

MAINE COAST HERITAGE TRUST

FINANCIAL STATEMENTS

December 31, 2008

With Independent Auditors' Report

BERRY.DUNN.MCNEIL & PARKER



**CERTIFIED PUBLIC ACCOUNTANTS
MANAGEMENT CONSULTANTS**

MAINE COAST HERITAGE TRUST

Table of Contents

December 31, 2008

	<u>Page(s)</u>
Independent Auditors' Report	
Financial Statements	
Statement of Financial Position	2
Statement of Activities	3 - 4
Statement of Cash Flows	5 - 6
Notes to Financial Statements	7 - 27
Supplementary Information	
Schedule of Operating Fund Expenses - Schedule 1	28
Schedule of Operating Fund Restricted Activity - Schedule 2	29 - 30
Schedule of Activity - Selected Funds - Schedule 3	31



CERTIFIED PUBLIC ACCOUNTANTS
MANAGEMENT CONSULTANTS

INDEPENDENT AUDITORS' REPORT

The Board of Directors
Maine Coast Heritage Trust

We have audited the accompanying statement of financial position of Maine Coast Heritage Trust (the Organization) as of December 31, 2008, and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from the Organization's 2007 financial statements and, in our report dated August 7, 2008, we expressed an unqualified opinion on those financial statements.

We conducted our audit in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Maine Coast Heritage Trust as of December 31, 2008 and the changes in its net assets and its cash flows for the year then ended in conformity with U.S. generally accepted accounting principles.

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information included in Schedules 1 through 3 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the audit procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Berry, Dunn, McNeil & Parker

Bangor, Maine
July 15, 2009

MAINE COAST HERITAGE TRUST

Statement of Financial Position

December 31, 2008

(With Comparative Totals for December 31, 2007)

ASSETS

	2008						2007
	Operating	Operating	Stewardship	Revolving	Special	Aldermere	Total
	Endowment	Investments	Loan	Projects	Farm		Total
Cash	\$ 11,937,831	\$ -	\$ -	\$ -	\$ 93,980	\$ -	\$ 11,866,878
Accounts receivable	56,221	-	-	-	34	-	10,187
Pledges and grants receivable, net	11,353,553	94,499	-	-	-	-	11,448,052
Due from (to) other funds	(3,691,260)	761,207	1,387,100	1,201,530	336,958	4,465	15,184,543
Notes receivable	-	-	-	311,787	-	-	311,787
Investments	114,918	19,662,754	9,441,056	2,085,719	1,956,460	-	33,260,907
Beneficial interest in split-interest agreements	401,311	-	-	-	3,141,783	-	3,543,094
Property and equipment, net of accumulated depreciation	1,667,654	-	-	-	832,775	-	2,500,429
Deposits and other assets	88,287	-	-	-	3,764	-	92,051
Land	53,949,891	-	-	-	1,300,000	-	55,249,891
Total assets	\$ 75,878,406	\$ 20,518,460	\$ 10,828,156	\$ 3,599,036	\$ 2,293,418	\$ 5,376,801	\$ 118,494,277
							<u>\$ 126,001,689</u>

The accompanying notes are an integral part of these financial statements.

LIABILITIES AND NET ASSETS

2008

	Operating	Operating Endowment	Stewardship Investments	Revolving Loan	Special Projects	Aldermere Farm	Total	2007 Total
Liabilities								
Accounts payable	\$ 173,433	\$ -	\$ -	\$ -	\$ -	\$ 8,696	\$ 182,129	\$ 99,703
Deferred revenue	13,500	-	-	-	-	-	13,500	-
Accrued expenses and other liabilities	127,985	-	-	-	-	1,403	129,388	41,088
Life tenancy interest liability	2,000,000	-	-	-	-	-	2,000,000	2,000,000
Notes payable	511,528	-	-	-	-	-	511,528	617,528
Total liabilities	<u>2,826,446</u>	-	-	-	-	10,099	<u>2,836,545</u>	<u>2,758,319</u>
Commitments and contingencies (Notes 3, 5, 6, 8, 9, 12 and 17)								
Net assets								
Unrestricted								
Available for operations	6,648,402	-	-	3,492,814	-	820,414	10,961,630	11,143,630
Board-designated	394,767	3,648,948	3,984,747	106,222	2,293,418	-	10,428,102	14,707,075
Land	53,949,891	-	-	-	-	-	53,949,891	46,604,213
Total unrestricted	<u>60,993,060</u>	<u>3,648,948</u>	<u>3,984,747</u>	<u>3,599,036</u>	<u>2,293,418</u>	<u>820,414</u>	<u>75,339,623</u>	<u>72,454,918</u>
Temporarily restricted	11,922,380	7,154,691	6,843,409	-	-	4,505	25,924,985	35,890,148
Permanently restricted	136,520	9,714,821	-	-	-	4,541,783	14,393,124	14,898,304
Total net assets	<u>73,051,960</u>	<u>20,518,460</u>	<u>10,828,156</u>	<u>3,599,036</u>	<u>2,293,418</u>	<u>5,366,702</u>	<u>115,657,732</u>	<u>123,243,370</u>
Total liabilities and net assets	<u>\$ 75,878,406</u>	<u>\$ 20,518,460</u>	<u>\$ 10,828,156</u>	<u>\$ 3,599,036</u>	<u>\$ 2,293,418</u>	<u>\$ 5,376,801</u>	<u>\$ 118,494,277</u>	<u>\$ 126,001,689</u>

MAINE COAST HERITAGE TRUST

Statement of Activities

Year Ended December 31, 2008

(With Comparative Totals for the Year Ended December 31, 2007)

	2008					2007	
	Operating Endowment	Stewardship Investments	Revolving Loan	Special Projects	Aldermere Farm	Total	Total
Changes in unrestricted net assets							
Revenues and gains							
Contributions and grants	\$ 2,072,758	\$ -	\$ -	\$ -	\$ -	\$ 2,072,758	\$ 1,243,287
Donated land	2,381,000	-	-	-	-	2,381,000	6,576,400
Interest and dividend income	116,302	739,493	177,727	168,846	87	1,673,287	1,426,497
Net loss on investments	(58,225)	(3,597,720)	(455,888)	(747,838)	-	(8,577,125)	1,456,120
Investment income transfers	912,332	(320,474)	-	(107,284)	-	-	-
Other, net	(805,752)	-	-	-	96,963	(708,789)	(720,374)
Net assets released from restrictions							
Expiration of time restrictions	73,177	-	-	-	-	73,177	66,375
Investment income transfer	689,574	-	-	-	-	689,574	639,781
Land protection and other	11,694,663	734,530	-	-	339,807	12,769,000	8,944,131
Total unrestricted revenues and gains (losses)	<u>17,075,829</u>	<u>(3,567,096)</u>	<u>(278,161)</u>	<u>(686,276)</u>	<u>436,857</u>	<u>10,372,882</u>	<u>19,632,217</u>
Expenses							
Operations support	563,498	-	-	-	-	563,498	280,682
Land protection	5,052,942	-	-	-	-	5,052,942	4,769,516
Fund raising	429,170	-	-	-	-	429,170	269,331
Public education and outreach	231,561	-	-	-	-	231,561	400,394
Stewardship	737,409	-	-	-	-	737,409	690,956
Farm operations	-	-	-	-	473,597	473,597	427,635
Total expenses	<u>7,014,580</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>473,597</u>	<u>7,488,177</u>	<u>6,838,514</u>
Change in unrestricted net assets before loss on impairment of land	10,061,249	(3,567,096)	(278,161)	(686,276)	(36,740)	2,884,705	12,793,703
Loss on impairment of land	-	-	-	-	-	-	(4,263,305)
Change in unrestricted net assets	<u>10,061,249</u>	<u>(3,567,096)</u>	<u>(278,161)</u>	<u>(686,276)</u>	<u>(36,740)</u>	<u>2,884,705</u>	<u>8,530,398</u>

The accompanying notes are an integral part of these financial statements.

