



**laudholmtrust**  
In support of Wells Reserve

**FINANCIAL STATEMENTS**  
**June 30, 2022 and 2021**

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees  
Laudholm Trust

### **Opinion**

We have audited the accompanying financial statements of Laudholm Trust (a nonprofit organization), which comprise the statements of financial position as of June 30, 2022 and 2021, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Laudholm Trust as of June 30, 2022 and 2021, 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.

### **Basis for Opinion**

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

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

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

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

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

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

To the Board of Trustees

Laudholm Trust

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Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Laudholm Trust's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Laudholm Trust's ability to continue as a going concern for a reasonable period of time.

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



March 10, 2023

South Portland, Maine

**LAUDHOLM TRUST**  
**Statements of Financial Position**  
**June 30, 2022 and 2021**

	2022	2021
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 366,539	219,682
Accounts receivable	9,549	5,808
Pledges receivable, current portion	15,000	2,500
Inventory	2,980	1,956
Total current assets	394,068	229,946
Property and equipment:		
Land	97,950	97,950
Furniture and equipment	15,352	14,452
Total property and equipment	113,302	112,402
Less accumulated depreciation	(11,034)	(9,530)
Property and equipment, net	102,268	102,872
Other assets:		
Investments	8,369,264	9,375,135
Pledges receivable, non-current portion	10,000	-
Asset held for resale	-	30,900
Beneficial interest in perpetual trusts	1,144,480	1,355,094
Total other assets	9,523,744	10,761,129
<b>Total assets</b>	<b>\$ 10,020,080</b>	<b>11,093,947</b>
<b>LIABILITIES AND NET ASSETS</b>		
Current liabilities:		
Accounts payable	\$ 10,221	9,472
Accrued paid time off	14,197	18,506
Deferred revenue	149,018	121,746
Total current liabilities	173,436	149,724
Net assets:		
Without donor restrictions:		
Undesignated	186,199	85,806
Invested in property and equipment	102,268	102,872
Board-designated endowment	2,504,362	2,809,518
Total without donor restrictions	2,792,829	2,998,196
With donor restrictions	7,053,815	7,946,027
Total net assets	9,846,644	10,944,223
<b>Total liabilities and net assets</b>	<b>\$ 10,020,080</b>	<b>11,093,947</b>

*See accompanying notes to financial statements.*

**LAUDHOLM TRUST**  
**Statements of Activities**  
**Years Ended June 30, 2022 and 2021**

	2022			2021		
	Without donor restrictions	With donor restrictions	Total	Without donor restrictions	With donor restrictions	Total
Revenues and other support:						
Contributions and grants	\$ 251,691	92,441	344,132	343,266	34,456	377,722
Governmental grants	-	-	-	64,318	-	64,318
Memberships	158,876	-	158,876	139,056	-	139,056
Fundraising events, net of expenses of \$13,033 and \$2,445 in 2022 and 2021 respectively	93,770	-	93,770	13,942	-	13,942
Facility rentals, net of expenses of \$47,551 and \$7,240 in 2022 and 2021 respectively	100,384	-	100,384	12,350	-	12,350
Store sales, net of expenses of \$4,061 and \$1,794 in 2022 and 2021, respectively	2,942	-	2,942	(317)	-	(317)
Interest and dividends, net	23,473	36,846	60,319	18,629	49,575	68,204
Realized and unrealized gain on investments	(233,255)	(577,347)	(810,602)	533,525	1,372,662	1,906,187
Change in value of perpetual trusts	-	(210,614)	(210,614)	-	251,880	251,880
Change in annuity obligations	(6,000)	-	(6,000)	(6,000)	-	(6,000)
Contributed nonfinancial assets	5,350	-	5,350	1,259	-	1,259
Loss on disposal of assets	(10,500)	-	(10,500)	-	-	-
Net assets released from restrictions	233,538	(233,538)	-	220,176	(220,176)	-
Total revenues and other support	620,269	(892,212)	(271,943)	1,340,204	1,488,397	2,828,601
Expenses:						
Program services	467,513	-	467,513	408,241	-	408,241
Supporting services:						
Management and general	159,850	-	159,850	143,580	-	143,580
Fundraising	198,273	-	198,273	189,565	-	189,565
Total expenses	825,636	-	825,636	741,386	-	741,386
Changes in net assets	(205,367)	(892,212)	(1,097,579)	598,818	1,488,397	2,087,215
Net assets, beginning of year	2,998,196	7,946,027	10,944,223	2,399,378	6,457,630	8,857,008
<b>Net assets, end of year</b>	<b>\$ 2,792,829</b>	<b>7,053,815</b>	<b>9,846,644</b>	<b>2,998,196</b>	<b>7,946,027</b>	<b>10,944,223</b>

