

**WASHTENAW LAND TRUST**  
**FINANCIAL STATEMENTS**  
**JUNE 30, 2008 and 2007**

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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, 2008 and 2007, and the related statements of activities and cash flows for the year ended June 30, 2008 and the six months ended June 30, 2007. 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, 2008 and 2007, and the changes in its net assets and its cash flows for the year ended June 30, 2008 and the six months ended June 30, 2007 in conformity with accounting principles generally accepted in the United States of America.

DAVID HAFHEY, P.C.

Ann Arbor, Michigan  
November 14, 2008

**WASHTENAW LAND TRUST**  
**STATEMENTS OF FINANCIAL POSITION**  
**JUNE 30**

	<b>2008</b>	<b>2007</b>
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents <i>(Note 1)</i>	\$ 320,963	\$ 345,553
Marketable securities <i>(Note 1)</i>	79,638	59,226
Pledges receivable	21,500	40,000
Grants receivable	17,120	25,000
Prepaid expenses	<u>5,962</u>	<u>9,165</u>
<b>TOTAL CURRENT ASSETS</b>	<u>445,183</u>	<u>478,944</u>
<b>FIXED ASSETS:</b>		
Software	4,995	4,995
Less; Accumulated amortization	<u>( 4,995)</u>	<u>( 4,995)</u>
<b>TOTAL FIXED ASSETS</b>	<u>0</u>	<u>0</u>
<b>OTHER ASSETS:</b>		
Property <i>(Note 1)</i>	5,909,150	1,295,150
Conservation easements <i>(Note 1)</i>	<u>47</u>	<u>34</u>
<b>TOTAL OTHER ASSETS</b>	<u>5,909,197</u>	<u>1,295,184</u>
<b>TOTAL ASSETS</b>	<u>\$6,354,380</u>	<u>\$1,774,128</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ <u>943</u>	\$ <u>5,054</u>
<b>TOTAL CURRENT LIABILITIES</b>	<u>943</u>	<u>5,054</u>
<b>NET ASSETS <i>(Note 1)</i></b>		
Unrestricted	4,866,116	226,578
Temporarily restricted	159,780	214,968
Permanently restricted	<u>1,327,541</u>	<u>1,327,528</u>
<b>TOTAL NET ASSETS</b>	<u>6,353,437</u>	<u>1,769,074</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$6,354,380</u>	<u>\$1,774,128</u>

See the independent auditor's report on page 1 and notes to the financial statements on pages 5 through 9.

**WASHTENAW LAND TRUST  
STATEMENTS OF ACTIVITIES**

	<b>For the Year Ended June 30, 2008</b>	<b>For the Six Months Ended June 30, 2007</b>
<b>CHANGES IN UNRESTRICTED NET ASSETS:</b>		
Revenues and Support:		
Grants and contributions	\$4,911,088	\$ 66,377
Events	0	2,016
Interest and dividends	14,994	7,815
Investment gains (losses)	( 9,435)	2,926
Rent income	4,200	0
Miscellaneous income	<u>14,058</u>	<u>20</u>
Total unrestricted revenues and gains	4,934,905	79,154
Net assets released from restrictions <i>(Note 1)</i>	<u>173,384</u>	<u>30,515</u>
Total unrestricted revenues, gains and other support	<u>5,108,289</u>	<u>109,669</u>
Expenses:		
Program services	357,299	108,532
Management and general	62,701	27,571
Fundraising	<u>48,751</u>	<u>14,734</u>
Total expenses	<u>468,751</u>	<u>150,837</u>
<b>INCREASE IN UNRESTRICTED NET ASSETS</b>	<u>4,639,538</u>	<u>( 41,168)</u>
<b>CHANGES IN TEMPORARILY RESTRICTED NET ASSETS:</b>		
Contributions:		
Grants and contributions	118,196	95,318
Net assets released from restrictions	( 173,384)	( 30,515)
<b>INCREASE (DECREASE) IN TEMPORARILY RESTRICTED NET ASSETS</b>	<u>( 55,188)</u>	<u>64,803</u>
<b>CHANGES IN PERMANENTLY RESTRICTED NET ASSETS:</b>		
Contribution of land preserves <i>(Note 4)</i>		576,000
Acquisition of easements and development rights <i>(Note 4)</i>	<u>13</u>	<u>1</u>
<b>INCREASE (DECREASE) IN PERMANENTLY RESTRICTED NET ASSETS</b>	<u>13</u>	<u>576,001</u>
<b>INCREASE (DECREASE) IN NET ASSETS</b>	4,584,363	599,636
NET ASSETS; beginning of year	<u>1,769,074</u>	<u>1,169,438</u>
NET ASSETS; end of year	<u>\$6,353,437</u>	<u>\$1,769,074</u>

See the independent auditor's report on page 1 and notes to the financial statements on pages 5 through 9.

