

Legacy Land Conservancy

Financial Statements

June 30, 2013

**With Comparative Totals
For the Year Ended June 30, 2012**

Legacy Land Conservancy

Financial Statements

June 30, 2013

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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, 2013, 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, 2013, 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 2012 financial statements were previously audited by other auditors, and in their report dated August 9, 2012, they 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, 2012, is consistent, in all material respects, with the audited financial statements from which it has been derived.

COLE, NEWTON & DURAN

Cole, Newton & Duran

November 11, 2013

Legacy Land Conservancy
Statement of Financial Position

June 30, 2013

With Comparative Totals for the Year Ended June 30, 2012

ASSETS

	<u>2013</u>	<u>2012</u>
CURRENT ASSETS		
Cash and cash equivalents	\$ 1,531,082	\$ 488,523
Investments	675,603	593,306
Pledges receivable	121,500	25,000
Grants receivable	36,028	22,012
Accrued interest receivable	726	1,784
Prepaid expenses	<u>3,170</u>	<u>4,604</u>
TOTAL CURRENT ASSETS	<u>2,368,109</u>	<u>1,135,229</u>
FIXED ASSETS		
Leasehold improvement	1,235	1,235
Less accumulated depreciation	<u>(823)</u>	<u>(412)</u>
TOTAL FIXED ASSETS	<u>412</u>	<u>823</u>
OTHER ASSETS		
Preserves - encumbered	1,772,650	1,295,150
Preserves - unencumbered	2,379,853	2,379,853
Land held for re-sale	45,500	-
Conservation easements	<u>66</u>	<u>64</u>
TOTAL OTHER ASSETS	<u>4,198,069</u>	<u>3,675,067</u>
TOTAL ASSETS	<u>\$ 6,566,590</u>	<u>\$ 4,811,119</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Accounts payable	\$ 31,346	\$ 6,135
Accrued expenses	27,082	14,259
Note payable	<u>52,938</u>	<u>-</u>
TOTAL CURRENT LIABILITIES	<u>111,366</u>	<u>20,394</u>
NET ASSETS		
Unrestricted		
Operating	263,307	280,643
Board designated	1,187,115	-
Unencumbered land	<u>2,425,353</u>	<u>2,379,853</u>
Total Unrestricted	3,875,775	2,660,496
Temporarily restricted	135,530	209,189
Permanently restricted	<u>2,443,919</u>	<u>1,921,040</u>
TOTAL NET ASSETS	<u>6,455,224</u>	<u>4,790,725</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 6,566,590</u>	<u>\$ 4,811,119</u>

See Accompanying Notes to Financial Statements.

Legacy Land Conservancy

Statement of Activities and Changes in Net Assets

For the Year Ended June 30, 2013

With Comparative Totals for the Year Ended June 30, 2012

	2013				2012
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Total
REVENUE AND SUPPORT					
Contributions	\$ 235,402	\$ 13,589	\$ 8,133	\$ 257,124	\$ 192,412
Bequests	981,980	-	-	981,980	-
Grants	286,613	106,083	-	392,696	201,391
Fundraising events	71,648	-	-	71,648	9,929
Interest and dividends	4,452	-	22,866	27,318	14,515
Investment gains and (losses)	-	-	33,296	33,296	(27,035)
Miscellaneous	6,822	-	-	6,822	17,366
Subtotal	1,586,917	119,672	64,295	1,770,884	408,578
Net assets released from restrictions	212,247	(193,331)	(18,916)	-	-
Total Revenue	<u>1,799,164</u>	<u>(73,659)</u>	<u>45,379</u>	<u>1,770,884</u>	<u>408,578</u>
FUNCTIONAL EXPENSES					
Program services	397,031	-	-	397,031	320,614
Management and general	55,774	-	-	55,774	47,558
Fundraising	73,644	-	-	73,644	30,495
Total Functional Expenses	<u>526,449</u>	<u>-</u>	<u>-</u>	<u>526,449</u>	<u>398,667</u>
OTHER INCOME AND (EXPENSES)					
Donated easements/development rights	130,006	-	-	130,006	140,500
Donated land	45,500	-	477,500	523,000	-
Loss on sale of donated land	-	-	-	-	(86,884)
Expense of donated easements	(130,004)	-	-	(130,004)	(140,497)
Purchase of development rights	(102,938)	-	-	(102,938)	(179,840)
Total Other Income and (Expenses)	<u>(57,436)</u>	<u>-</u>	<u>477,500</u>	<u>420,064</u>	<u>(266,721)</u>
INCREASE (DECREASE) IN NET ASSETS	1,215,279	(73,659)	522,879	1,664,499	(256,810)
NET ASSETS-BEGINNING OF YEAR	<u>2,660,496</u>	<u>209,189</u>	<u>1,921,040</u>	<u>4,790,725</u>	<u>5,047,535</u>
NET ASSETS-END OF YEAR	<u>\$ 3,875,775</u>	<u>\$ 135,530</u>	<u>\$ 2,443,919</u>	<u>\$ 6,455,224</u>	<u>\$4,790,725</u>

