

THE BELWIN CONSERVANCY

**CONSOLIDATED FINANCIAL STATEMENTS WITH
SUPPLEMENTARY INFORMATION**

**FOR THE YEARS ENDED
DECEMBER 31, 2017 AND 2016**

THE BELWIN CONSERVANCY

**CONSOLIDATED FINANCIAL STATEMENTS
WITH SUPPLEMENTARY INFORMATION**

For the Years Ended December 31, 2017 and 2016

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Mahoney Ulbrich Christiansen Russ P.A.

CERTIFIED PUBLIC ACCOUNTANTS

10 River Park Plaza, Suite 800 | Saint Paul, MN 55107

Phone: 651.227.6695 Fax: 651.227.9796 | www.mucr.com

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
The Belwin Conservancy
Minneapolis, Minnesota

We have audited the accompanying consolidated financial statements of The Belwin Conservancy (a nonprofit organization) and its affiliate, the Belwin Supporting Fund (a nonprofit organization), which comprise the consolidated statements of financial position as of December 31, 2017 and 2016, and the related consolidated statements of activities, functional expenses, 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.

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

(Continued)

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 its affiliate, the Belwin Supporting Fund, as of December 31, 2017 and 2016, 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 Supplementary Consolidating Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplementary consolidating information shown on pages 25 and 26 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.

August 20, 2018

*Mahoney Ulbrich
Christiansen Russ P.A.*

THE BELWIN CONSERVANCY

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

December 31, 2017 and 2016

	2017	2016
ASSETS		
Cash	\$ 68,858	\$ 63,342
Cash - capital reserve for LWBAF	16,775	16,567
Contributions receivable	108,060	541
Grant receivable	33,675	-
Receivable from affiliate	4,313	9,837
Investments	13,092,250	12,127,120
Land and conservation easements	9,548,694	9,204,710
Buildings and improvements, land improvements, and equipment, net	1,315,807	1,308,788
Endowment investments	155,576	134,735
	\$ 24,344,008	\$ 22,865,640
LIABILITIES AND NET ASSETS		
Accounts payable	\$ 28,962	\$ 4,387
Accrued payroll	19,343	16,472
Solar energy system acquisition obligation	58,075	60,608
Conditional contribution	1,499,973	1,499,973
	1,606,353	1,581,440
Net assets:		
Board designated endowment	10,121,763	9,176,243
Unrestricted and undesignated	1,297,554	1,239,349
Total unrestricted net assets	11,419,317	10,415,592
Temporarily restricted	564,283	548,643
Permanently restricted	10,754,055	10,319,965
	22,737,655	21,284,200
	\$ 24,344,008	\$ 22,865,640

See accompanying notes to consolidated financial statements.

THE BELWIN CONSERVANCY

CONSOLIDATED STATEMENTS OF ACTIVITIES

For the Years Ended December 31, 2017 and 2016

	2017			Total
	Unrestricted	Temporarily restricted	Permanently restricted	
Revenues and support:				
Contributions	\$ 307,663	\$ -	\$ 90,106	\$ 397,769
Government grants	56,536	-	-	56,536
Investment income	1,428,196	20,840	-	1,449,036
Facility user fees and rent income	95,029	-	-	95,029
Miscellaneous income	15,326	-	-	15,326
Total revenues and support	1,902,750	20,840	90,106	2,013,696
Expenses:				
Program services:				
Environmental	305,235	-	-	305,235
Art, science and nature	120,611	-	-	120,611
Recreation	108,939	-	-	108,939
	534,785	-	-	534,785
Management and general	243,947	-	-	243,947
Fundraising	164,509	-	-	164,509
Total expenses	943,241	-	-	943,241
Change in net assets before contribution of land and contributions for capital improvements	959,509	20,840	90,106	1,070,455
Contribution of land	-	-	340,000	340,000
Contributions for capital improvements	-	43,000	-	43,000
Net assets released upon satisfactor of purpose restrictions	48,200	(48,200)	-	-
Reclassification for land purchase	(3,984)	-	3,984	-
Change in net assets	1,003,725	15,640	434,090	1,453,455
Net assets, beginning of year	10,415,592	548,643	10,319,965	21,284,200
Net assets, end of year	\$ 11,419,317	\$ 564,283	\$ 10,754,055	\$ 22,737,655
	2016			
Revenues and support:				
Contributions	\$ 284,878	\$ -	\$ 90,106	\$ 374,984
In-kind services	10,339	-	-	10,339
Government grants	28,732	-	-	28,732
Investment income	526,467	7,459	-	533,926
Facility user fees and rent income	98,310	-	-	98,310
Total revenues and support	948,726	7,459	90,106	1,046,291
Expenses:				
Program services:				
Environmental	281,033	-	-	281,033
Art, science and nature	137,411	-	-	137,411
Recreation	120,376	-	-	120,376
	538,820	-	-	538,820
Management and general	246,913	-	-	246,913
Fundraising	167,879	-	-	167,879
Total expenses	953,612	-	-	953,612
Change in net assets before contributions for capital improvements	(4,886)	7,459	90,106	92,679
Contributions for capital improvements	-	5,200	-	5,200
Net assets released upon satisfactor of purpose restrictions	57,266	(57,266)	-	-
Change in net assets	52,380	(44,607)	90,106	97,879
Net assets, beginning of year	10,363,212	593,250	10,229,859	21,186,321
Net assets, end of year	\$ 10,415,592	\$ 548,643	\$ 10,319,965	\$ 21,284,200

See accompanying notes to consolidated financial statements.

