

Financial Statements
Blue Hill Heritage Trust, Inc.
December 31, 2016

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Blue Hill Heritage Trust, Inc.

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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees of
Blue Hill Heritage Trust, Inc.

We have audited the accompanying financial statements of Blue Hill Heritage Trust, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2016 and the related statements of activities 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.

Auditor's 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 Blue Hill Heritage Trust, Inc. as of December 31, 2016, 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.

Cheryl L. Boulet, CPA

Blue Hill, ME
August 29, 2017

Statement of Financial Position

Blue Hill Heritage Trust, Inc.

As of December 31, 2016

Assets

Current Assets

Cash and cash equivalents	\$ 612,120
Prepaid expenses	3,508
Promises to give	222,100
Grants receivable	445,000
Deposit on Surry Forest	50,000
Investments	1,043,867
Total Current Assets	2,376,595

Property and equipment, net of accumulated depreciation 354,916

Other Assets

Restricted cash for land acquisition	396,981
Restricted investments for stewardship	531,021
Restricted investments for permanent endowment	25,000
Conservation land	5,332,759
Total Other Assets	6,285,761

Total Assets \$ **9,017,272**

Liabilities and Net Assets

Current Liabilities

Payroll taxes	\$ 10,547
Accrued expenses	2,171
Current portion of long-term debt	203,720
Total Current Liabilities	216,438

Long-term debt, less current portion 52,702

Total Liabilities 269,140

Net Assets

Unrestricted net assets:

Available for operations	482,064
Designated for operating reserve	137,565
Designated for land protection	28,202
Designated for stewardship	53,788
Designated for stewardship fund (quasi-endowment)	460,262
Designated for operating fund (quasi-endowment)	452,969
Designated for conservation easement defense fund	20,341
Net investment in property and equipment	98,494
Land designated for conservation	2,876,745
Total Unrestricted Net Assets	4,610,430

Temporarily restricted net assets

Special projects	61,588
Land acquisitions	1,031,581
Stewardship	285,461
Stewardship fund (quasi-endowment)	278,058
Total Temporarily Restricted Net Assets	1,656,688

Permanently Restricted Net Assets

Operating fund (endowment)	25,000
Conservation land	2,456,014
Total Permanently Restricted Net Assets	2,481,014

Total Net Assets 8,748,132

Total Liabilities and Net Assets \$ **9,017,272**

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

Statement of Activities

Blue Hill Heritage Trust, Inc.

For the Year Ended December 31, 2016

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Support, Revenues and Reclassifications				
Support				
Contributions	\$ 384,765	\$ 1,195,491	\$ -	\$ 1,580,256
Total Support	384,765	1,195,491	-	1,580,256
Revenues				
Lease revenue	15,301	-	-	15,301
Sale of merchandise	4,675	-	-	4,675
Interest and dividends	50,689	867	-	51,556
Other revenue	1,170	-	-	1,170
Total Revenues	71,835	867	-	72,702
Net assets released from restrictions	93,023	(93,023)	-	-
Total Support, Revenues and Reclassifications	549,623	1,103,335	-	1,652,958
Expenses				
Program services				
Land protection, stewardship of conservation land and easements and education	259,855	-	-	259,855
Management and general	53,902	-	-	53,902
Fundraising	43,956	-	-	43,956
Total Expenses	357,713	-	-	357,713
Revenues Over Expenses	191,910	1,103,335	-	1,295,245
Net realized and unrealized gains (losses) on investments	55,799	(4,317)	-	51,482
Increase in Net Assets	247,709	1,099,018	-	1,346,727
Net assets at beginning of year	4,362,721	557,670	2,481,014	7,401,405
Net Assets at End of Year	<u>\$ 4,610,430</u>	<u>\$ 1,656,688</u>	<u>\$ 2,481,014</u>	<u>\$ 8,748,132</u>

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

Statement of Cash Flows

Blue Hill Heritage Trust, Inc.

