

Financial Statements



March 31, 2019

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Coastal Mountains Land Trust

March 31, 2019

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Independent Auditors' Report

**To the Board of Directors
Coastal Mountains Land Trust
Camden, Maine**

We have audited the accompanying financial statements of Coastal Mountains Land Trust (a nonprofit organization), which comprise the statement of financial position as of March 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 Coastal Mountains Land Trust as of March 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.

Report on Summarized Comparative Information

We have previously audited the Coastal Mountains Land Trust's 2018 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated June 18, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended March 31, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Purdy Pownall & Company
Professional Association

Portland, Maine
June 14, 2019

Statement of Financial Position

Coastal Mountains Land Trust

As of March 31, 2019

(with comparative totals for March 31, 2018)

	<u>2019</u>	<u>2018</u>
Current Assets		
Cash and cash equivalents	\$ 77,576	\$ 121,823
Investments	307,245	177,154
Current portion of pledges receivable	142,123	210,582
Grants receivable	120,000	-
Deposits	30,000	110,000
Prepaid expenses	5,938	5,333
Total Current Assets	<u>682,882</u>	<u>624,892</u>
Property and Equipment , net of accumulated depreciation	691,789	664,606
Other Assets		
Cash restricted by donors for property acquisition	726,681	1,551,536
Cash restricted by donors for stewardship	80,957	48,844
Cash restricted by donors for reserves	201,672	-
Pledges receivable, net of current portion	35,000	141,218
Restricted investments	2,317,509	2,474,677
Split-interest agreements	331,042	350,286
Conserved fee title property	1,325,994	1,290,644
Total Other Assets	<u>5,018,855</u>	<u>5,857,205</u>
Total Assets	<u>\$ 6,393,526</u>	<u>\$ 7,146,703</u>
Current Liabilities		
Accounts payable and accrued liabilities	\$ 17,262	\$ 8,266
Short-term notes payable	200,000	63,824
Total Current Liabilities	<u>217,262</u>	<u>72,090</u>
Net Assets		
Without donor restrictions	2,179,975	2,051,527
With donor restrictions	3,996,289	5,023,086
Total Net Assets	<u>6,176,264</u>	<u>7,074,613</u>
Total Liabilities and Net Assets	<u>\$ 6,393,526</u>	<u>\$ 7,146,703</u>

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

Statement of Activities

Coastal Mountains Land Trust

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

	2019			2018
	Without Donor Restrictions	With Donor Restrictions	Total	Total
Revenues				
Contributions and support	\$ 489,886	\$ 484,766	\$ 974,652	\$ 1,188,029
Special events	1,848	-	1,848	23,941
Beech Hill Farm income	15,670	-	15,670	24,348
Grants and contracts	62,200	474,000	536,200	125,000
Miscellaneous income	1,391	-	1,391	1,665
Investment income	774	61,774	62,548	64,001
Contributions of property	-	254,144	254,144	437,440
In-kind contributions	20,333	-	20,333	10,248
Net assets released from restrictions	2,096,612	(2,096,612)	-	-
Total Revenues	<u>2,688,714</u>	<u>(821,928)</u>	<u>1,866,786</u>	<u>1,874,672</u>
Expenses				
Program services				
Land acquisition	174,197	-	174,197	159,642
Impairment of land	130,108	234,931	365,039	565,388
Purchase of easement	1,875,000	-	1,875,000	-
Outreach	67,374	-	67,374	68,701
Stewardship	171,177	-	171,177	174,214
Supporting services				
General administrative	109,532	-	109,532	104,146
Fundraising	131,634	-	131,634	133,878
Total Expenses	<u>2,659,022</u>	<u>234,931</u>	<u>2,893,953</u>	<u>1,205,969</u>
Revenues Over (Under) Expenses	29,692	(1,056,859)	(1,027,167)	668,703
Change in value of split interest agreements	-	(8,570)	(8,570)	29,624
Net realized and unrealized gain on investments	98,756	38,632	137,388	162,916
	<u>98,756</u>	<u>30,062</u>	<u>128,818</u>	<u>192,540</u>
Increase (Decrease) in Net Assets	128,448	(1,026,797)	(898,349)	861,243
Net assets at beginning of year	<u>2,051,527</u>	<u>5,023,086</u>	<u>7,074,613</u>	<u>6,213,370</u>
Net Assets at End of Year	<u>\$ 2,179,975</u>	<u>\$ 3,996,289</u>	<u>\$ 6,176,264</u>	<u>\$ 7,074,613</u>

