



laudholmtrust
In support of Wells Reserve

Financial Statements
June 30, 2018 and 2017

LAUDHOLM TRUST
Financial Statements
Years ended June 30, 2018 and 2017

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Independent Auditor's Report

To the Board of Trustees and Management of
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, 2018 and 2017, 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, 2018 and 2017, 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.

Runyon Kersteen Ouellette

March 6, 2019
South Portland, Maine

LAUDHOLM TRUST
Statements of Financial Position
Years Ended June 30, 2018 and 2017

	2018	2017
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 236,473	264,101
Accounts receivable	5,716	3,377
Due from the Wells National Estuarine Research Reserve	-	4,909
Pledges receivable	2,500	16,000
Inventory	4,118	4,726
Total current assets	248,807	293,113
Property and equipment:		
Land	97,950	97,950
Furniture and equipment	13,690	13,690
Total property and equipment	111,640	111,640
Less accumulated depreciation	(12,279)	(11,732)
Property and equipment, net	99,361	99,908
Other assets:		
Investments	6,102,585	5,412,752
Asset held for resale	30,900	-
Beneficial interest in perpetual trusts	1,094,365	1,057,430
Total other assets	7,227,850	6,470,182
Total assets	\$ 7,576,018	6,863,203
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable	\$ 2,492	4,925
Accrued paid time off	11,729	10,045
Deferred revenue	123,585	172,930
Total current liabilities	137,806	187,900
Net assets:		
Unrestricted:		
Undesignated	111,590	89,014
Invested in property and equipment	99,361	99,908
Board designated endowment	1,756,259	1,481,904
Total unrestricted	1,967,210	1,670,826
Temporarily restricted	2,040,378	1,613,901
Permanently restricted	3,430,624	3,390,576
Total net assets	7,438,212	6,675,303
Total liabilities and net assets	\$ 7,576,018	6,863,203

See accompanying notes to financial statements.

LAUDHOLM TRUST
Statement of Activities
Year Ended June 30, 2018

	Unrestricted	Temporarily restricted	Permanently restricted	Total
Revenues and other support:				
Contributions and grants	\$ 266,780	31,080	4,000	301,860
Memberships	98,152	-	-	98,152
Fundraising events, net of expenses of \$45,366	130,216	-	-	130,216
Facility rentals, net of expenses of \$8,892	126,408	-	-	126,408
Store sales, net of expenses of \$4,407	1,148	-	-	1,148
Interest and dividends, net	17,452	52,249	-	69,701
Realized and unrealized gain on investments	208,992	472,190	-	681,182
Change in value of perpetual trusts	-	-	36,935	36,935
Change in annuity obligations	(6,000)	-	(887)	(6,887)
Net assets released from restrictions	129,042	(129,042)	-	-
Total revenues and other support	972,190	426,477	40,048	1,438,715
Expenses:				
Program services	382,925	-	-	382,925
Supporting services:				
Management and general	134,113	-	-	134,113
Fundraising	158,768	-	-	158,768
Total expenses	675,806	-	-	675,806
Changes in net assets	296,384	426,477	40,048	762,909
Net assets, beginning of year	1,670,826	1,613,901	3,390,576	6,675,303
Net assets, end of year	\$ 1,967,210	2,040,378	3,430,624	7,438,212

See accompanying notes to financial statements.

LAUDHOLM TRUST
Statement of Activities
Year Ended June 30, 2017

	Unrestricted	Temporarily restricted	Permanently restricted	Total
Revenues and other support:				
Contributions and grants	\$ 167,151	57,660	17,148	241,959
Memberships	86,561	-	-	86,561
Fundraising events, net of expenses of \$43,498	120,323	-	-	120,323
Facility rentals, net of expenses of \$9,741	119,759	-	-	119,759
Store sales, net of expenses of \$3,785	2,476	-	-	2,476
Interest and dividends, net	15,889	49,377	-	65,266
Realized and unrealized gain on investments	154,030	340,777	-	494,807
Change in value of perpetual trusts	-	-	69,743	69,743
Change in annuity obligations	(6,000)	-	(1,774)	(7,774)
Net assets released from restrictions	174,281	(174,281)	-	-
Total revenues and other support	834,470	273,533	85,117	1,193,120
Expenses:				
Program services	359,925	-	-	359,925
Supporting services:				
Management and general	157,912	-	-	157,912
Fundraising	149,396	-	-	149,396
Total expenses	667,233	-	-	667,233
Changes in net assets	167,237	273,533	85,117	525,887
Net assets, beginning of year	1,503,589	1,340,368	3,305,459	6,149,416
Net assets, end of year	\$ 1,670,826	1,613,901	3,390,576	6,675,303