MAINE COAST HERITAGE TRUST

Statement of Activities (Concluded)

Year Ended December 31, 2008

(With Comparative Totals for the Year Ended December 31, 2007)

	2008					2007
	Operating Endowment	Stewardship Investments	Revolving Loan	Special Projects	Aldermere Farm	Total
Changes in temporarily restricted net assets						
Contributions and grants	5,642,889	19,100	-	-	162,598	5,824,587
Campaign for the Coast interim allocation	(2,736,003)	1,368,000	-	-	-	-
Decrease in beneficial interest in split-interest agreement	(59,871)	-	-	-	-	(59,871)
Interest and dividend income	6,975	998,762	-	-	177,206	1,182,943
Net gain (loss) on investments	(6,975)	(3,374,096)	-	-	-	(3,381,071)
Net assets released from restrictions	(73,177)	-	-	-	-	(73,177)
Expiration of time restrictions	-	(689,574)	-	-	-	(689,574)
Investment income transfer	-	(734,530)	-	-	(339,807)	(12,769,000)
Land protection and other	(11,694,663)	-	-	-	-	(11,694,663)
Change in temporarily restricted net assets	(8,920,825)	652,570	-	-	(3)	(9,965,163)
Changes in permanently restricted net assets						
Contributions and grants	88,200	-	-	-	-	119,251
Interest and dividend income	-	-	-	-	-	14,340
Increase (decrease) in beneficial interest in split-interest agreement	-	-	-	-	(638,771)	(638,771)
Change in permanently restricted net assets	88,200	45,391	-	-	(638,771)	(505,180)
Change in net assets	1,228,624	(5,218,610)	(278,161)	(686,276)	(675,514)	(7,585,638)
Net assets, beginning of year	73,882,010	10,694,139	3,877,197	3,055,238	6,067,216	123,243,370
Transfers between funds	(2,058,674)	69,500	-	(75,544)	(25,000)	-
Net assets, end of year	\$ 73,051,960	\$ 20,518,460	\$ 3,599,036	\$ 2,293,418	\$ 5,366,702	\$ 115,657,732
						\$ 123,243,370

The accompanying notes are an integral part of these financial statements.

MAINE COAST HERITAGE TRUST

Statement of Cash Flows

Year Ended December 31, 2008

(With Comparative Totals for the Year Ended December 31, 2007)

	2008					2007	
	Operating	Operating	Stewardship	Revolving	Special	Aldermere	Total
	Endowment	Investments	Loan	Projects	Farm	Total	Total
Cash flows from operating activities	\$ 1,228,624	\$ (5,218,610)	\$ (1,955,701)	\$ (278,161)	\$ (686,276)	\$ (675,514)	\$ (7,585,638)
Change in net assets	42,011	-	-	-	-	61,800	107,015
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities	(2,381,000)	-	-	-	-	-	(6,576,400)
Depreciation	405,000	-	-	-	-	-	1,441,812
Donated land received	-	-	-	-	-	-	4,263,305
Land donated to others	-	-	-	-	-	-	866,154
Loss on impairment of land	513,767	-	-	-	-	(7,107)	(17,433)
Loss on sale of land	-	-	-	-	-	-	(150,000)
Gain on sale of cattle and equipment	-	-	-	-	-	-	30,000
Forgiven note payable	-	-	-	-	-	-	(2,466,744)
Increase in provision for uncollectible pledges receivable	287,264	-	-	-	-	-	287,264
Net loss (gain) on investments	65,200	7,091,550	3,597,720	455,888	747,838	-	11,958,196
(Increase) decrease in beneficial interest in split-interest agreements	-	-	-	-	-	638,771	(134,517)
Contributions and investment income restricted for long-term investment	(2,885,916)	(45,391)	-	-	-	-	(2,931,307)
Decrease (increase) in							
Pledges receivable	(602,118)	-	-	-	-	-	(602,118)
Accounts receivable	(46,640)	-	-	-	-	572	(46,068)
Deposits and other assets	528,882	-	-	-	-	247	529,129
Increase (decrease) in							
Accounts payable	(15,330)	-	-	-	-	(58,472)	(73,802)
Deferred revenue	13,500	-	-	-	-	-	13,500
Accrued expenses and other liabilities	87,800	-	-	-	-	500	88,300
Net cash provided (used) by operating activities	<u>(2,758,956)</u>	<u>1,827,549</u>	<u>1,642,019</u>	<u>177,727</u>	<u>61,562</u>	<u>(39,203)</u>	<u>910,698</u>
Cash flows from investing activities							
Purchase of land	(3,301,337)	-	-	-	-	-	(3,301,337)
Proceeds from sale of land	1,597,099	-	-	-	-	-	1,597,099
Purchase of property and equipment	(619,391)	-	-	-	-	(64,056)	(683,447)
Purchase of investments	(138,496)	(2,040,157)	(739,493)	(1,373,246)	(168,846)	-	(4,460,238)

The accompanying notes are an integral part of these financial statements.

MAINE COAST HERITAGE TRUST

Notes to Financial Statements

December 31, 2008

Purpose of the Organization

Maine Coast Heritage Trust's (the Organization's) mission is to conserve coastal and other lands that define Maine's distinct landscape, protect its ecology, sustain its outdoor traditions and promote the well-being of its people. The Organization negotiates conservation easements and gifts of fee interest in land on behalf of landowners and various holding agencies and organizations operating in Maine. The Organization accepts gifts of interest in lands that are of statewide significance and, in addition, has also purchased a number of critically important coastal properties. The Organization is also involved in the stewardship of various properties throughout the State of Maine. The Organization's support comes primarily from contributions and return on investments. The Organization is the single-member owner of Conservation Limited Development, LLC whose purpose is to support limited conservation development through ownership, management, leasing, buying, selling and developing property as authorized by the Organization.

During 2008, the Organization received approximately 33% of all contributions from two donors.

1. Summary of Significant Accounting Policies

Basis of Presentation

Net assets and revenues, expenses, gains, and losses are classified and reported based on the existence or absence of donor-imposed restrictions as follows:

Unrestricted net assets - Net assets that are not subject to donor-imposed stipulations.

Temporarily restricted net assets - Net assets subject to donor-imposed stipulations that may or will be met by actions of the Organization and/or the passage of time. When a donor 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. Contributions for land acquisition are reclassified to unrestricted net assets when land is acquired in accordance with the donor's instructions and in furtherance of the Organization's mission.

