

# **Legacy Land Conservancy**

## FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT

June 30, 2023 and 2022



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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Legacy Land Conservancy

### *Opinion*

We have audited the accompanying financial statements of Legacy Land Conservancy, (the "Conservancy") (a nonprofit organization), which comprise the statements of financial position as of June 30, 2023 and 2022, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Legacy Land Conservancy as of June 30, 2023 and 2022, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### *Basis for Opinion*

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Conservancy and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### *Responsibilities of Management for the Financial Statements*

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

To the Board of Directors  
Legacy Land Conservancy

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Conservancy's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Conservancy's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Conservancy's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

To the Board of Directors  
Legacy Land Conservancy

***Report on Supplemental Information***

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplemental information on page 30 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

*Dennis, Gartland & Niergarth*

Certified Public Accountants  
Traverse City, Michigan

December 13, 2023

# Legacy Land Conservancy

## STATEMENTS OF FINANCIAL POSITION

For the Years Ended June 30,

	2023	2022
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents (Note C)	\$ 120,247	\$ 84,007
Investments (Note D)	104,755	572,777
Pledges receivable (Note E)	22,730	53,451
Public grants receivable (Note F)	32,525	18,782
Prepaid expenses	32,191	25,856
Other current assets	64,164	4,114
Total current assets	376,612	758,987
<b>Fixed Assets, net (Note H)</b>	5,400	7,200
<b>Land Under Protection</b>		
Preserves - with donor restrictions (Note I)	4,597,418	4,597,418
Land held for resale (Note I)	260,000	260,000
Development rights (Note J)	99	91
Land options	1,500	700
Total land under protection	4,859,017	4,858,209
<b>Other Assets</b>		
Pledges receivable, net, non-current (Note E)	16,600	7,700
Board designated investments (Note D)	1,944,257	1,994,511
Restricted investments for endowments (Note D)	1,415,375	1,222,281
Total other assets	3,376,232	3,224,492
Total assets	\$ 8,617,261	\$ 8,848,888
<b>LIABILITIES AND NET ASSETS</b>		
<b>LIABILITIES</b>		
Accounts payable	\$ 6,118	\$ 3,630
Accrued expenses	115,746	48,854
Total liabilities	121,864	52,484
<b>NET ASSETS</b>		
Without donor restrictions		
Undesignated	73,146	13,364
Land held for resale	260,000	260,000
Board designated (Note L)	1,944,257	1,994,511
With donor restrictions		
Subject to purpose and time restrictions (Note M)	224,803	724,575
Subject to restrictions in perpetuity (Note M)	5,993,191	5,803,954
Total net assets	8,495,397	8,796,404
Total liabilities and net assets	\$ 8,617,261	\$ 8,848,888

The accompanying notes are an integral part of these financial statements.

# Legacy Land Conservancy

## STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2023

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<b>REVENUE AND SUPPORT</b>			
Contributions and pledges of financial assets	\$ 358,040	\$ 230,751	\$ 588,791
Contributions of nonfinancial assets	28,644	29,696	58,340
Gifts of land or development rights	-	224,005	224,005
Public grants	53,084	545,268	598,352
Contract income	98,938	-	98,938
Investment returns, net (Note D)	91,172	130,871	222,043
Special events, net of expenses of \$4,612	4,988	-	4,988
Other revenue	60,000	-	60,000
Net assets released due to satisfaction of program restrictions	<u>1,471,126</u>	<u>(1,471,126)</u>	<u>-</u>
Total revenue and support	<u>2,165,992</u>	<u>(310,535)</u>	<u>1,855,457</u>
<b>EXPENSES</b>			
Program services	1,833,822	-	1,833,822
Management and general	227,273	-	227,273
Fundraising	<u>95,369</u>	<u>-</u>	<u>95,369</u>
Total expenses	<u>2,156,464</u>	<u>-</u>	<u>2,156,464</u>
<b>CHANGE IN NET ASSETS</b>	9,528	(310,535)	(301,007)
<b>NET ASSETS</b> , beginning of year	<u>2,267,875</u>	<u>6,528,529</u>	<u>8,796,404</u>
<b>NET ASSETS</b> , end of year	<u>\$ 2,277,403</u>	<u>\$ 6,217,994</u>	<u>\$ 8,495,397</u>

The accompanying notes are an integral part of these financial statements.

# Legacy Land Conservancy

## STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
<b>REVENUE AND SUPPORT</b>			
Contributions and pledges	\$ 1,840,904	\$ 300,331	\$ 2,141,235
Contributions of nonfinancial assets	42,691	-	42,691
Gifts of land or development rights	-	135,500	135,500
Public grants	58,614	8,000	66,614
Contract income	22,920	-	22,920
Investment returns, net	(151,247)	(227,302)	(378,549)
Miscellaneous	270	10,000	10,270
Net assets released due to satisfaction of program restrictions	<u>597,356</u>	<u>(597,356)</u>	<u>-</u>
Total revenue and support	<u>2,411,508</u>	<u>(370,827)</u>	<u>2,040,681</u>
<b>EXPENSES</b>			
Program services	1,118,588	-	1,118,588
Management and general	228,998	-	228,998
Fundraising	<u>105,398</u>	<u>-</u>	<u>105,398</u>
Total expenses	<u>1,452,984</u>	<u>-</u>	<u>1,452,984</u>
<b>CHANGE IN NET ASSETS BEFORE OTHER INCOME</b>	958,524	(370,827)	587,697
Other income - PPP loan forgiveness	<u>92,823</u>	<u>-</u>	<u>92,823</u>
<b>CHANGE IN NET ASSETS</b>	1,051,347	(370,827)	680,520
<b>NET ASSETS, beginning of year</b>	<u>1,216,528</u>	<u>6,899,356</u>	<u>8,115,884</u>
<b>NET ASSETS, end of year</b>	<u>\$ 2,267,875</u>	<u>\$ 6,528,529</u>	<u>\$ 8,796,404</u>