See accompanying notes to financial statements.

LAUDHOLM TRUST
Statement of Functional Expenses
Year Ended June 30, 2018

	Program services	Management and general	Fundraising	Total expenses
Salaries	\$ 34,427	73,546	103,738	211,711
Payroll taxes	1,564	6,625	6,701	14,890
Employee benefits	10,133	20,473	25,042	55,648
Total salaries and related expenses	46,124	100,644	135,481	282,249
Office supplies	-	1,537	6,146	7,683
Insurance	-	8,133	-	8,133
Postage	-	486	4,377	4,863
Printing and online communication	17,199	-	-	17,199
Professional fees	232	21,753	7,324	29,309
Property taxes	-	50	-	50
Donor recognition and cultivation	-	-	3,252	3,252
Marketing and advertising	10,617	-	-	10,617
Repairs and maintenance	-	75	-	75
Dues and subscriptions	830	145	145	1,120
Training	5,530	465	465	6,460
Contribution to Wells Reserve	292,264	-	-	292,264
Travel and meals	5,332	278	1,578	7,188
Miscellaneous	4,797	-	-	4,797
Total expenses before depreciation	382,925	133,566	158,768	675,259
Depreciation	-	547	-	547
Total expenses	\$ 382,925	134,113	158,768	675,806

See accompanying notes to financial statements.

LAUDHOLM TRUST
Statement of Functional Expenses
Year Ended June 30, 2017

	Program services	Management and general	Fundraising	Total expenses
Salaries	\$ 33,849	85,001	103,060	221,910
Payroll taxes	1,475	6,694	6,694	14,863
Employee benefits	10,830	26,016	20,624	57,470
Total salaries and related expenses	46,154	117,711	130,378	294,243
Office supplies	-	10,414	-	10,414
Insurance	-	7,306	-	7,306
Postage	-	414	3,729	4,143
Printing and online communication	12,408	-	-	12,408
Professional fees	208	19,700	8,834	28,742
Property taxes	-	74	-	74
Donor recognition and cultivation	-	-	5,605	5,605
Marketing and advertising	20,941	-	-	20,941
Repairs and maintenance	-	759	-	759
Dues and subscriptions	995	277	-	1,272
Training	2,262	-	850	3,112
Contribution to Wells Reserve	269,422	-	-	269,422
Travel and meals	867	500	-	1,367
Miscellaneous	6,668	202	-	6,870
Total expenses before depreciation	359,925	157,357	149,396	666,678
Depreciation	-	555	-	555
Total expenses	\$ 359,925	157,912	149,396	667,233

See accompanying notes to financial statements.

LAUDHOLM TRUST
Statements of Cash Flows
Years Ended June 30, 2018 and 2017

	2018	2017
Cash flows from operating activities:		
Change in net assets	\$ 762,909	525,887
Adjustments to reconcile change in net assets to net cash and cash equivalents used in operating activities:		
Depreciation	547	555
Realized and unrealized gain on investments	(681,182)	(494,807)
Change in value of charitable trusts	(36,935)	(69,743)
Donated collection items	(30,900)	-
Contributions and investment income received for long-term purposes	(528,439)	(407,302)
(Increase) decrease in assets:		
Accounts receivable and due from WNERR	2,570	(5,063)
Pledges receivable	13,500	(8,500)
Inventory	608	(726)
Increase (decrease) in liabilities:		
Accounts payable	(2,433)	4,406
Accrued paid time off	1,684	10,045
Deferred revenues	(49,345)	1,480
Net cash and cash equivalents used in operating activities	(547,416)	(443,768)
Cash flows from investing activities:		
Proceeds from sale of investments	248,311	374,354
Purchase of investments	(256,962)	(289,062)
Net cash and cash equivalents (used in) provided by investing activities	(8,651)	85,292
Cash flows from financing activities:		
Contributions and investment income received for long-term purposes	528,439	407,302
Net cash and cash equivalents provided by financing activities	528,439	407,302
Net change in cash and cash equivalents	(27,628)	48,826
Cash and cash equivalents at beginning of year	264,101	215,275
Cash and cash equivalents at end of year	\$ 236,473	264,101

