



Kennebec Land Trust

**Financial Statements
Years Ended June 30, 2021 and 2020**



Independent Accountants' Review Report

To the Board of Directors of
The Kennebec Land Trust
Winthrop, Maine

We have reviewed the accompanying financial statements of The Kennebec Land Trust (a Maine nonprofit Organization), which comprise the statements of assets, liabilities and net assets - modified cash basis as of June 30, 2021 and 2020, and the related statements of revenues, expenses and other changes in net assets - modified cash basis, functional expenses - modified cash basis, and cash flows - modified cash basis for the years then ended, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of entity management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting; this includes determining that the modified cash basis of accounting is an acceptable basis for the presentation of financial statements in the circumstances. Management is also responsible 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.

Accountants' Responsibility

Our responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with the modified cash basis of accounting. We believe that the results of our procedures provide a reasonable basis for our conclusion.

Accountants' Conclusion

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance with the modified cash basis of accounting.

Board of Directors

Page 2

Basis of Accounting

We draw attention to the first note in the financial statements, which describes the basis of accounting. The financial statements are prepared in accordance with the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our conclusion is not modified with respect to this matter.

One River, CPAs

Augusta, Maine

January 20, 2022

THE KENNEBEC LAND TRUST
Statements of Assets, Liabilities and Net Assets - Modified Cash Basis
June 30, 2021 and 2020

	2021	2020
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 271,615	\$ 348,463
Short-term investments	334,200	222,211
Other current assets	2,075	75
Total current assets	607,890	570,749
Property and equipment:		
Conservation land	5,758,979	5,774,833
Buildings and improvements	156,887	156,887
Conservation buildings	103,100	103,100
Furniture, fixtures, and equipment	57,285	47,285
	6,076,251	6,082,105
Less accumulated depreciation	(74,788)	(58,839)
Net property and equipment	6,001,463	6,023,266
Other assets:		
Conservation easements	33	32
Long-term investments	1,139,883	813,369
Total other assets	1,139,916	813,401
Total assets	\$ 7,749,269	\$ 7,407,416
LIABILITIES AND NET ASSETS		
Current liabilities:		
Current portion of long-term debt	\$ -	\$ 1,917
Credit card payable	-	5,188
Payroll and sales taxes payable	1,678	940
PPP loan	-	43,600
Total current liabilities	1,678	51,645
Total liabilities	1,678	51,645
Net assets:		
Without donor restrictions	7,010,838	6,690,948
With donor restrictions	736,753	664,823
Total net assets	7,747,591	7,355,771
Total liabilities and net assets	\$ 7,749,269	\$ 7,407,416

See accompanying notes and independent accountants' review report.

THE KENNEBEC LAND TRUST
Statements of Revenues, Expenses and Other
Changes in Net Assets - Modified Cash Basis
Years Ended June 30, 2021 and 2020

	2021			2020		
	Without donor restrictions	With donor restrictions	Total	Without donor restrictions	With donor restrictions	Total
Operating activities:						
Revenue and other support:						
Grants	\$ 50,500	34,136	84,636	\$ 5,000	313,313	318,313
Contributions	99,708	92,311	192,019	81,100	219,272	300,372
Memberships and sponsorships	215,750	-	215,750	215,378	-	215,378
Land contributions	2,401	-	2,401	90,400	-	90,400
PPP loan forgiveness	43,600	-	43,600	-	-	-
Other income	17,524	7,352	24,876	8,899	28,145	37,044
Interest and dividend income	10,383	4,368	14,751	13,060	3,674	16,734
Total revenue and other support	439,866	138,167	578,033	413,837	564,404	978,241
Reclassifications:						
Net assets released from restrictions	166,076	(166,076)	-	423,301	(423,301)	-
Total revenue, other support, and reclassifications	605,942	(27,909)	578,033	837,138	141,103	978,241
Expenses:						
Program services	355,380	-	355,380	330,657	-	330,657
Supporting services:						
Management and general	100,817	-	100,817	84,378	-	84,378
Fundraising	19,717	-	19,717	24,164	-	24,164
Total supporting services	120,534	-	120,534	108,542	-	108,542
Total expenses	475,914	-	475,914	439,199	-	439,199
Change in net assets from operations	130,028	(27,909)	102,119	397,939	141,103	539,042
Nonoperating activities:						
Loss on sale of property	(38,254)	-	(38,254)	-	-	-
Investment return, net	228,116	99,839	327,955	26,212	9,082	35,294
Total nonoperating activities	189,862	99,839	289,701	26,212	9,082	35,294
Change in net assets	319,890	71,930	391,820	424,151	150,185	574,336
Net assets, beginning of year	6,690,948	664,823	7,355,771	6,266,797	514,638	6,781,435
Net assets, end of year	\$ 7,010,838	736,753	7,747,591	\$ 6,690,948	664,823	7,355,771

See accompanying notes and independent accountants' review report.