See Accompanying Notes to Financial Statements.

Legacy Land Conservancy
Statement of Functional Expenses
For the Year Ended June 30, 2013

With Comparative Totals for the Year Ended June 30, 2012

	2013				2012
	Program Services	Management and General	Fundraising	Totals	Totals
Salaries and related expenses:					
Salaries and contracted services	\$ 168,125	\$ 37,887	\$ 30,783	\$ 236,795	\$ 198,079
Payroll taxes and benefits	30,565	6,888	5,596	43,049	40,125
Total	<u>198,690</u>	<u>44,775</u>	<u>36,379</u>	<u>279,844</u>	<u>238,204</u>
Education and outreach:					
Print and web design	105	-	-	105	1,210
Brochures and booklets	3,023	-	-	3,023	1,837
Community outreach	1,697	-	-	1,697	1,574
Media, radio and newspaper	10,157	-	-	10,157	2,659
Newsletter and mailings	9,108	-	-	9,108	11,012
Legacy member events	6,820	-	-	6,820	4,280
Total	<u>30,910</u>	<u>-</u>	<u>-</u>	<u>30,910</u>	<u>22,572</u>
Land protection:					
Consulting	33,439	-	-	33,439	25,031
Land project expenses	73,703	-	-	73,703	25,183
Monitoring	1,021	-	-	1,021	990
Taxes and dues	2,130	-	-	2,130	4,337
Stewardship	7,325	-	-	7,325	12,672
Total	<u>117,618</u>	<u>-</u>	<u>-</u>	<u>117,618</u>	<u>68,213</u>
Fundraising:					
Cultivate and prospecting	-	-	988	988	1,138
Major donor events	-	-	-	-	1,878
Membership renewals	-	-	6,649	6,649	5,841
Prospect campaign events	-	-	25,748	25,748	4,217
	<u>-</u>	<u>-</u>	<u>33,385</u>	<u>33,385</u>	<u>13,074</u>
Operating and administrative:					
Travel	775	172	60	1,007	1,085
Audit expense	5,044	1,113	393	6,550	6,351
Bank charges	2,009	443	157	2,609	1,628
Fees and dues	5,354	1,182	417	6,953	1,738
Copying and printing	3,791	838	295	4,924	4,916
Insurance	7,141	1,577	556	9,274	5,996
Depreciation	320	68	24	412	412
Office supplies	1,580	354	123	2,057	1,731
Postage and mailing	1,818	401	142	2,361	3,174
Rent and occupancy	14,761	3,259	1,150	19,170	19,728
Software and IT	4,105	906	320	5,331	6,702
Staff development	1,823	402	142	2,367	1,899
Strategic planning	437	96	34	567	662
Telephone	855	188	67	1,110	582
	<u>49,813</u>	<u>10,999</u>	<u>3,880</u>	<u>64,692</u>	<u>56,604</u>
TOTAL EXPENSES	<u>\$ 397,031</u>	<u>\$ 55,774</u>	<u>\$ 73,644</u>	<u>\$ 526,449</u>	<u>\$ 398,667</u>

See Accompanying Notes to Financial Statements.

