



laudholmtrust
In support of Wells Reserve

FINANCIAL STATEMENTS
June 30, 2023 and 2022

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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, 2023 and 2022, 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, 2023 and 2022, 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.



February 8, 2024

South Portland, Maine

LAUDHOLM TRUST
Statements of Financial Position
June 30, 2023 and 2022

| | 2023 | 2022 |
|---|----------------------|-------------------|
| ASSETS | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 219,065 | 366,539 |
| Accounts receivable | 5,374 | 9,549 |
| Pledges receivable, current portion | 10,000 | 15,000 |
| Prepaid expenses | 7,513 | - |
| Inventory | 4,918 | 2,980 |
| Total current assets | 246,870 | 394,068 |
| Property and equipment: | | |
| Land | 97,950 | 97,950 |
| Furniture and equipment | 20,099 | 15,352 |
| Total property and equipment | 118,049 | 113,302 |
| Less accumulated depreciation | (12,537) | (11,034) |
| Property and equipment, net | 105,512 | 102,268 |
| Other assets: | | |
| Investments | 9,498,622 | 8,369,264 |
| Pledges receivable, non-current portion | - | 10,000 |
| Right of use asset - operating | 6,825 | 8,925 |
| Beneficial interest in perpetual trusts | 1,199,280 | 1,144,480 |
| Total other assets | 10,704,727 | 9,532,669 |
| Total assets | \$ 11,057,109 | 10,029,005 |
| LIABILITIES AND NET ASSETS | | |
| Current liabilities: | | |
| Accounts payable | \$ 6,848 | 10,221 |
| Accrued paid time off | 13,012 | 14,197 |
| Deferred revenue | 145,620 | 149,018 |
| Right of use liability - operating, current portion | 2,100 | 2,100 |
| Total current liabilities | 167,580 | 175,536 |
| Noncurrent liabilities: | | |
| Right of use liability - operating, noncurrent | 4,725 | 6,825 |
| Total noncurrent liabilities | 4,725 | 6,825 |
| Total liabilities | 172,305 | 182,361 |
| Net assets: | | |
| Without donor restrictions: | | |
| Undesignated | 48,208 | 186,199 |
| Invested in property and equipment | 105,512 | 102,268 |
| Board-designated endowment | 3,006,677 | 2,504,362 |
| Total without donor restrictions | 3,160,397 | 2,792,829 |
| With donor restrictions | 7,724,407 | 7,053,815 |
| Total net assets | 10,884,804 | 9,846,644 |
| Total liabilities and net assets | \$ 11,057,109 | 10,029,005 |

See accompanying notes to financial statements.

LAUDHOLM TRUST
Statements of Activities
Years Ended June 30, 2023 and 2022

| | 2023 | | | 2022 | | |
|---|-------------------------------|----------------------------|-------------------|-------------------------------|----------------------------|------------------|
| | Without donor restrictions | With donor restrictions | Total | Without donor restrictions | With donor restrictions | Total |
| Revenues and other support: | | | | | | |
| Contributions and grants | \$ 171,495 | 226,633 | 398,128 | 251,691 | 92,441 | 344,132 |
| Memberships | 186,289 | - | 186,289 | 158,876 | - | 158,876 |
| Fundraising events, net of expenses of \$29,702 and \$13,033 in 2023 and 2022 respectively | 114,776 | - | 114,776 | 93,770 | - | 93,770 |
| Facility rentals, net of expenses of \$11,822 and \$47,551 in 2023 and 2022 respectively | 108,178 | - | 108,178 | 100,384 | - | 100,384 |
| Store sales, net of expenses of \$6,905 and \$4,061 in 2023 and 2022, respectively | 646 | - | 646 | 2,942 | - | 2,942 |
| Interest and dividends, net | 51,716 | 47,407 | 99,123 | 23,473 | 36,846 | 60,319 |
| Realized and unrealized gain on investments | 339,958 | 737,205 | 1,077,163 | (233,255) | (577,347) | (810,602) |
| Change in value of perpetual trusts | - | 54,800 | 54,800 | - | (210,614) | (210,614) |
| Change in annuity obligations | (6,000) | - | (6,000) | (6,000) | - | (6,000) |
| Contributed nonfinancial assets | 10,057 | - | 10,057 | 5,350 | - | 5,350 |
| Loss on disposal of assets | - | - | - | (10,500) | - | (10,500) |
| Net assets released from restrictions | 395,453 | (395,453) | - | 233,538 | (233,538) | - |
| Total revenues and other support | 1,372,568 | 670,592 | 2,043,160 | 620,269 | (892,212) | (271,943) |
| Expenses: | | | | | | |
| Program services | 666,469 | - | 666,469 | 467,513 | - | 467,513 |
| Supporting services: | | | | | | |
| Management and general | 150,572 | - | 150,572 | 159,850 | - | 159,850 |
| Fundraising | 187,959 | - | 187,959 | 198,273 | - | 198,273 |
| Total expenses | 1,005,000 | - | 1,005,000 | 825,636 | - | 825,636 |
| Changes in net assets | 367,568 | 670,592 | 1,038,160 | (205,367) | (892,212) | (1,097,579) |
| Net assets, beginning of year | 2,792,829 | 7,053,815 | 9,846,644 | 2,998,196 | 7,946,027 | 10,944,223 |
| Net assets, end of year | \$ 3,160,397 | 7,724,407 | 10,884,804 | 2,792,829 | 7,053,815 | 9,846,644 |

