



**FINANCIAL STATEMENTS**

**AND**

**SUPPLEMENTARY INFORMATION**

**DECEMBER 31, 2010**

**WITH INDEPENDENT AUDITORS' REPORT**

**MAINE COAST HERITAGE TRUST**

**Table of Contents**

**December 31, 2010**

	<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 - 25
Supplementary Information	
Schedule of Operating Fund Expenses - Schedule 1	26
Schedule of Operating Fund Temporarily Restricted Activity - Schedule 2	27 - 29
Schedule of Activity - Selected Funds - Schedule 3	30



## 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, 2010, 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 2009 financial statements and, in our report dated June 3, 2010, 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, 2010 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 is the responsibility of management and was derived from and relates directly to the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting records used to prepare the financial statements and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, Schedules 1 through 3 are fairly stated in all material respects in relation to the financial statements taken as a whole.

*BerryDunn McNeil & Parker, LLC*

Bangor, Maine  
June 20, 2011

**MAINE COAST HERITAGE TRUST**

**Statement of Financial Position**

**December 31, 2010  
(With Comparative Totals for December 31, 2009)**

**ASSETS**

	<b>2010</b>						<b>Total</b>	<b>2009 Total</b>
	<u>Operating</u>	<u>Operating Endowment</u>	<u>Stewardship Investments</u>	<u>Revolving Loan</u>	<u>Special Projects</u>	<u>Aldermere Farm</u>		
Cash and cash equivalents	\$ 10,473,232	\$ -	\$ -	\$ 1,991,954	\$ -	\$ 102,003	<b>\$ 12,567,189</b>	\$ 7,384,856
Accounts receivable	26,070	-	-	-	-	6,282	<b>32,352</b>	36,968
Pledges and grants receivable, net	8,956,989	-	-	-	-	-	<b>8,956,989</b>	13,099,053
Due from (to) other funds	(2,542,245)	409,504	225,512	2,054,750	29,117	(176,638)	-	-
Notes receivable	-	-	-	-	-	-	-	340,000
Investments	151,193	23,947,829	12,483,838	-	2,814,637	-	<b>39,397,497</b>	39,878,522
Beneficial interest in split-interest agreements	460,174	-	-	-	-	3,425,212	<b>3,885,386</b>	3,803,868
Property and equipment, net of accumulated depreciation	2,862,311	-	-	-	-	749,375	<b>3,611,686</b>	3,681,770
Deposits and other assets	331,317	-	-	-	-	3,491	<b>334,808</b>	124,743
Land	<u>64,908,773</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,300,000</u>	<b><u>66,208,773</u></b>	<u>66,155,515</u>
<b>Total assets</b>	<b><u>\$ 85,627,814</u></b>	<b><u>\$ 24,357,333</u></b>	<b><u>\$ 12,709,350</u></b>	<b><u>\$ 4,046,704</u></b>	<b><u>\$ 2,843,754</u></b>	<b><u>\$ 5,409,725</u></b>	<b><u>\$ 134,994,680</u></b>	<b><u>\$ 134,505,295</u></b>

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

## LIABILITIES AND NET ASSETS

	<b>2010</b>						<b>Total</b>	<b>2009 Total</b>
	<u>Operating</u>	<u>Operating Endowment</u>	<u>Stewardship Investments</u>	<u>Revolving Loan</u>	<u>Special Projects</u>	<u>Aldermere Farm</u>		
<b>Liabilities</b>								
Accounts payable	\$ 31,196	\$ -	\$ -	\$ -	\$ -	\$ 11,870	<b>\$ 43,066</b>	\$ 78,279
Deferred revenue	90,000	-	-	-	-	7,491	<b>97,491</b>	29,000
Accrued expenses and other liabilities	395,588	-	-	-	-	13,173	<b>408,761</b>	111,373
Life tenancy interest liability	-	-	-	-	-	-	-	2,000,000
Notes payable	<u>212,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<b><u>212,000</u></b>	<u>405,528</u>
Total liabilities	<u>728,784</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>32,534</u>	<b><u>761,318</u></b>	<u>2,624,180</u>
<b>Commitments and contingencies</b> (Notes 3, 5, 6 and 11)								
<b>Net assets</b>								
Unrestricted								
Available for operations	7,320,261	-	-	3,940,482	-	544,384	<b>11,805,127</b>	7,722,635
Board-designated	141,779	6,936,437	8,190,935	106,222	2,843,754	-	<b>18,219,127</b>	16,020,820
Land	<u>64,908,773</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<b><u>64,908,773</u></b>	<u>64,855,515</u>
Total unrestricted	72,370,813	6,936,437	8,190,935	4,046,704	2,843,754	544,384	<b>94,933,027</b>	88,598,970
Temporarily restricted	12,391,697	7,002,364	4,518,415	-	-	7,595	<b>23,920,071</b>	28,210,816
Permanently restricted	<u>136,520</u>	<u>10,418,532</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,825,212</u>	<b><u>15,380,264</u></b>	<u>15,071,329</u>
Total net assets	<u>84,899,030</u>	<u>24,357,333</u>	<u>12,709,350</u>	<u>4,046,704</u>	<u>2,843,754</u>	<u>5,377,191</u>	<b><u>134,233,362</u></b>	<u>131,881,115</u>
Total liabilities and net assets	<u>\$ 85,627,814</u>	<u>\$ 24,357,333</u>	<u>\$ 12,709,350</u>	<u>\$ 4,046,704</u>	<u>\$ 2,843,754</u>	<u>\$ 5,409,725</u>	<b><u>\$ 134,994,680</u></b>	<u>\$ 134,505,295</u>

