



FINANCIAL STATEMENTS

December 31, 2021

With Independent Auditor's Report



## INDEPENDENT AUDITOR'S REPORT

The Board of Directors  
Maine Coast Heritage Trust

### ***Opinion***

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, 2021, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

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, 2021, 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.

### ***Basis for Opinion***

We conducted our audit in accordance with U.S. generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### ***Responsibilities of Management for the Financial Statements***

Management is responsible for the preparation and fair presentation of the financial statements in accordance with U.S generally accepted accounting principles, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

### ***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with U.S. generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with U.S. generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Organization's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

***Report on Summarized Comparative Information***

We have previously audited the Organization's 2020 financial statements, and we expressed an unmodified opinion on those audited financial statements in our report dated July 22, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2020 is consistent, in all material respects, with the audited financial statements from which it has been derived.

*Berry Dunn McNeil & Parker, LLC*

Bangor, Maine  
June 29, 2022

**MAINE COAST HERITAGE TRUST**

**Statement of Financial Position**

**December 31, 2021**  
**(With Comparative Totals for December 31, 2020)**

**ASSETS**

|   | <b>2021</b>                  |                                |                                    |                            |                             | <b>Total</b>                 | <b>2020</b><br><u>Total</u>  |
|---|------------------------------|--------------------------------|------------------------------------|----------------------------|-----------------------------|------------------------------|------------------------------|
|   | <u>Operating</u>             | <u>Operating<br/>Endowment</u> | <u>Stewardship<br/>Investments</u> | <u>Revolving<br/>Loan</u>  | <u>Special<br/>Projects</u> |                              |                              |
| Cash and cash equivalents                               | \$ 4,506,731                 | \$ -                           | \$ -                               | \$ 1,478,839               | \$ -                        | <b>\$ 5,985,570</b>          | \$ 4,045,601                 |
| Cash restricted for long-term purposes                  | 14,370,730                   | -                              | -                                  | -                          | -                           | <b>14,370,730</b>            | 12,628,775                   |
| Accounts and accrued interest receivable                | 234,379                      | -                              | -                                  | -                          | -                           | <b>234,379</b>               | 61,402                       |
| Bequests receivable, net                                | 1,365,588                    | -                              | 2,817,015                          | -                          | -                           | <b>4,182,603</b>             | 4,137,903                    |
| Pledges and grants receivable, net                      | 13,307,956                   | -                              | 220,503                            | -                          | -                           | <b>13,528,459</b>            | 14,778,427                   |
| Due (to) from other funds                               | (3,844,220)                  | 32,275                         | 844,467                            | 2,975,000                  | (7,522)                     | -                            | -                            |
| Notes receivable  | 250,000                      | -                              | -                                  | -                          | -                           | <b>250,000</b>               | 292,947                      |
| Investments   | 14,802,532                   | 48,109,963                     | 57,976,544                         | -                          | 3,738,133                   | <b>124,627,172</b>           | 107,731,167                  |
| Beneficial interest in split-interest agreements        | 6,294,923                    | -                              | -                                  | -                          | -                           | <b>6,294,923</b>             | 5,517,242                    |
| Property and equipment, net of accumulated depreciation | 3,985,914                    | -                              | -                                  | -                          | -                           | <b>3,985,914</b>             | 4,012,408                    |
| Deposits and other assets                               | 268,232                      | -                              | -                                  | -                          | -                           | <b>268,232</b>               | 304,934                      |
| Land  | <u>115,009,289</u>           | <u>-</u>                       | <u>-</u>                           | <u>-</u>                   | <u>-</u>                    | <b><u>115,009,289</u></b>    | <u>110,286,506</u>           |
| <br>  |                              |                                |                                    |                            |                             |                              |                              |
| Total assets  | <b><u>\$ 170,552,054</u></b> | <b><u>\$ 48,142,238</u></b>    | <b><u>\$ 61,858,529</u></b>        | <b><u>\$ 4,453,839</u></b> | <b><u>\$ 3,730,611</u></b>  | <b><u>\$ 288,737,271</u></b> | <b><u>\$ 263,797,312</u></b> |

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

## LIABILITIES AND NET ASSETS

|  | 2021                  |                                |                                    |                           |                             | <b>Total</b>          | 2020<br><u>Total</u>  |
|--|-----------------------|--------------------------------|------------------------------------|---------------------------|-----------------------------|-----------------------|-----------------------|
|  | <u>Operating</u>      | <u>Operating<br/>Endowment</u> | <u>Stewardship<br/>Investments</u> | <u>Revolving<br/>Loan</u> | <u>Special<br/>Projects</u> |                       |                       |
| <b>Liabilities</b>                             |                       |                                |                                    |                           |                             |                       |                       |
| Accounts payable                               | \$ 385,526            | \$ -                           | \$ -                               | \$ -                      | \$ -                        | \$ 385,526            | \$ 543,064            |
| Deferred revenue                               | 600                   | -                              | -                                  | -                         | -                           | 600                   | 15,275                |
| Accrued expenses and other liabilities         | 667,048               | -                              | -                                  | -                         | -                           | 667,048               | 647,374               |
| Notes payable                                  | <u>75,000</u>         | <u>-</u>                       | <u>-</u>                           | <u>-</u>                  | <u>-</u>                    | <u>75,000</u>         | <u>-</u>              |
| Total liabilities                              | <u>1,128,174</u>      | <u>-</u>                       | <u>-</u>                           | <u>-</u>                  | <u>-</u>                    | <u>1,128,174</u>      | <u>1,205,713</u>      |
| <b>Net assets</b>                              |                       |                                |                                    |                           |                             |                       |                       |
| Without donor restrictions                     |                       |                                |                                    |                           |                             |                       |                       |
| Available for operations                       | 6,404,385             | -                              | -                                  | 4,097,617                 | -                           | 10,502,002            | 8,234,887             |
| Board-designated                               | 1,207,837             | 19,667,533                     | 28,899,958                         | 106,222                   | 3,730,611                   | 53,612,161            | 46,479,760            |
| Net investment in land, property and equipment | <u>118,995,203</u>    | <u>-</u>                       | <u>-</u>                           | <u>-</u>                  | <u>-</u>                    | <u>118,995,203</u>    | <u>114,298,914</u>    |
| Total net assets without donor restrictions    | 126,607,425           | 19,667,533                     | 28,899,958                         | 4,203,839                 | 3,730,611                   | 183,109,366           | 169,013,561           |
| With donor restrictions                        | <u>42,816,455</u>     | <u>28,474,705</u>              | <u>32,958,571</u>                  | <u>250,000</u>            | <u>-</u>                    | <u>104,499,731</u>    | <u>93,578,038</u>     |
| Total net assets                               | <u>169,423,880</u>    | <u>48,142,238</u>              | <u>61,858,529</u>                  | <u>4,453,839</u>          | <u>3,730,611</u>            | <u>287,609,097</u>    | <u>262,591,599</u>    |
| Total liabilities and net assets               | <u>\$ 170,552,054</u> | <u>\$ 48,142,238</u>           | <u>\$ 61,858,529</u>               | <u>\$ 4,453,839</u>       | <u>\$ 3,730,611</u>         | <u>\$ 288,737,271</u> | <u>\$ 263,797,312</u> |

