

LITTLE TRAVERSE CONSERVANCY, INC.

(a Michigan nonprofit corporation)

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FINANCIAL STATEMENTS  
AND OTHER FINANCIAL INFORMATION  
for the year ended December 31, 2022

KAMMERMANN & BASCOM, P.C.  
CERTIFIED PUBLIC ACCOUNTANTS  
CHARLEVOIX, MICHIGAN

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# KAMMERMANN & BASCOM, P.C.

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*Certified Public Accountants*

Velda K. Kammermann, CPA  
Corey R. Bascom, CPA

Established 1988  
www.northmi.cpa

## INDEPENDENT AUDITOR'S REPORT

June 5, 2023

To the Board of Trustees of  
Little Traverse Conservancy, Inc.:

### **Report on the Audit of the Financial Statements**

#### ***Opinion***

We have audited the accompanying financial statements of Little Traverse Conservancy, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2022, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

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

#### ***Basis for Opinion***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Little Traverse Conservancy, Inc. 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.

*~ Boyne City ~*

116 E. Main Street  
Boyne City, MI 49712  
p: 231-582-7211

*~ Charlevoix ~*

110 Park Avenue  
Charlevoix, MI 49720  
p: 231-547-4911

*~ Petoskey ~*

2780 Charlevoix Avenue – Unit 16  
Petoskey, MI 49770  
p: 231-348-6930

***Responsibilities of Management for the Financial Statements (Continued)***

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 Little Traverse Conservancy, Inc.'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 the generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgement made by a reasonable user based on the financial statements.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Little Traverse Conservancy, Inc.'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 Little Traverse Conservancy, Inc.'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 fund schedules listed as additional information in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

*Kammermann & Bascom, P.C.*

LITTLE TRAVERSE CONSERVANCY, INC.

STATEMENT OF FINANCIAL POSITION

December 31, 2022

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ASSETS

CURRENT ASSETS:

Cash and cash equivalents	\$ 5,699,868
Land held for resale	368,665
Prepaid expenses	<u>124,561</u>

Total current assets 6,193,094

LAND, BUILDING AND EQUIPMENT:

Land and improvements	\$ 633,198
Buildings and improvements	566,998
Furniture, fixtures and equipment	126,552
Vehicles	<u>187,263</u>
	1,514,011
Less accumulated depreciation	<u>(783,333)</u>

Total land, building and equipment 730,678

OTHER ASSETS:

Endowment investments (Notes F and H)	17,323,714
Split-interest agreements (Notes F and I)	698,050
Working forest planning, net of amortization (Note J)	693
Conservation easements	6,540,209
Nature preserves	<u>103,882,308</u>

Total other assets 128,444,974

Total assets \$ 135,368,746

The accompanying notes are a part of the financial statements.

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES:

Accounts payable	\$ 42,228
Accrued vacation	9,218
Current portion of long-term debt	<u>821,574</u>

Total current liabilities 873,020

LONG-TERM DEBT (Note M):

Land contracts payable	\$ 913,123
Less current portion of long-term debt	<u>(821,574)</u>

Total long-term debt 91,549

OTHER LIABILITIES:

Deferred revenue, charitable gift annuity funds (Note I)	<u>174,131</u>
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Total liabilities 1,138,700

NET ASSETS:

Without donor restrictions	3,923,501
With donor restrictions (Note N)	<u>130,306,545</u>

Total net assets 134,230,046

Total liabilities and net assets \$ 135,368,746

LITTLE TRAVERSE CONSERVANCY, INC.

