

GREAT POND MOUNTAIN CONSERVATION TRUST  
FINANCIAL STATEMENTS  
MAY 31, 2010

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# LOISELLE, GOODWIN & HINDS

CERTIFIED PUBLIC ACCOUNTANTS

Leo M. Loiselle, CPA  
Glenn D. Goodwin, CPA  
James W. Hinds, CPA  
Donald E. Higgins, CPA  
Christopher S. Hinds, CPA  
Angel R. Caron, CPA

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One Merchants Plaza Suite 703 PO Box 939 Bangor, Maine 04402-0939 telephone 207 990-4585 800 784-0793 fax 207 990-4584 e-mail lghcpa@lghcpa.com  
website: www.lghcpa.com

To the Board of Directors of  
Great Pond Mountain Conservation Trust

We have reviewed the accompanying statement of assets, liabilities and net assets – cash basis of Great Pond Mountain Conservation Trust (a nonprofit organization) as of May 31, 2010, and the related statement of revenue, expenses and change in net assets – cash basis for the year then ended, in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. All information included in these financial statements is the representation of the management of Great Pond Mountain Conservation Trust.

A review consists principally of inquiries of Organization personnel and analytical procedures applied to financial data. It is substantially less in scope than an audit in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with the cash basis of accounting, as described in Note 1B.



Loiselle, Goodwin & Hinds

August 30, 2010  
Bangor, Maine

**GREAT POND MOUNTAIN CONSERVATION TRUST**  
**STATEMENT OF ASSETS, LIABILITIES AND NET ASSETS - CASH BASIS**  
**MAY 31, 2010**

**ASSETS**

*Cash and Cash Equivalents:*

Petty Cash	\$ 100	
General Checking	30,532	
Savings - Operating Reserve	17,967	
Savings - Easement Stewardship	3,745	
Savings - Wildlands Forestry	18,216	
Savings - Money Market	35,289	
Savings - 25/25 Endowment	<u>49,406</u>	
Total Cash and Cash Equivalents		\$ 155,255

Certificates of Deposit 104,564

*Fixed Assets:*

Equipment	\$ 2,663	
LESS: Accumulated Depreciation	<u>(1,372)</u>	
Net Fixed Assets		1,291

Conservation Land 4,148,720

**TOTAL ASSETS** **\$ 4,409,830**

**LIABILITIES AND NET ASSETS**

*Liabilities:*

Payroll Taxes and Withholdings \$ 1,423

*Net Assets:*

Permanently Restricted:  
Endowment Fund 49,241

Temporarily Restricted:

Easement Maintenance and Defense	\$ 3,745	
Baker Forestry Grant Funds	10,000	
Hatch Forestry Thinning Grant Funds	27,680	
LL Bean Database Grant Funds	621	
LMF Access Grant Fund	961	
MCF Strategic Planning Grant Funds	646	
Earnings on Permanently Restricted Endowment	<u>165</u>	
Total Temporarily Restricted		43,818

Unrestricted:

Designated for Conservation Land	4,148,720	
Designated for Wildlands Stewardship Endowment	106,564	
Designated for Stewardship Contingency	34,289	
Designated for Operating Reserve	17,967	
Undesignated	<u>7,808</u>	
Total Unrestricted		<u>4,315,348</u>
Total Net Assets		<u>4,408,407</u>

