

Financial Statements



March 31, 2018

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Coastal Mountains Land Trust

March 31, 2018

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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, 2018, and the related statements of activities 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, 2018, 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 2017 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated July 11, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended March 31, 2017, 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 18, 2018

Statement of Financial Position

Coastal Mountains Land Trust

As of March 31, 2018

(with comparative totals for March 31, 2017)

	<u>2018</u>	<u>2017</u>
Current Assets		
Cash and cash equivalents	\$ 121,823	\$ 123,789
Investments	177,154	-
Current portion of pledges receivable	210,582	273,676
Deposits	110,000	20,000
Prepaid expenses	5,333	7,886
Total Current Assets	<u>624,892</u>	<u>425,351</u>
Property and Equipment , net of accumulated depreciation	664,606	640,720
Other Assets		
Cash restricted by donors for property acquisition	1,551,536	701,038
Cash restricted by donors for stewardship	48,844	44,790
Cash restricted by donors for community engagement	-	11,000
Pledges receivable, net of current portion	141,218	186,323
Restricted investments	2,474,677	2,646,095
Split-interest agreements	350,286	326,662
Conserved fee title property	1,290,644	1,260,887
Total Other Assets	<u>5,857,205</u>	<u>5,176,795</u>
Total Assets	<u>\$ 7,146,703</u>	<u>\$ 6,242,866</u>
Current Liabilities		
Accounts payable and accrued liabilities	\$ 8,266	\$ 7,966
Donations to the City of Belfast held as agent	-	21,530
Short-term note payable	63,824	-
Total Current Liabilities	<u>72,090</u>	<u>29,496</u>
Net Assets		
Unrestricted:		
Available for operations	349,721	135,840
Investment in property and equipment	664,606	640,720
Property set aside for conservation purposes	737,769	737,769
Board-designated	299,431	280,526
	<u>2,051,527</u>	<u>1,794,855</u>
Temporarily restricted	3,860,472	3,287,658
Permanently restricted	1,162,614	1,130,857
Total Net Assets	<u>7,074,613</u>	<u>6,213,370</u>
Total Liabilities and Net Assets	<u>\$ 7,146,703</u>	<u>\$ 6,242,866</u>

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

Statement of Activities

Coastal Mountains Land Trust

For the Year Ended March 31, 2018

(with comparative totals for March 31, 2017)

	<u>2018</u>				<u>2017</u>
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Total
Revenues					
Contributions and support	\$ 390,164	\$ 795,865	\$ 2,000	\$ 1,188,029	\$ 1,120,183
Special events	23,941	-	-	23,941	8,949
Beech Hill Farm income	24,348	-	-	24,348	32,866
Grants and contracts	45,000	80,000	-	125,000	440,000
Miscellaneous income	1,665	-	-	1,665	1,518
Investment income	12,892	51,109	-	64,001	52,797
Contributions of property	-	-	437,440	437,440	146,920
In-kind contributions	10,248	-	-	10,248	17,817
Net assets released from restrictions	468,192	(468,192)	-	-	-
Total Revenues	976,450	458,782	439,440	1,874,672	1,821,050
Expenses					
Program services					
Land acquisition	165,450	-	-	165,450	142,624
Impairment reductions	157,705	-	407,683	565,388	448,039
Outreach	68,701	-	-	68,701	68,131
Stewardship	190,997	-	-	190,997	165,377
Supporting services					
General administrative	107,173	-	-	107,173	99,823
Fundraising	133,878	-	-	133,878	114,292
Total Expenses	823,904	-	407,683	1,231,587	1,038,286
Revenues Over Expenses	152,546	458,782	31,757	643,085	782,764
Gain on disposal of property	-	-	-	-	2,302
Change in value of					
split interest agreements	-	29,624	-	29,624	969
Net realized and unrealized					
gains (losses) on investments	104,126	84,408	-	188,534	172,284
	104,126	114,032	-	218,158	175,555
Increase in Net Assets	256,672	572,814	31,757	861,243	958,319
Net assets at beginning of year	1,794,855	3,287,658	1,130,857	6,213,370	5,255,051
Net Assets at End of Year	<u>\$ 2,051,527</u>	<u>\$ 3,860,472</u>	<u>\$ 1,162,614</u>	<u>\$ 7,074,613</u>	<u>\$ 6,213,370</u>