See accompanying notes to financial statements.

LAUDHOLM TRUST
Statement of Functional Expenses
Year Ended June 30, 2023

| | Program services | Management and general | Fundraising | Total expenses |
|-------------------------------------|---------------------|---------------------------|----------------|-------------------|
| Salaries | \$ 60,984 | 79,926 | 115,016 | 255,926 |
| Payroll taxes | 4,147 | 7,088 | 6,811 | 18,046 |
| Employee benefits | 25,446 | 21,599 | 33,783 | 80,828 |
| Total salaries and related expenses | 90,577 | 108,613 | 155,610 | 354,800 |
| Office supplies | - | 1,957 | 7,829 | 9,786 |
| Insurance | - | 6,396 | - | 6,396 |
| Postage | - | 462 | 4,158 | 4,620 |
| Printing and online communication | 28,732 | - | - | 28,732 |
| Professional fees | 500 | 30,532 | 10,177 | 41,209 |
| Property taxes | - | 35 | - | 35 |
| Donor recognition and cultivation | - | - | 6,107 | 6,107 |
| Marketing and advertising | 12,307 | - | - | 12,307 |
| Repairs and maintenance | - | 695 | - | 695 |
| Dues and subscriptions | 83 | 83 | 167 | 333 |
| Training | 8,695 | 295 | 294 | 9,284 |
| Contribution to Wells Reserve | 520,505 | - | - | 520,505 |
| Travel and meals | - | - | 3,617 | 3,617 |
| Miscellaneous | 5,070 | - | - | 5,070 |
| Total expenses before depreciation | 666,469 | 149,068 | 187,959 | 1,003,496 |
| Depreciation | - | 1,504 | - | 1,504 |
| Total expenses | \$ 666,469 | 150,572 | 187,959 | 1,005,000 |

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 |
| Total expenses | | \$ 467,513 | 159,850 | 198,273 | 825,636 |

See accompanying notes to financial statements.

LAUDHOLM TRUST
Statements of Cash Flows
Years Ended June 30, 2023 and 2022

| | 2023 | 2022 |
|--|-------------------|----------------|
| Cash flows from operating activities: | | |
| Change in net assets | \$ 1,038,160 | (1,097,579) |
| 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 | (1,077,163) | 810,602 |
| Change in value of charitable trusts | (54,800) | 210,614 |
| Loss on disposition of assets | - | 10,500 |
| Contributions and investment income received for long-term purposes | (226,633) | (92,441) |
| (Increase) decrease in assets: | | |
| Accounts receivable and due from WNERR | 4,175 | (3,741) |
| Pledges receivable | 15,000 | (22,500) |
| Inventory | (1,938) | (1,024) |
| Prepaid expenses | (7,513) | - |
| Right of use asset - operating | 2,100 | 2,100 |
| Increase (decrease) in liabilities: | | |
| Accounts payable | (3,373) | 749 |
| Accrued paid time off | (1,185) | (4,309) |
| Right of use liability - operating | (2,100) | (2,100) |
| Deferred revenues | (3,398) | 27,272 |
| Net cash and cash equivalents used in operating activities | (317,164) | (160,353) |
| Cash flows from investing activities: | | |
| Purchase of property and equipment | (4,748) | (900) |
| Proceeds from sale of property and equipment | - | 20,400 |
| Proceeds from sale of investments | 259,851 | 268,067 |
| Purchase of investments | (312,046) | (72,798) |
| Net cash and cash equivalents provided by (used in) investing activities | (56,943) | 214,769 |
| Cash flows from financing activities: | | |
| Contributions and investment income received for long-term purposes | 226,633 | 92,441 |
| Net cash and cash equivalents provided by financing activities | 226,633 | 92,441 |
| Net change in cash and cash equivalents | (147,474) | 146,857 |
| Cash and cash equivalents at beginning of year | 366,539 | 219,682 |
| Cash and cash equivalents at end of year | \$ 219,065 | 366,539 |

