



laudholmtrust
In support of Wells Reserve

FINANCIAL STATEMENTS
June 30, 2019 and 2018

LAUDHOLM TRUST
Financial Statements
Years ended June 30, 2019 and 2018

Table of Contents

	<u>Page</u>
Report of Independent Auditor's	
Financial Statements:	
Statements of Financial Position	1
Statements of Activities	2
Statement of Functional Expenses for the year ended June 30, 2019	3
Statement of Functional Expenses for the year ended June 30, 2018	4
Statements of Cash Flows	5
Notes to Financial Statements	6-21

INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees and Management of
Laudholm Trust

We have audited the accompanying financial statements of the Laudholm Trust (a nonprofit organization), which comprise the statements of financial position as of June 30, 2019 and 2018, and the related statement of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Laudholm Trust as of June 30, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Board of Trustees and Management

Laudholm Trust

Page 2

Change in Accounting Principle

As discussed in *Change in Accounting Principle* footnote, in 2019 Laudholm Trust adopted Financial Accounting Standards Board Accounting Standards Update (ASU) No. 2016-14, *Presentation of Financial Statements for Not-for-Profit Entities*. Our opinion is not modified with respect to this matter.

A handwritten signature in black ink, reading "Ryan Kristen Ouellette". The signature is written in a cursive style with a large initial 'R'.

December 9, 2019

South Portland, Maine

LAUDHOLM TRUST
Statements of Financial Position
June 30, 2019 and 2018

	2019	2018
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 279,395	236,473
Accounts receivable	5,734	5,716
Pledges receivable, current portion	32,500	2,500
Inventory	4,000	4,118
Total current assets	321,629	248,807
Property and equipment:		
Land	97,950	97,950
Furniture and equipment	21,208	13,690
Total property and equipment	119,158	111,640
Less accumulated depreciation	(13,279)	(12,279)
Property and equipment, net	105,879	99,361
Other assets:		
Investments	7,045,371	6,102,585
Pledges receivable, non-current portion	25,000	-
Asset held for resale	30,900	30,900
Beneficial interest in perpetual trusts	1,112,032	1,094,365
Total other assets	8,213,303	7,227,850
Total assets	\$ 8,640,811	7,576,018
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable	\$ 3,489	2,492
Accrued paid time off	15,125	11,729
Deferred revenue	104,195	123,585
Total current liabilities	122,809	137,806
Net assets:		
Without donor restrictions:		
Undesignated	169,409	111,590
Invested in property and equipment	105,879	99,361
Board designated endowment	2,013,010	1,756,259
Total without donor restrictions	2,288,298	1,967,210
With donor restrictions	6,229,704	5,471,002
Total net assets	8,518,002	7,438,212
Total liabilities and net assets	\$ 8,640,811	7,576,018

See accompanying notes to financial statements.

LAUDHOLM TRUST
Statement of Activities
For the Years Ended June 30, 2019 and 2018

	2019			2018		
	Without donor restrictions	With donor restrictions	Total	Without donor restrictions	With donor restrictions	Total
Revenues and other support:						
Contributions and grants	\$ 185,595	88,795	274,390	266,780	35,080	301,860
Memberships	107,210	-	107,210	98,152	-	98,152
Fundraising events, net of expenses of \$55,756	153,299	-	153,299	130,216	-	130,216
Facility rentals, net of expenses of \$12,286	74,909	-	74,909	126,408	-	126,408
Store sales, net of expenses of \$3,887	3,164	-	3,164	1,148	-	1,148
Interest and dividends, net	44,728	57,240	101,968	17,452	52,249	69,701
Realized and unrealized gain on investments	297,876	734,295	1,032,171	208,992	472,190	681,182
Change in value of perpetual trusts	-	17,667	17,667	-	36,935	36,935
Change in annuity obligations	(6,000)	-	(6,000)	(6,000)	(887)	(6,887)
Net assets released from restrictions	139,295	(139,295)	-	129,042	(129,042)	-
Total revenues and other support	1,000,076	758,702	1,758,778	972,190	466,525	1,438,715
Expenses:						
Program services	383,506	-	383,506	382,925	-	382,925
Supporting services:						
Management and general	148,809	-	148,809	134,113	-	134,113
Fundraising	146,673	-	146,673	158,768	-	158,768
Total expenses	678,988	-	678,988	675,806	-	675,806
Changes in net assets	321,088	758,702	1,079,790	296,384	466,525	762,909
Net assets, beginning of year	1,967,210	5,471,002	7,438,212	1,670,826	5,004,477	6,675,303
Net assets, end of year	\$ 2,288,298	6,229,704	8,518,002	1,967,210	5,471,002	7,438,212

See accompanying notes to financial statements.

