



**laudholmtrust**  
In support of Wells Reserve

**FINANCIAL STATEMENTS**  
**June 30, 2020 and 2019**

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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees  
Laudholm Trust

We have audited the accompanying financial statements of the Laudholm Trust (a nonprofit organization), which comprise the statements of financial position as of June 30, 2020 and 2019, 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**

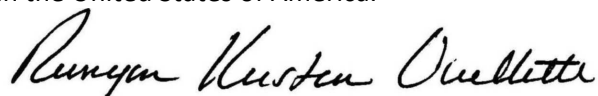
Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about 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 the Laudholm Trust as of June 30, 2020 and 2019, 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.



February 8, 2021  
South Portland, Maine

**LAUDHOLM TRUST**  
**Statements of Financial Position**  
**June 30, 2020 and 2019**

	2020	2019
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 232,898	279,395
Accounts receivable	17,225	5,734
Pledges receivable, current portion	27,500	32,500
Inventory	2,475	4,000
Total current assets	280,098	321,629
Property and equipment:		
Land	97,950	97,950
Furniture and equipment	14,452	21,208
Total property and equipment	112,402	119,158
Less accumulated depreciation	(8,026)	(13,279)
Property and equipment, net	104,376	105,879
Other assets:		
Investments	7,439,667	7,045,371
Pledges receivable, non-current portion	2,500	25,000
Asset held for resale	30,900	30,900
Beneficial interest in perpetual trusts	1,103,214	1,112,032
Total other assets	8,576,281	8,213,303
<b>Total assets</b>	<b>\$ 8,960,755</b>	<b>8,640,811</b>
<b>LIABILITIES AND NET ASSETS</b>		
Current liabilities:		
Accounts payable	\$ 3,074	3,489
Accrued paid time off	15,798	15,125
Deferred revenue	84,875	104,195
Total current liabilities	103,747	122,809
Net assets:		
Without donor restrictions:		
Undesignated	165,939	169,409
Invested in property and equipment	104,376	105,879
Board-designated endowment	2,129,063	2,013,010
Total without donor restrictions	2,399,378	2,288,298
With donor restrictions	6,457,630	6,229,704
Total net assets	8,857,008	8,518,002
<b>Total liabilities and net assets</b>	<b>\$ 8,960,755</b>	<b>8,640,811</b>

*See accompanying notes to financial statements.*

**LAUDHOLM TRUST**  
**Statements of Activities**  
**For the Years Ended June 30, 2020 and 2019**

	2020			2019		
	Without donor restrictions	With donor restrictions	Total	Without donor restrictions	With donor restrictions	Total
Revenues and other support:						
Contributions and grants	\$ 215,069	44,841	259,910	185,595	88,795	274,390
Memberships	119,722	-	119,722	107,210	-	107,210
Fundraising events, net of expenses of \$48,682 and \$55,756 in 2020 and 2019, respectively	130,875	-	130,875	153,299	-	153,299
Facility rentals, net of expenses of \$11,712 and \$12,286 in 2020 and 2019, respectively	15,137	-	15,137	74,909	-	74,909
Store sales, net of expenses of \$3,416 and \$3,887 in 2020 and 2019, respectively	1,105	-	1,105	3,164	-	3,164
Interest and dividends, net	23,843	58,584	82,427	20,652	57,240	77,892
Realized and unrealized gain on investments	162,131	360,540	522,671	297,876	734,295	1,032,171
Change in value of perpetual trusts	-	(8,818)	(8,818)	-	17,667	17,667
Change in annuity obligations	(6,000)	-	(6,000)	(6,000)	-	(6,000)
Net assets released from restrictions	227,221	(227,221)	-	139,295	(139,295)	-
Total revenues and other support	889,103	227,926	1,117,029	976,000	758,702	1,734,702
Expenses:						
Program services	444,395	-	444,395	383,506	-	383,506
Supporting services:						
Management and general	148,979	-	148,979	130,752	-	130,752
Fundraising	184,649	-	184,649	140,654	-	140,654
Total expenses	778,023	-	778,023	654,912	-	654,912
Changes in net assets	111,080	227,926	339,006	321,088	758,702	1,079,790
Net assets, beginning of year	2,288,298	6,229,704	8,518,002	1,967,210	5,471,002	7,438,212
<b>Net assets, end of year</b>	<b>\$ 2,399,378</b>	<b>6,457,630</b>	<b>8,857,008</b>	<b>2,288,298</b>	<b>6,229,704</b>	<b>8,518,002</b>

