



Chikaming Open Lands

Annual Report
December 31, 2017

CHIKAMING OPEN LANDS
SAWYER, MICHIGAN
ANNUAL REPORT
December 31, 2017

CONTENTS

	<u>Page</u>
INDEPENDENT AUDITOR'S REPORT	1 - 2
FINANCIAL STATEMENTS	
Statements of Financial Position	3 - 4
Statements of Activities	5 - 6
Statements of Functional Expenses	7 - 8
Statements of Cash Flows	9
Notes to Financial Statements	10 - 18
MANAGEMENT COMPLIANCE LETTER	
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 <i>Government Auditing Standards</i>	19 - 20
Schedule of Findings and Responses	21



INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Chikaming Open Lands
Sawyer, Michigan

Report on the Financial Statements

We have audited the accompanying financial statements of Chikaming Open Lands (a not-for-profit organization), which comprise the statements of financial position as of December 31, 2017 and 2016, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Chikaming Open Lands as of December 31, 2017 and 2016, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 30, 2018, on our consideration of Chikaming Open Lands' 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 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 Chikaming Open Lands' internal control over financial reporting and compliance.

Respectfully submitted,



Certified Public Accountants

St. Joseph, Michigan
April 30, 2018

CHIKAMING OPEN LANDS
SAWYER, MICHIGAN
STATEMENT OF FINANCIAL POSITION
December 31, 2017

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Assets				
Current Assets				
Cash and cash equivalents	\$ 262,461	\$ 466,824	\$ -	\$ 729,285
Grants receivable, current portion	-	121,612	-	121,612
Pledges receivable, current portion	-	40,000	-	40,000
Investments, at fair market value	1,243,401	-	-	1,243,401
Other current assets	-	3,500	-	3,500
Total Current Assets	<u>\$ 1,505,862</u>	<u>\$ 631,936</u>	<u>\$ -</u>	<u>\$ 2,137,798</u>
Fixed Assets				
Land	\$ 42,185	\$ -	\$ -	\$ 42,185
Buildings	226,913	-	-	226,913
Land improvements	10,000	-	-	10,000
Building improvements	9,181	-	-	9,181
Furniture and equipment	31,309	-	-	31,309
	<u>\$ 319,588</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 319,588</u>
Less, accumulated depreciation	63,839	-	-	63,839
Fixed Assets, net	<u>\$ 255,749</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 255,749</u>
Other Assets				
Pledges receivable, less current portion	\$ -	\$ 40,000	\$ -	\$ 40,000
Land under protection, at cost	-	-	2,032,424	2,032,424
Beneficial interest in assets held by Community Foundation	152,740	154,685	-	307,425
Website costs, net of \$14,954 accumulated amortization	3,046	-	-	3,046
Total Other Assets	<u>\$ 155,786</u>	<u>\$ 194,685</u>	<u>\$ 2,032,424</u>	<u>\$ 2,382,895</u>
Total Assets	<u>\$ 1,917,397</u>	<u>\$ 826,621</u>	<u>\$ 2,032,424</u>	<u>\$ 4,776,442</u>
Liabilities and Net Assets				
Current Liabilities				
Accounts payable	\$ 1,876	\$ -	\$ -	\$ 1,876
Payroll liabilities	5,542	-	-	5,542
Total Current Liabilities	<u>\$ 7,418</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,418</u>
Net Assets				
Unrestricted:				
Undesignated	\$ 513,838	\$ -	\$ -	\$ 513,838
Board designated	1,396,141	-	-	1,396,141
Temporarily restricted:				
Land acquisition	-	447,162	-	447,162
Stewardship	-	246,383	-	246,383
Long-term projects	-	133,076	-	133,076
Permanently restricted:				
Land acquisition	-	-	2,032,424	2,032,424
Total Net Assets	<u>\$ 1,909,979</u>	<u>\$ 826,621</u>	<u>\$ 2,032,424</u>	<u>\$ 4,769,024</u>
Total Liabilities and Net Assets	<u>\$ 1,917,397</u>	<u>\$ 826,621</u>	<u>\$ 2,032,424</u>	<u>\$ 4,776,442</u>

The Notes to Financial Statements are an integral part of this statement.