THE BELWIN CONSERVANCY

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended December 31, 2017
(With Comparative Totals for 2016)

	2017							2016
	Program services				Management and general	Fundraising	Total	
Environmental	Art, science and nature	Recreation	Total					
Salaries	\$ 147,321	\$ 67,285	\$ 13,778	\$ 228,384	\$ 77,281	\$ 94,486	\$ 400,151	\$ 351,454
Payroll tax	11,744	4,645	1,051	17,440	5,621	7,016	30,077	25,509
Employee benefits	18,001	7,240	1,585	26,826	8,153	10,878	45,857	25,604
	<u>177,066</u>	<u>79,170</u>	<u>16,414</u>	<u>272,650</u>	<u>91,055</u>	<u>112,380</u>	<u>476,085</u>	<u>402,567</u>
Office expenses	3,282	482	-	3,764	10,551	1,401	15,716	10,259
Occupancy	12,640	638	560	13,838	6,904	638	21,380	18,988
Telephone	8,834	4,035	826	13,695	4,634	5,666	23,995	12,294
Printing and publication	-	3,072	-	3,072	1,416	2,742	7,230	14,484
Insurance	13,053	4,390	3,932	21,375	8,167	3,957	33,499	35,632
Real estate taxes	10,330	521	458	11,309	5,642	521	17,472	11,894
Repairs and maintenance	16,121	143	188	16,452	262	-	16,714	49,535
Professional fees	4,005	7,049	78,773	89,827	39,290	7,461	136,578	206,317
Auto and truck expenses	13,791	-	354	14,145	291	654	15,090	19,940
Travel	361	761	-	1,122	2,507	1,131	4,760	3,769
Miscellaneous	2,722	1,110	470	4,302	3,705	648	8,655	9,824
Investment fees	-	-	-	-	47,395	-	47,395	43,133
Interest	-	-	2,975	2,975	-	-	2,975	2,991
Depreciation	43,030	19,240	3,989	66,259	22,128	27,310	115,697	111,985
	<u>\$ 305,235</u>	<u>\$ 120,611</u>	<u>\$ 108,939</u>	<u>\$ 534,785</u>	<u>\$ 243,947</u>	<u>\$ 164,509</u>	<u>\$ 943,241</u>	<u>\$ 953,612</u>

See accompanying notes to consolidated financial statements.

THE BELWIN CONSERVANCY

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended December 31, 2016

	Program services				Management and general	Fundraising	Total
	Environmental	Art, science and nature	Recreation	Total			
Salaries	\$ 128,359	\$ 63,986	\$ 12,726	\$ 205,071	\$ 85,379	\$ 61,004	\$ 351,454
Payroll tax	9,652	4,342	929	14,923	6,197	4,389	25,509
Employee benefits	10,333	4,761	875	15,969	5,518	4,117	25,604
	<u>148,344</u>	<u>73,089</u>	<u>14,530</u>	<u>235,963</u>	<u>97,094</u>	<u>69,510</u>	<u>402,567</u>
Office expenses	423	250	-	673	7,809	1,777	10,259
Occupancy	11,063	613	450	12,126	6,249	613	18,988
Telephone	58	29	822	909	11,356	29	12,294
Printing and publication	-	3,864	-	3,864	2,690	7,930	14,484
Insurance	10,132	5,066	5,066	20,264	10,302	5,066	35,632
Real estate taxes	-	-	-	-	11,894	-	11,894
Repairs and maintenance	39,927	141	9,467	49,535	-	-	49,535
Professional fees	8,806	32,062	82,327	123,195	22,586	60,536	206,317
Auto and truck expenses	17,958	-	681	18,639	755	546	19,940
Travel	250	914	-	1,164	2,188	417	3,769
Miscellaneous	2,806	1,051	-	3,857	3,848	2,119	9,824
Investment fees	-	-	-	-	43,133	-	43,133
Interest	-	-	2,991	2,991	-	-	2,991
Depreciation	41,266	20,332	4,042	65,640	27,009	19,336	111,985
	<u>\$ 281,033</u>	<u>\$ 137,411</u>	<u>\$ 120,376</u>	<u>\$ 538,820</u>	<u>\$ 246,913</u>	<u>\$ 167,879</u>	<u>\$ 953,612</u>

See accompanying notes to consolidated financial statements.

