



**FINANCIAL STATEMENTS**

**December 31, 2018**

**With Independent Auditor's Report**





## INDEPENDENT AUDITOR'S REPORT

The Board of Directors  
Maine Coast Heritage Trust

We have audited the accompanying financial statements of Maine Coast Heritage Trust (the Organization), which comprise the statement of financial position as of December 31, 2018, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audit. 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to error or fraud. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence obtained is sufficient and appropriate to provide a basis for our audit opinion.

### ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of December 31, 2018, and the changes in its net assets and its cash flows for the year then ended, in accordance with U.S. generally accepted accounting principles.

The Board of Directors  
Maine Coast Heritage Trust

***Report on Summarized Comparative Information***

We have previously audited the Organization's 2017 financial statements, and we expressed an unmodified opinion on those audited financial statements in our report dated July 18, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2017 is consistent, in all material respects, with the audited financial statements from which it has been derived.

***Change in Accounting Principles***

As discussed in Note 1 to the financial statements, during the year ended December 31, 2018, the Organization adopted new accounting guidance, Accounting Standards Update 2016-14, *Not-for-Profit Entities (Topic 958), Presentation of Financial Statements of Not-for-Profit Entities*. Our opinion is not modified with respect to this matter.

*Berry Dunn McNeil & Parker, LLC*

Bangor, Maine  
July 29, 2019

**MAINE COAST HERITAGE TRUST**

**Statement of Financial Position**

**December 31, 2018**

**(With Comparative Totals for December 31, 2017)**

**ASSETS**

	<b>2018</b>					<b>Total</b>	2017 <u>Total</u>
	<u>Operating</u>	<u>Operating Endowment</u>	<u>Stewardship Investments</u>	<u>Revolving Loan</u>	<u>Special Projects</u>		
Cash and cash equivalents	\$ 17,802,418	\$ -	\$ -	\$ 2,587,343	\$ -	\$ <b>20,389,761</b>	\$ 16,662,476
Accounts and accrued interest receivable	250,852	-	-	1,948	-	<b>252,800</b>	402,720
Bequests receivable, net	1,216,719	2,100,000	2,718,370	-	-	<b>6,035,089</b>	3,759,988
Pledges and grants receivable, net	5,151,544	68,556	2,180,427	-	-	<b>7,400,527</b>	12,412,653
Due (to) from other funds	(2,343,571)	-	618,964	1,731,834	(7,227)	-	-
Notes receivable	250,000	-	-	91,271	-	<b>341,271</b>	558,861
Investments	9,492,591	29,248,935	30,076,643	-	2,789,084	<b>71,607,253</b>	66,189,423
Beneficial interest in split-interest agreements	4,565,694	-	-	-	-	<b>4,565,694</b>	5,174,405
Property and equipment, net of accumulated depreciation	2,536,802	-	-	-	-	<b>2,536,802</b>	2,604,784
Deposits and other assets	333,161	-	-	-	-	<b>333,161</b>	333,574
Land	<u>96,987,597</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<b><u>96,987,597</u></b>	<u>92,262,032</u>
Total assets	<u>\$ 136,243,807</u>	<u>\$ 31,417,491</u>	<u>\$ 35,594,404</u>	<u>\$ 4,412,396</u>	<u>\$ 2,781,857</u>	<b><u>\$ 210,449,955</u></b>	<u>\$ 200,360,916</u>

## LIABILITIES AND NET ASSETS

	2018					2017 Total	
	Operating	Operating Endowment	Stewardship Investments	Revolving Loan	Special Projects		Total
<b>Liabilities</b>							
Accounts payable	\$ 214,091	\$ -	\$ -	\$ -	\$ -	\$ 214,091	\$ 302,272
Deferred revenue	1,971	-	-	-	-	1,971	17,532
Accrued expenses and other liabilities	213,092	-	-	-	-	213,092	235,043
Notes payable	<u>100,000</u>	-	-	-	-	<u>100,000</u>	<u>60,000</u>
Total liabilities	<u>529,154</u>	-	-	-	-	<u>529,154</u>	<u>614,847</u>
<b>Net assets</b>							
Without donor restrictions							
Available for operations	8,093,150	-	-	4,056,174	-	12,149,324	7,372,756
Board-designated	919,977	11,700,697	17,781,944	106,222	2,781,857	33,290,697	29,634,741
Net investment in land, property and equipment	<u>99,524,399</u>	-	-	-	-	<u>99,524,399</u>	<u>94,866,816</u>
Total net assets without donor restrictions	108,537,526	11,700,697	17,781,944	4,162,396	2,781,857	144,964,420	131,874,313
With donor restrictions	<u>27,177,127</u>	<u>19,716,794</u>	<u>17,812,460</u>	<u>250,000</u>	-	<u>64,956,381</u>	<u>67,871,756</u>
Total net assets	<u>135,714,653</u>	<u>31,417,491</u>	<u>35,594,404</u>	<u>4,412,396</u>	<u>2,781,857</u>	<u>209,920,801</u>	<u>199,746,069</u>
Total liabilities and net assets	<u>\$ 136,243,807</u>	<u>\$ 31,417,491</u>	<u>\$ 35,594,404</u>	<u>\$ 4,412,396</u>	<u>\$ 2,781,857</u>	<u>\$ 210,449,955</u>	<u>\$ 200,360,916</u>

