

Financial Statements



**COASTAL MOUNTAINS
LAND TRUST**

Protecting land for the community, forever

March 31, 2020

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Coastal Mountains Land Trust

March 31, 2020

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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, 2020, 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, 2020, 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 2019 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated June 14, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended March 31, 2019, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Purdy Powers & Company
Professional Association

Portland, Maine
May 20, 2020

Statement of Financial Position

Coastal Mountains Land Trust

As of March 31, 2020

(with comparative totals for March 31, 2019)

	<u>2020</u>	<u>2019</u>
Current Assets		
Cash and cash equivalents	\$ 334,458	\$ 268,481
Investments	227,451	70,087
Current portion of pledges receivable	80,334	142,123
Grants receivable	7,025	120,000
Deposits	-	30,000
Prepaid expenses	3,512	5,938
Total Current Assets	<u>652,780</u>	<u>636,629</u>
Property and Equipment, net of accumulated depreciation	958,209	691,789
Other Assets		
Cash restricted by donors for property acquisition	739,945	744,881
Cash restricted by donors for stewardship	-	73,524
Pledges receivable, net of current portion	25,333	35,000
Investments restricted by board	521,743	279,912
Investments restricted by donors	2,097,275	2,274,755
Split-interest agreements	342,629	331,042
Conserved fee title property	1,593,908	1,325,994
Total Other Assets	<u>5,320,833</u>	<u>5,065,108</u>
Total Assets	<u>\$ 6,931,822</u>	<u>\$ 6,393,526</u>
Current Liabilities		
Accounts payable and accrued liabilities	\$ 23,212	\$ 17,262
Current portion of long-term note payable	16,200	-
Short-term notes payable	150,000	200,000
Total Current Liabilities	<u>189,412</u>	<u>217,262</u>
Long-Term Liabilities		
Long-term portion of note payable	6,750	-
Total Long-Term Liabilities	<u>6,750</u>	<u>-</u>
Total Liabilities	196,162	217,262
Net Assets		
Without donor restrictions	2,811,568	2,179,975
With donor restrictions	3,924,092	3,996,289
Total Net Assets	<u>6,735,660</u>	<u>6,176,264</u>
Total Liabilities and Net Assets	<u>\$ 6,931,822</u>	<u>\$ 6,393,526</u>

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

Statement of Activities

Coastal Mountains Land Trust

For the Year Ended March 31, 2020
(with comparative totals for March 31, 2019)

	2020			2019
	Without Donor Restrictions	With Donor Restrictions	Total	Total
Revenues				
Contributions and support	\$ 435,322	\$ 960,658	\$ 1,395,980	\$ 974,652
Special events	-	-	-	1,848
Beech Hill Farm income	11,407	-	11,407	15,670
Grants and contracts	129,500	420,000	549,500	536,200
Miscellaneous income	-	-	-	1,391
Investment income	42,414	20,095	62,509	62,548
Contributions of property	182,950	1,513,800	1,696,750	254,144
In-kind contributions	11,932	-	11,932	20,333
Net assets released from restrictions	2,716,426	(2,716,426)	-	-
Total Revenues	3,529,951	198,127	3,728,078	1,866,786
Expenses				
Program services				
Land acquisition	184,277	-	184,277	174,197
Impairment of land	1,614,305	-	1,614,305	365,039
Purchase of easement	637,024	-	637,024	1,875,000
Outreach	98,251	-	98,251	67,374
Stewardship	184,639	-	184,639	171,177
Supporting services				
General administrative	130,202	-	130,202	109,532
Fundraising	104,727	-	104,727	131,634
Total Expenses	2,953,425	-	2,953,425	2,893,953
Revenues Over (Under) Expenses	576,526	198,127	774,653	(1,027,167)
Change in value of split interest agreements	-	11,587	11,587	(8,570)
Net realized and unrealized gain (loss) on investments	(174,320)	(52,524)	(226,844)	137,388
	(174,320)	(40,937)	(215,257)	128,818
Increase (Decrease) in Net Assets	402,206	157,190	559,396	(898,349)
Net assets at beginning of year, as reported	2,179,975	3,996,289	6,176,264	7,074,613
Net asset reclassification (See Note K)	229,387	(229,387)	-	-
Net asset at beginning of year, as restated	2,409,362	3,766,902	6,176,264	7,074,613
Net Assets at End of Year	\$ 2,811,568	\$ 3,924,092	\$ 6,735,660	\$ 6,176,264