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

Statement of Functional Expenses

Coastal Mountains Land Trust

As of March 31, 2019

(with comparative totals for March 31, 2018)

	2019						2018	
	Program Services			Total Program	Management & General	Fundraising	Total	Total
	Land Acquisition	Outreach	Stewardship					
Expenses:								
Salaries	\$ 68,300	\$ 35,776	\$ 105,788	\$ 209,864	\$ 26,282	\$ 91,066	\$ 327,212	\$ 301,527
Payroll taxes	5,204	2,726	7,930	15,860	1,982	7,070	24,912	22,999
Benefits	5,760	3,018	8,779	17,557	2,195	7,681	27,433	21,218
Advertising	28	240	61	329	37	30	396	180
Community engagement	-	4,486	250	4,736	729	528	5,993	5,708
Fees	2,252	2,831	1,370	6,453	4,106	5,877	16,436	16,143
Insurance	9,149	2,557	13,126	24,832	644	2,313	27,789	29,277
Property management expenses	69,559	-	20,918	90,477	-	6	90,483	102,009
Newsletter	-	7,152	-	7,152	3,374	275	10,801	9,026
Office expenses	774	1,031	2,216	4,021	9,591	897	14,509	12,575
Postage and delivery	499	1,181	701	2,381	395	1,726	4,502	4,831
Printing and publications	961	1,322	2,876	5,159	320	1,282	6,761	19,788
Professional fees	2,015	150	705	2,870	15,994	75	18,939	18,146
Research expense	-	-	-	-	125	-	125	-
Real estate taxes	4,111	-	91	4,202	597	-	4,799	2,875
Repairs and maintenance	958	319	1,196	2,473	2,571	3,324	8,368	6,174
Telephone and internet	1,014	253	1,175	2,442	-	253	2,695	2,487
Travel and entertainment	2,189	3,955	2,598	8,742	724	7,413	16,879	15,475
Utilities	1,424	377	1,397	3,198	181	176	3,555	2,239
Bad debt expense	-	-	-	-	228	-	228	133
Impairment of land	365,039	-	-	365,039	-	-	365,039	565,388
Purchase of easement	1,875,000	-	-	1,875,000	-	-	1,875,000	-
Fundraising events expense	-	-	-	-	-	1,642	1,642	2,846
Depreciation expense	-	-	-	-	39,457	-	39,457	37,076
Miscellaneous expense	-	-	-	-	-	-	-	7,849
Total expenses	<u>\$ 2,414,236</u>	<u>\$ 67,374</u>	<u>\$ 171,177</u>	<u>\$ 2,652,787</u>	<u>\$ 109,532</u>	<u>\$ 131,634</u>	<u>\$ 2,893,953</u>	<u>\$ 1,205,969</u>

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

Statement of Cash Flows (1 of 2)