**MAINE COAST HERITAGE TRUST**

**Statement of Activities**

**Year Ended December 31, 2021**

**(With Comparative Totals for the Year Ended December 31, 2020)**

|   | <u>2021</u>       |                                |                                    |                           |                             |                   | <u>2020</u>       |
|---|-------------------|--------------------------------|------------------------------------|---------------------------|-----------------------------|-------------------|-------------------|
|   | <u>Operating</u>  | <u>Operating<br/>Endowment</u> | <u>Stewardship<br/>Investments</u> | <u>Revolving<br/>Loan</u> | <u>Special<br/>Projects</u> | <u>Total</u>      | <u>Total</u>      |
| Changes in net assets without donor restrictions    |                   |                                |                                    |                           |                             |                   |                   |
| Revenues and gains                                  |                   |                                |                                    |                           |                             |                   |                   |
| Contributions and grants                            | \$ 4,025,866      | \$ 50,441                      | \$ -                               | \$ -                      | \$ -                        | \$ 4,076,307      | \$ 4,697,353      |
| Donated land  | 1,895,200         | -                              | -                                  | -                         | -                           | 1,895,200         | 4,033,825         |
| Interest and dividend income                        | 155,377           | 20,300                         | 25,119                             | 3,962                     | 3,878                       | 208,636           | 328,621           |
| Net gain (loss) on investments                      | (87,077)          | 3,170,581                      | 3,808,475                          | -                         | 607,599                     | 7,499,578         | 6,980,311         |
| Investment income transfers                         | 2,212,552         | (595,576)                      | (1,482,876)                        | -                         | (134,100)                   | -                 | -                 |
| Farm operations revenue                             | 65,309            | -                              | -                                  | -                         | -                           | 65,309            | 58,011            |
| Other, net  | 121,911           | -                              | -                                  | -                         | -                           | 121,911           | 231,424           |
| Net assets released from restrictions               |                   |                                |                                    |                           |                             |                   |                   |
| Investment income transfer                          | 857,048           | -                              | -                                  | -                         | -                           | 857,048           | 839,241           |
| Aldermere contributions and investment income       | 331,883           | -                              | -                                  | -                         | -                           | 331,883           | 367,939           |
| Land protection and other                           | <u>8,143,380</u>  | <u>-</u>                       | <u>1,650,056</u>                   | <u>-</u>                  | <u>-</u>                    | <u>9,793,436</u>  | <u>10,674,767</u> |
| Total revenues and gains without donor restrictions | <u>17,721,449</u> | <u>2,645,746</u>               | <u>4,000,774</u>                   | <u>3,962</u>              | <u>477,377</u>              | <u>24,849,308</u> | <u>28,211,492</u> |
| Expenses  |                   |                                |                                    |                           |                             |                   |                   |
| Operations support                                  | 909,730           | -                              | -                                  | -                         | -                           | 909,730           | 841,970           |
| Land protection                                     |                   |                                |                                    |                           |                             |                   |                   |
| Land transaction activity                           | 2,631,461         | -                              | -                                  | -                         | -                           | 2,631,461         | 2,554,086         |
| Other land protection expenses                      | 2,998,673         | -                              | -                                  | -                         | -                           | 2,998,673         | 2,928,317         |
| Fund raising  | 1,076,725         | -                              | -                                  | -                         | -                           | 1,076,725         | 1,046,118         |
| Public education and outreach                       | 441,176           | -                              | -                                  | -                         | -                           | 441,176           | 400,812           |
| Stewardship   | 2,121,086         | -                              | -                                  | -                         | -                           | 2,121,086         | 2,060,586         |
| Farm operations                                     | <u>574,652</u>    | <u>-</u>                       | <u>-</u>                           | <u>-</u>                  | <u>-</u>                    | <u>574,652</u>    | <u>555,087</u>    |
| Total expenses                                      | <u>10,753,503</u> | <u>-</u>                       | <u>-</u>                           | <u>-</u>                  | <u>-</u>                    | <u>10,753,503</u> | <u>10,386,976</u> |
| Change in net assets without donor restrictions     | <u>6,967,946</u>  | <u>2,645,746</u>               | <u>4,000,774</u>                   | <u>3,962</u>              | <u>477,377</u>              | <u>14,095,805</u> | <u>17,824,516</u> |