CHIKAMING OPEN LANDS
SAWYER, MICHIGAN
STATEMENT OF FINANCIAL POSITION
December 31, 2016

Assets	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Current Assets				
Cash and cash equivalents	\$ 169,756	\$ 836,239	\$ -	\$ 1,005,995
Pledges receivable, current portion	-	45,000	-	45,000
Investments, at fair market value	1,094,082	-	-	1,094,082
Other current assets	916	2,725	-	3,641
Total Current Assets	<u>\$ 1,264,754</u>	<u>\$ 883,964</u>	<u>\$ -</u>	<u>\$ 2,148,718</u>
Fixed Assets				
Land	\$ 42,185	\$ -	\$ -	\$ 42,185
Buildings	226,913	-	-	226,913
Land improvements	10,000	-	-	10,000
Building improvements	9,181	-	-	9,181
Furniture and equipment	31,309	-	-	31,309
	<u>\$ 319,588</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 319,588</u>
Less, accumulated depreciation	55,073	-	-	55,073
Fixed Assets, net	<u>\$ 264,515</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 264,515</u>
Other Assets				
Pledges receivable, less current portion	\$ -	\$ 40,000	\$ -	\$ 40,000
Land under protection, at cost	-	-	2,032,424	2,032,424
Beneficial interest in assets held by Community Foundation	132,006	-	-	132,006
Website costs, net of \$12,924 accumulated amortization	5,076	-	-	5,076
Total Other Assets	<u>\$ 137,082</u>	<u>\$ 40,000</u>	<u>\$ 2,032,424</u>	<u>\$ 2,209,506</u>
Total Assets	<u>\$ 1,666,351</u>	<u>\$ 923,964</u>	<u>\$ 2,032,424</u>	<u>\$ 4,622,739</u>
Liabilities and Net Assets				
Current Liabilities				
Accounts payable	\$ 7,720	\$ -	\$ -	\$ 7,720
Payroll liabilities	4,230	-	-	4,230
Total Current Liabilities	<u>\$ 11,950</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 11,950</u>
Net Assets				
Unrestricted:				
Undesignated	\$ 428,313	\$ -	\$ -	\$ 428,313
Board designated	1,226,088	-	-	1,226,088
Temporarily restricted:				
Land acquisition	-	544,505	-	544,505
Stewardship	-	246,383	-	246,383
Long-term projects	-	133,076	-	133,076
Permanently restricted:				
Land acquisition	-	-	2,032,424	2,032,424
Total Net Assets	<u>\$ 1,654,401</u>	<u>\$ 923,964</u>	<u>\$ 2,032,424</u>	<u>\$ 4,610,789</u>
Total Liabilities and Net Assets	<u>\$ 1,666,351</u>	<u>\$ 923,964</u>	<u>\$ 2,032,424</u>	<u>\$ 4,622,739</u>

The Notes to Financial Statements are an integral part of this statement.

CHIKAMING OPEN LANDS
SAWYER, MICHIGAN
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2017

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Support and Revenues				
Public Support				
Grants	\$ 500	\$ 143,231	\$ -	\$ 143,731
Gifts and other donations	260,807	4,225	-	265,032
Donations for land and easement acquisitions	-	22,197	-	22,197
Net assets released from restrictions and reclassifications	267,825	(267,825)	-	-
Total Public Support	\$ 529,132	\$ (98,172)	\$ -	\$ 430,960
Revenues				
Investment income	\$ 86,227	\$ 829	\$ -	\$ 87,056
Rental income	6,414	-	-	6,414
Special events (net of expense of \$28,149)	78,388	-	-	78,388
Other	792	-	-	792
Unrealized gain on investments	69,732	-	-	69,732
Change in beneficial interest in assets held by Community Foundation	26,420	-	-	26,420
Total Revenues	\$ 267,973	\$ 829	\$ -	\$ 268,802
Total Public Support and Revenues	\$ 797,105	\$ (97,343)	\$ -	\$ 699,762
Expenses				
Program	\$ 358,213	\$ -	\$ -	\$ 358,213
Management and general	138,522	-	-	138,522
Fundraising	44,792	-	-	44,792
Total Expenses	\$ 541,527	\$ -	\$ -	\$ 541,527
Change in Net Assets	\$ 255,578	\$ (97,343)	\$ -	\$ 158,235
Net Assets - Beginning of Year	1,654,401	923,964	2,032,424	4,610,789
Net Assets - End of Year	\$ 1,909,979	\$ 826,621	\$ 2,032,424	\$ 4,769,024

The Notes to Financial Statements are an integral part of this statement.

