

**Legacy Land Conservancy**

**Financial Statements**

**June 30, 2014**

**With Comparative Totals  
For the Year Ended June 30, 2013**

# **Legacy Land Conservancy**

## **Financial Statements**

**June 30, 2014**

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## **INDEPENDENT AUDITOR'S REPORT**

To the Board of Directors  
Legacy Land Conservancy  
Ann Arbor, Michigan

We have audited the accompanying financial statements of Legacy Land Conservancy, which comprise the statement of financial position as of June 30, 2014, and the related statements of activities and changes in net assets and functional expenses and cash flows for the year 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 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 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 from material misstatement.

An audit includes 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 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 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 financial position of Legacy Land Conservancy as of June 30, 2014, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Report on Summarized Comparative Information**

The Legacy Land Conservancy's 2013 financial statements were previously audited by us and in our report dated November 11, 2013, we expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2013, is consistent, in all material respects, with the audited financial statements from which it has been derived.

COLE, NEWTON & DURAN

*Cole, Newton & Duran*  
August 11, 2014

# Legacy Land Conservancy

## Statement of Financial Position

June 30, 2014

With Comparative Totals for the Year Ended June 30, 2013

### ASSETS

	2014	2013
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 545,090	\$ 1,531,082
Investments	1,693,981	675,603
Pledges receivable, current portion	92,355	121,500
Grants receivable	14,952	36,028
Accrued interest receivable	-	726
Prepaid expenses	3,902	3,170
<b>TOTAL CURRENT ASSETS</b>	<b>2,350,280</b>	<b>2,368,109</b>
<b>FIXED ASSETS</b>		
Leasehold improvement	1,235	1,235
Less accumulated depreciation	(1,235)	(823)
<b>TOTAL FIXED ASSETS</b>	<b>-</b>	<b>412</b>
<b>OTHER ASSETS</b>		
Pledges receivable, non-current	202,845	-
Preserves - encumbered	1,772,650	1,772,650
Preserves - unencumbered	2,379,853	2,379,853
Land held for re-sale	45,500	45,500
Conservation easements	70	66
<b>TOTAL OTHER ASSETS</b>	<b>4,400,918</b>	<b>4,198,069</b>
<b>TOTAL ASSETS</b>	<b>\$ 6,751,198</b>	<b>\$ 6,566,590</b>

### LIABILITIES AND NET ASSETS

<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 1,951	\$ 31,346
Accrued expenses	33,359	27,082
Note payable	-	52,938
<b>TOTAL CURRENT LIABILITIES</b>	<b>35,310</b>	<b>111,366</b>
<b>NET ASSETS</b>		
Unrestricted		
Operating	170,665	258,907
Board designated	1,146,185	1,065,615
Unencumbered land	2,379,853	2,379,853
Total Unrestricted	3,696,703	3,704,375
Temporarily restricted	364,065	257,030
Permanently restricted	2,655,120	2,493,819
<b>TOTAL NET ASSETS</b>	<b>6,715,888</b>	<b>6,455,224</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 6,751,198</b>	<b>\$ 6,566,590</b>

See Accompanying Notes to Financial Statements.



