



**FINANCIAL STATEMENTS**

**December 31, 2019**

**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, 2019, 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, 2019, 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

***Adoption of New Accounting Standard***

As discussed in Note 1 to the financial statements, during the year ended December 31, 2019 the Organization adopted new accounting guidance, Financial Accounting Standards Board Accounting Standards Update No. 2018-08, *Not-for-Profit Entities: Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. Our opinion is not modified with respect to this matter.

***Report on Summarized Comparative Information***

We have previously audited the Organization's 2018 financial statements, and we expressed an unmodified opinion on those audited financial statements in our report dated July 29, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2018 is consistent, in all material respects, with the audited financial statements from which it has been derived.

*Berry Dunn McNeil & Parker, LLC*

Bangor, Maine  
July 29, 2020

**MAINE COAST HERITAGE TRUST**

**Statement of Financial Position**

**December 31, 2019**

**(With Comparative Totals for December 31, 2018)**

**ASSETS**

	2019					<b>Total</b>	2018 <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	\$ 3,664,687	\$ -	\$ -	\$ 939,953	\$ -	<b>\$ 4,604,640</b>	\$ 9,341,207
Cash restricted for long-term purposes	10,069,791	-	-	-	-	<b>10,069,791</b>	11,048,554
Accounts and accrued interest receivable	136,380	-	-	900	-	<b>137,280</b>	252,800
Bequests receivable, net	1,339,608	-	2,733,416	-	-	<b>4,073,024</b>	6,035,089
Pledges and grants receivable, net	16,830,933	46,894	1,200,500	-	-	<b>18,078,327</b>	7,400,527
Due (to) from other funds	(3,343,170)	3,403	(20,901)	3,389,835	(29,167)	-	-
Notes receivable	250,000	-	-	108,361	-	<b>358,361</b>	341,271
Investments	11,254,173	36,330,856	41,923,857	-	2,984,777	<b>92,493,663</b>	71,607,253
Beneficial interest in split-interest agreements	5,397,103	-	-	-	-	<b>5,397,103</b>	4,565,694
Property and equipment, net of accumulated depreciation	2,794,846	-	-	-	-	<b>2,794,846</b>	2,536,802
Deposits and other assets	310,260	-	-	-	-	<b>310,260</b>	333,161
Land	<u>104,056,424</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<b><u>104,056,424</u></b>	<u>96,987,597</u>
Total assets	<b><u>\$ 152,761,035</u></b>	<b><u>\$ 36,381,153</u></b>	<b><u>\$ 45,836,872</u></b>	<b><u>\$ 4,439,049</u></b>	<b><u>\$ 2,955,610</u></b>	<b><u>\$ 242,373,719</u></b>	<b><u>\$ 210,449,955</u></b>

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

## LIABILITIES AND NET ASSETS

	2019					2018 Total	
	Operating	Operating Endowment	Stewardship Investments	Revolving Loan	Special Projects		Total
<b>Liabilities</b>							
Accounts payable	\$ 421,584	\$ -	\$ -	\$ -	\$ -	\$ 421,584	\$ 214,091
Deferred revenue	19,221	-	-	-	-	19,221	1,971
Accrued expenses and other liabilities	412,374	-	-	-	-	412,374	213,092
Notes payable	-	-	-	-	-	-	100,000
Total liabilities	<u>853,179</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>853,179</u>	<u>529,154</u>
<b>Net assets</b>							
Without donor restrictions							
Available for operations	728,020	-	-	4,082,827	-	4,810,847	12,149,324
Board-designated	986,637	14,536,152	20,942,307	106,222	2,955,610	39,526,928	33,290,697
Net investment in land, property and equipment	<u>106,851,270</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>106,851,270</u>	<u>99,524,399</u>
Total net assets without donor restrictions	108,565,927	14,536,152	20,942,307	4,189,049	2,955,610	151,189,045	144,964,420
With donor restrictions	<u>43,341,929</u>	<u>21,845,001</u>	<u>24,894,565</u>	<u>250,000</u>	<u>-</u>	<u>90,331,495</u>	<u>64,956,381</u>
Total net assets	<u>151,907,856</u>	<u>36,381,153</u>	<u>45,836,872</u>	<u>4,439,049</u>	<u>2,955,610</u>	<u>241,520,540</u>	<u>209,920,801</u>
Total liabilities and net assets	<u>\$ 152,761,035</u>	<u>\$ 36,381,153</u>	<u>\$ 45,836,872</u>	<u>\$ 4,439,049</u>	<u>\$ 2,955,610</u>	<u>\$ 242,373,719</u>	<u>\$ 210,449,955</u>

