



Financial Statements
December 31, 2021 and 2020

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Nonprofit Accounting & Consulting Specialists

Independent Auditors' Report

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

Opinion

We have audited the accompanying consolidated financial statements of Friends of Katahdin Woods & Waters (the "Organization"), which comprise the statements of financial position as of December 31, 2021 and 2020, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Friends of Katahdin Woods & Waters as of December 31, 2021 and 2020, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Friends of Katahdin Woods & Waters and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Friends of Katahdin Woods & Waters' ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion of the effectiveness of Friends of Katahdin Woods & Waters' internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Friends of Katahdin Woods & Waters' ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

As stated in the opinion section of this report, the financial statements of Friends of Katahdin Woods & Waters present fairly, in all material respects, the financial position of Friends of Katahdin Woods & Waters as of December 31, 2021 and 2020, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

PGM, LLC

Biddeford, Maine
June 30, 2022

Statements of Financial Position

December 31, 2021 and 2020

	2021	2020
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 2,205,938	\$ 655,555
Accounts receivable	281,813	102,908
Unconditional promises to give receivable- current portion	<u>309,735</u>	<u>132,740</u>
Total Current Assets	<u>2,797,486</u>	<u>891,203</u>
Property and Equipment		
Buildings	203,475	203,475
Equipment	<u>3,827</u>	<u>3,827</u>
	207,302	207,302
Less accumulated depreciation	<u>(22,172)</u>	<u>(16,189)</u>
Property and Equipment, Net	<u>185,130</u>	<u>191,113</u>
Other Assets		
Unconditional promises to give receivable, less current portion, net	252,618	153,679
Security deposit	<u>675</u>	<u>675</u>
Total Other Assets	<u>253,293</u>	<u>154,354</u>
Total Assets	<u>\$ 3,235,909</u>	<u>\$ 1,236,670</u>
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable	\$ 1,024,043	\$ 258,169
Accrued payroll and payroll taxes	42,010	34,879
Deferred revenue	<u>200,000</u>	<u> </u>
Total Current Liabilities	<u>1,266,053</u>	<u>293,048</u>
Net Assets		
Without donor restrictions	634,657	493,430
With donor restrictions	<u>1,335,199</u>	<u>450,192</u>
Total Net Assets	<u>1,969,856</u>	<u>943,622</u>
Total Liabilities and Net Assets	<u>\$ 3,235,909</u>	<u>\$ 1,236,670</u>

Statement of Activities

Year Ended December 31, 2021

	Without donor restrictions	With donor restrictions	Total
Revenue and Other Support			
Grants	\$ 447,514	\$ 234,282	\$ 681,796
Contributions	399,942	3,135,997	3,535,939
Memberships	112,370		112,370
Events revenue less direct expenses of \$ 2,899	62,981		62,981
Interest income	831		831
Gain on investment		818	818
Other income	645		645
Total Revenue and Other Support - Before Net Assets Released From Restriction	1,024,283	3,371,097	4,395,380
Net Assets Released From Restriction			
Satisfaction of time and purpose restrictions	2,486,090	(2,486,090)	
Total Revenue and Other Support	3,510,373	885,007	4,395,380
Expenses			
Program services	3,006,220		3,006,220
General and administrative	153,231		153,231
Fundraising	209,695		209,695
Total Expenses	3,369,146		3,369,146
Change in Net Assets	141,227	885,007	1,026,234
Net Assets, Beginning of Year	493,430	450,192	943,622
Net Assets, End of Year	\$ 634,657	\$ 1,335,199	\$ 1,969,856

Statement of Activities

Year Ended December 31, 2020

	Without donor restrictions	With donor restrictions	Total
Revenue and Other Support			
Grants	\$ 80,500	\$ 460,814	\$ 541,314
Contributions	147,632	2,591,500	2,739,132
Memberships	124,342		124,342
Interest income	1,229		1,229
Gain (loss) on investment	(34)	136	102
Other income	1,047		1,047
Total Revenue and Other Support - Before Net Assets Released From Restriction	354,716	3,052,450	3,407,166
Net Assets Released From Restriction			
Satisfaction of time and purpose restrictions	2,706,084	(2,706,084)	
Total Revenue and Other Support	3,060,800	346,366	3,407,166
Expenses			
Program services	2,727,169		2,727,169
General and administrative	74,308		74,308
Fundraising	178,271		178,271
Total Expenses	2,979,748		2,979,748
Change in Net Assets	81,052	346,366	427,418
Net Assets, Beginning of Year	412,378	103,826	516,204
Net Assets, End of Year	\$ 493,430	\$ 450,192	\$ 943,622