# Legacy Land Conservancy

## Statement of Activities and Changes in Net Assets

For the Year Ended June 30, 2014

With Comparative Totals for the Year Ended June 30, 2013

	2014				2013
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Total
<b>REVENUE AND SUPPORT</b>					
Contributions	\$ 78,388	\$ 295,906	\$ 51,278	\$ 425,572	\$ 257,124
Bequests	-	-	-	-	981,980
Grants	226,738	40,435	-	267,173	392,696
Fundraising events	31,276	-	-	31,276	71,648
Interest and dividends	17,635	-	13,760	31,395	27,318
Investment gains and (losses)	19,546	-	96,259	115,805	33,296
Miscellaneous	6,025	-	-	6,025	6,822
Subtotal	379,608	336,341	161,297	877,246	1,770,884
Net assets released from restrictions	229,306	(229,306)	-	-	-
<b>Total Revenue</b>	<u>608,914</u>	<u>107,035</u>	<u>161,297</u>	<u>877,246</u>	<u>1,770,884</u>
<b>FUNCTIONAL EXPENSES</b>					
Program services	435,605	-	-	435,605	397,031
Management and general	82,844	-	-	82,844	55,774
Fundraising	50,017	-	-	50,017	73,644
<b>Total Functional Expenses</b>	<u>568,466</u>	<u>-</u>	<u>-</u>	<u>568,466</u>	<u>526,449</u>
<b>OTHER INCOME AND (EXPENSES)</b>					
Donated easements/development rights	162,919	-	3	162,922	130,006
Donated land	-	-	-	-	523,000
Reimbursement for land acquisition	176,733	-	1	176,734	-
Expense of donated easements	(162,919)	-	-	(162,919)	(130,004)
Purchase of development rights	(224,853)	-	-	(224,853)	(102,938)
<b>Total Other Income and (Expenses)</b>	<u>(48,120)</u>	<u>-</u>	<u>4</u>	<u>(48,116)</u>	<u>420,064</u>
<b>INCREASE (DECREASE) IN NET ASSETS</b>	(7,672)	107,035	161,301	260,664	1,664,499
<b>NET ASSETS-BEGINNING OF YEAR</b>	<u>3,704,375</u>	<u>257,030</u>	<u>2,493,819</u>	<u>6,455,224</u>	<u>4,790,725</u>
<b>NET ASSETS-END OF YEAR</b>	<u>\$ 3,696,703</u>	<u>\$ 364,065</u>	<u>\$ 2,655,120</u>	<u>\$ 6,715,888</u>	<u>\$6,455,224</u>

See Accompanying Notes to Financial Statements.

**Legacy Land Conservancy**  
**Statement of Functional Expenses**  
**For the Year Ended June 30, 2014**

**With Comparative Totals for the Year Ended June 30, 2013**

	<b>2014</b>				<b>2013</b>
	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Totals</u>	<u>Totals</u>
Salaries and related expenses:					
Salaries and contracted services	\$ 210,278	\$ 59,233	\$ 26,655	\$ 296,166	\$ 236,795
Payroll taxes and benefits	37,942	10,687	4,810	53,439	43,049
Total	<u>248,220</u>	<u>69,920</u>	<u>31,465</u>	<u>349,605</u>	<u>279,844</u>
Education and outreach:					
Print and web design	3,100	-	-	3,100	105
Brochures and other supplies	1,786	-	-	1,786	3,023
Community outreach	1,789	-	-	1,789	1,697
Media, radio and newspaper	8,971	-	-	8,971	10,157
Newsletter and mailings	17,895	-	-	17,895	9,108
Legacy member events	10,940	-	-	10,940	6,820
Total	<u>44,481</u>	<u>-</u>	<u>-</u>	<u>44,481</u>	<u>30,910</u>
Land protection:					
Consulting	8,468	-	-	8,468	33,439
Land project expenses	30,767	-	-	30,767	73,703
Monitoring	6,304	-	-	6,304	1,021
Other expenses	10,158	-	-	10,158	2,130
Stewardship	28,671	-	-	28,671	7,325
Total	<u>84,368</u>	<u>-</u>	<u>-</u>	<u>84,368</u>	<u>117,618</u>
Fundraising:					
Cultivate and prospecting	-	-	1,441	1,441	988
Membership renewals	-	-	-	-	6,649
Prospect campaign events	-	-	12,550	12,550	25,748
	<u>-</u>	<u>-</u>	<u>13,991</u>	<u>13,991</u>	<u>33,385</u>
Operating and administrative:					
Travel	605	134	47	786	1,007
Audit expense	5,159	1,139	402	6,700	6,550
Bank charges	2,368	523	185	3,076	2,609
Fees and dues	10,468	2,311	816	13,595	6,953
Copying and printing	2,020	446	157	2,623	4,924
Insurance	4,561	1,007	355	5,923	9,274
Depreciation	317	70	25	412	412
Office supplies and other expenses	3,129	691	244	4,063	2,057
Postage and mailing	1,282	283	100	1,665	2,361
Rent and occupancy	13,530	2,987	1,054	17,572	19,170
Software and IT	4,777	1,055	372	6,204	5,331
Staff development	3,070	678	239	3,987	2,367
Strategic planning	-	-	-	-	567
Telephone	1,090	241	85	1,415	1,110
Website and new media	6,160	1,360	480	8,000	-
	<u>58,536</u>	<u>12,924</u>	<u>4,561</u>	<u>76,021</u>	<u>64,692</u>
<b>TOTAL EXPENSES</b>	<u>\$ 435,605</u>	<u>\$ 82,844</u>	<u>\$ 50,017</u>	<u>\$ 568,466</u>	<u>\$ 526,449</u>

See Accompanying Notes to Financial Statements.

