

**Grand Traverse Regional Land Conservancy**

CONSOLIDATED FINANCIAL STATEMENTS  
AND REPORT OF INDEPENDENT  
CERTIFIED PUBLIC ACCOUNTANTS

June 30, 2011

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## REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

To the Board of Directors  
Grand Traverse Regional Land Conservancy

We have audited the accompanying consolidated statement of financial position of the **Grand Traverse Regional Land Conservancy** (the "GTRLC") as of June 30, 2011 and the related consolidated statements of activities, functional expenses and cash flows for the year then ended. These consolidated financial statements are the responsibility of the GTRLC's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. The prior year summarized comparative information has been derived from GTRLC's 2010 financial statements and, in our report dated October 13, 2010, we expressed an unqualified opinion on those financial statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Grand Traverse Regional Land Conservancy as of June 30, 2011 and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplemental information on pages 22 - 24 is presented for purposes of additional analysis and is not a required part of the consolidated 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 consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated 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 consolidated financial statements as a whole.

*Dennis, Gartland & Niergarth*

November 17, 2011

**Grand Traverse Regional Land Conservancy**  
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

June 30, 2011  
(With Comparative Totals for 2010)

	2011	2010
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash (Note B)	\$ 1,420,614	\$ 1,402,030
Restricted cash (Note B)	615,317	1,190,526
Investments (Note C)	250,863	296,118
Pledges receivable (Note D)	821,439	672,450
Accounts receivable	21,527	-
Total current assets	3,129,760	3,561,124
<b>FIXED ASSETS</b> , net of accumulated depreciation (Note E)	135,483	146,744
<b>LAND UNDER PROTECTION</b>		
Nature preserves (Note F)	14,866,444	14,445,444
Development rights (Note G)	202	196
Options to purchase land (Note F)	141,500	90,750
Land held for transfer (Note F)	5,380,650	4,687,160
Total land under protection	20,388,796	19,223,550
<b>OTHER ASSETS</b>		
Restricted investments for endowments (Note C)	734,318	630,441
Restricted investments for stewardship (Note C)	3,575,971	2,947,299
Board designated investments (Note C)	2,652,520	2,284,350
Remainder interest in land (Note F)	348,000	348,000
Charitable gift annuity investment (Note C)	273,774	194,388
Pledges receivable, net of current portion (Note D)	177,830	295,532
Total other assets	7,762,413	6,700,010
Total assets	<b>\$ 31,416,452</b>	<b>\$ 29,631,428</b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 48,882	\$ 27,337
Accrued liabilities	238,154	240,151
Deposits	5,001	5,000
Notes payable (Note J)	509,794	789,631
Total current liabilities	801,831	1,062,119
<b>OTHER LIABILITIES</b>		
Charitable gift annuity obligation, net of current portion (Note H)	196,534	191,706
Total liabilities	998,365	1,253,825
<b>NET ASSETS</b>		
Unrestricted		
Board designated		
Easement defense	378,999	337,672
Operating reserve	990,757	999,621
Undesignated	2,574,796	2,217,887
Temporarily restricted		
Specified use (Note K)	10,703,825	9,481,199
Expiration of time (Note K)	487,105	498,500
Permanently restricted		
Land under protection (Note L)	14,866,646	14,445,640
Endowment (Note L)	415,959	397,084
Total net assets	30,418,087	28,377,603
	<b>\$ 31,416,452</b>	<b>\$ 29,631,428</b>

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

# Grand Traverse Regional Land Conservancy

## CONSOLIDATED STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2011  
(With Comparative Totals for 2010)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	2010 Totals
<b>REVENUE AND SUPPORT</b>					
Grants and contributions	\$ 1,017,420	\$ 3,959,335	\$ 18,875	\$ 4,995,630	\$ 2,494,179
Benefit proceeds	7,290	3,330	-	10,620	15,514
Gain from investments	455,154	750,595	-	1,205,749	478,832
Interest income	9,853	6,873	-	16,726	50,721
Other	70,870	74,924	-	145,794	343,738
Net assets released from restriction:					
Satisfaction of program restrictions	3,151,425	(3,151,425)	-	-	-
Satisfaction of time restrictions	11,395	(11,395)	-	-	-
Liens released on nature preserves	-	(421,006)	421,006	-	-
	<u>4,723,407</u>	<u>1,211,231</u>	<u>439,881</u>	<u>6,374,519</u>	<u>3,382,984</u>
Total revenue and support					
<b>EXPENSES</b>					
Program services	3,543,891	-	-	3,543,891	3,066,324
Management and general	298,665	-	-	298,665	263,855
Fundraising	491,479	-	-	491,479	439,682
	<u>4,334,035</u>	<u>-</u>	<u>-</u>	<u>4,334,035</u>	<u>3,769,861</u>
Total expenses					
<b>CHANGES IN NET ASSETS</b>	389,372	1,211,231	439,881	2,040,484	(386,877)
<b>NET ASSETS, beginning of year</b>	<u>3,555,180</u>	<u>9,979,699</u>	<u>14,842,724</u>	<u>28,377,603</u>	<u>28,764,480</u>
<b>NET ASSETS, end of year</b>	<u>\$ 3,944,552</u>	<u>\$ 11,190,930</u>	<u>\$15,282,605</u>	<u>\$ 30,418,087</u>	<u>\$ 28,377,603</u>