The accompanying notes are an integral part of these financial statements.



## Legacy Land Conservancy

### STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended June 30, 2023

	Program Services	Management and General	Fundraising	Total
Conservation easement valuation expense	\$ 1,000,997	\$ -	\$ -	\$ 1,000,997
Land project expense	175,035	-	-	175,035
Maintenance	30,012	-	-	30,012
Total land expenses	1,206,044	-	-	1,206,044
Salaries	385,481	146,777	61,591	593,849
Payroll taxes and benefits	97,652	28,541	11,977	138,170
Consulting and contracted services	8,197	2,975	1,248	12,420
Travel	7,275	2,640	1,108	11,023
Audit	10,296	3,736	1,568	15,600
Bank charges	1,760	639	268	2,667
Fees and dues	11,266	4,089	1,716	17,071
Copying and printing	9,680	3,513	1,474	14,667
Insurance	11,574	4,200	1,762	17,536
Depreciation	1,800	-	-	1,800
Supplies and materials	9,114	3,307	1,388	13,809
Postage and mailing	2,746	996	418	4,160
Rent and occupancy	35,721	12,963	5,439	54,123
Software and IT	19,037	6,908	2,899	28,844
Miscellaneous	1,596	579	243	2,418
Telephone	2,260	939	394	3,593
Media and marketing	12,323	4,471	1,876	18,670
Total expenses	\$ 1,833,822	\$ 227,273	\$ 95,369	\$ 2,156,464

The accompanying notes are an integral part of these financial statements.

## Legacy Land Conservancy

### STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended June 30, 2022

	Program Services	Management and General	Fundraising	Total
Conservation easement valuation expense	\$ 518,496	\$ -	\$ -	\$ 518,496
Land project expense	121,838	-	-	121,838
Maintenance	1,812	-	-	1,812
Total land expenses	642,146	-	-	642,146
Salaries	290,653	142,401	64,920	497,974
Payroll taxes and benefits	68,257	30,759	14,023	113,039
Consulting and contracted services	10,699	5,161	2,353	18,213
Travel	1,473	711	324	2,508
Audit	8,928	4,308	1,964	15,200
Bank charges	916	442	202	1,560
Fees and dues	6,668	3,181	1,450	11,299
Copying and printing	6,727	3,245	1,479	11,451
Insurance	10,136	4,890	2,229	17,255
Depreciation	1,800	-	-	1,800
Supplies and materials	11,783	5,685	2,592	20,060
Postage and mailing	2,237	1,080	492	3,809
Rent and occupancy	30,372	14,653	6,680	51,705
Software and IT	19,026	9,180	4,185	32,391
Bad debt	-	-	1,000	1,000
Miscellaneous	1,089	562	256	1,907
Telephone	2,666	1,286	586	4,538
Media and marketing	3,012	1,454	663	5,129
Total expenses	\$ 1,118,588	\$ 228,998	\$ 105,398	\$ 1,452,984

The accompanying notes are an integral part of these financial statements.

# Legacy Land Conservancy

## STATEMENTS OF CASH FLOWS

For the Years Ended June 30,

	2023	2022
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ (301,007)	\$ 680,520
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities		
Depreciation	1,800	1,800
Development rights extinguished	1,000,997	518,496
PPP loan forgiveness	-	(92,823)
Net realized (gain) loss on investments	47,785	5,443
Net unrealized (gain) loss on investments	(188,581)	404,639
Endowment contributions	(119,355)	-
Uncollectible debt	-	1,000
Donated conservation easements	(224,005)	(135,500)
Changes in operating assets and liabilities which provided (used) cash		
Prepaid expenses	(66,385)	(5,896)
Pledges receivable	21,821	(23,741)
Grants receivable	(13,743)	(6,487)
Accounts payable and accrued expenses	69,382	(1,397)
Net cash from operating activities	228,709	1,346,054
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisition of investments	(119,512)	(1,315,000)
Proceeds from sale of investments	585,488	13,582
Exercise (acquisitions) of option to purchase land	(800)	700
Acquisition of conservation easements	(777,000)	(383,000)
Purchases of property and equipment	-	(9,000)
Net cash from investing activities	(311,824)	(1,692,718)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Endowment contributions	119,355	-
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	36,240	(346,664)
Cash and cash equivalents, beginning of year	84,007	430,671
Cash and cash equivalents, end of year	\$ 120,247	\$ 84,007

The accompanying notes are an integral part of these financial statements.

