

**Leelanau Conservancy**

FINANCIAL STATEMENTS  
AND INDEPENDENT AUDITOR'S REPORT

December 31, 2023 and 2022

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Leelanau Conservancy

### *Opinion*

We have audited the accompanying financial statements of the Leelanau Conservancy, (the "Conservancy") (a nonprofit organization), which comprise the statements of financial position as of December 31, 2023 and 2022, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Conservancy as of December 31, 2023 and 2022, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### *Basis for Opinion*

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

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

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

To the Board of Directors  
Leelanau Conservancy

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

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

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

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

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

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

To the Board of Directors  
Leelanau Conservancy

***Other Matters***

*Supplementary Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplemental information on page 27 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 has not been subjected to the auditing procedures applied in the audit of the financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

*Dennis, Gartland & Niergarth*

Certified Public Accountants  
Traverse City, Michigan

April 22, 2024

# Leelanau Conservancy

## STATEMENTS OF FINANCIAL POSITION

December 31,

	2023	2022
<b>ASSETS</b>		
<b>Operational assets</b>		
Cash and cash equivalents	\$ 700,108	\$ 579,500
Accounts receivable	721	-
Investments (Note A, D and O)	115,244	114,867
Pledges receivable, net (Note E)	2,565,940	112,868
Prepaid expenses	21,258	23,671
Property and equipment, net (Note F)	770,922	653,185
Total operational assets	4,174,193	1,484,091
<b>Land and easements acquired for conservation purposes</b>		
Land (Note A)	19,403,455	18,026,455
Land improvements, net (Note A)	1,336,864	988,069
Conservation easements (Note A)	52,368,320	50,803,315
Allowance for development rights extinguished (Note A)	(52,368,119)	(50,803,119)
Total land and easements acquired for conservation purposes	20,740,520	19,014,720
<b>Land and water conservation assets</b>		
Investments (Note A, D and O)	7,443,085	6,589,614
Other receivables	40,314	43,112
Grants receivable	237,500	1,241
Pledges receivable, net (Note E)	1,063,038	864,164
Deposits	386,670	-
Option to purchase land and conservation easements	20,500	20,000
Property acquired for resale	-	685,000
Total land and water conservation assets	9,191,107	8,203,131
<b>Endowment investments</b> (Note A, D, H and O)	10,004,323	8,424,975
Total assets	\$ 44,110,143	\$ 37,126,917
<b>LIABILITIES AND NET ASSETS</b>		
<b>LIABILITIES</b>		
Accounts payable and accrued liabilities	\$ 129,857	\$ 113,225
Current portion of long-term debt (Note J)	456,500	324,000
Annuity obligations (Note A)	94,372	101,778
Debt (Note J)	273,185	1,272,273
Total liabilities	953,914	1,811,276
<b>NET ASSETS</b>		
Without donor restrictions		
Undesignated	8,347,404	5,070,249
Designated (Note K)	8,485,669	7,316,569
With donor restrictions (Note L)	26,323,156	22,928,823
Total net assets	43,156,229	35,315,641
Total liabilities and net assets	\$ 44,110,143	\$ 37,126,917

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

# Leelanau Conservancy

## STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2023

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<b>REVENUE AND SUPPORT</b>			
Membership donations	\$ 1,527,443	\$ -	\$ 1,527,443
Contributions and pledges	1,560,198	5,147,696	6,707,894
Program revenue	26,038	-	26,038
Grant revenue	-	1,063,621	1,063,621
Contributions of nonfinancial assets (Note M)	-	511,250	511,250
Investment income, net of fees of \$52,865	1,781,019	227,646	2,008,665
Other revenue	150,088	-	150,088
Net assets released due to satisfaction of program restrictions	<u>3,555,880</u>	<u>(3,555,880)</u>	<u>-</u>
Total revenue and support	<u>8,600,666</u>	<u>3,394,333</u>	<u>11,994,999</u>
<b>EXPENSES</b>			
Program services - conservation	3,142,532	-	3,142,532
Management and general	588,747	-	588,747
Fundraising	<u>423,132</u>	<u>-</u>	<u>423,132</u>
Total expenses	<u>4,154,411</u>	<u>-</u>	<u>4,154,411</u>
<b>CHANGE IN NET ASSETS</b>	4,446,255	3,394,333	7,840,588
<b>NET ASSETS</b> , beginning of year	<u>12,386,818</u>	<u>22,928,823</u>	<u>35,315,641</u>
<b>NET ASSETS</b> , end of year	<u>\$ 16,833,073</u>	<u>\$ 26,323,156</u>	<u>\$ 43,156,229</u>