LAUDHOLM TRUST
Statement of Functional Expenses
For the Year Ended June 30, 2019

	Program services	Management and general	Fundraising	Total expenses
Salaries	\$ 61,376	73,481	87,170	222,027
Payroll taxes	3,011	6,021	6,021	15,053
Employee benefits	24,192	22,445	24,723	71,360
Total salaries and related expenses	88,579	101,947	117,914	308,440
Office supplies	-	1,479	5,916	7,395
Insurance	-	5,502	-	5,502
Postage	-	437	3,934	4,371
Printing and online communication	12,472	-	-	12,472
Professional fees	516	37,411	12,470	50,397
Property taxes	-	52	-	52
Donor recognition and cultivation	-	-	5,251	5,251
Marketing and advertising	6,569	-	-	6,569
Repairs and maintenance	-	401	-	401
Dues and subscriptions	148	147	296	591
Training	2,837	334	334	3,505
Contribution to Wells Reserve	258,997	-	-	258,997
Travel and meals	4,074	99	558	4,731
Miscellaneous	9,314	-	-	9,314
Total expenses before depreciation	383,506	147,809	146,673	677,988
Depreciation	-	1,000	-	1,000
Total expenses	\$ 383,506	148,809	146,673	678,988

See accompanying notes to financial statements.

LAUDHOLM TRUST
Statement of Functional Expenses
For the Year Ended June 30, 2018

	Program services	Management and general	Fundraising	Total expenses
Salaries	\$ 34,427	73,546	103,738	211,711
Payroll taxes	1,564	6,625	6,701	14,890
Employee benefits	10,133	20,473	25,042	55,648
Total salaries and related expenses	46,124	100,644	135,481	282,249
Office supplies	-	1,537	6,146	7,683
Insurance	-	8,133	-	8,133
Postage	-	486	4,377	4,863
Printing and online communication	17,199	-	-	17,199
Professional fees	232	21,753	7,324	29,309
Property taxes	-	50	-	50
Donor recognition and cultivation	-	-	3,252	3,252
Marketing and advertising	10,617	-	-	10,617
Repairs and maintenance	-	75	-	75
Dues and subscriptions	830	145	145	1,120
Training	5,530	465	465	6,460
Contribution to Wells Reserve	292,264	-	-	292,264
Travel and meals	5,332	278	1,578	7,188
Miscellaneous	4,797	-	-	4,797
Total expenses before depreciation	382,925	133,566	158,768	675,259
Depreciation	-	547	-	547
Total expenses	\$ 382,925	134,113	158,768	675,806

See accompanying notes to financial statements.

LAUDHOLM TRUST
Statements of Cash Flows
For the Years Ended June 30, 2019 and 2018

	2019	2018
Cash flows from operating activities:		
Change in net assets	\$ 1,079,790	762,909
Adjustments to reconcile change in net assets to net cash and cash equivalents used in operating activities:		
Depreciation	1,000	547
Realized and unrealized gain on investments	(1,032,171)	(681,182)
Change in value of charitable trusts	(17,667)	(36,935)
Donated capital assets	(4,500)	(30,900)
Contributions and investment income received for long-term purposes	(794,535)	(528,439)
(Increase) decrease in assets:		
Accounts receivable and due from WNERR	(18)	2,570
Pledges receivable	(55,000)	13,500
Inventory	118	608
Increase (decrease) in liabilities:		
Accounts payable	997	(2,433)
Accrued paid time off	3,396	1,684
Deferred revenues	(19,390)	(49,345)
Net cash and cash equivalents used in operating activities	(837,980)	(547,416)
Cash flows from investing activities:		
Purchase of property and equipment	(3,018)	-
Proceeds from sale of investments	173,844	248,311
Purchase of investments	(84,459)	(256,962)
Net cash and cash equivalents provided by (used in) investing activities	86,367	(8,651)
Cash flows from financing activities:		
Contributions and investment income received for long-term purposes	794,535	528,439
Net cash and cash equivalents provided by financing activities	794,535	528,439
Net change in cash and cash equivalents	42,922	(27,628)
Cash and cash equivalents at beginning of year	236,473	264,101
Cash and cash equivalents at end of year	\$ 279,395	236,473

See accompanying notes to financial statements.