Permanently restricted net assets - Net assets subject to a donor-imposed stipulation that contributed resources be maintained permanently but that permits the Organization to use up or expend part or all of the income or other economic benefits derived from the donated asset.

The assets, liabilities and net assets of the Organization are reported in six self-balancing fund groups as follows:

- Operating fund, which includes unrestricted and restricted resources, represents the portion of funds available for support of the Organization's operations. Functions within the operating fund include operations support, land protection, fund raising, public education and outreach,

MAINE COAST HERITAGE TRUST

Notes to Financial Statements

December 31, 2008

stewardship contributions and expenses (stewardship investment activity is reported in the stewardship investments fund) and Conservation Limited Development, LLC.

- Operating endowment represents unrestricted, temporarily and permanently restricted contributions, the income from which is to be used for operating fund purposes (excluding land and conservation easement acquisitions) except as needed to be retained in the operating endowment fund so the purchasing power of the permanently restricted contributions is not eroded.
- Stewardship investments represents only the investment activity of the stewardship operations.
- Revolving loan represents resources held for conservation purposes, including acquisition of land and loans to other conservation organizations.
- Special projects represents resources that are held for board-designated special projects, the income from which is reflected in the operating or special projects fund.
- Aldermere Farm represents unrestricted and restricted resources received through a bequest, including a beneficial interest in a perpetual trust. The distributions from this trust are to be used to fund farm operations in furtherance of the Organization's mission.

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 U.S. generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended December 31, 2007, from which the summarized information was derived.

Pledges and Grants Receivable

Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Contributions to be received beyond one year from the statement of financial position date are reduced by a discount rate, which is commensurate with the risk involved, to reflect the present value of the future payments to be received. The periodic reduction in the discount is recorded as contribution revenue in accordance with donor-imposed restrictions, if any, on the contributions. All donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

The Organization uses the allowance method to determine uncollectible, unconditional pledges receivable. The allowance is based on prior years' experience, history of prior uncollectible accounts and management's analysis of specific pledges made.

MAINE COAST HERITAGE TRUST

Notes to Financial Statements

December 31, 2008

Investments

Investments in equity securities with readily determinable fair values and all investments in debt securities are measured at fair value in the statement of financial position based on quoted market prices. Other investments, for which no such quotations or valuations are readily available, are carried at fair value as estimated by management using values provided by external investment managers. The Organization reviews and evaluates the valuations provided by the investment managers and believes that these valuations are a reasonable estimate of fair value at December 31, 2008 but are subject to uncertainty and, therefore, may differ from the value that would have been used had a ready market for the investments existed.

Investment securities are exposed to various risks, such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities and the level of uncertainty related to changes in the value of investment securities, it is at least reasonable possible that changes in value in the near term would materially affect the amounts reported in the statements of financial position and activities.

Easements

Contributed conservation easements held by the Organization are not recorded because easements do not represent economic assets or resources. Purchased conservation easements are expensed on the date purchased.

Property and Equipment

Purchased property and equipment are stated at cost at the date of acquisition. Donations of property and equipment are recorded as contributions at their estimated fair value at the date of donation. Breeding livestock are carried at the lower of accumulated animal purchase and maintenance costs or market. Depreciation is computed on the straight-line basis over the estimated useful lives of the respective assets.

Gifts of long-lived assets such as buildings or equipment are reported as unrestricted support, unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, expirations of donor restrictions are reported when the donated or acquired long-lived assets are placed in service.

MAINE COAST HERITAGE TRUST

Notes to Financial Statements

December 31, 2008

Land

Purchased land is recorded at cost and donated land is recorded at appraised fair value at the date of the gift. Gifts of land are reported as unrestricted support, unless explicit donor stipulations specify how the donated land must be used. Gifts of land with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire land are reported as restricted support. Absent explicit donor stipulations about how long the land must be maintained, expirations of donor restrictions are reported when the donated or purchased land is acquired.

Impairment of Long-Lived Assets

In accordance with Statement of Financial Accounting Standards (SFAS) No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets*, long-lived assets are reviewed for impairment when circumstances indicate the carrying value of an asset may not be recoverable. If impairment exists, an adjustment is made to write the asset down to its fair value, and a loss is recorded as the difference between the carrying value and fair value. Fair values are determined based on quoted market values, discounted cash flows or internal and external appraisals, as applicable. Assets to be disposed of are carried at the lower of carrying value or estimated net realizable value.

Subsequent to the initial purchase or donation of certain land, the Organization has placed conservation easements, declarations of trust or other similar restrictions on the land which subjects the land to certain covenants regarding its preservation and use in perpetuity.

These arrangements result in the fair market value of the land being less than the original carrying value of the land by \$9,220,509 at December 31, 2008. The impairment was determined to be 70% of the value of the land prior to the perpetual restrictions and is based on the State of Maine Open Space Tax Law which recommends a 70% reduction for purposes of property taxation for forever wild open space land protected by easement or preserve. In accordance with SFAS No. 144, impairment losses were reflected in prior years for restrictions placed on land. There was no impairment during 2008 as no restrictions were placed on land during 2008.

Credit Risk

The Organization maintains its cash in deposit accounts that may exceed insured limits. The Organization has not experienced any losses in these accounts. The Organization believes it is not exposed to any significant credit risk with respect to these accounts.

MAINE COAST HERITAGE TRUST

Notes to Financial Statements

December 31, 2008

Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Income Taxes

The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and is also exempt from Maine income taxes on its not-for-profit activities. However, it is subject to federal and state income taxes on unrelated business income, as defined by Section 512(a)(1) of the Internal Revenue Code. The Organization is not a private foundation.

Conservation Limited Development, LLC is a single-member limited liability company and is a disregarded entity under the Internal Revenue Code. Income or loss for Conservation Limited Development, LLC is required to be reported by the member on the Organization's tax return.

Notes and Accounts Receivable

Notes and accounts receivable are stated at the amount management expects to collect from outstanding balances. The Organization considers notes and accounts receivable to be fully collectible; accordingly, no allowance for doubtful accounts has been established. If accounts become uncollectible, they will be charged to operations when that determination is made.

MAINE COAST HERITAGE TRUST

Notes to Financial Statements

December 31, 2008

2. Pledges and Grants Receivable

Pledges and grants receivable at December 31, 2008 consist of the following:

Unconditional promises expected to be collected in:

	Less than <u>One Year</u>	One to <u>Five Years</u>	More than <u>Five Years</u>	Total Unconditional Promises to Give	Less Discount to Net Present Value at 2-6%	Less Allowance for Uncollectible Pledges	Net Pledges Receivable at December <u>31, 2008</u>
Operating							
Grant temporarily restricted	600,000	-	-	600,000	-	-	600,000
Mitchell Cove/Ingall Shore temporarily restricted	275,000	-	-	275,000	-	-	275,000
Birch Harbor - temporarily restricted	25,000	-	-	25,000	-	-	25,000
Black Island - temporarily restricted	200,000	-	-	200,000	-	-	200,000
Ragged Island - temporarily restricted	25,000	-	-	25,000	-	-	25,000
Land-undesignated Annual fund	200	-	-	200	-	-	200
Other unrestricted	55,119	50,000	-	105,119	(5,500)	-	99,619
Stewardship temporarily restricted	233,600	137,000	-	370,600	(5,320)	-	365,280
MDI office construction temporarily restricted	2,500	3,000	17,700	23,200	(6,074)	-	17,126
MLTN temporarily restricted	2,500	40,000	-	42,500	(3,729)	-	38,771
Washington County Office temporarily restricted	50,000	50,000	-	100,000	(3,772)	-	96,228
SFS Campaign temporarily restricted	35,000	70,000	-	105,000	(6,526)	-	98,474
Campaign for the Coast Land protection-Cow Island	2,600	-	-	2,600	-	(1,350)	1,250
Land protection-Gateway	20,000	-	-	20,000	-	-	20,000
Land protection- Schoolhouse Ledge	23,739	-	-	23,739	-	-	23,739
Land protection-MDI	183,357	-	-	183,357	-	(55,357)	128,000
Land protection-Witherle Woods	-	-	5,000,000	5,000,000	(1,862,938)	-	3,137,062
Land protection- Norumbega Mountain	4,000	-	-	4,000	-	(4,000)	-
Land protection- Whaleboat	211,250	106,250	-	317,500	(8,016)	(50,000)	259,484
Stewardship-Norton Island	11,125	-	-	11,125	-	(1,125)	10,000
Stewardship	1,000	-	-	1,000	-	-	1,000
Undesignated	20,500	5,000	-	25,500	-	(3,500)	22,000
	<u>814,578</u>	<u>6,107,050</u>	<u>300</u>	<u>6,921,928</u>	<u>(809,676)</u>	<u>(201,932)</u>	<u>5,910,320</u>
Total operating fund pledges	2,796,068	6,568,300	5,018,000	14,382,368	(2,711,551)	(317,264)	11,353,553
Operating endowment Permanently restricted	<u>50,000</u>	<u>50,000</u>	<u>-</u>	<u>100,000</u>	<u>(5,501)</u>	<u>-</u>	<u>94,499</u>
Total	<u>\$ 2,846,068</u>	<u>\$ 6,618,300</u>	<u>\$ 5,018,000</u>	<u>\$ 14,482,368</u>	<u>\$ (2,717,052)</u>	<u>\$ (317,264)</u>	<u>\$ 11,448,052</u>

MAINE COAST HERITAGE TRUST

Notes to Financial Statements

December 31, 2008

In addition, the Organization has received conditional grant funding from the United States Department of the Interior National Coastal Wetlands Conservation Grant Program, the State of Maine Department of Inland Fisheries and Wildlife Landowner Incentive Program, the Pew Charitable Trust Washington County Program and the State of Maine Land for Maine's Future Program. As certain conditions of the grants have not been met at December 31, 2008, these are not recognized as assets in the statement of financial position. These conditional grants are as follows:

- \$94,000 to support the Long Creek Point Project.
- \$286,000 in support of the Pond Cove Island Project.
- \$1,000,000 in support of the Cobscook Bay - Bold Coast Project.
- \$950,000 in support of the purchase of land in the Greater Pleasant Bay area (Phase II of the project); \$661,500 of this amount has been earned and the balance of \$288,500 remains as a conditional grant at December 31, 2008.
- \$698,000 in support of the Moose Cove III project.
- \$6,000,000 in support of Washington County Conservation Initiative.

3. Investments

Investments consist of the following:

Mutual funds - GMO	\$ 16,745,338
Mutual funds - TIFF	15,465,690
Investment in TIFF and Legacy Venture limited liability companies (LLCs)	<u>1,049,879</u>
Total investments	<u>\$ 33,260,907</u>

The Organization's interest and dividend income during 2008 was \$2,870,570, net of fees of \$39,794, and net losses on investments during 2008 were \$11,958,196.

The permanently restricted net assets in the operating endowment fund are invested to maintain their real value relative to inflation. Investments are managed for total return rather than income production. The Organization's policy for investment asset allocation includes 60-70% of investments to be held in equity securities with the remaining 30-40% in fixed income securities. The Organization's investment committee will monitor the underlying asset allocation of the multi-asset fund managers and regularly track their performance against an agreed benchmark which reflects the policy asset allocation. Under the fund's spending criteria, a portion of the total return is required to be retained in the fund to preserve its purchasing power relative to inflation. The Organization utilizes a hybrid spending model whereby 30% of 4.5% of the beginning market value of the investments in addition to 70% of the preceding year draws from the investments, adjusted for inflation, may be used for general operating purposes, and the remainder is retained for use in future years. This spending model is utilized for the operating endowment, special projects and stewardship investment funds.

MAINE COAST HERITAGE TRUST

Notes to Financial Statements

December 31, 2008

Maine legislation requires that appreciation on investments of permanently restricted net assets be considered a donor restricted asset until appropriated pursuant to proper governing board action. The appreciation on the operating endowment investments is released from restriction upon appropriation by the Board of Directors in accordance with the spending policy as described above. Earnings on temporarily restricted net assets are classified as unrestricted unless explicitly restricted by the donor.

Approximately 14% of the investments held by the TIFF mutual fund and the majority of investments held by the TIFF and Legacy Venture LLCs are invested in private investment funds and asset and mortgage-backed securities. These private investment interests are generally not securities for which market quotations are readily available.

Fair value of private investment interests ordinarily is based on the estimated value of the private investment fund, as provided to the funds by the management of the private investment fund. Fair value is intended to represent a good faith approximation of the amount that a fund could reasonably expect to receive from the private investment fund if the fund's interest in the private investment was sold at the time of valuation, based on information reasonably available at the time valuation is made and that the fund believes is reliable. The fair values of these investment funds are based on available information and do not necessarily represent the amounts that might ultimately be realized. Due to the inherent uncertainty of valuations of these investment funds, the fair values may differ significantly from the values that would have been used had a ready market for the investment funds existed, and the differences could be material.

The TIFF mutual fund and the TIFF and Legacy Venture LLCs are audited on an annual basis. Management obtains these audited statements and reconciles them to the net asset values reported by the fund managers. In addition, on an ongoing basis management performs due diligence and monitoring activities including evaluation of fund managers and investment return, periodic communications with fund managers and attendance at annual meetings and reconciliations of quarterly fund statements to the recorded balances.

At December 31, 2008, the Organization had committed to investing an additional \$2,122,500 in the TIFF and Legacy Venture LLCs.

Endowed funds permanently restricted by donors reflected unrealized losses of \$5,347,108 in 2008. These losses reduced temporarily restricted net assets by \$3,863,103 which was the extent prior restricted earnings had not been released to unrestricted net assets. The balance of these losses of \$1,484,005 was applied to unrestricted net assets. Future increases in market value will first restore unrestricted net assets to the extent of these prior losses recognized.

