



PINE TREE SOCIETY
discovering abilities together

PINE TREE SOCIETY, INC.

FINANCIAL STATEMENTS

With Independent Auditors' Report

DECEMBER 31, 2019 AND 2018



PINE TREE SOCIETY, INC.
FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

TABLE OF CONTENTS

	<u>Page</u>
INDEPENDENT AUDITORS' REPORT	1
FINANCIAL STATEMENTS:	
Statements of Financial Position	3
Statements of Activities	5
Statements of Functional Expenses	7
Statements of Cash Flows	11
Notes to Financial Statements	12

INDEPENDENT AUDITORS' REPORT

The Board of Directors
Pine Tree Society, Inc.:

Report on the Financial Statements

We have audited the accompanying financial statements of the Pine Tree Society, Inc. (the Society) as of December 31, 2019 and 2018, which comprise the statements of financial position, and the related statements of activities, functional expenses, and cash flows for the years 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits 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 auditors' 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 auditors consider 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 Pine Tree Society, Inc. as of December 31, 2019 and 2018, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Albin, Randall & Bennett

May 14, 2020

PINE TREE SOCIETY, INC.
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2019 AND 2018

ASSETS	<u>2019</u>	<u>2018</u>
CURRENT ASSETS:		
Cash and cash equivalents	\$ 886,278	549,106
Accounts receivable, net of allowance for doubtful accounts of \$45,000 and \$30,000 at December 31, 2019 and 2018, respectively	590,555	632,424
Contributions receivable, current portion	257,150	22,438
Inventory	27,528	18,276
Prepaid expenses	<u>59,069</u>	<u>49,082</u>
Total current assets	<u>1,820,580</u>	<u>1,271,326</u>
PROPERTY AND EQUIPMENT:		
Land	301,726	301,726
Buildings	8,581,543	8,497,747
Equipment	2,003,745	1,969,580
Construction in process	<u>-</u>	<u>3,956</u>
	10,887,014	10,773,009
Less accumulated depreciation	<u>4,077,031</u>	<u>3,719,129</u>
Net property and equipment	<u>6,809,983</u>	<u>7,053,880</u>
INVESTMENTS:		
Without donor restrictions	10,403,467	8,877,305
With donor restrictions	<u>4,948,553</u>	<u>4,041,764</u>
Total investments	<u>15,352,020</u>	<u>12,919,069</u>
OTHER ASSETS:		
Restricted cash for investment	-	55,000
Contributions receivable, net of current portion	17,500	-
Beneficial interest in perpetual trusts	5,006,000	4,269,000
Contributions receivable from remainder trusts	<u>1,358,000</u>	<u>1,005,000</u>
Total other assets	<u>6,381,500</u>	<u>5,329,000</u>
	<u>\$ 30,364,083</u>	<u>26,573,275</u>

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

LIABILITIES AND NET ASSETS

	<u>2019</u>	<u>2018</u>
CURRENT LIABILITIES:		
Current portion of long-term debt	\$ 10,487	9,954
Accounts payable	113,025	136,798
Accrued expenses	<u>545,292</u>	<u>467,225</u>
Total current liabilities	<u>668,804</u>	<u>613,977</u>
LONG-TERM DEBT, net of current portion	<u>101,057</u>	<u>111,517</u>
NET ASSETS:		
Without donor restrictions	18,077,789	16,374,220
With donor restrictions	<u>11,516,433</u>	<u>9,473,561</u>
Total net assets	<u>29,594,222</u>	<u>25,847,781</u>
	<u>\$ 30,364,083</u>	<u>26,573,275</u>

PINE TREE SOCIETY, INC.
STATEMENTS OF ACTIVITIES
YEARS ENDED DECEMBER 31, 2019 AND 2018

	Without donor restrictions	
	<u>2019</u>	<u>2018</u>
PUBLIC SUPPORT, PROGRAM SERVICES, AND REVENUE:		
Public support:		
Bequests	\$ 185,889	-
Donations and gifts	-	-
Special events	49,813	54,198
Mail campaigns and other support	<u>415,191</u>	<u>433,642</u>
Total public support	<u>650,893</u>	<u>487,840</u>
Program services:		
Interpreting services	1,876,691	1,833,294
Family and community support services	2,908,107	2,924,413
Pine Tree Camp recreational services, net of financial assistance	398,611	377,106
Speech, hearing, and assistive technology services	491,906	514,294
Career services	26,222	73,902
Early learning center	400,547	314,858
Other	<u>65,682</u>	<u>65,711</u>
Total program services	<u>6,167,766</u>	<u>6,103,578</u>
Revenue:		
Hearing aid sales, net	623,413	401,610
Interest and dividends	349,416	351,975
Net realized and unrealized gains	1,870,108	(208,444)
Change in value of beneficial interest in perpetual trusts and contributions receivable from remainder trusts	-	-
Donated services	21,190	38,765
Donated equipment and other	64,246	9,720
Other	<u>16,595</u>	<u>9,632</u>
Total revenue	2,944,968	603,258
Net assets released by satisfaction of donor restrictions	<u>742,894</u>	<u>793,695</u>
Total public support, program services, and revenue	<u>10,506,521</u>	<u>7,988,371</u>
EXPENSES:		
Program services	8,209,280	7,885,148
Support services	<u>593,672</u>	<u>582,046</u>
Total expenses	<u>8,802,952</u>	<u>8,467,194</u>
Change in net assets	1,703,569	(478,823)
NET ASSETS AT BEGINNING OF YEAR	<u>16,374,220</u>	<u>16,853,043</u>
Net assets at end of year	<u>\$ 18,077,789</u>	<u>16,374,220</u>

