

Financial Statements



December 31, 2022

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Georges River Land Trust

December 31, 2022

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Independent Accountants' Review Report

**To the Board of Directors
Georges River Land Trust
Rockland, Maine**

We have reviewed the accompanying financial statements of Georges River Land Trust (a nonprofit organization), which comprise the statement of financial position as of December 31, 2022, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of 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.

Accountants' 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 Georges River Land Trust and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our review.

Accountants' 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.

Summarized Comparative Information

We previously reviewed Georges River Land Trust's 2021 financial statements and in our conclusion dated July 28, 2022, stated that based on our review, we were not aware of any material modifications that should be made to the 2021 financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America. We are not aware of any material modifications that should be made to the summarized comparative information presented herein as of and for the year ended December 31, 2021, for it to be consistent with the reviewed financial statements from which it has been derived.

Purdy Powers & Company

Professional Association

**Portland, Maine
October 5, 2023**

Statement of Financial Position

Georges River Land Trust

As of December 31, 2022

(with comparative totals for December 31, 2021)

| | <u>2022</u> | <u>2021</u> |
|---|--------------|--------------|
| Current Assets | | |
| Cash | \$ 677,014 | \$ 462,382 |
| Investments | 678,967 | 870,916 |
| Current portion of pledges receivable | 153,134 | 88,370 |
| Prepaid expenses | 11,705 | 8,375 |
| Inventory | 2,844 | 3,204 |
| | <hr/> | <hr/> |
| Total Current Assets | 1,523,664 | 1,433,247 |
| Property and Equipment , net of accumulated depreciation | 204,220 | 99,762 |
| Other Assets | | |
| Deposits | 6,946 | 2,900 |
| Pledges receivable, less current portion | 91,200 | 85,463 |
| Beneficial interest in perpetual trust | 252,058 | 313,067 |
| Grantor retained life estate | - | 296,000 |
| Langlais artwork | 2,207,186 | 2,207,186 |
| Investments restricted by donors for endowment | 333,772 | 335,768 |
| Property for conservation | 2,587,802 | 1,889,666 |
| | <hr/> | <hr/> |
| Total Other Assets | 5,478,964 | 5,130,050 |
| | <hr/> | <hr/> |
| Total Assets | \$ 7,206,848 | \$ 6,663,059 |
| Current Liabilities | | |
| Accounts payable and accrued liabilities | \$ 24,013 | \$ 21,780 |
| Paycheck Protection Program loan | - | 60,300 |
| | <hr/> | <hr/> |
| Total Current Liabilities | 24,013 | 82,080 |
| Net Assets | | |
| Without donor restrictions | 1,912,333 | 1,561,288 |
| With donor restrictions | 5,270,502 | 5,019,691 |
| | <hr/> | <hr/> |
| Total Net Assets | 7,182,835 | 6,580,979 |
| | <hr/> | <hr/> |
| Total Liabilities and Net Assets | \$ 7,206,848 | \$ 6,663,059 |

See accompanying independent accountants' review report and notes to financial statements.

Statement of Activities

Georges River Land Trust

For the Year Ended December 31, 2022
(with comparative totals for December 31, 2021)

| | 2022 | | | 2021 |
|---|-------------------------------|----------------------------|---------------------|---------------------|
| | Without Donor Restrictions | With Donor Restrictions | Total | Total |
| Revenues | | | | |
| Contributions income | \$ 373,529 | \$ 814,791 | \$ 1,188,320 | \$ 627,541 |
| Paycheck Protection Program loan forgiveness | 60,300 | - | 60,300 | 6,000 |
| Economic Injury Disaster loan forgiveness | - | - | - | 6,000 |
| Special events | 14,040 | - | 14,040 | 13,817 |
| Grants | 22,625 | 203,581 | 226,206 | 54,822 |
| Merchandise sales | 350 | - | 350 | 656 |
| Contributed nonfinancial assets | 620 | - | 620 | 2,110 |
| Sales of donated vehicles | 200 | - | 200 | 3,900 |
| Interest and dividend income | 28,063 | - | 28,063 | 29,051 |
| Miscellaneous income | 1,596 | - | 1,596 | 1,887 |
| Net assets released from restrictions | 706,552 | (706,552) | - | - |
| Total Revenues | 1,207,875 | 311,820 | 1,519,695 | 745,784 |
| Expenses | | | | |
| Program services | | | | |
| Trails and public access | 103,216 | - | 103,216 | 81,987 |
| Education and outreach | - | - | - | 14,152 |
| Stewardship | 96,391 | - | 96,391 | 59,603 |
| Conservation | 89,837 | - | 89,837 | 71,953 |
| Langlais Sculpture Preserve | 90,790 | - | 90,790 | 41,471 |
| Supporting services | | | | |
| General administrative | 118,461 | - | 118,461 | 91,918 |
| Fundraising | 158,103 | - | 158,103 | 99,857 |
| Total Expenses | 656,798 | - | 656,798 | 460,941 |
| Revenues Over Expenses | 551,077 | 311,820 | 862,897 | 284,843 |
| Change in value of beneficial interest in perpetual trust | 61,138 | (61,009) | 129 | 102,284 |
| Change in value of beneficial interest of assets held by others | - | - | - | 128,950 |
| Realized and unrealized loss on investments | (261,170) | - | (261,170) | (16,163) |
| | <u>(200,032)</u> | <u>(61,009)</u> | <u>(261,041)</u> | <u>215,071</u> |
| Increase in Net Assets | 351,045 | 250,811 | 601,856 | 499,914 |
| Net assets at beginning of year | <u>1,561,288</u> | <u>5,019,691</u> | <u>6,580,979</u> | <u>6,081,065</u> |
| Net Assets at End of Year | \$ 1,912,333 | \$ 5,270,502 | \$ 7,182,835 | \$ 6,580,979 |