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

# Grand Traverse Regional Land Conservancy

## CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended June 30, 2011  
(With Comparative Totals for 2010)

	Program Services	Management and General	Fund Raising	Total	2010 Total
Salaries	\$ 790,487	\$ 152,812	\$ 282,149	\$ 1,225,448	\$ 1,192,798
Employee benefits	107,175	20,719	38,254	166,148	183,991
Payroll taxes	55,827	10,792	19,926	86,545	78,391
Professional development	7,179	1,388	2,562	11,129	9,041
Interest (Note J)	47,977	-	-	47,977	66,305
Provision for doubtful pledges	3,554	-	-	3,554	37,362
Professional fees	167,755	60,553	-	228,308	297,936
Lease expense	-	3,672	3,672	7,344	7,935
Transfers to other organizations	349,834	-	-	349,834	784,908
Title work and recording fees	76,790	-	-	76,790	49,210
Property tax expenses	12,171	-	-	12,171	45,136
Repairs and maintenance	17,299	3,344	6,175	26,818	28,364
Other supplies	21,365	-	-	21,365	20,721
Travel	7,784	1,505	2,779	12,068	10,140
Rent (Note O)	60,427	11,682	21,569	93,678	91,839
Depreciation (Note E)	25,926	3,536	6,529	35,991	35,282
Insurance	15,664	3,028	5,591	24,283	23,207
Utilities	7,797	1,442	2,663	11,902	11,128
Office supplies	7,215	1,395	2,575	11,185	7,319
Telephone	8,636	1,669	3,082	13,387	11,653
Miscellaneous	49,371	2,985	11,231	63,587	46,399
Printing and publishing	16,506	2,754	33,243	52,503	26,248
Postage	1,382	12,974	12,974	27,330	23,094
Merchandise and fundraising events	1,359	263	30,750	32,372	26,677
Dues and subscriptions	11,135	2,152	3,974	17,261	14,806
Advertising	1,782	-	1,781	3,563	3,231
Extinguished development value on conservation easements	<u>1,671,494</u>	<u>-</u>	<u>-</u>	<u>1,671,494</u>	<u>636,740</u>
	<u>\$ 3,543,891</u>	<u>\$ 298,665</u>	<u>\$ 491,479</u>	<u>\$ 4,334,035</u>	<u>\$ 3,769,861</u>

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

# Grand Traverse Regional Land Conservancy

## CONSOLIDATED STATEMENT OF CASH FLOWS

For the Year Ended June 30, 2011  
(With Comparative Totals for 2010)

	<u>2011</u>	<u>2010</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Changes in net assets	\$ 2,040,484	\$ (386,877)
Adjustments to reconcile changes in net assets to net cash flows from operating activities		
Depreciation	35,991	35,282
Development rights extinguished	1,671,494	636,740
Unrealized gain on investments	(1,006,598)	(338,771)
Realized gain on investments	(199,151)	(140,061)
Donated development rights	(1,015,208)	(435,525)
Donated investments	(103,213)	(82,123)
Land options exercised or expired	10,000	266,400
(Increase) decrease in pledges receivable	(31,287)	805,834
Increase in accounts receivable	(21,527)	-
(Increase) decrease in accounts payable and accrued liabilities	<u>24,377</u>	<u>(63,601)</u>
Net cash provided by operating activities	<u>1,405,362</u>	<u>297,298</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisition of development rights	(656,292)	(201,219)
Proceeds from the sale of land held for transfers	188,010	1,310,683
Acquisition of property and equipment	(24,730)	(12,122)
Acquisition of land held for transfer	(1,302,500)	-
Payment on land options	(60,750)	(87,750)
Acquisition of investments	(228,049)	(1,550,346)
Proceeds from sale of investments	<u>402,161</u>	<u>3,755,838</u>
Net cash flows (used) provided by investing activities	<u>(1,682,150)</u>	<u>3,215,084</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from line of credit	509,794	-
Principal payments on long-term debt	<u>(789,631)</u>	<u>(1,393,000)</u>
Net cash used by financing activities	<u>(279,837)</u>	<u>(1,393,000)</u>
<b>NET (DECREASE) INCREASE IN CASH</b>	(556,625)	2,119,382
Cash, beginning of period	<u>2,592,556</u>	<u>473,174</u>
Cash, end of period	<u>\$ 2,035,931</u>	<u>\$ 2,592,556</u>
Cash per Statement of Financial Position		
Unrestricted	\$ 1,420,614	\$ 1,402,030
Restricted	<u>615,317</u>	<u>1,190,526</u>
	<u>\$ 2,035,931</u>	<u>\$ 2,592,556</u>

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

# Grand Traverse Regional Land Conservancy

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

The Grand Traverse Regional Land Conservancy (the "GTRLC") is committed to protecting significant natural, agricultural and scenic areas in Antrim, Benzie, Grand Traverse, Kalkaska and Manistee Counties in Michigan - now and for future generations. The GTRLC relies on contributions from individuals, foundations and State and Federal grant programs.

The significant accounting policies used in the preparation of the consolidated financial statements are described below:

#### *Basis of Accounting*

The consolidated 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.