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

With donor restrictions		Totals	
<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
15,400	152,000	201,289	152,000
545,879	316,473	545,879	316,473
111,688	118,574	161,501	172,772
-	-	415,191	433,642
<u>672,967</u>	<u>587,047</u>	<u>1,323,860</u>	<u>1,074,887</u>
-	-	1,876,691	1,833,294
-	-	2,908,107	2,924,413
-	-	398,611	377,106
63,556	-	555,462	514,294
-	-	26,222	73,902
-	10,000	400,547	324,858
-	-	65,682	65,711
<u>63,556</u>	<u>10,000</u>	<u>6,231,322</u>	<u>6,113,578</u>
-	-	623,413	401,610
70,051	58,095	419,467	410,070
889,192	(85,841)	2,759,300	(294,285)
1,090,000	(630,204)	1,090,000	(630,204)
-	-	21,190	38,765
-	-	64,246	9,720
-	-	16,595	9,632
2,049,243	(657,950)	4,994,211	(54,692)
<u>(742,894)</u>	<u>(793,695)</u>	<u>-</u>	<u>-</u>
<u>2,042,872</u>	<u>(854,598)</u>	<u>12,549,393</u>	<u>7,133,773</u>
-	-	8,209,280	7,885,148
-	-	593,672	582,046
-	-	8,802,952	8,467,194
2,042,872	(854,598)	3,746,441	(1,333,421)
<u>9,473,561</u>	<u>10,328,159</u>	<u>25,847,781</u>	<u>27,181,202</u>
<u>11,516,433</u>	<u>9,473,561</u>	<u>29,594,222</u>	<u>25,847,781</u>

PINE TREE SOCIETY, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2019

	Program services			
	<u>Client services</u>	<u>Public health education</u>	<u>Research</u>	<u>Total</u>
Salaries	\$ 3,882,621	38,900	91,740	4,013,261
Benefits	818,661	11,594	22,748	853,003
Payroll taxes	282,569	2,617	6,546	291,732
Payroll fees	20,290	-	-	20,290
Professional fees	1,212,552	31,257	3,203	1,247,012
Supplies	338,077	8,493	210	346,780
Telephone	55,304	337	508	56,149
Postage	13,785	12,202	302	26,289
Occupancy	272,285	3,357	771	276,413
Printing	6,280	6,184	1	12,465
Advertising	3,663	671	3	4,337
Travel	195,171	1,563	2,456	199,190
Training and conferences	25,865	14	14	25,893
Specific aid	4,000	-	-	4,000
Memberships	18,943	35	35	19,013
Awards and grants	-	-	-	-
Fuel	24,403	32	31	24,466
Miscellaneous	282	8,135	-	8,417
Insurance	83,108	57	18	83,183
Bad debts	113,701	-	-	113,701
Interest	5,804	98	97	5,999
Service provider taxes	81,812	-	-	81,812
Workers compensation	43,551	-	-	43,551
Depreciation	387,487	988	758	389,233
Staff meetings/events	3,432	-	-	3,432
Vehicle	41,470	35	34	41,539
Recruiting	12,969	-	-	12,969
Building maintenance	2,452	-	-	2,452
Tuition reimbursement	2,697	2	-	2,699
	<u>\$ 7,953,234</u>	<u>126,571</u>	<u>129,475</u>	<u>8,209,280</u>

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

Support services

Fund raising - <u>general</u>	Fund raising - <u>special events</u>	Management and <u>general</u>	<u>Total</u>	2019 Total <u>expenses</u>
122,041	19,178	126,249	267,468	4,280,729
25,421	3,604	26,804	55,829	908,832
8,715	1,391	9,888	19,994	311,726
477	-	3,342	3,819	24,109
65,060	21,469	35,949	122,478	1,369,490
11,436	4,756	4,397	20,589	367,369
1,274	71	939	2,284	58,433
17,526	136	1,472	19,134	45,423
10,169	346	989	11,504	287,917
13,524	2,454	1,745	17,723	30,188
3,956	64	21	4,041	8,378
7,689	640	5,156	13,485	212,675
128	5	1,254	1,387	27,280
-	-	-	-	4,000
406	22	134	562	19,575
6,143	-	-	6,143	6,143
74	107	-	181	24,647
7,612	300	1,590	9,502	17,919
338	10	3,692	4,040	87,223
-	-	-	-	113,701
230	43	-	273	6,272
-	-	-	-	81,812
1,025	-	7,172	8,197	51,748
2,057	335	38	2,430	391,663
83	-	560	643	4,075
83	15	14	112	41,651
211	-	1,479	1,690	14,659
2	-	1	3	2,455
26	-	135	161	2,860
<u>305,706</u>	<u>54,946</u>	<u>233,020</u>	<u>593,672</u>	<u>8,802,952</u>

