



Chikaming Open Lands

Annual Report
December 31, 2020 and 2019

CHIKAMING OPEN LANDS
SAWYER, MICHIGAN
ANNUAL REPORT
December 31, 2020 and 2019

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INDEPENDENT AUDITOR'S REPORT

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

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, 2020 and 2019, 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. 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, 2020 and 2019, 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.

Respectfully submitted,

A handwritten signature in blue ink that reads 'Kruggel, Lawton & Company, LLC'.

Certified Public Accountants

St. Joseph, Michigan
May 26, 2021

CHIKAMING OPEN LANDS
SAWYER, MICHIGAN
STATEMENTS OF FINANCIAL POSITION
December 31, 2020 and 2019

	2020			2019		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Assets						
Current Assets						
Cash and cash equivalents	\$ 385,092	\$ 445,224	\$ 830,316	\$ 232,927	\$ 202,683	\$ 435,610
Pledges receivable, current portion	-	60,000	60,000	-	67,000	67,000
Investments, at fair market value	1,944,067	-	1,944,067	1,373,561	-	1,373,561
Other current assets	-	2,000	2,000	-	1,000	1,000
Total Current Assets	\$ 2,329,159	\$ 507,224	\$ 2,836,383	\$ 1,606,488	\$ 270,683	\$ 1,877,171
Fixed Assets						
Land	\$ 42,185	\$ -	\$ 42,185	\$ 42,185	\$ -	\$ 42,185
Buildings	233,913	-	233,913	226,913	-	226,913
Land improvements	19,181	-	19,181	19,181	-	19,181
Furniture and equipment	16,617	-	16,617	16,617	-	16,617
	\$ 311,896	\$ -	\$ 311,896	\$ 304,896	\$ -	\$ 304,896
Less, accumulated depreciation	72,755	-	72,755	65,047	-	65,047
Fixed Assets, net	\$ 239,141	\$ -	\$ 239,141	\$ 239,849	\$ -	\$ 239,849
Other Assets						
Pledges receivable, less current portion	\$ -	\$ 45,000	\$ 45,000	\$ -	\$ 100,000	\$ 100,000
Land under protection, at cost	-	2,805,719	2,805,719	-	2,702,701	2,702,701
Land acquisition in process	-	4,254	4,254	-	-	-
Non-conservation real estate	-	-	-	242,000	-	242,000
Beneficial interest in assets held by Community Foundation	369,792	-	369,792	162,581	175,580	338,161
Total Other Assets	\$ 369,792	\$ 2,854,973	\$ 3,224,765	\$ 404,581	\$ 2,978,281	\$ 3,382,862
Total Assets	\$ 2,938,092	\$ 3,362,197	\$ 6,300,289	\$ 2,250,918	\$ 3,248,964	\$ 5,499,882
Liabilities and Net Assets						
Current Liabilities						
Accounts payable	\$ 1,091	\$ -	\$ 1,091	\$ 1,599	\$ -	\$ 1,599
Payroll liabilities	1,875	-	1,875	1,349	-	1,349
Total Current Liabilities	\$ 2,966	\$ -	\$ 2,966	\$ 2,948	\$ -	\$ 2,948
Net Assets						
Without donor restrictions	\$ 2,935,126	\$ -	\$ 2,935,126	\$ 2,247,970	\$ -	\$ 2,247,970
With donor restrictions	-	3,362,197	3,362,197	-	3,248,964	3,248,964
Total Net Assets	\$ 2,935,126	\$ 3,362,197	\$ 6,297,323	\$ 2,247,970	\$ 3,248,964	\$ 5,496,934
Total Liabilities and Net Assets	\$ 2,938,092	\$ 3,362,197	\$ 6,300,289	\$ 2,250,918	\$ 3,248,964	\$ 5,499,882

