

**Grand Traverse Regional Land Conservancy**

FINANCIAL STATEMENTS  
AND REPORT OF INDEPENDENT  
CERTIFIED PUBLIC ACCOUNTANTS

June 30, 2015

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## REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

To the Board of Directors  
Grand Traverse Regional Land Conservancy

### **Report on Financial Statements**

We have audited the accompanying financial statements of the *Grand Traverse Regional Land Conservancy* ("GTRLC"), which comprise the statement of financial position as of June 30, 2015, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

### ***Auditor's Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audit. 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the GTRLC's preparation and fair presentation of the financial statements 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 GTRLC's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

***Opinion***

In our opinion, the 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, 2015 and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Other Matters***

*Report on Summarized Comparative Information*

We have previously audited GTRLC's 2014 financial statements, and our report dated December 1, 2014 expressed an unmodified opinion on those financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2015, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

*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 pages 26 - 28 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*

October 16, 2015

# Grand Traverse Regional Land Conservancy

## STATEMENT OF FINANCIAL POSITION

June 30, 2015  
(With Comparative Totals for 2014)

	2015	2014
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash (Note B)	\$ 1,726,355	\$ 2,121,874
Restricted cash (Note B)	1,262,538	2,145,284
Investments (Note C)	364,875	425,571
Pledges receivable (Note D)	534,897	631,268
Accounts receivable	-	37,503
Total current assets	3,888,665	5,361,500
<b>FIXED ASSETS</b> , net of accumulated depreciation (Note E)	154,922	150,665
<b>LAND UNDER PROTECTION</b>		
Nature preserves (Note E)	17,718,947	17,454,347
Development rights (Note F)	220	216
Options to purchase land (Note E)	136,400	191,848
Land held for transfer (Note E)	4,210,043	6,535,090
Term easement	1,857	-
Total land under protection	22,067,467	24,181,501
<b>OTHER ASSETS</b>		
Restricted investments for endowments (Note C)	1,008,944	845,706
Restricted investments for stewardship (Note C)	6,422,237	6,348,215
Board designated investments (Note C)	2,924,066	3,054,445
Charitable gift annuity investment (Note G)	332,479	340,735
Pledges receivable, net of current portion (Note D)	124,949	151,554
Total other assets	10,812,675	10,740,655
Total assets	\$ 36,923,729	\$ 40,434,321
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ -	\$ 33,745
Accrued liabilities	262,945	313,424
Deposits	10,001	5,001
Line of credit	-	509,339
Land contract	-	2,814,390
Total current liabilities	272,946	3,675,899
<b>OTHER LIABILITIES</b>		
Charitable gift annuity obligation, net of current portion (Note G)	261,533	250,441
Total liabilities	534,479	3,926,340
<b>NET ASSETS</b>		
Unrestricted		
Board designated		
Easement defense	401,050	401,137
Operating reserve	1,416,861	1,849,678
Undesignated	2,724,780	2,758,873
Temporarily restricted		
Specified use (Note I)	13,391,251	13,391,428
Expiration of time (Note I)	246,654	213,083
Permanently restricted		
Land under protection (Note J)	17,719,167	17,454,563
Endowment (Note J)	489,487	439,219
Total net assets	36,389,250	36,507,981
	\$ 36,923,729	\$ 40,434,321

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

## Grand Traverse Regional Land Conservancy

### STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2015  
(With Comparative Totals for 2014)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	2014 Totals
<b>REVENUE AND SUPPORT</b>					
Grants	\$ 14,893	\$ 788,286	\$ -	\$ 803,179	\$ 785,705
Public support	1,424,258	2,150,282	50,268	3,624,808	3,670,925
Benefit proceeds	6,801	-	-	6,801	5,647
Gain (loss) from investments	18,893	54,473	-	73,366	1,441,028
Gain on remainder interest	-	-	-	-	327,000
Interest income	1,477	83	-	1,560	2,877
Other	34,408	326,028	-	360,436	112,490
Net assets released from restriction:					
Satisfaction of program restrictions	2,921,153	(3,185,757)	264,604	-	-
Total revenue and support	4,421,883	133,395	314,872	4,870,150	6,345,672
<b>EXPENSES</b>					
Program services - land protection	4,054,532	-	-	4,054,532	3,187,204
Management and general	344,654	-	-	344,654	295,873
Fundraising	589,695	-	-	589,695	513,376
Total expenses	4,988,881	-	-	4,988,881	3,996,453
<b>CHANGES IN NET ASSETS</b>	(566,998)	133,395	314,872	(118,731)	2,349,219
<b>NET ASSETS, beginning of year</b>	5,109,689	13,504,510	17,893,782	36,507,981	34,158,762
<b>NET ASSETS, end of year</b>	\$ 4,542,691	\$ 13,637,905	\$18,208,654	\$ 36,389,250	\$ 36,507,981

