

**UPPER PENINSULA LAND CONSERVANCY**  
**REVIEWED FINANCIAL STATEMENTS**  
**For the Year Ended December 31, 2023**

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## INDEPENDENT ACCOUNTANT'S REVIEW REPORT

To the Board of Directors of  
Upper Peninsula Land Conservancy  
102 W. Washington Street, Suite 213  
Marquette, Michigan 49855

We have reviewed the accompanying financial statements of Upper Peninsula Land Conservancy, (a nonprofit organization), which comprise the statement of financial position as of December 31, 2023, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of entity management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

### **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.

### **Accountant's Responsibility**

Our responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

We are required to be independent of Upper Peninsula Land Conservancy and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our review.

### **Accountant's Conclusion**

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.

*Anderson, Tackman & Company, PLC*  
Marquette, Michigan

July 31, 2024

**Upper Peninsula Land Conservancy**  
**STATEMENT OF FINANCIAL POSITION**

December 31, 2023

<b>ASSETS</b>	<b>2023</b>
<b>CURRENT ASSETS:</b>	
Cash and cash equivalents	\$ 113,384
Grant Receivables	120,000
Investments	500,490
<b>Total Current Assets</b>	<b>733,874</b>
<b>NON-CURRENT ASSETS:</b>	
Right of use asset	51,961
Lease deposit	1,400
Land - Conservation preserves	1,351,700
Land - Conservation reserves	885,075
Depreciable property	25,396
Accumulated depreciation	(141)
<b>Total Non-Current Assets</b>	<b>2,315,391</b>
<b>TOTAL ASSETS</b>	<b>\$ 3,049,265</b>
 <b>LIABILITIES AND NET ASSETS</b>	
<b>CURRENT LIABILITIES:</b>	
Accrued interest	234
Account payable and accrued expenses	3,034
Current Portion of Note Payable	4,936
Lease liability	15,453
<b>Total Current Liabilities</b>	<b>23,657</b>
<b>NON-CURRENT LIABILITIES:</b>	
Refundable advance	7,250
Note payable less current portion	77,064
Lease Liability	36,508
<b>Total Non-Current Liabilities</b>	<b>120,822</b>
<b>TOTAL LIABILITIES</b>	<b>144,479</b>
<b>NET ASSETS:</b>	
Net assets without donor restrictions	
Board designated funds	5,000
Undesignated	258,518
<b>Total net assets without donor restrictions</b>	<b>263,518</b>
Net assets with donor restrictions (perpetual)	2,516,783
Net assets with donor restrictions (not perpetual)	124,485
<b>Total net assets with donor restrictions</b>	<b>2,641,268</b>
<b>Total Net Assets</b>	<b>2,904,786</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 3,049,265</b>

See accompanying notes and accountant's review report.

**Upper Peninsula Land Conservancy**

**STATEMENT OF ACTIVITIES**

For the year ended December 31, 2023

	Net Assets without donor restrictions	Net Assets with donor restrictions	Total
<b>SUPPORT AND REVENUE:</b>			
<b>SUPPORT:</b>			
Contributions	\$ 93,637	\$ 26,856	\$ 120,493
Grant revenue	217,930	17,000	234,930
<b>TOTAL SUPPORT</b>	<b>311,567</b>	<b>43,856</b>	<b>355,423</b>
<b>REVENUE:</b>			
Timber stumpage	8,315	-	8,315
Investment income net of expense	66,985	-	66,985
Net Assets Released From Restrictions	47,769	(47,769)	-
Miscellaneous revenue	2,811	-	2,811
<b>TOTAL REVENUE</b>	<b>125,880</b>	<b>(47,769)</b>	<b>78,111</b>
<b>TOTAL REVENUE AND SUPPORT</b>	<b>437,447</b>	<b>(3,913)</b>	<b>433,534</b>
<b>EXPENSES:</b>			
Program services	124,054	-	124,054
Management and general	88,053	-	88,053
Fundraising	10,776	-	10,776
<b>TOTAL EXPENSES</b>	<b>222,883</b>	<b>-</b>	<b>222,883</b>
Change in net assets	214,564	(3,913)	210,651
Net assets beginning of year	48,954	2,645,181	2,694,135
<b>NET ASSETS END OF YEAR</b>	<b>\$ 263,518</b>	<b>\$ 2,641,268</b>	<b>\$ 2,904,786</b>

See accompanying notes and accountant's review report.

