



laudholmtrust
In support of Wells Reserve

FINANCIAL STATEMENTS
June 30, 2021 and 2020

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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
Laudholm Trust

We have audited the accompanying financial statements of Laudholm Trust (a nonprofit organization), which comprise the statements of financial position as of June 30, 2021 and 2020, and the related statement of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

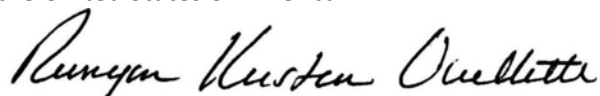
Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Laudholm Trust as of June 30, 2021 and 2020, 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.



January 27, 2022
South Portland, Maine

LAUDHOLM TRUST
Statements of Financial Position
June 30, 2021 and 2020

	2021	2020
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 219,682	232,898
Accounts receivable	5,808	17,225
Pledges receivable, current portion	2,500	27,500
Inventory	1,956	2,475
Total current assets	229,946	280,098
Property and equipment:		
Land	97,950	97,950
Furniture and equipment	14,452	14,452
Total property and equipment	112,402	112,402
Less accumulated depreciation	(9,530)	(8,026)
Property and equipment, net	102,872	104,376
Other assets:		
Investments	9,375,135	7,439,667
Pledges receivable, non-current portion	-	2,500
Asset held for resale	30,900	30,900
Beneficial interest in perpetual trusts	1,355,094	1,103,214
Total other assets	10,761,129	8,576,281
Total assets	\$ 11,093,947	8,960,755
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable	\$ 9,472	3,074
Accrued paid time off	18,506	15,798
Deferred revenue	121,746	84,875
Total current liabilities	149,724	103,747
Net assets:		
Without donor restrictions:		
Undesignated	85,806	165,939
Invested in property and equipment	102,872	104,376
Board-designated endowment	2,809,518	2,129,063
Total without donor restrictions	2,998,196	2,399,378
With donor restrictions	7,946,027	6,457,630
Total net assets	10,944,223	8,857,008
Total liabilities and net assets	\$ 11,093,947	8,960,755

See accompanying notes to financial statements.

LAUDHOLM TRUST
Statements of Activities
For the Years Ended June 30, 2021 and 2020

	2021			2020		
	Without donor restrictions	With donor restrictions	Total	Without donor restrictions	With donor restrictions	Total
Revenues and other support:						
Contributions and grants	\$ 343,266	34,456	377,722	145,408	44,841	190,249
Governmental grants	64,318	-	64,318	66,900	-	66,900
Memberships	139,056	-	139,056	119,722	-	119,722
Fundraising events, net of expenses of \$2,445 and \$48,682 in 2021 and 2020 respectively	13,942	-	13,942	130,875	-	130,875
Facility rentals, net of expenses of \$7,240 and \$11,712 in 2021 and 2020 respectively	12,350	-	12,350	15,137	-	15,137
Store sales, net of expenses of \$1,794 and \$3,416 in 2021 and 2020, respectively	(317)	-	(317)	1,105	-	1,105
Interest and dividends, net	18,629	49,575	68,204	23,843	58,584	82,427
Realized and unrealized gain on investments	533,525	1,372,662	1,906,187	162,131	360,540	522,671
Change in value of perpetual trusts	-	251,880	251,880	-	(8,818)	(8,818)
Change in annuity obligations	(6,000)	-	(6,000)	(6,000)	-	(6,000)
In kind	1,259	-	1,259	2,761	-	2,761
Net assets released from restrictions	220,176	(220,176)	-	227,221	(227,221)	-
Total revenues and other support	1,340,204	1,488,397	2,828,601	889,103	227,926	1,117,029
Expenses:						
Program services	408,241	-	408,241	444,395	-	444,395
Supporting services:						
Management and general	143,580	-	143,580	148,979	-	148,979
Fundraising	189,565	-	189,565	184,649	-	184,649
Total expenses	741,386	-	741,386	778,023	-	778,023
Changes in net assets	598,818	1,488,397	2,087,215	111,080	227,926	339,006
Net assets, beginning of year	2,399,378	6,457,630	8,857,008	2,288,298	6,229,704	8,518,002
Net assets, end of year	\$ 2,998,196	7,946,027	10,944,223	2,399,378	6,457,630	8,857,008

See accompanying notes to financial statements.