**MAINE COAST HERITAGE TRUST**

**Statement of Activities**

**Year Ended December 31, 2010  
(With Comparative Totals for the Year Ended December 31, 2009)**

	2010						2009 Total	
	Operating	Operating Endowment	Stewardship Investments	Revolving Loan	Special Projects	Aldermere Farm		Total
Changes in unrestricted net assets								
Revenues and gains								
Contributions and grants	\$ 1,413,715	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,413,715	\$ 1,205,456
Donated land	2,025,000	-	-	-	-	-	2,025,000	5,435,351
Interest and dividend income	11,439	146,160	255,986	16,310	57,806	27	487,728	839,810
Net gain on investments	37,706	579,148	920,498	-	203,082	-	1,740,434	5,737,421
Investment income transfers	981,635	(332,171)	(536,456)	-	(113,008)	-	-	-
Farm operations revenue	-	-	-	-	-	68,463	68,463	72,100
Other, net	92,199	-	-	-	-	-	92,199	117,779
Net assets released from restrictions								
Expiration of time restrictions	364,091	-	-	-	-	-	364,091	107,597
Investment income transfer	671,133	-	-	-	-	-	671,133	724,756
Aldermere contributions and investment income	-	-	-	-	-	296,454	296,454	260,201
Land protection and other	<u>6,561,361</u>	<u>-</u>	<u>718,563</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,279,924</u>	<u>4,840,633</u>
Total unrestricted revenues and gains	<u>12,158,279</u>	<u>393,137</u>	<u>1,358,591</u>	<u>16,310</u>	<u>147,880</u>	<u>364,944</u>	<u>14,439,141</u>	<u>19,341,104</u>
Expenses								
Operations support	707,519	-	-	-	-	-	707,519	699,525
Land protection	5,091,596	-	-	-	-	-	5,091,596	2,992,191
Fund raising	533,319	-	-	-	-	-	533,319	505,284
Public education and outreach	340,745	-	-	-	-	-	340,745	277,378
Stewardship	951,124	-	-	-	-	-	951,124	1,114,837
Farm operations	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>480,781</u>	<u>480,781</u>	<u>492,542</u>
Total expenses	<u>7,624,303</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>480,781</u>	<u>8,105,084</u>	<u>6,081,757</u>
Change in unrestricted net assets	<u>4,533,976</u>	<u>393,137</u>	<u>1,358,591</u>	<u>16,310</u>	<u>147,880</u>	<u>(115,837)</u>	<u>6,334,057</u>	<u>13,259,347</u>

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

**MAINE COAST HERITAGE TRUST**

**Statement of Activities (Concluded)**

**Year Ended December 31, 2010  
(With Comparative Totals for the Year Ended December 31, 2009)**

	<b>2010</b>						<b>Total</b>	<b>2009 Total</b>
	<u>Operating</u>	<u>Operating Endowment</u>	<u>Stewardship Investments</u>	<u>Revolving Loan</u>	<u>Special Projects</u>	<u>Aldermere Farm</u>		
Changes in temporarily restricted net assets								
Contributions and grants	2,754,889	-	25,976	-	-	119,892	<b>2,900,757</b>	6,808,218
Campaign for the Coast interim allocation	(208,908)	104,454	104,454	-	-	-	-	-
Increase in beneficial interest in split-interest agreement	6,659	-	-	-	-	-	<b>6,659</b>	23,483
Interest and dividend income	3,016	51,057	-	-	-	178,601	<b>232,674</b>	244,523
Net gain on investments	10,630	1,170,137	-	-	-	-	<b>1,180,767</b>	1,142,794
Net assets released from restrictions								
Expiration of time restrictions	(364,091)	-	-	-	-	-	<b>(364,091)</b>	(107,597)
Investment income transfer	-	(671,133)	-	-	-	-	<b>(671,133)</b>	(724,756)
Land protection and other	<u>(6,561,361)</u>	<u>-</u>	<u>(718,563)</u>	<u>-</u>	<u>-</u>	<u>(296,454)</u>	<b><u>(7,576,378)</u></b>	<u>(5,100,834)</u>
Change in temporarily restricted net assets	<u>(4,359,166)</u>	<u>654,515</u>	<u>(588,133)</u>	<u>-</u>	<u>-</u>	<u>2,039</u>	<b><u>(4,290,745)</u></b>	<u>2,285,831</u>
Changes in permanently restricted net assets								
Contributions and grants	-	-	-	-	-	-	-	5,500
Interest and dividend income	-	244,690	-	-	-	-	<b>244,690</b>	453,520
Increase in beneficial interest in split-interest agreement	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>64,245</u>	<b><u>64,245</u></b>	<u>219,185</u>
Change in permanently restricted net assets	<u>-</u>	<u>244,690</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>64,245</u>	<b><u>308,935</u></b>	<u>678,205</u>
Change in net assets	174,810	1,292,342	770,458	16,310	147,880	(49,553)	<b>2,352,247</b>	16,223,383
Net assets, beginning of year	<u>85,027,518</u>	<u>22,733,524</u>	<u>11,938,892</u>	<u>4,030,394</u>	<u>2,724,043</u>	<u>5,426,744</u>	<b><u>131,881,115</u></b>	<u>115,657,732</u>
Transfers between funds	<u>(303,298)</u>	<u>331,467</u>	<u>-</u>	<u>-</u>	<u>(28,169)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net assets, end of year	<b><u>\$84,899,030</u></b>	<b><u>\$24,357,333</u></b>	<b><u>\$12,709,350</u></b>	<b><u>\$4,046,704</u></b>	<b><u>\$2,843,754</u></b>	<b><u>\$5,377,191</u></b>	<b><u>\$134,233,362</u></b>	<b><u>\$131,881,115</u></b>