See accompanying notes to financial statements.

LAUDHOLM TRUST
Notes to Financial Statements
June 30, 2018 and 2017

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 financial statement presentation follows the provisions of FASB ASC 958-605 *Revenue Recognition-Contributions*, and FASB ASC 958-205 *Presentation of Financial Statements*. Under these provisions, the Trust is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted. Net assets, revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified as follows:

Unrestricted net assets - Net assets that are not subject to donor-imposed stipulations. These assets are available for support of program or any other purpose deemed appropriate by the Board of Trustees. Board-designated funds are considered unrestricted.

Temporarily restricted net assets - Net assets subject to donor-imposed stipulations that may or will be met either by actions of the Trust and/or the passage of time.

Permanently restricted net assets - Net assets subject to donor-imposed stipulations that they be maintained permanently by the Trust. Generally, the donors of these assets permit the Trust to use all or part of the income earned on related investments for general or specific purposes.

Revenues and Expenses - Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law. Expirations of temporary restrictions 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, 2018 and 2017

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 - Unconditional promises to give are recorded when 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. Unconditional promises to give at June 30, 2018 and 2017, amounted to \$2,500, and \$16,000, respectively. All unconditional promises to give are expected to be received in the subsequent fiscal year. Thus, no discount or allowance for uncollectible amounts was considered necessary for the years ended June 30, 2018 and 2017. 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.

LAUDHOLM TRUST
Notes to Financial Statements, Continued
June 30, 2018 and 2017

NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

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 as net assets released from restrictions.

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.

The Trust follows the provisions of FASB ASC 740-10 *Income Taxes*, which clarifies the criteria that an individual tax position must satisfy for some or all of the benefits of that position to be recognized in an entity's financial statements. It also prescribes a recognition threshold of more likely-than-not, and a measurement attribute for all tax positions taken or expected to be taken on a tax return, in order for those tax positions to be recognized in the financial statements. There is no cumulative effect on the Trust's financial statements related to the following of these provisions, and no interest or penalties related to uncertain tax positions were accrued. The Trust is currently open to audit under the statute of limitations by the Internal Revenue Service and state taxing authorities for the years ended June 30, 2015 through 2018.

Reclassifications - During 2018, 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, the Trust adopted the provisions of the Financial Accounting Standards Board (FASB) ASU No. 2015-07, *Disclosure for Investments in Certain Entities That Calculate Net Asset Value Per Share (or its equivalent)*. This pronouncement removes the requirements to categorize within the fair value hierarchy all investments for which fair value is measured using the net asset value per share as a practical expedient and certain disclosure requirements. Application of this new standard was applied retrospectively to all periods presented.

In February 2016, the FASB issued 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. The ASU will be effective for the Trust on July 1, 2020, though early adoption is permitted. Application of this standard must be applied using a modified retrospective transition approach for leases existing at the earliest comparative period presented in the financial statements. The Trust is currently evaluating the impact of this ASU on the financial statements, but does not expect significant changes as a result of its adoption.