LAUDHOLM TRUST
Statement of Functional Expenses
For the 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
Total expenses	\$ 408,241	143,580	189,565	741,386

See accompanying notes to financial statements.

LAUDHOLM TRUST
Statement of Functional Expenses
For the Year Ended June 30, 2020

		Program services	Management and general	Fundraising	Total expenses
Salaries	\$	57,793	82,765	118,084	258,642
Payroll taxes		3,583	7,166	7,167	17,916
Employee benefits		24,557	23,709	36,412	84,678
Total salaries and related expenses		85,933	113,640	161,663	361,236
Office supplies		-	1,479	5,918	7,397
Insurance		-	7,424	-	7,424
Postage		-	633	5,699	6,332
Printing and online communication		11,371	-	-	11,371
Professional fees		511	23,202	7,734	31,447
Property taxes		-	46	-	46
Donor recognition and cultivation		-	-	2,150	2,150
Marketing and advertising		4,716	-	-	4,716
Repairs and maintenance		-	384	-	384
Dues and subscriptions		191	191	382	764
Training		6,175	341	341	6,857
Contribution to Wells Reserve		330,990	-	-	330,990
Travel and meals		3,246	135	762	4,143
Miscellaneous		1,262	-	-	1,262
Total expenses before depreciation		444,395	147,475	184,649	776,519
Depreciation		-	1,504	-	1,504
Total expenses		\$ 444,395	148,979	184,649	778,023

See accompanying notes to financial statements.

LAUDHOLM TRUST
Statements of Cash Flows
For the Years Ended June 30, 2021 and 2020

	2021	2020
Cash flows from operating activities:		
Change in net assets	\$ 2,087,215	339,006
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 on investments	(1,906,187)	(522,671)
Change in value of charitable trusts	(251,880)	8,818
Contributions and investment income received for long-term purposes	(34,456)	(435,096)
(Increase) decrease in assets:		
Accounts receivable and due from WNERR	11,417	(11,491)
Pledges receivable	27,500	27,500
Inventory	519	1,525
Increase (decrease) in liabilities:		
Accounts payable	6,398	(415)
Accrued paid time off	2,708	673
Deferred revenues	36,871	(19,320)
Net cash and cash equivalents used in operating activities	(18,391)	(609,967)
Cash flows from investing activities:		
Proceeds from sale of investments	228,671	245,865
Purchase of investments	(257,952)	(117,491)
Net cash and cash equivalents (used in) provided by investing activities	(29,281)	128,374
Cash flows from financing activities:		
Contributions and investment income received for long-term purposes	34,456	435,096
Net cash and cash equivalents provided by financing activities	34,456	435,096
Net change in cash and cash equivalents	(13,216)	(46,497)
Cash and cash equivalents at beginning of year	232,898	279,395
Cash and cash equivalents at end of year	\$ 219,682	232,898

See accompanying notes to financial statements.

LAUDHOLM TRUST
Notes to Financial Statements
June 30, 2021 and 2020

NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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, 2021 and 2020

NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

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, 2021 and 2020

NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

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 2021, 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 ASU No. 2016-02 *Leases (Topic 842)*. Under ASU 2016-02, at the commencement of a long-term lease (greater than 12 months), the lessees will recognize a liability equivalent to the discounted payments due under the lease agreement, as well as an offsetting right-of-use asset. 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. The FASB has since 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 the financial statements.

During the year ended June 30, 2021, the Trust adopted the provisions of ASU 2014-09 *Revenue from Contracts with Customers (Topic 606)*, which establishes the principles to report useful information about the nature, timing, and uncertainty of revenue from contracts with customers.

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

The Trust maintains its cash balances at two banks and at two investment brokerages. The balances at each bank are insured by the Federal Deposit Insurance Corporation up to \$250,000, and balances at each investment brokerage are insured by the Securities Investor Protection Corporation up to \$500,000. At June 30, 2021 and 2020, the Trust had no uninsured cash.

