**

|   | <u>Without<br/>Donor<br/>Restriction</u> | <u>With Donor<br/>Restriction</u> | <u>Total</u>     | <u>(Summarized)<br/>2018</u> |
|---|--|-----------------------------------|------------------|------------------------------|
| <b>Operating support and revenue:</b>                     |  |                                   |                  |                              |
| Contributions:  |  |                                   |                  |                              |
| Contributions and grants                                  | \$ 222,213                               | 12,991                            | 235,204          | 166,814                      |
| Capital campaign  | -  | 6,488                             | 6,488            | 52,316                       |
| Land transaction  | 1,856                                    | -                                 | 1,856            | 9,379                        |
| Other income - deer tag sale, net                         | 7,975                                    | -                                 | 7,975            | 8,050                        |
| AmeriCorps  | 72,389                                   | -                                 | 72,389           | 4,132                        |
| Miscellaneous income                                      | 3,551                                    | -                                 | 3,551            | 2,737                        |
| Net assets released from restrictions                     | 82,207                                   | (82,207)                          | -                | -                            |
|   | <u>390,191</u>                           | <u>(62,728)</u>                   | <u>327,463</u>   | <u>243,428</u>               |
| Special events  |  |                                   |                  |                              |
| Special events  | 67,801                                   | -                                 | 67,801           | 58,807                       |
| Less: costs of direct benefit to donors                   | 11,174                                   | -                                 | 11,174           | 15,590                       |
| Net special event revenue                                 | <u>56,627</u>                            | <u>-</u>                          | <u>56,627</u>    | <u>43,217</u>                |
| Transfer from board designated funds to operations        | <u>112,399</u>                           | <u>-</u>                          | <u>112,399</u>   | <u>32,000</u>                |
| Total operating support and revenue                       | <u>559,217</u>                           | <u>(62,728)</u>                   | <u>496,489</u>   | <u>318,645</u>               |
| <b>Operating expenditures:</b>                            |  |                                   |                  |                              |
| Program services:   |  |                                   |                  |                              |
| Property stewardship                                      | 90,455                                   | -                                 | 90,455           | 144,623                      |
| Education and awareness                                   | 34,391                                   | -                                 | 34,391           | 41,577                       |
| AmeriCorps  | 99,325                                   | -                                 | 99,325           | 13,850                       |
| Supporting services                                       |  |                                   |                  |                              |
| Administrative support                                    | 102,820                                  | -                                 | 102,820          | 68,950                       |
| Fundraising   | 79,262                                   | -                                 | 79,262           | 62,255                       |
| Total operating expenditures                              | <u>406,253</u>                           | <u>-</u>                          | <u>406,253</u>   | <u>331,255</u>               |
| <b>Change in net assets from operating activities</b>     | <u>152,964</u>                           | <u>(62,728)</u>                   | <u>90,236</u>    | <u>(12,610)</u>              |
| <b>Non-operating activities:</b>                          |  |                                   |                  |                              |
| In-kind donations - land                                  | -  | -                                 | -                | 300,000                      |
| Investment income   | 15,874                                   | -                                 | 15,874           | 16,268                       |
| Net realized and unrealized gains                         | 101,026                                  | 5,229                             | 106,255          | (29,624)                     |
| Transfer from board designated funds to operations        | (112,399)                                | -                                 | (112,399)        | (32,000)                     |
| <b>Change in net assets from non-operating activities</b> | <u>4,501</u>                             | <u>5,229</u>                      | <u>9,730</u>     | <u>254,644</u>               |
| <b>Change in net assets</b>                               | <u>157,465</u>                           | <u>(57,499)</u>                   | <u>99,966</u>    | <u>242,034</u>               |
| <b>Net assets at beginning of year, restated</b>          | <u>2,599,418</u>                         | <u>308,961</u>                    | <u>2,908,379</u> | <u>2,666,345</u>             |
| <b>Net assets at end of year</b>                          | <u>\$ 2,756,883</u>                      | <u>251,462</u>                    | <u>3,008,345</u> | <u>2,908,379</u>             |

See accompanying notes to financial statements.