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

**MAINE COAST HERITAGE TRUST**

**Statement of Activities**

**Year Ended December 31, 2018**

**(With Comparative Totals for the Year Ended December 31, 2017)**

	<u>2018</u>						<u>2017</u>
	<u>Operating</u>	<u>Operating</u>	<u>Stewardship</u>	<u>Revolving</u>	<u>Special</u>	<u>Total</u>	<u>Total</u>
		<u>Endowment</u>	<u>Investments</u>	<u>Loan</u>	<u>Projects</u>		
Changes in net assets without donor restrictions							
Revenues and gains							
Contributions and grants	\$ 7,308,187	\$ 4,200,000	\$ -	\$ -	\$ -	\$ 11,508,187	\$ 3,083,130
Donated land	2,173,001	-	-	-	-	2,173,001	708,660
Interest and dividend income	201,217	13,295	41,383	19,873	4,442	280,210	90,022
Net (loss) gain on investments	(107,299)	(210,764)	(1,026,921)	-	(68,617)	(1,413,601)	3,843,510
Investment income transfers	1,543,532	(410,356)	(999,460)	-	(133,716)	-	-
Farm operations revenue	64,963	-	-	-	-	64,963	67,025
Other, net	178,369	-	-	-	-	178,369	112,210
Net assets released from restrictions							
Investment income transfer	828,512	-	-	-	-	828,512	787,124
Aldermere contributions and investment income	445,445	-	-	-	-	445,445	338,673
Land protection and other	<u>5,821,635</u>	<u>-</u>	<u>1,876,957</u>	<u>-</u>	<u>-</u>	<u>7,698,592</u>	<u>7,373,643</u>
Total revenues and gains (losses) without donor restrictions	<u>18,457,562</u>	<u>3,592,175</u>	<u>(108,041)</u>	<u>19,873</u>	<u>(197,891)</u>	<u>21,763,678</u>	<u>16,403,997</u>
Expenses							
Operations support	754,826	-	-	-	-	754,826	752,153
Land protection							
Land transaction activity	1,613,505	-	-	-	-	1,613,505	2,992,282
Other land protection expenses	2,291,972	-	-	-	-	2,291,972	2,232,112
Fund raising	1,407,500	-	-	-	-	1,407,500	1,438,277
Public education and outreach	539,939	-	-	-	-	539,939	423,925
Stewardship	1,953,500	-	-	-	-	1,953,500	1,812,302
Farm operations	<u>518,406</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>518,406</u>	<u>518,809</u>
Total expenses	<u>9,079,648</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>9,079,648</u>	<u>10,169,860</u>
Change in net assets without donor restrictions	<u>9,377,914</u>	<u>3,592,175</u>	<u>(108,041)</u>	<u>19,873</u>	<u>(197,891)</u>	<u>12,684,030</u>	<u>6,234,137</u>

	<b>2018</b>					<b>Total</b>	2017 <u>Total</u>
	<u>Operating</u>	<u>Operating Endowment</u>	<u>Stewardship Investments</u>	<u>Revolving Loan</u>	<u>Special Projects</u>		
Changes in net assets with donor restrictions							
Contributions and grants	7,022,020	6,489	297,922	-	-	<b>7,326,431</b>	5,288,429
Campaign for the Coast interim allocation	(732,000)	366,000	366,000	-	-	-	-
(Decrease) increase in beneficial interest in split-interest agreements	(562,146)	-	-	-	-	<b>(562,146)</b>	464,117
Interest and dividend income	203,829	26,842	-	-	-	<b>230,671</b>	214,350
Net (loss) gain on investments	(106,174)	(425,531)	-	-	-	<b>(531,705)</b>	4,604,997
Net assets released from restrictions							
Investment income transfer	-	(828,512)	-	-	-	<b>(828,512)</b>	(787,124)
Aldermere contributions and investment income	(445,445)	-	-	-	-	<b>(445,445)</b>	(338,673)
Land protection and other	<u>(5,821,635)</u>	<u>-</u>	<u>(1,876,957)</u>	<u>-</u>	<u>-</u>	<b><u>(7,698,592)</u></b>	<u>(7,373,643)</u>
Change in net assets with donor restrictions	<u>(441,551)</u>	<u>(854,712)</u>	<u>(1,213,035)</u>	<u>-</u>	<u>-</u>	<b><u>(2,509,298)</u></b>	<u>2,072,453</u>
Change in net assets	8,936,363	2,737,463	(1,321,076)	19,873	(197,891)	<b>10,174,732</b>	8,306,590
Net assets, beginning of year	127,392,524	28,680,028	36,289,037	4,392,523	2,991,957	<b>199,746,069</b>	191,439,479
Transfers between funds	<u>(614,234)</u>	<u>-</u>	<u>626,443</u>	<u>-</u>	<u>(12,209)</u>	<u>-</u>	<u>-</u>
Net assets, end of year	<u>\$ 135,714,653</u>	<u>\$ 31,417,491</u>	<u>\$ 35,594,404</u>	<u>\$ 4,412,396</u>	<u>\$ 2,781,857</u>	<b><u>\$ 209,920,801</u></b>	<u>\$ 199,746,069</u>