See accompanying independent accountants' review report and notes to financial statements.

Statement of Functional Expenses

Georges River Land Trust

For the Year Ended December 31, 2022

(with comparative totals for the year ended December 31, 2021)

| | 2022 | | | 2021 | |
|-------------------------|-------------------|---------------------------|-------------------|-------------------|-------------------|
| | Program | Management and General | Fundraising | Total | Total |
| Expenses | | | | | |
| Salaries and wages | \$ 205,871 | \$ 71,565 | \$ 85,334 | \$ 362,770 | \$ 301,662 |
| Bank fees | - | 3,381 | - | 3,381 | 3,759 |
| Insurance | 3,753 | 12,305 | 1,421 | 17,479 | 17,689 |
| Professional fees | 13,194 | 15,631 | 212 | 29,037 | 26,041 |
| Utilities | 3,256 | 1,132 | 1,349 | 5,737 | 5,152 |
| Miscellaneous | - | 1,625 | 10,338 | 11,963 | 2,103 |
| Printing and postage | - | 799 | 20,641 | 21,440 | 9,889 |
| Occupancy | 11,406 | 3,965 | 4,728 | 20,099 | 19,500 |
| Dues and subscriptions | - | 4,858 | - | 4,858 | 8,199 |
| Repairs and maintenance | 1,268 | 441 | 525 | 2,234 | 1,809 |
| Office supplies | 3,745 | 1,302 | 1,552 | 6,599 | 6,921 |
| Fundraising | - | 391 | 31,915 | 32,306 | 13,176 |
| Property and program | 119,645 | 59 | - | 119,704 | 28,386 |
| Interest | - | 372 | - | 372 | 68 |
| Depreciation | 18,096 | 635 | 88 | 18,819 | 16,587 |
| Total Expenses | \$ 380,234 | \$ 118,461 | \$ 158,103 | \$ 656,798 | \$ 460,941 |

See accompanying independent accountants' review report and notes to financial statements.

Statement of Cash Flows

Georges River Land Trust

For the Years Ended December 31, 2022
(with comparative totals for December 31, 2021)

| | <u>2022</u> | <u>2021</u> |
|--|-------------------|-------------------|
| Operating Activities | | |
| Increase in net assets | \$ 601,856 | \$ 499,914 |
| Adjustments to reconcile changes in net assets to net cash provided by operating activities: | | |
| Depreciation | 18,819 | 16,587 |
| Paycheck Protection Program loan forgiveness | (60,300) | (6,000) |
| Economic Injury Disaster loan forgiveness | - | (6,000) |
| Realized and unrealized loss on investments | 261,170 | 16,163 |
| Change in value of beneficial interest in assets held by others | - | (128,950) |
| Change in value of beneficial interest in perpetual trust | 61,009 | (34,940) |
| Change in value of grantor retained life estate | - | (59,000) |
| (Increase) decrease in operating assets: | | |
| Pledges receivable | (70,501) | (19,508) |
| Other receivable | - | 2,030 |
| Deposits | (4,046) | (900) |
| Prepaid expenses | (3,330) | 1,667 |
| Inventory | 360 | 255 |
| Increase in operating liabilities: | | |
| Accounts payable and accrued liabilities | 2,233 | 7,392 |
| Net Cash Provided by Operating Activities | <u>807,270</u> | <u>288,710</u> |
| Investing Activities | | |
| Purchase of conservation property | (402,136) | - |
| Purchase of fixed assets | (123,277) | (17,665) |
| Purchase of investments | (133,435) | (1,531,969) |
| Proceeds from sales of investments | 66,210 | 1,186,320 |
| Net Cash Used by Investing Activities | <u>(592,638)</u> | <u>(363,314)</u> |
| Financing Activities | | |
| Paycheck Protection Program loan proceeds | - | 60,300 |
| Net Cash Provided by Financing Activities | <u>-</u> | <u>60,300</u> |
| Increase (Decrease) in Cash | 214,632 | (14,304) |
| Cash at beginning of year | <u>462,382</u> | <u>476,686</u> |
| Cash at End of Year | <u>\$ 677,014</u> | <u>\$ 462,382</u> |

See accompanying independent accountants' review report and notes to financial statements.