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

# Leelanau Conservancy

## STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2022

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<b>REVENUE AND SUPPORT</b>			
Membership donations	\$ 1,511,123	\$ -	\$ 1,511,123
Contributions and pledges	838,188	1,756,695	2,594,883
Program revenue	28,798	-	28,798
Grant revenue	-	1,057,500	1,057,500
Contributions of nonfinancial assets (Note M)	-	2,454,000	2,454,000
Investment (loss), net of fees of \$49,803	(1,970,385)	(332,476)	(2,302,861)
Other expense	(12,503)	-	(12,503)
Net assets released due to satisfaction of program restrictions	<u>2,201,619</u>	<u>(2,201,619)</u>	<u>-</u>
Total revenue and support	<u>2,596,840</u>	<u>2,734,100</u>	<u>5,330,940</u>
<b>EXPENSES</b>			
Program services - conservation	4,414,624	-	4,414,624
Management and general	524,110	-	524,110
Capital campaign fundraising	<u>446,336</u>	<u>-</u>	<u>446,336</u>
Total expenses	<u>5,385,070</u>	<u>-</u>	<u>5,385,070</u>
<b>CHANGE IN NET ASSETS</b>	(2,788,230)	2,734,100	(54,130)
<b>NET ASSETS</b> , beginning of year	<u>15,175,048</u>	<u>20,194,723</u>	<u>35,369,771</u>
<b>NET ASSETS</b> , end of year	<u>\$ 12,386,818</u>	<u>\$ 22,928,823</u>	<u>\$ 35,315,641</u>

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



## Leelanau Conservancy

### STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended December 31, 2023

	<u>Program Services - Conservation</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Salaries	\$ 774,969	\$ 272,489	\$ 248,686	\$ 1,296,144
Employee benefits	154,179	54,211	49,476	257,866
Payroll taxes	57,868	20,348	18,570	96,786
Professional fees	70,806	55,215	3,233	129,254
Interest expense	31,023	-	-	31,023
Supplies	13,665	18,334	-	31,999
Telephone	-	2,359	-	2,359
Postage and shipping	-	5,603	9,704	15,307
Occupancy	-	13,746	-	13,746
Equipment rental and repair	2,443	2,436	-	4,879
Repairs and maintenance	35,909	-	-	35,909
Printing and publications	16,361	493	11,899	28,753
Travel	851	6,352	3,365	10,568
Professional development	-	21,137	1,293	22,430
Depreciation	157,962	24,816	-	182,778
Communication	8,000	15,814	49,864	73,678
Meals and entertainment	-	2,629	1,820	4,449
Utilities	3,434	-	-	3,434
Dues and subscriptions	-	18,291	9,222	27,513
Insurance	-	40,410	-	40,410
Bank charges	-	13,727	-	13,727
Property taxes	1,332	-	-	1,332
Miscellaneous	483	337	-	820
Fundraising	-	-	16,000	16,000
Contracted services and grant expenses	8,306	-	-	8,306
Land protection costs	85,753	-	-	85,753
Conservation easement valuation expense	1,564,995	-	-	1,564,995
Natural areas and conservation easement management	<u>154,193</u>	<u>-</u>	<u>-</u>	<u>154,193</u>
	<u>\$ 3,142,532</u>	<u>\$ 588,747</u>	<u>\$ 423,132</u>	<u>\$ 4,154,411</u>

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

## Leelanau Conservancy

### STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended December 31, 2022

	<u>Program Services - Conservation</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Salaries	\$ 638,011	\$ 222,926	\$ 256,524	\$ 1,117,461
Employee benefits	135,587	47,376	54,515	237,478
Payroll taxes	47,906	16,738	19,262	83,906
Professional fees	68,190	48,720	3,621	120,531
Interest expense	49,310	-	-	49,310
Supplies	12,282	15,005	-	27,287
Telephone	-	1,504	-	1,504
Postage and shipping	-	5,075	9,172	14,247
Occupancy	-	10,005	-	10,005
Equipment rental and repair	3,084	806	-	3,890
Repairs and maintenance	20,739	-	-	20,739
Printing and publications	14,369	-	9,494	23,863
Travel	637	8,443	1,972	11,052
Professional development	-	29,332	5,922	35,254
Depreciation	120,466	24,816	-	145,282
Communication	-	11,183	42,189	53,372
Meals and entertainment	-	2,781	1,761	4,542
Utilities	4,546	-	-	4,546
Dues and subscriptions	-	17,462	7,925	25,387
Insurance	-	37,609	-	37,609
Bank charges	-	14,966	-	14,966
Property taxes	82	-	-	82
Miscellaneous	876	9,363	-	10,239
Fundraising	-	-	33,979	33,979
Contracted services and grant expenses	6,608	-	-	6,608
Land protection costs	71,249	-	-	71,249
Conservation easement valuation expense	3,154,992	-	-	3,154,992
Natural areas and conservation easement management	<u>65,690</u>	<u>-</u>	<u>-</u>	<u>65,690</u>
	<u>\$ 4,414,624</u>	<u>\$ 524,110</u>	<u>\$ 446,336</u>	<u>\$ 5,385,070</u>