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

## Grand Traverse Regional Land Conservancy

### STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended June 30, 2015  
(With Comparative Totals for 2014)

	Program Services	Management and General	Fund Raising	Total	2014 Total
Salaries	\$ 821,264	\$ 157,998	\$ 331,998	\$ 1,311,260	\$ 1,452,061
Employee benefits	153,281	29,489	61,965	244,735	269,236
Payroll taxes	65,543	12,610	26,496	104,649	98,564
Professional development	6,455	1,242	2,609	10,306	10,606
Interest	71,156	-	-	71,156	131,755
Provision for doubtful pledges	24,252	95	91	24,438	51,000
Professional fees	242,676	77,666	-	320,342	660,857
Lease expense	-	3,613	3,613	7,226	8,220
Transfers to other organizations	1,837,410	-	-	1,837,410	149,835
Title work and recording fees	128,773	-	-	128,773	53,259
Property tax expenses	65,903	-	-	65,903	63,168
Repairs and maintenance	17,486	3,364	7,069	27,919	22,879
Other supplies	82,221	-	-	82,221	50,621
Travel	18,621	3,582	7,527	29,730	27,786
Rent (Note M)	31,385	6,038	12,687	50,110	49,124
Depreciation (Note E)	21,293	3,265	6,861	31,419	30,516
Insurance	35,730	4,758	9,997	50,485	50,676
Utilities	14,072	1,567	3,292	18,931	17,505
Office supplies	4,910	945	1,985	7,840	7,508
Telephone	13,763	2,554	5,366	21,683	21,770
Software	10,893	2,096	4,403	17,392	-
Miscellaneous	57,177	3,129	14,015	74,321	74,516
Printing and publishing	-	13,284	39,854	53,138	49,168
Postage	-	16,767	16,768	33,535	22,493
Merchandise and fundraising events	-	-	29,660	29,660	24,872
Dues and subscriptions	3,079	592	1,245	4,916	13,635
Advertising	2,193	-	2,194	4,387	2,825
Extinguished development value on conservation easements	<u>324,996</u>	<u>-</u>	<u>-</u>	<u>324,996</u>	<u>581,998</u>
	<u>\$ 4,054,532</u>	<u>\$ 344,654</u>	<u>\$ 589,695</u>	<u>\$ 4,988,881</u>	<u>\$ 3,996,453</u>

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

## Grand Traverse Regional Land Conservancy

### STATEMENT OF CASH FLOWS

For the Year Ended June 30, 2015  
(With Comparative Totals for 2014)