**MAINE COAST HERITAGE TRUST**

**Statement of Activities**

**Year Ended December 31, 2019**

**(With Comparative Totals for the Year Ended December 31, 2018)**

	<u>2019</u>						<u>2018</u>
	<u>Operating</u>	<u>Operating Endowment</u>	<u>Stewardship Investments</u>	<u>Revolving Loan</u>	<u>Special Projects</u>	<u>Total</u>	<u>Total</u>
Changes in net assets without donor restrictions							
Revenues and gains							
Contributions and grants	\$ 3,356,241	\$ 1,448,809	\$ -	\$ -	\$ -	\$ 4,805,050	\$ 11,508,187
Donated land	800,000	-	-	-	-	800,000	2,173,001
Interest and dividend income	366,621	25,039	283,159	26,653	5,266	706,738	280,210
Net gain (loss) on investments	142,300	1,801,667	2,531,847	-	417,913	4,893,727	(1,413,601)
Investment income transfers	1,736,888	(440,060)	(1,159,292)	-	(137,536)	-	-
Farm operations revenue	64,611	-	-	-	-	64,611	64,963
Other, net	186,082	-	-	-	-	186,082	178,369
Net assets released from restrictions							
Investment income transfer	880,516	-	-	-	-	880,516	828,512
Aldermere contributions and investment income	315,828	-	-	-	-	315,828	445,445
Land protection and other	<u>5,593,470</u>	<u>-</u>	<u>1,504,479</u>	<u>-</u>	<u>-</u>	<u>7,097,949</u>	<u>7,698,592</u>
Total revenues and gains without donor restrictions	<u>13,442,557</u>	<u>2,835,455</u>	<u>3,160,193</u>	<u>26,653</u>	<u>285,643</u>	<u>19,750,501</u>	<u>21,763,678</u>
Expenses							
Operations support	836,564	-	-	-	-	836,564	754,826
Land protection							
Land transaction activity	825,548	-	-	-	-	825,548	1,613,505
Other land protection expenses	2,422,297	-	-	-	-	2,422,297	2,291,972
Fund raising	1,346,910	-	-	-	-	1,346,910	1,407,500
Public education and outreach	556,201	-	-	-	-	556,201	539,939
Stewardship	1,989,232	-	-	-	-	1,989,232	1,953,500
Farm operations	<u>549,292</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>549,292</u>	<u>518,406</u>
Total expenses	<u>8,526,044</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>8,526,044</u>	<u>9,079,648</u>
Change in net assets without donor restrictions	<u>4,916,513</u>	<u>2,835,455</u>	<u>3,160,193</u>	<u>26,653</u>	<u>285,643</u>	<u>11,224,457</u>	<u>12,684,030</u>

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

**MAINE COAST HERITAGE TRUST**

**Statement of Activities (Concluded)**

**Year Ended December 31, 2019**

**(With Comparative Totals for the Year Ended December 31, 2018)**

	<b>2019</b>					<b>Total</b>	<b>2018 Total</b>
	<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	20,381,365	5,142	1,122,621	-	-	<b>21,509,128</b>	7,326,431
Increase (decrease) in beneficial interest in split-interest agreements	797,213	-	-	-	-	<b>797,213</b>	(562,146)
Interest and dividend income	202,804	25,564	(98,695)	-	-	<b>129,673</b>	230,671
Net gain (loss) on investments	742,110	2,978,017	2,764,557	-	-	<b>6,484,684</b>	(531,705)
Net assets released from restrictions							
Investment income transfer	-	(880,516)	(251,123)	-	-	<b>(1,131,639)</b>	(828,512)
Aldermere contributions and investment income	(315,828)	-	-	-	-	<b>(315,828)</b>	(445,445)
Land protection and other	<u>(5,593,470)</u>	<u>-</u>	<u>(1,504,479)</u>	<u>-</u>	<u>-</u>	<b><u>(7,097,949)</u></b>	<u>(7,698,592)</u>
Change in net assets with donor restrictions	<u>16,214,194</u>	<u>2,128,207</u>	<u>2,032,881</u>	<u>-</u>	<u>-</u>	<b><u>20,375,282</u></b>	<u>(2,509,298)</u>
Change in net assets	21,130,707	4,963,662	5,193,074	26,653	285,643	<b>31,599,739</b>	10,174,732
Net assets, beginning of year	135,714,653	31,417,491	35,594,404	4,412,396	2,781,857	<b>209,920,801</b>	199,746,069
Transfers between funds	<u>(4,937,504)</u>	<u>-</u>	<u>5,049,394</u>	<u>-</u>	<u>(111,890)</u>	<u>-</u>	<u>-</u>
Net assets, end of year	<b><u>\$ 151,907,856</u></b>	<b><u>\$ 36,381,153</u></b>	<b><u>\$ 45,836,872</u></b>	<b><u>\$ 4,439,049</u></b>	<b><u>\$ 2,955,610</u></b>	<b><u>\$ 241,520,540</u></b>	<b><u>\$ 209,920,801</u></b>