*See accompanying notes to financial statements.*

**LAUDHOLM TRUST**  
**Statement of Functional Expenses**  
**Year Ended June 30, 2022**

		Program services	Management and general	Fundraising	Total expenses
Salaries	\$	59,597	89,787	129,206	278,590
Payroll taxes		4,081	8,052	7,736	19,869
Employee benefits		26,781	23,225	36,326	86,332
Total salaries and related expenses		90,459	121,064	173,268	384,791
Office supplies		-	1,662	6,648	8,310
Insurance		-	6,073	-	6,073
Postage		-	242	2,178	2,420
Printing and online communication		14,209	-	-	14,209
Professional fees		433	28,517	9,505	38,455
Property taxes		-	46	-	46
Donor recognition and cultivation		-	-	3,211	3,211
Marketing and advertising		6,251	-	-	6,251
Repairs and maintenance		-	367	-	367
Dues and subscriptions		203	203	407	813
Training		1,490	172	171	1,833
Contribution to Wells Reserve		353,131	-	-	353,131
Travel and meals		-	-	2,885	2,885
Miscellaneous		1,337	-	-	1,337
Total expenses before depreciation		467,513	158,346	198,273	824,132
Depreciation		-	1,504	-	1,504
<b>Total expenses</b>		<b>\$ 467,513</b>	<b>159,850</b>	<b>198,273</b>	<b>825,636</b>

*See accompanying notes to financial statements.*

**LAUDHOLM TRUST**  
**Statement of Functional Expenses**  
**Year Ended June 30, 2021**

		Program services	Management and general	Fundraising	Total expenses
Salaries	\$	57,917	82,381	118,550	258,848
Payroll taxes		3,742	7,040	6,765	17,547
Employee benefits		25,696	23,206	36,299	85,201
Total salaries and related expenses		87,355	112,627	161,614	361,596
Office supplies		-	1,395	5,580	6,975
Insurance		-	5,666	-	5,666
Postage		-	449	4,044	4,493
Printing and online communication		21,728	-	-	21,728
Professional fees		380	20,825	6,942	28,147
Property taxes		-	47	-	47
Donor recognition and cultivation		-	-	9,000	9,000
Marketing and advertising		7,150	-	-	7,150
Repairs and maintenance		-	559	-	559
Dues and subscriptions		291	292	583	1,166
Training		9	216	216	441
Contribution to Wells Reserve		276,486	-	-	276,486
Travel and meals		-	-	1,586	1,586
Reserve capital		14,842	-	-	14,842
Total expenses before depreciation		408,241	142,076	189,565	739,882
Depreciation		-	1,504	-	1,504
<b>Total expenses</b>		<b>\$ 408,241</b>	<b>143,580</b>	<b>189,565</b>	<b>741,386</b>