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

**MAINE COAST HERITAGE TRUST**

**Statement of Functional Expenses**

**Year Ended December 31, 2018**

**(With Comparative Totals for the Year Ended December 31, 2017)**

	<b>2018</b>							
	<u>Operations</u>	<u>Land</u>	<u>Fund</u>	<u>Public</u>	<u>Farm</u>	<u>Total</u>	<u>2017</u>	
	<u>Support</u>	<u>Protection</u>	<u>Raising</u>	<u>Education</u>	<u>Stewardship</u>	<u>Operations</u>	<u>Total</u>	
				<u>and Outreach</u>				
Salaries and wages	\$ 345,838	\$ 1,242,579	\$ 582,058	\$ 152,595	\$ 915,118	\$ 197,362	\$ 3,435,550	\$ 3,360,598
Payroll taxes	26,091	94,966	44,842	11,518	72,301	16,749	266,467	259,665
Employee benefits	87,174	305,033	144,648	39,358	214,067	41,066	831,346	853,928
Professional fees	55,328	6,657	-	-	4,000	1,500	67,485	61,971
Contract personnel	54,179	176,143	224,913	138,500	51,546	-	645,281	703,189
Printing and copying	-	-	82,714	80,617	8	388	163,727	123,149
Rent and utilities	17,154	67,001	27,288	7,439	41,603	24,540	185,025	179,300
Telephone	6,734	23,395	10,712	2,920	16,132	2,151	62,044	56,111
Postage	1,035	4,635	34,112	452	2,540	791	43,565	30,451
Office supplies	2,479	7,736	3,596	950	5,017	1,528	21,306	20,155
Project expense	737	57,856	176,017	80,454	127,442	-	442,506	414,964
Cattle/farm operations	-	-	-	-	-	51,812	51,812	63,471
Travel	9,500	28,365	29,998	2,073	35,451	4,134	109,521	85,163
Board and committee meetings	84	53,819	607	54	896	-	55,460	25,648
Conference	-	62,180	-	-	-	-	62,180	44,290
Dues	584	21,770	949	-	125	342	23,770	23,481
Insurance	11,163	38,000	17,796	4,836	28,227	13,860	113,882	116,779
Staff recruitment	-	-	-	35	1,428	826	2,289	936
Staff training	10,609	9,277	5,520	1,659	4,872	352	32,289	24,106
Office and equipment maintenance expense	13,745	49,778	20,937	16,437	66,953	320	168,170	142,777
Property management	12,189	-	-	-	120,293	62,705	195,187	140,533
Property taxes	-	-	-	-	166,838	4,335	171,173	154,791
Books and periodicals	108	324	512	42	89	45	1,120	1,395
Payroll service, bank and other fees	27,597	-	-	-	-	4,153	31,750	21,868
Depreciation	17,235	42,458	-	-	59,829	60,387	179,909	182,295
Change in allowance for uncollectible pledges	-	-	-	-	-	-	-	2,260
Equipment expense	55,263	-	281	-	18,725	29,060	103,329	84,304
Subtotal	<u>754,826</u>	<u>2,291,972</u>	<u>1,407,500</u>	<u>539,939</u>	<u>1,953,500</u>	<u>518,406</u>	<u>7,466,143</u>	<u>7,177,578</u>
<u>Land transaction activity</u>								
Conservation easements purchased	-	9,828	-	-	-	-	9,828	54,107
Loss on sale of land	-	565,606	-	-	-	-	565,606	24,430
Contributions in support of other organizations	-	1,038,071	-	-	-	-	1,038,071	2,913,745
Subtotal	<u>-</u>	<u>1,613,505</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,613,505</u>	<u>2,992,282</u>
Total	\$ <u>754,826</u>	\$ <u>3,905,477</u>	\$ <u>1,407,500</u>	\$ <u>539,939</u>	\$ <u>1,953,500</u>	\$ <u>518,406</u>	\$ <u>9,079,648</u>	\$ <u>10,169,860</u>

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



# MAINE COAST HERITAGE TRUST

## Statement of Cash Flows

Year Ended December 31, 2018

(With Comparative Totals for the Year Ended December 31, 2017)

	<b>2018</b>					<b>Total</b>	2017 <u>Total</u>
	<u>Operating</u>	<u>Operating Endowment</u>	<u>Stewardship Investments</u>	<u>Revolving Loan</u>	<u>Special Projects</u>		
Cash flows from operating activities							
Change in net assets	\$ 8,936,363	\$ 2,737,463	\$ (1,321,076)	\$ 19,873	\$ (197,891)	\$ <b>10,174,732</b>	\$ 8,306,590
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities							
Depreciation	179,909	-	-	-	-	<b>179,909</b>	182,295
Donated land received	(2,173,001)	-	-	-	-	<b>(2,173,001)</b>	(708,660)
Loss on sale and transfer of land	565,606	-	-	-	-	<b>565,606</b>	24,430
(Gain) loss on sale of cattle, equipment and artwork	(27,007)	-	-	-	-	<b>(27,007)</b>	95,527
Net loss (gain) on investments	213,473	636,295	1,026,921	-	68,617	<b>1,945,306</b>	(8,423,899)
(Gain) loss on beneficial interest in split- interest agreements	(27,676)	-	-	-	-	<b>(27,676)</b>	31,484
Contributions and investment income restricted for long-term investment	(4,038,630)	(367,510)	(293,272)	-	-	<b>(4,699,412)</b>	(3,475,435)
Decrease (increase) in							
Pledges receivable	8,470,259	7,794	64,374	-	-	<b>8,542,427</b>	(284,026)
Accounts and accrued interest receivable	145,259	-	-	4,661	-	<b>149,920</b>	(282,778)
Bequests receivable	(105,957)	(2,100,000)	(69,144)	-	-	<b>(2,275,101)</b>	(133,104)
Deposits and other assets	413	-	-	-	-	<b>413</b>	(163,412)
Increase (decrease) in							
Accounts payable	(88,181)	-	-	-	-	<b>(88,181)</b>	(70,348)
Deferred revenue	(15,561)	-	-	-	-	<b>(15,561)</b>	(5,925)
Accrued expenses and other liabilities	(21,951)	-	-	-	-	<b>(21,951)</b>	29,346
Net cash provided (used) by operating activities	<u>12,013,318</u>	<u>914,042</u>	<u>(592,197)</u>	<u>24,534</u>	<u>(129,274)</u>	<u><b>12,230,423</b></u>	<u>(4,877,915)</u>