# Legacy Land Conservancy

## Statement of Cash Flows

For the Year Ended June 30, 2014

With Comparative Totals for the Year Ended June 30, 2013

	2014	2013
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 260,664	\$ 1,664,499
Adjustments to reconcile excess revenue over expenses to net cash used by operating activities		
Depreciation	412	412
Non-cash acquisition of easement/developmental rights	(4)	(4)
Non-cash donation of land	-	(523,000)
Loss on sale of preserves/property	-	-
(Gains) and losses on investments	(115,805)	(33,296)
Changes in operating assets and liabilities		
Pledges receivable	(173,700)	(96,500)
Grant receivable	21,076	(14,016)
Accrued interest receivable	726	1,058
Prepaid expenses	(732)	1,434
Accounts payable	(29,395)	25,210
Short-term note payable	(52,938)	52,938
Accrued expenses	6,277	12,823
<b>Net Cash Provided By (Used In) Operating Activities</b>	<u>(83,419)</u>	<u>1,091,558</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Net (purchase) sale of investments	<u>(902,573)</u>	<u>(48,999)</u>
<b>Net Cash Provided By (Used In) Investing Activities</b>	<u>(902,573)</u>	<u>(48,999)</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	(985,992)	1,042,559
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	<u>1,531,082</u>	<u>488,523</u>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<u>\$ 545,090</u>	<u>\$ 1,531,082</u>
<b>Supplemental Cash Flows Disclosures:</b>		
Cash paid for interest	\$ -	\$ -
Cash paid for income taxes	\$ -	\$ -

See Accompanying Notes to Financial Statements.



**Legacy Land Conservancy**  
**Notes to Financial Statements**  
**June 30, 2014 and 2013**

**NOTE A — NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Organization** – The Legacy Land Conservancy (the Agency) is a not-for-profit agency, founded in 1971, operating in Washtenaw, Jackson and surrounding counties in southeastern Michigan. The mission of the Legacy Land Conservancy is to protect natural areas, working farmlands and open spaces in the area. The Agency accomplishes its mission through three primary activities of acquiring protective interests in conservation land through purchase and donation; advocating for the protection of open spaces; and caring for the land it owns and monitoring land under conservation agreements. The major funding for the Agency is derived from donations, grants and fundraising events.

**Financial Statement Presentation** – The Agency prepares financial statements in accordance with FASB Accounting Standards Codification (ASC) 958-205 and subsections. Accordingly, the Agency is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

*Unrestricted Net Assets* represent the portion of funds available for the general operations and not subject to any donor imposed restrictions.

*Temporarily Restricted Net Assets* represent donations and grants that the donor has specified imposed restrictions that have yet to occur. When a donor imposed restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets.

*Permanently Restricted Net Assets* include encumbered preserves, donor restricted conservation easements on land valued at \$1, and donor contributions to endowment funds maintained by the Agency.

**Basis of Accounting** – The accompanying financial statements have been prepared on the accrual basis of accounting. Accordingly, they reflect all significant receivables and payables as of the date of the financial statements.

**Support and Revenue Recognition** – Contributions, including unconditional promises to give, are recorded in the period the gift or promise is received. For financial statement presentation purposes, the Agency has elected to report temporarily restricted assets whose requirements were fulfilled in the same period that the contribution was received, as unrestricted assets.

**Donated Services** – A number of volunteers have donated their time and perform a variety of tasks that assist the Agency in the completion of its mission. As these services do not meet the criteria for recognition as contributed services in accordance with generally accepted accounting principles, no amounts for support or revenue recognition have been recorded.

**Functional Expenses** – The Agency accumulates and records operating expenses according to the nature of the expense that was incurred (see the statement of functional expenses). These functional expenses are allocated and reported on the statement of activities in three functional categories: program services, fundraising and management, and general expenses. The allocation to these functional categories is based on management's records of time allocated by staff.

**Income Taxes** – The Agency is exempt from federal and state income taxes under the provisions of Section 501(c)(3) of the Internal Revenue Code as a charitable agency whereby only unrelated business income, as defined by Section 509(a)(1) of the Code, is subject to federal income tax. The Agency is no longer subject to U.S. federal tax examinations by tax authorities for years before 2010.