PINE TREE SOCIETY, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2018

	Program services			
	<u>Client services</u>	<u>Public health education</u>	<u>Research</u>	<u>Total</u>
Salaries	\$ 3,801,266	28,492	82,156	3,911,914
Benefits	673,222	4,963	5,871	684,056
Payroll taxes	278,936	2,183	4,347	285,466
Payroll fees	22,407	194	572	23,173
Professional fees	1,165,773	28,715	494	1,194,982
Supplies	324,338	4,568	157	329,063
Telephone	74,835	316	458	75,609
Postage	14,617	13,104	240	27,961
Occupancy	276,270	2,643	95	279,008
Printing	16,307	10,303	14	26,624
Advertising	4,729	1,573	-	6,302
Travel	179,958	1,114	1,996	183,068
Training and conferences	28,059	155	233	28,447
Specific aid	4,000	-	-	4,000
Memberships	18,113	-	-	18,113
Awards and grants	-	-	-	-
Fuel	26,808	-	-	26,808
Miscellaneous	2,285	-	-	2,285
Insurance	62,697	57	4	62,758
Bad debts	101,137	-	-	101,137
Interest	7,594	-	-	7,594
Service provider taxes	87,975	-	-	87,975
Workers compensation	63,833	553	1,631	66,017
Special events	-	8,083	-	8,083
Depreciation	402,289	202	-	402,491
Staff meetings/events	6,319	52	152	6,523
Vehicle	25,167	-	-	25,167
Wellness program	2,652	23	68	2,743
Recruiting	5,677	49	145	5,871
Building maintenance	137	-	-	137
Tuition reimbursement	1,714	15	44	1,773
	<u>\$ 7,679,114</u>	<u>107,357</u>	<u>98,677</u>	<u>7,885,148</u>

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

Support services

Fund raising - <u>general</u>	Fund raising - <u>special events</u>	Management and general	<u>Total</u>	2018 Total <u>expenses</u>
118,335	23,947	104,068	246,350	4,158,264
24,759	3,327	13,066	41,152	725,208
8,905	1,480	5,139	15,524	300,990
653	128	609	1,390	24,563
52,346	22,847	41,992	117,185	1,312,167
12,961	7,310	13,233	33,504	362,567
1,589	137	615	2,341	77,950
22,037	637	1,631	24,305	52,266
11,102	1,755	3,664	16,521	295,529
19,763	805	9,860	30,428	57,052
79	18	-	97	6,399
13,532	708	6,209	20,449	203,517
447	44	428	919	29,366
-	-	-	-	4,000
180	24	332	536	18,649
6,143	-	-	6,143	6,143
98	321	-	419	27,227
86	16	1,731	1,833	4,118
383	39	2,488	2,910	65,668
4,143	956	-	5,099	106,236
311	72	-	383	7,977
-	-	-	-	87,975
1,862	364	1,736	3,962	69,979
7,168	-	-	7,168	15,251
1,978	400	-	2,378	404,869
176	34	163	373	6,896
44	10	-	54	25,221
77	15	72	164	2,907
166	32	154	352	6,223
-	-	-	-	137
50	10	47	107	1,880
<u>309,373</u>	<u>65,436</u>	<u>207,237</u>	<u>582,046</u>	<u>8,467,194</u>

PINE TREE SOCIETY, INC.
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
OPERATING ACTIVITIES:		
Change in net assets	\$ 3,746,441	(1,333,421)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	391,664	404,869
Change in allowance for doubtful accounts	15,000	8,000
Donation of property and equipment	(55,000)	(9,720)
Gain on disposal of property and equipment	(2,662)	-
Net realized and unrealized (gain) loss on investments	(2,756,639)	294,285
Change in value of beneficial interest in perpetual trusts and contributions receivable from remainder trusts	(1,090,000)	715,000
Change in operating assets and liabilities:		
Accounts receivable	26,869	96,066
Contributions receivable	(252,212)	-
Inventory	(9,252)	(11,619)
Prepaid expenses	(9,987)	(14,271)
Accounts payable	(23,773)	22,163
Accrued expenses	<u>78,067</u>	<u>42,567</u>
Net cash provided by operating activities	<u>58,516</u>	<u>213,919</u>
INVESTING ACTIVITIES:		
Purchases of property and equipment	(102,105)	(157,320)
Proceeds from sale of property and equipment	12,000	-
Purchases of investments	(4,214,823)	(3,606,221)
Proceeds from sale of investments	<u>4,538,511</u>	<u>3,798,926</u>
Net cash provided by investing activities	<u>233,583</u>	<u>35,385</u>
FINANCING ACTIVITIES:		
Change in contributions restricted for designated purposes	-	10,675
Borrowings on long-term debt	-	362
Repayments of long-term debt	<u>(9,927)</u>	<u>(5,407)</u>
Net cash (used) provided by financing activities	<u>(9,927)</u>	<u>5,630</u>
Increase in cash and cash equivalents and restricted cash	282,172	254,934
Cash and cash equivalents and restricted cash at beginning of year	<u>604,106</u>	<u>349,172</u>
CASH AND CASH EQUIVALENTS AND RESTRICTED CASH AT END OF YEAR	<u>\$ 886,278</u>	<u>604,106</u>
COMPOSITION OF CASH AND CASH EQUIVALENTS AND RESTRICTED CASH AT END OF YEAR:		
Cash and cash equivalents	\$ 886,278	549,106
Cash restricted for investment	<u>-</u>	<u>55,000</u>
	<u>\$ 886,278</u>	<u>604,106</u>

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

PINE TREE SOCIETY, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of the Society - Pine Tree Society, Inc. (the Society) is a not-for-profit corporation, which provides services to children and adults with disabilities and to their families in Maine and other New England states. These services include recreational services through Pine Tree Camp, a year round camp and recreation center, audiology, American Sign Language interpreting for Maine's deaf community, Early Learning Center for children with special needs, child and adult case management, speech language services, assistive technology and community based support services for adults living with developmental disabilities. The Society also provides educational and health information regarding disabilities to raise public awareness.