	<b>2018</b>					<b>Total</b>	<b>2017 Total</b>
	<u>Operating</u>	<u>Operating Endowment</u>	<u>Stewardship Investments</u>	<u>Revolving Loan</u>	<u>Special Projects</u>		
Cash flows from investing activities							
Purchase of land	\$ (4,946,628)	\$ -	\$ -	\$ -	\$ -	\$ (4,946,628)	\$ (2,392,403)
Proceeds from sale of land	1,828,458	-	-	-	-	1,828,458	186,632
Purchase of property and equipment	(192,994)	-	-	-	-	(192,994)	(225,239)
Purchase of investments	(6,858,260)	(8,595,277)	(10,202,375)	-	(617,569)	(26,273,481)	(39,706,416)
Proceeds from sale of investments	1,226,756	7,313,725	9,614,872	-	754,993	18,910,346	39,009,409
Advances on notes receivable	-	-	-	(95,000)	-	(95,000)	(250,000)
Repayments of notes receivable, net	-	-	-	312,590	-	312,590	66,139
Transfers between funds	(614,234)	-	626,443	-	(12,209)	-	-
Proceeds from sale of cattle and equipment	108,074	-	-	-	-	108,074	106,007
Net cash (used) provided by investing activities	<u>(9,448,828)</u>	<u>(1,281,552)</u>	<u>38,940</u>	<u>217,590</u>	<u>125,215</u>	<u>(10,348,635)</u>	<u>(3,205,871)</u>
Cash flows from financing activities							
Change in due to/from other funds	9,003	-	(618,564)	605,502	4,059	-	-
Contributions and investment income received, restricted for long-term investment	266,166	367,510	1,171,821	-	-	1,805,497	5,913,396
Principal payments on notes payable	(60,000)	-	-	-	-	(60,000)	(60,000)
Proceeds from notes payable	100,000	-	-	-	-	100,000	-
Net cash provided by financing activities	<u>315,169</u>	<u>367,510</u>	<u>553,257</u>	<u>605,502</u>	<u>4,059</u>	<u>1,845,497</u>	<u>5,853,396</u>
Net increase (decrease) in cash and cash equivalents	2,879,659	-	-	847,626	-	3,727,285	(2,230,390)
Cash and cash equivalents, beginning of year	<u>14,922,759</u>	<u>-</u>	<u>-</u>	<u>1,739,717</u>	<u>-</u>	<u>16,662,476</u>	<u>18,892,866</u>
Cash and cash equivalents, end of year	<u>\$ 17,802,418</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,587,343</u>	<u>\$ -</u>	<u>\$ 20,389,761</u>	<u>\$ 16,662,476</u>

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

# MAINE COAST HERITAGE TRUST

## Notes to Financial Statements

December 31, 2018

### Purpose of the Organization

Maine Coast Heritage Trust's (the Organization's) mission is to conserve and steward Maine's coastal lands and islands for their renowned scenic beauty, ecological value, outdoor recreational opportunities and contribution to community well-being. The Organization provides statewide conservation leadership through its work with land trusts, coastal communities and other partners. 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 2018, the Organization received contributions from approximately 6,500 donors, totaling approximately \$21,000,000.

Approximately \$4,200,000 of these total contributions was received from one donor.

### 1. Summary of Significant Accounting Policies

#### Basis of Presentation

The financial statements of the Organization have been prepared in accordance with U.S. generally accepted accounting principles (U.S. GAAP), which require the Organization to report information regarding its financial position and activities according to the following net asset classifications:

**Net assets without donor restrictions:** Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the organization. These net assets may be used at the discretion of the Organization's management and Board of Directors.

**Net assets with donor restrictions:** Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

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

- Operating fund, which includes resources with and without donor restriction, 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

# MAINE COAST HERITAGE TRUST

## Notes to Financial Statements

December 31, 2018

outreach, stewardship contributions and expenses (stewardship investment activity is reported in the stewardship investments fund), and Conservation Limited Development, LLC. Included in the Operating fund is Aldermere Farm, which represents resources without donor restrictions and with donor restrictions received through a bequest, including a beneficial interest in a perpetual trust. Distributions from this trust are to be used to fund farm operations in furtherance of the Organization's mission.

- Operating endowment represents contributions without donor restrictions and with donor restrictions, 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 contributions with donor restrictions is not eroded.
- Stewardship investments represent 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 represent resources that are held for board-designated special projects, the income from which is reflected in the operating or special projects fund.

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. GAAP. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended December 31, 2017, from which the summarized information was derived.

### **Newly Adopted Accounting Principles and Reclassifications**

In 2018, the Organization adopted Accounting Standards Update (ASU) No. 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities (Topic 958)*, which makes targeted changes to the not-for-profit financial reporting model. The new ASU marks the completion of the first phase of a larger project aimed at improving not-for profit financial reporting. Under the new ASU, net asset reporting is streamlined and clarified. The existing three category classification of net assets is replaced with a simplified model that combines temporarily restricted and permanently restricted into a single category called "net assets with donor restrictions." New disclosures highlight restrictions on the use of resources that make otherwise liquid assets unavailable for meeting near term financial requirements. The ASU also imposes several new requirements related to reporting expenses. The adoption of the ASU had no impact on previously reported total net assets.

### **Cash and Cash Equivalents**

The Organization considers all highly liquid savings deposits and certificates of deposit with maturities of one year or less when purchased to be cash equivalents.

# MAINE COAST HERITAGE TRUST

## Notes to Financial Statements

December 31, 2018

### **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 net assets with donor restriction. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statements of activities as net assets released from restrictions.

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.

### **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, 2018, 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.

# MAINE COAST HERITAGE TRUST

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Gifts of long-lived assets such as buildings or equipment are reported as revenues and gains without donor restrictions, 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 increases in net assets with donor restrictions. 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 increases of net assets without donor restrictions, 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 increases of net assets with donor restrictions. 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 Financial Accounting Standards Board 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 subject 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 \$10,217,244 at December 31, 2018. Impairment was primarily determined to be 30% 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 360-10-35-17, impairment losses were reflected in prior years for restrictions placed on land. There were no impairment losses in 2018.

# MAINE COAST HERITAGE TRUST

## Notes to Financial Statements

December 31, 2018

### **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 U.S. 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 (the 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 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 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.