**Legacy Land Conservancy**  
**Notes to Financial Statements**  
**June 30, 2014 and 2013**

**NOTE A — NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Use of Estimates** – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**Cash and Cash Equivalents** – Cash and cash equivalents include checking accounts, cash on hand and highly liquid investments, such as certificates of deposits and money markets, with maturity dates of less than three months. The carrying value of cash and cash equivalents approximates fair value as a result of the short maturities of those financial instruments.

**Investments** – The Agency records investments in accordance with FASB ASC 958-320 and subsections. This standard requires that investments in equity securities with readily determinable fair values and all investments in debt securities be measured at fair value in the statements of financial position. Fair value of marketable equity and debt securities is based on quoted market prices as of the date of the statement of financial position. Alternate investments are stated at the fair value of their underlying assets and allocated to the investors in proportion to the investor's ownership percentage. Realized gains and losses are determined based on specific cost identification.

**Fixed Assets** – The Agency capitalizes all new equipment and improvements with a useful life of greater than one year and a cost of greater than \$5,000. Major renewals and improvements are capitalized, while replacements, maintenance and repairs which do not materially extend the useful lives of the assets are expensed. Donated or contributed fixed assets are capitalized if the estimated fair market value is \$5,000 or greater. The assets are depreciated using straight-line method over their estimated useful life.

**Preserves (Parcels of Land)** – The property of the Agency consists of parcels of land in southeastern Michigan received at various times from various donors. The Agency owns all residual rights associated with these properties. Such property is recorded as revenue and other asset at the time the property is received. The basis of the donation is the fair value of the property as of the date donated as determined by the most recent appraisal prepared by an independent qualified appraiser.

**Conservation Easements** – It is the policy of the Agency to record the donation or acquisition of an easement at its fair market value, in accordance with the most recent appraisal if available, as an income and expense item on the Agency's financial statements. These easements held by the Agency are more akin to liabilities than assets, due to the annual monitoring obligation. As a result of this, and because a perpetual conservation easement essentially represents an extinguishment of rights to develop land, these easements are recorded as an asset with a value of \$1.

**Beneficial Interest in Perpetual Trust** – The Agency has adopted Statement of Financial Standards (SFAS) No. 136, *Transfers of Assets to a Not-for-Profit Organization or Charitable Trust that Raises or Holds Contributions for Others*. In accordance with SFAS No. 136, the funds held at Community Foundation are only recorded at the spendable balance that is available to the Agency.

**Compensated Absences** – Vested and accumulated vacation leave is reported as an expense and a liability when the obligation becomes determinable. No liability is accrued for nonvesting rights to receive sick pay benefits.

**Events Occurring After Reporting Date** – Management has evaluated events and transactions for potential recognition or disclosure through the date of the auditor's report, which is the date that the financial statements were available to be issued.

# Legacy Land Conservancy

## Notes to Financial Statements

June 30, 2014 and 2013

### NOTE B — CASH AND CASH EQUIVALENTS

As stated in Note A – Nature of Activities and Summary of Significant Accounting Policies, cash and cash equivalents include funds with maturity dates of less than three months. All account balances were within the limits of coverage provided by the Federal Deposit Insurance Corporation. Cash and cash equivalents are summarized as follows:

	<u>2014</u>	<u>2013</u>
Petty Cash	\$ 117	\$ 117
Demand (checking) Accounts	484,050	273,363
Certificates of Deposit	-0-	242,041
Money Market Funds	<u>60,923</u>	<u>1,015,561</u>
Total	<u>\$ 545,090</u>	<u>\$ 1,531,082</u>

### NOTE C — INVESTMENTS

Investments consist of publicly traded shares of mutual funds and securities, initially recorded at cost, but adjusted to fair value as the market changes. Investments at June 30 are comprised of the following:

	<u>2014</u>		<u>2013</u>	
	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>
Mutual funds	\$ 369,463	\$ 483,856	\$ 363,531	\$ 388,006
Vanguard funds	<u>1,166,852</u>	<u>1,210,125</u>	<u>244,080</u>	<u>287,597</u>
Total	<u>\$ 1,536,315</u>	<u>\$ 1,693,981</u>	<u>\$ 607,611</u>	<u>\$ 675,603</u>

The following information summarizes the activities for the years ended June 30<sup>th</sup>:

	<u>2014</u>	<u>2013</u>
Dividends and interest	\$ 31,395	\$ 27,318
Realized and unrealized gain (loss)	115,805	34,091
Investment management fees	<u>-0-</u>	<u>(795)</u>
	<u>\$ 147,200</u>	<u>\$ 60,614</u>

### NOTE D — PLEDGES RECEIVABLE

The pledges receivable consists of unconditional promises made to the Emerald Arc Campaign and the Forever Fund. The Agency has established an allowance for uncollected amounts of 10% of the balance as of the year end. The Agency has not discounted the pledges currently receivable, because, based on the time-value of money at current interest rates they do not believe the amount would be material.

