

WASHTENAW LAND TRUST
FINANCIAL STATEMENTS
DECEMBER 31, 2004 and 2003

C O N T E N T S

	<u>Page</u>
INDEPENDENT AUDITOR'S REPORT	1
FINANCIAL STATEMENTS	
Statements of financial position	2
Statements of activities	3
Statements of cash flows	4
Notes to financial statements	5-7



Board of Directors
Washtenaw Land Trust
1100 N. Main Street, Suite 203
Ann Arbor, MI 48104

INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying statements of financial position of the Washtenaw Land Trust as of December 31, 2004, and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of the Washtenaw Land Trust's management. 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to in the first paragraph above present fairly, in all material respects, the financial position of the Washtenaw Land Trust as of December 31, 2004 and the results of its activities and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The December 31, 2003 financial statements presented for comparative purposes was derived from the Washtenaw Land Trust's 2003 financial statements which were audited by BKR Dupuis & Ryden on which they expressed an unqualified opinion in their report thereon, dated July 23, 2004.

DAVID HAFHEY, P.C.

Ann Arbor, Michigan
May 23, 2005

WASHTENAW LAND TRUST
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31

	2004	2003
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents <i>(Note 1)</i>	\$ 300,470	\$ 273,295
Marketable securities <i>(Note 1)</i>	<u>14,713</u>	<u>12,667</u>
TOTAL CURRENT ASSETS	<u>315,183</u>	<u>285,962</u>
PROPERTY <i>(Note 1)</i>	<u>719,150</u>	<u>719,150</u>
OTHER ASSETS:		
Software	4,995	4,995
Less; Accumulated amortization	<u>(3,330)</u>	<u>(1,665)</u>
TOTAL OTHER ASSETS	<u>1,665</u>	<u>3,330</u>
TOTAL ASSETS	<u>\$1,035,998</u>	<u>\$1,008,442</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 5,256	\$ 1,550
Easement payable obligations	<u>15,000</u>	<u>10,000</u>
TOTAL CURRENT LIABILITIES	<u>20,256</u>	<u>11,550</u>
LONG-TERM LIABILITIES <i>(Note 2):</i>		
Easement payable obligations	<u>15,000</u>	<u>10,000</u>
NET ASSETS <i>(Note 1)</i>		
Unrestricted	194,611	169,639
Temporarily Restricted	86,981	98,103
Permanently Restricted	<u>719,150</u>	<u>719,150</u>
TOTAL NET ASSETS	<u>1,000,742</u>	<u>986,892</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$1,035,998</u>	<u>\$1,008,442</u>

See the independent auditor's report on page 1 and notes to the financial statements on pages 5 through 7.

**WASHTENAW LAND TRUST
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31**

	2004	2003
CHANGES IN UNRESTRICTED NET ASSETS:		
Revenues and Support:		
Grants and contributions	\$ 289,762	\$ 230,392
Events	7,470	17,767
Interest and dividends	2,050	2,878
Investment gains	1,527	2,795
Miscellaneous income	<u>337</u>	<u>2,545</u>
Total unrestricted revenues and gains	301,146	256,377
Net assets released from restrictions (<i>Note 1</i>)	<u>50,586</u>	<u>310,830</u>
Total unrestricted revenues, gains and other support	<u>351,732</u>	<u>567,207</u>
Expenses:		
Program services	217,010	418,966
Management and general	34,145	38,628
Fundraising	<u>75,605</u>	<u>85,560</u>
Total expenses	<u>326,760</u>	<u>543,154</u>
INCREASE IN UNRESTRICTED NET ASSETS	<u>24,972</u>	<u>24,053</u>
CHANGES IN TEMPORARILY RESTRICTED NET ASSETS:		
Contributions:		
Grants and Contributions	39,464	174,662
Net assets released from restrictions	(<u>50,586</u>)	(<u>310,830</u>)
INCREASE (DECREASE) IN TEMPORARILY RESTRICTED NET ASSETS	<u>(11,122)</u>	<u>(136,188)</u>
INCREASE (DECREASE) IN NET ASSETS	13,850	(112,115)
 NET ASSETS; beginning of year	 <u>986,892</u>	 <u>1,099,007</u>
NET ASSETS; end of year	<u>\$1,000,742</u>	<u>\$ 986,892</u>