STATEMENT OF ACTIVITIES

for the year ended December 31, 2022

	Without Donor Restrictions	With Donor Restrictions	Total All Funds
<b>REVENUES AND SUPPORT:</b>			
Contributions and grants	\$ 121,830	\$ 7,046,741	\$ 7,168,571
Contributions of nonfinancial assets	-	1,293,693	1,293,693
Memberships	1,204,203	-	1,204,203
Investment income	278,745	83,465	362,210
Special event, net expenses of \$26,380	191,440	-	191,440
Realized losses on sale of land and equipment	-	(72,420)	(72,420)
Realized gains on investments	-	44,835	44,835
Unrealized losses on investments	(43,474)	(3,594,556)	(3,638,030)
Other income	6,327	28,409	34,736
Support provided by expiring time and purpose restrictions	<u>(3,307,486)</u>	<u>3,307,486</u>	<u>-</u>
 Total revenues and support	 (1,548,415)	 8,137,653	 6,589,238
<b>EXPENSES:</b>			
Program services:			
Land preservation	451,621	-	451,621
Stewardship	1,012,496	-	1,012,496
Education and outreach	<u>348,629</u>	<u>-</u>	<u>348,629</u>
Total program services	1,812,746	-	1,812,746
Supporting services:			
Management	143,241	-	143,241
Fundraising	<u>232,087</u>	<u>-</u>	<u>232,087</u>
Total supporting services	<u>375,328</u>	<u>-</u>	<u>375,328</u>
Total expenses	<u>2,188,074</u>	<u>-</u>	<u>2,188,074</u>
Change in net assets	(3,736,489)	8,137,653	4,401,164
NET ASSETS, January 1, 2022	<u>7,659,990</u>	<u>122,168,892</u>	<u>129,828,882</u>
NET ASSETS, December 31, 2022	<u>\$ 3,923,501</u>	<u>\$130,306,545</u>	<u>\$ 134,230,046</u>

The accompanying notes are a part of the financial statements.



LITTLE TRAVERSE CONSERVANCY, INC.  
STATEMENT OF FUNCTIONAL EXPENSES  
for the year ended December 31, 2022

	Program Services			
	Land Preservation	Stewardship	Education and Outreach	Total
Salaries and wages	\$ 203,398	\$ 436,453	\$ 200,818	\$ 840,669
Payroll taxes	16,090	34,526	15,886	66,502
Employee benefits	54,806	117,601	54,111	226,518
Professional services	25,323	20,998	14,513	60,834
Insurance	13,887	18,516	4,629	37,032
Printing	17,916	17,916	17,916	53,748
Grants	-	30,000	-	30,000
Office supplies	5,421	8,468	1,807	15,696
Travel and meetings	20,962	27,949	13,974	62,885
Telephone and internet	5,081	3,810	2,540	11,431
Signs and materials	-	57,000	-	57,000
Property taxes	22,121	-	-	22,121
Other land protection costs	-	118,857	-	118,857
Utilities	2,410	16,564	803	19,777
Repairs and maintenance	10,439	36,525	3,479	50,443
Conferences and education	3,694	1,847	1,847	7,388
Postage	6,865	6,865	6,865	20,595
Memberships and dues	7,640	7,640	3,819	19,099
Depreciation	14,244	47,464	4,748	66,456
Interest	18,701	-	-	18,701
Miscellaneous	2,623	3,497	874	6,994
Totals	\$ 451,621	\$ 1,012,496	\$ 348,629	\$ 1,812,746

The accompanying notes are a part of the financial statements.

Supporting Services

<u>Management</u>	<u>Fundraising</u>	<u>Total</u>	<u>Total Expenses</u>
\$ 81,983	\$ 126,026	\$ 208,009	\$ 1,048,678
6,486	9,970	16,456	82,958
22,090	33,958	56,048	282,566
2,200	2,200	4,400	65,234
4,629	4,629	9,258	46,290
5,533	19,761	25,294	79,042
-	-	-	30,000
1,807	1,807	3,614	19,310
3,494	3,493	6,987	69,872
635	635	1,270	12,701
-	-	-	57,000
-	-	-	22,121
-	-	-	110,057
804	804	1,608	21,385
3,480	3,480	6,960	57,403
-	-	-	7,388
4,478	19,702	24,180	44,775
-	-	-	19,099
4,748	4,748	9,496	75,952
-	-	-	18,701
874	874	1,748	8,742
<u>\$ 143,241</u>	<u>\$ 232,087</u>	<u>\$ 375,328</u>	<u>\$ 2,188,074</u>

