

Leelanau Conservancy

FINANCIAL STATEMENTS
AND INDEPENDENT AUDITOR'S REPORT

March 31, 2025

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DENNIS, GARTLAND & NIERGARTH
Business Advisors Since 1973

Certified Public Accountants

Brad P. Niergarth, CPA
James G. Shumate, CPA
Shelly K. Bedford, CPA
Heidi M. Wendel, CPA
Shelly A. Ashmore, CPA
James M. Taylor, CPA
Trina B. Ochs, CPA
John A. Blair, CPA
Aaron J. Mansfield, CPA
Elizabeth A. Hedden, CPA
Jonathan P. Benjamin, CPA

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 statement of financial position as of the March 31, 2025, and the related statement of activities, functional expenses and cash flows for the fifteen months 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 March 31, 2025, and the changes in its net assets and its cash flow for the fifteen months then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

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 and *Government 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 and *Government 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.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, 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 schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the financial statements as a whole.

The supplemental information on page 23 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 5, 2025 on our consideration of the Conservancy's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Conservancy's internal control over financial reporting and compliance.

Dennis, Gartland & Niergarth

Certified Public Accountants
Traverse City, Michigan

August 5, 2025

Leelanau Conservancy

STATEMENT OF FINANCIAL POSITION

March 31, 2025

ASSETS

Operational assets

Cash and cash equivalents	\$ 370,103
Accounts receivable	721
Investments (Note A, D and N)	114,731
Pledges receivable, net (Note E)	2,257,509
Prepaid expenses	39,757
Property and equipment, net (Note F)	<u>865,790</u>
Total operational assets	<u>3,648,611</u>

Land and easements acquired for conservation purposes

Land (Note A)	20,582,602
Land improvements, net (Note A)	1,488,188
Conservation easements (Note A)	59,145,332
Allowance for development rights extinguished (Note A)	<u>(59,145,119)</u>
Total land and easements acquired for conservation purposes	<u>22,071,003</u>

Land and water conservation assets

Investments (Note A, D and N)	11,212,199
Other receivables	37,832
Pledges receivable, net (Note E)	3,368,959
Option to purchase land and conservation easements	<u>36,039</u>
Total land and water conservation assets	<u>14,655,029</u>

Endowment investments (Note A, D, H and N)

	<u>11,171,164</u>
Total assets	<u>\$ 51,545,807</u>

LIABILITIES AND NET ASSETS

LIABILITIES

Accounts payable and accrued liabilities	\$ 232,099
Current portion of long-term debt (Note I)	224,000
Annuity obligations (Note A)	<u>75,099</u>
Total liabilities	<u>531,198</u>

NET ASSETS

Without donor restrictions	
Undesignated	12,324,975
Designated (Note J)	9,374,283
With donor restrictions (Note K)	<u>29,315,351</u>
Total net assets	<u>51,014,609</u>
Total liabilities and net assets	<u>\$ 51,545,807</u>

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

Leelanau Conservancy

STATEMENT OF ACTIVITIES

For the Fifteen Months Ended March 31, 2025

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
REVENUE AND SUPPORT			
Membership donations	\$ 1,881,820	\$ -	\$ 1,881,820
Contributions and pledges	1,982,333	6,375,161	8,357,494
Program revenue	30,059	-	30,059
Grant revenue	-	1,498,700	1,498,700
Contributions of nonfinancial assets (Note L)	-	4,669,921	4,669,921
Investment income, net of fees of \$67,948	1,654,056	261,862	1,915,918
Other revenue	49,185	-	49,185
Net assets released due to satisfaction of program restrictions	<u>9,813,449</u>	<u>(9,813,449)</u>	<u>-</u>
Total revenue and support	<u>15,410,902</u>	<u>2,992,195</u>	<u>18,403,097</u>
EXPENSES			
Program services - conservation	9,045,237	-	9,045,237
Management and general	687,389	-	687,389
Fundraising	<u>812,091</u>	<u>-</u>	<u>812,091</u>
Total expenses	<u>10,544,717</u>	<u>-</u>	<u>10,544,717</u>
CHANGE IN NET ASSETS	4,866,185	2,992,195	7,858,380
NET ASSETS , beginning of period	<u>16,833,073</u>	<u>26,323,156</u>	<u>43,156,229</u>
NET ASSETS , end of period	<u>\$ 21,699,258</u>	<u>\$ 29,315,351</u>	<u>\$ 51,014,609</u>

