



**Financial Statements**

**December 31, 2019**

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## Nonprofit Accounting & Consulting Specialists

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### **Independent Auditors' Report**

Board of Directors  
Friends of Katahdin Woods & Waters  
Portland, Maine

We have audited the accompanying financial statements of Friends of Katahdin Woods & Waters (a nonprofit organization), which comprise the statement of financial position as of December 31, 2019, 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 Friends of Katahdin Woods & Waters as of December 31, 2019, 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.

*PGM, LLC*

Biddeford, Maine  
July 20, 2020

## Statement of Financial Position

December 31, 2019

### ASSETS

#### Current Assets

Cash and cash equivalents	\$ 301,263
Accounts receivable	34,720

<b>Total Current Assets</b>	<b><u>335,983</u></b>
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#### Property and Equipment

Buildings	203,475
Equipment	3,827

	<u>207,302</u>
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Less accumulated depreciation	10,206
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<b>Property and Equipment, Net</b>	<b><u>197,096</u></b>
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#### Other Assets

Security deposit	675
Investments	9,968

<b>Total Other Assets</b>	<b><u>10,643</u></b>
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<b>Total Assets</b>	<b><u><u>\$ 543,722</u></u></b>
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### LIABILITIES AND NET ASSETS

#### Current Liabilities

Accounts payable	\$ 1,602
Accrued payroll and payroll taxes	25,916

<b>Total Current Liabilities</b>	<b><u>27,518</u></b>
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#### Net Assets

Without donor restrictions	412,378
With donor restrictions	103,826

<b>Total Net Assets</b>	<b><u>516,204</u></b>
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<b>Total Liabilities and Net Assets</b>	<b><u><u>\$ 543,722</u></u></b>
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## Statement of Activities

Year Ended December 31, 2019

	Without donor restrictions	With donor restrictions	Total
<b>Revenue and Other Support</b>			
Grants	\$ 148,845	\$ 245,034	\$ 393,879
Contributions	71,863	20,030	91,893
Memberships	127,078		127,078
Events revenue less direct expenses of \$12,908	38,907		38,907
Interest income	1,468		1,468
Gain (loss) on investment	(110)	(62)	(172)
Other income	1,493		1,493
<b>Total Revenue and Other Support - Before Net Assets Released From Restriction</b>	<b>389,544</b>	<b>265,002</b>	<b>654,546</b>
<b>Net Assets Released From Restriction</b>			
Satisfaction of time and purpose restrictions	290,524	(290,524)	
<b>Total Revenue and Other Support</b>	<b>680,068</b>	<b>(25,522)</b>	<b>654,546</b>
<b>Expenses</b>			
Program services	429,034		431,917
General and administrative	25,554		25,554
Fundraising	18,334		18,334
<b>Total Expenses</b>	<b>472,922</b>		<b>472,922</b>
<b>Change in Net Assets</b>	<b>207,146</b>	<b>(25,522)</b>	<b>181,624</b>
<b>Net Assets, Beginning of Year</b>	<b>205,232</b>	<b>129,348</b>	<b>334,580</b>
<b>Net Assets, End of Year</b>	<b>\$ 412,378</b>	<b>\$ 103,826</b>	<b>\$ 516,204</b>

## Statement of Functional Expenses

Year Ended December 31, 2019

	Program Services	General and Administrative	Fundraising	Total
<b>Personnel</b>				
Salaries and wages	\$ 201,533	\$ 15,291	\$ 11,739	\$ 228,563
Payroll taxes	15,845	1,218	941	18,004
Benefits	20,943	1,666	1,190	23,799
<b>Total Personnel</b>	<b>238,321</b>	<b>18,175</b>	<b>13,870</b>	<b>270,366</b>
<b>Professional Fees</b>				
Accounting		4,076		4,076
Database	950	1,000		1,950
Special projects	10,593			10,593
Educators	16,470			16,470
Payroll processing		1,438		1,438
<b>Total Professional Fees</b>	<b>28,013</b>	<b>6,514</b>		<b>34,527</b>
<b>Other Expenses</b>				
Rent & utilities		11,040		11,040
Facility	31,771			31,771
Design, construction	45,739			45,739
Telephone		2,273		2,273
Equipment	2,011	2,705		4,716
Subscriptions	280	2,177		2,457
Membership	510	325		835
Conferences & meetings	6,570			6,570
Insurance		4,190		4,190
Compliance & registration		400	25	425
Printing	4,233	814	953	6,000
Postage	3,351	210	223	3,784
Outreach & communications	351	102		453
Bank charges & fees			1,880	1,880
Office supplies	5,392	1,013		6,405
Food	9,458	26	36	9,520
Mileage & travel	19,529	33		19,562
Lodging	4,578			4,578
Depreciation	5,111			5,111
Miscellaneous	720			720
<b>Total Other Expenses</b>	<b>139,604</b>	<b>25,308</b>	<b>3,117</b>	<b>168,029</b>
Indirect Expenses	23,096	(24,443)	1,347	
<b>Total Expenses</b>	<b>\$ 429,034</b>	<b>\$ 25,554</b>	<b>\$ 18,334</b>	<b>\$ 472,922</b>