# Legacy Land Conservancy

## NOTES TO FINANCIAL STATEMENTS

### NOTE A - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

#### *Nature of Activities*

Legacy Land Conservancy (the "Conservancy") is a not-for-profit corporation, founded in 1971, operating in Washtenaw, Jackson, and surrounding counties in southeastern Michigan. The Conservancy's mission is to protect natural areas, working farmlands and open spaces in the area. The Conservancy accomplishes its mission through three primary activities of acquiring protective interests in conservation land through purchase and donation; advocating for the protection of open spaces; and caring for the land it owns and monitoring land under conservation agreements. The major funding for the Conservancy is derived from donations, grants and fundraising events.

#### *Basis of Accounting*

The financial statements have been prepared on the accrual basis of accounting and otherwise in accordance with generally accepted accounting principles applicable to not-for-profit organizations in the United States of America ("GAAP").

#### *Financial Statement Presentation*

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

**Net Assets Without Donor Restrictions:** Net assets available for use in general operations and not subject to donor restrictions.

**Net Assets With Donor Restrictions:** Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

#### *Use of Estimates in the Preparation of Financial Statements*

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual amounts could differ from those estimates.

## NOTES TO FINANCIAL STATEMENTS - Continued

### ***Cash and Cash Equivalents***

The Conservancy considers all cash and other highly liquid investments not held in trust with maturity dates of less than three months to be cash equivalents, for the purposes of the statements of financial position classification and statements of cash flows. The carrying value of cash and cash equivalents approximates fair value as a result of the short maturities of those financial instruments.

### ***Investments***

Investments in equity securities with readily determinable fair values and all investments in debt securities are measured at fair value in the statements of financial position. Fair value of marketable equity and debt securities is based on quoted market prices as of the date of the statements of financial position. Contributed securities are recorded at fair value at the date of receipt and generally sold shortly thereafter. Changes in fair value of investments are recorded in the accompanying statement of activities as investment gains and losses. Realized gains and losses are determined based on specific cost identification.

### ***Fixed Assets***

Fixed assets are recorded at cost if purchased, or if donated, at fair value at the time of receipt. Major improvements and renewals are capitalized, if over \$5,000, while ordinary maintenance and repairs are expensed. Management annually reviews these assets to determine whether carrying values have been impaired. Depreciation is computed using the straight-line method over the estimated useful lives of the related assets, which range from 3 to 5 years.

### ***Preserves***

The property of the Conservancy consists of parcels of land in southeastern Michigan received at various times from various donors. The Conservancy owns all residual rights associated with these properties. Such property is recorded as revenue and other assets at the time the property is received. The basis of the donation is the fair value of the property as of the date donated as determined by the most recent appraisal prepared by an independent qualified appraiser.

***Conservation Easements and Allowance for Development Rights Extinguished***

A conservation easement is a legal agreement between a landowner and a qualified conservation organization (i.e., the Conservancy) that permanently limits a property's use in order to protect its conservation values. Conservation easements, either purchased or donated, are initially valued at their appraised value. Once the development rights for a specific conservation easement are extinguished, generally immediately after acquisition, a valuation allowance is established to reduce the value of the conservation easement to \$1. This value reflects the lack of marketability related to the easements. The reduction in value due to extinguishment of development rights is reflected as a program expense in the statement of activities and conservation easement valuation expense on the statement of functional expenses.

***Compensated Absences***

Vested and accumulated vacation leave is reported as an expense and a liability when the obligation becomes determinable. No liability is accrued for non-vesting rights to receive sick pay benefits.

***Revenue Recognition***

The Conservancy derives its revenues primarily from contributions, bequests and public grants. Contributions, bequests and public grants received are recorded as increases in net assets. All donor-restricted contributions and public grants are reported as increases in net assets with donor restrictions depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

***Contributed Nonfinancial Assets***

A portion of the Conservancy's activities is conducted by volunteers without compensation and by professional and business organizations at significantly reduced charges. Support for services contributed is only recognized to the extent such contributions (1) require specialized skills (and are provided by individuals possessing those skills) and are typically purchased if not provided by donation or (2) create or enhance the non-financial assets of the Conservancy. Contributed services recognized comprise professional services from attorneys advising the Conservancy on various land acquisition and easement stewardship legal matters. Contributed services are valued and are reported at the estimated fair value as revenue and expense in the financial statements based on current rates for similar legal services. These contributed nonfinancial assets did not have donor-imposed restrictions. Contributed services were \$57,290 and \$39,691 for the years ended June 30, 2023 and 2022, respectively.

## NOTES TO FINANCIAL STATEMENTS - Continued

### ***Functional Expenses***

The Conservancy accumulates and records operating expenses according to the nature of the expense that was incurred. These functional expenses are allocated and reported on the statement of activities as program services, management and general, and fundraising. The allocation to these functional categories is based on management's records of time allocated by staff.

### ***Leases***

The Conservancy has elected to exclude short-term leases of 12 months or less from the balance sheet. Operating lease expense is recognized on a straight-line basis over the lease term.

