



**laudholmtrust**  
In support of Wells Reserve

**LAUDHOLM TRUST  
(A COMPONENT UNIT OF THE WELLS  
NATIONAL ESTUARINE RESEARCH RESERVE  
MANAGEMENT AUTHORITY)**

**REVIEW OF FINANCIAL STATEMENTS  
AND  
ADDITIONAL INFORMATION**

**YEAR ENDED JUNE 30, 2012**

**LAUDHOLM TRUST  
(A COMPONENT UNIT OF THE WELLS  
NATIONAL ESTUARINE RESEARCH RESERVE  
MANAGEMENT AUTHORITY)**

**REVIEW OF FINANCIAL STATEMENTS  
AND  
ADDITIONAL INFORMATION**

**YEAR ENDED JUNE 30, 2012**

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INDEPENDENT ACCOUNTANTS' REVIEW REPORT

**CUMMINGS  
LAMONT  
& McNAMEE, P.A.**

*"Trusted Advisors for  
over 50 years!"*

October 4, 2012

To the Board of Trustees of  
Laudholm Trust  
Wells, Maine

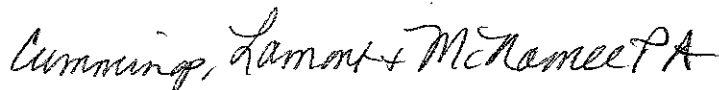
We have reviewed the accompanying statement of financial position of Laudholm Trust as of June 30, 2012, and the related statements of activities and changes in net assets and cash flows for the year then ended. A review includes primarily applying analytical procedures to management's financial data and making inquiries of Organization management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

Management 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 designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the financial statements.

Our responsibility is to conduct the review in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. Those standards require us to perform procedures to obtain limited assurance that there are no material modifications that should be made to the financial statements. We believe that the results of our procedures provide a reasonable basis for our report.

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with accounting principles generally accepted in the United States of America.

The prior year summarized comparative information has been derived from the Trust's June 30, 2011 reviewed financial statements and, in our report dated October 14, 2011 we stated that we were not aware of any material modifications that should be made to those statements in order for them to be in conformity with accounting principles generally accepted in the United States of America, but we have not performed any procedures in connection with that review engagement since that date.



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Kennebunk, Maine*

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**LAUDHOLM TRUST**  
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**STATEMENT OF FINANCIAL POSITION**  
**(SEE INDEPENDENT ACCOUNTANTS' REVIEW REPORT)**

**JUNE 30, 2012**  
**WITH COMPARATIVE TOTALS FOR JUNE 30, 2011**

	Unrestricted	Temporarily Restricted	Permanently Restricted	<u>June 30, 2012</u> Total	<u>June 30, 2011</u> Total
<b>ASSETS</b>					
Cash and cash equivalents	\$ 201,369	\$ 34,016	\$ 165,754	\$ 401,139	\$ 626,471
Accounts receivable	3,905	-	-	3,905	136
Investments	1,085,842	105,494	2,010,319	3,201,655	2,905,273
Unconditional promises to give, net:					
Restricted	-	-	-	-	1,500
Inventory	4,307	-	-	4,307	5,584
Beneficial interest in charitable trusts	-	-	914,696	914,696	956,002
Land	147,950	-	-	147,950	147,950
Furnishings and equipment, net of accumulated depreciation of \$19,527	1,796	-	-	1,796	2,109
<b>Total Assets</b>	<u>\$ 1,445,169</u>	<u>\$ 139,510</u>	<u>\$ 3,090,769</u>	<u>\$ 4,675,448</u>	<u>\$ 4,645,025</u>
<b>LIABILITIES</b>					
Accounts payable	\$ 1,120	\$ -	\$ -	\$ 1,120	\$ 3,597
Contributions payable to the Wells National Estuarine Research Reserve	-	-	-	-	1,636
Present value of future annuity payments	13,578	-	1,474	15,052	23,694
<b>Total Liabilities</b>	<u>14,698</u>	<u>-</u>	<u>1,474</u>	<u>16,172</u>	<u>28,927</u>
<b>NET ASSETS</b>					
Unrestricted:					
Designated as funds functioning as endowment	1,126,946	-	-	1,126,946	1,063,760
Undesignated	303,525	-	-	303,525	359,438
Temporarily restricted	-	139,510	-	139,510	1,275,661
Permanently restricted	-	-	3,089,295	3,089,295	1,917,239
<b>Total Net Assets</b>	<u>1,430,471</u>	<u>139,510</u>	<u>3,089,295</u>	<u>4,659,276</u>	<u>4,616,098</u>
<b>Total Liabilities and Net Assets</b>	<u>\$ 1,445,169</u>	<u>\$ 139,510</u>	<u>\$ 3,090,769</u>	<u>\$ 4,675,448</u>	<u>\$ 4,645,025</u>

