

**Mount Grace Land Conservation Trust, Inc.**  
**Financial Statements**  
**Year Ended May 31, 2009**  
**With Comparative Totals For May 31, 2008**

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, 2009, 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, 2009, 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.

December 15, 2009

*Richard Abbott*

Mount Grace Land Conservation Trust, Inc.

Statement of Financial Position

May 31, 2009

With Comparative Totals For May 31, 2008

	<u>Assets</u>				
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>2009 Total</u>	<u>2008 Total</u>
<b>Current Assets</b>					
Cash	\$ 136,000	\$226,200	\$ 84,130	\$ 446,330	\$ 511,236
Accounts Receivable	181,955	-	-	181,955	35
Notes Receivable	-	-	4,500	4,500	289,300
Pledges Receivable	41,833	-	-	41,833	41,614
Grants Receivable	10,000	-	-	10,000	5,400
Prepaid Expenses	9,170	-	-	9,170	9,157
Deposits	-	-	-	-	200
Land Held For Transfer	<u>454,217</u>	<u>-</u>	<u>181,376</u>	<u>635,593</u>	<u>1,140,010</u>
<b>Total Current Assets</b>	<u>833,175</u>	<u>226,200</u>	<u>270,006</u>	<u>1,329,381</u>	<u>1,996,952</u>
Property & Equipment (Net)	260,620	-	-	260,620	267,359
<b>Other Assets</b>					
Cash - Restricted To Collateral Agreement	61,874	-	-	61,874	267,265
Investments - Donor Advised Fund	16,847	-	-	16,847	21,086
Investments - Endowment	157,267	-	103,921	261,188	101,872
Accounts Receivable	-	-	11,083	11,083	9,754
Long-Term Pledge Receivable	-	-	-	-	6,450
Notes Receivable	-	-	21,205	21,205	27,405
Land Held For Conservation Purposes	<u>212,456</u>	<u>-</u>	<u>622,599</u>	<u>835,055</u>	<u>858,262</u>
<b>Total Other Assets</b>	<u>448,444</u>	<u>-</u>	<u>758,808</u>	<u>1,207,252</u>	<u>1,292,094</u>
<b>Total Assets</b>	<u>\$1,542,239</u>	<u>\$226,200</u>	<u>\$1,028,814</u>	<u>\$2,797,253</u>	<u>\$3,556,405</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, 2009

With Comparative Totals For May 31, 2008

Liabilities & Net Assets

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>2009 Total</u>	<u>2008 Total</u>
Current Liabilities					
Accounts Payable	\$ 11,804	-	-	\$ 11,804	\$ 4,655
Accrued Interest Expense	7,215	-	-	7,215	6,027
Accrued Payroll	20,289	-	-	20,289	18,352
Accrued Compensated Absences	19,394	-	-	19,394	14,632
Payroll Withholdings	1,884	-	-	1,884	(278)
Advanced Payments & Deposits	62,573	-	-	62,573	96,100
Long-Term Debt - Current Portion	<u>446,475</u>	<u>-</u>	<u>-</u>	<u>446,475</u>	<u>810,195</u>
Total Current Liabilities	<u>569,634</u>	<u>-</u>	<u>-</u>	<u>569,634</u>	<u>949,683</u>
Long Term Liabilities					
Note Payables - Non Current	<u>113,000</u>	<u>-</u>	<u>-</u>	<u>113,000</u>	<u>500,000</u>
Total Long Term Liabilities	<u>113,000</u>	<u>-</u>	<u>-</u>	<u>113,000</u>	<u>500,000</u>
Total Liabilities	<u>682,634</u>	<u>-</u>	<u>-</u>	<u>682,634</u>	<u>1,449,683</u>
Net Assets					
Net Assets	<u>859,605</u>	<u>\$226,200</u>	<u>\$1,028,814</u>	<u>2,114,619</u>	<u>2,106,722</u>
Total Net Assets	<u>859,605</u>	<u>226,200</u>	<u>1,028,814</u>	<u>2,114,619</u>	<u>2,106,722</u>
Total Liabilities and Net Assets	<u>\$1,542,239</u>	<u>\$226,200</u>	<u>\$1,028,814</u>	<u>\$2,797,253</u>	<u>\$3,556,405</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, 2009  
With Comparative Totals For May 31, 2008

