

**Financial Statements**



**December 31, 2018**

**Contents**

**Georges River Land Trust**

**December 31, 2018**

Financial Statements:

Independent Accountants' Review Report .....	1
Statement of Financial Position .....	3
Statement of Activities .....	4
Statement of Functional Expenses .....	5
Statement of Cash Flows .....	6
Notes to Financial Statements .....	7

## **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, 2018, 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 the 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.

### **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 2017 financial statements and in our conclusion dated October 23, 2018, stated that based on our review, we were not aware of any material modifications that should be made to the 2017 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, 2017, for it to be consistent with the reviewed financial statements from which it has been derived.

*Purdy Pownall & Company*

Professional Association

**Portland, Maine**  
**June 4, 2019**

## Statement of Financial Position

### Georges River Land Trust

As of December 31, 2018

(with comparative totals for December 31, 2017)

	<u>2018</u>	<u>2017</u>
<b>Current Assets</b>		
Cash	\$ 161,975	\$ 212,032
Current portion of pledges receivable	56,343	58,025
Prepaid expenses	7,858	5,961
Inventory	1,621	1,034
	<u>227,797</u>	<u>277,052</u>
<b>Total Current Assets</b>	227,797	277,052
<b>Property and Equipment</b> , net of accumulated depreciation	80,340	92,103
<b>Other Assets</b>		
Deposits	1,500	3,500
Pledges receivable, less current portion	17,500	36,500
Beneficial interest in assets held by others	493,831	455,716
Beneficial interest in perpetual trust	225,719	237,309
Grantor retained life estate	169,300	159,000
Langlais artwork	2,157,286	2,157,286
Property for conservation	2,374,827	2,372,377
	<u>5,439,963</u>	<u>5,421,688</u>
<b>Total Other Assets</b>	5,439,963	5,421,688
	<u>\$ 5,748,100</u>	<u>\$ 5,790,843</u>
<b>Total Assets</b>	<u>\$ 5,748,100</u>	<u>\$ 5,790,843</u>
<b>Current Liabilities</b>		
Accounts payable and accrued liabilities	\$ 4,426	\$ 19,980
	<u>4,426</u>	<u>19,980</u>
<b>Total Current Liabilities</b>	4,426	19,980
<b>Net Assets</b>		
Without donor restrictions	1,148,458	1,240,142
With donor restrictions	4,595,216	4,530,721
	<u>5,743,674</u>	<u>5,770,863</u>
<b>Total Net Assets</b>	5,743,674	5,770,863
<b>Total Liabilities and Net Assets</b>	<u>\$ 5,748,100</u>	<u>\$ 5,790,843</u>

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

## Statement of Activities

### Georges River Land Trust

For the Year Ended December 31, 2018  
(with comparative totals for December 31, 2017)

	2018			2017
	Without Donor Restrictions	With Donor Restrictions	Total	Total
<b>Revenues</b>				
Contributions income	\$ 296,894	\$ 81,309	\$ 378,203	\$ 393,879
Special events	24,796	-	24,796	29,904
Less: special events expense	(13,043)	-	(13,043)	(14,006)
Net special events	11,753	-	11,753	15,898
Grants	1,500	37,900	39,400	98,500
Merchandise sales	54	-	54	991
Sales of donated vehicles	42,125	-	42,125	19,100
Interest and dividend income	8,673	-	8,673	4,129
Miscellaneous income	4,871	-	4,871	6,112
Net assets released from restrictions	55,299	(55,299)	-	-
<b>Total Revenues</b>	<b>421,169</b>	<b>63,910</b>	<b>485,079</b>	<b>538,609</b>
<b>Expenses</b>				
Program services				
General	20,456	-	20,456	-
Land acquisition	47,505	-	47,505	46,808
Education and outreach	41,196	-	41,196	32,022
Stewardship	156,343	-	156,343	134,811
Monitoring of conservation easement	40	-	40	595
Supporting services				
General administrative	127,737	-	127,737	143,248
Fundraising	99,874	-	99,874	27,998
<b>Total Expenses</b>	<b>493,151</b>	<b>-</b>	<b>493,151</b>	<b>385,482</b>
<b>Revenues Over (Under) Expenses</b>	<b>(71,982)</b>	<b>63,910</b>	<b>(8,072)</b>	<b>153,127</b>
Change in value of beneficial interest in perpetual trust	-	(1,290)	(1,290)	23,063
Change in value of beneficial interest of assets held by others	(19,702)	1,875	(17,827)	61,137
	(19,702)	585	(19,117)	84,200
<b>Increase (Decrease) in Net Assets</b>	<b>(91,684)</b>	<b>64,495</b>	<b>(27,189)</b>	<b>237,327</b>
Net assets at beginning of year, as stated	1,221,189	4,549,674	5,770,863	5,533,536
Net asset reclassification	18,953	(18,953)	-	-
Net assets at beginning of year, as restated	1,240,142	4,530,721	5,770,863	5,533,536
<b>Net Assets at End of Year</b>	<b>\$ 1,148,458</b>	<b>\$ 4,595,216</b>	<b>\$ 5,743,674</b>	<b>\$ 5,770,863</b>

