



Chikaming Open Lands

Annual Report
December 31, 2018 and 2017

CHIKAMING OPEN LANDS
SAWYER, MICHIGAN
ANNUAL REPORT
December 31, 2018 and 2017

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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, 2018 and 2017, 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, 2018 and 2017, 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.

INDEPENDENT AUDITOR'S REPORT, CONCLUDED

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated August 23, 2019, 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,

A handwritten signature in blue ink that reads "Kruegel, Lawton & Company, LLC". The signature is written in a cursive, flowing style.

Certified Public Accountants

St. Joseph, Michigan
August 23, 2019

CHIKAMING OPEN LANDS
SAWYER, MICHIGAN
STATEMENTS OF FINANCIAL POSITION
December 31, 2018 and 2017

	2018			2017		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Assets						
Current Assets						
Cash and cash equivalents	\$ 220,555	\$ 252,179	\$ 472,734	\$ 262,461	\$ 466,824	\$ 729,285
Grants receivable, current portion	-	-	-	-	121,612	121,612
Pledges receivable, current portion	-	63,500	63,500	-	40,000	40,000
Investments, at fair market value	1,155,473	-	1,155,473	1,243,401	-	1,243,401
Other current assets	-	1,600	1,600	-	3,500	3,500
Total Current Assets	\$ 1,376,028	\$ 317,279	\$ 1,693,307	\$ 1,505,862	\$ 631,936	\$ 2,137,798
Fixed Assets						
Land	\$ 42,185	\$ -	\$ 42,185	\$ 42,185	\$ -	\$ 42,185
Buildings	226,913	-	226,913	226,913	-	226,913
Land improvements	19,181	-	19,181	19,181	-	19,181
Furniture and equipment	31,309	-	31,309	31,309	-	31,309
	\$ 319,588	\$ -	\$ 319,588	\$ 319,588	\$ -	\$ 319,588
Less, accumulated depreciation	71,960	-	71,960	63,839	-	63,839
Fixed Assets, net	\$ 247,628	\$ -	\$ 247,628	\$ 255,749	\$ -	\$ 255,749
Other Assets						
Pledges receivable, less current portion	\$ -	\$ 108,500	\$ 108,500	\$ -	\$ 40,000	\$ 40,000
Land under protection, at cost	-	2,594,762	2,594,762	-	2,032,424	2,032,424
Beneficial interest in assets held by Community Foundation	138,888	149,988	288,876	152,740	154,685	307,425
Website costs, net of \$16,985 accumulated amortization	1,015	-	1,015	3,046	-	3,046
Total Other Assets	\$ 139,903	\$ 2,853,250	\$ 2,993,153	\$ 155,786	\$ 2,227,109	\$ 2,382,895
Total Assets	\$ 1,763,559	\$ 3,170,529	\$ 4,934,088	\$ 1,917,397	\$ 2,859,045	\$ 4,776,442
Liabilities and Net Assets						
Current Liabilities						
Accounts payable	\$ 2,391	\$ -	\$ 2,391	\$ 1,876	\$ -	\$ 1,876
Payroll liabilities	8,261	-	8,261	5,542	-	5,542
Total Current Liabilities	\$ 10,652	\$ -	\$ 10,652	\$ 7,418	\$ -	\$ 7,418
Net Assets						
Without donor restrictions:						
Undesignated	\$ 458,546	\$ -	\$ 458,546	\$ 513,838	\$ -	\$ 513,838
Board-designated	1,294,361	-	1,294,361	1,396,141	-	1,396,141
With donor restrictions:						
Land assets	-	2,594,762	2,594,762	-	2,032,424	2,032,424
Land protection	-	207,322	207,322	-	580,238	580,238
Land stewardship	-	368,445	368,445	-	246,383	246,383
Total Net Assets	\$ 1,752,907	\$ 3,170,529	\$ 4,923,436	\$ 1,909,979	\$ 2,859,045	\$ 4,769,024
Total Liabilities and Net	\$ 1,763,559	\$ 3,170,529	\$ 4,934,088	\$ 1,917,397	\$ 2,859,045	\$ 4,776,442

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

CHIKAMING OPEN LANDS
SAWYER, MICHIGAN
STATEMENTS OF ACTIVITIES
For the Years Ended December 31, 2018 and 2017

