

Lincoln Institute of Land Policy

Financial Statements

June 30, 2016

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DONALD F. SCHERER

Independent Auditor's Report

To the Board of Directors of
Lincoln Institute of Land Policy

We have audited the accompanying financial statements of the Lincoln Institute of Land Policy ("Institute") (a nonprofit organization), which comprise the statements of assets, liabilities, and net assets—modified cash basis as of June 30, 2016 and 2015, and the related statements of revenue and expenses—modified cash basis for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting as described in Note 2; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets, liabilities, and net assets of the Lincoln Institute of Land Policy as of June 30, 2016 and 2015, and its revenue, and expenses for the years then ended in accordance with the modified cash basis of accounting as described in Note 2.

Basis of Accounting

We draw attention to Note 2 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to that matter.

Other Matter

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplemental schedule of functional expenses – modified cash basis for the year ended June 30, 2016 is presented for purposes of additional analysis and is not a required part of the 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the 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 information is fairly stated in all material respects in relation to the financial statements as a whole.

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January 14, 2017
New York, NY

LINCOLN INSTITUTE OF LAND POLICY

Statements of Assets, Liabilities, and Net Assets - Modified Cash Basis

June 30, 2016 and 2015

	2016	2015
<u>ASSETS</u>		
Cash and cash equivalents	\$ 705,948	\$ 804,838
Investments, at fair value	474,567,127	507,035,523
Property and equipment, net	15,526,270	15,400,204
Other	10,605	10,605
<u>Total Assets</u>	\$490,809,950	\$523,251,170
<u>LIABILITIES AND NET ASSETS</u>		
<u>Liabilities</u>		
Payroll related liabilities	\$ 36,382	\$ 36,640
Tenant deposit	-	3,014
Deferred Federal Excise tax	1,549,460	1,998,914
Revolving loan account	14,145,016	13,491,115
<u>Total Liabilities</u>	15,730,858	15,529,683
<u>Net Assets</u>		
Unrestricted	475,049,781	507,664,599
Temporarily restricted	29,311	56,888
<u>Total Net Assets</u>	475,079,092	507,721,487
<u>Total Liabilities and Net Assets</u>	\$490,809,950	\$523,251,170

See Notes to Financial Statements.

LINCOLN INSTITUTE OF LAND POLICY
Statements of Revenues and Expenses - Modified Cash Basis
Year Ended June 30, 2016

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<u>Revenues (Losses)</u>			
<u>Investment</u>			
Interest, dividends, and partnership earnings	\$ 6,442,479		\$ 6,442,479
Realized capital gains	3,741,056		3,741,056
Change in unrealized appreciation	(22,472,688)		(22,472,688)
Change in deferred excise tax	449,454		449,454
	<u>(11,839,699)</u>		<u>(11,839,699)</u>
Direct investment expenses	(2,316,839)		(2,316,839)
Excise tax and unrelated business taxes	(668,000)		(668,000)
Foreign taxes withheld	<u>(190,060)</u>		<u>(190,060)</u>
Net Investment Revenue (Loss)	<u>(15,014,598)</u>		<u>(15,014,598)</u>
<u>Other</u>			
Grants		\$205,024	205,024
Publications	40,284		40,284
Other (Phoenix office, employee parking, classroom)	<u>22,249</u>		<u>22,249</u>
Total Other Revenue	<u>62,533</u>	<u>205,024</u>	<u>267,557</u>
Net Assets Released from Restriction	<u>232,601</u>	<u>(232,601)</u>	<u>-</u>
Total Revenues (Losses)	<u>(14,719,464)</u>	<u>(27,577)</u>	<u>(14,747,041)</u>
<u>Expenses</u>			
<u>Program</u>			
Valuation and Taxation	\$ 2,643,767		\$ 2,643,767
Planning and Urban Form	2,906,200		2,906,200
Latin America and the Caribbean	2,303,660		2,303,660
People's Republic of China	1,921,636		1,921,636
International and Institute Wide Programs	1,991,747		1,991,747
Institute Wide Publications	964,072		964,072
Public Affairs	<u>683,010</u>		<u>683,010</u>
	<u>13,414,092</u>		<u>13,414,092</u>
Operations	1,839,735		1,839,735
Program administration	1,687,332		1,687,332
Indirect investment management expenses	<u>954,195</u>		<u>954,195</u>
Total Expenses	<u>17,895,354</u>		<u>17,895,354</u>
Change in Net Assets for the Year	(32,614,818)	(27,577)	(32,642,395)
Net Assets, beginning of year	<u>507,664,599</u>	<u>56,888</u>	<u>507,721,487</u>
Net Assets, End of Year	<u>\$475,049,781</u>	<u>\$ 29,311</u>	<u>\$475,079,092</u>

See Notes to Financial Statements.