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

Leelanau Conservancy

STATEMENT OF FUNCTIONAL EXPENSES

For the Fifteen Months Ended March 31, 2025

	<u>Program Services - Conservation</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Salaries	\$ 1,133,422	\$ 234,084	\$ 529,803	\$ 1,897,309
Employee benefits	225,098	46,489	105,219	376,806
Payroll taxes	84,131	17,376	39,326	140,833
Professional fees	94,531	82,760	9,054	186,345
Interest	12,888	-	-	12,888
Supplies	30,295	25,559	-	55,854
Telephone	-	4,374	-	4,374
Postage and shipping	-	6,372	13,231	19,603
Occupancy	-	14,172	-	14,172
Equipment rental and repair	6,416	5,701	-	12,117
Repairs and maintenance	32,667	-	-	32,667
Printing and publications	20,914	7	10,157	31,078
Travel	2,770	25,996	9,613	38,379
Professional development	-	48,665	4,195	52,860
Depreciation	247,748	26,630	-	274,378
Communication	14,500	16,002	52,096	82,598
Meals and entertainment	-	3,146	2,776	5,922
Utilities	6,267	-	-	6,267
Dues and subscriptions	-	19,016	10,621	29,637
Insurance	-	67,640	-	67,640
Bank charges	-	18,643	-	18,643
Property taxes	652	-	-	652
Miscellaneous	2,965	24,757	-	27,722
Fundraising	-	-	26,000	26,000
Contracted services and grant	7,839	-	-	7,839
Land protection costs	119,626	-	-	119,626
Conservation easement valuation	6,776,989	-	-	6,776,989
Natural areas and conservation easement management	<u>225,519</u>	<u>-</u>	<u>-</u>	<u>225,519</u>
	<u>\$ 9,045,237</u>	<u>\$ 687,389</u>	<u>\$ 812,091</u>	<u>\$10,544,717</u>

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

Leelanau Conservancy

STATEMENT OF CASH FLOWS

For the Fifteen Months Ended March 31, 2025

CASH FLOWS FROM OPERATING ACTIVITIES

Change in net assets	\$ 7,858,380
Adjustments to reconcile change in net assets to net cash from operating activities	
Depreciation	274,378
Development rights extinguished	6,776,989
Net realized gain on investments	(4,277,150)
Net unrealized loss on investments	3,043,982
Endowment contributions	(440,705)
Noncash contributions of investments	(1,827,767)
Contributions of nonfinancial assets - conservation easements	(4,669,921)
Noncash change in annuity liability	(19,273)
Noncash change in timber obligation	(49,185)
Changes in operating assets and liabilities	
Notes receivable	2,482
Grants receivable	237,500
Deposits	386,670
Prepaid expenses	(18,499)
Pledges receivable	(1,997,490)
Accounts payable and accrued liabilities	<u>102,242</u>
Net cash from operating activities	<u>5,382,633</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Purchases of investments	(4,232,242)
Proceeds from sale of investments	2,357,735
Purchases of protected land	(1,179,147)
Acquisition of option to purchase land	(46,039)
Acquisition of conservation easements	(2,076,580)
Purchases of property, equipment, and land improvements	<u>(520,570)</u>
Net cash from investing activities	<u>(5,696,843)</u>

CASH FLOWS FROM FINANCING ACTIVITIES

Principal payments on long-term debt	(456,500)
Endowment contributions	<u>440,705</u>
Net cash from financing activities	<u>(15,795)</u>

NET CHANGE IN CASH AND CASH EQUIVALENTS

Cash and cash equivalents, beginning of period	<u>700,108</u>
Cash and cash equivalents, end of period	<u>\$ 370,103</u>

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

Leelanau Conservancy

NOTES TO FINANCIAL STATEMENTS

NOTE A - 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 36% of total revenue and support for the fifteen months ended March 31, 2025.

