

Grand Traverse Regional Land Conservancy

CONSOLIDATED FINANCIAL STATEMENTS
AND REPORT OF INDEPENDENT
CERTIFIED PUBLIC ACCOUNTANTS

June 30, 2009

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

To the Board of Directors
Grand Traverse Regional Land Conservancy

We have audited the accompanying consolidated statement of financial position of the ***Grand Traverse Regional Land Conservancy*** (the "GTRLC") as of June 30, 2009 and the related consolidated statements of activities, functional expenses and cash flows for the year then ended. These consolidated financial statements are the responsibility of the GTRLC's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Grand Traverse Regional Land Conservancy as of June 30, 2009 and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The supplemental information on pages 24 - 26 is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and, in our opinion, is fairly stated in all material respects in relation to the consolidated financial statements taken as a whole.

Dennis, Gartland & Niergarth

October 14, 2009

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Grand Traverse Regional Land Conservancy

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

June 30, 2009

ASSETS		
CURRENT ASSETS		
Cash (Note B)	\$	371,464
Restricted cash (Note B)		101,710
Investments (Note C)		3,201,169
Pledges receivable (Note D)		<u>1,415,198</u>
Total current assets		<u>5,089,541</u>
FIXED ASSETS , net of accumulated depreciation (Note E)		<u>169,904</u>
LAND UNDER PROTECTION		
Nature preserves (Note F)		13,908,129
Development rights (Note G)		192
Options to purchase land (Note F)		269,400
Land held for transfer (Note F)		<u>6,535,158</u>
Total land under protection		<u>20,712,879</u>
OTHER ASSETS		
Restricted investments for endowments (Note C)		557,358
Restricted investments for stewardship (Note C)		2,605,638
Board designated investments (Note C)		1,394,199
Remainder interest in land (Note F)		348,000
Charitable gift annuity investment (Note C)		238,769
Pledges receivable, net of current portion (Note D)		<u>358,618</u>
Total other assets		<u>5,502,582</u>
Total assets	\$	<u>31,474,906</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Notes payable (Note J)	\$	1,249,000
Accounts payable		106,043
Accrued liabilities		<u>191,135</u>
Total current liabilities		1,546,178
OTHER LIABILITIES		
Notes payable, net of current portion (Note J)		933,631
Accrued gift annuities (Note H)		<u>230,617</u>
Total liabilities		<u>2,710,426</u>
NET ASSETS		
Unrestricted		
Board designated		
Easement defense		217,736
Stewardship		1,176,463
Undesignated		1,399,613
Temporarily restricted		
Specified use (Note K)		11,317,263
Expiration of time (Note K)		348,000
Permanently restricted		
Land under protection (Note L)		13,908,321
Endowment (Note L)		<u>397,084</u>
Total net assets		<u>28,764,480</u>
	\$	<u>31,474,906</u>

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

Grand Traverse Regional Land Conservancy

CONSOLIDATED STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2009

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUE AND SUPPORT				
Grants and contributions	\$ 982,880	\$ 2,949,262	\$ 4	\$ 3,932,146
Benefit proceeds	4,747	-	-	4,747
Loss from investments	(42,251)	(324,853)	-	(367,104)
Interest income	12,402	69,495	-	81,897
Other	74,975	113,236	-	188,211
Net assets released from restriction:				
Satisfaction of program restrictions	4,036,564	(4,036,564)	-	-
Liens released on nature preserves	-	(370,000)	370,000	-
Total revenue and support	<u>5,069,317</u>	<u>(1,599,424)</u>	<u>370,004</u>	<u>3,839,897</u>
EXPENSES				
Program services	3,245,877	-	-	3,245,877
Management and general	263,855	-	-	263,855
Fundraising	439,682	-	-	439,682
Total expenses	<u>3,949,414</u>	<u>-</u>	<u>-</u>	<u>3,949,414</u>
CHANGES IN NET ASSETS	1,119,903	(1,599,424)	370,004	(109,517)
NET ASSETS , beginning of year (as restated in Note O)	<u>1,673,909</u>	<u>13,264,687</u>	<u>13,935,401</u>	<u>28,873,997</u>
NET ASSETS , end of year	<u>\$ 2,793,812</u>	<u>\$ 11,665,263</u>	<u>\$ 14,305,405</u>	<u>\$ 28,764,480</u>