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

# Leelanau Conservancy

## STATEMENTS OF CASH FLOWS

For the Years Ended December 31,

	2023	2022
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 7,840,588	\$ (54,130)
Adjustments to reconcile change in net assets to net cash from operating activities		
Depreciation	182,778	145,282
Development rights extinguished	1,564,995	3,154,992
Net realized loss (gain) on investments	(175,890)	225,469
Net unrealized loss (gain) on investments	(1,454,514)	2,340,867
Endowment contributions	(438,598)	(509,312)
Contributions of investments	(1,151,212)	(100,560)
Contributions of nonfinancial assets - land	-	(850,000)
Contributions of nonfinancial assets - conservation easements	(511,250)	(1,604,000)
Noncash change in annuity liability	(7,406)	(31,894)
Noncash change in timber obligation	(150,088)	12,503
Changes in operating assets and liabilities		
Accounts and interest receivable	(752)	(592)
Notes receivable	2,829	-
Grants receivable	(236,259)	-
Deposits	(386,670)	-
Prepaid expenses	2,413	367
Pledges receivable	(2,651,946)	411,858
Accounts payable and accrued liabilities	16,632	(15,670)
Net cash from operating activities	2,445,650	3,125,180
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of investments	(3,695,211)	(2,494,725)
Proceeds from sale of investments	4,043,631	1,642,569
Purchases of protected land	(1,377,000)	(375,000)
Sale of land for resale	685,000	225,000
Acquisition of option to purchase land	(63,000)	-
Exercise of option to purchase land	62,500	-
Acquisition of conservation easements	(1,053,750)	(1,551,000)
Purchases of property, equipment, and land improvements	(649,310)	(445,680)
Net cash from investing activities	(2,047,140)	(2,998,836)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from long-term debt	232,500	-
Principal payments on long-term debt	(949,000)	(324,000)
Endowment contributions	438,598	509,312
Net cash from financing activities	(277,902)	185,312
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	120,608	311,656
Cash and cash equivalents, beginning of year	579,500	267,844
Cash and cash equivalents, end of year	\$ 700,108	\$ 579,500

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

# Leelanau Conservancy

## NOTES TO FINANCIAL STATEMENTS

### NOTE A - MISSION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### *Nature of Activities*

The Leelanau Conservancy (the "Conservancy") is a not-for-profit corporation, incorporated in the State of Michigan on December 1, 1986. The Conservancy's mission is to conserve the land, water and scenic character of Leelanau County. Membership donations and gifts of land development rights made up to 17% and 74% of total revenue and support for the years ended December 31, 2023 and 2022, respectively.

A significant source of the Conservancy's revenue and support comes from the Northwest Michigan region.

#### *Basis of Accounting*

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

#### *Financial Statement Presentation*

Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions and restrictions imposed by specific fund agreements. Accordingly, net assets of the Conservancy and changes therein are classified and reported as follows:

**Net Assets Without Donor Restrictions** – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. The Conservancy's board has designated, from net assets without donor restrictions, net assets for a timber obligation and board-designated endowment.

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

#### *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. Items that may involve significant estimation include gifts of land and development rights, pledges, gift annuities and contributed services.

***Cash and Cash Equivalents***

Cash and cash equivalents consists of demand deposits in the bank. Conservation and Endowment investments include certain cash equivalents which have been classified as investments because they are part of a larger investment portfolio.

***Investments***

Investments are stated at fair value and consist of cash equivalents, bonds, common stocks and mutual funds. Contributed securities are recorded at fair value at the date of receipt and generally sold shortly thereafter. Changes in fair value of investments are recorded in the accompanying statement of activities as investment income. Realized gains or losses on securities sold are determined using the specific identification method.

