

# **Financial Statements**



**September 30, 2020**

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**Maine Island Trail Association**

**September 30, 2020**

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## **Independent Auditors' Report**

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

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, 2020, 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.

### **Auditors' Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we 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, we 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.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## **Opinion**

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, 2020, 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.

## **Report on Summarized Comparative Information**

We have previously audited the Maine Island Trail Association's 2019 financial statements, and our report dated July 10, 2020, expressed an unmodified audit opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2019, is consistent, in all material respects, with the audited financial statements from which it has been derived.



Professional Association

**Portland, Maine**  
**February 25, 2021**

## Statement of Financial Position

### Maine Island Trail Association

As of September 30, 2020  
(with comparative totals for September 30, 2019)

	<u>2020</u>	<u>2019</u>
<b>Assets</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 200,968	\$ 64,394
Accounts receivable	14,916	14,356
Promises to give	11,167	21,717
Prepaid expenses	4,836	6,528
Boats held for sale	61,200	62,820
<b>Total Current Assets</b>	<u>293,087</u>	<u>169,815</u>
<b>Property and Equipment, net</b>	167,987	198,141
<b>Other Assets</b>		
Investments	1,506,033	1,339,971
Security deposits	2,000	2,000
<b>Total Other Assets</b>	<u>1,508,033</u>	<u>1,341,971</u>
<b>Total Assets</b>	<u>\$ 1,969,107</u>	<u>\$ 1,709,927</u>
<b>Liabilities and Net Assets</b>		
<b>Current Liabilities</b>		
Accounts payable	\$ 8,842	\$ 9,459
Accrued expenses	22,785	16,349
Paycheck Protection Program loan	118,200	-
<b>Total Current Liabilities</b>	<u>149,827</u>	<u>25,808</u>
<b>Net Assets</b>		
Without donor restrictions	317,395	346,331
With donor restrictions	1,501,885	1,337,788
<b>Total Net Assets</b>	<u>1,819,280</u>	<u>1,684,119</u>
<b>Total Liabilities and Net Assets</b>	<u>\$ 1,969,107</u>	<u>\$ 1,709,927</u>

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

## Statement of Activities

### Maine Island Trail Association

For the Year Ended September 30, 2020  
(with comparative totals for September 30, 2019)

	2020			2019
	Without Donor Restrictions	With Donor Restrictions	Total	Total
<b>Revenues and Other Support</b>				
Membership dues	\$ 205,553	\$ -	\$ 205,553	\$ 159,170
Contributions	485,034	2,517	487,551	488,399
Sponsorships	31,541	-	31,541	38,594
Events	9,435	-	9,435	55,056
Grants	174,500	-	174,500	124,000
Other	30,130	-	30,130	10,410
Interest and dividend income	540	24,948	25,488	25,473
Net assets released from restriction	-	-	-	-
<b>Total Revenues and Other Support</b>	<u>936,733</u>	<u>27,465</u>	<u>964,198</u>	<u>901,102</u>
<b>Expenses</b>				
Program services	690,169	-	690,169	649,032
Management and general	94,469	-	94,469	89,936
Fundraising	<u>184,012</u>	<u>-</u>	<u>184,012</u>	<u>135,308</u>
<b>Total Expenses</b>	<u>968,650</u>	<u>-</u>	<u>968,650</u>	<u>874,276</u>
<b>Revenues Over (Under) Expenses</b>	(31,917)	27,465	(4,452)	26,826
Gain on sale of assets	-	-	-	3,950
Net realized and unrealized investment gains	<u>2,981</u>	<u>136,632</u>	<u>139,613</u>	<u>10,708</u>
<b>Increase (Decrease) in Net Assets</b>	(28,936)	164,097	135,161	41,484
Net assets at beginning of year	<u>346,331</u>	<u>1,337,788</u>	<u>1,684,119</u>	<u>1,642,635</u>
<b>Net Assets at End of Year</b>	<u>\$ 317,395</u>	<u>\$ 1,501,885</u>	<u>\$ 1,819,280</u>	<u>\$ 1,684,119</u>

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

## Statement of Functional Expenses

### Maine Island Trail Association

For the Year Ended September 30, 2020

(with comparative totals for the year ended September 30, 2019)

