

THE BELWIN CONSERVANCY

**CONSOLIDATED FINANCIAL STATEMENTS WITH
SUPPLEMENTARY INFORMATION**

**FOR THE YEARS ENDED
DECEMBER 31, 2020 AND 2019**

THE BELWIN CONSERVANCY

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WITH SUPPLEMENTARY INFORMATION**

For the Years Ended December 31, 2020 and 2019

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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, 2020 and 2019, 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 consolidated 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, 2020 and 2019, 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 31 and 32 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 consolidated financial statements or to the consolidated 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 14, 2021

*Mahoney Ulbrich
Christiansen Russ P.A.*

THE BELWIN CONSERVANCY

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

December 31, 2020 and 2019

	2020	2019
ASSETS		
Cash	\$ 228,567	\$ 261,640
Cash - capital reserve for LWBAF	13,769	9,290
Contributions receivable	139,336	11,320
Grant receivable	41,520	-
Receivable from affiliate	8,430	5,122
Accounts receivable	29,000	-
Prepaid expenses	6,371	-
Investments	12,804,151	13,962,476
Land and conservation easements	10,523,432	9,735,361
Buildings and improvements, land improvements, and equipment, net	1,143,775	1,235,144
Other assets	-	26,399
Endowment investments	195,824	174,284
	\$ 25,134,175	\$ 25,421,036
LIABILITIES AND NET ASSETS		
Accounts payable	\$ 42,517	\$ 14,424
Accrued payroll	20,540	34,000
Solar energy system acquisition obligation	47,943	51,776
Conditional contribution	1,499,973	1,499,973
	1,610,973	1,600,173
Net assets:		
Net assets without donor restrictions	11,069,570	12,119,557
Net assets with donor restrictions	12,453,632	11,701,306
	23,523,202	23,820,863
	\$ 25,134,175	\$ 25,421,036

See accompanying notes to consolidated financial statements.

THE BELWIN CONSERVANCY

CONSOLIDATED STATEMENTS OF ACTIVITIES

For the Years Ended December 31, 2020 and 2019

	2020		
	Without donor restrictions	With donor restrictions	Total
Revenues and support:			
Contributions	\$ 449,188	\$ 184,531	\$ 633,719
In-kind land contributions	-	632,100	632,100
Government grants	145,900	-	145,900
Investment income (loss), net	(539,805)	21,540	(518,265)
Facility user fees and rent income	85,280	-	85,280
PPP grant revenue	121,700	-	121,700
Miscellaneous income	5,384	-	5,384
Net assets released upon satisfaction of purpose restrictions	85,845	(85,845)	-
Total revenues and support	<u>353,492</u>	<u>752,326</u>	<u>1,105,818</u>
Expenses:			
Program services:			
Environmental	713,655	-	713,655
Art, science and nature	249,018	-	249,018
	<u>962,673</u>	<u>-</u>	<u>962,673</u>
Management and general	177,214	-	177,214
Fundraising	263,592	-	263,592
Total expenses	<u>1,403,479</u>	<u>-</u>	<u>1,403,479</u>
Change in net assets	(1,049,987)	752,326	(297,661)
Net assets, beginning of year	<u>12,119,557</u>	<u>11,701,306</u>	<u>23,820,863</u>
Net assets, end of year	<u>\$ 11,069,570</u>	<u>\$ 12,453,632</u>	<u>\$ 23,523,202</u>
	2019		
Revenues and support:			
Contributions	\$ 1,228,571	\$ 366,773	\$ 1,595,344
In-kind services	10,710	-	10,710
Government grants	48,582	-	48,582
Investment income	1,368,925	27,364	1,396,289
Gain on sale of land and equipment	135,347	-	135,347
Facility user fees and rent income	94,840	-	94,840
Miscellaneous income	24,616	-	24,616
Net assets released upon satisfaction of purpose restrictions	102,619	(102,619)	-
Total revenues and support	<u>3,014,210</u>	<u>291,518</u>	<u>3,305,728</u>
Expenses:			
Program services:			
Environmental	535,643	-	535,643
Art, science and nature	228,421	-	228,421
	<u>764,064</u>	<u>-</u>	<u>764,064</u>
Management and general	199,495	-	199,495
Fundraising	181,891	-	181,891
Total expenses	<u>1,145,450</u>	<u>-</u>	<u>1,145,450</u>
Change in net assets	1,868,760	291,518	2,160,278
Net assets, beginning of year	<u>10,250,797</u>	<u>11,409,788</u>	<u>21,660,585</u>
Net assets, end of year	<u>\$ 12,119,557</u>	<u>\$ 11,701,306</u>	<u>\$ 23,820,863</u>

See accompanying notes to consolidated financial statements.

