

# **Financial Statements**



**June 30, 2020**

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**Coastal Rivers Conservation Trust**

**June 30, 2020**

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## **Independent Auditors' Report**

### **To the Board of Trustees Coastal Rivers Conservation Trust Damariscotta, Maine**

We have audited the accompanying financial statements of Coastal Rivers Conservation Trust (a non-profit organization), which comprise the statement of financial position as of June 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 Coastal Rivers Conservation Trust as of June 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 Coastal Rivers Conservation Trust's 2019 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated May 7, 2020. In our opinion, the summarized comparative information presented herein for Coastal Rivers Conservation Trust as of and for the year ended June 30, 2019, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Purdy Pownall & Company

Professional Association

**Portland, Maine  
December 18, 2020**

## Statement of Financial Position

### Coastal Rivers Conservation Trust

As of June 30, 2020

(with comparative totals for June 30, 2019)

	<u>2020</u>	<u>2019</u>
<b>Assets</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 440,481	\$ 194,625
Accounts receivable	7,200	13,879
Current portion of promises to give	172,883	311,486
Current portion of note receivable	-	23,696
Inventory	-	270
Prepaid expenses	7,907	3,914
Deposit and other acquisition costs	5,680	16,055
Boats held for sale	58,000	75,500
<b>Total Current Assets</b>	<u>692,151</u>	<u>639,425</u>
<b>Property and Equipment</b> , net of accumulated depreciation	3,172,638	3,420,856
<b>Other Assets</b>		
Investments	796,152	879,377
Promises to give, net of current portion	88,226	253,353
Artwork	73,000	73,000
Partnership interests	228,605	228,739
Conserved fee title property	8,181,846	8,145,022
<b>Total Other Assets</b>	<u>9,367,829</u>	<u>9,579,491</u>
<b>Total Assets</b>	<u>\$ 13,232,618</u>	<u>\$ 13,639,772</u>
<b>Liabilities and Net Assets</b>		
<b>Current Liabilities</b>		
Accounts payable	\$ 7,775	\$ 35,103
Accrued expenses	16,933	17,980
Accrued interest	360	691
Security deposits	2,025	4,025
Deferred revenue	8,100	39,230
Line of credit	106,780	199,242
Promissory note - Paycheck Protection Program	109,500	-
Current portion of notes payable	-	3,887
<b>Total Current Liabilities</b>	<u>251,473</u>	<u>300,158</u>
<b>Long-Term Liabilities</b>		
Notes payable, net of current portion	531,033	608,638
<b>Total Long-Term Liabilities</b>	<u>531,033</u>	<u>608,638</u>
<b>Total Liabilities</b>	782,506	908,796
<b>Net Assets</b>		
Without donor restrictions	9,306,533	9,537,291
With donor restrictions	3,143,579	3,193,685
<b>Total Net Assets</b>	<u>12,450,112</u>	<u>12,730,976</u>
<b>Total Liabilities and Net Assets</b>	<u>\$ 13,232,618</u>	<u>\$ 13,639,772</u>

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

**Statement of Activities**

**Coastal Rivers Conservation Trust**

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

	2020			2019
	Without Donor Restrictions	With Donor Restrictions	Total	Total
<b>Revenues</b>				
Grants and contributions	\$ 654,914	\$ 272,637	\$ 927,551	\$ 1,393,986
In-kind	201,320	-	201,320	-
Sales and fees	45,606	-	45,606	43,710
Interest and dividends	16,687	4,993	21,680	24,275
Partnership income	31,792	-	31,792	47,049
Miscellaneous income	26,459	-	26,459	105,326
Net assets released from restrictions	334,644	(334,644)	-	-
<b>Total Revenues</b>	1,311,422	(57,014)	1,254,408	1,614,346
<b>Expenses</b>				
Program				
Community facilities	245,563	-	245,563	192,416
Education and outreach	125,977	-	125,977	134,251
Land protection and stewardship	92,794	-	92,794	80,298
Land acquisition	118,580	-	118,580	172,474
Marine stewardship	75,449	-	75,449	50,487
Farming	113,261	-	113,261	108,792
Management and general	237,826	-	237,826	264,461
Fundraising	205,762	-	205,762	187,922
<b>Total Expenses</b>	1,215,212	-	1,215,212	1,191,101
<b>Revenues Over (Under) Expenses</b>	96,210	(57,014)	39,196	423,245
<b>Other Income (Expenses)</b>				
Contribution received from PWA (See Note Y)	-	-	-	2,052,240
Loss on sale of property and equipment	(18,361)	-	(18,361)	(112,690)
Transfer of conservation property (See Note H)	(301,824)	-	(301,824)	-
Investment gains (losses)	(6,783)	6,908	125	29,525
<b>Total Other Income (Expenses)</b>	(326,968)	6,908	(320,060)	1,969,075
<b>Increase (Decrease) in Net Assets</b>	(230,758)	(50,106)	(280,864)	2,392,320
Net assets at beginning of year	9,537,291	3,193,685	12,730,976	10,338,656
<b>Net Assets at End of Year</b>	\$ 9,306,533	\$ 3,143,579	\$ 12,450,112	\$ 12,730,976