*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
<b>Total expenses</b>	<b>\$ 444,395</b>	<b>148,979</b>	<b>184,649</b>	<b>778,023</b>

*See accompanying notes to financial statements.*

**LAUDHOLM TRUST**  
**Statement of Functional Expenses**  
**For the Year Ended June 30, 2019**

	Program services	Management and general	Fundraising	Total expenses
Salaries	\$ 61,376	73,481	87,170	222,027
Payroll taxes	3,011	6,021	6,021	15,053
Employee benefits	24,192	22,445	24,723	71,360
Total salaries and related expenses	88,579	101,947	117,914	308,440
Office supplies	-	1,479	5,916	7,395
Insurance	-	5,502	-	5,502
Postage	-	437	3,934	4,371
Printing and online communication	12,472	-	-	12,472
Professional fees	516	19,354	6,451	26,321
Property taxes	-	52	-	52
Donor recognition and cultivation	-	-	5,251	5,251
Marketing and advertising	6,569	-	-	6,569
Repairs and maintenance	-	401	-	401
Dues and subscriptions	148	147	296	591
Training	2,837	334	334	3,505
Contribution to Wells Reserve	258,997	-	-	258,997
Travel and meals	4,074	99	558	4,731
Miscellaneous	9,314	-	-	9,314
Total expenses before depreciation	383,506	129,752	140,654	653,912
Depreciation	-	1,000	-	1,000
<b>Total expenses</b>	<b>\$ 383,506</b>	<b>130,752</b>	<b>140,654</b>	<b>654,912</b>

*See accompanying notes to financial statements.*

**LAUDHOLM TRUST**  
**Statements of Cash Flows**  
**For the Years Ended June 30, 2020 and 2019**

	2020	2019
Cash flows from operating activities:		
Change in net assets	\$ 339,006	1,079,790
Adjustments to reconcile change in net assets to net cash and cash equivalents used in operating activities:		
Depreciation	1,504	1,000
Realized and unrealized gain on investments	(522,671)	(1,032,171)
Change in value of charitable trusts	8,818	(17,667)
Donated capital assets	-	(4,500)
Contributions and investment income received for long-term purposes	(435,096)	(794,535)
(Increase) decrease in assets:		
Accounts receivable and due from WNERR	(11,491)	(18)
Pledges receivable	27,500	(55,000)
Inventory	1,525	118
Increase (decrease) in liabilities:		
Accounts payable	(415)	997
Accrued paid time off	673	3,396
Deferred revenues	(19,320)	(19,390)
Net cash and cash equivalents used in operating activities	(609,967)	(837,980)
Cash flows from investing activities:		
Purchase of property and equipment	-	(3,018)
Proceeds from sale of investments	245,865	173,844
Purchase of investments	(117,491)	(84,459)
Net cash and cash equivalents provided by investing activities	128,374	86,367
Cash flows from financing activities:		
Contributions and investment income received for long-term purposes	435,096	794,535
Net cash and cash equivalents provided by financing activities	435,096	794,535
Net change in cash and cash equivalents	(46,497)	42,922
Cash and cash equivalents at beginning of year	279,395	236,473
<b>Cash and cash equivalents at end of year</b>	<b>\$ 232,898</b>	<b>279,395</b>

*See accompanying notes to financial statements.*



**LAUDHOLM TRUST**  
**Notes to Financial Statements**  
**June 30, 2020 and 2019**

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

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

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

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

Net assets without donor restrictions are resources available to support operations and are not subject to donor imposed restrictions. The only limits on the use of net assets without donor restrictions are the broad limits resulting from the nature of the organization, the environment in which it operates, the purposes specified in its corporate documents, and its application for tax-exempt status. The governing board has designated a portion of net assets without donor restrictions as net assets for long-term investment.

Net assets with donor restrictions are subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, such as where the donor stipulates that resources be maintained in perpetuity. The Trust's unspent contributions are reported in net assets with donor contributions if the donor limits their use. Contributions of property and equipment or cash restricted to acquisition of property and equipment are reported as net assets with donor restrictions if the donor has restricted the use of the property or equipment to a particular program. These restrictions expire when the assets are placed in service.

**Revenues and Expenses** - Revenues are reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or by law. Expirations of donor-imposed restrictions that are temporary in nature on net assets by fulfillment of the donor-stipulated purpose or by passage of the stipulated time period are reported as reclassifications between the applicable classes of net assets.