THE BELWIN CONSERVANCY

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended December 31, 2020
(With Comparative Totals for 2019)

	2020						2019
	Program services			Management and general	Fundraising	Total	
	Environmental	Art, science and nature	Total				
Salaries	\$ 196,317	\$ 111,449	\$ 307,766	\$ 53,422	\$ 135,989	\$ 497,177	\$ 475,802
Payroll tax	18,282	10,376	28,658	4,733	12,611	46,002	38,025
Employee benefits	22,405	12,936	35,341	6,740	15,600	57,681	44,664
	<u>237,004</u>	<u>134,761</u>	<u>371,765</u>	<u>64,895</u>	<u>164,200</u>	<u>600,860</u>	<u>558,491</u>
Office expenses	5,207	2,955	8,162	1,425	3,592	13,179	11,324
Occupancy	7,534	4,276	11,810	2,061	5,197	19,068	19,206
Telephone	11,378	6,458	17,836	3,115	7,849	28,800	18,695
Printing and publication	-	28,577	28,577	-	11,008	39,585	43,493
Insurance	15,780	8,956	24,736	4,320	10,885	39,941	35,653
Real estate taxes	7,534	4,276	11,810	2,061	5,197	19,068	10,803
Repairs and maintenance	214,057	-	214,057	17,648	-	231,705	128,031
Land acquisition costs	45,433	-	45,433	-	-	45,433	-
Professional fees	78,147	1,985	80,132	13,667	7,083	100,882	109,087
Auto and truck expenses	21,954	-	21,954	-	-	21,954	26,965
Travel	-	348	348	497	379	1,224	3,800
Miscellaneous	-	684	684	7,153	262	8,099	4,248
Program activity expenses	-	17,896	17,896	-	1,941	19,837	31,898
Investment fees	-	-	-	42,119	-	42,119	42,562
Interest	2,944	-	2,944	-	-	2,944	2,756
Depreciation and amortization	66,683	37,846	104,529	18,253	45,999	168,781	98,438
	<u>\$ 713,655</u>	<u>\$ 249,018</u>	<u>\$ 962,673</u>	<u>\$ 177,214</u>	<u>\$ 263,592</u>	<u>\$ 1,403,479</u>	<u>\$ 1,145,450</u>

See accompanying notes to consolidated financial statements.

THE BELWIN CONSERVANCY

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended December 31, 2019

	Program services			Management and general	Fundraising	Total
	Environmental	Art, science and nature	Total			
Salaries	\$ 186,228	\$ 104,067	\$ 290,295	\$ 89,349	\$ 96,158	\$ 475,802
Payroll tax	15,049	8,410	23,459	6,795	7,771	38,025
Employee benefits	17,982	9,726	27,708	7,910	9,046	44,664
	<u>219,259</u>	<u>122,203</u>	<u>341,462</u>	<u>104,054</u>	<u>112,975</u>	<u>558,491</u>
Office expenses	4,482	2,504	6,986	2,024	2,314	11,324
Occupancy	7,601	4,248	11,849	3,432	3,925	19,206
Telephone	7,399	4,135	11,534	3,341	3,820	18,695
Printing and publication	-	33,256	33,256	-	10,237	43,493
Insurance	14,110	7,886	21,996	6,371	7,286	35,653
Real estate taxes	4,276	2,389	6,665	1,930	2,208	10,803
Repairs and maintenance	128,031	-	128,031	-	-	128,031
Professional fees	81,300	1,816	83,116	12,058	13,913	109,087
Auto and truck expenses	26,965	-	26,965	-	-	26,965
Travel	-	400	400	3,018	382	3,800
Miscellaneous	505	480	985	3,113	150	4,248
Program activity expenses	-	27,333	27,333	-	4,565	31,898
Investment fees	-	-	-	42,562	-	42,562
Interest	2,756	-	2,756	-	-	2,756
Depreciation and amortization	<u>38,959</u>	<u>21,771</u>	<u>60,730</u>	<u>17,592</u>	<u>20,116</u>	<u>98,438</u>
	<u>\$ 535,643</u>	<u>\$ 228,421</u>	<u>\$ 764,064</u>	<u>\$ 199,495</u>	<u>\$ 181,891</u>	<u>\$ 1,145,450</u>

See accompanying notes to consolidated financial statements.

