

SHERIFF'S MEADOW FOUNDATION

**FINANCIAL STATEMENTS
AND ACCOMPANYING INFORMATION**

YEARS ENDED JUNE 30, 2017 AND 2016

tonneson + co

Certified Public Accountants & Consultants

SHERIFF'S MEADOW FOUNDATION

TABLE OF CONTENTS

	<u>Page</u>
INDEPENDENT AUDITOR'S REPORT	1 - 2
FINANCIAL STATEMENTS	
STATEMENTS OF FINANCIAL POSITION JUNE 30, 2017 AND 2016	3 - 4
STATEMENT OF ACTIVITIES YEAR ENDED JUNE 30, 2017	5
STATEMENT OF ACTIVITIES YEAR ENDED JUNE 30, 2016	6
STATEMENTS OF CASH FLOWS YEARS ENDED JUNE 30, 2017 AND 2016	7
NOTES TO FINANCIAL STATEMENTS YEARS ENDED JUNE 30, 2017 AND 2016	8 - 19
STATEMENT OF FUNCTIONAL EXPENSES YEAR ENDED JUNE 30, 2017 (WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2016)	20

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Sheriff's Meadow Foundation
Vineyard Haven, Massachusetts

Report on the Financial Statements

We have audited the accompanying financial statements of Sheriff's Meadow Foundation (a nonprofit organization), which comprise the statements of financial position as of June 30, 2017 and 2016, and the related statements of activities 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.

Auditor's 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 auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Sheriff's Meadow Foundation as of June 30, 2017 and 2016, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

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Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the 2017 financial statements as a whole. The 2017 schedule of functional expenses on page 20 is presented for purposes of additional analysis and is not a required part of the 2017 financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the 2017 financial statements. The information has been subjected to the auditing procedures applied in the audit of the 2017 financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the 2017 financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the 2017 financial statements as a whole. The 2016 summarized comparative information included on the schedule of functional expenses on page 17 was derived from the 2016 schedule of functional expenses which was subjected to the auditing procedures applied in the 2016 audit of the basic financial statements, in which our report on such information stated that it was fairly stated in all material respects in relation to the 2016 financial statements as a whole.

Tonneson & Company, PC

Wakefield, Massachusetts
November 16, 2017

SHERIFF'S MEADOW FOUNDATION

STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2017 AND 2016

ASSETS

	<u>2017</u>	<u>2016</u>
CURRENT ASSETS:		
Cash and cash equivalents	\$ 661,453	\$ 841,096
Short-term investments	1,907,025	1,306,654
Promises to give	58,100	152,320
Prepaid expenses and other current assets	69,182	90,606
Total current assets	<u>2,695,760</u>	<u>2,390,676</u>
PROPERTY, PLANT AND EQUIPMENT, AT COST:		
Land	55,871,051	55,819,622
Land improvements	77,187	77,187
Buildings and improvements	1,015,485	1,015,485
Equipment	176,775	176,775
Construction in progress	1,138,254	1,135,314
	<u>58,278,752</u>	<u>58,224,383</u>
Less accumulated depreciation	<u>(626,793)</u>	<u>(582,869)</u>
Total property, plant and equipment, net	<u>57,651,959</u>	<u>57,641,514</u>
OTHER ASSETS:		
Promises to give - long-term, net	504,864	30,300
Investments held for long-term purposes	4,928,347	4,524,960
Website development and mobile application costs, net	144,850	-
Total other assets	<u>5,578,061</u>	<u>4,555,260</u>
TOTAL ASSETS	<u>\$ 65,925,780</u>	<u>\$ 64,587,450</u>

SHERIFF'S MEADOW FOUNDATION

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2017

SUPPORT AND REVENUE:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Other donations	\$ 606,930	\$ 254,991	\$ 489,397	\$ 1,351,318
Event revenue	359,306	-	-	359,306
Interest income	61,910	105,558	-	167,468
Realized and unrealized gains on investments, net	207,745	327,528	-	535,273
Donated services	6,340	-	-	6,340
Grant income	7,000	-	-	7,000
Other income	20,963	-	-	20,963
Net assets released from restrictions	334,333	(334,333)	-	-
Total support and revenue	<u>1,604,527</u>	<u>353,744</u>	<u>489,397</u>	<u>2,447,668</u>

EXPENSES:

Program services:				
Land acquisition	75,562	-	-	75,562
Land stewardship	482,274	-	-	482,274
Education and advocacy	26,616	-	-	26,616
Supporting services:				
General and administrative	429,770	-	-	429,770
Fundraising	179,940	-	-	179,940
Total expenses	<u>1,194,162</u>	<u>-</u>	<u>-</u>	<u>1,194,162</u>

INCREASE IN NET ASSETS

	410,365	353,744	489,397	1,253,506
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NET ASSETS, BEGINNING OF YEAR

	57,239,745	3,847,817	3,171,987	64,259,549
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NET ASSETS, END OF YEAR

	<u>\$ 57,650,110</u>	<u>\$ 4,201,561</u>	<u>\$ 3,661,384</u>	<u>\$ 65,513,055</u>
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SHERIFF'S MEADOW FOUNDATION

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2016

SUPPORT AND REVENUE:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donations of land and conservation restrictions	\$ 1,155,000	\$ -	\$ -	\$ 1,155,000
Other donations	1,211,348	56,724	-	1,268,072
Event revenue	376,107	-	-	376,107
Interest income	56,216	104,210	-	160,426
Realized and unrealized losses on investments, net	(196,332)	(358,726)	-	(555,058)
Donated services	2,106	-	-	2,106
Other income	27,367	-	-	27,367
Net assets released from restrictions	294,534	(294,534)	-	-
Total support and revenue	<u>2,926,346</u>	<u>(492,326)</u>	<u>-</u>	<u>2,434,020</u>

EXPENSES:

Program services:				
Land acquisition	44,869	-	-	44,869
Land stewardship	503,808	-	-	503,808
Education and advocacy	31,042	-	-	31,042
Supporting services:				
General and administrative	429,336	-	-	429,336
Fundraising	185,879	-	-	185,879
Total expenses	<u>1,194,934</u>	<u>-</u>	<u>-</u>	<u>1,194,934</u>

INCREASE (DECREASE) IN NET ASSETS

NET ASSETS, BEGINNING OF YEAR	<u>55,508,333</u>	<u>4,340,143</u>	<u>3,171,987</u>	<u>63,020,463</u>
NET ASSETS, END OF YEAR	<u>\$ 57,239,745</u>	<u>\$ 3,847,817</u>	<u>\$ 3,171,987</u>	<u>\$ 64,259,549</u>

See Notes to Financial Statements.

SHERIFF'S MEADOW FOUNDATION

STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2017 AND 2016

INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS

	<u>2017</u>	<u>2016</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Increase in net assets	\$ 1,253,506	\$ 1,239,086
Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities:		
Contributions of land	-	(1,155,000)
Contributions restricted for long-term purposes	(608,480)	(93,832)
Net realized and unrealized (gains) losses on investments	(535,273)	555,058
Depreciation	45,691	48,957
Discount on promises to give	119,136	-
Change in certain assets and liabilities:		
Promises to give	(15,270)	25,000
Prepaid expenses and other current assets	21,424	(59,607)
Note receivable	-	3,885
Accounts payable	(15,900)	35,138
Other liabilities	-	(6,000)
Deferred revenue	100,724	(20,175)
Net cash provided by operating activities	<u>365,558</u>	<u>572,510</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sales of investments	7,142,750	6,154,978
Purchase of investments	(7,611,235)	(5,969,640)
Purchase of property and equipment	(54,369)	(300,275)
Website development and mobile application costs paid	(146,617)	-
Net cash used in investing activities	<u>(669,471)</u>	<u>(114,937)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from contributions restricted for long-term purposes:		
Capital improvements	123,270	88,256
Comprehensive campaign	1,000	-
Net cash provided by financing activities	<u>124,270</u>	<u>88,256</u>
NET INCREASE (DECREASE) IN CASH	(179,643)	545,829
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>841,096</u>	<u>295,267</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 661,453</u>	<u>\$ 841,096</u>

See Notes to Financial Statements.

SHERIFF'S MEADOW FOUNDATION

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2017 AND 2016

Note 1 - Summary of Significant Accounting Policies

Organization - The purpose of Sheriff's Meadow Foundation (the "Foundation") is the conservation, protection, preservation and maintenance of land on the Island of Martha's Vineyard, Massachusetts.