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, 2020 and 2019

	2020			2019		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenues						
Public Support						
Grants	\$ 10,000	\$ 138,500	\$ 148,500	\$ -	\$ 27,674	\$ 27,674
Gifts and other donations	708,228	1,000	709,228	253,258	8,638	261,896
Donations for land and easements	-	244,894	244,894	242,000	58,616	300,616
Net assets released from restrictions, and reclassifications	305,126	(305,126)	-	75,321	(75,321)	-
Total Public Support	\$ 1,023,354	\$ 79,268	\$ 1,102,622	570,579	19,607	590,186
Revenues						
Investment income	\$ 50,402	\$ 64	\$ 50,466	\$ 74,764	\$ 1,273	\$ 76,037
Rental income	6,201	2,000	8,201	6,635	1,600	8,235
Special events (net of expense of \$24,907 in 2019)	-	-	-	48,150	27,450	75,600
Other	585	16,877	17,462	1,358	2,913	4,271
Unrealized gain on investments	130,104	-	130,104	152,830	-	152,830
Loss on sale of non-conservation real estate	(92,000)	-	(92,000)	-	-	-
Change in beneficial interest in assets held by Community Foundation	16,606	15,024	31,630	23,693	25,592	49,285
Total Revenues	\$ 111,898	\$ 33,965	\$ 145,863	\$ 307,430	\$ 58,828	\$ 366,258
Total Public Support and Revenues	\$ 1,135,252	\$ 113,233	\$ 1,248,485	\$ 878,009	\$ 78,435	\$ 956,444
Expenses						
Program	\$ 265,119	\$ -	\$ 265,119	\$ 181,112	\$ -	\$ 181,112
Management and general	121,419	-	121,419	152,242	-	152,242
Fundraising	61,558	-	61,558	49,592	-	49,592
Total Expenses	\$ 448,096	\$ -	\$ 448,096	\$ 382,946	\$ -	\$ 382,946
Change in Net Assets	\$ 687,156	\$ 113,233	\$ 800,389	\$ 495,063	\$ 78,435	\$ 573,498
Net Assets - Beginning of Year	2,247,970	3,248,964	5,496,934	1,752,907	3,170,529	4,923,436
Net Assets - End of Year	\$ 2,935,126	\$ 3,362,197	\$ 6,297,323	\$ 2,247,970	\$ 3,248,964	\$ 5,496,934

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

CHIKAMING OPEN LANDS
SAWYER, MICHIGAN
STATEMENTS OF FUNCTIONAL EXPENSES
For the Years Ended December 31, 2020 and 2019

2020

	<u>Program</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Expenses				
Salaries	\$ 127,625	\$ 40,942	\$ 44,713	\$ 213,280
Qualified small employer health reimbursement arrangement	8,787	2,272	3,096	14,155
Payroll taxes	10,335	3,279	3,617	17,231
SIMPLE IRA	2,490	1,069	1,340	4,899
Nature preserve acquisition	2,002	-	-	2,002
Conservation easement acquisition	12,282	-	-	12,282
Stewardship	100,485	-	-	100,485
Outreach & education	1,113	-	-	1,113
Building and grounds	-	2,058	-	2,058
Office supplies and postage	-	1,418	205	1,623
Association dues and subscriptions	-	5,100	-	5,100
Utilities	-	7,339	-	7,339
Depreciation	-	7,708	-	7,708
Printing and publications	-	499	7,782	8,281
Marketing and advertising	-	-	390	390
Professional services	-	12,410	-	12,410
Bank and credit service fees	-	934	-	934
Member development/appreciation	-	-	415	415
Staff professional development	-	3,450	-	3,450
Travel	-	4,150	-	4,150
Insurance	-	11,022	-	11,022
Investment fees	-	9,852	-	9,852
Information technology	-	7,845	-	7,845
Compliance	-	72	-	72
Total expenses	<u>\$ 265,119</u>	<u>\$ 121,419</u>	<u>\$ 61,558</u>	<u>\$ 448,096</u>