THE BELWIN CONSERVANCY

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the Years Ended December 31, 2020 and 2019

	2020	2019
Cash flows from operating activities:		
Change in net assets	\$ (297,661)	\$ 2,160,278
Adjustments to reconcile the change in net assets to net cash from operating activities:		
Depreciation and amortization	168,781	98,438
Realized/unrealized (gain) loss on investments, net	1,708,096	(705,148)
Contribution of land	(632,100)	-
Contributions restricted for land purchases	(90,106)	(276,773)
Changes in operating assets and liabilities:		
Contributions receivable	(128,016)	7,478
Grant receivable	(41,520)	13,861
Receivable from affiliate	(3,308)	(498)
Accounts receivable	(29,000)	-
Prepaid expenses	(6,371)	-
Accounts payable and accrued expenses	14,633	5,308
Net cash from operating activities	663,428	1,302,944
Cash flows from investing activities:		
Payments for buildings and equipment	(77,412)	(133,338)
Payments for land	(953,471)	(186,667)
Sale of conservation easement	797,500	-
Other assets held at title company	26,399	(26,399)
Reinvested investment income	(819,877)	(308,330)
Sale of investments	5,477,696	982,458
Purchase of investments	(5,229,130)	(1,754,400)
Net cash from investing activities	(778,295)	(1,426,676)
Cash flows from financing activities:		
Contributions restricted for land purchases	90,106	276,773
Payments for solar energy system	(3,833)	(3,365)
Net cash from financing activities	86,273	273,408
Net increase (decrease) in cash, cash equivalents, and restricted cash	(28,594)	149,676
Cash, cash equivalents, and restricted cash - beginning of year	270,930	121,254
Cash, cash equivalents, and restricted cash - end of year	\$ 242,336	\$ 270,930
Reconciliation to the consolidated statements of financial position:		
Cash	\$ 228,567	\$ 261,640
Cash - capital reserve for LWBAF	13,769	9,290
Total cash, cash equivalents, and restricted cash	\$ 242,336	\$ 270,930

See accompanying notes to consolidated financial statements.

THE BELWIN CONSERVANCY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended December 31, 2020 and 2019

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 1,500 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 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, 2020 and 2019

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.

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.

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.

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 The Belwin Conservancy and its affiliated supporting organization, The 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.

(Continued)

THE BELWIN CONSERVANCY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended December 31, 2020 and 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Use of Estimates - The preparation of consolidated 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.

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

- Net assets without donor restrictions are not restricted by donors or the donor-imposed restrictions have expired. Net assets without donor restrictions are available for programs and supporting services at the discretion of management and the board of directors. The board of directors has designated a portion of these net assets as a board designated endowment.
- Net assets with donor restrictions are contributions restricted by donors or grantors for specific purposes or time periods. When donor restrictions expire, that is, when a time restriction ends or a purpose restriction is fulfilled, net assets with donor restrictions are reclassified to net assets without donor restrictions on the statement of activities.

Contributions, Accounts, and Grants Receivable - Contributions, accounts, and grants receivable are recorded at the promised amount because the difference between the promised amount and the net present value of the promise is immaterial. Management believes that all amounts will be received when due, therefore no allowance for uncollectible amounts has been provided. Receivables will be written off when, in management's estimation, it is probable that the receivable is worthless.

Contributions and Government Grants - Contributions and government grants are recognized when the donor or grantor makes an unconditional promise to give to Belwin. Contributions that are restricted by the donor or grantor are reported as increases in net assets without restrictions if the restrictions expire in the fiscal year in which the contributions are recognized. All other contributions restricted by donors or grantors are reported as increases in net assets with donor restrictions depending on the nature of the restrictions. When a restriction expires or is fulfilled, net assets with donor restrictions are reclassified to net assets without donor restrictions. Conditional contributions are recorded when the conditions have been met and the conditional commitment becomes unconditional.

Contributions of cash that must be used for property and equipment are reported as net assets with donor restrictions. 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.

The conditional contribution further discussed in Note 11 was recorded as a liability upon collection and is recognized as revenue when the conditions have been satisfied.

(Continued)

THE BELWIN CONSERVANCY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended December 31, 2020 and 2019

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

Facility User Fees - Facility user fees are received annually from two nonprofit sports organizations for use of the Lucy Winton Bell Athletic Fields and are recognized evenly over the year to which they relate. See Note 16.

Cash and Cash Equivalents - For purposes of the consolidated statements of cash flows, the Conservancy considers all cash and highly liquid financial instruments with original maturities of three months or less, which are neither held for nor restricted by donors for long-term purposes, to be cash and cash equivalents. Cash and highly liquid financial instruments restricted to building projects, endowments that are perpetual in nature, or other long-term purposes are excluded from this definition.

Concentration of Credit Risk - Belwin maintains several bank accounts at one financial institution which are insured by the Federal Deposit Insurance Corporation. Although at times the amount on deposit in these accounts may exceed the federally insured limit, Belwin has never experienced any losses. At December 31, 2020, deposits exceeded the insured limit by \$12,890. Deposits did not exceed the insured limit at December 31, 2019.

Functional Expenses - The costs of providing various program and supporting activities have been summarized on a functional basis in the consolidated statements of activities. The consolidated statements of functional expenses present expenses by function and natural classification. Expenses directly attributed to a specific functional area of the Conservancy are reported as expenses of those functional areas while indirect costs that benefit multiple functional areas have been allocated among the various functional areas based on the full-time employee equivalent method of allocation.