LINCOLN INSTITUTE OF LAND POLICY
Statements of Revenues and Expenses - Modified Cash Basis
Year Ended June 30, 2015

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<u>Revenues (Losses)</u>			
Investment			
Interest, dividends, and partnership earnings	\$ 7,755,996		\$ 7,755,996
Realized capital gains	24,400,969		24,400,969
Change in unrealized appreciation	(35,188,958)		(35,188,958)
Change in deferred excise tax	703,779		703,779
	<u>(2,328,214)</u>		<u>(2,328,214)</u>
Direct investment expenses	(3,215,671)		(3,215,671)
Federal excise tax	(704,000)		(704,000)
Foreign taxes withheld	<u>(170,069)</u>		<u>(170,069)</u>
Net Investment Revenue (Loss)	<u>(6,417,954)</u>		<u>(6,417,954)</u>
Other			
Grants		\$140,000	140,000
Publications	39,558		39,558
Other (Phoenix office, employee parking, classroom)	<u>57,031</u>		<u>57,031</u>
Total Other Revenue	<u>96,589</u>	<u>140,000</u>	<u>236,589</u>
Net Assets Released from Restriction	<u>83,112</u>	<u>(83,112)</u>	<u>-</u>
Total Revenues (Losses)	<u>(6,238,253)</u>	<u>56,888</u>	<u>(6,181,365)</u>
<u>Expenses</u>			
Program			
Valuation and Taxation	\$ 3,111,499		\$ 3,111,499
Planning and Urban Form	3,122,293		3,122,293
Latin America and the Caribbean	2,553,024		2,553,024
People's Republic of China	2,240,652		2,240,652
Other International	186,495		186,495
Institute Wide Publications	486,313		486,313
Policy and Program Evaluation	99,873		99,873
Interdepartmental	<u>2,011,014</u>		<u>2,011,014</u>
	13,811,163		13,811,163
Program administration	1,869,402		1,869,402
Indirect investment management expenses	<u>1,076,691</u>		<u>1,076,691</u>
Total Expenses	<u>16,757,256</u>		<u>16,757,256</u>
Change in Net Assets for the Year before Special Item	(22,995,509)	56,888	(22,938,621)
Special item - Initial recording of deferred excise tax	<u>(2,702,693)</u>		<u>(2,702,693)</u>
Change in Net Assets for the Year	(25,698,202)	56,888	(25,641,314)
Net Assets, beginning of year	<u>533,362,801</u>	<u>-</u>	<u>533,362,801</u>
Net Assets, End of Year	<u>\$507,664,599</u>	<u>\$ 56,888</u>	<u>\$507,721,487</u>

See Notes to Financial Statements.

LINCOLN INSTITUTE OF LAND POLICY

Notes to Financial Statements

June 30, 2016

Note 1 - Organization

The Lincoln Institute of Land Policy is a private operating foundation that seeks to improve public dialogue and decisions about the taxation, regulation, and use of land in the United States and abroad. Through research, training, demonstration projects, publications, and multimedia, the Institute provides the highest quality nonpartisan analysis and evaluation of these topics.

The Lincoln Institute of Land Policy, Inc. was established in 1974 by the board of directors of the Lincoln Foundation, which was founded in Phoenix in 1946 by John C. Lincoln. They merged on November 1, 2006 to form this organization, the Lincoln Institute of Land Policy, incorporated in the state of Arizona.

The Institute has offices in Phoenix, Arizona and Cambridge, Massachusetts.

Note 2 - Summary of Significant Accounting Policies

Basis of Accounting

The accompanying financial statements have been prepared on the modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Primarily, income is recorded when received rather than when earned and expenses are recorded when paid rather than when incurred. The modifications to the cash basis accounting are mainly that investments are recorded at fair value, property and equipment are capitalized and depreciated, and current liabilities relating to payroll are recorded when incurred.