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

## Statement of Functional Expenses

### Georges River Land Trust

For the Years Ended December 31, 2018 and 2017

	2018				2017
	Program	Management and General	Fundraising	Total	Total
<b>Expenses</b>					
Salaries and wages	\$ 137,319	\$ 95,538	\$ 73,806	\$ 306,663	\$ 218,467
Bank fees	5,656	-	2,122	7,778	2,500
Insurance	9,995	1,945	422	12,362	11,625
Professional fees	40,961	14,463	328	55,752	56,987
Utilities	5,665	1,505	1,162	8,332	6,326
Miscellaneous expenses	6,802	1,847	2,791	11,440	25,511
Printing and postage	4,401	1,845	3,147	9,393	10,373
Occupancy	8,329	5,795	4,476	18,600	18,450
Dues and subscriptions	3,046	1,505	637	5,188	3,922
Repairs and maintenance	5,263	1,071	827	7,161	4,336
Office supplies	23,680	1,249	1,000	25,929	13,495
Property taxes	3,507	-	-	3,507	5,578
Event expense	601	-	8,682	9,283	2,827
Depreciation expense	10,315	974	474	11,763	5,085
<b>Total Expenses</b>	<u>\$ 265,540</u>	<u>\$ 127,737</u>	<u>\$ 99,874</u>	<u>\$ 493,151</u>	<u>\$ 385,482</u>

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, 2018  
(with comparative totals for December 31, 2017)

	<u>2018</u>	<u>2017</u>
<b>Operating Activities</b>		
Increase (Decrease) in net assets	\$ (27,189)	\$ 237,327
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation	11,763	5,085
Contribution of property	-	(95,000)
Change in value of beneficial interest in assets held by others	17,827	(61,137)
Change in value of beneficial interest in perpetual trust	11,590	(16,630)
Change in value of grantor retained life estate	(10,300)	(2,000)
(Increase) decrease in operating assets:		
Pledges receivable	20,682	46,123
Deposits	2,000	(1,000)
Prepaid expenses	(1,897)	(911)
Inventory	(587)	(566)
Increase (decrease) in operating liabilities:		
Accounts payable and accrued liabilities	(15,554)	13,329
<b>Net Cash Provided by Operating Activities</b>	<u>8,335</u>	<u>124,620</u>
<b>Investing Activities</b>		
Purchase of conservation property	(2,450)	-
Purchase of fixed assets	-	(92,011)
Purchase of investments	(119,987)	(53,665)
Proceeds from sales of investments	64,045	116,080
<b>Net Cash Used by Investing Activities</b>	<u>(58,392)</u>	<u>(29,596)</u>
<b>Increase (Decrease) in Cash</b>	(50,057)	95,024
Cash at beginning of year	<u>212,032</u>	<u>117,008</u>
<b>Cash at End of Year</b>	<u>\$ 161,975</u>	<u>\$ 212,032</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 contributions, 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 - Continued

### 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 restriction 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.