CHIKAMING OPEN LANDS
SAWYER, MICHIGAN
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2016

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Support and Revenues				
Public Support				
Grants	\$ 2,500	\$ 27,753	\$ -	\$ 30,253
Gifts and other donations	200,964	120,000	-	320,964
Donations for land and easement acquisitions	-	132,610	-	132,610
Net assets released from restrictions and reclassifications	(33,305)	(43,935)	77,240	-
Total Public Support	\$ 170,159	\$ 236,428	\$ 77,240	\$ 483,827
Revenues				
Investment income	\$ 48,372	\$ 1,332	\$ -	\$ 49,704
Rental income	6,312	-	-	6,312
Special events (net of expense of \$23,229)	70,621	-	-	70,621
Other	1,249	-	-	1,249
Unrealized gain on investments	15,007	-	-	15,007
Change in beneficial interest in assets held by Community Foundation	8,111	-	-	8,111
Total Revenues	\$ 149,672	\$ 1,332	\$ -	\$ 151,004
Total Public Support and Revenues	\$ 319,831	\$ 237,760	\$ 77,240	\$ 634,831
Expenses				
Program	\$ 199,800	\$ -	\$ -	\$ 199,800
Management and general	142,766	-	-	142,766
Fundraising	10,008	-	-	10,008
Total Expenses	\$ 352,574	\$ -	\$ -	\$ 352,574
Change in Net Assets	\$ (32,743)	\$ 237,760	\$ 77,240	\$ 282,257
Net Assets - Beginning of Year	1,687,144	686,204	1,955,184	4,328,532
Net Assets - End of Year	\$ 1,654,401	\$ 923,964	\$ 2,032,424	\$ 4,610,789

The Notes to Financial Statements are an integral part of this statement.

CHIKAMING OPEN LANDS
SAWYER, MICHIGAN
STATEMENTS OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2017

	<u>Program</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Expenses				
Salaries	\$ 102,436	\$ 52,546	\$ 29,897	\$ 184,879
Payroll taxes	8,538	4,248	2,492	15,278
Land maintenance projects	51,970	-	-	51,970
Conservation easement and land protection expense	180,145	-	-	180,145
Repairs and maintenance	-	5,577	-	5,577
Office supplies and postage	-	7,035	645	7,680
Dues and subscriptions	-	4,750	-	4,750
Utilities	-	7,345	-	7,345
Depreciation and amortization	-	10,796	-	10,796
Educational expenses	3,579	-	-	3,579
Printing and publications	-	1,899	9,055	10,954
Professional services	-	11,984	-	11,984
Stewardship	4,953	-	-	4,953
Bank service charges	-	3,356	-	3,356
Membership development	-	5,116	-	5,116
Travel	-	6,479	-	6,479
Insurance	-	5,776	-	5,776
SIMPLE IRA expense	6,592	3,280	1,924	11,796
Investment fees	-	6,640	-	6,640
Website maintenance	-	113	-	113
Miscellaneous	-	1,582	779	2,361
Total expenses	<u>\$ 358,213</u>	<u>\$ 138,522</u>	<u>\$ 44,792</u>	<u>\$ 541,527</u>

The Notes to Financial Statements are an integral part of this statement.