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

## Statement of Functional Expenses

### Coastal Rivers Conservation Trust

For the Year Ended June 30, 2020

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

	2020							2019				
	Program Services							Management and General	Fundraising	Total	Total	
	Community Facilities	Education & Outreach	Land Protection & Stewardship	Land Acquisition	Marine Stewardship	Farming	Total					
<b>Expenses</b>												
Salaries and wages	\$ 25,535	\$ 83,551	\$ 56,352	\$ 34,172	\$ 21,010	\$ 60,102	\$ 280,722	\$ 86,148	\$ 118,425	\$ 485,295	\$ 433,991	
Payroll taxes	2,116	6,799	4,351	2,727	1,681	5,638	23,312	7,350	9,758	40,420	37,846	
Employee benefits	759	4,417	6,278	3,053	1,905	-	16,412	-	4,237	20,649	24,992	
Administration expenses	26,287	-	-	7,225	-	-	33,512	1,031	-	34,543	15,914	
Advertising	-	-	-	-	-	13	13	-	4,560	4,573	7,437	
Bad debt expense	2,400	-	-	-	-	-	2,400	-	-	2,400	20,350	
Dues and contributions	-	-	-	-	314	-	314	4,200	1,000	5,514	16,300	
Depreciation	115,824	-	-	-	18,955	1,566	136,345	11,307	-	147,652	89,513	
Easement	-	-	-	40,106	-	-	40,106	-	-	40,106	14,999	
Education	-	10,116	-	-	-	-	10,116	432	-	10,548	21,986	
Equipment	1,141	583	1,963	1,439	148	9,513	14,787	4,643	300	19,730	18,975	
Event expense	-	-	-	-	-	-	-	-	18,278	18,278	15,483	
Fiscal agent fees	2,116	7,514	298	3,320	1,873	2,778	17,899	9,312	9,260	36,471	28,292	
Impairment expense	-	-	-	-	-	-	-	-	-	-	81,340	
Insurance	-	-	5,541	-	4,746	776	11,063	38,231	-	49,294	25,728	
Maintenance and repairs	35,670	1,351	3,597	2,387	5,722	3,420	52,147	168	-	52,315	65,848	
Miscellaneous	-	-	-	-	50	10	60	1,707	739	2,506	5,087	
Professional fees	612	940	8,670	18,564	16,958	1,371	47,115	51,225	697	99,037	111,701	
Postage and printing	-	1,811	1,562	-	298	7,021	10,692	5,601	34,566	50,859	43,161	
Subcontractors	2,284	-	955	240	-	-	3,479	-	-	3,479	12,083	
Supplies and materials	5,908	8,051	1,976	41	1,378	16,111	33,465	3,413	1,478	38,356	43,421	
Travel	-	247	-	40	-	308	595	590	2,088	3,273	6,306	
Utilities	23,507	15	-	3,316	-	1,042	27,880	12,008	-	39,888	43,548	
Taxes - property	-	-	111	1,671	-	-	1,782	-	-	1,782	-	
Vehicle expenses	1,404	582	1,140	279	411	3,592	7,408	460	376	8,244	6,800	
<b>Total Expenses</b>	<b>\$ 245,563</b>	<b>\$ 125,977</b>	<b>\$ 92,794</b>	<b>\$ 118,580</b>	<b>\$ 75,449</b>	<b>\$ 113,261</b>	<b>\$ 771,624</b>	<b>\$ 237,826</b>	<b>\$ 205,762</b>	<b>\$ 1,215,212</b>	<b>\$ 1,191,101</b>	

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

## Statement of Cash Flows

### Coastal Rivers Conservation Trust

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

	<u>2020</u>	<u>2019</u>
<b>Operating Activities</b>		
Increase (Decrease) in net assets	\$ (280,864)	\$ 2,392,320
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Realized and unrealized gains on investments	(125)	(29,525)
Loss on sale of fixed assets	18,361	112,690
Transfer of conservation property	301,824	-
Donated investments	(48,816)	(44,918)
Donated land	(188,800)	-
Noncash acquisition of PWA	-	(1,875,422)
Noncash contributions of boats	(12,500)	-
Depreciation expense	147,652	89,513
Impairment reduction	-	81,340
Change in provision for uncollectible promises to give	(40,000)	-
Discount to net present value of promises to give	(16,000)	(27,000)
(Increase) decrease in operating assets:		
Accounts receivable	6,679	(7,879)
Promises to give	359,730	449,503
Notes receivable	23,696	23,696
Inventory	270	-
Prepaid expenses	(3,993)	1,128
Deposits and other acquisition costs	10,375	42,945
Partnership interests	134	(12,082)
Increase (decrease) in operating liabilities:		
Accounts payable	(27,328)	(79,033)
Accrued expenses	(1,047)	14,557
Security deposits	(2,000)	2,500
Accrued interest	(331)	(3,350)
Deferred revenue	(31,130)	39,230
<b>Net Cash Provided by Operating Activities</b>	<u>215,787</u>	<u>1,170,213</u>
<b>Investing Activities</b>		
Proceeds from sale of property and equipment	295,500	636,582
Purchase of property and equipment	(333,143)	(3,468,594)
Purchase of investments	(378,960)	(836,709)
Proceeds from sale of investments	511,126	1,838,315
<b>Net Cash Provided (Used) by Investing Activities</b>	<u>94,523</u>	<u>(1,830,406)</u>
<b>Financing Activities</b>		
Proceeds from borrowing	219,565	480,000
Net advances (repayments) on line of credit	(92,462)	199,242
Principal payment on loans	(191,557)	(429,509)
<b>Net Cash Provided (Used) by Financing Activities</b>	<u>(64,454)</u>	<u>249,733</u>
<b>Increase (Decrease) in Cash</b>	245,856	(410,460)
Cash at beginning of year	<u>194,625</u>	<u>605,085</u>
<b>Cash at End of Year</b>	<u>\$ 440,481</u>	<u>\$ 194,625</u>
<b>Supplemental Disclosure of Cash Flow Information</b>		
Cash paid during the year for interest	<u>\$ 34,212</u>	<u>\$ 9,828</u>
Cash paid during the year for income taxes	<u>\$ -</u>	<u>\$ 78</u>