### **Functional Expenses**

The financial statements report certain categories of expenses that are attributable to one or more program or supporting functions of the Organization. Those expenses include the salaries and wages, payroll taxes, and employee benefits of staff which are allocated based on estimates of time and effort.

### **Subsequent Events**

For purposes of the preparation of these financial statements in conformity with U.S. GAAP, the Organization has considered transactions or events occurring through July 29, 2019, which was the date that the financial statements were available to be issued.

# MAINE COAST HERITAGE TRUST

## Notes to Financial Statements

December 31, 2018

### 2. Pledges and Bequests Receivable

Pledges and bequests receivable at December 31, 2018 are discounted to present value as required using a risk free rate of return, and are expected to be collected in the years outlined below and consist of the following:

	<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 0.80 - 3.27%</u>	<u>Net Pledges, Grants and Bequests Receivable at December 31, 2018</u>
Acadian Region Land - with donor restriction	\$ 1,000,000	\$ 1,000,000	\$ -	\$ 2,000,000	\$ (38,077)	\$ 1,961,923
Beth Van Vleck Fund for Land Acquisition and Stewardship	152,834	142,757	-	295,591	(5,436)	290,155
Clark Island	15,500	46,500	-	62,000	(3,537)	58,463
Land Trust Program	31,000	30,000	-	61,000	(2,282)	58,718
Marsh Migration	40,000	-	-	40,000	-	40,000
Places for People:						
Washington County	24,979	50,000	-	74,979	(3,184)	71,795
Woodward Point	87,500	60,500	-	148,000	(3,964)	144,036
Annual fund	206,398	398,817	-	605,215	(23,359)	581,856
Aldermere Endowment	35,460	69,634	-	105,094	(4,219)	100,875
Operating Endowment	2,130,717	39,715	-	2,170,432	(1,877)	2,168,555
Stewardship	1,127,323	1,626,844	4,100,000	6,854,167	(1,450,653)	5,403,514
Comprehensive Campaign - undesignated	429,592	926,519	1,470,450	2,826,561	(305,490)	2,521,071
Other donor restricted	16,584	19,100	-	35,684	(1,029)	34,655
	<u>16,584</u>	<u>19,100</u>	<u>-</u>	<u>35,684</u>	<u>(1,029)</u>	<u>34,655</u>
Total	<u>\$ 5,297,887</u>	<u>\$ 4,410,386</u>	<u>\$ 5,570,450</u>	<u>\$ 15,278,723</u>	<u>\$ (1,843,107)</u>	<u>\$ 13,435,616</u>

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, and the State of Maine Land for Maine's Future Program.

As certain conditions of the grants have not been met at December 31, 2018, these are not recognized as assets in the statement of financial position.

The following grants are contingent upon the acquisition of the respective preserves:

- \$785,000 in support of three Maine islands as well as a coastal marsh protection project.
- \$570,000 in support of the purchase of a coastal marsh protection project.



# MAINE COAST HERITAGE TRUST

## Notes to Financial Statements

December 31, 2018

There is also a conditional grant in the amount of \$5,000,000 for "the Partridge Challenge," which is contingent upon fundraising goals for the Places for People Community Conservation Initiative. There is also a conditional challenge grant in the amount of \$10,000,000, which is contingent upon fundraising, land donations and bargain sales goals for the Organization's Comprehensive Campaign.

In 2019, the Organization was notified that it would be the recipient of \$6,000,000 in conditional grants from federal and private sources.

### 3. Investments

Investments consist of the following:

Mutual Funds - Vanguard (International Equity Index Fund, Long Term Treasury Fund & Short Term TIPS), Arrowstreet ACWI ex US, Artisan Global Value, JO Hambro Global Equity, and Kabouter International Opportunities	\$ 25,861,114
Fidelity Institutional Money Market Portfolio and Harpswell General Government Security Money Market	5,725,179
Corporate Bonds	4,138,030
Other Investments	<u>35,882,930</u>
Total investments	<u>\$ 71,607,253</u>

The Organization's investment income during 2018 was comprised of interest and dividend income of \$510,881 and total loss on investments of \$2,517,711, net of fees of approximately 75 basis points, or \$572,405.

The net assets with donor restrictions fund that is of perpetual duration in the operating endowment and stewardship funds 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 80-90% of investments to be held in equity securities, private investments and marketable alternatives, with the remaining 10-20% in fixed income securities. The Organization's investment committee monitors the underlying asset allocation of the multi-asset fund managers and regularly tracks 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, stewardship, special projects, and Aldermere Farm investment funds.

# MAINE COAST HERITAGE TRUST

## Notes to Financial Statements

December 31, 2018

Maine legislation requires that appreciation on investments of net assets with donor restrictions that are of perpetual duration be considered a donor-restricted asset until appropriated pursuant to proper governing-board action. Pursuant to the Board of Directors' interpretation of this legislation, the appreciation on the operating endowment that is not of perpetual duration and appreciation on the stewardship investments fund is classified as funds subject to use or time restriction and released from restriction upon appropriation by the Board of Directors in accordance with the spending policy as described above. Earnings on net assets with funds subject to use or time restriction are classified as net assets without donor restrictions unless explicitly restricted by the donor. The Organization has also interpreted the legislation to permit spending from funds with deficiencies in accordance with prudent measures required under the legislation. There were no funds with such deficiencies as of December 31, 2018.

