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Mount Grace Land Conservation Trust, Inc.
Financial Statements
Year Ended May 31, 2012
With Comparative Totals For May 31, 2011

2012
Audit

02/4/16

Richard Abbott
Certified Public Accountant
Easthampton, MA

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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, 2012, 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, 2012, 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.

As discussed in Note 14 to the financial statements, the organization changed its method of accounting for non-interest bearing notes payable.

February 28, 2013

Richard Abbott CPA

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Mount Grace Land Conservation Trust, Inc.
Statement of Financial Position
May 31, 2012
With Comparative Totals For May 31, 2011

Assets

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>2012 Total</u>	<u>2011 Total</u>
Current Assets					
Cash	\$ 96,121	\$301,884	\$ 142,452	\$ 540,457	\$ 403,227
Accounts Receivable	141,951	-	-	141,951	166,107
Notes Receivable	-	-	5,477	5,477	5,280
Pledges Receivable	52,842	-	10,000	62,842	129,700
Grants Receivable	-	18,000	-	18,000	16,300
Prepaid Expenses	8,435	-	-	8,435	11,823
Deposits	3,000	-	-	3,000	500
Land - CR's Held For Transfer	-	<u>113,000</u>	<u>44,781</u>	<u>157,781</u>	<u>398,451</u>
Total Current Assets	<u>302,349</u>	<u>432,884</u>	<u>202,710</u>	<u>937,943</u>	<u>1,131,388</u>
Property & Equipment					
Property & Equipment (Net)	191,717	-	-	191,717	199,481
Other Assets					
Investments	208,663	70,372	252,019	531,054	543,278
Accounts Receivable	-	-	12,766	12,766	10,918
Notes Receivable	-	-	4,193	4,193	10,188
Land Held For Conservation Purposes	<u>217,745</u>	<u>-</u>	<u>596,760</u>	<u>814,505</u>	<u>803,128</u>
Total Other Assets	<u>426,408</u>	<u>70,372</u>	<u>865,738</u>	<u>1,362,518</u>	<u>1,367,512</u>
Total Assets	<u>\$920,474</u>	<u>\$503,256</u>	<u>\$1,068,448</u>	<u>\$2,492,178</u>	<u>\$2,698,381</u>

See Accompanying Independent Auditor's Report and Notes to Financial Statements.

Richard Abbott, Certified Public Accountant

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Mount Grace Land Conservation Trust, Inc.

Statement of Financial Position

May 31, 2012

With Comparative Totals For May 31, 2011

Liabilities & Net Assets

	<u>Unrestricted</u>	Temporarily <u>Restricted</u>	Permanently <u>Restricted</u>	2012 <u>Total</u>	2011 <u>Total</u>
Current Liabilities					
Accounts Payable	\$ 17,548	\$ -	\$ -	\$ 17,548	\$ 14,629
Accrued Payroll	12,704	-	-	12,704	37,870
Accrued Compensated Absences	23,589	-	-	23,589	23,076
Accrued & Withheld Payroll Taxes	1,955	-	-	1,955	4,836
Advanced Payments & Deposits	82,381	-	-	82,381	67,569
Long-Term Debt - Current Portion	<u>200,000</u>	-	-	<u>200,000</u>	<u>150,500</u>
Total Current Liabilities	<u>338,177</u>	<u>-</u>	<u>-</u>	<u>338,177</u>	<u>298,480</u>
Long Term Liabilities					
Note Payables - Non Current	<u>-</u>	<u>88,398</u>	<u>-</u>	<u>88,398</u>	<u>85,846</u>
Total Liabilities	<u>338,177</u>	<u>88,398</u>	<u>-</u>	<u>426,575</u>	<u>384,326</u>
Net Assets					
Net Assets	<u>582,297</u>	<u>414,858</u>	<u>1,068,448</u>	<u>2,065,603</u>	<u>2,314,055</u>
Total Liabilities and Net Assets	<u>\$920,474</u>	<u>\$503,256</u>	<u>\$1,068,448</u>	<u>\$2,492,178</u>	<u>\$2,698,381</u>

See Accompanying Independent Auditor's Report and Notes to Financial Statements.

Richard Abbott, Certified Public Accountant

Mount Grace Land Conservation Trust, Inc.