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

**MAINE COAST HERITAGE TRUST**

**Statement of Activities (Concluded)**

**Year Ended December 31, 2021**

**(With Comparative Totals for the Year Ended December 31, 2020)**

|  | 2021                  |                        |                            |                     |                     | 2020<br>Total         |                       |
|--|-----------------------|------------------------|----------------------------|---------------------|---------------------|-----------------------|-----------------------|
|  | Operating             | Operating<br>Endowment | Stewardship<br>Investments | Revolving<br>Loan   | Special<br>Projects |                       | Total                 |
| Changes in net assets with donor restrictions                    |                       |                        |                            |                     |                     |                       |                       |
| Contributions and grants   | \$ 8,998,010          | \$ 5,573               | \$ 295,064                 | \$ -                | \$ -                | \$ 9,298,647          | \$ 6,318,846          |
| Increase in beneficial interest in split-<br>interest agreements | 771,823               | -                      | -                          | -                   | -                   | 771,823               | 99,334                |
| Interest and dividend income                                     | 197,689               | 25,419                 | 34,584                     | -                   | -                   | 257,692               | 231,074               |
| Net gain on investments  | 1,444,549             | 4,601,340              | 5,530,009                  | -                   | -                   | 11,575,898            | 8,479,236             |
| Net assets released from restrictions                            |                       |                        |                            |                     |                     |                       |                       |
| Investment income transfer                                       | -                     | (857,048)              | -                          | -                   | -                   | (857,048)             | (839,241)             |
| Aldermere contributions and investment<br>income                 | (331,883)             | -                      | -                          | -                   | -                   | (331,883)             | (367,939)             |
| Land protection and other  | <u>(8,143,380)</u>    | <u>-</u>               | <u>(1,650,056)</u>         | <u>-</u>            | <u>-</u>            | <u>(9,793,436)</u>    | <u>(10,674,767)</u>   |
| Change in net assets with donor<br>restrictions                  | <u>2,936,808</u>      | <u>3,775,284</u>       | <u>4,209,601</u>           | <u>-</u>            | <u>-</u>            | <u>10,921,693</u>     | <u>3,246,543</u>      |
| Change in net assets   | 9,904,754             | 6,421,030              | 8,210,375                  | 3,962               | 477,377             | 25,017,498            | 21,071,059            |
| Net assets, beginning of year                                    | 160,242,810           | 41,721,208             | 52,898,837                 | 4,449,877           | 3,278,867           | 262,591,599           | 241,520,540           |
| Transfers between funds without donor restrictions               | 25,633                | -                      | -                          | -                   | (25,633)            | -                     | -                     |
| Transfers between funds with donor restrictions                  | <u>(749,317)</u>      | <u>-</u>               | <u>749,317</u>             | <u>-</u>            | <u>-</u>            | <u>-</u>              | <u>-</u>              |
| Total transfers between funds                                    | <u>(723,684)</u>      | <u>-</u>               | <u>749,317</u>             | <u>-</u>            | <u>(25,633)</u>     | <u>-</u>              | <u>-</u>              |
| Net assets, end of year  | <u>\$ 169,423,880</u> | <u>\$ 48,142,238</u>   | <u>\$ 61,858,529</u>       | <u>\$ 4,453,839</u> | <u>\$ 3,730,611</u> | <u>\$ 287,609,097</u> | <u>\$ 262,591,599</u> |

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

**MAINE COAST HERITAGE TRUST**

**Statement of Functional Expenses**

**Year Ended December 31, 2021  
(With Comparative Totals for the Year Ended December 31, 2020)**

|   | 2021                         |                           |                        |  |                     |                           | <b>Total</b>                | 2020<br><u>Total</u> |
|---|------------------------------|---------------------------|------------------------|--|---------------------|---------------------------|-----------------------------|----------------------|
|   | Operations<br><u>Support</u> | Land<br><u>Protection</u> | Fund<br><u>Raising</u> | Public<br>Education<br><u>and Outreach</u> | Stewardship         | Farm<br><u>Operations</u> |                             |                      |
| Salaries, wages, and payroll taxes              | \$ 432,570                   | \$ 1,330,048              | \$ 610,452             | \$ 211,030                                 | \$ 1,085,438        | \$ 260,516                | \$ <b>3,930,054</b>         | \$ 3,912,605         |
| Employee benefits                               | 90,644                       | 275,725                   | 121,065                | 34,490                                     | 220,899             | 57,256                    | <b>800,079</b>              | 804,148              |
| Professional and contract services              | 157,760                      | 870,108                   | 20,199                 | 70,839                                     | 29,642              | 3,500                     | <b>1,152,048</b>            | 780,500              |
| General and administrative                      | 71,743                       | 193,119                   | 124,088                | 48,526                                     | 80,541              | 37,931                    | <b>555,948</b>              | 520,160              |
| Project expense                                 | 1,656                        | 131,857                   | 118,198                | 45,369                                     | 65,129              | 46,332                    | <b>408,541</b>              | 581,076              |
| Travel  | 237                          | 10,733                    | 15,499                 | -  | 29,582              | 2,582                     | <b>58,633</b>               | 51,017               |
| Board and committee meetings                    | -                            | 859                       | -                      | -  | 231                 | -                         | <b>1,090</b>                | 9,445                |
| Land conference                                 | -                            | 8,399                     | -                      | -  | -                   | -                         | <b>8,399</b>                | 6,534                |
| Insurance                                       | 17,474                       | 54,385                    | 24,833                 | 6,912                                      | 62,785              | 20,368                    | <b>186,757</b>              | 148,449              |
| Staff training                                  | 518                          | 2,364                     | 2,760                  | -  | 2,208               | 129                       | <b>7,979</b>                | 15,613               |
| Equipment maintenance                           | 23,713                       | 76,284                    | 39,631                 | 24,010                                     | 86,546              | 445                       | <b>250,629</b>              | 204,585              |
| Property management                             | 23,883                       | -                         | -                      | -  | 131,589             | 11,801                    | <b>167,273</b>              | 250,160              |
| Property taxes                                  | -                            | -                         | -                      | -  | 166,794             | 5,100                     | <b>171,894</b>              | 183,170              |
| Depreciation                                    | 9,634                        | 44,366                    | -                      | -  | 136,140             | 83,010                    | <b>273,150</b>              | 246,728              |
| Equipment expense                               | <u>79,898</u>                | <u>426</u>                | <u>-</u>               | <u>-</u>                                   | <u>23,562</u>       | <u>45,682</u>             | <b><u>149,568</u></b>       | <u>118,700</u>       |
| Subtotal  | <u>909,730</u>               | <u>2,998,673</u>          | <u>1,076,725</u>       | <u>441,176</u>                             | <u>2,121,086</u>    | <u>574,652</u>            | <b><u>8,122,042</u></b>     | <u>7,832,890</u>     |
| Land transaction activity                       |                              |                           |                        |  |                     |                           |                             |                      |
| Conservation easements purchased                | -                            | 97,234                    | -                      | -  | -                   | -                         | <b>97,234</b>               | 132,740              |
| Loss on impairment of land and buildings        | -                            | 748,996                   | -                      | -  | -                   | -                         | <b>748,996</b>              | 332,463              |
| Loss on sale of land                            | -                            | 367,680                   | -                      | -  | -                   | -                         | <b>367,680</b>              | -                    |
| Transfer of land to other organizations         | -                            | 83,345                    | -                      | -  | -                   | -                         | <b>83,345</b>               | 1,183,406            |
| Contributions in support of other organizations | <u>-</u>                     | <u>1,334,206</u>          | <u>-</u>               | <u>-</u>                                   | <u>-</u>            | <u>-</u>                  | <b><u>1,334,206</u></b>     | <u>905,477</u>       |
| Subtotal  | <u>-</u>                     | <u>2,631,461</u>          | <u>-</u>               | <u>-</u>                                   | <u>-</u>            | <u>-</u>                  | <b><u>2,631,461</u></b>     | <u>2,554,086</u>     |
| Total   | \$ <u>909,730</u>            | \$ <u>5,630,134</u>       | \$ <u>1,076,725</u>    | \$ <u>441,176</u>                          | \$ <u>2,121,086</u> | \$ <u>574,652</u>         | \$ <b><u>10,753,503</u></b> | \$ <u>10,386,976</u> |