**Fair Value of Financial Instruments** - Unless otherwise indicated, the fair value of all reported assets and liabilities which represent financial instruments, none of which are held for trading purposes, approximates the carrying value of such amounts.

**LAUDHOLM TRUST**  
**Notes to Financial Statements, Continued**  
**June 30, 2020 and 2019**

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

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**Cash and Cash Equivalents** - For purposes of the statements of cash flows, the Trust considers all unrestricted highly liquid investments purchased with a maturity of three months or less to be cash equivalents.

**Deferred Revenues** - Deferred revenues consist of certain event and site rental fees received but not earned as the corresponding events take place in the following fiscal year.

**Inventory** - Inventory is valued at the lower of cost or market determined by the first-in, first-out method.

**Pledges Receivable** - Pledges receivable, which represent unconditional promises to give, are recorded when received. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

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

**Donated Services** - Contributed professional services are recognized if the services received (a) create or enhance long-lived assets or (b) require specialized skills and are provided by individuals possessing those skills that would typically need to be purchased if not provided by donation.

**Use of Estimates** - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

**Functional Allocation of Expenses** - The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited, based on internal accounting data and estimates made by management.

**Property and Equipment** - Purchased assets are carried at cost while contributed assets are carried at their fair value at the time of the gift. The Trust's policy is to capitalize costs for major additions over \$1,000 and having a useful life greater than one year. Expenditures for repairs and maintenance or minor additions that do not improve or extend the life of an asset, are expensed when incurred. Depreciation is not computed on the Trust's land. Personal property items which are considered to be operating assets are depreciated using the straight line method of depreciation over the assets' estimated useful life. Furnishings and equipment are depreciated over a period of 5-10 years.

**Land** - Land consists of four parcels of property. Three of which are located in Mohave County, Arizona, and one is located on Drakes Island in Wells, Maine.

**Recognition of Donor Restricted Contributions** - Support that is restricted by the donor is reported as an increase in net assets with donor restrictions, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), restricted net assets are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

**LAUDHOLM TRUST**  
**Notes to Financial Statements, Continued**  
**June 30, 2020 and 2019**

**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 2020, 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. Recently, the FASB issued a new 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.

**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, 2020 and 2019, the Trust had no uninsured cash.

**PLEDGES RECEIVABLE**

Pledges receivable are summarized as follows at June 30:

	<u>2020</u>	<u>2019</u>
Pledges receivable expected to be collected in:		
Less than one year	\$ 27,500	32,500
One year to five years	2,500	25,000
Over five years	-	-
	<u>30,000</u>	<u>57,500</u>
Less current portion	<u>(27,500)</u>	<u>(32,500)</u>
<b>Total receivable, net of current portion</b>	<b><u>\$ 2,500</u></b>	<b><u>25,000</u></b>

**LAUDHOLM TRUST**  
**Notes to Financial Statements, Continued**  
**June 30, 2020 and 2019**

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**PLEDGES RECEIVABLE, CONTINUED**

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Pledges receivable at June 30, 2020 and 2019, have no purpose restrictions. All balances are considered fully collectible, therefore no allowance for uncollectible amounts has been provided at both June 30, 2020 and 2019.

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**INVESTMENTS**

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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>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 74,119	187,389
U.S. government treasuries	1,140,801	982,293
Mutual funds	155,572	172,872
Corporate equities	6,069,175	5,702,817
<b>Total investments</b>	<b>\$ 7,439,667</b>	<b>7,045,371</b>

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**BENEFICIAL INTERESTS IN PERPETUAL TRUSTS**

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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, 2020 and 2019, the Trust has recorded its beneficial interest in these trusts of \$1,103,214 and \$1,112,032, 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 2020 and 2019 amounted to \$43,815, and \$44,606, respectively. Distributions are recorded as increases to net assets without donor restrictions, and are included in contributions and grants.

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**ENDOWMENT FUND**

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At June 30, 2020 and 2019, the Trust had an endowment fund totaling \$7,444,667, and \$7,050,370, respectively. The purpose of this fund is to generate income to be used to help meet the operating and non-operating costs the Laudholm 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.