Investments

Marketable securities are recorded at fair value (see Note 10). Investments in funds and partnerships are recorded at the fair value reported by the fund. These values are subject to fund manager estimates and may differ from later determined actual amounts.

In determining realized gains and losses, proceeds are compared to cost using the first in, first out method.

Property and Equipment

Property and equipment are carried at acquisition cost. No adjustment was made to the carrying amount of property and equipment as of November 1, 2006.

Depreciation is provided using the straight-line method using estimated lives of 30 years for buildings and three to five years for furniture and equipment.

Leasehold improvements of the Phoenix for-profit rental space were being depreciated over the life of the lease - 39 months.

LINCOLN INSTITUTE OF LAND POLICY

Notes to Financial Statements

June 30, 2016

Note 2 - Summary of Significant Accounting Policies (continued)

Cash and Cash Equivalents

Cash and cash equivalents include checking accounts and money market funds used in operations. Cash held for investment by investment managers is included as part of investments and shown as short-term cash investments.

Use of Estimates

Management uses estimates and assumptions in preparing financial statements. These estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from those estimates.

Net Assets

The Institute reports its financial position and activities by net asset classes which are based on donor restriction or the lack thereof.

Temporarily Restricted Net Assets are resources whose use is restricted by purpose or time period.

Unrestricted Net Assets are those resources which are free of donor restriction.

Note 3 - Revolving Loan Account

The Institute has a revolving loan account at Bank of America. The maximum borrowing amount is \$30,000,000 and is secured by the Institute's fixed income portfolio and one equity portfolio. As of June 30, 2016, the amount outstanding on this account was \$14,145,016. \$13,000,000 of this amount has a fixed interest rate of 2.6% until August 2017. The remaining amount is subject to floating interest rates. At June 30, 2016 this rate was 1.46% This account's term is until January 26, 2019.

The origin of the borrowings relates to the Institute's purchase of real estate used by the Institute. It can be broken out as follows:

Related to 115 Brattle Street, Cambridge	\$ 4,880,000
Related to Renovation of 115 Brattle Street	338,709
Related to Phoenix office condo	1,756,534
Related to Phillips Place, Cambridge	<u>7,169,773</u>
	<u>\$14,145,016</u>

LINCOLN INSTITUTE OF LAND POLICY

Notes to Financial Statements

June 30, 2016

Note 4 - Retirement Plan

The Institute participates in the Teachers' Insurance and Annuity Association and College Retirement Equities Fund retirement plans covering all staff meeting eligibility requirements. These are defined contribution plans with the Institute matching certain employee contributions. Contributions by the Institute to these plans amounted to \$579,034 and \$525,672 for the fiscal years ended June 30, 2016 and 2015.

Note 5 - Non-qualified Deferred Compensation Plan

The Institute has an Internal Revenue Code Section 457(b) non-qualified deferred compensation plan for certain eligible executives.

The Institute made contributions to the Plan of \$36,000 and \$37,494 during the years ended June 30, 2016 and 2015. At June 30, 2016, the Plan assets were \$72,813.

Under the modified cash basis of accounting, the Plan assets are recorded with investments and the related liability is not recorded. When distributions are made, these are included in salary expense.

Note 6 - Postretirement Benefits

The Institute provides medical, dental and life insurance benefits to certain retired employees who have met eligibility requirements. The Institute reports these costs on a pay as you go basis under the modified cash basis of accounting. The cost of these benefits for the years ended June 30, 2016 and 2015 was \$73,562 and \$65,907, respectively.

Selected information regarding this plan as of June 30, 2016 is as follows:

	<u>2016</u>	<u>2015</u>
Unrecorded liability	<u>\$2,145,000</u>	<u>\$1,953,000</u>
Expected future cash costs over the next ten years:		
Year ending June 30, 2017	\$ 77,000	
Year ending June 30, 2018	117,000	
Year ending June 30, 2019	131,000	
Year ending June 30, 2020	162,000	
Year ending June 30, 2021	158,000	
Years ending June 30, 2022-2026	<u>1,056,000</u>	
	<u>\$1,701,000</u>	

LINCOLN INSTITUTE OF LAND POLICY

Notes to Financial Statements

June 30, 2016

Note 7 - Tax Status

As part of the merger, the Institute received a ruling from the Internal Revenue Service that it is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. It has been further classified as a private operating foundation and is subject to an excise tax on its net investment income as defined by the Internal Revenue Code. The excise tax rate is 2% but can be reduced to 1% if certain distribution ratios are satisfied. It is also subject to certain qualifying distribution requirements to maintain its operating foundation status.