For the Year Ended December 31, 2016

Cash Flows From Operating Activities

Increase in net assets	\$ 1,346,727
Adjustments to reconcile increase in net assets to net cash provided by operating activities:	
Depreciation	5,516
Donated investments	(422,842)
Net realized and unrealized gains on investments	(51,482)
(Increase) decrease in operating assets	
Promises to give	(215,100)
Grants receivable	(445,000)
Deposit on Surry Forest	(50,000)
Increase (decrease) in operating liabilities	
Accounts payable and withholdings	3,853
Accrued expenses	(1,551)

Net Cash Provided by Operating Activities 170,121

Cash Flows From Investing Activities

Purchase of property and land	(269,234)
Purchase of investments	(153,093)
Sale of investments	474,076

Net Cash Provided by Investing Activities 51,749

Cash Flows From Financing Activities

Proceeds from note payable	200,000
Principal payments on long-term debt	(26,551)

Net Cash Provided by Financing Activities 173,449

Net Increase in Cash 395,319

Cash at Beginning of Year

613,782

Cash at End of Year \$ 1,009,101

Supplemental Disclosure:

Interest expense	<u><u>\$ 2,071</u></u>
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See accompanying auditor's report and notes to financial statements.

Notes to Financial Statements

Blue Hill Heritage Trust, Inc.

Note A - Summary of Significant Accounting Policies

Nature of Activities

Blue Hill Heritage Trust, Inc. (the Organization) is a land trust whose mission is to conserve in perpetuity land and water resources that support the long-term health and well-being of the natural and human communities on the Blue Hill Peninsula.

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Cash and Cash Equivalents

The Organization considers cash in banks, and all other highly liquid investments with a maturity of less than three months, to be cash and cash equivalents. Cash and cash equivalents for purposes of the statement of cash flows exclude any cash and cash equivalents included in the endowment fund.

Promises to Give & Grants Receivable

Unconditional promises to give and grants receivable 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. The Organization uses the allowance method to determine the uncollectible promises receivable. The allowance is based on prior years' experience and management's analysis of specific promises made. At December 31, 2016, management estimated the allowance for uncollectible receivables to be \$0.

Investments

Investments in equity securities with readily determinable fair values, and all investments in debt securities, are reported at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets. Investment income and gains restricted by a donor are reported as increases in unrestricted net assets if the restrictions are met (either by passage of time or by use) in the reporting period in which the income and gains are recognized.

Property and Equipment

Purchases of property and equipment costing more than \$1,500 are recorded at cost or, if donated, at the approximate fair value at the date of donation. Depreciation is provided on the straight-line method over the estimated useful lives as follows:

	<u>Years</u>
Real property	30
Land improvements	15
Furniture, fixtures, and equipment	5

Notes to Financial Statements

Blue Hill Heritage Trust, Inc.

Note A - Summary of Significant Accounting Policies – Continued

Expenditures for repairs and maintenance are expensed when incurred and betterments are capitalized. Assets sold or otherwise disposed of are removed from the accounts, along with the related depreciation allowances, and any gain or loss is recognized. Depreciation expense for the year ended December 31, 2016 was \$5,516.

Conservation Land and Impairments

Conservation land and other lands are recorded at cost when purchased, or at fair market value if donated. The carrying value of conservation lands are written down to a lower value (“impaired”), if a restriction such as a conservation easement is placed on the land. Generally, the Organization recognizes the impairment in the value of the land by reducing its carrying value to 5% of the best estimate of its unimpaired fair market value, following the guidance in Maine’s Open Space Tax Law.

Conservation land contributed by donors with the understanding that the Organization will hold the property in perpetuity is classified and presented on the statement of financial position as permanently restricted. Conservation land that is purchased by the organization is classified and presented on the statement of financial position as unrestricted. In the event of a bargain purchase, the amount of the purchase price is classified as unrestricted; the contributed portion is classified as stipulated by the donor.

Conservation Easements

Conservation easements, whether purchased or donated, are considered to have no economic value, and are recorded at cost or fair market value at the time of donation, less a 100% allowance for impairment.

Net Assets

Net assets, revenues, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Unrestricted - Represents those resources that have no donor-imposed restrictions, neither permanently nor temporarily, and can be used for any purpose designated by the Organization’s governing board.

Temporarily Restricted - Represents resources and the portion of net assets resulting from contributions and other inflows of assets whose use is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of the Organization pursuant to those stipulations.