Coastal Mountains Land Trust

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

	<u>2019</u>	<u>2018</u>
Operating Activities		
Increase (decrease) in net assets	\$ (898,349)	\$ 861,243
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation	39,457	37,076
Impairment reductions	365,039	565,388
Non-cash contribution of property	(254,144)	(429,140)
Investment gains	(160,039)	(188,534)
Change in value of split-interest agreements	8,570	(29,624)
(Increase) decrease in operating assets:		
Pledges receivable	174,677	108,199
Grants receivable	(120,000)	-
Deposits	80,000	(90,000)
Prepaid expenses	(605)	2,553
Increase (decrease) in operating liabilities:		
Accounts payable and accrued liabilities	8,996	300
Donations to the City of Belfast held as agent	-	(21,530)
Net Cash Provided (Used) by Operating Activities	<u>(756,398)</u>	<u>815,931</u>
Investing Activities		
Payment received on split-interest agreement	10,674	6,000
Purchase of property and equipment	(66,640)	(60,962)
Purchase of conservation property and easements	(146,245)	(166,005)
Proceeds from sales of investments	563,068	845,449
Purchase of investments	(375,952)	(662,651)
Net Cash Used by Investing Activities	<u>(15,095)</u>	<u>(38,169)</u>
Financing Activities		
Proceeds from short-term borrowings	200,000	127,650
Principal payment on short-term note payable	(63,824)	(63,826)
Net Cash Provided by Financing Activities	<u>136,176</u>	<u>63,824</u>
Increase (Decrease) in Cash and Cash Equivalents	(635,317)	841,586
Cash and cash equivalents at beginning of year	<u>1,722,203</u>	<u>880,617</u>
Cash and Cash Equivalents at End of Year	<u>\$ 1,086,886</u>	<u>\$ 1,722,203</u>

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

Statement of Cash Flows (2 of 2)

Coastal Mountains Land Trust

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

	<u>2019</u>	<u>2018</u>
Supplemental Disclosure of Cash Flow Information:		
Cash paid during the year for interest	\$ -	\$ 3,855
Cash and cash equivalents	\$ 77,576	\$ 121,823
Cash restricted by donors for property acquisition	726,681	1,551,536
Cash restricted by donors for stewardship	80,957	48,844
Cash restricted by donors for reserves	201,672	-
	<u>\$ 1,086,886</u>	<u>\$ 1,722,203</u>

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

Notes to Financial Statements

Coastal Mountains Land Trust

Note A - Summary of Significant Accounting Policies

Organization

Coastal Mountains Land Trust is a Maine non-profit corporation located in Camden, Maine. The mission of Coastal Mountains Land Trust is to permanently conserve land to benefit the natural and human communities of western Penobscot Bay.

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 flow. Coastal Mountains Land Trust 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 Coastal Mountains Land Trust'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 limited by 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 Coastal Mountains Land Trust 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.

Revenue and Expense Recognition

The financial statements of Coastal Mountains Land Trust 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.

Notes to Financial Statements - Continued

Coastal Mountains Land Trust

Note A - Summary of Significant Accounting Policies - Continued

Revenue and Expense Recognition - Continued

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. Coastal Mountains Land Trust'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

Coastal Mountains Land Trust 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 Coastal Mountains Land Trust's investment portfolios are reported as investments. Coastal Mountains Land Trust maintains its cash and cash equivalents in bank deposit accounts, and at times balances may exceed federally insured limits. At March 31, 2019, Coastal Mountains Land Trust's uninsured and uncollateralized cash balances totaled \$92,121. Coastal Mountains Land Trust has not experienced any losses in such accounts.

Pledges Receivable

Pledges receivable represents amounts due to Coastal Mountains Land Trust 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 pledges 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 pledges. Management has estimated that no allowance for doubtful pledges is necessary as of March 31, 2019 and 2018.

Pledges receivable is stated net of a discount for the time value of money. Management has estimated that no discount is necessary as of March 31, 2019 and 2018.

Grants Receivable

Grants receivable consists of amounts due from a State grant. Management has estimated no allowance for doubtful accounts is necessary as of March 31, 2019.

Notes to Financial Statements - Continued

Coastal Mountains Land Trust

Note A - Summary of Significant Accounting Policies - Continued

Investments

Coastal Mountains Land Trust reports its investments in marketable securities with readily determinable fair values and all debt securities at fair value in the statement of financial position. Unrealized gains and losses are included in the change in net assets.

Property and Equipment

Property and equipment is stated at cost if purchased or at fair value if contributed. Coastal Mountains Land Trust's policy is to capitalize acquisitions and major improvements with a cost of \$1,000 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 5 to 48 years. Depreciation expense for the years ended March 31, 2019 and 2018 was \$39,457 and \$37,076, respectively.