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

## MAINE COAST HERITAGE TRUST

### Statement of Cash Flows

**Year Ended December 31, 2010**  
**(With Comparative Totals for the Year Ended December 31, 2009)**

	<b>2010</b>						<b>Total</b>	<b>2009 Total</b>
	<u>Operating</u>	<u>Operating Endowment</u>	<u>Stewardship Investments</u>	<u>Revolving Loan</u>	<u>Special Projects</u>	<u>Aldermere Farm</u>		
Cash flows from operating activities								
Change in net assets	\$ 174,810	\$ 1,292,342	\$ 770,458	\$ 16,310	\$ 147,880	\$ (49,553)	<b>\$ 2,352,247</b>	\$ 16,223,383
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities								
Depreciation	78,820	-	-	-	-	47,276	<b>126,096</b>	143,080
Donated land received	(2,025,000)	-	-	-	-	-	<b>(2,025,000)</b>	(5,435,351)
Loss on impairment of land	246,739	-	-	-	-	-	<b>246,739</b>	-
Loss on sale and transfer of land	1,070,380	-	-	-	-	-	<b>1,070,380</b>	-
Loss (gain) on sale of cattle and equipment	9,055	-	-	-	-	(3,567)	<b>5,488</b>	(680)
Decrease in provision for uncollectible pledges receivable	(3,537)	-	-	-	-	-	<b>(3,537)</b>	(29,375)
Net gain on investments	(43,855)	(1,749,285)	(920,498)	-	(203,082)	-	<b>(2,916,720)</b>	(6,880,215)
Increase in beneficial interest in split-interest agreements	-	-	-	-	-	(64,245)	<b>(64,245)</b>	(219,185)
Contributions and investment income restricted for long-term investment	(1,105,484)	-	-	-	-	-	<b>(1,105,484)</b>	(1,825,353)
Decrease (increase) in								
Pledges receivable	2,687,378	-	-	-	-	-	<b>2,687,378</b>	(1,772,549)
Accounts receivable	6,204	-	-	-	-	(1,588)	<b>4,616</b>	19,287
Deposits and other assets	(210,520)	-	-	-	-	455	<b>(210,065)</b>	(32,692)
Increase (decrease) in								
Accounts payable	(28,098)	-	-	-	-	(7,115)	<b>(35,213)</b>	52,378
Deferred revenue	71,000	-	-	-	-	(2,509)	<b>68,491</b>	15,500
Accrued expenses and other liabilities	<u>285,617</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>11,771</u>	<b><u>297,388</u></b>	<u>(18,014)</u>
Net cash provided (used) by operating activities	<u>1,213,509</u>	<u>(456,943)</u>	<u>(150,040)</u>	<u>16,310</u>	<u>(55,202)</u>	<u>(69,075)</u>	<b><u>498,559</u></b>	<u>240,214</u>
Cash flows from investing activities								
Purchase of land	(4,580,867)	-	-	-	-	-	<b>(4,580,867)</b>	(5,470,273)
Proceeds from sale of land	2,585,490	-	-	-	-	-	<b>2,585,490</b>	-
Proceeds from sale of conservation easement	650,000	-	-	-	-	-	<b>650,000</b>	-
Purchase of property and equipment	(95,285)	-	-	-	-	(77,894)	<b>(173,179)</b>	(1,603,241)
Purchase of investments	(3,016)	(2,108,611)	(285,093)	-	(57,806)	-	<b>(2,454,526)</b>	(4,361,154)

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

**MAINE COAST HERITAGE TRUST**

**Statement of Cash Flows (Concluded)**

**Year Ended December 31, 2010  
(With Comparative Totals for the Year Ended December 31, 2009)**

	2010						2009 Total	
	Operating	Operating Endowment	Stewardship Investments	Revolving Loan	Special Projects	Aldermere Farm		Total
Proceeds from sale of investments	4,754	4,098,520	1,564,595	-	151,177	-	<b>5,819,046</b>	4,576,760
Advances on notes receivable	-	-	-	(100,000)	-	-	<b>(100,000)</b>	(340,000)
Principal repayments on notes receivable	-	-	-	440,000	-	-	<b>440,000</b>	311,787
Transfers between funds	(303,298)	331,467	-	-	(28,169)	-	-	-
Proceeds from sale of cattle and equipment	<u>13,550</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>98,129</u>	<u>111,679</u>	<u>123,272</u>
Net cash provided (used) by investing activities	<u>(1,728,672)</u>	<u>2,321,376</u>	<u>1,279,502</u>	<u>340,000</u>	<u>65,202</u>	<u>20,235</u>	<u>2,297,643</u>	<u>(6,762,849)</u>
Cash flows from financing activities								
Change in due to/from other funds	3,222,112	(1,914,433)	(1,129,462)	(229,730)	(10,000)	61,513	-	-
Contributions and investment income received, restricted for long-term investment	2,529,659	50,000	-	-	-	-	<b>2,579,659</b>	1,981,680
Principal payments on notes payable	<u>(193,528)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(193,528)</u>	<u>(106,000)</u>
Net cash provided (used) by financing activities	<u>5,558,243</u>	<u>(1,864,433)</u>	<u>(1,129,462)</u>	<u>(229,730)</u>	<u>(10,000)</u>	<u>61,513</u>	<u>2,386,131</u>	<u>1,875,680</u>
Net increase in cash	5,043,080	-	-	126,580	-	12,673	<b>5,182,333</b>	(4,646,955)
Cash and cash equivalents, beginning of year	<u>5,430,152</u>	<u>-</u>	<u>-</u>	<u>1,865,374</u>	<u>-</u>	<u>89,330</u>	<u>7,384,856</u>	<u>12,031,811</u>
Cash and cash equivalents, end of year	<u>\$ 10,473,232</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,991,954</u>	<u>\$ -</u>	<u>\$ 102,003</u>	<u>\$ 12,567,189</u>	<u>\$ 7,384,856</u>
Supplemental disclosures								
Cash paid for interest	\$ 15,900	\$ -	\$ -	\$ -	\$ -	\$ -	<b>\$ 15,900</b>	\$ 21,200

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

# MAINE COAST HERITAGE TRUST

## Notes to Financial Statements

December 31, 2010

### **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 2010, the Organization received approximately 46% of all contributions and grants from two donors/grantors.

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

# MAINE COAST HERITAGE TRUST

## Notes to Financial Statements

December 31, 2010

- 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 and contribution revenue related thereto.
- 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 (GAAP). Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended December 31, 2009, from which the summarized information was derived.

### **Cash and Cash Equivalents**

The Organization considers all highly liquid savings deposits and investments with maturities of three months or less when purchased to be cash equivalents.

### **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, 2010

### 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, 2010 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 reasonably 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.

### 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.

# MAINE COAST HERITAGE TRUST

## Notes to Financial Statements

December 31, 2010

### **Impairment of Long-Lived Assets**

In accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 360-10-35-17, *Measurement of an Impairment Loss*, 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 \$10,117,248 at December 31, 2010. 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 ASC Topic 360-10, impairment losses were reflected in prior years for restrictions placed on land. Impairment of \$896,739 was recognized for restrictions placed on land during 2010. Of this amount, \$650,000 was received as proceeds for the sale of a conservation easement.

### **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.

### **Use of Estimates**

The preparation of financial statements in conformity with GAAP 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.

**MAINE COAST HERITAGE TRUST**

**Notes to Financial Statements**

**December 31, 2010**

**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.

**Subsequent Events**

For purposes of the preparation of these financial statements in conformity with GAAP, the Organization has considered transactions or events occurring through June 20, 2011, which was the date that the financial statements were available to be issued.