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. 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.

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, 2018.

At December 31, 2018, approximately 51% of the pledge receivable balance is owed from one donor.

## Notes to Financial Statements - Continued

### Georges River Land Trust

#### Note A - Summary of Significant Accounting Policies - Continued

##### Pledges Receivable - Continued

The Organization expects to collect \$56,343 of the pledges receivable within one year, \$11,100 of the pledges receivable within one to five years and \$6,400 in over 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, 2018.

The Organization is the beneficiary of certain bequests that have been made in the wills of donors. The value of these bequests is not determinable by management. Because the future gift represents conditional promises, no amounts have been recorded in the financial statements for these bequests and donations.

##### Beneficial Interest in Assets Held by Others

The Organization has transferred assets to the Maine Community Foundation and named itself as the beneficiary. The Board of Directors of the Maine Community Foundation shall have the power to modify, consistent with State law including seeking approval of the appropriate court or Attorney General where applicable, any restriction or condition on the distribution of funds for any specified organizations if, in the sole judgment of the Board, when (without the necessity of the approval of any participating trustee, custodian, or agent), such restriction or condition becomes, in effect, unnecessary, incapable of fulfillment, or inconsistent with the charitable needs of the community.

##### 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 year ended December 31, 2018 and 2017 was \$11,763 and \$5,085, 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 - Continued

### 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.

##### In-Kind Transactions

The Organization records donated goods and services at fair value at the date of donation. The Organization recognized \$18,680 in revenue and expense associated with in-kind donations for operating and fundraising support during the year ended December 31, 2018. The Organization also recognized \$42,125 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 - Continued

### 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 Acadia Trust. 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.

##### **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, 2017, from which the summarized information was derived.

##### **New Accounting Pronouncement**

In August 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*, which is intended to improve how a not-for profit entity classifies its net assets, as well as the information it presents in its financial statements about its liquidity and availability of resources, expenses and investment returns, and cash flows. The guidance replaces the three classes of net assets previously presented on the statement of financial position with two new classes of net assets, which are based on the existence or absence of donor-imposed restrictions. ASU No. 2016-14 includes specific disclosure requirements intended to improve a financial statement user's ability to assess an entity's available financial resources, along with its management of liquidity and liquidity risk.

## Notes to Financial Statements - Continued

### Georges River Land Trust

#### Note A - Summary of Significant Accounting Policies - Continued

##### Pending Accounting Pronouncement

In May 2014, the Financial Accounting Standards Board issued ASU 2014-09, *Revenue from Contracts with Customers* (Topic 606). ASC 606 (as revised) is a single, principle-based model for recognizing contract revenue and related incremental expenses. For entities other than public business entities, certain not-for-profit entities, and certain employee benefit plans, the Standard is effective for annual reporting periods beginning after December 15, 2018. The new Standard will be adopted by the Organization beginning in 2019 and may include certain retrospective adjustments at that time. The effects on the Organization's future financial statements of these changes have not yet been determined.

#### Note B - Beneficial Interest in Assets Held by Others

The beneficial interest in assets held by others consists of mutual funds and is stated at a fair value as of December 31, 2018 and 2017. Investment returns from these investments for the year ended December 31 are summarized as follows:

	<u>2018</u>	<u>2017</u>
Interest and dividend income	\$ 5,231	\$ 3,937
Net realized and unrealized gains (losses) on investments	<u>(17,827)</u>	<u>61,137</u>
	<u>\$ (12,596)</u>	<u>\$ 65,074</u>

Investment fees for the years ended December 31, 2018 and 2017 were approximately \$5,000 and \$7,000, respectively.

#### Note C - 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 (12 years), the appraised value of the property, an appreciation rate of 2.85%, and a discount rate of 6.85%.

At December 31, 2018 and 2017, the Organization's interest in the grantor retained life estate was valued at \$169,300 and \$159,000, respectively.