Basis of accounting - The financial statements have been prepared on the accrual basis of accounting.

Basis of presentation - The Society's net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Society and changes therein are classified and reported as follows:

Net assets without donor restrictions - Net assets that are not subject to donor-imposed stipulations.

Net assets with donor restrictions - Some donor-imposed restrictions are temporary in nature and may be fulfilled by actions of the Society or by the passage of time. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Generally, the donors of these assets permit the Society to use all or part of the income earned on related investments for general or specific purposes of the Society.

Use of estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP) 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 - The Society considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

Accounts receivable - Accounts receivable are reported at the amount management expects to collect on balances outstanding at year-end. The Society determines its past due receivables based on contractual terms. The Society uses the reserve method of accounting for doubtful accounts. Losses are charged to the allowance when the account is considered uncollectible. Substantially all trade accounts receivable are related to revenue from contracts with customers.

Contributions - Contributions, including unconditional promises to give, are recognized as revenues in the period received. Conditional promises to give are not recognized until they become unconditional, that is, at the time when the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value.

NOTES TO FINANCIAL STATEMENTS, CONTINUED

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Contributions, continued - Contributions to be received after one year are discounted at an appropriate discount rate commensurate with the risks involved. Accretion of the discount is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the contributions. An allowance for uncollectible contributions is provided based upon management's judgment of potential defaults, based upon such factors as prior collection history, type of contribution, and nature of fundraising activity. The Society considers all contributions receivable at both December 31, 2019 and 2018, to be fully collectible; accordingly, no allowance for uncollectible contributions has been recognized.

Contributions received with donor-imposed restrictions that are met in the same year as received are reported as revenues of the net assets with donor restrictions class, and a reclassification to net assets without donor restrictions is made to reflect the expiration of such restrictions.

Investments - Investments in equity securities with readily determinable fair values and all investments in debt securities and alternative investments are measured at fair value in the statement of financial position.

Income and net realized and unrealized gains and losses on investments of endowment and similar funds are reported as increases in net assets with donor restrictions if the terms of the gift requires that they be added to the principal of a permanent endowment fund; as increases in net assets with donor restrictions if the terms of the gift or the Society's interpretation of relevant state law impose restrictions on the use of the income; or as increases in net assets without donor restrictions in all other cases.

Investments are exposed to various risks such as significant world events, interest rate, credit, and overall market volatility risks. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the fair value of investments will occur in the near term and that such changes could materially affect the amounts reported in the statement of financial position.

Inventory - Inventory primarily consists of hearing aids and other audiology equipment. Inventories are valued at the lower of cost and net realizable value, determined on a first-in, first-out (FIFO) basis. Net realizable value is defined as the estimated selling prices of the inventory in the ordinary course of business, less reasonably predictable costs of disposal and transportation. Cost is determined on an average cost method.

Donated assets - Donated marketable securities and other non-cash donations are recorded as contributions at their estimated fair values at the date of donation.

In-kind contributions - In-kind contributions represent donated services and facilities and have been recorded at fair value.

Property and equipment - Donated property is recorded at its fair value on the date received and all other property and equipment are recorded at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the assets.

NOTES TO FINANCIAL STATEMENTS, CONTINUED

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Tax exempt status - The Society is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. The Society received a favorable tax determination letter in 1946.

Uncertain tax positions - U.S. GAAP prescribes a comprehensive model for how an organization should measure, recognize, present, and disclose in its financial statements uncertain tax positions that the organization has taken or expects to take on a tax return. Accordingly, the Society recognizes the tax benefits from uncertain tax positions if it is more likely than not that the tax position will be sustained on examination by the taxing authorities, based on the technical merits of the position.

Implementation of new accounting standard - Effective January 1, 2019, the Society adopted Accounting Standards Codification (ASC) Topic 606, *Revenue from Contracts with Customers*, which amends the accounting guidance for revenue recognition. The Society applied Topic 606 using the modified retrospective transition method; however, because adoption of the standard did not change the timing or amount of the Society's recognition of revenue, there was no adjustment to net assets as part of the adoption of the new standard. The comparative information for the year ended December 31, 2018, has not been adjusted and continues to be reported under Topic 605, Revenue Recognition.

The Society derives its revenues primarily from providing services to clients and the sale of hearing aids and related accessories. Revenue is recognized at a point in time when services are performed or when control of the products are transferred to the customer, at the amount expected to be collected from the client or from third-party payers (private insurance or Mainecare). Pine Tree Camp fees are recognized when registrations are received. Campership discounts are based on the ability to pay and are recorded as a reduction in Pine Tree Camp revenue. Payment plans allow for the cost to be paid through the remaining calendar year. Any uncollected balance on outstanding amounts is applied to campership discounts at year end. Because Camp transactions occur within the financial statement reporting period, no adjustment is required under generally accepted accounting principles. The Society elected the practical expedient for sales tax collected, which allows the Society to exclude from the transaction price any amounts collected from customers for sales tax and other similar taxes. Incidental items that are immaterial in the context of the contract are recognized as expense. The Society does not have any significant financing components as payment is received at or shortly after the services are performed.

Functional allocation of expenses - The costs of providing the various program services have been summarized on a functional basis in the statement of functional expenses. Accordingly, certain costs have been allocated among the program and support services. Expenses related to facilities, such as depreciation, occupancy, as well as property and general liability insurance are allocated based on the square footage attributed to the program or support function. Information technology related expenses, including salaries are allocated based on the number of devices that are used by a program or support function. The Society allocates the expenses of the Human Resources administrative function, including salaries, based on the amount of direct salaries incurred by program and support function. The operating expenses incurred by a program or support function are the basis for allocating other general and administrative expenses.