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

Statement of Functional Expenses
Coastal Mountains Land Trust

As of March 31, 2020
(with comparative totals for March 31, 2019)

	2020						2019	
	Program Services						Management & General	Total
	Land Acquisition	Outreach	Stewardship	Total Program	Fundraising	Total		
Expenses:								
Salaries	\$ 88,797	\$ 59,198	\$ 110,996	\$ 258,991	\$ 66,598	\$ 45,149	\$ 370,738	\$ 327,212
Payroll taxes	6,740	4,494	8,425	19,659	5,055	3,370	28,084	24,912
Benefits	8,053	5,108	10,565	23,726	7,102	3,809	34,637	27,433
Advertising	-	316	-	316	29	-	345	396
Community engagement	-	10,335	-	10,335	640	-	10,975	5,993
Fees	4,436	3,229	3,435	11,100	6,347	5,339	22,786	16,436
Insurance	9,568	2,745	13,914	26,227	2,740	844	29,811	27,789
Property management expenses	43,630	89	21,138	64,857	830	-	65,687	90,483
Newsletter	-	3,401	-	3,401	3,566	-	6,967	10,801
Office expenses	646	804	1,510	2,960	755	9,508	13,223	14,509
Postage and delivery	374	749	583	1,706	1,141	405	3,252	4,502
Printing and publications	857	1,552	1,945	4,354	1,565	640	6,559	6,761
Professional fees	615	154	615	1,384	77	17,661	19,122	18,939
Research expense	-	-	-	-	-	-	-	125
Real estate taxes	13,136	-	3,361	16,497	-	-	16,497	4,799
Repairs and maintenance	960	695	1,170	2,825	2,700	1,070	6,595	8,368
Telephone and internet	1,059	265	1,059	2,383	266	-	2,649	2,695
Travel and entertainment	4,337	4,827	4,880	14,044	5,182	2,156	21,382	16,879
Utilities	1,069	290	1,043	2,402	134	137	2,673	3,555
Bad debt expense	-	-	-	-	-	-	-	228
Impairment of land	1,614,305	-	-	1,614,305	-	-	1,614,305	365,039
Purchase of easement	637,024	-	-	637,024	-	-	637,024	1,875,000
Fundraising events expense	-	-	-	-	-	-	-	1,642
Depreciation expense	-	-	-	-	-	39,768	-	39,457
Interest expense	-	-	-	-	-	346	346	-
Total expenses	\$ 2,435,606	\$ 98,251	\$ 184,639	\$ 2,718,496	\$ 104,727	\$ 130,202	\$ 2,953,425	\$ 2,893,953

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, 2020
(with comparative totals for March 31, 2019)

	<u>2020</u>	<u>2019</u>
Operating Activities		
Increase (decrease) in net assets	\$ 559,396	\$ (898,349)
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation	39,768	39,457
Impairment reductions	1,614,305	365,039
Non-cash contribution of property	(1,696,750)	(254,144)
Investment (gains) losses	226,844	(160,039)
Change in value of split-interest agreements	(11,587)	8,570
(Increase) decrease in operating assets:		
Pledges receivable	71,456	174,677
Grants receivable	112,975	(120,000)
Deposits	30,000	80,000
Prepaid expenses	2,426	(605)
Increase (decrease) in operating liabilities:		
Accounts payable and accrued liabilities	5,950	8,996
Net Cash Provided (Used) by Operating Activities	<u>954,783</u>	<u>(756,398)</u>
Investing Activities		
Payment received on split-interest agreement	-	10,674
Purchase of property and equipment	(306,189)	(66,640)
Purchase of conservation property and easements	(185,468)	(146,245)
Proceeds from sales of investments	992,898	563,068
Purchase of investments	(1,441,457)	(375,952)
Net Cash Used by Investing Activities	<u>(940,216)</u>	<u>(15,095)</u>
Financing Activities		
Proceeds from long-term note payable	27,000	-
Principal payments on long-term note payable	(4,050)	-
Proceeds from short-term borrowings	150,000	200,000
Principal payment on short-term note payable	(200,000)	(63,824)
Net Cash Provided (Used) by Financing Activities	<u>(27,050)</u>	<u>136,176</u>
Decrease in Cash and Cash Equivalents	(12,483)	(635,317)
Cash and cash equivalents at beginning of year	<u>1,086,886</u>	<u>1,722,203</u>
Cash and Cash Equivalents at End of Year	<u>\$ 1,074,403</u>	<u>\$ 1,086,886</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, 2020
(with comparative totals for March 31, 2019)