	2018			2017		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenues						
Public Support						
Grants	\$ 500	\$ 165,245	\$ 165,745	\$ 500	\$ 143,231	\$ 143,731
Gifts and other donations	189,017	96,104	285,121	260,807	4,225	265,032
Donations for land and easements	-	169,328	169,328	-	22,197	22,197
Net assets released from restrictions, and reclassifications	105,503	(105,503)	-	267,825	(267,825)	-
Total Public Support	\$ 295,020	\$ 325,174	\$ 620,194	529,132	(98,172)	430,960
Revenues						
Investment income	\$ 67,982	\$ 1,007	\$ 68,989	\$ 86,227	\$ 829	\$ 87,056
Rental income	6,517	-	6,517	6,414	-	6,414
Special events (net of expense of \$29,740 in 2018 and \$28,149 in 2017)	47,090	-	47,090	78,388	-	78,388
Other	921	-	921	792	-	792
Unrealized gain (loss) on investments	(146,570)	-	(146,570)	69,732	-	69,732
Change in beneficial interest in assets held by Community Foundation	(13,851)	(14,697)	(28,548)	26,420	-	26,420
Total Revenues	\$ (37,911)	\$ (13,690)	\$ (51,601)	\$ 267,973	\$ 829	\$ 268,802
Total Public Support and Revenues	\$ 257,109	\$ 311,484	\$ 568,593	\$ 797,105	\$ (97,343)	\$ 699,762
Expenses						
Program	\$ 215,605	\$ -	\$ 215,605	\$ 358,213	\$ -	\$ 358,213
Management and general	139,548	-	139,548	138,522	-	138,522
Fundraising	59,028	-	59,028	44,792	-	44,792
Total Expenses	\$ 414,181	\$ -	\$ 414,181	\$ 541,527	\$ -	\$ 541,527
Change in Net Assets	\$ (157,072)	\$ 311,484	\$ 154,412	\$ 255,578	\$ (97,343)	\$ 158,235
Net Assets - Beginning of Year	1,909,979	2,859,045	4,769,024	1,654,401	2,956,388	4,610,789
Net Assets - End of Year	\$ 1,752,907	\$ 3,170,529	\$ 4,923,436	\$ 1,909,979	\$ 2,859,045	\$ 4,769,024

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, 2018 and 2017

2018

	Program	Management and General	Fundraising	Total
Expenses				
Salaries	\$ 107,432	\$ 54,198	\$ 45,752	\$ 207,382
Payroll taxes	8,998	4,536	3,816	17,350
SIMPLE IRA	3,223	1,626	1,373	6,222
Nature preserve acquisition	31,851	-	-	31,851
Stewardship	55,404	-	-	55,404
Outreach & education	6,765	-	-	6,765
Building and grounds	-	4,871	-	4,871
Office supplies and postage	-	2,650	106	2,756
Association dues and subscriptions	-	4,500	-	4,500
Utilities	-	7,891	-	7,891
Depreciation/amortization	-	10,152	-	10,152
Printing and publications	-	1,339	7,142	8,481
Professional services	-	9,450	-	9,450
Bank and credit service fees	-	795	-	795
Member development/appreciation	-	-	839	839
Staff professional development	1,932	-	-	1,932
Travel	-	5,179	-	5,179
Insurance	-	9,076	-	9,076
Investment fees	-	9,316	-	9,316
Information technology	-	6,870	-	6,870
Compliance	-	7,099	-	7,099
Total expenses	\$ 215,605	\$ 139,548	\$ 59,028	\$ 414,181

2017

	Program	Management and General	Fundraising	Total
Expenses				
Salaries	\$ 102,436	\$ 52,546	\$ 29,897	\$ 184,879
Payroll taxes	8,538	4,248	2,492	15,278
SIMPLE IRA	6,592	3,280	1,924	11,796
Nature preserve acquisition	24,895	-	-	24,895
Conservation easement acquisition	155,250	-	-	155,250
Stewardship	56,073	-	-	56,073
Outreach & education	4,429	-	-	4,429
Building and grounds	-	5,577	-	5,577
Office supplies and postage	-	2,547	645	3,192
Association dues and subscriptions	-	4,750	-	4,750
Utilities	-	7,345	-	7,345
Depreciation/amortization	-	10,796	-	10,796
Printing and publications	-	1,899	9,055	10,954
Professional services	-	11,603	-	11,603
Bank and credit service fees	-	3,356	-	3,356
Member development/appreciation	-	-	779	779
Staff professional development	-	3,579	-	3,579
Travel	-	6,479	-	6,479
Insurance	-	7,744	-	7,744
Investment fees	-	6,640	-	6,640
Information technology	-	5,812	-	5,812
Compliance	-	321	-	321
Total expenses	\$ 358,213	\$ 138,522	\$ 44,792	\$ 541,527