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**LAUDHOLM TRUST**  
**Notes to Financial Statements, Continued**  
**June 30, 2020 and 2019**

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**ENDOWMENT FUND, CONTINUED**

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**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, 2020 and 2019, the spending policy allocation amounted to \$226,228 and \$170,651, 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, 2020 and 2019, 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, 2020 and 2019**

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ENDOWMENT FUND, CONTINUED

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

	<b><u>Without donor restrictions</u></b>	<b><u>With donor restrictions</u></b>	<b><u>Totals</u></b>
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
<b>Totals</b>	<b>\$ 2,129,063</b>	<b>5,315,604</b>	<b>7,444,667</b>

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

	<b><u>Without donor restrictions</u></b>	<b><u>With donor restrictions</u></b>	<b><u>Totals</u></b>
Endowment net assets, beginning of year	\$ 2,013,010	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)
<b>Endowment net assets, end of year</b>	<b>\$ 2,129,063</b>	<b>5,315,604</b>	<b>7,444,667</b>

**LAUDHOLM TRUST**  
**Notes to Financial Statements, Continued**  
**June 30, 2020 and 2019**

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ENDOWMENT FUND, CONTINUED

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The Trust's endowment fund balances were comprised of the following at June 30, 2019:

	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>Totals</u>
Board-designated	\$ 2,013,010	-	2,013,010
Donor-restricted endowments:			
Original donor-restricted gift and amounts required to be maintained in perpetuity	-	2,337,947	2,337,947
Accumulated investment gains	-	2,699,413	2,699,413
<b>Totals</b>	<b>\$ 2,013,010</b>	<b>5,037,360</b>	<b>7,050,370</b>

Changes in the Trust's endowment fund balances for the year ended June 30, 2019 were as follows:

	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>Totals</u>
Endowment net assets, beginning of year	\$ 1,756,259	4,351,326	6,107,585
Contributions	443	3,000	3,443
Investment return, net	318,458	791,535	1,109,993
Amounts appropriated for expenditure	(62,150)	(108,501)	(170,651)
<b>Endowment net assets, end of year</b>	<b>\$ 2,013,010</b>	<b>5,037,360</b>	<b>7,050,370</b>

**LAUDHOLM TRUST**  
**Notes to Financial Statements, Continued**  
**June 30, 2020 and 2019**

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

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

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

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

The following is a description of the valuation methodologies used for Level 2 assets measured at fair value. There have been no changes in the methodologies used at June 30, 2020 and 2019.

- *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, 2020 and 2019**

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

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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
<b>Totals</b>	<b>\$ 8,542,881</b>	<b>7,439,667</b>	<b>1,103,214</b>

**LAUDHOLM TRUST**  
**Notes to Financial Statements, Continued**  
**June 30, 2020 and 2019**

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

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The table below segregates all financial assets as of June 30, 2019 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, 2019 are as follows:

	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>
Cash and cash equivalents	\$ 187,389	187,389	-
U.S. treasury obligations	982,293	982,293	-
Mutual funds:			
Growth	149,038	149,038	-
Fixed income	23,834	23,834	-
Corporate equities:			
Technology	1,342,740	1,342,740	-
Consumer goods	1,511,296	1,511,296	-
Healthcare	660,465	660,465	-
Industrial goods	601,037	601,037	-
Utilities	133,159	133,159	-
Services	627,038	627,038	-
Financial	827,082	827,082	-
Beneficial interest in:			
Perpetual Trusts	1,112,032	-	1,112,032
<b>Totals</b>	<b>\$ 8,157,403</b>	<b>7,045,371</b>	<b>1,112,032</b>

Transfers between asset levels are recognized on the actual date of the event or change in circumstances that caused the transfer. There were no transfers between asset levels during either of the years ended June 30, 2020 or 2019.

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**LINE OF CREDIT**

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The Trust has a line of credit with a commercial bank which provides for borrowings of up to \$50,000. The line of credit is unsecured. There were no borrowings under the line of credit as of June 30, 2020 and June 30, 2019. This line of credit has been extended through July 22, 2022.

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**DONATED SERVICES**

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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, 2020 and 2019, an estimated 450 to 500 volunteers logged approximately 14,063 and 14,244 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, 2020 and 2019**

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**CONTRIBUTION EXPENSE**

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

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**PENSION PLAN**

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The Trust has established a defined contribution pension 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 pension expense amounted to \$13,656, and \$13,462 for each of the years ended June 30, 2020 and 2019, respectively.

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**CHARITABLE GIFT ANNUITY AGREEMENTS**

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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, 2020 and 2019, the Trust had obligations under two and two separate agreements, respectively. 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.

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**LEASE OF OFFICE SPACE**

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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.