See accompanying notes to financial statements.

LAUDHOLM TRUST
Notes to Financial Statements
June 30, 2023 and 2022

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 restrictions if the donor limits their use. Contributions of property and equipment or cash restricted to the 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, 2023 and 2022

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.

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

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, 2023 and 2022

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 2023, certain prior year balances were reclassified to conform to the current year presentation. Such reclassifications had no effect on the results of operations as previously reported.

New Accounting Pronouncements - During the year ended June 30, 2023, the Trust adopted the provisions of 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. As a result, the statement of financial position for the year ended June 30, 2022 has been restated to include a right of use asset in the amount of \$8,925, and a corresponding right of use liability for the same amount.

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, 2023 and 2022, the Trust had uninsured cash balances of \$0 and \$82,424, respectively.

PLEDGES RECEIVABLE

Pledges receivable are summarized as follows at June 30:

| | <u>2023</u> | <u>2022</u> |
|---|-------------|---------------|
| Pledges receivable expected to be collected in: | | |
| Less than one year | \$ 10,000 | 15,000 |
| One year to five years | - | 10,000 |
| Over five years | - | - |
| | 10,000 | 25,000 |
| Less current portion | (10,000) | (15,000) |
| | \$ - | 10,000 |

Pledges receivable at June 30, 2023 and 2022, have no purpose restrictions. All balances are considered fully collectible, therefore no allowance for uncollectible amounts has been provided at either June 30, 2023 or 2022.

LAUDHOLM TRUST
Notes to Financial Statements, Continued
June 30, 2023 and 2022

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>2023</u> | <u>2022</u> |
|----------------------------|---------------------|------------------|
| Cash and cash equivalents | \$ 364,554 | 959,789 |
| U.S. government treasuries | 1,820,230 | 766,977 |
| Mutual funds | 198,048 | 184,849 |
| Corporate equities | 7,115,790 | 6,457,649 |
| Total investments | \$ 9,498,622 | 8,369,264 |

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, 2023 and 2022, the Trust has recorded its beneficial interest in these trusts of \$1,199,280 and \$1,144,480, 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 2023 and 2022 amounted to \$46,540, and \$52,326, respectively. Distributions are recorded as increases to net assets without donor restrictions, and are included in contributions and grants.

ENDOWMENT FUND

At June 30, 2023 and 2022, the Trust had an endowment fund totaling \$9,498,622 and \$8,374,264, 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.

LAUDHOLM TRUST
Notes to Financial Statements, Continued
June 30, 2023 and 2022

ENDOWMENT FUND, CONTINUED

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, 2023 and 2022, the spending policy allocation amounted to \$227,420 and \$248,712, 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, 2023 and 2022, 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, 2023 and 2022

ENDOWMENT FUND, CONTINUED

The Trust's endowment fund balances were comprised of the following at June 30, 2023:

| | <u>Without donor restrictions</u> | <u>With donor restrictions</u> | <u>Totals</u> |
|---|--|---|----------------------|
| Board-designated | \$ 3,006,677 | - | 3,006,677 |
| Donor-restricted endowments: | | | |
| Original donor-restricted gift and amounts required to be maintained in perpetuity | - | 2,360,972 | 2,360,972 |
| Accumulated investment gains | - | 4,130,973 | 4,130,973 |
| Totals | \$ 3,006,677 | 6,491,945 | 9,498,622 |

Changes in the Trust's endowment fund balances for the year ended June 30, 2023 were as follows:

| | <u>Without donor restrictions</u> | <u>With donor restrictions</u> | <u>Totals</u> |
|--|--|---|----------------------|
| Endowment net assets, beginning of year | \$ 2,504,362 | 5,869,596 | 8,373,958 |
| Contributions | 211,408 | 3,500 | 214,908 |
| Investment return, net | 368,321 | 773,855 | 1,142,176 |
| Amounts appropriated for expenditure | (77,414) | (155,006) | (232,420) |
| Endowment net assets, end of year | \$ 3,006,677 | 6,491,945 | 9,498,622 |