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

**MAINE COAST HERITAGE TRUST**

**Statement of Functional Expenses**

**Year Ended December 31, 2019**

**(With Comparative Totals for the Year Ended December 31, 2018)**

	<u>2019</u>							2018
	Operations <u>Support</u>	Land <u>Protection</u>	Fund <u>Raising</u>	Public Education <u>and Outreach</u>	<u>Stewardship</u>	Farm <u>Operations</u>	<u>Total</u>	<u>Total</u>
Salaries, wages, and payroll taxes	\$ 400,907	\$ 1,358,366	\$ 623,008	\$ 174,911	\$ 1,028,214	\$ 238,623	<b>\$ 3,824,029</b>	\$ 3,702,017
Employee benefits	93,476	327,002	152,822	42,786	237,550	43,089	<b>896,725</b>	831,346
Professional and contract services	139,199	243,533	87,850	105,934	45,620	6,293	<b>628,429</b>	712,766
Occupancy	26,538	99,753	42,015	11,504	64,704	29,407	<b>273,921</b>	327,623
Project expense	6,412	95,410	181,712	85,898	65,686	56,982	<b>492,100</b>	494,318
Travel	5,999	29,017	38,987	2,761	29,504	1,962	<b>108,230</b>	109,521
Board and committee meetings	138	28,105	247	13	925	-	<b>29,428</b>	55,460
Conference	-	44,151	-	-	-	-	<b>44,151</b>	62,180
Insurance	12,095	41,590	19,116	5,242	30,367	17,894	<b>126,304</b>	113,883
Staff training and recruitment	37,191	14,511	5,053	836	4,533	1,780	<b>63,904</b>	32,289
Office expense	19,387	85,543	30,000	22,150	64,401	3,375	<b>224,856</b>	167,850
Property management	15,300	-	-	-	164,336	21,730	<b>201,366</b>	195,187
Property taxes	-	-	-	-	152,141	5,100	<b>157,241</b>	171,173
Printing and postage	1,090	9,276	166,100	104,166	2,840	2,087	<b>285,559</b>	207,292
Depreciation	18,002	44,265	-	-	73,684	81,121	<b>217,072</b>	179,909
Equipment expense	<u>60,830</u>	<u>1,775</u>	<u>-</u>	<u>-</u>	<u>24,727</u>	<u>39,849</u>	<b><u>127,181</u></b>	<u>103,329</u>
Subtotal	<u>836,564</u>	<u>2,422,297</u>	<u>1,346,910</u>	<u>556,201</u>	<u>1,989,232</u>	<u>549,292</u>	<b><u>7,700,496</u></b>	<u>7,466,143</u>
<u>Land transaction activity</u>								
Conservation easements purchased	-	6,598	-	-	-	-	<b>6,598</b>	9,828
Loss on sale of land	-	100,357	-	-	-	-	<b>100,357</b>	565,606
Transfer of land to other organizations	-	24,430	-	-	-	-	<b>24,430</b>	-
Contributions in support of other organizations	<u>-</u>	<u>694,163</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<b><u>694,163</u></b>	<u>1,038,071</u>
Subtotal	<u>-</u>	<u>825,548</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<b><u>825,548</u></b>	<u>1,613,505</u>
Total	<u>\$ 836,564</u>	<u>\$ 3,247,845</u>	<u>\$ 1,346,910</u>	<u>\$ 556,201</u>	<u>\$ 1,989,232</u>	<u>\$ 549,292</u>	<b><u>\$ 8,526,044</u></b>	<u>\$ 9,079,648</u>