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

The Conservancy changed its fiscal year end to March 31, 2025, therefore these financial statements present the activity for the 15 months ended March 31, 2025.

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 included 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, mutual funds and exchange traded funds ("ETFs"). 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 \$5,000 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 \$10,702. 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.

NOTES TO FINANCIAL STATEMENTS- Continued

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.

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 2022. 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 twelve months of the statement of financial position date, are comprised of the following at March 31, 2025:

Cash and cash equivalents	\$ 370,103
Accounts receivable	721
Investments	<u>114,731</u>
Totals	<u>\$ 485,555</u>

NOTES TO FINANCIAL STATEMENTS- Continued

NOTE C - BANK DEPOSITS

The Conservancy maintains its operational cash in a checking account at one financial institution. The balances periodically exceed the Federal insurance limit for deposits. At March 31, 2025, \$82,004 was uninsured. Management evaluates the financial institutions in which the Conservancy deposits its funds and assesses the level of risk associated with those institutions.

NOTE D - INVESTMENTS

The investments of the Conservancy consisted of the following at March 31, 2025:

	<u>Cost</u>	<u>Fair Market</u>	<u>Cumulative Appreciation (Depreciation)</u>
Cash equivalents	\$ 67,271	\$ 67,271	\$ -
ETFs - equity funds	9,731,097	9,175,912	(555,185)
ETFs - fixed income funds	6,079,653	6,082,706	3,053
ETFs - U.S. treasuries	<u>7,128,339</u>	<u>7,172,205</u>	<u>43,866</u>
Total investments	<u>\$ 23,006,360</u>	<u>\$ 22,498,094</u>	<u>\$ (508,266)</u>

Financial statement presentation March 31, 2025

Investments - operational assets	\$ 114,731
Investments - land and water conservation assets	11,212,199
Endowment investments	<u>11,171,164</u>
Total investments	<u>\$ 22,498,094</u>

Investment income (loss) consisted of the following for the fifteen months ended March 31, 2025:

Interest and dividends	\$ 750,698
Realized gains	4,277,150
Unrealized losses	(3,043,982)
Investment fees	<u>(67,948)</u>
Net investment income (loss)	<u>\$ 1,915,918</u>

Concentration of Credit Risk - Investments

Investments held at brokerage accounts have insurance of \$500,000 per broker, provided by the Securities Investor Protection Corporation. Accordingly, investments exceeded insured limits by \$21,998,094 at March 31, 2025.

NOTES TO FINANCIAL STATEMENTS- Continued

NOTE E - PLEDGES RECEIVABLE

As of March 31, 2025, the Conservancy has received pledges for various projects totaling approximately \$9,621,000, of which approximately \$3,693,000 has been collected. New pledges during the fifteen months ended March 31, 2025 totaled approximately \$5,660,000.

During 2025, the Conservancy received substantially all scheduled payments on a timely basis. The Conservancy deems all pledges collectible therefore no allowance for uncollectible pledges is necessary.

Pledges receivable at March 31, 2025 are expected to be collected as follows:

Years Ending <u>March 31,</u>	<u>Amount</u>
2026	\$ 3,417,887
2027	1,186,916
2028	748,500
2029	475,000
2030	<u>100,000</u>
Total	5,928,303
Discounts to net present value	<u>(301,835)</u>
Pledges receivable, net	<u><u>\$ 5,626,468</u></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 3.0%. The Conservancy amortizes imputed interest through a charge to pledges receivable and a credit to contributions.

