

Mount Grace Land Conservation Trust, Inc.
Financial Statements
Year Ended May 31, 2014
With Comparative Totals For May 31, 2013

Richard Abbott
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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 financial statements of Mount Grace Land Conservation Trust, Inc. (a nonprofit organization), which comprise the statement of financial position as of May 31, 2014, and the related statements of activities, functional expenses, and cash flows for the year 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

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 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, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

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, 2014, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

December 1, 2014

Richard Abbott CPA

Mount Grace Land Conservation Trust, Inc.
Statement of Financial Position
May 31, 2014
With Comparative Totals For May 31, 2013

	<u>Assets</u>				
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>2014 Total</u>	<u>2013 Total</u>
Current Assets					
Cash	\$ 235,056	\$488,022	\$ 310,508	\$1,033,586	\$ 530,369
Accounts Receivable	368,500	-	-	368,500	307,298
Notes Receivable	-	-	-	-	3,541
Pledges Receivable	8,755	-	-	8,755	42,357
Grants Receivable	-	131,770	-	131,770	173,400
Prepaid Expenses	8,352	-	-	8,352	10,287
Deposits	-	-	-	-	25,294
Land - CR's Held For Transfer	-	<u>113,000</u>	-	<u>113,000</u>	<u>328,707</u>
Total Current Assets	<u>620,663</u>	<u>732,792</u>	<u>310,508</u>	<u>1,663,963</u>	<u>1,421,253</u>
Property & Equipment					
Property & Equipment (Note #3)	<u>325,070</u>	-	-	<u>325,070</u>	<u>184,908</u>
Other Assets					
Investments	175,695	88,177	175,222	439,094	432,264
Land Held For Conservation Purposes	<u>247,838</u>	-	<u>596,760</u>	<u>844,598</u>	<u>844,590</u>
Total Other Assets	<u>423,533</u>	<u>88,177</u>	<u>771,982</u>	<u>1,283,692</u>	<u>1,276,854</u>
Total Assets	<u>\$1,369,266</u>	<u>\$820,969</u>	<u>\$1,082,490</u>	<u>\$3,272,725</u>	<u>\$2,883,015</u>
<u>Liabilities & Net Assets</u>					
Current Liabilities					
Accounts Payable	\$ 38,254	\$ -	\$ -	\$ 38,254	\$ 13,778
Accrued Interest Payable	2,333	-	-	2,333	-
Accrued Payroll	13,955	-	-	13,955	17,532
Accrued Compensated Absences	27,515	-	-	27,515	18,818
Accrued & Withheld Payroll Taxes	9,197	-	-	9,197	3,509
Advanced Payments & Deposits	75,390	-	-	75,390	82,964
Long-Term Debt - Current Portion	<u>468,750</u>	-	-	<u>468,750</u>	<u>100,000</u>
Total Current Liabilities	<u>635,394</u>	-	-	<u>635,394</u>	<u>236,601</u>
Long Term Liabilities					
Note Payables - Non Current (Note #4)	<u>111,000</u>	<u>94,822</u>	-	<u>205,822</u>	<u>91,553</u>
Total Liabilities	<u>746,394</u>	<u>94,822</u>	-	<u>841,216</u>	<u>328,154</u>
Net Assets					
Net Assets (Note #5)	<u>622,872</u>	<u>726,147</u>	<u>1,082,490</u>	<u>2,431,509</u>	<u>2,554,861</u>
Total Liabilities and Net Assets	<u>\$1,369,266</u>	<u>\$820,969</u>	<u>\$1,082,490</u>	<u>\$3,272,725</u>	<u>\$2,883,015</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, 2014
With Comparative Totals For May 31, 2013