***Property and Equipment***

Property and equipment, consisting primarily of the Conservancy's office building and related furniture, fixtures and equipment, are recorded at cost if purchased or, if donated, at fair value at the time of receipt for items over the \$3,000 capitalization policy. Major improvements are capitalized, while ordinary maintenance and repairs are expensed. Management annually reviews these assets to determine whether carrying values have been impaired. Depreciation is computed using the straight-line method over the estimated useful lives of the related assets, which range from 5 to 30 years.

***Land***

Land is recorded at cost if purchased, or fair value if all or a portion of the parcel is donated. Contributions of land are valued at appraised value as of the date of the gift.

***Land Improvements***

Land improvements, such as boardwalks, observation decks and bike trails at nature preserves, are recorded at cost if purchased, or at fair value as of the date received if donated. Management annually reviews these assets to determine whether carrying values have been impaired. Depreciation is computed using the straight-line method over an estimated useful life of 15 years.

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

A conservation easement is a legal agreement between a landowner and a qualified conservation organization (i.e., the Conservancy) that permanently limits a property's use in order to protect its conservation values. Conservation easements, either purchased or donated, are initially valued at their appraised value. The difference between the purchase price and appraised value is reflected as a contribution of nonfinancial assets 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 extinguishment of development rights is reflected as a program service expense in the statement of activities and conservation easement valuation expense on the statement of functional expenses.

***Annuity Obligations***

Three annuity agreements require annual payments during the life of the annuitants in the aggregate annual amount of \$18,359. The obligation for the annuities payable is reported at the present value of the future payments based upon the life expectancy tables and an implied discount rate as prescribed by the Internal Revenue Service. Changes in the value of the annuity obligations are reported in the statement of activities as an adjustment to contributions and pledges.

***Membership Donations***

The Conservancy has elected to use the caption "membership donations" for general donations received from the public as a way to recognize the donors for their gift. The donors do not receive a membership in exchange for their gift nor do they receive any membership related benefits. Membership donations are recognized as revenue upon receipt of the gift.

***Revenue Recognition for Program Revenue***

Program revenue consists primarily of amounts received for educational events or classes related to the Conservancy's mission. Revenues are generally recognized upon commencement of the class or event. Funds received in advance are deferred and recognized as revenue when the class or event commences.

***Grants and Contributions***

Grants, contributions and bequests are recorded as revenue when received. Grant revenue is recognized in the accounting period when the related expense or asset purchase is incurred and when the condition is met. Amounts received or receivables in excess of expenses or asset purchase are reflected as grant funds received in advance. All donor-restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released due to satisfaction of program restrictions.

***Pledges Receivable***

Pledges are recognized as revenue at the present value of estimated future receipts, when the donor makes a promise to give to the Conservancy that is, in substance, unconditional and collection is reasonably assured. Pledges are periodically written off as a reduction in revenue when management has deemed collection unlikely.

***Contributed Services***

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

## NOTES TO FINANCIAL STATEMENTS- Continued

### *Program Service Expenses*

Program service expenses include all expenses other than management and general and fund raising expenses.

### *Income Taxes*

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

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

### *Reclassifications*

Certain amounts in the prior-year financial statements have been reclassified for comparative purposes to conform with the presentation in the current-year financial statements.

## **NOTE B - LIQUIDITY AND AVAILABILITY**

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, are comprised of the following at December 31:

	<u>2023</u>	<u>2022</u>
Cash and cash equivalents	\$ 700,108	\$ 579,500
Accounts receivable	721	-
Investments	<u>115,244</u>	<u>114,867</u>
Totals	<u>\$ 816,073</u>	<u>\$ 694,367</u>

## **NOTE C - BANK DEPOSITS**

The Conservancy maintains its cash in bank deposit accounts at one financial institution. The balances periodically exceed the Federal insurance limit for deposits. At December 31, 2023 and 2022, \$56,510 and \$122,290 were uninsured, respectively. Management evaluates the financial institutions in which the Conservancy deposits its funds and assesses the level of risk associated with those institutions.