	<u>2020</u>	<u>2019</u>
Supplemental Disclosure of Cash Flow Information:		
Cash paid during the year for interest	\$ 346	\$ -
Cash and cash equivalents	\$ 334,458	\$ 268,481
Cash restricted by donors for property acquisition	739,945	744,881
Cash restricted by donors for stewardship	-	73,524
	<u>\$ 1,074,403</u>	<u>\$ 1,086,886</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 contributors, 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.

In accordance with ASC 606, Coastal Mountains Land Trust 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.

Revenue

In accordance with FASB ASC 606-10-50-14, Coastal Mountains Land Trust has elected not to disclose certain information about its remaining performance obligations, as such obligations relate to contracts with an original expected duration of one year or less. See Note N for the nature of Coastal Mountains Land Trust's remaining performance obligations.

Sales taxes concurrent with specific revenue-producing transactions are collected and remitted to the State of Maine and are therefore excluded from revenue.

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, 2020, Coastal Mountains Land Trust's cash balances did not exceed uninsured limits. Coastal Mountains Land Trust has not experienced any losses in such accounts.

Notes to Financial Statements - Continued

Coastal Mountains Land Trust

Note A - Summary of Significant Accounting Policies - Continued

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, 2020 and 2019.

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, 2020 and 2019.

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, 2020.

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, 2020 and 2019 was \$39,768 and \$39,457, respectively.

Notes to Financial Statements - Continued

Coastal Mountains Land Trust

Note A - Summary of Significant Accounting Policies - Continued

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, 2020 and 2019 approximately \$11,900 and \$20,300, 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.

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.

Notes to Financial Statements - Continued

Coastal Mountains Land Trust

Note A - Summary of Significant Accounting Policies - Continued

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, 2019, from which the summarized information was derived. Some prior year balances have been reclassified to conform with the current year presentation.

New Accounting Pronouncements

On January 1, 2019, Coastal Mountains Land Trust 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. Coastal Mountains Land Trust adopted ASC 606 using the modified retrospective method applied to all contracts not completed as of April 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 April 1, the date of initial application. Management has determined that there were no adjustments to the financial statements resulting from adoption.

On April 1, 2019, Coastal Mountains Land Trust 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 notes to the financial statements contain certain disclosures that are specific to the implementation of ASC 606. Such information does not include comparative prior-year detail, as Coastal Mountains Land Trust adopted the Standard as of April 1, 2019.

Notes to Financial Statements - Continued

Coastal Mountains Land Trust

Note A - Summary of Significant Accounting Policies - Continued

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 Coastal Mountains Land Trust 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, 2020. The standard requires retroactive application to previously issued financial statements, if presented. Management is currently evaluating the impact of adoption on its financial statements.

Note B - Investments

Investments are composed of:

	<u>2020</u>	<u>2019</u>
Investments - unrestricted	\$ 227,451	\$ 70,087
Investments restricted by Board	521,743	279,912
Investments restricted by donors for stewardship	99,805	23,400
Investments restricted by donors for property acquisition	490,222	497,057
Investments restricted by donors for reserves and land defense	887,509	1,139,559
Investments restricted by donors, not subject to appropriation or expenditure	619,739	614,739
	<u>\$ 2,846,469</u>	<u>\$ 2,624,754</u>

Notes to Financial Statements - Continued

Coastal Mountains Land Trust

Note B - Investments - Continued

Investments consist of various securities and are stated at fair value as of March 31, 2020 and 2019 as follows:

	<u>2020</u>	<u>2019</u>
Money market funds	\$ 313,639	\$ 53,888
Bond mutual funds and ETFs	35,859	34,693
Equity mutual funds and ETFs	284,025	133,200
Fixed income securities	616,692	624,440
Equity securities	<u>1,596,254</u>	<u>1,778,533</u>
	<u>\$ 2,846,469</u>	<u>\$ 2,624,754</u>

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

	<u>2020</u>	<u>2019</u>
Interest and dividend income	\$ 62,509	\$ 62,548
Net realized and unrealized gains (losses) on investments	<u>(226,844)</u>	<u>137,388</u>
	<u>\$ (164,335)</u>	<u>\$ 199,936</u>

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.