In August 2016, the FASB issued ASU No. 2016-14, *Presentation of Financial Statements for Not-for-Profit Entities (Topic 958)*. Under this ASU, the existing three categories of net assets (unrestricted, temporarily restricted, and permanently restricted) will be replaced with a simplified model that combines the temporarily and permanently restricted categories into a single category entitled "net assets with donor restrictions". Similarly, the current category of unrestricted net assets will be entitled "net assets without donor restrictions". This ASU also requires certain new disclosures pertaining to board designated net assets, and qualitative

LAUDHOLM TRUST
Notes to Financial Statements, Continued
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NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

information regarding the Trust's liquid resources. In addition, expenses will be required to be reported by both functional category and their natural classification. ASU 2016-14 will be effective for the Trust beginning on July 1, 2018, with early adoption permitted. The Trust is currently evaluating the impact of this ASU.

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, 2018 and 2017, the Trust had no uninsured cash.

INVESTMENTS

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

	<u>2018</u>	<u>2017</u>
Cash and cash equivalents	\$ 95,235	195,845
U.S. government treasuries	1,000,375	831,945
Mutual funds	165,464	152,954
Corporate equities	4,841,511	4,232,008
Total investments	\$ 6,102,585	5,412,752

At June 30, 2018 and 2017, the Trust had realized and unrealized gains on investments of \$681,182, and \$494,807, respectively. Net investment income consisted of the following at June 30:

	<u>2018</u>	<u>2017</u>
Interest and dividends	\$ 92,163	86,016
Less: investment expenses	(22,462)	(20,750)
Totals	\$ 69,701	65,266

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

LAUDHOLM TRUST
Notes to Financial Statements, Continued
June 30, 2018 and 2017

BENEFICIAL INTERESTS IN PERPETUAL TRUSTS, CONTINUED

income therefrom. At June 30, 2018 and 2017, the Trust has recorded its beneficial interest in these trusts of \$1,094,365 and \$1,057,430, 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 permanently restricted net assets based on explicit donor stipulations. Distributions received from the trusts during 2018 and 2017 amounted to \$43,234, and \$41,249, respectively. Distributions are recorded as increases to unrestricted net assets, and are included in contributions and grants.

ENDOWMENT FUND

At June 30, 2018 and 2017, the Trust had an endowment fund totaling \$6,107,584, and \$5,417,752, respectively. The purpose of this fund is to generate income to be used to help meet the operating and non-operating costs of 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 provide the following disclosures relating to its endowment activities.

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 all realized and unrealized gains and losses on permanently restricted investments to be classified as temporarily restricted net assets until appropriated by the Board of Trustees. Accordingly, except for explicit donor stipulations specifying reinvestment of some or all of net appreciation (depreciation), net appreciation (depreciation) on permanently restricted endowment investments is available for appropriation and is reported as increases (decreases) in temporarily restricted net assets, in accordance with the donor's stipulations, if any, concerning the purposes for which ordinary income may be used.

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, 2018 and 2017, the spending policy allocation amounted to \$169,390, and \$169,920.

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, 2018 and 2017

ENDOWMENT FUND, CONTINUED

The Trust's endowment fund balances were comprised of the following at June 30, 2018:

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Totals</u>
Donor-restricted endowment funds	\$ -	2,016,378	2,334,947	4,351,325
Board-designated endowment funds	1,756,259	-	-	1,756,259
Totals	\$ 1,756,259	2,016,378	2,334,947	6,107,584

Changes in the Trust's endowment fund balances for the year ended June 30, 2018 were as follows:

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Totals</u>
Endowment net assets, beginning of year	\$ 1,481,904	1,604,901	2,330,947	5,417,752
Investment return:				
Investment income, net of fees	17,378	52,249	-	69,627
Appreciation	213,405	472,190	-	685,595
Total investment return	230,783	524,439	-	755,222
Contributions	100,000	-	4,000	104,000
Appropriation of endowment assets for expenditure	(56,428)	(112,962)	-	(169,390)
Endowment net assets, end of year	\$ 1,756,259	2,016,378	2,334,947	6,107,584

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Notes to Financial Statements, Continued
June 30, 2018 and 2017

ENDOWMENT FUND, CONTINUED

The Trust's endowment fund balances were comprised of the following at June 30, 2017:

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Totals</u>
Donor-restricted endowment funds	\$ -	1,604,901	2,330,947	3,935,848
Board-designated endowment funds	1,481,904	-	-	1,481,904
Totals	\$ 1,481,904	1,604,901	2,330,947	5,417,752