Basis of Accounting - The financial statements of Sheriff's Meadow Foundation have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

Basis of Presentation - Under U.S. GAAP, the Foundation is required to report information regarding its financial position and activities according to three classes of net assets as follows:

Unrestricted net assets include net assets that are not subject to donor-imposed restrictions.

Temporarily restricted net assets include net assets subject to explicit or implicit donor-imposed restrictions that may or will be met either by actions of the Foundation and / or the passage of time.

Permanently restricted net assets include net assets subject to donor-imposed restrictions that they be maintained permanently by the Foundation. Generally, the donors of these assets permit the Foundation to use all or part of the income earned on related investments for general or specific purposes.

Estimates - The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Concentration of Credit Risk - The Foundation maintains an investment portfolio consisting of a combination of long-term cash and cash equivalents, government securities, corporate stocks, mutual funds and hedge funds. Investment securities are exposed to various risks, such as interest rate, market and credit risks. Due to the level of risk associated with certain investments, it is at least reasonably possible that changes in the value of these investments will occur in the near term and such changes could materially affect the Foundation's investment account balances. The Foundation maintains operating cash balances at financial institutions located in Massachusetts. The balances are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. In addition, the Foundation's financial institutions participate in the Depositors Insurance Fund, which insures all deposits above FDIC limits at Massachusetts chartered savings banks. As of June 30, 2017 and 2016, the Foundation's cash balances were fully insured under these programs.

The Foundation also holds various investment funds in a combination of cash and cash equivalents designated for long-term purposes, government securities, corporate stocks, mutual funds and hedge funds. At June 30, 2017 and 2016, the Foundation had \$6,835,372 and \$5,831,614, respectively, in brokerage accounts, which were not insured and subject to various risks, such as interest rate, market and credit risks.

Cash and Cash Equivalents - Cash and cash equivalents consist of highly liquid investments with original maturities of ninety days or less. Cash equivalents are carried at cost, which approximates fair value.

SHERIFF'S MEADOW FOUNDATION

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2017 AND 2016

Note 1 - Summary of Significant Accounting Policies (Continued)

Investments - The Foundation's investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the Statements of Financial Position. Unrealized gains and losses are included in the change in net assets in the accompanying Statements of Activities. Gains and losses on the disposition of investments are accounted for on the average cost method for mutual funds and specific identification method for other securities. Investment income and gains restricted by donors are reported as increases in unrestricted net assets if the restrictions are met (either a stipulated time period ends or a purpose restriction is accomplished) in the reporting period in which the income and gains are recognized.

The Foundation maintains master investment accounts for its donor-restricted endowments, unless specified to be segregated by the donor. Realized and unrealized gains and losses from securities in the master investment account are allocated monthly to the individual endowments based on the relationship of the market value of each endowment to the total market value of the master investment accounts, as adjusted for additions to or deductions from those accounts.

Promises to Give - Promises to give are stated at the amounts the Foundation expects to collect from outstanding balances. Foundation management provides for probably uncollectible amounts through a charge to earnings and a credit to a valuation allowance based on historical collection experience, its assessment of current economic conditions, review and assessment of estimated funding sources and the financial condition of the donor. Balances that are still outstanding after Foundation management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to promises to give.

At June 30, 2017 and 2016 promises to give were deemed fully collectible by Foundation management.

Property, Plant and Equipment - The Foundation capitalizes all acquisitions of property and equipment and all expenditures for repairs, maintenance, renewals and betterments in excess of \$1,000 that materially prolong the useful lives of assets. Property and equipment are carried at cost or, if donated, at the approximate fair value at the date of donation. Depreciation is computed using primarily the straight-line method over the assets estimated useful lives.

Web Development and Mobile Application Costs - Website development and mobile application costs are accounted for as capital assets and amortized on a straight-line basis over their estimated useful lives. Costs related to the planning stage of website development and mobile application projects, as well as ongoing operating and support costs are expensed as incurred.

Donations - Contributions, including grants, are recognized when the donor makes a promise to give to the Foundation that is, in substance, unconditional. All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support that increase those net asset classes. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restriction expires (that is when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restrictions. When a restriction expires, the net assets are reclassified to unrestricted net assets and reported in the Statements of Activities as net assets released from restriction.

Unconditional promises to give are reported at net realizable value if at the time the promise is made, collection is expected to be received in one year or less. Unconditional promises to give that are expected to be collected in more than one year are initially reported at fair value using present value techniques and a discount rate determined by management of the Foundation. Amortization of discounts is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the contributions.