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 11 years and 36 years for the two charitable remainder trusts, and discount rates of 2.0% and 2.5%, respectively.

Notes to Financial Statements - Continued

Coastal Mountains Land Trust

Note C - Split-Interest Agreements - Continued

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

At March 31, 2020 and 2019, Coastal Mountains Land Trust's interest in these three split-interest agreements was valued at \$342,629, and \$331,042, 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, 2020:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments:				
Money market funds	\$ 313,639	\$ -	\$ -	\$ 313,639
Bond mutual funds and ETFs	35,859	-	-	35,859
Equity mutual funds and ETFs	284,025	-	-	284,025
Fixed income securities	616,692	-	-	616,692
Equity securities	<u>1,596,254</u>	<u>-</u>	<u>-</u>	<u>1,596,254</u>
Total investments	<u>\$ 2,846,469</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,846,469</u>
Split-Interest Agreements	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 342,629</u>	<u>\$ 342,629</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	\$ 331,042	\$ 331,042
Total gains (realized/unrealized) recognized in the statement of activities	<u>11,587</u>	<u>11,587</u>
Ending balance	<u>\$ 342,629</u>	<u>\$ 342,629</u>
Amount of total gains for the year attributable to the change in unrealized losses relating to assets still held at the reporting date	<u>\$ 11,587</u>	<u>\$ 11,587</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, 2020, the asset mix was 66% equities and equity mutual funds, 34% fixed income securities and fixed income mutual 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, 2020:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Board-designated endowment funds	\$ -	\$ -	\$ -
Donor-restricted endowment funds	3,210	619,739	622,949
Total Funds	<u>\$ 3,210</u>	<u>\$ 619,739</u>	<u>\$ 622,949</u>

Changes in endowment net assets for the year ended March 31, 2020 are as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 32,075	\$ 614,739	\$ 646,814
Contributions received	-	5,000	5,000
Investment return:			
Investment income, net	17,255	-	17,255
Realized and unrealized gains (losses)	<u>(46,120)</u>	<u>-</u>	<u>(46,120)</u>
Total investment return	(28,865)	-	(28,865)
Appropriation of endowment assets for expenditure	<u>-</u>	<u>-</u>	<u>-</u>
Endowment net assets, end of year	<u>\$ 3,210</u>	<u>\$ 619,739</u>	<u>\$ 622,949</u>

The internal reporting funds for endowment net assets for the year ended March 31, 2020 are as follows:

	<u>Original Gift</u>	<u>Fair Value of Assets</u>	<u>Appreciation (Deficiency)</u>
Fernald's Neck Preserve Endowment	\$ 550,000	\$ 550,000	\$ -
McLellan-Poor Preserve Endowment	22,000	25,210	3,210
Land Trust Endowment	47,739	47,739	-
Total endowment funds	<u>\$ 619,739</u>	<u>\$ 622,949</u>	<u>\$ 3,210</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>2020</u>	<u>2019</u>
Land	\$ 43,083	\$ 43,083
Buildings and improvements	862,175	862,175
Furniture and equipment	119,790	119,790
Preserve improvements	70,607	50,607
Easement improvements	<u>333,223</u>	<u>47,035</u>
	1,428,878	1,122,690
Less accumulated depreciation	<u>470,669</u>	<u>430,901</u>
	<u>\$ 958,209</u>	<u>\$ 691,789</u>

Note G - Property

The property of Coastal Mountains Land Trust consists of 5,719 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, 2020, Coastal Mountains Land Trust purchased two fee simple properties and received two fee simple donations.

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

	<u>2020</u>	<u>2019</u>
Unimpaired value of permanently conserved property	\$ 13,591,675	\$ 11,892,408
Unimpaired value of unrestricted property	<u>13,318,539</u>	<u>13,135,589</u>
	26,910,214	25,027,997
Impairment reduction of permanently conserved property	12,934,624	11,320,321
Impairment reduction of unrestricted property	<u>12,381,682</u>	<u>12,381,682</u>
Less total impairment reductions	<u>25,316,306</u>	<u>23,702,003</u>
	<u>\$ 1,593,908</u>	<u>\$ 1,325,994</u>

Notes to Financial Statements - Continued

Coastal Mountains Land Trust

Note H - Pledges Receivable

Pledges receivable are as follows at March 31:

	<u>2020</u>	<u>2019</u>
Receivable due in less than one year	\$ 80,334	\$ 142,123
Receivable due in one to five years	25,333	35,000
Less allowance for doubtful accounts	-	-
	<u>\$ 105,667</u>	<u>\$ 177,123</u>

Of the outstanding promises to give at March 31, 2020, 24% 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, 2020 and 2019, advances on the line of credit were \$0.