# LITTLE TRAVERSE CONSERVANCY, INC.

## STATEMENT OF CASH FLOWS

for the year ended December 31, 2022

### CASH FLOWS FROM OPERATING ACTIVITIES:

Change in net assets		\$ 4,401,164
Adjustments to reconcile change in net assets to net cash used by operating activities:		
Depreciation and amortization	\$ 81,333	
Unrealized losses on investments	3,638,030	
Realized gains on investments	(44,834)	
Realized losses on sale of property and equipment	72,420	
Change in split-interest agreements	(61,584)	
Noncash contributions	(1,293,693)	
Contributions restricted for land protection	(7,446,296)	
Contributions for endowment	(894,138)	
Decrease (increase) in operating assets:		
Prepaid expenses	68,591	
Pledges receivable	120,000	
Land held for resale	(149,245)	
Decrease in operating liabilities,		
Accounts payable and accrued expenses	<u>(23,460)</u>	
Total adjustments		<u>(5,932,876)</u>
Net cash flows used by operating activities		(1,531,712)

### CASH FLOWS FROM INVESTING ACTIVITIES:

Contributions for land protection	7,446,296	
Purchase of nature preserves and conservation easements	(4,443,590)	
Purchase of fixed assets	(210,872)	
Purchase of land held for resale	(165,645)	
Proceeds from sales of land held for resale	391,714	
Proceeds from sales of long-term investments	2,217,058	
Purchase of long-term investments	<u>(4,145,185)</u>	
Net cash flows used by investing activities		1,089,776

### CASH FLOWS FROM FINANCING ACTIVITIES:

Repayments of long-term debt	(647,093)	
Issuance of long-term debt	641,684	
Contributions restricted for endowment	<u>894,138</u>	
Net cash flows provided by financing activities		<u>888,729</u>

NET INCREASE IN CASH AND CASH EQUIVALENTS 446,793

CASH AND CASH EQUIVALENTS, January 1, 2022 5,253,075

CASH AND CASH EQUIVALENTS, December 31, 2022 \$ 5,699,868

### Supplemental Disclosure:

Interest expense \$ 18,701

The accompanying notes are a part of the financial statements.

LITTLE TRAVERSE CONSERVANCY, INC.

NOTES TO FINANCIAL STATEMENTS

for the year ended December 31, 2022

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NOTE A - NATURE OF ACTIVITIES:

Little Traverse Conservancy, Inc., a Michigan nonprofit corporation, was incorporated in 1972 under the provisions of Act 161 of P.A. of 1911, as amended, of the State of Michigan. The purpose of the Conservancy is to protect the natural diversity and beauty of northern Michigan by preserving significant land and scenic areas, and fostering appreciation and understanding of the environment.

Little Traverse Conservancy, Inc. has two wholly owned subsidiaries: LTC Endowment Holdings and LTC Recreational Properties. LTC Endowment Holdings retains land or other assets that have been contributed by donors, with the intent to sell and use the proceeds to further the mission of the Conservancy. LTC Recreational Properties holds a property that is leased to two unrelated nonprofit organizations for public use.

In addition, a separate 501(c)(3) nonprofit organization, Little Traverse Conservancy Conservation Trust, holds the nominal value of conservation easements that have been protected by Little Traverse Conservancy, Inc.

The financial statements include the accounts of the Conservancy, the Trust, and the two wholly owned subsidiaries. All significant inter-organization transactions and accounts are eliminated.

Support for the Conservancy comes primarily from donor contributions and long-term investment income.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Basis of Accounting

The Conservancy uses the accrual basis of accounting whereby revenues are recognized when earned or when the commitment of a future gift to the Conservancy becomes unconditional and expensed when an obligation is incurred.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Contributed Services

The Conservancy generally pays for services requiring specific expertise. However, many individuals volunteer their time and perform a variety of tasks that assist the Conservancy with programs. No amounts have been recorded for volunteer services.