**BUR OAK LAND TRUST**  
**Statement of Functional Expenses**  
**For the Year Ended December 31, 2019**

|                               | Program Activities   |                         |            | Supporting Activities  |                        |             | Total Expenses |
|-------------------------------|----------------------|-------------------------|------------|------------------------|------------------------|-------------|----------------|
|                               | Property Stewardship | Education and Awareness | AmeriCorps | Total Program Expenses | Management and General | Fundraising |                |
| Salaries and benefits         | \$ 37,815            | 20,358                  | 47,460     | 105,633                | 55,648                 | 63,547      | 224,828        |
| Professional fees             | -                    | -                       | -          | -                      | 18,068                 | -           | 18,068         |
| Contractor                    | 1,405                | -                       | -          | 1,405                  | -                      | -           | 1,405          |
| Property stewardship supplies | 16,684               | -                       | -          | 16,684                 | -                      | -           | 16,684         |
| Printing                      | 800                  | 3,200                   | -          | 4,000                  | 2,400                  | 1,600       | 8,000          |
| Rent                          | 4,387                | 1,462                   | 2,925      | 8,774                  | 4,387                  | 1,462       | 14,623         |
| Office supplies               | 964                  | 964                     | 1,929      | 3,857                  | 3,857                  | 1,929       | 9,643          |
| Insurance                     | 4,820                | -                       | 603        | 5,423                  | 602                    | -           | 6,025          |
| Meals                         | 573                  | -                       | 2,865      | 3,438                  | 573                    | 1,718       | 5,729          |
| Repairs and maintenance       | 7,929                | -                       | -          | 7,929                  | 881                    | -           | 8,810          |
| Advertising                   | -                    | 553                     | -          | 553                    | -                      | 2,212       | 2,765          |
| Dues, licenses, and permits   | 1,174                | 3,523                   | -          | 4,697                  | -                      | 1,175       | 5,872          |
| Member costs                  | -                    | -                       | 38,257     | 38,257                 | -                      | -           | 38,257         |
| Mileage and travel            | 1,334                | 1,334                   | 445        | 3,113                  | 445                    | 890         | 4,448          |
| Postage                       | 201                  | 201                     | -          | 402                    | 201                    | 1,404       | 2,007          |
| Utilities                     | 957                  | -                       | 239        | 1,196                  | 957                    | 240         | 2,393          |
| Interest                      | 1,274                | -                       | -          | 1,274                  | -                      | -           | 1,274          |
| Telephone                     | 145                  | 145                     | 145        | 435                    | 580                    | 435         | 1,450          |
| Equipment rental              | 4,633                | -                       | -          | 4,633                  | -                      | -           | 4,633          |
| Training                      | 3,612                | 903                     | 2,709      | 7,224                  | 903                    | 903         | 9,030          |
| Miscellaneous                 | 1,748                | 1,748                   | 1,748      | 5,244                  | 1,747                  | 1,747       | 8,738          |
| Expenses before depreciation  | 90,455               | 34,391                  | 99,325     | 224,171                | 91,249                 | 79,262      | 394,682        |
| Depreciation                  | -                    | -                       | -          | -                      | 11,571                 | -           | 11,571         |
| Total expenses                | \$ 90,455            | 34,391                  | 99,325     | 224,171                | 102,820                | 79,262      | 406,253        |

See accompanying notes to financial statements.

**BUR OAK LAND TRUST**  
**Notes to the Financial Statements**  
**December 31, 2019**

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**Note 1 - Nature of Activities and Significant Accounting Policies**

*Nature of Activities* - The Trust was organized to protect and conserve natural areas to enrich and engage current and future generations.

The Bur Oak Land Trust uses a range of tools to help conserve important natural resources in Iowa. The Trust recognizes the importance of using conservation easements but also recognizes the perpetual responsibilities of being a conservation easement grantee. The Trust has specific policies and takes specific actions as necessary to monitor and enforce the provisions of conservation easements which it holds. To further ensure the integrity of conservation easements held by the Trust, separate board designated accounts (see Note 7) were established to provide for a property stewardship position, property management, and conservation easement legal defense and stewardship.