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

## MAINE COAST HERITAGE TRUST

### Statement of Cash Flows

**Year Ended December 31, 2019**  
**(With Comparative Totals for the Year Ended December 31, 2018)**

	<u>2019</u>					<u>Total</u>	<u>2018</u> <u>Total</u>
	<u>Operating</u>	<u>Operating</u> <u>Endowment</u>	<u>Stewardship</u> <u>Investments</u>	<u>Revolving</u> <u>Loan</u>	<u>Special</u> <u>Projects</u>		
Cash flows from operating activities							
Change in net assets	\$ 21,130,707	\$ 4,963,662	\$ 5,193,074	\$ 26,653	\$ 285,643	\$ <b>31,599,739</b>	\$ 10,174,732
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities							
Depreciation	217,072	-	-	-	-	<b>217,072</b>	179,909
Donated land received	(800,000)	-	-	-	-	<b>(800,000)</b>	(2,173,001)
Loss on sale and transfer of land	124,787	-	-	-	-	<b>124,787</b>	565,606
(Gain) loss on sale of cattle, equipment and artwork	(58,830)	-	-	-	-	<b>(58,830)</b>	(27,007)
Increase in allowance for uncollectible pledges receivable	332,914	-	-	-	-	<b>332,914</b>	-
Net (gain) loss on investments	(884,410)	(4,779,684)	(5,296,404)	-	(417,913)	<b>(11,378,411)</b>	1,945,306
Loss (gain) on beneficial interest in split-interest agreements	42,784	-	-	-	-	<b>42,784</b>	(27,676)
Contributions and investment income restricted for long-term investment	(4,912,211)	(542,212)	(140,623)	-	-	<b>(5,595,046)</b>	(4,699,412)
Decrease (increase) in Pledges receivable	(10,906,535)	-	32,050	-	-	<b>(10,874,485)</b>	8,542,427
Accounts and accrued interest receivable	114,473	-	-	1,048	-	<b>115,521</b>	149,920
Bequests receivable	(122,889)	2,100,000	(15,046)	-	-	<b>1,962,065</b>	(2,275,101)
Deposits and other assets	22,901	-	-	-	-	<b>22,901</b>	413
Increase (decrease) in Accounts payable	207,493	-	-	-	-	<b>207,493</b>	(88,181)
Deferred revenue	17,250	-	-	-	-	<b>17,250</b>	(15,561)
Accrued expenses and other liabilities	<u>19,282</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<b><u>19,282</u></b>	<u>(21,951)</u>
Net cash provided (used) by operating activities	<u>4,544,788</u>	<u>1,741,766</u>	<u>(226,949)</u>	<u>27,701</u>	<u>(132,270)</u>	<b><u>5,955,036</u></b>	<u>12,230,423</u>

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

## MAINE COAST HERITAGE TRUST

### Statement of Cash Flows (Concluded)

Year Ended December 31, 2019

(With Comparative Totals for the Year Ended December 31, 2018)

	2019					Total	2018 Total
	Operating	Operating Endowment	Stewardship Investments	Revolving Loan	Special Projects		
Cash flows from investing activities							
Purchase of land	\$ (6,566,880)	\$ -	\$ -	\$ -	\$ -	\$ (6,566,880)	\$ (4,946,628)
Proceeds from sale of land	353,266	-	-	-	-	353,266	1,828,458
Purchase of property and equipment	(533,920)	-	-	-	-	(533,920)	(192,994)
Purchase of investments	(966,845)	(3,622,813)	(7,710,102)	-	-	(12,299,760)	(26,273,481)
Proceeds from sale of investments	46,068	1,320,576	1,159,292	-	222,220	2,748,156	18,910,346
Advances on notes receivable	-	-	-	(300,000)	-	(300,000)	(95,000)
Repayments of notes receivable, net	-	-	-	282,910	-	282,910	312,590
Transfers between funds	(4,937,504)	-	5,049,394	-	(111,890)	-	-
Proceeds from sale of cattle and equipment	161,238	-	-	-	-	161,238	108,074
Net cash (used) provided by investing activities	<u>(12,444,577)</u>	<u>(2,302,237)</u>	<u>(1,501,416)</u>	<u>(17,090)</u>	<u>110,330</u>	<u>(16,154,990)</u>	<u>(10,348,635)</u>
Cash flows from financing activities							
Change in due to/from other funds	999,599	(3,403)	639,865	(1,658,001)	21,940	-	-
Contributions and investment income received, restricted for long-term investment	2,932,250	563,874	1,088,500	-	-	4,584,624	1,805,497
Principal payments on notes payable	(100,000)	-	-	-	-	(100,000)	(60,000)
Proceeds from notes payable	-	-	-	-	-	-	100,000
Net cash provided (used) by financing activities	<u>3,831,849</u>	<u>560,471</u>	<u>1,728,365</u>	<u>(1,658,001)</u>	<u>21,940</u>	<u>4,484,624</u>	<u>1,845,497</u>
Net (decrease) increase in cash and cash equivalents	(4,067,940)	-	-	(1,647,390)	-	(5,715,330)	3,727,285
Cash and cash equivalents, beginning 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>
Cash and cash equivalents, end of year	<u>\$ 13,734,478</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 939,953</u>	<u>\$ -</u>	<u>\$ 14,674,431</u>	<u>\$ 20,389,761</u>
Composition of cash and cash equivalents, end of year							
Cash and cash equivalents	\$ 3,664,687	\$ -	\$ -	\$ 939,953	\$ -	\$ 4,604,640	\$ 9,341,207
Cash restricted for long-term purposes	<u>10,069,791</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>10,069,791</u>	<u>11,048,554</u>
	<u>\$ 13,734,478</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 939,953</u>	<u>\$ -</u>	<u>\$ 14,674,431</u>	<u>\$ 20,389,761</u>

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

# MAINE COAST HERITAGE TRUST

## Notes to Financial Statements

December 31, 2019

### 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 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 2019, the Organization received contributions from approximately 3,900 donors, totaling approximately \$27,100,000.

Approximately \$12,960,000 of these total contributions were received from two donors.

### 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, 2019

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, 2018, from which the summarized information was derived.

