

MAINE 
AUDUBON

Financial Statements

April 30, 2018

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Independent Auditor's Report

Board of Trustees
Maine Audubon Society
Falmouth, Maine

We have audited the accompanying financial statements of Maine Audubon Society (a nonprofit organization), which comprise the statement of financial position as of April 30, 2018, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with 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 audit. We conducted our audit 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 Maine Audubon Society as of April 30, 2018, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 10 to the financial statements, certain errors resulting in the misclassification of amounts previously reported as temporarily restricted net assets as of June 30, 2017, were discovered by management of Maine Audubon Society during the current year. Accordingly, amounts reported for unrestricted net assets and temporarily restricted net assets have been reclassified in the 2017 financial statements. There was no effect on the total change in net assets for 2017 due to the reclassification. Our opinion is not modified with respect to that matter.

Board of Trustees
Maine Audubon Society

Prior Period Financial Statements

The financial statements of Maine Audubon Society as of April 30, 2017, were audited by Macpage LLC, who merged with Wipfli LLP as of August 1, 2018, and whose report, dated September 19, 2017, expressed an unmodified opinion on those statements.

Wipfli LLP

South Portland, Maine
December 18, 2018

Statements of Financial Position

April 30,

ASSETS	2018	2017
Current Assets		
Cash and cash equivalents	\$ 285,588	\$ 407,595
Accounts receivable	3,308	2,065
Grants receivable	48,870	81,659
Pledges receivable	25,234	1,482
Inventory	59,127	52,292
Prepaid expenses	14,343	16,257
Total Current Assets	<u>436,470</u>	<u>561,350</u>
Other Assets		
Land, buildings, and equipment, net	1,362,344	1,435,231
Land, restricted as nature sanctuaries and preserves (Note 2)		
Investments	14,129,344	13,389,996
	<u>15,491,688</u>	<u>14,825,227</u>
Total Assets	<u>\$ 15,928,158</u>	<u>\$ 15,386,577</u>
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable	\$ 27,185	\$ 76,535
Accrued payroll and related expenses	116,479	89,378
Other accrued expenses	19,763	7,435
Deferred revenue	429,193	438,254
Total Liabilities	<u>592,620</u>	<u>611,602</u>
Net Assets		
Unrestricted net assets		
Designated for long-term investment	6,897,126	6,667,556
Undesignated	952,942	1,301,316
Total Unrestricted net assets	<u>7,850,068</u>	<u>7,968,872</u>
Temporarily restricted	5,909,030	5,235,173
Permanently restricted	1,576,440	1,570,930
	<u>15,335,538</u>	<u>14,774,975</u>
Total Liabilities and Net Assets	<u>\$ 15,928,158</u>	<u>\$ 15,386,577</u>

Statement of Activities

Year Ended April 30, 2018

	Unrestricted	Temporarily Restricted	Permanently Restricted	Totals
Revenues and Other Support				
Gifts and donations	\$ 634,743	\$ 310,100	\$ 5,510	\$ 950,353
Grants	362,675			362,675
Membership	266,584			266,584
Program fees	209,735			209,735
Sales, advertising and rental income	300,226			300,226
Other	4,225			4,225
Total Revenues and Other Support - Before Net Assets Released from Restrictions	1,778,188	310,100	5,510	2,093,798
Net Assets Released from Restrictions				
Satisfaction of time and purpose restrictions	236,340	(236,340)		
Total Revenues and Other Support	2,014,528	73,760	5,510	2,093,798
Expenses				
Environmental centers, programs and properties	955,855			955,855
Conservation and advocacy	428,575			428,575
Membership and public information	446,187			446,187
Management and General	723,914			723,914
Development	197,319			197,319
Total Expenses	2,751,850			2,751,850
Change in Net Assets from Operations	(737,322)	73,760	5,510	(658,052)
Non-Operating Activities				
Return on investments				
Interest and dividends	145,812	141,590		287,402
Net realized gain on sale of investments	408,632	399,451		808,083
Net unrealized gain on investments	92,358	86,913		179,271
Investment management fees	(28,284)	(27,857)		(56,141)
Change in Net Assets from Non-Operating Activities	618,518	600,097		1,218,615
Change in Net Assets	(118,804)	673,857	5,510	560,563
Net Assets, Beginning of Year	7,968,872	5,235,173	1,570,930	14,774,975
Net Assets, End of Year	\$ 7,850,068	\$ 5,909,030	\$ 1,576,440	\$ 15,335,538