#### *Principles of Consolidation*

The consolidated financial statements include the accounts of Grand Traverse Regional Land Conservancy (a Michigan nonprofit corporation), and its wholly-owned subsidiary, Northern Lakes and Land Corporation (a Michigan nonprofit corporation). Northern Lakes and Land Corporation's primary purpose is to hold easements on land owned by the Grand Traverse Regional Land Conservancy. All material intercorporation accounts and transactions have been eliminated.

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

The preparation of consolidated 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 consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual amounts could differ from those estimates.

#### *Cash Equivalents*

For the purposes of the statement of financial position classification and the statement of cash flows, the GTRLC considers all restricted and unrestricted cash and other highly-liquid investments not held in trust with initial maturities of three months or less to be cash equivalents. Restricted cash is reported as a current asset on the statement of financial position. Cash is reported as restricted when it has been earmarked for a donor restricted project.

#### *Investments*

Investments in marketable securities are carried at fair market value. Unrealized increases or decreases resulting from changes in market value of investments are included annually in the statement of activities together with realized gains and losses. The realized gain or loss on sale of investments is the difference between the proceeds received and the cost basis of specific investments.



### *Land*

The GTRLC records land at its appraised value at the date of gift, if contributed or purchased below market value, or at cost if purchased at market value. The preserved land is reported as nature preserves or land held for transfer on the statement of financial position, depending upon its intended disposition.

### *Conservation Easements*

A conservation easement is a legal agreement between a landowner and a qualified conservation organization (i.e. GTRLC) 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. The difference between the purchase price and appraised value is reflected as grants and contributions in the Statement of Activities. 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 extinguishments of development rights is reflected as a program expense in the Statement of Activities and extinguished development value on conservation easements on the Statement of Functional Expenses.

### *Fixed Assets*

Fixed assets consist of equipment, leasehold improvements and preserve improvements (boardwalks, observation decks, etc.), which are recorded at cost. Expenditures for maintenance and repairs which do not improve or extend the lives of the respective assets are expensed as incurred. When assets are retired or sold, the related cost and accumulated depreciation are removed from the accounts and any gain or loss on retirement or disposal of the individual assets is recorded as revenue. Depreciation is provided using the straight-line method for all depreciable assets over their estimated future lives which have been estimated to be from five to fifteen years.

### *Net Assets*

Net assets consist of the following:

**Unrestricted:** These net assets are available for general obligations of the GTRLC.

**Temporarily Restricted:** These net assets are restricted by donors, grantors or other outside parties to be used for some specific purpose or for use in a future period. Amounts received are reported as revenue upon receipt and are transferred to unrestricted net assets when the purpose restriction or time restriction has been met or to permanently restricted if used to permanently increase land under protection.

**Permanently Restricted:** These net assets represent amounts subject to restrictions of gift and trust instruments requiring that the principal be invested in perpetuity and the income only be used for particular purposes and for land under permanent protection. Investment income earned is reported as revenue in the unrestricted or temporarily restricted net assets until the GTRLC has incurred expenses in compliance with the underlying gift or trust instruments or used to permanently increase land under protection. Financed acquisitions of land under protection are not considered as part of permanently restricted net assets until all liens are removed.

### ***Contributions***

Contributions, grants or other revenue received are recorded as unrestricted, temporarily restricted or permanently restricted support, depending on the existence and/or nature of any donor or grantor restrictions.

Gifts of cash and other assets are reported as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a restriction expires, that is, when a stipulated time restriction ends or a purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted and/or permanently restricted net assets and reported in the statement of activities as net assets released from restrictions.

Unconditional promises to give are recognized as revenues or gains in the period received as assets, or decreases in liabilities or expenses, depending on the form of the benefits received. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

### ***Charitable Gift Annuities***

Receipts of charitable gift annuities are included in the general investments, the related obligation is carried at its net present value and the net difference is recorded as contribution revenue. The obligation is revalued annually based upon life expectancy tables and prevailing interest rates. The amortization of the obligation is reported annually as interest expense in the consolidated statement of activities.

### ***Contributed Services***

A portion of the GTRLC's activities has been conducted by volunteers without compensation and by professional and business organizations at significantly reduced charges. Support for goods and services contributed has only been recognized to the extent such contributions (1) require specialized skills (and are provided by individuals possessing those skills) and would typically need to be purchased if not provided by donation or (2) create or enhance the non-financial assets of the GTRLC.

### ***Income Taxes***

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

GTRLC files information returns in the U.S. Federal jurisdiction and these returns are no longer subject to examination by tax authorities for years before June 30, 2007. GTRLC has not had any business income unrelated to its exempt purpose and, therefore, has not filed income tax returns in any jurisdiction.