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**WASHTENAW LAND TRUST
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31**

	2004	2003
INCREASE (DECREASE) IN CASH		
CASH FLOWS RELATED TO OPERATING ACTIVITIES:		
Cash received from grantors and donors	\$ 328,707	\$ 405,054
Cash received from events and other income	7,807	20,312
Cash paid to suppliers and employees	(321,389)	(539,939)
Interest and dividends received	<u>2,050</u>	<u>2,878</u>
	<u>17,175</u>	<u>(111,695)</u>
CASH FLOWS RELATED TO INVESTING ACTIVITIES:		
Acquisitions of computer software	<u>0</u>	<u>(4,995)</u>
CASH FLOWS RELATED TO FINANCING ACTIVITIES:		
Net additions (repayments) of easement obligations	<u>10,000</u>	<u>(10,000)</u>
NET CASH INCREASE (DECREASE)	27,175	(126,690)
CASH and equivalents; beginning of year	<u>273,295</u>	<u>399,985</u>
CASH and equivalents; end of year	<u>\$ 300,470</u>	<u>\$ 273,295</u>

**RECONCILIATION OF INCREASE (DECREASE) IN NET ASSETS TO
CASH GENERATED (UTILIZED) BY OPERATING ACTIVITIES**

INCREASE (DECREASE) IN NET ASSETS	\$ 13,850	(\$ 112,115)
RECONCILIATION ADJUSTMENTS:		
Amortization	1,665	1,665
Contributions in the form of marketable securities	(519)	0
Investment (gains)/losses	(1,527)	(2,795)
Increase (decrease) in accounts payable	<u>3,706</u>	<u>1,550</u>
	<u>\$ 17,175</u>	<u>(\$ 111,695)</u>

See the independent auditor's report on page 1 and notes to the financial statements on pages 5 through 7.

WASHTENAW LAND TRUST NOTES TO FINANCIAL STATEMENTS

NOTE 1: SIGNIFICANT ACCOUNTING POLICIES

ORGANIZATION - The Washtenaw Land Trust is a Michigan not for profit organization, with a mission to protect farmland, natural areas and open space in and about Washtenaw County, for their natural, scenic, recreational and agricultural values, and to educate the public on land use issues. The Internal Revenue Service has determined the Washtenaw Land Trust to be exempt from federal income tax pursuant to section 501(c)(3) of the Internal Revenue Code and has classified the Washtenaw Land Trust as a publicly supported charitable organization as defined in section 509(a)(1) and not as a private foundation.

BASIS OF ACCOUNTING - The accounts and financial statements are maintained and presented using the accrual basis of accounting. Revenues are recognized when earned. Expenses are recognized when incurred. Preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

NET ASSETS - The Washtenaw Land Trust observes restrictions placed on the use of resources by segregating unrestricted net assets from permanently or temporarily restricted net assets.

The Washtenaw Land Trust has recorded as *Permanently Restricted Net Assets*, certain donor-restricted gifts of fee simple interests in land, at the fair market values as of the dates donated.

Gifts are recorded as *Temporarily Restricted Net Assets* to the extent that uses specified by donor imposed restrictions have yet to occur. When a donor imposed restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets.

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

CASH AND EQUIVALENTS - The cash classification includes bank checking account balances, investment account money market mutual fund balances, and petty cash funds on hand. As of December 31, 2004, cash and equivalents consisted of a checking account balance of \$6,158, money market funds of \$293,938 and cash on hand of \$375. As of December 31, 2003, cash and equivalents consisted of a checking account balance of \$2,875, money market funds of \$270,350 and cash on hand of \$70. At December 31, 2004 and 2003, bank balances were fully covered by Federal Depository Insurance, and money market funds were insured by the Securities Investor Protection Corporation.

MARKETABLE SECURITIES - Marketable securities consist of publicly traded shares of common stocks and mutual funds, received as contributions and recorded at fair market values as of the dates received. Recorded amounts are adjusted to fair market values at year end, the market adjustment included in investment gains and losses, along with gains and losses realized upon sale of securities. At December 31, 2004 and 2003, the market value of securities totaled \$14,713 and \$12,667, respectively.

WASHTENAW LAND TRUST
NOTES TO FINANCIAL STATEMENTS

NOTE 1: SIGNIFICANT ACCOUNTING POLICIES (continued)

PROPERTY – The property of the Washtenaw Land Trust consists of parcels of land received at various times, from various donors. Such properties are recorded at fair values as of the date donated, determined by independent qualified appraisers.