	<u>2020</u>			<u>2019</u>	
	Program Services	Management and General	Fundraising	Total	Total
Salaries and wages	\$ 372,939	\$ 58,163	\$ 114,945	\$ 546,047	\$ 457,574
Retirement benefits	15,196	2,290	3,331	20,817	20,582
Other employee benefits	31,581	2,203	2,938	36,722	31,290
Payroll taxes	31,635	4,767	6,933	43,335	36,448
Accounting and legal	-	7,100	-	7,100	6,750
Contract services	27,113	352	7,746	35,211	28,932
Advertising	1,408	-	-	1,408	795
Supplies	34,375	2,398	3,198	39,971	46,978
Information technology	16,840	2,538	3,691	23,069	20,162
Occupancy	28,324	4,268	6,208	38,800	37,544
Travel	10,870	-	447	11,317	16,576
Conferences and conventions	3,370	-	5,000	8,370	24,424
Depreciation	41,555	6,356	978	48,889	41,240
Insurance	19,787	3,297	1,724	24,808	25,109
Printing and reproduction	26,908	-	8,969	35,877	35,663
Postage	16,288	229	6,423	22,940	18,539
Repairs and maintenance	5,575	297	59	5,931	13,339
Meals and entertainment	6,405	211	422	7,038	9,819
Bad debt	-	-	11,000	11,000	2,512
	<u>\$ 690,169</u>	<u>\$ 94,469</u>	<u>\$ 184,012</u>	<u>\$ 968,650</u>	<u>\$ 874,276</u>

See accompanying independent auditor's report and notes to financial statements.

## Statement of Cash Flows

### Maine Island Trail Association

For the Year Ended September 30, 2020  
(with comparative totals for September 30, 2019)

	<u>2020</u>	<u>2019</u>
<b>Cash Flows from Operating Activities</b>		
Increase in net assets	\$ 135,161	\$ 41,484
Adjustments to reconcile changes in net assets to net cash provided (used) by operating activities:		
Bad debt expense	11,000	2,512
Depreciation	48,889	41,240
Non-cash contribution of property	1,620	(45,900)
Gain on sale of property and equipment	-	(3,950)
Net realized and unrealized gain on investments	(139,613)	(10,708)
(Increase) decrease in operating assets:		
Accounts receivable	(560)	(14,356)
Promises to give	(450)	4,224
Prepaid expenses	1,692	(209)
Increase (decrease) in operating liabilities:		
Accounts payable	(617)	6,499
Accrued expenses	6,436	(3,100)
<b>Net Cash Provided by Operating Activities</b>	<u>63,558</u>	<u>17,736</u>
<b>Cash Flows from Investing Activities</b>		
Purchase of property and equipment	(18,735)	(82,036)
Proceeds from sale of property and equipment	-	3,950
Purchase of investments	(579,403)	(557,362)
Proceeds from sale of investments	552,954	531,974
<b>Net Cash Used by Investing Activities</b>	<u>(45,184)</u>	<u>(103,474)</u>
<b>Cash Flows from Financing Activities</b>		
Proceeds from Paycheck Protection Program loan	118,200	-
<b>Net Cash Provided by Financing Activities</b>	<u>118,200</u>	<u>-</u>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	136,574	(85,738)
Cash and cash equivalents at beginning of year	<u>64,394</u>	<u>150,132</u>
<b>Cash and Cash Equivalents at End of Year</b>	<u>\$ 200,968</u>	<u>\$ 64,394</u>

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



## Notes to Financial Statements - Continued

### 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 and cash equivalents residing within the Association's managed investment portfolios are reported as investments. The Association maintains its cash and cash equivalents 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.

## Notes to Financial Statements - Continued

### Maine Island Trail Association

#### Note B - Summary of Significant Accounting Policies - Continued

##### 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, 2020 and 2019.

##### 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 \$48,889 and \$41,240 for the years ended September 30, 2020 and 2019, 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

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. No amounts have been reflected in the financial statements for donated services. 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, 2020, boat storage, fuel, and other items were donated to the Association. The value of those materials was \$7,664 and the related materials were used primarily to further the Association's purpose.

## Notes to Financial Statements - Continued

### Maine Island Trail Association

#### Note B - Summary of Significant Accounting Policies - Continued

##### **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.

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, 2019, from which the summarized information was derived. Some 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.

## Notes to Financial Statements - Continued

### Maine Island Trail Association

#### Note B - Summary of Significant Accounting Policies - Continued

##### 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 \$1,408 and \$795 for the years ended September 30, 2020 and 2019, respectively.