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

Statement of Cash Flows

Coastal Mountains Land Trust

For the Year Ended March 31, 2018

(with comparative totals for March 31, 2017)

	<u>2018</u>	<u>2017</u>
Operating Activities		
Increase in net assets	\$ 861,243	\$ 958,319
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Increase in restricted cash balance	(843,552)	(386,965)
Depreciation	37,076	32,418
Gain on disposal of property	-	(2,302)
Impairment reductions	565,388	448,039
Non-cash contribution of property	(429,140)	(146,920)
Investment (gains) losses	(188,534)	(172,284)
Change in value of split-interest agreements	(29,624)	(969)
(Increase) decrease in operating assets:		
Inventory	-	204
Pledges receivable	108,199	(259,793)
Deposits	(90,000)	-
Prepaid expenses	2,553	1,930
Increase (decrease) in operating liabilities:		
Accounts payable and accrued liabilities	300	(6,101)
Donations to the City of Belfast held as agent	(21,530)	(17,810)
Net Cash Provided (Used) by Operating Activities	<u>(27,621)</u>	<u>447,766</u>
Investing Activities		
Payment received on split-interest agreement	6,000	6,000
Proceeds from sale of property and equipment	-	4,825
Purchase of property and equipment	(60,962)	(66,926)
Purchase of conservation property and easements	(166,005)	(297,000)
Proceeds from sales of investments	845,449	1,175,941
Purchase of investments	(662,651)	(1,219,533)
Net Cash Used by Investing Activities	<u>(38,169)</u>	<u>(396,693)</u>
Financing Activities		
Proceeds from short-term borrowing	127,650	-
Principal payment on short-term note payable	(63,826)	-
Net Cash Provided by Financing Activities	<u>63,824</u>	<u>-</u>
Increase (Decrease) in Cash and Cash Equivalents	<u>(1,966)</u>	<u>51,073</u>
Cash and cash equivalents at beginning of year	<u>123,789</u>	<u>72,716</u>
Cash and Cash Equivalents at End of Year	<u><u>\$ 121,823</u></u>	<u><u>\$ 123,789</u></u>
Supplemental Disclosure of Cash Flow Information:		
Cash paid during the year for interest	<u><u>\$ 3,855</u></u>	<u><u>\$ -</u></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, and a statement of cash flow. Coastal Mountains Land Trust is required to report information regarding its financial position and activities according to three classes of net assets as follows:

Unrestricted - Represents those resources that have no donor-imposed restrictions, neither permanently or temporarily, and can be used for any purpose designated by Coastal Mountains Land Trust's governing board.

Temporarily Restricted - Represents resources and the portion of net assets resulting from contributions and other inflows of assets whose use is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of Coastal Mountains Land Trust pursuant to those stipulations. Restricted contributions whose restrictions are met in the same reporting period as when they are received are presented as unrestricted contributions.

Permanently Restricted - Represents resources and the portion of net assets resulting from contributions and other inflows of assets whose use is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of Coastal Mountains Land Trust.

Contributions

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support 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.

Notes to Financial Statements - Continued

Coastal Mountains Land Trust

Note A - Summary of Significant Accounting Policies - Continued

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 unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions. Support that is restricted by the donor is reported as an increase in unrestricted net assets 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 temporarily or permanently restricted net assets, depending on the nature of the restriction.

When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets 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. 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, 2018 and 2017.

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, 2018 and 2017.

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, 2018 and 2017 was \$37,076 and \$32,418, 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, 2018 and 2017 approximately \$10,200 and \$17,800, 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

Functional Expenses

Coastal Mountains Land Trust accumulates and records operating expenses according to the nature of the expense that was incurred. These functional expenses are allocated and reported in three functional categories: program services, fundraising, and management and general (general administrative) expenses. The allocation to these functional categories is based on management's records of time allocated by the staff or management's estimate.

