

WASHTENAW LAND TRUST
FINANCIAL STATEMENTS
DECEMBER 31, 2006 and 2005

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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, 2006 and 2005, 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 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 December 31, 2006 and 2005 and the changes in its net assets and its 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
August 31, 2007

WASHTENAW LAND TRUST
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31

	2006	2005
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents <i>(Note 1)</i>	\$ 367,373	\$ 326,033
Pledges receivable	25,500	0
Grants receivable	0	7,975
Prepaid expenses	3,103	0
Marketable securities <i>(Note 1)</i>	<u>56,234</u>	<u>33,130</u>
TOTAL CURRENT ASSETS	<u>452,210</u>	<u>367,138</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>33</u>	<u>27</u>
TOTAL OTHER ASSETS	<u>719,183</u>	<u>719,177</u>
TOTAL ASSETS	<u>\$1,171,393</u>	<u>\$1,086,315</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 1,955	\$ 2,149
Easement payable obligations	<u>0</u>	<u>15,000</u>
TOTAL CURRENT LIABILITIES	<u>1,955</u>	<u>17,149</u>
NET ASSETS <i>(Note 1)</i>		
Unrestricted <i>(Note 4)</i>	267,746	199,273
Temporarily restricted <i>(Note 4)</i>	150,165	118,372
Permanently restricted <i>(Note 4)</i>	<u>751,527</u>	<u>751,521</u>
TOTAL NET ASSETS	<u>1,169,438</u>	<u>1,069,166</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$1,171,393</u>	<u>\$1,086,315</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**

	2006	2005
CHANGES IN UNRESTRICTED NET ASSETS:		
Revenues and Support:		
Grants and contributions	\$ 258,231	\$ 256,257
Events	2,810	5,052
Interest and dividends	12,902	5,829
Investment gains (losses)	2,448	(1,226)
Miscellaneous income	<u>865</u>	<u>0</u>
Total unrestricted revenues and gains	277,256	265,912
Net assets released from restrictions (<i>Note 1</i>)	<u>98,850</u>	<u>0</u>
Total unrestricted revenues, gains and other support	<u>376,106</u>	<u>265,912</u>
Expenses:		
Program services	226,164	159,523
Management and general	31,285	41,420
Fundraising	<u>50,184</u>	<u>62,249</u>
Total expenses	<u>307,633</u>	<u>263,192</u>
INCREASE IN UNRESTRICTED NET ASSETS	<u>68,473</u>	<u>2,720</u>
CHANGES IN TEMPORARILY RESTRICTED NET ASSETS:		
Contributions:		
Grants and contributions	130,643	65,677
Net assets released from restrictions	(98,850)	(0)
INCREASE (DECREASE) IN TEMPORARILY RESTRICTED NET ASSETS	<u>31,793</u>	<u>65,677</u>
CHANGES IN PERMANENTLY RESTRICTED NET ASSETS:		
Acquisition of easements and development rights	<u>6</u>	<u>4</u>
INCREASE (DECREASE) IN PERMANENTLY RESTRICTED NET ASSETS	<u>6</u>	<u>4</u>
INCREASE (DECREASE) IN NET ASSETS	100,272	68,401
NET ASSETS; beginning of year	<u>1,069,166</u>	<u>1,000,765</u>
NET ASSETS; end of year	<u>\$1,169,438</u>	<u>\$1,069,166</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**

	2006	2005
INCREASE (DECREASE) IN CASH		
CASH FLOWS RELATED TO OPERATING ACTIVITIES:		
Cash received from grantors and donors	\$ 371,349	\$ 313,422
Cash received from events and other income	3,675	5,052
Cash paid to suppliers and employees	(310,930)	(264,634)
Interest and dividends received	<u>12,902</u>	<u>5,829</u>
	<u>76,996</u>	<u>59,669</u>
CASH FLOWS RELATED TO INVESTING ACTIVITIES:		
Proceeds from sale of marketable securities	1,491	13,774
Purchase of marketable securities	(22,147)	(32,880)
	<u>(20,656)</u>	<u>(19,106)</u>
CASH FLOWS RELATED TO FINANCING ACTIVITIES:		
Net additions (repayments) of easement obligations	(15,000)	(15,000)
NET CASH INCREASE (DECREASE)	41,340	25,563
CASH and equivalents; beginning of year	<u>326,033</u>	<u>300,470</u>
CASH and equivalents; end of year	<u>\$ 367,373</u>	<u>\$ 326,033</u>

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

INCREASE (DECREASE) IN NET ASSETS	\$ 100,272	\$ 68,401
RECONCILIATION ADJUSTMENTS:		
Amortization	0	1,665
Non-cash recognition of easement assets	(6)	(4)
Contributions in the form of marketable securities	(0)	(537)
Investment (gains)/losses	(2,448)	1,226
(Increase) decrease in accounts receivable	7,975	(7,975)
(Increase) decrease in pledges receivable	(25,500)	0
(Increase) decrease in prepaid expenses	(3,103)	0
Increase (decrease) in accounts payable	<u>(194)</u>	<u>(3,107)</u>
	<u>\$ 76,996</u>	<u>\$ 59,669</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. As more fully described in Note 4, classification of the endowment fund has been changed from temporarily restricted to permanently restricted.

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, 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. 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. At December 31, 2006 and 2005, 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 value adjustment included in investment gains and losses, along with gains and losses realized upon sale of securities. At December 31, 2006 and 2005, the market value of securities totaled \$56,234 and \$33,130, 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, 2006, 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	22	Northfield, Section 31	Easement donations (2)
2006	69	Bridgewater, Section 21	Easement purchase

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>
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	<u>30</u>	Lodi, Section 31	Easement donation
	<u>1,155</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 years ended December 31, 2006 and 2005, pension benefits of \$3,400 and \$3,684, respectively, were expensed. All contributions had been paid and none were owed to the plan at December 31, 2006 or 2005.

NOTE 3: FUNCTIONAL REPORTING OF EXPENSES

The Washtenaw Land Trust accumulates and reports its expenses by function as for program service activities that fulfill its mission, 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 of the utilization of staff time.

NOTE 4: RESTATEMENT OF PRIOR YEAR NET ASSETS

The Washtenaw Land Trust maintains an endowment fund to which donors contribute. This fund has been reported as temporarily restricted. Many of the contributions to the endowment fund were received without clear documentation of donors' intentions or restrictions. During 2006, an Endowment Committee of the Washtenaw Land Trust Board of Trustees completed its analysis of the history of this fund. Based on the committee's recommendations, the Board has determined that this fund is most appropriately reported as permanently restricted. Accordingly, the 2005 balance sheet has been restated to reclassify \$32,344 from temporarily restricted net assets to permanently restricted net assets.

WASHTENAW LAND TRUST
NOTES TO FINANCIAL STATEMENTS

NOTE 4: RESTATEMENT OF PRIOR YEAR NET ASSETS (continued)

Analysis of the various restricted funds identified an error that occurred in 2004 when \$14,023 of expenditures that had been charged to temporarily restricted net assets should have been charged to unrestricted net assets. The 2005 financial results have been re-stated to reclassify \$14,023 of net assets from unrestricted to temporarily restricted.

The effect of these changes at December 31, 2005 is to increase permanently restricted net assets \$32,344, from \$719,177 to \$751,521, decrease temporarily restricted net assets \$18,321, from \$136,693 to \$118,372, and to decrease unrestricted net assets \$14,023, from \$213,296 to \$199,273.

NOTE 5: 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, 2006, \$58,075 of donations restricted specifically for this acquisition had been received.