

Financial Statements



September 30, 2023

Contents

Maine Island Trail Association

September 30, 2023

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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, 2023, 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, 2023, 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 2022 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated February 28, 2023. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2022, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Purdy Powers + Co.
Professional Association

Portland, Maine
February 29, 2024

Statement of Financial Position

Maine Island Trail Association

As of September 30, 2023
(with comparative totals for September 30, 2022)

	<u>2023</u>	<u>2022</u>
Assets		
Current Assets		
Cash	\$ 129,886	\$ 184,644
Accounts receivable	443	328
Promises to give	25,955	27,786
Bequest receivable	40,000	-
Prepaid expenses	72,204	12,204
Boats held for sale	23,460	8,640
	<hr/>	<hr/>
Total Current Assets	291,948	233,602
Property and Equipment, net	690,907	673,313
Other Assets		
Investments	1,782,275	1,608,859
Right of use assets	90,228	-
Security deposits	2,424	2,424
	<hr/>	<hr/>
Total Other Assets	1,874,927	1,611,283
Total Assets	<u>\$ 2,857,782</u>	<u>\$ 2,518,198</u>
Liabilities and Net Assets		
Current Liabilities		
Accounts payable	\$ 19,070	\$ 10,544
Accrued expenses	30,232	26,428
Current portion of lease obligations	25,980	-
Current portion of long-term debt	11,102	10,623
	<hr/>	<hr/>
Total Current Liabilities	86,384	47,595
Long-Term Liabilities		
Lease obligations, net of current portion	65,924	-
Long-term debt, net of current portion	319,731	330,834
	<hr/>	<hr/>
Total Long-Term Liabilities	385,655	330,834
Total Liabilities	472,039	378,429
Net Assets		
Without donor restrictions	741,208	681,607
With donor restrictions	1,644,535	1,458,162
	<hr/>	<hr/>
Total Net Assets	2,385,743	2,139,769
Total Liabilities and Net Assets	<u>\$ 2,857,782</u>	<u>\$ 2,518,198</u>

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

Statement of Activities

Maine Island Trail Association

For the Year Ended September 30, 2023

(with comparative totals for the year ended September 30, 2022)

	2023			2022
	Without Donor Restrictions	With Donor Restrictions	Total	Total
Revenues and Other Support				
Membership dues	\$ 218,404	\$ -	\$ 218,404	\$ 255,192
Contributions	733,885	82,725	816,610	746,927
Contributions of nonfinancial assets	45,998	-	45,998	115,763
Sponsorships	108,589	-	108,589	69,642
Events	74,267	-	74,267	32,960
Grants	177,391	-	177,391	163,000
Interest and dividend income	930	40,763	41,693	34,247
Net assets released from restriction	65,901	(65,901)	-	-
Total Revenues and Other Support	<u>1,425,365</u>	<u>57,587</u>	<u>1,482,952</u>	<u>1,417,731</u>
Expenses				
Program services	1,011,395	-	1,011,395	907,739
Management and general	123,602	-	123,602	121,441
Fundraising	244,060	-	244,060	197,336
Total Expenses	<u>1,379,057</u>	<u>-</u>	<u>1,379,057</u>	<u>1,226,516</u>
Revenues Over (Under) Expenses	46,308	57,587	103,895	191,215
Gain (loss) on disposal of fixed assets	-	-	-	100
Gain on boats held for sale	10,356	-	10,356	3,997
Net realized and unrealized investment gains (losses)	2,937	128,786	131,723	(281,851)
Increase (Decrease) in Net Assets	59,601	186,373	245,974	(86,539)
Net assets at beginning of year	681,607	1,458,162	2,139,769	2,226,308
Net Assets at End of Year	<u>\$ 741,208</u>	<u>\$ 1,644,535</u>	<u>\$ 2,385,743</u>	<u>\$ 2,139,769</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, 2023

(with comparative totals for the year ended September 30, 2022)