A summary of the Institute's excise tax is as follows:

	<u>2015</u>	<u>2016</u>
Overpayment from prior year carried forward	\$164,000	\$316,000
Estimated tax payments made during the year	<u>704,000</u>	<u>650,000</u>
Available to satisfy current year liability	868,000	966,000
Tax liability for year (actual in 2015/projected 2016)	<u>552,000</u>	<u>118,000</u>
Available carryover to following year	<u>\$316,000</u>	<u>\$848,000</u>

The Institute has also met the requirements to remain an operating foundation.

Certain investments of the Institute conduct activities that generate unrelated business income or loss. Any net income is subject to tax at corporate for-profit rates.

A summary of the Institute's unrelated business income taxes is as follows:

	<u>2015</u>	<u>2016</u>
Owed from prior year		<u>\$ 18,000</u>
Tax liability for the year (actual in 2015/projected 2016)		
Federal	\$ -	240,000
State	<u>18,000</u>	<u>36,000</u>
	18,000	276,000
Tax payments during the year	<u>-</u>	<u>18,000</u>
Balance owed at end of year	<u>\$18,000</u>	<u>\$276,000</u>

During the year ended June 30, 2016, the Institute converted its investment rental property in Phoenix to charitable use. The property will now be used for program purposes.

The Institute is exempt from state income taxes in both Arizona and Massachusetts.

Beginning as of July 1, 2014, the Institute began recording a deferred excise tax on the unrealized appreciation of investments at the 2% excise tax rate.

LINCOLN INSTITUTE OF LAND POLICY

Notes to Financial Statements

June 30, 2016

Note 8 - Concentration of Credit Risk

Financial instruments which potentially subject the Institute to concentration of credit risk consist principally of temporary cash investments and marketable securities. The Institute places these investments with highly rated financial institutions. However, a portion of temporary cash investments may exceed FDIC insured levels from time to time. The Institute monitors the condition of the financial institutions in which it invests.

Approximately 12% of the Institute's investments are invested in the stock of a single public company. There are some restrictions on the ability to sell this stock. An officer of the Institute also serves as a director of this company.

Note 9 - Investments

A summary of investments at June 30, 2016 and 2015 is as follows:

	<u>2016</u>	<u>2015</u>
Short-term cash investments	\$ 19,373,352	\$ 28,321,123
U.S. government and government agency bonds	-	8,313,934
Corporate bonds	17,615,007	9,459,970
Bond funds	6,786,142	2,398,145
Domestic equities	237,885,014	257,449,206
Equity funds	22,873,056	23,106,821
International equities	37,016,258	46,885,240
Index funds	-	10,704,391
Commodity funds	15,497,250	5,351,561
Marketable private equity fund	3,172,050	3,650,850
Alternative investment funds	<u>114,348,997</u>	<u>111,394,282</u>
	<u>\$474,567,127</u>	<u>\$507,035,523</u>

As of June 30, 2016, the Institute had commitments for additional investment of up to \$25,263,000 in private equity alternative investment funds and \$12,300,000 for offshore funds.

Note 10 - Fair Value of Investments

Accounting standards define the fair value of an investment as the amount that would be received to sell the investment in an orderly transaction between market participants at the measurement date.

The standards also allow for the estimation of fair value of investment companies for which the investment does not have a readily determinable fair value using the net asset value per share or its equivalent. In these cases, the Institute's ability to redeem its interest in the near term is the factor used to determine level 2 or 3.

LINCOLN INSTITUTE OF LAND POLICY

Notes to Financial Statements

June 30, 2016

Note 10 - Fair Value of Investments (continued)

The standards also establish a hierarchal disclosure framework which prioritizes and ranks the level of market price observability used in measuring investments at fair value. Market price observability is impacted by a number of factors, including type of investment and the characteristics specific to the investment.