Notes to Financial Statements

Blue Hill Heritage Trust, Inc.

Note A - Summary of Significant Accounting Policies – Continued

We report contributions as temporarily restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or a purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Permanently Restricted - Represents resources and the portion of net assets resulting from contributions and other inflows of assets whose use is limited by donor-imposed stipulations that neither expire by the passage of time nor can be fulfilled or otherwise removed by actions of the Organization.

Revenue and Revenue Recognition

Revenue is recognized when earned. Contributions are recognized when cash, securities or other assets, an unconditional promise to give or notification of a beneficial interest is received. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met.

Donated Services

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 would be typically purchased if not provided by donation. Donated materials are recorded at the fair value at the date of the gift.

Income Taxes

The Organization qualifies as an organization exempt from income tax under Section 501(c)(3) of the Internal Revenue Code. The Organization has also received income tax exempt status in the State of Maine and files a Form 990 tax return in the U.S. federal jurisdiction. However, the Internal Revenue Service may subject an organization to tax on unrelated business taxable income. It is management's opinion that the Organization had no unrelated business taxable income during the year ended December 31, 2016. The Organization has adopted the provisions of FASB ASC, Income Taxes. With few exceptions, the Organization is no longer subject to U.S. federal or Maine income tax examinations by tax authorities for years before 2013, due to the statute of limitations.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Expenses are charged to each program based on direct expenditures incurred, and by allocation among the programs and supporting services benefited according to bases determined by management.

Estimates

The preparation of financial statements in conformity with accounting principles generally

Notes to Financial Statements

Blue Hill Heritage Trust, Inc.

Note A - Summary of Significant Accounting Policies – Continued

accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Note B – Investments

The Organization's investments are carried at fair market value based on quoted prices in active markets. The following schedule summarizes the market value of the types of investments held as of December 31, 2016:

Cash and money market funds	\$	4,183
Certificate of deposit		50,000
Fixed income securities		326,043
Mutual funds		333,598
Equities		886,064
Total investments	\$	<u>1,599,888</u>

Investment return is summarized as follows:

Interest and dividend income	\$	48,893
Net realized and unrealized (losses)		51,482
Investment fees		(11,439)
Investment return	\$	<u>88,936</u>
Interest earned on cash and cash equivalents		2,663
	\$	<u>91,599</u>

Note C – Promises to Give & Grants Receivable

Unconditional promises to give and grants receivable as of December 31, 2016 were as follows:

Receivables in less than one year	\$	<u>667,100</u>
Total receivables	\$	<u>667,100</u>

Notes to Financial Statements

Blue Hill Heritage Trust, Inc.

Note D – Fair Value Measurement

Generally accepted accounting principles (GAAP) in the United States define fair value as the price that would be received to sell an asset, or paid to transfer a liability, in an orderly transaction between market participants as of the measurement date. GAAP describes three approaches to measuring the fair value of assets and liabilities: the market approach, the income approach and the cost approach. Each approach includes multiple valuations techniques. GAAP does not prescribe which valuation technique should be used when measuring fair value, but it does establish a fair value hierarchy that prioritizes the inputs used in applying the various techniques. Inputs broadly refer to the assumptions that market participants use to make pricing decisions, including assumptions about risk. Level 1 inputs are given the highest priority in the hierarchy while Level 3 inputs are given the lowest priority.

Financial assets and liabilities carried at fair value are classified in one of the following three categories based on the nature of the inputs to the valuation techniques used:

- Level 1 – Observable inputs that reflect unadjusted quoted prices for identical assets or liabilities in active markets as of the reporting date. Active markets are those in which transactions for the asset or liability occur in sufficient frequency and volume to provide pricing information on an ongoing basis.
- Level 2 – Observable market-based inputs or unobservable inputs that are corroborated by market data.
- Level 3 – Unobservable inputs that are not corroborated by market data. These inputs reflect management's best estimate of fair value using its own assumptions about the assumptions a market participant would use in pricing the asset or the liability.

The Organization does not currently utilize any Level 2 or Level 3 inputs.

The following table sets forth, within the fair value hierarchy, the Organization's financial assets and liabilities that were accounted for at fair value on a recurring basis as of December 31, 2016. As required by GAAP, assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement.