Investments - Investments are recorded at their fair values. Investment earnings and unrealized gains and losses are included in the change in net assets without donor restrictions 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 value at the time of the contribution.

Buildings and Improvements, Land Improvements, 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 \$5,000 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. Land restoration costs are expensed. Maintenance and repairs are expensed as incurred.

(Continued)

THE BELWIN CONSERVANCY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended December 31, 2020 and 2019

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

Land - Belwin purchases land with the intention of holding it to prevent development, restoring the land, and providing a venue for research and education. Land is recorded at fair 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. In 2020, one conservation easement was purchased, and two conservation easements were donated. No conservation easements were purchased in 2019.

In-kind 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 \$- and \$10,710 of contributed marketing and consulting services in 2020 and 2019.

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 2020 or 2019. 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, 2020 and 2019

4. INVESTMENTS

Investments consisted of the following as of December 31:

	2020	2019
Certificates of deposit:	\$ 3,380,812	\$ 2,702,767
Mutual funds:		
U.S. government money market funds	3,486,426	1,374,174
Prime money market	51,037	50,807
Intermediate - term bond	583,207	829,537
Diversified emerging markets	-	936,566
Foreign large blend	53,205	47,781
Ultrashort bond	294,110	-
Large blend	1,083,544	75,696
	5,551,529	3,314,561
Exchange traded funds:		
Foreign large blend	-	707,543
Small blend	493,903	-
	493,903	707,543
Common and collective trust funds:		
Large cap index	-	860,389
Large cap	-	2,689,395
Small cap value	-	187,427
Small cap growth	-	192,578
	-	3,929,789
Partnerships and LLC's:		
Small business venture capital	821,888	641,857
Distressed companies	690,351	629,641
Emerging growth	392,535	394,434
Real estate	744,340	640,573
Multi-sector credit-related assets	106,227	106,315
Healthcare industry	85,773	125,505
Diversifying strategies	684,202	729,034
Energy sector MLP's	48,415	214,741
	3,573,731	3,482,100
Total investments	12,999,975	14,136,760
Endowment investments	(195,824)	(174,284)
	\$ 12,804,151	\$ 13,962,476

(Continued)

THE BELWIN CONSERVANCY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended December 31, 2020 and 2019

4. INVESTMENTS (Continued)

Investment income (loss) is summarized as follows:

	<u>2020</u>	<u>2019</u>
Interest and dividend income*	\$ 1,189,831	\$ 691,141
Net realized and unrealized gains (losses), net	<u>(1,708,096)</u>	<u>705,148</u>
	<u>\$ (518,265)</u>	<u>\$ 1,396,289</u>

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

5. FAIR VALUE MEASUREMENTS

Belwin's investments are reported at fair value in the accompanying consolidated 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.

(Continued)

THE BELWIN CONSERVANCY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended December 31, 2020 and 2019

5. FAIR VALUE MEASUREMENTS (Continued)

The investment manager 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.

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, 2020 and 2019:

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, 2020				
Certificates of deposit	\$ 3,380,812	\$ -	\$ 3,380,812	\$ -
Mutual and exchange traded funds	6,045,432	\$ 6,045,432	\$ -	\$ -
Investments measured at net asset value*	3,573,731			
Total	\$ 12,999,975			

(Continued)

THE BELWIN CONSERVANCY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended December 31, 2020 and 2019

5. FAIR VALUE MEASUREMENTS (Continued)

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, 2019				
Certificates of deposit	\$ 2,702,767	\$ -	\$ 2,702,767	\$ -
Mutual and exchange traded funds	4,022,104	\$ 4,022,104	\$ -	\$ -
Investments measured at net asset value*	7,411,889			
Total	\$ 14,136,760			

*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 Consolidated Statement of Financial Position.

There have been no changes in valuation techniques and related inputs from 2019 to 2020.

(Continued)

THE BELWIN CONSERVANCY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended December 31, 2020 and 2019

5. FAIR VALUE MEASUREMENTS (Continued)

The following is a summary of investments in partnerships and LLC's as of December 31, 2020 and 2019, with unfunded commitments at December 31, 2020:

	2020	2019	Unfunded Commitments
Small Business Venture Capital:			
European Secondary Opportunities Fund I LP	\$ 85,748	\$ 86,998	\$ -
GCM Grosvener Co-Investment Opportunity Fund, L.P.	315,866	325,726	-
FEG Private Opportunities Fund III, L.P. (Series B)	209,576	145,449	34,860
FEG Private Opportunities Fund IV, L.P.	210,698	83,684	367,040
Distressed Companies:			
Wayzata Opportunity Fund II, L.P.	10,402	5,780	-
Fundamental Partners III LP	431,715	358,901	43,638
Fundamental Partners Municipal Trust	36,950	81,190	-
FEG Private Opportunities Fund III, L.P. (Series D)	211,284	183,770	47,130
Emerging Growth:			
Westly Capital Partners, L.P. (Fund I)	13,382	17,414	-
Westly Capital Partners II	236,859	188,164	-
Pine Bridge Structured Capital Partners II, L.P.	115,368	177,142	-
Highclere International Emerging Markets	12,070	11,714	-
FEG Private Opportunities Fund V, L.P. (Series B)	14,856	-	183,000
Real Estate:			
JP Morgan US Real Estate Income and Growth Fund	270,354	286,510	-
Harrison Street Real Estate Partners III, L.P.	833	6,301	32,108
International Farmland Trust	291,195	249,438	-
Iron Point	23,231	6,544	63,285
Map Renewable Energy 2018	125,439	77,160	-
Ridgewood Water & Strategic Infrastructure	24,384	14,620	70,664
FEG Private Opportunities Fund V, L.P. (Series C)	8,904	-	75,200
Multi-sector Credit-Related Assets:			
Special Credit Opportunities (Offshore), L.P.	90,139	88,216	-
Special Credit Opportunities, L.P.	16,088	18,099	-
Healthcare Industry:			
Sightline Healthcare Opportunity Fund II, L.P.	85,773	125,505	-

(Continued)

THE BELWIN CONSERVANCY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended December 31, 2020 and 2019

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

	2020	2019	Unfunded Commitments
Diversifying Strategies:			
BlackRock Appreciation Fund IV, Ltd	385,721	350,936	-
BlackRock Appreciation Strategy Fund IV, LLC	-	72,929	-
FEG Absolute Access Fund I LLC	298,481	305,169	-
Energy Sector Master Limited Partnerships:			
Harvest MLP Income Fund LLC	48,415	214,741	-
End of year fair value	<u>\$ 3,573,731</u>	<u>\$ 3,482,100</u>	<u>\$ 916,925</u>

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.

FEG Private Opportunities Fund IV, L.P. invests primarily in small and lower middle-market companies that experience less competition, are less leveraged and whose drivers of return emphasize operations and earnings growth. The fund also focuses on smaller, opportunistic private real estate funds who seek to allocate capital to managers targeting unique or niche strategies or property types with compelling supply demand fundamentals and in distressed debt in both Europe and the United States.

(Continued)

THE BELWIN CONSERVANCY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended December 31, 2020 and 2019

5. FAIR VALUE MEASUREMENTS (Continued)

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 2021.

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.

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 2021.

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 2021.

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.

(Continued)

THE BELWIN CONSERVANCY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended December 31, 2020 and 2019

5. FAIR VALUE MEASUREMENTS (Continued)

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.

Highclere International Emerging Markets specializes in international small and midcap equity investment management for U.S. investors.

FEG Private Opportunities Fund V, L.P. (Series B) invests in early stage ventures, scaling high growth companies particularly in fintech, healthcare, and technology. The fund strategy is sector-focused or on strategic niche buyouts. Investments will only be deployed to opportunities that are not harmful to the environment.

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.

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.

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.

(Continued)

THE BELWIN CONSERVANCY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended December 31, 2020 and 2019

5. FAIR VALUE MEASUREMENTS (Continued)

Iron Point invests opportunistically across different themes, property types and geographies, allowing them to invest in assets that may not be as heavily impacted by macro-economic factors. Property types include: Data Center, Distressed, Hospitality, Senior Housing, Office, Multi-Family, and Land. The Fund seeks to capitalize on market inefficiencies by investing in properties and markets that are out of favor and by acquiring assets at discounts to intrinsic value.

MAP Renewable Energy 2018 is one of the longest-standing US private energy investment firms in the US. MAP is comprised entirely of renewable energy-related investments, with a focus on US wind energy, utility scale solar photovoltaic, and energy storage projects. The Fund seeks to construct a highly diversified portfolio with a combination of early and late-stage development projects, land rights underlying renewable energy projects, and project equity interests.

Ridgewood Water and Strategic Infrastructure, a part of Ridgewood Private Equity Partners, invests in underlying assets and related businesses in the lower-middle market US water infrastructure sector. Investments are structurally advantaged, difficult-to-replicate, and located in large, growing and dynamic markets. The Ridgewood strategy involves acquiring and aggregating water assets in fragmented markets and developing assets with clearly defined demand drivers from credit-quality municipalities.

FEG Private Opportunities Fund V, L.P (Series C) invests in disrupted energy assets, specifically power, water, and energy infrastructure. Investments will only be deployed to opportunities that are not harmful to the environment.

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 2021.

Special Credit Opportunities, L.P. has identified attractive investment opportunities in the credit markets due to continued regulatory changes and global deleveraging. The Fund will provide capital to areas or sectors undergoing longer-term structural changes in their sources of capital.

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 2021.

(Continued)

THE BELWIN CONSERVANCY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended December 31, 2020 and 2019

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.