*See Notes to Financial Statements*

**LAUDHOLM TRUST**  
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**STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS**  
**(SEE INDEPENDENT ACCOUNTANTS' REVIEW REPORT)**

**YEAR ENDED JUNE 30, 2012**  
**WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2011**

	Unrestricted	Temporarily Restricted	Permanently Restricted	<u>June 30, 2012</u> Total	<u>June 30, 2011</u> Total
<b>REVENUES AND OTHER SUPPORT</b>					
Contributions and grants	\$ 157,880	\$ 44,032	\$ 1,094	\$ 203,006	\$ 394,893
Memberships	70,461	-	-	70,461	72,224
Fundraising events	188,382	-	-	188,382	213,762
Interest and dividends	68,866	7,238	-	76,104	73,807
Gains (losses) on investments	92,773	77,558	(42)	170,289	496,745
Gains (losses) on charitable trusts	-	-	(41,306)	(41,306)	136,743
Store sales	5,894	-	-	5,894	6,497
Change in annuity obligations	(874)	-	(158)	(1,032)	(1,449)
Net assets reclassified, Note 16	-	(1,212,468)	1,212,468	-	-
Net assets released from restrictions	52,511	(52,511)	-	-	-
<b>Total Revenues and Other Support</b>	<b>635,893</b>	<b>(1,136,151)</b>	<b>1,172,056</b>	<b>671,798</b>	<b>1,393,222</b>
<b>EXPENSES</b>					
<b>Program Services</b>					
Contributions	271,112	-	-	271,112	356,695
<b>Total Program Services</b>	<b>271,112</b>	<b>-</b>	<b>-</b>	<b>271,112</b>	<b>356,695</b>
<b>Supporting Services</b>					
General and administrative	289,945	-	-	289,945	291,357
Cost of fundraising events	64,076	-	-	64,076	60,545
Store purchases and expenses	3,174	-	-	3,174	4,396
Depreciation expense	313	-	-	313	445
<b>Total Supporting Services</b>	<b>357,508</b>	<b>-</b>	<b>-</b>	<b>357,508</b>	<b>356,743</b>
<b>Total Expenses</b>	<b>628,620</b>	<b>-</b>	<b>-</b>	<b>628,620</b>	<b>713,438</b>
<b>CHANGE IN NET ASSETS</b>	<b>7,273</b>	<b>(1,136,151)</b>	<b>1,172,056</b>	<b>43,178</b>	<b>679,784</b>
<b>NET ASSETS, BEGINNING OF YEAR</b>	<b>1,423,198</b>	<b>1,275,661</b>	<b>1,917,239</b>	<b>4,616,098</b>	<b>3,936,314</b>
<b>NET ASSETS, END OF YEAR</b>	<b>\$ 1,430,471</b>	<b>\$ 139,510</b>	<b>\$ 3,089,295</b>	<b>\$ 4,659,276</b>	<b>\$ 4,616,098</b>

*See Notes to Financial Statements*

**LAUDHOLM TRUST**  
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**STATEMENT OF CASH FLOWS**  
**(SEE INDEPENDENT ACCOUNTANTS' REVIEW REPORT)**

