

**Financial Statements**



**December 31, 2019**

**Contents**

**Georges River Land Trust**

**December 31, 2019**

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## Independent Auditors' Report

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

We have audited the accompanying financial statements of Georges River Land Trust (a nonprofit organization), which comprise the statement of financial position as of December 31, 2019, and the related statements of activities, functional expenses, and cash flows for the year 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.

### **Auditors' Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit 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 Georges River Land Trust as of December 31, 2019, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Summarized Comparative Information**

The 2018 financial statements were reviewed by us, and our report thereon, dated June 4, 2019, stated that based on our review, we were not aware of any material modifications that should be made to the 2018 financial statements in order for them to be in conformity with accounting principles generally accepted in the United States of America. However, a review is substantially less in scope than an audit and does not provide a basis for the expression of an opinion on the financial statements as a whole. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2018, is consistent, in all material respects, with the reviewed financial statements from which it has been derived.

*Purdy Powers & Company*  
Professional Association

**Portland, Maine**  
**July 28, 2020**

## Statement of Financial Position

### Georges River Land Trust

As of December 31, 2019

(with comparative totals for December 31, 2018)

	<u>2019</u> (Audited)	<u>2018</u> (Unaudited)
<b>Current Assets</b>		
Cash and cash equivalents	\$ 195,625	\$ 161,975
Current portion of pledges receivable	16,675	56,343
Other receivables	2,675	-
Prepaid expenses	8,154	7,858
Inventory	3,688	1,621
<b>Total Current Assets</b>	<u>226,817</u>	<u>227,797</u>
<b>Property and Equipment</b> , net of accumulated depreciation	109,187	80,340
<b>Other Assets</b>		
Deposits	13,100	1,500
Pledges receivable, less current portion	107,250	17,500
Beneficial interest in assets held by others	713,222	493,831
Beneficial interest in perpetual trust	270,607	225,719
Grantor retained life estate	200,660	169,300
Langlais artwork	2,202,786	2,157,286
Property for conservation	2,374,827	2,374,827
<b>Total Other Assets</b>	<u>5,882,452</u>	<u>5,439,963</u>
<b>Total Assets</b>	<u>\$ 6,218,456</u>	<u>\$ 5,748,100</u>
<b>Current Liabilities</b>		
Accounts payable and accrued liabilities	\$ 32,916	\$ 4,426
<b>Total Current Liabilities</b>	<u>32,916</u>	<u>4,426</u>
<b>Net Assets</b>		
Without donor restrictions	1,219,024	1,148,458
With donor restrictions	4,966,516	4,595,216
<b>Total Net Assets</b>	<u>6,185,540</u>	<u>5,743,674</u>
<b>Total Liabilities and Net Assets</b>	<u>\$ 6,218,456</u>	<u>\$ 5,748,100</u>

See accompanying independent auditors' report and notes to financial statements.

## Statement of Activities

### Georges River Land Trust

For the Year Ended December 31, 2019  
(with comparative totals for December 31, 2018)

	2019 (Audited)			2018 (Unaudited)
	Without Donor Restrictions	With Donor Restrictions	Total	Total
<b>Revenues</b>				
Contributions income	\$ 320,276	\$ 384,235	\$ 704,511	\$ 378,203
Special events	51,239	-	51,239	24,796
Less: special events expense	(25,294)	-	(25,294)	(13,043)
Net special events	25,945	-	25,945	11,753
Grants	-	44,300	44,300	39,400
Merchandise sales	859	-	859	54
Sales of donated vehicles	24,980	-	24,980	42,125
Interest and dividend income	5,109	-	5,109	8,673
Miscellaneous income	10,601	-	10,601	4,871
Net assets released from restrictions	136,691	(136,691)	-	-
<b>Total Revenues</b>	<b>524,461</b>	<b>291,844</b>	<b>816,305</b>	<b>485,079</b>
<b>Expenses</b>				
Program services				
General	26,658	-	26,658	20,456
Land acquisition	79,860	-	79,860	47,505
Education and outreach	74,958	-	74,958	41,196
Stewardship	180,591	-	180,591	156,343
Monitoring of conservation easement	-	-	-	40
Supporting services				
General administrative	72,528	-	72,528	127,737
Fundraising	82,218	-	82,218	99,874
<b>Total Expenses</b>	<b>516,813</b>	<b>-</b>	<b>516,813</b>	<b>493,151</b>
<b>Revenues Over (Under) Expenses</b>	<b>7,648</b>	<b>291,844</b>	<b>299,492</b>	<b>(8,072)</b>
Change in value of beneficial interest in perpetual trust	-	76,248	76,248	(1,290)
Change in value of beneficial interest of assets held by others	62,918	3,208	66,126	(17,827)
	62,918	79,456	142,374	(19,117)
<b>Increase (Decrease) in Net Assets</b>	<b>70,566</b>	<b>371,300</b>	<b>441,866</b>	<b>(27,189)</b>
Net assets at beginning of year	1,148,458	4,595,216	5,743,674	5,770,863
<b>Net Assets at End of Year</b>	<b>\$ 1,219,024</b>	<b>\$ 4,966,516</b>	<b>\$ 6,185,540</b>	<b>\$ 5,743,674</b>

See accompanying independent auditors' report and notes to financial statements.