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>2014 Total</u>	<u>2013 Total</u>
Operating Support, Revenue and Reclassifications					
Contributions	\$ 334,655	\$ 210,633	\$ -	\$ 545,288	\$ 717,796
Contributions - Land	-	-	-	-	30,081
Contributions In-Kind	12,013	-	-	12,013	6,201
Grants	135,000	349,919	-	484,919	393,500
Government Grants & Contracts	483,558	-	-	483,558	455,963
Program Service Fees	159,357	-	-	159,357	146,169
Net Proceeds From Land Transfer	(215,707)	-	-	(215,707)	31,845
Other Income	2,760	-	-	2,760	19,277
Return On Investment	13,621	-	-	13,621	10,550
Net Assets Released From Restrictions					
Satisfaction Of Program Restrictions & Other Reclassifications	<u>457,102</u>	<u>(457,102)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Operating Support, Revenue & Reclassifications	<u>1,382,359</u>	<u>103,450</u>	<u>-</u>	<u>1,485,809</u>	<u>1,811,382</u>
Operating Expenses					
Program Services					
Outreach	124,463	-	-	124,463	186,897
Conservation & Stewardship	705,119	-	-	705,119	427,367
Collaborations	<u>452,538</u>	<u>-</u>	<u>-</u>	<u>452,538</u>	<u>509,157</u>
Total Program Services	<u>1,282,120</u>	<u>-</u>	<u>-</u>	<u>1,282,120</u>	<u>1,123,421</u>
Support Services					
Development	43,395	-	-	43,395	72,414
Administrative & General	<u>307,632</u>	<u>-</u>	<u>-</u>	<u>307,632</u>	<u>150,096</u>
Total Support Services	<u>351,027</u>	<u>-</u>	<u>-</u>	<u>351,027</u>	<u>222,510</u>
Total Operating Expense	<u>1,633,147</u>	<u>-</u>	<u>-</u>	<u>1,633,147</u>	<u>1,345,931</u>
Change In Net Assets - Operating	<u>(250,788)</u>	<u>103,450</u>	<u>-</u>	<u>(147,338)</u>	<u>465,451</u>
Non-Operating					
Return On Investment	3,522	5,141	773	9,436	18,957
Contributions	<u>-</u>	<u>-</u>	<u>14,550</u>	<u>14,550</u>	<u>4,850</u>
Change In Net Assets Non-Operating	<u>3,522</u>	<u>5,141</u>	<u>15,323</u>	<u>23,986</u>	<u>23,807</u>
Total Change In Net Assets	(247,266)	108,591	15,323	(123,352)	489,258
Net Assets At Beginning Of Year	<u>870,138</u>	<u>617,556</u>	<u>1,067,167</u>	<u>2,554,861</u>	<u>2,065,603</u>
Net Assets At End Of Year	<u>\$ 622,872</u>	<u>\$ 726,147</u>	<u>\$ 1,082,490</u>	<u>\$ 2,431,509</u>	<u>\$ 2,554,861</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 Functional Expenses

For The Year Ended May 31, 2014

With Comparative Totals For May 31, 2013

	<u>Program Services</u>			<u>Support Services</u>		2014 <u>Total</u>	2013 <u>Total</u>
	<u>Outreach</u>	<u>Conservation & Stewardship</u>	<u>Collaboration</u>	<u>Development</u>	<u>Administrative & General</u>		
Payroll	\$ 82,799	\$208,629	\$342,368	\$30,450	\$109,579	\$ 773,825	\$ 869,232
Employee Benefits	6,850	19,978	24,364	2,700	32,826	86,718	105,432
Payroll Taxes	8,683	20,570	28,053	2,862	8,906	69,074	75,298
Bad Debt	-	-	-	-	12,738	12,738	13,819
Depreciation	-	-	-	-	6,258	6,258	6,809
Dues & Subscriptions	423	1,229	521	1,563	2,517	6,253	9,225
Events & Meetings Expenses	6,707	1,270	16,305	16	1,551	25,849	21,151
Insurance	-	5,229	-	164	7,247	12,640	10,754
Interest Expense	42	2,411	117	12	3,396	5,978	6,251
Maintenance & Repairs	219	639	950	89	7,066	8,963	13,557
Miscellaneous	548	4,782	1,498	53	8,012	14,893	7,657
Other Land Project Costs	-	351,432	-	-	-	351,432	-
Postage & Mailing	6,165	2,312	1,950	1,791	1,405	13,623	14,293
Printing	6,392	739	1,095	1,538	3,561	13,325	15,181
Professional Fees	1,675	59,648	12,781	97	79,943	154,144	105,778
Staff & Board Development	357	1,981	4,267	1,414	1,500	9,519	6,191
Stewardship & Maintenance	-	10,342	53	-	-	10,395	12,197
Office/Comp/Program Supplies	596	1,474	3,002	82	11,299	16,453	15,336
Taxes - Real Estate	-	5,463	-	-	984	6,447	2,712
Telecommunications	86	247	1,943	35	2,752	5,063	4,732
Travel	2,878	6,344	13,069	510	581	23,382	26,502
Utilities	43	400	202	19	5,511	6,175	3,824
Total Expenses	<u>\$124,463</u>	<u>\$705,119</u>	<u>\$452,538</u>	<u>\$43,395</u>	<u>\$307,632</u>	<u>\$1,633,147</u>	<u>\$1,345,931</u>