Property (Parcels of Land)

The property of Coastal Mountains Land Trust consists of parcels of land in western Penobscot Bay 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.

Many properties acquired by Coastal Mountains Land Trust are later encumbered by conservation easements or declarations of trust 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.

Conservation Easements

It is the policy of Coastal Mountains Land Trust 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 Contributions

Coastal Mountains Land Trust records donated goods and services at fair value at the date of donation. For the years ended March 31, 2019 and 2018 approximately \$20,300 and \$10,200, respectively, has been recorded as in-kind revenue with an equal amount as in-kind expense in order to reflect these donated goods and services.

Notes to Financial Statements - Continued

Coastal Mountains Land Trust

Note A - Summary of Significant Accounting Policies - Continued

Expense Allocation

The financial statements report certain categories of expenses that are attributable to more than one program or supporting functions of Coastal Mountains Land Trust. These expenses include salaries, payroll taxes, benefits, insurance, office expenses, professional fees, and investment management fees. Salaries, payroll taxes, and benefits are allocated based on estimates of time and effort. Certain costs of insurance, office expenses, professional fees, and investment management fee expenses are based on management's estimate of the appropriate allocations for each expense.

Split-Interest Agreements

Split-interest agreements consist of assets placed in trust for the benefit of Coastal Mountains Land Trust and beneficiaries. 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 Coastal Mountains Land Trust 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 Coastal Mountains Land Trust or a third party is the trustee.

It is reasonably possible that certain events, such as the unexpected deaths of beneficiaries or grantors, could cause a significant difference between the estimated and actual cash flows from 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 Coastal Mountains Land Trust's financial statements for the year ended March 31, 2018, from which the summarized information was derived. Some prior year balances have been reclassified to conform with the current year presentation.

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

Coastal Mountains Land Trust

Note A - Summary of Significant Accounting Policies - Continued

Pending Accounting Pronouncement

In May 2014, the Financial Accounting Standards Board issued ASU No. 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 Coastal Mountains Land Trust beginning in 2019 and may include certain retrospective adjustments at that time. The effects on Coastal Mountains Land Trust's future financial statements of these changes have not yet been determined.

Note B - Investments

Investments are composed of:

	<u>2019</u>	<u>2018</u>
Investments - unrestricted	\$ 307,245	\$ 177,154
Investments restricted by Board	314,284	299,431
Investments restricted by donors for stewardship	7,915	18,050
Investments restricted by donors for property acquisition	442,684	455,241
Investments restricted by donors for reserves and land defense	937,887	1,092,216
Investments restricted by donors, not subject to appropriation or expenditure	614,739	609,739
	<u>\$ 2,624,754</u>	<u>\$ 2,651,831</u>

Investments consist of various securities and are stated at fair value as of March 31, 2019 and 2018 as follows:

	<u>2019</u>	<u>2018</u>
Money market funds	\$ 53,888	\$ 189,282
Bond mutual funds and ETFs	34,693	85,638
Equity mutual funds and ETFs	133,200	62,736
Fixed income securities	624,440	715,978
Equity securities	1,778,533	1,598,197
	<u>\$ 2,624,754</u>	<u>\$ 2,651,831</u>

Notes to Financial Statements - Continued

Coastal Mountains Land Trust

Note B - Investments - Continued

Investment returns from these investments are summarized as follows at March 31:

	<u>2019</u>	<u>2018</u>
Interest and dividend income	\$ 62,548	\$ 64,001
Net realized and unrealized gains on investments	<u>137,388</u>	<u>188,534</u>
	<u>\$ 199,936</u>	<u>\$ 252,535</u>

Investment fees for the years ended March 31, 2019 and 2018 were \$21,540 and \$22,586, respectively.

Note C - Split-Interest Agreements

Coastal Mountains Land Trust is a remainder beneficiary of two irrevocable charitable remainder trusts and the income beneficiary of a charitable lead trust. The funds of these trusts are held and controlled by third-party trustees who are responsible for investment and payment decisions. Coastal Mountains Land Trust is entitled to a share of the remaining value of each charitable remainder trust when the final beneficiaries die and is also entitled to an annual payment for as long as the grantor of the charitable lead trust lives.

