

**Mount Grace Land Conservation Trust, Inc.**  
**Financial Statements**  
**Year Ended May 31, 2010**  
**With Comparative Totals For May 31, 2009**

Richard Abbott  
Certified Public Accountant  
Easthampton, MA

Mount Grace Land Conservation Trust, Inc.

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## Independent Auditor's Report

To The Officers and Directors  
Mount Grace Land Conservation Trust, Inc.  
1461 Old Keene Road  
Athol, MA 01331

I have audited the accompanying statement of financial position of Mount Grace Land Conservation Trust, Inc. (a nonprofit corporation) as of May 31, 2010, and the related statements of activities, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as, evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Mount Grace Land Conservation Trust, Inc. as of May 31, 2010, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

January 13, 2011

*Richard Abbott CPA*

Mount Grace Land Conservation Trust, Inc.

Statement of Financial Position

May 31, 2010

With Comparative Totals For May 31, 2009

Assets

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>2010 Total</u>	<u>2009 Total</u>
Current Assets					
Cash	\$ 72,627	\$320,430	\$ 26,481	\$ 419,538	\$ 446,330
Accounts Receivable	67,705	-	-	67,705	181,955
Notes Receivable	139,000	-	4,927	143,927	4,500
Pledges Receivable	40,665	-	-	40,665	41,833
Grants Receivable	-	-	-	-	10,000
Prepaid Expenses	9,441	-	-	9,441	9,170
Deposits	500	-	-	500	-
Land - CR's Held For Transfer	305,154	-	228,901	534,055	635,593
Total Current Assets	<u>635,092</u>	<u>320,430</u>	<u>260,309</u>	<u>1,215,831</u>	<u>1,329,381</u>
Property & Equipment					
Property & Equipment (Net)	214,049	-	-	214,049	260,620
Other Assets					
Investments - Donor Advised Fund	19,346	-	-	19,346	16,847
Investments - Other	70,581	-	-	70,581	61,874
Investments - Endowment	60,272	-	150,514	210,786	261,188
Accounts Receivable	-	-	11,590	11,590	11,083
Notes Receivable	-	-	15,568	15,568	21,205
Land Held For Conservation Purposes	206,364	-	622,560	828,924	835,055
Total Other Assets	<u>356,563</u>	<u>-</u>	<u>800,232</u>	<u>1,156,795</u>	<u>1,207,252</u>
Total Assets	<u>\$1,205,704</u>	<u>\$320,430</u>	<u>\$1,060,541</u>	<u>\$2,586,675</u>	<u>\$2,797,253</u>

The accompanying notes are an integral part of these financial statements.

Richard Abbott, Certified Public Accountant

Mount Grace Land Conservation Trust, Inc.

Statement of Financial Position

May 31, 2010

With Comparative Totals For May 31, 2009

Liabilities & Net Assets

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>2010 Total</u>	<u>2009 Total</u>
Current Liabilities					
Accounts Payable	\$ 22,486	\$ -	\$ -	\$ 22,486	\$ 11,804
Accrued Interest Expense	2,220	-	-	2,220	7,215
Accrued Payroll	23,865	-	-	23,865	20,289
Accrued Compensated Absences	17,096	-	-	17,096	19,394
Accrued & Withheld Payroll Taxes	3,557	-	-	3,557	1,884
Advanced Payments & Deposits	71,230	-	-	71,230	62,573
Long-Term Debt - Current Portion	<u>30,500</u>	-	-	<u>30,500</u>	<u>446,475</u>
Total Current Liabilities	<u>170,954</u>	-	-	<u>170,954</u>	<u>569,634</u>
Long Term Liabilities					
Note Payables - Non Current	<u>243,995</u>	-	-	<u>243,995</u>	<u>113,000</u>
Total Liabilities	<u>414,949</u>	-	-	<u>414,949</u>	<u>682,634</u>
Net Assets					
Net Assets	<u>790,755</u>	<u>320,430</u>	<u>1,060,541</u>	<u>2,171,726</u>	<u>2,114,619</u>
Total Liabilities and Net Assets	<u>\$1,205,704</u>	<u>\$320,430</u>	<u>\$1,060,541</u>	<u>\$2,586,675</u>	<u>\$2,797,253</u>

The accompanying notes are an integral part of these financial statements.