LAUDHOLM TRUST
Notes to Financial Statements, Continued
June 30, 2023 and 2022

ENDOWMENT FUND, CONTINUED

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 |
| Totals | <u>\$ 2,504,362</u> | <u>5,869,902</u> | <u>8,374,264</u> |

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) |
| Endowment net assets, end of year | <u>\$ 2,504,362</u> | <u>5,869,902</u> | <u>8,374,264</u> |

LAUDHOLM TRUST
Notes to Financial Statements, Continued
June 30, 2023 and 2022

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, 2023 and 2022.

- *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, 2023 and 2022

ASSETS MEASURED AT FAIR VALUE ON A RECURRING BASIS, CONTINUED

The tables below segregate all financial assets as of June 30, 2023 and 2022, 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, 2023 are as follows:

| | <u>Total</u> | <u>Level 1</u> | <u>Level 2</u> |
|---------------------------|----------------------|------------------|------------------|
| Cash and cash equivalents | \$ 364,554 | 364,554 | - |
| U.S. treasury obligations | 1,820,230 | 1,820,230 | - |
| Mutual funds: | | | |
| Growth | 175,769 | 175,769 | - |
| Fixed income | 22,279 | 22,279 | - |
| Corporate equities: | | | |
| Technology | 2,329,562 | 2,329,562 | - |
| Consumer goods | 2,410,379 | 2,410,379 | - |
| Healthcare | 557,560 | 557,560 | - |
| Industrial goods | 776,891 | 776,891 | - |
| Utilities | 192,920 | 192,920 | - |
| Basic materials | 152,674 | 152,674 | - |
| Financial | 530,955 | 530,955 | - |
| Real estate | 164,849 | 164,849 | - |
| Beneficial interest in: | | | |
| Perpetual Trusts | 1,199,280 | - | 1,199,280 |
| Totals | \$ 10,697,902 | 9,498,622 | 1,199,280 |

LAUDHOLM TRUST
Notes to Financial Statements, Continued
June 30, 2023 and 2022

ASSETS MEASURED AT FAIR VALUE ON A RECURRING BASIS, CONTINUED

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 |
| Totals | \$ 9,513,744 | 8,369,264 | 1,144,480 |

There were no transfers between asset levels during either of the years ended June 30, 2023 or 2022.

RIGHT OF USE - OPERATING LEASE

Laudholm Trust entered into a non-cancelable operating lease for the use of certain office equipment in June 2021. The lease is for a period of 5 years and provides for monthly lease payments of \$175. For each of the years ended June 30, 2023 and 2022, total lease expense paid under this lease arrangement amounted to \$2,100 and \$2,100, respectively. Future minimum required lease payments under non-cancelable agreements, are as follows:

| <u>Fiscal year ending June 30</u> | <u>Amount</u> |
|-----------------------------------|-----------------|
| 2024 | \$ 2,100 |
| 2025 | 2,100 |
| 2026 | 2,100 |
| 2027 | 525 |
| Total | \$ 6,825 |

LAUDHOLM TRUST
Notes to Financial Statements, Continued
June 30, 2023 and 2022

RIGHT OF USE - OPERATING LEASE, CONTINUED

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.

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 outstanding balances on this line of credit as of June 30, 2023 and June 30, 2022. This line of credit has been extended through July 22, 2024.

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 \$15,060 and \$17,150 for each of the years ended June 30, 2023 and 2022, 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 remainder of their life. At June 30, 2023 and 2022, 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.

LAUDHOLM TRUST
Notes to Financial Statements, Continued
June 30, 2023 and 2022

BOARD-DESIGNATED NET ASSETS

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

| | <u>2023</u> | <u>2022</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 | 313,148 | 101,740 |
| 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 | 2,244,487 | 1,953,580 |
| Total Board-designated net assets | \$ 3,006,677 | 2,504,362 |

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>2023</u> | <u>2022</u> |
|--|---------------------|------------------|
| Endowment funds with income restricted to: | | |
| Research | \$ 1,878,224 | 1,578,728 |
| Education | 807,061 | 682,516 |
| Other restricted amounts | 1,456,875 | 1,250,186 |
| Totals | \$ 4,142,160 | 3,511,430 |