Coastal Mountains Land Trust has recognized an asset for its interest in the charitable remainder trusts. The asset is valued at the net present value of expected cash flows from the agreements, which is calculated as the difference between the fair market value of trust assets and the present value of future payments to beneficiaries. The present value of future payments to beneficiaries is determined annually based on the life expectancies of the beneficiaries, which assumed 12 years and 38 years for the two charitable remainder trusts, and discount rates of 2.0% and 2.5%, respectively.

Coastal Mountains Land Trust had recognized an asset for its interest in the charitable lead trust. The asset was valued at the present value of expected cash flows from the agreement. The present value was determined annually based on the value of the trust, given the life expectancy of the donor. During the year ended March, 31, 2019, Coastal Mountains Land Trust received the remaining value of the trust due to the passing of the donor.

In addition, Coastal Mountains Land Trust is the remainder beneficiary of a grantor-retained life estate. Coastal Mountains Land Trust received title to a four-acre homestead that is to be sold to provide stewardship funds at the termination of the life estate. Coastal Mountains Land Trust has recognized an asset for its interest in the grantor-retained life estate. The asset is valued at the present value of expected cash flows from the agreement. The present value of the future cash flows associated with the termination of the life estate is determined annually based on the life expectancies of the grantors (15 years), the appraised value of the property, an appreciation rate of 2.85%, and a discount rate of 6.85%.

Notes to Financial Statements - Continued

Coastal Mountains Land Trust

Note C - Split-Interest Agreements - Continued

At March 31, 2019 and 2018, Coastal Mountains Land Trust's interest in these three and four, respectively, split-interest agreements was valued at \$331,042, and \$350,286, respectively.

Note D - Fair Value Measurements

Coastal Mountains Land Trust 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. See Note C for a description of the valuation of split-interest agreements.

Notes to Financial Statements - Continued

Coastal Mountains 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 March 31, 2019:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments:				
Money market funds	\$ 53,888	\$ -	\$ -	\$ 53,888
Bond mutual funds and ETFs	34,693	-	-	34,693
Equity mutual funds and ETFs	133,200	-	-	133,200
Fixed income securities	624,440	-	-	624,440
Equity securities	<u>1,778,533</u>	<u>-</u>	<u>-</u>	<u>1,778,533</u>
Total investments	<u>\$ 2,624,754</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,624,754</u>
Split-Interest Agreements	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 331,042</u>	<u>\$ 331,042</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 but certain split-interest agreements have been measured using an income approach (see Note C). There have been no changes in valuation techniques and related inputs.

Fair Value Measurements Using Significant Unobservable Inputs (Level 3)

	<u>Split-Interest Agreements</u>	<u>Total</u>
Beginning balance	\$ 350,286	\$ 350,286
Total losses (realized/unrealized) recognized in the statement of activities	(8,570)	(8,570)
Receipt of remainder of charitable lead trust	<u>(10,674)</u>	<u>(10,674)</u>
Ending balance	<u>\$ 331,042</u>	<u>\$ 331,042</u>
Amount of total losses for the year attributable to the change in unrealized losses relating to assets still held at the reporting date	<u>\$ (8,570)</u>	<u>\$ (8,570)</u>

Notes to Financial Statements - Continued

Coastal Mountains Land Trust

Note E - Endowment Fund

Coastal Mountains Land Trust 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, Coastal Mountains Land Trust 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 (4) any remaining portion of the donor-restricted endowment until such amounts are appropriated for expenditure by Coastal Mountains Land Trust in a manner consistent with the standard of prudence prescribed by UPMIFA.

In accordance with UPMIFA, Coastal Mountains Land Trust 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 Coastal Mountains Land Trust, and (7) the Coastal Mountains Land Trust's investment policies.