Richard Abbott, Certified Public Accountant

Mount Grace Land Conservation Trust, Inc.

Statement of Activities

For The Year Ended May 31, 2010  
With Comparative Totals For May 31, 2009

	Unrestricted	Temporarily Restricted	Permanently Restricted	2010 Total	2009 Total
Operating Support, Revenue and Reclassifications					
Contributions	\$400,947	\$ 229,501	\$ 11,800	\$ 642,248	\$ 531,584
Contributions In-Kind	1,675	-	-	1,675	1,936
Grants	20,000	72,000	-	92,000	133,498
Government Grants & Contracts	172,502	-	-	172,502	211,427
Program Service Fees	14,212	-	-	14,212	10,103
Net Proceeds From Land Transfer	46,907	-	-	46,907	(20,096)
Other Income	697	-	-	697	3,306
Rental Income	-	-	-	-	823
Return On Investment	13,151	-	-	13,151	11,988
Net Assets Released From Restrictions					
Satisfaction Of Program Restrictions	207,887	(207,887)	-	-	-
Total Operating Support, Revenue & Reclassifications	<u>877,978</u>	<u>93,614</u>	<u>11,800</u>	<u>983,392</u>	<u>884,569</u>
Operating Expenses					
Program Services					
Outreach	231,191	-	-	231,191	162,603
Conservation & Stewardship	461,253	-	-	461,253	430,236
North Quabbin Regional Landscape Partnership (NQRLP)	94,824	-	-	94,824	93,654
Support Services					
Development	34,621	-	-	34,621	57,593
Administrative & General	124,939	-	-	124,939	134,936
Total Operating Expense	<u>946,828</u>	<u>-</u>	<u>-</u>	<u>946,828</u>	<u>879,022</u>
Change In Net Assets - Operating	<u>(68,850)</u>	<u>93,614</u>	<u>11,800</u>	<u>36,564</u>	<u>5,547</u>
Non-Operating					
Return On Investment	-	616	19,927	20,543	2,350
Change In Net Assets Non-Operating	<u>-</u>	<u>616</u>	<u>19,927</u>	<u>20,543</u>	<u>2,350</u>
Total Change In Net Assets	<u>(68,850)</u>	<u>94,230</u>	<u>31,727</u>	<u>57,107</u>	<u>7,897</u>
Net Assets At Beginning Of Year	<u>859,605</u>	<u>226,200</u>	<u>1,028,814</u>	<u>2,114,619</u>	<u>2,106,722</u>
Net Assets At End Of Year	<u>\$790,755</u>	<u>\$ 320,430</u>	<u>\$1,060,541</u>	<u>\$2,171,726</u>	<u>\$2,114,619</u>

The accompanying notes are an integral part of these financial statements.

Richard Abbott, Certified Public Accountant

Mount Grace Land Conservation Trust, Inc.