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

Mount Grace Land Conservation Trust, Inc.

Statement Of Cash Flows

For The Year Ended May 31, 2014
With Comparative Totals For May 31, 2013

	<u>2014</u>	<u>2013</u>
Cash Flow From Operating Activities		
Changes In Net Assets	\$ (123,352)	\$ 489,258
Adjustments To Reconcile Changes In Net Assets To Net Cash From Operating Activities		
Depreciation Expense	6,258	6,809
Non-Operating Investment Return	(9,436)	(18,957)
Investment Gains	(8,003)	(3,968)
Donated Land	(8)	(30,085)
Amortization of Non-Interest Bearing Note Payable	3,269	3,155
Bad Debt - Permanently Restricted Loan Fund	-	13,069
(Increase) Decrease In Operating Assets		
Accounts Receivable	(61,202)	(152,581)
Pledges Receivable	33,602	20,485
Grants Receivable	41,630	(155,400)
Prepaid Expenses	1,935	(1,852)
Deposits	25,294	(22,294)
Land Held For Transfer	215,707	(170,926)
Increase (Decrease) In Operating Liabilities		
Account Payable	24,476	(3,770)
Accrued Interest Expense	2,333	-
Accrued Payroll	(3,577)	4,828
Accrued Compensated Absences	8,697	(4,771)
Payroll Withholdings	5,688	1,554
Advanced Payments & Deposits	<u>(7,574)</u>	<u>583</u>
Net Cash Provided (Used) By Operating Activities	<u>155,737</u>	<u>(24,863)</u>
Cash Flows From Investing Activities		
Purchase Of Building	(146,420)	-
Receipts From Notes Receivable	3,541	6,129
Proceeds from Sale of Investments	244,109	448,800
Purchase of Investments	<u>(233,500)</u>	<u>(340,154)</u>
Net Cash (Used) Provided By Investing Activities	<u>(132,270)</u>	<u>114,775</u>
Cash Flows From Financing Activities		
Payments Of Line Of Credit	(100,000)	(375,000)
Proceeds From Line Of Credit	200,000	275,000
Proceeds From Revolving Loan	268,750	-
Proceeds From Mortgage Note	<u>111,000</u>	<u>-</u>
Net Cash Provided (Used) By Financing Activities	<u>479,750</u>	<u>(100,000)</u>
Net Increase (Decrease) In Cash	503,217	(10,088)
Cash & Cash Equivalents At Beginning Of Year	<u>530,369</u>	<u>540,457</u>
Cash & Cash Equivalents At End Of Year	<u>\$1,033,586</u>	<u>\$ 530,369</u>
Supplemental Data:		
Interest Paid	\$ 375	\$ 3,096
In-Kind Services	5,960	

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

Richard Abbott, Certified Public Accountant

Mount Grace Land Conservation Trust, Inc.

Notes To Financial Statements

For The Year Ended May 31, 2014

1. Summary of Significant Accounting Policies

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.

Income Taxes

The organization is exempt from federal income tax under section 501(c)(3) of the Internal Revenue Code and has been determined to not be a private foundation by the Internal Revenue Service. The corporation is also exempt from Massachusetts income tax. Mount Grace Land Conservation Trust, Inc.'s Forms 990, Return of Organization Exempt from Income Tax, for the years ending May 31 of 2011, 2012, and 2013 are open and can be examined by the IRS, generally for three years after they were filed.