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

Grand Traverse Regional Land Conservancy

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended June 30, 2009

	Program Services	Management and General	Fund Raising	Total
Salaries	\$ 868,444	\$ 127,506	\$ 241,981	\$ 1,237,931
Employee benefits	171,152	25,129	47,689	243,970
Payroll taxes	63,987	9,395	17,829	91,211
Professional development	11,400	1,674	3,176	16,250
Interest (Note J)	98,979	84	80	99,143
Provision for doubtful pledges	48,762	-	-	48,762
Professional fees	205,139	42,252	-	247,391
Lease expense	-	3,967	3,968	7,935
Transfers to other organizations	255,173	-	-	255,173
Title work and recording fees	72,349	-	-	72,349
Property tax expenses	66,634	-	-	66,634
Repairs and maintenance	21,492	3,155	5,988	30,635
Other supplies	19,367	-	-	19,367
Travel	9,826	1,405	2,666	13,897
Rent (Note P)	65,994	9,689	18,388	94,071
Depreciation (Note E)	38,096	4,067	7,718	49,881
Insurance	15,517	2,278	4,323	22,118
Utilities	8,567	1,053	1,999	11,619
Office supplies	5,716	816	1,548	8,080
Telephone	7,538	1,107	2,100	10,745
Miscellaneous	57,731	1,707	4,917	64,355
Printing and publishing	3,282	15,137	44,642	63,061
Postage	422	11,053	11,053	22,528
Merchandise and fundraising events	12,006	1,728	15,516	29,250
Dues and subscriptions	4,445	653	1,238	6,336
Advertising	2,863	-	2,863	5,726
Extinguished development value on conservation easements	<u>1,110,996</u>	<u>-</u>	<u>-</u>	<u>1,110,996</u>
	<u>\$ 3,245,877</u>	<u>\$ 263,855</u>	<u>\$ 439,682</u>	<u>\$ 3,949,414</u>

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

Grand Traverse Regional Land Conservancy

CONSOLIDATED STATEMENT OF CASH FLOWS

For the Year Ended June 30, 2009

CASH FLOWS FROM OPERATING ACTIVITIES

Changes in net assets	\$ (109,517)
Adjustments to reconcile changes in net assets to net cash flows from operating activities	
Depreciation	49,881
Development rights extinguished	1,110,996
Unrealized loss on investments	486,645
Realized gain on investments	(119,541)
Donated development rights	(994,066)
Land options expired	75,000
Decrease in pledges receivable	895,497
Increase in accounts payable and accrued liabilities	<u>129,484</u>
Net cash provided by operating activities	<u>1,524,379</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Acquisition of development rights	(116,934)
Proceeds from the sale of preserves	6,344
Acquisition of property and equipment	(19,950)
Acquisition of land held for transfer	(442,750)
Land options exercised	105,000
Payment on land options	(176,400)
Acquisition of investments	(5,161,843)
Proceeds from sale of investments	<u>4,414,823</u>
Net cash used by investing activities	<u>(1,391,710)</u>

CASH FLOWS FROM FINANCING ACTIVITIES

Principal payments on long-term debt	<u>(283,168)</u>
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NET DECREASE IN CASH

(150,499)

Cash, beginning of period	<u>623,673</u>
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Cash, end of period	<u>\$ 473,174</u>
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Cash per Statement of Financial Position

Unrestricted	\$ 371,464
Restricted	<u>101,710</u>

\$ 473,174

Cash paid for interest during the period	<u>\$ 95,681</u>
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Grand Traverse Regional Land Conservancy

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE A - NATURE OF OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES

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

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

Basis of Accounting

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

Principles of Consolidation

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

Use of Estimates in the Preparation of Financial Statements

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

Cash Equivalents

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

Investments

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

Land

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

Conservation Easements

A conservation easement is a legal agreement between a landowner and a qualified conservation organization (i.e. 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 gift of land or development rights in the Statement of Activities. Once the development rights for a specific conservation easement are extinguished, generally immediately after acquisition, a valuation allowance is established to reduce the value of the conservation easement to \$1. This value reflects the lack of marketability related to the easements. The reduction in value due to extinguishments of development rights is reflected as a program expense in the Statement of Activities and extinguished development value on conservation easements on the Statement of Functional Expenses.