Statement Of Functional Expenses

For The Year Ended May 31, 2010

With Comparative Totals For May 31, 2009

	Program Services			Support Services			2010	2009
	Outreach	Conservation & Stewardship	NQLRP	Development	Administrative & General	Total	Total	Total
Payroll	\$164,589	\$253,676	\$52,319	\$21,244	\$ 66,698	\$558,526	\$519,512	
Employee Benefits	17,605	38,148	12,236	3,032	9,051	80,072	74,909	
Payroll Taxes	12,383	18,873	3,828	1,486	5,508	42,078	39,706	
Depreciation	-	895	-	-	10,163	11,058	12,651	
Dues & Subscriptions	1,093	2,098	300	102	475	4,068	3,557	
Events & Meetings Expenses	3,764	3,653	2,338	52	378	10,185	10,072	
Insurance	1,726	3,892	632	213	739	7,202	6,191	
Interest Expense	204	(621)	77	28	570	258	5,507	
Maintenance & Repairs	2,421	4,496	878	361	5,559	13,715	10,176	
Miscellaneous	867	490	116	189	315	1,977	2,678	
Other Land Project Costs	-	45,000	-	-	-	45,000	-	
Postage & Mailing	3,285	2,385	1,563	2,581	174	9,988	13,973	
Printing	6,508	2,405	458	3,391	660	13,422	15,256	
Professional Fees	3,957	44,804	14,334	1,150	19,206	83,451	94,577	
Rental Property Expense	-	-	-	-	-	-	2,221	
Staff & Board Development	1,897	5,003	156	117	1,826	8,999	4,311	
Stewardship & Maintenance	218	18,398	-	-	-	18,616	7,403	
Subgrants	-	-	-	-	-	-	18,000	
Supplies	1,972	3,827	724	186	2,314	9,023	10,526	
Taxes - Real Estate	-	2,965	-	-	-	2,965	4,772	
Telecommunications	1,036	1,521	1,419	98	465	4,539	4,512	
Travel	6,257	7,343	2,893	233	258	16,984	14,010	
Utilities	1,409	2,002	553	158	580	4,702	4,502	
Total Expenses	<u>\$231,191</u>	<u>\$461,253</u>	<u>\$94,824</u>	<u>\$34,621</u>	<u>\$124,939</u>	<u>\$946,828</u>	<u>\$879,022</u>	

The accompanying notes are an integral part of these financial statements.

Richard Abbott, Certified Public Accountant

Mount Grace Land Conservation Trust, Inc.

Statement Of Cash Flows  
 For The Year Ended May 31, 2010  
 With Comparative Totals For May 31, 2009

	<u>2010</u>	<u>2009</u>
Cash Flow From Operating Activities		
Changes In Net Assets	\$ 57,107	\$ 7,897
Adjustments To Reconcile Changes In Net Assets To Net Cash From Operating Activities		
Depreciation Expense	11,058	12,651
(Increase) Decrease In Operating Assets		
Accounts Receivable	113,743	(183,249)
Pledges Receivable	1,168	6,231
Grants Receivable	10,000	(4,600)
Prepaid Expenses	(271)	(13)
Deposits	(500)	200
Land Held For Transfer	101,538	504,417
Land Held For Conservation Purposes	6,131	23,207
Increase (Decrease) In Operating Liabilities		
Account Payable	10,682	7,149
Accrued Interest Expense	(4,995)	1,188
Accrued Payroll	3,576	1,937
Accrued Compensated Absences	(2,298)	4,762
Payroll Withholdings	1,673	2,162
Advanced Payments & Deposits	<u>8,657</u>	<u>(33,527)</u>
Net Cash Provided By Operating Activities	<u>317,269</u>	<u>350,412</u>
Cash Flows From Investing Activities		
Purchase of Equipment & Building Improvements		(5,912)
Disposal of Land & Building	35,513	
Unrealized Investment (Gains) Losses	(21,260)	4,728
Reinvested Investment Income - Donor Advised Funds	(159)	(489)
Increase Of Notes Receivable	(139,000)	-
Receipts From Notes Receivable	5,210	291,000
Reinvested Investment Income & Gains - Endowment Fund	(1,638)	(5,360)
Additions To Endowment Investment Account	(226,072)	(155,214)
Withdrawals From Endowment Investment Account	<u>297,032</u>	<u>1,258</u>
Net Cash (Used) Provided By Investing Activities	<u>(50,374)</u>	<u>130,011</u>
Cash Flows From Financing Activities		
Reinvested Income - Other Investments	(8,707)	(3,148)
Payments Of Restricted Collateral Agreement Funds	-	208,539
Proceeds From Notes Payable	185,000	320,500
Payments Of Notes Payable	<u>(469,980)</u>	<u>(1,071,220)</u>
Net Cash Used By Financing Activities	<u>(293,687)</u>	<u>(545,329)</u>
Net Decrease In Cash	(26,792)	(64,906)
Cash & Cash Equivalents At Beginning Of Year	<u>446,330</u>	<u>511,236</u>
Cash & Cash Equivalents At End Of Year	<u>\$ 419,538</u>	<u>\$ 446,330</u>
Supplemental Data:		
Interest Paid	\$ 6,725	\$ 14,492