LITTLE TRAVERSE CONSERVANCY, INC.

NOTES TO FINANCIAL STATEMENTS

for the year ended December 31, 2022

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NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

Net Assets

The financial statements report net assets and changes in net assets in two classes that are based on the existence or absence of restrictions on use that are placed by its donors, as follows:

Net Assets Without Donor Restrictions

Net assets without donor restrictions are resources available to support operations. The only limits on the use of these net assets are the broad limits resulting from the nature of the Conservancy, the environment in which it operates, the purposes specified in its corporate documents and its application for tax-exempt status, and any limits resulting from contractual agreements with creditors and others that are entered into in the course of its operations.

Net Assets With Donor Restrictions

Net assets with donor restrictions are resources that are restricted by a donor for use for a particular purpose or in a particular future period. Some donor-imposed restrictions are temporary in nature, and the restriction will expire when the resources are used in accordance with the donor's instructions or when the stipulated time has passed. Other donor-imposed restrictions are perpetual in nature; the organization must continue to use the resources in accordance with the donor's instructions.

The Conservancy's unspent contributions are included in this class if the donor limited their use, including land acquisition, donor-restricted endowment funds and its beneficial interest in community foundation.

When a donor's restriction is satisfied, either by using the resources in the manner specified by the donor or by the passage of time, the expiration of the restriction is reported in the financial statements by reclassifying the net assets from net assets with donor restrictions to net assets without restrictions. Net assets restricted for acquisition of buildings or equipment (or the contribution of those assets directly) are reported as net assets with donor restrictions until the specified asset is placed in service by the organization.

Cash and Cash Equivalents

For purposes of the Statement of Cash Flows, cash and cash equivalents include checking, savings and money market accounts.

Functional Expenses

The costs of providing program and other activities have been summarized on a functional basis in the statement of activities and the statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

LITTLE TRAVERSE CONSERVANCY, INC.

NOTES TO FINANCIAL STATEMENTS

for the year ended December 31, 2022

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NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

Classification of Transactions

All revenues and net gains are reported as increases in net assets without donor restrictions in the statement of activities unless the donor specified the use of the related resources for a particular purpose or in a future period. All expenses and net losses are reported as decreases in net assets without donor restrictions.

Property and Equipment

The Conservancy has purchased conservation easements totaling \$6,540,209. In addition, the Conservancy has received approximately 318 easements as donations since inception. The Conservancy has not recorded any of the donated easements in the accounting records due to the difficulty in establishing a value for these contributions.

Acquisitions of property and equipment in excess of \$5,000 are capitalized. Property and equipment are carried at cost or, if donated, at the approximate fair market value at the date of donation. Depreciation is computed over the estimated useful lives of such assets, using the straight-line method. Land and equipment held for resale is recorded at the lower of cost or market. Depreciation expense for the year totaled \$75,952.

Adoption of New Accounting Pronouncement

In September 2020, The Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. This standard requires updated presentation and enhanced disclosure related to contributed nonfinancial assets received. This enhanced disclosure includes disaggregation of significant categories of contributed nonfinancial assets and additional qualitative information regarding the use of these contributed nonfinancial assets. ASU 2020-07 has been implemented in the accompanying financial statements on a retrospective basis, however, there is no effect on net assets in connection with the implementation of ASU 2020-07 as the update only increased presentation and disclosure requirements for the prior year and did not impact amounts recorded.

Revenue Recognition

The Conservancy recognizes contributions and memberships when cash, securities, or other assets; an unconditional promise to give; or a notification of a beneficial interest is received. Conditional promises to give – that is, those with a measurable performance or other barrier and a right of return – are not recognized until the conditions on which they depend have been met. For the year ended December 31, 2022, the Conservancy did not have any conditional promises to give.

LITTLE TRAVERSE CONSERVANCY, INC.

NOTES TO FINANCIAL STATEMENTS

for the year ended December 31, 2022

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NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

Revenue Recognition (Continued)

Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified to net assets without donor restrictions.