THE KENNEBEC LAND TRUST
Statement of Functional Expenses - Modified Cash Basis
Year Ended June 30, 2021

	Program Services	Supporting services		Total expenses
		Management and general	Fundraising	
Personnel expenses:				
Salaries and wages	\$ 147,613	50,362	14,861	212,836
Payroll taxes and benefits	15,002	5,080	1,585	21,667
Total personnel expenses	162,615	55,442	16,446	234,503
Stewardship	53,443	-	-	53,443
Education and outreach	38,899	-	-	38,899
Easement acquisition costs	29,881	-	-	29,881
Insurance	12,943	2,143	271	15,357
Donations	868	293	92	1,253
Professional services	-	10,968	-	10,968
Occupancy	7,104	2,395	758	10,257
Information technology	3,035	1,023	324	4,382
Office supplies	3,974	1,340	424	5,738
Postage	2,980	1,005	318	4,303
Printing and publications	34,204	2,753	870	37,827
Consulting	-	5,555	-	5,555
Conferences	477	1,402	51	1,930
Membership dues	-	3,450	-	3,450
Miscellaneous	1,529	516	163	2,208
Interest	-	11	-	11
Depreciation	3,428	12,521	-	15,949
Total expenses	\$ 355,380	100,817	19,717	475,914

See accompanying notes and independent accountants' review report.

THE KENNEBEC LAND TRUST
Statement of Functional Expenses - Modified Cash Basis
Year Ended June 30, 2020

	Program Services	Supporting services		Total expenses
		Management and general	Fundraising	
Personnel expenses:				
Salaries and wages	\$ 137,329	42,386	17,585	197,300
Payroll taxes and benefits	14,051	4,036	1,850	19,937
Total personnel expenses	151,380	46,422	19,435	217,237
Stewardship	54,852	-	-	54,852
Education and outreach	47,053	-	277	47,330
Easement acquisition costs	21,571	-	-	21,571
Insurance	14,007	2,493	971	17,471
Donations	12,710	200	94	13,004
Professional services	-	9,300	-	9,300
Occupancy	5,699	1,607	756	8,062
Information technology	5,591	1,577	741	7,909
Office supplies	3,768	1,230	499	5,497
Postage	3,762	1,060	499	5,321
Printing and publications	3,723	1,050	494	5,267
Consulting	-	4,230	-	4,230
Conferences	1,543	1,746	204	3,493
Membership dues	-	3,030	-	3,030
Miscellaneous	808	228	152	1,188
Interest	317	90	42	449
Advertising	-	42	-	42
Depreciation	3,873	10,073	-	13,946
Total expenses	\$ 330,657	84,378	24,164	439,199

See accompanying notes and independent accountants' review report.

THE KENNEBEC LAND TRUST
Statements of Cash Flows - Modified Cash Basis
Years Ended June 30, 2021 and 2020

	2021	2020
Cash flows from operating activities:		
Change in net assets	\$ 391,820	\$ 574,336
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	15,949	12,491
Unrealized gains on investments	(259,322)	(15,316)
Non-cash contributions	(4,318)	(90,400)
Increase in:		
Credit card payable	(5,188)	5,188
Payroll and sales tax payable	738	676
Net cash provided by operating activities	139,679	486,975
Cash flows from investing activities:		
Purchase of investment securities	(179,181)	(63,447)
Purchase of property and equipment	(55,000)	(152,675)
Sale of property	63,254	-
Escrow for acquisition	(2,000)	-
Net cash used in investing activities	(172,927)	(216,122)
Cash flows from financing activities:		
Proceeds from PPP loan	(43,600)	43,600
Principal payments	-	(84,277)
Net cash used in financing activities	(43,600)	(40,677)
(Decrease) increase in cash and cash equivalents	(76,848)	230,176
Cash and cash equivalents, beginning of year	348,463	118,287
Cash and cash equivalents, end of year	\$ 271,615	\$ 348,463
Supplemental disclosures:		
Cash paid during the year for interest	\$ -	\$ 449
Cash paid during the year for income taxes	-	-
Schedule of noncash financing activities:		
Long-term debt forgiven	\$ 1,917	\$ -

See accompanying notes and independent accountants' review report.

THE KENNEBEC LAND TRUST
Notes to Financial Statements

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of Purpose - The Kennebec Land Trust (the Organization or KLT), a Maine non-profit corporation, works cooperatively with landowners and communities to conserve the forests, shorelands, fields, and wildlife that define central Maine. The Organization protects land permanently, offers opportunities for people to learn about and enjoy the natural world, and works with partners to support sustainable forestry and farming.

Basis of Accounting - The Organization's financial statements have been prepared on the modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under that basis, certain revenues and the related assets are recognized when received rather than when earned and certain expenses are recognized when paid rather than when the obligation is incurred. Major modifications to the cash basis of accounting include recording depreciation on equipment and buildings, recognizing in-kind contributions, and valuing of non-cash contributions. These statements do not intend to show the financial position and results of operations or changes in net assets in accordance with accounting principles generally accepted in the United States of America.

Basis of Presentation - The Organization reports information regarding its financial position and activities according to the following net asset classification:

Net assets without donor restrictions - Net assets without donor restrictions are resources available to support operations. The only limits on the use of these net assets are the broad limits resulting from the nature of the Organization, the environment in which it operates, the purposes specified in its corporate documents and its application for tax-exempt status, and any limits resulting from contractual agreements with creditors and others that are entered into during its operations.

Net assets with donor restrictions - Net assets with donor restrictions are resources that are restricted by a donor for use for a particular purpose or in a particular future period. Some donor-imposed restrictions are temporary in nature, and the restriction will expire when the resources are used in accordance with the donor's instructions or when the stipulated time has passed. Other donor-imposed restrictions are perpetual in nature; the Organization must continue to use the resources in accordance with the donor's instructions. For the years ended June 30, 2021 and 2020, the Organization's net assets with donor restrictions totaled \$736,753 and \$664,823, respectively.