SHERIFF'S MEADOW FOUNDATION

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2017 AND 2016

Note 1 - Summary of Significant Accounting Policies (Continued)

Donations (Continued)

Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional. At June 30, 2017, two donors have made conditional pledges in the form of bequests to the Foundation totaling \$600,000. There were no conditional pledges as of June 30, 2016.

Contributions in the form of property and equipment and other assets are recorded at fair value on the date the donation is received.

During the year ended June 30, 2017, approximately 20% of total support and revenue was contributed by one donor. At June 30, 2017, approximately 70% of promises to give were from this donor. There were no revenue concentrations as of June 30, 2016.

Event Revenue - Event revenue is recorded when the event takes place. Amounts received in advance are deferred until earned.

Donated Services - Donated services are recognized as contributions if the services create or enhance non-financial assets or require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Foundation. Donated professional services of \$6,144 and \$2,106 were received during the years ended June 30, 2017 and 2016, respectively. Additionally, individuals volunteer their time and perform a variety of tasks that assist the Foundation, but these services do not meet the criteria for recognition as donated services.

Functional Allocation of Expenses - The costs of providing various programs and other activities have been summarized on a functional basis in the Statements of Activities. Accordingly, certain costs have been allocated among programs and supporting services benefited.

The following program and supporting services are included in the accompanying financial statements:

Land acquisition

Land is acquired for the preservation, administration, and maintenance of natural habitats for wildlife on Martha's Vineyard both for educational purposes and in the interests of conservation.

Land stewardship

For the conservation and maintenance of land and walking trails as well as guided tours of the various conservation properties.

Education and advocacy

Education of the general public about the need for conservation of land through newsletters and local newspaper articles. Present testimony to local planning and regulatory agencies as to the impact on land conservation of proposed developments.

Administrative and general

Includes the functions necessary to manage the financial and budgeting responsibilities of the Foundation.

Fundraising

Provides the structure necessary to encourage and secure private financial support from individuals, foundations and corporations.

SHERIFF'S MEADOW FOUNDATION

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2017 AND 2016

Note 1 - Summary of Significant Accounting Policies (Continued)

Advertising - The Foundation uses advertising to promote its programs and educational materials among the audience it serves. The production costs of advertising are expensed as incurred. Advertising expenses totaled to \$1,144 and \$1,800 for the years ended June 30, 2017 and 2016, respectively.

Income Taxes - The Foundation is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. However, income from certain activities not directly related to the Foundation's tax-exempt purpose is subject to taxation as unrelated business income. The Foundation had no unrelated business income for the years ended June 30, 2017 and 2016.

In determining the recognition of uncertain tax positions, the Foundation applies a more-likely-than-not recognition threshold and determines the measurement of uncertain tax positions considering the amounts and probabilities of the outcomes that could be realized upon ultimate settlement with taxing authorities. As of June 30, 2017 and 2016, the Foundation has no uncertain tax positions that qualify for either recognition or disclosure in the financial statements. The Foundation is not currently under examination by any taxing jurisdiction. The Foundation's federal and state tax returns are generally open for examination for three years following the date filed.

Subsequent Events - The date to which events occurring after June 30, 2017 have been evaluated for possible adjustment to the financial statements or disclosures is the date of the Independent Auditor's Report which is the date the financial statements were available to be issued.

Note 2 - Investments

The Foundation maintains a master investment account to fund operating and endowment related activities. The cost and fair value of these investments at June 30, 2017 and 2016 were as follows:

	June 30, 2017	
	Cost	Value
Mutual funds	\$ 2,185,456	\$ 2,136,288
Exchange traded and closed-end funds	4,169,293	4,688,724
Stocks	12,597	10,360
	<u>\$ 6,367,346</u>	<u>\$ 6,835,372</u>

	June 30, 2016	
	Cost	Value
Long-term cash and cash equivalents	\$ 2,594,871	\$ 2,594,871
Stocks	1,428,669	1,409,813
Exchange traded and closed-end funds	4,748	4,840
Corporate fixed income	303,705	313,683
Government securities	647,538	655,659
Mutual funds	725,848	670,587
Alternative investments	203,308	182,161
	<u>\$ 5,908,687</u>	<u>\$ 5,831,614</u>