	2015	2014
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Changes in net assets	\$ (118,731)	\$ 2,349,219
Adjustments to reconcile changes in net assets to net cash flows from operating activities		
Depreciation	31,419	30,516
Development rights extinguished	324,999	145,498
Unrealized (gain) loss on investments	168,625	(1,224,455)
Realized gain on investments	(239,202)	(214,650)
Donated development rights	(325,003)	(145,504)
Donated investments	(1,559)	(52,516)
Endowment contributions	(50,268)	(1,100)
Land options exercised or expired	87,448	500
Increase (decrease) in pledges receivable	147,488	(213,485)
Increase (decrease) in accounts receivable	12,991	(12,991)
(Gain) from sale of remainder interest in land	-	(327,000)
Increase (decrease) in accounts payable and accrued liabilities	(68,131)	136,980
Net cash flows provided by operating activities	(29,924)	471,012
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisition of property and equipment	(35,677)	(46,919)
Proceeds from sale of land held for transfer	2,935,847	315,075
Acquisition of land held for transfer	(875,400)	(123,000)
Payment on land options	(32,000)	(137,199)
Acquisition of investments	(844,972)	(380,770)
Proceeds from remainder interest in land	-	675,000
Proceeds from sale of investments	879,179	309,825
Acquisition of term easements	(1,857)	-
Net cash flows provided by investing activities	2,025,120	612,012
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Repayment of borrowings	(509,339)	-
Repayment of land contract	(2,814,390)	(18,400)
Endowment contributions	50,268	1,100
Net cash flows used by financing activities	(3,273,461)	(17,300)
<b>NET INCREASE (DECREASE) IN CASH</b>	(1,278,265)	1,065,724
Cash, beginning of year	4,267,158	3,201,434
Cash, end of year	\$ 2,988,893	\$ 4,267,158
Cash per Statement of Financial Position		
Unrestricted	\$ 1,726,355	\$ 2,121,874
Restricted	1,262,538	2,145,284
	\$ 2,988,893	\$ 4,267,158

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



Grand Traverse Regional Land Conservancy

NOTES TO THE FINANCIAL STATEMENTS

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

Grand Traverse Regional Land Conservancy ("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. GTRLC relies on contributions from individuals, foundations and State and Federal grant programs.

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

***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.

***Principles of Consolidation***

The financial statements include the accounts of the 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 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.

***Cash Equivalents***

For the purposes of the statement of financial position classification and the statement of cash flows, 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***

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 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 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***

Proceeds of charitable gift annuities are included in the general investments, the related obligation is carried at its net present value and the initial 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 statement of activities.

***Contributed Services***

A portion of GTRLC's activities has been conducted by volunteers without compensation and by professional and business organizations at significantly reduced charges. Support for 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 GTRLC.

***Income Taxes***

No provision for Federal and State income taxes has been made since 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 generally no longer subject to examination by tax authorities for years before June 30, 2012. 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, 2014, from which the summarized information was derived.

NOTES TO THE FINANCIAL STATEMENTS- Continued

**NOTE B - DEPOSITS**

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 statement of financial position consist of the following at June 30, 2015:

	<u>Bank Amount</u>	<u>Carrying Amount</u>
Insured (FDIC)	\$ 711,839	\$ 711,839
Uninsured and uncollateralized	<u>3,082,173</u>	<u>2,277,054</u>
	<u>\$ 3,794,012</u>	<u>\$ 2,988,893</u>
Financial Statement Presentation		
Cash		\$ 1,726,355
Restricted cash		<u>1,262,538</u>
		<u>\$ 2,988,893</u>

**NOTE C - INVESTMENTS**

GTRLC's investments are held in trust by financial institutions and consist of the following at June 30, 2015:

	<u>Cost</u>	<u>Market</u>
Cash equivalents and certificate of deposit	\$ 155,244	\$ 155,244
Mutual funds	5,670,924	6,059,231
Common stocks	3,161,294	4,244,217
Corporate bonds	494,126	513,686
U.S. government securities	<u>75,000</u>	<u>80,223</u>
Totals	<u>\$ 9,556,588</u>	<u>\$ 11,052,601</u>
Financial Statement Presentation		
Current investments		\$ 364,875
Restricted investments for endowments		1,008,944
Restricted investments for stewardship		6,422,237
Board designated investments		2,924,066
Charitable gift annuity investment		<u>332,479</u>
		<u>\$ 11,052,601</u>

***Concentration Custodial 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 \$10.4 million at June 30, 2015.

**NOTE D - PLEDGES RECEIVABLE**

Substantially all promises to give were initially 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. GTRLC amortizes imputed interest through a charge to pledge receivables and a credit to contributions.

During the year ended June 30, 2015, GTRLC received substantially all scheduled payments on a timely basis. However, 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, GTRLC provides for estimated uncollectible amounts through a charge to program services expense and a credit to a valuation allowance.