NOTES TO FINANCIAL STATEMENTS- Continued

**NOTE D - INVESTMENTS**

The investments of the Conservancy consisted of the following at December 31:

	2023		
	Cost	Fair Market	Cumulative Appreciation (Depreciation)
Cash equivalents	\$ 599,377	\$ 599,377	\$ -
Common stocks	32,460	39,938	7,478
Mutual funds - growth funds	5,477,027	8,363,858	2,886,831
Mutual funds - fixed income funds	4,429,796	4,050,303	(379,493)
U.S. Government bonds	3,666,674	3,680,398	13,724
Corporate bonds	<u>832,542</u>	<u>828,778</u>	<u>(3,764)</u>
Total investments	<u>\$ 15,037,876</u>	<u>\$ 17,562,652</u>	<u>\$ 2,524,776</u>
	2022		
	Cost	Fair Market	Cumulative Appreciation (Depreciation)
Cash equivalents	\$ 1,650,716	\$ 1,660,865	\$ 10,149
Common stocks	-	650	650
Mutual funds - growth funds	5,466,248	7,062,999	1,596,751
Mutual funds - fixed income funds	4,508,340	4,003,778	(504,562)
U.S. Government bonds	2,058,518	2,033,567	(24,951)
Corporate bonds	<u>375,372</u>	<u>367,597</u>	<u>(7,775)</u>
Total investments	<u>\$ 14,059,194</u>	<u>\$ 15,129,456</u>	<u>\$ 1,070,262</u>
Financial statement presentation	2023		2022
Investments - operational assets	\$ 115,244	\$ 114,867	
Investments - land and water conservation	7,443,085	6,589,614	
Endowment investments	<u>10,004,323</u>	<u>8,424,975</u>	
	<u>\$ 17,562,652</u>	<u>\$ 15,129,456</u>	



NOTES TO FINANCIAL STATEMENTS- Continued

Investment income (loss) consisted of the following for the years ended December 31:

	<u>2023</u>	<u>2022</u>
Interest and dividends	\$ 431,126	\$ 313,278
Realized (losses) gains	175,890	(225,469)
Unrealized (losses) gains	1,454,514	(2,340,867)
Investment fees	<u>(52,865)</u>	<u>(49,803)</u>
Net investment income (loss)	<u>\$ 2,008,665</u>	<u>\$ (2,302,861)</u>

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

The brokerage accounts have insurance of \$1,000,000 provided by the Securities Investor Protection Corporation. The balance of investments were uninsured at December 31, 2023 and 2022.

**NOTE E - PLEDGES RECEIVABLE**

As of December 31, 2023, the Conservancy has received pledges for the various projects totaling approximately \$7,005,000, of which approximately \$3,044,000 has been collected. New pledges during the year ended December 31, 2023 totaled \$5,950,000.

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

Pledges receivable at December 31, 2023 are expected to be collected as follows:

<u>Years</u>	<u>Amount</u>
2024	\$ 1,872,189
2025	1,460,334
2026	332,667
2027	231,000
2028	<u>65,000</u>
Total	3,961,190
Discounts to net present value	<u>(332,212)</u>
Pledges receivable, net	<u>\$ 3,628,978</u>

Pledges having an original maturity of greater than one year have been discounted to the present value of the future cash flows using a discount rate of 5.0%. The Conservancy amortizes imputed interest through a charge to pledges receivable and a credit to contributions.

NOTES TO FINANCIAL STATEMENTS- Continued

Financial statement presentation	<u>2023</u>	<u>2022</u>
Pledges receivable, net - operational assets	\$ 2,565,940	\$ 112,868
Pledges receivable, net - land and water conservation assets	<u>1,063,038</u>	<u>864,164</u>
	<u>\$ 3,628,978</u>	<u>\$ 977,032</u>

**NOTE F - PROPERTY AND EQUIPMENT**

Property and equipment comprised the following at December 31:

	<u>2023</u>	<u>2022</u>
Land	\$ 22,000	\$ 22,000
Buildings and improvements	1,126,715	973,222
Equipment	86,180	75,816
Furniture and fixtures	72,084	70,301
Vehicles and boat	<u>136,948</u>	<u>111,237</u>
Total property and equipment, at cost	1,443,927	1,252,576
Less accumulated depreciation	<u>(673,005)</u>	<u>(599,391)</u>
Total property and equipment, net of accumulated depreciation	<u>\$ 770,922</u>	<u>\$ 653,185</u>

Total depreciation expense on property and equipment was \$109,164 and \$66,650 for the years ended December 31, 2023 and 2022, respectively.

**NOTE G - LAND IMPROVEMENTS**

Land improvements on land acquired for conservation purposes were as follows at December 31:

	<u>2023</u>	<u>2022</u>
Land improvements	\$ 1,723,597	\$ 1,265,637
Less accumulated depreciation	<u>(386,733)</u>	<u>(277,568)</u>
Total land improvements, net of accumulated depreciation	<u>\$ 1,336,864</u>	<u>\$ 988,069</u>

Total depreciation expense on land improvements was \$73,614 and \$78,632 for the years ended December 31, 2023 and 2022, respectively.