SHERIFF'S MEADOW FOUNDATION

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2017 AND 2016

Note 2 - Investments (Continued)

The following schedule summarizes the investment return and its classification in the statements of activities for the years ended June 30, 2017 and 2016:

	2017	2016
Investment income	\$ 166,541	\$ 159,842
Net realized gains (losses)	(9,826)	201,488
Net unrealized gain (losses)	545,099	(756,546)
	<u>\$ 701,814</u>	<u>\$ (395,216)</u>

For the years ended June 30, 2017 and 2016, expenses related to investment revenues, including custodial fees and investment advisory fees, totaled to \$16,640 and \$42,404, respectively, and are included in administrative and general expenses in the accompanying statements of activities.

For the years ended June 30, 2017 and 2016, investments were segregated into the following categories:

	June 30, 2017			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Unrestricted	\$ 1,864,478	\$ -	\$ -	\$ 1,864,478
Board designated endowments	354,795	-	-	354,795
Donor designated endowments	-	111,756	966,573	1,078,329
Donor restricted funds	-	3,537,770	-	3,537,770
	<u>\$ 2,219,273</u>	<u>\$ 3,649,526</u>	<u>\$ 966,573</u>	<u>\$ 6,835,372</u>

	June 30, 2016			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Unrestricted	\$ \$ 1,306,657	\$ \$ -	\$ \$ -	\$ \$ 1,306,657
Board designated endowments	301,399	-	-	301,399
Donor designated endowments	-	52,346	477,176	529,522
Donor restricted funds	-	3,694,036	-	3,694,036
	<u>\$ \$ 1,608,056</u>	<u>\$ \$ 3,746,382</u>	<u>\$ \$ 477,176</u>	<u>\$ \$ 5,831,614</u>

Fair value is defined under U.S. GAAP as the price that would be received to sell an asset, or paid to transfer a liability, in orderly transactions between market participants. Further, the Foundation is required maximize the use of observable market inputs, minimize the use of unobservable market inputs, and disclose in the form of an outlined hierarchy the details of such fair value measurements. The hierarchy of valuation techniques is based on whether inputs to a fair value measurement are considered to be observable or unobservable in a marketplace. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect the Foundation's market assumptions.

SHERIFF'S MEADOW FOUNDATION

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2017 AND 2016

Note 2 - Investments (Continued)

This hierarchy requires the use of observable market data when available. These inputs have created the following fair value hierarchy:

- Level 1 - Quoted market prices in active markets for identical assets or liabilities.
- Level 2 - Observable inputs other than those included in Level 1. For example, quoted prices for similar assets in active markets or quoted prices for identical assets in inactive markets.
- Level 3 - Unobservable inputs reflecting management's own assumptions about the inputs used in estimating the value of the asset.

Following is a description of the Foundation's valuation methodologies for assets measured at fair value.

Long-term cash and cash equivalents: These investments are valued at the daily closing price as reported by the investment broker. Investments in long-term cash and cash equivalents are classified as Level 1 of the valuation hierarchy.

Stocks, Corporate Fixed Income, and Government Securities: These investments are valued at the closing price of the active market in which the individual securities are traded. Investments in stocks, corporate fixed income, and government securities are classified as Level 1 of the valuation hierarchy.

Exchange Traded and Closed-End Funds and Mutual Funds: These investments are public investment vehicles valued using the Net Asset Value ("NAV") provided by the administrator of the fund and calculated at the close of business on various stock exchanges. The NAV is based on the value of the underlying asset owned by the fund, minus its liabilities, and then divided by the number of shares outstanding. Investments in exchange traded and close-end funds and mutual funds are classified as Level 1 of the valuation hierarchy.

Investment in Limited Liability Company: This investment is valued using the net asset value or its equivalent, as provided by the investment manager, as a practical expedient to determine fair value. This practical expedient would not be used if it is determined to be probable that the Foundation will sell the investment for an amount different from the reported net asset value. This investment measured at net asset value has not been classified in the fair value hierarchy. The fair value amounts presented in the table below are intended to permit reconciliation of the fair value hierarchy to the line items presented in the statements of financial position.

