

Financial Statements



September 30, 2022

Contents

Maine Island Trail Association

September 30, 2022

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Independent Auditors' Report

**Board of Directors
Maine Island Trail Association
Portland, Maine**

Opinion

We have audited the accompanying financial statements of Maine Island Trail Association (a nonprofit organization), which comprise the statement of financial position as of September 30, 2022, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Maine Island Trail Association as of September 30, 2022, and the changes in net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Maine Island Trail Association and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Maine Island Trail Association's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

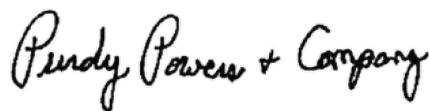
In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Maine Island Trail Association's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Maine Island Trail Association's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Report on Summarized Comparative Information

We have previously audited Maine Island Trail Association's 2021 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated March 18, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2021, is consistent, in all material respects, with the audited financial statements from which it has been derived.



Professional Association

Portland, Maine
February 28, 2023

Statement of Financial Position

Maine Island Trail Association

As of September 30, 2022
(with comparative totals for September 30, 2021)

	<u>2022</u>	<u>2021</u>
Assets		
Current Assets		
Cash	\$ 184,644	\$ 187,473
Accounts receivable	328	421
Promises to give	27,786	20,626
Prepaid expenses	12,204	7,419
Boats held for sale	<u>8,640</u>	<u>3,315</u>
Total Current Assets	233,602	219,254
Property and Equipment, net	673,313	182,411
Other Assets		
Investments	1,608,859	1,856,463
Security deposits	<u>2,424</u>	<u>2,000</u>
Total Other Assets	<u>1,611,283</u>	<u>1,858,463</u>
Total Assets	<u>\$ 2,518,198</u>	<u>\$ 2,260,128</u>
Liabilities and Net Assets		
Current Liabilities		
Accounts payable	\$ 10,544	\$ 6,863
Accrued expenses	26,428	26,957
Current portion of long-term debt	<u>10,623</u>	<u>-</u>
Total Current Liabilities	47,595	33,820
Long-Term Liabilities		
Long-term debt, net of current portion	<u>330,834</u>	<u>-</u>
Total Long-Term Liabilities	<u>330,834</u>	<u>-</u>
Total Liabilities	378,429	33,820
Net Assets		
Without donor restrictions	681,607	510,634
With donor restrictions	<u>1,458,162</u>	<u>1,715,674</u>
Total Net Assets	<u>2,139,769</u>	<u>2,226,308</u>
Total Liabilities and Net Assets	<u>\$ 2,518,198</u>	<u>\$ 2,260,128</u>

See accompanying independent auditors' report and notes to financial statements.

Statement of Activities

Maine Island Trail Association

For the Year Ended September 30, 2022

(with comparative totals for the year ended September 30, 2021)

	2022			2021
	Without Donor Restrictions	With Donor Restrictions	Total	Total
Revenues and Other Support				
Membership dues	\$ 255,192	\$ -	\$ 255,192	\$ 224,036
Contributions	647,376	99,551	746,927	552,897
Contributions of nonfinancial assets	115,763	-	115,763	32,130
Sponsorships	69,642	-	69,642	45,232
Events	32,960	-	32,960	22,172
Grants	163,000	-	163,000	155,000
Paycheck Protection Program loan forgiveness	-	-	-	118,200
Interest and dividend income	755	33,492	34,247	25,232
Net assets released from restriction	114,919	(114,919)	-	-
Total Revenues and Other Support	1,399,607	18,124	1,417,731	1,174,899
Expenses				
Program services	907,739	-	907,739	770,019
Management and general	121,441	-	121,441	107,438
Fundraising	197,336	-	197,336	162,520
Total Expenses	1,226,516	-	1,226,516	1,039,977
Revenues Over Expenses	173,091	18,124	191,215	134,922
Gain (loss) on disposal of fixed assets	100	-	100	(200)
Gain on sale of assets	3,997	-	3,997	32,730
Net realized and unrealized investment gains (losses)	(6,215)	(275,636)	(281,851)	239,576
Increase (Decrease) in Net Assets	170,973	(257,512)	(86,539)	407,028
Net assets at beginning of year	510,634	1,715,674	2,226,308	1,819,280
Net Assets at End of Year	\$ 681,607	\$ 1,458,162	\$ 2,139,769	\$ 2,226,308

See accompanying independent auditors' report and notes to financial statements.