**Reclassification**

Certain items in the 2009 financial statements have been reclassified to conform to the 2010 presentation.

**MAINE COAST HERITAGE TRUST**

**Notes to Financial Statements**

**December 31, 2010**

**2. Pledges and Grants Receivable**

Pledges and grants receivable at December 31, 2010 consist of the following:

Unconditional promises expected to be collected in:

	<u>Less than One Year</u>	<u>One to Five Years</u>	<u>More than Five Years</u>	<u>Total Unconditional Promises to Give</u>	<u>Less Discount to Net Present Value at .41-6%</u>	<u>Less Allowance for Uncollectible Pledges</u>	<u>Net Pledges Receivable at December 31, 2010</u>
Operating							
Grants temporarily restricted	\$ 140,500	\$ -	\$ -	\$ 140,500	\$ -	\$ -	\$ 140,500
Black Island - temporarily restricted	-	25,000	-	25,000	(305)	-	24,695
Washington County Land - temporarily restricted	2,500	-	-	2,500	-	-	2,500
Land acquis & stewardship undesignated - temporarily restricted	78,167	137,667	-	215,834	(1,024)	-	214,810
Annual fund Stewardship - temporarily restricted	75,026	45,000	-	120,026	(549)	-	119,477
MDI office construction - temporarily restricted	1,300	1,000	-	2,300	(75)	-	2,225
MDI office landscaping - temporarily restricted	5,000	-	-	5,000	-	-	5,000
MDI office landscaping - temporarily restricted	8,000	-	-	8,000	-	-	8,000
Washington County Office - temporarily restricted	34,590	-	-	34,590	-	-	34,590
Campaign for the Coast Land protection - Cow Island	10,000	10,000	-	20,000	-	(20,000)	-
Land protection - Schoolhouse Ledge	12,500	-	-	12,500	-	(12,500)	-
Land protection - MDI Undesignated	-	-	5,000,000	5,000,000	(2,040,508)	-	2,959,492
	<u>1,252,110</u>	<u>5,000,500</u>	<u>100</u>	<u>6,252,710</u>	<u>(555,158)</u>	<u>(251,852)</u>	<u>5,445,700</u>
Total operating fund pledges	<u>\$ 1,619,693</u>	<u>\$ 5,219,167</u>	<u>\$ 5,000,100</u>	<u>\$ 11,838,960</u>	<u>\$ (2,597,619)</u>	<u>\$ (284,352)</u>	<u>\$ 8,956,989</u>

# MAINE COAST HERITAGE TRUST

## Notes to Financial Statements

December 31, 2010

In addition, the Organization has received conditional grant funding from the United States Department of the Interior Coastal Wetlands Conservation Grant Program, as well as the Fish and Wildlife Service Grant Program, the State of Maine Land for Maine's Future Program and the PEW Charitable Trust Coastal Conservation Opportunities Program. As certain conditions of the grants have not been met at December 31, 2010, these are not recognized as assets in the statement of financial position. These conditional grants are as follows:

- \$206,000 remaining in support of the Black Head project;
- \$1,000,000 in support of the purchase of land in the Greater Mount Desert Island Region;
- A potential \$3,600,000 matching initiative towards Coastal Conservation Opportunities;
- A potential \$2,900,000 matching initiative towards land projects in the Mount Desert Island Region.

### 3. Investments

Investments consist of the following:

Mutual funds - GMO - Global Balanced Asset Allocation Fund III	\$ 18,655,345
Mutual funds - TIFF - Multi Asset Fund	18,904,961
Investment in TIFF and Legacy Venture limited liability companies (LLCs) and VIA Energy, L.P.	<u>1,837,191</u>
Total investments	<u>\$ 39,397,497</u>

The Organization's interest and dividend income during 2010 was \$965,092, net of fees of \$47,244, and net gains on investments during 2010 were \$2,921,201.

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, as of September 30 of the previous year, 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 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.

# MAINE COAST HERITAGE TRUST

## Notes to Financial Statements

December 31, 2010

Approximately 16% of the investments held by the TIFF multi asset mutual fund and the majority of investments held by the TIFF, Legacy Venture LLCs and VIA Energy, L.P. 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, Legacy Venture LLCs and VIA Energy, L.P. 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, 2010, the Organization had committed to investing an additional \$2,822,500 in the TIFF and Legacy Venture LLCs, VIA Energy, L.P. and Accolade Partners III, L.P.

The donor-restricted and board-designated endowment investment net asset composition by type of fund as of December 31, 2010 is as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$ -	\$ 7,022,037	\$ 10,550,052	\$ 17,572,089
Donor-restricted stewardship funds	8,190,936	4,292,903	-	12,483,839
Board-designated endowment funds	6,526,932	-	-	6,526,932
Board-designated special projects funds	<u>2,814,637</u>	<u>-</u>	<u>-</u>	<u>2,814,637</u>
Total investments	<u>\$ 17,532,505</u>	<u>\$ 11,314,940</u>	<u>\$ 10,550,052</u>	<u>\$ 39,397,497</u>

**MAINE COAST HERITAGE TRUST**

**Notes to Financial Statements**

**December 31, 2010**

Change in donor restricted and board-designated endowment investment net assets for the year ended December 31, 2010 are as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment investment net assets, beginning of year	\$ 16,003,643	\$13,619,517	\$ 10,255,362	\$ 39,878,522
Investment return				
Investment income	430,728	83,297	244,690	758,715
Realized gain on investments	280,733	200,299	-	481,032
Net appreciation of investments	<u>1,421,995</u>	<u>980,468</u>	<u>-</u>	<u>2,402,463</u>
Net investment return	2,133,456	1,264,064	244,690	3,642,210
Contributions and other deposits	301,899	29,108	50,000	381,007
Transfers, including Campaign for the Coast interim allocation	31,987	(31,987)	-	-
Appropriation of endowment investment assets for expenditure	<u>(938,480)</u>	<u>(3,565,762)</u>	<u>-</u>	<u>(4,504,242)</u>
Endowment investment net assets, end of year	<u>\$ 17,532,505</u>	<u>\$11,314,940</u>	<u>\$ 10,550,052</u>	<u>\$ 39,397,497</u>

**4. Property and Equipment**

Property and equipment consists of:

Land improvements	\$ 139,744
Buildings	3,062,395
Farm equipment	336,710
Farm furnishings	13,539
Livestock	142,563
Equipment - office and other	579,347
Leasehold improvements	2,791
Artwork	<u>447,354</u>
	4,724,443
Accumulated depreciation	<u>(1,112,757)</u>
	<u>\$ 3,611,686</u>

MAINE COAST HERITAGE TRUST

Notes to Financial Statements

December 31, 2010

5. Land and Conservation Easements

Following is a summary of land held by the Organization at December 31, 2010:

Land purchased	\$ 38,859,089
Land donated	<u>27,349,684</u>
Total land	<u>\$ 66,208,773</u>

Land purchased during 2010:

<u>Name</u>	<u>Location</u>
Moose Cove III	Trescott
Bog Brook East	Cutler
Maine Shoreline Railway - Kilkenny Cove	Hancock
Lower Hadlock Pond	Mount Desert
Black Island - South	Frenchboro
Mahoney Island	Brooklin

Land purchased during 2010 - bargain purchase:

<u>Name</u>	<u>Location</u>
Sipp Bay - Knowlton Campground	Perry

Land donations received during 2010:

<u>Name</u>	<u>Location</u>
Blue Horizons	Bar Harbor

Conservation easements purchased during 2010:

<u>Name</u>	<u>Location</u>
Sipp Bay - Bahrt	Pembroke
Sipp Bay - Fox Point	Pembroke
Long Creek Point II	Addison
Maquoit Bay	Brunswick

**MAINE COAST HERITAGE TRUST**

**Notes to Financial Statements**

**December 31, 2010**

Conservation easement donations received during 2010:

<u>Name</u>	<u>Location</u>
Western Island	Gouldsboro
Maine Shoreline Railway - Old Pond	Hancock
Saltmeadow	Tremont
Black Island - Butler Cove	Frenchboro
Hospital Island	Brooksville
MacMahan Island	Georgetown

A prior year donation of Indian Point was 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 was included as a liability in the statement of financial position at December 31, 2009. During 2010, this life tenancy agreement was released to the Organization and is included in donated land in the statement of activities.

The Organization has committed to provide a partnership contribution of up to \$225,000 towards the purchase of land in Camden. Deposits related to this project were \$10,000 at December 31, 2010.

The Organization has also committed to sell land in Bar Harbor, known as North Twinnie, for \$295,000, and land in Gouldsboro known as Sally Island, for \$90,000.

In addition, a lease to purchase option exists with a current tenant at property known as Lakewood Farms whereby the tenant has the option to purchase this property for \$420,000.

During 2010 and in prior years, the Organization received certain contributions to be used towards the purchase of Marshall Island, Whaleboat Island, Tinker Island, Bog Brook Cove, Willard Point, Meadows and Mountains, Moose Cove III and Kilkenny Cove. 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.

MAINE COAST HERITAGE TRUST

Notes to Financial Statements

December 31, 2010

6. **Description of Leasing Arrangements**

The Organization leases office space in Topsham under an operating lease agreement. The Topsham agreement expires in June 2013 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 following is a schedule of future minimum lease payments required under the leases:

2011	\$ 100,201
2012	102,706
2013	51,987

Rent expense under this lease totaled approximately \$98,761 for 2010.

A member of the Organization's Board Council owns a 25% interest in the lessor of this 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 Jed's Island in Blue Hill	\$ 106,000
5% fixed rate note, payable in annual installments of \$53,000, plus accrued interest, through December 2012; collateralized by a mortgage on Jed's Island in Blue Hill	<u>106,000</u>
	<u>\$ 212,000</u>

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

2011	\$ 106,000
2012	<u>106,000</u>
	<u>\$ 212,000</u>

The Organization has available a \$4.0 million line of credit, collateralized by investments or pledges at the option of the Organization. This line of credit expires in November 2011.

8. **Employee Pension Plans**

The Organization has established various defined contribution plans for employees. Contributions to the plan were \$181,687 for 2010.

**MAINE COAST HERITAGE TRUST**

**Notes to Financial Statements**

**December 31, 2010**

**9. Operating Endowment Investment Income**

Income from operating endowment investments was as follows:

Gross investment gains earned from operating endowment investments	\$ 2,234,882
Investment fees	<u>(43,690)</u>
Net investment gains from operating endowment investments	<u>\$ 2,191,192</u>

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

	<u>Total Income</u>	<u>Transferred To Operating Fund</u>	<u>2010 Total Income Remaining in Operating Endowment</u>
Permanently restricted - added to principal	\$ <u>244,690</u>	\$ <u>-</u>	\$ <u>244,690</u>
Temporarily restricted before income transfers - gross	1,250,419	-	1,250,419
Investment fees	(29,225)	-	(29,225)
Current year transfer into the operating fund in accordance with spending policy	<u>-</u>	<u>671,133</u>	<u>(671,133)</u>
Temporarily restricted - net	<u>1,221,194</u>	<u>671,133</u>	<u>550,061</u>
Unrestricted - gross	739,773	332,171	407,602
Investment fees	<u>(14,465)</u>	<u>-</u>	<u>(14,465)</u>
Unrestricted - net	<u>725,308</u>	<u>332,171</u>	<u>393,137</u>
Net operating endowment investment income	<u>\$ 2,191,192</u>	<u>\$ 1,003,304</u>	<u>\$ 1,187,888</u>

MAINE COAST HERITAGE TRUST

Notes to Financial Statements

December 31, 2010

10. 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 \$3,425,212 at December 31, 2010. Income earned on the trust was \$178,601 in 2010.

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 \$136,715 at December 31, 2010.

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 \$62,899 at December 31, 2010 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 \$323,459 at December 31, 2010.