	2023				2022
	Program Services	Management and General	Fundraising	Total	Total
Salaries and wages	\$ 486,776	\$ 78,224	\$ 138,693	\$ 703,693	\$ 653,369
Retirement benefits	20,072	3,546	3,145	26,763	27,771
Other employee benefits	49,068	7,602	12,440	69,110	34,420
Payroll taxes	40,582	6,287	10,288	57,157	52,583
Accounting and legal	5,751	891	1,458	8,100	7,600
Contract services	37,548	383	383	38,314	58,363
Advertising	1,003	-	-	1,003	2,328
Supplies	32,821	2,424	8,811	44,056	59,302
Information technology	40,746	2,876	4,314	47,936	49,273
Occupancy	60,119	8,920	8,533	77,572	40,964
Travel	21,796	378	3,024	25,198	28,370
Conferences and conventions	6,864	-	20,592	27,456	20,536
Interest	16,210	-	-	16,210	4,165
Depreciation	61,281	5,107	1,702	68,090	49,702
Insurance	25,554	5,495	5,495	36,544	33,794
Printing and reproduction	58,483	-	11,979	70,462	62,704
Postage	24,890	390	5,930	31,210	26,150
Repairs and maintenance	2,428	-	1,619	4,047	6,675
Promo items	16,086	548	1,645	18,279	-
Meals and entertainment	3,317	531	1,459	5,307	4,747
Bad debt	-	-	2,550	2,550	3,700
Total Expenses	\$ 1,011,395	\$ 123,602	\$ 244,060	\$ 1,379,057	\$ 1,226,516

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

Statement of Cash Flows

Maine Island Trail Association

For the Year Ended September 30, 2023

(with comparative totals for the year ended September 30, 2022)

	<u>2023</u>	<u>2022</u>
Cash Flows from Operating Activities		
Increase (decrease) in net assets	\$ 245,974	\$ (86,539)
Adjustments to reconcile changes in net assets to net cash provided (used) by operating activities:		
Bad debt expense	2,550	3,700
Depreciation	68,090	49,702
Right of use amortization	25,832	-
Non-cash contribution of property	(40,980)	(31,883)
(Gain) loss on disposal of fixed assets	-	(100)
Gain on boats held for sale	(10,965)	(3,997)
Net realized and unrealized (gain) loss on investments	(131,723)	281,851
(Increase) decrease in operating assets:		
Accounts receivable	(115)	93
Promises to give	(719)	(10,860)
Bequest receivable	(40,000)	-
Prepaid expenses	(60,000)	(4,785)
Security deposit	-	(424)
Increase (decrease) in operating liabilities:		
Accounts payable	8,526	3,681
Accrued expenses	3,804	(529)
Lease obligation	(24,156)	-
Net Cash Provided by Operating Activities	<u>46,118</u>	<u>199,910</u>
Cash Flows from Investing Activities		
Purchase of property and equipment	(86,293)	(196,604)
Proceeds from sale of property and equipment	609	100
Proceeds from sale of donated boats	37,125	30,555
Purchase of investments	(743,341)	(680,116)
Proceeds from sale of investments	<u>701,648</u>	<u>645,869</u>
Net Cash Used by Investing Activities	<u>(90,252)</u>	<u>(200,196)</u>
Cash Flows from Financing Activities		
Principal payments on long-term debt	<u>(10,624)</u>	<u>(2,543)</u>
Net Cash Used by Financing Activities	<u>(10,624)</u>	<u>(2,543)</u>
Net Decrease in Cash	(54,758)	(2,829)
Cash at beginning of year	<u>184,644</u>	<u>187,473</u>
Cash at End of Year	<u>\$ 129,886</u>	<u>\$ 184,644</u>
Supplemental Disclosure of Cash Flow Information:		
Cash paid for interest	<u>\$ 16,210</u>	<u>\$ 4,165</u>
Non-Cash Investing and Financing Activities		
Acquisition of building in exchange for mortgage	<u>\$ -</u>	<u>\$ 344,000</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, 2023 and 2022.

Notes to Financial Statements

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 \$68,090 and \$49,702 for the years ended September 30, 2023 and 2022, 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.