Statement of Activities
 For The Year Ended May 31, 2012
 With Comparative Totals For May 31, 2011

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>2012 Total</u>	<u>2011 Total</u>
Operating Support, Revenue and Reclassifications					
Contributions	\$ 270,445	\$ 163,538	\$ 10,250	\$ 444,233	\$ 610,600
Contributions - Land	18,500	-	-	18,500	-
Contributions In-Kind	11,363	-	-	11,363	14,035
Grants	140,700	363,500	-	504,200	298,300
Government Grants & Contracts	383,861	-	-	383,861	401,932
Program Service Fees	99,760	-	-	99,760	16,294
Net Proceeds From Land Transfer	(98,598)	-	-	(98,598)	(14,764)
Other Income	1,137	-	-	1,137	286
Loss On Disposal Of Equipment	-	-	-	-	(4,680)
Return On Investment	16,461	-	-	16,461	15,610
Net Assets Released From Restrictions					
Satisfaction Of Program Restrictions	514,627	(514,627)	-	-	-
Other Reclassification	(2,000)	-	2,000	-	-
Total Operating Support, Revenue & Reclassifications	<u>1,356,256</u>	<u>12,411</u>	<u>12,250</u>	<u>1,380,917</u>	<u>1,337,613</u>
Operating Expenses					
Program Services					
Outreach	198,717	-	-	198,717	192,388
Conservation & Stewardship	730,057	-	-	730,057	514,480
Collaborations	492,336	-	-	492,336	396,559
Support Services					
Development	28,990	-	-	28,990	37,765
Administrative & General	152,384	-	-	152,384	118,608
Total Operating Expense	<u>1,602,484</u>	<u>-</u>	<u>-</u>	<u>1,602,484</u>	<u>1,259,800</u>
Change In Net Assets - Operating	<u>(246,228)</u>	<u>12,411</u>	<u>12,250</u>	<u>(221,567)</u>	<u>77,813</u>
Non-Operating					
Return On Investment	<u>(13,809)</u>	<u>(1,373)</u>	<u>(11,703)</u>	<u>(26,885)</u>	<u>36,867</u>
Change In Net Assets Non-Operating	<u>(13,809)</u>	<u>(1,373)</u>	<u>(11,703)</u>	<u>(26,885)</u>	<u>36,867</u>
Total Change In Net Assets	(260,037)	11,038	547	(248,452)	114,680
Net Assets At Beginning Of Year	<u>842,334</u>	<u>403,820</u>	<u>1,067,901</u>	<u>2,314,055</u>	<u>2,199,375</u>
Net Assets At End Of Year	<u>\$ 582,297</u>	<u>\$ 414,858</u>	<u>\$ 1,068,448</u>	<u>\$ 2,065,603</u>	<u>\$ 2,314,055</u>

See Accompanying Independent Auditor's Report and Notes to Financial Statements.

Richard Abbott, Certified Public Accountant

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Mount Grace Land Conservation Trust, Inc.
Statement Of Functional Expenses
For The Year Ended May 31, 2012
With Comparative Totals For May 31, 2011

	Program Services			Support Services		2012 Total	2011 Total
	Outreach	Conservation & Stewardship	Collaboration	Development	Administrative & General		
Payroll	\$135,116	\$259,580	\$346,562	\$16,204	\$ 88,128	\$ 845,590	\$ 759,593
Employee Benefits	20,656	49,634	34,077	2,962	15,612	122,941	102,804
Payroll Taxes	10,204	19,143	27,694	1,217	8,045	66,303	55,918
Bad Debt	1	925	-	-	-	926	727
Depreciation	-	448	-	-	7,316	7,764	9,888
Dues & Subscriptions	3,828	1,877	1,377	1,369	347	8,798	8,168
Events & Meetings Expenses	5,974	1,443	5,650	28	531	13,626	16,327
Insurance	938	2,108	2,366	97	(358)	5,151	5,420
Interest Expense	258	529	636	36	3,659	5,118	4,389
Maintenance & Repairs	1,233	2,427	2,899	149	790	7,498	11,464
Miscellaneous	1,072	1,893	2,335	106	1,143	6,549	2,459
Other Land Project Costs	-	280,000	-	-	-	280,000	80,000
Postage & Mailing	3,337	3,196	2,428	3,063	784	12,808	8,002
Printing	7,181	2,037	1,956	2,517	694	14,385	11,872
Professional Fees	1,474	68,419	22,662	299	22,759	115,613	98,983
Rent	-	-	4,800	-	-	4,800	4,400
Staff & Board Development	579	2,368	11,023	152	28	14,150	6,765
Stewardship & Maintenance	1,299	15,209	593	-	-	17,101	11,264
Supplies	2,179	6,397	8,326	242	1,636	18,780	28,972
Taxes - Real Estate	-	2,389	-	-	-	2,389	2,616
Telecommunications	559	1,107	2,696	67	385	4,814	6,747
Travel	2,081	7,484	12,500	375	386	22,826	18,126
Utilities	748	1,444	1,756	107	499	4,554	4,896
Total Expenses	<u>\$198,717</u>	<u>\$730,057</u>	<u>\$492,336</u>	<u>\$28,990</u>	<u>\$152,384</u>	<u>\$1,602,484</u>	<u>\$1,259,800</u>