**YEAR ENDED JUNE 30, 2012**  
**WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2011**

	June 30, 2012	June 30, 2011
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Change in net assets	\$ 43,178	\$ 679,784
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	313	445
(Gains) losses on investments	(170,289)	(496,745)
(Gains) losses on charitable trusts	41,306	(136,743)
(Increase) decrease in operating assets:		
Accounts receivable	(3,769)	(136)
Unconditional promises to give	1,500	54,700
Inventory	1,277	429
Increase (decrease) in operating liabilities:		
Accounts payable	(2,477)	1,764
Contributions payable to the Wells National Estuarine Research Reserve	(1,636)	1,636
Present value of future annuity payments	(8,642)	(8,225)
Net cash provided by (used in) operating activities	(99,239)	96,909
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Proceeds from sale of investments	260,500	103,984
Purchase of investments	(386,593)	(227,724)
Net cash provided by (used in) investing activities	(126,093)	(123,740)
<b>NET INCREASE (DECREASE) IN CASH</b>	<b>(225,332)</b>	<b>(26,831)</b>
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<b>626,471</b>	<b>653,302</b>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<b>\$ 401,139</b>	<b>\$ 626,471</b>

**Supplemental disclosures:**

There were no noncash investing and financing activities during 2012 or 2011.

Cash paid during the year for:

Interest	\$ -	\$ -
Taxes on income	\$ -	\$ -

*See Notes to Financial Statements*

LAUDHOLM TRUST  
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NOTES TO FINANCIAL STATEMENTS  
(SEE INDEPENDENT ACCOUNTANTS' REVIEW REPORT)

YEAR ENDED JUNE 30, 2012

**Note 1 - Summary of Significant Accounting Policies**

**Nature of Activities** - Laudholm Trust (the "Trust") is a not-for-profit organization incorporated under Title 13-B of the Statutes of the State of Maine. The mission of Laudholm Trust is to support estuarine ecosystems, primarily the Wells National Estuarine Research Reserve at the historic site of Laudholm Farm. This is done through acquisition, preservation, research, education, and other activities relating to the estuarine ecosystems and Laudholm Farm. The Trust contributes (or otherwise makes available) resources and personnel to the Wells Reserve and acquires (or otherwise protects) lands. In this capacity, 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, and fund raising activities.

**Basis of Accounting** - The financial statements of the Trust have been prepared on the accrual basis of accounting and reflect all significant receivables, payables, and other liabilities.

**Basis of Presentation** - Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards, *Financial Statements of Not-for-Profit Organizations*. Under this standard, the Trust is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

**Cash and Cash Equivalents** - For purposes of the Statement of Cash Flows, the Trust considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents.

**Concentration of Credit Risk for Cash Held in Bank** - The Trust maintains cash balances at two banks and at two investment brokerages. Cash balances at each bank and investment brokerage are insured by the Federal Deposit Insurance Corporation up to \$250,000 with excess amounts at the primary investment brokerage insured by a commercial insurance company. As of June 30, 2012, all cash deposits were insured.

**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** - Donated services are reflected in the financial statements at the fair value of the services received only if the services (a) create or enhance nonfinancial assets or (b) require specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation.

**Estimates** - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from these estimates.

**Expense Allocation** - The costs of providing various programs and other activities have been summarized on a functional basis in the Statement of Activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

**Income Taxes** - The Trust is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code. In addition, the Trust qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization that is not a private foundation under Section 509(a)(2).

The federal tax return of the Trust is subject to examination, generally for three years after it was filed. The Trust does not believe that there are any uncertain tax positions taken in preparation of the tax return that would impact these financial statements.

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NOTES TO FINANCIAL STATEMENTS  
(SEE INDEPENDENT ACCOUNTANTS' REVIEW REPORT)

YEAR ENDED JUNE 30, 2012

**Note 1 - Summary of Significant Accounting Policies (continued)**

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

**Investments** - The Trust carries investments in marketable securities with readily determinable fair values and all investments in debt securities at their fair values in the Statement of Financial Position. Unrealized gains and losses are included in the change in net assets in the accompanying Statement of Activities and Changes in Net Assets.

**Promises to Give** - Unconditional promises to give are recorded as received. Unconditional promises to give due in subsequent years are recorded at their present value, using risk-free interest rates applicable to the years in which the promises are received to discount the amounts. There were no outstanding unconditional promises to give at June 30, 2012. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

**Property and Equipment** - Land, furnishings and equipment - purchased assets are carried at cost. Contributed assets are carried at their fair market value at the time of the gift. Major additions are included in the property accounts while maintenance and repairs which do not improve or extend the life of the assets are expensed when incurred.