PINE TREE SOCIETY, INC.

NOTES TO FINANCIAL STATEMENTS, CONTINUED

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Reclassifications - The financial statement presentation for 2018 has been changed to conform with the 2019 presentation. Total net assets are unchanged as a result of the reclassifications.

Subsequent events - The Society has evaluated events, if any, that have occurred subsequent to December 31, 2019, through May 14, 2020, the date the financial statements were available to be issued, and included information in the notes to the financial statements related to any identifiable events, if necessary.

2. HEARING AID SALES

The components of hearing aid sales are as follows:

	<u>2019</u>	<u>2018</u>
Hearing aid & other supplies revenue	\$ 977,532	808,665
Less: cost of goods sold	<u>(354,119)</u>	<u>(407,055)</u>
Hearing aid sales, net	<u>\$ 623,413</u>	<u>401,610</u>

3. CONCENTRATIONS OF CREDIT RISK

The Society's financial instruments exposed to concentrations of credit risk consist primarily of cash and cash equivalents, and accounts receivable. At times, the Society maintains cash balances with financial institutions in excess of amounts federally insured. Accounts receivable are primarily attributable to services rendered to the Society's broad client base, which limits exposure to concentrations of credit risk.

4. CONTRIBUTIONS RECEIVABLE

Contributions receivable consist of the following:

	<u>2019</u>	<u>2018</u>
Receivable in less than one year (current)	\$ 257,150	22,438
Receivable in one to five years (long-term)	<u>17,500</u>	<u>-</u>
Total contributions receivable	<u>\$ 274,650</u>	<u>\$ 22,438</u>

PINE TREE SOCIETY, INC.
NOTES TO FINANCIAL STATEMENTS, CONTINUED

5. INVESTMENTS

The composition of investments is as follows:

	<u>2019</u>		<u>2018</u>	
	<u>Cost</u>	<u>Fair value</u>	<u>Cost</u>	<u>Fair value</u>
Cash and cash equivalents	\$ 880,373	880,373	1,451,845	1,451,845
Equities funds	7,583,226	10,651,706	6,807,936	8,318,235
Bond funds	2,713,172	2,753,860	2,305,083	2,259,397
Alternative funds	260,565	351,091	224,503	193,926
Fixed income	<u>712,863</u>	<u>714,990</u>	<u>712,863</u>	<u>695,666</u>
	<u>\$ 12,150,199</u>	<u>15,352,020</u>	<u>11,502,230</u>	<u>12,919,069</u>

The change in fair value consists of the following:

	<u>2019</u>	<u>2018</u>
Fair value, beginning of year	<u>\$ 12,919,069</u>	<u>13,406,059</u>
Contributions	39,226	47,966
Transfers in	95,000	97,000
Interest and dividends	260,914	245,089
Custodial fees	(42,214)	(40,893)
Net realized and unrealized gains	2,756,638	(294,285)
Withdrawals	<u>(676,613)</u>	<u>(541,867)</u>
	<u>2,432,951</u>	<u>(486,990)</u>
Fair value, end of year	<u>\$ 15,352,020</u>	<u>12,919,069</u>

6. BENEFICIAL INTEREST IN PERPETUAL TRUSTS

The Society is the beneficiary of various trusts created by donors, the assets of which are not in the possession of the Society. The Society has legally enforceable rights and claims to such assets, including the sole or stated share of the income from each trust as applicable. Changes in value of the beneficial interest in perpetual trusts are reported as changes in net assets with donor restrictions based on stipulations in the gift instruments. The fair value of the beneficial interest in perpetual trusts was approximately \$5,006,000 and \$4,269,000 at December 31, 2019 and 2018, respectively.

NOTES TO FINANCIAL STATEMENTS, CONTINUED

7. CONTRIBUTIONS RECEIVABLE FROM REMAINDER TRUST

The Society is the beneficiary of various charitable remainder trusts. A charitable remainder trust provides for the payment of distributions to the grantor and other beneficiaries over the trust's term (usually the beneficiary's lifetime). At the end of the trust's term, the remaining assets are available for the Society's use. At the time the Society is named beneficiary, it records contribution revenue equal to the present value of the estimated future benefits to be received. Future changes in value of the charitable remainder trusts are reported as changes in net assets with donor restrictions based on stipulations in the gift instruments. The approximate present value of the future payments is calculated using discount rates from 2.09% to 3.31% and applicable mortality tables, which was approximately \$1,358,000 and \$1,005,000 as of December 31, 2019 and 2018, respectively.

8. FAIR VALUE MEASUREMENTS

Fair value is defined as the price at which an asset could be exchanged or a liability transferred (an exit price) in an orderly transaction between knowledgeable, willing parties in the principal or most advantageous market for the asset or liability. Where available, fair value is based on observable market prices or parameters or derived from such prices or parameters. Where observable prices or inputs are not available, valuation models are applied.

Financial assets recorded at fair value in the accompanying financial statements are categorized based upon the level of judgment associated with the inputs used to measure their fair value. Hierarchical levels, defined by U.S. GAAP, and directly related to the amount of subjectivity associated with the inputs to fair valuation of these assets and liabilities, are as follows:

Level 1 - Inputs are unadjusted, quoted prices in active markets for identical assets at 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 - Inputs are other than quoted prices included in Level 1, which are either directly or indirectly observable for the asset or liability through correlation with market data at the reporting date and for the duration of the instrument's anticipated life.