### **Recently Adopted Accounting Standard**

In 2019, the Organization adopted FASB Accounting Standards Update No. 2018-08, *Not-for-Profit Entities: Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. Management believes the standard improves the usefulness and understandability of the Organization's financial reporting. The impact of adoption for the year ended December 31, 2019 did not have a material impact on the overall financial statements.

### **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, 2019

### **Pledges, Grants, and Bequests Revenue and Receivables**

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. The Organization recognizes bequests revenue and the related receivable when it has obtained an irrevocable bequest agreement from a donor or a donor's will has been through probate. 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, 2019, 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. Depreciation is computed on the straight-line basis over the estimated useful lives of the respective assets.

# MAINE COAST HERITAGE TRUST

## Notes to Financial Statements

December 31, 2019

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, 2019. 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 2019.

# MAINE COAST HERITAGE TRUST

## Notes to Financial Statements

December 31, 2019

### **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 as well as occupancy and other costs which are allocated based on estimates of time and effort. Total program expenses for the year ended December 31, 2019 were \$6,342,570.

### **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, 2020, which was the date that the financial statements were available to be issued.

# MAINE COAST HERITAGE TRUST

## Notes to Financial Statements

December 31, 2019

Subsequent to December 31, 2019, local, U.S., and world governments have encouraged self-isolation to curtail the spread of the global pandemic, coronavirus disease (COVID-19), by mandating the temporary shut-down of business in many sectors and imposing limitations on travel and size and duration of group meetings. Most industries are experiencing disruption to business operations and the impact of reduced consumer spending. There is unprecedented uncertainty surrounding the duration of the pandemic, its potential economic ramifications, and any government actions to mitigate them. Accordingly, while management expects this matter may have a financial impact on the Organization's financial position and results of future operations, such potential impact cannot be reasonably estimated at this time.

The U.S. government has responded with relief legislation as a response to the COVID-19 outbreak. Management has evaluated the impact of the CARES Act on the Organization, including its potential benefits and limitations that may result from, access to such relief and has accessed those programs it believes are most appropriate for the Organization.

### 2. Pledges and Bequests Receivable

Pledges and bequests receivable at December 31, 2019 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:

	Less than One Year	One to Five Years	More than Five Years	Total Unconditional Promises to Give	Less Discount to Net Present Value at 0.80 - 3.27%	Less Allowance for Uncollectible Pledges	Net Pledges, Grants and Bequests Receivable at December 31, 2018
Acadian Region Land - with donor restriction	\$ 1,000,000	\$ -	\$ -	\$ 1,000,000	\$ -	\$ -	\$ 1,000,000
Beth Van Vleck Fund for Land Acquisition and Stewardship	153,091	-	-	153,091	-	(3,062)	150,029
Clark Island	54,050	71,800	-	125,850	(3,731)	(2,517)	119,602
Land Trust Program	30,000	20,000	-	50,000	(1,278)	(1,000)	47,722
Places for People:							
Partridge/Woodcock Foundation	750,000	3,000,000	-	3,750,000	(202,075)	(75,000)	3,472,925
Washington County	24,979	25,000	-	49,979	(1,283)	(1,000)	47,696
Stone Barn Farm	100,000	100,000	-	200,000	(3,144)	(4,000)	192,856
Woodward Point	87,779	73,750	-	161,529	(3,798)	(3,231)	154,500
Annual fund	224,892	258,590	-	483,482	(13,012)	(9,670)	460,800
Aldermere Endowment	35,764	34,634	-	70,398	(1,694)	(1,408)	67,296
Operating Endowment	28,627	20,000	-	48,627	(762)	(973)	46,892
Stewardship	1,465,423	220,921	4,100,000	5,786,344	(1,376,594)	(33,727)	4,376,023
Comprehensive Campaign - undesignated	592,425	10,533,229	1,738,030	12,863,684	(647,929)	(222,513)	11,993,242
Other donor restricted	15,995	6,400	-	22,395	(341)	(286)	21,768
<b>Total</b>	<b>\$ 4,563,025</b>	<b>\$ 14,364,324</b>	<b>\$ 5,838,030</b>	<b>\$ 24,765,379</b>	<b>\$ (2,255,641)</b>	<b>\$ (358,387)</b>	<b>\$ 22,151,351</b>

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, 2019, these are not recognized as assets in the statement of financial position.

**MAINE COAST HERITAGE TRUST**

**Notes to Financial Statements**

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

- \$383,000 in support of three Maine islands as well as a coastal marsh protection project.
- \$1,490,000 in support of the purchase of a coastal marsh protection project.
- \$2,000,000 in support of the Rivers Initiative project.
- \$1,000,000 in support of the Campaign to Keep Coast Maine project.
- \$800,000 in support of the Internship Program Endowment.
- \$1,804,032 in support of three Maine wetlands protection projects.