The Conservancy records special events revenue when the event occurs and is reported in the accompanying statement of activities net of direct expenses.

Contributions of Nonfinancial Assets

Contributed nonfinancial assets are reflected in the financial statements at the estimated fair market value at the time of the donation. Contributed non-financial assets recognized in the statement of activities totaled \$1,293,693 for the year ended December 31, 2022. These were donations of land for preservation and protection. Board members and other individuals volunteer their time and perform a variety of tasks that assist the Conservancy in carrying out its activities. These services do not meet the accounting standards to be recorded and have not been included in the financial statements.

NOTE C - INCOME TAX STATUS:

The Internal Revenue Service has determined the Conservancy to be exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. Therefore, the financial statements reflect no provision or liability for federal income tax. The Conservancy believes that its income tax filing positions will be sustained upon examination and does not anticipate any adjustments that would result in a material adverse affect on the Organization's financial condition, results of operations, or cash flows. Therefore, the financial statements reflect no provision or liability for federal income tax. The Organization's tax filings are no longer subject to examination for years prior to December 31, 2020.

NOTE D - DATE OF MANAGEMENT REVIEW.

In preparing the financial statements, the Conservancy has evaluated events and transactions for potential recognition or disclosure through June 5, 2023, the date that the financial statements were available to be issued.

LITTLE TRAVERSE CONSERVANCY, INC.

NOTES TO FINANCIAL STATEMENTS

for the year ended December 31, 2022

NOTE E – LIQUIDITY AND AVAILABILITY:

Financial assets available for general expenditure, this, without donor or other restrictions limiting their use, within one year of December 31, 2022 are:

Financial assets:	
Cash and cash equivalents	\$ 5,699,868
Land held for resale	368,665
Endowment investments	17,323,714
Split-interest agreements	<u>698,050</u>
Total financial assets	24,090,297
Less financial assets held to meet donor-imposed restrictions:	
Purpose-restricted financial assets	(4,355,862)
Split-interest agreements	(523,919)
Donor-restricted endowment fund	<u>(15,004,247)</u>
Amount available for general expenditures within one year	<u>\$ 4,206,269</u>

NOTE F - INVESTMENTS:

Investments include a portfolio of money markets and mutual funds. These investments are carried at fair market value as determined by the agencies holding the investments and are summarized as follows:

	Unrestricted	Restricted			Total
		Land Protection	Endowment	Split-Interest Agreements	
Money market	\$ -	\$ -	\$ -	\$ 33	\$ 33
Exchange traded funds	87,118	-	17,004,163	658,581	17,749,862
Mutual funds:					
Equity	29,993	-	-	39,436	69,429
Bonds	<u>77,762</u>	<u>-</u>	<u>124,678</u>	<u>-</u>	<u>202,440</u>
Total	<u>\$ 194,873</u>	<u>\$ -</u>	<u>\$17,128,841</u>	<u>\$ 698,050</u>	<u>\$18,021,764</u>



LITTLE TRAVERSE CONSERVANCY, INC.

NOTES TO FINANCIAL STATEMENTS

for the year ended December 31, 2022

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NOTE F – INVESTMENTS (CONTINUED):

Investment income, reported in the statement of activities totaled \$362,210 and is summarized as follows:

Interest and dividends	\$383,979
Investment management fees	(45,416)
Distributions to beneficiaries of split-interest agreements	<u>(43,015)</u>
Total interest and dividends, net of costs	295,548
Timber sales	\$ 81,215
Cost of sales	<u>(14,553)</u>
Total timber sales, net of costs	<u>66,662</u>
Total investment income	<u>\$ 362,210</u>

NOTE G - FAIR VALUE MEASUREMENTS:

Financial Accounting Standards Board Codification 820.10 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 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 term, the Level 2 input must be observable for substantially the full term of the asset or liability.

LITTLE TRAVERSE CONSERVANCY, INC.

NOTES TO FINANCIAL STATEMENTS

for the year ended December 31, 2022

NOTE G - FAIR VALUE MEASUREMENTS:

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

Fair values for mutual funds are determined by reference to quoted market prices and other relevant information by market transactions. Fair values for investment in community foundation are based on meaningful third-party transactions and comparable public market valuations.