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

## MAINE COAST HERITAGE TRUST

### Statement of Cash Flows

Year Ended December 31, 2021

(With Comparative Totals for the Year Ended December 31, 2020)

|   | <u>2021</u>      |                                |                                    |                           |                             |                | <u>2020</u><br><u>Total</u> |
|---|------------------|--------------------------------|------------------------------------|---------------------------|-----------------------------|----------------|-----------------------------|
|   | <u>Operating</u> | <u>Operating<br/>Endowment</u> | <u>Stewardship<br/>Investments</u> | <u>Revolving<br/>Loan</u> | <u>Special<br/>Projects</u> | <u>Total</u>   |                             |
| Cash flows from operating activities  |                  |                                |                                    |                           |                             |                |                             |
| Change in net assets  | \$ 9,904,754     | \$ 6,421,030                   | \$ 8,210,375                       | \$ 3,962                  | \$ 477,377                  | \$ 25,017,498  | \$ 21,071,059               |
| Adjustments to reconcile change in net assets to net cash provided (used) by operating activities |                  |                                |                                    |                           |                             |                |                             |
| Depreciation  | 273,150          | -                              | -                                  | -                         | -                           | 273,150        | 246,728                     |
| Donated land received   | (1,895,200)      | -                              | -                                  | -                         | -                           | (1,895,200)    | (4,033,825)                 |
| Loss on impairment of buildings   | 699,150          | -                              | -                                  | -                         | -                           | 699,150        | 35,000                      |
| Loss on impairment of land  | 49,846           | -                              | -                                  | -                         | -                           | 49,846         | 297,463                     |
| Loss on sale and transfer of land   | 451,025          | -                              | -                                  | -                         | -                           | 451,025        | 1,183,406                   |
| Gain on sale of cattle and equipment  | (63,952)         | -                              | -                                  | -                         | -                           | (63,952)       | (16,948)                    |
| Decrease in allowance for uncollectible pledges receivable  | (26,725)         | -                              | -                                  | -                         | -                           | (26,725)       | (38,984)                    |
| Net gain on investments   | (1,357,472)      | (7,771,921)                    | (9,338,484)                        | -                         | (607,599)                   | (19,075,476)   | (15,459,547)                |
| (Gain) loss on beneficial interest in split-interest agreements                                   | (771,741)        | -                              | -                                  | -                         | -                           | (771,741)      | 30,852                      |
| Contributions and investment income restricted for long-term investment                           | (4,728,837)      | -                              | (287,039)                          | -                         | -                           | (5,015,876)    | (4,111,813)                 |
| Decrease (increase) in  |                  |                                |                                    |                           |                             |                |                             |
| Pledges and grants receivable   | 1,105,495        | 28,055                         | -                                  | -                         | -                           | 1,133,550      | 580,689                     |
| Accounts and accrued interest receivable  | (173,352)        | -                              | -                                  | 375                       | -                           | (172,977)      | 75,878                      |
| Bequests receivable   | (10,811)         | -                              | -                                  | -                         | -                           | (10,811)       | (64,879)                    |
| Deposits and other assets   | 36,702           | -                              | -                                  | -                         | -                           | 36,702         | 5,326                       |
| Increase (decrease) in  |                  |                                |                                    |                           |                             |                |                             |
| Accounts payable  | (157,538)        | -                              | -                                  | -                         | -                           | (157,538)      | 121,480                     |
| Deferred revenue  | (14,675)         | -                              | -                                  | -                         | -                           | (14,675)       | (3,946)                     |
| Accrued expenses and other liabilities  | 19,674           | -                              | -                                  | -                         | -                           | 19,674         | 235,000                     |
| Net cash provided (used) by operating activities  | <u>3,339,493</u> | <u>(1,322,836)</u>             | <u>(1,415,148)</u>                 | <u>4,337</u>              | <u>(130,222)</u>            | <u>475,624</u> | <u>152,939</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, 2021

(With Comparative Totals for the Year Ended December 31, 2020)

|   | 2021                 |                        |                            |                     |                     | Total                | 2020<br>Total        |
|---|----------------------|------------------------|----------------------------|---------------------|---------------------|----------------------|----------------------|
|   | Operating            | Operating<br>Endowment | Stewardship<br>Investments | Revolving<br>Loan   | Special<br>Projects |                      |                      |
| Cash flows from investing activities  |                      |                        |                            |                     |                     |                      |                      |
| Purchase of land  | \$ (4,321,995)       | \$ -                   | \$ -                       | \$ -                | \$ -                | \$ (4,321,995)       | \$ (5,162,518)       |
| Proceeds from sale of land  | 993,541              | -                      | -                          | -                   | -                   | 993,541              | 1,250,392            |
| Purchase of property and equipment  | (982,173)            | -                      | -                          | -                   | -                   | (982,173)            | (1,328,169)          |
| Purchase of investments   | (595,406)            | (102,513)              | (298,903)                  | -                   | 149,833             | (846,989)            | (2,803,193)          |
| Proceeds from sale of investments   | 90,960               | 1,452,624              | 1,482,876                  | -                   | -                   | 3,026,460            | 3,025,236            |
| Advances on notes receivable  | -                    | -                      | -                          | -                   | -                   | -                    | (42,947)             |
| Repayments of notes receivable, net   | -                    | -                      | -                          | 42,947              | -                   | 42,947               | 108,361              |
| Transfers between funds   | (723,684)            | -                      | 749,317                    | -                   | (25,633)            | -                    | -                    |
| Proceeds from sale of cattle and equipment  | 100,319              | -                      | -                          | -                   | -                   | 100,319              | 80,827               |
| Net cash (used) provided by investing activities                                  | <u>(5,438,438)</u>   | <u>1,350,111</u>       | <u>1,933,290</u>           | <u>42,947</u>       | <u>124,200</u>      | <u>(1,987,890)</u>   | <u>(4,872,011)</u>   |
| Cash flows from financing activities  |                      |                        |                            |                     |                     |                      |                      |
| Change in due to/from other funds   | 1,624,545            | (27,275)               | (771,292)                  | (832,000)           | 6,022               | -                    | -                    |
| Contributions and investment income received, restricted for long-term investment | 4,866,040            | -                      | 253,150                    | -                   | -                   | 5,119,190            | 6,719,017            |
| Proceeds from notes payable   | 75,000               | -                      | -                          | -                   | -                   | 75,000               | -                    |
| Net cash provided (used) by financing activities                                  | <u>6,565,585</u>     | <u>(27,275)</u>        | <u>(518,142)</u>           | <u>(832,000)</u>    | <u>6,022</u>        | <u>5,194,190</u>     | <u>6,719,017</u>     |
| Net increase (decrease) in cash and cash equivalents                              | 4,466,640            | -                      | -                          | (784,716)           | -                   | 3,681,924            | 1,999,945            |
| Cash and cash equivalents, beginning of year                                      | 14,410,821           | -                      | -                          | 2,263,555           | -                   | 16,674,376           | 14,674,431           |
| Cash and cash equivalents, end of year  | <u>\$ 18,877,461</u> | <u>\$ -</u>            | <u>\$ -</u>                | <u>\$ 1,478,839</u> | <u>\$ -</u>         | <u>\$ 20,356,300</u> | <u>\$ 16,674,376</u> |
| Composition of cash and cash equivalents, end of year                             |                      |                        |                            |                     |                     |                      |                      |
| Cash and cash equivalents   | \$ 4,506,731         | \$ -                   | \$ -                       | \$ 1,478,839        | \$ -                | \$ 5,985,570         | \$ 4,045,601         |
| Cash restricted for long-term purposes  | 14,370,730           | -                      | -                          | -                   | -                   | 14,370,730           | 12,628,775           |
|   | <u>\$ 18,877,461</u> | <u>\$ -</u>            | <u>\$ -</u>                | <u>\$ 1,478,839</u> | <u>\$ -</u>         | <u>\$ 20,356,300</u> | <u>\$ 16,674,376</u> |