Notes to Financial Statements

Georges River Land Trust

Note A - Summary of Significant Accounting Policies

Organization

Georges River Land Trust (the Organization) is a nonprofit organization incorporated in the State of Maine in 1987. The Organization's mission is to conserve the ecosystems and traditional heritage of the Georges River watershed region through permanent land protection, stewardship, education, and outdoor experiences. It works with landowners and communities to protect special natural landscapes for future generations, as well as supporting public access to natural lands through the development of its conservation trails program. The Organization is supported primarily through contributions and grants.

Basis of Presentation

The accompanying financial statements include a statement of financial position, a statement of activities, a statement of functional expenses, and a statement of cash flows. The Organization is required to report information regarding its financial position and activities according to two classes of net assets as follows:

Net Assets without Donor Restrictions - Represents those resources that are not subject to donor-imposed restrictions (donors include other types of contributors, including makers of certain grants), and can be used for any purpose designated by the Organization's governing board.

Net Assets with Donor Restrictions - Represents resources and the portion of net assets resulting from contributions and other inflows of assets whose use is subject to donor-imposed restrictions.

Contributions

Contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions depending on the existence and/or nature of any donor restrictions.

Donated Services by Volunteers

A number of volunteers have donated their time and perform a variety of tasks that assist the Organization in the completion of its mission. The value of contributed services is recognized in the financial statements if the services received create or enhance nonfinancial assets or require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. As these volunteer services do not meet the foregoing criteria for recognition as contributed services under FASB ASC 958-605, *Revenue Recognition*, no amounts for volunteer support or revenue recognition have been recorded.

Notes to Financial Statements

Georges River Land Trust

Note A - Summary of Significant Accounting Policies - Continued

Revenue and Expense Recognition

The financial statements of the Organization have been prepared on the accrual basis of accounting. Revenues received are recorded as revenue without donor restrictions or with donor restrictions, depending on the existence and/or nature of any donor restrictions. Support that is restricted by the donor is reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the support is recognized. All other donor restricted support is reported as an increase in net assets with donor restrictions.

When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), 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.

In accordance with ASC 606, the Organization recognizes revenue when it satisfies a performance obligation by transferring control of a promised good or service, in an amount that reflects the consideration it expects to be entitled to in exchange for those goods or services.

Expenses are recognized as incurred. The Organization's policy for amounts appropriated for expenditure is to first use restricted amounts as permitted by the restriction, until depleted, and then use unrestricted funds.

Estimates

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

Cash and Cash Equivalents

The Organization considers cash in banks and all other highly liquid investments with a maturity of less than three months to be cash and cash equivalents for the purpose of cash flows. Cash and cash equivalents residing within the Organization's investment portfolios are reported as investments. The Organization maintains its cash and cash equivalents in bank deposit accounts, and at times balances may exceed federally insured limits. At December 31, 2022, the Organization's uninsured and uncollateralized cash balances totaled \$389,731. The Organization has not experienced any losses in such accounts.

Pledges Receivable

Pledges receivable represents amounts due to the Organization for unconditional promises, which are recognized as revenue in the period the pledge is made. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

Notes to Financial Statements

Georges River Land Trust

Note A - Summary of Significant Accounting Policies - Continued

Pledges Receivable - Continued

The allowance for doubtful promises is provided based on an analysis by management of the collectability of outstanding balances. Management considers the age of outstanding balances and the credit worthiness of supporters in determining the allowance for doubtful promises. Management has estimated that no allowance for doubtful accounts is necessary as of December 31, 2022.

At December 31, 2022, approximately 85% of the pledge receivable balance is owed from three donors.

The Organization expects to collect \$153,134 of the pledges receivable within one year, and \$91,200 of the pledges receivable within one to five years. Pledges receivable is stated net of a discount for the time value of money. Management has estimated that no discount is necessary as of December 31, 2022.

Investments

The Organization reports its investments in marketable securities with readily determinable fair values and all investments in debt securities at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets. Cash held in the investment account is considered an investment.