SHERIFF'S MEADOW FOUNDATION

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2017 AND 2016

Note 2 - Investments (Continued)

The following table summarizes the Foundation's financial assets measured at fair value on a recurring basis in accordance with U.S. GAAP as of June 30, 2017 and 2016:

	June 30, 2017		June 30, 2016	
	Level 1	Total	Level 1	Total
Investments				
Cash and cash equivalents	\$ -	\$ -	\$ 2,594,871	\$ 2,594,871
Stocks:				
Basic materials	-	-	55,786	55,786
Communication services	-	-	107,056	107,056
Consumer cyclical	-	-	177,922	177,922
Consumer defensive	-	-	57,569	57,569
Energy	-	-	88,013	88,013
Financial services	10,360	10,360	246,891	246,891
Healthcare	-	-	125,088	125,088
Industrials	-	-	176,591	176,591
Lodging	-	-	5,158	5,158
Real estate	-	-	113,024	113,024
Technology	-	-	222,529	222,529
Utilities	-	-	34,186	34,186
Exchange traded and closed-end funds:				
Large blend	2,786,172	2,786,172	-	-
Foreign large blend	1,902,552	1,902,552	-	-
Foreign large value	-	-	2,177	2,177
Large value	-	-	815	815
Small blend	-	-	1,848	1,848
Corporate fixed income			313,683	313,683
Government securities			655,659	655,659
Mutual funds:				
Corporate bond	258,220	258,220	-	-
Short-term bond	387,491	387,491	-	-
World bond	514,531	514,531	-	-
Inflation protected bond	202,034	202,034	-	-
High yield bond	-	-	416,566	416,566
Intermediate-term bond	774,012	774,012	98,182	98,182
Preferred stock	-	-	155,839	155,839
Total assets in the fair value hierarchy	\$ <u>6,835,372</u>	<u>6,835,372</u>	\$ <u>5,649,453</u>	<u>5,649,453</u>
Investments measured at net asset value		-		182,161
Total investments		\$ <u>6,835,372</u>		\$ <u>5,831,614</u>

SHERIFF'S MEADOW FOUNDATION

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2017 AND 2016

Note 2 - Investments (Continued)

The Foundation uses NAV to determine the fair value of investments which (a) do not have readily determinable fair value and (b) prepare their financial statements consistent with the measurement principles of an investment company or have the attributes of an investment company. The type of investment that qualifies for this treatment is included in the following table at June 30, 2017 and 2016:

	Fair Value		Unfunded Commitments	Redemption Frequency	Redemption Notice Period
	2017	2016			
SkyBridge Multi-Adviser Hedge Fund Portfolios LLC – Series G	\$ -	\$ 182,161	-	Monthly	30 days

SkyBridge Multi-Adviser Hedge Fund Portfolios LLC – Series G is designed to serve as a core hedge fund holding with the goal of providing additional diversification to an overall investment portfolio. The fund's investment objective is to seek capital appreciation, by seeking to realize attractive risk-adjusted returns, net of fees and expenses, over a three to five year investment horizon by allocating assets across certain hedge fund strategies.

Note 3 - Endowment

The Foundation's endowment consists of eight individual funds established for a variety of purposes. The endowment includes funds designated by the Board of Directors to function as endowments. In conformity with accounting principles generally accepted in the United States of America, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of relevant law: The Board of Directors of the Foundation has interpreted the Massachusetts Uniform Prudent Management of Institutional Funds Act (the Act) as requiring the preservation of the fair value of the original gift as of the gift date on the donor-restricted endowment funds absent explicit donor stipulations to the contrary and the fair value of the Board-designated endowment funds absent explicit stipulations to the contrary. As a result of this interpretation, the Foundation classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Foundation in a manner that is consistent with the standard of prudence prescribed by the Act.

The Foundation may accumulate so much of the annual net income as deemed prudent to meet (1) the long and short term needs of the Foundation in carrying out its mission, (2) problems specific to the Foundation, (3) present and anticipated financial requirements, (4) expected total return on its investments, (5) price level trends, and (6) general economic conditions. In addition, the Foundation may hold any or all of such accumulated income for subsequent expenditure for the uses and purposes for which the Board endowments were established or may add any or all of the accumulated income to the principal endowment funds that is deemed prudent.

SHERIFF'S MEADOW FOUNDATION

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2017 AND 2016

Note 3 - Endowment (Continued)

In accordance with the Act, the Foundation considers the following factors in making a determination to appropriate or accumulate restricted endowment funds: (1) the duration and preservation of various funds, (2) the purpose of the Foundation and the restricted endowment funds, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of the Foundation, and (7) the Foundation's investment policies.