Fixed Assets

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

Net Assets

Net assets consist of the following:

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

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

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

Contributions

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

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

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

Charitable Gift Annuities

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

Contributed Services

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

Income Taxes

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

Change in Accounting Policy

As described in Note O to the financial statements, the GTRLC changed its method of accounting for conservation easements in the year ended June 30, 2009.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - Continued

NOTE B - DEPOSITS

The GTRLC maintains substantially all of its cash at two financial institutions. Separate accounts are maintained where required by funding sources. A summary of cash deposits in the consolidated statement of financial position consist of the following at June 30, 2009:

	<u>Bank Amount</u>	<u>Carrying Amount</u>
Insured (FDIC)	<u>\$ 469,935</u>	<u>\$ 473,174</u>
Financial Statement Presentation		
Cash		\$ 371,464
Restricted cash		<u>101,710</u>
		<u>\$ 473,174</u>

NOTE C - INVESTMENTS

The GTRLC's investments are held in trust by financial institutions and consist of the following at June 30, 2009:

	<u>Cost</u>	<u>Market</u>
Cash equivalents and certificate of deposit	\$ 3,277,612	\$ 3,276,123
Mutual fund equity securities	3,018,226	2,633,165
Debt securities	<u>2,078,964</u>	<u>2,087,845</u>
Totals	<u>\$ 8,374,802</u>	<u>\$ 7,997,133</u>
Financial Statement Presentation		
Current investments		\$ 3,201,169
Restricted investments for stewardship		2,605,638
Charitable gift annuity investment		238,769
Board designated investments		1,394,199
Restricted investments for endowments		<u>557,358</u>
		<u>\$ 7,997,133</u>

NOTE D - PLEDGES RECEIVABLE

As of June 30, 2009, the GTRLC has received restricted pledges for the preservation of the Coastal Dunes Project totaling approximately \$17,100,000, of which approximately \$14,813,000 has been collected and approximately \$271,000 has been written off. Substantially all receivables are pledged over a three to five-year period. The pledges are recorded at the present value of the future cash flows, utilizing an imputed interest rate of 7.25%, which equals \$1,850,000. This interest rate reflects the long-term borrowing rate available to the GTRLC in financing property acquisitions. The GTRLC amortizes imputed interest through a charge to pledge receivables and a credit to contributions. Imputed interest of \$204,673 will be amortized through 2013.

During the year ended June 30, 2009, the GTRLC received substantially all scheduled payments on a timely basis. However, the GTRLC maintains allowances for doubtful pledges for estimated losses resulting from an inability of its donors to make pledged payments. Based on management's assessment, the GTRLC provides for estimated uncollectible amounts through a charge to program services expense and a credit to a valuation allowance. The allowance for doubtful pledges was \$79,025 at June 30, 2009.

Financial Statement Presentation

Pledge receivables, current	\$ 1,415,198
Pledge receivables, due June 30, 2010 - 2013	<u>358,618</u>
	<u>\$ 1,773,816</u>

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

NOTE E - FIXED ASSETS

Fixed assets comprised of the following at June 30, 2009:

Office equipment	\$ 466,725
Leasehold improvements	49,035
Equipment	<u>123,322</u>
Total fixed assets, at cost	639,082
Less accumulated depreciation	<u>(469,178)</u>
Total fixed assets, net of accumulated depreciation	<u>\$ 169,904</u>

Total depreciation expense was \$49,881 for the year ended June 30, 2009.

NOTE F - LAND

Remainder Interest in Land

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

Nature Preserves

Nature preserves acquired by the GTRLC are as follows:

	Acquired During the Year Ended June 30, 2009	Total Acquired Through June 30, 2009
Arcadia Dunes	- Acres	3,600.00 Acres
Bauer	110.00	356.53
Boardman	-	47.00
Brinkman Bog	-	46.10
Carter Strong Bird Sanctuary	-	6.27
Cosner	-	134.63
Criger Nature Preserve	-	5.28
Elizabeth Parr	-	4.70
Edwards, Howard and Mary Dunn	-	77.00
Fox Island	-	10.00
Fruithaven Orchards	-	177.00
Golden Days Loon Preserve	-	18.04
Green Point Dunes	-	241.84
Halladay Hicks Chowning	-	40.50
Herring Lake	-	158.65
Kewadin Wetlands	-	40.50
Lake St. Clair/Six Mile Lake	-	188.70
Medenbrook	-	37.00
Mitchell Creek Preserve	-	128.39
North Skegemog	-	36.72
Palastra	-	35.55
Papoose Lake Preserve	-	46.00
Point Betsie	-	62.00
Polaczyk	-	5.00
Wilcox-Palmer-Sha	-	40.64
Pyatt Lake	-	155.00
Reffitt	-	83.99
Sagaser	-	20.00
Seven Bridges Cabin	-	5.60
South Island	-	13.80
Trapp Farm	-	139.84
	<u>110.00</u>	<u>5,962.27</u>
Total Acres	<u>110.00</u>	<u>5,962.27</u>
	<u>\$ 370,000</u>	<u>\$13,908,129</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - Continued