Coastal Mountains Land Trust has adopted an investment policy for endowment assets that attempts to provide a growing, predictable income stream for present and future programs of the Coastal Mountains Land Trust. Accordingly, funds held for long-term use will hold 70% equities and 30% fixed income; funds held for intermediate-term use will hold 50% equities and 50% fixed income; and funds held for short-term use will hold 30% equities and 70% fixed income. There is an allowable variance of plus or minus 5% on each investment group. At March 31, 2019, the asset mix was 73% equities and equity mutual funds, 25% fixed income securities and fixed income mutual funds, and 2% money market funds. Investment performance is evaluated through comparison to relevant benchmarks and indices.

Coastal Mountains Land Trust has adopted a spending policy, in the absence of any restriction or contractual prohibition to the contrary, which allows for annual transfers from an endowment account at no more than 5% of the three-year average balance of an account. Any funds not withdrawn in a given year may be withdrawn at any time within the next three fiscal years. Timing of the transfers shall be at the discretion of the Executive Director.

Notes to Financial Statements - Continued

Coastal Mountains Land Trust

Note E - Endowment Fund - Continued

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

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Board-designated endowment funds	\$ -	\$ -	\$ -
Donor-restricted endowment funds	32,075	614,739	646,814
Total Funds	<u>\$ 32,075</u>	<u>\$ 614,739</u>	<u>\$ 646,814</u>

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

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 21,745	\$ 609,739	\$ 631,484
Contributions received	-	5,000	5,000
Investment return:			
Investment income, net	26,880	-	26,880
Realized and unrealized gains (losses)	<u>19,679</u>	<u>-</u>	<u>19,679</u>
Total investment return	46,559	-	46,559
Appropriation of endowment assets for expenditure	<u>(36,229)</u>	<u>-</u>	<u>(36,229)</u>
Endowment net assets, end of year	<u>\$ 32,075</u>	<u>\$ 614,739</u>	<u>\$ 646,814</u>

The internal reporting funds for endowment net assets for the year ended March 31, 2019 are as follows:

	<u>Original Gift</u>	<u>Fair Value of Assets</u>	<u>Appreciation (Deficiency)</u>
Fernald's Neck Preserve Endowment	\$ 550,000	\$ 570,847	\$ 20,847
McLellan-Poor Preserve Endowment	22,000	28,260	6,260
Land Trust Stewardship Endowment	<u>42,739</u>	<u>47,707</u>	<u>4,968</u>
Total endowment funds	<u>\$ 614,739</u>	<u>\$ 646,814</u>	<u>\$ 32,075</u>

Notes to Financial Statements - Continued

Coastal Mountains Land Trust

Note F - Property and Equipment

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

	<u>2019</u>	<u>2018</u>
Land	\$ 43,083	\$ 43,083
Buildings and improvements	862,175	862,175
Furniture and equipment	119,790	119,790
Preserve improvements	50,607	31,002
Easement improvements	47,035	-
	<u>1,122,690</u>	<u>1,056,050</u>
Less accumulated depreciation	430,901	391,444
	<u>\$ 691,789</u>	<u>\$ 664,606</u>

Note G - Property

The property of Coastal Mountains Land Trust consists of 5,602 acres of land in western Penobscot Bay 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 Coastal Mountains Land Trust are later encumbered by conservation easements or declarations of trust 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.

During the year ended March 31, 2019, Coastal Mountains Land Trust purchased four fee simple properties and received three fee simple donations.

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

	<u>2019</u>	<u>2018</u>
Unimpaired value of permanently conserved property	\$ 11,892,408	\$ 11,508,157
Unimpaired value of unrestricted property	13,135,589	13,119,450
	<u>25,027,997</u>	<u>24,627,607</u>
Impairment reduction of permanently conserved property	11,320,321	10,955,282
Impairment reduction of unrestricted property	12,381,682	12,381,681
Less total impairment reductions	<u>23,702,003</u>	<u>23,336,963</u>
	<u>\$ 1,325,994</u>	<u>\$ 1,290,644</u>

Notes to Financial Statements - Continued

Coastal Mountains Land Trust

Note H - Pledges Receivable

Pledges receivable are as follows at March 31:

	<u>2019</u>	<u>2018</u>
Receivable due in less than one year	\$ 142,123	\$ 210,582
Receivable due in one to five years	35,000	141,218
Less allowance for doubtful accounts	-	-
	<u>\$ 177,123</u>	<u>\$ 351,800</u>

Of the outstanding promises to give at March 31, 2019, 14% are due from related parties.

