

Pine Tree Society

DISCOVERING
ABILITIES TOGETHER

PINE TREE SOCIETY, INC.

FINANCIAL STATEMENTS

With Independent Auditors' Report

DECEMBER 31, 2018 AND 2017

PINE TREE SOCIETY, INC.
FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

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



ALBIN, RANDALL & BENNETT
Certified Public Accountants ▪ Business Consultants

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, 2018 and 2017, 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, 2018 and 2017, 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.

Correction of Error

As discussed in Note 16 to the financial statements, a certain error resulting in understatement of amounts previously reported as of December 31, 2017, were discovered by management of the Society during the current year. Accordingly, amounts reported for contributions receivable from remainder trusts and net assets with donor restrictions have been restated in the 2017 financial statements now presented, as of December 31, 2017, to correct the error. Our opinion is not modified with respect to that matter.

Albin, Rendell & Bennett

May 28, 2019

PINE TREE SOCIETY, INC.
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2018 AND 2017

ASSETS

	<u>2018</u>	(Restated) <u>2017</u>
CURRENT ASSETS:		
Cash and cash equivalents	\$ 549,106	349,172
Accounts receivable, net of allowance for doubtful accounts of \$30,000 and \$22,000 at December 31, 2018 and 2017, respectively	632,424	736,490
Contributions receivable, current portion	22,438	28,113
Inventory	18,276	6,656
Prepaid expenses	<u>49,082</u>	<u>34,811</u>
Total current assets	<u>1,271,326</u>	<u>1,155,242</u>
PROPERTY AND EQUIPMENT:		
Land	301,726	301,726
Buildings	8,497,747	8,264,195
Equipment	1,969,580	1,936,302
Construction in process	<u>3,956</u>	<u>17,000</u>
	10,773,009	10,519,223
Less accumulated depreciation	<u>3,719,129</u>	<u>3,314,260</u>
Net property and equipment	<u>7,053,880</u>	<u>7,204,963</u>
INVESTMENTS:		
Without donor restrictions	8,877,305	9,299,325
With donor restrictions	<u>4,041,764</u>	<u>4,106,734</u>
Total investments	<u>12,919,069</u>	<u>13,406,059</u>
OTHER ASSETS:		
Restricted cash for investment	55,000	-
Contributions receivable, net of current portion	-	5,000
Beneficial interest in perpetual trusts	4,269,000	4,762,000
Contributions receivable from remainder trusts	<u>1,005,000</u>	<u>1,227,000</u>
Total other assets	<u>5,329,000</u>	<u>5,994,000</u>
	<u>\$ 26,573,275</u>	<u>27,760,264</u>

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

LIABILITIES AND NET ASSETS

	<u>2018</u>	(Restated) <u>2017</u>
CURRENT LIABILITIES:		
Current portion of long-term debt	\$ 9,954	3,058
Accounts payable	136,798	114,634
Accrued expenses	<u>467,225</u>	<u>424,658</u>
Total current liabilities	<u>613,977</u>	<u>542,350</u>
LONG-TERM DEBT, net of current portion	<u>111,517</u>	<u>36,712</u>
NET ASSETS:		
Without donor restrictions	16,374,220	16,853,043
With donor restrictions	<u>9,473,561</u>	<u>10,328,159</u>
Total net assets	<u>25,847,781</u>	<u>27,181,202</u>
	<u>\$ 26,573,275</u>	<u>27,760,264</u>