Statement of Functional Expenses

Year Ended December 31, 2021

	Program Services	General and Administrative	Fundraising	Total
Personnel				
Salaries and wages	\$ 231,302	\$ 110,149	\$ 49,612	\$ 391,063
Payroll taxes	20,626	9,181	4,339	34,146
Benefits	19,514	9,262	4,213	32,989
Total Personnel	271,442	128,592	58,164	458,198
Professional Fees				
Management consultant	93,505		132,000	225,505
Accounting		9,493		9,493
Event contractors	24,431			24,431
Educators	10,545			10,545
Database	1,575	1,475		3,050
Payroll processing		1,696		1,696
Total Professional Fees	130,056	12,664	132,000	274,720
Other Expenses				
Rent & utilities	5,160	16,772		21,932
Facility	22,232			22,232
Design, construction	2,449,689			2,449,689
Telephone		3,374		3,374
Equipment	4,245	2,633		6,878
Subscriptions	1,382	3,367	75	4,824
Membership	810	200		1,010
Conferences & meetings	7,892	210		8,102
Insurance		6,723		6,723
Compliance & registration	60	2,119		2,179
Printing	11,166	915	9,438	21,519
Postage	1,623	419	1,291	3,333
Outreach & communications	7,541	675		8,216
Bank charges & fees		300	3,154	3,454
Office supplies	5,677	1,170	253	7,100
Miscellaneous	2,212	1,538		3,750
Food	10,006	442		10,448
Mileage & travel	12,210	952		13,162
Lodging	5,550	78	164	5,792
Depreciation	5,983			5,983
Net present value	26,528			26,528
Total Other Expenses	2,579,966	41,887	14,375	2,636,228
Indirect Expenses	24,756	(29,912)	5,156	
Total Expenses	\$ 3,006,220	\$ 153,231	\$ 209,695	\$ 3,369,146

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

Statement of Functional Expenses

Year Ended December 31, 2020

	Program Services	General and Administrative	Fundraising	Total
Personnel				
Salaries and wages	\$ 216,111	\$ 49,667	\$ 22,775	\$ 288,553
Payroll taxes	17,303	3,711	1,763	22,777
Benefits	17,807	10,546	1,917	30,270
Total Personnel	251,221	63,924	26,455	341,600
Professional Fees				
Management consultant	96,000		144,000	240,000
Accounting		11,489		11,489
Event contractors	1,100			1,100
Educators	11,468			11,468
Payroll processing		1,613		1,613
Total Professional Fees	108,568	13,102	144,000	265,670
Other Expenses				
Rent & utilities		12,277		12,277
Facility	26,174			26,174
Design, construction	2,223,836			2,223,836
Telephone	39	2,400		2,439
Equipment	1,035	1,732		2,767
Subscriptions	982	2,926		3,908
Membership	953			953
Conferences & meetings	5,131			5,131
Insurance		6,539		6,539
Compliance & registration		643		643
Printing	18,727	733	2,035	21,495
Postage	2,299	158	506	2,963
Outreach & communications	21,340	585		21,925
Bank charges & fees		25	2,373	2,398
Office supplies	2,092	495		2,587
Food	1,698	49		1,747
Mileage & travel	7,013			7,013
Lodging	4,529			4,529
Depreciation	5,983			5,983
Net present value	17,171			17,171
Total Other Expenses	2,339,002	28,562	4,914	2,372,478
Indirect Expenses	28,378	(31,280)	2,902	
Total Expenses	\$ 2,727,169	\$ 74,308	\$ 178,271	\$ 2,979,748

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

Statements of Cash Flows

Years Ended December 31, 2021 and 2020

	2021	2020
Cash flows from operating activities:		
Change in net assets	<u>\$ 1,026,234</u>	<u>\$ 427,418</u>
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Depreciation	5,983	5,983
Increase in operating assets:		
Accounts and grants receivable	(178,905)	(68,188)
Contributions receivable	(275,934)	(286,419)
Decrease in operating liabilities:		
Accounts payable	765,874	256,567
Accrued payroll and payroll taxes	7,131	8,963
Deferred revenue	<u>200,000</u>	
Total adjustments	<u>324,149</u>	<u>(83,094)</u>
Net cash flows from operating activities	<u>1,350,383</u>	<u>344,324</u>
Cash flows from investing activities:		
Purchases of investments	(59,968)	(37,823)
Proceeds from sales of investments	<u>59,968</u>	<u>47,791</u>
Net cash flows used by investing activities	<u>-</u>	<u>9,968</u>
Net increase in cash and cash equivalents	1,350,383	354,292
Cash and cash equivalents, beginning of year	<u>655,555</u>	<u>301,263</u>
Cash and cash equivalents, end of year	<u>\$ 2,005,938</u>	<u>\$ 655,555</u>

Notes to Financial Statements

December 31, 2021 and 2020

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.

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, 2021 and 2020.

Contributions Receivable

Unconditional promises to give are recognized as revenues 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. Contributions receivable expected to be received in more than one year are discounted to present value.

Notes to Financial Statements

December 31, 2021 and 2020

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

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.

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, 2021 and 2020, 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.