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

## Notes to Financial Statements

# Coastal Rivers Conservation Trust

### Note A - Summary of Significant Accounting Policies

#### **Organization**

Coastal Rivers Conservation Trust (CRCT) is a Maine non-profit corporation located in Damariscotta, Maine. The CRCT's mission is to preserve and promote the natural, cultural and historical heritage of the Damariscotta-Pemaquid region for the benefit of all. Recognizing that a citizenry dedicated to the stewardship of the Damariscotta and Pemaquid River watersheds and surrounding region is necessary to secure their continued conservation, CRCT also works to connect the community to these unique resources through educational programs for youth and adults, recreational amenities such as preserves and trails, and volunteer opportunities including research and citizen science. CRCT provides public access to two salt water farms, dozens of natural areas, 48 miles of trails, several river islands, and more than 30 miles of waterfront, as well as sledding hills and a skating rink, directly benefitting residents and visitors alike. As a conservation land trust for the Damariscotta-Pemaquid region, CRCT holds properties and conservation easements exclusively for charitable and benevolent purposes.

#### **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. CRCT 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 CRCT'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 subject to donor-imposed restrictions.

#### **Contributions**

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

#### **Donated Services**

A number of volunteers have donated their time and perform a variety of tasks that assist CRCT in the completion of its mission. The value of contributed services is recognized in the financial statements if the services received create or enhance nonfinancial assets or require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. As these volunteer services do not meet the foregoing criteria for recognition as contributed services under FASB ASC 958-605, Revenue Recognition, no amounts for support or revenue recognition have been recorded.

## Notes to Financial Statements - Continued

# Coastal Rivers Conservation Trust

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

#### **Revenue Recognition**

The financial statements of CRCT 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, CRCT 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.

#### **Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

#### **Cash and Cash Equivalents**

CRCT 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 in CRCT's investment portfolios are reported as investments. CRCT maintains its cash and cash equivalents in bank deposit accounts, and at times balances may exceed federally insured limits. At June 30, 2020, CRCT's uninsured and uncollateralized cash balances are \$207,613. CRCT has not experienced any losses in such accounts.

#### **Accounts Receivable**

Accounts receivable represents amounts due to CRCT for service, rental income, or other similar revenues. The allowance for doubtful accounts is provided based on an analysis by management of the collectability of outstanding balances. 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 June 30, 2020 and 2019. CRCT's receivables, while subject to credit risk, do not represent any significant concentrations in any sectors.

## Notes to Financial Statements - Continued

### Coastal Rivers Conservation Trust

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

##### Promises To Give

Unconditional promises to give are recognized as revenues or gains in the period received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Conditional promises to give are recognized when the conditions on which they depend are substantially met. CRCT uses the allowance method to determine uncollectible promises receivable. The allowance is based on management's analysis of specific promises made. At June 30, 2020 and 2019, management estimated allowances for uncollectible promises to give to be \$0 and \$40,000, respectively.

##### Investments

CRCT reports its investments in marketable securities with readily determinable fair values and all debt securities at fair value in the statements of financial position. Unrealized gains and losses are included in the change in net assets.

##### Property and Equipment

Property and equipment is stated at cost if purchased or at fair value if contributed. CRCT's policy is to capitalize acquisitions and major improvements with a cost of \$1,000 or more 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 with lives ranging between 3 and 40 years. Depreciation expense for the years ended June 30, 2020 and 2019 was \$147,652 and \$89,513, respectively.

Artwork was donated during the year ended June 30, 2017 valued at \$15,000 and during the year ended June 30, 2014 valued at \$14,000 and is included with "other assets" on the Statement of Financial Position. During the merge between DRA and PWA, two additional pieces of artwork valued at \$44,000 were acquired and are also included with "other assets" on the Statement of Financial Position.

##### Property (Parcels of Land)

The property of CRCT consists of parcels of land in or around Damariscotta, Maine owned in fee and received at various times from various donors and sellers. If donated, such property is recorded as revenue and as an "other asset" at the time the property is received. The basis of the donation is the fair value of the property as of the date donated as determined by the most recent appraisal by an independent qualified appraiser. If purchased, the property is recorded as an "other asset" based upon the cost of the acquisition.