Statement of Functional Expenses

Maine Island Trail Association

For the Year Ended September 30, 2022

(with comparative totals for the year ended September 30, 2021)

	2022				2021
	Program Services	Management and General	Fundraising	Total	Total
Salaries and wages	\$ 453,950	\$ 79,256	\$ 120,163	\$ 653,369	\$ 598,028
Retirement benefits	21,106	3,888	2,777	27,771	25,306
Other employee benefits	28,569	2,065	3,786	34,420	36,620
Payroll taxes	36,545	6,310	9,728	52,583	44,986
Accounting and legal	-	7,600	-	7,600	8,150
Contract services	56,903	730	730	58,363	30,454
Advertising	2,328	-	-	2,328	4,176
Supplies	52,188	2,965	4,149	59,302	58,002
Information technology	41,882	2,956	4,435	49,273	21,048
Occupancy	31,747	4,711	4,506	40,964	39,830
Travel	23,972	426	3,972	28,370	13,529
Conferences and conventions	7,290	308	12,938	20,536	7,703
Interest	4,165	-	-	4,165	-
Depreciation	44,731	3,728	1,243	49,702	44,513
Insurance	24,332	5,069	4,393	33,794	25,289
Printing and reproduction	48,282	-	14,422	62,704	46,517
Postage	20,266	392	5,492	26,150	29,298
Repairs and maintenance	6,208	467	-	6,675	2,397
Meals and entertainment	3,275	570	902	4,747	1,564
Bad debt	-	-	3,700	3,700	2,567
Total Expenses	\$ 907,739	\$ 121,441	\$ 197,336	\$ 1,226,516	\$ 1,039,977

See accompanying independent auditors' report and notes to financial statements.

Statement of Cash Flows

Maine Island Trail Association

For the Year Ended September 30, 2022

(with comparative totals for the year ended September 30, 2021)

	<u>2022</u>	<u>2021</u>
Cash Flows from Operating Activities		
Increase (decrease) in net assets	\$ (86,539)	\$ 407,028
Adjustments to reconcile changes in net assets to net cash provided (used) by operating activities:		
Bad debt expense	3,700	2,567
Depreciation	49,702	44,513
Non-cash contribution of property	(35,130)	(56,445)
(Gain) loss on sale of property and equipment	(100)	200
Net realized and unrealized (gain) loss on investments	281,851	(239,576)
Paycheck Protection Program loan forgiveness	-	(118,200)
(Increase) decrease in operating assets:		
Accounts receivable	93	14,495
Promises to give	(10,860)	(12,026)
Prepaid expenses	(4,785)	(2,583)
Security deposit	(424)	-
Increase (decrease) in operating liabilities:		
Accounts payable	3,681	(1,979)
Accrued expenses	(529)	4,172
Net Cash Provided by Operating Activities	<u>200,660</u>	<u>42,166</u>
Cash Flows from Investing Activities		
Purchase of property and equipment	(196,604)	(59,137)
Proceeds from sale of property and equipment	100	-
Proceeds from sale of donated boats	29,805	114,330
Purchase of investments	(680,116)	(1,001,023)
Proceeds from sale of investments	<u>645,869</u>	<u>890,169</u>
Net Cash Used by Investing Activities	<u>(200,946)</u>	<u>(55,661)</u>
Cash Flows from Financing Activities		
Principal payments on long-term debt	<u>(2,543)</u>	<u>-</u>
Net Cash Used by Financing Activities	<u>(2,543)</u>	<u>-</u>
Net Decrease in Cash	(2,829)	(13,495)
Cash at beginning of year	<u>187,473</u>	<u>200,968</u>
Cash at End of Year	<u><u>\$ 184,644</u></u>	<u><u>\$ 187,473</u></u>
Supplemental Disclosure of Cash Flow Information:		
Cash paid for interest	<u>\$ 4,165</u>	<u>\$ -</u>
Non-Cash Investing and Financing Activities		
Acquisition of building in exchange for mortgage	<u>\$ 344,000</u>	<u>\$ -</u>

See accompanying independent auditors' report and notes to financial statements.