PINE TREE SOCIETY, INC.
STATEMENTS OF ACTIVITIES
YEARS ENDED DECEMBER 31, 2018 AND 2017

	Without Donor Restrictions	
	2018	(Restated) 2017
PUBLIC SUPPORT, PROGRAM SERVICES AND REVENUE:		
Public support:		
Bequests	\$ -	36,255
Donations and gifts	-	-
Special events	54,198	57,704
Mail campaigns and other support	433,642	412,443
Total public support	487,840	506,402
Program services:		
Interpreting services	1,833,294	1,262,875
Family and community support services	2,924,413	2,612,859
Pine Tree Camp recreational services	377,106	397,844
Speech, hearing and assistive technology services	514,294	503,799
Career services	73,902	57,382
Early learning center	314,858	317,528
Other	65,711	66,038
Total program services	6,103,578	5,218,325
Revenue:		
Hearing aid sales, net	401,610	340,913
Interest and dividends	351,975	358,774
Net realized and unrealized gains	(208,444)	1,315,136
Change in value of beneficial interest in perpetual trusts and contributions receivable from remainder trusts	-	-
Donated services	38,765	43,616
Donated equipment and other	9,720	6,455
Other	9,632	-
Total revenue	603,258	2,064,894
Net assets released by satisfaction of donor restrictions	793,695	554,546
Total public support, program services and revenue	7,988,371	8,344,167
EXPENSES:		
Program services	7,885,148	7,231,012
Support services	582,046	590,338
Total expenses	8,467,194	7,821,350
Change in net assets	(478,823)	522,817
NET ASSETS AT BEGINNING OF YEAR	16,853,043	16,330,226
Net assets at end of year	\$ 16,374,220	16,853,043

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

With Donor Restrictions		Totals	
2018	(Restated) 2017	2018	(Restated) 2017
152,000	-	152,000	36,255
316,473	320,701	316,473	320,701
118,574	147,805	172,772	205,509
-	-	433,642	412,443
<u>587,047</u>	<u>468,506</u>	<u>1,074,887</u>	<u>974,908</u>
-	-	1,833,294	1,262,875
-	-	2,924,413	2,612,859
-	-	377,106	397,844
-	-	514,294	503,799
-	-	73,902	57,382
10,000	-	324,858	317,528
-	-	65,711	66,038
<u>10,000</u>	<u>-</u>	<u>6,113,578</u>	<u>5,218,325</u>
-	-	401,610	340,913
58,095	49,134	410,070	407,908
(85,841)	568,737	(294,285)	1,883,873
(630,204)	547,000	(630,204)	547,000
-	-	38,765	43,616
-	-	9,720	6,455
-	-	9,632	-
<u>(657,950)</u>	<u>1,164,871</u>	<u>(54,692)</u>	<u>3,229,765</u>
<u>(793,695)</u>	<u>(554,546)</u>	<u>-</u>	<u>-</u>
<u>(854,598)</u>	<u>1,078,831</u>	<u>7,133,773</u>	<u>9,422,998</u>
-	-	7,885,148	7,231,012
-	-	582,046	590,338
-	-	8,467,194	7,821,350
(854,598)	1,078,831	(1,333,421)	1,601,648
<u>10,328,159</u>	<u>9,249,328</u>	<u>27,181,202</u>	<u>25,579,554</u>
<u>9,473,561</u>	<u>10,328,159</u>	<u>25,847,781</u>	<u>27,181,202</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
Board expense	-	-	-	-
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

<u>Fund Raising - General</u>	<u>Fund Raising - Special Events</u>	<u>Management and General</u>	<u>Total</u>	<u>2018 Total 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
-	-	1,731	1,731	1,731
-	-	-	-	4,000
180	24	332	536	18,649
-	-	6,143	6,143	6,143
98	321	-	419	27,227
86	16	-	102	2,387
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
<u>50</u>	<u>10</u>	<u>47</u>	<u>107</u>	<u>1,880</u>
<u>303,230</u>	<u>65,436</u>	<u>213,380</u>	<u>582,046</u>	<u>8,467,194</u>