Blackrock Appreciation Strategy Fund IV, LLC is a diversified, co-mingled investment vehicle seeking to achieve net returns commensurate with the long-term return on equity markets - with half the volatility and low correlation to equity market risks.

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. LIQUIDITY AND AVAILABILITY OF RESOURCES

Belwin's financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the consolidated statement of financial position date, are as follows:

	2020	2019
Cash	\$ 228,567	\$ 261,640
Contributions receivable	139,336	11,320
Grant receivable	41,520	-
Accounts receivable	29,000	-
Annual budgeted appropriation from Supporting Fund	449,406	452,318
	<u>\$ 887,829</u>	<u>\$ 725,278</u>

As part of Belwin's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

Belwin has conditional promises to give in the form of grants from government agencies. Since these grants are conditional, they will not be recognized until the conditions have been met. Belwin has unearned conditional contributions of \$193,630 and \$180,067 as of December 31, 2020 and 2019, respectively. Conditional contributions are expected to be collected in 2021 through 2023.

(Continued)

THE BELWIN CONSERVANCY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended December 31, 2020 and 2019

6. LIQUIDITY AND AVAILABILITY OF RESOURCES (Continued)

Belwin has a second operating cash account that is typically used for athletic fields and capital expenditures but can be used for general expenditures if needed. The balance in this account was \$13,769 and \$9,290 as of December 31, 2020 and 2019.

Belwin adopts an annual budget and anticipates collecting sufficient revenue to fund general expenditures. Budget to actual results are monitored each month. As part of Belwin's annual budget, an annual appropriation is anticipated to be made from the Supporting Fund.

7. BUILDINGS AND IMPROVEMENTS, LAND IMPROVEMENTS, AND EQUIPMENT

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

	<u>2020</u>	<u>2019</u>
Buildings and improvements	\$ 3,132,337	\$ 3,066,035
Land improvements	1,187,550	1,175,583
Equipment	403,389	501,236
	<u>4,723,276</u>	<u>4,742,854</u>
Less: accumulated depreciation	<u>(3,579,501)</u>	<u>(3,507,710)</u>
	<u>\$ 1,143,775</u>	<u>\$ 1,235,144</u>

8. LAND AND CONSERVATION EASEMENTS

Land located in Afton, Lakeland and West Lakeland Township, Minnesota was acquired by Belwin through contribution or purchase using funds contributed 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 2020, Belwin purchased 28 acres of land with a value of \$155,972 (after sale of the conservation easement to Washington County) and received a contribution of 3 plots of land totaling 38 acres with an estimated total value of \$632,100. During 2019, Belwin purchased 7 acres of land with an estimated value of \$186,667.

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 124.04 acres of property, all of which are owned by individual landowners. Conservation easements held by Minnesota Land Trust and Washington County cover 711 acres and 28 acres of Belwin's property, respectively.

(Continued)

THE BELWIN CONSERVANCY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended December 31, 2020 and 2019

9. 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. 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:

2021	\$ 6,636
2022	6,954
2023	7,290
2024	7,644
2025	8,010
Thereafter	<u>21,690</u>
	58,224
Less interest at 5%	<u>(10,281)</u>
	<u>\$ 47,943</u>

The cost of the solar system based on Belwin's required minimum payments is \$63,757. The related amortization expense during 2020 and 2019 was \$2,550 and accumulated amortization was \$14,239 and \$11,689 at December 31, 2020, and 2019.

(Continued)

THE BELWIN CONSERVANCY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended December 31, 2020 and 2019

10. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consist of the following:

	2020	2019
Land and easements	\$ 10,523,432	\$ 9,735,361
Investments restricted by donors for land purchases	1,072,574	1,181,147
Investments - endowment principal	111,807	111,807
Unappropriated endowment earnings	84,016	62,477
Purpose restrictions:		
Art, science and nature	311,186	311,186
Program expansion	209,328	209,328
New wetlands classroom	66,250	50,000
Repairs and upgrades to Metcalf House	58,167	40,000
Bison infrastructure upgrades	6,872	-
Music in the Trees	10,000	-
	\$ 12,453,632	\$ 11,701,306

11. 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 2020 and 2019.

12. 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 \$8,431 and \$5,122 at December 31, 2020 and 2019.

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. \$42,119 and \$42,562 in 2020 and 2019.

(Continued)

THE BELWIN CONSERVANCY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended December 31, 2020 and 2019

13. COMMITMENTS AND CONTINGENCIES

Employees - Belwin has an agreement with Oasis, a Paychex Company (Oasis) whereby Belwin's employees have become employees of Oasis for administrative and personnel purposes. Oasis assumes 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.

14. RETIREMENT SAVINGS PLAN

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 2020 and 2019 totaled \$12,896 and \$12,276, respectively.