Certain properties are later encumbered by easements or declarations of trust which legally restrict the use of the land and impair the fair market value. The impairment is considered to be 70% of the value of the land prior to adding the perpetual restriction. This reduction is based on the State of Maine Open Space Tax Law which recommends a 70% reduction in value for purposes of property taxation for forever wild open space land protected by easements or preserve. Such properties have been written down accordingly.

## Notes to Financial Statements - Continued

# Coastal Rivers Conservation Trust

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

#### Conservation Easements

It is the policy of CRCT to not recognize any amount in the financial statements for the donation of an easement as it has no economic value. The costs of purchased easements are reflected as an expense. No amount is capitalized for the acquisition of an easement as it is not a fee simple property.

#### Compensated Absences

Vacation and sick pay benefits are not payable upon separation and have therefore not been accrued at year-end.

#### In-Kind Transactions

CRCT records donated goods and services at fair value at the date of donation. For the years ended June 30, 2020 and 2019, in-kind revenue of \$201,320 and \$0 was recorded, respectively. Donated land accounted for 94% of the in-kind revenue for 2020.

#### Expense Allocation

The financial statements report certain categories of expenses that are attributable to more than one program or supporting functions of CRCT. Those expenses include salaries and wages, payroll taxes, employee benefits, maintenance and repairs, professional fees and travel. Salaries and wages, payroll taxes, and employee benefits are allocated based on estimates of time and effort, certain costs of maintenance and repairs, professional fees, travel and other office and utility expenses are based on management's estimate of the appropriate allocations for each expense.

#### Advertising

CRCT expenses advertising costs as incurred. Advertising expense for the years ended June 30, 2020 and 2019 was \$4,573 and \$7,437, respectively.

#### Comparative Data

The financial statements include certain prior year summarized comparative information of Damariscotta River Association 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 CRCT's financial statements for the year ended June 30, 2019, from which the summarized information was derived.

## Notes to Financial Statements - Continued

# Coastal Rivers Conservation Trust

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

#### **New Accounting Pronouncements**

On July 1, 2019, CRCT 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. CRCT adopted ASC 606 using the modified retrospective method applied to all contracts not completed as of July 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 July 1, the date of initial application. Management has determined that there were no adjustments to the financial statements resulting from adoption.

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 CRCT adopted the Standard as of July 1, 2019.

On July 1, 2019, CRCT 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.

#### **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 balance sheet of CRCT 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.

## Notes to Financial Statements - Continued

### Coastal Rivers Conservation Trust

#### Note B - Investments

Investments consist of money market accounts and mutual funds and are stated at fair value. The balance as of June 30, 2020 was \$796,152.

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

Interest and dividend income	\$	21,680
Net realized and unrealized gains (losses) on investments		<u>125</u>
	\$	<u>21,805</u>

Investments are reported on the Statement of Financial Position as follows:

	<u>2020</u>	<u>2019</u>
Investments - Board restricted	\$ 482,527	\$ 493,192
Investments - restricted by donors	116,169	188,729
Investments - restricted to nonspendable endowment	<u>197,456</u>	<u>197,456</u>
	<u>\$ 796,152</u>	<u>\$ 879,377</u>

#### Note C - Fair Value Measurements

CRCT applies a framework for measuring fair values under generally accepted accounting principles which 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.

## Notes to Financial Statements - Continued

### Coastal Rivers Conservation Trust

#### Note C - Fair Value Measurements - Continued

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 certain financial instruments by levels within the fair value hierarchy at June 30, 2020:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments:				
Money Market	\$ 63,092	\$ -	\$ -	\$ 63,092
Mutual Funds - Equity	439,369	-	-	439,369
Mutual Funds - Fixed Income	<u>293,691</u>	<u>-</u>	<u>-</u>	<u>293,691</u>
Total investments	<u>\$ 796,152</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 796,152</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 D - Endowment Fund

CRCT 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, CRCT classifies as net assets with restrictions (1) the original value of gifts donated to the nonspendable endowment, (2) the original value of subsequent gifts to the nonspendable endowment, and (3) accumulations to the nonspendable endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. If the donor-restricted endowment assets earn investment returns beyond these amounts, the excess is available for appropriation and is classified as net assets with donor restrictions until appropriated.

The Board of Trustees 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, 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.

## Notes to Financial Statements - Continued

### Coastal Rivers Conservation Trust

#### Note D - Endowment Fund - Continued

Any spending from the endowment funds must be approved in advance by a full board vote during the annual budgeting process. The goal for the unrestricted endowment funds is a distribution rate not to exceed 4.5% of the principal on a rolling three year average as measured each June 30<sup>th</sup>. Distributions will be made first from investment earnings of the current fiscal year and, if this is insufficient to meet requirements, the remainder shall be taken from cumulative realized gains from prior fiscal years.