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

| | | |
|-------------------------|------------------|---------------|
| Time restricted | \$ 18,183 | 33,121 |
| Donor restricted grants | 2,500 | 5,000 |
| Totals | \$ 20,683 | 38,121 |

LAUDHOLM TRUST
Notes to Financial Statements, Continued
June 30, 2023 and 2022

RESTRICTED NET ASSETS, CONTINUED

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. | \$ 397,100 | 395,600 |
| 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 |
| Charles Dennis Fink Research Support Fund, an endowment fund with income used each year in support of research programs. | 37,254 | 37,254 |
| George and Eleanor Ford Research Support Fund, an endowment fund with income used each year in support of research programs. | 1,389,938 | 1,388,938 |
| 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 |

LAUDHOLM TRUST
Notes to Financial Statements, Continued
June 30, 2023 and 2022

RESTRICTED NET ASSETS, CONTINUED

| | <u>2023</u> | <u>2022</u> |
|--|---------------------|------------------|
| 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. | 1,199,280 | 1,144,480 |
| Totals | \$ 3,561,564 | 3,504,264 |
| Total net assets with donor restrictions | \$ 7,724,407 | 7,053,815 |

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>2023</u> | <u>2022</u> |
|---|-------------------|----------------|
| Appropriation of endowment funds | \$ 160,070 | 169,578 |
| Expenditures with purpose restrictions | 235,383 | 63,960 |
| Total net assets released from restriction | \$ 395,453 | 233,538 |

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>2023</u> | <u>2022</u> |
|-------------------------------------|-------------------|----------------|
| Cash and cash equivalents | \$ 219,065 | 366,539 |
| Accounts receivable, net | 5,374 | 9,549 |
| Pledges receivable, current portion | 10,000 | 15,000 |
| Total | \$ 234,439 | 391,088 |

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.

LAUDHOLM TRUST
Notes to Financial Statements, Continued
June 30, 2023 and 2022

LIQUIDITY AND AVAILABILITY OF RESOURCES, CONTINUED

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 fund amounted to \$3,006,677 and \$2,504,362 at June 30, 2023 and 2022, 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.

CONTRIBUTION TO WELLS RESERVE EXPENSE

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

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.

REVENUE RECOGNITION

During the years ended June 30, 2023 and 2022, the Trust had net contract revenue of:

| | <u>2023</u> | <u>2022</u> |
|--------------------------------------|--------------------------|-----------------------|
| Net fundraising events | \$ 114,776 | 93,770 |
| Facility rentals | 108,178 | 100,384 |
| Memberships | 186,289 | 158,876 |
| Net store sales | 646 | 2,942 |
| <u>Total contract revenue</u> | <u>\$ 409,889</u> | <u>355,972</u> |

LAUDHOLM TRUST
Notes to Financial Statements, Continued
June 30, 2023 and 2022

REVENUE RECOGNITION, CONTINUED

At June 30, 2023 and 2022, the Trust had contract liabilities in the amount of \$145,620 and \$149,018, 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, 2023, total contract liabilities of \$149,018 from the year ended June 30, 2022 were recognized as revenue. During the year ended June 30, 2022, total contract liabilities of \$121,746 from the year ended June 30, 2021 were recognized as revenue. At June 30, 2023 and 2022, the Trust had contract assets in the amount of \$3,078 and \$0, respectively. Such assets consisted of accounts receivables for events that have not yet occurred, and are included in accounts receivables on the statements of financial position. For each of the years ended June 30, 2023 and 2022, goods and services provided to customers included access to special events, access to rental space, annual memberships, and purchase of goods.

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, 2023 and 2022, the greatest economic factor effecting contract revenue has been the economy and inflation.

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.

CONTRIBUTED NONFINANCIAL ASSETS

Contributed nonfinancial assets recognized within the statements of activities amounted to \$10,057 and \$5,350 for the years ended June 30, 2023 and 2022, 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, 2023 and 2022, an estimated 240 to 375 volunteers logged approximately 14,620 and 11,410 hours of service on behalf of Laudholm Trust and the Wells National Estuarine Research Reserve, respectively.

SUBSEQUENT EVENTS

In accordance with FASB ASC 855-10 *Subsequent Events*, management has evaluated subsequent events for possible recognition or disclosure through February 8, 2024, which is the date these financial statements were available to be issued.