15. ENDOWMENTS

At December 31, 2020, Belwin has one donor-restricted endowment and one 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.

The Board designated endowment is held by the Supporting 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.

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 net assets with donor restrictions (a) the original value of gifts donated to the donor-restricted endowment, (b) the original value of subsequent gifts to the donor-restricted endowment, and (c) accumulations to the donor-restricted 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 net assets with donor restrictions until these amounts are appropriated for expenditure by Belwin.

(Continued)

THE BELWIN CONSERVANCY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended December 31, 2020 and 2019

15. **ENDOWMENTS (Continued)**

In accordance with MPMIFA, Belwin considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

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

Changes in endowment net assets for the year ended December 31, 2020 follow:

	Without donor restrictions	With donor restrictions	Total
Endowment net assets, beginning of year	\$ 10,887,645	\$ 174,284	\$ 11,061,929
Investment return:			
Investment income, net of fees	1,125,988	2,543	1,128,531
Appreciation (depreciation)	(1,727,057)	18,997	(1,708,060)
Total investment return	(601,069)	21,540	(579,529)
Additions	-	-	-
Appropriation for expenditure	(452,368)	-	(452,368)
Endowment net assets, end of year	\$ 9,834,208	\$ 195,824	\$ 10,030,032

(Continued)

THE BELWIN CONSERVANCY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended December 31, 2020 and 2019

15. **ENDOWMENTS (Continued)**

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

	Without donor restrictions	With donor restrictions	Total
Endowment net assets, beginning of year	\$ 9,178,296	\$ 146,920	\$ 9,325,216
Investment return:			
Investment income, net of fees	584,391	3,824	588,215
Appreciation (depreciation)	681,608	23,540	705,148
Total investment return	1,265,999	27,364	1,293,363
Additions	1,000,000	-	1,000,000
Appropriation for expenditure	(556,650)	-	(556,650)
Endowment net assets, end of year	<u>\$ 10,887,645</u>	<u>\$ 174,284</u>	<u>\$ 11,061,929</u>

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

Strategies Employed for Achieving Objectives - To satisfy its income and liquidity objectives, Belwin invests donor-restricted endowment assets 73% in domestic and 27% in foreign large blend mutual funds and money market accounts. At December 31, 2020, the Board-designated endowment is invested 35% in money market funds; 5% in certificates of deposits; 6% in intermediate core bond mutual funds; 10% in large blend mutual funds; 3% in ultrashort bond mutual funds; 5% in small blend exchange traded funds; and 36% in partnerships and LLC's. At December 31, 2019, the Board-designated endowment is invested 9% in money market funds; 16% in diversified emerging market mutual funds; 6% in foreign large blend exchange traded funds; 36% in common and collective trust funds; and 32% in partnerships and LLC's

(Continued)

THE BELWIN CONSERVANCY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended December 31, 2020 and 2019

16. 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 \$69,000 in 2020 and \$78,000 in 2019. User fees of \$29,000 are due to Belwin at December 31, 2020. The facility manager expense was \$71,500 in 2020 and \$78,000 in 2019. Any excess user fees are deposited to the capital reserve.

17. YOUNGBLOOD HOUSE ACQUISITION AND SALE

In August 2019, the Supporting Fund purchased a house with 12 acres of land for \$542,218. In December 2019, Belwin sold the house and 5 acres of the land for \$475,998 and kept the remaining 7 acres. The total value of the 12 acres of land was appraised at \$320,000, a per acre value of \$26,667. Proceeds received from the sale of the home totaled \$449,599. The 5 acres were sold subject to a conservation easement. The remaining \$26,399 was retained by the title company to be used by Belwin to make repairs to the septic system on the sold property. The repairs were made in 2020 and all funds retained were released. The sale of the home and 5 acres of land resulted in a gain of \$120,447, which is included in the statement of activities as a gain on sale.

18. COVID-19 PANDEMIC

A nationwide public health emergency has developed in 2020. The state of Minnesota has enacted measures to combat the global pandemic resulting from a novel strain of coronavirus known as COVID-19. Measures have included regulatory restrictions on citizen and business activities as well as recommendations for further voluntary curtailment of activities. Immediate impacts on Belwin include the cancellation of in-person events held at Belwin beginning in March 2020. The future potential impact of these issues is uncertain, however possible effects may include, but are not limited to, a decline in the market value of assets held by Belwin including property and equipment and investments.

Belwin applied for and received \$121,700 in Paycheck Protection Program funds from a program developed by the Federal government in response to COVID-19. The loan has a term of two years and interest at 1%. The loan may be forgiven if certain conditions are met including that 60% of the loan be used for payroll within 24 weeks of disbursement. Belwin initially recorded the loan as a refundable advance and subsequently recognized as grant revenue in accordance with the guidance for conditional contributions; that is, once the measurable performance or other barrier and right of return of the PPP loan no longer existed. The loan was officially forgiven in full in November 2020.