NOTES TO FINANCIAL STATEMENTS- Continued

**NOTE H - ENDOWMENT INVESTMENTS**

The assets of the Endowment Fund, including amounts designated by the Board of Directors, consisted of the following at December 31:

	<u>2023</u>	<u>2022</u>
Investments		
Cash and cash equivalents	\$ 58,069	\$ 39,634
Mutual funds - growth funds	7,042,794	2,508,550
Mutual funds - fixed income funds	<u>2,903,460</u>	<u>5,876,791</u>
Total investments	10,004,323	8,424,975
Due from agency investments	<u>290,656</u>	<u>243,275</u>
Total endowment investments	<u>\$10,294,979</u>	<u>\$ 8,668,250</u>

The Conservancy is a named beneficiary of several planned giving arrangements. Information regarding the composition of the trust assets and other factors necessary to establish the net present value of trust assets is not readily available to, or verifiable by, the Conservancy, and accordingly, no recognition of the Conservancy's beneficial interest in such trust assets has been made in the accompanying financial statements.

The Conservancy's endowment consists of donor restricted donations, Board designated amounts, and undistributed investment returns. The Conservancy has interpreted the Michigan Uniform Prudent Management of Institutional Funds Public Act 87 of 2009 as requiring the preservation of the original gift as of the gift date of the donor restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation and as required by GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The Conservancy's endowment spending policy provides for distributions to fund the Conservancy's operations determined based on 4% of the rolling average market value of Endowment fund assets for three years. Average market value is based on the value of the account on December 31 of each of the three years in the rolling period.

The Conservancy's endowment investment policy is to preserve the real purchasing power of the endowment assets after all withdrawals by earning a total rate of return over a five year cycle which will support the spending policy above. Endowment assets are invested in a diversified portfolio to maximize the long-term return while assuming a reasonable level of risk.

NOTES TO FINANCIAL STATEMENTS- Continued

The net changes in endowment net assets are as follows for December 31:

	<u>2023</u>		
	<u>Board Designated Net Assets Without Donor Restrictions</u>	<u>Donor Restricted Net Assets With Donor Restrictions</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 7,086,569	\$ 1,581,681	\$ 8,668,250
Investment return			
Investment income	189,447	34,000	223,447
Net appreciation (realized and unrealized)	<u>1,113,038</u>	<u>197,257</u>	<u>1,310,295</u>
Total investment return	<u>1,302,485</u>	<u>231,257</u>	<u>1,533,742</u>
Contributions/designations	-	438,598	438,598
Fees and other	(20,100)	(3,611)	(23,711)
Appropriation and expenditure of endowment assets	<u>(276,251)</u>	<u>(45,649)</u>	<u>(321,900)</u>
	<u>\$ 8,092,703</u>	<u>\$ 2,202,276</u>	<u>\$10,294,979</u>
	<u>2022</u>		
	<u>Board Designated Net Assets Without Donor Restrictions</u>	<u>Donor Restricted Net Assets With Donor Restrictions</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 8,329,406	\$ 1,785,435	\$10,114,841
Investment return			
Investment income	142,856	36,786	179,642
Net depreciation (realized and unrealized)	<u>(1,447,924)</u>	<u>(364,374)</u>	<u>(1,812,298)</u>
Total investment return	<u>(1,305,068)</u>	<u>(327,588)</u>	<u>(1,632,656)</u>
Contributions/designations	323,138	186,174	509,312
Fees and other	(18,959)	(4,888)	(23,847)
Appropriation and expenditure of endowment assets	<u>(241,948)</u>	<u>(57,452)</u>	<u>(299,400)</u>
	<u>\$ 7,086,569</u>	<u>\$ 1,581,681</u>	<u>\$ 8,668,250</u>

## NOTES TO FINANCIAL STATEMENTS- Continued

### **NOTE I - LINE OF CREDIT**

The Conservancy has a \$1 million revolving line of credit available through a bank, due on demand and secured by certain property and other assets of the Conservancy, expiring on November 10, 2024. The rate of interest at December 31, 2023 was 7.16%. As of December 31, 2023 and 2022, the outstanding amount under the line of credit was \$0.