At December 31, 2022, the Conservancy's investments, including split-interest agreements, measured on a recurring basis, are as follows:

	Level 1	Level 2	Level 3	Total
Money market	\$ 33	\$ -	\$ -	\$ 33
Exchange traded funds	17,749,862	-	-	17,749,862
Mutual funds:				
Equity	69,429	-	-	69,429
Bond	<u>202,440</u>	<u>-</u>	<u>-</u>	<u>202,440</u>
Totals	<u>\$ 18,021,764</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 18,021,764</u>

NOTE H - ENDOWMENT FUNDS:

The Conservancy has designated funds for endowment to be used for education, land protection and unrestricted purposes. The spending policies vary from 5 percent to 10 percent, depending upon the purpose of the fund.

The investment policies set a target allocation of 40 to 70 percent equities and 30 to 60 percent fixed income investments. The objective is to achieve a total return in excess of spending and inflation. The volatility is expected to be no greater than 1.2 times the weighted average of various index funds, representing equities and fixed income funds.

Following is a schedule identifying the primary purposes of these funds:

Education	\$ 2,788,532
Stewardship	496,270
Conservation easements	245,681
Land acquisition	47,782
Operations	<u>11,425,982</u>
Total	<u>\$15,004,247</u>

# LITTLE TRAVERSE CONSERVANCY, INC.

## NOTES TO FINANCIAL STATEMENTS

for the year ended December 31, 2022

### NOTE H - ENDOWMENT FUNDS (CONTINUED):

The Conservancy has interpreted the Michigan Uniform Prudent Management of Institutional Funds Act (UPMIFA) (Act 87 of 2009) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds unless there are explicit donor stipulations to the contrary. The original gift is defined by the Conservancy as (a) the original value of gifts donated to all donor-restricted endowments, (b) the original value of subsequent gifts to donor-restricted endowments and (c) accumulations to the donor-restricted endowments made in accordance with the direction of the applicable donor gift instrument at the time of the accumulation.

In accordance with UPMIFA, the Conservancy considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. The duration and preservation of the fund;
2. The purpose of the organization and the donor-restricted endowment fund;
3. General economic conditions;
4. The possible effect of inflation and deflation;
5. The expected total return from income and the appreciation (depreciation) of investments;
6. Other resources of the organization;
7. The investment policies of the organization.

The changes in endowment net assets for the year ended December 31, 2022, are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, January 1, 2022	\$ 6,155,036	\$13,646,693	\$ 19,801,729
Investment income	300,521	-	300,521
Contributions, including transferred funds	165,043	1,357,554	1,522,597
Realized gains	39,799	-	39,799
Unrealized losses	(3,594,556)	-	(3,594,556)
Net transfers	<u>(712,709)</u>	<u>-</u>	<u>(712,709)</u>
Endowment net assets, December 31, 2022	<u>\$ 2,353,134</u>	<u>\$15,004,247</u>	<u>\$ 17,357,381</u>

### NOTE I - SPLIT-INTEREST AGREEMENTS:

Split-interest agreements include charitable gift annuities.

The charitable gift annuities provide for annual payments of \$43,015 over the donors' lifetimes and have been recorded at the net present value of the expected future benefits based on the donors' life expectations.

LITTLE TRAVERSE CONSERVANCY, INC.

NOTES TO FINANCIAL STATEMENTS

for the year ended December 31, 2022

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NOTE I - SPLIT-INTEREST AGREEMENTS (CONTINUED):

At December 31, 2022, the Conservancy held investments of \$698,050 relating to split-interest agreements with obligations of \$174,131. The remainder interests of \$523,919 are classified as net assets with donor restrictions because they are unavailable for spending until the deaths of the donors or other beneficiaries.