MAINE COAST HERITAGE TRUST

Notes to Financial Statements

December 31, 2008

The endowment net asset composition by type of fund as of December 31, 2008 is as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor restricted endowment funds	\$ (1,484,005)	\$ 7,154,691	\$ 8,201,842	\$ 13,872,528
Donor restricted stewardship funds	3,984,747	5,456,309	-	9,441,056
Board-designated endowment funds	5,905,144	-	-	5,905,144
Board-designated special projects funds	<u>1,956,460</u>	<u>-</u>	<u>-</u>	<u>1,956,460</u>
Total endowment investments	10,362,346	12,611,000	8,201,842	31,175,188
Board-designated revolving loan funds	<u>2,085,719</u>	<u>-</u>	<u>-</u>	<u>2,085,719</u>
Total investments	<u>\$ 12,448,065</u>	<u>\$ 12,611,000</u>	<u>\$ 8,201,842</u>	<u>\$ 33,260,907</u>

Change in endowment net assets for the year ended December 31, 2008 are as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 18,684,141	\$ 15,042,434	\$ 8,005,982	\$ 41,732,557
Investment return (loss)				
Investment income	1,379,172	1,005,738	14,340	2,399,250
Realized gain on investments	631,397	482,031	-	1,113,428
Net depreciation of investments	<u>(8,711,011)</u>	<u>(3,863,103)</u>	<u>-</u>	<u>(12,574,114)</u>
Net investment return (loss)	(6,700,442)	(2,375,334)	14,340	(9,061,436)
Contributions and other deposits	-	-	181,520	181,520
Transfer - Campaign for the Coast interim allocation	(1,368,003)	1,368,003	-	-
Transfer - Stewardship net assets released from restrictions, not yet withdrawn	249,953	(249,953)	-	-
Appropriation of endowment assets for expenditure	<u>(503,303)</u>	<u>(1,174,150)</u>	<u>-</u>	<u>(1,677,453)</u>
Endowment net assets, end of year	<u>\$ 10,362,346</u>	<u>\$ 12,611,000</u>	<u>\$ 8,201,842</u>	<u>\$ 31,175,188</u>

MAINE COAST HERITAGE TRUST

Notes to Financial Statements

December 31, 2008

4. Property and Equipment

Property and equipment consist of:

Land improvements	\$ 102,200
Buildings	934,410
Farm equipment	329,910
Farm furnishings	13,539
Livestock	161,905
Leasehold improvements	2,791
Office equipment	562,622
Artwork	524,041
Construction-in-progress	<u>744,052</u>
	3,375,470
Accumulated depreciation	<u>(875,041)</u>
	<u>\$ 2,500,429</u>

5. Land and Conservation Easements

Following is a summary of land held by the Organization at December 31, 2008:

Land purchased	\$ 31,600,573
Land donated	<u>23,649,318</u>
Total land	<u>\$ 55,249,891</u>

Land purchased and retained during 2008:

<u>Name</u>	<u>Location</u>
Bog Brook Cove Farm	Trescott
Pigeon Hill	Steuben
Northeast Creek	Bar Harbor
Bungee Head	Isle au Haut
Metinic Island	LURC
Erickson Fields	Rockport
Colonial Pemaquid	Bristol

MAINE COAST HERITAGE TRUST

Notes to Financial Statements

December 31, 2008

Land purchased and retained during 2008 - bargain purchase:

<u>Name</u>	<u>Location</u>
Moose Cove II	Trescott

Land sold during 2008:

<u>Name</u>	<u>Location</u>
Eastern Island	Steuben
Northeast Creek	Bar Harbor

Land transferred to other organizations during 2008:

<u>Name</u>	<u>Location</u>
Pigeon Hill	Steuben
Colonial Pemaquid	Bristol

Land donations received during 2008:

<u>Name</u>	<u>Location</u>
Hamilton Cove	Lubec
Acadia Mountain Parcel	Mt. Desert
Ingallshore	Tremont

Land received in exchange for note receivable during 2008:

<u>Name</u>	<u>Location</u>
Lakewood Farm	Bar Harbor

Conservation easements purchased during 2008:

<u>Name</u>	<u>Location</u>
Bog Brook Cove Farm	Trescott
Birch Harbor Pond	Winter Harbor
Ingallshore	Tremont
Ragged Island	Harpwell
Gerrish Island-Delano	Kittery

MAINE COAST HERITAGE TRUST

Notes to Financial Statements

December 31, 2008

Conservation easement donations received during 2008:

<u>Name</u>	<u>Location</u>
Sheep Island	Mt. Desert
Enchanted Island	Stonington

Conservation easements donated to other organizations during 2008:

<u>Name</u>	<u>Location</u>
Seal Cove Pond-Ferber	Tremont

A prior year donation of Indian Point is subject to a life tenancy agreement with the donors. Based on an independent appraisal prepared in 2007, the value of the property is \$3,500,000, and the value of the remainder interest in the property is \$1,500,000, using an appreciation rate of 5% and a discount rate between 10-15%. The remaining \$2,000,000 is included as a liability in the statement of financial position at December 31, 2008.

The Organization also exchanged land in Trescott known as Bog Brook for land in Trescott, known as Moose Cove II.

The Organization has committed to purchase land in Lubec, known as Black Head, for \$600,000; in Frenchboro, known as Black Island, for \$1,600,000; in Bar Harbor, known as Northeast Creek - Pelletier, for \$28,000; and in Eastport, known as Treat Island-East, for \$425,000. Deposits related to these purchases were \$57,000 at December 31, 2008. The Organization has committed to purchase a conservation easement in Hancock, known as Old Point South, for \$150,000. The Organization has also committed to sell land in Steuben, known as Sheep Island, for \$340,000 and land in Knox County known as Crow Island, for \$175,000 to the U.S. Fish and Wildlife Service.

During 2008, the Organization received certain contributions towards the purchase of Bog Brook Cove, Willard Point and Meadows and Mountains. In prior years, the Organization received certain contributions to be used toward the purchase of Marshall Island, Whaleboat Island, and Tinker Island. The donor stipulated that if the Organization subsequently sells these parcels, a portion of the amount received from the sales will be paid to the donor.

6. Description of Leasing Arrangements

The Organization leases office space in Topsham and Somesville under operating lease agreements. The Topsham agreement expires in 2010 and provides for annual increases in rent equal to the percentage increase in the Consumer Price Index between the two most recent months of January preceding each such adjustment. The increase shall not be less than 2.5% and no greater than 10% annually. The Somesville lease expired on December 31, 2008 and is continuing on a month-to-month basis.

MAINE COAST HERITAGE TRUST

Notes to Financial Statements

December 31, 2008

The following is a schedule of future minimum lease payments required under the leases:

2009	\$ 99,789
2010	<u>50,511</u>
	\$ <u>150,300</u>

Rent expense under these leases totaled approximately \$136,212 for 2008.

A member of the Organization's Board of Directors owns a 25% interest in the lessor of the Topsham lease.

7. **Borrowings**

Notes payable consist of:

5% fixed rate note, payable in annual installments of \$53,000, plus accrued interest, through December 2012; collateralized by a mortgage on land in Blue Hill	\$ 212,000
5% fixed rate note, payable in annual installments of \$53,000, plus accrued interest, through December 2012; collateralized by a mortgage on land in Blue Hill	212,000
* Non-interest bearing note, due to Island Institute upon the sale of Crow Island to the U.S. Fish and Wildlife Service or another governmental entity; unsecured	<u>87,528</u>
	\$ <u>511,528</u>

* Terms of this note state payment is due to Island Institute if the land is sold by 2010. The Organization expects to sell this land to the U.S. Fish and Wildlife Service by 2010.