LAUDHOLM TRUST
Notes to Financial Statements
June 30, 2019 and 2018

NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Organization - Laudholm Trust (the Trust) is a not-for-profit organization incorporated under Title 13-B of the Statutes of the State of Maine. Laudholm Trust is dedicated to advancing the coastal research, education, and conservation programs of the Wells National Estuarine Research Reserve and to preserving its historic buildings. The Trust strives to extend its unique legacy by galvanizing community support and inspiring actions that protect Maine's coastal environments. The Trust contributes (or otherwise makes available) resources and personnel to the Wells Reserve and acquires (or otherwise protects) lands. In these capacities, the Trust is considered to be a component unit of the Wells National Estuarine Research Reserve Management Authority. The Trust's principal sources of revenue are membership dues, donations, grants, investment income, fundraising events, and rentals.

Basis of Accounting - The financial statements of the Trust have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Consequently, revenues and gains are recognized when earned, and expenses and losses are recognized when incurred.

Change in Accounting Principle - During the year ended June 30, 2019, the Trust adopted the provisions of FASB Accounting Standards Update (ASU) No. 2016-14, *Presentation of Financial Statements for Not-for-Profit Entities*. The ASU addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Trust has implemented ASU no. 2016-14 and has adjusted the presentation of these financial statements accordingly. The ASU has been applied retrospectively to all periods presented.

Basis of Presentation - The financial statement presentation follows the provisions of FASB ASC 958-605 *Revenue Recognition-Contributions*, and FASB ASC 958-205 *Presentation of Financial Statements*. In accordance with these provisions, the Organization is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions, and net assets with donor restrictions.

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

Net assets without donor restrictions - Net assets without donor restrictions are resources available to support operations and not subject to donor restrictions. The governing board has designated, from net assets without donor restrictions, a board-designated endowment.

Net assets with donor restrictions - Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. When a restriction expires, net assets with donor restrictions that are temporary in nature are reclassified to net assets without donor restrictions, and reported in the statement of activities as net assets released from restrictions. These net assets may also include funds that are subject to legal restrictions, such as the unappropriated appreciation of donor-restricted endowment funds.

LAUDHOLM TRUST
Notes to Financial Statements, Continued
June 30, 2019 and 2018

NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Revenues and Expenses - Revenues are reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or by law. Expirations of donor-imposed restrictions that are temporary in nature on net assets by fulfillment of the donor-stipulated purpose or by passage of the stipulated time period are reported as reclassifications between the applicable classes of net assets.

Fair Value of Financial Instruments - Unless otherwise indicated, the fair value of all reported assets and liabilities which represent financial instruments, none of which are held for trading purposes, approximates the carrying value of such amounts.

Cash and Cash Equivalents - For purposes of the statements of cash flows, the Trust considers all unrestricted highly liquid investments purchased with a maturity of three months or less to be cash equivalents.

Deferred Revenues - Deferred revenues consist of certain event and site rental fees received but not earned as the corresponding events take place in the following fiscal year.

Inventory - Inventory is valued at the lower of cost or market determined by the first-in, first-out method.

Pledges Receivable – Pledges receivable, which represent unconditional promises to give, are recorded when received. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

Donated Assets - Donated marketable securities and other noncash donations are recorded as contributions at their estimated fair values at the date of donation.

Donated Services - Contributed professional services are recognized if the services received (a) create or enhance long-lived assets or (b) require specialized skills and are provided by individuals possessing those skills that would typically need to be purchased if not provided by donation.

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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 these estimates.

Functional Allocation of Expenses - The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited, based on internal accounting data and estimates made by management.

LAUDHOLM TRUST
Notes to Financial Statements, Continued
June 30, 2019 and 2018

NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Property and Equipment - Purchased assets are carried at cost while contributed assets are carried at their fair value at the time of the gift. The Trust's policy is to capitalize costs for major additions over \$1,000 and having a useful life greater than one year. Expenditures for repairs and maintenance or minor additions that do not improve or extend the life of an asset, are expensed when incurred. Depreciation is not computed on the Trust's land. Personal property items which are considered to be operating assets are depreciated using the straight line method of depreciation over the assets' estimated useful life. Furnishings and equipment are depreciated over a period of 5-10 years.

Land - Land consists of four parcels of property. Three of which are located in Mohave County, Arizona, and one is located on Drakes Island in Wells, Maine.

Recognition of Donor Restricted Contributions - Support that is restricted by the donor is reported as an increase in net assets with donor restrictions, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), restricted net assets are reclassified to net assets without donor restrictions and reported in the Statement of Activities as net assets released from restrictions.

Income Taxes - The Trust is exempt from Federal income taxes under the provisions of the Internal Revenue Service Code as an entity described in Section 501(c)(3). The Trust has been classified as a publicly supported Trust that is not a private foundation under Section 509(a) of the Internal Revenue Service Code. Therefore, no provision for income taxes has been made.