There was the following activity in the split-interest obligations during the year ended December 31, 2022:

Net split-interest agreements, January 1, 2022	\$ 633,293
Investment income	12,065
Realized gains	5,035
Unrealized losses	(145,043)
Payments to beneficiaries	(43,015)
Change in estimated obligations	<u>61,584</u>
Total net split-interest agreements, December 31, 2022	<u>\$ 523,919</u>

NOTE J - WORKING FOREST PLANNING:

The Conservancy contracted services for the planning and surveying of timber cuts for the working forest preserves totaling \$53,542 during 2017 and 2018. This timber plan is being amortized using the straight-line method over five years. Amortization expense totaled \$5,381 for the year ended December 31, 2022.

NOTE K - CONCENTRATION OF CREDIT RISK:

Financial instruments that potentially subject the Conservancy to a significant concentration of credit risk consist of cash and investments. Cash is deposited with banks having 4-star credit ratings. Cash deposits exceed Federal and SIPC insurance limits by \$5,197,868. Investments are subject to market fluctuations but are invested among various different investments to minimize risk.

NOTE L - RETIREMENT PLAN:

The Conservancy has a defined contribution annuity plan which covers all eligible employees with more than one year of service. The plan is formulated to comply with section 403(b) of the Internal Revenue Code. Contributions to the plan consist of an amount specified annually by the Board of Trustees plus an amount to match employee contributions to the plan within established limits. The cost recognized during 2022 totaled \$81,291.

LITTLE TRAVERSE CONSERVANCY, INC.

NOTES TO FINANCIAL STATEMENTS

for the year ended December 31, 2022

NOTE M – LAND CONTRACTS PAYABLE:

As of December 31, 2022, the Conservancy has long-term debt obligations for the purchases of land with the terms as follows:

Land contract payable, with annual installments of \$95,000 including 3.77 percent imputed interest, maturing in 2024.	\$ 179,772
Land contract payable, with annual installments of \$92,550 including 1 percent interest, maturing in 2023.	91,667
Land contract payable, with annual installment of \$647,051 including 3.35 percent imputed interest, maturing in 2023.	<u>641,684</u>
	913,123
Less portion due within one year	<u>(821,574)</u>
Total	<u>\$ 91,549</u>

The annual requirements to amortize all long-term debt outstanding as of December 31, 2022, including interest payments of \$16,478 are as follows:

Year ending December 31,	Principal	Interest	Total
2023	\$ 821,574	\$ 13,027	\$ 834,601
2024	<u>91,549</u>	<u>3,451</u>	<u>95,000</u>
	<u>\$ 913,123</u>	<u>\$ 16,478</u>	<u>\$ 929,601</u>

NOTE N – NET ASSETS WITH DONOR RESTRICTIONS:

As of December 31, 2022, net assets with donor restrictions are available for the following purposes:

Purpose restrictions, available for spending, Land protection	\$ 4,355,862
Time restrictions, Split-interest agreements, which are unavailable for spending until the deaths of the beneficiaries	523,919
Endowment funds	15,004,247
Nature preserves and conservation easements	<u>110,422,517</u>
Total net assets with donor restrictions	<u>\$130,306,545</u>

LITTLE TRAVERSE CONSERVANCY, INC.

NOTES TO FINANCIAL STATEMENTS

for the year ended December 31, 2022

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NOTE O – SUBSEQUENT EVENTS:

As of June 5, 2023, the Conservancy had commitments to purchase land totaling approximately \$1,075,000. Additionally, the Conservancy has a property under purchase option for \$3,150,000, which it expects to complete the purchase by the end of 2023. The Conservancy has other known and potential projects totaling approximately \$800,000.

LITTLE TRAVERSE CONSERVANCY, INC.