Pledge receivables, current	\$ 604,000
2017	72,550
2018	16,000
2019	10,000
2020	<u>40,000</u>
Total pledges receivable	742,550
Discount on pledges receivable	(49,076)
Allowance for doubtful pledges	<u>(33,628)</u>
	<u>\$ 659,846</u>
Financial statement presentation	
Current	\$ 534,897
Long-term	<u>124,949</u>
	<u>\$ 659,846</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.

GTRLC holds conditional promises to give (pledges) of \$1.2 million, of which \$250,000 was recognized as revenue in the year ended June 30, 2015, upon meeting donor conditions of raising matching contributions. Pledges receivable have not been recorded for the remaining \$1 million of conditional promises to give.

NOTES TO THE FINANCIAL STATEMENTS- Continued

**NOTE E - FIXED ASSETS**

Fixed assets comprised of the following at June 30, 2015:

Office equipment	\$ 359,351
Leasehold improvements	49,035
Equipment	<u>60,886</u>
Total fixed assets, at cost	469,272
Less accumulated depreciation	<u>(314,350)</u>
Total fixed assets, net of accumulated depreciation	<u>\$ 154,922</u>

Total depreciation expense was \$31,419 for the year ended June 30, 2015.

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NOTES TO THE FINANCIAL STATEMENTS- Continued

*Nature Preserves*

Nature preserves acquired by GTRLC are as follows:

	Acquired During the Year Ended June 30, 2015	Total Acquired Through June 30, 2015
Arcadia Dunes	- Acres	3,600.00 Acres
Arcadia Marsh	10.42	273.33
Bauer	-	356.53
Boardman	-	50.64
Brinkman Bog	-	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	-	254.70
Maple Bay Farm	-	11.00
Medenbrook	-	37.00
Mitchell Creek Preserve	-	128.39
Misty Acres Preserve	-	624.37
Nana's Woods	-	24.50
North Skegemog	-	36.72
Palastra	-	35.55
Papoose Lake Preserve	-	46.00
Point Betsie	-	99.49
Polaczyk	-	5.00
Wilcox-Palmer-Sha	-	40.64
Pyatt Lake	-	158.60
Reffitt	19.60	106.79
Sagaser	-	20.00
Seven Bridges Cabin	-	5.60
South Island	-	13.80
Trapp Farm	-	139.84
	<u>30.02</u>	<u>7,055.58</u>
Total acres	<u>30.02</u>	<u>7,055.58</u>
Total value reported	<u>\$ 264,600</u>	<u>\$17,718,947</u>

During the year ended June 30, 2015, 30.02 acres of land valued at \$264,600 were transferred from land held for transfer and permanently protected.

NOTES TO THE FINANCIAL STATEMENTS- Continued

***Options to Purchase Land***

Options to purchase land are held for projects 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, 2015:

	<u>Purchase Price</u>
Eugene & Florence Stone	\$ 10,000
Remax - Bayshore	25,000
Templeton	6,400
Wertelboer	1,000
Petobego	26,000
Bowers Harbor	65,000
Goodheart	<u>3,000</u>
	<u>\$ 136,400</u>

During the year ended June 30, 2015, three options valued at \$87,448 were exercised, three options valued at \$32,000 were purchased and no options expired.

***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.

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NOTES TO THE FINANCIAL STATEMENTS- Continued

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	\$ 1,756,957	\$ -	\$ 235,847	\$ 1,521,110
Timbers Recreation Area	2,700,000	-	2,700,000	-
Maple Bay	160,508	-	-	160,508
Schmidt Outlet Project	250,000	-	-	250,000
Arcadia Marsh - Hopwood	92,000	-	92,000	-
Arcadia Marsh - Schneider	99,000	-	99,000	-
Nehtawanta	156,108	-	-	156,108
Deadstream Swamp	75,000	-	-	75,000
Boardman/McDonald	20,992	-	-	20,992
Reffitt	859,600	-	73,600	786,000
Railroad Point	364,925	-	-	364,925
Srdjack	-	475,000	-	475,000
Sitter	-	60,000	-	60,000
Garfield Township	-	256,000	-	256,000
Verizon	-	39,400	-	39,400
Grayhawk	-	45,000	-	45,000
	<u>\$ 6,535,090</u>	<u>\$ 875,400</u>	<u>\$ 3,200,447</u>	<u>\$ 4,210,043</u>

**NOTE F - 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 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 reflect only the fair value of the development rights. Other costs, such as appraisals, surveys, title work and personnel expenditures for securing the easement, are expensed.