## Upper Peninsula Land Conservancy

### STATEMENT OF FUNCTIONAL EXPENSES

For the year ended December 31, 2023

	Program	Management and General	Fundraising	Total
Salaries and wages	\$ 67,663	\$ 42,115	\$ 8,060	\$ 117,838
Payroll taxes	5,366	3,340	640	9,346
Legal fees	-	3,780	-	3,780
Accounting fees	-	7,807	-	7,807
Contracted services	-	1,129	-	1,129
Advertising	400	-	-	400
Office expenses	-	3,120	-	3,120
Postage, printing	1,967	348	819	3,134
Information technology	5,437	1,185	-	6,622
Occupancy	10,546	6,564	1,257	18,367
Travel	2,440	-	-	2,440
Conferences and meetings	520	-	-	520
Insurance	-	8,075	-	8,075
Dues	-	7,990	-	7,990
Property maintenance	2,964	-	-	2,964
Property tax	26,751	-	-	26,751
Interest expense	-	1,973	-	1,973
Miscellaneous expense	-	627	-	627
<b>TOTAL EXPENSES</b>	<b>\$ 124,054</b>	<b>\$ 88,053</b>	<b>\$ 10,776</b>	<b>\$ 222,883</b>

See Accompanying notes and Accountant's review report

Upper Peninsula Land Conservancy

STATEMENT OF CASH FLOWS

For the year ended December 31, 2023

	<u>2023</u>
<b>CASH FLOWS PROVIDED BY OPERATING ACTIVITIES:</b>	
Change in net assets	\$ 210,651
Adjustments to reconcile change in net assets to change in net cash used by operating activities:	
Depreciation expense	141
Unrealized gain on investments	(60,115)
Realized loss on investments	7,111
Change in assets and liabilities:	(120,000)
Change in grant receivables	90,000
Change in pledges receivables	10,000
Other	73
Change in accrued interest	(4,212)
Change in accounts payable and accrued expenses	(3,490)
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<u>130,159</u>
<b>CASH FLOWS USED BY INVESTING ACTIVITIES:</b>	
Acquisition of land	(8,000)
Purchase of depreciable property	(25,396)
Payment of promissory note	(90,000)
Payment on notes payables	(100)
Proceeds from sale of investments	82,223
Purchases of investments	(75,023)
<b>NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES</b>	<u>(116,296)</u>
<b>CHANGE IN CASH AND CASH EQUIVALENTS</b>	13,863
Cash and cash equivalents at beginning of year	99,521
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<u>\$ 113,384</u>
Interest expense paid	<u>\$6,185</u>

See accompanying notes and accountant's review report

# UPPER PENINSULA LAND CONSERVANCY

## FINANCIAL STATEMENTS

DECEMBER 31, 2023

### **NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:**

The following summary of significant accounting policies of Upper Peninsula Land Conservancy (Conservancy) is presented to assist in understanding the Conservancy's financial statements.

#### Nature of Activities

The Conservancy's mission is land today for life tomorrow. The Conservancy works with landowners to permanently protect the conservation values of natural areas, working farms and forests, and recreational lands in Michigan's Upper Peninsula. The Conservancy performs this work for the benefit of the public by holding conservation easements on private lands, establishing conservation preserves on Conservancy-owned lands and by conducting educational programs.

#### Basis of Accounting

The financial statements of the Conservancy are prepared on the accrual basis of accounting.

#### Basis of Presentation

The financial statements have been prepared in accordance with the American Institute of Certified Public Accountants' *Audit and Accounting Guide for Not-For-Profit Organizations* and the specialized requirements of FASB ASU 2016-14, *Not-for-Profit Entities (Topic 958)—Presentation of Financial Statements of Not-for-Profit Entities*. In accordance with FASB ASU 2016-14, net assets are classified into two types—with donor restrictions and without donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without restrictions and reported in the Statement of Activities as net assets released from restrictions.

#### Cash and Cash Equivalents

The Conservancy considers highly liquid instruments with an original maturity of three months or less to be cash equivalents, with the exception of money market mutual funds which are excluded in accordance with generally accepted accounting principles (GAAP).

#### Conservation Easements

Easements acquired by the Conservancy are conservation easements and represent numerous restrictions over the use and development of the land not owned by the Conservancy. Since these easements have no marketable value and there are no expected future economic benefits, they are not recorded as assets on the statement of financial position. The Conservancy monitors activities on the land and enforces restrictions.