### ***Income Taxes***

No provision for Federal and State income taxes has been made since the Conservancy is exempt under Section 501(c)(3) of the Internal Revenue Code.

The Conservancy files information returns in the U.S. Federal jurisdiction and these returns are generally no longer subject to examination by tax authorities for years before 2020. The Conservancy has not had any business income unrelated to its exempt purpose and, therefore, has not filed income tax returns in any jurisdiction.

### ***Reclassifications***

Certain amounts in the comparative financial statements have been reclassified in the prior year to conform with the current year's presentation.

### ***Subsequent Events***

Management has evaluated events and transaction for potential recognition or disclosure through December 13, 2023, the date that the financial statements were available to be issued.

NOTES TO FINANCIAL STATEMENTS - Continued

**NOTE B - LIQUIDITY AND AVAILABILITY**

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, are comprised of the following at June 30:

	<u>2023</u>	<u>2022</u>
Cash and cash equivalents	\$ 120,247	\$ 84,007
Investments	104,755	572,777
Pledges receivable	22,730	53,451
Public grants receivable	32,525	18,782
Other current assets	<u>64,164</u>	<u>4,114</u>
Total current assets available for operations	<u>\$ 344,421</u>	<u>\$ 733,131</u>

The Conservancy has available board designated investments of \$1,944,257 and \$1,994,511 at June 30, 2023 and 2022, respectively, that may be liquidated with board approval. Additionally, the Conservancy has available access to endowments as permitted by the endowment spending policies, as detailed further in Note O.

**NOTE C - CASH AND CASH EQUIVALENTS**

Cash and cash equivalents are summarized as follows for the years ended June 30:

	<u>2023</u>	<u>2022</u>
Petty cash	\$ 221	\$ 746
Demand (checking) accounts	<u>120,026</u>	<u>83,261</u>
Total	<u>\$ 120,247</u>	<u>\$ 84,007</u>

As of June 30, 2023, \$0 of the Conservancy's bank balance of \$128,330 was exposed to custodial credit risk because it was uninsured and uncollateralized.



NOTES TO FINANCIAL STATEMENTS - Continued

**NOTE D - INVESTMENTS**

The investments of the Conservancy consisted of the following at June 30:

	2023		
	Cost	Fair Market Value	Cumulative Appreciation (Depreciation)
Ann Arbor Area Community Foundation Agency			
Investment	\$ 19,701	\$ 19,701	\$ -
Cash equivalent *	49,231	49,231	-
Demand notes	1,298,092	1,347,839	49,747
Mutual funds - equity funds	1,134,246	1,308,860	174,614
Mutual funds - bond funds	814,280	738,756	(75,524)
Total investments	<u>\$ 3,315,550</u>	<u>\$ 3,464,387</u>	<u>\$ 148,837</u>
<u>Financial Statement Presentation</u>			
Investments		\$ 104,755	
Board designated investments		1,944,257	
Restricted investments for endowment		1,415,375	
		<u>\$ 3,464,387</u>	
	2022		
	Cost	Fair Market Value	Cumulative Appreciation (Depreciation)
Ann Arbor Area Community Foundation Agency			
Investment	\$ 15,836	\$ 15,836	\$ -
Cash equivalent *	79,077	79,077	-
Demand notes	1,295,000	1,298,092	3,092
Mutual funds - equity funds	1,188,757	1,209,721	20,964
Mutual funds - bond funds	1,283,181	1,186,843	(96,338)
Total investments	<u>\$ 3,861,851</u>	<u>\$ 3,789,569</u>	<u>\$ (72,282)</u>
<u>Financial Statement Presentation</u>			
Investments		\$ 572,777	
Board designated investments		1,994,511	
Restricted investments for endowment		1,222,281	
		<u>\$ 3,789,569</u>	

\* Cash equivalent is held in trust, as such, it is included in investments in accordance with the Conservancy's policy.

NOTES TO FINANCIAL STATEMENTS - Continued

Investment gains and losses consisted of the following at June 30:

	<u>2023</u>	<u>2022</u>
Realized gains (losses)	\$ (47,785)	\$ (5,443)
Unrealized gains (losses)	188,581	(404,639)
Interest and dividends	93,847	45,408
Investment fees	<u>(12,600)</u>	<u>(13,875)</u>
Investment gains and losses, net	<u>\$ 222,043</u>	<u>\$ (378,549)</u>

***Concentration of Credit Risk - Investments***

The Conservancy has investments in multiple brokerage accounts. One of the Conservancy's brokerage accounts has insurance of up to \$500,000 provided by the Securities Investor Protection Corporation. The balance of the Conservancy's investments were uninsured at June 30, 2023 and 2022.

**NOTE E - PLEDGES RECEIVABLE**

The Conservancy receives general Legacy pledges for various projects which totaled \$43,700 and \$67,946 as of June 30, 2023 and 2022, respectfully. The Conservancy established an allowance for uncollectible amounts of 10% of the general pledges receivable balance each of the last two fiscal years.

During 2023, the Conservancy received substantially all scheduled payments on a timely basis.