**WASHTENAW LAND TRUST  
STATEMENTS OF CASH FLOWS**

	<b>For the Year Ended June 30, 2008</b>	<b>For the Six Months Ended June 30, 2007</b>
<b>INCREASE (DECREASE) IN CASH</b>		
<b>CASH FLOWS RELATED TO OPERATING ACTIVITIES:</b>		
Cash received from grantors and donors	\$ 441,665	\$ 122,195
Cash received from events and other income	18,258	2,036
Cash paid to suppliers and employees	( 469,660)	( 153,800)
Interest and dividends received	<u>14,994</u>	<u>7,815</u>
	<u>5,257</u>	<u>( 21,754)</u>
<b>CASH FLOWS RELATED TO INVESTING ACTIVITIES:</b>		
Proceeds from sale of marketable securities	44,484	6,262
Purchase of marketable securities	<u>( 74,331)</u>	<u>( 6,328)</u>
	<u>( 29,847)</u>	<u>( 66)</u>
<b>NET CASH INCREASE (DECREASE)</b>	<b>( 24,590)</b>	<b>( 21,820)</b>
CASH and equivalents; beginning of year	<u>345,553</u>	<u>367,373</u>
CASH and equivalents; end of year	<u>\$ 320,963</u>	<u>\$ 345,553</u>

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

INCREASE (DECREASE) IN NET ASSETS	\$4,584,363	\$ 599,636
<b>RECONCILIATION ADJUSTMENTS:</b>		
Non-cash contribution of land and preserves	(4,614,000)	( 576,000)
Non-cash acquisition of easements and development rights	( 13)	( 1)
Investment (gains)/losses	9,435	( 2,926)
(Increase) decrease in grants receivable	7,880	( 25,000)
(Increase) decrease in pledges receivable	18,500	( 14,500)
(Increase) decrease in prepaid expenses	3,203	( 6,062)
Increase (decrease) in accounts payable	<u>( 4,111)</u>	<u>3,099</u>
	<u>\$ 5,257</u>	<u>(\$ 21,754)</u>

See the independent auditor's report on page 1 and notes to the financial statements on pages 5 through 9.

## 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 and southeastern Michigan, 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.

Items recorded as *Permanently Restricted Net Assets* include donations of conservation easements and donor-restricted fee simple interests in land to be held as nature preserves, 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. To the extent that permanently or temporarily restricted investments generate interest or dividend income and gains or losses, they are reported as increases or decreases to unrestricted net assets.

**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, 2008, cash and equivalents consisted of bank account balances of \$57,858, money market funds of \$263,007 subject to the risk of a decline in market value below \$1 per share and cash on hand of \$98. 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. At June 30, 2008 and 2007, bank account balances were within the limits of coverage provided by the Federal Deposit Insurance Corporation.

**MARKETABLE SECURITIES** - Marketable securities consist of publicly traded shares of mutual funds, initially recorded at cost upon purchase, but adjusted to fair market values at year end. The market value adjustment is included in investment gains and losses, along with gains and losses realized upon sale of securities. At June 30, 2008, the market value and cost of securities was \$79,638 and \$81,706, respectively. At June 30, 2007, the market value and cost of securities was \$59,226 and \$54,990, respectively. As of the date of this report, November 14, 2008, the value of the securities held at June 30, 2008 had declined to \$55,770.

**WASHTENAW LAND TRUST  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 1: SIGNIFICANT ACCOUNTING POLICIES (continued)**

**RECEIVABLES** – The Washtenaw Land Trust records unconditional grants and pledges of support as revenues, both restricted as to their use, and unrestricted, as of the date the pledge or grant is made. Receivables are recorded at year end to the extent this support has not been collected. Grants are typically collected within one year and pledges are generally expected to be collected within one to two years. The Trust has not split receivables between current and long term assets. No discount has been applied to pledges expected to be collected in excess of one year, nor has an allowance for uncollected pledges been recorded.

The Trust records conditional grants and pledges of support only to the extent the conditions have been satisfied during the year. During the year ended June 30, 2008, the trust received a challenge grant of up to \$250,000 conditioned upon the collection of matching donations. As of June 30, 2008, the condition had been satisfied to the extent of \$17,120, the amount received in required matching donations, and accordingly, a grant receivable of \$17,120 was recorded.

**PROPERTY** – The property of the Washtenaw Land Trust consists 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, determined by independent qualified appraisers. Due to the change in fiscal years from a calendar year in 2006 to a June fiscal year, as of June 30, 2007, the schedule shows, beginning in 2006, actual dates received:

<u>Year Received</u>	<u>Description</u>	<u>Acres</u>	<u>Transaction Type</u>
1995	Creekshead Preserve	27	Fee simple donation
1999	Beckwith Conservancy	31	Fee simple donation
2000	Sharon Hills Preserve	68	Fee simple donation
2002	Woodland Preserve	14	Fee simple donation
1/6/2007	Coudron Preserve	44	Fee simple donation, life estate reserved
11/20/07	Johnson Property	<u>95</u>	Fee simple donation
		<u>279</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. Large organizations tend toward capitalizing such acquisitions at cost if purchased, and at the fair market value as of the date acquired, if donated. Locally based conservancy organizations tend toward not capitalizing such acquisitions, recognizing that the values an easement donor is able to deduct for income tax purposes are not values available to a recipient conservancy organization. The policy of the Washtenaw Land Trust is to capitalize each acquisition of easements and development rights at \$1 to facilitate tracking the number of easements acquired.