The Organization's unspent contributions are included in this class if the donor limited their use, as are its donor-restricted endowment funds.

When a donor's restriction is satisfied, either by using the resources in the manner specified by the donor or by the passage of time, the expiration of the restriction is reported in the financial statements by reclassifying the net assets from net assets with donor restrictions to net assets without donor restrictions. Contributions of land restricted for use are reported as net assets with donor restrictions until the specified asset satisfies the donor's intended use.

THE KENNEBEC LAND TRUST
Notes to Financial Statements

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Measure of Operations - All revenues and net gains are reported as increases in net assets without donor restrictions in the statements of activities—modified cash basis unless the donor specified the use of the related resources for a particular purpose or in a future period. All expenses and net losses other than losses on endowment investments are reported as decreases in net assets without donor restrictions. Revenue and net gains on endowment investments increase net assets with donor restrictions, and net losses on endowment investments reduce that net asset class.

Cash and Cash Equivalents - Cash equivalents are short-term, interest bearing, highly liquid investments with original maturities of three months or less, unless the investment is held for meeting restrictions of a capital or endowment nature. This classification includes a checking and savings account.

Conservation Land and Buildings - Land acquisitions are recorded as assets on the statements of assets, liabilities, and net assets - modified cash basis at a value determined at date of acquisition. There are cabins located on two parcels. There are two rental cabins and two dormant cabins located on another property. Donated property is valued at the tax value provided by the town or a third-party appraisal. Purchased property is valued at the fair market value.

Buildings, Furniture and Equipment - Buildings, furniture and equipment are reported at cost, if purchased and at fair value on the date of donation, if donated. All buildings are capitalized, including the office building, rental house, two rental cabins and two cabins on fee land. Acquisitions more than \$2,500 are capitalized. Repairs and maintenance, which do not extend the useful lives of the equipment, are expensed as incurred. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, as follows:

Office Building and improvements	27.5 - 40 years
Office Land improvements	20 years
Furniture and fixtures	10 years
Equipment	5 - 7 years
Conservation Buildings - Cabins	20 years

Conservation Easements - Conservation easements purchased or donated are recorded as intangible assets on the statements of assets, liabilities, and net assets - modified cash basis at a value of \$1 each to keep track of the number of easements held by the Organization. All easements acquired by purchase are expensed as easement acquisitions in the statements of revenues, expenses, and other changes in net assets - modified cash basis. In addition, costs incurred in obtaining the easements are expensed.

Endowment Investments - Endowment investments consist of two donor-restricted permanent endowments, which include contributions restricted by donors for investment in perpetuity allowing for only investment income and appreciation to be used to support the Organization's activities. Endowment investments are reported at fair value, with changes in fair value reported as investment return in the statement of activities. Purchases and sales of investments are reported on the trade date.

THE KENNEBEC LAND TRUST
Notes to Financial Statements

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Contributions and Gifts - Contributions are recognized when received. All contributions are reported as increases in net assets without donor restrictions unless use of the contributed assets is specifically restricted by the donor. Amounts received that are restricted by the donor to use in future periods or for specific purposes are reported as increases in net assets with donor restrictions, consistent with the nature of the restriction. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of revenues, expenses, and changes in net assets - modified cash basis, as net assets released from restrictions. Restricted contributions that are released from their restriction in the same year they are received are reported as net assets without donor restrictions.

In-Kind Contributions - Donated materials and services, if any, are valued at fair market value and recorded as net assets without donor restrictions. Donated materials including office furniture and equipment with a fair market value below \$2,500 are not capitalized or recorded. The Organization has benefited from personal services provided by a substantial number of volunteers in program operations and fundraising campaigns. Volunteer time has been estimated to be 2,604 and 2,160 hours for the years ended June 30, 2021 and 2020, respectively. Most contributed services do not meet the criteria for recognition in the financial statements. The modified cash basis of accounting allows recognition of contributed services only if the services create or enhance nonfinancial assets or the services would have been purchased if not provided by contribution, require specialized skills, and are provided by individuals possessing those skills. Donated services, with an estimated fair value of \$32,262 and \$30,086 in the years ended June 30, 2021 and 2020, met those criteria and are included in contributions on the statements of revenues, expenses, and other changes in net assets - modified cash basis. Those services are primarily for printing, professional design work, professional consulting, legal services, and accounting services.

Expense Recognition and Allocation - The costs of providing program, management and general and fundraising services are presented in the statements of functional expenses - modified cash basis by their natural classification and allocated between their functional classifications. Expenses that can be identified to a specific program are charged directly. Costs common to multiple functions have been allocated among the various functions benefited and are allocated based on activity reports prepared by key personnel. Costs have been summarized in the aggregate and presented in the statement of revenues, expenses, and changes in net assets - modified cash basis by their functional classification.

Income Taxes - The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and has also been determined by the Internal Revenue Service not to be a "private foundation" within the meaning of Section 509(a)(1) of the Code. The Organization is subject to tax on income unrelated to its exempt status, if any. Management has evaluated the Organization's tax positions and concluded that as of June 30, 2021, the Organization has not taken any tax position 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's federal Return of Organization Exempt from Income Tax (Form 990) for 2019, 2018 and 2017 are subject to examination by the IRS, generally for three years after they were filed.