Depreciation is not computed on the Trust's real estate. Unrelated land which has been contributed to the Trust may be offered for sale. Personal property items which are considered to be operating assets are depreciated using the straight line method of depreciation over the assets' estimated service life. Furnishings and equipment are depreciated over a period of 5-10 years.

**Recognition of Donor Restricted Contributions** - Support that is restricted by the donor is reported as an increase in temporarily or permanently restricted net assets, 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 unrestricted net assets and reported in the Statement of Activities and Changes in Net Assets as net assets released from restrictions.

**Comparative Financial Information** - The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles ("GAAP"). Accordingly, such information should be read in conjunction with the Trust's financial statements for the year ended June 30, 2011, from which the summarized information was derived.

**Note 2 - Fair Values of Assets**

Effective July 1, 2008, the Trust adopted Statement of Financial Accounting Standards, *Fair Value Measurements*, which provides a framework for measuring fair value under GAAP. This standard defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. The standard requires that valuation techniques maximize the use of observable inputs and minimize the use of unobservable inputs. The standard also established a fair value hierarchy, which prioritizes the valuation inputs into three broad levels.

There are three general valuation techniques that may be used to measure fair value, as described below:

- 1) Market approach - Uses prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities. Prices may be indicated by pricing guides, sale transactions, market trades, or other resources;



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**NOTES TO FINANCIAL STATEMENTS  
(SEE INDEPENDENT ACCOUNTANTS' REVIEW REPORT)**

**YEAR ENDED JUNE 30, 2012**

**Note 2 - Fair Values of Assets (continued)**

- 2) Cost approach - Based on the amount that currently would be required to replace the service capacity of an asset (replacement cost); and
- 3) Income approach - Uses valuation techniques to convert future amounts to a single present amount based on current market expectations about the future amounts (includes present value techniques, and option-pricing models). Net present value is an income approach where a stream of expected cash flows is discounted at an appropriate market interest rate.

For the year ended June 30, 2012, the application of valuation techniques applied to similar assets and liabilities has been consistent. The following table sets forth by level, within the fair value hierarchy, the Trust's investments at fair value at June 30, 2012.

<u>Description</u>	<u>Fair Values</u>	<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
Investments	\$ 3,201,655	\$ 3,201,655	\$ -	\$ -
Cash - money market fund	219,124	219,124	-	-
Future annuity payments	<u>(15,052)</u>	<u>-</u>	<u>-</u>	<u>(15,052)</u>
Total	\$ <u>3,405,727</u>	\$ <u>3,420,779</u>	\$ <u>-</u>	\$ <u>(15,052)</u>

Fair value for investments is determined by reference to quoted market prices and other relevant information generated by market transactions. See Note 14 for information regarding the fair value of future annuity payments.

**Note 3 - Investments**

Investments as of June 30, 2012, are summarized as follows, at fair value which equals carrying value.

Corporate stocks and bonds	\$ 2,686,344
U.S. Government obligations	<u>515,311</u>
Total	\$ <u>3,201,655</u>

The following schedule summarizes the investment return and its classification in the Statement of Activities for the year ended June 30, 2012:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Investment income	\$ 68,866	\$ 7,238	\$ -	\$ 76,104
Net realized and unrealized gains (losses)	<u>92,773</u>	<u>77,558</u>	<u>(42)</u>	<u>170,289</u>
Total investment return	\$ <u>161,639</u>	\$ <u>84,796</u>	\$ <u>(42)</u>	\$ <u>246,393</u>

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**NOTES TO FINANCIAL STATEMENTS  
(SEE INDEPENDENT ACCOUNTANTS' REVIEW REPORT)**

**YEAR ENDED JUNE 30, 2012**

**Note 4 - Inventory**

Inventory as of June 30, 2012, consists of the following:

Gift shop inventory	\$ <u>4,307</u>
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**Note 5 - Land**

Land consists of the following five parcels of property:

Unrestricted and expendable:

Parcels number one and two are located in Mohave County, Arizona	\$ 4,950
Parcel number three is located in Mohave County, Arizona	3,000
Parcel number four is located in Wells, Maine	50,000
Parcel number five is located in Drakes Island, Wells, Maine	<u>90,000</u>
Total	\$ <u>147,950</u>

**Note 6 - Note Payable**

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, 2012. On September 18, 2012 the line of credit was extended through July 22, 2013.