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

Statement of Activities - Continued

Year Ended April 30, 2017

	Unrestricted	Temporarily Restricted	Permanently Restricted	Totals
Revenue and Other Support				
Gifts and donations	\$ 514,930	\$ 153,696	\$ 1,600	\$ 670,226
Grants	312,766			312,766
Membership	292,878			292,878
Program fees	215,462			215,462
Sales, advertising and rental income	252,426			252,426
Other	3,667			3,667
Total Revenues and Other Support - Before Net Assets Released from Restriction	<u>1,592,129</u>	<u>153,696</u>	<u>1,600</u>	<u>1,747,425</u>
Net Assets Released from Restrictions				
Satisfaction of time and purpose restrictions	<u>267,611</u>	<u>(267,611)</u>		
Total Revenue and Other Support	<u>1,859,740</u>	<u>(113,915)</u>	<u>1,600</u>	<u>1,747,425</u>
Expenses				
Environmental centers, programs and properties	898,907			898,907
Conservation and advocacy	391,068			391,068
Membership and public information	346,558			346,558
Management and General	669,182			669,182
Development	210,379			210,379
Total Expenses	<u>2,516,094</u>			<u>2,516,094</u>
Change in Net Assets from Operations	<u>(656,354)</u>	<u>(113,915)</u>	<u>1,600</u>	<u>(768,669)</u>
Non-Operating Activities				
Return on investments				
Interest and dividends	144,551	134,430		278,981
Net realized gain on sale of investments	64,838	56,650		121,488
Net unrealized gain on investments	605,350	571,528		1,176,878
Investment management fees	(27,110)	(25,634)		(52,744)
Change in Net Assets from Non-Operating Activities	<u>787,629</u>	<u>736,974</u>		<u>1,524,603</u>
Change in Net Assets	<u>131,275</u>	<u>623,059</u>	<u>1,600</u>	<u>755,934</u>
Net Assets, Beginning of Year, as restated	<u>7,837,597</u>	<u>4,612,114</u>	<u>\$ 1,569,330</u>	<u>14,019,041</u>
Net Assets, End of Year	<u>\$ 7,968,872</u>	<u>\$ 5,235,173</u>	<u>\$ 1,570,930</u>	<u>\$ 14,774,975</u>

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

Statements of Cash Flows

Years Ended April 30

	2018	2017
Cash flows from operating activities:		
Change in net assets	<u>\$ 560,563</u>	<u>\$ 755,934</u>
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Depreciation	72,887	80,112
Gain on investments - net of fees	(931,213)	(1,245,622)
Decrease (increase) in operating assets:		
Accounts receivable	(1,243)	2,721
Grants receivable	32,789	(77,675)
Pledges receivable	(23,752)	39,631
Inventory	(6,835)	(28,433)
Prepaid expenses	1,914	(14,909)
Increase (decrease) in operating liabilities:		
Accounts payable	(49,350)	11,941
Accrued payroll and related taxes	27,101	22,567
Other accrued expenses	12,328	6,957
Deferred income	(9,061)	31,463
Total adjustments	<u>(874,435)</u>	<u>(1,171,247)</u>
Net cash flows from operating activities	<u>(313,872)</u>	<u>(415,313)</u>
Cash flows from investing activities:		
Purchase of building improvements and equipment		(27,974)
Proceeds from sale of investments	1,946,800	1,181,088
Purchase of investments	(1,754,935)	(660,731)
Net cash from investing activities	<u>191,865</u>	<u>492,383</u>
Net increase in cash and cash equivalents	<u>(122,007)</u>	<u>77,070</u>
Cash and cash equivalents, beginning of year	<u>407,595</u>	<u>330,525</u>
Cash and cash equivalents, end of year	<u>\$ 285,588</u>	<u>\$ 407,595</u>

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

Notes to Financial Statements

April 30, 2018

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Maine Audubon Society (Maine Audubon or the Organization) is a membership environmental organization working to conserve Maine's wildlife and wildlife habitat by engaging people of all ages in education, conservation and action.