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>2009 Total</u>	<u>2008 Total</u>
Support, Revenue and Reclassifications					
Contributions	\$471,465	\$ 45,119	\$ 15,000	\$ 531,584	\$ 456,321
Contributions In-Kind	1,936	-	-	1,936	58
Grants	-	133,498	-	133,498	366,080
Government Grants & Contracts	211,427	-	-	211,427	21,008
Net Proceeds From Transfer Of Land & CR	(20,096)	-	-	(20,096)	(48,222)
Other Income	13,409	-	-	13,409	18,864
Rental Income	823	-	-	823	9,000
Investment Income	12,259	1,543	1,600	15,402	28,494
Investment Gains & Losses	(3,320)	-	2,256	(1,064)	84
Loss On Disposal Of Equipment	-	-	-	-	(1,200)
Net Assets Released From Restrictions					
Satisfaction Of Program & Time Restrictions	<u>191,811</u>	<u>(191,811)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Support, Revenue & Reclassifications	<u>879,714</u>	<u>(11,651)</u>	<u>18,856</u>	<u>886,919</u>	<u>850,487</u>
Expenses					
Program Services					
Outreach	162,603	-	-	162,603	51,783
Conservation & Stewardship	430,236	-	-	430,236	359,257
North Quabbin Regional Landscape Partnership (NQRLP)	<u>93,654</u>	<u>-</u>	<u>-</u>	<u>93,654</u>	<u>104,384</u>
Total Program Services	<u>686,493</u>	<u>-</u>	<u>-</u>	<u>686,493</u>	<u>515,424</u>
Support Services					
Development	57,593	-	-	57,593	118,995
Administrative & General	<u>134,936</u>	<u>-</u>	<u>-</u>	<u>134,936</u>	<u>196,127</u>
Total Support Services	<u>192,529</u>	<u>-</u>	<u>-</u>	<u>192,529</u>	<u>315,122</u>
Total Expense	<u>879,022</u>	<u>-</u>	<u>-</u>	<u>879,022</u>	<u>830,546</u>
Change In Net Assets	692	(11,651)	18,856	7,897	19,941
Net Assets At Beginning Of Year	<u>858,913</u>	<u>237,851</u>	<u>1,009,958</u>	<u>2,106,722</u>	<u>2,086,781</u>
Net Assets At End 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>

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, 2009  
With Comparative Totals For May 31, 2008

	<u>Program Services</u>			Total Program Services	<u>Support Services</u>		Total Support Services	2009 Total	2008 Total
	<u>Outreach</u>	<u>Conservation &amp; Stewardship</u>	<u>NORLP</u>		<u>Development</u>	<u>Administrative &amp; General</u>			
Payroll	\$118,368	\$241,444	\$44,304	\$404,116	\$37,396	\$ 78,000	\$115,396	\$519,512	\$483,265
Employee Benefits	13,636	34,288	10,947	58,871	6,643	9,396	16,039	74,910	78,741
Payroll Taxes	<u>8,295</u>	<u>18,244</u>	<u>3,199</u>	<u>29,738</u>	<u>2,945</u>	<u>7,024</u>	<u>9,969</u>	<u>39,707</u>	<u>36,863</u>
Total Payroll & Related Expense	140,299	293,976	58,450	492,725	46,984	94,420	141,404	634,129	598,869
Bad Debt	-	-	-	-	-	-	-	-	3,000
Contributions - Land Projects & Other	-	-	-	-	-	-	-	-	23,214
Depreciation	-	895	-	895	-	11,756	11,756	12,651	11,099
Dues & Subscriptions	80	3,137	-	3,217	10	329	339	3,556	3,788
Events & Meetings Expenses	3,280	3,741	2,342	9,363	100	609	709	10,072	7,909
Insurance	-	3,666	-	3,666	363	2,116	2,479	6,145	5,879
Interest Expense	-	4,146	-	4,146	-	1,361	1,361	5,507	686
Maintenance & Repairs	-	5,296	-	5,296	532	4,347	4,879	10,175	12,858
Miscellaneous	571	2,858	53	3,482	24	(828)	(804)	2,678	1,250
Postage & Mailing	2,148	2,325	3,810	8,283	4,283	1,407	5,690	13,973	10,100
Printing	7,408	4,005	535	11,948	1,806	1,503	3,309	15,257	13,559
Professional Fees	2,168	72,516	7,025	81,709	885	12,234	13,119	94,828	65,009
Rental Property Expense	-	2,221	-	2,221	-	-	-	2,221	1,918
Staff & Board Development	514	3,290	20	3,824	329	157	486	4,310	8,735
Stewardship & Maintenance	-	7,400	-	7,400	-	3	3	7,403	5,805
Subgrants	-	-	18,000	18,000	-	-	-	18,000	22,750
Supplies	1,138	5,731	357	7,226	956	2,139	3,095	10,321	9,440
Taxes - Real Estate	-	4,772	-	4,772	-	-	-	4,772	6,612
Telecommunications	161	2,051	874	3,086	209	1,217	1,426	4,512	3,509
Travel	4,836	5,583	2,188	12,607	838	565	1,403	14,010	10,211
Utilities	-	<u>2,627</u>	-	<u>2,627</u>	<u>274</u>	<u>1,601</u>	<u>1,875</u>	<u>4,502</u>	<u>4,346</u>
Total Expenses	<u>\$162,603</u>	<u>\$430,236</u>	<u>\$93,654</u>	<u>\$686,493</u>	<u>\$57,593</u>	<u>\$134,936</u>	<u>\$192,529</u>	<u>\$879,022</u>	<u>\$830,546</u>

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

Mount Grace Land Conservation Trust, Inc.