Accounting principles generally accepted in the United States of America requires management to evaluate tax positions taken by the Trust and recognize a tax liability if the Trust has taken an uncertain tax position that more likely than not would not be sustained upon examination by the Internal Revenue Service and state taxing authorities. The Trust is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress.

Reclassifications - During 2019, certain prior year balances were reclassified to conform to the current year presentation. Such reclassifications had no effect on the results of operations as previously reported.

Recent Accounting Pronouncements - In February 2016, the FASB issued ASU No. 2016-02 *Leases (Topic 842)*. Under ASU 2016-02, at the commencement of a long-term lease (greater than 12 months), the lessees will recognize a liability equivalent to the discounted payments due under the lease agreement, as well as an offsetting right-of-use asset. The ASU will be effective for the Trust on July 1, 2020, though early adoption permitted. Application of this standard must be applied using a modified retrospective transition approach for leases existing at the earliest comparative period presented in the financial statements. Recently, the FASB issued a proposed accounting standards update No. 2019-750, which if adopted would delay the implementation date of ASU 2016-02 for one year. The revised effective date for the Trust would be for fiscal years beginning after December 15, 2020, according to ASU No. 2019-750. The Trust is currently evaluating the impact of this pending ASU on the financial statements.

LAUDHOLM TRUST
Notes to Financial Statements, Continued
June 30, 2019 and 2018

CONCENTRATIONS OF CREDIT RISK ARISING FROM CASH DEPOSITS IN EXCESS OF INSURED LIMITS

The Trust maintains its cash balances at two banks and at two investment brokerages. The balances at each bank are insured by the Federal Deposit Insurance Corporation up to \$250,000, and balances at each investment brokerage are insured by the Securities Investor Protection Corporation up to \$500,000. At June 30, 2019 and 2018, the Trust had no uninsured cash.

PLEDGES RECEIVABLE

Pledges receivable are summarized as follows at June 30:

	<u>2019</u>	<u>2018</u>
Pledges receivable expected to be collected in:		
Less than one year	\$ 32,500	2,500
One year to five years	25,000	-
Over five years	-	-
	57,500	2,500
Less current portion	(32,500)	(2,500)
Total receivable, net of current portion	\$ 25,000	-

Pledges receivable at June 30, 2019 and 2018, have no purpose restrictions. All balances are considered fully collectible, therefore no allowance for uncollectible amounts has been provided at both June 30, 2019 and 2018.

INVESTMENTS

The Trust records investments in marketable securities with readily determinable fair values and all investments in debt securities at their fair values in the statements of financial position. Unrealized gains and losses are included in the change in net assets in the accompanying statement of activities. Investments include gifts that are subject to donor or legal restrictions as well as other unrestricted gifts and funds, which are invested to provide support for Trust activities in accordance with Trustee direction. Investments, at fair value, are classified in the statements of financial position as follows at June 30:

	<u>2019</u>	<u>2018</u>
Cash and cash equivalents	\$ 187,389	95,235
U.S. government treasuries	982,293	1,000,375
Mutual funds	172,872	165,464
Corporate equities	5,702,817	4,841,511
Total investments	\$ 7,045,371	6,102,585

LAUDHOLM TRUST
Notes to Financial Statements, Continued
June 30, 2019 and 2018

BENEFICIAL INTERESTS IN PERPETUAL TRUSTS

Laudholm Trust is the beneficiary of two trusts created by donors, the assets of which are not in possession of the Trust. The Trust has legally enforceable rights and claims relating to such assets, including the sole right to income therefrom. At June 30, 2019 and 2018, the Trust has recorded its beneficial interest in these trusts of \$1,112,032 and \$1,094,365, respectively. Net realized and unrealized gains (losses) and undistributed investment income, net of trust management fees related to the beneficial interests are reported as changes in net assets with donor restrictions to be held in perpetuity based on explicit donor stipulations. Distributions received from the trusts during 2019 and 2018 amounted to \$44,606, and \$43,234, respectively. Distributions are recorded as increases to net assets without donor restrictions, and are included in contributions and grants.

ENDOWMENT FUND

At June 30, 2019 and 2018, the Trust had an endowment fund totaling \$7,050,370, and \$6,107,585, respectively. The purpose of this fund is to generate income to be used to help meet the operating and non-operating costs the Laudholm Trust. The Trust follows the provisions of FASB ASC 958-205-50-1A *Reporting Endowment Funds*. According to these provisions, the Trust is required to classify and report net assets associated with endowment funds, including those designated by the Board of Trustees to function as endowments, based on the existence or absence of donor-imposed restrictions. The Trust is also required to provide the following disclosures relating to its endowment activities.