The majority of investments managed by TIFF, Legacy Venture LLCs, VIA Energy L.P.s, Accolade Partners, L.P.s, Adamas Partners L.P., Autonomy Capital, Camber Capital, Davidson Kempner Institutional Partners, L.P., Kline Hill Partners, Moonrise Capital, Overlook Partners, RWC Global Horizon, Two Sigma Funds and Thirteen Partners Private Equity 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 that is 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 investments managed by TIFF, Legacy Venture LLCs, VIA Energy L.P.s, Accolade Partners, L.P.s, Adamas Partners L.P., Autonomy Capital, Camber Capital, Davidson Kempner Institutional Partners, L.P., Kline Hill Partners, Moonrise Capital, Overlook Partners, RWC Global Horizon, Two Sigma Funds and Thirteen Partners Private Equity 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 has an outside investment advisor perform due diligence and monitoring activities including evaluation of fund managers and investment return, periodic communications with fund managers and attendance at annual meetings.

# MAINE COAST HERITAGE TRUST

## Notes to Financial Statements

**December 31, 2018**

The donor-restricted and board-designated endowment investment net asset composition by type of fund as of December 31, 2018 is as follows:

	<u>Board- Designated</u>	<u>Funds Subject to Use or Time Restriction</u>	<u>Funds of Perpetual Duration</u>	<u>Total</u>
Donor-restricted endowment funds	\$ -	\$ 6,258,970	\$ 28,418,850	\$ 34,677,820
Donor-restricted funds	-	1,626,811	-	1,626,811
Board-designated stewardship endowment funds	17,739,873	-	-	17,739,873
Board-designated endowment funds	9,746,686	-	-	9,746,686
Board-designated special projects funds	<u>2,788,996</u>	<u>-</u>	<u>-</u>	<u>2,788,996</u>
Total endowment investments	30,275,555	7,885,781	28,418,850	66,580,186
Investments without donor or board restriction	<u>5,027,067</u>	<u>-</u>	<u>-</u>	<u>5,027,067</u>
Total investments	<u>\$ 35,302,622</u>	<u>\$ 7,885,781</u>	<u>\$ 28,418,850</u>	<u>\$ 71,607,253</u>

Changes in donor-restricted and board-designated endowment investment net assets for the year ended December 31, 2018 are as follows:

	<u>Board Designated</u>	<u>Funds Subject to Use or Time Restriction</u>	<u>Funds of Perpetual Duration</u>	<u>Total</u>
Endowment investment net assets, beginning of year	\$ 28,373,553	\$ 11,347,990	\$ 26,467,880	\$ 66,189,423
Investment return				
Investment income	43,953	20,027	26,842	90,822
Realized gain on investments	481,280	379,140	-	860,420
Unrealized (loss) gain on investments	<u>(1,178,440)</u>	<u>(1,893,879)</u>	<u>340,668</u>	<u>(2,731,651)</u>
Net investment (loss) return	(653,207)	(1,494,712)	367,510	(1,780,409)
Contributions and other deposits	2,100,000	25,000	1,569,177	3,694,177
Transfers, including Campaign for the Coast interim allocation	-	872,264	14,283	886,547
Release for spending for Stewardship project expenses	1,876,957	(1,876,957)	-	-
Appropriation of endowment investment assets for expenditure	(1,413,592)	(987,808)	-	(2,401,400)
Other, net	<u>(8,156)</u>	<u>4</u>	<u>-</u>	<u>(8,152)</u>
Endowment investment net assets, end of year	<u>\$ 30,275,555</u>	<u>\$ 7,885,781</u>	<u>\$ 28,418,850</u>	<u>\$ 66,580,186</u>

MAINE COAST HERITAGE TRUST

Notes to Financial Statements

December 31, 2018

4. Property and Equipment

Property and equipment as of December 31, 2018 consists of:

Land improvements	\$ 143,112
Buildings	2,816,641
Farm equipment	576,295
Farm furnishings	13,539
Livestock	171,316
Equipment - office and other	636,738
Leasehold improvements	7,131
Artwork	<u>21,654</u>
	4,386,426
Accumulated depreciation	<u>(1,849,624)</u>
	<u>\$ 2,536,802</u>

5. Land and Conservation Easements

Following is a summary of land held by the Organization at December 31, 2018 and related activity for the year then ended:

Land purchased	\$ 53,151,168
Land donated	<u>43,836,429</u>
Total land	<u>\$ 96,987,597</u>

Land purchased during 2018:

<u>Name</u>	<u>Location</u>
Forbes Pond West	Gouldsboro
Bailey's Mistake Access	Lubec
Lookout Rock	Brooksville
Orange Lake South	Whiting
Monroe Island	Owls Head
Hardhead Island (Purchased by LLC)	Penobscot Bay
Seal Bay Smith (Purchased by LLC)	Vinalhaven

Land purchased during 2018 - bargain purchase:

<u>Name</u>	<u>Location</u>
Hills Island	Hancock
Johnson Point Addition (Bargain Purchase & Land Donation)	Machiasport
Old Eastport Road	Perry
Seal Bay - Barney's Point	Vinalhaven

**MAINE COAST HERITAGE TRUST**

**Notes to Financial Statements**

**December 31, 2018**

Land donations received during 2018:

<u>Name</u>	<u>Location</u>
Hershberger Lot	Bar Harbor
Pell Island	Isle au Haut
Seaduck Point	Beals

Conservation easements purchased during 2018:

<u>Name</u>	<u>Location</u>
Preble Cove CIRT	Cranberry Isles

Conservation easement donations received during 2018:

<u>Name</u>	<u>Location</u>
Carter Nubble	Mt. Desert
Forbes Pond South	Gouldsboro
Owls Head Harbor Park	Owls Head
Robin Hood Cove Place	Georgetown
Wilson Cove Skassen 2	Harpswell

During 2018, the Organization incurred a loss on sale of land of approximately \$566,000. The majority of this loss was attributable to land that had been previously gifted to MCHT in the form of a fee donation or bargain sale which was sold or transferred to other organizations during 2018.

**6. Description of Leasing Arrangements**

The Organization leases office space in Topsham under an operating lease agreement. The agreement expires in October 2022 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 5% annually.