Level 3 - Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities and which reflect management's best estimate of what market participants would use in pricing the asset or liability at the reporting date. Consideration is given to the risk inherent in the valuation technique and the risk inherent in the inputs to the model.

Management is responsible for valuation policies and procedures and determining fair value of investments. The valuation process is completed on an annual basis for Level 3 assets.

Valuation techniques of the Society's beneficial interest in charitable remainder trusts with Level 3 inputs include a net present value calculation using factors of two to twenty years, based on life expectancy of the income beneficiary, discounted at the applicable federal rate for the periods ended December 31, 2019 and 2018.

PINE TREE SOCIETY, INC.

NOTES TO FINANCIAL STATEMENTS, CONTINUED

8. FAIR VALUE MEASUREMENTS, CONTINUED

Fair value of the Society's beneficial interest in perpetual trusts is based on the market value of assets held by the trust at December 31, 2019 and 2018, factored by the beneficiary percentage to which the Society is entitled.

Alternative investments consist of ownership interests in investment partnerships. The Society values these investments at the entity level, rather than at the individual levels of underlying assets held by the partnership. The fair value at December 31, 2019 and 2018, is based on the Society's capital account balance adjusted for performance allocation.

Assets and liabilities measured at fair value on a recurring basis are summarized below:

	<u>Totals</u>	Fair value measurements at reporting date using:		
		Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
December 31, 2019:				
Investments	\$ 15,352,020	15,000,929	-	351,091
Beneficial interest in perpetual trusts	5,006,000	-	-	5,006,000
Contributions receivable from remainder trusts	<u>1,358,000</u>	<u>-</u>	<u>-</u>	<u>1,358,000</u>
	<u>\$ 21,716,020</u>	<u>15,000,929</u>	<u>-</u>	<u>6,715,091</u>
December 31, 2018:				
Investments	\$ 12,919,069	12,725,143	-	193,926
Beneficial interest in perpetual trusts	4,269,000	-	-	4,269,000
Contributions receivable from remainder trusts	<u>1,005,000</u>	<u>-</u>	<u>-</u>	<u>1,005,000</u>
	<u>\$ 18,193,069</u>	<u>12,725,143</u>	<u>-</u>	<u>5,467,926</u>

PINE TREE SOCIETY, INC.

NOTES TO FINANCIAL STATEMENTS, CONTINUED

8. FAIR VALUE MEASUREMENTS, CONTINUED

A reconciliation of assets measured at fair value on a recurring basis with the use of significant unobservable inputs (Level 3) is as follows:

	<u>Alternative investments</u>	<u>Beneficial interest in perpetual trusts</u>	<u>Contributions receivable from remainder trusts</u>	<u>Total</u>
December 31, 2019:				
Balance at beginning of year	\$ 193,926	4,269,000	1,005,000	5,467,926
Net realized and unrealized gain	194,941	-	-	194,941
Distributions	(37,776)	-	-	(37,776)
Change in value of beneficial interests in perpetual trusts and contributions receivable from remainder trusts	<u>-</u>	<u>737,000</u>	<u>353,000</u>	<u>1,090,000</u>
Balance at end of year	<u>\$ 351,091</u>	<u>5,006,000</u>	<u>1,358,000</u>	<u>6,715,091</u>
December 31, 2018:				
Balance at beginning of year	\$ 315,280	4,762,000	1,227,000	6,304,280
Net realized and unrealized loss	(23,482)	-	-	(23,482)
Distributions	(97,872)	-	-	(97,872)
Change in value of beneficial interests in perpetual trusts and contributions receivable from remainder trusts	<u>-</u>	<u>(493,000)</u>	<u>(222,000)</u>	<u>(715,000)</u>
Balance at end of year	<u>\$ 193,926</u>	<u>4,269,000</u>	<u>1,005,000</u>	<u>5,467,926</u>

Net realized and unrealized losses are included in net realized and unrealized gains in the statement of activities.

9. LINE OF CREDIT

The Society maintains a line of credit which allows for maximum borrowings of \$400,000 and any balance outstanding accrues interest at the Bank's floating prime rate plus 0.75% (4.75% at December 31, 2019). The line is secured by all business assets of the Society with a carrying value of \$30,364,083 at December 31, 2019. No amounts were outstanding on the line at both December 31, 2019 and 2018.

PINE TREE SOCIETY, INC.

NOTES TO FINANCIAL STATEMENTS, CONTINUED

10. RESTRICTIONS ON USE OF NET ASSETS

Net assets with donor restrictions are for the following purposes:

	<u>Temporarily restricted</u>	<u>Investment in perpetuity - only income expendable</u>	<u>Beneficial interest in perpetual trusts and contributions receivable from remainder trusts - only receipts expendable</u>	<u>Total net assets with donor restrictions</u>
December 31, 2019:				
Any activities of the Society	\$ 1,209,265	1,807,180	6,021,300	9,037,745
Program services	101,263	-	-	101,263
Pine Tree Camp operations	544,842	1,211,954	244,700	2,001,496
Pine Tree Camp capital expenditures	86,873	-	-	86,873
Scholarships	<u>52,658</u>	<u>138,398</u>	<u>98,000</u>	<u>289,056</u>
	<u>\$ 1,994,901</u>	<u>3,157,532</u>	<u>6,364,000</u>	<u>11,516,433</u>
December 31, 2018:				
Any activities of the Society	\$ 697,599	1,862,180	4,967,300	7,527,079
Program services	64,714	-	-	64,714
Pine Tree Camp operations	271,741	1,171,954	222,700	1,666,395
Pine Tree Camp capital expenditures	14,840	-	-	14,840
Scholarships	<u>33,135</u>	<u>83,398</u>	<u>84,000</u>	<u>200,533</u>
	<u>\$ 1,082,029</u>	<u>3,117,532</u>	<u>5,274,000</u>	<u>9,473,561</u>