## Statement of Functional Expenses

### Georges River Land Trust

For the Year Ended December 31, 2019

(with comparative totals for the year ended December 31, 2018)

	2019 (Audited)				2018 (Unaudited)
	Program	Management and General	Fundraising	Total	Total
<b>Expenses</b>					
Salaries and wages	\$ 214,806	\$ 37,172	\$ 65,985	\$ 317,963	\$ 306,663
Bank fees	160	826	1,461	2,447	7,778
Insurance	13,569	1,357	414	15,340	12,362
Professional fees	43,093	21,464	2,524	67,081	55,752
Utilities	6,868	887	1,012	8,767	8,332
Miscellaneous expenses	6,195	2,268	1,031	9,494	11,440
Printing and postage	15,462	1,872	3,113	20,447	9,393
Occupancy	13,111	1,990	4,099	19,200	18,600
Dues and subscriptions	7,364	2,964	664	10,992	5,188
Repairs and maintenance	7,244	312	642	8,198	7,161
Office supplies	17,545	356	800	18,701	25,929
Property taxes	3,738	-	-	3,738	3,507
Event expense	459	86	-	545	9,283
Depreciation expense	12,453	974	473	13,900	11,763
<b>Total Expenses</b>	<b>\$ 362,067</b>	<b>\$ 72,528</b>	<b>\$ 82,218</b>	<b>\$ 516,813</b>	<b>\$ 493,151</b>

See accompanying independent auditors' report and notes to financial statements.

## Statement of Cash Flows

### Georges River Land Trust

For the Years Ended December 31, 2019  
(with comparative totals for December 31, 2018)

	<u>2019</u> (Audited)	<u>2018</u> (Unaudited)
<b>Operating Activities</b>		
Increase (Decrease) in net assets	\$ 441,866	\$ (27,189)
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation	13,900	11,763
Contribution of artwork	(45,500)	-
Change in value of beneficial interest in assets held by others	(66,126)	17,827
Change in value of beneficial interest in perpetual trust	(44,888)	11,590
Change in value of grantor retained life estate	(31,360)	(10,300)
(Increase) decrease in operating assets:		
Pledges receivable	(50,082)	20,682
Other receivable	(2,675)	-
Deposits	(11,600)	2,000
Prepaid expenses	(296)	(1,897)
Inventory	(2,067)	(587)
Increase (decrease) in operating liabilities:		
Accounts payable and accrued liabilities	28,490	(15,554)
<b>Net Cash Provided by Operating Activities</b>	<u>229,662</u>	<u>8,335</u>
<b>Investing Activities</b>		
Purchase of conservation property	-	(2,450)
Purchase of fixed assets	(42,747)	-
Purchase of investments	(242,687)	(119,987)
Proceeds from sales of investments	89,422	64,045
<b>Net Cash Used by Investing Activities</b>	<u>(196,012)</u>	<u>(58,392)</u>
<b>Increase (Decrease) in Cash</b>	33,650	(50,057)
Cash at beginning of year	<u>161,975</u>	<u>212,032</u>
<b>Cash at End of Year</b>	<u>\$ 195,625</u>	<u>\$ 161,975</u>

See accompanying independent auditors' 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 - 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 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. 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 - Continued

# 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, 2019.

At December 31, 2019, approximately 75% of the pledge receivable balance is owed from three donors.

The Organization expects to collect \$16,675 of the pledges receivable within one year, \$103,250 of the pledges receivable within one to five years and \$4,000 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, 2019.

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. During the current year, a conditional promise was met and \$82,500 has been recorded in the financial statements for this bequest and donation.

#### **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, 2019 and 2018 was \$13,900 and \$11,763, respectively.

## Notes to Financial Statements - Continued

### Georges River Land Trust

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

##### **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.

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 \$3,383 in revenue and expense associated with in-kind donations for operating and fundraising support during the year ended December 31, 2019. The Organization also recognized \$24,980 in sales of vehicles which were donated during the year.