2019

	<u>Program</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Expenses				
Salaries	\$ 84,097	\$ 60,193	\$ 32,539	\$ 176,829
Qualified small employer health reimbursement arrangement	5,559	3,451	2,335	11,345
Payroll taxes	7,188	5,363	2,763	15,314
SIMPLE IRA	2,552	1,835	978	5,365
Nature preserve acquisition	16,676	-	-	16,676
Conservation easement acquisition	3,402	-	-	3,402
Stewardship	54,980	-	-	54,980
Outreach & education	6,658	-	-	6,658
Building and grounds	-	3,642	-	3,642
Office supplies and postage	-	3,478	453	3,931
Association dues and subscriptions	-	4,975	-	4,975
Utilities	-	7,428	-	7,428
Depreciation/amortization	-	8,794	-	8,794
Printing and publications	-	1,798	7,990	9,788
Marketing and advertising	-	-	1,754	1,754
Professional services	-	10,763	-	10,763
Bank and credit service fees	-	1,121	-	1,121
Member development/appreciation	-	-	780	780
Staff professional development	-	5,015	-	5,015
Travel	-	9,212	-	9,212
Insurance	-	8,235	-	8,235
Investment fees	-	9,422	-	9,422
Information technology	-	7,472	-	7,472
Compliance	-	45	-	45
Total expenses	<u>\$ 181,112</u>	<u>\$ 152,242</u>	<u>\$ 49,592</u>	<u>\$ 382,946</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, 2020 and 2019

	2020	2019
Cash Flows from Operating Activities		
Change in net assets	\$ 800,389	\$ 573,498
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation	7,708	8,794
Change in beneficial interest in assets at Community Foundation	(31,630)	(49,285)
Loss on sale of non-conservation real estate	92,000	-
Unrealized gain on investments	(130,104)	(152,830)
Adjustments for changes in operating assets and liabilities:		
Pledges receivable	62,000	5,000
Other current assets	(1,000)	600
Accounts payable	(508)	(792)
Payroll liabilities	526	(6,912)
Net Cash Flows from Operating Activities	\$ 799,381	\$ 378,073
Cash Flows from Investing Activities		
Purchase of investments	\$ (540,704)	\$ (123,541)
Proceeds from investments	100,301	58,283
Proceeds from sale of non-conservation real estate	150,000	-
Purchase of fixed assets	(7,000)	-
Acquisition of land under protection	(107,272)	(349,939)
Net Cash Flows from Investing Activities	\$ (404,675)	\$ (415,197)
Net Change in Cash and Cash Equivalents	\$ 394,706	\$ (37,124)
Cash and Cash Equivalents - Beginning of Year	435,610	472,734
Cash and Cash Equivalents - End of Year	\$ 830,316	\$ 435,610

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

CHIKAMING OPEN LANDS
SAWYER, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
December 31, 2020 and 2019

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.

Financial Statement Presentation

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

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, 2020 and 2019

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).

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.

Revenue Recognition

Contributions and Nonexchange Transactions:

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.

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.

CHIKAMING OPEN LANDS
SAWYER, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
December 31, 2020 and 2019

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, 2020 and 2019, 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, 2020 and 2019, was \$7,708 and \$7,779, respectively.

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, 2020 and 2019, 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, 2017.

Advertising

Various costs relating to advertising are considered period costs and are therefore expensed as incurred. Advertising costs for the years ended December 31, 2020 and 2019, were \$390 and \$1,754, respectively.

CHIKAMING OPEN LANDS
SAWYER, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
December 31, 2020 and 2019

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

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; Qualified Small Employer Health Reimbursement Arrangement; 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.