### ***Prior Year Information***

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Accordingly, such information should be read in conjunction with GTRLC's financial statements for the year ended June 30, 2011, from which the summarized information was derived.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - Continued

**NOTE B - DEPOSITS**

The GTRLC maintains substantially all of its cash at two financial institutions. Separate accounts are maintained where required by funding sources. A summary of cash deposits in the consolidated statement of financial position consist of the following at June 30, 2011:

	<u>Bank Amount</u>	<u>Carrying Amount</u>
Insured (FDIC)	\$ 2,063,798	\$ 2,035,681
Uninsured and uncollateralized	<u>250</u>	<u>250</u>
	<u>\$ 2,064,048</u>	<u>\$ 2,035,931</u>
Financial Statement Presentation		
Cash		\$ 1,420,614
Restricted cash		<u>615,317</u>
		<u>\$ 2,035,931</u>

**NOTE C - INVESTMENTS**

The GTRLC's investments are held in trust by financial institutions and consist of the following at June 30, 2011:

	<u>Cost</u>	<u>Market</u>
Cash equivalents and certificate of deposit	\$ 234,685	\$ 234,685
U.S. government bonds	224,629	225,720
Municipal bonds	75,000	79,394
Corporate bonds	1,315,694	1,360,119
Equities	2,336,909	2,853,682
Mutual fund bond securities	701,189	699,775
Mutual fund equity securities	1,281,005	1,689,896
Commodity mutual funds	<u>300,366</u>	<u>344,175</u>
Totals	<u>\$ 6,469,477</u>	<u>\$ 7,487,446</u>
Financial Statement Presentation		
Current investments		\$ 250,863
Restricted investments for endowments		734,318
Restricted investments for stewardship		3,575,971
Charitable gift annuity investment		273,774
Board designated investments		<u>2,652,520</u>
		<u>\$ 7,487,446</u>

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

Brokerage accounts have insurance of \$500,000 per broker, provided by the Securities Investor Protection Corporation. The balance of investments exceeded insured limits by \$6.5 million at June 30, 2011.

**NOTE D - PLEDGES RECEIVABLE**

Substantially all receivables are pledged over a three to five-year period. The pledges are initially recorded at fair value as determined by the present value of the future cash flows, utilizing a risk-adjusted interest rate. The GTRLC amortizes imputed interest through a charge to pledge receivables and a credit to contributions.

During the year ended June 30, 2011, the GTRLC received substantially all scheduled payments on a timely basis. However, the GTRLC maintains allowances for doubtful pledges for estimated losses resulting from an inability of its donors to make pledged payments. Based on management's assessment, the GTRLC provides for estimated uncollectible amounts through a charge to program services expense and a credit to a valuation allowance.

Pledge receivables, current	\$ 821,439
2012	76,430
2013	<u>101,400</u>
Total pledges receivable	<u>999,269</u>
Discount on pledges receivable	(104,522)
Allowance for doubtful pledges	<u>(57,568)</u>
	<u>\$ 837,179</u>

The allowance for doubtful pledges and discount rate used to record the net amortized value of pledges receivables are amounts that are based on management's best estimates and judgments. These estimates may be adjusted as more current information becomes available and any adjustment could be significant.

**NOTE E - FIXED ASSETS**

Fixed assets comprised of the following at June 30, 2011:

Office equipment	\$ 235,036
Leasehold improvements	49,035
Equipment	<u>123,322</u>
Total fixed assets, at cost	407,393
Less accumulated depreciation	<u>(271,910)</u>
Total fixed assets, net of accumulated depreciation	<u>\$ 135,483</u>

Total depreciation expense was \$35,991 for the year ended June 30, 2011.

**NOTE F - LAND**

*Remainder Interest in Land*

In 1992, the GTRLC received a remainder trust in property with an appraised value of \$348,000 at the date of the gift. The GTRLC will follow the donors' instructions that the land be sold with the proceeds to be used for the general purposes of the GTRLC.

*Nature Preserves*

Nature preserves acquired by the GTRLC are as follows:

	Acquired During the Year Ended <u>June 30, 2011</u>	Total Acquired Through <u>June 30, 2011</u>
Arcadia Dunes	- Acres	3,600.00 Acres
Bauer	-	356.53
Boardman	-	50.64
Brinkman Bog	5.00	51.10
Carter Strong Bird Sanctuary	-	6.27
Cosner	-	134.63
Criger Nature Preserve	-	5.28
Elizabeth Parr	-	4.70
Edwards, Howard and Mary Dunn	-	77.00
Fox Island	-	10.00
Fruithaven Orchards	-	177.08
Golden Days Loon Preserve	-	18.04
Green Point Dunes	-	241.84
Halladay Hicks Chowning	-	40.50
Herring Lake	-	180.15
Kewadin Wetlands	-	40.50
Lake St. Clair/Six Mile Lake	-	188.70
Medenbrook	-	37.00
Mitchell Creek Preserve	-	128.39
North Skegemog	-	36.72
Palastra	-	35.55
Papoose Lake Preserve	-	46.00
Point Betsie	29.85	91.85
Polaczyk	-	5.00
Wilcox-Palmer-Sha	-	40.64
Pyatt Lake	-	158.60
Reffitt	3.20	87.19
Sagaser	-	20.00
Seven Bridges Cabin	-	5.60
South Island	-	13.80
Trapp Farm	-	139.84
	<u>38.05</u>	<u>6,029.14</u>
Total Acres	<u>\$ 421,000</u>	<u>\$14,866,444</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - Continued

During the year ended June 30, 2011, 38.05 acres of land valued at \$421,000 was acquired by purchase or donation and permanently protected.