### **NOTE J - DEBT**

In 2021, the Conservancy purchased 16 acres of land in Glen Arbor Township for \$950,000 on a three year land contract, maturing in December 2024, which was paid off in 2023. In 2020, the Conservancy also purchased an addition to the Glen Arbor Township (Palmer Woods) land for \$1,120,000 on a five year land contract, maturing in August 2025. The Conservancy entered into a promissory note with a landowner in the amount of \$232,500 on December 27, 2023. This promissory note was paid off in full as of January 5, 2024. In 2016, the Conservancy purchased property in Glen Arbor Township (Palmer Woods). The Conservancy has a liability to provide approximately \$700,000 to the seller through 2026 in lieu of future timber sales. This liability will be offset by revenue from timber sales, if any, plus Board designated funds of \$392,966 for the future liability.

NOTES TO FINANCIAL STATEMENTS- Continued

Debt consists of the following obligations at December 31:

	<u>2023</u>	<u>2022</u>
Land contract payable to individuals in the amount of \$950,000 with interest of 3.00%; \$125,000 paid upon execution; two annual installments of \$100,000 and a final balloon payment of \$625,000; maturing in December 2024 and secured by real property. The final balloon payment was made early and fully paid off in 2023.	\$ -	\$ 725,000
Land contract payable to individuals in the amount of \$1,120,000 with interest imputed at 3.00%; payable in five annual installments of \$224,000; maturing in August 2025 and secured by real property.	448,000	672,000
Promissory note payable to individuals in the amount of \$232,500 with interest imputed at 0.00%; payable in one annual installment of \$232,500; maturing in January 2024 and secured by real property.	232,500	-
Timber obligation - Payment in lieu of timber sales to a corporation in the original amount of approximately \$700,000 less Board designated funds of \$392,966, with interest imputed at 3%; due in 2026.	<u>49,185</u>	<u>199,273</u>
Total debt	729,685	1,596,273
Less current portion	<u>(456,500)</u>	<u>(324,000)</u>
Long term portion	<u>\$ 273,185</u>	<u>\$ 1,272,273</u>

Interest expense related to the above debt obligations amounted to \$31,023 and \$49,310 for the years ended December 31, 2023 and 2022, respectively.

Scheduled principal maturities of debt for the years succeeding December 31, 2023 are summarized as follows:

<u>Years Ending December 31,</u>	<u>Principal</u>
2024	\$ 456,500
2025	224,000
2026	<u>49,185</u>
Total	<u>\$ 729,685</u>

NOTES TO FINANCIAL STATEMENTS- Continued

**NOTE K - NET ASSETS WITHOUT DONOR RESTRICTIONS - DESIGNATED NET ASSETS**

Net assets without donor restrictions - designated net assets, consisted of the following amounts at December 31:

	<u>2023</u>	<u>2022</u>
Board designated for endowment	\$ 8,092,703	\$ 7,086,569
Board designated for timber obligation	<u>392,966</u>	<u>230,000</u>
Total net assets without donor restrictions - designated net assets	<u>\$ 8,485,669</u>	<u>\$ 7,316,569</u>

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

Net assets with donor restrictions consisted of the following amounts at December 31:

	<u>2023</u>	<u>2022</u>
Operating pledges receivable	\$ 2,565,940	\$ 112,868
Stewardship	563,950	650,346
Contributions for the preservation of land	1,587,332	2,557,275
Protected land, net of related debt	2,575,000	3,064,000
Conservation easements, net of extinguished development rights	201	196
Preserved land	16,828,457	14,962,457
Endowment Fund corpus	<u>2,202,276</u>	<u>1,581,681</u>
Total net assets with donor restrictions	<u>\$26,323,156</u>	<u>\$22,928,823</u>

**NOTE M - CONTRIBUTIONS OF NONFINANCIAL ASSETS**

For the years ended December 31, contributions of nonfinancial assets consist of conservation easements and land. The amounts recognized as revenue within the statement of activities include:

	<u>2023</u>	<u>2022</u>
Conservation easements	\$ 511,250	\$ 1,604,000
Land for preserves	<u>-</u>	<u>850,000</u>
	<u>\$ 511,250</u>	<u>\$ 2,454,000</u>

**NOTE N - RETIREMENT PLAN**

The Conservancy maintains a 403(b)(7) defined contribution plan (the "Plan") that covers all eligible employees. Under the Plan, participants may make contributions in amounts up to limits established by the Internal Revenue Code. The Plan provides for discretionary employer contributions. Employees with one to three years of service receive a contribution from the Conservancy of 1.67% of compensation and a matching contribution of up to 1.33% of compensation; employees with four or five years of service receive a contribution from the Conservancy of 3.34% of compensation and a matching contribution of up to 2.66% of compensation; employees with six or more years of service receive a contribution from the Conservancy of 4% of compensation and a matching contribution of up to 5% of compensation. Employer contributions to the Plan totaled \$94,652 and \$74,575 for 2023 and 2022, respectively.

