

SHERIFF'S MEADOW FOUNDATION

**FINANCIAL STATEMENTS
AND ACCOMPANYING INFORMATION**

YEARS ENDED JUNE 30, 2018 AND 2017

tonneson + co

Certified Public Accountants & Consultants

SHERIFF'S MEADOW FOUNDATION

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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, 2018 and 2017, 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 audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Sheriff's Meadow Foundation as of June 30, 2018 and 2017, 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 2018 financial statements as a whole. The 2018 schedule of functional expenses on page 20 is presented for purposes of additional analysis and is not a required part of the 2018 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 2018 financial statements. The information has been subjected to the auditing procedures applied in the audit of the 2018 financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the 2018 financial statements or to the 2018 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 2018 financial statements as a whole. The 2017 summarized comparative information included on the schedule of functional expenses on page 20 was derived from the 2017 schedule of functional expenses which was subjected to the auditing procedures applied in the 2017 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 2017 financial statements as a whole.

Tonneson & Company, PC

Wakefield, Massachusetts
November 29, 2018

SHERIFF'S MEADOW FOUNDATION

STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2018 AND 2017

ASSETS

	<u>2018</u>	<u>2017</u>
CURRENT ASSETS:		
Cash and cash equivalents	\$ 554,334	\$ 661,453
Short-term investments	2,357,627	1,907,025
Promises to give	154,600	58,100
Prepaid expenses and other current assets	60,604	69,182
Total current assets	<u>3,127,165</u>	<u>2,695,760</u>
PROPERTY, PLANT AND EQUIPMENT, AT COST:		
Land	55,871,051	55,871,051
Land improvements	77,187	77,187
Buildings and improvements	2,204,244	1,015,485
Equipment	220,591	176,775
Construction in progress	-	1,138,254
	<u>58,373,073</u>	<u>58,278,752</u>
Less accumulated depreciation	<u>(712,924)</u>	<u>(626,793)</u>
Total property, plant and equipment, net	<u>57,660,149</u>	<u>57,651,959</u>
OTHER ASSETS:		
Promises to give - long-term, net	605,257	504,864
Investments held for long-term purposes	5,538,036	4,967,140
Website development and mobile application costs, net	140,282	144,850
Total other assets	<u>6,283,575</u>	<u>5,616,854</u>
TOTAL ASSETS	\$ <u><u>67,070,889</u></u>	\$ <u><u>65,964,573</u></u>

SHERIFF'S MEADOW FOUNDATION

STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2018 AND 2017

LIABILITIES AND NET ASSETS

	<u>2018</u>	<u>2017</u>
CURRENT LIABILITIES:		
Accounts payable	\$ 19,228	\$ 22,551
Deferred revenue	457,842	390,174
Total current liabilities	<u>477,070</u>	<u>412,725</u>
LONG-TERM LIABILITIES:		
Deferred compensation	<u>81,965</u>	<u>38,793</u>
TOTAL LIABILITIES	<u>559,035</u>	<u>451,518</u>
NET ASSETS:		
Unrestricted	57,799,806	57,650,110
Temporarily restricted	4,541,320	4,201,561
Permanently restricted	4,170,728	3,661,384
TOTAL NET ASSETS	<u>66,511,854</u>	<u>65,513,055</u>
 TOTAL LIABILITIES AND NET ASSETS	 \$ <u><u>67,070,889</u></u>	 \$ <u><u>65,964,573</u></u>

SHERIFF'S MEADOW FOUNDATION

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2018

SUPPORT AND REVENUE:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Other donations	\$ 769,646	\$ 231,885	\$ 509,344	\$ 1,510,875
Event revenue	418,630	-	-	418,630
Interest income	81,585	97,845	-	179,430
Realized and unrealized gains on investments, net	288,516	69,192	-	357,708
Donated services	13,518	-	-	13,518
Other income	28,316	-	-	28,316
Net assets released from restrictions	59,163	(59,163)	-	-
Total support and revenue	<u>1,659,374</u>	<u>339,759</u>	<u>509,344</u>	<u>2,508,477</u>

EXPENSES:

Program services:				
Land acquisition	23,713	-	-	23,713
Land stewardship	718,521	-	-	718,521
Education and advocacy	28,671	-	-	28,671
Supporting services:				
General and administrative	501,979	-	-	501,979
Fundraising	236,794	-	-	236,794
Total expenses	<u>1,509,678</u>	<u>-</u>	<u>-</u>	<u>1,509,678</u>