*See accompanying notes to financial statements.*



**LAUDHOLM TRUST**  
**Statements of Cash Flows**  
**Years Ended June 30, 2022 and 2021**

	2022	2021
Cash flows from operating activities:		
Change in net assets	\$ (1,097,579)	2,087,215
Adjustments to reconcile change in net assets to net cash and cash equivalents used in operating activities:		
Depreciation	1,504	1,504
Realized and unrealized (gain) loss on investments	810,602	(1,906,187)
Change in value of charitable trusts	210,614	(251,880)
Loss on disposition of assets	10,500	-
Contributions and investment income received for long-term purposes	(92,441)	(34,456)
(Increase) decrease in assets:		
Accounts receivable and due from WNERR	(3,741)	11,417
Pledges receivable	(22,500)	27,500
Inventory	(1,024)	519
Increase (decrease) in liabilities:		
Accounts payable	749	6,398
Accrued paid time off	(4,309)	2,708
Deferred revenues	27,272	36,871
Net cash and cash equivalents used in operating activities	(160,353)	(18,391)
Cash flows from investing activities:		
Purchase of property and equipment	(900)	-
Proceeds from sale of property and equipment	20,400	-
Proceeds from sale of investments	268,067	228,671
Purchase of investments	(72,798)	(257,952)
Net cash and cash equivalents provided by (used in) investing activities	214,769	(29,281)
Cash flows from financing activities:		
Contributions and investment income received for long-term purposes	92,441	34,456
Net cash and cash equivalents provided by financing activities	92,441	34,456
Net change in cash and cash equivalents	146,857	(13,216)
Cash and cash equivalents at beginning of year	219,682	232,898
<b>Cash and cash equivalents at end of year</b>	<b>\$ 366,539</b>	<b>219,682</b>

*See accompanying notes to financial statements.*

**LAUDHOLM TRUST**  
**Notes to Financial Statements**  
**June 30, 2022 and 2021**

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**NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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**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.

**Basis of Presentation** - The Trust reports information regarding its financial position and activities according to two classes of net assets that are based upon the existence or absence of restrictions on use that are placed by its donors: net assets with donor restrictions and net assets without donor restrictions.

Net assets without donor restrictions are resources available to support operations and are not subject to donor imposed restrictions. The only limits on the use of net assets without donor restrictions 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. The governing board has designated a portion of net assets without donor restrictions as net assets for long-term investment.

Net assets with donor restrictions are 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, such as where the donor stipulates that resources be maintained in perpetuity. The Trust's unspent contributions are reported in net assets with donor contributions if the donor limits their use. Contributions of property and equipment or cash restricted to acquisition of property and equipment are reported as net assets with donor restrictions if the donor has restricted the use of the property or equipment to a particular program. These restrictions expire when the assets are placed in service.

**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.

**LAUDHOLM TRUST**  
**Notes to Financial Statements, Continued**  
**June 30, 2022 and 2021**

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**NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**

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**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.

**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.

**LAUDHOLM TRUST**  
**Notes to Financial Statements, Continued**  
**June 30, 2022 and 2021**

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**NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**

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**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 2022, certain prior year balances were reclassified to conform to the current year presentation. Such reclassifications had no effect on the results of operations previously reported.

**New Accounting Pronouncements** - In February 2016, the FASB issued Accounting Standards Update (ASU) No. 2016-02 *Leases (Topic 842)*. Under this ASU, 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. 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. Subsequently, the FASB issued ASU No. 2020-05, which delays the implementation date of ASU 2016-02, and revises the effective date for nonprofit organizations to be fiscal years beginning after December 15, 2021. The Trust is currently evaluating the impact of this ASU on its financial statements.

During the year ended June 30, 2022, the Trust adopted the provisions of Statements on Auditing Standards (SAS) 134 thru 140, as applicable, which addresses the auditor's responsibility over the opinion of the financial statements and the form and content of the auditor's report, the concept of materiality, related party discussions, among other topics.

During the year ended June 30, 2022, the Trust adopted the provisions of ASU No. 2020-07 *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. Under this ASU, nonprofit organizations are required to separately present contributed nonfinancial assets (in-kind contributions) as a separate line item within the statements of activities. They are also required to disaggregate by category and present qualitative information on each type of contributed nonfinancial asset within the footnotes.

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

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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, 2022 and 2021, the Trust had uninsured cash balances of \$82,424 and \$0, respectively.