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

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

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

Level 2 - Inputs to the valuation methodology include:

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

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

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

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

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2023.

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



NOTES TO FINANCIAL STATEMENTS- Continued

*Common stocks, U.S. Government Bonds and Corporate Bonds:* Valued at fair value based on quoted market prices.

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

The following table sets forth by level, within the fair value hierarchy, the Conservancy's assets at fair value as of December 31:

	2023			
	Level 1	Level 2	Level 3	Total
Common stocks	\$ 39,938	\$ -	\$ -	\$ 39,938
Mutual funds - growth funds	8,363,858	-	-	8,363,858
Mutual funds - fixed income funds	4,050,303	-	-	4,050,303
U.S. Government bonds	3,680,398	-	-	3,680,398
Corporate bonds	828,778	-	-	828,778
	<u>\$16,963,275</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 16,963,275</u>
	2022			
	Level 1	Level 2	Level 3	Total
Common stocks	\$ 650	\$ -	\$ -	\$ 650
Mutual funds - growth funds	7,062,999	-	-	7,062,999
Mutual funds - fixed income funds	4,003,778	-	-	4,003,778
U.S. Government bonds	2,033,567	-	-	2,033,567
Corporate bonds	367,597	-	-	367,597
	<u>\$ 13,468,591</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 13,468,591</u>

**NOTE P - SUPPLEMENTAL CASH FLOWS INFORMATION**

*Non-Cash Investing and Financing Activities*

During 2023, the Conservancy received donated investments. The Conservancy recorded the donations at the fair market value as of the date of donation and recognized \$122,290 in contribution revenue.

During 2023, the Conservancy received three donated conservation easements. The Conservancy recorded the donations at the fair market value as of the date of donation and recognized revenue of \$511,250 as contributions of nonfinancial assets.

## NOTES TO FINANCIAL STATEMENTS- Continued

During 2022, the Conservancy received donated investments. The Conservancy recorded the donations at the fair market value as of the date of donation and recognized \$100,560 in contribution revenue.

During 2022, the Conservancy received four donated conservation easements. The Conservancy recorded the donations at the fair market value as of the date of donation and recognized revenue of \$1,604,000 as contributions of nonfinancial assets.

During 2022, the Conservancy received donated land for a preserves. The Conservancy recorded the donations at the fair market value at the date of the donations, and recognized revenue of \$850,000 as contributions of nonfinancial assets.

### ***Other Cash Flow Information***

Cash paid for interest amounted to \$33,806 and \$51,630 for the years ended December 31, 2023 and 2022, respectively.

## **NOTE Q - COMMITMENTS AND CONTINGENCIES**

The Conservancy has received Federal grants from the Agricultural Conservation Easement Program in 2022 and 2023 and previous years as well. The Conservancy must continuously monitor the conservation easements to ensure there are no material changes to the easements. The grant program is subject to audit by agents of the granting authority; the purpose of which is to ensure compliance with conditions precedent to the granting of the funds. Any liability for reimbursement, which may arise as a result of these audits, is not believed to be material.

## **NOTE R - RELATED PARTIES**

In the year ended December 31, 2023, the Conservancy received a conservation easement on 160 acres of land donated by a member of the Board of Directors. The conservation easement value of \$475,000 is included in grants and contributions of nonfinancial assets on the statement of activities.

## **NOTE S - SUBSEQUENT EVENTS**

The Conservancy has evaluated subsequent events and transactions for potential recognition and disclosure through April 22, 2024, the date the financial statements were available to be issued.

The Conservancy entered into a promissory note with a landowner in the amount of \$232,500 on December 27, 2023. This promissory note was paid off in full as of January 5, 2024.

The Conservancy purchased 134.5 acres in Leelanau Township in January 2024, for \$585,000.

The Conservancy purchased 191.5 acres in Bingham Township in January 2024, for \$1,610,000.

**SUPPLEMENTAL INFORMATION**

## Leelanau Conservancy

### LAND ACQUIRED FOR CONSERVATION PURPOSES, CONSERVATION EASEMENTS AND TRANSFER AND ASSIST PROJECTS

	Acres Acquired During the Year Ended <u>December 31, 2023</u>	Cumulative Acres Acquired Through <u>December 31, 2023</u>
Land acquired for conservation purposes	454	4,013
Conservation easements	855	12,519
Transfer and assist projects	<u>8</u>	<u>1,419</u>
Total acres	<u><u>1,317</u></u>	<u><u>17,951</u></u>