Financial statement presentation March 31, 2025

Pledges receivable, net - operational assets	\$ 2,257,509
Pledges receivable, net - land and water conservation assets	<u>3,368,959</u>
	<u><u>\$ 5,626,468</u></u>

NOTES TO FINANCIAL STATEMENTS- Continued

NOTE F - PROPERTY AND EQUIPMENT

Property and equipment comprised the following at March 31, 2025:

Land	\$ 22,000
Buildings and improvements	1,267,776
Equipment	101,506
Furniture and fixtures	72,084
Vehicles and boat	<u>178,920</u>
 Total property and equipment, at cost	 1,642,286
 Construction-in-process	 8,623
Less accumulated depreciation	<u>(785,119)</u>
 Total property and equipment, net of accumulated depreciation	 <u>\$ 865,790</u>

Total depreciation expense on property and equipment was \$112,114 for the fifteen months ended March 31, 2025.

NOTE G - LAND IMPROVEMENTS

Land improvements on land acquired for conservation purposes were as follows at March 31, 2025:

Land improvements	\$ 2,037,185
Less accumulated depreciation	<u>(548,997)</u>
 Total land improvements, net of accumulated depreciation	 <u>\$ 1,488,188</u>

Total depreciation expense on land improvements was \$162,264 for the fifteen months ended March 31, 2025.

NOTE H - ENDOWMENT INVESTMENTS

The assets of the Endowment Fund, including amounts designated by the Board of Directors, consisted of the following at March 31, 2025:

Investments	
Cash and cash equivalents	\$ 33,707
ETFs - equity funds	7,795,229
ETFs - fixed income funds	<u>3,342,228</u>
Total investments	11,171,164
Due from agency investments	<u>583,787</u>
Total endowment investments	<u><u>\$11,754,951</u></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 investments for three years. Average market value is based on the value of the account on March 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 March 31, 2025:

	<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	<u>\$ 8,092,703</u>	<u>\$ 2,202,276</u>	<u>\$10,294,979</u>
Investment return			
Investment income	293,347	85,675	379,022
Net appreciation (realized and unrealized)	<u>799,141</u>	<u>181,895</u>	<u>981,036</u>
Total investment return	<u>1,092,488</u>	<u>267,570</u>	<u>1,360,058</u>
Contributions/designations	-	440,705	440,705
Fees and other	(18,833)	(5,708)	(24,541)
Appropriation and expenditure of endowment assets	<u>(261,153)</u>	<u>(55,097)</u>	<u>(316,250)</u>
Endowment net assets, end of year	<u>\$ 8,905,205</u>	<u>\$ 2,849,746</u>	<u>\$11,754,951</u>

NOTE I - DEBT

Debt consisted of the following obligations at March 31, 2025:

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.	<u>\$ 224,000</u>
Total debt	224,000
Less current portion	<u>(224,000)</u>
Long term portion	<u><u>\$ -</u></u>

Interest expense related to the above debt obligations amounted to \$12,888 for the fifteen months ended March 31, 2025.

NOTES TO FINANCIAL STATEMENTS- Continued

Scheduled principal maturities of debt for the years succeeding March 31, 2025 are summarized as follows:

Year Ending <u>March 31,</u>	<u>Principal</u>
2026	<u>\$ 224,000</u>

NOTE J - NET ASSETS WITHOUT DONOR RESTRICTIONS - DESIGNATED NET ASSETS

Net assets without donor restrictions - designated net assets, consisted of the following amounts at March 31, 2025:

Board designated for endowment	\$ 8,905,205
Board designated for timber obligation	<u>469,078</u>
Total net assets without donor restrictions - designated net assets	<u>\$ 9,374,283</u>

NOTE K - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consisted of the following amounts at March 31, 2025:

Operating pledges receivable	\$ 2,257,509
Stewardship	1,606,281
Contributions for the preservation of land	2,019,000
Protected land, net of related debt	2,500,145
Conservation easements, net of extinguished development rights	213
Preserved land	18,082,457
Endowment Fund corpus	<u>2,849,746</u>
Total net assets with donor restrictions	<u>\$29,315,351</u>

NOTE L - CONTRIBUTIONS OF NONFINANCIAL ASSETS

For the fifteen months ended March 31, 2025, contributions of nonfinancial assets consist of conservation easements and land. The amounts recognized as revenue within the statement of activities include:

Conservation easements	<u>\$ 4,669,921</u>
------------------------	---------------------

NOTE M - 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 \$140,848 for the fifteen months ended March 31, 2025.

NOTE N - 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 March 31, 2025.

NOTES TO FINANCIAL STATEMENTS- Continued

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

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 March 31, 2025:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
ETFs - equity funds	\$ 9,175,912	\$ -	\$ -	\$ 9,175,912
ETFs - fixed income funds	6,082,706	-	-	6,082,706
ETFs - U.S. treasuries	<u>7,172,205</u>	<u>-</u>	<u>-</u>	<u>7,172,205</u>
	<u>\$22,430,823</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 22,430,823</u>

NOTE O - SUPPLEMENTAL CASH FLOWS INFORMATION

Non-Cash Investing and Financing Activities

During the fifteen months ended March 31, 2025, the Conservancy received donated investments. The Conservancy recorded the donations at the fair market value as of the date of donation and recognized \$1,827,767 in contribution revenue.

During the fifteen months ended March 31, 2025, the Conservancy received twelve donated conservation easements. The Conservancy recorded the donations at the fair market value as of the date of donation and recognized revenue of \$4,669,921 as contributions of nonfinancial assets.

Other Cash Flow Information

Cash paid for interest amounted to \$13,477 for the fifteen months ended March 31, 2025.

NOTE P - COMMITMENTS AND CONTINGENCIES

The Conservancy has received Federal grants from the Agricultural Conservation Easement Program in the fifteen months ended March 31, 2025 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 Q - RELATED PARTIES

In the fifteen months ended March 31, 2025, the Conservancy received a conservation easement on 75 acres of land partially donated by a member of the Board of Directors. The conservation easement value of \$400,000 was partially donated at \$200,000, with the remaining \$200,000 balance paid for through grant funding. The donation was included in gifts of land or development rights on the statement of activities, with the remaining value of \$200,000 recorded as grant revenue.

The Conservancy utilized services through a business, owned by the spouse of an employee, costing \$37,870.

SUPPLEMENTAL INFORMATION

Leelanau Conservancy

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

	Acres Acquired During the Fifteen Months Ended March 31, 2025	Cumulative Acres Acquired Through March 31, 2025
Land acquired for conservation purposes	166	4,179
Conservation easements	1,057	13,576
Transfer and assist projects	<u>-</u>	<u>1,419</u>
Total acres	<u><u>1,223</u></u>	<u><u>19,174</u></u>

FEDERAL PROGRAMS



DENNIS, GARTLAND & NIERGARTH
Business Advisors Since 1973

Certified Public Accountants

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Elizabeth A. Hedden, CPA
Jonathan P. Benjamin, CPA

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER
MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

To the Board of Directors
Leelanau Conservancy

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the **Leelanau Conservancy** (the "Conservancy") (a nonprofit organization), which comprise the statement of financial position as of March 31, 2025, and the related statements of activities, functional expenses and cash flows for the fifteen months then ended, and the related notes to the financial statements, and have issued our report thereon dated August 5, 2025.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Conservancy's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Conservancy's internal control. Accordingly, we do not express an opinion on the effectiveness of the Conservancy's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Conservancy's financial statements will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Board of Directors
Leelanau Conservancy

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Conservancy's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not provide an opinion on the effectiveness of the Conservancy's internal control or on compliance. This report is an integral part of the audit performed in accordance with *Government Auditing Standards* in considering the Conservancy's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Dennis, Gartland & Niergarth