PLEDGES RECEIVABLE

Pledges receivable are summarized as follows at June 30:

	<u>2021</u>	<u>2020</u>
Pledges receivable expected to be collected in:		
Less than one year	\$ 2,500	27,500
One year to five years	-	2,500
Over five years	-	-
	<u>2,500</u>	<u>30,000</u>
Less current portion	<u>(2,500)</u>	<u>(27,500)</u>
Total receivable, net of current portion	\$ -	2,500

LAUDHOLM TRUST
Notes to Financial Statements, Continued
June 30, 2021 and 2020

PLEDGES RECEIVABLE, CONTINUED

Pledges receivable at June 30, 2021 and 2020, have no purpose restrictions. All balances are considered fully collectible, therefore no allowance for uncollectible amounts has been provided at both June 30, 2021 and 2020.

INVESTMENTS

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

	<u>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ 598,978	74,119
U.S. government treasuries	821,711	1,140,801
Mutual funds	208,978	155,572
Corporate equities	7,745,468	6,069,175
Total investments	\$ 9,375,135	7,439,667

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, 2021 and 2020, the Trust has recorded its beneficial interest in these trusts of \$1,355,094 and \$1,103,214, 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 2021 and 2020 amounted to \$45,948, and \$43,815, respectively. Distributions are recorded as increases to net assets without donor restrictions, and are included in contributions and grants.

ENDOWMENT FUND

At June 30, 2021 and 2020, the Trust had an endowment fund totaling \$9,380,134, and \$7,444,667, 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.

LAUDHOLM TRUST
Notes to Financial Statements, Continued
June 30, 2021 and 2020

ENDOWMENT FUND, CONTINUED

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, 2021 and 2020, the spending policy allocation amounted to \$255,979 and \$226,228, 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, 2021 and 2020, the Trust did not have any underwater endowment funds.

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

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

LAUDHOLM TRUST
Notes to Financial Statements, Continued
June 30, 2021 and 2020

ENDOWMENT FUND, CONTINUED

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

	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>Totals</u>
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
Totals	\$ 2,809,518	6,570,616	9,380,134

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

	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>Totals</u>
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)
Endowment net assets, end of year	\$ 2,809,518	6,570,616	9,380,134

LAUDHOLM TRUST
Notes to Financial Statements, Continued
June 30, 2021 and 2020

ENDOWMENT FUND, CONTINUED

The Trust's endowment fund balances were comprised of the following at June 30, 2020:

	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>Totals</u>
Board-designated	\$ 2,129,063	-	2,129,063
Donor-restricted endowments:			
Original donor-restricted gift and amounts required to be maintained in perpetuity	-	2,353,919	2,353,919
Accumulated investment gains	-	2,961,685	2,961,685
Totals	\$ 2,129,063	5,315,604	7,444,667

Changes in the Trust's endowment fund balances for the year ended June 30, 2020 were as follows:

	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>Totals</u>
Endowment net assets, beginning of year	\$ 2,013,010	5,037,360	7,050,370
Contributions	1,531	15,972	17,503
Investment return, net	183,898	419,124	603,022
Amounts appropriated for expenditure	(69,376)	(156,852)	(226,228)
Endowment net assets, end of year	\$ 2,129,063	5,315,604	7,444,667

LAUDHOLM TRUST
Notes to Financial Statements, Continued
June 30, 2021 and 2020

ASSETS MEASURED AT FAIR VALUE ON A RECURRING BASIS

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

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

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

The following is a description of the valuation methodologies used for Level 2 assets measured at fair value. There have been no changes in the methodologies used at June 30, 2021 and 2020.

- *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, 2021 and 2020

ASSETS MEASURED AT FAIR VALUE ON A RECURRING BASIS, CONTINUED

The table below segregates all financial assets as of June 30, 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, 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
Totals	\$ 10,730,229	9,375,135	1,355,094

LAUDHOLM TRUST
Notes to Financial Statements, Continued
June 30, 2021 and 2020

ASSETS MEASURED AT FAIR VALUE ON A RECURRING BASIS, CONTINUED

The table below segregates all financial assets as of June 30, 2020 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, 2020 are as follows:

	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>
Cash and cash equivalents	\$ 74,119	74,119	-
U.S. treasury obligations	1,140,801	1,140,801	-
Mutual funds:			
Growth	129,279	129,279	-
Fixed income	26,293	26,293	-
Corporate equities:			
Technology	1,514,406	1,514,406	-
Consumer goods	1,836,533	1,836,533	-
Healthcare	865,876	865,876	-
Industrial goods	390,850	390,850	-
Utilities	156,111	156,111	-
Services	495,730	495,730	-
Basic Materials	78,009	78,009	-
Financial	731,660	731,660	-
Beneficial interest in:			
Perpetual Trusts	1,103,214	-	1,103,214
Totals	\$ 8,542,881	7,439,667	1,103,214

There were no transfers between asset levels during either of the years ended June 30, 2021 or 2020.