THE BELWIN CONSERVANCY

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the Years Ended December 31, 2017 and 2016

Increase (Decrease) in Cash

	2017	2016
Cash flows from operating activities:		
Change in net assets	\$ 1,453,455	\$ 97,879
Adjustments to reconcile the change in net assets to net cash from operating activities:		
Depreciation	115,697	111,985
Reinvested investment income	(750,818)	(249,795)
Realized/unrealized (gain) loss on investments, net	(20,424)	421,536
Contribution of land	(340,000)	-
Contributions restricted for land purchases	(90,106)	(90,106)
Contributions restricted for capital improvements	(43,000)	(5,200)
Changes in operating assets and liabilities:		
Contributions receivable	(107,519)	9,170
Grant receivable	(33,675)	-
Receivable from affiliate	5,524	(7,171)
Accounts payable and accrued expenses	27,446	510
Net cash from operating activities	216,580	288,808
Cash flows from investing activities:		
Deposits to reserve for LWBAF, net	(208)	(208)
Payments for buildings and equipment	(122,716)	(121,848)
Payments for land	(3,984)	-
Sale of investments	1,769,805	133,537
Purchase of investments	(1,984,534)	(414,908)
Net cash from investing activities	(341,637)	(403,427)
Cash flows from financing activities:		
Contributions restricted for land purchases	90,106	90,106
Contributions restricted for capital improvements	43,000	5,200
Payments for solar energy system	(2,533)	(2,165)
Net cash from financing activities	130,573	93,141
Net increase (decrease) in cash	5,516	(21,478)
Cash, beginning of year	63,342	84,820
Cash, end of year	\$ 68,858	\$ 63,342
Supplemental cash flow information:		
Noncash investing and financing activities:		
Contribution of land	\$ 340,000	\$ -

See accompanying notes to consolidated financial statements.

THE BELWIN CONSERVANCY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended December 31, 2017 and 2016

1. ORGANIZATION

The Belwin Conservancy (the Conservancy) 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. The Conservancy comprises one of the largest private nonprofit owned nature preserves in the Twin Cities region with a focus on connecting people and the natural world.

During 2011, the Belwin Conservancy established the Belwin Supporting Fund (the Supporting Fund), a Minnesota nonprofit corporation. The Supporting Fund, affiliated with the Belwin Conservancy through common control, was formed for the purpose of holding, managing and making distributions to the Belwin Conservancy of cash and investment holdings that were contributed to Belwin by any descendants of James Ford Bell. The Supporting Fund uses up to 4.5% of the rolling three-year average value of its net assets to provide support for the Conservancy to cover costs within the annual budget.

Belwin does its work in a number of ways including:

Environmental -

Ecological Restoration: The Conservancy 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: The Conservancy'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: The Conservancy has approximately 160 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 the Conservancy 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: The Conservancy 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 The Conservancy's property for research. Because the Conservancy 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.

(Continued)

THE BELWIN CONSERVANCY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended December 31, 2017 and 2016

1. ORGANIZATION (Continued)

Land Acquisition: The Conservancy 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.

Observatory: The Conservancy 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 - The Conservancy 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 - The Conservancy 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 the Conservancy to participate in providing facilities that were not otherwise available in the community.

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

The primary funding sources for the Conservancy's programs are private contributions, government grants, user fees and investment income.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation - The consolidated financial statements include the accounts of Belwin Conservancy and its affiliated supporting organization, Belwin Supporting Fund, collectively called Belwin. The Conservancy is the operating entity while the Supporting Fund is the investment entity. Inter-entity 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, 2017 and 2016

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 further discussed in Note 10 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 and cash restricted for LWBAF, 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. Except for investments in Partnerships and LLC's for which any gain/loss is included in interest and dividend income (Note 4), 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 lives of the assets using the straight-line method. Expenditures in excess of \$1,000 are capitalized. Buildings are depreciated over 40 years, building improvements are depreciated over 5 - 40 years, land improvements are depreciated over 10 - 25 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.

(Continued)

THE BELWIN CONSERVANCY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended December 31, 2017 and 2016

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

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.

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 2017 and 2016.

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 \$10,339 of contributed marketing and consulting services in 2016.

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 activities that are not related to its exempt purpose. Belwin did not have any unrelated business income in 2017 or 2016. 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.

3. **CONTRIBUTIONS RECEIVABLE**

Contributions receivable are due within one year.

(Continued)

THE BELWIN CONSERVANCY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended December 31, 2017 and 2016

4. INVESTMENTS

Investments consisted of the following as of December 31:

	2017	2016
Mutual funds:		
U.S. government money market funds	\$ 3,877,165	\$ 4,056,814
Prime money market	48,872	48,479
Intermediate - term bond	809,427	-
Diversified emerging markets	790,338	954,022
Foreign large blend	45,679	35,893
Large blend	61,025	50,363
Exchange traded funds:		
Foreign large blend	716,525	974,883
Common and collective trust funds:		
Large cap index	772,767	885,813
Large cap	2,642,293	2,008,115
Small cap value	279,876	386,896
Small cap growth	255,198	330,385
Partnerships and LLC's:		
Small business venture capital	414,306	306,592
Distressed companies	293,338	412,516
Emerging growth	412,980	556,955
Real estate	294,843	482,395
Municipal fund	446,987	446,694
Multi-sector credit-related assets	135,945	194,053
Healthcare industry	170,816	130,987
Diversifying strategies	611,486	-
Energy sector MLP's	167,959	-
	13,247,826	12,261,855
Total investments	13,247,826	12,261,855
Endowment investments	(155,576)	(134,735)
	\$ 13,092,250	\$ 12,127,120

Investment income (loss) is summarized as follows:

	2017	2016
Interest and dividend income*	\$ 1,428,612	\$ 955,462
Net realized and unrealized gains (losses), net	20,424	(421,536)
	\$ 1,449,036	\$ 533,926

*Interest and dividend income includes the return of investments in Partnerships and LLC's because the portion received representing a return of investments has not been determined.