Note I - Line of Credit

Coastal Mountains Land Trust maintains a line of credit with a bank in the amount of \$100,000, which renews annually. Interest is payable at 2.75% and the credit line is collateralized by real estate. At March 31, 2019 and 2018, advances on the line of credit were \$0.

Note J - Short-Term Notes Payable

During the year ended March 31, 2018, Coastal Mountains Land Trust obtained \$127,650 in short-term financing to purchase the Hosmer Brook North Tract. The note was payable in two annual installments of \$67,680, with interest at 4%. The final payment on the note was due on January 15, 2019. The note was secured by the property.

During the year ended March 31, 2019, Coastal Mountains Land Trust obtained \$200,000 in short-term financing to purchase the Mirror Lake Conservation Easement. Subsequently, it was approved by the lender to use this financing for other land transactions. The note is payable in one installment of \$200,000, with interest at 0%. The payment on the note is due on September 30, 2019. The note is secured by cash held at a local bank.

Notes to Financial Statements - Continued

Coastal Mountains Land Trust

Note K - Net Assets with Donor Restrictions

Net assets with donor restrictions are restricted for the following purposes at March 31:

	<u>2019</u>	<u>2018</u>
<i>Subject to expenditure for specified purpose:</i>		
Future Purchases of Conservation Land		
Fernald's Neck Acquisition Reserve	\$ 332,343	\$ 343,229
Ducktrap River Watershed	4,650	21,238
Meadow Brook / Hurds Pond	39,429	39,708
Morgan / Hurds Pond	98,666	98,666
Bald and Ragged Mountains	712,100	1,814,289
Mt. Tuck Region of Interest	54,750	-
	<u>1,241,938</u>	<u>2,317,130</u>
Stewardship of Conservation Land		
Grants	3,500	3,500
Beech Hill Preserve 100 th Anniversary Capital Campaign	31,080	52,017
Conservation Lands Defense	404,155	390,826
Mount Percival Preserve Stewardship	12,695	12,695
McLellan-Poor Preserve Stewardship	2,732	2,732
Long Cove / Headwaters Preserves Stewardship	9,195	10,920
Land Trust Stewardship Reserve	372,218	349,906
Howe Hill Farm Stewardship	47,610	44,240
Beech Hill Preserve Stewardship	315,575	307,244
Pendleton Stewardship	37,351	18,976
RunBelfast	372	-
	<u>1,236,483</u>	<u>1,193,056</u>
Beneficial Interest in Split-Interest Agreements		
Split-interest agreements	331,042	350,286
<i>Not subject to appropriation or expenditure:</i>		
Property for conservation	572,087	552,875
Fernald's Neck Preserve endowment	550,000	550,000
Land Trust Stewardship endowment	42,739	37,739
McLellan-Poor Preserve endowment	22,000	22,000
	<u>1,186,826</u>	<u>1,162,614</u>
Total net assets with donor restrictions	<u>\$ 3,996,289</u>	<u>\$ 5,023,086</u>

Notes to Financial Statements - Continued

Coastal Mountains Land Trust

Note L - Board Designated Net Assets

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

	<u>2019</u>	<u>2018</u>
General Acquisitions BDF	\$ 36,214	\$ 26,252
Bald and Ragged Mountains BDF	18,158	18,158
General Stewardship BDF	5,485	4,283
Land Trust Operating Reserve BDF	225,503	218,720
Land Trust Stewardship Reserve BDF	15,763	26,568
Conservation Lands Defense BDF	3,161	5,450
Designated for subsequent year	30,000	-
	<u>\$ 334,284</u>	<u>\$ 299,431</u>

Note M - Liquidity and Availability

Financial assets consist of the Coastal Mountains Land Trust's cash and cash equivalents, investments, pledges receivable, and grants receivable. The following reflects Coastal Mountains Land Trust's financial assets as of March 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.