LINE OF CREDIT

The Trust has a line of credit with a commercial bank which provides for borrowings of up to \$50,000. The line of credit is unsecured. There were no borrowings under the line of credit as of June 30, 2021 and June 30, 2020. This line of credit has been extended through July 22, 2022.

DONATED SERVICES

A substantial number of volunteers have donated significant amounts of their time in the Trust's operations, program services, and fundraising campaigns, which is not recognized in the financial statements because it does not meet the criteria described in the Trust's policy on donated services. During the years ended June 30, 2021 and 2020, an estimated 375 to 500 volunteers logged approximately 13,216 and 14,063 hours of service on behalf of Laudholm Trust and the Wells National Estuarine Research Reserve, respectively.

LAUDHOLM TRUST
Notes to Financial Statements, Continued
June 30, 2021 and 2020

CONTRIBUTION EXPENSE

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

RETIREMENT PLAN

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 \$15,652, and \$13,656 for each of the years ended June 30, 2021 and 2020, respectively.

CHARITABLE GIFT ANNUITY AGREEMENTS

Amounts due to others under charitable gift annuity agreements represent guarantees to pay a fixed amount to the donor for the life of the donor. At June 30, 2021 and 2020, 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 one of the agreements. In the year of a new gift, the difference between the amount received and the present value of the future annuity payments is recorded as a contribution. The present value of future annuity payments is determined based on the ages and life expectancies of the donors as of the date of the gift, using a discount rate that approximates the Trust's rate of return on invested assets.

LEASE OF OFFICE SPACE

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

LAUDHOLM TRUST
Notes to Financial Statements, Continued
June 30, 2021 and 2020

BOARD-DESIGNATED NET ASSETS

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

	<u>2021</u>	<u>2020</u>
Bequests, including the following named funds: William D. Haney Fund, Henry H. Pasco Fund, Gerald and Sally Holmes Fund, Esther French Martin Fund, Arthur, Virginia and Frank Sawyer Fund, and Dorothy Low Newton Fund	\$ 404,542	404,542
Memorials and celebratory gifts, including the following: James A. Forest Fund	98,051	98,051
Other amounts designated by the Board, including the following: William R. Spaulding and Gertrude Mowry Spaulding Fund	44,500	44,500
Other amounts, including realized and unrealized gains	2,262,425	1,581,970
Total Board-designated net assets	\$ 2,809,518	2,129,063

RESTRICTED NET ASSETS

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

Subject to the Trust's spending policy and appropriation:

	<u>2021</u>	<u>2020</u>
Endowment funds with income restricted to:		
Research	\$ 1,962,477	1,305,431
Education	785,758	579,175
Other restricted amounts	1,466,962	1,077,078
Totals	\$ 4,215,197	2,961,684

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

Time restricted	\$ 11,504	30,000
Donor restricted grants	7,500	7,500
Totals	\$ 19,004	37,500

LAUDHOLM TRUST
Notes to Financial Statements, Continued
June 30, 2021 and 2020

RESTRICTED NET ASSETS, CONTINUED

To be held in perpetuity:

	<u>2021</u>	<u>2020</u>
<p>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.</p>	\$ 394,500	394,000
<p>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.</p>	273,753	273,753
<p>Dorothy Fish Coastal Resource Library Fund, an endowment fund with income used each year in support of the Dorothy Fish Coastal Resource Library.</p>	97,675	97,675
<p>Christian A. Johnson Endeavor Fund, an endowment fund with income used each year in support of educational programs.</p>	41,002	41,002
<p>Other endowment funds with income used each year in support of educational programs.</p>	2,130	2,130
<p>Charles Dennis Fink Research Support Fund, an endowment fund with income used each year in support of research programs.</p>	36,302	36,302
<p>George and Eleanor Ford Research Support Fund, an endowment fund with income used each year in support of research programs.</p>	1,387,938	1,386,938
<p>William and Gertrude Spaulding Fund, an endowment fund with income used each year in support of the junior and advanced junior research program.</p>	50,949	50,949
<p>Mattina R. Proctor Seacoast Explorers Fund, an endowment fund with income used each year in support of educational programs.</p>	25,000	25,000
<p>Mary-Hale Furman Landscape Beautification Fund, an endowment fund with income used each year in support of annual tree planting, landscaping, and beautification efforts.</p>	5,000	5,000