#### Depreciable Property

All depreciable properties are recorded at historical cost as of the date acquired. Tangible assets having a useful life of twelve months or less are not capitalized and are recorded as an expense on the financial statements. Depreciation is computed on a straight-line method over the useful lives of the assets generally as follows:

Land improvements	15 years
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## **NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):**

### Contributions

All contributions 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 restricted support that increases net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

### Income Taxes

The Conservancy is a non-profit organization which meets the requirements of Section 501(c)(3) of the Internal Revenue Code and shall be treated as an organization under Section 501(c)(3) of the Internal Revenue Code, exempt from taxation, and therefore has made no provision for federal income taxes in the accompanying financial statements.

The Conservancy's federal Exempt Organization Information Returns (Form 990) for the years 2021, 2022, and 2023 are subject to examination by the IRS, generally for three years after they were filed.

### Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and accompanying notes. Accordingly, actual results could differ from those estimates.

### Refundable Advance

Cash received related to conditional contributions before the related conditions are met is reflected as a refundable advance in the statement of financial position. Refundable advances are recognized as contribution revenue when the related conditions are met. Refundable advances as of December 31, 2023 are \$7,250.

### Donated Land

Contributions of land are recorded as support at their estimated fair value. Such donations are reported as unrestricted support unless the donor has restricted the use of the donated asset. Assets donated with explicit restrictions are recorded as restricted support.

### Land

The Conservancy categorizes land that it owns in one of three categories:

1. Conservation Preserves: Land held to maintain the present condition in order to sustain pristine wilderness. These are lands in which the Conservancy has no plans to sell or transfer.
2. Conservation Reserves: Land held for conservation, the sustainable use and management of natural resources for perpetual use. These are lands in which the Conservancy has no plans to sell or transfer.
3. Trade Lands: Land that has been given to the Conservancy that do not meet their standards for Preserves or Reserves which are sold with proceeds going to support Conservancy programs.

## NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

### Functional Expenses

Expenses have been allocated amongst program, management and general, and fundraising. Direct costs of a function are allocated directly to that function and costs that benefit two or more areas are allocated based on management's estimates. Compensation and benefits are allocated on the basis of estimates of time and effort; occupancy and office costs, are allocated based on estimates of usage.

### Revenue Recognition

The Conservancy has adopted FASB Accounting Standards Update 2014-09, *Revenue from Contracts with Customers (Accounting Standards Codification (ASC) 606*. ASC 606 requires financial statement issuers to recognize revenue as satisfaction of the related performance obligations of the contract are completed. All of the Conservancy revenue-related items are outside the scope of ASC 606 in 2023: timber stumpage, contributions, investment income, miscellaneous revenue, and grant revenue.

### Subsequent Events

Subsequent events were evaluated through July 31, 2024 which is the date the financial statements were available to be issued.

### Leases

The Conservancy adopted FASB ASU 2016-2 Leases as of January 1, 2022. There were no leases subject to this standard at December 31, 2021. For leases entered into after December 31, 2021 the Conservancy has recorded right to use assets and lease liabilities.

## NOTE B – GRANT RECEIVABLES:

The Conservancy is participating in a matching grant program that is spread over three years. The amount of the matching grant to be awarded is \$120,000, \$130,000, and \$150,000 for the years 2023, 2024, and 2025, respectively. The matching grant requires the Conservancy to raise an equal amount of contributions each year. The contributions raised can be restricted or unrestricted. The grant proceeds are unrestricted. The Conservancy met the conditions for the grant for 2023 and has recorded \$120,000 as unrestricted income in accordance with ASC 958.

## NOTE C – INVESTMENTS:

The Conservancy's investments at December 31, 2023 consist of money market funds, stocks and mutual funds. The investments are classified as available for sale and recorded at fair market value based on quoted prices in active markets (all Level 1 measurements) and consist of the following:

	Cost	Fair Market Value
Money market funds	\$-	\$-
Stocks, ETF's and mutual funds, and certificates of deposit	473,791	500,490
Total	<u>\$473,791</u>	<u>\$500,490</u>

**NOTE C – INVESTMENTS (continued):**

Investment income is composed of the following for the year ended December 31, 2023:

Dividends and interest	\$19,220
Net realized gain (loss)	(7,111)
Net unrealized gain (loss)	60,115
Less Investment expenses	<u>(5,239)</u>
Total	<u>\$66,985</u>

**NOTE D – FAIR VALUE MEASUREMENTS:**Fair Value Hierarchy

Under FASB ASC 820, the Conservancy groups its investments at fair value into three levels, based on the markets in which the investments are traded and the reliability of the assumptions used to determine fair value. These levels are:

Level 1: Valuation is based upon quoted prices for identical instruments traded in active markets. Level 1 security include those traded on an active exchange, such as the New York Stock Exchange, U.S. Treasury securities that are traded by dealers or brokers in active over-the-counter markets, or money market funds.

