

**WASHTENAW LAND TRUST**  
**FINANCIAL STATEMENTS**  
**DECEMBER 31, 2005 and 2004**

**C O N T E N T S**

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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, 2005 and 2004, and the related statements of activities and cash flows for the years 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, 2005 and 2004 and the results of its activities and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

DAVID HAFHEY, P.C.

Ann Arbor, Michigan  
May 8, 2006

**WASHTENAW LAND TRUST**  
**STATEMENTS OF FINANCIAL POSITION**  
**DECEMBER 31**

	<b>2005</b>	<b>2004</b>
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents <i>(Note 1)</i>	\$ 326,033	\$ 300,470
Grants receivable	7,975	0
Marketable securities <i>(Note 1)</i>	<u>33,130</u>	<u>14,713</u>
<b>TOTAL CURRENT ASSETS</b>	<u>367,138</u>	<u>315,183</u>
<b>FIXED ASSETS:</b>		
Software	4,995	4,995
Less; Accumulated amortization	<u>( 4,995)</u>	<u>( 3,330)</u>
<b>TOTAL FIXED ASSETS</b>	<u>0</u>	<u>1,665</u>
<b>OTHER ASSETS:</b>		
Property <i>(Note 1)</i>	719,150	719,150
Conservation easements <i>(Note 1)</i>	<u>27</u>	<u>23</u>
<b>TOTAL OTHER ASSETS</b>	<u>719,177</u>	<u>719,173</u>
<b>TOTAL ASSETS</b>	<u>\$1,086,315</u>	<u>\$1,036,021</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 2,149	\$ 5,256
Easement payable obligations	<u>15,000</u>	<u>15,000</u>
<b>TOTAL CURRENT LIABILITIES</b>	<u>17,149</u>	<u>20,256</u>
<b>LONG-TERM LIABILITIES <i>(Note 2):</i></b>		
Easement payable obligations	<u>0</u>	<u>15,000</u>
<b>NET ASSETS <i>(Note 1)</i></b>		
Unrestricted	213,296	210,576
Temporarily restricted <i>(Note 5)</i>	136,693	71,016
Permanently restricted	<u>719,177</u>	<u>719,173</u>
<b>TOTAL NET ASSETS</b>	<u>1,069,166</u>	<u>1,000,765</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$1,086,315</u>	<u>\$1,036,021</u>

See the independent auditor's report on page 1 and notes to the financial statements on pages 5 through 8.

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

	<b>2005</b>	<b>2004</b>
<b>CHANGES IN UNRESTRICTED NET ASSETS:</b>		
Revenues and Support:		
Grants and contributions	\$ 256,257	\$ 289,762
Events	5,052	7,470
Interest and dividends	5,829	2,050
Investment gains (losses)	( 1,226)	1,527
Miscellaneous income	<u>0</u>	<u>337</u>
Total unrestricted revenues and gains	265,912	301,146
Net assets released from restrictions ( <i>Note 1</i> )	<u>0</u>	<u>50,586</u>
Total unrestricted revenues, gains and other support	<u>265,912</u>	<u>351,732</u>
Expenses:		
Program services	159,523	217,010
Management and general	41,420	34,145
Fundraising	<u>62,249</u>	<u>75,605</u>
Total expenses	<u>263,192</u>	<u>326,760</u>
<b>INCREASE IN UNRESTRICTED NET ASSETS</b>	<u>2,720</u>	<u>24,972</u>
<b>CHANGES IN TEMPORARILY RESTRICTED NET ASSETS:</b>		
Contributions:		
Grants and contributions	65,677	39,464
Net assets released from restrictions	( 0)	( 50,586)
<b>INCREASE (DECREASE) IN TEMPORARILY       RESTRICTED NET ASSETS</b>	<u>65,677</u>	<u>( 11,122)</u>
<b>CHANGES IN PERMANENTLY RESTRICTED NET ASSETS:</b>		
Acquisition of easements and development rights	<u>4</u>	<u>3</u>
<b>INCREASE (DECREASE) IN PERMANENTLY       RESTRICTED NET ASSETS</b>	<u>4</u>	<u>3</u>
<b>INCREASE (DECREASE) IN NET ASSETS</b>	68,401	13,853
 NET ASSETS; beginning of year	 <u>1,000,765</u>	 <u>986,912</u>
 NET ASSETS; end of year	 <u>\$1,069,166</u>	 <u>\$1,000,765</u>

See the independent auditor's report on page 1 and notes to the financial statements on pages 5 through 8.