Use of Estimates

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

NOTE 2. LIQUIDITY AND AVAILABILITY

As of December 31, the Organization has the following:

	<u>2020</u>	<u>2019</u>
Working Capital	\$ 2,833,417	\$ 1,874,223
Average Days Cash on Hand	569	425

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

	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 830,316	\$ 435,610
Pledges receivable, current portion	60,000	67,000
Investments, at fair market value	1,944,067	1,373,561
Total	<u>\$ 2,834,383</u>	<u>\$ 1,876,171</u>

CHIKAMING OPEN LANDS
SAWYER, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
December 31, 2020 and 2019

NOTE 3. PLEDGES RECEIVABLE

Included in pledges receivable are the following unconditional pledges:

	<u>2020</u>	<u>2019</u>
Flynn Woods Preserve	\$ 40,000	\$ 80,000
Chris Thompson Memorial Preserve	65,000	83,500
Leonard Preserve	-	1,000
Pledges receivable with no use restriction	-	2,500
	<u>\$ 105,000</u>	<u>\$ 167,000</u>

To be collected in the year ending December 31:

2021	\$ 60,000
2022	15,000
2023	15,000
2024	15,000
	<u>\$ 105,000</u>

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

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.

CHIKAMING OPEN LANDS
SAWYER, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
December 31, 2020 and 2019

NOTE 4. DONATIONS OF LAND, CONCLUDED

- 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-woods 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.
- Approximately 30 acres of forest and wetland located in New Buffalo Township, Michigan, preserved for the benefit of the general public for ecological, recreational, and educational purposes, gifted by the Bartholomay Family Trust on May 6, 2019.

NOTE 5. DONATED SERVICES

The FASB ASC Topic 958-605, *Transfers of Assets to a Not-for-Profit Organization or Charitable Trust that Raises or Holds Contributions for Others*, 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, 2020 and 2019, the value of donated services was \$2,500 and \$5,600, respectively.

CHIKAMING OPEN LANDS
SAWYER, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
December 31, 2020 and 2019

NOTE 6. LAND UNDER PROTECTION

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

	2020	2019
On August 29, 2001, the Organization purchased 5 acres of back-woods 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	\$ 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	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	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	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	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	77,240

CHIKAMING OPEN LANDS
SAWYER, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
December 31, 2020 and 2019

NOTE 6. LAND UNDER PROTECTION, CONCLUDED

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	562,338
On February 27, 2019, Chikaming Open Lands purchased approximately 12 acres of native grassland located in Galien Township, Michigan, plus associated costs. The property was added to the adjacent Burns Prairie Preserve and is preserved for the benefit of the general public for ecological, recreational, and educational purposes.	47,576	50,241
On May 16, 2019, Chikaming Open Lands acquired approximately 25 acres of forest and wetland, located in Chikaming Township, Michigan, in a bargain sale purchase plus associated costs. The property, known as the Younger Family Preserve, is preserved for the benefit of the general public for ecological, recreational, and educational purposes.	57,698	57,698
On January 10, 2020, Chikaming Open Lands purchased approximately 14 acres of native grassland located in Galien Township, Michigan, plus associated costs. The property was added to the adjacent Burns Prairie Preserve and is preserved for the benefit of the general public for ecological, recreational, and educational purposes.	105,683	-
Total Lands Under Protection as of December 31	\$2,805,719	\$2,702,701

NOTE 7. FAIR VALUE MEASUREMENTS

The three levels of the fair value hierarchy under FASB ASC 820, *Fair Value Measurement*, 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.

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NOTE 7. FAIR VALUE MEASUREMENTS, CONCLUDED

Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. As required by FASB 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, 2020:

	Level 1	Level 2	Level 3	Total
Money market funds	\$ 411,471	\$ -	\$ -	\$ 411,471
Equities	818,572	-	-	818,572
Fixed income	563,533	-	-	563,533
Non-traditional	150,491	-	-	150,491
Beneficial interest in assets held at Community Foundation	-	-	369,792	369,792
	<u>\$1,944,067</u>	<u>\$ -</u>	<u>\$ 369,792</u>	<u>\$2,313,859</u>

The following table summarizes the valuation of the Organization’s financial instruments by the above categories as of December 31, 2019:

	Level 1	Level 2	Level 3	Total
Equities	\$ 716,563	\$ -	\$ -	\$ 716,563
Fixed income	517,952	-	-	517,952
Non-traditional	139,046	-	-	139,046
Beneficial interest in assets held at Community Foundation	-	-	338,161	338,161
	<u>\$1,373,561</u>	<u>\$ -</u>	<u>\$ 338,161</u>	<u>\$1,711,722</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 funds.