Inventories

Inventory is stated at the lower of cost (average cost) or net realizable value on a First In, First Out (FIFO) basis. Inventory consists of books, hats, and posters.

Property and Equipment

Property and equipment is stated at cost if purchased or at fair value if contributed. The Organization's policy is to capitalize acquisitions and major improvements with a cost of \$10,000 or more and to expense repair and maintenance costs that do not extend the useful lives of the assets. Depreciation expense is calculated utilizing the straight-line method based on the estimated useful lives of the depreciable assets, which range from 3 to 5 years. Depreciation expense for the years ended December 31, 2022 and 2021 was \$18,819 and \$16,587, respectively.

Property for Conservation (Parcels of Land)

The property of the Organization consists of parcels of land in the Georges River watershed region owned in fee and received at various times from various donors and sellers. If donated, such property is recorded as revenue and as an "other asset" at the time the property is received. The basis of the donation is the fair value of the property as of the date donated as determined by the most recent appraisal by an independent qualified appraiser. If purchased, the property is recorded as an "other asset" based upon the cost of the acquisition.

Notes to Financial Statements

Georges River Land Trust

Note A - Summary of Significant Accounting Policies - Continued

Property for Conservation (Parcels of Land) - Continued

Certain properties acquired by the Organization are later encumbered by conservation easements, declarations of trust, or project agreements which legally restrict the uses the land can be put to. Such encumbrances impair the market value of the property. Consequently, all such properties have been written down to the estimated market value following the recording of the encumbrance using municipal valuation guidelines used for public access open space land in the State of Maine.

Langlais Artwork

The Organization was the recipient of gifts of artwork by Bernard Langlais. The artwork has been recorded at the fair value at the time of donation as determined by an appraisal by an independent qualified appraiser. The Organization does not consider the artwork to satisfy the definition of a collection.

Certain pieces of art have been installed outdoors on the former estate of Bernard Langlais and are therefore exposed to the elements. Because the Organization has an agreement with Colby College of Waterville, Maine to maintain the outdoor artwork through the Organization's December 31, 2030 fiscal year, the Organization's policy is to not depreciate the Langlais artwork as the Organization has the technological and financial ability to preserve the art.

Conservation Easements

It is the policy of the Organization to not recognize any amount in the financial statements for the donation of an easement as it has no economic value. The costs of purchased easements are reflected as an expense. No amount is capitalized for the acquisition of an easement as it is not a fee simple property.

Contributed Nonfinancial Assets

The Organization records donated goods and services at fair value at the date of donation. The Organization recognized \$620 in revenue and expense associated with contributions of nonfinancial assets for operating and fundraising support during the year ended December 31, 2022. The Organization also recognized \$200 in sales of vehicles which were donated during the year.

Functional Expenses

The financial statements report certain categories of expenses that are attributable to more than one program or supporting functions of the Organization. Those expenses include salaries and wages, occupancy, office supplies, repairs and maintenance, and depreciation. Salaries and benefits are allocated based on estimates of time and effort, certain costs of occupancy, repairs and maintenance, and other office and utility expenses are based on management's estimate of the appropriate allocations for each expense.

Notes to Financial Statements

Georges River Land Trust

Note A - Summary of Significant Accounting Policies - Continued

Beneficial Interest in Perpetual Trust

The Organization is the sole beneficiary of the Gibson Preserve Trust, a perpetual trust fund held and administered by Merrill Edge, a division of Bank of America. The Organization receives annual distributions from the trust according to a formula that permits an annual distribution of 3% of the value of the Trust as long as the year-end balance of the Organization's restricted Gibson Preserve Stewardship Fund does not exceed \$20,000, or 15% of the principal value of the trust, whichever is greater.

Grantor Retained Life Estate and Split-Interest Agreements

The grantor-retained life estate is a split-interest agreement whereby the donor has given the title to certain land and buildings to the Organization and retained a life estate. Upon the death of the donor and his spouse, the Organization will have undivided title in the land and buildings. Revocable split-interest agreements are not recorded as contributions unless enforceable by law. Irrevocable split-interest agreements are recorded as contributions at fair value when the assets are received or when the Organization is notified of the existence of the agreement, net of a liability for the present value of future cash outflows to beneficiaries. The liability is adjusted during the term of the agreement for changes in actuarial assumptions and the asset is valued at fair value each reporting period. The accounting treatment varies depending upon the type of the agreement created and whether the Organization or a third party is the trustee.

It is reasonably possible that certain events, such as the unexpected deaths of donors, beneficiaries, or grantors, could cause a significant difference between the estimated and actual values of gifts received under the split-interest agreements.

During the year ended December 31, 2022, the donor released title to the Organization.

Comparative Data

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended December 31, 2021, from which the summarized information was derived.