Note J - Notes Payable

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 was payable in one installment of \$200,000, with interest at 0%. The payment on the note was due on September 30, 2019. The note was secured by cash held at a local bank.

During the year ended March 31, 2020, Coastal Mountains Land Trust obtained \$150,000 in short-term financing for the Beech Hill expansion. The note is payable in one installment of \$150,000, with interest at 0% if paid when note is due. After maturity date, interest accrues at 10%. The payment on the note is due on October 4, 2020. The note is secured by cash held at a local bank.

Notes to Financial Statements - Continued

Coastal Mountains Land Trust

Note J - Notes Payable - Continued

Long-term debt consists of the following at March 31:

	<u>2020</u>	<u>2019</u>
Note payable, secured by real estate, simple interest at 3%, due in monthly installments of \$1,350 through August 25, 2021.	\$ 22,950	\$ -
Less current portion	<u>16,200</u>	<u>-</u>
Long-term portion	<u>\$ 6,750</u>	<u>\$ -</u>

Required future annual principal payments for the next two years are as follows:

2021	\$ 16,200
2022	<u>6,750</u>
	<u>\$ 22,950</u>

Note K - Net Assets with Donor Restrictions

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

	<u>2020</u>	<u>2019</u>
<i>Subject to expenditure for specified purpose:</i>		
Future Purchases of Conservation Land		
Fernald's Neck Acquisition Reserve	\$ 322,226	\$ 332,343
Ducktrap River Watershed	4,650	4,650
Meadow Brook / Hurds Pond	46,668	39,429
Morgan / Hurds Pond	98,666	98,666
Bald and Ragged Mountains	841,649	712,100
Mt. Tuck Region of Interest	<u>-</u>	<u>54,750</u>
	<u>1,313,859</u>	<u>1,241,938</u>

Notes to Financial Statements - Continued

Coastal Mountains Land Trust

Note K - Net Assets with Donor Restrictions - Continued

Stewardship of Conservation Land		
Grants	3,500	3,500
Beech Hill Preserve 100 th Anniversary Capital Campaign	27,761	31,080
Conservation Lands Defense	224,896	404,155
Mount Percival Preserve Stewardship	12,695	12,695
McLellan-Poor Preserve Stewardship	-	2,732
Long Cove / Headwaters Preserves Stewardship	7,995	9,195
Land Trust Stewardship Reserve	334,819	372,218
Howe Hill Farm Stewardship	46,038	47,610
Beech Hill Preserve Stewardship	281,759	315,575
Pendleton Stewardship	50,376	37,351
RunBelfast	975	372
	<u>990,814</u>	<u>1,236,483</u>
Beneficial Interest in Split-Interest Agreements		
Split-interest agreements	342,629	331,042
<i>Not subject to appropriation or expenditure:</i>		
Property for conservation	657,051	572,087
Fernald's Neck Preserve endowment	550,000	550,000
Land Trust endowment	47,739	42,739
McLellan-Poor Preserve endowment	22,000	22,000
	<u>1,276,790</u>	<u>1,186,826</u>
Total net assets with donor restrictions	<u>\$ 3,924,092</u>	<u>\$ 3,996,289</u>

During the year ended March 31, 2020, an adjustment was made to the balances in net assets with donor restrictions. This resulted in a decrease in net assets with donor restrictions and an increase in net assets without donor restrictions of \$229,387 at April 1, 2019.

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>2020</u>	<u>2019</u>
General Acquisitions BDF	\$ 34,514	\$ 36,214
Bald and Ragged Mountains BDF	200,000	18,158
General Stewardship BDF	815	5,485
Land Trust Operating Reserve BDF	201,969	225,503
Land Trust Stewardship Reserve BDF	163,418	15,763
Conservation Lands Defense BDF	147,064	3,161
Designated for subsequent year	-	30,000
	<u>\$ 747,780</u>	<u>\$ 334,284</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, 2020, 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.