The accompanying notes are an integral part of these financial statements.



# Mount Grace Land Conservation Trust, Inc.

## Notes To Financial Statements

For The Year Ended May 31, 2010

### 1. Organization and Activities

#### Organization

Mount Grace Land Conservation Trust, Inc. is a Massachusetts not-for-profit corporation located in Athol, Massachusetts. The organization was incorporated on June 20, 1986. The primary purpose of the organization is the promotion of balanced land use through the acquisition of conservation easements and other real property interests to insure the conservation of land in western Massachusetts. The organization is exempt from federal income tax under section 501(c)(3) of the Internal Revenue Code and it is not a private foundation. The corporation is also exempt from Massachusetts income tax.

#### Activities

During the year being reported on, Mount Grace Land Conservation Trust, Inc. operated three program activities: outreach, conservation & stewardship, and the North Quabbin Regional Landscape Partnership.

### 2. Summary of Significant Accounting Policies

#### Basis of Presentation

The financial statements are presented on the accrual basis of accounting in accordance with generally accepted accounting principles applicable to not-for-profit organizations.

The preparation of financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions that affect the results of reported assets, liabilities, revenue, and expenses. Actual results could differ from those estimates

Under generally accepted accounting principles, the organization 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. During the year being reported on, the organization had unrestricted net assets which are funds available for the general use of the organization, temporarily restricted net assets which are funds restricted by donors for specific program purposes or for a specific time, and permanently restricted net assets.

The costs of providing the various program services and supporting services of the organization have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the program services and supporting activities that benefitted from these costs.

#### Operating Revenue and Expenses

Operating revenue and expenses result from the organization's day to day activities that it conducts in fulfilling its mission which includes endowment income available for current use. Endowment income not available for current use is reported as non-operating.

#### Reclassification

Certain amounts on the May 31, 2009 financial statements have been reclassified to conform with the May 31, 2010 financial statements presentation.

Mount Grace Land Conservation Trust, Inc.

Notes To Financial Statements

For The Year Ended May 31, 2010

Cash and Cash Equivalents

Mount Grace Land Conservation Trust, Inc. has investments that are managed by a community foundation, as well as, by an investment company. From time to time some of these funds may be invested in a money market or other cash equivalent investments. It is the organization's policy not to report any of these funds as cash equivalents for the purposes of these financial statements as they consider these funds long term investments.

Cash for the purposes of these statements includes all other funds held directly by Mount Grace Land Conservation Trust, Inc. in a checking account, savings accounts, certificate of deposits, and in a money market account.

Accounts and Pledges Receivable and Allowance for Uncollectible Amounts

Accounts receivable are reported at the original invoiced amount and the pledges receivable are reported at the original pledged amount. The organization does not record an allowance for uncollectible accounts and pledges receivable but uses the direct charge off method instead because the amount of uncollectible account or pledge receivables that have been incurred on an annual basis in the past has not been significant. An allowance for uncollectible note receivable is also not recorded as the organization's policy is that because the note is secured by property that the note will be collected in full.

Land Held For Transfer

The organization purchases and transfers, at cost plus expenses, land and conservation restrictions as part of its conservation efforts. The costs associated with these acquisitions including purchase price, recording fees, appraisals, legal, interest, real estate taxes, and other miscellaneous expenses are capitalized and reported at cost on these financial statements. Revenue generated from the sale of these properties is reported in the year of sale net of the above acquisition costs.