Pledges receivable at June 30, 2023 are expected to be collected as follows:

<u>Years</u>	<u>Pledges</u>
2024	\$ 27,100
2025	16,100
2026	<u>500</u>
Total	43,700
Allowance for uncollectible amounts	<u>(4,370)</u>
Pledges receivable, net	<u>\$ 39,330</u>

Pledges receivable are presented in the statements of financial position as follows as of June 30:

	<u>2023</u>	<u>2022</u>
Current pledges receivable	\$ 22,730	\$ 53,451
Non-current pledges receivable	<u>16,600</u>	<u>7,700</u>
	<u>\$ 39,330</u>	<u>\$ 61,151</u>

NOTES TO FINANCIAL STATEMENTS - Continued

**NOTE F - PUBLIC GRANTS RECEIVABLE**

The Conservancy records grants as revenue during the period that the funds were earned, that is, when all eligibility requirements have been met. The grants receivable as of June 30, 2023 and 2022 were \$32,525 and \$18,782, respectively. The grants receivable represent grant dollars earned but not received as of the financial position date. No allowance for uncollectible accounts has been provided as management believes all grants are collectible.

**NOTE G - BENEFICIAL INTEREST IN PERPETUAL TRUST**

The Conservancy is the beneficiary of the Dorothy & Karl Schnearle Fund for Future Farmers and Farmland, a perpetual trust held and administered by a Community Foundation. The endowment permits the Foundation to substitute another beneficiary in place of the Conservancy in the event the Conservancy ceases to exist, or for other various reasons in accordance with the Foundation's bylaws. The Conservancy has withdrawn the spendable balance during the fiscal year. As a result, no amount of the remaining balance is spendable, or recorded on the financial statements, at the end of the fiscal year June 30, 2023. The balance of the Trust is \$66,677 and \$63,820 as of June 30, 2023 and 2022, respectively.

**NOTE H - FIXED ASSETS**

Fixed assets comprised the following at June 30:

	<u>2023</u>	<u>2022</u>
Vehicles	\$ 27,000	\$ 27,000
Less accumulated depreciation	<u>(21,600)</u>	<u>(19,800)</u>
Total fixed assets	<u>\$ 5,400</u>	<u>\$ 7,200</u>

Total depreciation expense was \$1,800 for the years ended June 30, 2023 and 2022.

NOTES TO FINANCIAL STATEMENTS - Continued

**NOTE I - LAND**

*Preserves*

Preserves of the Legacy Land Conservancy consist 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, as determined by an independent appraisal. The balance of these accounts is comprised of the following as of June 30:

<u>Description</u>	<u>Acres</u>	<u>2023</u>	<u>2022</u>
With donor restriction:			
Creekshead Preserve (fee simple)	27	\$ 115,000	\$ 115,000
Beckwith Conservancy (fee simple)	31	61,000	61,000
Sharon Hills Preserve (fee simple)	68	308,150	308,150
Woodland Preserve (fee simple)	14	235,000	235,000
Coudron Preserve (life estate/fee simple)	44	576,000	576,000
Reichert Preserve (fee simple)	92	477,500	477,500
Lapham Family Reichert Addition (fee simple)	17	51,915	51,915
Heotaky Beckwith Addition (fee simple)	2	18,000	18,000
Johnson Preserve (fee simple)	49	2,379,853	2,379,853
Shatter Preserve (fee simple)	25	375,000	375,000
Total with donor restriction	<u>369</u>	<u>\$ 4,597,418</u>	<u>\$ 4,597,418</u>

*Land Held for Resale*

Land held for resale includes projects where the final disposition of the property is not completed. The land may be intended for sale with a conservation easement (or without in the case of portions of acquisitions not requiring protection), to become the property of a State or local government or be financed land acquisitions that, when paid in full, become a part of our nature preserves.

Land held for resale consisted of:

	<u>Beginning of Year</u>	<u>Purchase/ Donation</u>	<u>Transfers/ Sales</u>	<u>End of Year</u>
Rinehart Property	<u>\$ 260,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 260,000</u>

The Rinehart Property consists of 20 acres subject to a life estate.

**NOTE J - DEVELOPMENT RIGHTS**

Development rights typically are donated through the gift of a conservation easement. The donation of a perpetual conservation easement which preserves the conservation values of a property deemed to be in the public benefit, such as agricultural land, scenic views, wetlands, forests and unique wildlife habitats, is recognized in the Federal Tax Code and may result in substantial income and estate tax benefits to the donor/landowner.

In situations where charitable tax benefits do not provide sufficient incentives, development rights are purchased rather than donated. This is often the case with farmland preservation programs. The amount paid to and/or donated by the landowner is determined by a "before and after" appraisal of the fair market value of the subject land. Other costs, such as appraisals, surveys, title work and personnel expenditures for securing the easement, are expensed.

When the Conservancy receives a conservation easement, it takes on the permanent responsibility and legal right to enforce the terms of the easement. The Conservancy monitors easements by inspecting the land regularly (yearly in most cases) and maintaining communications with the landowner about future plans in order to avoid conflict with the easement. If a future owner or someone else violates the easement, for example by erecting a building that the easement does not allow, the Conservancy will take action to have the violation corrected, including going to court if necessary. These permanent responsibilities are a long-term cost to the Conservancy.