The accompanying notes are an integral part of these financial statements.

## Statement of Cash Flows

Year Ended December 31, 2019

**Cash flows from operating activities:**

Change in net assets	<u>\$ 181,624</u>
Adjustments to reconcile change in net assets to net cash flows from operating activities:	
Depreciation	5,111
(Increase) decrease in operating assets:	
Accounts and grants receivable	(34,720)
Increase (decrease) in operating liabilities:	
Accounts payable	1,302
Accrued payroll and payroll taxes	13,952
Total adjustments	<u>(14,355)</u>
<b>Net cash flows from operating activities</b>	<u><b>167,269</b></u>

**Cash flows from investing activities:**

Purchase of property, plant and equipment	(113,475)
Purchases of investments	(30,841)
Proceeds from sales of investments	20,873
<b>Net cash flows used by investing activities</b>	<u><b>(123,443)</b></u>

**Net increase in cash and cash equivalents** 43,826

**Cash and cash equivalents, beginning of year** 257,437

**Cash and cash equivalents, end of year** \$ 301,263



## Notes to Financial Statements

December 31, 2019

### NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### Organization

Friends of Katahdin Woods & Waters is a membership organization made up of individuals who are committed to working alongside the National Park Service to help protect, preserve and promote all that is special about Katahdin Woods and Waters National Monument.

Learn more about the Friends of Katahdin Woods & Waters at [www.friendsofkww.org](http://www.friendsofkww.org).

#### Basis of Accounting and Presentation

The financial statements for the Organization have been prepared using the accrual method of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP).

#### Net Assets

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

*Net Assets without Donor Restrictions* – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.

*Net Assets with Donor Restrictions* – Net assets subject to donor-or certain grantor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as revenue when the assets are placed in service. Donor-imposed restrictions are released when a restriction expires; that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled or both.

#### Cash and cash equivalents

Cash and highly liquid investments with initial maturities of three months or less are considered to be cash equivalents.

#### Accounts Receivable

Accounts receivable consists of amounts due from various contracts. No reserve for uncollectable amounts is deemed necessary, as management considers them to be fully collectible as of December 31, 2019.

#### Revenue Recognition

Revenue is recognized when earned. Grant and contract payments under cost-reimbursable grants or contracts received in advance are deferred to the applicable period in which the related services are performed or expenditures are incurred, respectively. 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.

## Notes to Financial Statements

December 31, 2019

### NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES- CONTINUED

#### Functional Allocation of Expenses

The Organization allocates expenses on a functional basis among its programs and supporting services. Supporting services are those related to operating and managing the Organization and its programs on a day-to-day basis and are composed of the following:

*General and administrative* – includes all activities related to the Organization's internal management and accounting for program services.

*Fundraising* – includes all activities related to maintaining contributor information, writing grant proposals, distribution of materials and other similar projects related to the procurement of funds for the Organization's programs.

Expenses that can be identified with a specific program or supporting service are allocated directly to those classifications. Expenses that are attributed to more than one program or supporting function require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include salaries and wages, benefits, and payroll taxes, which are allocated on the basis of actual time and effort.

#### Income Taxes

The Organization is classified as a public charity exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code and has been determined not to be a private foundation within the meaning of Section 509(a) of the Code.

Management has evaluated the Organization's tax positions and concluded that, as of December 31, 2019, it has not taken any tax positions that would require the recording of any additional tax liability, nor does it believe that there are any unrealized tax benefits that would either increase or decrease within the next twelve months. The Organization is subject to U.S. federal and state examinations by taxing authorities for three years after the filing of the Organization's return.

#### Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses in the reporting period. Actual results could differ from these estimates.