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

# MAINE COAST HERITAGE TRUST

## Notes to Financial Statements

December 31, 2021

### 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 2021, the Organization received contributions from approximately 4,400 donors, totaling approximately \$14,900,000.

Approximately \$4,850,000 of these total contributions were received from four 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, 2021

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 the investment activity of the stewardship operations and contribution revenue related thereto. Stewardship investments also includes contributions without donor restrictions and with donor restrictions, the income from which is to be used for stewardship purposes, except as needed to be retained in the stewardship investments fund so the purchasing power of the contributions with donor restrictions is not eroded.
- 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 as of and for the year ended December 31, 2020, from which the summarized information was derived.

### **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.

### **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

# MAINE COAST HERITAGE TRUST

## Notes to Financial Statements

December 31, 2021

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, 2021, 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.

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.

# MAINE COAST HERITAGE TRUST

## Notes to Financial Statements

December 31, 2021

### 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 (FASB) Accounting Standards Codification (ASC) Topic 360-10-35-17, *Measurement of an Impairment Loss*, long-lived assets are reviewed for impairment when circumstances indicate the carrying value of an asset may not be recoverable. If impairment exists, an adjustment is made to write the asset down to its fair value, and a loss is recorded as the difference between the carrying value and fair value. Fair values are determined based on quoted market values, discounted cash flows, or internal and external appraisals, as applicable. Assets to be disposed of are carried at the lower of carrying value or estimated net realizable value.

Subsequent to the initial purchase or donation of certain land, the Organization has placed conservation easements, declarations of trust, or other similar restrictions on the land which 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 \$10,182,090 at December 31, 2021. 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 \$49,846 in impairment losses in 2021.

### 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.

# MAINE COAST HERITAGE TRUST

## Notes to Financial Statements

December 31, 2021

### **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 based on its historical collection experience, 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, 2021 were \$8,767,048.

### **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 June 29, 2022, which was the date that the financial statements were available to be issued.

# MAINE COAST HERITAGE TRUST

## Notes to Financial Statements

December 31, 2021

### 2. Pledges, Grants, and Bequests Receivable

Pledges, grants, and bequests receivable at December 31, 2021 are outlined in the table below. Amounts expected to be collected beyond one year are discounted to present value as required using a risk free rate of return.

|   | Less than<br><u>One Year</u> | One to<br><u>Five Years</u> | More than<br><u>Five Years</u> | Total<br>Unconditional<br>Promises<br><u>to Give</u> |
|---|------------------------------|-----------------------------|--------------------------------|--|
| Aldermere-Erickson Capital Campaign                 | \$ 25,000                    | \$ 75,000                   | -                              | \$ 100,000   |
| Centers Point                                       | 10,000                       | 20,000                      | -                              | 30,000   |
| Clark Island  | 41,200                       | 3,700                       | -                              | 44,900   |
| Community Centered Conservation                     | 50,000                       | 50,000                      | -                              | 100,000  |
| Cousins River                                       | 68,074                       | 95,000                      | -                              | 163,074  |
| Land Trust Program                                  | 10,000                       | -                           | -                              | 10,000   |
| Little Whaleboat West                               | 14,833                       | 22,333                      | -                              | 37,166   |
| Monroe Island                                       | 1,500                        | -                           | -                              | 1,500  |
| Places for People                                   | 750,000                      | 1,500,000                   | -                              | 2,250,000  |
| Pond Cove Island                                    | 246,300                      | -                           | -                              | 246,300  |
| Sheep Island  | 57,000                       | 1,000                       | -                              | 58,000   |
| Stone Barn Farm                                     | 1,000                        | 2,000                       | -                              | 3,000  |
| Woodward Point                                      | 41,840                       | 17,250                      | -                              | 59,090   |
| Annual fund   | 68,794                       | 24,100                      | -                              | 92,894   |
| Aldermere Endowment                                 | -                            | -                           | 52,000                         | 52,000   |
| Stewardship   | 316,000                      | 22,000                      | 4,100,000                      | 4,438,000  |
| Comprehensive Campaign                              | 10,266,699                   | 31,000                      | 1,589,950                      | 11,887,649   |
| Other donor restricted                              | <u>37,500</u>                | <u>-</u>                    | <u>-</u>                       | <u>37,500</u>  |
| Total unconditional promises to give                | 12,005,740                   | 1,863,383                   | 5,741,950                      | 19,611,073   |
| Less: Discount to net present value at 0.19 - 3.27% |                              |                             |                                | (1,628,305)  |
| Allowance for uncollectible pledges                 |                              |                             |                                | <u>(271,706)</u>                                     |
| Net pledges, grants and bequests receivable         |                              |                             |                                | <u>\$ 17,711,062</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, 2021, these are not recognized as assets in the statement of financial position.