THE KENNEBEC LAND TRUST
Notes to Financial Statements

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Use of Estimates - The preparation of financial statements in conformity with the modified cash basis of accounting requires management to make estimates and assumptions that affect certain reported amounts and disclosures. On an ongoing basis, the Organization's management evaluates the estimates and assumptions based on historical experience and various other factors and circumstances. The Organization's management believes that the estimates and assumptions are reasonable in the circumstances; however, actual results could differ from those estimates.

Recent Accounting Pronouncements - In February 2016, the FASB issued ASU No. 2016-02, *Leases* (Topic 842). Under the new guidance, a lessee will be required to recognize assets and liabilities for leases with lease terms of more than 12 months. Consistent with current GAAP, the recognition, measurement, and presentation of expenses and cash flows arising from a lease by a lessee will primarily depend on its classification as a finance or operating lease. However, unlike current GAAP - which requires only capital leases to be recognized on the statement of financial position - the new ASU will require both types of leases to be recognized on the statement of financial position. In June 2020, in response to concerns regarding the implementation of Topic 606 during the COVID-19 pandemic, the FASB issued ASU No. 2020-05, *Revenue from Contracts with Customers* (Topic 606) and *Leases* (Topic 842): *Effective Dates for Certain Entities*, which provided certain entities that had not yet issued their financial statements (or made financial statements available for issuance) to delay the adoption of Topic 842 for an additional year. ASU 2016-02, as amended, is effective for fiscal years beginning after December 15, 2021. Early application of the amendments in this ASU is permitted.

The Organization is currently assessing the impact these recent accounting pronouncements will have on its accompanying financial statements.

Reclassifications – Certain accounts in the prior year financial statements have been reclassified for comparative purposes to conform with the presentation in the current year financial statements. These reclassifications include reducing cash provided by operating activities and increasing cash used in investing activities.

DESCRIPTION OF PROGRAM SERVICES

The Kennebec Land Trust (KLT), a Maine non-profit corporation, works cooperatively with landowners and communities to conserve the forests, shorelands, fields, and wildlife that define central Maine. KLT protects land permanently, offers opportunities for people to learn about and enjoy the natural world, and works with partners to support sustainable forestry and farming.

KLT has provided over thirty years of conservation work in the Kennebec River and Lakes Region. Thanks to the generous contributions and support of more than 1,100 household members and business partners, dedicated volunteers, board members, and staff, it has experienced three decades of significant growth and has developed a reputation as a conservation leader in its 412,000 acres service region. It has received state-wide and regional recognition and awards for its dedication to conserve land for its many community benefits including public use and recreation. KLT has always been, and always will be, committed to taking care of the lands it conserves.

THE KENNEBEC LAND TRUST
Notes to Financial Statements

DESCRIPTION OF PROGRAM SERVICES, CONTINUED

KLT completed a rigorous process to achieve national accreditation from the Land Trust Alliance Accreditation Commission in 2018 and received a Source Award from the Portland Press Herald to honor Local Wood WORKS, a KLT inspired partnership focused on keeping forests as forests and promoting sustainable natural resource-based economies.

Permanent land conservation and promoting land stewardship continues to be the central focus of KLT's work. Since 1988, it has partnered with landowners and conservation partners in twenty-one communities to protect more than 6,952 acres through land donations, fee purchases, and conservation easements, and has constructed 55 miles of trails on KLT lands. It has developed and implemented management plans for each property that it owns and has written baseline documents for every conservation easement. All its conservation properties are monitored annually.

Its land conservation program is informed by a Strategic Conservation Plan. This science-based assessment, which is updated every seven years, guides the Trust's conservation planning work and provides valuable planning data to the twenty-one communities in its service area.

Over one hundred dedicated volunteers, including sixty-nine land stewards, commit over 2,604 hours of time annually to support KLT's stewardship, education, administration, and governance. KLT has constructed fifty-five miles of trails on KLT land. It has hosted thirty-five volunteer interns from twenty-four colleges and universities since 2005, helping to develop the next generation of conservation leaders.

KLT is a founding partner, (along with the Maine Forest Service (MFS), of the Kennebec Woodland Partnership (KWP), a regional conservation initiative with thirteen governmental and non-governmental organizations that promotes private and public woodland conservation and stewardship.

Since 2013, KLT and six other statewide entities (Maine Forest Service, The Nature Conservancy, CEI, Maine Coast Heritage Trust, GrowSmart Maine, and the Northern Forest Center) have worked together as the Local Wood WORKS (LWW) Partnership.

The LWW Partnership is committed to promoting greater use of locally sourced wood and lumber as an efficient heating alternative to fossil fuels, a light weight and strong construction alternative to energy-intensive concrete and steel, and a means to sustain a diverse and ecologically rich forested landscape. Two LWW papers: *Building Maine's Local Wood Economy, Together with Conservation*: <https://www.tkl.org/local-wood-works-2017-white-paper/> and *A Long Term Approach to Forest Management: A position paper for Local Wood WORKS* by KLT and The Nature Conservancy, Maine, December 2018 <https://www.localwoodworks.org/news/a-long-term-approach-to-forest-management> have been widely distributed.