## Notes to Financial Statements - Continued

### Georges River Land Trust

#### 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.

The following summarizes fair values of certain financial instruments by levels within the fair value hierarchy at December 31, 2018:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments:				
Beneficial interest in assets held by others	\$ <u>-</u>	\$ <u>-</u>	\$ <u>493,831</u>	\$ <u>493,831</u>
Beneficial interest in perpetual trust	\$ <u>-</u>	\$ <u>-</u>	\$ <u>225,719</u>	\$ <u>225,719</u>
Grantor retained life estate	\$ <u>-</u>	\$ <u>-</u>	\$ <u>169,300</u>	\$ <u>169,300</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

## Notes to Financial Statements - Continued

### Georges River Land Trust

#### Note D - Fair Value Measurements - Continued

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 Assets Held by Others</u>	<u>Beneficial Interest in Perpetual Trust</u>	<u>Grantor Retained Life Estate</u>	<u>Total</u>
Beginning balance	\$ 455,716	\$ 237,309	\$ 159,000	\$ 852,025
Total gains (losses) (realized/unrealized) recognized in the statement of activities	(13,234)	(8,736)	10,300	(11,670)
Interest and dividends	5,231	-	-	5,231
Investment management fees	(7,447)	-	-	(7,447)
Deposits	117,610	-	-	117,610
Withdrawals	<u>(64,045)</u>	<u>(2,854)</u>	<u>-</u>	<u>(66,899)</u>
Ending balance	<u>\$ 493,831</u>	<u>\$ 225,719</u>	<u>\$ 169,300</u>	<u>\$ 888,850</u>
Amount of total gains (losses) for the year attributable to the change in unrealized gains (losses) relating to assets still held at the reporting date	<u>\$ (17,827)</u>	<u>\$ (11,590)</u>	<u>\$ 10,300</u>	<u>\$ (19,117)</u>

#### 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.

## Notes to Financial Statements - Continued

### Georges River Land Trust

#### Note E - Endowment Fund - Continued

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.

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.

## Notes to Financial Statements - Continued

### Georges River Land Trust

#### Note E - Endowment Fund - Continued

Endowment net asset composition by type of fund is as follows at December 31, 2018:

	Without Donor <u>Restrictions</u>	With Donor <u>Restrictions</u>	<u>Total</u>
Board-designated endowment funds	\$ 60,000	\$ -	\$ 60,000
Donor-restricted endowment funds	<u>38,200</u>	<u>96,225</u>	<u>134,425</u>
Total Funds	<u>\$ 98,200</u>	<u>\$ 96,225</u>	<u>\$ 194,425</u>

Changes in endowment net assets for the year ended December 31, 2018 are as follows:

	Without Donor <u>Restrictions</u>	With Donor <u>Restrictions</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 103,335	\$ 96,660	\$ 199,995
Contributions received	-	-	-
Investment return:			
Investment return, net of fees	(750)	(53)	(803)
Realized and unrealized gains	<u>(4,385)</u>	<u>(382)</u>	<u>(4,767)</u>
Total investment return	(5,135)	(435)	(5,570)
Appropriation of endowment assets for expenditure	<u>-</u>	<u>-</u>	<u>-</u>
Endowment net assets, end of year	<u>\$ 98,200</u>	<u>\$ 96,225</u>	<u>\$ 194,425</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>2018</u>	<u>2017</u>
Computer equipment	\$ 6,244	\$ 6,244
Furnishings	8,184	8,184
Tools and equipment	6,265	6,265
Land improvements	79,962	79,962
Trails	12,990	12,990
	<u>113,645</u>	<u>113,645</u>
Less accumulated depreciation	33,305	21,542
	<u>\$ 80,340</u>	<u>\$ 92,103</u>

#### Note G - Property for Conservation

The conservation property of the Organization consists of 1,173.80 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 Organization did not acquire property during the year ended December 31, 2018.