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>	Aldermere <u>Farm</u>
Beneficial interest in perpetual trust	\$ -	\$ 3,425,212
Charitable remainder unitrusts	136,715	-
Charitable gift annuities	<u>323,459</u>	<u>-</u>
Total beneficial interest in split-interest agreements	<u>\$ 460,174</u>	<u>\$ 3,425,212</u>

**MAINE COAST HERITAGE TRUST**

**Notes to Financial Statements**

**December 31, 2010**

**11. Temporarily Restricted Net Assets**

Temporarily restricted net assets at December 31, 2010 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	\$ 424,900	\$ -	\$ -	\$ 7,595	\$ <b>432,495</b>
Land protection	11,793,300	-	-	-	<b>11,793,300</b>
General operations - time restricted	173,497	1,030,844	-	-	<b>1,204,341</b>
Campaign for the Coast, interim allocation	<u>-</u>	<u>5,971,520</u>	<u>4,518,415</u>	<u>-</u>	<b><u>10,489,935</u></b>
Total	<b><u>\$12,391,697</u></b>	<b><u>\$ 7,002,364</u></b>	<b><u>\$ 4,518,415</u></b>	<b><u>\$ 7,595</u></b>	<b><u>\$23,920,071</u></b>

The operating endowment fund includes temporarily restricted net assets of \$5,971,520 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.

**12. Permanently Restricted Net Assets**

Permanently restricted net assets at December 31, 2010 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 10)	3,425,212
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>10,418,532</u>
	<b><u>\$15,380,264</u></b>

**MAINE COAST HERITAGE TRUST**

**Notes to Financial Statements**

**December 31, 2010**

**13. 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>	<b>Total Board- Designated</b>
Stewardship	\$ 141,779	\$ -	\$ 8,190,935	\$ -	\$ -	<b>\$ 8,332,714</b>
Revolving loan - island projects	-	-	-	106,222	-	<b>106,222</b>
Operating endowment	-	6,936,437	-	-	-	<b>6,936,437</b>
Special projects - general	-	-	-	-	2,583,808	<b>2,583,808</b>
Legal defense fund - conservation easements	-	-	-	-	250,000	<b>250,000</b>
Equipment replacement reserve	-	-	-	-	9,946	<b>9,946</b>
	<u>\$ 141,779</u>	<u>\$ 6,936,437</u>	<u>\$ 8,190,935</u>	<u>\$ 106,222</u>	<u>\$ 2,843,754</u>	<b><u>\$ 18,219,127</u></b>

**14. 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, and notes receivable and payable. The carrying values of all financial instruments approximate their fair values.

ASC Topic 820, *Fair Value Measurements and Disclosures*, 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 principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. ASC Topic 820 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.

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.

# MAINE COAST HERITAGE TRUST

## Notes to Financial Statements

December 31, 2010

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	\$ 3,425,212	\$ -	\$ 3,425,212	\$ -
Charitable gift annuities	323,459	323,459	-	-
Charitable remainder unitrusts	136,715	-	136,715	-
Mutual Funds - GMO - Global Balanced Asset Allocation Fund III	18,655,345	18,655,345	-	-
Mutual Funds - TIFF - Multi Asset Fund	18,904,961	-	-	18,904,961
Investment in limited liability companies and limited partnership	<u>1,837,191</u>	<u>-</u>	<u>-</u>	<u>1,837,191</u>
	<u>\$ 43,282,883</u>	<u>\$ 18,978,804</u>	<u>\$ 3,561,927</u>	<u>\$ 20,742,152</u>

Level 2 assets are valued based on the classification of the underlying investments held by the split interest agreement and charitable remainder unitrust, which are actively traded. Level 3 investments are valued based on the net asset values or the Trust's capital as reported in the financial statements of the related interests.

Land received in 2010 measured at fair value using significant other observable inputs using the market approach at the date of receipt totaled \$2,025,000. Impairment of land in 2010 measured at fair value using significant other observable inputs using the market approach totaled \$896,739. Pledges receivable in 2010 measured at fair value using significant other observable inputs at the date of pledge totaled \$186,815 using the income approach.

TIFF - Multi Asset Fund calculates net asset value (NAV) per share in accordance with FASB guidance relative to investment companies and those investments are reported at fair value based on the NAV as reported by the investee. There are no unfunded commitments, redemption restrictions, or limitations on frequency of redemptions associated with this investment.

# MAINE COAST HERITAGE TRUST

## Notes to Financial Statements

December 31, 2010

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 and limited partnership:

Balance, beginning of year	\$ 1,340,283
Net purchases	548,518
Sales	(201,656)
Realized and unrealized gains included in net gain on investments in the statement of activities	<u>150,046</u>
Balance, end of year	\$ <u>1,837,191</u>

Investment in TIFF mutual funds:

Balance, beginning of year	\$ 19,132,608
Net purchases	460,248
Sales	(2,540,009)
Realized and unrealized gains included in net gain on investments in the statement of activities	<u>1,852,114</u>
Balance, end of year	\$ <u>18,904,961</u>

The amount of total gains for the period included in changes in net assets attributable to the change in unrealized gains relating to assets still held at the reporting date

\$ 1,521,129

MAINE COAST HERITAGE TRUST

Notes to Financial Statements

December 31, 2010

15. 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 prior to elimination and consolidation into the Operating Fund are as follows:

Cash	\$ 33,305
Due to other funds	<u>(4,023)</u>
Total assets	29,282
Unrestricted net assets	\$ <u>29,282</u>
Interest income	\$ 313
Gain on sale of land	<u>27,136</u>
Total revenue	<u>27,449</u>
Salaries	7,714
Payroll taxes	632
Employee benefits	1,890
Professional fees	170
Project expense	95
Property taxes, net of reimbursements	(4,975)
Office Supplies	30
Travel	<u>71</u>
Total expenses	<u>5,627</u>
Increase in net assets	21,822
Unrestricted net assets - beginning of year	<u>7,460</u>
Unrestricted net assets - end of year	\$ <u>29,282</u>

## **SUPPLEMENTARY INFORMATION**

## MAINE COAST HERITAGE TRUST

## Schedule of Operating Expenses

Year Ended December 31, 2010

(With Comparative Totals for the Year Ended December 31, 2009)