(Continued)

THE BELWIN CONSERVANCY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended December 31, 2020 and 2019

19. **SUBSEQUENT EVENTS**

Management has evaluated subsequent events through August 14, 2021, the date on which the financial statements were available for issue and noted no additional subsequent events.

SUPPLEMENTARY CONSOLIDATING INFORMATION

THE BELWIN CONSERVANCY

CONSOLIDATING STATEMENT OF FINANCIAL POSITION

December 31, 2020

	Belwin Conservancy	Belwin Supporting Fund	Total	Eliminations	Total
ASSETS					
Cash	\$ 228,567	\$ -	\$ 228,567	\$ -	\$ 228,567
Cash - capital reserve for LWBAF	13,769	-	13,769	-	13,769
Contributions receivable	139,336	-	139,336	-	139,336
Grant receivable	41,520	-	41,520	-	41,520
Receivable from affiliate	1,508,403	-	1,508,403	(1,499,973)	8,430
Accounts receivable	29,000	-	29,000	-	29,000
Prepaid expenses	6,371	-	6,371	-	6,371
Investments	-	12,804,151	12,804,151	-	12,804,151
Land and conservation easements	10,523,432	-	10,523,432	-	10,523,432
Buildings and improvements, land improvements, and equipment, net	1,143,775	-	1,143,775	-	1,143,775
Endowment investments	195,824	-	195,824	-	195,824
	<u>\$ 13,829,997</u>	<u>\$ 12,804,151</u>	<u>\$ 26,634,148</u>	<u>\$ (1,499,973)</u>	<u>\$ 25,134,175</u>
LIABILITIES AND NET ASSETS					
Accounts payable	\$ 42,517	\$ -	\$ 42,517	\$ -	\$ 42,517
Due to affiliate	-	1,499,973	1,499,973	(1,499,973)	-
Accrued payroll	20,540	-	20,540	-	20,540
Solar energy system acquisition obligation	47,943	-	47,943	-	47,943
Conditional contribution	1,499,973	-	1,499,973	-	1,499,973
Total liabilities	<u>1,610,973</u>	<u>1,499,973</u>	<u>3,110,946</u>	<u>(1,499,973)</u>	<u>1,610,973</u>
Net assets:					
Net assets without donor restrictions	(133,315)	11,202,885	11,069,570	-	11,069,570
Net assets with donor restrictions	<u>12,352,339</u>	<u>101,293</u>	<u>12,453,632</u>	<u>-</u>	<u>12,453,632</u>
Total net assets	<u>12,219,024</u>	<u>11,304,178</u>	<u>23,523,202</u>	<u>-</u>	<u>23,523,202</u>
	<u>\$ 13,829,997</u>	<u>\$ 12,804,151</u>	<u>\$ 26,634,148</u>	<u>\$ (1,499,973)</u>	<u>\$ 25,134,175</u>

See independent auditor's report

THE BELWIN CONSERVANCY

CONSOLIDATING STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2020

	Belwin Conservancy	Belwin Supporting Fund	Total	Eliminations	Total
Revenues and support:					
Contributions	\$ 1,209,660	\$ 90,106	\$ 1,299,766	\$ (666,047)	\$ 633,719
In-kind land contributions	632,100	-	632,100	-	632,100
Government grants	145,900	-	145,900	-	145,900
Investment income (loss)	21,540	(539,805)	(518,265)	-	(518,265)
Facility user fees and rent income	85,280	-	85,280	-	85,280
PPP grant revenue	121,700	-	121,700	-	121,700
Miscellaneous income	5,384	-	5,384	-	5,384
Total revenues and support	<u>2,221,564</u>	<u>(449,699)</u>	<u>1,771,865</u>	<u>(666,047)</u>	<u>1,105,818</u>
Expenses:					
Program services:					
Environmental	713,655	-	713,655	-	713,655
Art, science and nature	249,018	-	249,018	-	249,018
	<u>962,673</u>	<u>-</u>	<u>962,673</u>	<u>-</u>	<u>962,673</u>
Management and general	117,447	725,814	843,261	(666,047)	177,214
Fundraising	263,592	-	263,592	-	263,592
Total expenses	<u>1,343,712</u>	<u>725,814</u>	<u>2,069,526</u>	<u>(666,047)</u>	<u>1,403,479</u>
Change in net assets	877,852	(1,175,513)	(297,661)	-	(297,661)
Net assets, beginning of year	<u>11,341,172</u>	<u>12,479,691</u>	<u>23,820,863</u>	<u>-</u>	<u>23,820,863</u>
Net assets, end of year	<u>\$ 12,219,024</u>	<u>\$ 11,304,178</u>	<u>\$ 23,523,202</u>	<u>\$ -</u>	<u>\$ 23,523,202</u>

See independent auditor's report