#### Property and Equipment

Property and equipment are stated at cost or estimated fair value if donated. Friends of Katahdin Woods & Waters capitalizes all expenditures in excess of \$1,000 with a life of more than one year. Depreciation of property and equipment is computed on a straight-line basis over their estimated useful lives varying from three to thirty years.

## Notes to Financial Statements

December 31, 2019

### NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES- CONTINUED

#### Recent Accounting Pronouncements

##### *Leasing*

In February 2016, FASB issued ASU 2016–02, *Leases*. This new standard will provide users of the financial statements a more accurate picture of the assets and the long-term financial obligations of entities that lease. The proposal is for a dual-model approach; a lessee would account for most existing capital leases as Type A leases, and most existing operating leases as Type B leases. Both would be reported on the balance sheet of the entity 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 companies, the new leasing standard would apply for fiscal years beginning after December 15, 2020. Management is currently evaluating the impact of adoption on its financial statements.

#### Recently Adopted Accounting Pronouncements

##### *Not-for-Profit Entities*

In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities: Presentation of Financial Statements of Not-for-Profit Entities*, to amend current reporting requirements to make several improvements, including reducing complexities of information presented within Not-for-Profit financial statements. A main provision of this update is that a Not-for-Profit entity will report two classes of net assets (amounts for net assets with donor restrictions and net assets without donor restrictions), rather than the currently required three classes. The guidance is effective for annual periods beginning after December 15, 2017, with early application permitted. This standard requires retroactive application to previously issued financial statements for 2018, if presented. Management adopted this ASU as of December 31, 2018.

##### *Revenue Recognition*

The Organization has adopted Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers* (Topic 606), as amended as management believes the standard improves the usefulness and understandability of the Organization's financial reporting.

Analysis of various provisions of this standard resulted in no significant change in the way the Organization recognizes revenue, and therefore no changes in the previously issued audited financial statements were required on a retrospective basis. The presentation and disclosures of revenue have been enhanced in accordance with the standard.

##### *Contributions Received and Contributions Made*

The Organization has adopted Accounting Standards Update (ASU) No. 2018-08 *Not-for-Profit Entities: Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made* (Topic 605) as management believes the standard improves the usefulness and understandability of the Organization's financial reporting.

## Notes to Financial Statements

December 31, 2019

### NOTE 2 – LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the balance sheet date, comprise the following:

Cash and cash equivalents	\$ 197,437
Accounts receivable	34,720
	<u>\$ 232,157</u>

### NOTE 3 – NET ASSETS

Net assets with donor purpose restrictions are comprised of the following at December 31, 2019:

Capital Campaign	\$ 19,968
Lunksoos Tent Sites	27,202
Millinocket Storefront	12,433
Overlook Improvements	10,381
Patten House Operations	18,972
Place-Based Education Strategic Planning	8,800
Place-Based Education Learning Project	6,070
Total	<u>\$ 103,826</u>

The sources of net assets released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of events specified by the donors were as follows for the year ended December 31, 2019:

Capital Campaign	\$ 12,841
Lunksoos Tent Sites	22,798
Millinocket Storefront	13,907
Overlook Improvements	11,290
Patten House Operations	127,788
Place-Based Education Strategic Planning	1,200
Place-Based Education Learning Project	99,840
Miscellaneous	860
Total	<u>\$ 290,524</u>

### NOTE 4 – OPERATING LEASE

The Organization leases an office in Portland, which expired on March 31, 2019. The lease was renewed in 2019 with a new expiration of March 31, 2020. Rent expense totaled \$8,325 for the year ended December 31, 2019. The future minimum lease payments for 2020 are \$2,100.

## **Notes to Financial Statements**

**December 31, 2019**

### **NOTE 5 – CONCENTRATION OF CREDIT RISK**

The Organization maintains cash balances at a local bank that may, at times, exceed federally insured limits of \$250,000 per depositor. The Organization has not experienced any losses in these accounts and believes that it is not exposed to any significant risk.

### **NOTE 6 – NONMONETARY EXCHANGE TRANSACTIONS**

The Organization received nonmonetary support from individuals and businesses for the purpose of silent auction items and travel. These amounts have been recorded as in-kind contribution revenue in the amount of \$17,098 for the year ended December 31, 2019.

### **NOTE 7 – SUBSEQUENT EVENTS**

Management has made an evaluation of subsequent events to and including July 20, 2020, which was the date the financial statements were available to be issued and determined that any subsequent events that would require recognition or disclosure have been considered in the preparation of the financial statements.