The Organization's assessment of the significance of a particular input to the fair value measurement requires judgment and may affect their placement within the fair value hierarchy levels.

Notes to Financial Statements

Blue Hill Heritage Trust, Inc.

Note D – Fair Value Measurement - Continued

	<u>Fair Value Measurement at December 31, 2016</u>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets:				
Investments	\$ 1,599,888	\$ -	\$ -	\$ 1,599,888
Total Assets	<u>\$ 1,599,888</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,599,888</u>
Liabilities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Fair values for the Organization’s Level 1 investments were based on quoted market prices.

Note E - Endowment

Endowment

The Organization has pooled donor-restricted endowment funds (“endowment funds”) with select temporarily restricted funds and unrestricted funds designated by the Board to function as endowment funds (“quasi-endowment funds”). Both types of funds serve to support and preserve its programs.

Interpretation of Relevant Law

The Board of Directors of the Organization interprets the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift, as of the gift date, of the donor-restricted endowment funds, absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as permanently restricted net assets: (1) the original value of the gifts donated to the permanent endowment, and (2) the original value of subsequent gifts to the permanent endowment.

The portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Organization and any purpose restrictions have been met. In accordance with UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

Notes to Financial Statements

Blue Hill Heritage Trust, Inc.

Note E - Endowment - Continued

1. The duration and preservation of the fund;
2. The purpose of the Organization's donor-restricted endowment funds;
3. General economic conditions;
4. The possible effects of inflation and deflation;
5. The expected total return from income and the appreciation of investments;
6. Other resources of the Organization;
7. The investment policies of the Organization.

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 the Organization's programs while seeking to maintain the purchasing power of these assets. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner so that the total return should cover the annual distribution to the Organization, professional management fees, transaction costs, and inflation.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the Organization 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 target allocation for equities and equity substitutes combined is between 50% and 80% of the aggregate portfolio, with fixed income securities between 20% and 50%. Foreign equity securities are limited to American Depository Receipts ("ADRs"), or to mutual funds that hold foreign equities and are traded on a generally recognized national exchange. The aggregate value of such foreign equities and mutual funds should not exceed 40% of the value of the equity portion of the portfolio. Fixed income securities should be readily marketable on a generally recognized national exchange, and should be rated "Investment Grade" (as that term is generally defined) by a nationally recognized rating agency. The value of the securities of a single issuer should not exceed 7.5% of the total value of the portfolio. The Finance Committee may make exceptions to the general guidelines as circumstances warrant.

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

The Organization has a policy of appropriating for distribution each year not more than 4% of endowment funds' average fair value over the prior 3 years. However, the Organization does not appropriate amounts from the donor-restricted funds that have fallen below the historic dollar value of the donors' restricted contributions. Over the long term, the Organization expects its current spending policy to allow its endowment to grow at least as much as inflation. 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.

Notes to Financial Statements

Blue Hill Heritage Trust, Inc.

Note E - Endowment - Continued

Funds with Deficiencies

From time to time, the fair value of assets associated with permanent donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Organization to retain as a fund of perpetual duration. As of December 31, 2016, there were no deficiencies in the permanent donor-restricted endowment funds.

In accordance with GAAP and UPMIFA, the permanent donor-restricted portion of an endowment fund that has a deficiency at year end is replenished first from the temporarily restricted portion of the endowment and quasi-endowment fund, if available, and second from the unrestricted portion of the fund that has been designated by the Board of Directors to function as an endowment.

Endowment Net Asset Composition by Type of Fund as of December 31, 2016:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$ -	\$ 278,058	\$ 25,000	\$ 303,058
Board-designated endowment funds	913,232	-	-	913,232
Total endowment funds	<u>\$ 913,232</u>	<u>\$ 278,058</u>	<u>\$ 25,000</u>	<u>\$ 1,216,290</u>

Changes in endowment net assets for the year-ended December 31, 2016:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, December 31, 2015	\$ 893,228	\$ 228,039	\$ 25,000	\$ 1,146,267
Investment income	38,901	867	-	39,768
Investment fees	(5,796)	(5,643)	-	(11,439)
Net appreciation - realized and unrealized	31,616	595	-	32,211
Contributions	2,292	54,200	-	56,492
Appropriation of endowment assets for expenditure	(47,009)	-	-	(47,009)
Endowment net assets, December 31, 2016	<u>\$ 913,232</u>	<u>\$ 278,058</u>	<u>\$ 25,000</u>	<u>\$ 1,216,290</u>

Notes to Financial Statements

Blue Hill Heritage Trust, Inc.