INCREASE IN NET ASSETS

	149,696	339,759	509,344	998,799
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NET ASSETS, BEGINNING 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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NET ASSETS, END OF YEAR

	<u>\$ 57,799,806</u>	<u>\$ 4,541,320</u>	<u>\$ 4,170,728</u>	<u>\$ 66,511,854</u>
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SHERIFF'S MEADOW FOUNDATION

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2017

SUPPORT AND REVENUE:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
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

	<u>57,239,745</u>	<u>3,847,817</u>	<u>3,171,987</u>	<u>64,259,549</u>
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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

STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2018 AND 2017

INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS

	<u>2018</u>	<u>2017</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Increase in net assets	\$ 998,799	\$ 1,253,506
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Contributions restricted for long-term purposes	(125,000)	(629,950)
Net realized and unrealized gains on investments	(357,708)	(535,273)
Depreciation	133,898	45,691
Discount on promises to give	18,571	119,136
Change in certain assets and liabilities:		
Promises to give	(136,914)	6,200
Prepaid expenses and other current assets	8,578	21,424
Accounts payable	(3,323)	(15,900)
Other liabilities	43,172	-
Deferred revenue	67,668	100,724
	<hr/>	<hr/>
Net cash provided by operating activities	647,741	365,558
	<hr/>	<hr/>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sales of investments	828,438	7,142,750
Purchase of investments	(1,492,228)	(7,611,235)
Purchase of property and equipment	(94,321)	(54,369)
Website development and mobile application costs paid	(43,199)	(146,617)
	<hr/>	<hr/>
Net cash used in investing activities	(801,310)	(669,471)
	<hr/>	<hr/>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from contributions restricted for long-term purposes:		
Capital improvements	25,950	123,270
Comprehensive campaign	20,500	1,000
	<hr/>	<hr/>
Net cash provided by financing activities	46,450	124,270
	<hr/>	<hr/>
NET DECREASE IN CASH	(107,119)	(179,643)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	661,453	841,096
	<hr/>	<hr/>
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 554,334	\$ 661,453
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See Notes to Financial Statements.

SHERIFF'S MEADOW FOUNDATION

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2018 AND 2017

Note 1 - Summary of Significant Accounting Policies

Organization - The mission of Sheriff's Meadow Foundation is to conserve the natural, beautiful, rural landscape and character of Martha's Vineyard for present and future generations.

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 and mutual 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, 2018 and 2017, 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, government securities, corporate stocks and mutual funds, a portion of which are designated for long-term purposes. At June 30, 2018 and 2017, the Foundation had \$7,895,663 and \$6,874,165, 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, 2018 AND 2017

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 probable 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, 2018 and 2017 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, 2018 AND 2017

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, 2018 and 2017, donors have made conditional pledges in the form of bequests to the Foundation totaling \$775,000 and \$600,000, respectively.

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

There were no revenue concentrations during the year ended June 30, 2018. During the year ended June 30, 2017, approximately 20% of total support and revenue was contributed by one donor. At June 30, 2018 and 2017, approximately 51% and 70% of promises to give were from this donor.

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 \$13,518 and \$6,340 were received during the years ended June 30, 2018 and 2017, 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 and of schoolchildren about nature, conservation, and about the natural history of Martha's Vineyard.

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, 2018 AND 2017

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 \$3,013 and \$1,144 for the years ended June 30, 2018 and 2017, 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, 2018 and 2017.

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, 2018 and 2017, 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.

Reclassifications - Certain amounts in the 2017 financial statements have been reclassified to conform to the 2018 presentation format.