Pledges receivable consist of the following:

Amounts due in less than one year	\$ 92,355
One to five years	<u>202,845</u>
	<u>\$ 295,200</u>



**Legacy Land Conservancy**  
**Notes to Financial Statements**  
**June 30, 2014 and 2013**

**NOTE E — GRANTS RECEIVABLE**

The Agency Records grants as revenue during the period that the funds were earned. The grant receivable as of June 30, 2014 and 2013 was \$14,952 and \$36,028 respectively, and represents grant dollars earned but not received as of the financial position date. No allowance for uncollectible accounts has been provided as management believes they are all collectible.

**NOTE F — BENEFICIAL INTEREST IN PERPETUAL TRUST**

The Agency is the beneficiary of a perpetual trust held and administered by a Community Foundation. The endowment permits the Foundation to substitute another beneficiary in place of the Agency in the event the Agency ceases to exist, or for other various reasons in accordance with the Foundation's bylaws. As stated in the summary of significant accounting policies, generally accepted accounting principles require the Agency to record the assets held by others at the spendable amount only. The Agency has withdrawn the spendable balance during the fiscal year. As a result, no amount of the remaining balance is spendable, or recorded on the financial statements, at the end of the fiscal year June 30, 2014 and 2013. The balance of the trust as of June 30, 2014, is \$57,295.

**NOTE G — FIXED ASSETS**

As discussed in the summary of significant accounting policies, qualifying purchases, major renewals and improvements are capitalized, while replacements, maintenance and repairs which do not materially extend the useful lives of the assets are expensed. Upon sale or retirement of fixed assets, the cost and related accumulated depreciation are eliminated from the respective accounts and any resulting gain or loss is included in current operations. During the year ending June 30, 2011 the Agency acquired leasehold improvements valued at \$1,235 that was put in use during July 2011. Depreciation expense during the years ended June 30, 2014 and 2013 were \$412 and \$412, respectively.

**NOTE H — PRESERVES**

The preserves of the Legacy Land Conservancy consist of parcels of land in southeastern Michigan received at various times from various donors. Such properties are recorded at fair values as of the date donated, as determined by an independent appraisal. The balance of these accounts is comprised of the following as of June 30<sup>th</sup>:

<u>Description</u>	<u>Acres</u>	<u>2014</u>	<u>2013</u>
Encumbered:			
Creekshead Preserve (fee simple)	27	\$ 115,000	\$ 115,000
Beckwith Conservancy (fee simple)	31	61,000	61,000
Sharon Hills Preserve (fee simple)	68	308,150	308,150
Woodland Preserve (fee simple)	14	235,000	235,000
Coudron Preserve (life estate/fee simple)	44	576,000	576,000
Reichert Preserve (fee simple)	102	477,500	477,500
Unencumbered:			
Reichert Preserve (held for re-sale)	2	45,500	45,500
Johnson Preserve (fee simple)	49	<u>2,379,853</u>	<u>2,379,853</u>
Total		<u>\$ 4,198,003</u>	<u>\$ 4,198,003</u>

**Legacy Land Conservancy**  
**Notes to Financial Statements**  
**June 30, 2014 and 2013**

**NOTE I — CONSERVATION EASEMENTS**

As stated in the summary of significant accounting policies, the Legacy Land Conservancy acquires easements and developmental rights through donations and acquisitions. The policy of the Agency is to record these easements and developmental rights as revenue and expense in the year of the transaction and to record the item for the value of \$1 as an other asset. These transactions are reflected on the statements of activities as revenue, and an expense, resulting in a net increase to conservation easements of \$4 and \$3 as of June 30, 2014 and 2013 respectively.

**NOTE J — EMPLOYEE BENEFIT PLAN**

The Legacy Land Conservancy maintains a SIMPLE (Savings Incentive Match Plan) IRA retirement plan. All employees are eligible to participate. To the extent an employee participates by deferring a portion of their compensation into the plan, the Agency will match the employee's contribution, up to a maximum of three percent of the employee's compensation. During the years ended June 30, 2014 and 2013, the retirement expense incurred by the Agency was \$5,685 and \$4,712 respectively.