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

- \$110,500 in support of Schooner Cover-Boyer project.
- \$299,808 in support of Fishway Passage River Restoration.
- \$466,365 in support of Cousin's River Marsh project.
- \$147,500 in support of Wabanaki Community liaison position.
- \$400,000 in support of the community efforts in the Mount Desert island region.
- \$1,569,655 in support of Maine wetlands protection projects.
- \$400,000 in support of the Aldermere Farm, Erikson Fields, and the River Restoration and Marsh Migration efforts in the Downeast region.

# MAINE COAST HERITAGE TRUST

## Notes to Financial Statements

December 31, 2021

### 3. Investments

Investments consist of the following:

|                                  |                       |
|----------------------------------|-----------------------|
| Mutual and exchange traded funds | \$ 41,080,123         |
| Money market portfolios          | 4,680,626             |
| Corporate bonds                  | 2,124,549             |
| Other investments                | <u>76,741,874</u>     |
| Total investments                | <u>\$ 124,627,172</u> |

The Organization's investment income during 2021 was comprised of interest and dividend income of \$466,328, total gain on investments of \$19,911,240, fees from the Organization's various investment managers of \$660,764, and fees from the Organization's investment advisor of \$175,000.

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 85-95% of investments to be held in equity securities, private investments and marketable alternatives, with the remaining 5-15% 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 4.4% of the trailing four quarter average market value of the investments, in addition to 70% of the preceding year draws from the investments, adjusted for inflation, may be used for general operating purposes, and the remainder is retained for use in future years. In 2020, the Organization approved a strategy to reduce the percentage draw of the beginning market value of the investments from 4.5% to 4.0% in annual 0.1% increments. Therefore, in 2021, the hybrid spending model utilized 4.4% of the trailing four quarter average market value of the investments. This spending model is utilized for the operating endowment, stewardship, special projects, and operating investment funds.

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, 2021.

# MAINE COAST HERITAGE TRUST

## Notes to Financial Statements

December 31, 2021

The majority of investments managed by TIFF, Legacy Venture LLCs, VIA Energy L.P.s, Accolade Partners, L.P.s, Camber Capital, Davidson Kempner Institutional Partners, L.P., Diameter Offshore Fund L.P., Garda Capital Partners, L.P., Kline Hill Partners, LL Mortgage Fund, L.P., Moonrise Capital, 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, Camber Capital, Davidson Kempner Institutional Partners, L.P., Diameter Offshore Fund L.P., Garda Capital Partners, L.P., Kline Hill Partners, LL Mortgage Fund, L.P., Moonrise Capital, 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.

The donor-restricted and board-designated endowment investment net asset composition by type of fund as of December 31, 2021 is as follows:

|   | <u>Board-<br/>Designated</u> | <u>With Donor<br/>Restrictions</u> | <u>Total</u>          |
|---|------------------------------|------------------------------------|-----------------------|
| Donor-restricted endowment funds                  | \$ -                         | \$ 66,138,666                      | \$ 66,138,666         |
| Board-designated stewardship<br>endowment funds   | 29,584,833                   | -                                  | 29,584,833            |
| Board-designated endowment funds                  | 19,711,151                   | -                                  | 19,711,151            |
| Board-designated special projects funds           | <u>3,738,135</u>             | <u>-</u>                           | <u>3,738,135</u>      |
| Total endowment investments                       | <u>\$ 53,034,119</u>         | <u>\$ 66,138,666</u>               | 119,172,785           |
| Investments without donor or board<br>restriction |                              |                                    | <u>5,454,387</u>      |
| Total investments                                 | <u>\$ 53,034,119</u>         | <u>\$ 66,138,666</u>               | <u>\$ 124,627,172</u> |

**MAINE COAST HERITAGE TRUST**

**Notes to Financial Statements**

**December 31, 2021**

Changes in donor-restricted and board-designated endowment investment net assets for the year ended December 31, 2021 are as follows:

|  | Without donor<br>restriction -<br>Board<br><u>Designated</u> | With donor<br><u>Restriction</u> | <u>Total</u>          |
|--|--|----------------------------------|-----------------------|
| Endowment investment net assets, beginning of year           | \$ 45,222,512  | \$ 57,059,773                    | \$102,282,285         |
| Investment return, net                                       | 8,494,965  | 10,727,317                       | 19,222,282            |
| Contributions and other deposits                             | 46,793   | 724,073                          | 770,866               |
| Release for spending for Stewardship project expenses        | 678,535  | (678,535)                        | -                     |
| Appropriation of endowment investment assets for expenditure | (1,383,522)  | (1,766,138)                      | (3,149,660)           |
| Other, net   | <u>(25,164)</u>  | <u>72,176</u>                    | <u>47,012</u>         |
| Endowment investment net assets, end of year                 | \$ <u>53,034,119</u>   | \$ <u>66,138,666</u>             | \$ <u>119,172,785</u> |

**4. Property and Equipment**

Property and equipment as of December 31, 2021 consists of:

|                              |                     |
|------------------------------|---------------------|
| Land improvements            | \$ 217,337          |
| Buildings                    | 4,689,280           |
| Farm equipment               | 530,531             |
| Farm furnishings             | 2,200               |
| Livestock                    | 65,391              |
| Equipment – office and other | <u>617,833</u>      |
|                              | 6,122,572           |
| Accumulated depreciation     | <u>(2,136,658)</u>  |
|                              | \$ <u>3,985,914</u> |

MAINE COAST HERITAGE TRUST

Notes to Financial Statements

December 31, 2021

5. Land and Conservation Easements

Following is a summary of land held by the Organization at December 31, 2021 and related activity for the year then ended:

|                 |                       |
|-----------------|-----------------------|
| Land purchased  | \$ 65,061,196         |
| Land donated    | 49,826,382            |
| Land in process | <u>121,711</u>        |
| Total land      | <u>\$ 115,009,289</u> |

Land purchased during 2021:

| <u>Name</u>                                       | <u>Location</u>  |
|---|------------------|
| Cutler Harbor Community Access (purchased by LLC) | Cutler           |
| Gooseberry Point                                  | Frenchboro       |
| Orange Lake Portage II                            | Whiting          |
| Rocky Lake North II                               | Edmunds          |
| Little Whaleboat Island                           | Harpswell        |
| Chris's Pond Expansion (purchased by LLC)         | Southwest Harbor |
| Sheep Island                                      | Owls Head        |