## Notes to Financial Statements - Continued

### Georges River Land Trust

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

##### **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.

##### **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, 2018, from which the summarized information was derived.

## Notes to Financial Statements - Continued

### Georges River Land Trust

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

##### **Adoption of New Accounting Policies**

On January 1, 2019, the Organization adopted ASU 2014-09 *Revenue from Contracts with Customers* and all subsequent amendments to the ASU (collectively, “ASC 606”), which creates a single, principle-based model for recognizing contract revenue and related incremental expenses. The Organization adopted ASC 606 using the modified retrospective method applied to all contracts not completed as of January 1, 2019. Under the modified retrospective transition method, a cumulative effect adjustment is recorded to the opening balance of net assets for the initial application of the new guidance as of January 1, the date of initial application. Management has determined that there were no adjustments to the financial statements resulting from adoption.

On January 1, 2019, the Organization adopted ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This ASU includes specific criteria to consider when determining whether a contract or agreement should be accounted for as a contribution or as an exchange transaction. It also provides a framework for determining whether a contribution is conditional or unconditional, and thus the timing of revenue recognition.

The Organization has evaluated its revenue streams to determine the applicability of ASC 606, and has determined that none of its income is subject to the new revenue standard.

##### **Pending Accounting Pronouncement**

In February 2016, the Financial Accounting Standards Board issued ASU 2016-02 *Leases* (Topic 842). This new standard will provide users of the financial statements a more accurate picture of the assets and the long-term financial obligations of organizations that lease. The standard is for a dual-model approach: a lessee will account for most existing capital leases as Type A leases, and most existing operating leases as Type B leases. Both will be reported on the balance sheet of the organization for leases with a term exceeding 12 months. Lessors will see some changes too, largely made to align with the revised lease model. For nonpublic organizations, the new leasing standard will apply for fiscal years beginning after December 15, 2021. The standard requires retroactive application to previously issued financial statements, if presented. Management is currently evaluating the impact of adoption on its financial statements.

## Notes to Financial Statements - Continued

### Georges River Land Trust

#### 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, 2019 and 2018. Investment returns from these investments for the year ended December 31 are summarized as follows:

	<u>2019</u> (Audited)	<u>2018</u> (Unaudited)
Interest and dividend income	\$ 3,604	\$ 5,231
Net realized and unrealized gains (losses) on investments	<u>66,126</u>	<u>(17,827)</u>
	<u>\$ 69,730</u>	<u>\$ (12,596)</u>

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

At December 31, 2019 and 2018, the Organization's interest in the grantor retained life estate was valued at \$200,660 and \$169,300, respectively.

#### 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.

## Notes to Financial Statements - Continued

### Georges River Land Trust

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

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, 2019:

	<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>713,222</u>	\$ <u>713,222</u>
Beneficial interest in perpetual trust	\$ <u>-</u>	\$ <u>-</u>	\$ <u>270,607</u>	\$ <u>270,607</u>
Grantor retained life estate	\$ <u>-</u>	\$ <u>-</u>	\$ <u>200,660</u>	\$ <u>200,660</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.

## Notes to Financial Statements - Continued

### Georges River Land Trust

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

##### Fair Value Measurements Using Significant Unobservable Inputs (Level 3)

	<u>Beneficial Interest is Assets Held by Others</u>	<u>Beneficial Interest in Perpetual Trust</u>	<u>Grantor Retained Life Estate</u>	<u>Total</u>
Beginning balance	\$ 493,831	\$ 225,719	\$ 169,300	\$ 888,850
Total gains (losses) (realized/unrealized) recognized in the statement of activities	73,863	44,888	31,360	150,111
Interest and dividends	3,604	-	-	3,604
Investment management fees	(7,737)	-	-	(7,737)
Deposits	239,083	-	-	239,083
Withdrawals	<u>(89,422)</u>	<u>-</u>	<u>-</u>	<u>(89,422)</u>
Ending balance	<u>\$ 713,222</u>	<u>\$ 270,607</u>	<u>\$ 200,660</u>	<u>\$ 1,184,489</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.

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.

## Notes to Financial Statements - Continued

### Georges River Land Trust

#### Note E - Endowment Fund - Continued

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.

Endowment net asset composition by type of fund is as follows at December 31, 2019:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Donor-restricted endowment funds	\$ 64,673	\$ 325,549	\$ 390,222

## Notes to Financial Statements - Continued

### Georges River Land Trust

#### Note E - Endowment Fund - Continued

Changes in endowment net assets for the year ended December 31, 2019 are as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 98,200	\$ 104,850	\$ 203,050
Contributions received	-	217,491	217,491
Change in value of beneficial interest of assets held by others	26,473	3,208	29,681
Appropriation of endowment assets for expenditure	-	-	-
Reclassified board-restricted reserve	<u>(60,000)</u>	<u>-</u>	<u>(60,000)</u>
Endowment net assets, end of year	<u>\$ 64,673</u>	<u>\$ 325,549</u>	<u>\$ 390,222</u>