<u>Year</u>	<u>Description</u>	<u>Acres</u>	<u>Township/Section</u>	<u>Transaction Type</u>
1995	Creekshead Preserve	27	Salem, Section 21	Fee simple donation
1999	Beckwith Conservancy	31	Stockbridge, Sec23, 26	Fee simple donation
2000	Sharon Hills Preserve	68	Sharon, Section 16	Fee simple donation
2002	Woodland Preserve	14	Webster, Section 35	Fee simple donation

INTANGIBLE ASSET; CONSERVATION EASEMENTS - The Washtenaw Land Trust acquires easements and development rights on property through purchase and donation. Within the conservancy movement, a divergence of practice exists as to the values at which easements and development rights are appropriately recorded. The smaller, locally based conservancy organizations tend toward not capitalizing such acquisitions. The Washtenaw Land Trust has adopted this policy of not capitalizing as assets the acquisition of easements and development rights, but rather discloses them in the footnotes to the financial statements. As of December 31, 2004, the trust had the following easements and preserves:

<u>Year</u>	<u>Acres</u>	<u>Township/Section</u>	<u>Transaction Type</u>
Received			
1995	116	Lyndon, Section 19	Easement donation
1996	11	Scio, Section 12	Easement donation
1996	52	Scio, Section 16	Easement donation
2000	40	Bridgewater, Section 35	Easement donation
2000	10	Scio, Section 9	Easement donation
2000	14	Webster, Section 10	Easement donation
2001	30	Ann Arbor, Section 3	Easement purchase
2001	45	Pittsfield, Section 25	Easement donation
2001	5	Scio, Section 22	Easement donation
2001	23	Scio, Section 1	Easement donation
2001	21	Webster, Section 10	Easement donation
2001	62	Webster, Section 4	Easement donation
2002	40	Grass Lake, Section 22	Easement donation
2002	11	Scio, Section 1	Easement donation
2002	22	Webster, Section 10	Easement donation
2003	74	Freedom, Section 1	Easement purchase
2003	17	Pittsfield, Section 22	Easement purchase
2003	27	Scio, Section 1	Easement donation
2003	50	Webster, Section 11	Easement donation
2004	10	Lima, Section 29	Easement purchase
2004	40	Sharon, Section 22	Easement donation
2004	18	Freedom, Section 10	Easement donation

WASHTENAW LAND TRUST
NOTES TO FINANCIAL STATEMENTS

NOTE 2: LONG TERM LIABILITIES

On May 7, 2004, the Washtenaw Land Trust entered into a contract to purchase easement rights for \$50,000, of which \$20,000 was paid at closing, with the balance of \$30,000 due to be paid in two annual installments of \$15,000 pursuant to a non-interest bearing promissory note. Accordingly, at December 31, 2004, \$15,000 of the unpaid balance is reported as a current liability, with the remaining \$15,000 reported as a long-term liability.

At December 31, 2003, a similar obligation was recorded, with the balance of \$20,000 to be paid in two annual installments of \$10,000. Accordingly, at December 31, 2003, \$10,000 had been reported as a current liability, with the remaining \$10,000 reported as a long-term liability. This obligation was paid in full during 2004.

NOTE 3: PENSION EXPENSES

On May 1, 2004, the Washtenaw Land Trust adopted a qualified retirement plan, a SIMPLE (Savings Incentive Match Plan) IRA plan. All employees are eligible to participate in the plan. To the extent an employee participates by deferring a portion of their compensation into the plan, the Washtenaw Land Trust matches the employee's contribution, up to a maximum of three percent of the employee's compensation. During the year ended December 31, 2004, pension benefits of \$1,877 were expensed. All contributions had been paid and none were owed to the plan at December 31, 2004.

NOTE 4: FUNCTIONAL REPORTING OF EXPENSES

The Washtenaw Land Trust accumulates and reports its expenses by function as for program service activities that fulfill the mission of the Washtenaw Land Trust, management and general activities, or fundraising. A material portion of Washtenaw Land Trust expenses, including wages and salaries, payroll taxes and fringes, and office and facility costs are allocated among these functions based on management's estimates as to the utilization of staff time.