Statement Of Cash Flows  
For The Year Ended May 31, 2009  
With Comparative Totals For May 31, 2008

	<u>2009</u>	<u>2008</u>
Cash Flow From Operating Activities		
Changes In Net Assets	\$ 7,897	\$ 19,941
Adjustments To Reconcile Changes In Net Assets To Net Cash From Operating Activities		
Depreciation Expense	12,651	11,099
Loss On Disposal Of Equipment	-	1,200
(Increase) Decrease In Operating Assets		
Accounts Receivable	(183,249)	(7,204)
Pledges Receivable	6,231	16,388
Grants Receivable	(4,600)	(3,512)
Prepaid Expenses	(13)	(82)
Deposits	200	(200)
Land Held For Transfer	504,417	(59,545)
Land Held For Conservation Purposes	23,207	
Increase (Decrease) In Operating Liabilities		
Account Payable	7,149	(7,350)
Accrued Interest Expense	1,188	(12,479)
Accrued Payroll	1,937	1,213
Accrued Compensated Absences	4,762	2,073
Payroll Withholdings	2,162	(191)
Advanced Payments & Deposits	(33,527)	3,282
Net Cash Provided (Used) By Operating Activities	<u>350,412</u>	<u>(35,367)</u>
Cash Flows From Investing Activities		
Purchase of Equipment & Building Improvements	(5,912)	(56,252)
Unrealized Investment Losses	4,728	2,156
Reinvested Investment Income - Donor Advised Funds	(489)	(1,777)
Proceeds From Investment Withdrawal	-	47,141
Increase Of Notes Receivable	-	(280,000)
Payments On Notes Receivable	291,000	3,926
Reinvested Investment Gains - Endowment Fund	(3,455)	2,156
Reinvested Investment Income - Endowment Fund	(1,905)	(1,777)
Additions To Endowment Investment Account	(155,214)	-
Withdrawals From Endowment Investment Account	1,258	-
Net Cash Provided (Used) By Investing Activities	<u>130,011</u>	<u>(284,427)</u>
Cash Flows From Financing Activities		
Cash - Restricted For Collateral Agreement	205,391	(6,744)
Proceeds From Notes Payable	320,500	855,000
Payments Of Notes Payable	(1,071,220)	(483,237)
Net Cash (Used) Provided By Financing Activities	<u>(545,329)</u>	<u>365,019</u>
Net (Decrease) Increase In Cash	(64,906)	45,225
Cash At Beginning Of Year	<u>511,236</u>	<u>466,011</u>
Cash At End Of Year	<u>\$ 446,330</u>	<u>\$ 511,236</u>
Supplemental Data:		
Interest Paid	\$ 14,492	\$ 22,566

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, 2009

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. 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.

Estimates

Management uses estimates and assumptions in preparing these financial statements in accordance with generally accepted accounting principles. Those estimates and assumptions affect the reported amounts of assets, liabilities, revenues, and expenses.

Reclassification

Certain amounts on the May 31, 2008 financial statements have been reclassified to conform with the May 31, 2009 financial statements presentation.

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.

Mount Grace Land Conservation Trust, Inc.

Notes To Financial Statements

For The Year Ended May 31, 2009

The organization has cash invested in a restricted investment account. The funds in this account are funds of an individual who has entered into an agreement with Mount Grace Land Conservation Trust, Inc. to provide funding that will serve as collateral on a loan which the organization obtained for the purpose of purchasing and permanently protecting a specific parcel of land. The funds will be returned to the individual upon such time as the completion of the related project. The funds in the investment account are restricted to this collateral agreement are not considered cash for the purposes of the statement of cash flows.

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 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, 2009 are summarized as follows:

Land & Building & Improvements (New Salem)	\$ 61,717
Land & Building & Improvements (Athol)	256,013
Equipment	<u>28,657</u>
Total	346,387
Less Accumulated Depreciation	<u>(85,767)</u>
Net Amount	<u>\$260,620</u>

# Mount Grace Land Conservation Trust, Inc.

## Notes To Financial Statements

For The Year Ended May 31, 2009

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, 2009 is \$12,651. Depreciation on donated assets included in the depreciation expense is \$4,864.

The organization has been seeking a buyer for its New Salem property. In September 2009, subsequent to these financial statements, the New Salem property was sold.

### 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 - 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 39 conservation restrictions and easements.

### 3. Pledges Receivable

All of the pledges included in the pledges receivable balance at May 31, 2009 of \$41,833 are due within the next twelve months.