***Options to Purchase Land***

Options to purchase land are held for projects the GTRLC is assisting with or for properties to be added to the nature preserves in perpetuity for which the funding is not complete. Options, which are stated at cost, were held for the following projects as of June 30, 2011:

	<u>Purchase Price</u>
Girl Scout Property	\$ 35,000
Goodheart	3,000
Acme Shoreline	<u>103,500</u>
	<u>\$ 141,500</u>

During the year ended June 30, 2011, one option valued at \$10,000 was exercised and two options valued at \$60,750 were purchased.

***Land Held for Transfer***

Land held for transfer 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 transfer consists of:

	<u>Beginning of Year</u>	<u>Purchase/ Donation</u>	<u>Transfers/ Sales</u>	<u>End of Year</u>
Arcadia/CMS	\$ 2,052,950	\$ -	\$ 188,010	\$ 1,864,940
Elberta Dunes	1,200,000	-	-	1,200,000
Maple Bay	529,730	-	-	529,730
Schmidt Outlet Project	250,000	-	-	250,000
Arcadia Marsh	250,000	-	-	250,000
Neahtawanta	156,108	-	-	156,108
Hersha	152,380	-	-	152,380
Deadstream Swamp	75,000	-	-	75,000
Boardman/McDonald	20,992	-	-	20,992
Reffitt	-	226,500	-	226,500
Railroad Point	-	655,000	-	655,000
	<u>\$ 4,687,160</u>	<u>\$ 881,500</u>	<u>\$ 188,010</u>	<u>\$ 5,380,650</u>

**NOTE G - 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 prime 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 the landowner is determined by a "before and after" appraisal of the fair market value of the subject land. The amount recorded as development rights reflects only the purchase price. Other costs, such as appraisals, surveys, title work and personnel expenditures for securing the easement, are expensed.

When the GTRLC receives a conservation easement, it takes on the permanent responsibility and legal right to enforce the terms of the easement. The GTRLC 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 GTRLC will take action to have the violation corrected, including going to court if necessary. These permanent responsibilities are a long-term cost to the GTRLC.

From its inception, the GTRLC has secured (by purchase and donation) the following easements:

<u>County</u>	<u>Secured During the Year Ended June 30, 2011</u>		<u>Total Secured Through June 30, 2011</u>	
	<u>Number of Easements</u>	<u>Acres Protected</u>	<u>Number of Easements</u>	<u>Acres Protected</u>
Antrim	2	333.00	35	2,817.82
Benzie	1	235.00	28	2,074.93
Grand Traverse	1	132.00	94	6,310.93
Kalkaska	2	160.00	34	3,605.09
Leelanau	-	-	1	80.00
Manistee	-	-	10	1,084.41
Total	<u>6</u>	<u>860.00</u>	<u>202</u>	<u>15,973.18</u>

The total value of development rights acquired during the year is estimated to be \$1,671,500 of which \$1,671,494 has been extinguished and reported as an expense.

At June 30, 2011, the total value of development rights acquired by the GTRLC was \$50,700,284, of which \$50,700,082 has been extinguished.

**NOTE H - GIFT ANNUITIES**

The GTRLC has received \$381,237 in charitable gift annuity agreement proceeds which have been added to the general investments of the GTRLC. In consideration of the proceeds, the GTRLC is obligated to make agreed upon quarterly payments for the remainder of the donors' lives. During the year ended June 30, 2011, the GTRLC received one new annuity of \$69,215 and made payments totaling \$30,171. The obligation is initially recorded at fair value as determined by the net present value of future cash outflows, utilizing life expectancy tables as provided in IRS section 1.401(a)(9)-9 and a discount rate which reflects the level of assessed risk related to future payments and the borrowing rate available to the GTRLC.

Financial Statement Presentation

Accrued current liabilities	\$ 31,815
Charitable gift obligation	<u>196,534</u>
	<u>\$ 228,349</u>

**NOTE I - JOINT VENTURES**

*Little Traverse Conservancy*

The GTRLC entered into a cooperative agreement with the Little Traverse Conservancy, which involved a joint fundraising effort for the purchase of the Lake St. Clair/Six Mile Lake Natural Area Project. The project's activities are accounted for by the GTRLC, with the land included in nature preserves. The Little Traverse Conservancy retains an undivided 50% interest in the total nature preserve, valued at \$194,310 on June 30, 2011.

*Assist Projects*

The GTRLC has assisted governmental units in significant land protection accomplishments that are not recognized on its statement of financial position. Since its inception in 1991, the GTRLC has spearheaded efforts to work with both the Michigan Department of Natural Resources and local units of government in securing \$40.0 million in grants from the Michigan Natural Resources Trust Fund. These grants have assisted the GTRLC and governmental partners in protecting 6,570 acres of land.

**NOTE J - LINE OF CREDIT**

During the year ending June 30, 2011, the GTRLC paid off their notes payable with a revolving line of credit. The line of credit is with a financial institution and is secured by investments.

**Line of Credit**

Revolving line of credit with financial institution with interest at prime rate minus 1/2% floating, with a rate floor of 3.25%; secured by investments; due on March 10, 2012.

\$ 509,794

Interest expense was \$47,977 for the year ended June 30, 2011.