SCHEDULE OF FINANCIAL POSITION BY FUND

as of December 31, 2022

	Operating	Land Protection	Endowment	Total
<b>ASSETS:</b>				
Cash and cash equivalents	\$ 1,053,321	\$ 4,418,007	\$ 228,540	\$ 5,699,868
Investments	194,873	-	17,128,841	17,323,714
Land held for resale	-	368,665	-	368,665
Prepaid expenses	21,993	102,568	-	124,561
Land, building, equipment, net of accumulated depreciation	333,780	396,898	-	730,678
Intangible asset, net of amortization	-	693	-	693
Split-interest agreements	-	-	698,050	698,050
Conservation easements	-	6,540,209	-	6,540,209
Nature preserves	-	103,882,308	-	103,882,308
<b>Total assets</b>	<b>\$ 1,603,967</b>	<b>\$ 115,709,348</b>	<b>\$ 18,055,431</b>	<b>\$ 135,368,746</b>
<b>LIABILITIES:</b>				
Accounts payable	\$ 24,382	\$ 17,846	\$ -	\$ 42,228
Accrued vacation	9,218	-	-	9,218
Land contracts payable	-	913,123	-	913,123
Deferred revenue, charitable gift annuity funds	-	-	174,131	174,131
<b>Total liabilities</b>	<b>33,600</b>	<b>930,969</b>	<b>174,131</b>	<b>1,138,700</b>
<b>NET ASSETS:</b>				
Without donor restrictions	1,570,367	-	2,353,134	3,923,501
With donor restrictions:				
Land protection	-	4,355,862	-	4,355,862
Split-interest arrangements	-	-	523,919	523,919
Endowment	-	-	15,004,247	15,004,247
Nature preserves and conservation easements	-	110,422,517	-	110,422,517
<b>Total with donor restrictions</b>	<b>-</b>	<b>114,778,379</b>	<b>15,528,166</b>	<b>130,306,545</b>
<b>Total net assets</b>	<b>1,570,367</b>	<b>114,778,379</b>	<b>17,881,300</b>	<b>134,230,046</b>
<b>Total liabilities and net assets</b>	<b>\$ 1,603,967</b>	<b>\$ 115,709,348</b>	<b>\$ 18,055,431</b>	<b>\$ 135,368,746</b>

The accompanying notes are a part of the financial statements.

LITTLE TRAVERSE CONSERVANCY, INC.

SCHEDULE OF ACTIVITIES BY FUND CLASSIFICATION

for the year ended December 31, 2022

	Operating	Land Protection	Endowment	Total
<b>REVENUES AND SUPPORT:</b>				
Contributions and grants	\$ 121,830	\$ 6,152,603	\$ 894,138	\$ 7,168,571
Contributions of nonfinancial assets	-	1,293,693	-	1,293,693
Memberships and annual giving	1,204,203	-	-	1,204,203
Special event, net expenses of \$26,380	191,440	-	-	191,440
Investment income	9,175	83,465	269,570	362,210
Realized losses on sale of land and equipment	-	(72,420)	-	(72,420)
Realized gains on investments	-	-	44,835	44,835
Unrealized gains on investments	(43,474)	-	(3,594,556)	(3,638,030)
Other income	6,327	28,409	-	34,736
Total revenues and support	1,489,501	7,485,750	(2,386,013)	6,589,238
<b>EXPENSES:</b>				
Program services:				
Land preservation	410,042	41,579	-	451,621
Stewardship	815,196	197,300	-	1,012,496
Education and outreach	339,981	8,648	-	348,629
Total program services	1,565,219	247,527	-	1,812,746
Supporting services:				
Management	143,241	-	-	143,241
Fundraising	232,087	-	-	232,087
Total supporting services	375,328	-	-	375,328
Total expenses	1,940,547	247,527	-	2,188,074
Excess (deficiency) of revenues over expenses	(451,046)	7,238,223	(2,386,013)	4,401,164
<b>TRANSFERS:</b>				
Transfers from (to) other funds	516,459	(348,750)	(167,709)	-
Change in net assets	65,413	6,889,473	(2,553,722)	4,401,164
NET ASSETS, January 1, 2022	1,504,954	107,888,906	20,435,022	129,828,882
NET ASSETS, December 31, 2022	\$ 1,570,367	\$ 114,778,379	\$ 17,881,300	\$ 134,230,046

The accompanying notes are a part of the financial statements.