From its inception, the Conservancy has secured (by purchase and donation) 99 easements:

<u>Secured During the Year Ended June 30, 2023</u>		<u>Total Secured Through June 30, 2023</u>	
<u>Number of Easements</u>	<u>Acres Protected</u>	<u>Number of Easements</u>	<u>Acres Protected</u>
8	580	99	4,579

The total value of development rights acquired during the year is estimated to be \$1,001,005 of which \$1,000,997 has been extinguished and reported as an expense.

**NOTE K - PAYCHECK PROTECTION PROGRAM LOAN**

In the year ended June 30, 2021, the Conservancy received \$92,823 loan under the Paycheck Protection Program ("PPP") administered by a Small Business Administration ("SBA") approved partner. The loan was uncollateralized and fully guaranteed by the Federal government. The Conservancy used the loan proceeds for eligible expenses and met the conditions for loan forgiveness as of June 30, 2022 and therefore, recognized \$92,823 as other income for the year ended June 30, 2022.

NOTES TO FINANCIAL STATEMENTS - Continued

**NOTE L - BOARD DESIGNATED NET ASSETS**

The Board has designated \$1,944,257 and \$1,994,511 from the Emerald Arc Campaign for unrestricted capacity building reserves at June 30, 2023 and 2022, respectively.

**NOTE M - NET ASSETS WITH DONOR RESTRICTIONS**

Net assets with donor restrictions consisted of the following amounts at June 30:

	<u>2023</u>	<u>2022</u>
Subject to expenditure for specified purpose and/or the passage of time:		
Pledges receivable	\$ 39,330	\$ 61,151
Foundation contributions	22,737	60,568
Stewardship funds	71,587	109,840
Land acquisition funds	64,188	469,895
Regional funds	7,260	7,285
Agency endowment funds	<u>19,701</u>	<u>15,836</u>
	<u>224,803</u>	<u>724,575</u>
Subject to donor restrictions in perpetuity:		
Conservation easements, net of extinguished development rights	99	91
Preserved land	4,597,418	4,597,418
Endowment funds	<u>1,395,674</u>	<u>1,206,445</u>
	<u>5,993,191</u>	<u>5,803,954</u>
Total net assets with donor restrictions	<u>\$ 6,217,994</u>	<u>\$ 6,528,529</u>

NOTES TO FINANCIAL STATEMENTS - Continued

**NOTE N - CONTRIBUTIONS OF NONFINANCIAL ASSETS**

Conservancy received the following nonfinancial asset donations for the year ended June 30:

	<u>2023</u>		
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Legal services	\$ 27,057	\$ 29,446	\$ 56,503
Other services	787	-	787
Supplies	800	250	1,050
Development rights	<u>-</u>	<u>224,005</u>	<u>224,005</u>
 Total contributions of nonfinancial assets	 <u>\$ 28,644</u>	 <u>\$ 253,701</u>	 <u>\$ 282,345</u>

	<u>2022</u>		
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Legal services	\$ 39,691	\$ -	\$ 39,691
Donated tractor	3,000	-	3,000
Development rights	<u>-</u>	<u>135,500</u>	<u>135,500</u>
 Total contributions of nonfinancial assets	 <u>\$ 42,691</u>	 <u>\$ 135,500</u>	 <u>\$ 178,191</u>

**NOTE O - ENDOWMENT FUNDS**

FASB ASC Topic 958-205 provides guidance on the net asset classification of donor restricted endowment funds for a not-for-profit organization that is subject to the enacted version of the Uniform Prudent Management of Institutional Funds Act of 2006 ("UPMIFA"). FASB Topic 958-205 also improves disclosures about an organization's endowment funds (both donor-restricted and board-designated endowment funds) whether or not the organization is subject to UPMIFA.

## NOTES TO FINANCIAL STATEMENTS - Continued

### Interpretation of Relevant Law

The Conservancy has interpreted the Uniform Prudent Management of Institutional Funds Act ("UPMIFA") as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Conservancy classifies as donor restricted net assets: (a) the original value of gifts donated to the endowment and (b) accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

In accordance with UPMIFA, the organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund;
- The purposes of the donor-restricted endowment fund;
- General economic conditions;
- The possible effect of inflation and deflation;
- The expected total return from income and the appreciation of investments;
- Other resources of the Conservancy; and
- The investment policies of the Conservancy.

### Investment Approach

The ultimate responsibility for the management of the funds rests with its Board of Trustees. Long term reserve funds and endowment funds are pooled together in the care of and managed by Bank of Ann Arbor Trust division in accordance with approved allocation targets and ranges as follows:

<u>Asset Class</u>	<u>Target</u>	<u>Range</u>
Equities	65%	15-80%
Fixed Income	25%	0-50%
Cash	10%	0-35%

### Spending Policy

**Endowment Fund:** Distributions may be taken annually to fund land and easement stewardship.

**Forever Fund:** Distributions may be taken annually to fund land and easement stewardship and other expenses related to ensuring the integrity of conservation easements and lands owned by the Conservancy.

**Standard Distribution:** Standard distributions shall be made annually, and limited to 4% of the rolling average of the value of the funds over the past 20 quarters.