**3. Investments**

Investments consist of the following:

Mutual and exchange traded funds	\$ 36,438,208
Money market portfolios	2,385,934
Corporate bonds	3,862,266
Other investments	<u>49,807,255</u>
 Total investments	 <u>\$ 92,493,663</u>

The Organization's investment income during 2019 was comprised of interest and dividend income of \$836,411 and total gain on investments of \$10,790,200, net of fees of approximately 72 basis points, or \$588,211.

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 approximately 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, 2019

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, 2019.

The majority of investments managed by TIFF, Legacy Venture LLCs, VIA Energy L.P.s, Accolade Partners, L.P.s, Adamas Partners L.P., Camber Capital, Davidson Kempner Institutional Partners, L.P., Diameter Offshore Fund L.P., Kline Hill Partners, Moonrise Capital, Overlook Partners, Ownership Capital Management, LLC, RWC Global Horizon, Two Sigma Funds, Thirteen Partners Private Equity L.P., and Vision Ridge Partners 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., Camber Capital, Davidson Kempner Institutional Partners, L.P., Diameter Offshore Fund L.P., Kline Hill Partners, Moonrise Capital, Overlook Partners, Ownership Capital Management, LLC, RWC Global Horizon, Two Sigma Funds, Thirteen Partners Private Equity L.P., and Vision Ridge Partners 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, 2019**

The donor-restricted and board-designated endowment investment net asset composition by type of fund as of December 31, 2019 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	\$ -	\$ 6,093,586	\$ 42,573,103	\$ 48,666,689
Board-designated stewardship endowment funds	20,907,815	-	-	20,907,815
Board-designated endowment funds	14,700,549	-	-	14,700,549
Board-designated special projects funds	<u>2,984,777</u>	<u>-</u>	<u>-</u>	<u>2,984,777</u>
 Total endowment investments	 <u>\$ 38,593,141</u>	 <u>\$ 6,093,586</u>	 <u>\$ 42,573,103</u>	 87,259,830
 Investments without donor or board restriction				 <u>5,233,833</u>
 Total investments	 <u>\$ 38,593,141</u>	 <u>\$ 6,093,586</u>	 <u>\$ 42,573,103</u>	 <u>\$ 92,493,663</u>

Changes in donor-restricted and board-designated endowment investment net assets for the year ended December 31, 2019 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	\$ 30,275,555	\$ 7,885,781	\$ 28,418,850	\$ 66,580,186
Investment return				
Investment income	65,886	54,234	25,564	145,684
Realized gain on investments	724,691	588,618	-	1,313,309
Unrealized gain on investments	<u>4,314,492</u>	<u>4,978,554</u>	<u>511,506</u>	<u>9,804,552</u>
 Net investment return	 5,105,069	 5,621,406	 537,070	 11,263,545
Contributions and other deposits	3,548,809	981,998	6,988,310	11,519,117
Campaign for the Coast final allocation	-	(6,417,184)	6,628,873	211,689
Release for spending for Stewardship project expenses	1,504,529	(1,504,529)	-	-
Appropriation of endowment investment assets for expenditure	(1,856,005)	(926,584)	-	(2,782,589)
Other, net	<u>15,184</u>	<u>452,698</u>	<u>-</u>	<u>467,882</u>
 Endowment investment net assets, end of year	 <u>\$ 38,593,141</u>	 <u>\$ 6,093,586</u>	 <u>\$ 42,573,103</u>	 <u>\$ 87,259,830</u>

**MAINE COAST HERITAGE TRUST**

**Notes to Financial Statements**

**December 31, 2019**

**4. Operating Endowment Investment Income**

Income from operating endowment investments were as follows:

Interest and dividend income	\$ 62,682
Gross investment gains from operating endowment investments	5,017,507
Investment fees	<u>(249,902)</u>
Net investment gains from operating endowment investments	<u>\$ 4,830,287</u>

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

	Total Income (Loss) <u>(Loss)</u>	Transferred to Operating Fund <u>Fund</u>	Total 2019 Income in the Operating Endowment <u>Endowment</u>
Funds of perpetual duration - added to principal	\$ <u>537,070</u>	\$ <u>-</u>	\$ <u>537,070</u>
Funds subject to use or time restriction before income transfers - gross	2,620,152	-	2,620,152
Investment fees	(153,641)	-	(153,641)
Current year transfer into the operating fund in accordance with spending policy	<u>-</u>	<u>880,516</u>	<u>(880,516)</u>
Funds subject to use or time restriction - net	<u>2,466,511</u>	<u>880,516</u>	<u>1,585,995</u>
Funds without donor restrictions - gross	1,922,967	440,060	1,482,907
Investment fees	<u>(96,261)</u>	<u>-</u>	<u>(96,261)</u>
Board-designated - net	<u>1,826,706</u>	<u>440,060</u>	<u>1,386,646</u>
Net operating endowment investment income	<u>\$ 4,830,287</u>	<u>\$ 1,320,576</u>	<u>\$ 3,509,711</u>