PINE TREE SOCIETY, INC.
NOTES TO FINANCIAL STATEMENTS, CONTINUED

11. LONG-TERM DEBT

Long-term debt consists of the following:

	<u>2019</u>	<u>2018</u>
Note payable to Bath Savings Institution due in monthly installments of \$1,341, including interest at 5.25%, through August 2028. Secured by real estate with a net carrying value of approximately \$324,700.	\$ <u>111,544</u>	<u>121,471</u>
Less current portion	<u>111,544</u> <u>10,487</u>	<u>121,471</u> <u>9,954</u>
Net long-term debt	<u>\$ 101,057</u>	<u>111,517</u>

Future maturities of long-term debt are as follows:

2020	\$	10,487
2021		11,053
2022		11,648
2023		12,274
2024		12,934
Thereafter		<u>53,148</u>
		<u>\$ 111,544</u>

Subsequent to year end the Society was awarded a loan under the Paycheck Protection Program in the amount of \$1,033,400. The Society plans to submit an application for loan forgiveness as provided by the program and expects a substantial portion of the Paycheck Protection Program loan to be forgiven.

12. ENDOWMENT FUNDS

The Society is subject to the Maine Uniform Prudent Management of Institutional Funds Act (UPMIFA) and, thus classified amounts in its donor-restricted endowment funds as net assets with donor restrictions because those net assets are time restricted until the Board of Directors appropriates such amounts for expenditure. Most of those net assets also are subject to purpose restrictions that must be met before reclassifying those net assets to net assets without donor restrictions.

The Board of Directors of the Society has interpreted UPMIFA as not requiring the maintenance of purchasing power of the original gift amount contributed to an endowment fund, unless a donor stipulates the contrary. As a result of this interpretation, when reviewing its donor-restricted endowment funds, the Society considers a fund to be underwater if the fair value of the fund is less than the sum of (a) the original value of initial and subsequent gifts amounts donated to the fund and (b) any accumulations to the fund that are required to be maintained in perpetuity in accordance with the direction of the applicable donor gift instrument. The Society has interpreted UPMIFA to permit spending from underwater funds in accordance with the prudent measures required under the law. No funds were underwater at December 31, 2019 and 2018.

Additionally, in accordance with UPMIFA, the Society considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: the duration and preservation of the funds; the purposes of the Society and the donor-restricted endowment fund; general economic conditions; the possible effect of inflation and deflation; the expected total return from income and the appreciation of investments; other resources of the Society; and the investment policies of the Society.

Endowment Investment - The Society has adopted investment and spending policies, approved by the Board of Directors, for endowment assets that attempt to provide a substantial and reasonably stable stream of income to support the operating budget of the Society and to achieve this result in perpetuity while preserving and enhancing the total value of the endowment. In order to achieve the Society's investment objectives, it is necessary to realize long-term investment returns in excess of their spending policy rate plus the inflation rate. The Society believes that a portfolio of mostly equity based investments is the best opportunity to achieve this objective. The Society's portfolio also maintains 10 - 30% of fixed income securities in order to realize some short term liquidity and to remain diversified.

Spending Policy - The Society maintains a spending policy to annually distribute 4% of the total market value of the endowment, calculated as the average of the prior 12 quarters' ending market values of the endowment funds net of all fees and administrative expenses paid by the endowment. Additionally, the Board of Directors may also appropriate an additional 1% for discretionary purposes, subject to annual appropriation. Any changes made to the spending policy are subject to approval by the Board of Directors.

PINE TREE SOCIETY, INC.

NOTES TO FINANCIAL STATEMENTS, CONTINUED

12. ENDOWMENT FUNDS, CONTINUED

Endowment net asset composition by type of fund are as follows:

	Without donor restrictions	With donor restrictions	Total
December 31, 2019:			
Board designated endowment funds	\$ 10,403,467	-	10,403,467
Donor restricted endowment funds:			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	-	3,157,532	3,157,532
Accumulated investment gains	<u>-</u>	<u>1,791,021</u>	<u>1,791,021</u>
Total endowment funds	<u>\$ 10,403,467</u>	<u>4,948,553</u>	<u>15,352,020</u>

December 31, 2018:

Board designated endowment funds	\$ 8,877,305	-	8,877,305
Donor restricted endowment funds:			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	-	3,062,532	3,062,532
Accumulated investment gains	<u>-</u>	<u>979,232</u>	<u>979,232</u>
Total endowment funds	<u>\$ 8,877,305</u>	<u>4,041,764</u>	<u>12,919,069</u>

Changes in endowment net assets are as follows:

December 31, 2019:

Endowment net assets, beginning of year	\$ 8,877,305	4,041,764	12,919,069
Investment return, net	2,016,095	959,243	2,975,338
Contributions	39,226	95,000	134,226
Appropriation of endowment assets for expenditure	<u>(529,159)</u>	<u>(147,454)</u>	<u>(676,613)</u>
Endowment net assets, end of year	<u>\$ 10,403,467</u>	<u>4,948,553</u>	<u>15,352,020</u>