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

NOTES TO THE FINANCIAL STATEMENTS- Continued

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

<u>County</u>	<u>Secured During the Year Ended June 30, 2015</u>		<u>Total Secured Through June 30, 2015</u>	
	<u>Number of Easements</u>	<u>Acres Protected</u>	<u>Number of Easements</u>	<u>Acres Protected</u>
Antrim	-	-	37	4,088.93
Benzie	1	36.30	31	2,243.84
Grand Traverse	1	79.50	97	6,549.43
Kalkaska	-	-	34	3,605.09
Leelanau	-	-	5	249.82
Manistee	<u>2</u>	<u>172.90</u>	<u>16</u>	<u>1,936.48</u>
Total	<u>4</u>	<u>288.70</u>	<u>220</u>	<u>18,673.59</u>

The total value of development rights acquired during the year is estimated to be \$325,003 of which \$324,999 has been extinguished and reported as an expense.

At June 30, 2015, the total historical value of development rights acquired by GTRLC was \$51,095,784, of which \$51,095,564 has been extinguished.

**NOTE G - GIFT ANNUITIES**

GTRLC has received \$446,435 in charitable gift annuity agreement proceeds which have been added to the general investments of GTRLC of which \$332,479 remains. In consideration of the proceeds, GTRLC is obligated to make agreed upon quarterly payments for the remainder of the donors' lives. During the year ended June 30, 2015, GTRLC received one new annuity of \$15,000, retired annuities of \$0 and made payments totaling \$29,187. 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 of 6.5%, which reflects the level of assessed risk related to future payments and the borrowing rate available to GTRLC.

Financial Statement Presentation

Accrued current liabilities	\$ 29,187
Charitable gift annuity obligation	<u>261,533</u>
	<u>\$ 290,720</u>

**NOTE H - JOINT VENTURES**

*Little Traverse Conservancy*

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 GTRLC, with the land included in nature preserves. The Little Traverse Conservancy retains an undivided 50% interest in the total nature preserve, valued at \$346,691 on June 30, 2015.

*Assist Projects*

GTRLC works with units of government to assist communities in creating public natural areas and parks. In addition to local public and private sources of funding, the Michigan Natural Resources Trust Fund (MNRTF) is a frequent source of competitive funding for these types of projects. Since its inception in 1991, GTRLC has secured \$55 million in grants from the Michigan Natural Resources Trust Fund. GTRLC has helped assist local units of government with 42 MNRTF projects, featuring over 10,444 acres and over 30 miles of shoreline across its service region.

**NOTE I - TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted net assets consists of the following at June 30, 2015:

Net assets restricted for specific use:	
Land Protection and Stewardship	\$ 12,862,956
Spendable endowment income reinvested	<u>528,295</u>
	<u>\$ 13,391,251</u>
Net assets restricted by the expiration of time:	
Conservancy Fund Pledges receivable	<u>\$ 246,654</u>

NOTES TO THE FINANCIAL STATEMENTS- Continued

**NOTE J - PERMANENTLY RESTRICTED NET ASSETS**

Permanently restricted net assets consists of the following at June 30, 2015:

Net assets restricted for land under protection:	
Preserves	\$ 17,718,947
Development rights	<u>220</u>
	<u>\$ 17,719,167</u>
Net assets restricted for endowment:	
Restricted investments for endowment	\$ 1,008,944
Pledges receivable	8,838
Spendable endowment income	<u>(528,295)</u>
	<u>\$ 489,487</u>

**NOTE K - ENDOWMENT**

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, 2015:

Temporarily restricted (Note I)	\$ 528,295
Permanently restricted (Note J)	<u>489,487</u>
	<u>\$ 1,017,782</u>

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NOTES TO THE FINANCIAL STATEMENTS- Continued