PINE TREE SOCIETY, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2017

	Program Services			
	<u>Client Services</u>	<u>Public Health Education</u>	<u>Research</u>	<u>Total</u>
Salaries	\$ 3,562,954	22,229	71,989	3,657,172
Benefits	654,400	1,793	11,729	667,922
Payroll taxes	248,437	1,960	4,890	255,287
Payroll fees	25,260	-	-	25,260
Professional fees	751,073	39,004	234	790,311
Supplies	357,768	902	53	358,723
Telephone	74,559	279	128	74,966
Postage	20,124	12,218	31	32,373
Occupancy	260,248	2,995	-	263,243
Printing	10,635	17,192	-	27,827
Advertising	21,030	353	-	21,383
Travel	210,997	748	618	212,363
Training and conferences	27,030	-	-	27,030
Board expense	-	-	-	-
Specific aid	5,328	-	-	5,328
Memberships	19,227	-	-	19,227
Awards and grants	-	-	-	-
Fuel	25,822	-	-	25,822
Miscellaneous	360	-	-	360
Insurance	114,390	89	-	114,479
Bad debts	37,261	-	-	37,261
Interest	3,149	-	-	3,149
Service provider taxes	77,813	-	-	77,813
Workers compensation	64,965	-	-	64,965
Special events	-	7,950	-	7,950
Depreciation	412,414	-	-	412,414
Staff meetings/events	7,718	-	-	7,718
Vehicle	29,791	-	-	29,791
Wellness program	1,053	-	-	1,053
Recruiting	1,971	-	-	1,971
Building maintenance	1,002	-	-	1,002
Tuition reimbursement	6,849	-	-	6,849
	<u>\$ 7,033,628</u>	<u>107,712</u>	<u>89,672</u>	<u>7,231,012</u>

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

Support Services

<u>Fund Raising - General</u>	<u>Fund Raising - Special Events</u>	<u>Management and General</u>	<u>Total</u>	<u>2017 Total Expenses</u>
67,145	27,392	166,298	260,835	3,918,007
12,192	7,134	41,876	61,202	729,124
5,353	1,291	12,036	18,680	273,967
-	-	-	-	25,260
23,331	5,042	58,713	87,086	877,397
10,278	19,240	2,195	31,713	390,436
298	-	404	702	75,668
21,238	2,533	267	24,038	56,411
8,555	-	-	8,555	271,798
22,685	-	1,739	24,424	52,251
1,901	10,117	-	12,018	33,401
4,399	3,000	5,303	12,702	225,065
15,005	4,400	10,650	30,055	57,085
-	-	2,430	2,430	2,430
-	-	-	-	5,328
-	-	7	7	19,234
6,143	-	-	6,143	6,143
-	57	-	57	25,879
-	-	47	47	407
417	-	1,816	2,233	116,712
-	-	-	-	37,261
-	-	-	-	3,149
-	-	-	-	77,813
-	-	-	-	64,965
-	7,050	-	7,050	15,000
350	-	-	350	412,764
-	-	11	11	7,729
-	-	-	-	29,791
-	-	-	-	1,053
-	-	-	-	1,971
-	-	-	-	1,002
-	-	-	-	6,849
<u>199,290</u>	<u>87,256</u>	<u>303,792</u>	<u>590,338</u>	<u>7,821,350</u>

PINE TREE SOCIETY, INC.
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2018 AND 2017

	<u>2018</u>	(Restated) <u>2017</u>
OPERATING ACTIVITIES:		
Change in net assets	\$ (1,333,421)	1,601,648
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	404,869	412,764
Change in allowance for doubtful accounts	8,000	22,000
Donation of property and equipment	(9,720)	(6,455)
Gain on disposal of property and equipment	-	(2,000)
Net realized and unrealized loss (gain) on investments	294,285	(1,881,873)
Change in value of beneficial interest in perpetual trusts and contributions receivable from remainder trusts	715,000	(547,000)
Change in operating assets and liabilities:		
Accounts receivable	96,066	(235,727)
Inventory	(11,619)	10,607
Prepaid expenses	(14,271)	7,562
Accounts payable	22,164	11,566
Accrued expenses	<u>42,567</u>	<u>(34,408)</u>
Net cash provided (used) by operating activities	<u>213,920</u>	<u>(641,316)</u>
INVESTING ACTIVITIES:		
Purchases of property and equipment	(157,320)	(65,078)
Proceeds from sale of property and equipment	-	2,000
Purchases of investments	(3,606,221)	(2,100,209)
Proceeds from sale of investments	<u>3,798,926</u>	<u>2,714,928</u>
Net cash provided by investing activities	<u>35,385</u>	<u>551,641</u>
FINANCING ACTIVITIES:		
Borrowings on long-term debt	362	-
Repayments of long-term debt	(5,407)	(77,479)
Change in contributions restricted for long-lived assets	<u>10,675</u>	<u>(11,680)</u>
Net cash provided (used) by financing activities	<u>5,630</u>	<u>(89,159)</u>
Increase (decrease) in cash and cash equivalents and restricted cash	254,935	(178,834)
Cash and cash equivalents and restricted cash at beginning of year	<u>349,172</u>	<u>528,006</u>
CASH AND CASH EQUIVALENTS AND RESTRICTED CASH AT END OF YEAR	<u>\$ 604,107</u>	<u>349,172</u>
COMPOSITION OF CASH AND CASH EQUIVALENTS AND RESTRICTED CASH AT END OF YEAR:		
Cash and cash equivalents	\$ 549,106	349,172
Cash restricted for investment	<u>55,000</u>	<u>-</u>
	<u>\$ 604,106</u>	<u>349,172</u>