**LAUDHOLM TRUST**  
**Notes to Financial Statements, Continued**  
**June 30, 2022 and 2021**

**PLEDGES RECEIVABLE**

Pledges receivable are summarized as follows at June 30:

	<u>2022</u>	<u>2021</u>
Pledges receivable expected to be collected in:		
Less than one year	\$ 15,000	2,500
One year to five years	10,000	-
Over five years	-	-
	25,000	2,500
Less current portion	(15,000)	(2,500)
<b>Total receivable, net of current portion</b>	<b>\$ 10,000</b>	<b>-</b>

Pledges receivable at June 30, 2022 and 2021, have no purpose restrictions. All balances are considered fully collectible, therefore no allowance for uncollectible amounts has been provided at either June 30, 2022 or 2021.

**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 statements 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>2022</u>	<u>2021</u>
Cash and cash equivalents	\$ 959,789	598,978
U.S. government treasuries	766,977	821,711
Mutual funds	184,849	208,978
Corporate equities	6,457,649	7,745,468
<b>Total investments</b>	<b>\$ 8,369,264</b>	<b>9,375,135</b>

**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, 2022 and 2021, the Trust has recorded its beneficial interest in these trusts of \$1,144,480 and \$1,355,094, 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 2022 and 2021 amounted to \$52,326, and \$45,948, respectively. Distributions are recorded as increases to net assets without donor restrictions, and are included in contributions and grants.

**LAUDHOLM TRUST**  
**Notes to Financial Statements, Continued**  
**June 30, 2022 and 2021**

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**ENDOWMENT FUND**

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At June 30, 2022 and 2021, the Trust had an endowment fund totaling \$8,374,264, and \$9,380,134, respectively. The purpose of this fund is to generate income to be used to help meet the operating and non-operating costs the 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, and (7) the Trust's investment policies.

**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, 2022 and 2021, the spending policy allocation amounted to \$248,712 and \$255,979, 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, 2022 and 2021, the Trust did not have any underwater endowment funds.

**LAUDHOLM TRUST**  
**Notes to Financial Statements, Continued**  
**June 30, 2022 and 2021**

**ENDOWMENT FUND, CONTINUED**

**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%

The Trust's endowment fund balances were comprised of the following at June 30, 2022:

	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>Totals</u>
Board-designated	\$ 2,504,362	-	2,504,362
Donor-restricted endowments:			
Original donor-restricted gift and amounts required to be maintained in perpetuity	-	2,358,472	2,358,472
Accumulated investment gains	-	3,511,430	3,511,430
<b>Totals</b>	<b>\$ 2,504,362</b>	<b>5,869,902</b>	<b>8,374,264</b>

Changes in the Trust's endowment fund balances for the year ended June 30, 2022 were as follows:

	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>Totals</u>
Endowment net assets, beginning of year	\$ 2,809,518	6,570,616	9,380,134
Contributions	3,689	4,053	7,742
Investment return, net	(216,284)	(548,616)	(764,900)
Amounts appropriated for expenditure	(92,561)	(156,151)	(248,712)
<b>Endowment net assets, end of year</b>	<b>\$ 2,504,362</b>	<b>5,869,902</b>	<b>8,374,264</b>

**LAUDHOLM TRUST**  
**Notes to Financial Statements, Continued**  
**June 30, 2022 and 2021**

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**ENDOWMENT FUND, CONTINUED**

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The Trust's endowment fund balances were comprised of the following at June 30, 2021:

	<b><u>Without donor restrictions</u></b>	<b><u>With donor restrictions</u></b>	<b><u>Totals</u></b>
Board-designated	\$ 2,809,518	-	2,809,518
Donor-restricted endowments:			
Original donor-restricted gift and amounts required to be maintained in perpetuity	-	2,355,419	2,355,419
Accumulated investment gains	-	4,215,197	4,215,197
<b>Totals</b>	<b>\$ 2,809,518</b>	<b>6,570,616</b>	<b>9,380,134</b>

Changes in the Trust's endowment fund balances for the year ended June 30, 2021 were as follows:

	<b><u>Without donor restrictions</u></b>	<b><u>With donor restrictions</u></b>	<b><u>Totals</u></b>
Endowment net assets, beginning of year	\$ 2,129,063	5,315,604	7,444,667
Contributions	206,645	11,142	217,787
Investment return, net	551,422	1,422,237	1,973,659
Amounts appropriated for expenditure	(77,612)	(178,367)	(255,979)
<b>Endowment net assets, end of year</b>	<b>\$ 2,809,518</b>	<b>6,570,616</b>	<b>9,380,134</b>



**LAUDHOLM TRUST**  
**Notes to Financial Statements, Continued**  
**June 30, 2022 and 2021**

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**ASSETS MEASURED AT FAIR VALUE ON A RECURRING BASIS**

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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, 2022 and 2021.

- *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, 2022 and 2021**

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**ASSETS MEASURED AT FAIR VALUE ON A RECURRING BASIS, CONTINUED**

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The tables below segregate all financial assets as of June 30, 2022 and 2021, 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 June 30, 2022 are as follows:

	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>
Cash and cash equivalents	\$ 959,789	959,789	-
U.S. treasury obligations	766,977	766,977	-
Mutual funds:			
Growth	162,519	162,519	-
Fixed income	22,330	22,330	-
Corporate equities:			
Technology	1,786,856	1,786,856	-
Consumer goods	1,973,866	1,973,866	-
Healthcare	586,366	586,366	-
Industrial goods	522,528	522,528	-
Utilities	201,396	201,396	-
Services	598,965	598,965	-
Basic materials	128,748	128,748	-
Financial	543,908	543,908	-
Real estate	115,016	115,016	-
Beneficial interest in:			
Perpetual Trusts	1,144,480	-	1,144,480
<b>Totals</b>	<b>\$ 9,513,744</b>	<b>8,369,264</b>	<b>1,144,480</b>

**LAUDHOLM TRUST**  
**Notes to Financial Statements, Continued**  
**June 30, 2022 and 2021**

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**ASSETS MEASURED AT FAIR VALUE ON A RECURRING BASIS, CONTINUED**

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Fair value measurements at June 30, 2021 are as follows:

	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>
Cash and cash equivalents	\$ 598,978	598,978	-
U.S. treasury obligations	821,711	821,711	-
Mutual funds:			
Growth	184,002	184,002	-
Fixed income	24,976	24,976	-
Corporate equities:			
Technology	1,977,365	1,977,365	-
Consumer goods	2,296,477	2,296,477	-
Healthcare	1,221,440	1,221,440	-
Industrial goods	471,817	471,817	-
Utilities	190,528	190,528	-
Services	681,793	681,793	-
Basic materials	143,036	143,036	-
Financial	763,012	763,012	-
Beneficial interest in:			
Perpetual Trusts	1,355,094	-	1,355,094
<b>Totals</b>	<b>\$ 10,730,229</b>	<b>9,375,135</b>	<b>1,355,094</b>

There were no transfers between asset levels during either of the years ended June 30, 2022 or 2021.

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**LINE OF CREDIT**

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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, 2022 and June 30, 2021. This line of credit has been extended through July 22, 2024.

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**RETIREMENT PLAN**

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The Trust has established a defined contribution retirement 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 retirement plan expense amounted to \$17,150, and \$15,652 for each of the years ended June 30, 2022 and 2021, respectively.

**LAUDHOLM TRUST**  
**Notes to Financial Statements, Continued**  
**June 30, 2022 and 2021**

**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 remainder of their life. At June 30, 2022 and 2021, the Trust had obligations under two separate agreements. The assets received have generally been invested in savings accounts, the earnings from which are used to offset the payments required under one of the agreements. An annuity has been purchased from an insurance company, the payments from which are used to offset the payments required under the other agreement. 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. This estimated value has not been reflected in the accompanying financial statements, and this exclusion has no net impact on the results of operations or on net position.