During the year ended June 30, 2009, 110 acres of land valued at \$370,000 was acquired by purchase or donation and permanently protected.

Options to Purchase Land

Options to purchase land are held for projects the GTRLC is assisting with or for properties to be added to the nature preserves in perpetuity for which the funding is not complete. Options, which are stated at cost, were held for the following projects as of June 30, 2009:

	<u>Purchase Price</u>
Warner/Pyatt Lake	\$ 150,000
GRNA Assist - Triple D Investments	46,400
Goodheart	3,000
Acme Shoreline	<u>70,000</u>
	<u>\$ 269,400</u>

During the year ended June 30, 2009, one option valued at \$105,000 was exercised, three options valued at \$176,400 were purchased, and one option valued at \$75,000 was terminated.

Land Held for Transfer

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

During the year ended June 30, 2009, the GTRLC acquired land valued at \$1,200,000.

Land held for transfer consists of:

	<u>Beginning of Year</u>	<u>Purchase/ Donation</u>	<u>Transfers/ Sales</u>	<u>End of Year</u>
Arcadia/CMS	\$ 2,052,950	\$ -	\$ -	\$ 2,052,950
Elberta Dunes	-	1,200,000	-	1,200,000
Jaxon Creek	960,000	-	-	960,000
Maple Bay	529,730	-	-	529,730
Sevald	370,000	-	-	370,000
Bash II	352,998	-	-	352,998
Schmidt Outlet Project	250,000	-	-	250,000
Arcadia Marsh	250,000	-	-	250,000
Lezotte	165,000	-	-	165,000
Neahtawanta	156,108	-	-	156,108
Hersha	158,724	-	6,344	152,380
Deadstream Swamp	75,000	-	-	75,000
Boardman/McDonald	20,992	-	-	20,992
Smith and Pfeifle	<u>370,000</u>	<u>-</u>	<u>370,000</u>	<u>-</u>
	<u>\$ 5,711,502</u>	<u>\$ 1,200,000</u>	<u>\$ 376,344</u>	<u>\$ 6,535,158</u>

NOTE G - DEVELOPMENT RIGHTS

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

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

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

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

<u>County</u>	<u>Secured During the Year Ended June 30, 2009</u>		<u>Total Secured Through June 30, 2009</u>	
	<u>Number of Easements</u>	<u>Acres Protected</u>	<u>Number of Easements</u>	<u>Acres Protected</u>
Antrim	-	-	33	2,484.82
Benzie	2	193.50	27	1,839.93
Grand Traverse	1	80.00	91	5,957.60
Kalkaska	1	320.00	30	3,380.09
Leelanau	-	-	1	80.00
Manistee	-	-	10	1,084.41
Total	<u>4</u>	<u>593.50</u>	<u>192</u>	<u>14,826.85</u>

The total value of development rights acquired during the year is estimated to be \$1,111,000 of which \$1,110,996 has been extinguished and reported as an expense.

At June 30, 2009, the total value of development rights acquired by the GTRLC was \$48,392,044, of which \$48,391,852 has been extinguished.

NOTE H - GIFT ANNUITIES

As of June 30, 2009, the GTRLC has received \$400,522 in gift annuity agreement contributions which were added to the general investments of the GTRLC. In consideration of the contributions, the GTRLC is obligated to make agreed upon quarterly payments for the remainder of the donors' lives. During the year ended June 30, 2009, the GTRLC made payments totaling \$35,257. The obligation is recorded at the net present value of future cash outflows, utilizing life expectancy tables as provided in IRS section 1.401(a)(9)-9 and a discount rate of 6.5%, which is estimated at \$265,874 at June 30, 2009. The discount rate reflects the level of assessed risk related to future payments and the borrowing rate available to the GTRLC.