Notes to Financial Statements

Maine Island Trail Association

Note A - Nature of Activities

Maine Island Trail Association (the Association) is a non-profit corporation organized in Maine. The membership based organization manages access to and stewardship of over 200 public and private islands and coastal sites along the Maine Island Trail, a 350-mile long waterway along the Maine coastline. The Association receives support from individuals, businesses, charitable organizations and certain Maine state agencies.

Note B - Summary of Significant Accounting Policies

Basis of Presentation

The accompanying financial statements include a statement of financial position, a statement of activities, a statement of functional expenses, and a statement of cash flows. The Association is required to report information regarding its financial position and activities according to two classes of net assets as follows:

Net Assets without Donor Restrictions - Represents those resources that are not subject to donor-imposed restrictions (donors include other types of contributors, including makers of certain grants), and can be used for any purpose designated by the Association's governing board.

Net Assets with Donor Restrictions - Represents resources and the portion of net assets resulting from contributions and other inflows of assets whose use is limited by donor-imposed restrictions.

Cash and Cash Equivalents

The Association considers cash in banks and all other highly liquid investments with a maturity of less than three months to be cash and cash equivalents for the purpose of cash flows. Cash residing within the Association's managed investment portfolios are reported as investments. The Association maintains its cash in bank deposit accounts, and at times balances may exceed federally insured limits.

Contributions

Contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions depending on the existence or nature of any donor restrictions.

Accounts Receivable

Accounts receivable is derived primarily from grants from other organizations. Management considers the age of outstanding balances and the credit worthiness of supporters in determining the allowance for doubtful accounts. Management has estimated no allowance for doubtful accounts is necessary as of September 30, 2022 and 2021.

Notes to Financial Statements - Continued

Maine Island Trail Association

Note B - Summary of Significant Accounting Policies - Continued

Promises to Give

Unconditional promises to give are recognized as revenues in the period received. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional.

Property and Equipment

Property and equipment is stated at cost if purchased or at fair value if contributed. The Association's policy is to capitalize significant assets with a useful life of greater than one year and to expense repair and maintenance costs that do not extend the useful lives of the assets. Depreciation expense is calculated utilizing the straight-line method based on the estimated useful lives of the depreciable assets.

Property and equipment is depreciated over 3 to 39 years. Depreciation expense was \$49,702 and \$44,513 for the years ended September 30, 2022 and 2021, respectively.

Investments

The Association reports its investments in marketable securities with readily determinable fair values and all investments in debt securities, at their fair values based on quoted market prices for identical equity and debt securities in active markets. Investment income or loss (including gains and losses on investments, interest and dividends) is included in the statement of activities as an increase or decrease in net assets without donor restrictions if there are no donor restrictions, or as an increase or decrease in net assets with donor restrictions if there are donor-imposed restrictions that have not yet been met.

Donated Services and Materials

As more fully described in Note N, amounts are reported in the financial statements for voluntary donations of services when those services create or enhance non-financial assets or require specialized skills provided by individuals possessing those skills and which typically would be purchased if not provided by donation. The Association generally pays for services requiring specific expertise. However, many individuals volunteer their time and perform a variety of tasks that assist the Association with stewardship activities. Donated materials are recorded at the fair value at the date of the gift. During the year ended September 30, 2022, boat storage, services, and other items were donated to the Association. The value of those materials was \$14,930 and the related materials were used primarily to further the Association's purpose.