See Accompanying Independent Auditor's Report and Notes to Financial Statements.

Richard Abbott, Certified Public Accountant

Mount Grace Land Conservation Trust, Inc.

Statement Of Cash Flows
 For The Year Ended May 31, 2012
 With Comparative Totals For May 31, 2011

	<u>2012</u>	<u>2011</u>
Cash Flow From Operating Activities		
Changes In Net Assets	\$(248,452)	\$ 114,680
Adjustments To Reconcile Changes In Net Assets		
To Net Cash From Operating Activities		
Depreciation Expense	7,764	9,888
Loss On Disposal Of Office Equipment	-	4,680
Donated Land	(18,502)	
Amortization of Non-Interest Bearing Note Payable	3,052	
Unrealized Investment Losses (Gains)	32,436	(28,005)
(Increase) Decrease In Operating Assets		
Accounts Receivable	22,308	(97,730)
Pledges Receivable	66,858	(89,035)
Grants Receivable	(1,700)	(16,300)
Prepaid Expenses	3,388	(2,382)
Deposits	(2,500)	-
Land Held For Transfer	240,670	135,604
Increase (Decrease) In Operating Liabilities		
Account Payable	2,919	(7,861)
Accrued Interest Expense	-	(2,220)
Accrued Payroll	(25,166)	14,005
Accrued Compensated Absences	513	5,980
Payroll Withholdings	(2,881)	1,279
Advanced Payments & Deposits	<u>14,812</u>	<u>(3,661)</u>
Net Cash Provided By Operating Activities	<u>95,519</u>	<u>38,922</u>
Cash Flows From Investing Activities		
Proceeds From Transfer Land Held For Conservation	7,125	25,800
Receipts From Notes Receivable	5,798	144,027
Reinvested Investment Income & Gains - Endowment &		
Other Restricted Investment Account	(20,212)	(4,246)
Additions To Endowment Investment Account	<u>-</u>	<u>(139,000)</u>
Net Cash (Used) Provided By Investing Activities	<u>(7,289)</u>	<u>26,581</u>
Cash Flows From Financing Activities		
Payments Of Line Of Credit	(350,000)	(130,500)
Proceeds From Line Of Credit	400,000	200,000
Payments Of Notes Payable	<u>(1,000)</u>	<u>(80,000)</u>
Net Cash Provided (Used) By Financing Activities	<u>49,000</u>	<u>(10,500)</u>
Net Increase In Cash	137,230	55,003
Cash & Cash Equivalents At Beginning Of Year	<u>403,227</u>	<u>348,224</u>
Cash & Cash Equivalents At End Of Year	<u>\$ 540,457</u>	<u>\$ 403,227</u>
Supplemental Data:		
Interest Paid	\$ 1,459	\$ 4,389

See Accompanying Independent Auditor's Report and Notes to Financial Statements.

Mount Grace Land Conservation Trust, Inc.

Notes To Financial Statements

For The Year Ended May 31, 2012

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 collaboration.

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 investment return available for current use. Endowment and other restricted investment return not available for current use is reported as non-operating.

Reclassification

Certain amounts on the May 31, 2011 financial statements have been reclassified to conform with the May 31, 2012 financial statements presentation.

Mount Grace Land Conservation Trust, Inc.