Notes to Financial Statements - Continued

Georges River Land Trust

Note A - Summary of Significant Accounting Policies - Continued

New Accounting Pronouncements

On January 1, 2022, the Organization adopted Accounting Standards Update (ASU) 2016-02, *Leases* (Topic 842), and all subsequent amendments (collectively, “ASC 842” or “Topic 842”). The core principle of Topic 842 is that a lessee should recognize a right-of-use (“ROU”) asset and a related lease liability on the balance sheet for most leases. The Company adopted ASC 842 using the transition alternative provided by ASU 2018-11 *Leases* (Topic 842) - *Targeted Improvements*, under which an entity initially applies ASC 842 to all leases existing at the adoption date, and comparative periods are presented in the financial statements under the legacy lease guidance of ASC 840. Under the transition alternative, all relevant transition disclosures are provided as of the beginning of the period of adoption (January 1, 2022) rather than at the beginning of the earliest period presented.

The Organization has evaluated the applicability of ASC 842, and has determined that there are no material lease agreements.

In September 2020, the Financial Accounting Standards Board (“FASB”) issues Accounting Standards Update (“ASU”) No. 2020-07, *Presentation and Disclosures of Not-for-Profit Entities for Contributed Nonfinancial Assets*, which is intended to increase transparency of contributed nonfinancial assets for not-for profit entities. The Update requires enhancement to presentation and disclosure of these contributed assets.

Note B - Grantor Retained Life Estate

The Organization is the remainder beneficiary of a grantor-retained life estate. The Organization received title to a 31-acre homestead that is to be preserved for conservation purposes. The Organization has recognized an asset for its interest in the grantor-retained life estate. The asset is valued at the present value of the expected ultimate fair market value of the land and buildings that will revert under the life estate. The present value of the expected ultimate fair market value of the land and buildings associated with the termination of the life estate is determined annually based on the life expectancies of the grantors (10 years), the appraised value of the property, an appreciation rate of 2.85%, and a discount rate of 6.85%.

During the year ended December 31, 2022, the donor released title to the Organization. At December 31, 2021, the Organization’s interest in the grantor retained life estate was valued at \$296,000.

Notes to Financial Statements - Continued

Georges River Land Trust

Note C - Investments

Investments are stated at fair value and consist of the following at December 31, 2022:

| | | |
|--------------|----|------------------|
| Cash | \$ | 17,386 |
| Mutual funds | | <u>995,353</u> |
| | \$ | <u>1,012,739</u> |

The following schedule summarizes the investment return and its classification in the statement of activities for the year ended December 31, 2022:

| | | |
|---|----|------------------|
| Interest and dividend income | \$ | 28,063 |
| Net realized and unrealized loss on investments | | <u>(261,170)</u> |
| | \$ | <u>233,170</u> |

Investment fees are recorded as a reduction of investment income.

Note D - Fair Value Measurements

The Organization applies a framework for measuring fair values under generally accepted accounting principles which applies to all financial instruments that are measured and reported at fair value.

The framework for measuring fair value of financial assets and liabilities includes a hierarchy of three levels for observable independent market inputs and unobservable market assumptions. A description of the inputs used in the valuation of assets and liabilities under this hierarchy is as follows:

Level 1 – Quoted prices are available in active markets, such as the New York or American Stock Exchange markets, for identical investments as of the reporting date. Level 1 also includes U.S. Treasury and federal agency securities and mortgage-backed securities traded by brokers or dealers in active markets.

Level 2 – Pricing inputs are observable for the investments, either directly or indirectly, as of the reporting date, but are not the same as those used in Level 1. Fair values are obtained from third party pricing services that may use models or other valuation methodologies to derive market value. These may be investments traded in less active dealer or broker markets.

Level 3 – Pricing inputs are unobservable for investments and valuations are derived from other methodologies not based on market exchange, dealer or broker traded transactions. Level 3 valuations incorporate certain assumptions and projections in determining the fair value assigned to such assets and liabilities. The types of investments in this category would generally include debt and equity securities issued by private entities and partnerships. The beneficial interest in perpetual trust has been valued based upon the fair market value of the trust assets as reported by the trustee. See Note C for a description of the valuation of the grantor retained life estate.

Notes to Financial Statements - Continued

Georges River Land Trust

Note D - Fair Value Measurements - Continued

The following summarizes fair values of certain financial instruments by levels within the fair value hierarchy at December 31, 2022:

| | <u>Level 1</u> | <u>Level 2</u> | <u>Level 3</u> | <u>Total</u> |
|--|---------------------|----------------|-------------------|---------------------|
| Investments: | | | | |
| Cash | \$ 17,386 | \$ - | \$ - | \$ 17,386 |
| Mutual Funds | <u>995,353</u> | <u>-</u> | <u>-</u> | <u>995,353</u> |
| | <u>\$ 1,012,739</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 1,012,739</u> |
| Beneficial interest in perpetual trust | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 252,058</u> | <u>\$ 252,058</u> |
| Grantor retained life estate | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, the determination of which category within the fair value hierarchy is appropriate for any given investment based on the lowest level of input that is significant to the fair value measurement. Most assets have been valued using a market approach. There have been no changes in valuation techniques and related inputs.