Revenue and Expense Recognition

The financial statements of the Association have been prepared on the accrual basis of accounting. Revenues received are recorded as revenue without donor restrictions or with donor restrictions, depending on the existence and/or nature of any donor restrictions. Support that is restricted by the donor is reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the support is recognized. All other donor restricted support is reported as an increase in net assets with donor restrictions.

Notes to Financial Statements - Continued

Maine Island Trail Association

Note B - Summary of Significant Accounting Policies - Continued

Revenue and Expense Recognition - Continued

When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the Statement of Activities as net assets released from restrictions.

In accordance with ASC 606, the Association recognizes revenue when it satisfies a performance obligation by transferring control of a promised good or service, in an amount that reflects the consideration it expects to be entitled to in exchange for those goods or services.

Expenses are recognized as incurred. Expense amounts are allocated among the various programs on both a direct basis and according to a cost allocation basis. The Association accumulates indirect costs in management and general categories and then allocates these costs proportionate to the annual full time equivalent hours by program.

Comparative Data

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Association's financial statements for the year ended September 30, 2021, from which the summarized information was derived. Certain prior year balances have been reclassified to conform with current year presentation.

Estimates

Management uses estimates and assumptions in preparing financial statements in accordance with generally accepted accounting principles. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent liabilities and the reported revenues, support and expenses. Actual results could vary from the estimates used.

Expense Allocation

The financial statements report certain categories of expenses that are attributable to more than one program or supporting functions of the Association. Those expenses include salaries and benefits, contract services, supplies, occupancy, insurance, and printing and reproduction. Salaries and benefits are allocated based on time and effort. Certain costs of contract services, supplies, occupancy, insurance, printing and reproduction, and other expense categories are based on management's estimate of the appropriate allocations for each expense.

Advertising Expenses

Advertising costs are expensed as incurred. Advertising expense was \$2,328 and \$4,176 for the years ended September 30, 2022 and 2021, respectively.

Notes to Financial Statements - Continued

Maine Island Trail Association

Note B - Summary of Significant Accounting Policies - Continued

New Accounting Pronouncement

In September 2020, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) No. 2020-07, *Presentation and Disclosures of Not-for-Profit Entities for Contributed Nonfinancial Assets*, which is intended to increase transparency of contributed nonfinancial assets for not-for profit entities. It was adopted by the Association as of October 1, 2021. The Update requires enhancement to presentation and disclosure of these contributed assets.

Pending Accounting Pronouncement

In February 2016, the Financial Accounting Standards Board issued ASU 2016-02, *Leases* (Topic 842). This new standard will provide users of the financial statements a more accurate picture of the assets and the long-term financial obligations of organizations that lease. The standard is for a dual-model approach: a lessee will account for most existing capital leases as Type A leases, and most existing operating leases as Type B leases. Both will be reported on the statement of financial position of the organization for leases with a term exceeding 12 months. Lessors will see some changes too, largely made to align with the revised lease model. For nonpublic organizations, the new leasing standard will apply for fiscal years beginning after December 15, 2021. The standard requires retroactive application to previously issued financial statements, if presented. Management is currently evaluating the impact of adoption on its financial statements.

Note C - Promises to Give

Unconditional promises to give at September 30 were as follows:

	<u>2022</u>	<u>2021</u>
Receivable in less than one year	\$ <u>27,786</u>	\$ <u>20,626</u>

Bad debt expense was \$3,700 in the year ended September 30, 2022. Management deems no allowance for doubtful accounts is necessary.

Notes to Financial Statements - Continued

Maine Island Trail Association

Note D - Investments

At September 30, the fair market values of investments were as follows:

	<u>2022</u>	<u>2021</u>
ETF - fixed income	\$ 63,448	\$ 192,901
ETF - other	216,132	107,197
Cash and cash equivalents	153,494	100,883
Corporate and U.S. bonds	285,705	204,792
Equities	<u>890,080</u>	<u>1,250,690</u>
	<u>\$ 1,608,859</u>	<u>\$ 1,856,463</u>

Investment returns from the above investments for the year ended September 30, 2022 are summarized as follows:

	Without Donor <u>Restrictions</u>	With Donor <u>Restrictions</u>	<u>Total</u>
Interest and dividend income	\$ 755	\$ 33,492	\$ 34,247
Net realized and unrealized loss on investments	<u>(6,215)</u>	<u>(275,636)</u>	<u>(281,851)</u>
	<u>\$ (5,460)</u>	<u>\$ (242,144)</u>	<u>\$ (247,604)</u>

Investment income is reported net of investment fees.