Maturities of long-term debt for the next four years are as follows:

2009	\$ 106,000
2010	193,528
2011	106,000
2012	<u>106,000</u>
	\$ <u>511,528</u>

MAINE COAST HERITAGE TRUST

Notes to Financial Statements

December 31, 2008

The Organization has available a \$2 million line of credit, unsecured for a period of up to 120 days from the date of a draw, and then collateralized by investments. This line of credit expires in September 2009.

The Organization also has available a \$2.1 million line of credit, collateralized by investments or pledges at the option of the Organization. This line of credit expires in November 2009.

8. Employee Pension Plans

The Organization has established various defined contribution plans for employees. Contributions to the plan were \$170,700 for 2008.

9. Commitment

The Organization has certain contracts outstanding at December 31, 2008 related to the construction of a building on the Babson Creek parcel in Somesville, Maine. The total price of these contracts is \$1,800,000 of which \$600,000 has been capitalized as part of property and equipment in the statement of financial position. The remaining \$1,200,000 is outstanding on these contracts as of December 31, 2008.

MAINE COAST HERITAGE TRUST

Notes to Financial Statements

December 31, 2008

10. Operating Endowment Investment Loss

Loss from operating endowment investments was as follows:

Gross investment losses earned from operating endowment investments	\$ (5,574,479)
Investment fees	<u>(33,137)</u>
Net investment losses from operating endowment investments	<u>\$ (5,607,616)</u>

Investment income (loss) in the operating endowment fund was reported in the following classifications:

	Total Income (Loss)	Transferred To Operating Fund	2008 Total Income (Loss) Remaining in Operating Endowment
Permanently restricted - added to principal	\$ <u>14,340</u>	\$ <u>-</u>	\$ <u>14,340</u>
Temporarily restricted before income transfers - gross	(2,352,711)	-	(2,352,711)
Investment fees	(22,623)	-	(22,623)
Current year transfer into the operating fund in accordance with spending policy	<u>-</u>	<u>689,574</u>	<u>(689,574)</u>
Temporarily restricted - net	<u>(2,375,334)</u>	<u>689,574</u>	<u>(3,064,908)</u>
Unrestricted - gross	(3,236,108)	320,474	(3,556,582)
Investment fees	<u>(10,514)</u>	<u>-</u>	<u>(10,514)</u>
Unrestricted - net	<u>(3,246,622)</u>	<u>320,474</u>	<u>(3,567,096)</u>
Net operating endowment investment income (loss)	<u>\$ (5,607,616)</u>	<u>\$ 1,010,048</u>	<u>\$ (6,617,664)</u>

MAINE COAST HERITAGE TRUST

Notes to Financial Statements

December 31, 2008

11. Beneficial Interest in Split-Interest Agreements

The Organization is the beneficiary of a trust created by a donor, the assets of which are not in the possession of the Organization. The Organization has the legally enforceable right to receive the greater of actual net income collected on the account or 5% of the fair market value (based on the average month-end market value for the calendar year) of the trust in perpetuity. This income is expendable to support Aldermere Farm operations. The fair value of the underlying trust assets, which approximates the present value of the estimated future cash receipts from the trust, is included in the Organization's financial statements and totaled \$3,141,783 at December 31, 2008. Income earned on the trust was \$177,206 in 2008.

The Organization is also a remainder beneficiary of two charitable remainder unitrusts, the assets of which are not in the possession of the Organization. The present value of estimated future cash receipts from the trusts, using a 6% discount rate, was \$106,573 at December 31, 2008.

During 2008 and in prior years, the Organization received contributions under charitable gift annuity agreements. The Organization is to remit payments to the income beneficiaries in various installments for the remainder of the beneficiaries' lives. The present value of the annuity payment liability, using a 2% discount rate, was \$69,178 at December 31, 2008 and is included in accrued expenses and other liabilities in the statement of financial position. The fair value of the assets under these charitable gift annuity agreements was \$294,738 at December 31, 2008.

Assets relating to the Organization's interest in these split-interest agreements are included in the statement of financial position as follows:

	<u>Operating</u>	<u>Aldermere Farm</u>
Beneficial interest in perpetual trust	\$ -	\$ 3,141,783
Charitable remainder unitrusts	106,573	-
Charitable gift annuities	<u>294,738</u>	<u>-</u>
Total beneficial interest in split-interest agreements	<u>\$ 401,311</u>	<u>\$ 3,141,783</u>

MAINE COAST HERITAGE TRUST

Notes to Financial Statements

December 31, 2008

12. Temporarily Restricted Net Assets

Temporarily restricted net assets at December 31, 2008 are available for the following purposes:

	<u>Operating</u>	<u>Operating Endowment</u>	<u>Stewardship Investments</u>	<u>Aldermere Farm</u>	<u>Total</u>
Stewardship	\$ 429,991	\$ -	\$ -	\$ -	\$ 429,991
Land protection	11,283,398	-	-	-	11,283,398
General operations - time restricted	208,991	-	-	-	208,991
Campaign for the Coast, interim allocation	-	7,154,691	6,843,409	-	13,998,100
MBNA - CPE Grant	-	-	-	207	207
MBNA - Natural Resources Inventory Grant	-	-	-	2,925	2,925
DEP - Storm Water Grant	-	-	-	1,373	1,373
Total	<u>\$11,922,380</u>	<u>\$ 7,154,691</u>	<u>\$ 6,843,409</u>	<u>\$ 4,505</u>	<u>\$25,924,985</u>

The operating endowment fund includes temporarily restricted net assets of \$7,154,691 designated as Campaign for the Coast, interim allocation. This represents the Organization's allocation of campaign contributions received based on Campaign for the Coast fund raising objectives as documented in the campaign literature. Upon the collection of outstanding pledges for the Campaign for the Coast, the Organization's final cumulative allocation of campaign contributions to the operating endowment fund will be transferred from temporarily restricted net assets to permanently restricted net assets.

13. Permanently Restricted Net Assets

Permanently restricted net assets at December 31, 2008 are restricted to:

Investments in perpetuity, the income from which is expendable to support the Espy Land Heritage award given by the Organization	\$ 136,520
Beneficial interest in a trust, the income from which is expendable to support Aldermere Farm operations (see Note 11)	3,141,783
Land and land improvements - Aldermere Farm	1,400,000
Investments in perpetuity, the income from which is expendable to support general operations of the Organization	<u>9,714,821</u>
	<u>\$14,393,124</u>

MAINE COAST HERITAGE TRUST

Notes to Financial Statements

December 31, 2008

14. Board-Designated Net Assets

The Board has chosen to designate a portion of net assets for specific purposes as follows:

	<u>Operating</u>	<u>Operating Endowment</u>	<u>Stewardship Investments</u>	<u>Revolving Loan</u>	<u>Special Projects</u>	<u>Total Board-Designated</u>
Stewardship	\$ 294,767	\$ -	\$ 3,984,747	\$ -	\$ -	\$ 4,279,514
Revolving loan - island projects	-	-	-	106,222	-	106,222
Operating endowment	-	3,648,948	-	-	-	3,648,948
Special projects - general	-	-	-	-	2,033,472	2,033,472
Legal defense fund - conservation easements	-	-	-	-	250,000	250,000
MDI Office construction	100,000	-	-	-	-	100,000
Equipment replacement reserve	-	-	-	-	9,946	9,946
	<u>\$ 394,767</u>	<u>\$ 3,648,948</u>	<u>\$ 3,984,747</u>	<u>\$ 106,222</u>	<u>\$ 2,293,418</u>	<u>\$ 10,428,102</u>

15. Intentions to Give

The Organization has been notified of intentions to give valued at approximately \$4,400,000. These amounts are not recognized in the statement of financial position as the intentions are not unconditional promises to give.