NOTES TO FINANCIAL STATEMENTS - Continued

**Extraordinary Distributions:** Generally, principal will remain in the fund and will not be liquidated, except as described above. However, from time-to-time extraordinary expenses associated with the legal costs of defending or enforcing an easement, or legal costs required to maintain the Conservancy's continued use and operation of its fee preserves, may be incurred. At such times, by a 2/3 vote of the Board of Trustees, the principal of that portion associated with the Forever Fund may be taken as a distribution. Such distributions must be accompanied by a plan to replenish the funds.

Standard distributions shall not be made if the combined value of the Endowment and Forever Funds is less than \$300,000.

Changes in Endowment net assets are as follows as of June 30:

	<u>2023</u>		
	<u>With Donor Restrictions</u>		
	<u>Perpetual</u>	<u>Time Restricted</u>	<u>Total</u>
Net assets, beginning of year	\$ 1,206,445	\$ 15,836	\$ 1,222,281
Investment return:			
Investment income (loss)	25,988	1,510	27,498
Net appreciation (depreciation)	103,373	-	103,373
Contributions	117,000	2,511	119,511
Distributions/expenses	<u>(57,132)</u>	<u>(156)</u>	<u>(57,288)</u>
Total donor restricted endowment	<u>\$ 1,395,674</u>	<u>\$ 19,701</u>	<u>\$ 1,415,375</u>
	<u>2022</u>		
	<u>With Donor Restrictions</u>		
	<u>Perpetual</u>	<u>Time Restricted</u>	<u>Total</u>
Net assets, beginning of year	\$ 1,466,014	\$ 17,735	\$ 1,483,749
Investment return:			
Investment income (loss)	14,905	(1,144)	13,761
Net appreciation (depreciation)	(250,241)	-	(250,241)
Distributions/expenses	<u>(24,233)</u>	<u>(755)</u>	<u>(24,988)</u>
Total donor restricted endowment	<u>\$ 1,206,445</u>	<u>\$ 15,836</u>	<u>\$ 1,222,281</u>

**NOTE P - FAIR VALUE OF FINANCIAL INSTRUMENTS**

Financial Accounting Standards Board ("FASB") Accounting Standards Codification 820.10, *Fair Value Measurements*, provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below:

## NOTES TO FINANCIAL STATEMENTS - Continued

Level 1 - Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Conservancy has the ability to access.

Level 2 - Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 - Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at June 30, 2023.

*Ann Arbor Area Community Foundation Agency Investment:* Valued at fair value by the Community Foundation for the Conservancy's portion of the Community Foundation's pooled investment.

*Mutual funds:* Valued at the net asset value ("NAV") of shares held by the Conservancy at year-end.

*Demand notes:* Valued at carrying value which approximates fair value.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Conservancy believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

NOTES TO FINANCIAL STATEMENTS - Continued

The following table sets forth by level, within the fair value hierarchy, the Conservancy's assets at fair value as of June 30:

2023				
	Level 1	Level 2	Level 3	Total
Ann Arbor Area Community				
Foundation Agency Investment	\$ -	\$ -	\$ 19,701	\$ 19,701
Cash equivalent	49,231	-	-	49,231
Demand notes	-	1,347,839	-	1,347,839
Equity - mutual funds				
Moderate	141,986	-	-	141,986
Large cap	671,823	-	-	671,823
Mid cap	88,571	-	-	88,571
Small cap	44,156	-	-	44,156
Large cap - international	180,926	-	-	180,926
Large cap - global	181,398	-	-	181,398
Fixed income - bond mutual funds				
Taxable bond funds	<u>738,756</u>	<u>-</u>	<u>-</u>	<u>738,756</u>
	<u>\$ 2,096,847</u>	<u>\$ 1,347,839</u>	<u>\$ 19,701</u>	<u>\$ 3,464,387</u>
2022				
	Level 1	Level 2	Level 3	Total
Ann Arbor Area Community				
Foundation Agency Investment	\$ -	\$ -	\$ 15,836	\$ 15,836
Cash equivalent	79,077	-	-	79,077
Demand notes	-	1,298,092	-	1,298,092
Equity - mutual funds				
Moderate	56,436	-	-	56,436
Conservative	61,353	-	-	61,353
Large cap	540,451	-	-	540,451
Mid cap	123,396	-	-	123,396
Small cap	104,971	-	-	104,971
Large cap - international	66,706	-	-	66,706
Mid cap - international	58,270	-	-	58,270
Large cap - global	198,138	-	-	198,138
Fixed income - bond mutual funds				
Taxable bond funds	<u>1,186,843</u>	<u>-</u>	<u>-</u>	<u>1,186,843</u>
	<u>\$ 2,475,641</u>	<u>\$ 1,298,092</u>	<u>\$ 15,836</u>	<u>\$ 3,789,569</u>

## NOTES TO FINANCIAL STATEMENTS - Continued

The changes in Level 3 investments are as follows:

Balance at July 1, 2021	\$ 17,735
Deposit and earnings, net of grants paid out	<u>(1,899)</u>
Balance at June 30, 2022	15,836
Deposit and earnings, net of grants paid out	<u>3,865</u>
Balance at June 30, 2023	<u>\$ 19,701</u>

### NOTE Q - EMPLOYEE BENEFIT PLAN

The Conservancy maintains a Savings Incentive Match Plan ("SIMPLE") IRA retirement plan. All full-time employees are eligible to participate. To the extent an employee participates by deferring a portion of their compensation into the plan, the Conservancy will match the employee's contribution, up to a maximum of three percent of the employee's compensation. During the years ended June 30, 2023 and 2022, the retirement expense incurred by the Conservancy was \$16,656 and \$12,812, respectively.