Investment returns from the above investments for the year ended September 30, 2021 are summarized as follows:

	Without Donor <u>Restrictions</u>	With Donor <u>Restrictions</u>	<u>Total</u>
Interest and dividend income	\$ 559	\$ 24,673	\$ 25,232
Net realized and unrealized gains on investments	<u>5,308</u>	<u>234,268</u>	<u>239,576</u>
	<u>\$ 5,867</u>	<u>\$ 258,941</u>	<u>\$ 264,808</u>

Investment income is reported net of investment fees.

Notes to Financial Statements - Continued

Maine Island Trail Association

Note E - Fair Value Measurements

The Association adopted a framework for measuring fair values under generally accepted accounting principles and applies to all financial instruments that are measured and reported at fair value.

The framework for measuring fair value of financial assets and liabilities includes a hierarchy of three levels for observable independent market inputs and unobservable market assumptions. A description of the inputs used in the valuation of assets and liabilities under this hierarchy is as follows:

Level 1 – Quoted prices are available in active markets, such as the New York or American Stock Exchange markets, for identical investments as of the reporting date. Level 1 also includes U.S. Treasury and federal agency securities and mortgage-backed securities traded by brokers or dealers in active markets.

Level 2 – Pricing inputs are observable for the investments, either directly or indirectly, as of the reporting date, but are not the same as those used in Level 1. Fair values are obtained from third party pricing services that may use models or other valuation methodologies to derive market value. These may be investments traded in less active dealer or broker markets.

Level 3 – Pricing inputs are unobservable for investments and valuations are derived from other methodologies not based on market exchange, dealer or broker traded transactions. Level 3 valuations incorporate certain assumptions and projections in determining the fair value assigned to such assets and liabilities. The types of investments in this category would generally include debt and equity securities issued by private entities and partnerships.

The following summarizes fair values of investment assets by levels within the fair value hierarchy at September 30, 2022:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments:				
ETF - fixed income	\$ 63,448	\$ -	\$ -	\$ 63,448
ETF - Other	216,132	-	-	216,132
Cash and cash equivalents	153,494	-	-	153,494
Corporate and U.S. bonds	285,705	-	-	285,705
Equities	890,080	-	-	890,080
Total investments	<u>\$ 1,608,859</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,608,859</u>

Notes to Financial Statements - Continued

Maine Island Trail Association

Note E - Fair Value Measurements - Continued

The following summarizes fair values of investment assets by levels within the fair value hierarchy at September 30, 2021:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments:				
ETF - fixed income	\$ 192,901	\$ -	\$ -	\$ 192,901
ETF - Other	107,197	-	-	107,197
Cash and cash equivalents	100,883	-	-	100,883
Corporate and U.S. bonds	204,792	-	-	204,792
Equities	<u>1,250,690</u>	<u>-</u>	<u>-</u>	<u>1,250,690</u>
Total investments	<u>\$ 1,856,463</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,856,463</u>

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, the determination of which category within the fair value hierarchy is appropriate for any given investment based on the lowest level of input that is significant to the fair value measurement. All assets have been valued using a market approach. There have been no changes in valuation techniques and related inputs.