Changes in the Trust's endowment fund balances for the year ended June 30, 2017 were as follows:

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Totals</u>
Endowment net assets, beginning of year	\$ 1,362,729	1,331,709	2,313,799	5,008,237
Investment return:				
Investment income, net of fees	15,813	49,377	-	65,190
Appreciation	154,010	340,777	-	494,787
Total investment return	169,823	390,154	-	559,977
Contributions	2,310	-	17,148	19,458
Appropriation of endowment assets for expenditure	(52,958)	(116,962)	-	(169,920)
Endowment net assets, end of year	\$ 1,481,904	1,604,901	2,330,947	5,417,752

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Notes to Financial Statements, Continued
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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, 2018 and 2017.

- *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, 2018 and 2017

ASSETS MEASURED AT FAIR VALUE ON A RECURRING BASIS, CONTINUED

The table below segregates all financial assets as of June 30, 2018 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:

	Total <u>06/30/18</u>	<u>Fair value measurements at 06/30/18 using:</u>	
		Quoted prices in active markets for identical assets <u>(Level 1)</u>	Significant other observable inputs <u>(Level 2)</u>
Cash and cash equivalents	\$ 95,235	95,235	-
U.S. treasury obligations	1,000,375	1,000,375	-
Mutual funds:			
Growth	141,981	141,981	-
Fixed income	23,483	23,483	-
Corporate equities:			
Technology	1,112,205	1,112,205	-
Consumer goods	1,192,727	1,192,727	-
Healthcare	604,190	604,190	-
Industrial goods	403,273	403,273	-
Utilities	83,515	83,515	-
Services	760,360	760,360	-
Financial	685,241	685,241	-
Beneficial interest in:			
Perpetual Trusts	1,094,365	-	1,094,365
Totals	\$ 7,196,950	6,102,585	1,094,365

LAUDHOLM TRUST
Notes to Financial Statements, Continued
June 30, 2018 and 2017

ASSETS MEASURED AT FAIR VALUE ON A RECURRING BASIS, CONTINUED

The table below segregates all financial assets as of June 30, 2017 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:

	Total <u>06/30/17</u>	<u>Fair value measurements at 06/30/17 using:</u>	
		Quoted prices in active markets for identical assets <u>(Level 1)</u>	Significant other observable inputs <u>(Level 2)</u>
Cash and cash equivalents	\$ 195,845	195,845	-
U.S. treasury obligations	831,945	831,945	-
Mutual funds:			
Growth	129,410	129,410	-
Fixed income	23,544	23,544	-
Corporate equities:			
Technology	813,455	813,455	-
Consumer goods	1,319,653	1,319,653	-
Healthcare	413,139	413,139	-
Industrial goods	399,392	399,392	-
Services	774,065	774,065	-
Financial	512,304	512,304	-
Beneficial interest in:			
Perpetual Trusts	1,057,430	-	1,057,430
Totals	\$ 6,470,182	5,412,752	1,057,430

Transfers between asset levels are recognized on the actual date of the event or change in circumstance that caused the transfer. There were no transfers between asset levels during either of the years ended June 30, 2018 or 2017.

LINE OF CREDIT

The Trust has a line of credit with a commercial bank which provides for borrowings of up to \$50,000. The line of credit is unsecured. There were no borrowings under the line of credit as of June 30, 2018 and 2017. This line of credit has been extended through July 22, 2020.

LAUDHOLM TRUST
Notes to Financial Statements, Continued
June 30, 2018 and 2017

DONATED SERVICES

Donated services included in the financial statements consist of accounting and legal services, graphic design, fundraising, public relations and other services. Donated services as of June 30, 2018 and 2017 amounted to a value of \$33,269 and \$12,797, respectively. In addition, 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, 2018 and 2017, between 450 and 500 volunteers logged approximately 11,776 and 15,300 hours of service on behalf of Laudholm Trust and the Wells National Estuarine Research Reserve, respectively.

CONTRIBUTION EXPENSE

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

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 \$13,110, and \$13,360 at June 30, 2018 and 2017, respectively.