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NOTE 8. CONTRIBUTIONS HELD BY OTHERS, CONCLUDED

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>2020</u>	<u>2019</u>
Balance, beginning of year	\$ 338,161	\$ 288,877
Contributions	-	-
Investment income	6,271	8,738
Unrealized and realized investment gains (losses)	28,528	43,750
Grants and expenses	(3,168)	(3,204)
Balance, end of year	<u>\$ 369,792</u>	<u>\$ 338,161</u>

The Foundation also holds an Endowment Fund comprised of gifts contributed by others, directly to the Foundation, for the benefit of the Organization. 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, 2020 and 2019, was \$51,283 and \$46,714, respectively.

NOTE 9. SALE OF REAL ESTATE

On October 2, 2020, the Organization completed the sale of real estate located in New Buffalo Township, Michigan. The property was sold subject to a conservation easement over 23.32 acres. In consideration for the conservation easement, the property tax sold at a price below fair market value, less associated costs. The conservation easement protects open space and natural features of the property.

NOTE 10. BUILDING RENT

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. Gross rent collected for the years ended December 31, 2020 and 2019, was \$6,201 and \$6,635, 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, 2020, with no further right of renewal or extension beyond said termination date. The rental income earned is exempt from unrelated business income tax.

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NOTE 11. 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, 2020 and 2019, the Organization had \$229,671 and \$0, respectively, in excess of FDIC limits.

NOTE 12. 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, 2020 and 2019, was \$4,899 and \$5,365, respectively.

NOTE 13. PAYCHECK PROTECTION PROGRAM LOAN

In April 2020, the Organization entered into a loan (the "PPP Loan") with Horizon Bank (the "Lender") evidencing an unsecured promissory note in the amount of \$40,500 (the "PPP Note") pursuant to the Paycheck Protection Program (the "PPP") under the Coronavirus Aid, Relief, and Economic Security (CARES) Act. Subject to the terms of the PPP Note, the PPP Loan bears interest at a fixed rate of 1% per year, with the first ten months of interest deferred, and payable over a term of two to five years. The PPP Loan is unsecured and guaranteed by the Small Business Administration ("SBA").

The PPP Loan may be used for payroll costs, costs related to certain group health care benefits and insurance premiums, rent payments, utility payments, and also interest payments on any debt obligations that were entered into before February 15, 2020. PPP loan recipients can apply for and be granted forgiveness for all or a portion of the loan granted under the PPP, with such forgiveness to be determined, subject to limitations, based on the use of the loan proceeds for payment of payroll costs and any payments of mortgage interest, rent, and utilities.

Pursuant to the guidance under the *Debt Topic of the Financial Accounting Standards Board Accounting Standards Codification* ("ASC") 470, the Organization has recorded the loan as a government grant by analogy to *International Accounting Standard (IAS) 20, Accounting for Government Grants and Disclosure of Government Assistance*. This treatment allowed for the PPP loan proceeds to be recorded as a deferred income liability. In August 2020, the Organization submitted the PPP loan forgiveness application which was subsequently approved by the Lender and the SBA. As a result, the Organization reduced the deferred income liability, in full, and recognized an equivalent amount as "Grants" in the income statement.