**BOARD-DESIGNATED NET ASSETS**

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

	<u>2022</u>	<u>2021</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	101,740	98,051
Other amounts designated by the Board, including the following: William R. Spaulding and Gertrude Mowry Spaulding Fund	44,500	44,500
Other amounts, including realized and unrealized gains	1,953,580	2,262,425
<b>Total Board-designated net assets</b>	<b>\$ 2,504,362</b>	<b>2,809,518</b>

**LAUDHOLM TRUST**  
**Notes to Financial Statements, Continued**  
**June 30, 2022 and 2021**

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**RESTRICTED NET ASSETS**

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

Subject to the Trust's spending policy and appropriation:

	<u>2022</u>	<u>2021</u>
Endowment funds with income restricted to:		
Research	\$ 1,578,728	1,962,477
Education	682,516	785,758
Other restricted amounts	1,250,186	1,466,962
<b>Totals</b>	<b>\$ 3,511,430</b>	<b>4,215,197</b>

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

Time restricted	\$ 33,121	11,504
Donor restricted grants	5,000	7,500
<b>Totals</b>	<b>\$ 38,121</b>	<b>19,004</b>

To be held in perpetuity:

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 Hsia 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.	\$	395,600	394,500
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.		273,753	273,753
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

**LAUDHOLM TRUST**  
**Notes to Financial Statements, Continued**  
**June 30, 2022 and 2021**

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**RESTRICTED NET ASSETS, CONTINUED**

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	<u>2022</u>	<u>2021</u>
Charles Dennis Fink Research Support Fund, an endowment fund with income used each year in support of research programs.	\$ 37,254	36,302
George and Eleanor Ford Research Support Fund, an endowment fund with income used each year in support of research programs.	1,388,938	1,387,938
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
Other endowment funds with income used each year in support of historic buildings. Included here is the Alice Freeman Muchnic Endowment.	42,483	42,483
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.	1,144,480	1,355,094
<b>Totals</b>	<b>\$ 3,504,264</b>	<b>3,711,826</b>
<b>Total net assets with donor restrictions</b>	<b>\$ 7,053,815</b>	<b>7,946,027</b>

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>2022</u>	<u>2021</u>
Appropriation of endowment funds	\$ 169,578	168,724
Expenditures with purpose restrictions	63,960	51,452
<b>Total net assets released from restriction</b>	<b>\$ 233,538</b>	<b>220,176</b>

**LAUDHOLM TRUST**  
**Notes to Financial Statements, Continued**  
**June 30, 2022 and 2021**

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**LIQUIDITY AND AVAILABILITY OF RESOURCES**

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

	<u>2022</u>	<u>2021</u>
Cash and cash equivalents	\$ 366,539	219,682
Accounts receivable, net	9,549	5,808
Pledges receivable, current portion	15,000	2,500
<b>Total</b>	<b>\$ 391,088</b>	<b>227,990</b>

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 utilization of available amounts, shall be available to the Trust each year. The Trust's Board-designated quasi-endowment amounted to \$2,504,362 and \$2,809,518 at June 30, 2022 and 2021, respectively. 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.

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**CONTRIBUTION EXPENSE**

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

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**METHOD USED FOR ALLOCATION OF EXPENSES**

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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.

**LAUDHOLM TRUST**  
**Notes to Financial Statements, Continued**  
**June 30, 2022 and 2021**

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**PAYCHECK PROTECTION PROGRAM**

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On April 13, 2020 and February 23, 2021, as a result of the negative financial impact of COVID-19, the Trust applied for and was granted two loans from Kennebunk Savings Bank, in conjunction with the Small Business Administration (SBA), in the amounts of \$66,900 and \$64,318, respectively, pursuant to the Paycheck Protection Program (the "PPP") under division A, Title I of the Coronavirus Aid, Relief and Economy Security Act (CARES Act), which was enacted in March, 2020. The loans, which were in the form of notes dated April 13, 2020 and February 23, 2021, respectively, were scheduled to mature on April 13, 2022 and February 23, 2026, respectively. Each bore interest at a rate of 1.00% per annum. Loan payments were deferred until the SBA remitted the borrower's loan forgiveness amount to the lender, or 10 months after the end of the borrower's covered period. The notes could be prepaid by the Trust at any time prior to maturity with no prepayment penalties. Funds from the loans could only be used for payroll costs, costs used to continue group health care benefits, mortgage payments, rent, utilities, and interest on other debt obligations incurred before February 15, 2020. The Trust used all of the proceeds from each loan for qualifying expenses. Under the terms of the PPP, certain amounts of the loans could be forgiven if they were used for qualifying expenses as described in the CARES Act.