**NOTE K - TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted net assets for specified use consists of the following at June 30, 2011:

Net assets restricted for:	
Land Protection and Stewardship	\$ 10,366,591
Spendable endowment income reinvested	<u>337,234</u>
	<u>\$ 10,703,825</u>

Net assets temporarily restricted by the expiration of time, consists of the following at June 30, 2011:

Net assets restricted for:	
Conservancy Fund Pledges receivable	\$ 139,105
Remainder interest in land (Note F)	<u>348,000</u>
	<u>\$ 487,105</u>

**NOTE L - PERMANENTLY RESTRICTED NET ASSETS**

Permanently restricted net assets for land under protection consists of the following at June 30, 2011:

Net assets restricted for:	
Preserves	\$ 14,866,444
Development rights	<u>202</u>
	<u>\$ 14,866,646</u>

Permanently restricted net assets for endowment consists of the following at June 30, 2011:

Net assets restricted for:	
Restricted cash for endowment	\$ 18,875
Restricted investments for endowment	734,318
Spendable endowment income	<u>(337,234)</u>
	<u>\$ 415,959</u>

**NOTE M - ENDOWMENT**

The GTRLC's endowment consists of donor restricted donations, and realized and unrealized losses. Net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Endowment net assets are classified as the following as of June 30, 2011:

Temporarily restricted	\$ 337,234
Permanently restricted	<u>415,959</u>
	<u>\$ 753,193</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - Continued

The net changes in endowment net assets are as follows for June 30, 2011:

	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 233,357	\$ 397,084	\$ 630,441
Investment return			
Investment income	20,882	-	20,882
Net appreciation (realized and unrealized)	<u>104,546</u>	<u>-</u>	<u>104,546</u>
Total investment return	<u>125,428</u>	<u>-</u>	<u>125,428</u>
Contributions	-	18,875	18,875
Appropriation and expenditure of endowment assets	<u>(21,551)</u>	<u>-</u>	<u>(21,551)</u>
	<u>\$ 337,234</u>	<u>\$ 415,959</u>	<u>\$ 753,193</u>

***Return Objectives and Risk Parameters***

The GTRLC has adopted investment and spending policies for endowment assets that attempt to provide for consistent long-term financial stability of the GTRLC. Endowment assets include donor-restricted assets that the GTRLC must hold in perpetuity or for a donor-specified period.

***Strategies Employed for Achieving Objectives***

To meet its investment objectives, the Endowment Fund shall be invested in long term investments. The goal of the Endowment Fund investments will be to provide a high total return on investments, consistent with the security of principal and prudent investment management coordinated by an Investment Consultant selected by the Board.

***Spending Policy and How the Investment Objectives Relate to Spending Policy***

The GTRLC has a policy of appropriating for distribution each year. Income from interest and dividends not representing a return of capital (income) is accounted for separately from principal and capital gains and return of capital (principal). Income is available for the use of the Conservancy Fund for ongoing activities. To the extent that income is not sufficient to meet the yearly goal of Endowment Fund earnings available for operations, the realized and unrealized capital gains may be used to fund the difference. Access to the available Endowment Fund income occurs through the budgeting process for the Conservancy Fund, and Land Protection and Stewardship Funds. The projected income from the current budget year and the budgeted but unused income from the previous budget year can be used in the budgeting process of the current year. When Endowment Fund income levels decrease below estimated amounts, the Conservancy Fund budget is revised accordingly. The Executive Director is authorized to transfer budgeted amounts of income from the Endowment Fund to the Conservancy Fund, and Land Protection and Stewardship Funds as the need exists. In the event that available income after two years is not utilized in ongoing operations, it is added to principal.

## NOTE N - FAIR VALUE MEASUREMENTS

GTRLC uses 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:

Level 1 - Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the GTRLC 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, 2011.

*U.S. government bonds, municipal bonds and corporate bonds:* Valued at fair value based on quoted market prices.

*Equity securities:* Valued at the closing price reported on the active market on which the individual securities are traded.

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

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 GTRLC 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 CONSOLIDATED FINANCIAL STATEMENTS - Continued

The following table sets forth by level, within the fair value hierarchy, the GTRLC's assets and liabilities at fair value as of June 30, 2011:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets				
U.S. government bonds	\$ 225,720	\$ -	\$ -	\$ 225,720
Municipal bonds	79,394	-	-	79,394
Corporate bonds	1,360,119	-	-	1,360,119
Equities	2,853,682	-	-	2,853,682
Mutual fund bond securities	699,775	-	-	699,775
Mutual fund equity securities	1,689,896	-	-	1,689,896
Commodity mutual funds	<u>344,175</u>	<u>-</u>	<u>-</u>	<u>344,175</u>
	<u>\$ 7,252,761</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,252,761</u>

**NOTE O - OFFICE LEASE**

The GTRLC entered into a three-year operating lease for office space beginning October 1, 2008 and ending September 30, 2011. The lease requires the GTRLC to pay utilities, insurance covering personal property and all personal property and property taxes. The landlord is obligated for insurance covering the building. Rent was \$93,678 for the year ended June 30, 2011.

Future minimal rentals are as follows:

<u>Year Ending June 30,</u>	<u>Annual Minimum Lease Payment</u>
2012	\$ 23,535

**NOTE P - RETIREMENT PLAN**

The GTRLC's employees are eligible after one year of service to participate in the Grand Traverse Regional Land Conservancy Retirement Plan (the "Plan"). The Plan was established under the provisions of Section 403(b) of the Internal Revenue Code. An employer discretionary contribution, if approved by the Board of Directors, is contributed throughout the year based on percentages of salary as specified in the Plan document which takes into consideration years of service. The GTRLC's total contribution to the Plan for the year ended June 30, 2011 was \$33,314.