Investments with readily available active quoted prices or for which fair value can be measured from actively quoted prices generally will have a higher degree of market price observability and a lesser degree of judgement used in measuring fair value.

Investments measured and reported at fair value are classified and disclosed in one of the following categories.

Level 1 Inputs

Inputs that reflect unadjusted quoted prices in active markets for identical assets or liabilities that the Institute has the ability to access at the measurement date.

Level 2 Inputs

Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly, including inputs in markets that are not considered to be active.

Level 3 Inputs

Inputs that are unobservable.

During the year ended June 30, 2016, the Institute adopted new US GAAP guidance which removed the requirement to categorize within the fair value hierarchy alternative investments where fair value is measured using the Net Asset Value ("NAV") per share as a practical expedient. Adoption of this guidance was applied retrospectively and had no effect on the carrying value of such investments.

The classification of investments is as follows:

LINCOLN INSTITUTE OF LAND POLICY

Notes to Financial Statements

June 30, 2016

Note 10 - Fair Value of Investments (continued)

<u>June 30, 2016</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Valued Using NAV</u>	<u>Total</u>
Short-term cash investments	\$ 19,373,352			\$ 19,373,352
Corporate bonds		\$17,615,007		17,615,007
Bond funds	3,545,970	3,240,172		6,786,142
Equities				
Industrials	86,291,510			86,291,510
Financials	39,778,214			39,778,214
Technology	50,636,814			50,636,814
Cyclicals	34,142,738			34,142,738
Healthcare	26,472,993			26,472,993
Other	37,579,005			37,579,005
Equity funds	22,873,055			22,873,055
Commodity funds	5,082,257	10,414,993		15,497,250
Marketable private equity	3,172,050			3,172,050
Alternative investment funds				
Offshore funds			\$ 96,828,001	96,828,001
Private equity			17,306,202	17,306,202
Hedge fund claim			214,794	214,794
	<u>\$328,947,958</u>	<u>\$31,270,172</u>	<u>\$114,348,997</u>	<u>\$474,567,127</u>

Offshore Funds consist of 9 investments that employ a hedging strategy and are subject to withdrawal restrictions such as lockups and notification requirements as follows:

\$75,467,894	Quarterly redemptions available with 45-95 days notice
12,367,530	Annual liquidity with 95 days notice
2,733,792	No redemption provisions until fund term expires in approximately 10 years
<u>6,258,785</u>	Funds in liquidation expecting to last up to two years

\$96,828,001

Private Equity investments consists of 9 limited partnerships that invest in private vehicles seeking growth and enhanced marketability in the future. Capital is called during the investment period and distributions occur under the terms of the partnership agreements as the investments mature. The expected lives of the private equity partnerships are as follows:

\$ 3,928,423	Expected life less than 5 years
13,151,275	Expected life of 5 to 9 years
<u>226,504</u>	Expected life 10 years or greater

\$17,306,202

LINCOLN INSTITUTE OF LAND POLICY

Notes to Financial Statements

June 30, 2016

Note 10 - Fair Value of Investments (continued)

The hedge fund claim, unless sold on the secondary market, is subject to final court settlement. During 2016 and 2015 there was a partial distribution from the hedge fund claim.

June 30, 2015	Level 1	Level 2	Valued Using NAV	Total
Short-term cash investments	\$ 28,321,123			\$ 28,321,123
U.S. government bonds	1,645,138			1,645,138
U.S. government agency bonds		\$ 6,668,796		6,668,796
Corporate bonds		9,459,970		9,459,970
Bond funds		2,398,145		2,398,145
Equities				
Industrials	91,087,300			91,087,300
Financials	45,376,266			45,376,266
Technology	43,032,891			43,032,891
Cyclicals	34,907,161			34,907,161
Healthcare	28,242,237			28,242,237
Other	61,688,591			61,688,591
Equity funds	23,106,821			23,106,821
Index funds	10,704,391			10,704,391
Marketable private equity fund	3,650,850			3,650,850
Commodity funds	5,351,561			5,351,561
Alternative investment funds				
Commodity funds		11,582,984		11,582,984
Marketable private equity fund				
Offshore funds			\$83,201,102	83,201,102
Private equity			16,338,891	16,338,891
Hedge fund claim			271,305	271,305
	<u>\$377,114,330</u>	<u>\$30,109,895</u>	<u>\$99,811,298</u>	<u>\$507,035,523</u>