##### Adoption of New Accounting Policies

On October 1, 2019, the Association adopted ASU 2014-09, *Revenue from Contracts with Customers* and all subsequent amendments to the ASU (collectively, "ASC 606"), which creates a single, principle-based model for recognizing contract revenue and related incremental expenses. The Association adopted ASC 606 using the modified retrospective method applied to all contracts not completed as of October 1, 2019. Under the modified retrospective transition method, a cumulative effect adjustment is recorded to the opening balance of net assets for the initial application of the new guidance as of October 1, the date of initial application. Management has determined that there were no adjustments to the financial statements resulting from adoption.

In accordance with FASB ASC 606-10-50-14, the Association has elected not to disclose certain information about its remaining performance obligations, as such obligations relate to contracts with an original expected duration of one year or less.

The notes to the financial statements contain certain disclosures that are specific to the implementation of ASC 606. Such information does not include comparative prior-year detail, as the Association adopted the Standard as of October 1, 2019.

On October 1, 2019, the Association adopted ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This ASU includes specific criteria to consider when determining whether a contract or agreement should be accounted for as a contribution or as an exchange transaction. It also provides a framework for determining whether a contribution is conditional or unconditional, and thus the timing of revenue recognition.

## Notes to Financial Statements - Continued

### Maine Island Trail Association

#### Note B - Summary of Significant Accounting Policies - Continued

##### 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>2020</u>	<u>2019</u>
Receivable in less than one year	\$ 11,167	\$ 21,717

Bad debt expense was \$11,000 in the year ended September 30, 2020. Management deems no allowance for doubtful accounts is necessary.

#### Note D - Investments

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

	<u>2020</u>	<u>2019</u>
ETF - fixed income	\$ 195,282	\$ -
ETF - other	37,779	-
Cash and cash equivalents	72,265	123,766
Corporate and U.S. bonds	164,431	285,074
Equities	<u>1,036,276</u>	<u>931,131</u>
	<u>\$ 1,506,033</u>	<u>\$ 1,339,971</u>

## Notes to Financial Statements - Continued

### Maine Island Trail Association

#### Note D - Investments - Continued

Investment returns from the above investments for the year ended September 30, 2020 are summarized as follows:

	Without Donor <u>Restrictions</u>	With Donor <u>Restrictions</u>	<u>Total</u>
Interest and dividend income	\$ 540	\$ 24,948	\$ 25,488
Net realized and unrealized gains on investments	<u>2,981</u>	<u>136,632</u>	<u>139,613</u>
	<u>\$ 3,521</u>	<u>\$ 161,580</u>	<u>\$ 165,101</u>

Investment income is reported net of investment fees.

Investment returns from the above investments for the year ended September 30, 2019 are summarized as follows:

	Without Donor <u>Restrictions</u>	With Donor <u>Restrictions</u>	<u>Total</u>
Interest and dividend income	\$ 628	\$ 24,845	\$ 25,473
Net realized and unrealized gains on investments	<u>295</u>	<u>10,413</u>	<u>10,708</u>
	<u>\$ 923</u>	<u>\$ 35,258</u>	<u>\$ 36,181</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, 2020:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments:				
ETF - fixed income	\$ 195,282	\$ -	\$ -	\$ 195,282
ETF - Other	37,779	-	-	37,779
Cash and cash equivalents	72,265	-	-	72,265
Corporate and U.S. bonds	164,431	-	-	164,431
Equities	1,036,276	-	-	1,036,276
Total investments	<u>\$ 1,506,033</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,506,033</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, 2019:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments:				
Cash and cash equivalents	\$ 123,766	\$ -	\$ -	\$ 123,766
Corporate and U.S. bonds	285,074	-	-	285,074
Equities	<u>931,131</u>	<u>-</u>	<u>-</u>	<u>931,131</u>
Total investments	<u>\$ 1,339,971</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,339,971</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>2020</u>	<u>2019</u>
Furniture and fixtures	\$ 39,231	\$ 39,231
Software	35,747	35,747
Buildings (Islands)	6,298	6,298
Leasehold improvements	52,651	52,651
Machinery and equipment	<u>297,616</u>	<u>278,881</u>
	431,543	412,808
Less accumulated depreciation	<u>(263,556)</u>	<u>(214,667)</u>
	<u>\$ 167,987</u>	<u>\$ 198,141</u>

#### Note G - Boats Held for Sale

At September 30, 2020, three boats with an estimated value of \$61,200 have been left to the Association. This property is being held for resale by the Association at September 30, 2020. When sold, the funds received from the sale of the property will be unrestricted to be used for general operations.