(Continued)

THE BELWIN CONSERVANCY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended December 31, 2017 and 2016

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.

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 as reported by the corresponding active exchange.

As a practical expedient, the fair value of common and collective trust funds is based on the net asset value of units held by Belwin at year end, as determined by the trustee 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.

The trustee seeks to maximize after-tax returns with US equity index exposure and active tax management. Their strategy is to provide a similar pre-tax return to the chosen equities indices - US Large and Mid Cap (Russell 1000 Index); US Small Cap Value (Russell 2000 Value Index); and US Small Cap Growth (Russell 2000 Growth Index). They maximize long term after-tax total returns through active tax management, capital gain or loss realization, aggressive transaction cost management, risk management, and very low management fees.

As a practical expedient, 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, 2017 and 2016

5. FAIR VALUE MEASUREMENTS (Continued)

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, 2017 and 2016:

	Fair Value Measurements at Reporting Date Using:			
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Other Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
December 31, 2017				
Mutual and exchange traded funds	\$ 6,349,031	\$ 6,349,031	\$ -	\$ -
Investments measured at net asset value*	6,898,795			
Total	\$ 13,247,826			
December 31, 2016				
Mutual and exchange traded funds	\$ 6,120,454	\$ 6,120,454	\$ -	\$ -
Investments measured at net asset value*	6,141,401			
Total	\$ 12,261,855			

*Investments that are measured at fair value using the net asset value per share (or its equivalent) practical expedient have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the amounts presented on the Statement of Financial Position.

There have been no changes in valuation techniques and related inputs.

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THE BELWIN CONSERVANCY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended December 31, 2017 and 2016

5. FAIR VALUE MEASUREMENTS (Continued)

The following is a summary of investments in partnerships and LLC's as of December 31, 2017 and 2016, with unfunded commitments at December 31, 2017:

	2017	2016	Unfunded Commitments
Small Business Venture Capital:			
European Secondary Opportunities I LP	\$ 113,061	\$ 102,516	\$ 5,130
GCM Grosvener Co-Investment Opportunity Fund, L.P.	282,752	204,076	-
FEG Private Opportunities Fund III, L.P. (Series B)	18,493	-	141,638
Distressed Companies:			
Wayzata Opportunity Fund, LLC	1,720	4,051	-
Wayzata Opportunity Fund II, L.P.	23,575	49,458	-
Fundamental Partners III LP	220,654	359,007	292,825
Fundamental Partners Municipal Trust	182,728	200,084	36,238
FEG Private Opportunities Fund III, L.P. (Series D)	47,389	-	145,416
Emerging Growth:			
Westly Capital Partners, L.P. (Fund I)	47,644	55,096	-
Westly Capital Partners II	196,782	194,010	43,094
Pine Bridge Structured Capital Partners II, L.P.	168,554	307,849	-
Real Estate:			
JP Morgan US Real Estate Income and Growth Fund	212,272	397,791	-
Harrison Street Real Estate Partners III, L.P.	82,571	83,917	25,150
Invesco Real Estate Fund I	-	687	-
International Farmland Trust	264,259	246,610	-
Multi-sector Credit-Related Assets:			
Special Credit Opportunities (Offshore), L.P.	135,945	194,053	15,235
Healthcare Industry:			
Sightline Healthcare Opportunity Fund II, L.P.	170,816	130,987	12,000
Diversifying Strategies:			
BlackRock Appreciation Fund IV, Ltd	370,969	-	-
FEG Absolute Access Fund I LLC	240,517	-	-
Energy Sector Master Limited Partnerships:			
Harvest MLP Income Fund LLC	167,959	-	-
End of Year Fair Value	<u>\$ 2,948,660</u>	<u>\$ 2,530,192</u>	<u>\$ 684,972</u>

(Continued)

THE BELWIN CONSERVANCY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended December 31, 2017 and 2016

5. FAIR VALUE MEASUREMENTS (Continued)

European Secondary Opportunities Fund I LP was formed to acquire existing participations in private equity funds operating in the European lower mid-market buy-out, development capital and turnaround sectors and to take advantage of the fact that certain limited partners are under pressure and are cash constrained and desire to sell their positions. The opportunity is enhanced due to the lack of realizations in existing funds and the continuing decline in valuations as a result of the uncertain economic and financial outlook in Europe. Redemptions are not permitted during the life of the fund. When the assets are sold, the proceeds, less any incentives due to the fund sponsor, will be distributed to the investors. The fund expects to sell all of its underlying assets in April 2022.

GCM Grosvener Co-Investment Opportunity Fund, L.P. invests directly and indirectly in private companies by making investments alongside select middle-market private equity funds on a co-investment basis. The Fund focuses on North America and Western Europe and opportunistically seeks exposure to other geographies. Redemptions are not permitted during the life of the fund. When the assets are sold, the proceeds, less any incentives due to the fund sponsor, will be distributed to the investors. The fund expects to sell all of its underlying assets in April 2026.