Notes to Financial Statements

December 31, 2021 and 2020

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

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.

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, 2021. Management is currently evaluating the impact of adoption on its financial statements.

Contributed Nonfinancial Assets

In September 2020, FASB issued ASU 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. This new standard will increase the transparency of contributed nonfinancial assets for not-for-profit entities through enhancements to presentation and disclosure. The amendments provide specific presentation requirements which include qualitative information about how the nonfinancial assets were either monetized or utilized during the reporting period. The new standard would apply for annual periods beginning after June 15, 2021. The standard requires retroactive application and early adoption is permitted. Management is currently evaluating the impact of adoption on its financial statements.

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:

	2021	2020
Cash and cash equivalents	\$ 1,180,474	\$ 491,782
Accounts receivable	<u>281,813</u>	<u>102,908</u>
	<u>\$ 1,462,287</u>	<u>\$ 594,690</u>

Notes to Financial Statements

December 31, 2021 and 2020

NOTE 3 – CONTRIBUTIONS RECEIVABLE

Unconditional promises to give are estimated to be collected as follows at December 31,

	2021	2020
Within one year	\$ 309,735	\$ 132,740
In one to five years	<u>296,317</u>	<u>170,850</u>
	606,052	303,590
Less discount to net present value at 3%	<u>(43,699)</u>	<u>(17,171)</u>
	<u>\$ 562,353</u>	<u>\$ 286,419</u>

Promises to give appear as follows in the statement of financial position:

Contributions receivable, current portion	\$ 309,735	\$ 132,740
Contributions receivable, net, long-term	<u>252,618</u>	<u>153,679</u>
	<u>\$ 562,353</u>	<u>\$ 286,419</u>

NOTE 4 – OPERATING LEASE

The Organization leases an office in Portland, which expired on March 31, 2020. The lease was renewed in 2020 with a new expiration of March 31, 2022. Rent expense totaled \$9,025 and \$8,670 for the years ended December 31, 2021 and 2020, respectively. The future minimum lease payments for the year ending December 31, 2022 are \$2,295.

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 \$152,625 and \$3,322 for the years ended December 31, 2021 and 2020, respectively.

Notes to Financial Statements

December 31, 2021 and 2020

NOTE 7 – NET ASSETS

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

	2021	2020
Capital Campaign	\$ 1,286,961	\$ 311,419
Lunksoos Tent Sites		46,765
Millinocket Storefront		1,467
Overlook Improvements	3,215	3,215
Patten House Operations	4,570	7,091
Patten Visitor Contact Station	1,250	1,250
Place-Based Education Strategic Planning		12,751
Place-Based Education Learning Project	21,838	36,114
Priority Park Projects		1,000
Road Maintenance		5,344
Wabanaki Youth in Science	906	5,134
Youth Conservation Corps	16,459	18,642
Total	<u>\$ 1,335,199</u>	<u>\$ 450,192</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:

	2021	2020
Capital Campaign	\$ 2,143,189	\$ 295,286
Lunksoos Tent Sites	146,766	30,437
Millinocket Storefront	13,933	13,955
Overlook Improvements		7,166
Patten House Operations	10,586	13,320
Patten Visitor Contact Station	5,250	5,313
Place-Based Education Strategic Planning	12,751	13,105
Place-Based Education Learning Project	110,811	101,957
Other	5,342	220,591
Wabanaki Youth in Science	35,278	616
Welcome Center		2,000,000
Youth Conservation Corps	2,184	4,338
Total	<u>\$ 2,486,090</u>	<u>\$ 2,706,084</u>

Releases include amounts for capital items that are not included on the balance sheet of the Organization. These funds have been transferred to the National Park System to be used for the specified purpose.

Notes to Financial Statements

December 31, 2021 and 2020

NOTE 8 – FORGIVABLE PPP LOANS

During 2020, the Organization received a forgivable advance in the amount of \$54,000 under the Paycheck Protection Program (“PPP”) in the year ended December 31, 2020. The PPP, established as part of the Coronavirus Aid, Relief and Economic Security Act (“CARES Act”), provides for loans to qualifying businesses for amounts up to 2.5 times of the average monthly payroll expenses of the qualifying business. The loans and accrued interest are forgivable as long as the borrower uses the loan proceeds for eligible purposes, including payroll, benefits, rent and utilities, and maintains its payroll levels. The amount of loan forgiveness will be reduced if the borrower terminates employees or reduces salaries during the selected period. The unforgiven portion of the PPP loan is payable over two years at an interest rate of 1%, with a deferral of payments for the first six months. The Organization met the criteria for forgiveness as of December 31, 2020. The Organization recorded the advance as grant revenue.

An additional \$56,152 PPP forgivable advance was received and forgiven in 2021.

NOTE 9 – SUBSEQUENT EVENTS

Management has made an evaluation of subsequent events to and including June 30, 2022, 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.