**NOTE K — SUMMARY OF FAIR VALUE EXPOSURE**

In September 2006, the FASB issues SFAS No. 157, *Fair Value Measurements* ("SFAS 157") — now referred to as ASC 820-10 and subsections — effective for fiscal years beginning after November 15, 2007. SFAS 157 clarifies the definition of fair value for financial reporting, establishes a framework for measuring fair value, and requires additional disclosures about the use of fair value measurements in an effort to make the measurement of fair value more consistent and comparable. The Agency has adopted SFAS 157 for its financial assets and liabilities measured on a recurring and nonrecurring basis.

SFAS 157 defines fair value as the amount that would be received from the sale of an asset or paid for the transfer of a liability in an orderly transaction between market participants, i.e. an exit price. To estimate the price, a three-tier hierarchy is used to prioritize the inputs:

Level 1: Quoted Prices in active markets for identical securities.

Level 2: Other significant observable inputs (including quoted prices for similar securities, interest rates, prepayment spreads, credit risk, etc.).

Level 3: Significant unobservable inputs (including the Agency's own assumptions in determining the fair value of investments).

The inputs and methodology used for valuing the Agency's financial assets are not indicators of the risks associated with those instruments.

The following table provides fair value measurement information for financial assets measured at fair value on a recurring basis as of June 30:

Description	2014	2013
Level 1: Quoted Prices in Active Markets for Identical Assets	<u>\$ 1,693,981</u>	<u>\$ 675,603</u>

The fair value of the Agency's investments in marketable equity and debt securities is based on quoted market prices.



## Legacy Land Conservancy

### Notes to Financial Statements

June 30, 2014 and 2013

#### NOTE L — COMMITMENTS

Effective June 30, 2014, the Agency's lease for office space expired. The lease was renewed for 1 year, through June 30, 2015. Future minimum payments on this lease for the year ended June 30, 2015 are \$18,923.

#### NOTE M —COMPARATIVE STATEMENTS

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Agency's financial statements for the year ended June 30, 2013, from which the summarized information was derived.

#### NOTE N —ENDOWMENT FUNDS

FASB ASC Topic 958-205 provides guidance on the net asset classification of donor restricted endowment funds for a not-for-profit organization that is subject to the enacted version of the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA). FASB Topic 958-205 also improves disclosures about an organization's endowment funds (both donor-restricted and board-designated endowment funds) whether or not the organization is subject to UPMIFA.

##### Interpretation of Relevant Law

The Board of Directors has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the original gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Agency classifies as permanently restricted net assets at the original value of gifts donated to the permanent endowment, the original value of subsequent gifts to the permanent endowment and accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Agency in a manner consistent with the standard of prudence prescribed by UPMIFA.

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

- The duration and preservation of the fund;
- The purposes of the Foundation and the donor-restricted endowment fund;
- General economic conditions;
- The possible effect of inflation and deflation;
- The expected total return from income and the appreciation of investments;
- Other resources of the Agency; and
- The investment policies of the Agency.

Accounting standards require investment earnings on permanently restricted net assets subject to UPMIFA to be classified as temporarily restricted until they are appropriated for expenditure by the Agency.

**Legacy Land Conservancy**  
**Notes to Financial Statements**  
**June 30, 2014 and 2013**

**NOTE N —ENDOWMENT FUNDS (continued)**

Investment Approach

The ultimate responsibility for the management of the funds rests with its Board of Trustees. To assist it in carrying out this responsibility, the trustees have established an endowment committee. All endowment assets not held in cash shall be invested in index funds selected by the endowment committee within the asset classes and in accordance with allocation targets and ranges as follows:

<u>Asset Class</u>	<u>Target</u>	<u>Range</u>
Equities	70%	60-80%
Fixed income	30%	20-40%
Cash	0%	0-5%

Spending Policy

Endowment Fund: Distributions can be taken annually to fund land and easement stewardship.

Forever Fund: Distributions can be taken annually to fund land and easement stewardship and other expenses related to ensuring the integrity of conservation easements and lands owned by the Agency.

Standard Distribution: Standard distributions shall be made annually, and limited to 4% of the rolling average of the value of the funds over the past sixteen quarters.