FEG Private Opportunities Fund III, L.P. (Series B) invests in start-up companies that reflect a high risk/high return profile and are uniquely exposed to new market opportunities. The fund also invests in companies that benefit from corporate events, industry consolidation, or growth often through operational improvements, acquisitions, new leadership and/or new strategic direction, seeking enhanced returns through new market opportunities. When the assets are sold, the proceeds, less any incentives due to the fund sponsor, will be distributed to the investors. The fund expects to sell all of its underlying assets in 2027.

The investment strategy for the Wayzata Opportunity Fund, LLC is to be an activist investor purchasing the senior part of the capital structure focusing on secured debt of distressed companies and the underlying physical assets and to control the restructuring process. The Fund is currently in the liquidation stage and anticipates final liquidity events taking place in 2019.

Wayzata Opportunity Fund II, L.P. has a similar investment strategy to Wayzata Opportunity Fund, LLC. This Fund raised in excess of \$3 billion in late 2007 and was able to take advantage of some of the financial dislocation that occurred in 2008 and 2009. The Fund has over 50 investments. The largest remaining investment (over 10% of the Fund's value) is Minn Tex Power Holdings which owns the 1000 MW Guadalupe Generating Station, a natural gas-fired power plant near San Antonio, Texas. The Fund is currently in the liquidation stage and anticipates final liquidity events taking place in 2019.

Fundamental Partners III LP targets control-oriented investments in stressed/distressed assets or securities, finances the development or revitalization of community/public purpose assets, and acquires undervalued securities in the secondary market. Redemptions are not permitted during the life of the fund. When the assets are sold, the proceeds, less any incentives due to the fund sponsor, will be distributed to the investors. The Fund expects to sell all of its underlying assets in November 2025.

(Continued)

THE BELWIN CONSERVANCY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended December 31, 2017 and 2016

5. FAIR VALUE MEASUREMENTS (Continued)

The Fundamental Partners Municipal Trust was established to invest in Fundamental Trust II, Limited Partnership which was formed to make control-oriented investments in distressed and special situation opportunities within and related to the municipal revenue bond market. The Fund strategy is to find investment opportunities that are secured by assets and specific pledge of revenue from assets, providing downside protection that are typically need-based assets that are critical to the community. When the assets are sold, the proceeds, less any incentives due to the fund sponsor, will be distributed to the investors. The Fund expects to sell all of its underlying assets in March 2019.

FEG Private Opportunities Fund III, L.P. (Series D) invests in strategies such as distressed debt, mezzanine debt, or other differentiated strategies that are attractive due to market dislocation or unique characteristics. The Fund seeks enhanced returns due to market dislocations or unique niche opportunities. When the assets are sold, the proceeds, less any incentives due to the fund sponsor, will be distributed to the investors. The Fund expects to sell all of its underlying assets in 2027.

Westly Capital Partners, L.P. (Fund I) is a \$100 million fund, of which over 20% are the General Partners' personal investments. The strategy is to invest in companies with proven clean tech technologies and current revenues or in earlier stage companies when they can co-invest with technology leading venture firms. The target sectors for investment are environmental remediation; energy storage; and green building materials. Redemptions are not permitted during the life of the fund. When the assets are sold, the proceeds, less any incentives due to the fund sponsor, will be distributed to the investors. The fund expects to sell all of its underlying assets in May 2018.

Westly Capital Partners II continues with the successful strategy from Fund I and has added a more international focus with a provision that allows the Fund to invest up to 25% in non-US companies. Redemptions are not permitted during the life of the fund. When the assets are sold, the proceeds, less any incentives due to the fund sponsor, will be distributed to the investors. The fund expects to sell all of its underlying assets in July 2021.

The PineBridge Structured Capital Partners II, L.P. provides subordinated debt and preferred equity to small and middle market companies with less than \$500 million of enterprise value. The Fund receives equity upside through common equity, warrants, options and other participation rights. The Fund does not behave like a short-term creditor but rather a constructive business partner to the controlling shareholders of the portfolio companies. Redemptions are not permitted during the life of the fund. When the assets are sold, the proceeds, less any incentives due to the fund sponsor, will be distributed to the investors. The fund expects to sell all of its underlying assets in December 2024.

The JP Morgan US Real Estate Income and Growth Fund is an actively managed, open-end fund with a levered core real estate strategy. The objective is to produce high income returns, with the potential for capital appreciation. The portfolio is anchored by low-risk, high quality, competitively positioned real estate investments that are well leased and stabilized. The Fund's approach to leverage is highly disciplined. They target a moderate debt level of 50%. Redemptions are not permitted during the life of the fund. When the assets are sold, the proceeds, less any incentives due to the fund sponsor, will be distributed to the investors.

(Continued)

THE BELWIN CONSERVANCY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended December 31, 2017 and 2016

5. FAIR VALUE MEASUREMENTS (Continued)

Harrison Street Real Estate Partners III, L.P. invests in "need-based" sectors of the real estate market with a focus on education, healthcare, and storage. These asset classes include off-campus student housing, medical office buildings, senior housing, self-storage, and boat storage. These sectors have very strong fundamentals with positive demographic trends that are anticipated to continue for the next 20+ years. Returns for these sectors have exceeded those for the traditional real estate sectors primarily because supply is constrained, there is consistent demand, and a strong lender appetite exists for these sectors. Redemptions are not permitted during the life of the fund. When the assets are sold, the proceeds, less any incentives due to the fund sponsor, will be distributed to the investors. The fund expects to sell all of its underlying assets in June 2022.