Legacy Land Conservancy

Statement of Cash Flows

For the Year Ended June 30, 2013

With Comparative Totals for the Year Ended June 30, 2012

	<u>2013</u>	<u>2012</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 1,664,499	\$ (256,810)
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)	(3)
Non-cash donation of land	(523,000)	-
Loss on sale of preserves/property	-	86,884
(Gains) and losses on investments	(33,296)	22,636
Changes in operating assets and liabilities		
Pledges receivable	(96,500)	(24,500)
Grant receivable	(14,016)	(20,967)
Accrued interest receivable	1,058	451
Prepaid expenses	1,434	3,892
Accounts payable	25,210	(4,419)
Short-term note payable	52,938	-
Accrued expenses	<u>12,823</u>	<u>(2,398)</u>
Net Cash Provided By (Used In) Operating Activities	<u>1,091,558</u>	<u>(194,822)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Net (purchase) sale of investments	(48,999)	4,529
Proceeds from land held for sale	<u>-</u>	<u>63,116</u>
Net Cash Provided By (Used In) Investing Activities	<u>(48,999)</u>	<u>67,645</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	1,042,559	(127,177)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>488,523</u>	<u>615,700</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 1,531,082</u>	<u>\$ 488,523</u>
Supplemental Cash Flows Disclosures:		
Cash paid for interest	<u>\$ -</u>	<u>\$ -</u>
Cash paid for income taxes	<u>\$ -</u>	<u>\$ -</u>

See Accompanying Notes to Financial Statements.

Legacy Land Conservancy
Notes to Financial Statements
June 30, 2013 and 2012

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.

Legacy Land Conservancy

Notes to Financial Statements

June 30, 2013 and 2012

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.

Legacy Land Conservancy
Notes to Financial Statements
June 30, 2013 and 2012

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>2013</u>	<u>2012</u>
Petty Cash	\$ 117	\$ 117
Demand (checking) Accounts	273,363	148,122
Certificates of Deposit	242,041	240,041
Money Market Funds	<u>1,015,561</u>	<u>100,243</u>
Total	<u>\$ 1,531,082</u>	<u>\$ 488,523</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>2013</u>		<u>2012</u>	
	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>
Equity Funds	\$ 363,531	\$ 388,006	\$ 308,103	\$ 341,020
Fixed Income	<u>244,080</u>	<u>287,597</u>	<u>248,555</u>	<u>252,286</u>
Total	<u>\$ 607,611</u>	<u>\$ 675,603</u>	<u>\$ 556,658</u>	<u>\$ 593,306</u>

The following information summarizes the activities for the years ended June 30th:

	<u>2013</u>	<u>2012</u>
Dividends and interest	\$ 27,318	\$ 14,515
Realized and unrealized gain (loss)	34,091	(22,636)
Investment management fees	<u>(795)</u>	<u>(4,399)</u>
	<u>\$ 60,614</u>	<u>\$ (12,520)</u>

NOTE D — PLEDGES RECEIVABLE

The pledges receivable consists of pledges 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.

Legacy Land Conservancy
Notes to Financial Statements

June 30, 2013 and 2012

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, 2013 and 2012 was \$36,028 and \$22,012 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, 2013 and 2012. The balance of the trust as of December 31, 2012, the latest date of the fund balance report, is \$51,618.

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, 2013 and 2012 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 30th:

Description	Acres	2013	2012
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	-
Unencumbered:			
Reichert Preserve (held for re-sale)	2	45,500	-
Johnson Preserve (fee simple)	49	<u>2,379,853</u>	<u>2,379,853</u>
Total		<u>\$ 4,198,003</u>	<u>\$ 3,675,003</u>

Legacy Land Conservancy
Notes to Financial Statements
June 30, 2013 and 2012

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 \$2 and \$3 as of June 30, 2013 and 2012 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, 2013 and 2012, the retirement expense incurred by the Agency was \$4,712 and \$4,455 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	2013	2012
Level 1: Quoted Prices in Active Markets for Identical Assets	\$ 675,603	\$ 593,306