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

	<u>2018</u>	<u>2017</u>
Unimpaired value of property	\$ 3,496,225	\$ 3,493,775
Less: Total impairment reductions	1,121,398	1,121,398
	<u>\$ 2,374,827</u>	<u>\$ 2,372,377</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>2018</u>	<u>2017</u>
<i>Subject to expenditure for specified purpose:</i>		
Land acquisition	\$ 1,000	\$ 1,000
Legal reserve	98,432	98,432
Stewardship of Gibson Preserve	25,290	19,504
Property reserve	120,980	120,980
Langlais reserve	24,420	32,246
Trails fund	46,912	14,121
Stewardship	12,105	500
Improvements	30,233	25,244
Technology	-	560
	<u>359,372</u>	<u>312,587</u>
<i>Not subject to appropriation or expenditure:</i>		
Donor-restricted endowment	57,350	57,350
Beneficial interest in perpetual trust	225,719	237,309
Grantor retained life estate	169,300	159,000
Langlais artwork	2,157,286	2,157,286
Langlais endowment	47,500	28,500
Property for conservation	<u>1,578,689</u>	<u>1,578,689</u>
	<u>4,235,844</u>	<u>4,218,134</u>
Total net assets with donor restrictions	<u>\$ 4,595,216</u>	<u>\$ 4,530,721</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>2018</u>	<u>2017</u>
Legal reserve	\$ 25,300	\$ 25,300
Property reserve	71,657	71,657
Board-restricted endowment	<u>60,000</u>	<u>60,000</u>
	<u>\$ 156,957</u>	<u>\$ 156,957</u>

## Notes to Financial Statements - Continued

### Georges River Land Trust

#### Note J - Liquidity and Availability

Financial assets consist of the Organization's cash and cash equivalents and pledges receivable. The following reflects the Organization's financial assets as of December 31, 2018, 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 not available include amounts set aside for long-term investing in the quasi-endowment that could be drawn upon if the governing board approves that action. However, amounts already appropriated from either the donor-restricted endowment or quasi-endowment for general expenditure within one year of the Statement of Financial Position date have not been subtracted as unavailable.

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

	<u>2018</u>	<u>2017</u>
Financial assets, at year-end	\$ 955,368	\$ 999,582
Less those unavailable for general expenditures within one year, due to:		
Pledges receivable due in more than one year	(17,500)	(36,500)
<i>Contractual or donor-imposed restrictions:</i>		
Restricted by donor with purpose restrictions	(359,372)	(312,587)
Donor-restricted to maintain as an endowment	(330,569)	(323,159)
<i>Board designations:</i>		
Legal reserve	(25,300)	(25,300)
Property reserve	(71,657)	(71,657)
Board-restricted endowment	<u>(60,000)</u>	<u>(60,000)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 90,970</u>	<u>\$ 170,379</u>

The Organization's financial assets available to meet cash needs for general expenditures within one year represents funding for ongoing operational requirements in 2019.

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 its quasi-endowment fund or other board designated funds listed above, amounts from these funds can be appropriated if necessary.

## Notes to Financial Statements - Continued

### Georges River Land Trust

#### Note K - Contingent Liability

The Organization holds 45 conservation easements covering 2,786 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.

#### Note L - 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 2015 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 M - 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, 2018 were approximately \$3,000.

#### Note N - Leasing Arrangements

The Organization leases office space in Rockland, Maine under an operating lease agreement. The total lease expense for the year ended December 31, 2018 was \$18,600.

Future minimum rental payments under the operating lease, as of December 31, 2018, are:

2019	\$	19,125
2020		<u>4,800</u>
	\$	<u>23,925</u>

## **Notes to Financial Statements - Continued**

### **Georges River Land Trust**

#### **Note O - Net Asset Reclassification**

A reclassification of net assets was required to correct for an error in the assignment of the net of investment appreciation, distributions and fees for the beneficial interest in a perpetual trust between the two classes of net assets in prior years. Total net assets remain unchanged from this reclassification, which decreases net assets with donor restrictions for stewardship and increases net assets without donor restrictions.

#### **Note P - Subsequent Events**

Management has made an evaluation of subsequent events to and including June 4, 2019, 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.