The net changes in endowment net assets are as follows for June 30, 2015:

	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 567,189	\$ 439,219	\$ 1,006,408
Investment return			
Investment income	19,088	-	19,088
Net depreciation (realized and unrealized)	<u>(17,279)</u>	<u>-</u>	<u>(17,279)</u>
Total investment return	<u>1,809</u>	<u>-</u>	<u>1,809</u>
Contributions	-	50,268	50,268
Appropriation and expenditure of endowment assets	<u>(40,703)</u>	<u>-</u>	<u>(40,703)</u>
	<u>(38,894)</u>	<u>50,268</u>	<u>9,565</u>
	<u>\$ 528,295</u>	<u>\$ 489,487</u>	<u>\$ 1,017,782</u>

***Return Objectives and Risk Parameters***

GTRLC has adopted investment and spending policies for endowment assets that attempt to provide for consistent long-term financial stability of GTRLC. Endowment assets include donor-restricted assets that 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***

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 of the general endowment is available for the use of the Conservancy Fund for ongoing activities. Income of the Stewardship Endowment Fund is available for the use of the Land Protection and Stewardship Fund for current and future stewardship obligations related to any and all lands under protection by GTRLC, including easements and lands held in fee. To the extent that income is not sufficient to meet the yearly goal of Endowment Fund earnings available for operations and stewardship activities, 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 L - 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 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.

NOTES TO THE FINANCIAL STATEMENTS- Continued

Following is a description of the valuation methodologies used for assets measured at fair value on a recurring basis.

There have been no changes in the methodologies used at June 30, 2015.

*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 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 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.

The following table sets forth by level, within the fair value hierarchy, GTRLC's assets and liabilities at fair value as of June 30, 2015:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Mutual funds				
Index funds	\$ 887,622	\$ -	\$ -	\$ 887,622
Balanced funds	139,698	-	-	139,698
Growth funds	1,767,170	-	-	1,767,170
Fixed income funds	2,438,368	-	-	2,438,368
Other funds	826,373	-	-	826,373
Common stocks				
Consumer discretionary	521,854	-	-	521,854
Consumer staples	405,364	-	-	405,364
Energy	390,694	-	-	390,694
Financials	692,135	-	-	692,135
Healthcare	665,739	-	-	665,739
Industrials	469,751	-	-	469,751
Information technology	817,813	-	-	817,813
Materials	104,230	-	-	104,230
Telecommunications	96,949	-	-	96,949
Utilities	79,189	-	-	79,189
Undetermined	499	-	-	499
Corporate bonds	513,686	-	-	513,686
Municipal bonds	<u>80,223</u>	<u>-</u>	<u>-</u>	<u>80,223</u>
	<u>\$ 10,897,357</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,897,357</u>

NOTES TO THE FINANCIAL STATEMENTS- Continued

**NOTE M - OFFICE LEASE**

GTRLC entered into a five-year operating lease for office space beginning May 1, 2012 and ending April 30, 2017. The lease requires 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 \$50,110 for the year ended June 30, 2015. Future minimum rentals are as follows:

<u>Years Ending June 30,</u>	<u>Annual Minimum Lease Payment</u>
2016	\$ 51,110
2017	43,300

**NOTE N - RETIREMENT PLAN**

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. GTRLC's total contribution to the Plan for the year ended June 30, 2015 was \$34,832.

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

Through its fundraising projects, 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. The net assets of the funds were \$773,633 at June 30, 2015. GTRLC received distributions of \$28,055 from the funds for the year ended June 30, 2015, in accordance with the Grand Traverse Regional Community Foundation spending policy.

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 P - SUPPLEMENTAL CASH FLOWS INFORMATION**

GTRLC paid interest of \$59,119 for the year ended June 30, 2015.



**NOTE Q - SUBSEQUENT EVENTS**

GTRLC has evaluated subsequent events and transactions for potential recognition and disclosure through October 16, 2015, the date the financial statements were available to be issued.