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NOTE 14. NET ASSETS

The Organization had the following net assets as of December 31, 2020:

	Without Donor Restrictions	With Donor Restrictions	Total
Without donor restrictions:			
Undesignated	\$ 621,267	\$ -	\$ 621,267
Board-designated	2,313,859	-	2,121,856
With donor restrictions:			
Land assets	-	2,809,973	2,809,973
Land protection	-	399,042	399,042
Land stewardship	-	152,182	344,185
Other	-	1,000	1,000
Total Net Assets	\$ 2,935,126	\$ 3,362,197	\$ 6,297,323

The Organization had the following net assets as of December 31, 2019:

	Without Donor Restrictions	With Donor Restrictions	Total
Without donor restrictions:			
Undesignated	\$ 711,828	\$ -	\$ 711,828
Board-designated	1,536,142	-	1,536,142
With donor restrictions:			
Land assets	-	2,702,701	2,702,701
Land protection	-	142,108	142,108
Land stewardship	-	401,655	401,655
Other	-	2,500	2,500
Total Net Assets	\$ 2,247,970	\$ 3,248,964	\$ 5,496,934

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NOTE 15. ENDOWMENTS

The Organization's endowments consist of funds designated by the Board to function as endowments. As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The Organization has adopted and implemented investment and spending policies for endowment assets that attempt to provide a stream of funding to support a portion of operations under the specified terms of the underlying endowment agreements, while seeking to preserve the endowment assets in perpetuity. In establishing this policy, the Organization considered the long term expected return on its endowments.

Board designated endowment funds are held at the Foundation which has primary responsibility over the investment philosophy utilized. The Foundation's asset allocation philosophy includes the following asset classes: domestic (small and large cap) and global equities, fixed income securities, hedge funds and other investments as defined.

The Board has interpreted the State Prudent Management Investment Fiduciary Act ("SPMIFA") as requiring realized and unrealized gains of restricted net assets (if any) to be retained in a restricted net asset classification until appropriated by the Board for expenditure unless explicitly stated otherwise in the gift instrument. In addition, the Board has interpreted SPMIFA to appropriate as much of net appreciation of net assets with donor restrictions (if any) as is prudent considering the duration and preservation of the endowment fund, the purposes of the Organization and endowment fund, general economic conditions, effect of inflation or deflation, expected total return on its investments, and the investment policy of the Organization.

The following is a summary of endowment net asset composition by type of fund at December 31, 2020:

	Without Donor <u>Restrictions</u>	With Donor <u>Restrictions</u>	<u>Total</u>
Beneficial interest in assets held by Community Foundation - endowment fund	\$ 177,789	\$ -	\$ 177,789
Beneficial interest in assets held by Community Foundation - stewardship fund	192,003	-	192,003
Total	<u>\$ 369,792</u>	<u>\$ -</u>	<u>\$ 369,792</u>

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NOTE 15. ENDOWMENTS, CONCLUDED

The following is a summary of endowment net asset composition by type of fund at December 31, 2019:

	Without Donor Restrictions	With Donor Restrictions	Total
Beneficial interest in assets held by Community Foundation - endowment fund	\$ 162,581	\$ -	\$ 162,581
Beneficial interest in assets held by Community Foundation - stewardship fund	-	175,580	175,580
Total	\$ 162,581	\$ 175,580	\$ 338,161

NOTE 16. UPCOMING ACCOUNTING PRONOUNCEMENTS

The Organization has not yet adopted Accounting Standards Update (“ASU”) 2016-02, *Leases (Topic 842)*, which was issued by the FASB in February 2016. This ASU affects any entity that enters into a lease, with some specified scope exceptions. The main difference between previous GAAP and this ASU is the recognition of lease assets and lease liabilities by lessees for those leases classified as operating leases under previous GAAP. Lessor accounting will not fundamentally change. Operating lease income will be recognized on a straight line basis over the lease term. The amendments in this ASU are currently effective for fiscal years beginning after December 15, 2022. The Organization is in the process of assessing the effect of this ASU on these financial statements.

NOTE 17. SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through May 26, 2021, 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.