Financial Statement Presentation

Accrued current liabilities	\$ 35,257
Accrued gift annuities	<u>230,617</u>
	<u>\$ 265,874</u>

NOTE I - JOINT VENTURES

Little Traverse Conservancy

The GTRLC entered into a cooperative agreement with the Little Traverse Conservancy, which involved a joint fundraising effort for the purchase of the Lake St. Clair/Six Mile Lake Natural Area Project. The project's activities are accounted for by the GTRLC, with the land included in nature preserves. The Little Traverse Conservancy retains an undivided 50% interest in the total nature preserve, valued at \$194,310 on June 30, 2009.

Manistee County

On October 25, 2001, the GTRLC Board of Directors voted to expand the GTRLC's service area by adding Manistee County. This Board action followed a decision by the all-volunteer Pt. Betsie to Sable Conservancy to pursue a merger with the GTRLC so that, among other things, professionally trained staff would be available to expedite and increase land protection work in Manistee County. Until such time as the merger occurs, the two conservancies pursue projects jointly. The merger process continued in 2009.

Assist Projects

The GTRLC has assisted other governmental units in significant land protection accomplishments that are not recognized on its statement of financial position. Since its inception in 1991, the GTRLC has spearheaded efforts to work with both the Michigan Department of Natural Resources and local units of government in securing \$34.0 million in grants from the Michigan Natural Resources Trust Fund. These grants have assisted the GTRLC and governmental partners in protecting 5,428 acres of land.

NOTE J - NOTES PAYABLE

Notes payable consists of the following:

For Sevald Project

Promissory note payable with interest at 0%; secured by related property; due on December 31, 2009. \$ 180,000

For Hersha Project

Land contract with annual payments, including interest at 5%, of \$66,000 and \$34,000 for the years ending June 30, 2010 and 2011, respectively; secured by related property; due in January 2011. 92,381

For Arcadia Marsh Project

Land contract with annual payments of \$9,000 and \$144,000, plus interest at 5% for the years ending June 30, 2010 and 2011, respectively; secured by related property; due on December 7, 2010. 153,000

For Elberta Dunes Project

Land contract with payment of \$757,250, plus interest at 2.375% for the year ending June 30, 2011, secured by related property; due on January 5, 2011. 757,250

For Jaxon Creek Project

Loan payable with monthly interest payments at .75% below bank prime rate; secured by related property; due on September 28, 2009. 1,000,000

2,182,631

Less current portion 1,249,000

\$ 933,631

Interest expense was \$99,143 for the year ended June 30, 2009.

Principal maturities of notes payable are as follows:

<u>Years Ending June 30</u>	
2010	\$ 1,249,000
2011	<u>933,631</u>
Total	<u>\$ 2,182,631</u>

NOTE K - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets for specified use consists of the following at June 30, 2009:

Net assets restricted for:	
Land protection and Stewardship	\$ 11,124,345
Spendable endowment income reinvested	191,660
Spendable endowment income in restricted cash	<u>1,258</u>
	<u>\$ 11,317,263</u>

Net assets temporarily restricted by the expiration of time, consists of the following at June 30, 2009:

Net assets restricted for:	
Remainder interest in land (Note F)	<u>\$ 348,000</u>

NOTE L - PERMANENTLY RESTRICTED NET ASSETS

Permanently restricted net assets for land under protection consists of the following at June 30, 2009:

Net assets restricted for	
Preserves	\$ 13,908,129
Development rights	<u>192</u>
	<u>\$ 13,908,321</u>

Permanently restricted net assets for endowment consists of the following at June 30, 2009:

Net assets restricted for	
Restricted investments for endowment	\$ 557,358
Spendable endowment income	<u>(160,274)</u>
	<u>\$ 397,084</u>

NOTE M - ENDOWMENT

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

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

	<u>2009</u>
Temporarily restricted	\$ 192,918
Permanently restricted	<u>397,084</u>
	<u>\$ 590,002</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - Continued

The net changes in endowment net assets are as follows for June 30, 2009:

	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 244,265	\$ 397,084	\$ 641,349
Investment return			
Investment income	518	-	518
Net depreciation (realized and unrealized)	<u>(48,419)</u>	<u>-</u>	<u>(48,419)</u>
Total investment return	<u>(47,901)</u>	<u>-</u>	<u>(47,901)</u>
Appropriation of endowment assets for expenditure	<u>(3,446)</u>	<u>-</u>	<u>(3,446)</u>
	<u>\$ 192,918</u>	<u>\$ 397,084</u>	<u>\$ 590,002</u>

Return Objectives and Risk Parameters

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

Strategies Employed for Achieving Objectives

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

Spending Policy and How the Investment Objectives Relate to Spending Policy

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

NOTE N - FAIR VALUE MEASUREMENTS

Financial Accounting Standards Board Statement No. 157, Fair Value Measurements ("FASB Statement No. 157"), establishes a framework for measuring fair value. That framework 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 under FASB Statement No. 157 are described below:

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

Level 2 - Inputs to the valuation methodology include:

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

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

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

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

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at June 30, 2009.

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

Debt securities: 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 GTRLC believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - Continued

The following table sets forth by level, within the fair value hierarchy, the GTRLC's assets at fair value as of June 30, 2009:

<u>Assets at Fair Value as of June 30, 2009</u>				
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Mutual fund equity securities	\$ 2,633,165	\$ -	\$ -	\$ 2,633,165
Debt securities	2,087,845	-	-	2,087,845
Development rights	<u>-</u>	<u>-</u>	<u>192</u>	<u>192</u>
	<u>\$ 4,721,010</u>	<u>\$ -</u>	<u>\$ 192</u>	<u>\$ 4,721,202</u>

NOTE O - CHANGE IN ACCOUNTING POLICY

As described further in Note A, the GTRLC has changed its method of accounting to value all conservation easements at their fair value at the time of receipt based on State certified appraisals. The GTRLC previously valued purchased easements at their appraised value and did not value donated easements. Additionally, the GTRLC changed its policy to recognize the effective extinguishment of development rights associated with conservation easements as an expense. The GTRLC believes the new method is preferable because donated development rights have significant value when donated, but extinguished development rights do not retain significant value. Further, reporting their extinguishment as an expense better reflects the value associated with the GTRLC's activities as it pursues the protection of land by acquiring conservation easements.

These changes were implemented as shown below, by retrospective application to all periods presented and a corresponding adjustment to the opening balance of net assets for the cumulative effect of the change on all prior periods, as follows:

Net Assets as of June 30, 2008	<u>Originally Reported</u>	<u>Change</u>	<u>Restated</u>
Unrestricted	\$ 1,673,909	\$ -	\$ 1,673,909
Temporarily restricted for			
Specific use	12,916,687	-	12,916,687
Expiration of time	348,000	-	348,000
Permanently restricted for			
Land under protection	20,546,779	(7,008,462)	13,538,317
Endowment	<u>397,084</u>	<u>-</u>	<u>397,084</u>
Net assets, beginning of year	<u>\$ 35,882,459</u>	<u>\$ (7,008,462)</u>	<u>\$ 28,873,997</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - Continued

Net Assets as of June 30, 2008	Originally Reported	Change	Restated
Conservancy fund	\$ 2,021,908	\$ -	\$ 2,021,908
Land and Stewardship funds	33,219,202	(7,008,462)	26,210,740
Endowment fund	<u>641,349</u>	<u>-</u>	<u>641,349</u>
Net assets, beginning of year	<u>\$ 35,882,459</u>	<u>\$ (7,008,462)</u>	<u>\$ 28,873,997</u>

NOTE P - OFFICE LEASE

The GTRLC entered into a three-year operating lease for office space beginning October 1, 2008 and ending September 30, 2011. The lease requires the GTRLC to pay utilities, insurance covering personal property and all personal property and property taxes. The landlord is obligated for insurance covering the building. Rent was \$94,071 for the year ended June 30, 2009.

Future minimal rentals are as follows:

<u>Year Ending June 30,</u>	<u>Annual Minimum Lease Payment</u>
2010	\$ 90,933
2011	92,754
2012	23,535

NOTE Q - RETIREMENT PLAN

The GTRLC's employees are eligible after one year of service to participate in the Grand Traverse Regional Land Conservancy Retirement Plan (the "Plan"). The Plan was established under the provisions of Section 403(b) of the Internal Revenue Code. The Plan has two components. An employer discretionary contribution, if approved by the Board of Directors, is contributed throughout the year based on percentages of salary as specified in the Plan document which takes into consideration years of service. The second component represents a matching contribution, paid as a dollar-for-dollar match against monies employees elect to have deducted from their pay, subject to limitations established under the Plan. The matching component was discontinued in December 2008. The GTRLC's total contribution to the Plan for the year ended June 30, 2009 was \$56,767.