16. Fair Value of Financial Instruments

The Organization's financial instruments consist of cash, investments, pledges and grants receivable, beneficial interest in split-interest agreements, accounts receivable and payable, accrued expenses, a life tenancy interest liability, and notes receivable and payable. The carrying values of all financial instruments approximate their fair values.

SFAS No. 157, *Fair Value Measurements*, defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principle or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. SFAS No. 157 also establishes a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value:

Level 1: Quoted prices (unadjusted) for identical assets or liabilities in active markets that the entity has the ability to access as of the measurement date.

MAINE COAST HERITAGE TRUST

Notes to Financial Statements

December 31, 2008

Level 2: Significant observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, and other inputs that are observable or can be corroborated by observable market data.

Level 3: Significant unobservable inputs that reflect an entity's own assumptions about the assumptions that market participants would use in pricing an asset or liability.

Assets measured at fair value on a recurring basis are summarized below.

	<u>Fair Value</u>	<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs Using the Market Approach (Level 2)</u>	<u>Significant Unobservable Inputs Using the Market Approach (Level 3)</u>
Beneficial interest in split-interest agreement - Aldermere Farm	\$ 3,141,783	\$ -	\$ 3,141,783	\$ -
Charitable gift annuities	294,738	294,738	-	-
Charitable remainder unitrusts	106,573	-	106,573	-
Mutual Funds - GMO	16,745,338	16,745,338	-	-
Mutual Funds - TIFF	15,465,690	-	-	15,465,690
Investment in limited liability companies	<u>1,049,879</u>	<u>-</u>	<u>-</u>	<u>1,049,879</u>
	<u>\$ 36,697,428</u>	<u>\$ 17,040,076</u>	<u>\$ 3,141,783</u>	<u>\$ 16,515,569</u>

Land received in 2008 measured at fair value using significant other observable inputs using the market approach at the date of receipt totaled \$2,381,000. Pledges receivable in 2008 measured at fair value using significant other observable inputs at the date of pledge totaled \$801,025 using the income approach.

MAINE COAST HERITAGE TRUST

Notes to Financial Statements

December 31, 2008

Following is a reconciliation of activity for assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3):

Investment in limited liability companies:

Balance, beginning of year	\$ 665,498
Net purchases	426,462
Sales	(63,725)
Realized and unrealized gains included in net loss on investments in the statement of activities	<u>21,644</u>
Balance, end of year	\$ <u>1,049,879</u>

The amount of total losses for the period included in changes in net assets attributable to the change in unrealized losses relating to assets still held at the reporting date	\$ <u>11,300</u>
---	------------------

Investment in TIFFF mutual funds:

Balance, beginning of year	\$ 21,394,750
Net purchases	1,314,735
Sales	(1,253,480)
Realized and unrealized losses included in net loss on investments in the statement of activities	<u>(5,990,315)</u>
Balance, end of year	\$ <u>15,465,690</u>

The amount of total losses for the period included in changes in net assets attributable to the change in unrealized losses relating to assets still held at the reporting date	\$ <u>6,241,222</u>
---	---------------------

17. Guaranty

During 2007, the Organization entered into a guaranty agreement in the amount of \$250,000 to benefit the Norcross Wildlife Foundation, Inc. (Norcross), in the event an unrelated organization is in default under its promissory note payable to Norcross. The Organization has secured this guaranty with a \$250,000 certificate of deposit.

MAINE COAST HERITAGE TRUST

Notes to Financial Statements

December 31, 2008

18. Conservation Limited Development, LLC

During 2008, the Organization formed Conservation Limited Development, LLC (the Company). The Organization is the sole member of the Company. The Company was formed for the purpose of owning, managing, renting, leasing, buying, selling, and developing property as authorized by the Organization. The activities of the Company are included in the Operating Fund as follows:

Cash	\$ 47,260
Due to other funds	<u>(50,000)</u>
Total assets	(2,740)
Accounts payable	<u>(3,528)</u>
Unrestricted net deficit	<u>\$ (6,268)</u>
Interest income	<u>\$ 204</u>
Salaries	2,595
Payroll taxes	209
Employee benefits	563
Professional fees	2,555
Office supplies	173
Travel	<u>377</u>
Total expenses	<u>6,472</u>
Decrease in net assets	<u>\$ 6,268</u>

SUPPLEMENTARY INFORMATION

MAINE COAST HERITAGE TRUST

Schedule of Operating Expenses

Year Ended December 31, 2008

(With Comparative Totals for the Year Ended December 31, 2007)

	2008						2007 Total	
	Operations Support	Land Protection	Fund Raising	Public Education and Outreach	Stewardship	Farm Operations		Total
Salaries and wages	\$ 264,384	\$ 747,747	\$ 216,750	\$ 79,737	\$ 327,240	\$ 179,427	\$ 1,815,285	\$ 1,684,737
Payroll taxes	21,327	60,317	17,484	6,432	26,397	14,846	146,803	135,654
Employee benefits	57,397	162,334	47,054	17,313	71,043	36,361	391,502	413,951
Professional fees	63,154	56,508	-	-	972	3,600	124,234	88,641
Contract personnel	38,873	100,330	2,535	12,923	48,659	2,050	205,370	152,090
Printing and copying	248	8,407	34,840	63,131	184	501	107,311	133,726
Rent and utilities	28,465	77,198	22,419	8,603	35,382	12,268	184,335	161,371
Telephone	2,910	7,162	2,292	888	5,178	2,567	20,997	22,787
Postage and dues	2,442	7,776	2,486	738	3,271	2,098	18,811	19,332
Office supplies	1,924	12,748	1,478	551	2,264	3,069	22,034	26,450
Project expense	7,218	3,240,194	61,322	30,426	1,445	11,990	3,352,595	3,211,786
Cattle/Farm operations	-	-	-	-	-	50,391	50,391	46,810
Travel	2,304	41,481	2,700	2,511	26,541	4,157	79,694	70,734
Board and committee meetings	49	25,585	112	310	135	-	26,191	25,952
Conference	-	31,690	-	-	-	215	31,905	25,867
Newsletter	-	6,205	-	590	-	977	7,772	10,930
Dues	2,525	9,868	-	750	100	591	13,834	9,112
Insurance	6,798	18,597	5,368	2,114	8,335	16,084	57,296	48,161
Staff recruitment	85	48,779	629	-	384	71	49,948	31,185
Staff training	528	10,843	456	1,774	3,147	272	17,020	15,673
Office equipment expense	10,569	23,595	6,405	2,459	28,081	177	71,286	77,236
Property management	-	-	-	-	60,330	33,842	94,172	120,076
Property taxes	-	-	-	-	78,152	4,335	82,487	94,389
Books and periodicals	101	1,561	360	311	180	-	2,513	4,122
Payroll service and other fees	7,888	2,524	-	-	-	1,214	11,626	10,686
Interest expense	-	26,500	-	-	-	-	26,500	-
Depreciation	42,011	-	-	-	-	61,800	103,811	107,015
Write-off of uncollectible pledges	-	317,264	-	-	-	-	317,264	30,000
Equipment expense	2,298	7,729	4,480	-	9,989	30,694	55,190	60,041
Total	\$ 563,498	\$5,052,942	\$ 429,170	\$ 231,561	\$ 737,409	\$ 473,597	\$ 7,488,177	\$ 6,838,514