CHIKAMING OPEN LANDS
SAWYER, MICHIGAN
STATEMENTS OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2016

	<u>Program</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Expenses				
Salaries	\$ 119,311	\$ 43,843	\$ -	\$ 163,154
Payroll taxes	9,951	3,657	-	13,608
Land maintenance projects	28,418	-	-	28,418
Conservation easement and land protection expense	33,229	-	-	33,229
Repairs and maintenance	-	2,835	-	2,835
Office supplies and postage	-	6,680	770	7,450
Dues and subscriptions	-	4,445	-	4,445
Utilities	-	6,386	-	6,386
Depreciation and amortization	-	29,661	-	29,661
Educational expenses	3,425	-	-	3,425
Printing and publications	-	1,878	8,613	10,491
Professional services	-	10,051	-	10,051
Stewardship	2,628	-	-	2,628
Bank service charges	-	2,554	-	2,554
Membership development	-	2,196	-	2,196
Travel	-	7,534	-	7,534
Insurance	-	9,609	-	9,609
SIMPLE IRA expense	2,838	1,043	-	3,881
Unrelated business income tax	-	402	-	402
Investment fees	-	7,863	-	7,863
Website maintenance	-	108	-	108
Miscellaneous	-	2,021	625	2,646
Total expenses	<u>\$ 199,800</u>	<u>\$ 142,766</u>	<u>\$ 10,008</u>	<u>\$ 352,574</u>

The Notes to Financial Statements are an integral part of this statement.

CHIKAMING OPEN LANDS
SAWYER, MICHIGAN
STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2017 and 2016

	2017	2016
Cash Flows from Operating Activities		
Change in net assets	\$ 158,235	\$ 282,257
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation and amortization	10,796	29,661
Change in beneficial interest in assets at Community Foundation	(175,420)	(8,111)
Unrealized gain on investments	(69,732)	(15,007)
Adjustments for changes in operating assets and liabilities:		
Grants receivable	(121,612)	-
Pledges receivable	5,000	(80,000)
Other current assets	141	1,046
Accounts payable	(5,844)	5,253
Payroll liabilities	1,312	(1,285)
Net Cash Flows from Operating Activities	\$ (197,124)	\$ 213,814
Cash Flows from Investing Activities		
Purchase of investments	\$ (88,249)	\$ (42,009)
Proceeds from investments	8,663	26,149
Acquisition of land under protection	-	(77,240)
Net Cash Flows from Investing Activities	\$ (79,586)	\$ (93,100)
Net Change in Cash and Cash Equivalents	\$ (276,710)	\$ 120,714
Cash and Cash Equivalents - Beginning of Year	1,005,995	885,281
Cash and Cash Equivalents - End of Year	\$ 729,285	\$1,005,995

The Notes to Financial Statements are an integral part of this statement.

CHIKAMING OPEN LANDS
SAWYER, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
December 31, 2017 and 2016

NOTE 1. NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES

Nature of Organization

Chikaming Open Lands (the “Organization”) is a Michigan not-for-profit organization formed for the purpose of preserving the natural, scenic and agricultural lands of Chikaming Township and environs. The Organization is dedicated to the preservation of open space and natural areas for the enjoyment of the public. In addition, the Organization strives to preserve native flora and fauna and provide access for local educational institutions to provide educational and scientific programs. Land will be acquired in fee simple and as qualified conservation contributions under Section 170(h) of the Internal Revenue Code. The Organization is engaged in the following specific activities:

- Land and Easement Acquisition.
- Stewardship – to assure that the terms of any conservation easements are met and maintained.
- Education and Research.
- Fundraising – personal solicitation and direct mail.

Basis of Presentation

The financial statements of the Organization have been prepared on the accrual basis.

The Organization adheres to Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958-205, which sets standards for reporting on financial statements of not-for-profit Organizations. ASC 958-205 requires the classification and presentation of net assets in three categories: unrestricted, temporarily restricted, and permanently restricted net assets.

Unrestricted net assets represent the part of the net assets of the Organization that is neither permanently restricted nor temporarily restricted by donor-imposed stipulations.

Temporarily restricted net assets represent the part of the net assets of the Organization resulting from contributions and other inflows of assets whose use by the Organization is limited by donor-imposed stipulations that either expire by the passage of time or by actions of the Organization.

Permanently restricted net assets represent the part of the net assets of the Organization resulting from contributions and other inflows of assets whose use by the Organization is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the Organization.

CHIKAMING OPEN LANDS
SAWYER, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
December 31, 2017 and 2016

NOTE 1. NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Fair Value Measurements

Management accounts for all assets and liabilities that are measured and reported on a fair value basis under the Fair Value Measurements and Disclosures Topic of FASB ASC 820. ASC 820 defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements. The framework for measuring fair value establishes a 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).

Use of Estimates

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

Cash and Cash Equivalents

The Organization considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents.