**SUPPLEMENTAL INFORMATION**

## Grand Traverse Regional Land Conservancy

### STATEMENT OF FINANCIAL POSITION

June 30, 2015

(With Comparative Totals for 2014)

	Conservancy Fund	Land Protection and Stewardship Fund	Endowment Fund	Total	2014 Total
<b>ASSETS</b>					
<b>CURRENT ASSETS</b>					
Cash	\$ 1,726,355	\$ -	\$ -	\$ 1,726,355	\$ 2,121,874
Restricted cash	-	1,262,538	-	1,262,538	2,145,284
Investments	-	364,875	-	364,875	425,571
Pledges receivable	239,284	286,775	8,838	534,897	631,268
Accounts receivable	-	-	-	-	37,503
	<u>1,965,639</u>	<u>1,914,188</u>	<u>8,838</u>	<u>3,888,665</u>	<u>5,361,500</u>
Total current assets					
<b>FIXED ASSETS</b> , net of accumulated depreciation	<u>126,027</u>	<u>28,895</u>	<u>-</u>	<u>154,922</u>	<u>150,665</u>
<b>LAND UNDER PROTECTION</b>					
Nature preserves	-	17,718,947	-	17,718,947	17,454,347
Development rights	-	220	-	220	216
Options to purchase land	-	136,400	-	136,400	191,848
Land held for transfer	-	4,210,043	-	4,210,043	6,535,090
Term-Easements	-	1,857	-	1,857	-
	<u>-</u>	<u>22,067,467</u>	<u>-</u>	<u>22,067,467</u>	<u>17,646,411</u>
Total land under protection					
<b>OTHER ASSETS</b>					
Restricted investments for endowments	-	-	1,008,944	1,008,944	845,706
Restricted investments for stewardship	-	6,422,237	-	6,422,237	6,348,215
Board designated investments	2,924,066	-	-	2,924,066	3,054,445
Charitable gift annuity investment	-	332,479	-	332,479	340,735
Pledges receivable, net of current portion	7,370	117,579	-	124,949	151,554
	<u>2,931,436</u>	<u>6,872,295</u>	<u>1,008,944</u>	<u>10,812,675</u>	<u>10,740,655</u>
Total other assets					
	<u>\$ 5,023,102</u>	<u>\$ 30,882,845</u>	<u>\$ 1,017,782</u>	<u>\$ 36,923,729</u>	<u>\$ 33,899,231</u>

**Grand Traverse Regional Land Conservancy**

STATEMENT OF FINANCIAL POSITION - Continued

June 30, 2015

(With Comparative Totals for 2014)

	<u>Conservancy Fund</u>	<u>Land Protection and Stewardship Fund</u>	<u>Endowment Fund</u>	<u>Total</u>	<u>2014 Total</u>
<b>LIABILITIES AND NET ASSETS</b>					
<b>CURRENT LIABILITIES</b>					
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ 33,745
Accrued liabilities	233,757	29,188	-	262,945	313,424
Deposits	-	10,001	-	10,001	5,001
Line of credit	-	-	-	-	509,339
Land contract	-	-	-	-	2,814,390
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,814,390</u>
Total current liabilities	233,757	39,189	-	272,946	3,675,899
<b>OTHER LIABILITIES</b>					
Charitable gift annuity obligation, net of current portion	-	261,533	-	261,533	250,441
	<u>-</u>	<u>261,533</u>	<u>-</u>	<u>261,533</u>	<u>250,441</u>
Total liabilities	<u>233,757</u>	<u>300,722</u>	<u>-</u>	<u>534,479</u>	<u>3,926,340</u>
<b>NET ASSETS</b>					
Unrestricted					
Board designated					
Easement defense	401,050	-	-	401,050	401,137
Operating reserve	1,416,861	-	-	1,416,861	1,849,678
Undesignated	2,724,780	-	-	2,724,780	2,758,873
Temporarily restricted					
Specified use	-	12,862,956	528,295	13,391,251	13,391,428
Expiration of time	246,654	-	-	246,654	213,083
Permanently restricted					
Land under protection	-	17,719,167	-	17,719,167	17,454,563
Endowment	-	-	489,487	489,487	439,219
	<u>-</u>	<u>-</u>	<u>489,487</u>	<u>489,487</u>	<u>439,219</u>
Total net assets	<u>4,789,345</u>	<u>30,582,123</u>	<u>1,017,782</u>	<u>36,389,250</u>	<u>36,507,981</u>
	<u>\$ 5,023,102</u>	<u>\$ 30,882,845</u>	<u>\$ 1,017,782</u>	<u>\$ 36,923,729</u>	<u>\$ 40,434,321</u>