Maine Audubon works to conserve Maine's wildlife and habitat in three ways – providing hands-on environmental *education* for people of all ages, conducting research and wildlife *conservation* projects, and taking *action* to help shape effective science-based conservation policy.

Support for Maine Audubon comes from its members and donations from committed individuals, foundations, corporations and government agencies.

Basis of Presentation

Maine Audubon reports information regarding its financial position and activities based upon the existence or absence of donor-imposed restrictions in three categories of net assets: Unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

- **Unrestricted net assets** – Net assets not subject to donor-imposed stipulations.
- **Temporarily restricted net assets** – Temporarily restricted net assets are those whose use has been limited by donors to a specified purpose or time period. When a donor restriction expires (when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified as unrestricted net assets and reported in the statement of activities as net assets released from restrictions.
- **Permanently restricted net assets** – Permanently restricted net assets have been restricted by donors to be maintained in perpetuity. The income from permanently restricted net assets may be unrestricted, temporarily restricted, or permanently restricted by donors.

Use of Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from those estimates.

Basis of Accounting

The financial statements of Maine Audubon have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables and other liabilities.

Notes to Financial Statements

April 30, 2018

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Income Taxes

Maine Audubon is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. However, income from certain activities not directly related to the Organization's tax-exempt purpose is subject to taxation as unrelated business income.

Management has evaluated Maine Audubon's tax positions and concluded that, as of April 30, 2018 and 2017, the Organization has not taken any tax positions that would require the recording of any additional tax liability, nor does it believe that there are any unrealized tax benefits that would either increase or decrease within the next twelve months. The Organization is subject to U.S. federal, state, and local examinations by taxing authorities for three years after the filing of the Organization's return.

Endowment and Appreciation on Permanently Restricted Net Assets

The Organization's endowment consists of approximately thirty funds established for a variety of purposes, including both donor-restricted endowment funds and funds designated by the Board of Trustees to act as endowments. Endowment net assets, including funds designated by the Board of Trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Organization's Board of Trustees has interpreted the Maine Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. In keeping with this interpretation, the Organization classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent 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 classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by UPMIFA.

In accordance with UPMIFA, Maine Audubon considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund
- The purposes of the Organization and the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation or deflation
- The expected total return from income and the appreciation of investments
- Other resources of the Organization
- The investment policies of the Organization

Notes to Financial Statements

April 30, 2018

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Cash and Cash Equivalents

For purposes of the statement of cash flows, cash is the amount in the demand deposit accounts used to fund operations. Cash equivalents (money market funds) residing within the Organization's investment portfolio and not committed to fund operations are reported as investments.

Maine Audubon maintains its cash-in-bank deposit accounts which, at times, may exceed federally insured limits. The Organization has not experienced any losses in such accounts and management believes it is not exposed to any significant risk with respect to these accounts.

Investments

Investments are reported at fair value. Investments, in general, are exposed to various risks, such as interest rates, credit, and overall market volatility. As such, it is reasonably possible that changes in the values of investments will occur in the near term, and that such changes could materially affect the amounts reported in the statements of financial position and statements of activities. See Note 5 for discussion of fair value measurements.

Inventory

Inventory, consisting of merchandise retailed at the Organization's nature stores, is stated at the lower of cost (first-in, first-out) or net realizable value.

Land, Buildings, and Equipment

Land, buildings, and equipment are stated at cost, if purchased. If donated, buildings and equipment are stated at appraised value at the date of the gift. Donated land is not assigned a value if there are covenants which restrict the use or prohibit its sale or if plans have been made to otherwise restrict the use of the property (see Note 2).

Depreciation of buildings and equipment is provided over the estimated useful life of the respective assets using straight-line and accelerated methods. Proceeds from the sale of land, buildings, and equipment are reported as an increase in unrestricted net assets or, if restricted, as an increase in temporarily or permanently restricted net assets, as appropriate.