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

PINE TREE SOCIETY, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of the Society - Pine Tree Society, Inc. (the Society) is a not-for-profit corporation, which provides awareness education, health, and recreational services benefiting children and adults with disabilities and their families in Maine and other New England states.

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.

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. 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, 2018 and 2017, to be fully collectible; accordingly, no allowance for uncollectible contributions has been recognized.

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Contributions, continued - 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.

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.

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Implementation of new accounting standards - Effective December 31, 2018, the Organization adopted Accounting Standards Update (ASU) No. 2016-18, Statement of Cash Flows (Topic 230)-Restricted Cash, which requires that the statements of cash flows explain the change during the period in the total of cash, cash equivalents, and restricted cash or restricted cash equivalents. Under the new method, retrospectively to December 31, 2017, total cash and restricted cash is presented within the statements of cash flows. The impact of this change in accounting standards results in an increase in the total cash presented in the statements of cash flows.

Effective December 31, 2018, the Organization adopted Accounting Standards Update (ASU) No. 2016-14, Presentation of Financial Statements of Not-for-Profit Entities (Topic 958). The update improves reporting requirements and addresses the complexities of net asset classification, deficiencies in transparency of liquidity and availability of resources, and inconsistencies in the type of information provided about expenses and investment return. The new standard has been applied retrospectively to December 31, 2017.

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.

Expenses related to facilities, information technology, human resource administration, and other general and administrative expenses are allocated based on the amount of direct salaries incurred by program and support function for the year ended December 31, 2017.

Reclassifications - The financial statement presentation for 2017 has been changed to conform with the 2018 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, 2018 through May 28, 2019, 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. 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.

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

3. CONTRIBUTIONS RECEIVABLE

Contributions receivable consist of the following:

	<u>2018</u>	<u>2017</u>
Receivable in less than one year	\$ 22,438	28,113
Receivable in one to five years	-	5,000
	<u>22,438</u>	<u>33,113</u>
Less current portion	<u>22,438</u>	<u>28,113</u>
Long-term contributions receivable, net of current portion	<u>\$ -</u>	<u>5,000</u>

4. INVESTMENTS

The composition of investments is as follows:

	<u>2018</u>		<u>2017</u>	
	<u>Cost</u>	<u>Fair value</u>	<u>Cost</u>	<u>Fair value</u>
Cash and cash equivalents	\$ 1,451,845	1,451,845	475,566	475,566
Equities funds	6,807,936	8,318,235	7,234,208	9,568,246
Bond funds	2,305,083	2,259,397	2,254,642	2,237,016
Alternative funds	224,503	193,926	330,497	315,280
Fixed income	712,863	695,666	814,494	809,951
	<u>\$ 11,502,230</u>	<u>12,919,069</u>	<u>11,109,407</u>	<u>13,406,059</u>

The change in fair value consists of the following:

	<u>2018</u>	<u>2017</u>
Fair value, beginning of year	\$ <u>13,406,059</u>	<u>12,138,905</u>
Contributions	47,966	500
Transfers in	97,000	-
Interest and dividends	245,089	221,255
Custodial fees	(40,893)	(44,825)
Net realized and unrealized gains	(294,285)	1,883,016
Withdrawals	<u>(541,867)</u>	<u>(792,792)</u>
	<u>(486,990)</u>	<u>1,267,154</u>
Fair value, end of year	<u>\$ 12,919,069</u>	<u>13,406,059</u>

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

5. 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 \$4,269,000 and \$4,762,000 at December 31, 2018 and 2017, respectively.