NOTE R - GRAND TRAVERSE REGIONAL COMMUNITY FOUNDATION

Through its fundraising projects, the GTRLC accepts donations directly or encourages donors to contribute to the Grand Traverse Regional Land Conservancy Agency Fund, the Evelyn A. and Charles H. Drummond Skegemog Lake Wildlife Area Education Fund and the Grand Traverse Regional Land Conservancy Environmental Education Fund, maintained by the Grand Traverse Regional Community Foundation. GTRLC is the named beneficiary of all these endowment funds. Summary financial information of the endowment funds for the most recently available report for the year ended December 31, 2008 is as follows:

Beginning net assets	\$ 747,497
Contributions	6,145
Investment gains (losses), net of fees	(216,625)
Distributions	(16,462)
Expenses	<u>(6,068)</u>
Ending net assets	<u>\$ 514,487</u>
Net assets consist of	
Pooled investments	<u>\$ 514,487</u>

In accordance with the Grand Traverse Regional Community Foundation spending policy, the GTRLC may spend a maximum of \$32,232 for the year ending December 31, 2009.

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

NOTE S - SUPPLEMENTAL CASH FLOWS INFORMATION

Non-Cash Investing and Financing Activities

The GTRLC purchased two conservation easements below fair market value as determined by a State certified appraiser. The GTRLC recorded the conservation easements at their fair market value as of the date of the purchase and recognized \$561,066 in contribution revenues.

The GTRLC received two donated conservation easements. The GTRLC recorded the donations at their fair market value as of the date of donation and recognized \$433,000 in contribution revenues.

An option of \$75,000 was terminated.

Land of \$370,000 was transferred to nature preserves.

SUPPLEMENTAL INFORMATION

Grand Traverse Regional Land Conservancy

CONSOLIDATING STATEMENT OF FINANCIAL POSITION

June 30, 2009

	Conservancy Fund	Land Protection and Stewardship Fund	Endowment Fund	Total
ASSETS				
CURRENT ASSETS				
Cash	\$ 371,464	\$ -	\$ -	\$ 371,464
Restricted cash	-	100,452	1,258	101,710
Investments	924,613	2,245,170	31,386	3,201,169
Pledges receivable	<u>170,000</u>	<u>1,245,198</u>	-	<u>1,415,198</u>
Total current assets	<u>1,466,077</u>	<u>3,590,820</u>	<u>32,644</u>	<u>5,089,541</u>
FIXED ASSETS , net of accumulated depreciation	<u>127,207</u>	<u>42,697</u>	-	<u>169,904</u>
LAND UNDER PROTECTION				
Nature preserves	-	13,908,129	-	13,908,129
Development rights	-	192	-	192
Options to purchase land	-	269,400	-	269,400
Land held for transfer	-	<u>6,535,158</u>	-	<u>6,535,158</u>
Total land under protection	<u>-</u>	<u>20,712,879</u>	<u>-</u>	<u>20,712,879</u>
OTHER ASSETS				
Restricted investments for endowments	-	-	557,358	557,358
Restricted investments for stewardship	-	2,605,638	-	2,605,638
Board designated investments	1,394,199	-	-	1,394,199
Remainder interest in land	348,000	-	-	348,000
Charitable gift annuity investment	-	238,769	-	238,769
Pledges receivable, net of current portion	<u>53,938</u>	<u>304,680</u>	-	<u>358,618</u>
Total other assets	<u>1,796,137</u>	<u>3,149,087</u>	<u>557,358</u>	<u>5,502,582</u>
	<u>\$ 3,389,421</u>	<u>\$ 27,495,483</u>	<u>\$ 590,002</u>	<u>\$ 31,474,906</u>