**LAUDHOLM TRUST**  
**Notes to Financial Statements, Continued**  
**June 30, 2020 and 2019**

**BOARD-DESIGNATED NET ASSETS**

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

	<u>2020</u>	<u>2019</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
<u>Other amounts, including realized and unrealized gains</u>	<u>1,581,970</u>	<u>1,465,917</u>
<b><u>Total Board-designated net assets</u></b>	<b><u>\$ 2,129,063</u></b>	<b><u>2,013,010</u></b>

**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>2020</u>	<u>2019</u>
Endowment funds with income restricted to:		
Research	\$ 1,305,431	1,177,312
Education	579,175	514,128
<u>Other restricted amounts</u>	<u>1,077,078</u>	<u>1,007,973</u>
<b><u>Totals</u></b>	<b><u>\$ 2,961,684</u></b>	<b><u>2,699,413</u></b>

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

Time restricted	\$ 30,000	57,500
<u>Donor restricted grants</u>	<u>7,500</u>	<u>21,500</u>
<b><u>Totals</u></b>	<b><u>\$ 37,500</u></b>	<b><u>79,000</u></b>

**LAUDHOLM TRUST**  
**Notes to Financial Statements, Continued**  
**June 30, 2020 and 2019**

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**RESTRICTED NET ASSETS, CONTINUED**

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To be held in perpetuity:

	<u>2020</u>	<u>2019</u>
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 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.	\$ 394,000	392,900
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	259,880
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.	36,302	36,302
George and Eleanor Ford Research Support Fund, an endowment fund with income used each year in support of research programs.	1,386,938	1,385,938
William and Gertrude Spaulding Fund, an endowment fund with income used each year in support of the junior and advanced junior research program.	50,949	50,949
Mattina R. Proctor Seacoast Explorers Fund, an endowment fund with income used each year in support of educational programs.	25,000	25,000
Mary-Hale Furman Landscape Beautification Fund, an endowment fund with income used each year in support of annual tree planting, landscaping, and beautification efforts.	5,000	5,000

**LAUDHOLM TRUST**  
**Notes to Financial Statements, Continued**  
**June 30, 2020 and 2019**

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**RESTRICTED NET ASSETS, CONTINUED**

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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.	1,103,214	1,112,032
<b>Totals</b>	<b>\$ 3,458,446</b>	<b>3,451,291</b>
<b>Total net assets with donor restrictions</b>	<b>\$ 6,457,630</b>	<b>6,229,704</b>

The sources of net assets released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of the passage of time or other events specified by the donors were as follows at June 30:

	<u>2020</u>	<u>2019</u>
Appropriation of endowment funds	\$ 156,852	108,501
Expenditures with purpose restrictions	70,369	30,794
<b>Total net assets released from restriction</b>	<b>\$ 227,221</b>	<b>139,295</b>

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**LIQUIDITY AND AVAILABILITY OF RESOURCES**

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

Cash and cash equivalents	\$ 232,898	
Accounts receivable, net	17,225	
Pledges receivable, current portion	27,500	
<b>Total</b>	<b>\$ 277,623</b>	

None of the financial assets are subject to donor or other contractual restrictions that make them unavailable for general expenditure within one year of the balance sheet date. Pledges receivable are subject to implied time restrictions but are expected to be collected within one year.

As part of the Trust's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. As more fully described in the "Line of Credit" note, the Trust has one committed line of credit in the amount of \$50,000 which it could draw upon in the event of an unanticipated liquidity need. The Trust's endowment funds consist of donor-restricted endowments and board-designated quasi-endowment. As described in the "Endowment" footnote, the Trust's Board of Trustees has adopted an endowment spending policy under which 4.00% of the market base defined as the average of the market values for the three preceding years, as well as any other investment

**LAUDHOLM TRUST**  
**Notes to Financial Statements, Continued**  
**June 30, 2020 and 2019**

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LIQUIDITY AND AVAILABILITY OF RESOURCES, CONTINUED

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utilization of available amounts, shall be available to the Trust each year. The Trust's board-designated quasi-endowment amounted to \$2,129,063 at June 30, 2020. Although the Trust does not intend to spend from its quasi-endowment other than amounts appropriated for general expenditures as part of its spending policy, amounts from its quasi-endowment could be made available if necessary.

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METHOD USED FOR ALLOCATION OF EXPENSES

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

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SUBSEQUENT EVENTS

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In accordance with FASB ASC 855-10 *Subsequent Events*, management has evaluated subsequent events for possible recognition or disclosure through February 8, 2021, which is the date these financial statements were available to be issued.