THE KENNEBEC LAND TRUST
Notes to Financial Statements

DESCRIPTION OF PROGRAM SERVICES, CONTINUED

With a focus on initiatives with builders and architects, LWW developed the following programs and initiatives in 2020-2021:

- The LWW partnership with wood producers, architects, engineers, and builders:
<https://www.mainebiz.biz/article/local-wood-works-finding-innovative-ways-to-expand-economic-clout-of-maines-vast-forests>
- Master Spec list for architects and builders <https://mailchi.mp/e78abb184a76/lwwspec>
- Web-based directory of the area's wood producers:
https://www.localwoodworks.org/?%20fbclid=IwAR0qXPUM0qN_iBg5rkIihYXUHXzb_H_7o_HJPFzFqnv6dgT9-Q_tE7wx9Vi

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

The Organization currently maintains cash deposits in one financial institution located in Maine. The balances are insured by the U.S. Federal Deposit Insurance Corporation (FDIC) up to \$250,000. At June 30, 2021 and 2020, \$0 and \$98,463, respectively, of the Organization's cash balances were uninsured.

INVESTMENTS

Fair Value Measurements

The Organization reports under the Fair Value Measurements, which establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs of valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurement) and the lowest priority to unobservable inputs (level 3 measurements).

The three levels of the fair value hierarchy are described below.

Level 1 - Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Plan can access.

Level 2 - Inputs to the valuation include:

- Quoted prices for similar assets or liabilities in active markets.
- Quoted prices for identical or similar assets or liabilities in active markets.
- Inputs other than quoted prices that are observable for the asset or liability.
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liabilities.

THE KENNEBEC LAND TRUST
Notes to Financial Statements

INVESTMENTS, CONTINUED

Level 3 - Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs at the closing price reported on the active market on which the individual securities are traded.

Following is a description of the valuation methodologies used for assets measured at fair value.

Cash and cash equivalents and money market funds: Valued at acquisition cost.

Common stocks, bonds, and mutual fund investment equities: Valued at the closing price reported on the active market on which the individual securities are traded.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Organization 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.

The following tables set forth by level, within the fair value hierarchy, the Organization's assets at fair value:

Investments at Fair Value as of June 30, 2021:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Short-term investments				
<u>Cash and cash equivalents</u>	\$ 334,200	-	-	334,200
Endowment and long-term investments				
Mutual funds - equities	748,361	-	-	748,361
<u>Mutual funds - fixed income</u>	391,522	-	-	391,522
Total endowment and long-term <u>investments</u>	1,139,883	-	-	1,139,883
<u>Total investments at fair value</u>	\$ 1,474,083	-	-	1,474,083

THE KENNEBEC LAND TRUST
Notes to Financial Statements

INVESTMENTS, CONTINUED

Investments at Fair Value as of June 30, 2020:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Short-term investments				
Cash and cash equivalents	\$ 222,211	-	-	222,211
Endowment and long-term investments				
Mutual funds - equities	547,466	-	-	547,466
Mutual funds - fixed income	265,903	-	-	265,906
Total endowment and long-term investments	813,369	-	-	813,369
Total investments at fair value	\$ 1,035,580	-	-	1,035,580

Investment Valuation and Income Recognition

The Organization's investments as of June 30, 2021 and 2020 are stated at fair value determined at the date of the financial statements. Shares of separate investment accounts are valued at quoted market prices, which represent the net value of shares held by the Organization at year end. Investments consist primarily of cash and cash equivalents, corporate stocks and bonds, and mutual funds. Historical cost and fair values of investment securities are summarized below:

	<u>Fair Value</u>	<u>Cost</u>	<u>Change</u>
Year ended June 30, 2021:			
Cash and cash equivalents	\$ 334,200	334,200	-
Mutual funds	1,139,883	802,146	337,737
Total	\$ 1,474,083	1,136,346	337,737

For the year ended June 30, 2021, total unrealized gains were \$259,322.

	<u>Fair Value</u>	<u>Cost</u>	<u>Change</u>
Year ended June 30, 2020:			
Cash and cash equivalents	\$ 222,211	222,211	-
Mutual funds	813,369	734,954	78,415
Total	\$ 1,035,580	957,165	78,415

For the year ended June 30, 2020, total unrealized gains were \$15,316.

THE KENNEBEC LAND TRUST
Notes to Financial Statements

AVAILABILITY AND LIQUIDITY

The following represents the Organization's financial assets at June 30, 2021:

Financial assets at year-end:	
Cash	\$ 271,615
In-kind holdings/Escrow	2,075
<u>Investments</u>	<u>1,474,083</u>
<u>Total financial assets</u>	<u>1,747,773</u>
Less: financial assets with restrictions/designations:	
Net assets with donor restrictions	639,299
<u>Net assets with board designations</u>	<u>789,785</u>
	<u>1,429,084</u>

Financial assets available to meet general expenditures over the next twelve months \$ 318,689

Net assets with board designations are for stewardship and are released for specific stewardship purposes or in compliance with the Organization's spending policy which allows for 4% of the portfolio to be expended for operations. Restricted property in net assets with donor restrictions is not included above as it is a nonfinancial asset.

As part of the Organization's spending policy, interest from donor restricted endowments, restricted internship reserve and board designated stewardship are transferred annually for operations. During the year ended June 30, 2021, \$40,376 was transferred for operations. As part of the liquidity management plan, the Organization can release board designated net assets for general use, as needed.