Note F – Line of Credit

The Organization has a line of credit with The First, allowing for borrowings up to \$50,000. As of December 31, 2016, there was a zero balance on this line of credit.

Note G – Notes Payable

At December 31, 2016, the Organization had the following notes payable:

Mortgage payable to The First, monthly installments of \$449, interest is variable at the Wall Street Journal Prime Rate, with a floor of 3.25% and a ceiling of 6.5% (3.75% as of December 31, 2016), maturity date 10/14/29, secured by a building.	\$ 56,422
Note payable to Lucia D. S. Knight, three quarterly installments of interest only payments at the Wall Street Journal Prime Rate (3.75% as of December 31, 2016) and an annual principal payment of \$200,000 plus accrued interest by December 22, 2017, secured by building and land. Option to extend terms of the note for an additional six months with a principal payment of \$25,000 by December 22, 2017.	<u>200,000</u>
Total debt	256,422
Less: current maturities	<u>(203,720)</u>
Debt, less current portion	<u>\$ 52,702</u>

Expected maturities of the principal of debt at December 31, 2016 are as follows:

Year Ending December 31,	
2017	\$ 203,720
2018	3,843
2019	3,970
2020	4,100
2021	4,236
Thereafter	<u>36,553</u>
Total	<u>\$ 256,422</u>

Notes to Financial Statements

Blue Hill Heritage Trust, Inc.

Note H – Conservation Land

The amount of conservation land owned by the Organization, listed below, totals 3,291.77 acres, some of which was acquired through the merger with The Conservation Trust (TCT) that was completed in 2014:

Schumacher, Castine, 3.8 acres, acquired in 1978 by TCT and included in the merger

Wiswall, Castine, 11 acres, acquired in 1983 by TCT and included in the merger

Toddy Pond, Penobscot, 13 acres, acquired in August 1986

Camp Stream, Blue Hill, 26 acres, acquired in December 1986 (18 acres) and July 2000 (8 acres)

Bell's Point, Brooksville, 56 acres, acquired in July 1989

Ferry Landing, Brooksville, 23 acres, acquired in 1990 by TCT and included in the merger

Bagaduce River, 117 acres, Brooksville, acquired in December 1992 (1 acre) and Sedgwick, acquired in December 2007 (58 acres) and September 2013 (58 acres)

Blue Hill Mountain, Blue Hill, 381.8 acres, acquired in December 1986 (19 acres), May 1993 (11 acres), January 1994 (19 acres), August 1998 (71 acres), December 1998 (5 acres), February 2004 (21 acres), August 2004 (35 acres), December 2007 (108 acres), December 2010 (12 acres), May 2014 (19 acres), December 2014 (53.2 acres, 80% undivided interest in 66.5 acres), October 2015 (.3 acres), and August 2016 (8.3 acres, 20% undivided interest in 66.5 acres, less 5 acres)

Morgan Bay Watershed, Surry, 311.10 acres, acquired as *Carter Nature Preserve*, July 1995 (23 acres), *Furth Wildlife Sanctuary*, June 2000 (26 acres), and December 2004 (1 acre), *Nowick*, May 2003 (5 acres), *Emerton Heath*, February 2003 (120 acres), *Talalay Nature Sanctuary*, December 2006 (33 acres), *Emerton Brook*, November 2011 (50 acres), *Cross Road Trail Head*, January 2013 (4.6 acres), *Robertson Land*, October 2015 (48.5 acres)

Sherm Perkins, Penobscot, 1.5 acres, acquired in 1996 by TCT and included in the merger

Weinland, Penobscot, 39.2 acres, acquired in 1997 and 1999 by TCT and included in the merger

Hatch Cove, Castine, 28.5 acres, acquired in 1998 by TCT and included in the merger

Snow Preserve, Brooksville, 46 acres, acquired in 1998 by TCT and included in the merger

Notes to Financial Statements

Blue Hill Heritage Trust, Inc.