**TOTAL LIABILITIES AND NET ASSETS** **\$ 4,409,830**

**GREAT POND MOUNTAIN CONSERVATION TRUST**  
**STATEMENT OF REVENUE, EXPENSES AND CHANGE IN NET ASSETS - CASH BASIS**  
**FOR THE YEAR ENDED MAY 31, 2010**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<b>SUPPORT AND REVENUE</b>				
Contributions and Grants	\$ 76,123	\$ 74,620	\$ 37,741	\$ 188,484
Merchandise Sales	2,863	-	-	2,863
Special Events	2,077	-	-	2,077
Interest and Dividend Income	<u>2,957</u>	<u>144</u>	<u>-</u>	<u>3,101</u>
Total	84,020	74,764	37,741	196,525
<b>NET ASSETS RELEASED FROM RESTRICTIONS</b>				
Satisfaction of Program Restrictions	<u>70,093</u>	<u>(70,093)</u>	<u>-</u>	<u>-</u>
<b>TOTAL SUPPORT AND REVENUE</b>	154,113	4,671	37,741	196,525
<b>EXPENSES</b>				
<i>Program Services</i>	114,683	-	-	114,683
<i>Supporting Services:</i>				
Fund Raising	19,781	-	-	19,781
General and Administrative	<u>23,564</u>	<u>-</u>	<u>-</u>	<u>23,564</u>
Total Supporting Services	<u>43,345</u>	<u>-</u>	<u>-</u>	<u>43,345</u>
<b>TOTAL EXPENSES</b>	<u>158,028</u>	<u>-</u>	<u>-</u>	<u>158,028</u>
<b>CHANGE IN NET ASSETS BEFORE CHANGE IN LAW</b>	(3,915)	4,671	37,741	38,497
<b>NET ASSET RECLASSIFICATION BASED ON CHANGE IN LAW</b>	<u>(38)</u>	<u>38</u>	<u>-</u>	<u>-</u>
<b>CHANGE IN NET ASSETS</b>	(3,953)	4,709	37,741	38,497
<b>NET ASSETS - June 1, 2009</b>	<u>4,319,301</u>	<u>39,109</u>	<u>11,500</u>	<u>4,369,910</u>
<b>NET ASSETS - May 31, 2010</b>	<u>\$ 4,315,348</u>	<u>\$ 43,818</u>	<u>\$ 49,241</u>	<u>\$ 4,408,407</u>

**GREAT POND MOUNTAIN CONSERVATION TRUST**  
**NOTES TO FINANCIAL STATEMENTS**  
**MAY 31, 2010**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

A. Nature of Operations

Great Pond Mountain Conservation Trust seeks to protect lands of ecological, scenic, agricultural, recreational, historical and archeological significance in Orland and surrounding towns – with a focus on the Orland River Watershed – for the benefit of future generations; and to promote natural resource education, low-impact recreation and scientific study.

Our vision has been to protect – through conservation easements, donations and fee purchases – the 10 square miles of undeveloped land around Orland's Great Pond Mountain for the benefit of future generations of people and wildlife.

B. Basis of Accounting

The financial statements of Great Pond Mountain Conservation Trust are prepared on the modified cash basis used for income taxes that include recording depreciation expense on fixed assets. Under this basis, revenue and support are recognized when collected rather than when earned or pledged, and the expenses are generally recognized when paid rather than when incurred. Consequently, the financial statements do not include pledges receivable from donors, amounts due to vendors or suppliers, prepaid expenses, or liabilities for accrued expenses. If an expenditure results in an asset having an estimated useful life which extends substantially beyond the year of acquisition, the asset is capitalized and depreciated over its estimated life.

C. Basis of Presentation

Great Pond Mountain Conservation Trust classifies net assets as well as revenues, expenses, gains and losses based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of Great Pond Mountain Conservation Trust and the changes in these net assets have been classified and reported as follows:

Unrestricted Net Assets - Net assets that are not subject to donor-imposed stipulations. Some of these net assets have been designated by the Board for various purposes.

Temporarily Restricted Net Assets - Net assets subject to donor-imposed stipulations that will either be met by the passage of time or through use of the funds as designated by the donor. Whenever the restrictions of any gifts or pledges have been met, they are reclassified to unrestricted net assets and reported in the statement of revenue, expenses, and change in net assets as net assets released from restrictions. Gifts of fixed assets or cash restricted for fixed assets are reclassified to unrestricted net assets when the fixed assets have been placed in service.

Permanently Restricted Net Assets - Net assets that are subject to donor-imposed stipulations that they be maintained permanently by the organization, for example, as an endowment fund.