6. 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 2.64% to 3.31% and applicable mortality tables, which was approximately \$1,005,000 and \$1,227,000 as of December 31, 2018 and 2017, respectively.

7. 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.

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

7. FAIR VALUE MEASUREMENTS, CONTINUED

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, 2018 and 2017.

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, 2018 and 2017, 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, 2018 and 2017, 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>Fair value measurements at reporting date using:</u>			
	<u>Totals</u>	<u>Quoted prices in active markets for identical assets (Level 1)</u>	<u>Significant other observable inputs (Level 2)</u>	<u>Significant unobservable inputs (Level 3)</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>
December 31, 2017:				
Investments	\$ 13,406,059	13,090,779	-	315,280
Beneficial interest in perpetual trusts	4,762,000	-	-	4,762,000
Contributions receivable from remainder trusts	<u>1,227,000</u>	<u>-</u>	<u>-</u>	<u>1,227,000</u>
	<u>\$ 19,395,059</u>	<u>13,090,779</u>	<u>-</u>	<u>6,304,280</u>

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

7. 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, 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	-	(493,000)	(137,204)	(630,204)
Contributions received	<u>-</u>	<u>-</u>	<u>(84,796)</u>	<u>(84,796)</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>
December 31, 2017:				
Balance at beginning of year	\$ 385,667	4,315,000	1,127,000	5,827,667
Net realized and unrealized loss	(5,825)	-	-	(5,825)
Distributions	(64,562)	-	-	(64,562)
Change in value of beneficial interests in perpetual trusts and contributions receivable from remainder trusts	<u>-</u>	<u>447,000</u>	<u>100,000</u>	<u>547,000</u>
Balance at end of year	<u>\$ 315,280</u>	<u>4,762,000</u>	<u>1,227,000</u>	<u>6,304,280</u>

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

8. 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 float prime rate plus 0.75% (5.50% at December 31, 2018). The line is secured by all business assets of the Society with a carrying value of \$26,573,275 at December 31, 2018. No amounts were outstanding on the line at both December 31, 2018 and 2017.

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

9. 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, 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>
December 31, 2017:				
Any activities of the Society	\$ 804,613	1,807,180	5,659,300	8,271,093
Program services	46,419	-	-	46,419
Pine Tree Camp operations	322,164	1,074,954	242,700	1,639,818
Pine Tree Camp capital expenditures	160,262	-	-	160,262
Scholarships	<u>40,169</u>	<u>83,398</u>	<u>87,000</u>	<u>210,567</u>
	<u>\$ 1,373,627</u>	<u>2,965,532</u>	<u>5,989,000</u>	<u>10,328,159</u>

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

10. LONG-TERM DEBT

Long-term debt consists of the following:

	<u>2018</u>	<u>2017</u>
Note payable to Mechanic Savings Bank due in monthly installments of \$433, including interest at 5.50%. This note was refinanced with Bath Savings Institution in 2018.	\$ -	39,770
Notes 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>121,471</u>	<u>-</u>
Less current portion	<u>9,954</u>	<u>39,770</u>
Net long-term debt	<u>\$ 111,517</u>	<u>36,712</u>

Future maturities of long-term debt are as follows:

2019	\$ 9,954
2020	10,489
2021	11,053
2022	11,648
2023	12,274
Thereafter	<u>66,053</u>
	<u>\$ 121,471</u>

11. 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. The fund is not currently underwater.

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

11. ENDOWMENT FUNDS, CONTINUED

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 research and development purposes, subject to annual appropriation. Any changes made to the spending policy are subject to approval by the Board of Directors.

