

WASHTENAW LAND TRUST

FINANCIAL STATEMENTS

**JUNE 30, 2007 and
DECEMBER 31, 2006**

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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 June 30, 2007 and December 31, 2006, and the related statements of activities and cash flows for the six months ended June 30, 2007 and the year ended December 31, 2006. 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 audits.

We conducted our audits 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 audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Washtenaw Land Trust as of June 30, 2007 and December 31, 2006 and the changes in its net assets and its cash flows for the six months ended June 30, 2007 and for the year ended December 31, 2006 in conformity with accounting principles generally accepted in the United States of America.

DAVID HAFHEY, P.C.

Ann Arbor, Michigan
September 6, 2007

**WASHTENAW LAND TRUST
STATEMENTS OF FINANCIAL POSITION**

	June 30, 2007	December 31, 2006
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents <i>(Note 1)</i>	\$ 345,553	\$ 367,373
Pledges receivable	40,000	25,500
Grants receivable	25,000	0
Prepaid expenses	9,165	3,103
Marketable securities <i>(Note 1)</i>	<u>59,226</u>	<u>56,234</u>
TOTAL CURRENT ASSETS	<u>478,944</u>	<u>452,210</u>
FIXED ASSETS:		
Software	4,995	4,995
Less; Accumulated amortization	<u>(4,995)</u>	<u>(4,995)</u>
TOTAL FIXED ASSETS	<u>0</u>	<u>0</u>
OTHER ASSETS:		
Property <i>(Note 1)</i>	719,150	719,150
Conservation easements <i>(Note 1)</i>	<u>34</u>	<u>33</u>
TOTAL OTHER ASSETS	<u>719,184</u>	<u>719,183</u>
TOTAL ASSETS	<u>\$1,198,128</u>	<u>\$1,171,393</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ <u>5,054</u>	\$ <u>1,955</u>
TOTAL CURRENT LIABILITIES	<u>5,054</u>	<u>1,955</u>
NET ASSETS <i>(Note 1)</i>		
Unrestricted	226,578	267,746
Temporarily restricted	214,968	150,165
Permanently restricted	<u>751,528</u>	<u>751,527</u>
TOTAL NET ASSETS	<u>1,193,074</u>	<u>1,169,438</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$1,198,128</u>	<u>\$1,171,393</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 Six Months Ended June 30, 2007	For the Year Ended December 31, 2006
CHANGES IN UNRESTRICTED NET ASSETS:		
Revenues and Support:		
Grants and contributions	\$ 66,377	\$ 258,231
Events	2,016	2,810
Interest and dividends	7,815	12,902
Investment gains (losses)	2,926	2,448
Miscellaneous income	<u>20</u>	<u>865</u>
Total unrestricted revenues and gains	79,154	277,256
Net assets released from restrictions (<i>Note 1</i>)	<u>30,515</u>	<u>98,850</u>
Total unrestricted revenues, gains and other support	<u>109,669</u>	<u>376,106</u>
Expenses:		
Program services	108,532	226,164
Management and general	27,571	31,285
Fundraising	<u>14,734</u>	<u>50,184</u>
Total expenses	<u>150,837</u>	<u>307,633</u>
INCREASE IN UNRESTRICTED NET ASSETS	<u>(41,168)</u>	<u>68,473</u>
CHANGES IN TEMPORARILY RESTRICTED NET ASSETS:		
Contributions:		
Grants and contributions	95,318	130,643
Net assets released from restrictions	<u>(30,515)</u>	<u>(98,850)</u>
INCREASE (DECREASE) IN TEMPORARILY RESTRICTED NET ASSETS	<u>64,803</u>	<u>31,793</u>
CHANGES IN PERMANENTLY RESTRICTED NET ASSETS:		
Acquisition of easements and development rights	<u>1</u>	<u>6</u>
INCREASE (DECREASE) IN PERMANENTLY RESTRICTED NET ASSETS	<u>1</u>	<u>6</u>
INCREASE (DECREASE) IN NET ASSETS	23,636	100,272
 NET ASSETS; beginning of year	 <u>1,169,438</u>	 <u>1,069,166</u>
NET ASSETS; end of year	<u>\$1,193,074</u>	<u>\$1,169,438</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 Six Months Ended June 30, 2007	For the Year Ended December 31, 2006
INCREASE (DECREASE) IN CASH		
CASH FLOWS RELATED TO OPERATING ACTIVITIES:		
Cash received from grantors and donors	\$ 122,195	\$ 371,349
Cash received from events and other income	2,036	3,675
Cash paid to suppliers and employees	(153,800)	(310,930)
Interest and dividends received	<u>7,815</u>	<u>12,902</u>
	(<u>21,754</u>)	<u>76,996</u>
CASH FLOWS RELATED TO INVESTING ACTIVITIES:		
Proceeds from sale of marketable securities	6,262	1,491
Purchase of marketable securities	(<u>6,328</u>)	(<u>22,147</u>)
	(<u>66</u>)	(<u>20,656</u>)
CASH FLOWS RELATED TO FINANCING ACTIVITIES:		
Net additions (repayments) of easement obligations	<u>0</u>	(<u>15,000</u>)
NET CASH INCREASE (DECREASE)	(21,820)	41,340
CASH and equivalents; beginning of year	<u>367,373</u>	<u>326,033</u>
CASH and equivalents; end of year	<u>\$ 345,553</u>	<u>\$ 367,373</u>