Notes To Financial Statements

For The Year Ended May 31, 2012

Cash and Cash Equivalents

Mount Grace Land Conservation Trust, Inc. has investments that are managed by the Community Foundation of Western Massachusetts, as well as by the Trust department at Greenfield Savings Bank. 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, 2012 are summarized as follows:

Land & Building & Improvements	\$256,013
Equipment	<u>16,957</u>
Total	272,970
Less Accumulated Depreciation	<u>(81,253)</u>
Net Amount	<u>\$191,717</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, 2012 is \$7,764. Depreciation on donated assets included in the depreciation expense is \$3,697.

Mount Grace Land Conservation Trust, Inc.

Notes To Financial Statements

For The Year Ended May 31, 2012

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 return allocated to Mount Grace Land Conservation Trust, Inc.'s donor advised account by the Community Foundation are being reported on these financial statements as non-operating return on investment.

Investments - Other

Investments - Other account represents 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 along with any accumulated earnings will be returned to the individual upon their request. The funds in this account are invested in municipal bonds and are reported at their fair market value. The investment return in these funds is reported in the advanced payment & deposits liability account.

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 49 conservation restrictions and easements.

Mount Grace Land Conservation Trust, Inc.

Notes To Financial Statements

For The Year Ended May 31, 2012

3. Pledges Receivable

All of the pledges included in the pledges receivable balance at May 31, 2012 of \$62,842 are due within the next twelve months.

4. Notes Receivable

The organization has the following outstanding notes receivable as of May 31, 2012.

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.	\$9,670
Current Portion of Note Receivable	<u>5,477</u>
Non-Current Portion of Note Receivable	<u>\$4,193</u>

5. Notes Payable

The organization has the following notes payable outstanding at May 31, 2012.

Note dated January 30, 2009 in the amount of \$113,000 with maturity date of January 30, 2019, no interest. Payment on loan is due in lump sum upon maturity. The loan is recorded at its net present value of \$88,398. 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.	\$ 88,398
Note dated October 31, 2007, a revolving line of credit of up to \$250,000 with a renewal date of September 30, 2012, 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, 2012. The loan is due on demand and is secured by the land the organization owns in Athol.	<u>200,000</u>
Total Long-Term Debt	288,398
Current Portion of Long-Term Debt	<u>200,000</u>
Non-Current Portion of Long-Term Debt	<u>\$ 88,398</u>

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

Year ending May 31, 2012	\$200,000
Year ending May 31, 2019	\$ 88,398

During the year, \$5,118 was paid on interest and it was recorded as an expense, there was no capitalized interest.

Mount Grace Land Conservation Trust, Inc.

Notes To Financial Statements

For The Year Ended May 31, 2012

6. Net Assets

The composition of the net assets accounts as of May 31, 2012 is as follows:

Unrestricted Net Assets

Undesignated	\$139,557
Board Designated - Land Held For Conservation	217,696
Board Designated - Stewardship Capital Fund	5,274
Board Designated - Endowment	183,112
Board Designated - Conservation Restriction Enforcement	23,517
Board Designated - Capital Improvement Fund	9,437
Board Designated - Land Protection	<u>3,704</u>
Total Unrestricted Net Assets	<u>\$582,297</u>

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

Temporarily Restricted Net Assets

Conservation Restriction Enforcement	\$ 72,378
Program & Time Restricted Grants and Contributions	<u>342,480</u>
Total Temporarily Restricted Net Assets	<u>\$414,858</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.

Permanently Restricted Net Assets

Revolving Loan Fund	\$ 266,798
Revolving Appraisal Fund	22,776
Endowment	153,281
Stewardship Endowment	28,833
Land Held For Conservation	<u>596,760</u>
Total Permanently Restricted Net Assets	<u>\$1,068,488</u>

The revolving loan fund is available to help finance the acquisition of land, all funds used are required to be returned to the revolving loan fund and one-half of the investment income is available for operating purposes. The revolving appraisal fund is available to fund projects 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, investment income is retained in the fund. 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.

Mount Grace Land Conservation Trust, Inc.