MAINE COAST HERITAGE TRUST

Schedule of Operating Fund Temporarily Restricted Activity

Year Ended December 31, 2008

	Balance at December 31, 2007	Contributions and Grants	Campaign for the Coast Interim Allocation and Other Transfers	Restricted Expenditures Released	Balance at December 31, 2008
Barred Island	\$ 1,000	\$ -	\$ -	\$ -	\$ 1,000
Birch Harbor	122,353	167,500	-	(289,853)	-
Black Island	-	202,500	-	(25,000)	177,500
Bog Brook	1,368,983	2,296,685	-	(3,665,668)	-
Campaign for the Coast:					
Conservation Innovation	913,804	-	-	(153,251)	760,553
Conservation Leadership	1,603,274	-	1,693,851	(180,051)	3,117,074
Gotts Island	71,458	-	-	-	71,458
Caterpillar Hill	125,000	-	-	-	125,000
CE-Blue Hill Bay Area	200,000	-	-	-	200,000
Witherle Woods	39,821	-	-	-	39,821
Babson Creek	702	-	-	-	702
Long/Schooner Cove	8,576	-	-	-	8,576
Cobscook Falls	44,439	8,000	-	(12,692)	39,747
Gateway	26,372	-	-	-	26,372
Scott's Landing	15,684	-	-	-	15,684
Land Protection	692,344	-	(365,160)	-	327,184
Undesignated	9,676,204	-	(4,064,694)	(4,318,907)	1,292,603
Conservation Innovation - Chile Project	-	10,000	-	(6,786)	3,214
Contribute to Place	-	20,000	-	(15,294)	4,706
Donor Reception	-	4,000	-	(4,000)	-
Downeast Collaborative	70,294	9,000	-	(63,267)	16,027
Erickson	106,407	-	-	(106,407)	-
General Operations - Time Restricted	303,356	-	(94,365)	-	208,991
Gerrish Island	-	284,843	-	(284,843)	-
Grants Weskeag	24,647	-	-	-	24,647
Frenchboro	3,850	-	-	(3,850)	-
Frenchboro Shorefront Acquisition	197,905	-	-	-	197,905
Jeds Island	-	25,731	-	(25,731)	-
Land-Undesignated	-	500	-	(500)	-
LTA-AYO	4,000	2,000	-	(2,900)	3,100
LTA Grant	7,507	-	-	-	7,507
LTA Easement	7,741	-	-	(384)	7,357
LTA - Training	-	4,000	-	(4,000)	-
Maine Lane Trust Excellence Program	-	600,000	-	(21,252)	578,748
MDI Land	3,632,439	(387,741)	-	-	3,244,698
MDI Office	492,485	509,602	-	(698,744)	303,343
Meadows and Mountains	-	98,190	-	(98,190)	-
Mill River	8,669	-	-	-	8,669
Mitchell Cove	137,538	778,000	-	(915,538)	-
MLTN	129,890	5,792	-	(30,132)	105,550
MLTN - Circuit Rider	43,308	-	-	(32,511)	10,797
MLTN - Horizon Grant	3,960	-	-	-	3,960
MLTN - Hunt Foundation Grant	-	5,000	-	(5,000)	-
MLTN - Island Foundation Grant	23,823	-	-	(23,823)	-
MLTN - LL Bean Grant	11,750	25,000	-	(36,750)	-
Narraguagus Bay	1,000	1,000	-	-	2,000
NE Creek Phase II	-	100,000	-	(100,000)	-
Next Gen Reception	-	2,343	-	(2,343)	-
NOAA	9,510	-	-	-	9,510
Pledge of Land	100,000	-	(100,000)	-	-
Ragged Island	13,800	419,700	-	(433,500)	-
Seabird Island	-	50	-	(50)	-

MAINE COAST HERITAGE TRUST

Schedule of Operating Fund Temporarily Restricted Activity

Year Ended December 31, 2008

	Balance at December 31, <u>2007</u>	Contributions and Grants	Campaign for the Coast Interim Allocation and <u>Other Transfers</u>	Restricted Expenditures Released	Balance at December 31, <u>2008</u>
Second Pond	1,000	-	-	-	1,000
SFS	-	1,232	-	(1,232)	-
Southern Maine	25,000	-	-	-	25,000
Stewardship - Designated Funds:					
Acadia Mtn Restoration	-	3,500	-	(939)	2,561
Bagaduce Parking	11,500	-	-	(11,500)	-
Basin	16,505	-	-	(4,472)	12,033
Calderwood	43,673	-	-	(500)	43,173
Frenchboro Trails	3,104	-	-	(120)	2,984
Gott	5,655	-	-	-	5,655
Hearst	34,427	-	-	-	34,427
Louds Island	-	750	-	-	750
Manset Field	1,000	500	-	(830)	670
Marshall Trails	68,930	-	-	(42,092)	26,838
Mower	-	1,300	-	(1,300)	-
Pond Island	16,890	100	-	-	16,990
Ramsdell Cove	-	3,000	-	-	3,000
Scudder	-	12,000	-	(8,804)	3,196
Sears Island	-	4,516	-	-	4,516
Time restricted	81,835	-	-	(38,210)	43,625
Truck	-	10,000	-	(10,000)	-
Washington County - Partridge - Stewardship Grant	-	166,666	-	-	166,666
Wescott	16,894	-	-	(1,727)	15,167
Willard Point	47,740	-	-	-	47,740
Washington County	190,500	44,985	(500)	(47,432)	187,553
Washington County - Land Acquisition	-	1,000	500	-	1,500
Washington County - Partridge Grant - Economic Development	-	166,666	-	-	166,666
Washington County - Partridge Grant - Land Acquisition	-	166,667	-	-	166,667
Whole Measures	-	2,500	-	(2,500)	-
Willard Point (SFSC)	34,664	301	-	(34,965)	-
Total	\$ 20,843,210	\$ 5,777,378	\$ (2,930,368)	\$ (11,767,840)	\$ 11,922,380

MAINE COAST HERITAGE TRUST

Schedule of Activity - Selected Funds

Year Ended December 31, 2008

	*Conservation Leadership Temporarily Restricted Fund	*Conservation Temporarily Restricted	*Conservation Innovation Temporarily Restricted
Balance, December 31, 2007	\$ 122,989	\$ 1,603,274	\$ 913,804
Campaign for the Coast Interim Allocation	-	1,693,851	-
Expenditures	(149,189)	(180,051)	(153,251)
Transfers in	109,617	-	-
Balance, December 31, 2008	<u>\$ 83,417</u>	<u>\$ 3,117,074</u>	<u>\$ 760,553</u>

^ Land Opportunity Fund is included in the Revolving Loan Fund
 * Conservation Leadership and Conservation Innovation are included in the Operating Fund