Certified Public Accountants
Traverse City, Michigan

August 5, 2025



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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
 FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
 COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

To the Board of Directors
 Leelanau Conservancy

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the Leelanau Conservancy's (the "Conservancy") compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on the Conservancy's major federal program for the fifteen months ended March 31, 2025. The Conservancy's major federal program is identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

In our opinion, the Conservancy complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended March 31, 2025.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirement for Federal Awards* ("Uniform Guidance"). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Conservancy and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Conservancy's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirement referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the Conservancy's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Conservancy's compliance based on our audit. 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, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk on not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Conservancy's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain profession skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 Conservancy's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Conservancy's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Conservancy's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control over Compliance

A deficiency in internal control over compliance exists when the design or operation of control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these imitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion of the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Dennis, Gartland & Niergarth

Certified Public Accountants
Traverse City, Michigan

August 5, 2025

Leelanau Conservancy

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Fifteen Months Ended March 31, 2025

<u>Federal Grantor / Pass-Through Grantor / Program</u>	<u>Pass Through Number</u>	<u>Assistance Listing Number</u>	<u>Federal Expenditures</u>
United States Department of Agriculture Natural Resources Conservation Service			
Agricultural Conservation Easement Program	555D2120PA008	10.931	<u>\$ 1,497,500</u>
Total United States Department of Agriculture			<u>1,497,500</u>
Total Federal financial assistance			<u><u>\$ 1,497,500</u></u>

Leelanau Conservancy

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

March 31, 2025

- Note 1** The accompanying Schedule of Expenditures of Federal Awards includes the Federal grant activity of the Conservancy, and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* ("Uniform Guidance"). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in, the basic financial statements.
- Note 2** Management has reported that expenditures in the Schedule of Expenditures of Federal Awards are equal to those amounts reported in the annual or final cost reports. Unallowed differences, if any, have been disclosed to the auditor.
- Note 3** The financial reports, including claims for advances and reimbursements, and amounts claimed or used for matching, are timely, complete, accurate and contain information that is supported by the books and records from which the basic financial statements have been prepared.
- Note 4** A reconciliation of expenditures on the Schedule of Expenditures of Federal Awards with the consolidated financial statements is as follows:
- | | |
|---|---------------------|
| Federal expenditures per Schedule of Expenditures of Federal Awards | \$ 1,497,500 |
| Other grant expenditures | <u>1,200</u> |
| Grants per financial statements | <u>\$ 1,498,700</u> |
- Note 5** The Conservancy did not use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

Leelanau Conservancy

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

March 31, 2025

CURRENT YEAR

Section 1 - Summary of Auditors' Results

1. The auditor's report expresses an unmodified opinion on the financial statements of the Leelanau Conservancy.
2. There were no material weaknesses or significant deficiencies in internal control reported as a result of the audit of the financial statements.
3. No instances of noncompliance material to the financial statements, which would be required to be reported in accordance with *Government Auditing Standards* were disclosed during the audit.
4. There were no material weaknesses or significant deficiencies in internal control over major federal award programs.
5. The auditor's report on compliance for the major federal award programs expresses an unmodified opinion on all major federal award programs.
6. There were no audit findings that are required to be reported in accordance with 2 CFR Section 200.516(a).
7. The Conservancy's major federal award program was the Agricultural Conservation Easement Program (Assistance Listing # 10.931).
8. The dollar threshold for distinguishing between Type A and Type B programs was \$750,000.
9. Leelanau Conservancy did not qualify as a low risk auditee.

Section 2 - Findings in Accordance with Government Auditing Standards

No findings.

Section 3 - Findings and Questioned Costs in Accordance with the Uniform Guidance.

No findings or questioned costs.

PRIOR YEAR

An audit in accordance with the Uniform Guidance was not required.