LAUDHOLM TRUST
Notes to Financial Statements, Continued
June 30, 2021 and 2020

RESTRICTED NET ASSETS, CONTINUED

Other endowment funds with income used each year in support of historic buildings. Included here is the Alice Freeman Muchnic Endowment.	\$ 42,483	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.	1,355,094	1,103,214
Totals	\$ 3,711,826	3,458,446
Total net assets with donor restrictions	\$ 7,946,027	6,457,630

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>2021</u>	<u>2020</u>
Appropriation of endowment funds	\$ 168,724	156,852
Expenditures with purpose restrictions	51,452	70,369
Total net assets released from restriction	\$ 220,176	227,221

LIQUIDITY AND AVAILABILITY OF RESOURCES

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

	<u>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ 219,682	232,898
Accounts receivable, net	5,808	17,225
Pledges receivable, current portion	2,500	27,500
Total	\$ 227,990	277,623

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

LAUDHOLM TRUST
Notes to Financial Statements, Continued
June 30, 2021 and 2020

LIQUIDITY AND AVAILABILITY OF RESOURCES, CONTINUED

available amounts, shall be available to the Trust each year. The Trust's Board-designated quasi-endowment amounted to \$2,809,518 and \$2,129,063 at June 30, 2021 and 2020, 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.

METHOD USED FOR ALLOCATION OF EXPENSES

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

PAYCHECK PROTECTION PROGRAM

On April 13, 2020, as a result of the negative financial impact of COVID-19, the Trust applied for and was granted a loan from Kennebunk Savings Bank, in conjunction with the Small Business Administration (SBA), in the amount of \$66,900, 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 loan, which was in the form of a note dated April 13, 2020, was scheduled to mature on April 13, 2022 and bore interest at a rate of 1.00% per annum.

On February 23, 2021, as a result of the negative financial impact of COVID-19, the Trust applied for and was granted a second loan from Kennebunk Savings Bank, in conjunction with the Small Business Administration (SBA), in the amount of \$64,318 under the PPP program.

Loan payments are deferred until the SBA remits the borrower's loan forgiveness amount to the lender, or 10 months after the end of the borrowers covered period. The notes may be prepaid by the Trust at any time prior to maturity with no prepayment penalties. Funds from the loans may 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 intends to use the entire loan amounts for qualifying expenses. Under the terms of the PPP, certain amounts of the loans may be forgiven if they are used for qualifying expenses as described in the CARES Act.

For each of the years ended June 30, 2021 and 2020, the Trust has elected to treat the loans as a conditional grants pursuant FASB ASC 958-605. The Trust believes that as of June 30, 2021 and 2020, all conditions for forgiveness of each loan have been met and the loans have been presented as governmental grant revenue in the accompanying statement of activities.

On December 16, 2021, the first PPP loan in the amount of \$66,900 was forgiven in full. Subsequent to year end, the second PPP loan in the amount of \$64,318 was forgiven in full.

LAUDHOLM TRUST
Notes to Financial Statements, Continued
June 30, 2021 and 2020

REVENUE RECOGNITION

During the years ended June 30, 2021 and 2020, the Trust had net contract revenue totaling \$165,031 and \$147,117, respectively. Of those totals, \$13,942 and \$130,875 came from net fundraising events, \$12,350 and \$15,137 came from facility rentals, and \$(317) and \$1,105 came from net store sales, respectively. To best match the timing of the transfer of goods or services, the Trust recognizes revenue from contracts with customers at the time goods are purchased, or on the date of occurrence for programs and events. 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, 2021 and 2020, 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.

SUBSEQUENT EVENTS

In accordance with FASB ASC 855-10 *Subsequent Events*, management has evaluated subsequent events for possible recognition or disclosure through January 27, 2022, which is the date these financial statements were available to be issued.

On August 5, 2021, the second PPP loan in the amount of \$64,318 was forgiven in full.