Land purchased during 2021 – bargain purchase:

| <u>Name</u>                         | <u>Location</u> |
|-------------------------------------|-----------------|
| Picture Rocks II (purchased by LLC) | Machiasport     |

Land donations received during 2021:

| <u>Name</u>                              | <u>Location</u> |
|--|-----------------|
| Enchanted Island                         | Stonington      |
| McGlathery and Little McGlathery Islands | Stonington      |
| Schoodic Woods North                     | Winter Harbor   |
| Forbes Pond North Addition               | Gouldsboro      |

Conservation easements purchased during 2021:

| <u>Name</u>                | <u>Location</u> |
|----------------------------|-----------------|
| Schooner Cove West         | Pembroke        |
| Meadow Brook – Forbes Pond | Gouldsboro      |

Conservation easement donations during 2021:

| <u>Name</u>                         | <u>Location</u> |
|-------------------------------------|-----------------|
| Gerrish Island – Fairchild Addition | Kittery         |
| Weir Cove West Addition             | Brooksville     |

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**6. Description of Leasing Arrangements**

The Organization leases office space in Topsham under an operating lease agreement. In May 2022, the Organization signed an extension on the agreement through April 2024. The agreement provides for annual increases in rent equal to the percentage increase in the Consumer Price Index between the two most recent months of July 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:

|      |                   |
|------|-------------------|
| 2022 | \$ 174,825        |
| 2023 | 183,567           |
| 2024 | <u>62,681</u>     |
|      | <u>\$ 421,073</u> |

Rent expense under this lease totaled \$168,673 for 2021.

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

**7. Borrowings**

The Organization has available a \$4,000,000 line of credit, with interest at 2.75%, collateralized by investments or pledges at the option of the Organization. There were no outstanding advances on the line at December 31, 2021. The line of credit expires in September 2022. 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 \$250,900 for 2021.

**9. 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 \$5,688,864 at December 31, 2021. Distributions from the trust were \$249,039 in 2021.

# MAINE COAST HERITAGE TRUST

## Notes to Financial Statements

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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 \$246,161 at December 31, 2021.

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 \$151,993 at December 31, 2021 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 \$359,898 at December 31, 2021.

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                 | \$ 5,688,864        |
| Charitable remainder unitrusts                         | 246,161             |
| Charitable gift annuities                              | <u>359,898</u>      |
| Total beneficial interest in split-interest agreements | <u>\$ 6,294,923</u> |

### 10. Net Assets with Donor Restrictions

As of December 31, 2021, net assets subject to expenditure for a specified purpose are as follows:

|   | <u>Operating</u>     | <u>Operating<br/>Endowment</u> | <u>Stewardship<br/>Investments</u> | <u>Revolving<br/>Loan Fund</u> | <u>Total</u>         |
|---|----------------------|--------------------------------|------------------------------------|--------------------------------|----------------------|
| Stewardship   | \$ 3,608,139         | \$ -                           | \$11,224,557                       | \$ -                           | \$ 14,832,696        |
| Land protection   | 14,449,449           | -                              | -                                  | 250,000                        | 14,699,449           |
| General operations – time<br>restricted                                 | 11,850,001           | -                              | -                                  | -                              | 11,850,001           |
| Operating endowment<br>earnings, restricted until<br>Board appropriated | <u>-</u>             | <u>6,508,863</u>               | <u>-</u>                           | <u>-</u>                       | <u>6,508,863</u>     |
| Total   | <u>\$ 29,907,589</u> | <u>\$ 6,508,863</u>            | <u>\$11,224,557</u>                | <u>\$ 250,000</u>              | <u>\$ 47,891,009</u> |

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### Notes to Financial Statements

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As of December 31, 2021, net assets invested in perpetuity are as follows:

|  |                       |
|--|-----------------------|
| Beneficial interest in a trust, the income from which is expendable to support Aldermere Farm operations                   | \$ 5,688,864          |
| Land and land improvements – Aldermere Farm  | 1,400,000             |
| Investments in perpetuity, (subject to the Organization's spending policy) the income from which is expendable to support: |                       |
| General operations of the Organization   | 15,465,812            |
| Campaign for the Coast   | 6,500,030             |
| General operations of Aldermere Farm and Erickson Fields   | 677,649               |
| The stewardship of conserved land  | 13,578,525            |
| The stewardship of conserved land in the Acadian region  | 7,500,000             |
| The Partridge Endowment for People and Places - Care for the Land  | 392,500               |
| The Places for People - Care for the Land Endowment  | 262,989               |
| 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  | 1,464,835             |
| The Places for People – Connect People & Land Endowment  | 553,983               |
| Richard Rockefeller Internship Program   | 250,000               |
| Tim Glidden Conservation Internship Program  | 237,015               |
| Total  | \$ <u>56,608,722</u>  |
| Total net assets with donor restrictions   | \$ <u>104,499,731</u> |

#### 11. Board-Designated Net Assets

The Board has chosen to designate a portion of net assets at December 31, 2021 for specific purposes as follows:

|   | <u>Operating</u>    | <u>Operating<br/>Endowment</u> | <u>Stewardship<br/>Investments</u> | <u>Revolving<br/>Loan</u> | <u>Special<br/>Projects</u> | <u>Total<br/>Board-<br/>Designated</u> |
|---|---------------------|--------------------------------|------------------------------------|---------------------------|-----------------------------|--|
| Stewardship                                 | \$ 120,942          | \$ -                           | \$ 28,899,958                      | \$ -                      | \$ -                        | \$ 29,020,900                          |
| Revolving loan – island projects            | -                   | -                              | -                                  | 106,222                   | -                           | 106,222                                |
| Operating endowment                         | -                   | 19,667,533                     | -                                  | -                         | -                           | 19,667,533                             |
| Special projects general                    | -                   | -                              | -                                  | -                         | 3,470,665                   | 3,470,665                              |
| Legal defense fund – conservation easements | -                   | -                              | -                                  | -                         | 250,000                     | 250,000                                |
| Conservation innovation                     | 145,000             | -                              | -                                  | -                         | -                           | 145,000                                |
| Capital replacement reserve-operating       | 941,895             | -                              | -                                  | -                         | 9,946                       | 951,841                                |
|   | \$ <u>1,207,837</u> | \$ <u>19,667,533</u>           | \$ <u>28,899,958</u>               | \$ <u>106,222</u>         | \$ <u>3,730,611</u>         | \$ <u>53,612,161</u>                   |