As of June 30, 2008, the trust held the following easements, all of which were on parcels located in southeastern Michigan. The donor valuation amounts were determined by qualified appraisers engaged by the donors, generally for purposes of substantiating the amount of their charitable contribution tax deductions. If no appraisal was performed, “N/A” for “not applicable” is indicated.

Due to the change in fiscal years from a calendar year in 2006 to a June fiscal year, as of June 30, 2007, the schedule shows, beginning in 2006, actual dates received:

**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>Transaction Type</u>	<u>Donor Valuation</u>
1995	116	Donation	\$ N/A
1996	11	Donation	N/A
1996	52	Donation	N/A
2000	40	Donation	180,000
2000	10	Donation	N/A
2000	14	Donation	N/A
2001	30	Purchase	182,000
2001	45	Donation	490,000
2001	5	Donation	N/A
2001	23	Donation	N/A
2001	21	Donation	187,500
2001	62	Donations (2)	N/A
2002	40	Donation	N/A
2002	11	Donation	329,500
2002	22	Donation	135,500
2003	74	Purchase	260,000
2003	17	Purchase	145,000
2003	27	Donation	579,500
2003	50	Donation	45,000
2004	10	Purchase	50,000
2004	40	Donation	200,000
2004	18	Donation	N/A
2005	21	Donation	52,000
2005	25	Donation	631,000
2005	22	Donations (2)	313,000
07/05/06	69	Purchase	274,000
08/23/06	100	Donation	1,211,000
08/25/06	84	Donations (2)	N/A
10/13/06	66	Donation	855,000
12/29/06	30	Donation	135,000
02/13/07	86	Donation	N/A
09/07/07	123	Donation	268,625
09/28/07	43	Purchase	607,000
10/22/07	103	Donation	274,000
10/31/07	23	Donation	92,000
11/28/07	80	Donation	233,000
11/28/07	87	Donation	222,000
12/10/07	41	Donation	136,000
12/18/07	18	Donation	1,090,000
12/20/07	80	Donation	633,500
12/21/07	107	Donation (2)	290,000
12/26/07	44	Donation	708,000
06/17/08	<u>2</u>	Donation	N/A
	<u>1,992</u>		



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

**NOTE 1: SIGNIFICANT ACCOUNTING POLICIES (continued)**

**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.

**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 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 year ended June 30, 2008, pension benefits of \$2,940 were expensed. During the six months ended June 30, 2007, pension benefits of \$1,586 were expensed. All contributions were paid and none were owed to the plan at June 30, 2008 or 2007.

**NOTE 3: CHANGE IN FISCAL YEAR**

Through 2006, the Trust had maintained its accounting and reported financial results on a December fiscal year. However, management of the Trust had noted a time-workload compression issue connected with a fiscal year coinciding with the calendar year. Donors of conservation easements and development rights frequently felt compelled, for purposes of income tax planning, to complete charitable donation transactions before the end of a calendar year. The easement donation process requires substantial time commitments by the staff and trustees for evaluation, negotiation and execution of land rights transfer agreements, at a time of year when budgeting and financial reporting responsibilities increase as well.

In the expectation that a change in fiscal year would mitigate the time-workload compression, during 2006, the Trust elected to change the fiscal year end from December 31 to June 30. The initial June 30 fiscal period was for the six months ended June 30, 2007.

Accordingly, although financial statements of the previous year are frequently presented for comparative purposes, the financial statements herein presented are for the year ended June 30, 2008 and the six months ended June 30, 2007.

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

**NOTE 4: PRIOR PERIOD ADJUSTMENTS**

**CORRECTION OF AN ERROR** - On January 6, 2007, a benefactor died, providing in her irrevocable trust that the Washtenaw Land Trust receive land valued at \$576,000. Although final transfer of the deed did not occur until September 13, 2007, this donation should have been recorded during the fiscal six month period ended June 30, 2007. Accordingly, the financial statements for the six months ended June 30, 2007 have been restated to include the contribution of this preserve to permanently restricted net assets. The increase in net assets for the six months ended June 30, 2007 was previously reported at \$23,636 and property assets and total net assets at June 30, 2007 were previously reported at \$719,150 and \$1,193,074, respectively. With the addition of this \$576,000 of revenue, the corrected amounts reported herein are an increase in net assets of \$599,636, property assets of \$1,295,150, and total net assets of \$1,769,074.