# Grand Traverse Regional Land Conservancy

## STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2015  
(With Comparative Totals for 2014)

	Conservancy Fund	Land Protection and Stewardship Fund	Endowment Fund	Total	2014 Total
<b>REVENUE AND SUPPORT</b>					
Grants	\$ 14,893	\$ 788,286	\$ -	\$ 803,179	\$ 785,705
Public support	1,424,258	2,150,282	50,268	3,624,808	3,670,925
Benefit proceeds	6,801	-	-	6,801	5,647
Gain (loss) from investments	18,893	52,664	1,809	73,366	1,768,028
Interest income	1,477	83	-	1,560	2,877
Other	<u>34,408</u>	<u>326,028</u>	<u>-</u>	<u>360,436</u>	<u>112,490</u>
Total revenue and support	<u>1,500,730</u>	<u>3,317,343</u>	<u>52,077</u>	<u>4,870,150</u>	<u>6,345,672</u>
<b>EXPENSES</b>					
Salaries	1,311,260	-	-	1,311,260	1,452,061
Employee benefits	244,735	-	-	244,735	269,236
Payroll taxes	104,649	-	-	104,649	98,564
Professional development	10,306	-	-	10,306	10,606
Interest	-	71,156	-	71,156	131,755
Provision for doubtful pledges	500	23,938	-	24,438	51,000
Professional fees	215,240	105,102	-	320,342	660,857
Lease expense	7,226	-	-	7,226	8,220
Transfers to other organizations	-	1,837,410	-	1,837,410	149,835
Title work and recording fees	31,381	97,392	-	128,773	53,259
Property tax expense	-	65,903	-	65,903	63,168
Repairs and maintenance	27,919	-	-	27,919	22,879
Other supplies	16,196	66,025	-	82,221	50,621
Travel	29,730	-	-	29,730	27,786
Rent	50,110	-	-	50,110	49,124
Depreciation	27,100	4,319	-	31,419	30,516
Insurance	39,485	11,000	-	50,485	50,676
Utilities	13,003	5,928	-	18,931	17,505
Office supplies	7,840	-	-	7,840	7,508
Telephone	21,194	489	-	21,683	21,770
Software	17,392	-	-	17,392	-
Miscellaneous	33,429	36,555	4,337	74,321	74,516
Printing and publishing	53,138	-	-	53,138	49,168
Postage	33,535	-	-	33,535	22,493
Merchandise and fundraising events	29,660	-	-	29,660	24,872
Dues and subscriptions	4,916	-	-	4,916	13,635
Advertising	4,387	-	-	4,387	2,825
Extinguished development value on conservation easements	<u>-</u>	<u>324,996</u>	<u>-</u>	<u>324,996</u>	<u>581,998</u>
Total expenses	<u>2,334,331</u>	<u>2,650,213</u>	<u>4,337</u>	<u>4,988,881</u>	<u>3,996,453</u>
<b>REVENUES OVER (UNDER) EXPENSES</b>	(833,601)	667,130	47,740	(118,731)	2,349,219
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in (out)	<u>400,175</u>	<u>(363,809)</u>	<u>(36,366)</u>	<u>-</u>	<u>-</u>
<b>CHANGE IN NET ASSETS</b>	(433,426)	303,321	11,374	(118,731)	2,349,219
<b>NET ASSETS, beginning of year</b>	<u>5,222,771</u>	<u>30,278,802</u>	<u>1,006,408</u>	<u>36,507,981</u>	<u>34,158,762</u>
<b>NET ASSETS, end of year</b>	<u>\$ 4,789,345</u>	<u>\$ 30,582,123</u>	<u>\$ 1,017,782</u>	<u>\$ 36,389,250</u>	<u>\$ 36,507,981</u>