Changes in endowment net assets for the year ended June 30, 2020:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ 493,192	\$ 267,561	\$ 760,753
Contributions	175,794	-	175,794
Interest and dividends	10,248	4,992	15,240
Net realized and unrealized gains (losses)	<u>(2,731)</u>	<u>6,908</u>	<u>4,177</u>
Net investment return	7,517	11,900	19,417
Amounts appropriated for expenditure	<u>(193,976)</u>	<u>(4,543)</u>	<u>(198,519)</u>
Endowment net assets, end of year	<u>\$ 482,527</u>	<u>\$ 274,918</u>	<u>\$ 757,445</u>

#### Note E - Promises to Give

True to Coastal Rivers Conservation Trust's mission *to preserve and promote the natural, cultural and historical heritage of the Damariscotta-Pemaquid region for the benefit of all*, and pursuant to the strategic plan, the Board of CRCT launched a \$3 million capital campaign to:

- Conserve two key pieces of green space in the heart of Damariscotta, space that directly affects the health of Great Salt Bay and the river as a whole, and offers everyone the opportunity to get out onto the land and access the river.
- Move the CRCT headquarters into a space appropriate for current use and future plans.
- Ramp up all programs, stewardship, marine conservation, education to fill the need.
- Initiate a Facilities and Stewardship Endowment to ensure lands that have been entrusted to the CRCT will be stewarded and defended in perpetuity and that the CRCT facilities will receive the maintenance and upkeep they need.

Unconditional promises to give are primarily from corporations and individuals related to the capital campaign noted above. They are reflected at present value of future cash flows using the 3 year daily treasury yield curve rate (0.18% at June 30, 2020) as a discount rate.

## Notes to Financial Statements - Continued

### Coastal Rivers Conservation Trust

#### Note E - Promises to Give - Continued

Unconditional promises to give consist of the following at June 30, 2020:

Receivable in less than one year (other than capital campaign)	\$	31,957
Receivable in less than one year (capital campaign)		140,926
Receivable in one to three years (other than capital campaign)		5,225
Receivable in one to three years (capital campaign)		<u>84,001</u>
		262,109
Less: allowance for uncollectible promises (other than capital camp.)		-
Less: allowance for uncollectible promises (capital campaign)		-
Less: discounts to net present value (other than capital campaign)		(200)
Less: discounts to net present value (capital campaign)		<u>(800)</u>
Net unconditional promises to give	\$	<u><u>261,109</u></u>

At June 30, 2020, 40% of the promises to give related to the capital campaign are due from four donors.

#### Note F - Note Receivable

During the year ended June 30, 2013, CRCT received a promissory note as a bequest. The note is payable in annual principal payments of \$23,696 plus interest at 5%. At the time of the receipt of the note, there was a remaining balance of \$189,567. The final payment was received in the year ended June 30, 2020. The note was not marketable and was carried at cost.

#### Note G - Property and Equipment

Property and equipment consists of the following as of June 30:

	<u>2020</u>	<u>2019</u>
Construction in progress	\$ -	\$ 233,315
Land improvements	188,429	188,429
Building and building improvements	3,365,629	3,311,664
Equipment	<u>266,921</u>	<u>207,170</u>
	3,820,979	3,940,578
Less accumulated depreciation	<u>648,341</u>	<u>519,722</u>
Net property and equipment	<u><u>\$ 3,172,638</u></u>	<u><u>\$ 3,420,856</u></u>

## Notes to Financial Statements - Continued

### Coastal Rivers Conservation Trust

#### Note H - Property for Conservation

The property of Coastal Rivers Conservation Trust consists of 1,999 acres of land in the Damariscotta-Pemaquid region owned in fee simple and received at various times from various donors and sellers. If donated, such properties are recorded at fair values as of the date donated, as determined by an independent appraisal. If purchased, the properties are recorded at the cost of acquisition.

Many properties acquired by CRCT are later encumbered by conservation easements or declarations of trust which legally restrict the uses of the land. Such encumbrances impair the market value of the property. Consequently all such properties have been written down to the estimated market value following the recording of the encumbrance.

During the year ended June 30, 2020, CRCT purchased three properties described as Coggeshall, Chapman Belvedere, and Piontkowski River Link II. The combined value assigned to these properties was \$426,860. The Pamela Smith Wildlife Preserve and McLaughlin Property were donated and the combined value assigned to these properties was \$188,800. CRCT sold the Piontkowski River Link I and II properties valued at \$88,212. The Hammond Property, with a value of \$301,824 was transferred to another nonprofit organization, Old Bristol Historical Society, during the year.

The balance of the property account is comprised of the following as of June 30, 2020:

Unimpaired value of restricted property	\$ 8,542,448
Unimpaired value of unrestricted property	<u>5,761,861</u>
	14,304,309
Less impairment reduction of restricted property	<u>6,122,463</u>
	<u>\$ 8,181,846</u>

#### Note I - Boats Held for Sale

At June 30, 2020, three boats with an estimated value of \$58,000 are being held for resale by CRCT. These three boats have been donated to the organization. When sold, the funds received from the sale of the property will be unrestricted to be used for general operations. These boats are expected to be sold during the year ending June 30, 2021.