## Notes to Financial Statements - Continued

### Maine Island Trail Association

#### 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, 2020:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets at beginning of period	\$ -	\$ 1,337,788	\$ 1,337,788
Net contributions	-	2,517	2,517
Investment income	-	24,948	24,948
Net realized and unrealized gains, net of investment management fees	-	136,632	136,632
Amounts appropriated for expenditure	-	-	-
Endowment net assets at end of period	<u>\$ -</u>	<u>\$ 1,501,885</u>	<u>\$ 1,501,885</u>

Changes in endowment net assets for the year ended September 30, 2019:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets at beginning of period	\$ -	\$ 1,359,353	\$ 1,359,353
Net contributions	-	7,950	7,950
Investment income	-	24,845	24,845
Net realized and unrealized gains, net or investment management fees	-	10,413	10,413
Amounts appropriated for expenditure	-	(64,773)	(64,773)
Endowment net assets at end of period	<u>\$ -</u>	<u>\$ 1,337,788</u>	<u>\$ 1,337,788</u>

## Notes to Financial Statements - Continued

### Maine Island Trail Association

#### Note I - 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 will be forgiven if the loan is 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 must 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 shall 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 fully amortizes by the maturity date of April 9, 2025.

#### Note J - Net Asset with Donor Restrictions

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

	<u>2020</u>	<u>2019</u>
<i>Subject to expenditure for specified purpose:</i>		
Stewardship Activities	\$ 653,201	\$ 491,621
<i>Not subject to appropriation or expenditure:</i>		
Stewardship Endowment	<u>848,684</u>	<u>846,167</u>
Total net assets with donor restrictions	<u>\$ 1,501,885</u>	<u>\$ 1,337,788</u>

## Notes to Financial Statements - Continued

### Maine Island Trail Association

#### Note K - 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>2020</u>	<u>2019</u>
Financial assets, at year end	\$ 1,733,084	\$ 1,440,438
Less those unavailable for general expenditures within one year, due to:		
<i>Contractual or donor-imposed restrictions</i>		
Stewardship Activities	(653,201)	(491,621)
Stewardship Endowment	<u>(848,684)</u>	<u>(846,167)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 231,199</u>	<u>\$ 102,650</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 2021.

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.

## Notes to Financial Statements - Continued

### Maine Island Trail Association

#### Note L - 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, 2020:

##### *Revenue Recognized at a Point in Time*

Guidebook	\$ 55,395
Total revenue recognized at a point in time	55,395

##### *Revenue Recognized Over Time*

Casco Bay Caretaker	40,000
Island Stewardship	35,000
Total revenue recognized over time	75,000
Total Revenue from Contracts with Customers	<u>\$ 130,395</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 October 1, 2019 and September 30, 2020.

##### Receivables

The Association has accounts receivable from contracts with customers of \$14,916 and \$14,356 at September 30, 2020 and October 1, 2019, 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.

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.

##### 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.

## Notes to Financial Statements - Continued

### Maine Island Trail Association

#### Note L - Revenue Recognition - Continued

##### Financing Components

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

##### Transition

The Association applied the new Revenue from Contracts with Customers guidance to contracts not completed at October 1, 2019, the date of initial application. In (a) determining the amount that would have been recognized for each financial statement line item if legacy GAAP had continued to be applied in the period of adoption, and (b) comparing that amount to the amount recognized for the line item under the new guidance, management has determined that there were no changes to the financial statements resulting from adoption.

#### Note M - 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, 2020 and 2019 were \$20,817 and \$20,582, respectively.

#### Note N - 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 \$34,524 for the year ended September 30, 2020.

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

2021	\$	40,223
2022		41,430
2023		42,673
2024		43,953
2025		45,272
Thereafter		<u>46,630</u>
	\$	<u>260,181</u>

## **Notes to Financial Statements - Continued**

### **Maine Island Trail Association**

#### **Note O - 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 2017 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.

#### **Note P - Subsequent Events**

Subsequent to year end, the Association received notification that the Paycheck Protection Program loan has been forgiven in full.

Management has made an evaluation of subsequent events to and including February 25, 2021, 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.