Note F - Property and Equipment

Property and equipment consisted of the following as of September 30:

	<u>2022</u>	<u>2021</u>
Building - Prout Road	\$ 241,770	\$ -
Land - Prout Road	203,552	-
Furniture and fixtures	39,045	39,045
Software	35,747	35,747
Buildings (islands)	24,526	14,793
Machinery and equipment	379,329	295,217
Leasehold improvements	<u>52,651</u>	<u>52,651</u>
	976,620	437,453
Less accumulated depreciation	<u>(303,307)</u>	<u>(255,042)</u>
	<u>\$ 673,313</u>	<u>\$ 182,411</u>

Notes to Financial Statements - Continued

Maine Island Trail Association

Note G - Boats Held for Sale

At September 30, 2022, two boats with an estimated value of \$8,640 have been donated to the Association. This property is being held for resale by the Association at September 30, 2022. When sold, the funds received from the sale of the property will be unrestricted to be used for general operations.

Note H - Endowment Funds

The Association has an endowment fund originating from numerous donor restricted gifts which are expendable for a specified purpose and as well as several that are not subject to appropriation or expenditure and the earnings on such gifts. Consistent with the intentions of the donors the income from the endowment assets will be used for the specific purposes attached to the gifts.

As required by generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions. The funds are recorded at fair value and the principal is recorded as net assets with donor restrictions. Earnings and losses on these funds are considered restricted or unrestricted depending on donor intentions and are recorded as such.

The Association has interpreted the State of Maine Uniform Prudent Management of Institutional Funds Act (the Act), as requiring the preservation of the contributed value of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Association classifies as donor-restricted net assets (1) the original value of gifts donated to the endowment, (2) the original value of subsequent gifts to the endowment, and (3) accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund, and (4) any remaining portion of the donor-restricted endowment until such amounts are appropriated for expenditure by the Association in a manner consistent with the standard of prudence prescribed by UPMIFA.

The Board of Directors establishes policies and procedures concerning the management of endowment funds. These policies establish asset classes that are deemed suitable for investment of endowment funds, which currently include investments in money market accounts, certificates of deposits, mutual funds, fixed income securities, and equities balancing the desire for a return on investments with the security of conservative growth. Endowment funds are managed with a total return orientation that focuses of the production on income as well as maintaining and growing the real value of the endowment and its subsequent distributions. Any spending from the endowment funds is not to exceed 4% of the average three year trailing balance, unless and until changed by a vote of the full board.

Notes to Financial Statements - Continued

Maine Island Trail Association

Note H - Endowment Funds - Continued

Changes in endowment net assets for the year ended September 30, 2022:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets at beginning of period	\$ -	\$ 1,715,674	\$ 1,715,674
Contributions	-	45,356	45,356
Withdrawals	-	(15,686)	(15,686)
Investment income	-	33,492	33,492
Net realized and unrealized gains, net of investment management fees	-	(275,636)	(275,636)
Amounts appropriated for expenditure	<u>-</u>	<u>(71,882)</u>	<u>(71,882)</u>
Endowment net assets at end of period	<u>\$ -</u>	<u>\$ 1,431,318</u>	<u>\$ 1,431,318</u>

Changes in endowment net assets for the year ended September 30, 2021:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets at beginning of period	\$ -	\$ 1,501,885	\$ 1,501,885
Contributions	-	-	-
Investment income	-	24,673	24,673
Net realized and unrealized gains, net or investment management fees	-	234,268	234,268
Amounts appropriated for expenditure	<u>-</u>	<u>(45,152)</u>	<u>(45,152)</u>
Endowment net assets at end of period	<u>\$ -</u>	<u>\$ 1,715,674</u>	<u>\$ 1,715,674</u>

Notes to Financial Statements - Continued

Maine Island Trail Association

Note I - Long-Term Debt

Long-term debt consisted of the following at September 30:

	<u>2022</u>	<u>2021</u>
Note payable to a bank in monthly principal and interest payments of \$2,236 through June 2042. The note bears interest at 4.75% for the first 10 years of the loan and at the current Wall Street Journal Prime Rate plus 2.00% for the final 10 years. The note is secured by real estate.	\$ 341,457	\$ -
Less current portion	<u>10,623</u>	<u>-</u>
Long-term debt, net of current portion	<u>\$ 330,834</u>	<u>\$ -</u>

Principal maturities of long-term debt in subsequent years from September 30, 2022 are as follows:

2023	\$ 10,623
2024	11,102
2025	11,693
2026	12,269
2027	12,873
Thereafter	<u>282,897</u>
	<u>\$ 341,457</u>

Note J - Paycheck Protection Program Loan

During the year ended September 30, 2020, the Association received a loan through the U.S. SBA (Small Business Administration) Paycheck Protection Program (PPP), established as part of the 2020 CARES Act. The \$118,200 promissory note was to be forgiven if the loan was used for payroll, rent, mortgage interest, or utilities incurred over the twenty four week period starting from the day the funds were received from the lender (with at least 60% of the loan being used for payroll). In addition, the Association was to maintain staffing and 75% of salaries as assessed individually, subject to certain exemptions. For any portion of the loan not forgiven, principal and interest payments were to begin on the seven month anniversary of execution of the note, with interest at a rate of 1% and principal in an amount so that the remaining loan balance would be fully amortized by the maturity date of April 9, 2022.

During the year ended September 30, 2021, the Association received notification of forgiveness from the SBA. Accordingly, the Association has recognized the entire balance of \$118,200 as revenue on the accompanying Statement of Activities for the year ended September 30, 2021.

Notes to Financial Statements - Continued

Maine Island Trail Association

Note K - Net Assets with Donor Restrictions

Net assets with donor restrictions are restricted for the following purposes at September 30:

	<u>2022</u>	<u>2021</u>
<i>Subject to expenditure for specified purpose:</i>		
Stewardship activities	\$ 627,786	\$ 912,142
Community access	7,244	-
Flat traps	9,165	-
Boat shop	10,435	-
<i>Not subject to appropriation or expenditure:</i>		
Stewardship endowment	<u>803,532</u>	<u>803,532</u>
Total net assets with donor restrictions	<u>\$ 1,458,162</u>	<u>\$ 1,715,674</u>

Note L - Liquidity and Availability

Financial assets consist of the Association's cash, accounts receivable, promises to give, and investments. The following reflects the Association's financial assets as of September 30, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the date of the Statement of Financial Position.

	<u>2022</u>	<u>2021</u>
Financial assets, at year end	\$ 1,821,617	\$ 2,064,983
Less those unavailable for general expenditures within one year, due to:		
<i>Contractual or donor-imposed restrictions</i>		
Stewardship activities	(627,786)	(912,142)
Community access	(7,244)	-
Flat traps	(9,165)	-
Boat shop	(10,435)	-
Stewardship endowment	<u>(803,532)</u>	<u>(935,028)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 363,455</u>	<u>\$ 217,813</u>

The Association's financial assets available to meet cash needs for general expenditures within one year represents funding for ongoing operational requirements and planned increases in program expenditures in 2023.

Notes to Financial Statements - Continued

Maine Island Trail Association

Note L - Liquidity and Availability - Continued

The Association is substantially supported by contributions and membership dues. The Association actively manages its cash flow to ensure funds are available for general expenditures, liabilities, and other obligations as they come due.

Note M - Revenue Recognition

Disaggregation of Revenue

The following table shows the Association's contract revenue disaggregated according to product type/revenue stream and the timing of transfer of goods or services at September 30:

	<u>2022</u>	<u>2021</u>
<i>Revenue Recognized at a Point in Time</i>		
Guidebook	\$ 56,940	\$ 68,220
Total revenue recognized at a point in time	56,940	68,220
<i>Revenue Recognized Over Time</i>		
Casco Bay Caretaker	40,000	40,000
Island Stewardship	35,000	35,000
Total revenue recognized over time	75,000	75,000
Total Revenue from Contracts with Customers	<u>\$ 131,940</u>	<u>\$ 143,220</u>

Contract Assets and Contract Liabilities

In accordance with FASB ASC 606-10-50, the Association has considered the need to record contract assets and contract liabilities from contracts with its customers. No such balances exist as of September 30, 2022 and 2021.

Receivables

The Association has accounts receivable from contracts with customers of \$328 and \$421 at September 30, 2022 and 2021, respectively.