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

	Without Donor <u>Restrictions</u>	With Donor <u>Restrictions</u>	<u>Total</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>
December 31, 2017:			
Board designated endowment funds	\$ 9,299,325	-	9,299,325
Donor restricted endowment funds:			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	-	2,965,532	2,965,532
Accumulated investment gains	<u>-</u>	<u>1,141,202</u>	<u>1,141,202</u>
Total endowment funds	<u>\$ 9,299,325</u>	<u>4,106,734</u>	<u>13,406,059</u>

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

11. ENDOWMENT FUNDS, CONTINUED

Changes in endowment net assets are as follows:

	Without Donor <u>Restrictions</u>	With Donor <u>Restrictions</u>	<u>Total</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>

December 31, 2017:

Endowment net assets, beginning of year	\$ 8,531,208	3,607,697	12,138,905
Investment return, net	1,441,575	617,871	2,059,446
Contributions	-	500	500
Appropriation of endowment assets for expenditure	<u>(673,458)</u>	<u>(119,334)</u>	<u>(792,792)</u>
Endowment net assets, end of year	<u>\$ 9,299,325</u>	<u>4,106,734</u>	<u>13,406,059</u>

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

	<u>2018</u>	<u>2017</u>
Net assets with donor restrictions		
Original donor-restricted endowment gift amount and amounts required to be retained by donor	<u>\$ 3,062,532</u>	<u>2,965,532</u>
Accumulated investment gains on endowment funds:		
Without purpose restrictions	697,599	804,613
With purpose restrictions	<u>281,633</u>	<u>336,589</u>
Total endowment funds classified as net assets with donor restrictions	<u>\$ 4,041,764</u>	<u>4,106,734</u>

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

12. LEASES

The Society leases property under operating leases expiring in 2019 and 2020. Monthly lease payments total \$11,472 with various provisions for increases. Rental expense was \$174,442 and \$173,021 for the years ended December 31, 2018 and 2017, 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, 2019	\$ 46,559	89,699	136,258
December 31, 2020	-	69,120	69,120
	\$ 46,559	158,819	205,378

13. LIQUIDITY AND AVAILABILITY

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

	<u>2018</u>	<u>2017</u>
Cash and cash equivalents	\$ 549,106	349,172
Accounts receivable, net	632,424	736,490
Current portion of pledges receivable, net	22,438	28,113
Endowment appropriation for current use	636,858	493,496
Financial assets available within one year of balance sheet date for general expenditures	\$ 1,840,826	1,607,271

The Society's endowment funds consist of donor-restricted endowments and a quasi-endowment. As more fully described in Note 11, 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 8, 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.

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

14. 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 \$49,135 and \$50,737 for the years ended December 31, 2018 and 2017, respectively. Discretionary employer contributions totaled \$109,764 and \$103,635 for the years ended December 31, 2018 and 2017, respectively.

15. 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>2018</u>	<u>2017</u>
Fundraising	\$ 133,947	124,128
Public health education	<u>96,304</u>	<u>95,351</u>
 Total joint costs	 <u>\$ 230,251</u>	 <u>219,479</u>

16. RESTATEMENT

A certain error resulting in the understatement of previously reported contributions receivable from remainder trusts and donation and gifts revenue was discovered during the current year. The statement of activities and changes in net assets has been restated to record a charitable remainder trust, of which the Society is a beneficiary. In previously issued financial statements, the Society did not record a contribution receivable from a remainder trust, nor the related donation and gifts revenue equal to the present value of the estimated future benefits to be received. The society has determined that the contribution receivable and related donation and gifts revenue should have been recorded as net assets with donor restrictions.

Balances as of and for the year ended December 31, 2017, have been restated as follows:

	<u>As previously stated</u>	<u>Restatement</u>	<u>As restated</u>
Contributions receivable from remainder trusts	\$ 386,000	841,000	1,227,000
Net assets with donor restrictions	1,373,627	841,000	2,214,627
Change in value of beneficial interest in contributions receivable from remainder trusts	453,000	94,000	547,000

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

17. SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

	<u>2018</u>	<u>2017</u>
Cash paid for interest	<u>\$ 7,977</u>	<u>3,149</u>
Schedule of Noncash Investing and Financing Transactions:		
Building improvements purchase financed through long-term debt	<u>\$ 86,746</u>	<u>-</u>
Refinance long-term debt	<u>\$ 37,893</u>	<u>-</u>