Activities

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

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 investment return from the endowment available for current use. Endowment and other restricted investment return as well as endowment contributions are not available for current use and are reported as non-operating.

Mount Grace Land Conservation Trust, Inc.

Notes To Financial Statements

For The Year Ended May 31, 2014

1. Summary of Significant Accounting Policies (continued)

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. 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.

Mount Grace Land Conservation Trust, Inc.

Notes To Financial Statements

For The Year Ended May 31, 2014

1. Summary of Significant Accounting Policies (continued)

Investments

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.

The organization received funds 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.

The organization's endowment funds are professionally managed in an investment account. Funds in this account are invested in common stock, 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 70 conservation restrictions and easements.

Reclassification

Certain amounts on the May 31, 2013 financial statements have been reclassified to conform with the May 31, 2014 financial statements presentation.

Mount Grace Land Conservation Trust, Inc.

Notes To Financial Statements

For The Year Ended May 31, 2014

2. Pledges Receivable

All of the pledges included in the pledges receivable balance at May 31, 2014 are due within the next twelve months.

3. Property and Equipment

The property and equipment account balances at May 31, 2014 are summarized as follows:

Land & Building & Improvements	\$402,433
Equipment	<u>16,957</u>
Total	419,390
Less Accumulated Depreciation	<u>(94,302)</u>
Net Amount	<u>\$325,070</u>

The depreciation expense for the year ended May 31, 2014 is \$6,258. Depreciation on donated assets included in the depreciation expense is \$3,599.

4. Notes Payable

The organization has the following notes payable outstanding at May 31, 2014.

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 with an effective interest rate of 3.57%. 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 Mount Grace Land Conservation Trust, Inc.

\$ 94,822

Note dated October 31, 2007, a revolving line of credit of up to \$250,000 with a renewal date of September 30, 2014, 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, 2014. The loan is due on demand and is secured by the land the Organization owns in Athol.

200,000

Note dated November 21, 2013, a revolving line of credit of \$268,750. Payment on loan is due in lump sum upon maturity, August 21, 2014. The interest rate is 2.5% per annum and the loan is secured by the property that the Organization owns in Warwick.

268,750

Note dated May 15, 2014, a mortgage loan of \$111,000. Payment on loan is due in lump sum upon maturity, May 5, 2016. The interest rate is 2.75% per annum and the loan is secured by the property that the Organization owns in Orange.

111,000

Total Long-Term Debt

674,572

Current Portion of Long-Term Debt

468,750

Non-Current Portion of Long-Term Debt

\$205,822

Mount Grace Land Conservation Trust, Inc.

Notes To Financial Statements

For The Year Ended May 31, 2014

4. Notes Payable (continued)

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

Year ending May 31, 2015	\$468,750
Year ending May 31, 2016	\$111,000
Year ending May 31, 2019	\$ 94,822

During the year, \$5,978 was recorded as interest expense, there was no capitalized interest.

5. Net Assets

The composition of the net assets accounts as of May 31, 2014 is as follows:

Unrestricted Net Assets

Undesignated	\$261,409
Board Designated - Land Held For Conservation	247,777
Board Designated - Stewardship Capital Fund	12,222
Board Designated - Endowment	53,423
Board Designated - Conservation Restriction Enforcement	28,898
Board Designated - Capital Improvement Fund	18,286
Board Designated - Land Protection	<u>857</u>
Total Unrestricted Net Assets	<u>\$622,872</u>

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

Temporarily Restricted Net Assets

Conservation Restriction Enforcement	\$ 99,185
Program & Time Restricted Grants and Contributions	<u>626,962</u>
Total Temporarily Restricted Net Assets	<u>\$726,147</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	\$ 267,176
Revolving Appraisal Fund	9,727
Endowment	159,107
Stewardship Endowment	49,720
Land Held For Conservation	<u>596,760</u>
Total Permanently Restricted Net Assets	<u>\$1,082,490</u>

Mount Grace Land Conservation Trust, Inc.

Notes To Financial Statements

For The Year Ended May 31, 2014

5. Net Assets (continued)

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.