Subsequent Events - The date to which events occurring after June 30, 2018 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 and an investment account to fund a deferred compensation plan. The cost and fair value of these investments at June 30, 2018 and 2017 were as follows:

	June 30, 2018	
	Cost	Value
Mutual funds	\$ 2,638,701	\$ 2,543,042
Exchange traded and closed-end funds	4,493,851	5,342,261
Stocks	12,597	10,360
	<u>\$ 7,145,149</u>	<u>\$ 7,895,663</u>

	June 30, 2017	
	Cost	Value
Mutual funds	\$ 2,185,456	\$ 2,136,288
Exchange traded and closed-end funds	4,169,293	4,727,517
Stocks	12,597	10,360
	<u>\$ 6,367,346</u>	<u>\$ 6,874,165</u>

SHERIFF'S MEADOW FOUNDATION

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2018 AND 2017

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, 2018 and 2017:

	2018	2017
Investment income	\$ 178,165	\$ 166,541
Net realized gains (losses)	138,529	(9,826)
Net unrealized gain (losses)	219,179	545,099
	<u>\$ 535,873</u>	<u>\$ 701,814</u>

For the years ended June 30, 2018 and 2017, expenses related to investment revenues, including custodial fees and investment advisory fees, totaled to \$22,234 and \$16,640, respectively, and are included in administrative and general expenses in the accompanying statements of activities.

For the years ended June 30, 2018 and 2017, investments were segregated into the following categories:

	June 30, 2018			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Unrestricted	\$ 2,400,070	\$ -	\$ -	\$ 2,400,070
Board designated endowments	373,430	-	-	373,430
Donor designated endowments	-	159,169	853,271	1,012,440
Donor restricted funds	-	4,109,723	-	4,109,723
	<u>\$ 2,773,500</u>	<u>\$ 4,268,892</u>	<u>\$ 853,271</u>	<u>\$ 7,895,663</u>

	June 30, 2017			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Unrestricted	\$ 2,392,668	\$ -	\$ -	\$ 2,392,668
Board designated endowments	354,795	-	-	354,795
Donor designated endowments	-	111,756	477,176	588,932
Donor restricted funds	-	3,537,770	-	3,537,770
	<u>\$ 2,747,463</u>	<u>\$ 3,649,526</u>	<u>\$ 477,176</u>	<u>\$ 6,874,165</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, 2018 AND 2017

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.

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.

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, 2018 and 2017:

	June 30, 2018		June 30, 2017	
	Level 1	Total	Level 1	Total
Investments				
Stocks:				
Financial services	\$ 10,360	\$ 10,360	\$ 10,360	\$ 10,360
Exchange traded and closed-end funds:				
Large blend	2,785,728	2,785,728	2,824,965	2,824,965
Foreign large blend	2,556,533	2,556,533	1,902,552	1,902,552
Mutual funds:				
Corporate bond	312,069	312,069	258,220	258,220
Short-term bond	465,417	465,417	387,491	387,491
World bond	623,131	623,131	514,531	514,531
Inflation protected bond	205,847	205,847	202,034	202,034
Intermediate-term bond	936,578	936,578	774,012	774,012
Total investments	\$ 7,895,663	\$ 7,895,663	\$ 6,874,165	\$ 6,874,165

SHERIFF'S MEADOW FOUNDATION

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2018 AND 2017

Note 3 - Endowment

The Foundation's endowment consists of eleven 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.

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.

SHERIFF'S MEADOW FOUNDATION

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2018 AND 2017

Note 3 - Endowment (Continued)

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, 2018 and 2017.

Endowment net asset composition by type of fund as of June 30, 2018 and 2017 is as follows:

	June 30, 2018			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	\$ -	\$ 160,594	\$ 1,475,917	\$ 1,636,511
Board-designated endowment funds	373,430	-	-	373,430
	<u>\$ 373,430</u>	<u>\$ 160,594</u>	<u>\$ 1,475,917</u>	<u>\$ 2,009,941</u>

	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, 2018 AND 2017

Note 3 - Endowment (Continued)

Changes in endowment net assets for the years ended June 30, 2018 and 2017 are as follows:

	<u>June 30, 2018</u>			
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 354,795	\$ 111,756	\$ 966,573	\$ 1,433,124
Contributions	-	-	509,344	509,344
Investment return:				
Investment income	8,545	16,663	-	25,208
Net appreciation (depreciation), realized and unrealized	18,490	34,028	-	52,518
Total investment return	27,035	50,691	-	77,726
Appropriation of endowment assets for expenditure	(8,400)	(1,853)	-	(10,253)
Endowment net assets, end of year	\$ <u>373,430</u>	\$ <u>160,594</u>	\$ <u>1,475,917</u>	\$ <u>2,009,941</u>
	<u>June 30, 2017</u>			
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
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>

SHERIFF'S MEADOW FOUNDATION

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2018 AND 2017

Note 4 - Promises to Give

The Foundation had promises to give as follows at June 30, 2018 and 2017.