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

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

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

*Basis of Presentation* - The financial statements of Bur Oak Land Trust have been prepared to report information regarding its financial position and activities according to the following net asset classifications:

*Net assets without donor restrictions* - Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the organization. These net assets may be used at the discretion of Bur Oak Land Trust's management and the board of directors.

*Net assets with donor restrictions* - Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of Bur Oak Land Trust or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

**BUR OAK LAND TRUST**  
**Notes to the Financial Statements**  
**December 31, 2019**

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

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

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

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

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

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

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

*Contributions* - Contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. Contributions that are restricted by the donor are reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the contribution is recognized. All other donor restricted contributions are reported as an increase in net assets with donor restrictions, depending on the nature of restriction. 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 statement of support, revenues, expenses, and changes in net assets – modified cash basis as net assets released from restrictions.

*Comparative Totals* - The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with the modified cash basis of accounting. Accordingly, such information should be read in conjunction with the Trust's financial statements for the year ended December 31, 2018, from which the summarized information is derived.

**BUR OAK LAND TRUST**  
**Notes to the Financial Statements**  
**December 31, 2019**

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

*Subsequent Events* - Management has evaluated all subsequent events and transactions through March 23, 2020, the date the financial statements were available to be issued.

**Note 2 - In-Kind Contributions**

Land, equipment, and securities contributed to the Trust are valued and recorded at their fair value on the donation date. Donated securities are immediately sold, and proceeds are invested according to the Trust's investment policy. Other contributions are not recorded as revenue and expense in the accompanying financial statements. In-kind contributions consist of donated land, space and equipment rental, conservation easements, equipment, auction items for the Under a Cider Moon fundraiser, and services relating to properties maintained by the Trust, and totaled \$35,624 for the year ended December 31, 2019.

**Note 3 - Property and Equipment**

The properties and equipment recorded at historical cost and related accumulated depreciation held by the Trust as of December 31, 2019 were as follows:

|                                |    |                  |
|--------------------------------|----|------------------|
| Land                           |    |                  |
| Belgum Grove                   | \$ | 90,000           |
| Big Grove                      |    | 350,000          |
| Pappy Dickens Preserve         |    | 160,000          |
| Hora Woods                     |    | 4,180            |
| O'Mara-Newport Woods           |    | 300,000          |
| Shimek Ravine                  |    | 64,070           |
| Strub Prairie                  |    | 25,000           |
| Kessler Prairie                |    | 139,000          |
| Muddy Creek Preserve           |    | 250,000          |
| Turkey Creek Preserve          |    | 247,470          |
| Big Grove Addition             |    | 360,000          |
| Washington County              |    | 300,000          |
|                                | \$ | <u>2,289,720</u> |
| Equipment                      |    |                  |
| Tractor                        | \$ | 11,500           |
| 2004 Ford Truck                |    | 11,000           |
| Other equipment                |    | 74,221           |
|                                |    | <u>96,721</u>    |
| Less: Accumulated depreciation |    | <u>(43,611)</u>  |
| Total Equipment                |    | <u>53,110</u>    |
| Total property and equipment   | \$ | <u>2,342,830</u> |

Depreciation expense for the year ended December 31, 2019 was \$11,571.

**BUR OAK LAND TRUST**  
**Notes to the Financial Statements**  
**December 31, 2019**

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**Note 4 - Investments**

Investments in mutual funds and money market accounts are stated at fair value for the year ended December 31, 2019 as follows:

|              |  |                   |
|--------------|--|-------------------|
| Mutual funds |  | \$ 625,882        |
| Money market |  | <u>28,513</u>     |
| Totals       |  | <u>\$ 654,395</u> |