## Notes to Financial Statements - Continued

### Coastal Rivers Conservation Trust

#### Note J - Partnership Interests

CRCT (as DRA) received several years ago, as a bequest, a minority interest in two real estate limited partnerships, Harvey Associates, L.P. and Harvey Associates II, L.P. The CRCT's interest in each limited partnership is less than 2%. The initial value of the interests was recorded at the estate inventory value. The interests are not marketable. CRCT has elected to use the equity method to account for the partnership interests under FASB ASC 970-323 as the information needed for this method was the most readily attainable.

The partnerships distributed unrestricted income to CRCT on a quarterly basis. Activity during the year ended June 30, 2020 was the following:

Partnership interests, June 30, 2019	\$	228,739
Share of partnership net income		30,607
Cash distributions received		<u>(30,741)</u>
Partnership interests, June 30, 2020	\$	<u>228,605</u>

#### Note K - Line of Credit

Coastal Rivers Conservation Trust maintains a working revolving line of credit with a local bank. The line of credit has a maximum borrowing limit of \$200,000 and interest on the line is at the Prime Rate published in the Wall Street Journal less 0.25% (3.25% on June 30, 2020). The balance owed on the line of credit was \$106,780 and \$199,242 at June 30, 2020 and 2019, respectively.

#### Note L - Note Payable

During the year ended June 30, 2020, CRCT received a loan through the U.S. SBA (Small Business Administration) Paycheck Protection Program (PPP), established as part of the 2020 CARES Act. The \$109,500 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, CRCT 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 10, 2022.

As of the report date, CRCT intends to seek forgiveness of the obligation based on the aforementioned requirements. However, no final determination has been made and thus as of June 30, 2020, the entire loan balance of \$109,500 is recorded as a short term note payable on the accompanying Statement of Financial Position.

## Notes to Financial Statements - Continued

### Coastal Rivers Conservation Trust

#### Note M - Long-Term Debt

Long-term debt consists of the following as of June 30:

	<u>2020</u>	<u>2019</u>
Promissory note to a local bank due March 2022 with no principal payments due prior to that date and monthly interest payments accruing at the Prime Rate published in the Wall Street Journal less 0.25% (3.25% on June 30, 2020). The note is secured by real estate.	\$ 421,098	\$ 479,769
Promissory note to a local bank due in monthly installments of \$848 plus interest at 4.25%. The note matures March 2042 and is secured by real estate. The note was paid off during the year ended June 30, 2020 with the sale of the related property.	-	132,756
Promissory note to a local bank due August 2021 with no principal payments due prior to that date and monthly interest payments accruing at the Prime Rate published in the Wall Street Journal less 0.25% (3.25% on June 30, 2020). The note is secured by real estate.	<u>109,935</u>	<u>-</u>
Total long-term debt	531,033	612,525
Less: current portion	<u>-</u>	<u>3,887</u>
Long-term debt, net of current portion	<u>\$ 531,033</u>	<u>\$ 608,638</u>

Required future annual principal payments on long-term debt are as follows:

2022	<u>\$ 531,033</u>
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#### Note N - Retirement Plan

CRCT has established a SIMPLE IRA retirement plan for its staff. All full-time employees are eligible after one year of employment. Under this arrangement, CRCT matches elective deferrals made by the participants up to a maximum match of 3% of the participants' compensation. Employer matching contributions during the years ended June 30, 2020 and 2019 amounted to \$10,321 and \$6,676, respectively.

## Notes to Financial Statements - Continued

### Coastal Rivers Conservation Trust

#### Note O - Board Designated Net Assets

Board designated net assets (which are included in net assets without restrictions) consist of the following at June 30:

	<u>2020</u>	<u>2019</u>
Harvey Industries Note	\$ -	\$ 15,013
Harvey Limited Partnership, I and II	-	27,524
Katie Thorpe Bryant education fund	17,602	15,690
Lands fund	34,649	30,885
Easement defense and stewardship fund - Board designated portion	269,569	211,515
Trustee discretionary fund	137,712	62,202
Stewardship endowment fund	22,995	20,497
Balant defenses fund	332	332
Board designated endowment	-	152,403
Land acquisition and defense fund	3,650	3,650
Land stewardship fund	1,143	1,143
Maine apprentice gardeners	247	247
	<u>\$ 487,899</u>	<u>\$ 541,101</u>

#### Note P - Net Assets with Donor Restrictions

Net assets with donor restrictions are restricted for the following purposes at June 30, 2020 and 2019. As with all numbers in this report, these asset totals are calculated on an accrual basis, counting pledges. They do not necessarily represent cash on hand for the specified project.