Grand Traverse Regional Land Conservancy

CONSOLIDATING STATEMENT OF FINANCIAL POSITION - Continued

June 30, 2009

	Conservancy Fund	Land Protection and Stewardship Fund	Endowment Fund	Total
LIABILITIES AND NET ASSETS				
CURRENT LIABILITIES				
Notes payable	\$ -	\$ 1,249,000	\$ -	\$ 1,249,000
Accounts payable	104,544	1,499	-	106,043
Accrued liabilities	<u>143,065</u>	<u>48,070</u>	-	<u>191,135</u>
Total current liabilities	247,609	1,298,569	-	1,546,178
OTHER LIABILITIES				
Notes payable, net of current portion	-	933,631	-	933,631
Accrued gift annuities	<u>-</u>	<u>230,617</u>	-	<u>230,617</u>
Total liabilities	<u>247,609</u>	<u>2,462,817</u>	-	<u>2,710,426</u>
NET ASSETS				
Unrestricted				
Board designated				
Easement defense	217,736	-	-	217,736
Stewardship	1,176,463	-	-	1,176,463
Undesignated	1,399,613	-	-	1,399,613
Temporarily restricted				
Specified use	-	11,124,345	192,918	11,317,263
Expiration of time	348,000	-	-	348,000
Permanently restricted				
Land under protection	-	13,908,321	-	13,908,321
Endowment	<u>-</u>	<u>-</u>	<u>397,084</u>	<u>397,084</u>
Total net assets	<u>3,141,812</u>	<u>25,032,666</u>	<u>590,002</u>	<u>28,764,480</u>
	<u>\$ 3,389,421</u>	<u>\$ 27,495,483</u>	<u>\$ 590,002</u>	<u>\$ 31,474,906</u>

Grand Traverse Regional Land Conservancy

CONSOLIDATING STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2009

	Conservancy Fund	Land Protection and Stewardship Fund	Endowment Fund	Total
REVENUE AND SUPPORT				
Grants and contributions	\$ 982,880	\$ 2,949,266	\$ -	\$ 3,932,146
Benefit proceeds	4,747	-	-	4,747
(Loss) gain from investments	(42,251)	(276,434)	(48,419)	(367,104)
Interest income	12,402	68,977	518	81,897
Other	74,975	113,236	-	188,211
	<u>1,032,753</u>	<u>2,855,045</u>	<u>(47,901)</u>	<u>3,839,897</u>
Total revenue and support				
EXPENSES				
Salaries	1,237,931	-	-	1,237,931
Employee benefits	243,970	-	-	243,970
Payroll taxes	91,211	-	-	91,211
Professional development	16,250	-	-	16,250
Interest	442	98,036	665	99,143
Provision for doubtful pledges	-	48,762	-	48,762
Professional fees	111,626	135,765	-	247,391
Lease expense	7,935	-	-	7,935
Transfers to other organizations	-	255,173	-	255,173
Title work and recording fees	-	72,349	-	72,349
Property tax expenses	-	66,634	-	66,634
Repairs and maintenance	30,635	-	-	30,635
Other supplies	14,824	4,543	-	19,367
Travel	13,641	256	-	13,897
Rent	94,071	-	-	94,071
Depreciation	39,483	10,398	-	49,881
Insurance	22,118	-	-	22,118
Utilities	10,226	1,393	-	11,619
Office supplies	7,918	162	-	8,080
Telephone	10,745	-	-	10,745
Miscellaneous	18,249	43,325	2,781	64,355
Printing and publishing	60,759	2,302	-	63,061
Postage	22,106	422	-	22,528
Merchandise and fundraising events	29,015	235	-	29,250
Dues and subscriptions	6,336	-	-	6,336
Advertising	5,726	-	-	5,726
Conservation easement valuation	-	1,110,996	-	1,110,996
	<u>2,095,217</u>	<u>1,850,751</u>	<u>3,446</u>	<u>3,949,414</u>
Total expenses				
REVENUES OVER (UNDER) EXPENSES	(1,062,464)	1,004,294	(51,347)	(109,517)
OTHER FINANCING SOURCES (USES)				
Transfers in (out)	2,182,368	(2,182,368)	-	-
CHANGE IN NET ASSETS	1,119,904	(1,178,074)	(51,347)	(109,517)
NET ASSETS , beginning of year (as restated in Note O)	<u>2,021,908</u>	<u>26,210,740</u>	<u>641,349</u>	<u>28,873,997</u>
NET ASSETS , end of year	<u>\$ 3,141,812</u>	<u>\$ 25,032,666</u>	<u>\$ 590,002</u>	<u>\$ 28,764,480</u>