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D. Fixed Assets and Depreciation

Fixed assets are recorded at cost when purchased or at fair market value at date of gift. Depreciation of office furniture and equipment is provided over the estimated useful lives of the assets on a straight-line basis. Maintenance and repairs are charged to expense as incurred; major renewals and improvements are capitalized. The Organization's policy is to capitalize assets with a cost greater than \$500 and an estimated useful life of greater than one year. Depreciation expense of \$452 was recorded during the year ended May 31, 2010.

E. Conservation Land and Easements

Conservation land is recorded at cost when purchased, or at fair market value if donated. Conservation easements are deemed to be without economic value to Great Pond Mountain Conservation Trust and therefore are valued at zero for accounting purposes.

F. In-Kind Contributions of Goods and Property

Contributions of tangible personal or real property are recorded at fair market value on the date such assets are received. During the year ended May 31, 2010, no such donations were received.

G. Use of Estimates

The preparation of financial statements in conformity with the modified cash basis of accounting requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual amounts may differ from those estimates.

H. Income Taxes

The Organization has applied for and received exemption from income taxes in accordance with Internal Revenue Code Section 501(c)(3), and has been determined not to be a private foundation. Accordingly, no provision for income taxes is shown in the accompanying financial statements.

**2. ENDOWMENTS**

The Organization's endowments consist of funds established to support and preserve the Organization's programs. Its endowments include both donor-restricted endowment funds and funds designated by the Board of Directors to function as endowments. As required by the Organization's method of accounting, 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.

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**Interpretation of Maine Law**

Maine has adopted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) effective July 1, 2009. This new law requires that the total return of a permanently restricted endowment fund, both interest and dividends, as well as appreciation in market value, be temporarily restricted until appropriated for expenditure by the institution. Further, the institution has the obligation to track the historic dollar amount of the endowment gifts; if it wishes to appropriate for expenditure amounts that would cause the balance in the endowment account to fall below the historic dollar amount, the Maine Attorney General's office must be notified 60 days before the planned distribution.

**Endowment Net Asset Composition by Type of Fund as of May 31, 2010**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	-	\$ 165	\$49,241	\$ 49,241
Board-designated endowment funds for Wildlands Stewardship	<u>\$106,564</u>	<u>-</u>	<u>-</u>	<u>106,564</u>
Total funds	<u>\$106,564</u>	<u>\$ 165</u>	<u>\$49,241</u>	<u>\$155,805</u>

**Changes in Endowment Net Assets for the Year Ended May 31, 2010**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$101,886	-	\$11,500	\$113,386
Net asset reclassification based on change in law	(38)	\$ 38	-	-
Investment return:				
Investment income	2,716	127	-	2,843
Net depreciation (realized and unrealized)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total investment return	2,716	127	-	2,843
Contributions	2,000	-	37,741	39,741
Appropriation of endowment assets for expenditure	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Endowment net assets, end of year	<u>\$106,564</u>	<u>\$ 165</u>	<u>\$49,241</u>	<u>\$155,970</u>

**Return Objective and Risk Parameters**

The Organization has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding for its programs while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Organization must hold in perpetuity as well as board-designated funds. Under this policy, as approved by the Board of Directors, the endowment assets will be invested by the Finance



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Committee in a manner that is intended to provide a reasonable, prudent balance between risk and return. The Organization expects its endowment fund, over time, to provide an average rate of return of greater than 5% annually. Actual returns in any given year may vary from that amount.

**Strategies Employed for Achieving Objectives**

To satisfy its long-term rate-of-return objectives, Great Pond Mountain Conservation Trust relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Organization targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints. While at May 31, 2010, all endowment assets are invested in cash equivalents or certificates of deposit, during the year ending May 31, 2011, the Organization will begin implementing its investment strategies more fully.