#### Note F - Property and Equipment

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

	<u>2019</u> (Audited)	<u>2018</u> (Unaudited)
Computer equipment	\$ 6,244	\$ 6,244
Furnishings	8,184	8,184
Tools and equipment	6,265	6,265
Land improvements	89,161	79,962
Trails	12,990	12,990
Structures	<u>33,548</u>	<u>-</u>
	156,392	113,645
Less accumulated depreciation	<u>47,205</u>	<u>33,305</u>
	<u>\$ 109,187</u>	<u>\$ 80,340</u>

## Notes to Financial Statements - Continued

### Georges River Land Trust

#### 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, 2019.

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

	<b><u>2019</u></b> (Audited)	<b><u>2018</u></b> (Unaudited)
Unimpaired value of property	\$ 3,496,225	\$ 3,496,225
Less: Total impairment reductions	<u>1,121,398</u>	<u>1,121,398</u>
	<u>\$ 2,374,827</u>	<u>\$ 2,374,827</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>2019</u> (Audited)	<u>2018</u> (Unaudited)
<i>Subject to expenditure for specified purpose:</i>		
Land acquisition	\$ 11,000	\$ 1,000
Legal reserve	103,432	98,432
Stewardship of Gibson Preserve	25,468	25,290
Property reserve	161,885	120,980
Langlais reserve	24,214	24,420
Trails fund	45,557	46,912
Stewardship	500	12,105
Improvements	<u>19,377</u>	<u>30,233</u>
	<u>391,433</u>	<u>359,372</u>
<i>Not subject to appropriation or expenditure:</i>		
Donor-restricted endowment	274,841	57,350
Beneficial interest in perpetual trust	270,607	225,719
Grantor retained life estate	200,660	169,300
Langlais artwork	2,202,786	2,157,286
Langlais endowment	47,500	47,500
Property for conservation	<u>1,578,689</u>	<u>1,578,689</u>
	<u>4,575,083</u>	<u>4,235,844</u>
Total net assets with donor restrictions	<u>\$ 4,966,516</u>	<u>\$ 4,595,216</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>2019</u> (Audited)	<u>2018</u> (Unaudited)
Legal reserve	\$ 25,300	\$ 25,300
Property reserve	71,657	71,657
Board-restricted endowment	-	60,000
Board-restricted reserve	<u>60,000</u>	<u>-</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, 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, 2019, 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.

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

	<u>2019</u> (Audited)	<u>2018</u> (Unaudited)
Financial assets, at year-end	\$ 1,306,054	\$ 955,368
Less those unavailable for general expenditures within one year, due to:		
Pledges receivable due in more than one year	(107,250)	(17,500)
<i>Contractual or donor-imposed restrictions:</i>		
Restricted by donor with purpose restrictions	(391,433)	(359,372)
Donor-restricted to maintain as an endowment	(592,948)	(330,569)
<i>Board designations:</i>		
Legal reserve	(25,300)	(25,300)
Property reserve	(71,657)	(71,657)
Board-restricted endowment	-	(60,000)
Board-restricted reserve	(60,000)	-
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 57,466</u>	<u>\$ 90,970</u>

The Organization's financial assets available to meet cash needs for general expenditures within one year represents funding for ongoing operational requirements in 2020.

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.

## Notes to Financial Statements - Continued

### Georges River Land Trust

#### Note K - Contingent Liability

The Organization holds 47 conservation easements covering 2,884 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 2016 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, 2019 were approximately \$3,000.

#### Note N - Subsequent Events

Subsequent to year-end, the COVID-19 pandemic in the United States and throughout the globe has resulted in substantial volatility in financial markets, the banking system, and individual company revenue streams and has impacted many industries. The pandemic has had a significant adverse impact on investment portfolios. As a result, the Organization's investments have likely incurred a significant decline in fair value since December 31, 2019. Management is currently evaluating the impact of this pandemic on the Organization as a whole.

Also subsequent to year-end, the Organization received a new loan through the U.S. SBA (Small Business Administration) Paycheck Protection Program through the 2020 CARES Act. The \$60,300 SBA loan will be forgiven if the loan is used for payroll, rent, mortgage interest, or utilities (with at least 60% of the loan being used for payroll). All employees either need to be kept on payroll for twenty-four weeks or the Organization will need to show an inability to rehire employees (or similarly qualified employees) or an inability to return to the same level of business. Any portion of the loan not forgiven will mature in April 2025 and interest will be paid at 1%.

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

### **Georges River Land Trust**

#### **Note N - Subsequent Events - Continued**

Also subsequent to year-end, the Organization received a new advance through the U.S. SBA (Small Business Administration) Economic Injury Disaster Loan. The \$6,000 SBA loan is designed to provide economic relief to businesses that are currently experiencing a temporary loss of revenue. This advance will not have to be repaid.

Management has made an evaluation of subsequent events to and including July 28, 2020, 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.