Mount Grace Land Conservation Trust, Inc.

Notes To Financial Statements

For The Year Ended May 31, 2009

4. Notes Receivable

The organization has one outstanding note receivable as of May 31, 2009. It is an installment loan receivable, the note is secured by a mortgage on land owned by the mortgagor. Interest income on the note is recognized as the installments become due. The terms of this installment loan are as follows:

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. The outstanding balance at May 31, 2009 is \$25,705.

5. Notes Payable

The organization has the following notes payable outstanding at May 31, 2009.

Note dated September 23, 2005 with a maturity date of December 31, 2009, simple interest at a rate of 3% annually. Payment on loan is due in lump sum upon maturity. Loan is secured by bonds loaned to the organization and held by Greenfield Savings Bank and by property in Northfield, MA. \$ 82,208

Note dated April 15, 2008 with a maturity date of April 15, 2010, interest at a rate of 3.975% annually, interest accrues and is payable upon maturity. Payment on loan is due in lump sum upon maturity. Loan is secured by property in Orange and Warwick, MA. 237,267

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 maturity date of September 30, 2009, 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, 2009. The loan is due on demand and is secured by the land the organization owns in Athol and New Salem, MA. 125,000

Short term Loan from individual for specific land project, no interest. Payment of loan is due in lump sum once land project funds are raised 2,000

Total Long-Term Debt 559,475

Current Portion of Long-Term Debt 446,475

Non-Current Portion of Long-Term Debt \$113,000

Mount Grace Land Conservation Trust, Inc.

Notes To Financial Statements

For The Year Ended May 31, 2009

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

Year ending May 31, 2019	\$113,000
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During the year, \$14,492 was paid on interest of which \$8,985 was capitalized as part of land held for transfer transactions and \$5,507 was recorded as an expense.

6. Net Assets

The composition of the net assets accounts as of May 31, 2009 is as follows:

Unrestricted Net Assets

Undesignated	\$422,142
Board Designated - Land Held For Conservation	212,416
Board Designated - Endowment	157,267
Board Designated - Conservation Restriction Enforcement	16,847
Board Designated - Land Protection	<u>50,933</u>
Total Unrestricted Net Assets	<u>\$859,605</u>

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

Temporarily Restricted Net Assets

Conservation Restriction Enforcement	\$ 68,213
Program Restricted Grants and Contributions	151,537
Time Restricted Contributions	<u>6,450</u>
Total Temporarily Restricted Net Assets	<u>\$226,200</u>

The conservation 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	\$ 264,722
Revolving Appraisal Fund	22,571
Endowment	103,921
Stewardship Endowment	15,000
Land Held For Conservation	<u>622,599</u>
Total Permanently Restricted Net Assets	<u>\$1,028,814</u>

Mount Grace Land Conservation Trust, Inc.

Notes To Financial Statements

For The Year Ended May 31, 2009

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 \$10,518 in contributions made by the organization to an employee's account. Employees are 100% vested in their Simple-IRA account balances.

8. Related Party Transactions

During the year being reported on there were the following related party transactions:

A board member purchased property from a private landowner in a transaction where the private landowner also granted a conservation restriction on the land to Mount Grace Land Conservation Trust, Inc.

Two board members loaned the organization funds so that the organization could purchase conservation land. This land was then sold in the fiscal year ending May 31, 2009 to a conservation buyer and the note was paid off with interest.

One former and two current board members were each involved in an ongoing multi-landowner land conservation project whereby they will receive payment - on an undetermined future date - in exchange for placing a conservation restriction on each of their properties.

9. 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 \$333,847.

Mount Grace Land Conservation Trust, Inc.

Notes To Financial Statements

For The Year Ended May 31, 2009

10. 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.

	Board Designated <u>Endowment</u>	Donor Restricted <u>Endowment</u>	Restricted Revolving <u>Loan Fund</u>	Restricted Appraisal <u>Fund</u>
Beginning Balances	\$157,267	\$101,665	\$263,443	\$22,286
Investment Income	3,148	2,443	2,556	285
Net Appreciation	-	3,888	-	-
Contributions	-	15,000	-	-
Amounts Appropriated For Expenditure	<u>(3,148)</u>	<u>(4,075)</u>	<u>(1,278)</u>	<u>-</u>
Ending Balances	<u>\$157,267</u>	<u>\$118,921</u>	<u>\$264,721</u>	<u>\$22,571</u>

11. 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 are as follows:

	Carrying <u>Amount</u>	Fair <u>Value</u>
Cash	\$446,330	\$446,330
Pledges Receivable	41,833	41,833
Note Receivable	25,705	25,705
Notes Payable	559,475	559,475
Investment - Donor Advised Fund	16,847	16,847
Investment - Endowment	261,188	261,188