Fair Value Measurements Using Significant Unobservable Inputs (Level 3)

| | <u>Beneficial Interest in</u> <u>Perpetual Trust</u> | <u>Grantor Retained Life</u> <u>Estate</u> | <u>Total</u> |
|--|---|---|-------------------|
| Beginning balance | \$ 313,067 | \$ 296,000 | \$ 609,067 |
| Total gains (losses) (realized/unrealized) recognized in the statement of activities | (58,551) | - | (58,551) |
| Interest and dividends | - | - | - |
| Investment management fees | (2,458) | - | (2,458) |
| Deposits | - | - | - |
| Withdrawals | - | - | - |
| Release deed to Organization | <u>-</u> | <u>(296,000)</u> | <u>(296,000)</u> |
| Ending balance | <u>\$ 252,058</u> | <u>\$ -</u> | <u>\$ 252,058</u> |

Notes to Financial Statements - Continued

Georges River Land Trust

Note E - Endowment Fund

The Organization has endowment funds established for a number of purposes. As required by generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions. The funds are recorded at fair value and the principal recorded as net assets with donor restrictions. Earnings and losses on these funds are considered restricted or unrestricted depending on donor intentions and are recorded as such.

The State of Maine has adopted the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA). In accordance with UPMIFA the Organization classifies as net assets with donor restrictions (a) the original value of gifts donated to the endowment, (b) the original value of subsequent gifts to the endowment, (c) accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund, and (d) any remaining portion of the donor-restricted endowment until such amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by UPMIFA.

In accordance with UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the various funds, (2) the purposes of the donor-restricted endowment funds, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of the Organization, and (7) the Organization's investment policies.

The Organization has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment funds, while also maintaining the purchasing power of those endowment assets over the long-term. Accordingly, the investment process seeks to achieve an after-cost total real rate of return, including investment income and capital appreciation, which exceeds the annual distribution with acceptable levels of risk. Endowment assets are invested in a well-diversified asset mix which includes cash and equity and debt securities, which is intended to result in a consistent inflation-protected rate of return that has sufficient liquidity to make an annual distribution of 5%, while growing the endowment funds. Actual returns in any given year may vary from this amount. Investment risk is measured in terms of the total endowment fund; investment assets and allocation between asset classes and strategies are managed to not expose the fund to unacceptable levels of risk.

Notes to Financial Statements - Continued

Georges River Land Trust

Note E - Endowment Fund - Continued

The Organization has a spending policy of appropriating for distribution annually 5% of its endowment fund's average fair value of the prior twelve quarters through the calendar year-end preceding the fiscal year in which the distribution is planned. In establishing this policy, the Organization considered the long-term expected return on its investment assets, the nature and duration of the endowment funds, and the possible effects of inflation. The Organization expects to maintain a current spending policy which will allow its endowment funds to grow at a nominal average rate that is consistent with the Organization's objective to maintain the purchasing power of the endowment assets, as well as to provide additional growth through new gifts and investment return.

Endowment net asset composition by type of fund is as follows at December 31, 2022:

| | <u>Without Donor Restrictions</u> | <u>With Donor Restrictions</u> | <u>Total</u> |
|----------------------------------|---------------------------------------|------------------------------------|--------------|
| Donor-restricted endowment funds | \$ 84,271 | \$ 333,772 | \$ 418,043 |

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

| | <u>Without Donor Restrictions</u> | <u>With Donor Restrictions</u> | <u>Total</u> |
|--|---------------------------------------|------------------------------------|-------------------|
| Endowment net assets, beginning of year | \$ 141,641 | \$ 335,768 | \$ 477,409 |
| Contributions received | - | - | - |
| Investment income (loss) | (57,370) | (1,996) | (59,366) |
| Transfer of net assets | - | - | - |
| Appropriation of endowment assets for expenditure | - | - | - |
| Endowment net assets, end of year | <u>\$ 84,271</u> | <u>\$ 333,772</u> | <u>\$ 418,043</u> |