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, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Cash Flows from Operating Activities		
Change in net assets	\$ 154,412	\$ 158,235
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation and amortization	10,152	10,796
Change in beneficial interest in assets at Community Foundation	18,548	(175,420)
Unrealized gain on investments	146,475	(69,732)
Adjustments for changes in operating assets and liabilities:		
Grants receivable	121,612	(121,612)
Pledges receivable	(92,000)	5,000
Other current assets	1,900	141
Accounts payable	515	(5,844)
Payroll liabilities	2,718	1,312
Net Cash Flows from Operating Activities	<u>\$ 364,332</u>	<u>\$ (197,124)</u>
Cash Flows from Investing Activities		
Purchase of investments	\$ (67,862)	\$ (88,249)
Proceeds from investments	9,317	8,663
Acquisition of land under protection	(562,338)	-
Net Cash Flows from Investing Activities	<u>\$ (620,883)</u>	<u>\$ (79,586)</u>
Net Change in Cash and Cash Equivalents	\$ (256,551)	\$ (276,710)
Cash and Cash Equivalents - Beginning of Year	<u>729,285</u>	<u>1,005,995</u>
Cash and Cash Equivalents - End of Year	<u><u>\$ 472,734</u></u>	<u><u>\$ 729,285</u></u>

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

CHIKAMING OPEN LANDS
SAWYER, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
December 31, 2018 and 2017

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 preserve and restore fee simple lands and to ensure terms of conservation easements are met and maintained.
- Education and Research.
- Fundraising – personal solicitation and direct mail.

Accounting Method

The Organization’s financial statements are prepared on the accrual basis.

Financial Statement Presentation

The Organization prepares its financial statements in accordance with Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) 958-205, which set standards for reporting on financial statements of nonprofit organizations. ASC 958-205 requires the classification and presentation of net assets in two categories: net assets with donor restrictions, and net assets without donor restrictions.

Net assets without donor restrictions are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. These net assets may be used at the discretion of the Organization’s management and board of directors.

Net assets with donor restrictions are subject to stipulations by donors and/or grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

CHIKAMING OPEN LANDS
SAWYER, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
December 31, 2018 and 2017

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 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, 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 value for the receipt of donated permanent conservation easements or fee simple land donated for conservation purposes.

CHIKAMING OPEN LANDS
SAWYER, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
December 31, 2018 and 2017

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, 2018 and 2017, 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, 2018 and 2017, was \$8,121 and \$8,766, 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, 2018 and 2017, 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, 2015.

CHIKAMING OPEN LANDS
SAWYER, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
December 31, 2018 and 2017

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

Advertising

Various costs relating to advertising are considered period costs and are therefore expensed as incurred. Advertising costs for the years ended December 31, 2018 and 2017, were \$1,490 and \$674, 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.

Expense Allocations to Program and Supporting Activities

The Organization has allocated a variety of expenses to program services (allocations to agencies and community impact) and supporting services (administrative, fundraising, and communication and marketing). These allocated expenses include salaries, health and retirement benefits, payroll taxes and other employee costs, occupancy, and other costs. Allocations are determined based upon time spent, actual usage, and square footage as applicable.

Significant expenses that were allocated include the following:

Expense	Method of Allocation
Salaries; Payroll taxes, SIMPLE IRA	Time and effort
Office supplies and postage; Printing and publications	Estimated actual usage

All other expenses are allocated based on time and effort. or estimated actual usage.

New Accounting Pronouncement

On August 18, 2016, FASB issued ASU 2016-14, Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities. The update addresses the complexity and understandability of net asset classification, deficiencies in information about the liquidity and availability of resources, and lack of consistency in the type of information provided about expenses and investment return. The Organization has adjusted the presentation of these statements accordingly. The ASU has been applied retrospectively to all periods presented.

CHIKAMING OPEN LANDS
SAWYER, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
December 31, 2018 and 2017

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

Reclassifications

Certain prior year amounts have been reclassified to conform to current year classifications.

NOTE 2. LIQUIDITY AND AVAILABILITY

As of December 31, 2018, Chikaming has working capital of \$1,682,655 and average days cash on hand of 427.

The table below represents financial assets available for general expenditures within one year at December 31, 2018:

Cash and cash equivalents	\$ 472,734
Pledges receivable, current portion	63,500
Investments, at fair market value	1,155,473
Total	<u><u>\$ 1,691,707</u></u>

NOTE 3. PLEDGES RECEIVABLE

Included in pledges receivable are the following unconditional pledges:

	<u>2018</u>	<u>2017</u>
Flynn Woods Preserve	\$ 80,000	\$ 80,000
Chris Thompson Memorial Preserve	92,000	-
	<u><u>\$ 172,000</u></u>	<u><u>\$ 80,000</u></u>

To be collected in the year ending December 31:

2019	\$ 63,500
2020	63,500
2021	15,000
2022	15,000
2023	15,000
	<u><u>\$ 172,000</u></u>