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, 2017, from which the summarized information was derived. Some prior year balances have been reclassified to conform with the current year presentation.

Notes to Financial Statements - Continued

Coastal Mountains Land Trust

Note B - Investments

Restricted Investments are composed of:

	<u>2018</u>	<u>2017</u>
Investments - unrestricted	\$ 177,154	\$ -
Investments restricted by Board	299,431	280,526
Investments restricted by donors for stewardship	18,050	1,073,378
Investments restricted by donors for property acquisition	455,241	719,322
Investments restricted by donors for reserves and land defense	1,092,216	-
Investments restricted by donors for permanent endowment	609,739	572,869
	<u>\$ 2,651,831</u>	<u>\$ 2,646,095</u>

Investments consist of various securities and are stated at fair value as of March 31, 2018 and 2017 as follows:

	<u>2018</u>	<u>2017</u>
Money market funds	\$ 189,282	\$ 196,750
Bond mutual funds and ETFs	85,638	98,740
Equity mutual funds and ETFs	62,736	66,198
Fixed income securities	715,978	759,844
Equity securities	1,598,197	1,524,563
	<u>\$ 2,651,831</u>	<u>\$ 2,646,095</u>

Investment returns from these investments for the year ended March 31, 2018 and 2017 are summarized as follows:

	<u>2018</u>	<u>2017</u>
Interest and dividend income	\$ 64,001	\$ 52,797
Net realized and unrealized gains (losses) on investments	188,534	172,284
	<u>\$ 252,535</u>	<u>\$ 225,081</u>

Investment fees for the years ended March 31, 2018 and 2017 were \$22,586 and \$21,507, 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.

Notes to Financial Statements - Continued

Coastal Mountains Land Trust

Note C - Split-Interest Agreements - Continued

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 13 years and 38 years for the two charitable remainder trusts, and discount rates of 2.0% and 2.5%, respectively.

Coastal Mountains Land Trust has recognized an asset for its interest in the charitable lead trust. The asset is valued at the present value of expected cash flows from the agreement. The present value is determined annually based on the value of the trust, which is expected to be paid out in 1.75 years, which is less than the life expectancy of the grantor. The discount rate on this trust is 1.5%.

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

At March 31, 2018 and 2017, Coastal Mountains Land Trust's interest in these four split-interest agreements was valued at \$350,286, and \$326,662, 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.

Notes to Financial Statements - Continued

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

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

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments:				
Money market funds	\$ 189,282	\$ -	\$ -	\$ 189,282
Bond mutual funds and ETFs	85,638	-	-	85,638
Equity mutual funds and ETFs	62,736	-	-	62,736
Fixed income securities	715,978	-	-	715,978
Equity securities	1,598,197	-	-	1,598,197
Total investments	<u>\$ 2,651,831</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,651,831</u>
Split-Interest Agreements	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 350,286</u>	<u>\$ 350,286</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.

Notes to Financial Statements - Continued

Coastal Mountains Land Trust

Note D - Fair Value Measurements - Continued

	<u>Fair Value Measurements Using Significant Unobservable Inputs (Level 3)</u>	
	<u>Split-Interest Agreements</u>	<u>Total</u>
Beginning balance	\$ 326,662	\$ 326,662
Total gains (realized/unrealized) recognized in the statement of activities	29,624	29,624
Receipt of portion of split-interest	<u>(6,000)</u>	<u>(6,000)</u>
Ending balance	<u>\$ 350,286</u>	<u>\$ 350,286</u>
Amount of total gains for the year attributable to the change in unrealized gains relating to assets still held at the reporting date	<u>\$ 29,624</u>	<u>\$ 29,624</u>

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 is permanently or temporarily restricted depending on the intention of the donor. Earnings and losses on these funds are considered temporarily 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 permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Coastal Mountains Land Trust in a manner consistent with the standard of prudence prescribed by UPMIFA.

Notes to Financial Statements - Continued

Coastal Mountains Land Trust

Note E - Endowment Fund - Continued

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, 2018, the asset mix was 63% equities and equity mutual funds, 30% fixed income securities and fixed income mutual funds, and 7% 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.