**Note 7 - Board Designated Net Assets**

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

Bequests, including the following named endowments: William D. Haney Endowment, Henry H. Pasco Endowment, Gerald and Sally Holmes Endowment, Esther French Martin Endowment, Arthur, Virginia and Frank Sawyer Endowment, and Dorothy Low Newton Endowment.	\$ 331,959
Memorials and celebratory gifts, including the following: James A. Forest Fund	95,768
Other amounts designated by the Board, including the following: William R. Spaulding and Gertrude Mowry Spaulding Endowment.	44,500
Other amounts	<u>654,719</u>
Total	\$ <u>1,126,946</u>

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**NOTES TO FINANCIAL STATEMENTS  
(SEE INDEPENDENT ACCOUNTANTS' REVIEW REPORT)**

**YEAR ENDED JUNE 30, 2012**

**Note 8 - Temporarily Restricted Net Assets**

Temporarily restricted net assets are available for the following purposes:

Restricted to education	\$ 118,212
Other restricted amounts	<u>21,298</u>
Total	\$ <u>139,510</u>

Temporarily restricted net assets were released from donor restrictions by incurring expenses satisfying the purpose specified by donors as follows:

Restricted to research	\$ 9,480
Restricted to education	<u>43,031</u>
Total	\$ <u>52,511</u>

**Note 9 - Permanently Restricted Net Assets**

Permanently restricted net assets consist of the following:

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, and Kathryn Davis Endowment.	\$ 398,833
Charles C. and Rebecca S. Richardson Lifelong Environmental Learning Fund, an endowment fund with income used each year in support of enrichment activities associated with the education program.	249,531
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
Christian A. Johnson Endeavor Fund, an endowment fund with income used each year in support of educational programs.	31,002
Other endowment funds with income used each year in support of educational programs.	2,130
Charles Dennis Fink Research Support Fund, an endowment fund with income used each year in support of research programs.	36,302
George Ford II Research Support Fund, an endowment fund with income used each year in support of research programs.	1,246,938

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NOTES TO FINANCIAL STATEMENTS  
(SEE INDEPENDENT ACCOUNTANTS' REVIEW REPORT)

YEAR ENDED JUNE 30, 2012

Note 9 - Permanently Restricted Net Assets (continued)

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
Mattina R. Proctor Seacoast Explorers Fund, an endowment fund with income used each year in support of educational programs.	25,000
Other endowment funds with income used each year in support of historic buildings. Included here is the Alice Freeman Muchnic Endowment.	36,239
Charitable trusts more fully described in Note 12. Included here are the following trusts: John Louis Alheim Trust, and the Fern Goff Charitable Trust.	<u>914,696</u>
Total	\$ <u>3,089,295</u>

In August 2008, the Financial Accounting Standards Board (FASB) issued FASB Staff Position, "Endowments of Not-for-Profit Organizations: Net Asset Classification of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act, and Enhanced Disclosures for All Endowment Funds". This Position provides guidance on the net asset classification of donor-restricted endowment funds for a nonprofit organization that is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA). The Position also requires additional disclosures about an organization's endowment funds (both donor restricted endowment funds and board-designated endowment funds) whether or not the organization is subject to UPMIFA.

The State of Maine enacted UPMIFA effective June 19, 2009, the provisions of which apply to endowment funds existing on or established after that date. The Trust's endowment investing policy's objective is to grow the fund over time in support of the above listed funds. The fund will meet this objective by investing endowment funds in fixed income and equity investments. The investment allocation is reviewed on a regular basis. The Board has established that endowment income shall be calculated at 4% of average values of the funds as of June 30 and October 31<sup>st</sup> of the prior fiscal year. Additional spending policies are outlined by fund above.

Note 10 - Donated Services

Donated services included in the financial statements consist of accounting and legal services, graphic design, fundraising, public relations and other services with a total value of \$22,202. In addition, a substantial number of volunteers have donated significant amounts of their time in the Trust's operations, program services and fund-raising campaigns which is not recognized in the financial statements because it does not meet the criteria described in Note 1.

During the year ended June 30, 2012, 549 volunteers logged 17,090 hours of service on behalf of Laudholm Trust and the Wells National Estuarine Research Reserve.