The estimated useful lives are as follows:

Land improvements	15 years
Buildings and improvements	5 – 40 years
Furniture and equipment	3 – 12 years

Gifts and Donations

Gifts and donations of cash and other assets are recorded at fair value at the date the gift is received. The gifts are reported as either temporarily or permanently restricted support if they are received with donor stipulations that limit the use of the donated asset. When a donor restriction expires, that is, when a stipulated time restriction ends, or the purpose restriction is accomplished, temporarily restricted net assets are reclassified as unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Notes to Financial Statements

April 30, 2018

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Gifts and Donations – Continued

Maine Audubon reports gifts of cash and other assets that must be used to acquire long-lived assets as temporarily restricted support. Absent explicit donor stipulations about how these long-lived assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Contributions of services are recognized when received if the services require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation.

Accounts, Grants, and Pledges Receivable

Accounts, grants, and pledges receivable are stated at the amount management expects to collect. Management provides for probable uncollectible amounts through a charge to earnings and a credit to a valuation allowance. Balances still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable. There was no valuation allowance considered necessary for accounts, grants, or pledges receivable at April 30, 2018 and 2017.

Unconditional promises to give, also known as pledges, are recorded as pledges receivable and revenue at the time the pledges are confirmed in writing. At April 30, 2018 and 2017, substantially all pledges were due within one year.

Revenue Recognition

All gifts, donations and grants are recognized as revenue when they are received or unconditionally pledged. Bequests are recorded as revenue at the time the Organization has an established right to the bequest, the will has cleared probate and the proceeds are measurable. Program fees and other service revenues are recognized within the time covered by the event or program. Membership payments received from Maine Audubon members are considered equivalent to unrestricted contributions and are recognized as revenue when received. Deferred revenue consists of various grants for which cash has been received but not yet earned.

Functional Allocation of Expenses

The costs of providing 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.

Volunteer Services

The Organization is a membership organization whose volunteers work directly with professional staff to further the Organization's mission. Volunteers serve in teaching positions as trip leaders and assistants, act as environmental advocates, provide field assistance in managing and monitoring wildlife populations, act as sanctuary caretakers, and provide administrative and grounds keeping services. No amounts have been recognized in the statement of activities because these services do not meet the criteria for recognition as contributed services.

Notes to Financial Statements

April 30, 2018

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Recent Accounting Pronouncements

Not-for-Profit Entities

In August 2016, the FASB issued ASU 2016-14, *Not-for-Profit Entities: Presentation of Financial Statements of Not-for-Profit Entities*, to amend current reporting requirements to make several improvements including reducing complexities of information presented within Not-for-Profit financial statements. A main provision of this update is that a Not-for-Profit entity will report two classes of net assets (amounts for net assets with donor restrictions and net assets without donor restrictions), rather than the currently required three classes. The guidance is effective for the year ending 2019. This standard requires retroactive application to previously issued financial statements for 2018, if presented. Management is currently evaluating the impact of adoption on its financial statements.

Revenue Recognition

In May 2014, the Financial Accounting Standards Board (FASB) issued ASU 2014-09, *Revenue from Contracts with Customers*. This new standard will clarify the principles for recognizing revenue and to develop a common revenue standard for U.S. GAAP and International Financial Reporting Standard (IFRS). The core principle of the guidance requires entities to recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The guidance is effective for the Organization's year ending 2020. Management is currently evaluating the impact of adoption on its financial statements.

Reclassification

Certain reclassifications have been made to the April 30, 2017 financial statement presentations to correspond to the current year's format. These reclassifications had no effect on the change net assets for the year ended April 30, 2017.

NOTE 2 – LAND RESTRICTED AS NATURE SANCTUARIES AND PRESERVES

Maine Audubon owns donated land at properties which are restricted primarily as nature sanctuaries and preserves and made available to the public. The properties at the following Maine locations are not recognized as assets on the statements of financial position due to donor restrictions on use or sale:

Borestone Mountain (Elliotsville)
Fields Pond (Holden and Orrington)
Gordon (Palmyra)
Keene Neck Road (Bremen)
Josephine Newman (Georgetown)
Wood and Stage Islands (Biddeford)

East Point (Biddeford Pool)
Gilsland Farm (Falmouth)
Hamilton (West Bath)
Mast Landing (Freeport)
M.B. Smith (Biddeford Pool)

Notes to Financial Statements

April 30, 2018

NOTE 3 – LAND, BUILDINGS, AND EQUIPMENT

Land, buildings, and equipment consist of the following:

	2018		
	Cost	Accumulated Depreciation	Carrying Value
Buildings and improvements			
Gilsland Farm (Falmouth)	\$ 1,945,749	\$ 1,365,022	\$ 580,727
Fields Pond (Holden)	389,798	230,329	159,469
Borestone Mountain (Elliotsville)	77,960	53,480	24,480
Mast Landing (Freeport)	56,612	43,554	13,058
Hamilton House (West Bath)	73,778	71,684	2,094
Total buildings and improvements	<u>2,543,897</u>	<u>1,764,069</u>	<u>779,828</u>
Land (See also Note 2)	518,917		518,917
Land improvements	70,602	43,199	27,403
Equipment and software	768,986	732,790	36,196
Totals	<u>\$ 3,902,402</u>	<u>\$ 2,540,058</u>	<u>\$ 1,362,344</u>
	2017		
	Cost	Accumulated Depreciation	Carrying Value
Buildings and improvements			
Gilsland Farm (Falmouth)	\$ 1,945,749	\$ 1,330,642	\$ 615,107
Fields Pond (Holden)	389,798	222,540	167,258
Borestone Mountain (Elliotsville)	77,960	48,928	29,032
Mast Landing (Freeport)	56,612	42,770	13,842
Hamilton House (West Bath)	73,778	71,210	2,568
Total buildings and improvements	<u>2,543,897</u>	<u>1,716,090</u>	<u>827,807</u>
Land (See also Note 2)	518,917		518,917
Land improvements	70,602	40,567	30,035
Equipment and software	768,986	710,514	58,472
Totals	<u>\$ 3,902,402</u>	<u>\$ 2,467,171</u>	<u>\$ 1,435,231</u>

Depreciation expense for the years ended April 30, 2018 and 2017 was \$72,887 and \$80,112, respectively.

Notes to Financial Statements

April 30, 2018

NOTE 4 – INVESTMENTS

A summary of investments at fair value as of April 30, 2018 and 2017 follows:

	<u>2018</u>	<u>2017</u>
Invested cash equivalents - money market funds	\$ 393,464	\$ 145,243
Bonds and other fixed income securities	2,662,500	2,556,743
Equity securities	6,683,841	6,727,174
Mutual funds - equities	4,389,539	3,960,836
	<u>\$14,129,344</u>	<u>\$13,389,996</u>

Permanent endowment and Board designated endowment funds are invested to maintain their real value relative to inflation. Investments are managed for total return rather than income production. The Board of Trustees has approved the assets be allocated 0%-10% in cash and cash equivalents, 60%-80% in equity securities, and 20%-30% in fixed income securities.

Under the Organization's endowment spending policy, the amount of the endowment withdrawn for current expenses for each fiscal year is determined by multiplying the distribution rate by the average market value of the fund over a defined period of time. The distribution rates range from 2.5% to 5% and are subject to periodic review. Additional withdrawals may be approved by the Board of Trustees for operations, special projects or improvements.

The following summarizes changes in investments for the years ended 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Interest and dividends	\$ 285,795	\$ 278,881
Net realized gain	807,550	118,460
Net unrealized gain	179,263	1,180,206
Investment fees	(56,141)	(52,744)
Net investment return	1,216,467	1,524,803
Net contributions	72,881	1,600
Amounts appropriated for expenditures	(550,000)	(801,138)
Change in investments	<u>\$ 739,348</u>	<u>\$ 725,265</u>

The investments by class of net assets and program supported are:

Unrestricted		
Designated for investment by the Board of Trustees	<u>\$ 6,897,126</u>	<u>\$ 6,667,556</u>
Temporarily restricted		
Property stewardship	1,432,970	1,336,674
Conservation	282,819	269,589
Education	1,036,446	950,954
General operations	2,903,543	2,597,293
Total temporarily restricted	<u>5,655,778</u>	<u>5,151,510</u>
Permanently restricted		
Property stewardship	124,473	124,473
Education	469,884	464,374
Conservation	423,107	423,107
Any organization activities	558,976	558,976
Total permanently restricted	<u>1,576,440</u>	<u>1,570,930</u>
Total investments	<u>\$14,129,344</u>	<u>\$13,389,996</u>