Notes to Financial Statements - Continued

Georges River Land Trust

Note F - Property and Equipment

Property and equipment consisted of the following as of December 31:

| | <u>2022</u> | <u>2021</u> |
|-------------------------------|-------------------|------------------|
| Computer equipment | \$ 10,242 | \$ 10,242 |
| Furnishings | 8,184 | 8,184 |
| Tools and equipment | 11,609 | 11,609 |
| Land improvements | 221,788 | 97,811 |
| Trails | 12,990 | 12,990 |
| Construction in process | - | 700 |
| Structures | <u>38,565</u> | <u>38,565</u> |
| | 303,378 | 180,101 |
| Less accumulated depreciation | <u>99,158</u> | <u>80,339</u> |
| | <u>\$ 204,220</u> | <u>\$ 99,762</u> |

Note G - Property for Conservation

The conservation property of the Organization consists of 1,777.79 acres of land in the Georges River watershed region owned in fee simple and received at various times from various donors and sellers. If donated, such properties are recorded at fair values as of the date donated, as determined by an independent appraisal. If purchased, the properties are recorded at the cost of acquisition.

Many properties acquired by the Organization are later encumbered by conservation easements, declarations of trust, or project agreements which legally restrict the uses the land can be put to. Such encumbrances impair the market value of the property. Consequently, all such properties have been written down to the estimated market value following the recording of the encumbrance using municipal valuation guidelines used for public access open space land in the State of Maine.

All properties have either been donated with the explicit or implicit expectation of permanent conservation or purchased using donor or grant funds that were received with the explicit or implicit expectation that the properties acquired would be permanently conserved. The Organization therefore considers all property for conservation to be restricted.

The balance of the property account is comprised of the following as of December 31:

| | <u>2022</u> | <u>2021</u> |
|-----------------------------------|---------------------|---------------------|
| Unimpaired value of property | \$ 4,619,548 | \$ 3,921,412 |
| Less: Total impairment reductions | <u>2,031,746</u> | <u>2,031,746</u> |
| | <u>\$ 2,587,802</u> | <u>\$ 1,889,666</u> |

Notes to Financial Statements - Continued

Georges River Land Trust

Note H - Net Assets with Donor Restrictions

Net assets with donor restrictions for the years ended December 31 are as follows:

| | <u>2022</u> | <u>2021</u> |
|--|---------------------|---------------------|
| <i>Subject to expenditure for specified purpose:</i> | | |
| Land acquisition | \$ 69,200 | \$ 16,768 |
| Legal reserve | 107,932 | 107,932 |
| Stewardship of Gibson Preserve | 23,485 | 23,321 |
| Property reserve | 214,905 | 198,385 |
| Langlais reserve | 64,398 | 162,084 |
| Trails fund | 47,375 | 36,580 |
| Stewardship | 233,339 | 5,250 |
| Improvements | 19,173 | 34,667 |
| Keep the Watershed Wild - land acquisition | 205,332 | 164,332 |
| Keep the Watershed Wild - stewardship | 29,375 | 29,375 |
| Keep the Watershed Wild - Langlais reserve | 100 | 100 |
| Keep the Watershed Wild - trails | 2,025 | 2,025 |
| LSP restricted grant | 76,000 | - |
| | <u>1,092,639</u> | <u>780,819</u> |
| <i>Not subject to appropriation or expenditure:</i> | | |
| Donor-restricted endowment | 271,591 | 271,591 |
| Beneficial interest in perpetual trust | 252,058 | 313,067 |
| Grantor retained life estate | - | 296,000 |
| Langlais artwork | 2,207,186 | 2,207,186 |
| Langlais endowment | 57,500 | 57,500 |
| Property for conservation | 1,389,528 | 1,093,528 |
| | <u>4,177,863</u> | <u>4,238,872</u> |
| Total net assets with donor restrictions | <u>\$ 5,270,502</u> | <u>\$ 5,019,691</u> |

Note I - Board Designated Net Assets

Board designated net assets (which are included in net assets without donor restrictions) consist of the following at December 31:

| | <u>2022</u> | <u>2021</u> |
|--------------------------|-------------------|-------------------|
| Legal reserve | \$ 25,300 | \$ 25,300 |
| Property reserve | 71,657 | 71,657 |
| Board-restricted reserve | 60,000 | 60,000 |
| | <u>\$ 156,957</u> | <u>\$ 156,957</u> |

Notes to Financial Statements - Continued

Georges River Land Trust

Note J - Paycheck Protection Program Loan

During the year ended December 31, 2020, Georges River Land Trust received a \$60,300 loan through the U.S. SBA (Small Business Administration) Paycheck Protection Program (PPP), established as part of the 2020 CARES Act. A second draw PPP loan in the amount of \$60,300 was received during the year ending December 31, 2021. The promissory notes were to be forgiven if the loans were used for payroll, rent, mortgage interest, or utilities incurred over the twenty four week period starting from the day the funds were received from the lender (with at least 60% of the loan being used for payroll). In addition, the Organization must maintain staffing and 75% of salaries as assessed individually, subject to certain exemptions. For any portion of the loans not forgiven, principal and interest payments would begin on the nine month anniversary of execution of the note, with interest at a rate of 1% and principal in an amount so that the remaining loan balances were fully amortized by the maturity dates.