The following summarizes the change in fair value for the year ended December 31, 2019:

|   |    | <u>Money Market/<br/>Mutual Funds</u> |
|---|----|---------------------------------------|
| Fair value at December 31, 2018                 | \$ | 630,256                               |
| Reinvested dividends and interest               |    | 15,874                                |
| Reinvested proceeds from donated investments    |    | 20,078                                |
| Sales of investment securities                  |    | (115,000)                             |
| Fees and other charges                          |    | (3,068)                               |
| Net realized and unrealized gain on investments |    | <u>106,255</u>                        |
| Fair value at December 31, 2019                 | \$ | <u>654,395</u>                        |

**Note 5 - Fair Value Measurements**

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

Fair value accounting literature establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy are described below:

**Basis of Fair Value Measurement**

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

**BUR OAK LAND TRUST**  
**Notes to the Financial Statements**  
**December 31, 2019**

**Note 5 - Fair Value Measurements (Continued)**

The following tables present by level, within the fair value hierarchy, the Trust's investment assets at fair value, as of December 31, 2019, As required by the accounting guidance, investment assets are classified in their entirety based upon the lowest level of input that is significant to the fair value measurement. The Trust had no level 2 or level 3 investments at December 31, 2019.

| <b>Description</b>        | <b>December 31,<br/>2019</b> | <b>Quoted<br/>Prices<br/>In Active<br/>Markets for<br/>Identical<br/>Assets<br/>(Level 1)</b> | <b>Other<br/>Observable<br/>Inputs<br/>(Level 2)</b> | <b>Significant<br/>Unobservable<br/>Inputs<br/>(Level 3)</b> |
|---------------------------|------------------------------|---|--|--|
| Mutual funds fixed income | \$ 235,675                   | 235,675   | -  | -  |
| Mutual funds - equity     | 390,207                      | 390,207   | -  | -  |
| Money market accounts     | 28,513                       | 28,513  | -  | -  |
|                           | <u>\$ 654,395</u>            | <u>654,395</u>  | -  | -  |

**Note 6 – Note Payable**

The Trust entered into an installment real estate contract to purchase land dated July 27, 2015. The agreement called for annual payments of \$72,000 plus accrued interest at the rate of 1.77% through July 27, 2019. The Trust made the final payment of the contract during the year ended December 31, 2019. The Trust has no outstanding debt as of December 31, 2019.

**Note 7 - Net Assets**

Net assets without donor restrictions were as follows for the year ended December 31, 2019:

Without donor restrictions:

|   |                     |
|---|---------------------|
| Undesignated                                | \$ 2,174,155        |
| Board designated funds:                     |                     |
| Terrafirma endowment                        | 11,998              |
| Easement defense                            | 113,652             |
| Easement stewardship                        | 119,744             |
| Property defense                            | 8,797               |
| Property management                         | 142,377             |
| Land acquisition                            | 120,467             |
| Operating reserve                           | 65,693              |
| Total board designated funds                | <u>582,728</u>      |
| Total net assets without donor restrictions | <u>\$ 2,756,883</u> |

**BUR OAK LAND TRUST**  
**Notes to the Financial Statements**  
**December 31, 2019**

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**Note 7 - Net Assets (Continued)**

Net assets with donor restrictions were as follows for the year ended December 31, 2019:

With donor restrictions:

|   |    |                |
|---|----|----------------|
| Specific purpose:                           |    |                |
| Dane Property                               | \$ | 5,000          |
| Capital Campaign – Big Grove                |    | 148,715        |
| Woodland Savannah Restoration               |    | 1,750          |
| Muddy Creek Preserve                        |    | 4,418          |
| Bridge at Turkey Creek Nature Preserve      |    | 6,525          |
| Terrafirma endowment – accumulated earnings |    | 4,519          |
| Easement stewardship                        |    | 39,310         |
| Easement defense                            |    | 12,909         |
| CFJC - Educational supplies                 |    | 2,698          |
| Total purpose restrictions                  |    | <u>225,844</u> |
| Held in perpetuity:                         |    |                |
| Terrafirma endowment (held in perpetuity)   | \$ | <u>25,618</u>  |
| Total net assets with donor restrictions    | \$ | <u>251,462</u> |