Notes to Financial Statements

April 30, 2018

NOTE 5 – FAIR VALUE MEASUREMENTS

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In determining fair value, the Organization uses various methods, including market, income and cost approaches. Based on these approaches, the Organization often utilizes certain assumptions that market participants would use in pricing the asset or liability, including assumptions about risk and/or the risks inherent in the inputs to the valuation technique. These inputs can be readily observable, market corroborated, or generally unobservable inputs. The Organization utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs. Based on the observability of the inputs used in the valuation techniques, the Organization is required to provide the following information according to the fair value hierarchy. The fair value hierarchy ranks the quality and reliability of the information used to determine fair values. Financial assets and liabilities carried at fair value will be classified and disclosed in one of the following three categories:

- Level 1 – Quoted prices for identical assets and liabilities traded in active exchange markets, such as the New York Stock Exchange.
- Level 2 – Observable inputs other than Level 1 including quoted prices for similar assets or liabilities, quoted prices in less active markets, or other observable inputs that can be corroborated by observable market data.
- Level 3 – Unobservable inputs supported by little or no market activity for financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair values requires significant management judgment or estimation.

The following is a description of the valuation methodologies used for instruments measured at fair value:

- Money market funds are reported at net asset value (“NAV”) and are deemed actively traded.
- U.S. government, corporate and municipal bonds are traded at level 2 use valuation inputs, such as benchmark yields, reported trades, broker/dealer quotes, issuer spreads, bids, offers, and reference data, including market search publications. Also included is data from the vendor trading platform.
- Equities securities consist of individual stocks and exchange traded funds (ETF). Equity securities are valued at the closing price reported on the active market on which the individual securities are traded.
- Mutual funds are valued at the daily closing price as reported by the fund. The funds held are registered with the Securities and Exchange Commission. These funds are required to publish their daily NAV and to transact at that price. The funds held are deemed to be actively traded.

Notes to Financial Statements

April 30, 2018

NOTE 5 – FAIR VALUE MEASUREMENTS – CONTINUED

Assets measured at fair value on a recurring basis by level within the fair value hierarchy at April 30, 2018 are:

	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Investments:				
Money market funds	\$ 393,464	\$ 393,464		
Bonds and other fixed income securities:				
U.S. Treasury notes and obligations of U.S. government agencies	1,973,616		\$ 1,973,616	
Corporate bonds	519,911		519,911	
State, municipal and other obligations	168,973		168,973	
Equity securities	6,683,841	6,683,841		
Mutual funds – equities	4,389,539	4,389,539		
	<u>\$14,129,344</u>	<u>\$11,466,844</u>	<u>\$ 2,662,500</u>	<u>\$ -</u>

Assets measured at fair value on a recurring basis by level within the fair value hierarchy at April 30, 2017 are:

	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Investments:				
Money market funds	\$ 145,243	\$ 145,243		
Bonds and other fixed income securities:				
U.S. Treasury notes and obligations of U.S. government agencies	2,151,545		\$ 2,151,545	
Corporate bonds	301,162		301,162	
State, municipal and other obligations	104,037		104,037	
Equity securities	6,727,173	6,727,173		
Mutual funds – equities	3,960,836	3,960,836		
	<u>\$13,389,996</u>	<u>\$10,833,252</u>	<u>\$ 2,556,744</u>	<u>\$ -</u>

NOTE 6 – RESTRICTIONS ON USE OF NET ASSETS

Temporarily restricted net assets are available for the following purposes at April 30, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Support of properties	\$1,502,129	\$1,384,161
Support of education	1,104,263	980,214
Support of conservation	313,570	270,884
Support of operation	2,963,835	2,599,915
Support of future periods	25,233	
	<u>\$5,909,030</u>	<u>\$5,235,174</u>

Notes to Financial Statements

April 30, 2018

NOTE 6 – RESTRICTIONS ON USE OF NET ASSETS – CONTINUED

When a donor restriction expires, that is, when the stipulated time restriction ends, or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and are reported in the financial statements of changes in net assets as assets released from restriction. If a restriction is fulfilled in the same time period in which the contribution is received, the contribution is reported as unrestricted.