6. Investment Return

Investment return is comprised of the following components:

Interest & Dividend Income	\$ 7,522
Realized Losses	(11,353)
Unrealized Gains	<u>26,888</u>
Total Investment Return	<u>\$ 23,057</u>

Investment return is reported on these financial statements as:

Operating Investment Return	\$ 13,621
Non-Operating Investment Return	<u>9,436</u>
Total	<u>\$ 23,057</u>

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 \$10,752 in contributions made by the organization to an employee's account. Employees are 100% vested in their Simple-IRA account balances.

8. Operating Lease Commitments

The organization leases a copier, minimal annual lease commitments under this lease are as follows:

Year ending May 31, 2015	\$ 5,355
Year ending May 31, 2016	9,180
Year ending May 31, 2017	9,180
Year ending May 31, 2018	9,180
Year ending May 31, 2019	9,180
Year ending May 31, 2020	<u>3,825</u>
Total minimum annual lease payments	<u>\$45,900</u>

Mount Grace Land Conservation Trust, Inc.

Notes To Financial Statements

For The Year Ended May 31, 2014

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 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 annually receives significant funding contributions from a single contributor. In the year being reported on, these contributions amounted to \$201,050.

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 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 Endowment	Permanently Restricted			
		Endowment	Stewardship Endowment	Revolving Loan Fund	Appraisal Fund
Beginning Balances	\$58,804	\$158,598	\$35,006	\$267,082	\$9,721
Investment Income	1,496	2,778	457	188	6
Net Appreciation	2,246	4,257	1,147	-	-
Contributions	-	-	14,550	-	-
Amounts Appropriated For Expenditure	(9,123)	(6,526)	(1,440)	(94)	-
Ending Balances	<u>\$53,423</u>	<u>\$159,107</u>	<u>\$49,720</u>	<u>\$267,186</u>	<u>\$9,727</u>

Mount Grace Land Conservation Trust, Inc.

Notes To Financial Statements

For The Year Ended May 31, 2014

11. Fair Value of Financial Instruments

The following summarizes the fair value measurement of investments as of May 31, 2014. 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.

	<u>Level 1</u>
GSB Trust Collateral Account - Municipal Bonds	\$ 74,775
CFWM - Mixed portfolio of equities, debt securities, mutual funds, and money market	28,898
GSB Trust Board Designated & Donor Restricted Endowment -	
Cash Equivalents	891
Mutual Funds - Fixed Income Securities	76,585
Equities - Common Stock & Mutual Funds Equities	169,768
GSB Trust CR Enforcement Fund -	
Cash Equivalents	5,946
Mutual Funds - Fixed Income Securities	26,200
Equities - Common Stock & Mutual Funds Equities	<u>56,031</u>
Total	<u>\$439,094</u>

12. Contingent Assets

The organization has accepted conservation restrictions on parcels of land where the landowners have in return for the organization's efforts to accept the conservation restriction agreed to pay an administrative and stewardship fee 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, 2014 totaled \$64,800.

13. Conditional Promise to Give

The Organization has received a \$25,000 grant from a foundation that is contingent on the Organization receiving matching funds. If the conditions are met the grant funds will be payable in March 2015.

Mount Grace Land Conservation Trust, Inc.

Notes To Financial Statements

For The Year Ended May 31, 2014

14. Lease with Purchase/Sale Option

On May 15, 2014, the Organization purchased a building in Orange, MA. Effective June 1, 2014 the Organization entered into a ten year lease agreement for the lease of the building to a Cooperative. Terms of the lease include an option for the Cooperative to purchase a one-half interest in the building from the Organization during the lease period. The organization also has the option at the end of the lease period to require the Cooperative to purchase a one-half interest in the building.

15. Related Party Transaction

During the year being reported on the Organization provided services to facilitate the placing of conservation restrictions on multiple parcels of land in Leyden, MA. One of the landowners is a director of the Organization and another landowner is a relative of that same director, they did not any receive compensation for this transaction.

16. Subsequent Events

The organization has evaluated subsequent events through December 1, 2014 the date which the financial statements were available to be issued.