Land, Building, and Equipment

Land, building, and equipment in excess of \$3,000 purchased by the organization are capitalized at cost. Donated assets are capitalized at their fair market value at the time of the donation. The balances in the land, building, and equipment account are reported net of accumulated depreciation. These account balances at May 31, 2010 are summarized as follows:

Land & Building & Improvements	\$256,013
Equipment	<u>28,657</u>
Total	284,670
Less Accumulated Depreciation	<u>(70,621)</u>
Net Amount	<u>\$214,049</u>

Depreciation is computed using the straight line method over the asset's useful life. Depreciable life of the buildings and improvements ranges from 10 to 40 years and 3 or 5 years for the office equipment. The depreciation expense for the year ended May 31, 2010 is \$11,058. Depreciation on donated assets included in the depreciation expense is \$4,038.

# Mount Grace Land Conservation Trust, Inc.

## Notes To Financial Statements

For The Year Ended May 31, 2010

### Investments - Donor Advised Fund

Mount Grace Land Conservation Trust, Inc. has transferred funds to a donor advised account of the Community Foundation of Western Massachusetts. The Community Foundation holds a variance power over these funds whereby the Foundation may distribute these funds to a charitable organization other than Mount Grace Land Conservation Trust, Inc. Because the likelihood of the Foundation exercising their variance powers in such a way is remote and because it is Mount Grace Land Conservation Trust, Inc.'s intention to be the sole beneficiary of this donor advised account, the amount transferred to the Foundation is reported on these financial statements at its fair market value as an asset of Mount Grace Land Conservation Trust, Inc. The type of investment that is made with these funds is controlled by the Community Foundation which pools all of their accounts and invests in a combination of equity and fixed income securities mutual funds, as well as, certificates of deposits and money market accounts. Investment earnings allocated to Mount Grace Land Conservation Trust, Inc.'s donor advised account by the Community Foundation are being reported on these financial statements as investment income and any realized or unrealized gains or losses allocated to this account are being reported on these financial statements as gains or losses on investments.

### Investments - Other

Included in the Investments - Other account is \$70,581 in funds received from an individual who has entered into an agreement with Mount Grace Land Conservation Trust, Inc. to provide funding that will serve as collateral on loans which the organization may obtain from time to time for the purpose of purchasing and permanently protecting parcels of land. The funds will be returned to the individual upon their request.

### Investments - Endowment

The organization's endowment funds are professionally managed in an investment account. Funds in this account are in mutual funds which invest in equities, bonds, commodities, and money market. The balance in this account is reported at the fair market value on these financial statements.

### Land Held For Conservation Purposes

The amounts reported as land held for conservation purposes are lands that Mount Grace Land Conservation Trust, Inc. acquired through purchases and donations and it is the intent of the organization to hold these lands for conservation purposes in perpetuity. These parcels may have conservation or other use restrictions on them. The organization records these assets at cost or at fair market value at the time of donation. Any reduction in value of a parcel of land that occurs as a result of Mount Grace Land Conservation Trust, Inc. granting a conservation restriction on the land it owns is recognized as an expense of the organization in the year that the restriction occurs. The organization also receives donations of conservation restrictions and easements on land which it does not hold title. These conservation restrictions and easements are reported in the financial statements at a nominal value, \$1. As of the date of these financial statements, the organization holds 43 conservation restrictions and easements.

### 3. Pledges Receivable

All of the pledges included in the pledges receivable balance at May 31, 2010 of \$40,665 are due within the next twelve months.

Mount Grace Land Conservation Trust, Inc.

Notes To Financial Statements

For The Year Ended May 31, 2010

4. Notes Receivable

The organization has two outstanding notes receivable as of May 31, 2010.