	<u>2020</u>	<u>2019</u>
<i>Subject to expenditure for specified purpose:</i>		
River - Link	\$ 2,496	\$ 2,496
Maine Coastal Observing Alliance	3,837	24,563
Twin Villages Foodbank Farm	199,371	113,776
Swett Property	30,545	30,545
Artwork - Fiore collection	59,000	59,000
UMaine water quality	-	4,000
Hammond Lumber Property	17,910	92,798
Chapman Field Property	-	37,493
Coggeshall River - Link Property	-	13,204
Oystah Fund	1,250	2,000
Keyes Woods management plan	3,500	3,500
Keyes Brothers Keyes Woods survey	260	3,500
Foster water intern	2,500	2,500

## Notes to Financial Statements - Continued

### Coastal Rivers Conservation Trust

#### Note P - Net Assets with Donor Restrictions - Continued

Minnis garden project	380	380
Balant defense fund	1,000	1,000
Land acquisition and defense fund	16,366	16,366
Land stewardship fund	3,882	3,882
Barton easement	2,000	2,000
Bass Rock Preserve	3,690	3,690
La Verna Preserve	10,088	10,088
McCurdy Pond Preserve	2,000	2,000
Moxie Cove Preserve	5,607	5,607
Old Bristol Garden Club - apprentice gardeners	750	750
Borland Hill Farm fund	2,500	-
River trail extension grant	8,745	-
Easement defense and stewardship fund - donor restricted portion	9,750	9,750
Edward Myers fund	1,374	1,225
Net appreciation on nonspendable endowment funds	<u>66,337</u>	<u>59,131</u>
	<u>455,138</u>	<u>505,244</u>
Not subject to appropriation or expenditure		
Property for conservation	2,419,985	2,419,985
CRCT endowment fund	191,456	191,456
Helen Basset Gurland archeology fund	6,000	6,000
Artwork - Langlais collection	14,000	14,000
Bass Rock Preserve	15,000	15,000
La Verna Preserve	<u>42,000</u>	<u>42,000</u>
	<u>2,688,441</u>	<u>2,688,441</u>
Total net assets with donor restrictions	<u>\$ 3,143,579</u>	<u>\$ 3,193,685</u>

#### Note Q - Liquidity and Availability

Financial assets consist of the CRCT's cash and cash equivalents, investments, accounts receivable, net promises to give and net notes receivable. The following reflects the CRCT's financial assets as of June 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. Amounts not available include amounts set aside for long-term investing in the quasi-endowment that could be drawn upon if the governing board approves that action. However, amounts already appropriated from either the donor-restricted endowment or quasi-endowment for general expenditure within one year of the Statement of Financial Position date have not been subtracted as unavailable.

## Notes to Financial Statements - Continued

### Coastal Rivers Conservation Trust

#### Note Q - Liquidity and Availability - Continued

Financial assets available to meet cash needs for general expenditures within one year consists of the following at June 30, 2020:

Financial assets, at year end	\$ 1,504,942
Less those unavailable for general expenditures within one year, due to:	
<i>Contractual or donor-imposed restrictions</i>	
Restricted by donor with time or purpose restrictions	(650,594)
<i>Board designations:</i>	
Board designated funds	<u>(487,899)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 366,449</u>

CRCT'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 CRCT is substantially supported by grants, contributions, and donations. CRCT actively manages its cash flow to ensure funds are available for general expenditures, liabilities, and other obligations as they come due. Although the CRCT does not intend to spend from its quasi-endowment fund or other board designated funds listed above, amounts from these funds can be appropriated if necessary. As more fully described in Note K, CRCT also has availability under the line of credit of \$200,000, should an unanticipated liquidity need be identified.

## Notes to Financial Statements - Continued

### Coastal Rivers Conservation Trust

#### Note R - Revenue Recognition

##### Disaggregation of Revenue

The following table shows the CRCT's contract revenue disaggregated according to service type/revenue stream and the timing of transfer of goods or services for the year ended June 30, 2020:

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

Other programs	\$	255
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##### *Revenue Recognized Over Time*

Camp Mummichog	24,104
Oyster Gardening	2,575
Journal Naturalist	2,022
Other programs	<u>1,140</u>

Revenue Recognized Over Time	<u>29,841</u>
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Total Revenue from Contracts with Customers	<u>\$ 30,096</u>
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##### Contract Assets and Contract Liabilities

In accordance with FASB ASC 606-10-50, CRCT has considered the need to record contract assets and contract liabilities from contracts with its customers. No such balances exist for contract assets as of July 1, 2019 and June 30, 2020. For contract liabilities at June 30, 2020, due to the COVID-19 pandemic, all deferred revenue was returned to customers. As of July 1, 2019, contract liabilities totaled \$22,494.

##### Receivables

CRCT has accounts receivable from contracts with customers of \$0 at June 30, 2020.

##### Performance Obligations

CRCT receives program fees for several classes over time as services are provided. Revenue is recognized on a ratable basis over the contract term, which is generally one to eight months.

There are no credit terms available for customers. Payment is due prior to beginning program.

##### Transaction Price Allocated to Remaining Performance Obligations

Obligations related to contracts are for services with remaining terms of less than five months, with an original duration of one year or less, and contain no variable consideration.

## Notes to Financial Statements - Continued

### Coastal Rivers Conservation Trust

#### Note R - Revenue Recognition - Continued

##### Warranties

Warranty (or return, refund, discount) obligations are purchased along with the contract and are considered a separate performance obligation. Management has determined that the only warranty effecting this particular revenue stream is for refunds available. All refunds that could be issued through June 30, 2019 and 2020 were issued by year-end.