THE KENNEBEC LAND TRUST
Notes to Financial Statements

LAND, BUILDINGS AND EQUIPMENT

Land, buildings, and equipment activities are as follows:

	<u>7/1/2020</u>	<u>Additions</u>	<u>Transfers/ Retirements</u>	<u>6/30/2021</u>
Buildings and improvements	\$ 156,887	-	-	156,887
Equipment, including furniture and fixtures	47,285	10,000	-	57,285
Accumulated depreciation - buildings, improvements, and equipment	(44,442)	(12,521)	-	(56,963)
Total buildings, improvements, and equipment	159,730	(2,521)	-	157,209
Conserved land	5,774,833	47,400	(63,254)	5,758,979
Conserved/restricted buildings	103,100	-	-	103,100
Accumulated depreciation conserved/restricted buildings	(14,397)	(3,428)	-	(17,825)
Total conserved/restricted assets	5,863,536	43,972	(63,254)	5,844,254
Total	\$ 6,023,266	41,451	(63,254)	6,001,463

The Organization added one (1) conservation fee property and an addition to an existing fee property in the year ended June 30, 2021 totaling \$47,400.

On October 15, 2020, the Organization transferred a fee property to the Maine Department of Inland Fisheries and Wildlife (MDIFW) for a bargain sale price of \$25,000. The bargain part of the sale was used by MDIFW to apply for grants to purchase additional property adjacent to Jamies Pond Wildlife Management Area.

	<u>7/1/2019</u>	<u>Additions</u>	<u>Transfers/ Retirements</u>	<u>6/30/2020</u>
Buildings and improvements	\$ 212,416	11,146	(66,675)	156,887
Equipment, including furniture and fixtures	14,582	32,703	-	47,285
Accumulated depreciation - buildings, improvements, and equipment	(35,379)	(10,073)	1,010	(44,442)
Total buildings, improvements, and equipment	191,619	33,776	(65,665)	159,730
Conserved land	5,508,932	277,901	(12,000)	5,774,833
Conserved/restricted buildings	103,100	66,675	(66,675)	103,100
Accumulated depreciation conserved/restricted buildings	(10,969)	(4,884)	1,456	(14,397)
Total conserved/restricted assets	5,601,063	339,692	(77,219)	5,863,536
Total	\$ 5,792,682	373,468	(142,884)	6,023,266

THE KENNEBEC LAND TRUST
Notes to Financial Statements

LAND, BUILDINGS AND EQUIPMENT, CONTINUED

The Organization added three (3) conservation fee properties in the year ended June 30, 2020 totaling \$277,901.

On December 20, 2019, a donor restricted property was sold for \$62,375. A loss of \$2,982 was realized which represents the selling price net of the carrying cost of \$66,675, accumulated depreciation of \$1,456, and selling expenses of \$134. Proceeds from the sale are restricted in accordance with donor stipulations that funds be used for maintenance of their donated property.

In May 2020, the Organization donated conserved land with a fair market value of \$12,000 to the Baldwin Hill Conservation Burial Ground (BHCBG), an unrelated organization. The BHCBG was established to own and operate a green cemetery burial ground in Fayette, Maine.

CONSERVATION EASEMENTS

The Organization's easement monitoring on 2,632 acres is done by staff and some volunteer stewards. 128.5 hours were devoted to easement monitoring during the year ending June 30, 2020 of which 54.5 hours was volunteer time and 74 hours was paid staff time. 172 hours were devoted to easement monitoring during the year ending June 30, 2021 of which 54.5 hours was volunteer time and 117.5 hours was paid staff time.

LONG-TERM DEBT

At June 30, 2020, the Organization obligations under notes payable consists of the following:

3.75% mortgage payable to Sawyer Investments, LLC (a related party), payable in monthly installments of principal and interest of \$727 maturing December 1, 2028.	\$ 1,917
Less current portion	1,917
Long-term debt	\$ -

Proceeds from the mortgage were used to purchase the building that the Organization operates from. During the year ended June 30, 2020, the Organization received a donation of \$11,000 to be applied towards the outstanding mortgage principal. On October 21, 2020, Sawyer Investments forgave the outstanding balance of the mortgage note payable and interest, \$1,928. The mortgage note payable was discharged on October 21, 2020 and the Organization acknowledged the forgiveness on January 19, 2021.

THE KENNEBEC LAND TRUST
Notes to Financial Statements

PAYCHECK PROTECTION PROGRAM LOAN AND FORGIVENESS

The Organization applied for and received a Payroll Protection Plan (PPP) loan on April 13, 2020 in the amount of \$43,600. Established as part of the Coronavirus Aid, Relief and Economic Security Act ("CARES Act"), the PPP provides loans to qualifying businesses in amounts up to 2.5 times the business' average monthly payroll expenses. PPP loans and accrued interest are forgivable after a "covered period" (eight or 24 weeks) if the borrower maintains its payroll levels and uses the loan proceeds for eligible purposes, including payroll, benefits, rent, and utilities. The forgiveness amount will be reduced if the borrower terminates employees or reduces salaries during the covered period. Any unforgiven portion of the PPP loan is payable over two or five years at an interest rate of 1%, with a deferral of payments for 10 months after the end of the covered period. The Organization used PPP loan proceeds for purposes consistent with the PPP and apply for forgiveness with 10 months of the end of the covered period. The loan was fully forgiven on May 17, 2021.

NET ASSETS

Board designated assets are available for the operations, stewardship, and land acquisition purposes. Conservation land and easement net assets are conserved lands and buildings, net of depreciation, and easements acquired by the Organization through donation or purchase for the general purpose of the Organization, and debt associated with acquisition.