Invesco Real Estate Fund I invests in value-added real estate opportunities in the US in four specific product types - multi family; industrial; retail; and office properties. Invesco uses a research driven approach to evaluate key economic drivers by property type and market. Their value added strategy focuses on re-tenanting, renovation, repositioning and development. Leverage is expected to be 60% of the market value of investments. The Fund's final liquidity events took place in 2017.

The International Farmland Trust seeks to acquire or lease grain and oilseed properties in geographically diverse regions of Australia and Brazil and generate returns through production and sale of grain and oilseed commodities and potential for capital appreciation of properties acquired. The General Partner, Macquarie Agricultural Funds Management, has over 20 years experience in agricultural markets and global capabilities across agricultural commodities and agricultural research. They have consistently delivered operating profits through scale benefits by aggregating farms and reducing the per unit cost of production. Redemptions are not permitted during the life of the fund. When the assets are sold, the proceeds, less any incentives due to the fund sponsor, will be distributed to the investors. The fund expects to sell all of its underlying assets in October 2021.

Special Credit Opportunities (Offshore), L.P. has identified attractive investment opportunities in the credit markets due to continued regulatory changes and global deleveraging. The Blackrock Special Credit Opportunities Fund will provide capital to areas or sectors undergoing longer-term structural changes in their sources of capital. The Fund anticipates a two to five year investment horizon with high current cash flow expected. Redemptions are not permitted during the life of the fund. When the assets are sold, the proceeds, less any incentives due to the fund sponsor, will be distributed to the investors. The fund expects to sell all of its underlying assets in July 2020.

Sightline Healthcare Opportunity Fund II, L.P. makes direct secondary investments in late-stage medical device companies. They identify capital-constrained investors and purchase their existing interest in companies that have begun commercialization. They seek companies that have clarity of exit within 2 to 3 years at premium valuations. Redemptions are not permitted during the life of the fund. When the assets are sold, the proceeds, less any incentives due to the fund sponsor, will be distributed to the investors. The fund expects to sell all of its underlying assets in July 2020.

(Continued)

THE BELWIN CONSERVANCY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended December 31, 2017 and 2016

5. FAIR VALUE MEASUREMENTS (Continued)

Blackrock Appreciation Fund IV, Ltd seeks to generate positive returns throughout various market cycles by allocating to a diversified portfolio of hedge fund managers. The investors may redeem up to 25% of their shares as of the last business day of any fiscal quarter with 93 days' notice.

FEG Absolute Access Fund I LLC allocates assets primarily among Portfolio Fund Managers implementing a variety of absolute return investment strategies while diversifying risk across a number of specific investment strategies, Portfolio Fund Managers and markets, while exhibiting less volatility than that of a portfolio of general equity and debt, although there is no assurance that a lower volatility will be reached. Investing in the Fund involves a high degree of risk. Redemption requests will be considered by the Board.

The Harvest MLP Income Fund LLC seeks absolute total return by investing long-only in income-producing publicly traded Master Limited Partnerships (MLPs), with a particular focus on energy sector MLPs. Redemption rights are permitted on the last business day of any month with a 30 day advance notice.

6. BUILDINGS AND IMPROVEMENTS, LAND IMPROVEMENTS, AND EQUIPMENT

Buildings and improvements, land improvements, and equipment consisted of the following:

	<u>2017</u>	<u>2016</u>
Buildings and improvements	\$ 3,083,833	\$ 3,080,771
Land improvements	1,175,583	1,102,382
Equipment	<u>452,754</u>	<u>406,301</u>
	4,712,170	4,589,454
Less: accumulated depreciation	<u>(3,396,363)</u>	<u>(3,280,666)</u>
	<u>\$ 1,315,807</u>	<u>\$ 1,308,788</u>

7. LAND AND CONSERVATION EASEMENTS

Land located in Afton, Lakeland and West Lakeland Township, Minnesota was acquired by Belwin through numerous means. These included donation, purchase with funds donated to Belwin specifically for the purpose of purchasing property or with general organizational funds. Land donated to Belwin or purchased by Belwin with funds donated for the purpose of purchasing property should be maintained by Belwin as open space with much of it in a natural state for educational and research purposes and must 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. During 2017, Belwin received approximately 13 acres of donated land with an estimated fair value of \$340,000, and paid \$3,984 for transfer costs. No land was acquired in 2016.

(Continued)

THE BELWIN CONSERVANCY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended December 31, 2017 and 2016

7. LAND AND CONSERVATION EASEMENTS (Continued)

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.

8. SOLAR ENERGY SYSTEM ACQUISITION OBLIGATION

In February 2014, Belwin entered into an agreement to purchase and install a solar energy system on its property using seller financing. Installation of the solar system started in fall of 2014 and was completed in early 2015. The solar system went live on June 3, 2015. A subsidiary of the seller leases the solar system from Belwin under a capital lease agreement, and sells 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 13 years (June 3, 2028). 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. Belwin also assigned state solar incentive payments to the lessee. During the lease term, the lessee is responsible for all maintenance costs. Specified minimum payments are due even if the put or call is exercised. Utility cost savings are expected to finance the annual payments.