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, 2013 and 2012

NOTE L — COMMITMENTS

In June 2011, the Agency entered into a Lease Agreement, effective July 1, 2011, to occupy Suite 203, 1100 N. Main Street, Ann Arbor, Michigan which includes 879 rentable square feet. The term of the Lease is for three years ending on June 30, 2014. The Agency shall pay as rent \$13,992 a year in equal monthly installments of \$1,166. This amount is the base rent. In addition, the Agency shall pay as its share of utilities cost \$4,908 in equal monthly installments of \$409. The utilities cost is defined to include janitorial service, electric, gas, water charges and coffee for the common area kitchen. The Agency has also entered into an agreement for the rental of shed space at \$23 per month commencing in August 2009. During the years ended June 30, 2013 and 2012 the Agency had expensed as rent \$19,170 and \$19,728 respectively. Based on current signed agreements future minimum obligations are as follows:

Year ending June 30, 2014	<u>\$18,923</u>
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NOTE M — SUBSEQUENT EVENTS

Statement of Financial Accounting Standards No. 165, *Subsequent Events*, establishes general standards of accounting for the disclosures of events that occur after the balance sheet date but before financial statements are issued or are available to be issued. SFAS 165 incorporates into GAAP certain guidance that previously existed under generally accepted auditing standards, which required the disclosure of the date through which subsequent events have been evaluated and whether that date is the date on which the financial statements were issued or available to be issued. The evaluation of subsequent events through November 11, 2013, which was the date the financial statements were available to be issued, revealed no events that are required to be reported within the general standards established under SFAS 165.

NOTE N —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, 2012, from which the summarized information was derived.

NOTE O —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.

Legacy Land Conservancy

Notes to Financial Statements

June 30, 2013 and 2012

NOTE O —ENDOWMENT FUNDS, CONTINUED

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.

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.

Legacy Land Conservancy
Notes to Financial Statements
June 30, 2013 and 2012

NOTE O —ENDOWMENT FUNDS, CONTINUED

Change in Endowment Net Assets for the Year Ended June 30, 2013:

	Permanently <u>Restricted</u>
Net assets, beginning of year	\$ 630,226
Investment return:	
Investment income	22,866
Net appreciation (depreciation)	34,091
Investment fees	(795)
Contributions and other income	8,133
Expenses	<u>(18,918)</u>
	<u>\$ 675,603</u>

NOTE P —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 may be prepaid in whole or in part at any time without premium or penalty.

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, 2013, and have issued our report thereon dated November 11, 2013, 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

November 11, 2013

Legacy Land Conservancy

Schedule of Board Designated, Temporarily and Permanently Restricted Net Assets

June 30, 2013

	<u>Board Designated Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>
Operating Grants:			
Speckhard Knight Foundation	\$ -	\$ 8,968	\$ -
Consumers Energy	-	208	-
AAACF	-	4,574	-
ITC Holdings	-	4,871	-
American Fdn-Arms Creek	-	20,000	-
HOL-Re-Accreditation	-	2,586	-
James & Faith Knight	-	10,075	-
Jerry Jung	-	15,088	-
Totals	<u>-</u>	<u>66,370</u>	<u>-</u>
Stewardship Funds			
Beckwith Preserve	-	795	-
Creekshead Preserve	-	4,871	-
Johnson Preserve	-	2,595	-
Reichert Preserve	-	(2,000)	-
Sullivan Easement	-	10,000	-
Stewardship Fund	-	477	-
Total	<u>-</u>	<u>16,738</u>	<u>-</u>
Acquisition Funds:			
Emerald Arc Campaign	1,187,115	-	-
Farmland Protection Fund	-	10,789	-
Land Protection Fund	-	11,211	-
Waterloo Funds	-	14,046	-
Regional Funds:			
Dexter	-	2,175	-
Pittsfield	-	1,446	-
Northfield	-	2,000	-
Webster	-	10,755	-
Total	<u>1,187,115</u>	<u>52,422</u>	<u>-</u>
Endowment Funds:			
Forever Fund	-	-	618,966
Endowment Fund	-	-	56,637
Total	<u>-</u>	<u>-</u>	<u>675,603</u>
Land:			
Reichert			477,500
Creekshead	-	-	115,000
Beckwith	-	-	61,000
Sharon Woods	-	-	303,750
Woodland	-	-	235,000
Coudron	-	-	576,000
Total	<u>-</u>	<u>-</u>	<u>1,768,250</u>
Conservation Easements	<u>-</u>	<u>-</u>	<u>66</u>
Totals	<u>\$ 1,187,115</u>	<u>\$ 135,530</u>	<u>\$ 2,443,919</u>