Interpretation of Relevant Law - Investments for all net asset classes are stated at fair value. In accordance with the Maine Uniform Prudent Management of Institutional Funds Act (UPMIFA), the Trust has interpreted State law to require investment return on endowment funds with donor-imposed restrictions that are perpetual in nature to be restricted until appropriated by the Board of Trustees. Accordingly, except for explicit donor stipulations specifying reinvestment of some or all net investment return, net return on investment of endowment funds with donor-imposed restrictions that are perpetual in nature, is available for appropriation and is reported as increases (decreases) in net assets with donor restrictions, in accordance with the donor's stipulations, if any, concerning the purposes for which ordinary income may be used.

Absent explicit donor stipulations to the contrary, the Trust has interpreted UPMIFA as not requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds. As a result of this interpretation, the Trust retains in perpetuity and classifies as net assets with donor restrictions (1) the original value of gifts donated to the perpetual endowment, (2) the original value of subsequent gifts to the perpetual endowment, and (3) accumulations to the perpetual endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not retained in perpetuity are subject to appropriation for expenditure by the Trust in a manner consistent with the standard of prudence by UPMIFA. In accordance with UPMIFA, the Trust considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the fund, (2) purposes of the Trust and the donor-restricted endowment fund, (3) general economic conditions, (4) possible effects of inflation and deflation, (5) expected total return from income and the appreciation of investments, (6) other resources of the Trust, (7) the Trust's investment policies.

LAUDHOLM TRUST
Notes to Financial Statements, Continued
June 30, 2019 and 2018

ENDOWMENT FUND, CONTINUED

Endowment Fund Spending Policy - The maximum amount of investment income utilization is determined by a spending formula approved by the Trustees. This formula allows for an amount to be allocated for operations equal to 4.0% of the market base defined as the average of the market values for the three preceding years as well as any other investment utilization of available amounts as voted on by the Board of Trustees. For the years ended June 30, 2019 and 2018, the spending policy allocation amounted to \$170,651 and \$169,390, respectively.

From time to time, certain donor-restricted endowment funds may have fair values that are less than the amount required to be maintained by donors or by law (underwater endowments). The Trust has interpreted UPMIFA to permit spending from underwater endowments in accordance with prudent measures required under law. During the year ended June 30, 2019 and 2018, the Trust did not have any underwater endowment funds.

Endowment Fund Investment Policy - The Trust has adopted a policy with an investment objective to provide long-term growth of principal and an increasing stream of income. The equity portfolio, unlike the bond portfolio, provides an opportunity of the endowment to both maintain and improve its purchasing power over time. The objective of increasing endowment income is considered a top long-term priority. The objective of the bond portfolio will be to provide a high, but steady, income stream to supplement the modest current income from stocks. The strategic asset allocation will be guided by the following ranges:

- Cash and cash equivalents 0% to 10%
- Debt securities 15% to 50%
- Equity securities 50% to 85%

LAUDHOLM TRUST
Notes to Financial Statements, Continued
June 30, 2019 and 2018

ENDOWMENT FUND, CONTINUED

The Trust's endowment fund balances were comprised of the following at June 30, 2019:

	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>Totals</u>
Board-designated	\$ 2,013,010	-	2,013,010
Donor-restricted endowments:			
Original donor-restricted gift and amounts required to be maintained in perpetuity	-	2,337,947	2,337,947
Accumulated investment gains	-	2,699,413	2,699,413
Totals	\$ 2,013,010	5,037,360	7,050,370

Changes in the Trust's endowment fund balances for the year ended June 30, 2019 were as follows:

	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>Totals</u>
Endowment net assets, beginning of year	\$ 1,756,259	4,351,326	6,107,585
Contributions	443	3,000	3,443
Investment return, net	318,458	791,535	1,109,993
Amounts appropriated for expenditure	(62,150)	(108,501)	(170,651)
Endowment net assets, end of year	\$ 2,013,010	5,037,360	7,050,370

LAUDHOLM TRUST
Notes to Financial Statements, Continued
June 30, 2019 and 2018

ENDOWMENT FUND, CONTINUED

The Trust's endowment fund balances were comprised of the following at June 30, 2018:

	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>Totals</u>
Board-designated	\$ 1,756,259	-	1,756,259
Donor-restricted endowments:			
Original donor-restricted gift and amounts required to be maintained in perpetuity	-	2,334,948	2,334,948
Accumulated investment gains	-	2,016,378	2,016,378
Totals	\$ 1,756,259	4,351,326	6,107,585

Changes in the Trust's endowment fund balances for the year ended June 30, 2018 were as follows:

	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>Totals</u>
Endowment net assets, beginning of year	\$ 1,481,904	3,935,849	5,417,753
Contributions	100,000	4,000	104,000
Investment return, net	230,783	524,439	755,222
Amounts appropriated for expenditure	(56,428)	(112,962)	(169,390)
Endowment net assets, end of year	\$ 1,756,259	4,351,326	6,107,585

LAUDHOLM TRUST
Notes to Financial Statements, Continued
June 30, 2019 and 2018

ASSETS MEASURED AT FAIR VALUE ON A RECURRING BASIS

In accordance with FASB ASC 820-10 Fair Value Measurements, the Trust is required to disclose for its assets and liabilities measured at fair value on a recurring basis the inputs used to determine those fair value measurements. The guidance provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets and liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3).

The three levels of the fair value hierarchy are as follows:

- *Level 1:* Level 1 inputs are quoted prices in active markets for identical assets and liabilities that an entity has the ability to access at a measurement date.
- *Level 2:* Level 2 inputs are inputs other than quoted prices that are observable for the specific asset or liability, either directly or indirectly.
- *Level 3:* Level 3 inputs are unobservable inputs for the asset or liability in which little or no market activity is available for the asset or liability at the measurement date.

The following is a description of the valuation methodologies used for Level 2 assets measured at fair value. There have been no changes in the methodologies used at June 30, 2019 and 2018.

- *Beneficial interest in perpetual trusts:* Valued using readily available quoted market prices of the asset's underlying investments.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Trust's management believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

LAUDHOLM TRUST
Notes to Financial Statements, Continued
June 30, 2019 and 2018

ASSETS MEASURED AT FAIR VALUE ON A RECURRING BASIS, CONTINUED

The table below segregates all financial assets as of June 30, 2019 that are measured at fair value on a recurring basis (at least annually) into the most appropriate level within the fair value hierarchy based on the inputs used to determine the fair value at the measurement date:

Fair value measurements at 06/30/19 using:

	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>
Cash and cash equivalents	\$ 187,389	187,389	-
U.S. treasury obligations	982,293	982,293	-
Mutual funds:			
Growth	149,038	149,038	-
Fixed income	23,834	23,834	-
Corporate equities:			
Technology	1,342,740	1,342,740	-
Consumer goods	1,511,296	1,511,296	-
Healthcare	660,465	660,465	-
Industrial goods	601,037	601,037	-
Utilities	133,159	133,159	-
Services	627,038	627,038	-
Financial	827,082	827,082	-
Beneficial interest in:			
Perpetual Trusts	1,112,032	-	1,112,032
Totals	\$ 8,157,403	7,045,371	1,112,032

LAUDHOLM TRUST
Notes to Financial Statements, Continued
June 30, 2019 and 2018

ASSETS MEASURED AT FAIR VALUE ON A RECURRING BASIS, CONTINUED

The table below segregates all financial assets as of June 30, 2018 that are measured at fair value on a recurring basis (at least annually) into the most appropriate level within the fair value hierarchy based on the inputs used to determine the fair value at the measurement date:

Fair value measurements at 06/30/18 using:

	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>
Cash and cash equivalents	\$ 95,235	95,235	-
U.S. treasury obligations	1,000,375	1,000,375	-
Mutual funds:			
Growth	141,981	141,981	-
Fixed income	23,483	23,483	-
Corporate equities:			
Technology	1,112,205	1,112,205	-
Consumer goods	1,192,727	1,192,727	-
Healthcare	604,190	604,190	-
Industrial goods	403,273	403,273	-
Utilities	83,515	83,515	-
Services	760,360	760,360	-
Financial	685,241	685,241	-
Beneficial interest in:			
Perpetual Trusts	1,094,365	-	1,094,365
Totals	\$ 7,196,950	6,102,585	1,094,365

Transfers between asset levels are recognized on the actual date of the event or change in circumstance that caused the transfer. There were no transfers between asset levels during either of the years ended June 30, 2019 or 2018.

LINE OF CREDIT

The Trust has a line of credit with a commercial bank which provides for borrowings of up to \$50,000. The line of credit is unsecured. There were no borrowings under the line of credit as of June 30, 2019 and 2018. This line of credit has been extended through July 22, 2020.

DONATED SERVICES

Donated services included in the financial statements consist of accounting and legal services, graphic design, fundraising, public relations and other services. Donated services as of June 30, 2019 and 2018 amounted to a value of \$0 and \$33,269, respectively. In addition, a substantial number of volunteers have donated significant amounts of their time in the Trust's operations, program services, and fundraising campaigns which is not recognized in the financial statements because it does not meet the criteria described in the Trust's policy on donated services. During the years ended June 30, 2019 and 2018, between 450 and 500 volunteers logged approximately 14,244 and 11,776 hours of service on behalf of Laudholm Trust and the Wells National Estuarine Research Reserve, respectively.