Net assets released from restrictions during the year ended December 31, 2019 are as follows:

|   |    |               |
|---|----|---------------|
| Specific purpose:                           |    |               |
| Capital Campaign – Big Grove                | \$ | 73,275        |
| Terrafirma endowment – accumulated earnings |    | 2,601         |
| Property stewardship                        |    | 5,000         |
| Equipment purchases                         |    | 1,331         |
| Total releases from restrictions            | \$ | <u>82,207</u> |

**Note 8 - Endowments**

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

**BUR OAK LAND TRUST**  
**Notes to the Financial Statements**  
**December 31, 2019**

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**Note 8 - Endowments (Continued)**

The Board of the Trust has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. Consequently, the Trust classifies board designated net assets held in perpetuity as:

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

*Interpretation of Relevant Law* – The donor-restricted fund classified as with donor restriction is classified as such until those amounts are appropriated for expenditure by the Trust’s Board. In accordance with UPMIFA, the Trust considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. The duration and preservation of the fund
2. The purpose of the Trust and the donor-restricted endowment fund
3. General economic conditions
4. The possible effect of inflation and deflation
5. The expected total return from income and the appreciation of investments
6. Other resources of the Trust
7. The investment policies of the Trust

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

*Spending Policy* - The Trust has a policy of appropriating funds for distribution to pay the entire Terrafirma insurance premium each year provided accumulated earnings are available.

*Strategies Employed for Achieving Objectives* - The Trust relies on a total return strategy in which investment returns are achieved through capital appreciation and current yield (interest and dividends). The Trust targets a diversified asset allocation that emphasizes growth instruments and equity securities to achieve its long-term objectives within prudent risk constraints. The target allocation for the year ended December 31, 2019, was as follows:

| <b>Asset Category</b> | <b>Target Allocation</b> |
|-----------------------|--------------------------|
| Equity                | 60%                      |
| Debt                  | 40%                      |
| Total                 | 100%                     |

**BUR OAK LAND TRUST**  
**Notes to the Financial Statements**  
**December 31, 2019**

**Note 8 - Endowments (Continued)**

Endowment net asset composition by type of fund as of December 31, 2019:

|   | <b>Without Donor<br/>Restriction</b> | <b>With Donor<br/>Restriction</b> | <b>Total</b>  |
|---|--------------------------------------|-----------------------------------|---------------|
| Board-designated endowment funds  | \$ 11,998                            | -                                 | 11,998        |
| Donor-restricted endowment funds  |                                      |                                   |               |
| Original donor-restricted gift<br>amounts required to be maintained<br>in perpetuity by donor | -                                    | 25,618                            | 25,618        |
| Accumulated investment gains  | -                                    | 4,519                             | 4,519         |
| Total endowment funds   | <u>\$ 11,998</u>                     | <u>30,137</u>                     | <u>42,135</u> |

Changes in endowment net assets for the year ended December 31, 2019:

|  | <b>Without Donor<br/>Restriction</b> | <b>With Donor<br/>Restriction</b> | <b>Total</b>   |
|--|--------------------------------------|-----------------------------------|----------------|
| Endowment net assets,<br>beginning of year           | \$ 11,215                            | 27,509                            | 38,724         |
| Investment return                                    |                                      |                                   |                |
| Investment income (loss)                             | 2,133                                | 5,229                             | 7,362          |
| Appropriation of endowment assets<br>for expenditure | <u>(1,350)</u>                       | <u>(2,601)</u>                    | <u>(3,951)</u> |
| Endowment net assets,<br>end of year                 | <u>\$ 11,998</u>                     | <u>30,137</u>                     | <u>42,135</u>  |

**Note 9 - Lease Commitments**

The Trust leases office space under a lease agreement which runs through November 2020. Under the lease, the monthly rent expense is \$1,086 plus utilities. Rent expense under this lease totaled \$12,968 for the year ended December 31, 2019.

The Trust leases warehouse space under a lease agreement which runs through September 2020. Under the lease, the monthly rent expense is \$600. Rent expense under this lease totaled \$1,800 for the year ended December 31, 2019.