December 31, 2018:

Endowment net assets, beginning of year	\$ 9,299,325	4,106,734	13,406,059
Investment return, net	(62,342)	(27,746)	(90,088)
Contributions	47,966	97,000	144,966
Appropriation of endowment assets for expenditure	<u>(407,644)</u>	<u>(134,224)</u>	<u>(541,868)</u>
Endowment net assets, end of year	<u>\$ 8,877,305</u>	<u>4,041,764</u>	<u>12,919,069</u>

PINE TREE SOCIETY, INC.
NOTES TO FINANCIAL STATEMENTS, CONTINUED

12. ENDOWMENT FUNDS, CONTINUED

Description of amounts classified as net assets with donor restrictions (endowment only) are as follows:

	<u>2019</u>	<u>2018</u>
Net assets with donor restrictions		
Original donor-restricted endowment gift amount and amounts required to be retained by donor	\$ <u>3,157,532</u>	<u>3,062,532</u>
Accumulated investment gains on endowment funds:		
Without purpose restrictions	1,214,264	697,599
With purpose restrictions	<u>576,757</u>	<u>281,633</u>
Total endowment funds classified as net assets with donor restrictions	<u>\$ 4,948,553</u>	<u>4,041,764</u>

13. LEASES

The Society leases property under operating leases expiring in September 2020 and November 2022. Monthly lease payments total \$11,689 with various provisions for increases. Rental expense was \$171,614 and \$174,442 for the years ended December 31, 2019 and 2018, respectively. The Society is responsible for insurance, repairs, and taxes on the property. Minimum rental commitments are as follows:

	Location		
	<u>Bath</u>	<u>Scarborough</u>	<u>Total</u>
December 31, 2020	\$ 50,792	69,120	119,912
December 31, 2021	50,792	-	50,792
December 31, 2022	<u>46,559</u>	<u>-</u>	<u>46,559</u>
	<u>\$ 148,143</u>	<u>69,120</u>	<u>217,263</u>

PINE TREE SOCIETY, INC.

NOTES TO FINANCIAL STATEMENTS, CONTINUED

14. LIQUIDITY AND AVAILABILITY

The Society's financial assets available within one year of the balance sheet date for general expenditure are as follows:

	<u>2019</u>	<u>2018</u>
Cash and cash equivalents	\$ 886,278	549,106
Accounts receivable, net	590,555	632,424
Current portion of pledges receivable, net	257,150	22,438
Endowment appropriation for current use	<u>604,507</u>	<u>636,858</u>
Financial assets available within one year of balance sheet date for general expenditures	<u>\$ 2,338,490</u>	<u>1,840,826</u>

The Society's endowment funds consist of donor-restricted endowments and a quasi-endowment. As more fully described in Note 12, the endowment has a total spending rate of 5%. Amounts appropriated from either the donor-restricted endowment or quasi-endowment for general expenditures with one year of the balance sheet date have been included as available.

As part of the Society's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. To help managed unanticipated liquidity needs, the Society has a committed line of credit in the amount of \$400,000, as more fully described in Note 9, which the Society could draw upon in the event of an unanticipated liquidity need. Although the Society does not intend to spend from its quasi-endowment other than amounts appropriated for general expenditures as part of its annual budget approval and appropriation process, amounts from its quasi-endowment could be made available if necessary.

15. RETIREMENT PLAN

The Society sponsors a 403(b) retirement savings plan covering employees after certain eligibility requirements are met. The Plan provides for employer matching contributions equal to 100% of the first 2% of compensation that a participant elects to contribute as a deferred cash contribution. The Plan provides for discretionary employer contributions. Matching contributions totaled \$47,169 and \$49,135 for the years ended December 31, 2019 and 2018, respectively. Discretionary employer contributions totaled \$111,422 and \$109,764 for the years ended December 31, 2019 and 2018, respectively.

NOTES TO FINANCIAL STATEMENTS, CONTINUED

16. UNCERTAIN BUSINESS CONDITIONS

On March 11, 2020, the World Health Organization declared the novel strain of coronavirus (“COVID-19”) a global pandemic. The outbreak of COVID-19 continues to grow both in the United States and globally, and related government and private sector responsive actions may continue to adversely affect our business operations. The Company is in the process of implementing risk mitigation tactics for the Company as to the risk of the impact, if any, of COVID-19 related to all aspects of the Company’s business transactions. As the global outbreak continues to rapidly evolve, the extent to which COVID-19 may impact the Organization's business will depend on future developments, which are highly uncertain and cannot be predicted.

17. JOINT COSTS OF MULTI-PURPOSE FUNDRAISING MATERIALS

The Society incurred joint costs for informational materials and activities that include fundraising appeals. The costs were allocated to fundraising expense and public health education as follows:

	<u>2019</u>	<u>2018</u>
Fundraising	\$ 132,133	133,947
Public health education	<u>98,416</u>	<u>96,304</u>
Total joint costs	<u>\$ 230,549</u>	<u>230,251</u>

18. SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

	<u>2019</u>	<u>2018</u>
Cash paid for interest	<u>\$ 6,272</u>	<u>7,977</u>

Schedule of Noncash Investing and Financing Transactions:

Building improvements purchase financed through long-term debt	<u>\$ -</u>	<u>86,746</u>
Refinance long-term debt	<u>\$ -</u>	<u>37,893</u>