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

2019	\$ 153,715
2020	167,521
2021	171,709
2022	<u>146,306</u>
	<u>\$ 639,251</u>

Rent expense under this lease totaled \$149,712 for 2018.

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

**MAINE COAST HERITAGE TRUST**

**Notes to Financial Statements**

**December 31, 2018**

**7. Borrowings**

Note payable consists of a \$100,000 non-interest bearing note, due in annual installments of \$25,000 through January 2022; proceeds were used toward the purchase of Hills Island in Hancock.

The Organization has available a \$4,000,000 line of credit, collateralized by investments or pledges at the option of the Organization. There were no outstanding advances on the line at December 31, 2018. The line of credit expires in September 2019. The Organization does not pay any availability fees on this line of credit.

**8. Employee Benefit Plans**

The Organization has established various defined contribution plans for employees. Contributions to the plans were \$250,284 for 2018.

**9. Operating Endowment Investment Loss**

Losses from operating endowment investments were as follows:

Interest and dividend income	\$ 40,137
Gross investment losses from operating endowment investments	(374,943)
Investment fees	<u>(261,352)</u>
Net investment losses from operating endowment investments	\$ <u>(596,158)</u>

# MAINE COAST HERITAGE TRUST

## Notes to Financial Statements

December 31, 2018

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

	Total Income (Loss)	Transferred to Operating Fund	Total 2018 Loss in the Operating Endowment
Funds of perpetual duration - added to principal	\$ <u>367,510</u>	\$ <u>-</u>	\$ <u>367,510</u>
Funds subject to use or time restriction before income transfers - gross	(591,416)	-	(591,416)
Investment fees	(174,783)	-	(174,783)
Current year transfer into the operating fund in accordance with spending policy	<u>-</u>	<u>828,512</u>	<u>(828,512)</u>
Funds subject to use or time restriction - net	<u>(766,199)</u>	<u>828,512</u>	<u>(1,594,711)</u>
Funds without donor restrictions - gross	(110,900)	410,356	(521,256)
Investment fees	<u>(86,569)</u>	<u>-</u>	<u>(86,569)</u>
Board-designated - net	<u>(197,469)</u>	<u>410,356</u>	<u>(607,825)</u>
Net operating endowment investment (loss) income	\$ <u>(596,158)</u>	\$ <u>1,238,868</u>	\$ <u>(1,835,026)</u>

### 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 Organization's share of 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 \$4,085,768 at December 31, 2018. Income earned on the trust was \$232,333 in 2018.

The Organization is also a remainder beneficiary of three 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 discount rate ranging from 2.5% to 6%, was \$179,922 at December 31, 2018.

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 discount rate ranging from 2.0% to 2.5%, was \$166,808 at December 31, 2018 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 \$300,004 at December 31, 2018.

**MAINE COAST HERITAGE TRUST**

**Notes to Financial Statements**

**December 31, 2018**

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

Beneficial interest in perpetual trust	\$ 4,085,768
Charitable remainder unitrusts	179,922
Charitable gift annuities	<u>300,004</u>
 Total beneficial interest in split-interest agreements	 \$ <u><u>4,565,694</u></u>

**11. Net Assets with Donor Restrictions**

As of December 31, 2018, net assets subject to expenditure for a specified purpose are as follows:

	<u>Operating</u>	<u>Operating Endowment</u>	<u>Stewardship Investments</u>	<u>Revolving Loan Fund</u>	<u>Total</u>
Stewardship	\$ 2,413,370	\$ -	\$ 1,667,320	\$ -	\$ 4,080,690
Land protection	11,801,087	-	-	250,000	12,051,087
General operations - time restricted	3,260,137	-	-	-	3,260,137
Operating endowment losses	-	(187,911)	-	-	(187,911)
Campaign for the Coast, interim allocation	<u>-</u>	<u>6,500,030</u>	<u>-</u>	<u>-</u>	<u>6,500,030</u>
Total	<u>\$ 17,474,594</u>	<u>\$ 6,312,119</u>	<u>\$ 1,667,320</u>	<u>\$ 250,000</u>	<u>\$ 25,704,033</u>

As of December 31, 2018, net assets subject to the Organization's spending policy (invested in perpetuity) are as follows:

Beneficial interest in a trust, the income from which is expendable to support Aldermere Farm operations	\$ 4,085,768
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	13,404,675
General operations of Aldermere Farm and Erickson Fields	420,627
The stewardship of conserved land	8,226,408
The stewardship of conserved land in the Acadian region	7,461,923
The Partridge Endowment for People and Places - Care for the Land	200,000
The Places for People - Care for the Land Endowment	256,809
The ESPY Land Heritage award given by the Organization	136,520
Land conservation effort in the Acadian region	2,500,000
The Partridge Endowment for People and Places - Connect People & Land	639,835
The Places for People - Connect People & Land Endowment	<u>519,783</u>
Total	<u>\$ 39,252,348</u>
 Total net assets with donor restrictions	 <u>\$ 64,956,381</u>



# MAINE COAST HERITAGE TRUST

## Notes to Financial Statements

December 31, 2018

### 12. Board-Designated Net Assets

The Board has chosen to designate a portion of net assets at December 31, 2018 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	\$ 134,301	\$ -	\$17,781,944	\$ -	\$ -	\$17,916,245
Revolving loan - island projects	-	-	-	106,222	-	106,222
Operating endowment	-	11,700,697	-	-	-	11,700,697
Special projects general	-	-	-	-	2,521,911	2,521,911
Legal defense fund - conservation easements	-	-	-	-	250,000	250,000
Conservation innovation	145,000	-	-	-	-	145,000
Capital replacement reserve-operating	<u>640,676</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>9,946</u>	<u>650,622</u>
	<u>\$ 919,977</u>	<u>\$11,700,697</u>	<u>\$17,781,944</u>	<u>\$ 106,222</u>	<u>\$ 2,781,857</u>	<u>\$33,290,697</u>

### 13. Fair Value Measurement

ASC Topic 820, *Fair Value Measurement*, 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. There were no Level 3 investments.