Contributed Nonfinancial Assets

As more fully described in Note M, 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 boats and materials are recorded at the fair value at the date of the gift. During the year ended September 30, 2023, boats, boat storage, services, and other items were donated to the Association. The value of those boats and materials was \$45,298 and 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

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.

Leases

In accordance with ASC 842 (see below “New Accounting Pronouncement”), the Association generally records lease assets and corresponding lease liabilities on the balance sheet and discloses key quantitative and qualitative information about its lease contracts.

For each of its lease contracts that at inception are identified to be within the scope of ASC 842, the Association initially measured at the present value of the unpaid lease payments, and a right of use (“ROU”) asset is initially measured at the amount of the lease liability, plus any initial direct costs and less incentives received. Subsequently, the lease liability is increased to reflect interest using the effective interest method and decreased for lease payments made. Finance lease ROU assets are amortized on a straight-line basis over the earlier of the useful life or lease term; operating lease ROU assets are amortized based on the difference between periodic straight-line lease cost and periodic interest accretion.

Operating lease expense is recognized on a straight-line basis over the lease term; any variable lease payments not included in the lease liability are recognized when incurred. Amortization on the ROU asset and interest on the outstanding lease liability are recorded annually for any finance leases.

In determining the lease term, the Association follows ASC 842-10-55-23 in assessing the length of the noncancellable period of a lease. At the commencement date, the Association assesses whether it is reasonably certain to exercise or not exercise any renewal option by considering all economic factors relevant to that assessment.

Notes to Financial Statements

Maine Island Trail Association

Note B - Summary of Significant Accounting Policies - Continued

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, 2022, 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. Salaries and benefits are allocated based on time and effort. Certain other costs are allocated based on management's estimate of the appropriate allocations for each expense.

Advertising Expenses

Advertising costs are expensed as incurred. Advertising expense was \$1,003 and \$2,328 for the years ended September 30, 2023 and 2022, respectively.

New Accounting Pronouncement

On October 1, 2022, the Association adopted Accounting Standards Update (ASU) 2016-02, *Leases* (Topic 842), and all subsequent amendments (collectively, "ASC 842" or "Topic 842"). The core principle of Topic 842 is that a lessee should recognize a right of use ("ROU") asset and a related lease liability on the balance sheet for most leases. The Association adopted ASC 842 using the transition alternative provided by ASU 2018-11 *Leases* (Topic 842) - *Targeted Improvements*, under which an entity initially applies ASC 842 to all leases existing at the adoption date, and comparative periods are presented in the financial statements under the legacy lease guidance of ASC 840. Under the transition alternative, all relevant transition disclosures are provided as of the beginning of the period of adoption (October 1, 2022) rather than at the beginning of the earliest period presented.

The Association elected the package of practical expedients permitted under the new standard that allowed the Association to carry forward historical lease classification for existing leases on the adoption date, and allowed it not to assess whether an existing contract contains a lease or initial direct costs.

Notes to Financial Statements

Maine Island Trail Association

Note C - Promises to Give

Unconditional promises to give at September 30 were as follows:

	<u>2023</u>	<u>2022</u>
Receivable in less than one year	\$ <u>25,955</u>	\$ <u>27,786</u>

Bad debt expense was \$2,550 in the year ended September 30, 2023. Management deems no allowance for doubtful accounts is necessary.

Note D - Bequest Receivable

The Association had been named as a beneficiary of a revocable trust. The trust is irrevocable as of September 12, 2023, the date of the settlor's death. The final settlement due to the Association is contingent upon the final settlement and asset allocation of the trust. Based on available information provided by the trust documents, it is estimated that the Association will receive \$40,000 from the trust. Accordingly, the Association has recorded the gift as a bequest receivable and as contribution revenue as of and for the year ended September 30, 2023.