Contributions

The Organization records contributions, including promises to give, when the contribution is deemed unconditional. Contributions are reflected in the financial statements at the earlier of the transfer of the assets or at the time an unconditional promise to give is made.

Contributions received are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support that increases those net asset classes. A donor restriction expires when a stipulated time restriction ends or when a purpose restriction is accomplished. Upon expiration, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions. Contributions that are restricted by the donor are reported as an increase in unrestricted net assets if the restrictions are met in the fiscal year in which the contributions are received.

Receipt of Non-Cash Donations

Donated materials are recorded at their fair market value, if determinable, or at a nominal value if no fair market value can be readily ascertained. The Organization does not record a donative value for the receipt of perpetual conservation easements, as the value of these donations cannot be determined with reasonable accuracy.

CHIKAMING OPEN LANDS
SAWYER, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
December 31, 2017 and 2016

NOTE 1. NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Pledges Receivable

Unconditional pledges that are expected to be collected within one year are recorded at net realizable value. Unconditional pledges that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts, on those amounts computed, used risk-free interest rates applicable to the years in which the pledges are received. Amortization on the discount is included in contribution revenue. However, as of December 31, 2017 and 2016, pledges receivable expected to be collected in future years have not been discounted, as it is determined to be immaterial to the financial statements. Conditional pledges are not included as support until the conditions are substantially met.

Investments

Investments in marketable securities with a readily determinable fair value and all investments in debt securities are valued at their fair market value in the statement of financial position. The income from the investments, including realized and unrealized gains and losses, is recorded in the statement of activities and changes in net assets.

Property and Equipment

Property and equipment are carried at cost if purchased or fair value if contributed. It is the Organization's policy to capitalize expenditures for major repairs and additions greater than \$5,000. Depreciation is calculated on the straight-line basis over the estimated useful lives of assets as follows:

- Building and improvements 15-40 years
- Office fixtures and equipment 5-7 years

Depreciation expense for the years ending December 31, 2017 and 2016, was \$8,766 and \$20,637, respectively.

Conservation Easements

Conservation easements accepted or purchased by the Organization are not recognized as assets or revenues in the accompanying financial statements, because there are no expected future economic benefits to these properties. If purchased, the costs of conservation easements are expensed when the easements are acquired.

Income Taxes

The Organization is exempt from income tax under provisions of Internal Revenue Code Section 501(c)(3), and is not considered a private foundation. The Organization files tax returns in the U.S. federal jurisdiction. As of December 31, 2017 and 2016, and the years then ended, there are no material unrecognized/derecognized tax benefits or tax penalties or interest. The Organization is no longer subject to U.S. federal income tax examinations by tax authorities for years before the year ended December 31, 2014.

CHIKAMING OPEN LANDS
SAWYER, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
December 31, 2017 and 2016

NOTE 1. NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES, CONCLUDED

Advertising

Various costs relating to advertising are considered period costs and are therefore expensed as incurred. Advertising costs for the years ended December 31, 2017 and 2016, were \$674 and \$173, respectively.

Compensated Absences

The policy of the Organization is not to accrue a liability for compensated absences. The amount of paid absences that ultimately would be paid is not determinable at the date of the statement of financial position and, accordingly, no provision is included in the financial statements.

Functional Expenses

Functional expenses have been allocated between program services and supporting services based upon actual costs incurred within each area. Certain overhead costs have been allocated based upon analysis of aggregate charges within each functional area.

NOTE 2. PLEDGES RECEIVABLE

Included in pledges receivable are the following unconditional pledges:

	<u>2017</u>	<u>2016</u>
Flynn Woods Preserve	\$ 80,000	\$ 80,000
Chris Thompson Memorial	-	5,000
	<u>\$ 80,000</u>	<u>\$ 85,000</u>

To be collected in the year ending December 31:

2018	\$ 40,000
2019	<u>40,000</u>
	<u>\$ 80,000</u>

Pledges receivable have not been discounted as it is determined to be immaterial to financial statements.

NOTE 3. DONATIONS OF LAND

The Organization has periodically accepted the receipt of land from owners who wish to conserve habitat on their land in perpetuity. When the Organization accepts title to a property, it accepts the responsibility to maintain the property and/or easement forever.