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

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Board-designated endowment funds	\$ -	\$ -	\$ -	\$ -
Donor-restricted endowment funds	<u>21,745</u>	<u>-</u>	<u>609,739</u>	<u>631,484</u>
Total Funds	<u>\$ 21,745</u>	<u>\$ -</u>	<u>\$ 609,739</u>	<u>\$ 631,484</u>

Notes to Financial Statements - Continued

Coastal Mountains Land Trust

Note E - Endowment Fund - Continued

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

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ (22,373)	\$ -	\$ 607,739	\$ 585,366
Contributions received	-	-	2,000	2,000
Investment return:				
Investment income, net	21,117	-	-	21,117
Realized and unrealized gains (losses)	<u>34,503</u>	<u>-</u>	<u>-</u>	<u>34,503</u>
Total investment return	55,620	-	-	57,620
Appropriation of endowment assets for expenditure	<u>(11,502)</u>	<u>-</u>	<u>-</u>	<u>(11,502)</u>
Endowment net assets, end of year	<u>\$ 21,745</u>	<u>\$ -</u>	<u>\$ 609,739</u>	<u>\$ 631,484</u>

The internal reporting funds for endowment net assets for the year ended March 31, 2018 are as follows:

	<u>Original Gift</u>	<u>Fair Value of Assets</u>	<u>Appreciation (Deficiency)</u>
Fernald's Neck Preserve Endowment	\$ 550,000	\$ 550,002	\$ 2
McLellan-Poor Preserve Endowment	22,000	27,592	5,592
Land Trust Stewardship Endowment	<u>37,739</u>	<u>41,393</u>	<u>3,654</u>
Total endowment funds	<u>\$ 609,739</u>	<u>\$ 618,987</u>	<u>\$ 9,248</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, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Land	\$ 43,083	\$ 43,083
Buildings and improvements	862,175	804,378
Furniture and equipment	119,790	119,790
Preserve improvements	<u>31,002</u>	<u>27,837</u>
	1,056,050	995,088
Less accumulated depreciation	<u>391,444</u>	<u>354,368</u>
	<u>\$ 664,606</u>	<u>\$ 640,720</u>

Note G - Property

The property of Coastal Mountains Land Trust consists of 5,445 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, 2018 Coastal Mountains Land Trust purchased one fee simple property and received three fee simple donations.

The balance of the property account is comprised of the following as of March 31, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Unimpaired value of permanently restricted property	\$ 11,508,157	\$ 10,913,012
Unimpaired value of unrestricted property	<u>13,119,450</u>	<u>13,119,450</u>
	24,627,607	24,032,462
Impairment reduction of permanently restricted property	10,955,282	10,389,894
Impairment reduction of unrestricted property	<u>12,381,681</u>	<u>12,381,681</u>
Less total impairment reductions	<u>23,336,963</u>	<u>22,771,575</u>
	<u>\$ 1,290,644</u>	<u>\$ 1,260,887</u>

Notes to Financial Statements - Continued

Coastal Mountains Land Trust

Note H - Pledges Receivable

Pledges receivable as of March 31, 2018 and 2017 are as follows:

	<u>2018</u>	<u>2017</u>
Receivable due in less than one year	\$ 210,582	\$ 273,676
Receivable due in one to five years	141,218	186,323
Less allowance for doubtful accounts	<u>-</u>	<u>-</u>
	<u>\$ 351,800</u>	<u>\$ 459,999</u>

Of the outstanding promises to give at March 31, 2018, 24% are due from related parties.

Note I - Line of Credit

Coastal Mountain 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, 2018 and 2017 advances on the line of credit were \$0.

Note J - Donations to the City of Belfast Held as Agent

Coastal Mountain Land Trust receives donations for the Passy Rail Trail project on the behalf of the City of Belfast. Pledges receivable at March 31, 2018 and 2017 includes \$0 and \$21,530, respectively, in pledges made specifically for this project. Coastal Mountain Land Trust remits these funds to the City of Belfast less a 5% administration fee. At March 31, 2018 and 2017, Coastal Mountains Land Trust owed the City of Belfast \$0 and \$21,530, respectively.