For the years ended June 30, 2021 and 2020, the changes in net assets without donor restrictions were as follows:

	<u>Board Designated</u>		<u>Conserved</u>		
	<u>Conservation</u>	<u>Stewardship</u>	<u>land and</u>	<u>Unrestricted</u>	<u>Total</u>
			<u>Easements</u>		
Balance, July 1, 2019	\$ 158,829	473,352	5,601,096	203,185	6,436,462
Land donations and acquisitions	-	-	229,400	90,400	319,800
Memberships	-	-	-	215,378	215,378
Donations and other revenues	14,493	27,019	-	32,809	74,321
Baldwin Hill roadwork improvement	-	-	48,500	-	48,500
Acquisitions	-	-	-	43,849	43,849
Release for board designation	6,152	64,006	-	-	70,158
Change in investments	1,786	36,843	-	643	39,272
Release for operations	270	(19,818)	-	(218,719)	(238,267)
Reclassification to donor restricted net assets	-	-	(104,000)	(65,664)	(169,664)
Released for land	35,000	-	-	(138,900)	(103,900)
Released for capital asset	(22,733)	-	-	-	(22,733)
Land donation - Baldwin Hill Conservation Burial Ground	-	-	(12,000)	-	(12,000)
Depreciation	-	-	(155)	(10,073)	(10,228)

THE KENNEBEC LAND TRUST
Notes to Financial Statements

NET ASSETS, CONTINUED

Balance, June 30, 2020	\$	193,797	581,402	5,762,841	152,908	6,690,948
Land donations and acquisitions		-	-	47,401	-	47,401
Memberships		-	-	-	238,000	238,000
Donations and other revenues		65,480	9,550	-	70,453	145,483
PPP		-	-	-	43,600	43,600
Change in investments		72	237,915	-	511	238,498
Release for board designation		4,756	-	-	87,215	91,971
Release for operations		(438)	(39,082)	-	(394,613)	(434,133)
Land transfer		25,000	-	(63,254)	-	(38,254)
Depreciation		-	-	(155)	(12,521)	(12,676)
Release to unrestricted		(288,667)				288,667
Balance, June 30, 2021	\$	-	789,785	5,746,833	474,220	7,010,838

THE KENNEBEC LAND TRUST
Notes to Financial Statements

NET ASSETS, CONTINUED

For the years ended June 30, 2021 and 2020, the changes in net assets with donor restrictions were as follows:

	<u>Endowment</u>	<u>Other</u>	<u>Total</u>
Balance, July 1, 2019	\$ 147,820	366,818	514,638
Grants	-	313,313	313,313
Donations	5,168	214,104	219,272
Other	-	28,145	28,145
Change in investments	9,425	3,331	12,756
Released for land		(222,500)	(222,500)
Released for operations	(2,821)	(106,707)	(109,528)
Released for board designation	-	(70,158)	(70,158)
Released for capital asset	-	(21,115)	(21,115)
Balance, June 30, 2020	\$ 159,592	505,231	664,823
Grants		34,136	34,136
Donations	32,591	59,720	92,311
Other		7,352	7,352
Change in investments	64,242	39,965	104,207
Release for land		(45,000)	(45,000)
Release for board designation	(4,824)	(106,252)	(111,076)
Released for capital asset	-	(10,000)	(10,000)
Balance, June 30, 2021	\$ 251,601	485,152	736,753

Net asset with donor restrictions were available for the following purposes:

	<u>2021</u>	<u>2020</u>
Sewall grant for Local Wood WORKS	\$ 126,300	169,917
Restricted property	97,454	100,727
Specific property stewardship and maintenance	103,674	95,190
Internship reserve	115,671	87,916
Other grants	13,136	47,333
Land acquisition and stewardship funding	28,917	6,148
<u>Total purpose restricted net assets</u>	<u>485,152</u>	<u>505,231</u>
Endowment funds, restricted in perpetuity	170,353	137,763
Endowment funds, investment earnings available for use	81,248	21,829
<u>Total endowment funds</u>	<u>251,601</u>	<u>159,592</u>
<u>Total net assets with donor restrictions</u>	<u>\$ 736,753</u>	<u>\$ 664,823</u>

THE KENNEBEC LAND TRUST
Notes to Financial Statements

ENDOWMENT FUNDS

Interpretation of Relevant Law - The State of Maine has passed a version of the Uniform Prudent Management of Institutional Funds Act (UPMIFA). The Board of Directors of The Kennebec Land Trust has interpreted 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. As a result of this interpretation, the Organization classifies as net assets with perpetual donor restrictions (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 net assets with perpetual donor restrictions is classified as net assets with temporary donor restrictions 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, the Organization considers the following factors in deciding to appropriate or accumulate donor-restricted endowment funds:

1. The duration and preservation of the fund
2. The purposes of the organization and the donor-restricted endowment fund
3. General economic conditions
4. The possible effect of inflation and deflation
5. The expected total return from income and the appreciation of investments
6. Other resources of the organization
7. The investment policies of the organization

As of June 30, 2021:

	<u>Without Donor Restrictions</u>	<u>With Temporary Restrictions</u>	<u>With Perpetual Restrictions</u>	<u>Total</u>
Donor Designated Endowment Funds	\$ -	81,248	170,353	251,601
<u>Total Endowment Funds</u>	\$ -	81,248	170,353	251,601

As of June 30, 2020:

	<u>Without Donor Restrictions</u>	<u>With Temporary Restrictions</u>	<u>With Perpetual Restrictions</u>	<u>Total</u>
Donor Designated Endowment Funds	\$ -	21,829	137,763	159,592
<u>Total Endowment Funds</u>	\$ -	21,829	137,763	159,592

THE KENNEBEC LAND TRUST
Notes to Financial Statements

ENDOWMENT FUNDS, CONTINUED

Return Objectives and Risk Parameters - The Organization has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Organization must hold in perpetuity or for a donor-specified period.