CHIKAMING OPEN LANDS
SAWYER, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
December 31, 2017 and 2016

NOTE 3. DONATIONS OF LAND, CONCLUDED

The Organization has determined that the value of donated restricted land cannot be measured by normal appraisal criteria, because there is no stated cost, no comparative market value, and no future market value. As a result of the uncertainty of value, the Organization has adopted a policy of not capitalizing the gifts of land that is restricted for conservation purposes into perpetuity. The following is a list of gifted land that has been permanently restricted and not listed in the statements of financial position:

- 144 acres of wetland located in New Buffalo Township, Michigan, known as the Louis J. Sima Preserve, gifted on December 26, 2001.
- 80 acres of woodlands located in Chikaming Township, Michigan, known as the Robinson Woods Preserve, gifted by The Nature Conservancy on December 15, 2009.
- 11 acres of coastal plain marsh located in the Village of Grand Beach, Michigan, known as Grand Beach Marsh, gifted by The Nature Conservancy on December 15, 2009.
- 40 acres of wet prairie located in Buchanan, Michigan, known as Dayton Wet Prairie, gifted by The Nature Conservancy on May 12, 2011.
- 6 acres of back dune forest located in Chikaming Township, Michigan, known as the Woods, gifted by the Foster, Gazzolo and Douglass families on August 15, 2011.
- Approximately one-half acre of wet woods located in Chikaming Township, Michigan, known as Critter Haven, gifted by Carl and Shirley Anderson on July 26, 2012.
- Approximately 12 acres of agricultural land located in Galien Township, Michigan, known as Burns Prairie Preserve, gifted by Lloyd and Patricia Burns on December 28, 2012.
- Approximately 35 acres of forest and wetland located in Chikaming Township, Michigan, known as the Merritt Family Preserve, gifted by Meryle Merritt and family on August 4, 2017.

NOTE 4. DONATED SERVICES

The FASB ASC Topic 958-605 states that in order to recognize donated services as contributions in the Organization's financial statements the services must require special skills, be provided by individuals who possess those skills, and typically need to be purchased if not contributed. The Organization receives donated services from professional firms for stewardship of the conservation easements. Such values are reflected in the accompanying financial statements as contributions and land maintenance / land protection. For the years ended December 31, 2017 and 2016, the value of donated services was \$7,112 and \$6,150, respectively.

CHIKAMING OPEN LANDS
SAWYER, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
December 31, 2017 and 2016

NOTE 5. RESTRICTION OF NET ASSETS

Temporarily Restricted Net Assets – Temporarily restricted net assets consist of donations set aside for specific projects designated by the donor.

Permanently Restricted Net Assets – Permanently restricted net assets consist of the following land under protection:

On August 29, 2001, the Organization purchased 5 acres of back dune forest in Lakeside, Michigan, plus associated costs. This tract is preserved for the benefit of the general public. The Organization will endeavor to protect and restore native plants to the properties and provide environmental research and programs to preserve these forested dunes.	\$ 798,982
On August 12, 2013, the Organization purchased .85 acres of wet woods located in Chikaming Township, Michigan. This is an extension of land known as Critter Haven that was gifted in 2012.	34,481
On June 17, 2014, the Organization purchased 3.26 acres of seasonal wetlands and woods located in Chikaming Township, Michigan, plus associated costs. This is an extension of land known as The Woods Preserve that was gifted in 2011. This tract is preserved for the benefit of the general public. The Organization will endeavor to protect and restore the property’s native habitat and provide environmental research and programs to preserve this land.	569,977
On September 18, 2014, the Organization purchased 34.99 acres of wetlands and forest located in Chikaming Township, Michigan, plus associated costs. This tract is named Flynn Woods and is preserved for the educational and recreational benefit of the general public. The Organization will endeavor to protect and restore the property’s native habitat and provide environmental research and programs to preserve this land.	287,215
On March 26, 2015, the Organization purchased 23.55 acres of wetlands and forest located in Sawyer, Michigan, plus associated costs. This tract is named Jens Jensen Preserve and is preserved for the educational and recreational benefit of the general public. The Organization will endeavor to protect and restore the property’s native habitat and provide environmental research and programs to preserve this land.	264,529
On November 17, 2016, the Organization purchased 11.49 acres of wetlands and forest located in New Buffalo Township, Michigan, plus associated costs. This tract is named Turtle Creek Preserve and is preserved to protect the native ecological community and for the educational and recreational benefit of the general public. The Organization will endeavor to protect and restore the property’s native habitat and provide environmental research and programs to preserve this land.	77,240
Total Lands Under Protection as of December 31, 2017	<u><u>\$2,032,424</u></u>