	2010						2009 Total	
	Operations Support	Land Protection	Fund Raising	Public Education and Outreach	Stewardship	Farm Operations		Total
Salaries and wages	\$ 326,850	\$ 782,290	\$ 254,227	\$ 98,437	\$ 435,537	\$ 191,989	\$ 2,089,330	\$ 1,974,312
Payroll taxes	27,029	64,625	20,857	8,127	35,789	16,294	172,721	156,729
Employee benefits	71,855	183,037	65,389	21,056	90,963	39,969	472,269	449,720
Professional fees	63,154	3,016	400	-	3,127	3,908	73,605	94,513
Contract personnel	34,645	44,572	1,425	18,786	57,296	271	156,995	225,518
Printing and copying	-	967	37,174	64,289	453	-	102,883	99,566
Rent and utilities	19,381	49,824	17,637	5,681	24,537	13,676	130,736	137,519
Telephone	4,721	12,038	4,351	1,383	7,029	2,706	32,228	28,647
Postage	3,020	7,788	2,755	887	3,834	1,003	19,287	27,391
Office supplies	3,015	7,838	2,774	894	3,858	1,003	19,382	23,211
Project expense	10,260	260,804	90,407	112,081	19,911	5,549	499,012	418,471
Conservation easements purchased	-	1,346,549	-	-	-	-	1,346,549	799,975
Loss on impairment of land	-	246,739	-	-	-	-	246,739	-
Loss on sale of land	-	1,070,379	-	-	-	-	1,070,379	25,000
Partnership contributions	-	578,601	-	-	-	-	578,601	235,326
Grant expense	-	231,565	-	-	-	-	231,565	250,000
Cattle/farm operations	-	-	-	-	-	64,948	64,948	48,469
Travel	3,491	31,877	5,829	2,739	28,795	4,171	76,902	83,007
Board and committee meetings	11	15,865	1,676	390	3,541	-	21,483	22,414
Conference	-	29,643	-	-	-	-	29,643	27,237
Newsletter	-	-	-	-	-	-	-	-
Dues	2,822	16,524	530	600	-	462	20,938	17,029
Insurance	9,458	23,418	8,607	2,772	11,973	22,055	78,283	38,658
Staff recruitment	-	28,959	1,495	-	521	-	30,975	36,370
Staff training	719	16,582	9,069	-	5,656	165	32,191	37,881
Office and equipment maintenance expense	7,395	18,785	6,729	2,166	30,677	432	66,184	61,065
Property management	9,130	-	-	-	59,981	12,305	81,416	311,529
Property taxes	-	-	-	-	99,638	4,335	103,973	120,197
Books and periodicals	40	902	478	377	123	96	2,016	2,968
Payroll service, bank and other fees	11,681	-	-	-	-	1,598	13,279	13,243
Interest expense	-	15,900	-	-	-	-	15,900	21,200
Depreciation	78,820	-	-	-	-	47,276	126,096	143,080
Write-off of uncollectible pledges	-	850	-	-	17,700	-	18,550	64,686
Equipment expense	<u>20,022</u>	<u>1,659</u>	<u>1,510</u>	<u>80</u>	<u>10,185</u>	<u>46,570</u>	<u>80,026</u>	<u>86,826</u>
Total	<u>\$ 707,519</u>	<u>\$ 5,091,596</u>	<u>\$ 533,319</u>	<u>\$ 340,745</u>	<u>\$ 951,124</u>	<u>\$ 480,781</u>	<u>\$ 8,105,084</u>	<u>\$ 6,081,757</u>

## MAINE COAST HERITAGE TRUST

## Schedule of Operating Fund Temporarily Restricted Activity

Year Ended December 31, 2010

	Balance at December 31, <u>2009</u>	Contributions and Grants	Campaign for the Coast Interim Allocation and Other Transfers	Restricted Expenditures Released	Balance at December 31, <u>2010</u>
Ash Island	\$ 68,000	\$ 1,196	\$ -	\$ (69,196)	\$ -
Barred Island	1,000	-	-	-	1,000
Bailey's Mistake	157,000	-	-	(157,000)	-
Bass Harbor Marsh	736	-	-	-	736
Black Head	108,000	-	-	(108,000)	-
Black Island	49,702	52,094	307,636	(384,737)	24,695
Bog Brook East	95,000	-	-	(84,118)	10,882
Campaign for the Coast:					
Conservation Innovation	680,754	-	-	(90,899)	589,855
Conservation Leadership	2,279,226	-	52,227	(210,507)	2,120,946
Gotts Island	71,458	-	-	-	71,458
Caterpillar Hill	132,180	350	-	(2,250)	130,280
CE - Blue Hill Bay Area	200,000	-	(100,000)	-	100,000
Witherle Woods	39,821	-	-	-	39,821
Babson Creek	702	-	-	-	702
Long/Schooner Cove	8,576	-	-	-	8,576
Cobscook Bay	48,247	5,500	-	-	53,747
Gateway	26,372	-	-	-	26,372
Scott's Landing	15,684	-	-	-	15,684
Land Protection	272,351	-	-	(272,351)	-
Undesignated	4,765,916	328	(261,135)	(421,434)	4,083,675
Cliff Lot	177,484	-	-	(177,484)	-
Compass Island	-	-	5,000	(5,000)	-
Conservation Innovation - Chile Project	1,070	-	-	-	1,070
Contribute to Place	2,354	-	-	(1,088)	1,266
Crow's Neck Farm	150,000	-	-	(150,000)	-
Downeast Collaborative	11,600	-	-	-	11,600
General Operations - Time Restricted	212,806	6,659	-	(82,750)	136,715
Gooseberry Island	91,827	-	-	(91,827)	-
Grain Point	58,000	-	26,500	(84,500)	-
Grants Weskeag	24,647	-	-	-	24,647
Espy Award	9,693	13,646	-	(5,000)	18,339
Federal Harbor North	-	1,250	-	(1,250)	-
Frenchboro Shorefront Acquisition	197,905	-	(100,000)	-	97,905
Jed's Island	-	15,577	-	(15,577)	-
Kilkenny Cove	-	98,000	-	(98,000)	-
Kittridge Brook Forest	-	5,900	-	(5,900)	-
Land - Acquisition & Stewardship - Undesignated	396,797	97,179	-	(176,566)	317,410
Long Creek Point	-	82,534	-	(82,534)	-
Lower Hadlock Pond	-	147,811	-	(147,811)	-
LMF - Future Bonding Efforts	-	3,785	-	-	3,785
LTA - AYO	3,100	-	-	-	3,100
LTA - Grant	7,507	-	-	-	7,507
LTA - Easement	7,357	-	-	-	7,357
LTA - Training	-	1,500	-	(1,500)	-
Maine Lane Trust Excellence Program	517,304	-	-	(105,409)	411,895
Maquoit Bay	-	934,415	-	(934,415)	-