Note H – Conservation Land – Continued

Kingdom Woods Conservation Area, Blue Hill, 878 acres, acquired in February 1998 (40 acres), June 1998 (320 acres), June 1999 (4 acres), November 1999 (83 acres), July 2000 (160 acres), November 2003 (140 acres), October 2005 (40 acres), September 2006 (42 acres) and December 2006 (49 acres)

Caterpillar Hill, Sedgwick, 143 acres, acquired in May 2001 (10 acres), December 2001 (138) and November 2009 (-5 acres)

Gold Stream Marsh, Surry, 47 acres, acquired in September 2002 (18 acres) and December 2002 (29 acres)

Patten Stream Property, Surry, 54 acres, acquired in April 2008 (41 acres) and October 2013 (13 acres)

Peter's Brook, Blue Hill, 60.02 acres, acquired February 2003 (.02 acres), November 2004 (45 acres) and March 2006 (15 acres)

Dunc's Meadow, Castine, 30 acres, acquired in 2005 by TCT and included in the merger

John B. Mountain, Brooksville, 38 acres, acquired in July 2009

Wallamatogus Mountain, Penobscot, 273 acres, 50% undivided interest acquired April 2009 and remaining 50% undivided interest acquired in November 2010

Wight Pond, Penobscot, 121 acres, acquired in August 2011 (15 acres) and November 2013 (106 acres)

Hundred Acre Wood, Brooklin, 113 acres, acquired in December 2012

Wallamatogus-Great Heath, Penobscot, 273 acres, acquired in July 2012

Horseshoe Cove, Brooksville, 4 acres, acquired in March 2012

Meadow Stream, Brooksville, 91 acres, acquired in September 2013

Carlton Island, Blue Hill, 10 acres, acquired in December 2014

Big Peters Cove, Blue Hill, 62 acres, acquired in December 2014

Mann's Meadow, Surry, 29 acres, acquired in June 2015

Notes to Financial Statements

Blue Hill Heritage Trust, Inc.

Note H – Conservation Land – Continued

Snow's Cove, Sedgwick, 7.85 acres, acquired in December 2016

Note I – Conservation Easements

Conservation easements are deemed to be without economic value to the Organization and therefore are valued at zero for accounting purposes. The following list shows the amount of conservation easements held at December 31, 2016:

<u>Town</u>	<u>Date of Easement</u>	<u>Acres</u>
Blue Hill	12/23/1994	137
Blue Hill	03/01/1996	19
Blue Hill	09/02/1998	77
Blue Hill	07/11/2000	150
Blue Hill	10/19/2001	50
Blue Hill	08/26/2004	69
Blue Hill	07/26/2005	3
Blue Hill	07/26/2005	6
Blue Hill	08/30/2005	3
Blue Hill	10/13/2005	12
Blue Hill	12/28/2005	19
Blue Hill	05/23/2007	48
Blue Hill	03/24/2008	5
Blue Hill	10/16/2009	137
Blue Hill	12/11/2015	78
Brooklin	09/23/1986	17
Brooklin	12/02/1988	37
Brooklin	12/20/1990	36
Brooklin	12/30/1991	17
Brooklin	12/23/2003	4
Brooklin	04/16/2004	2
Brooklin	10/04/2005	2
Brooksville	12/28/1988	38
Brooksville	03/20/1990	112
Brooksville	07/27/1990	28
Brooksville	12/19/1990	150
Brooksville	12/21/2009	36
Brooksville	06/03/1991	20

Notes to Financial Statements

Blue Hill Heritage Trust, Inc.