CHIKAMING OPEN LANDS
SAWYER, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
December 31, 2017 and 2016

NOTE 6. FAIR VALUE MEASUREMENTS

The three levels of the fair value hierarchy under ASC 820 are described below:

Basis of Fair Value Measurement

Level 1: Unadjusted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities.

Level 2: Quoted prices for similar assets or liabilities in active markets or identical assets or liabilities in markets that are not considered to be active or financial instruments for which all significant inputs are observable, either directly or indirectly;

Level 3: Prices or valuations that require inputs that are both significant to the fair value measurement and unobservable.

Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. As required by ASC 820, assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. The Organization utilizes quoted market prices to measure fair value when available. The endowment fund held by others is recorded at net asset value.

The following table summarizes the valuation of the Organization's financial instruments by the above categories as of December 31, 2017:

	Level 1	Level 2	Level 3	Total
Equities	\$ 683,375	\$ -	\$ -	\$ 683,375
Fixed income	440,941	-	-	440,941
Non-traditional	119,085	-	-	119,085
Beneficial interest in assets held at Community Foundation	-	-	307,425	307,425
	<u>\$1,243,401</u>	<u>\$ -</u>	<u>\$ 307,425</u>	<u>\$1,550,826</u>

The following table summarizes the valuation of the Organization's financial instruments by the above categories as of December 31, 2016:

	Level 1	Level 2	Level 3	Total
Money market funds	\$ 2,207	\$ -	\$ -	\$ 2,207
Equities	551,715	-	-	551,715
Fixed income	427,151	-	-	427,151
Non-traditional	113,009	-	-	113,009
Beneficial interest in assets held at Community Foundation	-	-	132,006	132,006
	<u>\$1,094,082</u>	<u>\$ -</u>	<u>\$ 132,006</u>	<u>\$1,226,088</u>

CHIKAMING OPEN LANDS
SAWYER, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
December 31, 2017 and 2016

NOTE 7. CONTRIBUTIONS HELD BY OTHERS

The Organization follows the provisions of FASB ASC 958-605, *Transfers of Assets to a Not-for-Profit Organization or Charitable Trust that Raises or Holds Contributions for Others*. FASB ASC 958-605 establishes standards for transactions in which a Community Foundation accepts a contribution from a donor and agrees to transfer these assets, the return on investment of these assets or both to another entity that is specified by the donor. FASB ASC 958-605 specifically requires that if a Not-for-Profit Organization (NPO) establishes a fund at a Community Foundation with its own funds and specifies itself as the beneficiary of that fund, the Organization must account for the transfer of such assets as a beneficial interest in funds held by the Community Foundation. The Community Foundation refers to such funds as agency fund endowments.

The Foundation maintains variance power and legal ownership of agency endowment funds and as such continues to report the funds as assets of the foundation. However, in accordance with FASB ASC 958-605, an asset has been established for the fair value of the funds, which is generally equivalent to the present value of future payments expected to be received by the Organization. The Organization's endowment has been established with the Berrien Community Foundation.

The following table summarized the activity in the fund during the years ended December 31:

	<u>2017</u>	<u>2016</u>
Balance, beginning of year	\$ 132,006	\$ 123,895
Contributions	149,000	-
Investment income	10,759	3,645
Unrealized and realized investment gains	17,346	5,673
Grants and expenses	(1,686)	(1,207)
Balance, end of year	<u>\$ 307,425</u>	<u>\$ 132,006</u>

The Foundation also holds donor advised endowment funds contributed by others in the Organization's name. However, these funds are assets of the Foundation and, as such, are not included in the financial statements of the Organization. The fair value of those funds as of December 31, 2017 and 2016, was \$43,813 and \$37,865, respectively.