Investment and spending policies: The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Foundation must hold in perpetuity or for donor-specified periods as well as Board-designated funds. Under these policies, as approved by the Finance Committee, the endowment assets are invested in a manner that is intended to contribute to the Foundation's total return objectives and preserve principal while maintaining a competitive yield as market conditions dictate.

To satisfy its long-term rate-of-return objectives, the Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Foundation targets a diversified conservative asset allocation including marketable securities and insured instruments issued by the United States Government or agencies of the United States Government to achieve its long-term return objectives within prudent risk constraints.

The Foundation's policy of appropriating distribution of funds is determined based on the donor's intentions and investment returns as well as taking into consideration the long-term expected return on its endowment. Accordingly, over the long-term, the Foundation expects the current spending policy to allow its endowment to grow at a normal inflationary rate on an annual basis. This is consistent with the Foundation's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specific term as well as to provide additional growth through new gifts and investment return.

Funds with deficiencies: From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or the Act requires the Foundation to retain as a fund of perpetual duration. In accordance with accounting principles generally accepted in the United States of America, deficiencies of this nature are reported in unrestricted net assets. There were no deficiencies of this nature as of June 30, 2017 and 2016.

Endowment net asset composition by type of fund as of June 30, 2017 and 2016 is as follows:

	June 30, 2017			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	\$ -	\$ 111,756	\$ 966,573	\$ 1,078,329
Board-designated endowment funds	354,795	-	-	354,795
	<u>\$ 354,795</u>	<u>\$ 111,756</u>	<u>\$ 966,573</u>	<u>\$ 1,433,124</u>

SHERIFF'S MEADOW FOUNDATION

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2017 AND 2016

Note 3 - Endowment (Continued)

	June 30, 2016			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	\$ -	\$ 52,346	\$ 477,176	\$ 529,522
Board-designated endowment funds	301,399	-	-	301,399
	<u>\$ 301,399</u>	<u>\$ 52,346</u>	<u>\$ 477,176</u>	<u>\$ 830,921</u>

Changes in endowment net assets for the years ended June 30, 2017 and 2016 are as follows:

	June 30, 2017			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	\$ 301,399	\$ 52,346	\$ 477,176	\$ 830,921
Contributions	-	-	489,397	489,397
Investment return:				
Investment income	8,640	18,825	-	27,465
Net appreciation (depreciation), realized and unrealized	52,993	45,875	-	98,868
Total investment return	61,633	64,700	-	126,333
Appropriation of endowment assets for expenditure	(8,237)	(5,290)	-	(13,527)
Endowment net assets, end of year	<u>\$ 354,795</u>	<u>\$ 111,756</u>	<u>\$ 966,573</u>	<u>\$ 1,433,124</u>

	June 30, 2016			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	\$ 335,132	\$ 67,535	\$ 477,176	\$ 879,843
Investment return:				
Investment income	8,937	13,370	-	22,307
Net appreciation (depreciation), realized and unrealized	(32,412)	(25,971)	-	(58,383)
Total investment return	(23,475)	(12,601)	-	(36,076)
Appropriation of endowment assets for expenditure	(10,258)	(2,588)	-	(12,846)
Endowment net assets, end of year	<u>\$ 301,399</u>	<u>\$ 52,346</u>	<u>\$ 477,176</u>	<u>\$ 830,921</u>

SHERIFF'S MEADOW FOUNDATION
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2017 AND 2016

Note 4 - Promises to Give

The Foundation had unrestricted promises to give as follows at June 30, 2017 and 2016.

	<u>2017</u>	<u>2016</u>
Promises to give expected to be collected in:		
Less than one year	\$ 58,100	\$ 152,320
One to five years	224,000	30,300
Greater than five years	<u>400,000</u>	<u>-</u>
	682,100	182,620
Discount on promises to give	<u>(119,136)</u>	<u>-</u>
	<u>\$ 562,964</u>	<u>\$ 182,620</u>

Management has measured promises to give using present value techniques that use a discount rate of 2%, which approximates the Foundation's normal rate of return. Management has determined promises to give are fully collectible as of June 30, 2017 and 2016.