Investment Objective - Strategies Employed for Achieving Objectives: The Organization targets a diversified asset allocation that places a greater emphasis on equity and debt-based investments to achieve its long-term return objectives within prudent risk parameters. The intended overall rate of return of the portfolio is a reasonable "real" rate, consistent with the risk levels established by the Finance and Investment Committee. The objective is to seek annual average returns and risk approximating the mix available from the S&P 500 stock index over the long run.

Spending Policy and How the Investment Objectives Relate to Spending Policy - The Organization has an investment and spending policy specific to its endowment funds, which is monitored by the Investment Committee of the Board of Directors. The objective of the endowment funds is to provide ongoing financial support for the Organization. Principal from the endowment funds may not be used except with written consent of the donor or heirs of the donor. The investment strategy allows for a 60/40 equity to fixed investment ratio. Spending is not to exceed 4% of the average portfolio market value for the prior three years. The Organization spent \$4,824 and \$2,821, for years ended June 30, 2021 and 2020, respectively, of the investment income from the endowment funds for the general operations and capital expenditures of the Organization. Additionally, the Organization has an Internship Reserve established by a donor that permits draws of principal and interest for the internship program. The Organization withdrew 4% of this reserve, or \$4,593 and \$2,460 during the years ended June 30, 2021 and 2020, respectively.

Funds with Deficiencies - From time to time, the fair value of assets associated with individual donor restricted endowment funds may fall below the level that the donor or UPMIFA requires the Organization to retain as a fund of perpetual duration. Deficiencies of this nature that are more than related temporary donor restricted amounts are reported in net assets without donor restrictions. There were no such amounts for years ended June 30, 2021 and 2020.

LEASE

The Organization held a two-year lease on a house in West Gardiner, beginning June 2018. The Lessee had the option to buy the house and lot at the end of the two-year term at cost less a credit for all monthly rent payments made by the Lessee during the term of the lease. The cost of the house and lot was \$66,675. Rental income received was \$4,500 for the year ended June 30, 2020. The option was exercised on December 20, 2019 for a sale price of \$62,375. Proceeds from the sale are held for stewardship restricted to the Shaw properties, including the camps.

THE KENNEBEC LAND TRUST
Notes to Financial Statements

RETIREMENT PLAN

The Organization maintains a SIMPLE IRA retirement plan (the Plan) for all eligible employees earning more than \$5,000 annually. The Organization contributes 2% of employee's annual compensation to the Plan. For the years ended June 30, 2021 and 2020, the Organization contributed \$4,229 and \$3,946, respectively, to the Plan.

OUTSTANDING PLEDGES

The Organization has conducted a capital campaign to raise funds for land acquisition and general operations. Donor made pledges over a five year or greater period. In accordance with the modified cash basis of accounting, pledges are not recorded until they are received. Pledges expected to be collected after June 30, 2021 are as follows:

<u>Year Ended June 30,</u>	<u>Amount</u>
2022	\$ 171,883
2023	33,861
2024	16,500
2025	16,500
2026	2,500
<u>Total</u>	<u>\$ 241,244</u>

COMMITMENT AND CONTINGENCIES

Conservation Easements

As of June 30, 2021, the Organization holds thirty-three conservation easements covering approximately 2,632 acres. One easement was added during the year ended June 30, 2021. The Organization is committed to monitoring these properties to ensure that the conditions of the conservation easements are not violated. If any violation of these easements is deemed to have occurred, the Organization is committed to bringing all actions necessary to bring remedy.

RELATED PARTY TRANSACTIONS

The mortgage on the office building is with a company that has as one of its officers a person who is one of the Organization's directors. Total payments to Sawyer Investments, LLC for the year ended June 30, 2020 were \$19,727 comprised of \$19,278 in principal and \$449 in interest. The balance on the mortgage of \$1,917 was repaid in the year ended June 30, 2021. Total payment for the year ended June 30, 2021 were \$1,928 comprised of \$1,917 in principal and \$11 in interest.

An employee's father is also an Organization board member. For the year ended June 30, 2021 and 2020, compensation, benefits and payroll taxes paid to or for the benefit of the employee totaled \$45,381 and \$25,703, respectively.

THE KENNEBEC LAND TRUST
Notes to Financial Statements

RELATED PARTY TRANSACTIONS, CONTINUED

The Organization received a conservation easement from a distant relative to the Executive Director in the year ended June 30, 2021.

COVID-19

Beginning in March 2020, the United States economy began to suffer adversely from the COVID-19 pandemic. While it is unknown what the long-term economic impact of the pandemic will be, the Organization is monitoring the situation. The future impact of the pandemic to the Organization cannot be reasonably estimated at this time.

SUBSEQUENT EVENTS

Subsequent events are events or transactions that occur after the date of the statement assets, liabilities, and net assets - modified cash basis, but before financial statements are issued. Recognized subsequent events are events or transactions that provide additional evidence about conditions that existed at the date of the statement assets, liabilities, and net assets - modified cash basis, including the estimates inherent in the process of preparing financial statements. Non-recognized subsequent events are events that provide evidence about conditions that did not exist at the statement of financial position date but arose after that date.

Management has evaluated subsequent events through the report date, which is the date the financial statements were available to be issued and has determined that any other subsequent events that would require recognition or disclosure have been considered in the preparation of these financial statements.