Extraordinary distributions: Generally, principal will remain in the fund and will not be liquidated, except as described above. However, from time-to-time extraordinary expenses associated with the legal costs of defending or enforcing an easement, or legal costs required to maintain the Agency's continued use and operation of its fee preserves, may be incurred. At such times, by a 2/3 vote of the Board of Trustees, the principal of that portion associated with the Forever Fund may be taken as a distributions. Such distributions must be accompanied by a plan to replenish the funds.

Standard distributions shall not be made if the combined value of the Endowment and Forever Funds is less than \$300,000.

Change in Endowment Net Assets for the Year Ended June 30, 2014:

	<u>Permanently Restricted</u>
Net assets, beginning of year	\$ 675,603
Investment return:	
Investment income	13,760
Net appreciation (depreciation)	96,259
Investment fees	-0-
Contributions and other income	51,278
Expenses	-0-
	<u>\$ 836,900</u>

**Legacy Land Conservancy**  
**Notes to Financial Statements**  
**June 30, 2014 and 2013**

**NOTE O —SHORT-TERM NOTE PAYABLE**

The organization entered into a promissory note, dated December 31, 2012, in the amount of \$52,938, due and payable in one (1) installment in the principal amount of \$52,938, plus interest at 4% annually, on or before December 31, 2013. The note was repaid during the year ended June 30, 2014.

**NOTE P —RESTATEMENT OF BEGINNING NET ASSETS**

Per management's review of donor restrictions, beginning net assets are restated as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Totals</u>
As originally reported:	\$3,875,775	\$135,530	\$2,443,919	\$6,455,224
Reclassifications	<u>(171,400)</u>	<u>121,500</u>	<u>49,900</u>	<u>-</u>
Restated	<u>\$3,704,375</u>	<u>\$257,030</u>	<u>\$2,493,819</u>	<u>\$6,455,224</u>



# COLE, NEWTON & DURAN

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## INDEPENDENT AUDITOR'S REPORT ON ADDITIONAL INFORMATION

To the Board of Directors  
Legacy Land Conservancy  
Ann Arbor, Michigan

We have audited the financial statements of Legacy Land Conservancy as of and for the year ended June 30, 2014, and have issued our report thereon dated August 11, 2014, which contained an unqualified opinion on those financial statements. Our audit was made for the purpose of forming an opinion on the financial statements taken as a whole. The schedule of board designated, temporarily restricted and permanently restricted net assets is presented for the 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 taken as a whole.

COLE, NEWTON & DURAN

*Cole, Newton & Duran*

August 11, 2014



# Legacy Land Conservancy

## Schedule of Board Designated, Temporarily and Permanently Restricted Net Assets

June 30, 2014

	Board Designated Unrestricted	Temporarily Restricted	Permanently Restricted
Operating Grants:			
Speckhard Knight Foundation	\$ -	\$ 8,658	\$ -
ITC Holdings	-	10,000	-
Chelsea Wellness Foundation	-	2,240	-
American Fdn-Arms Creek	-	14,214	-
James & Faith Knight	-	2,281	-
Michigan Automotive	-	2,498	-
Ferrantino-Portage Creek	-	15,672	-
Totals	-	55,563	-
Stewardship Funds			
Creekshead Preserve	-	4,575	-
Johnson Preserve	-	2,145	-
Reichert Preserve	-	121,334	-
Sullivan Easement	-	10,000	-
Stewardship Fund	-	1,295	-
Total	-	139,349	-
Acquisition Funds:			
Emerald Arc Campaign	1,146,185	157,950	-
Farmland Protection Fund	-	(21,617)	-
Land Protection Fund	-	-	-
Waterloo Funds	-	16,446	-
Regional Funds:			
Dexter	-	2,175	-
Pittsfield	-	1,446	-
Northfield	-	2,000	-
Webster	-	10,753	-
Total	1,146,185	169,153	-
Endowment Funds:			
Forever Fund	-	-	770,719
Endowment Fund	-	-	66,181
Total	-	-	836,900
Land:			
Reichert	-	-	477,500
Held for resale with permanent restriction	-	-	45,500
Creekshead	-	-	115,000
Beckwith	-	-	61,000
Sharon Hills	-	-	308,150
Woodland	-	-	235,000
Coudron	-	-	576,000
Total	-	-	1,818,150
Conservation Easements	-	-	70
Totals	\$ 1,146,185	\$ 364,065	\$ 2,655,120