Note E - Investments

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

	<u>2023</u>	<u>2022</u>
ETF - fixed income	\$ 25,196	\$ 63,448
ETF - other	355,435	216,132
Cash and cash equivalents	199,958	153,494
Corporate and U.S. bonds	326,145	285,705
Equities	<u>875,541</u>	<u>890,080</u>
	<u>\$ 1,782,275</u>	<u>\$ 1,608,859</u>

Notes to Financial Statements

Maine Island Trail Association

Note E - Investments - Continued

Investment returns from the above investments for the year ended September 30, 2023 are summarized as follows:

	Without Donor <u>Restrictions</u>	With Donor <u>Restrictions</u>	<u>Total</u>
Interest and dividend income	\$ 930	\$ 40,763	\$ 41,693
Net realized and unrealized gains on investments	<u>2,937</u>	<u>128,786</u>	<u>131,723</u>
	<u>\$ 3,867</u>	<u>\$ 169,549</u>	<u>\$ 173,416</u>

Investment income is reported net of investment fees.

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 losses 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.

Note F - 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.

Notes to Financial Statements

Maine Island Trail Association

Note F - Fair Value Measurements - Continued

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, 2023:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments:				
ETF - fixed income	\$ 25,196	\$ -	\$ -	\$ 25,196
ETF - Other	355,435	-	-	355,435
Cash and cash equivalents	199,958	-	-	199,958
Corporate and U.S. bonds	326,145	-	-	326,145
Equities	<u>875,541</u>	<u>-</u>	<u>-</u>	<u>875,541</u>
Total investments	<u>\$ 1,782,275</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,782,275</u>

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	<u>890,080</u>	<u>-</u>	<u>-</u>	<u>890,080</u>
Total investments	<u>\$ 1,608,859</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,608,859</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.

Notes to Financial Statements

Maine Island Trail Association

Note G - Property and Equipment

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

	<u>2023</u>	<u>2022</u>
Building - Prout Road	\$ 245,068	\$ 241,770
Land - Prout Road	203,552	203,552
Furniture and fixtures	39,045	39,045
Software	48,701	35,747
Buildings (islands)	40,824	24,526
Machinery and equipment	408,679	379,329
Leasehold improvements	<u>52,651</u>	<u>52,651</u>
	1,038,520	976,620
Less accumulated depreciation	<u>(347,613)</u>	<u>(303,307)</u>
	<u>\$ 690,907</u>	<u>\$ 673,313</u>

Note H - Boats Held for Sale

At September 30, 2023, two boats with an estimated value of \$23,460 have been donated to the Association. This property is being held for resale by the Association at September 30, 2023. When sold, the funds received from the sale of the property will be unrestricted to be used for general operations.

Note I - 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.

Notes to Financial Statements

Maine Island Trail Association

Note I - Endowment Funds - Continued

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 on the production of 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.

Changes in endowment net assets for the year ended September 30, 2023:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets at beginning of period	\$ -	\$ 1,431,318	\$ 1,431,318
Contributions	-	15,247	15,247
Withdrawals	-	(15,427)	(15,427)
Investment income	-	40,763	40,763
Net realized and unrealized gains, net of investment management fees	-	128,786	128,786
Amounts appropriated for expenditure	-	(1,000)	(1,000)
Endowment net assets at end of period	<u>\$ -</u>	<u>\$ 1,599,867</u>	<u>\$ 1,599,867</u>

Notes to Financial Statements

Maine Island Trail Association

Note I - 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 or investment management fees	-	(275,636)	(275,636)
Amounts appropriated for expenditure	-	(71,882)	(71,882)
Endowment net assets at end of period	<u>\$ -</u>	<u>\$ 1,431,318</u>	<u>\$ 1,431,318</u>

Note J - Long-Term Debt

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

	<u>2023</u>	<u>2022</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.	\$ 330,833	\$ 341,457
Less current portion	<u>11,102</u>	<u>10,623</u>
Long-term debt, net of current portion	<u>\$ 319,731</u>	<u>\$ 330,834</u>

Notes to Financial Statements

Maine Island Trail Association

Note J - Long-Term Debt - Continued

Principal maturities of long-term debt in subsequent years from September 30, 2023 are as follows:

2024	\$	11,102
2025		11,693
2026		12,269
2027		12,873
2028		13,469
Thereafter		<u>269,427</u>
	\$	<u>330,833</u>