MAINE COAST HERITAGE TRUST

Notes to Financial Statements

December 31, 2019

5. Property and Equipment

Property and equipment as of December 31, 2019 consists of:

Land improvements	\$ 143,112
Buildings	3,117,953
Farm equipment	605,134
Farm furnishings	13,539
Livestock	129,160
Equipment - office and other	671,757
Leasehold improvements	7,131
Artwork	<u>16,504</u>
	4,704,290
Accumulated depreciation	<u>(1,909,444)</u>
	<u>\$ 2,794,846</u>

6. Land and Conservation Easements

Following is a summary of land held by the Organization at December 31, 2019 and related activity for the year then ended:

Land purchased	\$ 59,304,995
Land donated	<u>44,751,429</u>
Total land	<u>\$ 104,056,424</u>

Land purchased during 2019:

<u>Name</u>	<u>Location</u>
Bakeman Beach	Brooksville
Long Point Addition West	Machiasport
Long Point South	Machiasport
Mount Waldo	Frankfort
Northeast Creek Hadley (purchased by LLC)	Bar Harbor
Orange Lake Portage	Whiting
Pond Cove Island	Roque Bluff
Salt Pond Water Access	Blue Hill
Stone Barn Farm	Bar Harbor
Stone Barn Farm Addition (purchased by LLC)	Bar Harbor
Walker Pond Heritage Park	Brooksville
Whiting Corner House Lot	Whiting

# MAINE COAST HERITAGE TRUST

## Notes to Financial Statements

December 31, 2019

Land purchased during 2019 - bargain purchase:

<u>Name</u>	<u>Location</u>
Cousins River Marsh (purchased by LLC)	Yarmouth
Little Garden Island	Vinalhaven
Woodward Point	Brunswick

Land donations received during 2019:

<u>Name</u>	<u>Location</u>
Wardwell Land Swap	Penobscot
Popplestone Beach - Remainder Interest	Jonesport

Conservation easement donations received during 2019:

<u>Name</u>	<u>Location</u>
Seal Cove McDuffie	Swans Island
Somes Sound Old Bourdeaux Dairy	Mt. Desert
Windless Point	Vinalhaven

### 7. 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:

2020	\$ 168,853
2021	173,041
2022	<u>146,306</u>
	<u>\$ 488,200</u>

Rent expense under this lease totaled \$157,638 for 2019.

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

### 8. Borrowings

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, 2019. The line of credit expires in September 2020. The Organization does not pay any availability fees on this line of credit.

### 9. Employee Benefit Plans

The Organization has established various defined contribution plans for employees. Contributions to the plans were \$264,986 for 2019.

# MAINE COAST HERITAGE TRUST

## Notes to Financial Statements

December 31, 2019

### 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 \$4,856,366 at December 31, 2019. Distributions from the trust were \$230,347 in 2019.

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 \$206,539 at December 31, 2019.

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 \$170,747 at December 31, 2019 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 \$334,198 at December 31, 2019.

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	\$ 4,856,366
Charitable remainder unitrusts	206,539
Charitable gift annuities	<u>334,198</u>
Total beneficial interest in split-interest agreements	<u>\$ 5,397,103</u>

### 11. Net Assets with Donor Restrictions

As of December 31, 2019, 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	\$ 3,059,349	\$ -	\$ 3,608,922	\$ -	\$ 6,668,271
Land protection	15,297,765	-	-	250,000	15,547,765
General operations - time restricted	13,744,930	-	-	-	13,744,930
Operating endowment earnings, restricted until Board appropriated	<u>-</u>	<u>1,398,084</u>	<u>-</u>	<u>-</u>	<u>1,398,084</u>
Total	<u>\$ 32,102,044</u>	<u>\$ 1,398,084</u>	<u>\$ 3,608,922</u>	<u>\$ 250,000</u>	<u>\$ 37,359,050</u>

**MAINE COAST HERITAGE TRUST**

**Notes to Financial Statements**

**December 31, 2019**

As of December 31, 2019, 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	\$ 4,856,366
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	13,946,887
Campaign for the Coast	6,500,030
General operations of Aldermere Farm and Erickson Fields	512,381
The stewardship of conserved land	13,241,454
The stewardship of conserved land in the Acadian region	7,500,000
The Partridge Endowment for People and Places - Care for the Land	287,500
The Places for People - Care for the Land Endowment	256,689
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	1,114,835
The Places for People - Connect People & Land Endowment	519,783
Richard Rockefeller Internship Program	<u>200,000</u>
 Total	 <u>\$ 52,972,445</u>
 Total net assets with donor restrictions	 <u>\$ 90,331,495</u>

**12. Board-Designated Net Assets**

The Board has chosen to designate a portion of net assets at December 31, 2019 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	\$ 133,106	\$ -	\$ 20,942,307	\$ -	\$ -	\$ 21,075,413
Revolving loan - land opportunity	-	-	-	106,222	-	106,222
Operating endowment	-	14,536,152	-	-	-	14,536,152
Special projects general	-	-	-	-	2,695,664	2,695,664
Legal defense fund - conservation easements	-	-	-	-	250,000	250,000
Conservation innovation	145,000	-	-	-	-	145,000
Capital replacement reserve-operating	<u>708,531</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>9,946</u>	<u>718,477</u>
	<u>\$ 986,637</u>	<u>\$ 14,536,152</u>	<u>\$ 20,942,307</u>	<u>\$ 106,222</u>	<u>\$ 2,955,610</u>	<u>\$ 39,526,928</u>

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### 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.