**NOTE Q - GRAND TRAVERSE REGIONAL COMMUNITY FOUNDATION**

Through its fundraising projects, the GTRLC accepts donations directly or encourages donors to contribute to the Grand Traverse Regional Land Conservancy Agency Fund, the Evelyn A. and Charles H. Drummond Skegemog Lake Wildlife Area Education Fund and the Grand Traverse Regional Land Conservancy Environmental Education Fund, maintained by the Grand Traverse Regional Community Foundation. GTRLC is the named beneficiary of all these endowment funds. Summary financial information of the endowment funds for the most recently available report for the 18 months ended June 30, 2011 is as follows:

Beginning net assets	\$ 616,223
Contributions	4,700
Investment gains (losses), net of fees	116,262
Distributions	(64,198)
Expenses	<u>(11,906)</u>
Ending net assets	<u>\$ 661,081</u>

In accordance with the Grand Traverse Regional Community Foundation spending policy, the GTRLC had access to a maximum of \$40,699 and \$23,499 for the 2010 and 2011 calendar years, and elected to take the distributions.

These assets are reported exclusively on the books of the Grand Traverse Regional Community Foundation. Distributions to the GTRLC from the endowment funds are reported in the Statement of Activities as grants and contributions.

**NOTE R - SUPPLEMENTAL CASH FLOWS INFORMATION**

*Non-Cash Investing and Financing Activities*

The GTRLC paid interest of \$48,787 and \$73,309, for the years ended June 30, 2011 and 2010, respectively.

The GTRLC purchased six conservation easements below fair market value as determined by a State certified appraiser. The GTRLC recorded the conservation easements at their fair market value as of the date of the purchase and recognized \$358,915 in non-cash contribution revenues.

Land of \$421,000 was transferred to nature preserves.

**NOTE S - SUBSEQUENT EVENTS**

The GTRLC has evaluated events and transactions to June 30, 2011 for potential recognition and disclosure through November 17, 2011, the date the financial statements were available to be issued. Management has not identified any subsequent events through November 17, 2011.

**SUPPLEMENTAL INFORMATION**

## Grand Traverse Regional Land Conservancy

### CONSOLIDATING STATEMENT OF FINANCIAL POSITION

June 30, 2011  
(With Comparative Totals for 2010)

	Conservancy Fund	Land Protection and Stewardship Fund	Endowment Fund	Total	2010 Total
<b>ASSETS</b>					
<b>CURRENT ASSETS</b>					
Cash	\$ 1,420,614	\$ -	\$ -	\$ 1,420,614	\$ 1,402,030
Restricted cash	-	596,442	18,875	615,317	1,190,526
Investments	-	250,863	-	250,863	296,118
Pledges receivable	97,355	724,084	-	821,439	672,450
Accounts receivable	<u>21,527</u>	<u>-</u>	<u>-</u>	<u>21,527</u>	<u>-</u>
Total current assets	<u>1,539,496</u>	<u>1,571,389</u>	<u>18,875</u>	<u>3,129,760</u>	<u>3,561,124</u>
<b>FIXED ASSETS</b> , net of accumulated depreciation	<u>105,112</u>	<u>30,371</u>	<u>-</u>	<u>135,483</u>	<u>146,744</u>
<b>LAND UNDER PROTECTION</b>					
Nature preserves	-	14,866,444	-	14,866,444	14,445,444
Development rights	-	202	-	202	196
Options to purchase land	-	141,500	-	141,500	90,750
Land held for transfer	<u>-</u>	<u>5,380,650</u>	<u>-</u>	<u>5,380,650</u>	<u>4,687,160</u>
Total land under protection	<u>-</u>	<u>20,388,796</u>	<u>-</u>	<u>20,388,796</u>	<u>19,223,550</u>
<b>OTHER ASSETS</b>					
Restricted investments for endowments	-	-	734,318	734,318	630,441
Restricted investments for stewardship	-	3,575,971	-	3,575,971	2,947,299
Board designated investments	2,652,520	-	-	2,652,520	2,284,350
Remainder interest in land	348,000	-	-	348,000	348,000
Charitable gift annuity investment	-	273,774	-	273,774	194,388
Pledges receivable, net of current portion	<u>41,750</u>	<u>136,080</u>	<u>-</u>	<u>177,830</u>	<u>295,532</u>
Total other assets	<u>3,042,270</u>	<u>3,985,825</u>	<u>734,318</u>	<u>7,762,413</u>	<u>6,700,010</u>
	<u>\$ 4,686,878</u>	<u>\$ 25,976,381</u>	<u>\$ 753,193</u>	<u>\$ 31,416,452</u>	<u>\$ 29,631,428</u>