Note dated March 25, 2005 in the amount of \$47,500, 5.50% interest rate, principal and interest payable in 125 monthly installments with the first payment due on April 25, 2005. Note is secured by property in Petersham, MA. \$ 20,495

Note dated April 7, 2010 in the amount of \$139,000, 4.75% interest rate, principal and interest due in one lump sum payment on December 31, 2010. Note is secured by property in Montague, MA. 139,000

Total \$159,495

Current Portion \$143,927

Non-Current Portion \$ 15,568

5. Notes Payable

The organization has the following notes payable outstanding at May 31, 2010.

Note dated December 18, 2009 with a maturity date of December 18, 2011, simple interest at a rate of 3.8% annually. Payment on loan is due in lump sum upon maturity. Loan is secured by property in Winchendon & Royalston, MA. \$ 130,000

Note dated January 30, 2009 with maturity date of January 30, 2019, no interest. Payment on loan is due in lump sum upon maturity. It is intended that this loan will be paid back upon the organization selling the conservation restriction on land in Gill. In the event the conservation restriction can not be sold or funded by a third party, then the loan will be forgiven and the conservation restriction will be gifted to the Mount Grace Land Conservation Trust, Inc. 113,000

Note dated October 31, 2007, a revolving line of credit of up to \$250,000 with a renewal date of September 30, 2010, interest at the lower of the bank's prime rate or the bank's preferred interest rate. The interest rate was 3.25% per annum at May 31, 2010. The loan is due on demand and is secured by the land the organization owns in Athol. 30,000

Short term Loan from individual, no interest. Payments of \$500 per year. Maturity date is December 31, 2012 there is not interest on the loan. 1,500

Total Long-Term Debt 274,500

Current Portion of Long-Term Debt 30,500

Non-Current Portion of Long-Term Debt \$244,000

Mount Grace Land Conservation Trust, Inc.

Notes To Financial Statements

For The Year Ended May 31, 2010

Future scheduled maturities of long-term debt are as follows:

Year ending May 31, 2011	\$500
Year ending May 31, 2012	\$130,500
Year ending May 31, 2019	\$113,000

During the year, \$6,725 was paid on interest of which \$5,529 was capitalized as part of land held for transfer transactions and \$1,196 was recorded as an expense.

6. Net Assets

The composition of the net assets accounts as of May 31, 2010 is as follows:

Unrestricted Net Assets

Undesignated	\$472,177
Board Designated - Land Held For Conservation	206,321
Board Designated - Endowment	60,272
Board Designated - Conservation Restriction Enforcement	19,579
Board Designated - Capital Improvement Fund	13,464
Board Designated - Land Protection	<u>18,942</u>
Total Unrestricted Net Assets	<u>\$790,755</u>

Board designated unrestricted net assets can be expended only as approved by the board of directors.

Temporarily Restricted Net Assets

Conservation Restriction Enforcement	\$ 69,929
Program Restricted Grants and Contributions	<u>250,501</u>
Total Temporarily Restricted Net Assets	<u>\$320,430</u>

The conservation restriction enforcement fund is available to pay for costs incurred for the enforcement of conservation restrictions that have been deeded to Mount Grace Land Conservation Trust, Inc. The program restricted net assets are available for program purposes that had not been fulfilled as of the year end and the time restricted contribution represent the final year of a multi-year pledge.

Permanently Restricted Net Assets

Revolving Loan Fund	\$ 265,624
Revolving Appraisal Fund	22,716
Endowment	123,606
Stewardship Endowment	26,035
Land Held For Conservation	<u>622,560</u>
Total Permanently Restricted Net Assets	<u>\$1,060,541</u>

Mount Grace Land Conservation Trust, Inc.

Notes To Financial Statements

For The Year Ended May 31, 2010

The revolving loan fund is available to help finance the acquisition of land which will eventually be transferred to a third party, all funds used are required to be returned to the revolving loan fund. The revolving appraisal fund is available to fund appraisals that have high conservation value, the funds are required to be paid back either directly by the land owner or upon the sale of the land. The endowment and the stewardship endowment are both donor restricted, the investment income of which is available for operating purposes. The land held for conservation purposes represents the value of land donated to the organization, the use of which has been permanently restricted.