Performance Obligations

The Association generates revenue from its grants from state agencies. Revenue is recognized over time as work is performed and the benefits are received.

The Association generates revenue at a point in time from the sale of its annual guidebook. Revenue is recognized at the point of sale.

There are no credit terms extended to certain customers based on credit worthiness.

Notes to Financial Statements - Continued

Maine Island Trail Association

Note M - Revenue Recognition - Continued

Performance Obligations - Continued

Management has determined that there are no significant warranties or return, refund, or discount obligations related to contracts with its customers.

The Association has no significant shipping and handling costs.

Transaction Price Allocated to Remaining Performance Obligations

In accordance with ASC 606-10-50-14 management has elected not to disclose certain information about the Association's remaining performance obligations. All such obligations relate to contracts that are for services with remaining terms of less than one year, with an original duration of one year or less, and contain no variable consideration.

Significant Judgments

The Association has considered a number of factors in determining that applying ASC 606 to a portfolio of similar contracts will not result in a materially different outcome compared to individually accounting for the contracts.

Financing Components

The Association's contracts with customers contain no significant financing components.

Note N - Contributed Nonfinancial Assets

For the years ended September 30, contributed nonfinancial assets recognized within the statement of activities included:

	<u>2022</u>	<u>2021</u>
Boats	\$ 100,833	\$ 22,785
Contract services	8,350	6,903
Venue rental	3,000	-
Mileage	685	152
Event supplies	940	-
Advertising	-	1,065
Small equipment and supplies	1,955	1,225
	<u>\$ 115,763</u>	<u>\$ 32,130</u>

The Association recognized contributed nonfinancial assets within revenue, including contributed boats, contracted services, venue rental, mileage, event supplies, advertising, and small equipment and supplies. Some donated boats were restricted by donors to be sold, the value of donated boats to be held for sale in the year ending September 30, 2022 was \$31,883. There were no contributed nonfinancial assets with donor restrictions.

Notes to Financial Statements - Continued

Maine Island Trail Association

Note N - Contributed Nonfinancial Assets - Continued

The contributed contract services comprise construction services for Prout Road improvements and boat storage. These services are valued and are reported at the estimated fair value in the financial statements based on current rates for similar services.

Contributed rentals, mileage, and supplies were used for stewardship activities. In valuing these items, the Association estimated the fair value basis based on current prices.

Note O - Retirement Plan

The Association maintains a simplified employee pension (SEP) plan which covers substantially all employees. The plan calls for the Association to contribute 5% of each eligible employee's annual salary. The contributions for the years ended September 30, 2022 and 2021 were \$27,771 and \$25,306, respectively.

Note P - Lease Arrangements

The Association leases space for its office in Portland, Maine from a third party under an operating lease which expires in December 2026. Rent is payable in fixed monthly installments of \$3,000, a portion of which relates to common costs that are determined on a yearly basis. Monthly installments are subject to 3% annual escalators for the duration of the lease. Total rent expense was \$40,872 for the year ended September 30, 2022.

The future minimum lease payments for the remaining periods are as follows:

2023	\$ 42,673
2024	43,953
2025	45,272
2026	46,630
	<u>\$ 178,528</u>

Note Q - Income Taxes

The Association qualifies as an organization exempt from federal income tax under Internal Revenue Code Section 501(c)(3) and files a Form 990 tax return. With a few exceptions, the Association is no longer subject to U.S. federal income tax examinations by tax authorities for years prior to 2019 due to the statute of limitations. The Association has adopted the provisions of FASB ASC, *Income Taxes*. Management of the Association believes it has no material uncertain tax positions and, accordingly, it will not recognize any liability for unrecognized tax benefits.

Notes to Financial Statements - Continued

Maine Island Trail Association

Note R - Subsequent Events

Management has made an evaluation of subsequent events to and including February 28, 2023, which was the date the financial statements were available to be issued and determined that any subsequent events that would require recognition or disclosure have been considered in the preparation of the financial statements.