## MAINE COAST HERITAGE TRUST

## Schedule of Operating Fund Temporarily Restricted Activity

Year Ended December 31, 2010

	Balance at December 31, <u>2009</u>	Contributions and Grants	Campaign for the Coast Interim Allocation and Other Transfers	Restricted Expenditures Released	Balance at December 31, <u>2010</u>
MDI Land	3,433,922	(341,915)	(107,636)	-	<b>2,984,371</b>
MDI Office	38,492	267,509	-	(301,001)	<b>5,000</b>
MDI Office Landscaping	24,952	48	-	(17,000)	<b>8,000</b>
MDI Stewardship Position	-	20,000	-	(20,000)	-
Metinic Island	-	-	7,500	(7,500)	-
Mill Pond Point	73,000	56,000	(43,000)	(86,000)	-
Mill Pond Stream	-	1,075	-	(1,075)	-
Mill River	8,669	-	-	-	<b>8,669</b>
MLTN	50,000	25,250	-	(75,250)	-
MLTN - Horizon Grant	278	-	-	-	<b>278</b>
MLTN - Ram Island Grant	-	10,000	-	-	<b>10,000</b>
MLTN - LL Bean Grant	-	22,750	-	(22,750)	-
Moose Cove III	-	698,240	50,000	(748,240)	-
Narraguagus Bay	3,000	1,000	-	-	<b>4,000</b>
NOAA	9,510	-	-	-	<b>9,510</b>
PEW - Washington County Initiative	-	3,330	(3,330)	-	-
Plummer Point	-	291,750	-	(291,750)	-
Ragged Island	-	5,000	-	-	<b>5,000</b>
Schoolhouse Ledge	-	100	-	(100)	-
Seabird Islands	-	50	-	-	<b>50</b>
Second Pond	1,000	-	-	-	<b>1,000</b>
Shabbit Island	96,000	-	43,000	(139,000)	-
Sipp Bay - Knowlton	-	-	50,000	(50,000)	-
Southern Maine	25,000	-	-	-	<b>25,000</b>
Stewardship - Designated Funds:					
Basin	9,633	-	-	(4,058)	<b>5,575</b>
Blueberry Feasibility Study	-	20,000	-	(5,105)	<b>14,895</b>
Calderwood	39,434	-	-	(991)	<b>38,443</b>
Cape Small	200	-	-	-	<b>200</b>
Cooksey	52,000	-	-	(975)	<b>51,025</b>
Equipment Purchase	-	1,300	-	-	<b>1,300</b>
Erickson Fields - Teen Social Entrepreneurship Program	-	21,005	-	(15,305)	<b>5,700</b>
Erickson Fields & Aldermere Programs	-	15,000	-	-	<b>15,000</b>
Erickson Fields - Banners	-	537	-	(537)	-
Erickson Fields - Replication Program	-	15,000	-	-	<b>15,000</b>
Frenchboro Trails	2,984	-	-	(2,984)	-
Gott	5,655	100	-	(5,755)	-
Hearst	34,427	-	-	-	<b>34,427</b>
LMF - Meadows & Mountains/Norse Pond Trail Improvement	-	18,900	-	(18,900)	-
Louds Island	1,500	750	-	-	<b>2,250</b>
Manset Field	670	500	-	(1,170)	-
Marshall Trails	-	900	-	(900)	-
McLellan - Poor Preserve	-	11,835	-	(5,835)	<b>6,000</b>
Pond Island	17,090	-	-	(82)	<b>17,008</b>
Pooled Short Term Stew Fund	55,200	-	-	(12,384)	<b>42,816</b>
Ramsdell Cove	3,000	-	-	-	<b>3,000</b>

## MAINE COAST HERITAGE TRUST

## Schedule of Operating Fund Temporarily Restricted Activity

Year Ended December 31, 2010

	Balance at December 31, <u>2009</u>	Contributions and Grants	Campaign for the Coast Interim Allocation and Other Transfers	Restricted Expenditures Released	Balance at December 31, <u>2010</u>
Saddleback	-	200	-	(200)	-
Scudder	596	-	-	(350)	246
Sears Island	5,461	-	-	-	5,461
Time Restricted	11,215	-	-	(8,990)	2,225
Treats Island	-	5,000	-	-	5,000
Washington County - Partridge - Stewardship Grant	85,200	-	-	(85,200)	-
Washington & Hancock County - Partridge Stewardship Grant	150,000	-	-	(51,326)	98,674
Wescott	15,167	-	-	(150)	15,017
Willard Point	47,740	-	-	(2,101)	45,639
Till's Point	25	-	-	(25)	-
Treat Island - East	397,000	-	-	(397,000)	-
Treat Island - West	171,000	-	-	(171,000)	-
USF&W Grant - Metinic & Compass Island	-	12,500	(12,500)	-	-
Ward Farm/Long Cove	135,000	2,500	-	(137,500)	-
Washington County	142,928	206	-	(50,626)	92,508
Washington County - Land Acquisition	9,000	50	-	-	9,050
Washington County - Partridge Grant - Economic Development	54,739	-	-	(53,390)	1,349
Washington & Hancock County - Partridge Grant - Economic Dev	300,000	-	-	(90,514)	209,486
Washington & Hancock County - Partridge Grant - Land Acquisition	300,000	-	(126,500)	(22,000)	151,500
Washington County - Sewall Grant	50,000	-	3,330	(53,330)	-
Willard Point	-	121,000	-	-	121,000
Total	<u>\$ 16,750,863</u>	<u>\$ 2,775,194</u>	<u>\$ (208,908)</u>	<u>\$ (6,925,452)</u>	<u>\$ 12,391,697</u>

## MAINE COAST HERITAGE TRUST

## Schedule of Activity - Selected Funds

Year Ended December 31, 2010

	^ Land Opportunity Fund	*Conservation Leadership Temporarily Restricted	*Conservation Innovation Temporarily Restricted
Balance, December 31, 2009	\$ 63,415	\$ 2,279,226	\$ 680,754
Campaign for the Coast Interim Allocation	-	52,227	-
Expenditures	(71,102)	(210,507)	(90,899)
Transfers in	<u>54,183</u>	<u>-</u>	<u>-</u>
Balance, December 31, 2010	<u>\$ 46,496</u>	<u>\$ 2,120,946</u>	<u>\$ 589,855</u>

^ Land Opportunity Fund is included in the Revolving Loan Fund

\* Conservation Leadership and Conservation Innovation are included in the Operating Fund