## Grand Traverse Regional Land Conservancy

### CONSOLIDATING STATEMENT OF FINANCIAL POSITION - Continued

	June 30, 2011 (With Comparative Totals for 2010)				
	Conservancy Fund	Land Protection and Stewardship Fund	Endowment Fund	Total	2010 Total
<b>LIABILITIES AND NET ASSETS</b>					
<b>CURRENT LIABILITIES</b>					
Accounts payable	\$ 48,882	\$ -	\$ -	\$ 48,882	\$ 27,337
Accrued liabilities	206,339	31,815	-	238,154	240,151
Deposits	-	5,001	-	5,001	5,000
Notes payable	-	509,794	-	509,794	789,631
	<u>255,221</u>	<u>546,610</u>	<u>-</u>	<u>801,831</u>	<u>1,062,119</u>
Total current liabilities					
<b>OTHER LIABILITIES</b>					
Accrued gift annuities	-	196,534	-	196,534	191,706
	<u>255,221</u>	<u>743,144</u>	<u>-</u>	<u>998,365</u>	<u>1,253,825</u>
Total liabilities					
<b>NET ASSETS</b>					
Board designated					
Easement defense	378,999	-	-	378,999	337,672
Operating reserve	990,757	-	-	990,757	999,621
Undesignated	2,574,796	-	-	2,574,796	2,217,887
Temporarily restricted					
Specified use	-	10,366,591	337,234	10,703,825	9,481,199
Expiration of time	487,105	-	-	487,105	498,500
Permanently restricted					
Land under protection	-	14,866,646	-	14,866,646	14,445,640
Endowment	-	-	415,959	415,959	397,084
	<u>4,431,657</u>	<u>25,233,237</u>	<u>753,193</u>	<u>30,418,087</u>	<u>28,377,603</u>
Total net assets					
	<u>\$ 4,686,878</u>	<u>\$ 25,976,381</u>	<u>\$ 753,193</u>	<u>\$ 31,416,452</u>	<u>\$ 29,631,428</u>



# Grand Traverse Regional Land Conservancy

## CONSOLIDATING STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2011  
(With Comparative Totals for 2010)

	Conservancy Fund	Land Protection and Stewardship Fund	Endowment Fund	Total	2010 Total
<b>REVENUE AND SUPPORT</b>					
Grants and contributions	\$ 1,017,420	\$ 3,959,335	\$ 18,875	\$ 4,995,630	\$ 2,494,179
Benefit proceeds	7,290	3,330	-	10,620	15,514
(Loss) gain from investments	455,154	625,167	125,428	1,205,749	478,832
Interest income	9,853	6,873	-	16,726	50,721
Other	70,870	74,924	-	145,794	343,738
Total revenue and support	<u>1,560,587</u>	<u>4,669,629</u>	<u>144,303</u>	<u>6,374,519</u>	<u>3,382,984</u>
<b>EXPENSES</b>					
Salaries	1,225,448	-	-	1,225,448	1,192,798
Employee benefits	166,148	-	-	166,148	183,991
Payroll taxes	86,545	-	-	86,545	78,391
Professional development	11,129	-	-	11,129	9,041
Interest	-	47,977	-	47,977	66,305
Provision for doubtful pledges	-	3,554	-	3,554	37,362
Professional fees	151,383	76,925	-	228,308	297,936
Lease expense	7,344	-	-	7,344	7,935
Transfers to other organizations	-	349,834	-	349,834	784,908
Title work and recording fees	15,440	61,350	-	76,790	49,210
Property tax expenses	-	12,171	-	12,171	45,136
Repairs and maintenance	26,818	-	-	26,818	28,364
Other supplies	18,786	2,579	-	21,365	20,721
Travel	12,068	-	-	12,068	10,140
Rent	93,678	-	-	93,678	91,839
Depreciation	28,358	7,633	-	35,991	35,282
Insurance	24,283	-	-	24,283	23,207
Utilities	11,564	338	-	11,902	11,128
Office supplies	11,185	-	-	11,185	7,319
Telephone	13,387	-	-	13,387	11,653
Miscellaneous	28,228	31,809	3,550	63,587	46,399
Printing and publishing	44,324	8,179	-	52,503	26,248
Postage	25,947	1,383	-	27,330	23,094
Merchandise and fundraising events	25,281	7,091	-	32,372	26,677
Dues and subscriptions	17,261	-	-	17,261	14,806
Advertising	3,563	-	-	3,563	3,231
Conservation easement valuation	-	1,671,494	-	1,671,494	636,740
Total expenses	<u>2,048,168</u>	<u>2,282,317</u>	<u>3,550</u>	<u>4,334,035</u>	<u>3,769,861</u>
<b>REVENUES OVER (UNDER) EXPENSES</b>	(487,581)	2,387,312	140,753	2,040,484	(386,877)
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in (out)	<u>865,556</u>	<u>(847,555)</u>	<u>(18,001)</u>	<u>-</u>	<u>-</u>
<b>CHANGE IN NET ASSETS</b>	377,975	1,539,757	122,752	2,040,484	(386,877)
<b>NET ASSETS, beginning of year</b>	<u>4,053,680</u>	<u>23,693,482</u>	<u>630,441</u>	<u>28,377,603</u>	<u>28,764,480</u>
<b>NET ASSETS, end of year</b>	<u>\$ 4,431,655</u>	<u>\$ 25,233,239</u>	<u>\$ 753,193</u>	<u>\$ 30,418,087</u>	<u>\$ 28,377,603</u>