Note 5 - Restrictions on Net Assets

Temporarily restricted net assets were available for the following purposes at June 30, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Donor-designated funds	\$ 3,537,770	\$ 3,271,209
Land preservation and property management	529,479	500,470
Endowment	111,756	52,346
Education	10,958	13,164
Other	<u>11,598</u>	<u>10,628</u>
	<u>\$ 4,201,561</u>	<u>\$ 3,847,817</u>

SHERIFF'S MEADOW FOUNDATION

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2017 AND 2016

Note 5 - Restrictions on Net Assets (Continued)

Temporarily restricted net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by the occurrence of other events specified by the donor during the years ended June 30, 2017 and 2016 as follows:

	<u>2017</u>	<u>2016</u>
Donor-designated funds	\$ 104,972	\$ 253,542
Land preservation and property management	94,038	36,969
Endowment	5,289	2,588
Education	12,206	1,435
Other	<u>117,828</u>	<u>-</u>
	<u>\$ 334,333</u>	<u>\$ 294,534</u>

Permanently restricted net assets consisted of the following at June 30, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Land	\$ 2,694,811	\$ 2,694,811
Endowment	<u>966,573</u>	<u>477,176</u>
	<u>\$ 3,661,384</u>	<u>\$ 3,171,987</u>

Note 6 - Retirement Plan

The Foundation has a Section 403(b) retirement plan for the benefit of eligible employees and a deferred compensation plan for the exclusive benefit of the Executive Director. The Foundation makes contributions of 6% of eligible employees' salary into the Section 403(b) retirement plan and a discretionary contribution into the deferred compensation plan. Contributions to these plans totaled \$41,746 and \$38,791, respectively for the years ended June 30, 2017 and 2016.

Note 7 - Operating Lease

The Foundation is a tenant at will for the Foundation's office space. Office rental expense totaled \$20,498 for each of the years ended June 30, 2017 and 2016.

SHERIFF'S MEADOW FOUNDATION

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2017
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2016)

	Program Services				Supporting Services			Total	
	Land Acquisition	Land Stewardship	Education & Advocacy	Total	General & Administrative	Fundraising	Year Ended June 30		
							2017	2016	
Accounting & audit	\$ -	\$ -	\$ -	\$ -	\$ 60,620	\$ -	\$ 60,620	\$ 39,660	
Advertising	-	-	-	-	1,144	-	1,144	1,800	
Annual report & newsletter	-	-	218	218	-	219	437	-	
Automobile expense	600	10,793	-	11,393	600	-	11,993	11,931	
Bank fees	-	-	-	-	6,151	-	6,151	4,972	
Conferences and meetings	-	-	-	-	12,317	-	12,317	8,247	
Depreciation	-	22,846	-	22,846	22,845	-	45,691	48,957	
Donations	-	-	-	-	-	-	-	75	
Dues and subscriptions	-	1,434	478	1,912	1,435	1,434	4,781	3,194	
Fundraising events	-	-	-	-	-	79,877	79,877	96,401	
Health insurance	1,447	43,411	724	45,582	19,534	7,235	72,351	69,300	
Insurance - other	-	-	-	-	57,946	-	57,946	30,748	
Investment & other fees	-	-	-	-	16,640	-	16,640	43,464	
Land acquisition expense	55,000	-	-	55,000	-	-	55,000	26,289	
Legal fees	-	10,899	-	10,899	-	-	10,899	7,538	
Memberships	-	-	-	-	1,177	1,178	2,355	1,797	
Office supplies & expense	2,616	18,313	2,616	23,545	18,314	10,465	52,324	59,494	
Other	-	-	5,820	5,820	29,097	3,880	38,797	87,256	
Payroll	13,393	236,603	13,393	263,389	129,461	53,571	446,421	376,146	
Payroll taxes	1,000	17,673	1,000	19,673	9,671	4,002	33,346	28,383	
Postage	-	-	861	861	4,304	-	17,217	8,390	
Property maintenance & expense	-	97,160	-	97,160	-	-	97,160	161,740	
Rent	-	-	-	-	20,573	-	20,573	32,498	
Retirement plan expense	1,252	22,125	1,252	24,629	12,107	5,010	41,746	38,791	
Telephone	254	1,017	254	1,525	2,541	1,017	5,083	4,969	
Utilities	-	-	-	-	3,293	-	3,293	2,894	
Total	\$ 75,562	\$ 482,274	\$ 26,616	\$ 584,452	\$ 429,770	\$ 179,940	\$ 1,194,162	\$ 1,194,934	