**MAINE COAST HERITAGE TRUST**

**Notes to Financial Statements**

**December 31, 2018**

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

	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>
Beneficial interest in split-interest agreement - Aldermere Farm	\$ 4,085,768	\$ -	\$ 4,085,768
Charitable gift annuities	300,004	300,004	-
Charitable remainder unitrusts	179,922	-	179,922
Corporate bonds	4,138,030	-	4,138,030
Mutual funds	25,861,114	25,861,114	-
Money market portfolios	<u>5,725,179</u>	<u>5,725,179</u>	<u>-</u>
Sub-total	40,290,017	31,886,297	8,403,720
Investment in limited liability companies or limited partnerships at net asset value	<u>35,882,930</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 76,172,947</u>	<u>\$ 31,886,297</u>	<u>\$ 8,403,720</u>

Level 2 beneficial interest in split-interest agreement and Level 2 charitable remainder unitrusts are valued based on the classification of the underlying investments held by the trusts, which are actively traded. The fair value for Level 2 corporate bonds is primarily based on quoted market prices of comparable securities, interest rates, and credit risk, and is obtained from the Organization's investment custodian.

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### Notes to Financial Statements

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The following table sets forth a summary of the fair value of the Organization's other investments at December 31, 2018 using a reported net asset value per share:

	<u>Fair Value</u>	<u>Unfunded Commitments</u>
Accolade Partners III, L.P.	\$ 1,188,947	\$ 300,000
Accolade Partners IV, L.P.	1,199,238	300,000
Accolade Partners V, L.P.	877,019	300,000
Accolade Partners VI, L.P.	126,905	855,000
Adamas Partners, L.P.	5,254,243	-
Camber Capital Offshore Fund, Ltd.	2,020,062	-
Davidson Kempner Institutional Partners, L.P.	2,500,000	-
Kline Hill Partners Fund II, L.P.	398,089	765,740
Legacy Venture IV	443,487	10,000
Legacy Venture V	490,205	10,000
Legacy Venture VI	819,549	20,000
Legacy Venture VII	618,031	40,000
Legacy Venture VIII	246,184	260,000
Moonrise China Partners I, L.P.	101,758	434,160
Moonrise Venture Partners I	365,725	638,857
RWC Global Horizon	3,378,256	-
Thirteen Partners Private Equity IV, L.P.	515,463	460,963
Thirteen Partners Private Equity V, L.P.	173,977	794,100
TIFF Private Equity Partners 2006	115,730	127,500
Two Sigma Active Extension U.S. All Cap Equity Cayman Fund, LTD	8,612,720	-
Two Sigma Risk Premia Enhanced Cayman Fund, LTD	<u>5,360,405</u>	<u>-</u>
Private equity total	<u>34,805,993</u>	<u>5,316,320</u>
Venture Investment Associates Energy, L.P.	290,221	60,000
Venture Investment Associates Energy, L.P. II	498,067	52,500
TIFF Realty and Resources 2008	202,530	116,250
TIFF Realty and Resources II	<u>86,119</u>	<u>82,500</u>
Real assets total	<u>1,076,937</u>	<u>311,250</u>
Other investments total	<u>\$ 35,882,930</u>	<u>\$ 5,627,570</u>

These investments are subject to varying restrictions on the sale and transfer of the Organization's interest in the investment. Distributions are generally at the discretion of the general partner, and redemption is generally only permitted upon liquidation of the partnership.

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**Notes to Financial Statements**

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**14. Liquidity and Availability of Financial Assets**

The Organization regularly monitors the availability of resources required to meet operating needs, while also striving to maximize the investment of its available funds. The Organization has various sources of liquidity at its disposal, including cash and cash equivalents and investments.

As of December 31, 2018, the following financial assets could be readily be made available within one year of the balance sheet date to meet general expenditures:

Cash and cash equivalents	\$ 20,389,761
Accounts and accrued interest receivable	252,800
Comprehensive Campaign - without donor restriction	429,592
Investments without donor or board restriction	<u>5,027,067</u>
Total assets	<u>\$ 26,099,220</u>

At December 31, 2018, \$36,304,631 of the Organization's endowment was donor restricted. Although not expected to be needed, the portion of the Organization's endowment without donor restrictions in excess of any budgeted spending amount could be used to meet cash needs if necessary. Prudent investment management, however, must be considered to ensure the preservation of the funds for future use.

Approximately 65 percent of the Organization's investment portfolio consists of highly liquid investments; 35 percent of the portfolio's investments may be redeemed with 5 to 15 days' notice of intent to redeem assets. See Notes 3 and 11 for further information about the Organization's investment portfolio and net assets, respectively.

The Organization also has a line of credit available to meet short-term needs, discussed in Note 7.

MAINE COAST HERITAGE TRUST

Notes to Financial Statements

December 31, 2018

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 balances and activities of the Company for 2018 prior to elimination and consolidation into the operating fund are as follows:

Cash	\$ 118,560
Due from other funds	168
Land	<u>1,732,509</u>
Total assets	<u>1,851,237</u>
Accounts payable	601
Notes payable	<u>1,831,834</u>
Total liabilities	<u>1,832,435</u>
Net assets without donor restriction	\$ <u>18,802</u>
Other revenue	\$ <u>2,500</u>
Total revenue	<u>2,500</u>
Professional fees	185
Property taxes	17,571
Loss on sale of land	<u>24,331</u>
Total expenses	<u>42,087</u>
Decrease in net assets	(39,587)
Net assets without donor restriction - beginning of year	<u>58,389</u>
Net assets without donor restriction - end of year	\$ <u>18,802</u>