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

	<b>2005</b>	<b>2004</b>
INCREASE (DECREASE) IN CASH		
<b>CASH FLOWS RELATED TO OPERATING ACTIVITIES:</b>		
Cash received from grantors and donors	\$ 313,422	\$ 328,707
Cash received from events and other income	5,052	7,807
Cash paid to suppliers and employees	( 264,634)	( 321,389)
Interest and dividends received	<u>5,829</u>	<u>2,050</u>
	<u>59,669</u>	<u>17,175</u>
<b>CASH FLOWS RELATED TO INVESTING ACTIVITIES:</b>		
Proceeds from sale of marketable securities	13,774	0
Purchase of marketable securities	( 32,880)	<u>0</u>
	<u>( 19,106)</u>	<u>0</u>
<b>CASH FLOWS RELATED TO FINANCING ACTIVITIES:</b>		
Net additions (repayments) of easement obligations	( 15,000)	<u>10,000</u>
NET CASH INCREASE (DECREASE)	25,563	27,175
CASH and equivalents; beginning of year	<u>300,470</u>	<u>273,295</u>
CASH and equivalents; end of year	<u>\$ 326,033</u>	<u>\$ 300,470</u>

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

INCREASE (DECREASE) IN NET ASSETS	\$ 68,401	\$ 13,853
<b>RECONCILIATION ADJUSTMENTS:</b>		
Amortization	1,665	1,665
Non-cash recognition of easement assets	( 4)	( 3)
Contributions in the form of marketable securities	( 537)	(519)
Investment (gains)/losses	1,226	( 1,527)
(Increase) decrease in accounts receivable	( 7,975)	0
Increase (decrease) in accounts payable	<u>( 3,107)</u>	<u>3,706</u>
	<u>\$ 59,669</u>	<u>\$ 17,175</u>

See the independent auditor's report on page 1 and notes to the financial statements on pages 5 through 8.

**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, 2005, cash and equivalents consisted of a checking account balance of \$5,141, money market funds of \$320,377 and cash on hand of \$515. 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. At December 31, 2005 and 2004, 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, purchased and recorded at cost or 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, 2005 and 2004, the market value of securities totaled \$33,130 and \$14,713, 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 Received</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, Sections 23 and 26	Fee simple donation
2000	Sharon Hills Preserve	68	Sharon, Section 16	Fee simple donation
2002	Woodland Preserve	<u>14</u>	Webster, Section 35	Fee simple donation
		<u>140</u>		

INTANGIBLE ASSET; CONSERVATION EASEMENTS - The Washtenaw Land Trust acquires easements and development rights on properties 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. Locally based conservancy organizations tend toward not capitalizing such acquisitions. The Washtenaw Land Trust has adopted the policy of capitalizing each acquisition of easements and development rights at \$1. As of December 31, 2005, the trust had the following easements and preserves:

<u>Year Received</u>	<u>Acres</u>	<u>Township/Section</u>	<u>Transaction Type</u>
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 donations (2)
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
2005	21	Manchester, Section 6 and Norvell, Section 1	Easement donation
2005	25	Scio, Section 1	Easement donation
2005	<u>22</u>	Northfield, Section 31	Easement donations (2)
	<u>806</u>		

**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, 2005, \$15,000 is reported as a current liability. At December 31, 2004, the unpaid balance was \$30,000 with \$15,000 reported as a current liability and the remaining \$15,000 reported as a long-term liability.

**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, 2005, pension benefits of \$3,684 were expensed. 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, 2005 or 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 records and estimates as to the utilization of staff time.

**NOTE 5: RESTATEMENT OF PRIOR YEAR NET ASSETS**

Due to adoption during 2005 of a policy to report easement acquisitions at \$1 each, in place of the \$0 amount per easement previously recorded, prior year permanently restricted net assets have been restated to include the 23 easements acquired through 2004.

The 2004 financial results have been further corrected to reclassify \$15,965 of net assets from temporarily restricted to unrestricted. This support had been accumulated through December 31, 2004 for purchase of a conservation easement and was considered by management to be restricted for that use. However, acquisition of the conservation easement had already occurred, financed in part by the note payable described in Note 2, above. Accordingly, for purposes of financial reporting, the restriction had already been fulfilled and these funds should have been considered unrestricted support at December 31, 2004.



**WASHTENAW LAND TRUST**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE 6: COMMITMENTS**

During 2005, the Washtenaw Land Trust purchased an option, valid through September 30, 2007, to acquire a conservation easement with respect to a parcel of approximately 43 acres in York Township. This easement appraised at \$607,000 and the owner of the property agreed to contribute to the Trust a portion of the value totaling \$240,250. The U.S. federal government, acting through the Farm and Ranch Lands Protection Program, agreed to obligate \$215,000 for this acquisition, contingent upon the Washtenaw Land Trust contributing the remaining \$151,750 needed to complete this acquisition. As of December 31, 2005, no donations restricted specifically for this acquisition had been received.

During 2005, the Washtenaw Land Trust purchased a further option, valid through September 30, 2008, to acquire a conservation easement with respect to a parcel of approximately 68 acres in Bridgewater Township. This easement appraised at \$270,000 with the owner of the property agreeing to contribute to the Trust a portion of the value totaling \$60,000. The U.S. federal government, acting through the Farm and Ranch Lands Protection Program, agreed to obligate \$135,000 for this acquisition, contingent upon the Washtenaw Land Trust contributing the remaining \$75,000 needed to complete this acquisition. As of December 31, 2005, donations restricted specifically for this acquisition in the amount of \$62,650 had been received.