CHARITABLE GIFT ANNUITY AGREEMENTS

Amounts due to others under charitable gift annuity agreements represent guarantees to pay a fixed amount to the donor for the life of the donor. At June 30, 2018 and 2017, the Trust had obligations under two and three 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 two 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.

LEASE OF OFFICE SPACE

During 2003, the Trust entered into a lease agreement with the Wells National Estuarine Research Reserve to provide office space to Laudholm Trust. The space consists of mutually agreeable office space adequate for Laudholm Trust staff and officers. The term of the lease is for 20 years with the option to extend the lease for 4 successive 20 year terms. In January 2018, the Trust and the Wells National Estuarine Research Reserve entered into a new lease for the same office space. The term of the new lease is for 10 years, ending on December 31, 2028, with a 10 year renewal option at the end of the lease upon mutual consent. The space is being leased rent

LAUDHOLM TRUST
Notes to Financial Statements, Continued
June 30, 2018 and 2017

LEASE OF OFFICE SPACE, CONTINUED

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.

BOARD DESIGNATED NET ASSETS

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

	<u>2018</u>	<u>2017</u>
Bequests, including the following named funds: William D. Haney Fund, Henry H. Pasco Fund, Gerald and Sally Holmes Fund, Esther French Martin Fund, Arthur, Virginia and Frank Sawyer Fund, and Dorothy Low Newton Fund	\$ 404,542	404,542
Memorials and celebratory gifts, including the following: James A. Forest Fund	98,051	98,051
Other amounts designated by the Board, including the following: William R. Spaulding and Gertrude Mowry Spaulding Fund	44,500	44,500
Other amounts, including realized and unrealized gains	1,209,166	934,811
Total Board designated net assets	\$ 1,756,259	1,481,904

RESTRICTED NET ASSETS

Temporarily restricted net assets consisted of the following at June 30:

	<u>2018</u>	<u>2017</u>
Accumulated endowment earnings restricted to:		
Research	\$ 806,847	616,124
Education	392,891	308,871
Other restricted amounts	816,640	679,906
Pledges receivable	2,500	5,000
Donor restricted grants	21,500	4,000
Total temporarily restricted net assets	\$ 2,040,378	\$ 1,613,901

LAUDHOLM TRUST
Notes to Financial Statements, Continued
June 30, 2018 and 2017

RESTRICTED NET ASSETS, CONTINUED

Temporarily restricted net assets that were released from donor restrictions by incurring expenses satisfying the purpose specified by donors consisted of the following at June 30:

	<u>2018</u>	<u>2017</u>
Appropriation of endowment funds	\$ 112,962	\$116,962
Expenditures with purpose restrictions	16,080	57,319
Total net assets released from restriction	\$ 129,042	\$174,281

Permanently restricted net assets consist of the following at June 30:

	<u>2018</u>	<u>2017</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.	\$ 391,900	391,787
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.	259,880	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

LAUDHOLM TRUST
Notes to Financial Statements, Continued
June 30, 2018 and 2017

RESTRICTED NET ASSETS, CONTINUED

George and Eleanor Ford Research Support Fund, an endowment fund with income used each year in support of research programs.	1,384,938	1,381,938
William and Gertrude Spaulding Fund, an endowment fund with income used each year in support of the junior and advanced junior research program.	50,949	50,949
Mattina R. Proctor Seacoast Explorers Fund, an endowment fund with income used each year in support of educational programs.	25,000	25,000
Mary-Hale Furman Landscape Beautification Fund, an endowment fund with income used each year in support of annual tree planting, landscaping, and beautification efforts.	5,000	5,000
Other endowment funds with income used each year in support of historic buildings. Included here is the Alice Freeman Muchnic Endowment.	41,483	41,483
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.	1,094,365	1,057,430
Total permanently restricted net assets	\$ 3,430,624	3,390,576

SUBSEQUENT EVENTS

In accordance with FASB ASC 855-10 *Subsequent Events*, management has evaluated subsequent events for possible recognition or disclosure through March 6, 2019, which is the date these financial statements were available to be issued.