Future minimum payments are as follows:

2018	\$ 5,772
2019	6,048
2020	6,336
2021	6,636
2022	6,954
Thereafter	<u>44,634</u>
	76,380
Less interest at 5%	<u>(18,305)</u>
	<u>\$ 58,075</u>

The cost of the solar system based on Belwin's required minimum payments is \$63,757. The related amortization expense during 2017 and 2016 was \$2,550 and accumulated amortization was \$6,588 and \$4,038 at December 31, 2017, and 2016, respectively.

9. NET ASSETS

The Board designated endowment is held by the Fund and is to be used for general operating support for the Conservancy. The Board has a policy of appropriating for distribution up to 4.5% of the rolling three-year average value of the net assets. The board designated endowment balance was \$10,121,763 and \$9,176,243 at December 31, 2017 and 2016, respectively.

(Continued)

THE BELWIN CONSERVANCY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended December 31, 2017 and 2016

9. **NET ASSETS (Continued)**

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

	2017	2016
Unappropriated endowment earnings	\$ 43,769	\$ 22,928
Art and nature	311,186	311,187
Program expansion	209,328	209,328
Education center improvements	-	5,200
	\$ 564,283	\$ 548,643

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

	2017	2016
Investments - endowment principal	\$ 111,807	\$ 111,807
Investments restricted by donors for land purchases	1,059,460	969,354
Land and easements	9,582,788	9,238,804
	\$ 10,754,055	\$ 10,319,965

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. No matching contributions were recognized in 2017 and 2016.

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. Afton Land Partnership owes Belwin \$4,313 and \$9,837, respectively, at December 31, 2017 and 2016.

The Fund receives investment advisory and accounting services from Burr Oak, Inc., a family investment and advisory office with one owner that also serves on the boards of the Conservancy and the Fund. The Fund paid Burr Oak, Inc. \$47,395 and \$43,133 in 2017 and 2016, respectively.

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THE BELWIN CONSERVANCY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended December 31, 2017 and 2016

12. COMMITMENTS AND CONTINGENCIES

Employees - Belwin has an agreement with Oasis DEG, Inc. (Oasis) whereby Belwin's employees have become employees of Oasis for administrative and personnel purposes. Oasis assumed responsibility for administrative employment matters, such as paying wages and all federal, state and local payroll taxes, FICA, and 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.

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 2017 and 2016 totaled \$11,271 and \$9,661, respectively.

14. ENDOWMENTS

At December 31, 2017, Belwin has one donor-restricted endowment and a Board designated endowment. Earnings on the donor-restricted 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

(Continued)

THE BELWIN CONSERVANCY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended December 31, 2017 and 2016

14. **ENDOWMENTS (Continued)**

- (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, 2017 follow:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	\$ 9,176,243	\$ 22,928	\$ 111,807	\$ 9,310,978
Investment return:				
Investment income, net of fees	1,334,141	2,622	-	1,336,763
Appreciation (depreciation)	2,205	18,219	-	20,424
Total investment return	1,336,346	20,841	-	1,357,187
Additions	-	-	-	-
Appropriation for expenditure	(390,827)	-	-	(390,827)
Endowment net assets, end of year	<u>\$ 10,121,762</u>	<u>\$ 43,769</u>	<u>\$ 111,807</u>	<u>\$ 10,277,338</u>

Changes in endowment net assets for the year ended December 31, 2016 follow:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	\$ 9,123,116	\$ 15,469	\$ 111,807	\$ 9,250,392
Investment return:				
Investment income, net of fees	914,848	2,176	-	917,024
Appreciation (depreciation)	(476,696)	5,283	-	(471,413)
Total investment return	438,152	7,459	-	445,611
Additions	100,000	-	-	100,000
Appropriation for expenditure	(485,025)	-	-	(485,025)
Endowment net assets, end of year	<u>\$ 9,176,243</u>	<u>\$ 22,928</u>	<u>\$ 111,807</u>	<u>\$ 9,310,978</u>

(Continued)

THE BELWIN CONSERVANCY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended December 31, 2017 and 2016

14. ENDOWMENTS (Continued)

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 donor-restricted endowment assets 69% in foreign and 31% in domestic large blend mutual funds and money market accounts. At December 31, 2017, the Board-designated endowment is invested 9% in money market funds; 15% in diversified emerging market mutual funds; 8% in foreign large blend exchange traded funds; 39% in common and collective trust funds; and 29% in partnerships and LLC's. At December 31, 2016, the Board-designated endowment is invested 12% in money market funds; 10% in diversified emerging market mutual funds; 11% in foreign large blend exchange traded funds; 39% in common and collective trust funds; and 28% in partnerships and LLC's.