Notes to Financial Statements - Continued

Coastal Mountains Land Trust

Note M - Liquidity and Availability - Continued

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

	<u>2019</u>	<u>2018</u>
Financial assets, at year-end	\$ 4,008,763	\$ 4,725,834
Less those unavailable for general expenditures within one year, due to:		
<i>Contractual or donor-imposed restrictions:</i>		
Restricted by donor with time or purpose restrictions	(2,478,421)	(3,510,186)
<i>Board designations:</i>		
General Acquisitions BDF	(36,214)	(26,252)
Bald and Ragged Mountains BDF	(18,158)	(18,158)
General Stewardship BDF	(5,485)	(4,283)
Land Trust Operating Reserve BDF	(225,503)	(218,720)
Land Trust Stewardship Reserve BDF	(15,763)	(26,568)
Conservation Lands Defense BDF	(3,161)	(5,450)
Designated for subsequent year	<u>(30,000)</u>	<u>-</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 1,196,058</u>	<u>\$ 916,217</u>

Coastal Mountains Land Trust's financial assets available to meet cash needs for general expenditures within one year represents funding for ongoing operational requirements and planned increases in program expenditures in 2019.

Coastal Mountains Land Trust is substantially supported by contributions from donations solicited and contributions received. Coastal Mountains Land Trust actively manages its cash flow to ensure funds are available for general expenditures, liabilities, and other obligations as they come due. Although Coastal Mountains Land Trust does not intend to spend the board designated funds listed above, amounts from these funds can be appropriated if necessary. As more fully described in Note I, Coastal Mountains Land Trust also has availability under the line of credit of \$100,000, should an unanticipated liquidity need be identified.

Notes to Financial Statements - Continued

Coastal Mountains Land Trust

Note N - Contingent Liability

Coastal Mountains Land Trust holds 61 conservation easements covering 4,328.6 acres. Coastal Mountains Land Trust 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, Coastal Mountains Land Trust is committed to bringing any and all actions necessary to defend the easements. To mitigate the financial risk such a commitment brings, Coastal Mountains Land Trust 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 O - Concentrations

Gifts from seven donors or grantors comprised approximately 43% of the Coastal Mountains Land Trust's revenues for the fiscal year ended March 31, 2019. Four donors' balances comprised approximately 70% of the pledges receivable balance at March 31, 2019.

Note P - Commitment

During the year ended March 31, 2015, Coastal Mountains Land Trust signed a letter of intent with the Maine Water Company that would result in the market-value purchase of one easement from the Maine Water Company for \$1.875 million and the bargain purchase of another easement from the Maine Water Company for \$600,000. The agreement has received approval from the Maine Public Utilities Commission and Maine Water Company's shareholders and bondholders. During the year ended March 31, 2019, the market value purchase of one of the two easements was completed, conserving 786 acres. The second transaction is anticipated to close by June 30, 2019, and will conserve approximately 500 acres.

Note Q - Income Taxes

Coastal Mountains Land Trust qualifies as an organization exempt from federal income tax under Internal Revenue Code Section 501(c)(3) and files a Form 990 tax return. Coastal Mountains Land Trust has adopted the provisions of FASB ASC 740, Income Taxes. With few exceptions, Coastal Mountains Land Trust 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 Coastal Mountains Land Trust believes it has no material uncertain tax positions and, accordingly it will not recognize any liability for unrecognized tax benefits.

Notes to Financial Statements - Continued

Coastal Mountains Land Trust

Note R - Retirement Plan

Coastal Mountains Land Trust maintains a SIMPLE IRA plan which covers eligible employees. The plan calls for the Coastal Mountains Land Trust to contribute 3% of each eligible employee's annual salary. The Coastal Mountains Land Trust's contributions for the years ended March 31, 2019 and 2018 were approximately \$7,200 and \$6,800, respectively.

Note S - Subsequent Events

Management has made an evaluation of subsequent events to and including June 14, 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.