7. Retirement Plan Costs

The organization administers a Simple-IRA tax deferral savings plan for its employees. Employees may elect to have contributions withheld from their wages and contributed to their individual accounts and the organization matches all contributions up to 3% of eligible wages. During year being reported on, there was \$12,953 in contributions made by the organization to an employee's account. Employees are 100% vested in their Simple-IRA account balances.

8. Concentrations

The organization invests funds directly in a money market account, a money market mutual fund, as well as, equity and fixed income mutual funds, losses from which are not insured. The organization's bank accounts at one bank during the year exceeded the FDIC insured limit, however, funds over the FDIC limit are insured by the bank's deposit insurance fund.

The organization receives significant funding contributions from a single contributor. In the past year, those contributions amounted to \$341,153.

9. Endowment and Other Permanently Restricted Funds

The Board of Directors of Mount Grace Land Conservation Trust, Inc. has interpreted the State Prudent Management of Institutional Funds Act (SPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. Accordingly, the organization classifies as permanently restricted net assets the original value of gifts donated to the permanent endowment, the original value of subsequent gifts to the permanent endowment, as well as, investment earnings in excess of the organization's adopted spending rate. In accordance with SPMIFA, the organization considers many factors in making a determination how to appropriate or accumulate donor-restricted endowment funds including: the duration and preservation of the fund, the purposes of the organization and the donor-restricted endowment fund, the general economic conditions, the possible effect of inflation and deflation, the expected total return from income and the appreciation of investments, other resources of the organization, and the investment policies of the organization.

The organization has adopted a 4% annual endowment spending rate. Investment earnings above the annual spending are reinvested.

Mount Grace Land Conservation Trust, Inc.

Notes To Financial Statements

For The Year Ended May 31, 2010

	<u>Board Designated Endowment</u>	<u>Donor Restricted Endowment</u>	<u>Restricted Revolving Loan Fund</u>	<u>Restricted Appraisal Fund</u>
Beginning Balances	\$157,267	\$118,921	\$264,721	\$22,571
Transfers (Net)	(96,863)			
Investment Income	3,946	2,607	1,805	145
Net Appreciation	2,213	21,070	-	-
Contributions	-	11,800	-	-
Amounts Appropriated For Expenditure	<u>(6,291)</u>	<u>(4,757)</u>	<u>(903)</u>	<u>-</u>
Ending Balances	<u>\$ 60,272</u>	<u>\$149,641</u>	<u>\$265,623</u>	<u>\$22,716</u>

10. Fair Value of Financial Instruments

The assumptions used by the organization in estimating its fair value of financial instruments disclosure include; cash, short-term pledges, note receivable, and notes payable carrying value approximates their fair value, endowment and donor advised investments are based on quoted market process for similar investments, and the value of long-term pledges are estimated by discounting expected future cash flows using a rate of return based on the yield of similar U.S. Treasury securities with a similar maturity date. The organization has no derivative instruments. The estimated fair values of the organization's financial instruments approximates their reported carrying value.

11. Contingent Assets

During the year, the organization accepted conservation restrictions on two parcels of land and the landowners have in return for the organization's efforts to accept the conservation restriction agreed to pay a sum of money to Mount Grace Land Conservation Trust's Stewardship Fund. The payment of these funds is not immediately due but would become due upon certain transfers of ownership of the land. Because the timing of the receipt of these funds is contingent on the transfer of ownership in the land and since the transfer of the land may not happen for a considerable period of time, the organization does not recognize these amounts as revenue nor as an asset. The amount of this contingent asset at May 31, 2010 totaled \$18,000.

12. Subsequent Events

The organization has evaluated subsequent events through January 13, 2011 the date which the financial statements were available to be issued.