### NOTE R - SHORT-TERM LEASES

The Conservancy had an operating lease for office space for July 18, 2017 through September 30, 2020. The lease requires the Conservancy to pay utilities and janitorial services. The landlord is obligated for insurance covering the building. The lease has been informally extended on a month-to-month basis. Rent expense was \$45,600 and \$45,600 on the office space for the years ended June 30, 2023 and 2022, respectively.

In March 2021, the Conservancy signed an operating lease agreement for a copier. The lease requires monthly payments of \$266 beginning in April 2021 and matures March 2025. Short-term lease expense was \$3,482 and \$3,225 for the years ended June 30, 2023 and 2022, respectively.

### NOTE S - SUPPLEMENTAL CASH FLOWS INFORMATION

#### *Non-Cash Investing and Financing Activities*

During each of the years ended June 30, 2023 and 2022, the Conservancy acquired development rights on six parcels of land below fair market value as determined by a State certified appraiser. The Conservancy recorded the development rights at the fair market value as of the date acquired and recognized \$224,005 and \$135,500, respectively, in non-cash contribution revenue.

**NOTE T - BUSINESS COMBINATION**

On September 27, 2022, the Conservancy entered into a transfer agreement with a volunteer land trust for \$1 and started the process of assuming conservation easements and other assets from that volunteer land trust. The Conservancy has determined that although the assumption will be achieved through different phases, these transactions are considered a business combination. Once all conservation easements have been transferred to the Conservancy, the volunteer land trust will transfer its remaining cash assets to the Conservancy and will dissolve.

There were five conservation easements transferred during the year ended June 30, 2023, each valued at \$1. This was recorded as an increase in conservation easements in the statement of financial position and an increase in gifts of land or development rights without donor restrictions in the statement of activities. The acquisition-related costs were \$42,513 recognized in land project expenses and \$14,732 in payroll and other expenses.

**NOTE U - CONTINGENCY**

During December 2022, the Conservancy successfully settled a lawsuit where it was the plaintiff defending a conservation easement violation. In May 2023, the settlement agreement was signed and the Conservancy received the \$60,000 check in July 2023. The Conservancy recorded \$30,555 in legal fee expense in the statement of activities for the year ended June 30, 2023 and the related liability in accrued expenses in the statement of financial position as of June 30, 2023 for the amount due back to the insurance company for attorney's fees. The Conservancy also recorded \$29,445 in repairs and maintenance expense in the statement of activities for the year ended June 30, 2023 and the related liability in accrued expenses in the statements of financial position as of June 30, 2023 for the expected remediation of the conservation easement violations.

In addition, the Conservancy recorded the \$60,000 recovery of these expenses as the recovery was deemed probable as of June 30, 2023. The recovery of \$30,555 legal fee expense and \$29,445 in repairs and maintenance was recorded in miscellaneous income with the corresponding receivable recorded in other current assets.

**SUPPLEMENTAL INFORMATION**

# Legacy Land Conservancy

## SCHEDULE OF NET ASSETS WITH AND WITHOUT DONOR RESTRICTIONS

For the Year Ended June 30, 2023

	<u>Net Assets Without Donor Restrictions</u>	<u>Net Assets With Donor Restrictions</u>
Unrestricted operating funds	\$ 73,146	\$ -
Board designated - unrestricted	1,944,257	-
Pledges receivable	-	39,330
Ann Arbor Area Community Foundation	-	1,369
ITC - Photo Monitoring Technology	-	837
United Way - Buy, Protect, Sell	-	12,781
Forests to MI Faucets	-	1,164
NFWF - Kolon-Baki	-	1,347
Soil Health Rewards	-	2,397
Americana Foundation - Lenawee Expansion	-	2,842
Stewardship Funds:		
Creekshead Preserve	-	3,291
Reichert Preserve	-	54,339
Lackey Stewardship Fund	-	395
Lackey Accessibility Project	-	13,562
Acquisition Funds:		
Public Recreation/Waterloo Fund	-	19,306
Farmland Protection Fund	-	17,512
Herrick Foundation Grant - Farm Next	-	17,370
Sullivan Easement	-	10,000
Regional Funds:		
Dexter	-	2,157
Pittsfield	-	1,446
Webster	-	3,657
Endowment Funds:		
Forever Fund	-	1,216,889
Preserve Stewardship Endowment	-	11,435
Endowment Fund	-	77,542
Reichert Preserve Endowment	-	89,808
Schnearle Agency Funds	-	19,701
Land:		
Land in fee simple	-	4,597,418
Land held for resale	260,000	-
Conservation Easements	<u>-</u>	<u>99</u>
Totals	<u>\$ 2,277,403</u>	<u>\$ 6,217,994</u>