15. LUCY WINTON BELL ATHLETIC FIELDS

Belwin entered into a cooperative management agreement for the operation and maintenance of the athletic fields with two nonprofit sports organizations beginning in 2011. The 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. Net annual budgeted operating costs are shared equally by the other two organizations. Belwin collects the budgeted user fee from the other two parties and pays the facility manager. Each of the organizations must also contribute \$2,500 annually to a LWBAF capital reserve held by Belwin. User fees were \$78,000 in 2017 and 2016. The facility manager expense was \$78,000 in both years. Any excess user fees are deposited to the capital reserve.

16. SUBSEQUENT EVENTS

Management has evaluated subsequent events through August 20, 2018, the date on which the financial statements were available for issue, and identified no further significant events or transactions to disclose.

SUPPLEMENTARY CONSOLIDATING INFORMATION

THE BELWIN CONSERVANCY

CONSOLIDATING STATEMENT OF FINANCIAL POSITION

December 31, 2017

	Belwin Conservancy	Belwin Supporting Fund	Total Before Eliminations	Eliminations	Total
ASSETS					
Cash	\$ 68,858	\$ -	\$ 68,858	\$ -	\$ 68,858
Cash - capital reserve for LWBAF	16,775	-	16,775	-	16,775
Contributions receivable	108,060	-	108,060	-	108,060
Grant receivable	33,675	-	33,675	-	33,675
Receivable from affiliate	1,504,286	-	1,504,286	(1,499,973)	4,313
Investments	-	13,092,250	13,092,250	-	13,092,250
Land and conservation easements	9,548,694	-	9,548,694	-	9,548,694
Buildings and improvements, land improvements, and equipment, net	1,315,807	-	1,315,807	-	1,315,807
Endowment investments	155,576	-	155,576	-	155,576
	<u>\$ 12,751,731</u>	<u>\$ 13,092,250</u>	<u>\$ 25,843,981</u>	<u>\$ (1,499,973)</u>	<u>\$ 24,344,008</u>
LIABILITIES AND NET ASSETS					
Accounts payable	\$ 28,962	\$ -	\$ 28,962	\$ -	\$ 28,962
Due to affiliate	-	1,499,973	1,499,973	(1,499,973)	-
Accrued payroll	19,343	-	19,343	-	19,343
Solar energy system acquisition	58,075	-	58,075	-	58,075
Conditional contribution	1,499,973	-	1,499,973	-	1,499,973
Total liabilities	<u>1,606,353</u>	<u>1,499,973</u>	<u>3,106,326</u>	<u>(1,499,973)</u>	<u>1,606,353</u>
Net assets:					
Board designated endowment	-	10,121,763	10,121,763	-	10,121,763
Unrestricted and undesignated	(71,667)	1,369,221	1,297,554	-	1,297,554
Total unrestricted net assets	(71,667)	11,490,984	11,419,317	-	11,419,317
Temporarily restricted	553,096	101,293	654,389	(90,106)	564,283
Permanently restricted	10,663,949	-	10,663,949	90,106	10,754,055
Total net assets	<u>11,145,378</u>	<u>11,592,277</u>	<u>22,737,655</u>	<u>-</u>	<u>22,737,655</u>
	<u>\$ 12,751,731</u>	<u>\$ 13,092,250</u>	<u>\$ 25,843,981</u>	<u>\$ (1,499,973)</u>	<u>\$ 24,344,008</u>

See independent auditor's report

THE BELWIN CONSERVANCY

CONSOLIDATING STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2017

	Belwin Conservancy	Belwin Supporting Fund	Total Before Eliminations	Eliminations	Total
Revenues and support:					
Contributions	\$ 813,440	\$ 90,106	\$ 903,546	\$ (505,777)	\$ 397,769
Government grants	56,536	-	56,536	-	56,536
Investment income	20,840	1,428,196	1,449,036	-	1,449,036
Facility user fees and rent income	95,029	-	95,029	-	95,029
Miscellaneous income	15,326	-	15,326	-	15,326
Total revenues and support	<u>1,001,171</u>	<u>1,518,302</u>	<u>2,519,473</u>	<u>(505,777)</u>	<u>2,013,696</u>
Expenses:					
Program services:					
Environmental	305,235	-	305,235	-	305,235
Art, science and nature	120,611	-	120,611	-	120,611
Recreation	108,939	-	108,939	-	108,939
	<u>534,785</u>	<u>-</u>	<u>534,785</u>	<u>-</u>	<u>534,785</u>
Management and general	196,552	553,172	749,724	(505,777)	243,947
Fundraising	164,509	-	164,509	-	164,509
Total expenses	<u>895,846</u>	<u>553,172</u>	<u>1,449,018</u>	<u>(505,777)</u>	<u>943,241</u>
Change in net assets before contribution of land and contributions for capital improvements	105,325	965,130	1,070,455	-	1,070,455
Contribution of land	340,000	-	340,000	-	340,000
Contributions for capital improvements	43,000	-	43,000	-	43,000
Change in net assets	488,325	965,130	1,453,455	-	1,453,455
Net assets, beginning of year	<u>10,657,053</u>	<u>10,627,147</u>	<u>21,284,200</u>	<u>-</u>	<u>21,284,200</u>
Net assets, end of year	<u>\$ 11,145,378</u>	<u>\$ 11,592,277</u>	<u>\$ 22,737,655</u>	<u>\$ -</u>	<u>\$ 22,737,655</u>

See independent auditor's report