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	\$ 4,856,366	\$ -	\$ 4,856,366
Charitable gift annuities	334,198	334,198	-
Charitable remainder unitrusts	206,539	-	206,539
Corporate bonds	3,862,266	-	3,862,266
Mutual funds	36,438,208	36,438,208	-
Money market portfolios	<u>2,385,934</u>	<u>2,385,934</u>	<u>-</u>
Sub-total	48,083,511	39,158,340	8,925,171
Investment in limited liability companies or limited partnerships at net asset value	<u>49,807,255</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 97,890,766</u>	<u>\$ 39,158,340</u>	<u>\$ 8,925,171</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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The following table sets forth a summary of the fair value of the Organization's other investments at December 31, 2019 using a reported net asset value per share:

	<u>Fair Value</u>	<u>Unfunded Commitments</u>
Accolade Partners III, L.P.	\$ 1,142,203	\$ 300,000
Accolade Partners IV, L.P.	1,189,174	300,000
Accolade Partners V, L.P.	1,259,303	215,000
Accolade Partners VI, L.P.	501,714	510,000
Accolade Partners VII, L.P.	86,655	905,000
Adamas Partners, L.P.	4,393,730	-
Camber Capital Offshore Fund, Ltd.	2,867,614	-
Diameter Offshore Fund, L.P.	3,532,886	-
Davidson Kempner Institutional Partners, L.P.	6,766,960	-
Kline Hill Partners Fund II, L.P.	836,492	676,073
Legacy Venture IV	363,932	-
Legacy Venture V	478,678	10,000
Legacy Venture VI	853,583	10,000
Legacy Venture VII	813,291	10,000
Legacy Venture VIII	386,857	160,000
Moonrise China Partners I, L.P.	170,116	326,664
Moonrise Venture Partners I	689,446	358,596
Moonrise Venture Partners II	196,986	798,306
RWC Global Horizon	4,799,808	-
Thirteen Partners Private Equity IV, L.P.	736,856	248,335
Thirteen Partners Private Equity V, L.P.	330,751	624,827
TIFF Private Equity Partners 2006	71,957	127,500
Two Sigma Active Extension U.S. All Cap Equity Cayman Fund, LTD	11,163,737	-
Two Sigma Risk Premia Enhanced Cayman Fund, LTD	5,240,696	-
Vision Ridge Partners Sustainable Assets Fund II	<u>60,485</u>	<u>435,061</u>
Private equity total	<u>48,933,910</u>	<u>6,015,362</u>
Venture Investment Associates Energy, L.P.	195,432	60,000
Venture Investment Associates Energy, L.P. II	465,821	22,500
TIFF Realty and Resources 2008	135,708	112,500
TIFF Realty and Resources II	<u>76,384</u>	<u>82,500</u>
Real assets total	<u>873,345</u>	<u>277,500</u>
Other investments total	<u>\$ 49,807,255</u>	<u>\$ 6,292,862</u>

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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.

**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, 2019, 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	\$ 4,604,640
Accounts and accrued interest receivable	137,280
Comprehensive Campaign - without donor restriction	592,425
Investments without donor restriction or board designation	<u>5,233,833</u>
Total assets	<u>\$ 10,568,178</u>

At December 31, 2019, \$38,593,141 of the Organization's investments were board designated. Although not expected to be needed, the portion of the Organization's investments 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% of the Organization's investment portfolio consists of highly liquid investments; 35% 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 as discussed in Note 8.

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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 2019 prior to elimination and consolidation into the operating fund are as follows:

Cash	\$ 195,383
Land	<u>3,576,940</u>
Total assets	<u>3,772,323</u>
Due to other funds	740
Notes payable	<u>3,739,835</u>
Total liabilities	<u>3,740,575</u>
Net assets without donor restriction	\$ <u>31,748</u>
Interest income	\$ 939
Donated land	<u>45,000</u>
Total revenue	<u>45,939</u>
Travel	23
Professional fees and contract services	2,408
Property taxes	10,102
Loss on sale of land	<u>20,460</u>
Total expenses	<u>32,993</u>
Increase in net assets	12,946
Net assets without donor restriction - beginning of year	<u>18,802</u>
Net assets without donor restriction - end of year	\$ <u>31,748</u>