##### Significant Judgments

Contract transaction price includes the CRCT's judgment of variable consideration. Variable consideration is broadly defined and includes incentives, price concessions, rebates and refunds, as well as if the amount to be received is contingent on the occurrence of a future event. Based on available information, management must include an estimate of any variable consideration when determining the contract transaction price, using either the "expected value" or the "most likely amount" approach.

CRCT uses the input method of time elapsed to recognize revenue related to contracts that the organization recognizes over time. The costs of operating the camps are approximately the same each month. As such, CRCT has determined it appropriate to recognize income ratably over the camp period (which is anywhere from one to eight months depending on the program).

##### Financing Components

CRCT's contracts with customers contain no significant financing components.

##### Transition

CRCT applied the new Revenue from Contracts with Customers guidance to contracts not completed at July 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 S - Conservation Easements

As stated in the summary of significant accounting policies, CRCT acquires easements and developmental rights through donations and acquisitions. The policy of CRCT is to record these easements and developmental rights as an expense in the year of the transaction while not recording any amount as an asset. During the year ended, June 30, 2020, CRCT paid \$40,106 for one new easement and related costs on the Margaret Brown property at Pemaquid Mill.

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

### **Coastal Rivers Conservation Trust**

#### **Note T - Contingent Liability**

CRCT holds 60 conservation easements covering approximately 1,518 acres. CRCT is committed to monitoring these properties in order to ensure that the condition of the conservation easements is not violated. In the event that any violation of these easements is deemed to have occurred, CRCT is committed to bringing any and all actions necessary to defend the easements. To mitigate the financial risk such a commitment brings, CRCT has purchased conservation defense liability insurance through Terrafirma Risk Retention Group, LLC, a mutual insurer created by the Land Trust Alliance. An estimate of the potential liability cannot be made given the information available to management.

As of June 30, 2020, the CRCT Finance Committee has allocated \$279,319 to defense of and stewardship for easements.

#### **Note U - Contingencies**

Coastal Rivers Conservation Trust and its operations and investments have been significantly impacted by the COVID-19 pandemic. CRCT has established numerous policies and procedures to ensure the safety of its staff and the community that it serves. Management continues to evaluate and respond to the pandemic and its impact on the ability to provide services on an ongoing basis.

#### **Note V - Income Taxes**

CRCT 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 few exceptions, CRCT is no longer subject to U.S. Federal income tax examinations by tax authorities for years before 2017 due to statute of limitations. CRCT has adopted the provisions of FASB ASC 740, Income Taxes. Management of CRCT believes it has no material uncertain tax positions and, accordingly it will not recognize any liability for unrecognized tax benefits.

CRCT is subject to income taxes on income from activities unrelated to their purpose, which would generally consist of income from partnership interests. CRCT is not classified as a private foundation by the Internal Revenue Service. For the year ended June 30, 2020, \$0 was paid for income taxes and there was no provision made for income taxes for subsequent years.

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

### **Coastal Rivers Conservation Trust**

#### **Note W - Designated Fund Agreement**

Coastal Rivers Conservation Trust is the beneficiary of an agreement between a donor and the Maine Community Foundation. Under the terms of the agreement and subject to a variance power, the Maine Community Foundation makes quarterly distributions to CRCT. The annual distribution is 5% of the value of the fund, but not less than \$10,000. The amount received during the year ended June 30, 2020 was \$13,420.

#### **Note X - Related Party Transaction**

CRCT conducts business with a publishing company that is owned by a member of the Board of Directors. During the year ended June 30, 2020, CRCT paid the company approximately \$29,500 for publishing services.

#### **Note Y - Acquisition**

During the year ended June 30, 2019, Damariscotta River Association acquired Pemaquid Water Association. On April 1, 2019, the operations of the two entities were merged into the legal structure of the Coastal Rivers Conservation Trust. This surviving entity has continued the mission of the two organizations as one. The financial statements presented for the year ended June 30, 2019 present the results of operations for DRA through March 31, 2019 and Coastal Rivers Conservation Trust (formerly DRA and PWA) for the three months ending June 30, 2019.

#### **Note Z - Subsequent Events**

Subsequent to year-end, CRCT paid off the line of credit balance as well as the promissory note listed in Note M in the amount of \$109,935. Additionally, CRCT's line of credit (see Note K) was renewed through August 2021 and the credit limit was increased to \$400,000.

Also subsequent to year-end, CRCT believes it has incurred allowable expenses and met the staffing and pay rate requirement sufficient for forgiveness of its note payable received through the Payroll Protection Program.

Also subsequent to year end, CRCT entered into an agreement with ReVision Investments, LLC whereas ReVision Investments, LLC agreed to develop, design, construct, own, and operate a solar powered electric generating project on property owned by CRCT. CRCT agrees to buy electric energy produced by the project for thirty years, with the option to purchase the solar panels after five years, in which case the payments under this agreement would cease. The project is in the installation phase and there have been no expenses incurred related to the project.

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

### **Coastal Rivers Conservation Trust**

#### **Note Z - Subsequent Events - Continued**

Management has made an evaluation of subsequent events to and including December 18, 2020, which was the date the financial statements were available to be issued and determined that all other subsequent events that would require recognition or disclosure have been considered in the preparation of the financial statements.