Note K - Net Assets with Donor Restrictions

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

	<u>2023</u>	<u>2022</u>
<i>Subject to expenditure for specified purpose:</i>		
Stewardship activities	\$ 796,155	\$ 627,786
Community access	2,421	7,244
Flat traps	9,162	9,165
Boat shop	33,265	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>\$ 1,644,535</u>	<u>\$ 1,458,162</u>

Notes to Financial Statements

Maine Island Trail Association

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>2023</u>	<u>2022</u>
Financial assets, at year end	\$ 1,938,559	\$ 1,821,617
Less those unavailable for general expenditures within one year, due to:		
<i>Contractual or donor-imposed restrictions</i>		
Stewardship activities	(796,155)	(627,786)
Community access	(2,421)	(7,244)
Flat traps	(9,162)	(9,165)
Boat shop	(33,265)	(10,435)
Stewardship endowment	<u>(803,532)</u>	<u>(803,532)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 294,024</u>	<u>\$ 363,455</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 2024. 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

Maine Island Trail Association

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>2023</u>	<u>2022</u>
<i>Revenue Recognized at a Point in Time</i>		
Guidebook	\$ 49,335	\$ 56,940
Total revenue recognized at a point in time	49,335	56,940
<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>\$ 124,335</u>	<u>\$ 131,940</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, 2023 and 2022.

Receivables

The Association has accounts receivable from contracts with customers of \$443 and \$328 at September 30, 2023 and 2022, 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

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>2023</u>	<u>2022</u>
Boats	\$ 40,980	\$ 100,833
Contract services	1,507	8,350
Venue rental	950	3,000
Mileage	1,196	685
Event supplies	316	940
Small equipment and supplies	349	1,955
	<u>\$ 45,298</u>	<u>\$ 115,763</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, 2023 was \$23,460. There were no contributed nonfinancial assets with donor restrictions.

Notes to Financial Statements

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, 2023 and 2022 were \$26,762 and \$27,771, respectively.

Note P - Leases

The organization has one operating lease for a building through December 31, 2026.

The Organization has elected the following practical expedients for all relevant leases:

- Not to recognize short-term leases (twelve months or less) on its balance sheet; lease expense for any such agreements is recorded on a straight-line basis;
- Not to separate lease components and non-lease components; and
- To use the risk-free discount rate of return.

In implementing ASC 842, the Organization has determined that none of its contracts include finance leases.

In implementing ASC 842, the Organization has determined that none of its contracts include short-term (including month to month) operating lease obligations.

In implementing ASC 842, the Organization has determined that none of its leases include variable rental payments.

Management has concluded that the renewal option in the lease agreement is not reasonably certain of being exercised, and thus, consistent with ASC 842, renewal periods will be excluded in the terms of the contract.

Notes to Financial Statements

Maine Island Trail Association

Note P - Leases - Continued

Operating lease right of use assets and lease liabilities as of September 30, 2023 were as follows:

Right of use assets:	
Operating lease assets	\$ <u>90,228</u>
Lease liabilities:	
Current operating lease liabilities	\$ 25,980
Non-current operating lease liabilities	<u>65,924</u>
Total lease liabilities	<u>\$ 91,904</u>

Operating lease cost for the leasing activity of the organization for the year ended September 30, 2023 was \$29,846 and has been reported in the Statement of Functional Expenses.

The aggregate future lease payments below summarize the remaining future undiscounted cash flows for operating leases as of September 30, 2023, and a reconciliation of operating lease liabilities reported on the balance sheet:

2024	\$ 29,302
2025	30,181
2026	31,087
2027	<u>8,107</u>
Total lease payments	98,677
Less interest	<u>6,773</u>
Present value of lease liability	<u>\$ 91,904</u>

At September 30, 2023, the remaining lease term is 3.25 years and the risk free discount rate is 4.25%.

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 2020 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

Maine Island Trail Association

Note R - Subsequent Events

Management has made an evaluation of subsequent events to and including February 29, 2024, 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.