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

INCREASE (DECREASE) IN NET ASSETS	\$ 23,636	\$ 100,272
RECONCILIATION ADJUSTMENTS:		
Non-cash recognition of easement assets	(1)	(6)
Investment (gains)/losses	(2,926)	(2,448)
(Increase) decrease in grants receivable	(25,000)	7,975
(Increase) decrease in pledges receivable	(14,500)	(25,500)
(Increase) decrease in prepaid expenses	(6,062)	(3,103)
Increase (decrease) in accounts payable	<u>3,099</u>	<u>(194)</u>
	(<u>\$ 21,754</u>)	<u>\$ 76,996</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, as well as donor contributions to an endowment fund.

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.

FUNCTIONAL REPORTING OF EXPENSES - The Washtenaw Land Trust accumulates and reports its expenses by three broad categories of function; i.e. program service activities that fulfill its mission, management and general activities, and 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 of the utilization of staff time.

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 June 30, 2007, cash and equivalents consisted of a checking account balance of \$2,830, money market funds of \$342,405 and cash on hand of \$318. As of December 31, 2006, cash and equivalents consisted of a checking account balance of \$8,989, money market funds of \$358,223 and cash on hand of \$161. At June 30, 2007 and December 31, 2006, bank balances were fully covered by Federal Depository Insurance, and money market funds were insured by the Securities Investor Protection Corporation.

**WASHTENAW LAND TRUST
NOTES TO FINANCIAL STATEMENTS**

NOTE 1: SIGNIFICANT ACCOUNTING POLICIES (continued)

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 value adjustment included in investment gains and losses, along with gains and losses realized upon sale of securities. At June 30, 2007 and December 31, 2006, the market value of securities totaled \$59,226 and \$56,234, respectively.

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 June 30, 2007, 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

continued:

**WASHTENAW LAND TRUST
NOTES TO FINANCIAL STATEMENTS**

NOTE 1: SIGNIFICANT ACCOUNTING POLICIES (continued)

INTANGIBLE ASSET; CONSERVATION EASEMENTS – (continued)

<u>Year Received</u>	<u>Acres</u>	<u>Township/Section</u>	<u>Transaction Type</u>
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	22	Northfield, Section 31	Easement donations (2)
2006	69	Bridgewater, Section 21	Easement purchase
2006	100	Putnam, Section 35 and Dexter, Section 2	Easement donation
2006	84	Webster, Sections 21, 29	Easement donations (2)
2006	66	Webster, Section 5	Easement donation
2006	30	Lodi, Section 31	Easement donation
2007	<u>85</u>	Hanover, Sections 19, 20	Easement donation
	<u>1,240</u>		

CONTRIBUTED SERVICES - The Washtenaw Land Trust receives the benefit of services contributed by volunteers. Volunteers assist in land stewardship and monitoring activities and in fundraising activities. Attorneys who serve on the Board of Trustees and other attorneys contribute specialized services in the preparation and review of documents related to the Trust's acquisition of conservation easements and development rights. The Washtenaw Land Trust does not recognize in its financial statements the value of either general or specialized contributed services.

NOTE 2: PENSION EXPENSES

The Washtenaw Land Trust maintains a type of 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 six months ended June 30, 2007, pension benefits of \$1,586 were expensed. During the year ended December 31, 2006, pension benefits of \$3,400 were expensed. All contributions had been paid and none were owed to the plan at June 30, 2007 or December 31, 2006.

NOTE 3: 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 June 30, 2007, the Washtenaw Land Trust had received the entire \$151,750 of donations restricted specifically for this acquisition.

WASHTENAW LAND TRUST
NOTES TO FINANCIAL STATEMENTS

NOTE 4: CHANGE IN FISCAL YEAR

During 2006, management elected to change the fiscal year of the Washtenaw Land Trust from a December 31 year end to a fiscal year ending June 30. The donors of conservation easements and development rights frequently feel compelled, for purposes of income tax planning, to complete charitable donation transactions as the end of the calendar year approaches. The easement donation process requires substantial time commitments by the staff and trustees to evaluate, negotiate and execute land rights transfer agreements, at a time of year when budgeting and financial reporting responsibilities increase as well. It is expected that the change in fiscal year will mitigate the time-workload compression issue.

Accordingly, *the fiscal year ended June 30, 2007 is for a six month period only*. The audited financial statements for the year ended December 31, 2006 are presented for comparison purposes because a separate audit of the financial statements for the six months ended June 30, 2006 has not been performed.