Equities can be broken down by region as follows:

	2016	2015
United States	\$229,432,602	\$242,463,253
Europe	13,827,534	18,016,599
Canada	12,672,949	9,951,736
Other	18,968,188	33,902,858
Total	<u>\$274,901,273</u>	<u>\$304,334,446</u>

LINCOLN INSTITUTE OF LAND POLICY

Notes to Financial Statements

June 30, 2016

Note 11 - Alternative Fund Investment Fees

Investment fees of some alternative investment funds are not reported separately. They are included in the net income or appreciation of the investment. The approximate amount of these fees was \$850,000 and \$1,000,000 for the years ended June 30, 2016 and 2015.

Note 12 - Property and Equipment

A summary of property and equipment is as follows:

	2016	2015
113 Brattle Street, Cambridge, MA		
Land and buildings	\$ 5,102,157	\$ 5,102,157
Capitalized expenses for future improvements	83,769	48,872
115 Brattle Street		
Land and buildings	4,980,249	4,980,249
Construction in progress	410,794	48,872
Capitalized interest	596	-
7 and 9 Phillips Place, Cambridge, MA		
Land and buildings	4,189,780	4,189,780
Improvements	3,020,893	3,020,893
Capitalized interest	443,002	443,002
Office Condominium, Phoenix, AZ		
Land and building	2,119,729	2,119,729
Improvements	420,881	420,881
Construction in progress	312,328	-
Capitalized interest	687	-
Furniture and equipment	311,872	311,872
	21,396,736	20,686,307
Less: accumulated depreciation	5,870,467	5,286,103
	\$15,526,270	\$15,400,204

LINCOLN INSTITUTE OF LAND POLICY

Notes to Financial Statements

June 30, 2016

Note 12 - Property and Equipment (Continued)

The Phillips Place property in Cambridge was purchased to provide additional office space for the Institute. The construction and renovation was completed as of April 30, 2015.

The Institute has begun renovations to 115 Brattle Street to provide a residence for the President of the Institute as well as entertaining space. The Institute is also studying the expansion of classroom space at 113 Brattle Street. These costs have been capitalized.

The Phoenix office condo is being renovated to convert the previously rented space into meeting space to allow more programs and meetings to be held there.

Note 13- Subsequent Events

In connection with the preparation of these financial statements, Management has evaluated subsequent events after the statement of financial position date of June 30, 2016 through January 14, 2017, which was the date the financial statements were available to be issued. No subsequent events require disclosure.

Note 14 - Reclassifications

Certain prior year investment information has been reclassified to conform to the current year presentation after the adoption of the new guidance regarding investments valued using the NAV as a practical expedient.

The Institute also redefined the reporting of the departmental information in 2016. The 2015 departmental information has not been reclassified.

THE LINCOLN INSTITUTE OF LAND POLICY
Supplemental Schedule of Functional Expenses - Modified Cash Basis