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

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, 2018 and 2017

NOTE 4. DONATIONS OF LAND

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 Louis J. Sima Great Lakes Marsh Preserve, gifted on December 26, 2001.
- 80 acres of forest and wetland located in Chikaming Township, Michigan, known as Robinson Woods Preserve, transferred 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 Preserve, transferred by The Nature Conservancy on December 15, 2009.
- 40 acres of wetlands located in Buchanan, Michigan, known as Dayton Wet Prairie Preserve, transferred by The Nature Conservancy on May 12, 2011.
- 6 acres of back dune forest located in Chikaming Township, Michigan, known as The Woods Preserve, gifted by the Foster, Gazzolo and Douglass families on August 15, 2011.
- Approximately one-half acre of forested wetland located in Chikaming Township, Michigan, known as Critter Haven Preserve, 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.
- Approximately 109 acres of forest and agricultural land located in Chikaming Township, Michigan, known as the Edward and Elizabeth Leonard Wildlife Preserve, gifted by Elizabeth Leonard Rould on December 18, 2018.
- Approximately 5 acres of forested wetland located in Chikaming Township and approximately 10 acres of wetland in the City of New Buffalo transferred from Southwest Michigan Land Conservancy on December 21, 2018

CHIKAMING OPEN LANDS
SAWYER, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
December 31, 2018 and 2017

NOTE 5. 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 land protection and stewardship activities. Such values are reflected in the accompanying financial statements as contributions and expenses for land protection or stewardship. For the years ended December 31, 2018 and 2017, the value of donated services was \$6,100 and \$7,112, respectively.

NOTE 6. RESTRICTION OF NET ASSETS

Net Assets With Donor Restrictions – Net assets with donor restrictions include the following land under permanent 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

CHIKAMING OPEN LANDS
SAWYER, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
December 31, 2018 and 2017

NOTE 6. RESTRICTION OF NET ASSETS, CONCLUDED

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

On October 30, 2018, Chikaming Open Lands purchased approximately 49 acres of forest, fallow agricultural land, and wetland located in Chikaming Township, Michigan, plus associated costs. The property, known as the Chris Thompson Memorial Preserve, is preserved for the benefit of the general public for ecological, recreational, and educational purposes.

562,338

Total Lands Under Protection as of December 31, 2018

\$2,594,762

NOTE 7. 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.

CHIKAMING OPEN LANDS
SAWYER, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
December 31, 2018 and 2017

NOTE 7. FAIR VALUE MEASUREMENTS, CONCLUDED

The following table summarizes the valuation of the Organization's financial instruments by the above categories as of December 31, 2018:

	Level 1	Level 2	Level 3	Total
Money market funds	\$ 3,405	\$ -	\$ -	\$ 3,405
Equities	545,536	-	-	545,536
Fixed income	485,111	-	-	485,111
Non-traditional	121,421	-	-	121,421
Beneficial interest in assets held at Community Foundation	-	-	288,876	288,876
	<u>\$1,155,473</u>	<u>\$ -</u>	<u>\$ 288,876</u>	<u>\$1,444,349</u>

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>

NOTE 8. 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.

CHIKAMING OPEN LANDS
SAWYER, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
December 31, 2018 and 2017

NOTE 8. CONTRIBUTIONS HELD BY OTHERS, CONCLUDED

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

	<u>2018</u>	<u>2017</u>
Balance, beginning of year	\$ 307,425	\$ 132,006
Contributions	10,000	149,000
Investment income	13,120	10,758
Unrealized and realized investment gains	(38,666)	17,346
Grants and expenses	(3,002)	(1,685)
Balance, end of year	<u>\$ 288,877</u>	<u>\$ 307,425</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, 2018 and 2017, was \$39,839 and \$43,813, respectively.

NOTE 9. BUILDING LEASE

The Organization owns and leases a building adjacent to its office building, known as 12291-B Red Arrow Highway, Sawyer, Michigan, to another not-for-profit corporation. In 2018, the building was leased for \$542 per month. Gross rent collected for the years ended December 31, 2018 and 2017, was \$6,517 and \$6,414, 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, 2019, with no further right of renewal or extension beyond said termination date. The rental income earned is exempt from unrelated business income tax.

NOTE 10. 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, 2018 and 2017, the Organization had no deposits in excess of FDIC limits.

NOTE 11. 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, 2018 and 2017, was \$6,222 and \$11,796, respectively.

CHIKAMING OPEN LANDS
SAWYER, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
December 31, 2018 and 2017

NOTE 12. 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 13. SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through August 23, 2019, 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, 2018, and the related statement of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated August 23, 2019.

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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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*, CONCLUDED

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
August 23, 2019

CHIKAMING OPEN LANDS
SAWYER, MICHIGAN
SCHEDULE OF FINDINGS AND RESPONSES
December 31, 2018

SECTION I – FINANCIAL STATEMENT FINDINGS

There are no findings for the year ended December 31, 2018.

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.