**Spending Policy and How the Investment Objectives Relate to Spending Policy**

Annually during the budget process, the Organization's policy is that the Board will determine whether or not to withdraw any funds from the Endowment, and if so, the amount to be withdrawn. In no case will the annual withdrawal exceed five percent (5%) of the value of the Endowment calculated as the average of the market value of the Endowment during the previous twelve quarters from Board draw determination date, except for the first and second year of the Endowment. In the first year of the Endowment the amount to be withdrawn, if any, shall not exceed five percent (5%) of the value of the Endowment on the draw determination date. In the second year of the Endowment the amount to be withdrawn, if any, shall not exceed five percent (5%) of the value of the Endowment calculated as the average of the market value for the first and second year. Over the long term, the Organization expects its current spending policy to allow its endowments to grow. This is consistent with the Organization's objective to maintain the purchasing power of the endowment assets as well as to provide additional real growth through new gifts and investment return.

**3. FUNCTIONAL ALLOCATION OF EXPENSES**

The costs of providing program services and other activities have been summarized on a functional basis in the statement of revenue, expenses and change in net assets. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

**4. SUBSEQUENT EVENTS**

Management has evaluated subsequent events through August 30, 2010, the date on which the financial statements were available to be issued.

**5. CONSERVATION LAND AND EASEMENTS**

In the following list of conservation land and easements held by Great Pond Mountain Conservation Trust, easements are deemed to be without economic value to the Organization and hence are valued at zero for accounting purposes.

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*Great Pond Mountain Wildlands Conservation Land, East Orland* – A 4,300-acre tract purchased in 2005. The land is in two parcels – Dead River and Hothole Valley – and protects about two miles of lakeshore frontage, the entire Hothole Brook system, thousands of acres of forested valley and hilltop summits. There are about 15 miles of multi-use gravel trails and footpaths open to hiking, bicycling, hunting, fishing, equestrian, and snowmobile use. The property is managed for wildlife habitat, low-impact recreation and sustainable forestry. In 2007, a contributor donated an inholding of approximately two acres to the Organization for inclusion in the Wildlands property.

*Barrett-King Easement, Orland* – A 1999 working farm easement on 136 acres of farmland and forest on Route 15 on the Orland/Penobscot line. Its purpose is to protect the prime agricultural soil by preventing development that would limit agricultural availability, and to protect the scenic view across the fields. While Blue Hill Heritage Trust (BHHT) is the actual holder of this easement, we have “third party rights of enforcement” under which we have no responsibility for administration or enforcement unless the easement holder cannot act, or requests we act. Another 6 acres of farmland was put under easement with BHHT by the abutter in 2007; we have third party rights on this as well.

*Lucerne-in-Maine Easement, Dedham* – This 2005 easement on 40 acres owned by Lucerne-in-Maine Village protects six wooded islands in Phillips Lake, 16.5 acres with a view atop 840-foot Sunset Ledge across Route 1, and a ten-acre wooded strip between the railroad track and the “beach club” on Phillips Lake – now owned by United Cerebral Palsy. The purpose of the easement is to protect ecological and scenic values, prevent development that would impair those values, provide public access, and protect rural character and open space.

*Linscott Easement, Orland* -- This 2008 easement consists of a single parcel of 72.5 acres of forest and wetland. A two-acre Building Area is included, where the grantors’ seasonal and rustic single-family residential cabin is located. The Protected Property has approximately 56.5 acres of hardwood, eight acres of mixed woods and six acres of forested wetland that provide habitat and travel corridors for a wide range of plants, mammals, birds, reptiles, insects and especially amphibians. The Protected Property contains a complex of vernal pools and forested wetland covering approximately six acres and providing habitat for vernal pool-dependent species such as spotted salamanders and wood frogs; at least two of the vernal pools located on the Protected Property qualify as “significant” vernal pools by 2008 Maine Department of Environmental Protection standards. The Protected Property is in Tree Growth with a forest management plan and is surrounded by an approximately 200-acre Tree Farm. It is the purpose of this Conservation Easement to ensure that the Protected Property will be retained forever in its essentially undeveloped, open, scenic, and natural condition, and to prevent any use of the Protected Property that will impair or interfere with this condition. Grantors and Holder intend that this Conservation Easement will confine, in perpetuity, the uses of the Protected Property to activities which are compatible with these purposes and the protection of wildlife habitat and preservation of its scenic, open space and natural values.