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

|                                  |           |
|----------------------------------|-----------|
| <u>Years ending December 31:</u> |           |
| 2020                             | \$ 17,346 |

**Note 10 - Related Party Transactions**

The Trust received donations from employees and members of the Board of Directors totaling \$22,395 for the year ended December 31, 2019.

**BUR OAK LAND TRUST**  
**Notes to the Financial Statements**  
**December 31, 2019**

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**Note 11 - Designated Funds Held by a Community Foundation**

Designated funds for the benefit of Bur Oak Land Trust have been established by donors with The Community Foundation of Johnson County (Foundation). In establishing a designated fund, the donor grants variance power to the Foundation, and an asset is not recognized by the Organization. Revenue is recognized upon receipt of distributions. The balances of these funds held for the Organization's benefit totaled \$215,451 at December 31, 2019. The Organization received distributions of \$9,106 from the Foundation for the year ended December 31, 2019.

**Note 12 – Availability and Liquidity**

The following represents Bur Oak Land Trust's financial assets at December 31, 2019.

|  |            |
|--|------------|
| Financial assets at year end:  |            |
| Cash and cash equivalents  | \$ 21,265  |
| Investments  | 654,395    |
| Total financial assets   | 675,660    |
| Less amounts not available to be used within one year:                                 |            |
| Net assets with donor restrictions   | 251,462    |
| Board designated endowment funds   | 11,998     |
|  | 263,460    |
| Financial assets available to meet general expenditures<br>over the next twelve months | \$ 412,200 |

The Trust has a policy to maintain adequate financial assets to meet its obligations as they come due.

**Note 13 - Support Concentration**

Total support received from AmeriCorps during the year ended December 31, 2019 was \$72,389, representing approximately 23% of the Trust's total support and revenue for the year ended December 31, 2019.

**Note 14 – Subsequent Event**

Subsequent to year-end, world equity and bond markets experience substantial declines. The Organization has experienced material declines in its investments as a result of the market declines.



Independent Auditors' Report on Internal Control  
Over Financial Reporting and on Compliance and Other Matters  
Based on an Audit of Financial Statements  
Performed in Accordance with Government Auditing Standards

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Bur Oak Land Trust (a nonprofit organization), which comprise the statement of assets, liabilities, and net assets – modified cash basis as of December 31, 2019, and the related statements of support, revenues, expenses, and changes in net assets – modified cash basis, and functional expenses for the year then ended, and the related notes to the financial statements.

### **Internal Controls over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Bur Oak Land Trust's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Bur Oak Land Trust's internal control. Accordingly, we do not express an opinion on the effectiveness of the Bur Oak Land Trust's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We noted 2019-001 below as a significant deficiency in internal control over financial reporting.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Bur Oak Land Trust's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Trust's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*TDT CPAs and Advisors, P.C.*

Cedar Rapids, Iowa  
March 23, 2020

**BUR OAK LAND TRUST**  
**Schedule of Findings**  
**Year Ended December 31, 2019**

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Part I: Summary of independent auditors' results:

1. An unmodified opinion was issued on the financial statements.
2. The audit of the financial statements uncovered one significant deficiency and no material weaknesses in internal control over financial reporting. However, material weaknesses may exist that have not been uncovered.
3. The audit did not disclose any non-compliance that is material to the financial statements.

Part II: Finding(s) related to the financial statements

***Significant Deficiency:***

**Audit Finding 2019-001: Improper Classification of Contributions and Grants**

Criteria and Condition: Contributions and grants received by the Organization were recorded as without donor restrictions when there were donor restrictions.

Context: Proper recording of these contributions and grants is key to keep money received going to the intended source.

Effect: Chances of spending the contributed revenue on sources not intended by the donor.

Recommendations: We recommend management reviews recording of contributions and grants to ensure proper recording as to restrictions.

Views of Responsible Officials and Planned Corrective Actions: Management and staff agree with the above recommendations and will work to properly review the recording process.