Release of temporarily restricted net assets for the years ended 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Support of properties	\$ 36,788	\$ 63,988
Support of education	57,153	72,005
Support of conservation	37,588	10,981
Support of operations	7,500	100
Support of future periods	1,482	40,195
Amounts appropriated for expenditure	95,829	80,342
	<u>\$ 236,340</u>	<u>\$ 267,611</u>

Permanently restricted net assets consist of the following at April 30, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Investment in perpetuity, the income from which can be expended to support:		
Properties	\$ 124,472	\$ 124,472
Education	469,885	464,375
Conservation	423,107	423,107
Operations	558,976	558,976
	<u>\$1,576,440</u>	<u>\$1,570,930</u>

Permanently restricted net assets represent the value of gifts at the time the gifts were made.

NOTE 7 – ENDOWMENT NET ASSETS

Endowment net assets consist of investments or cash on hand intended to be invested. Changes in endowment net assets for the year ended 2018 are as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets and funds functioning as endowments, beginning of year	\$ 6,667,556	\$ 5,151,510	\$ 1,570,930	\$13,389,996
Investment return				
Investment income	144,205	141,590		285,795
Investment gains, net of fees	472,165	458,507		930,672
Net investment return	616,370	600,097		1,216,467
Contributions and other amounts deposited	67,371		5,510	72,881
Amounts appropriated for expenditures	(454,171)	(95,829)		(550,000)
Endowment net assets, end of year	<u>\$ 6,897,126</u>	<u>\$ 5,655,778</u>	<u>\$ 1,576,440</u>	<u>\$14,129,344</u>

Notes to Financial Statements

April 30, 2018

NOTE 7 – ENDOWMENT NET ASSETS – CONTINUED

Changes in endowment net assets for the year ended 2017 are, as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	\$ 6,599,385	\$ 4,496,016	\$ 1,569,330	\$12,664,731
Investment return				
Investment income	144,451	134,430		278,881
Investment gain, net of fees	643,378	602,544		1,245,922
Net investment return	787,829	736,974		1,524,803
Contributions and other amounts deposited			1,600	1,600
Amounts appropriated for expenditures	(719,658)	(81,480)		(801,138)
Endowment net assets, end of year	<u>\$ 6,667,556</u>	<u>\$ 5,151,510</u>	<u>\$ 1,570,930</u>	<u>\$13,389,996</u>

NOTE 8 – NATIONAL AUDUBON SOCIETY

The Organization entered into a memorandum of understanding (MOU) in January 2000 with the National Audubon Society (NAS) creating a contractual relationship in which the Organization agreed to serve as the state office for NAS and manage NAS membership, educational and advocacy programs in Maine. Under this agreement with NAS, the Organization may be required to pay an administrative overhead charge of up to 3% of memberships and annual fund contributions, provided certain financial targets are met. Management does not believe financial targets were met, and does not expect that NAS charges are payable for fiscal years 2018 or 2017. The MOU calls for the fee arrangement to be reevaluated periodically.

NOTE 9 – NONMONETARY EXCHANGE TRANSACTIONS

A nonmonetary transaction is an exchange transaction, which is a reciprocal transfer in which each party receives and sacrifices something of equal value, as opposed to a nonreciprocal transaction (such as a donation) in which a donor provides resources to support the Organization's mission. Costs related to exchange transactions that benefit the Organization are included with the Organization's program or supporting service expenses.

For the years ended 2018 and 2017, the Organization received nonmonetary support from various vendors and supporters for the purpose of providing advertising and supplies. These amounts have been recorded as in-kind contribution revenue and management and general expenses. Nonmonetary exchange transactions for the years ended 2018 and 2017 were \$63,313 and \$31,868, respectively.

NOTE 10 – RESTATEMENT OF NET ASSETS

An error resulting in the misclassification of net assets was discovered during the year ended 2018. Management determined that a contribution recorded in a prior year was misclassified as temporarily restricted. Accordingly, certain unrestricted net assets were misclassified as temporarily restricted in 2017. An adjustment of \$853,737 was made to decrease temporarily restricted net assets and increase unrestricted net assets as of May 1, 2016. There was no effect on total change in net assets for the year ended 2017.

Notes to Financial Statements

April 30, 2018

NOTE 11 – SUBSEQUENT EVENTS

Management has made an evaluation of subsequent events to and including December 18, 2018, which was the date the financial statements were available to be issued and determined that any subsequent events that would require recognition or disclosure have been considered in the preparation of the financial statements.