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

	<u>2020</u>	<u>2019</u>
Financial assets, at year-end	\$ 4,033,564	\$ 4,008,763
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	(2,924,412)	(3,093,160)
<i>Board designations:</i>		
General Acquisitions BDF	(34,514)	(36,214)
Bald and Ragged Mountains BDF	(200,000)	(18,158)
General Stewardship BDF	(815)	(5,485)
Land Trust Operating Reserve BDF	(201,969)	(225,503)
Land Trust Stewardship Reserve BDF	(163,418)	(15,763)
Conservation Lands Defense BDF	(147,064)	(3,161)
Designated for subsequent year	-	(30,000)
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 361,372</u>	<u>\$ 581,319</u>

Notes to Financial Statements - Continued

Coastal Mountains Land Trust

Note M - Liquidity and Availability - Continued

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 2020.

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.

Note N - Revenue Recognition

Disaggregation of Revenue

The following table shows Coastal Mountains Land Trust contract revenue disaggregated according to product type/revenue stream and the timing of transfer of goods or services at March 31, 2020:

Revenue Recognized at a Point in Time

Other income: blueberry sales	\$ 11,407
Total Revenue from Contracts with Customers	<u>\$ 11,407</u>

Contract Assets and Contract Liabilities

In accordance with FASB ASC 606-10-50, Coastal Mountains Land Trust has considered the need to record contract assets and contract liabilities from contracts with its customers. No such balances exist as of March 31, 2020.

Receivables

Coastal Mountains Land Trust has no accounts receivable from contracts with customers at March 31, 2020.

Performance Obligations

Coastal Mountains Land Trust generates revenue at a point in time from the sale of blueberries.

There are no credit terms extended to customers. All payment are due at point of sale.

Management has determined that there are no significant warranties or return, refund, or discount obligations related to contracts with its customers.

Coastal Mountains Land Trust has no significant shipping and handling costs.

Notes to Financial Statements - Continued

Coastal Mountains Land Trust

Note N - Revenue Recognition - Continued

Transaction Price Allocated to Remaining Performance Obligations

Revenue expected to be recognized in the future related to performance obligations that are unsatisfied (or partially satisfied) is estimated to be \$0 at March 31, 2020.

Significant Judgments

Contract transaction price includes Coastal Mountains Land Trust judgment of variable consideration. Variable consideration is broadly defined and includes incentives, price concessions, rebates and refunds, as well as if the amount to be received is contingent on the occurrence of a future event. Based on available information, management must include an estimate of any variable consideration when determining the contract transaction price, using either the “expected value” or the “most likely amount” approach.

Financing Components

Coastal Mountains Land Trust contracts with customers contain no significant financing components.

Transition

Coastal Mountains Land Trust applied the new Revenue from Contracts with Customers guidance to contracts not completed at April 1, 2019, the date of initial application. In (a) determining the amount that would have been recognized for each financial statement line item if legacy GAAP had continued to be applied in the period of adoption, and (b) comparing that amount to the amount recognized for the line item under the new guidance, management has determined that there were no changes to the financial statements resulting from adoption.

Note O - Contingent Liability

Coastal Mountains Land Trust holds 63 conservation easements covering 4,840.9 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 P - Concentrations

Gifts from two donors or grantors comprised approximately 24% of the Coastal Mountains Land Trust’s revenues for the fiscal year ended March 31, 2020.

Notes to Financial Statements - Continued

Coastal Mountains Land Trust

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 2017 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 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, 2020 and 2019 were approximately \$9,000 and \$7,200, respectively.

Note S - 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. Management is currently evaluating the impact of this pandemic on the Organization as a whole.

Also, subsequent to year end, Coastal Mountain Land Trust has received an \$83,800 loan through the U.S. SBA (Small Business Administration) Paycheck Protection Program through the 2020 CARES Act. The SBA loan will be forgiven if all employees are kept on the payroll for eight weeks and the money is used for payroll rent, mortgage interest, or utilities (with at least 75% of the loan being used for payroll). If any amount of the loan is not forgiven, it will mature in April 2022 and interest will be paid at 1%.

Management has evaluated subsequent events through May 20, 2020, the date the financial statements were available to issue, and determined that any subsequent events that would require recognition have been considered in the preparation of the financial statements.