Note 11 - Contributions Expense

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

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**NOTES TO FINANCIAL STATEMENTS  
(SEE INDEPENDENT ACCOUNTANTS' REVIEW REPORT)**

**YEAR ENDED JUNE 30, 2012**

**Note 12 - Charitable Trusts**

Laudholm Trust is beneficiary of two charitable trust funds held and administered by outside trustees. The Trust has reflected as assets on the Statement of Financial Position the net present value of the expected future cash flows from the trusts. At June 30, 2012, the Trust has recorded its beneficial interest in charitable trusts of \$914,696. Income paid to Laudholm Trust by these charitable trusts during the year ended June 30, 2012 totaled \$33,879 and is included in contributions and grants.

**Note 13 - Pension Plan**

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. The related pension expense was \$12,383 for the year ended June 30, 2012.

**Note 14 - Charitable Gift Annuity Agreements**

Amounts due to others under charitable gift annuity arrangements represent guarantees to pay a fixed amount to the donor for the life of the donor. At June 30, 2012 the Trust has obligations under four separate agreements. The assets received have generally been invested in a money market account, the earnings from which are used to offset the payments required under three of the agreements. An annuity has been purchased from an insurance company, the payments from which are used to offset the payments required under 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.

**Note 15 - Lease of Office Space**

During 2003 the Trust entered into a lease agreement with the Wells Reserve to provide office space to Laudholm Trust. The space consists of mutually agreeable office space adequate for Laudholm Trust staff and officers. The space is being leased rent free. The term of the lease is for 20 years with the option to extend the lease for 4 successive 20 year terms. The Trust has concluded that the fair value of the lease is not determinable.

**Note 16 - Net Assets Reclassified**

During the year management worked with the donor of a temporarily restricted fund used to support research programs to better document the donor's restrictions placed on the fund. During this process it was discovered that the donor intended for the funds to be permanently restricted with income used each year in support of research programs. A memorandum of agreement documenting the donor's restrictions was signed by the donor and approved by the Board on June 27, 2012, resulting in \$1,212,468 of net assets of the fund being reclassified from temporarily restricted net assets to permanently restricted net assets.

**Note 17 - Subsequent Events**

Subsequent events have been evaluated by management through October 4, 2012, which is the date the financial statements were available to be issued. Other than the event described in Note 6, there were no material subsequent events at October 4, 2012 that require disclosure in the financial statements.

INDEPENDENT ACCOUNTANTS' REVIEW REPORT ON ADDITIONAL  
INFORMATION

October 4, 2012

To the Board of Trustees of  
Laudholm Trust  
Wells, Maine

Our report on our review of the financial statements of Laudholm Trust as of and for the year ended June 30, 2012 appears on page 1. That review was made for the purpose of expressing a conclusion that there are no material modifications that should be made to the financial statements in order for them to be in conformity with accounting principles generally accepted in the United States of America. The information included in the accompanying schedule of general and administrative expenses is presented only for purposes of additional analysis and has been subjected to the inquiry and analytical procedures applied in the review of the basic financial statements, and we are not aware of any material modifications that should be made thereto.

*Cummins, Lamont & McNamee PA*

**Certified Public Accountants  
Kennebunk, Maine**

**LAUDHOLM TRUST  
(A COMPONENT UNIT OF THE WELLS NATIONAL  
ESTUARINE RESEARCH RESERVE MANAGEMENT AUTHORITY)**

**GENERAL AND ADMINISTRATIVE EXPENSES**

**YEAR ENDED JUNE 30, 2012  
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2011**

	June 30, 2012	June 30, 2011
<b>GENERAL AND ADMINISTRATIVE EXPENSES</b>		
Salaries	\$ 190,889	\$ 190,667
Employee benefits	36,808	41,026
Insurance	3,692	3,577
Office supplies and miscellaneous	6,107	6,305
Payroll taxes	13,751	13,720
Postage	2,531	3,243
Professional fees	35,031	30,185
Property taxes	134	109
Donor recognition & cultivation	628	2,328
Subscriptions	196	122
Training	63	8
Travel and entertainment	115	67
	\$ 289,945	\$ 291,357

*See Independent Accountants' Review Report on Page 12*