Notes To Financial Statements

For The Year Ended May 31, 2012

7. Investment Return

Investment return is comprised of the following components:

Interest & Dividend Income	\$ 12,823
Realized Gains	10,986
Unrealized Losses	<u>(34,233)</u>
Total Investment Return	<u>\$(10,424)</u>

Investment return is reported on these financial statements as:

Operating Investment Return	\$ 16,461
Non-Operating Investment Return	<u>(26,885)</u>
Total	<u>\$(10,424)</u>

8. 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 \$13,819 in contributions made by the organization to an employee's account. Employees are 100% vested in their Simple-IRA account balances.

9. Operating Lease Commitments

The organization leases program space as a tenant at will, monthly rent is \$400 and the total rent paid in the year being reported on was \$4,800. The organization also leases a copier, minimal annual lease commitments under this lease are as follows:

Year ending May 31, 2013	\$ 3,792
Year ending May 31, 2014	3,792
Year ending May 31, 2015	3,792
Year ending May 31, 2016	<u>3,160</u>
Total minimum annual lease payments	<u>\$14,536</u>

10. 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 account balance from time to time 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 year being reported on, these contributions amounted to \$200,000.

Mount Grace Land Conservation Trust, Inc.

Notes To Financial Statements

For The Year Ended May 31, 2012

11. 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 for the board designated and the permanently restricted endowment and stewardship funds. One-half of the earnings on the revolving loan fund are available for operations. Investment income on the appraisal fund remains with the fund.

	Unrestricted Board Designated <u>Endowment</u>	<u>Permanently Restricted</u>			
		<u>Endowment</u>	<u>Stewardship Endowment</u>	<u>Revolving Loan Fund</u>	<u>Appraisal Fund</u>
Beginning Balances	\$199,272	\$151,498	\$30,729	\$266,152	\$22,762
Transfers (Net)	(2,000)	2,000	-	-	-
Investment Income	4,908	3,554	745	1,293	14
Net Appreciation	(10,930)	(7,915)	(1,662)	-	-
Contributions	-	10,000	250	-	-
Amounts Appropriated For Expenditure	<u>(8,138)</u>	<u>(5,856)</u>	<u>(1,229)</u>	<u>(647)</u>	<u>-</u>
Ending Balances	<u>\$183,112</u>	<u>\$153,281</u>	<u>\$28,833</u>	<u>\$266,798</u>	<u>\$22,776</u>

12. Fair Value of Financial Instruments

The following summarizes the fair value measurement of investments as of May 31, 2012. Fair value measurements are distinguished between three levels:

- Level 1: Quoted prices in active markets for identical instruments.
- Level 2: Observable inputs other than those included within Level 1.
- Level 3: Inputs that are not based on observable market data.

The organization's financial instruments are all Level 1 measurements.

Mount Grace Land Conservation Trust, Inc.

Notes To Financial Statements

For The Year Ended May 31, 2012

	<u>Level 1</u>
GSB Trust - Collateral Account	
Municipal Bonds	\$ 81,731
CFWM	
Mixed Portfolio - equities, debt securities, mutual funds, and money market	22,890
GSB Trust - Board Designated & Donor Restricted Endowment	
Mixed Portfolio - equities, debt securities, mutual funds, and money market	356,061
GSB Trust - CR Enforcement Fund	
Mixed Portfolio - equities, debt securities, mutual funds, and money market	<u>70,372</u>
Total	<u>\$531,054</u>

13. Contingent Assets

The organization has accepted conservation restrictions on three parcels of land where the landowners have in return for the organization's efforts to accept the conservation restriction agreed to contribute a sum of money to Mount Grace Land Conservation Trust's Stewardship Endowment 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 which and the date of transfer is not determinable, the organization does not recognize these amounts as revenue nor as an asset. The amount of this contingent asset at May 31, 2012 totaled \$64,800.

14. Change in Accounting Principle

During the year being reported on, management determined that the non-interest bearing note payable that the organization is liable for was not previously reported according to generally accepted accounting principles. Generally accepted accounting principles require that a non-interest note be reported at its discounted present value and that the difference between the discounted value and the face value be amortized over the life of the note. The May 31, 2011 amounts on these financial statements have been restated to reflect this change. The effect of this change on the May 31, 2011 balance was to decrease notes payable from \$113,495 to \$85,846 and to increase temporarily restricted net assets from \$376,171 to \$403,820.

15. Subsequent Events

The organization has evaluated subsequent events through February 28, 2013 the date which the financial statements were available to be issued.