In November 2020, Georges River Land Trust received notification of forgiveness from the SBA for the first draw PPP loan. Of the \$60,300, \$54,300 was forgiven and the remaining \$6,000 was shown as a liability. Accordingly, the Organization has recognized the balance of \$54,300 as contributions on the accompanying Statement of Activities for the year ended December 31, 2020. In February 2021, the remaining \$6,000 was forgiven. Accordingly, the Organization has recognized the remaining balance of \$6,000 as contributions on the accompanying Statement of Activities for the year ended December 31, 2021.

In March 2022, the Organization received forgiveness from the SBA for the second draw PPP loan. Accordingly, the Organization has recognized the balance of \$60,300 on the accompanying Statement of Activities for the year ended December 31, 2022.

Note K - Liquidity and Availability

Financial assets consist of the Organization's cash and cash equivalents, pledges receivable, other receivables, beneficial interest in assets held by others and beneficial interest in perpetual trust. The following reflects the Organization's financial assets as of December 31, 2022, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the date of the Statement of Financial Position. Amounts already appropriated from the donor-restricted endowment for general expenditure within one year of the Statement of Financial Position date have not been subtracted as unavailable.

Notes to Financial Statements - Continued

Georges River Land Trust

Note K - Liquidity and Availability - Continued

Financial assets available to meet cash needs for general expenditures within one year consists of the following at December 31:

| | <u>2022</u> | <u>2021</u> |
|--|-------------------|-------------------|
| Financial assets, at year-end | \$ 2,186,146 | \$ 2,155,967 |
| Less those unavailable for general expenditures within one year, due to: | | |
| Pledges receivable due in more than one year | (91,200) | (85,463) |
| <i>Contractual or donor-imposed restrictions:</i> | | |
| Restricted by donor with purpose restrictions | (1,092,639) | (780,819) |
| Donor-restricted to maintain as an endowment | (581,149) | (642,159) |
| <i>Board designations:</i> | | |
| Legal reserve | (25,300) | (25,300) |
| Property reserve | (71,657) | (71,657) |
| Board-restricted reserve | <u>(60,000)</u> | <u>(60,000)</u> |
| Financial assets available to meet cash needs for general expenditures within one year | <u>\$ 264,201</u> | <u>\$ 490,569</u> |

The Organization's financial assets available to meet cash needs for general expenditures within one year represents funding for ongoing operational requirements in 2023.

The Organization is substantially supported by contributions from donations solicited and contributions received. The Organization actively manages its cash flow to ensure funds are available for general expenditures, liabilities, and other obligations as they come due. Although the Organization does not intend to spend from board designated funds listed above, amounts from these funds can be appropriated if necessary.

Note L - Contingent Liability

The Organization holds 52 conservation easements covering 3,164 acres. The Organization is committed to monitoring these properties in order to ensure that the condition of the conservation easements is not violated. In the event that any violation of these easements is deemed to have occurred, the Organization is committed to bringing any and all actions necessary to defend the easements. To mitigate the financial risk such a commitment brings, the Organization has purchased conservation defense liability insurance through Terrafirma Risk Retention Group LLC, a mutual insurer created by the Land Trust Alliance. An estimate of the remaining potential liability cannot be made.

Notes to Financial Statements - Continued

Georges River Land Trust

Note M - Income Taxes

The Organization qualifies as an organization exempt from federal income tax under Internal Revenue Code Section 501(c)(3) and files a Form 990 tax return. The Organization has adopted the provisions of FASB ASC 740, Income Taxes. With few exceptions, the Organization is no longer subject to U.S. federal income tax examinations by tax authorities for fiscal years before 2019 due to the statute of limitations. Management of the Organization believes it has no material uncertain tax positions and, accordingly, it will not recognize any liability for unrecognized tax benefits.

Note N - Retirement Plan

The Organization maintains a SIMPLE IRA plan which covers eligible employees. The plan calls for the Organization to contribute up to 3% of each eligible employee's annual salary. The Organization's contributions for the year ended December 31, 2022 were approximately \$4,000.

Note O - Subsequent Events

Subsequent to year-end, the Organization entered into a two year lease agreement for office space with rent due in monthly installments of \$2,648.

Management has made an evaluation of subsequent events to and including October 5, 2023, which was the date the financial statements were available to be issued and determined that any subsequent events that would require recognition or disclosure have been considered in the preparation of the financial statements.