Note K - Short-Term Note 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 is payable in two annual installments of \$67,680, with interest at 4%. The final payment on the note is due on January 15, 2019. The mortgage is secured by the property.

Notes to Financial Statements - Continued

Coastal Mountains Land Trust

Note L - Temporarily Restricted Net Assets

Temporarily restricted net assets of \$3,860,472 and \$3,287,658, respectively as of March 31, 2018 and 2017 consist of contributions for the programs listed below. These contributions are temporarily restricted because the donor-imposed restrictions have not been met as of March 31, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Future Purchases of Conservation Land		
Fernald's Neck Acquisition Reserve TRF	\$ 343,229	\$ 632,967
Ducktrap River Watershed TRF	21,238	38,979
Meadow Brook / Hurds Pond TRF	39,708	39,708
Morgan / Hurds Pond TRF	98,666	98,666
Bald and Ragged Mountains TRF	<u>1,814,289</u>	<u>945,856</u>
	2,317,130	1,756,176
Stewardship of Conservation Land		
Grants	3,500	4,000
Beech Hill Preserve 100 th Anniversary Capital Campaign	52,017	113,356
Conservation Lands Defense TRF	390,826	372,915
Future Howe Preserve Stewardship TRF	-	2,500
Mount Percival Preserve Stewardship TRF	12,695	15,935
McLellan-Poor Preserve Stewardship TRF	2,732	9,228
Long Cove / Headwaters Preserves Stewardship TRF	10,920	13,390
Land Trust Stewardship Reserve TRF	349,906	328,940
Howe Hill Farm Stewardship TRF	44,240	40,335
Beech Hill Preserve Stewardship TRF	307,244	293,221
Pendleton Stewardship TRF	<u>18,976</u>	<u>-</u>
	1,193,056	1,193,820
Community Engagement	-	11,000
Beneficial Interest in Split-Interest Agreements		
Split-interest agreements	<u>350,286</u>	<u>326,662</u>
	<u>\$ 3,860,472</u>	<u>\$ 3,287,658</u>

Notes to Financial Statements - Continued

Coastal Mountains Land Trust

Note M - Permanently Restricted Net Assets

Permanently restricted net asset at March 31, 2018 and 2017 consist of:

	<u>2018</u>	<u>2017</u>
Property for conservation	\$ 552,875	\$ 523,118
Fernald's Neck Preserve endowment	550,000	550,000
Land Trust Stewardship endowment	37,739	35,739
McLellan-Poor Preserve endowment	22,000	22,000
	<u>\$ 1,162,614</u>	<u>\$ 1,130,857</u>

Note N - Board Designated Net Assets

Board designated net assets (which are included in unrestricted net assets) consist of the following at March 31, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
General Acquisitions BDF	\$ 26,252	\$ 39,918
Bald and Ragged Mountains BDF	18,158	25,000
General Stewardship BDF	4,283	8,299
Land Trust Operating Reserve BDF	218,720	207,309
Land Trust Stewardship Reserve BDF	26,568	-
Conservation Lands Defense BDF	5,450	-
	<u>\$ 299,431</u>	<u>\$ 280,526</u>

Note O - Contingent Liability

Coastal Mountains Land Trust holds 57 conservation easements covering 3,614.8 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.

Notes to Financial Statements - Continued

Coastal Mountains Land Trust

Note P - Concentrations

Gifts from seven donors or grantors comprised approximately 31% of the Coastal Mountains Land Trust's revenues for the fiscal year ended March 31, 2018. Four donors' balances comprised approximately 64% of the pledges receivable balance at March 31, 2018.

Note Q - 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. The transactions are anticipated to close by June 30, 2019, and will conserve approximately 1,405 acres.

Note R - 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 2015 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.

Note S - 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, 2018 and 2017 were approximately \$6,800 and \$7,500, respectively.

Note T - Subsequent Events

Management has made an evaluation of subsequent events to and including June 18, 2018, 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.