# MAINE COAST HERITAGE TRUST

## Notes to Financial Statements

December 31, 2021

### 12. 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  | \$ 5,688,864         | \$ -                 | \$ 5,688,864        |
| Charitable gift annuities   | 359,898              | 359,898              | -                   |
| Charitable remainder unitrusts  | 246,161              | -                    | 246,161             |
| Corporate bonds   | 2,124,549            | -                    | 2,124,549           |
| Mutual funds  | 41,080,123           | 41,080,123           | -                   |
| Money market portfolios   | <u>4,680,626</u>     | <u>4,680,626</u>     | <u>-</u>            |
| Sub-total   | 54,180,221           | 46,120,647           | 8,059,574           |
| Investment in limited liability companies or<br>limited partnerships at net asset value | <u>76,741,874</u>    | <u>-</u>             | <u>-</u>            |
| Total   | <u>\$130,922,095</u> | <u>\$ 46,120,647</u> | <u>\$ 8,059,574</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.

**MAINE COAST HERITAGE TRUST**

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The following table sets forth a summary of the fair value of the Organization's other investments at December 31, 2021 using a reported net asset value per share:

|  | <u>Fair Value</u>    | <u>Unfunded<br/>Commitments</u> |
|--|----------------------|---------------------------------|
| Accolade Partners III, L.P.  | \$ 1,737,172         | \$ 300,000                      |
| Accolade Partners IV, L.P.   | 1,599,357            | 300,000                         |
| Accolade Partners V, L.P.  | 2,384,383            | 215,000                         |
| Accolade Partners VI, L.P.   | 1,739,942            | 255,000                         |
| Accolade Partners VII, L.P.  | 1,255,661            | 390,000                         |
| Accolade Partners VIII, L.P.                                       | 348,451              | 720,000                         |
| Camber Capital Offshore Fund, Ltd.                                 | 3,551,439            | -                               |
| Davidson Kempner Institutional Partners, L.P.                      | 6,801,307            | -                               |
| Diameter Offshore Fund, L.P.                                       | 4,694,197            | -                               |
| Garda Capital Partners, L.P.                                       | 4,508,927            | -                               |
| Kline Hill Partners Fund II, L.P.                                  | 1,094,100            | 304,179                         |
| Kline Hill Partners Fund III, L.P.                                 | 1,181,006            | 434,705                         |
| Legacy Venture IV  | 251,241              | -                               |
| Legacy Venture V   | 369,371              | -                               |
| Legacy Venture VI  | 1,398,944            | 10,000                          |
| Legacy Venture VII   | 1,897,402            | 10,000                          |
| Legacy Venture VIII  | 1,211,562            | 35,000                          |
| LL Mortgage Fund, L.P.   | 4,272,121            | -                               |
| Moonrise China Partners I, L.P.                                    | 543,673              | 120,311                         |
| Moonrise China Partners II, L.P.                                   | 336,129              | 701,713                         |
| Moonrise Venture Partners I  | 2,285,456            | 87,099                          |
| Moonrise Venture Partners II                                       | 1,464,432            | 206,843                         |
| RWC Global Horizon   | 5,330,140            | -                               |
| Thirteen Partners Private Equity IV, L.P.                          | 1,408,433            | 75,953                          |
| Thirteen Partners Private Equity V, L.P.                           | 1,237,775            | 320,402                         |
| TIFF Private Equity Partners 2006                                  | 41,405               | 127,500                         |
| Two Sigma Active Extension U.S. All Cap<br>Equity Cayman Fund, LTD | 16,951,535           | -                               |
| Two Sigma Risk Premia Enhanced Cayman<br>Fund, LTD                 | 5,636,971            | -                               |
| Vision Ridge Partners Sustainable Assets Fund II                   | 328,203              | 286,369                         |
| Vision Ridge Partners Sustainable Assets Fund III                  | <u>61,120</u>        | <u>927,977</u>                  |
| Private equity total   | <u>75,921,855</u>    | <u>5,828,051</u>                |
| Venture Investment Associates Energy I, L.P.                       | 142,254              | 60,000                          |
| Venture Investment Associates Energy II, L.P.                      | 469,986              | 67,500                          |
| TIFF Realty and Resources 2008                                     | 127,964              | 90,000                          |
| TIFF Realty and Resources II                                       | <u>79,815</u>        | <u>82,500</u>                   |
| Real assets total  | <u>820,019</u>       | <u>300,000</u>                  |
| Other investments total  | <u>\$ 76,741,874</u> | <u>\$ 6,128,051</u>             |

**MAINE COAST HERITAGE TRUST**

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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.

**13. 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, 2021, the following financial assets could be readily made available within one year of the statement of financial position date to meet general expenditures:

|   |                      |
|---|----------------------|
| Cash and cash equivalents                                     | \$ 5,985,570         |
| Accounts and accrued interest receivable                      | 234,379              |
| Investments without donor<br>restriction or board designation | <u>5,454,387</u>     |
| Total assets  | <u>\$ 11,674,336</u> |

At December 31, 2021, \$53,034,119 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 37% of the Organization's investment portfolio consists of highly liquid investments. See Notes 3, 10, 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 7.

MAINE COAST HERITAGE TRUST

Notes to Financial Statements

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14. 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 2021 prior to elimination and consolidation into the operating fund are as follows:

|  |                    |
|--|--------------------|
| Cash   | \$ 257,412         |
| Buildings, net of accumulated depreciation               | 420,831            |
| Land   | <u>2,736,412</u>   |
| Total assets   | <u>3,414,655</u>   |
| Due to other funds                                       | -                  |
| Accounts payable   | 195                |
| Notes payable  | <u>3,475,000</u>   |
| Total liabilities  | <u>3,475,195</u>   |
| Net deficit without donor restriction                    | \$ <u>(60,540)</u> |
| Donated land   | \$ <u>40,000</u>   |
| Total revenue  | <u>40,000</u>      |
| Professional fees and contract services                  | 1,471              |
| Depreciation   | 19,309             |
| Property taxes   | 14,048             |
| Loss on sale of land                                     | 551,444            |
| Partnership distribution                                 | 101,725            |
| Project expense  | <u>80,000</u>      |
| Total expenses   | <u>767,997</u>     |
| Decrease in net assets                                   | (727,997)          |
| Net assets without donor restriction - beginning of year | <u>667,457</u>     |
| Net deficit without donor restriction - end of year      | \$ <u>(60,540)</u> |