Year Ended June 30, 2016

	<u>Valuation and Taxation</u>	<u>Planning and Urban Form</u>	<u>Latin America and the Caribbean</u>	<u>People's Republic of China</u>	<u>International and Institute Wide Programs</u>	<u>Operations</u>	<u>Institute Wide Publications</u>	<u>Policy and Program Evaluation</u>
Salaries and benefits	\$1,363,768	\$ 810,930	\$ 656,083	\$ 386,744	\$ 677,148	\$ 847,076	\$ 384,034	\$ -
Temporary support for staff								
Staff travel and program development	129,256	101,535	144,242	74,203	244,983	45,096	17,511	
Curriculum development and research	228,400	344,952	158,236	17,000	411,965			
Evaluation					22,859			
Courses, conferences and seminars	288,068	156,751	290,712	135,876	342,652			
Distance education	-	1,265	386,234					
Multi-media			85,101		9,000			
Dissertations, fellowships and and RFPs	153,049	193,524	372,723	115,123	87,340			
Joint/Demonstration projects	230,000	1,147,531	80,781	1,100,000	70,000			
Publications							491,697	
Public affairs								
General office	666	662	8,978	2,183	1,341		239	
Information technology				19,450	10	715,358		
Facilities								
Insurance								
Professional fees				23		76,396		
Consultant fees						221		
Directors' fees								
Board meeting and travel								
Direct investment expenses								
Federal Excise tax and unrelated business income taxes						650,000		
Interest								
Foreign taxes withheld								
Depreciation								
Sub-total	<u>2,393,207</u>	<u>2,757,150</u>	<u>2,183,090</u>	<u>1,850,602</u>	<u>1,867,298</u>	<u>2,334,147</u>	<u>893,481</u>	
Allocations:								
Facilities	105,015	62,470	50,533	29,772	52,159	65,210	29,586	
Interest	29,390	17,483	14,143	8,332	14,598	18,250	8,280	
Depreciation	116,155	69,097	55,894	32,930	57,692	72,128	32,725	
Administrative								
Items net of revenue:								
Direct investment fees								
Federal Excise tax and other						(650,000)		
Foreign taxes								
2016 Total Expenses	<u>\$2,643,767</u>	<u>\$2,906,200</u>	<u>\$ 2,303,660</u>	<u>\$1,921,636</u>	<u>\$1,991,747</u>	<u>\$1,839,735</u>	<u>\$964,072</u>	<u>\$ -</u>
2015 Total Expenses	<u>\$3,111,499</u>	<u>\$3,122,293</u>	<u>\$ 2,553,024</u>	<u>\$2,240,652</u>	<u>\$ 186,495</u>	<u>\$2,011,014</u>	<u>\$486,313</u>	<u>\$ 99,873</u>

THE LINCOLN INSTITUTE OF LAND POLICY
Supplemental Schedule of Functional Expenses - Modified Cash Basis
Year Ended June 30, 2016

	Public Affairs	Depreciation	Program Administration	Office of the Chair		2016 Total	2015 Total
				Qualifying	Non-Qualifying		
Salaries and benefits	\$296,970		\$ 608,706	\$ 118,616	\$ 601,198	\$ 6,751,273	\$ 6,403,171
Temporary support for staff			25,960			25,960	98,834
Staff travel and program development	46,188		8,676	40,290	49,527	901,507	846,339
Curriculum development and research						1,160,553	1,089,965
Evaluation						22,859	1,675
Courses, conferences and seminars	182,678					1,396,737	1,073,448
Distance education						387,499	420,935
Multi-media						94,101	42,891
Dissertations, fellowships and and RFPs						921,759	746,046
Joint/Demonstration projects						2,628,312	2,798,521
Publications						491,697	628,040
Public affairs	102,651					102,651	111,867
General office			147,516	2,798	15,250	179,633	125,824
Information technology				10,731	57,791	803,340	598,920
Facilities			464,462	8,321	62,919	535,702	488,326
Insurance			58,559			58,559	60,406
Professional fees			5	1,598	13,787	91,809	127,823
Consultant fees			5,572			5,793	68,078
Directors' fees				77,400	19,850	97,250	103,500
Board meeting and travel				256,564	44,128	300,692	329,240
Direct investment expenses					2,316,839	2,316,839	3,215,671
Federal excise tax and unrelated business income taxes					18,000	668,000	704,000
Interest				320,062	33,242	353,304	198,747
Foreign taxes withheld					190,060	190,060	170,069
Depreciation		\$584,364				584,364	394,660
Sub-total	628,487	584,364	1,319,456	836,380	3,422,591	21,070,253	20,846,996
Allocations:							
Facilities	22,852		(417,597)				
Interest	6,395		13,116	(129,987)			
Depreciation	25,276	(584,364)	51,837	14,127	56,503		
Administrative			720,520	(720,520)			
Items net of revenue:							
Direct investment fees					(2,316,839)	(2,316,839)	(3,215,671)
Federal Excise tax					(18,000)	(668,000)	(704,000)
Foreign taxes					(190,060)	(190,060)	(170,069)
2016 Total Expenses	\$683,010	\$ -	\$1,687,332	\$ -	\$ 954,195	\$17,895,354	
2015 Total Expenses	\$ -	\$ -	\$1,869,402	\$ -	\$ 1,076,691		\$16,757,256