Note I – Conservation Easements - Continued

<u>Town</u>	<u>Date of Easement</u>	<u>Acres</u>
Brooksville	12/28/1991	23
Brooksville	03/21/1994	25
Brooksville	11/24/1995	175
Brooksville	05/28/1996	4
Brooksville	10/13/1998	104
Brooksville	08/30/2001	10
Brooksville	09/20/2001	0.9
Brooksville	12/28/2001	11
Brooksville	03/24/2010	16
Brooksville	06/09/2014	9
Castine	01/02/1989	14
Castine	08/25/1989	4.5
Castine	11/23/1993	43
Castine	11/12/1997	1
Castine	09/30/1999	135
Orland	12/28/2007	6
Penobscot	08/09/1989	91
Penobscot	02/27/1997	383
Penobscot	01/05/2000	89
Penobscot	12/11/2003	100
Penobscot	10/07/2005	100
Penobscot	12/30/2010	178
Penobscot	02/25/2011	84
Penobscot	08/01/2013	27
Penobscot	11/26/2013	35
Penobscot	12/30/2013	25
Sedgwick	08/27/1987	131
Sedgwick	12/28/1987	200
Sedgwick	05/15/1991	5
Sedgwick	06/30/1994	70
Sedgwick	12/21/1998	30
Sedgwick	02/16/2000	55
Sedgwick	02/24/2004	68

Notes to Financial Statements

Blue Hill Heritage Trust, Inc.

Note I – Conservation Easements – Continued

<u>Town</u>	<u>Date of Easement</u>	<u>Acres</u>
Sedgwick	01/07/2005	11
Sedgwick	11/19/2008	27
Sedgwick	07/11/2014	1
Sedgwick	07/11/2014	4
Surry	03/30/2010	11
Surry	03/31/2010	5
Surry	01/24/2012	<u>9</u>
Total Acres of Conservation Easements:		<u>3632.4</u>

The Organization also assists with two conservation easements in Blue Hill that are held by the State of Maine (168 acres and 116 acres), and holds a deed restriction on a parcel in Blue Hill (10 acres).

Note J – Employee Benefit Plan

The Organization has a SEP-IRA plan covering all employees at least 21 years of age who have been employees of the Organization for a period of twelve consecutive months. Each year, the Board of Directors establishes a percentage of salary to be contributed to each eligible employee. For 2016 that percentage was 8.0% and the expense recorded was \$6,925.

Note K – Commitments

The Organization signed an agreement to allow a third party to farm two blueberry fields owned by the Organization located on the Caterpillar Hill Preserve in Sedgwick. The agreement has a term of four years, ending on March 31, 2018, and requires payment of 12% of the price received by the tenant for the crop. It is the Organization's policy to record rental income in the year payment is received. No payments were received under this agreement for the year ended December 31, 2016.

The Organization signed an agreement to allow a third party to lease land owned by the Organization for a communications tower on Blue Hill Mountain. The agreement has a term of five years, terminates on December 31, 2020, and requires a lease payment of \$15,301 in 2017. Payments received during 2016 totaled \$15,301.

Notes to Financial Statements

Blue Hill Heritage Trust, Inc.

Note L – Subsequent Events

Management has evaluated subsequent events through August 29, 2017, which is the date the financial statements were available to be issued. The following events were deemed worthy of disclosure:

Subsequent to year-end, the Organization was notified by the Hancock County Registry of Probate that it is the beneficiary of a bequest of approximately \$500,000.

Subsequent to year-end, the Organization purchased the Surry Forest conservation property for \$650,000.

Subsequent to year-end, the Organization was awarded a federal grant of approximately \$500,000 for land acquisition.

Subsequent to year-end, the Organization entered into a purchase option agreement to purchase 32 acres of land on Caterpillar Hill in Sedgwick.

Note M – Correction of Errors in Prior Periods

Net assets as of the beginning of the fiscal year have been adjusted to recognize the impairment of certain parcels of conservation land. Per Note A, it is the policy of the Organization to write down the carrying value of conservation land if a restriction such as a conservation easement is placed on the land, however this policy had not been followed consistently in prior years. Corrections were also made to temporarily and permanently restricted fund balances as of December 31, 2015 as a result of the audit of the December 31, 2016 financial statements.

Correction of the errors in prior periods had no effect on the results of the current year's activities; however, the cumulative effect of the correction increased unrestricted net assets by \$499,857, increased temporarily restricted net assets by \$160,335 and decreased permanently restricted net assets by \$1,871,442 as of December 31, 2015. Total net assets as of December 31, 2015 were decreased by \$1,211,250, which equals the previously unrecognized value of impairment on conservation lands with easements.