LAUDHOLM TRUST
Notes to Financial Statements, Continued
June 30, 2019 and 2018

CONTRIBUTION EXPENSE

Contribution expense includes cash payments made to, or paid on behalf of, the Wells National Estuarine Research Reserve Management Authority.

PENSION PLAN

The Trust has established a defined contribution pension plan for the benefit of its employees. The Plan operates under Section 403(b) of the Internal Revenue Service Code. Under this plan, the Trust matches dollar for dollar up to 6.5% of each eligible employee's salary. Employees must have one year of service with the Trust before they can participate in the plan. Total pension expense amounted to \$13,462, and \$13,110 for each of the years ended June 30, 2019 and 2018, respectively.

CHARITABLE GIFT ANNUITY AGREEMENTS

Amounts due to others under charitable gift annuity agreements represent guarantees to pay a fixed amount to the donor for the life of the donor. At June 30, 2019 and 2018, the Trust had obligations under two and three separate agreements, respectively. The assets received have generally been invested in savings accounts, the earnings from which are used to offset the payments required under two of the agreements. An annuity has been purchased from an insurance company, the payments from which are used to offset the payments required under one of the agreements. In the year of a new gift, the difference between the amount received and the present value of the future annuity payments is recorded as a contribution. The present value of future annuity payments is determined based on the ages and life expectancies of the donors as of the date of the gift, using a discount rate that approximates the Trust's rate of return on invested assets.

LEASE OF OFFICE SPACE

During 2003, the Trust entered into a lease agreement with the Wells National Estuarine Research Reserve to provide office space to Laudholm Trust. The space consists of mutually agreeable office space adequate for Laudholm Trust staff and officers. The term of the lease is for 20 years with the option to extend the lease for 4 successive 20 year terms. In January 2018, the Trust and the Wells National Estuarine Research Reserve entered into a new lease for the same office space. The term of the new lease is for 10 years, ending on December 31, 2028, with a 10 year renewal option at the end of the lease upon mutual consent. The space is being leased rent free under both leases. The Trust has concluded that the fair value of the lease is not determinable, but estimates that the value of the leased office space approximates \$10,000 annually.

LAUDHOLM TRUST
Notes to Financial Statements, Continued
June 30, 2019 and 2018

BOARD DESIGNATED NET ASSETS

Amounts designated by the Board as funds functioning as endowment consist of the following at June 30:

	<u>2019</u>	<u>2018</u>
Bequests, including the following named funds: William D. Haney Fund, Henry H. Pasco Fund, Gerald and Sally Holmes Fund, Esther French Martin Fund, Arthur, Virginia and Frank Sawyer Fund, and Dorothy Low Newton Fund	\$ 404,542	404,542
Memorials and celebratory gifts, including the following: James A. Forest Fund	98,051	98,051
Other amounts designated by the Board, including the following: William R. Spaulding and Gertrude Mowry Spaulding Fund	44,500	44,500
<u>Other amounts, including realized and unrealized gains</u>	<u>1,465,917</u>	<u>1,209,166</u>
<u>Total Board designated net assets</u>	<u>\$ 2,013,010</u>	<u>1,756,259</u>

RESTRICTED NET ASSETS

Net assets with donor restrictions consisted of the following at June 30:

Subject to the Trust's spending policy and appropriation:

	<u>2019</u>	<u>2018</u>
Endowment funds with income restricted to:		
Research	\$ 1,177,312	806,847
Education	514,128	392,891
<u>Other restricted amounts</u>	<u>1,007,973</u>	<u>816,640</u>
<u>Totals</u>	<u>\$ 2,699,413</u>	<u>2,016,378</u>

Subject to appropriation and expenditure when a specified event or time occurs:

Time restricted	\$ 57,500	2,500
<u>Donor restricted grants</u>	<u>21,500</u>	<u>21,500</u>
<u>Totals</u>	<u>\$ 79,000</u>	<u>24,000</u>

LAUDHOLM TRUST
Notes to Financial Statements, Continued
June 30, 2019 and 2018

RESTRICTED NET ASSETS, CONTINUED

To be held in perpetuity:

	<u>2019</u>	<u>2018</u>
Laudholm Trust Endowment Fund, with income to be used at the discretion of the Board with the primary goal to support the Wells National Estuarine Research Reserve. Included here are the following named endowments: E. Virginia Mowry Endowment, Rudolph F. Nunnemacher Endowment, Lily Rice Kendall Endowment, Frank V. Sandberg Endowment, Eleanor Mildram Carberry Endowment, Mort and Barbara Mather Endowment, Doris C. Adams-Nunnemacher Endowment, Kathryn Davis Endowment, and Robert Littlefield Endowment.	\$ 392,900	391,900
Charles C. and Rebecca S. Richardson Lifelong Environmental Learning Fund, an endowment fund with income used each year in support of environmental education activities, programs, and projects.	259,880	259,880
Dorothy Fish Coastal Resource Library Fund, an endowment fund with income used each year in support of the Dorothy Fish Coastal Resource Library.	97,675	97,675
Christian A. Johnson Endeavor Fund, an endowment fund with income used each year in support of educational programs.	41,002	41,002
Other endowment funds with income used each year in support of educational programs.	2,130	2,130
Charles Dennis Fink Research Support Fund, an endowment fund with income used each year in support of research programs.	36,302	36,302
George and Eleanor Ford Research Support Fund, an endowment fund with income used each year in support of research programs.	1,385,938	1,384,938
William and Gertrude Spaulding Fund, an endowment fund with income used each year in support of the junior and advanced junior research program.	50,949	50,949
Mattina R. Proctor Seacoast Explorers Fund, an endowment fund with income used each year in support of educational programs.	25,000	25,000
Mary-Hale Furman Landscape Beautification Fund, an endowment fund with income used each year in support of annual tree planting, landscaping, and beautification efforts.	5,000	5,000

LAUDHOLM TRUST
Notes to Financial Statements, Continued
June 30, 2019 and 2018

RESTRICTED NET ASSETS, CONTINUED

Other endowment funds with income used each year in support of historic buildings. Included here is the Alice Freeman Muchnic Endowment.	\$ 42,483	41,483
Charitable trusts more fully described in separate footnote, with income used each year at the discretion of the Board. Included here are the following trusts: John Louis Alheim Trust, and the Fern Goff Charitable Trust.	1,112,032	1,094,365
Totals	\$ 3,451,291	3,430,624
Total net assets with donor restrictions	\$ 6,229,704	5,471,002

The sources of net assets released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of the passage of time or other events specified by the donors were as follows at June 30:

	<u>2019</u>	<u>2018</u>
Appropriation of endowment funds	\$ 108,501	112,962
Expenditures with purpose restrictions	30,794	16,080
Total net assets released from restriction	\$ 139,295	129,042

LIQUIDITY AND AVAILABILITY OF RESOURCES

The Trust has the following financial assets available within one year of the balance sheet date to meet cash needs for general expenditure:

Cash and cash equivalents	\$ 279,395	
Accounts receivable, net	5,734	
Pledges receivable, current portion	32,500	
Total	\$ 317,629	

None of the financial assets are subject to donor or other contractual restrictions that make them unavailable for general expenditure within one year of the balance sheet date. Pledges receivable are subject to implied time restrictions but are expected to be collected within one year.

As part of the Trust's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. As more fully described in the "Line of Credit" note, the Trust has one committed line of credit in the amount of \$50,000 which it could draw upon in the event of an unanticipated liquidity need. The Trust's endowment funds consist of donor-restricted endowments and board-designated quasi-endowment. As described in the "Endowment" footnote, the Trust's Board of Trustees has adopted an endowment spending policy under which 4.00% of the market base defined as the average of the market values for the three preceding years, as well as any other investment

LAUDHOLM TRUST
Notes to Financial Statements, Continued
June 30, 2019 and 2018

LIQUIDITY AND AVAILABILITY OF RESOURCES, CONTINUED

utilization of available amounts, shall be available to the Trust each year. The Trust's board-designated quasi-endowment amounted to \$2,013,010 at June 30, 2019. Although the Trust does not intend to spend from its quasi-endowment other than amounts appropriated for general expenditures as part of its spending policy, amounts from its quasi endowment could be made available if necessary.

METHOD USED FOR ALLOCATION OF EXPENSES

The financial statements report certain categories of expenses that are attributable to one or more program or supporting functions of the Trust. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. Those expenses include salaries, employee benefits and payroll taxes. Each of these expenses is allocated based on a percentage of staff and management time estimated across each functional category. Other expenses such as office supplies, postage, professional fees, dues and subscriptions, training, and travel and meals, are allocated across functional categories based on management's estimated percentage of total expenditures.

SUBSEQUENT EVENTS

In accordance with FASB ASC 855-10 *Subsequent Events*, management has evaluated subsequent events for possible recognition or disclosure through December 9, 2019, which is the date these financial statements were available to be issued.