For each of the years ended June 30, 2021 and 2020, the Trust elected to treat the loans as conditional grants pursuant FASB ASC 958-605. The Trust believed that as of June 30, 2021 and 2020, respectively, all conditions of forgiveness for each loan had been met and the loans were presented as governmental grant revenue in the statements of activities.

On December 16, 2021 the first PPP loan in the amount of \$66,900 was forgiven in full. The second PPP loan for \$64,318 was forgiven in full on August 5, 2021.

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**REVENUE RECOGNITION**

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During the years ended June 30, 2022 and 2021, the Trust had net contract revenue of:

	<u>2022</u>	<u>2021</u>
Net fundraising events	\$ 93,770	13,942
Facility rentals	100,384	12,350
Memberships	158,876	139,056
Net store sales	2,942	(317)
<b>Total contract revenue</b>	<b>\$ 355,972</b>	<b>165,031</b>

At June 30, 2022 and 2021, the Trust had contract liabilities at June 30, 2022 and 2021 in the amount of \$149,018 and \$121,746, respectively. Such liabilities consisted of deposits for facility rentals and events that have not yet occurred, and are presented as deferred revenue on the statements of financial position. During the year ended June 30, 2022, total contract liabilities of \$121,746 from the year ended June 30, 2021 were recognized as revenue. During the year ended June 30, 2021, total contract liabilities of \$84,875 from the year ended June 30, 2020 were recognized as revenue. For each of the years ended June 30, 2022 and 2021, goods and services provided to customers included access to special events, access to rental space, annual memberships, and purchase of goods.



**LAUDHOLM TRUST**  
**Notes to Financial Statements, Continued**  
**June 30, 2022 and 2021**

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**REVENUE RECOGNITION, CONTINUED**

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To best match the timing of the transfer of goods or services, the Trust recognizes revenue from contracts with customers when performance obligations are satisfied, which is at the time goods are purchased, over the term of the rental or membership period, or on the date of occurrence for programs and events. All prices are fixed and there are no financing terms. There are no significant warranties of return, refund, or discount obligations related to any contracts with customers. For each of the years ended June 30, 2022 and 2021, the greatest economic factor effecting contract revenue has been the COVID-19 pandemic.

Contract transaction prices, such as admissions and membership fees, include management's judgment of variable consideration, which includes incentives, and rebates. Based on available information, management must include an estimate of any variable consideration, if applicable, when determining the contract transaction price. There were no such variable considerations in determining contract transaction prices.

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**CONTRIBUTED NONFINANCIAL ASSETS**

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Contributed nonfinancial assets recognized within the statements of activities amounted to \$5,350 and \$1,259 for the years ended June 30, 2022 and 2021, respectively, and consisted of donated goods. Unless otherwise noted, all contributed nonfinancial assets are not subject to any donor restrictions.

All contributed services were utilized to further the programs of the Trust. In valuing and reporting these services, the Trust estimated fair value in the financial statements based on current rates for similar services.

The value of nonprofessional, donated services is not reflected in the accompanying combined financial statements as these services do not meet the criteria outlined in the recommendations of FASB ASC 958-605 *Revenue Recognition-Contributions*. During the years ended June 30, 2022 and 2021, an estimated 240 to 375 volunteers logged approximately 11,410 and 13,216 hours of service on behalf of Laudholm Trust and the Wells National Estuarine Research Reserve, respectively.

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**SUBSEQUENT EVENTS**

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In accordance with FASB ASC 855-10 *Subsequent Events*, management has evaluated subsequent events for possible recognition or disclosure through March 10, 2023, which is the date these financial statements were available to be issued.