NOTE 8. BUILDING LEASE

The Organization leases a building adjacent to its office building, known as 12291-B Red Arrow Highway, Sawyer, Michigan, to another Michigan not-for-profit corporation. The agreement calls for rent of \$533 per month. Gross rent collected for the years ended December 31, 2017 and 2016, was \$6,414 and \$6,312, respectively. The lessee is responsible for utilities, insurance, general maintenance and other services and outlined in the lease agreement. The agreement remains in place through December 31, 2018, with no further right of renewal or extension beyond said termination date. The rental income earned is exempt from unrelated business income tax.

CHIKAMING OPEN LANDS
SAWYER, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
December 31, 2017 and 2016

NOTE 9. CONCENTRATIONS OF CREDIT RISK

The Organization maintains several bank accounts in multiple institutions. The balances of the accounts held at the institutions are insured by the FDIC up to \$250,000. At December 31, 2017 and 2016, the Organization had no deposits in excess of FDIC limits.

NOTE 10. SIMPLE RETIREMENT PLAN

The Organization has a SIMPLE retirement plan in the form of an IRA for eligible employees. An eligible employee is one who received at least \$5,000 of compensation from the Organization for the preceding calendar year and is reasonably expected to receive at least \$5,000 of compensation during the current year.

The Organization matches the elective contribution of participating employees in an amount not exceeding 3% of the employee's compensation. The amounts contributed for the employees for the year ended December 31, 2017 and 2016, was \$11,796 and \$3,881, respectively.

NOTE 11. STORMWATER, ASSET MANAGEMENT, AND WASTEWATER GRANT

The Organization entered into a subcontract agreement as of May 2, 2016, with the Southwest Michigan Planning Commission to provide services for the Michigan Department of Environmental, Office of Drinking Water and Municipal Assistance (the "DEQ"). As a subcontractor under the grant, the Organization is required to have an audit under *Governmental Auditing Standards*.

NOTE 12. SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through April 30, 2018, the date the financial statements were available to be issued. No events or transactions occurred during this period which require recognition or disclosure in the financial statements.

MANAGEMENT COMPLIANCE LETTER



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 of
Chikaming Open Lands
Sawyer, Michigan

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 Chikaming Open Lands (a not-for-profit organization), which comprise the statement of financial position as of December 31, 2017, and the related statement of activities and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated April 30, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Chikaming Open Lands' internal control over financial reporting (internal control) to determine the 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 Chikaming Open Lands' internal control. Accordingly, we do not express an opinion on the effectiveness of the Chikaming Open Lands' 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 entity'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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and responses that we consider to be a material weakness. See finding 2017-001.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Chikaming Open Lands' financial statements are free from 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 determination of financial statement amounts. 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*.

Chikaming Open Lands' Response to Findings

Chikaming Open Lands' response to the finding identified in our audit is described in the accompanying schedule of findings and responses. Chikaming Open Lands' response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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

Respectfully submitted,



Certified Public Accountants

St. Joseph, Michigan
April 30, 2018

CHIKAMING OPEN LANDS
SAWYER, MICHIGAN
SCHEDULE OF FINDINGS AND RESPONSES
December 31, 2017

SECTION I – FINANCIAL STATEMENT FINDINGS

Finding 2017 – 001

Material Weakness in Internal Control over Financial Reporting

Specific Requirement: Establishment and maintenance of internal controls over the financial reporting process.

Condition: Personnel responsible for financial reporting have time and monetary constraints that require assistance in preparing the financial statements and related footnotes. The staff of the Organization does understand all information included in the annual financial statements, but obtains assistance in the preparation.

Criteria: Internal controls should be in place to provide reasonable assurance to the Organization that management prepare, monitor, and report annual financial activity without auditor intervention.

Effect: The effect of this condition places a reliance on the independent auditor to be part of the Organization's internal controls over financial reporting.

Recommendation: The Organization should review and implement the necessary education and procedural activities to monitor and report annual financial activity.

Management Response: We are aware of this deficiency. However, due to budget constraints, we have not developed these processes. We intend to re-evaluate if funding circumstances change.

SECTION II – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

The Organization has spent under the \$750,000 threshold for federal expenditures and is not required to have a single audit under the Uniform Guidance.