Level 2: Valuation is based upon quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-based valuation techniques for which all significant assumptions are observable in the market.

Level 3: Valuation is generated from model-based techniques that use at least one significant assumption not observable in the market. These unobservable assumptions reflect estimates that market participants would use in pricing asset or liability.

Fair value measurement for the Conservancy investments is based upon quoted prices. All of the Conservancy investments are Level 1.

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Money market	\$-	\$-	\$-	\$-
Stocks and Mutual funds	500,490	-	-	500,490
Total at fair value	<u>\$500,490</u>	<u>\$-</u>	<u>\$-</u>	<u>\$500,490</u>

**NOTE E – LEASES:**

The Conservancy entered into an operating lease beginning April 1, 2022 for \$1,400 per month through March 31, 2025. The Conservancy has the option to renew the lease for an additional two years and since it is reasonably certain that the option to renew will be exercised, the right of use asset and lease liability is calculated through March 31, 2027. Lease expense was \$16,800 for 2023 and is included in occupancy expense of \$18,368.

The right of use asset value of the operating lease is \$51,961 after amortization at December 31, 2023. The right of use asset is being amortized over 5 years using the straight-line method. Accumulated Amortization for the right of use asset is \$26,147 at December 31, 2023.

Future minimum lease payments are shown below:

2024	\$16,800
2025	16,800
2026	16,800
2027	<u>4,200</u>
Total Undiscounted Cash Flows	54,600
Less Discount	<u>(2,639)</u>
Lease Liability	<u>\$51,961</u>

**NOTE F – CONCENTRATIONS:**

It is always considered reasonably possible that benefactors, grantors or contributors might be lost in the near term. The Conservancy's contribution area is mainly within the Upper Peninsula of Michigan. Realization of such contributions is influenced by regional economic factors.

Custodial credit risk is the risk that in the event of a bank failure, the Conservancy's deposits may not be returned to it. The carrying amount of the deposits with financial institutions was \$112,139, of which \$112,139 was insured by the Federal Deposit Insurance Corporation.

**NOTE G – NET ASSETS WITH DONOR RESTRICTIONS:**

The Conservancy reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. Net assets with donor restrictions are available for the following purposes:

Purpose restrictions, available for spending, land protection	\$45,364
Purpose restrictions, available for spending, legal defense	79,121
Stewardship Investment Fund (Principle Restricted Perpetually)	264,508
Melodus Investment Fund (Principle Restricted Perpetually)	15,500
Land-Conservation preserves(Principle Restricted Perpetually)	1,351,700
Land-Conservation reserves(Principle Restricted Perpetually)	<u>885,075</u>
	<u>\$2,641,268</u>

**NOTE H – NOTES PAYABLE:**

The Conservancy borrowed \$85,000 from the U.S. Small Business Association as part of its Economic Injury Disaster Loan (EIDL) program in 2020. In 2021, \$3,000 of this loan was forgiven and the loan was amended to start payments at \$351 for principal and interest per month beginning in January of 2023 for a period of 30 years. The Loan is secured by all assets of the Conservancy. Principal payments over the life of the loan are as follows:

2024	\$4,936
2025	2,245
2026	2,308
Thereafter	72,511
Total	<u>\$ 82,000</u>

**NOTE I – LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS:**

The following reflects the organization’s financial assets as of the balance sheet date, reduced by amounts not available for general use within one year of the balance sheet date because of donor-imposed restrictions or internal designations. Amounts not available include amounts set aside that could be drawn upon if the Board approves that action.

Financial assets, at December 31, 2023	\$733,874
Less those unavailable for general expenditures within one year, due to:	
Restricted by donor with time or purpose restrictions	(404,493)
Board designations	<u>(5,000)</u>
Financial assets available to meet cash needs for general expenditures within one year	324,381
Estimated 2024 unrestricted contributions	250,000
Total	<u>\$574,381</u>

The Conservancy expects to generate contributions combined with beginning of the year available net assets to pay for general expenditures in 2024. Use of unrestricted financial assets are estimated to be \$300,200 in 2024.

**NOTE J – GRANT RECEIVABLE AND PROMISSORY NOTE**

The Conservancy recorded a \$90,000 grant from the United States Forest Service Community Forest Program which was applied to the partial purchase of the Dead River Community Forest property shown as a promissory note in 2022. In 2023, \$90,000 was received and used to pay the promissory note.