	June 30, 2018			
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Promises to give expected to be collected in:				
Less than one year	\$ 66,100	\$ 15,000	\$ 73,500	\$ 154,600
One to five years	70,464	37,500	335,000	442,964
Greater than five years	-	-	300,000	300,000
	<u>136,564</u>	<u>52,500</u>	<u>708,500</u>	<u>897,564</u>
Discount on promises to give	<u>(8,492)</u>	<u>(4,567)</u>	<u>(124,648)</u>	<u>(137,707)</u>
	<u>\$ 128,072</u>	<u>\$ 47,933</u>	<u>\$ 583,852</u>	<u>\$ 759,857</u>
	June 30, 2017			
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Promises to give expected to be collected in:				
Less than one year	\$ 38,100	\$ -	\$ 20,000	\$ 58,100
One to five years	30,000	10,000	184,000	224,000
Greater than five years	-	-	400,000	400,000
	<u>68,100</u>	<u>10,000</u>	<u>604,000</u>	<u>682,100</u>
Discount on promises to give	<u>(2,631)</u>	<u>(902)</u>	<u>(115,603)</u>	<u>(119,136)</u>
	<u>\$ 65,469</u>	<u>\$ 9,098</u>	<u>\$ 488,397</u>	<u>\$ 562,964</u>

Management has measured promises to give using present value techniques that use a discount rate of 2.75%, which approximates the Foundation's normal rate of return. Management has determined promises to give are fully collectible as of June 30, 2018 and 2017.

SHERIFF'S MEADOW FOUNDATION

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2018 AND 2017

Note 5 - Restrictions on Net Assets

Temporarily restricted net assets were available for the following purposes at June 30, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Donor-designated funds	\$ 3,723,482	\$ 3,537,770
Land preservation and property management	556,331	529,479
Endowment	160,594	111,756
Education	17,980	10,958
Other	82,933	11,598
	<u>\$ 4,541,320</u>	<u>\$ 4,201,561</u>

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, 2018 and 2017 as follows:

	<u>2018</u>	<u>2017</u>
Donor-designated funds	\$ -	\$ 104,972
Land preservation and property management	59,163	94,038
Endowment	-	5,289
Education	-	12,206
Other	-	117,828
	<u>\$ 59,163</u>	<u>\$ 334,333</u>

Permanently restricted net assets consisted of the following at June 30, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Land	\$ 2,694,811	\$ 2,694,811
Endowment	1,475,917	966,573
	<u>\$ 4,170,728</u>	<u>\$ 3,661,384</u>

Note 6 - Retirement Plan

The Foundation has a Section 403(b) retirement plan for the benefit of eligible employees. The Foundation makes contributions of 6% of eligible employees' salary into the Section 403(b) retirement plan. Contributions to the plan totaled \$28,928 and \$24,919, respectively for the years ended June 30, 2018 and 2017. While the Foundation expects to continue the plan indefinitely, it has reserved the right to modify, amend or terminate the plan. In the event of termination, the entire amount contributed under the plan must be applied to the payment of benefits to the participants or their beneficiaries, as defined in the plan.

SHERIFF'S MEADOW FOUNDATION

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2018 AND 2016

Note 7 - Deferred Compensation Plan

The Foundation has a deferred compensation plan for the exclusive benefit of the Executive Director. The Foundation makes a discretionary contribution into the deferred compensation plan. Contributions to the plan totaled \$17,731 and \$16,827, respectively for the years ended June 30, 2018 and 2017. The Foundation holds the deferred compensation plan funds in an investment account. At June 30, 2018 and 2017 the investment account totaled \$62,945 and \$38,793, respectively.

Note 8 - Operating Lease

The Foundation is a tenant at will for the Foundation's office space. Office rental expense totaled \$20,963 and \$20,573 for the years ended June 30, 2018 and 2017, respectively.

SHERIFF'S MEADOW FOUNDATION

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2018
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2017)

	Program Services				Supporting Services			Total	
	Land Acquisition	Land Stewardship	Education & Advocacy	Total	General & Administrative		Fundraising	2018	2017
					Administrative	Fundraising			
Accounting & audit	\$ -	\$ -	\$ -	\$ -	\$ 46,740	\$ -	\$ -	\$ 46,740	\$ 60,620
Advertising	-	-	-	-	3,013	-	-	3,013	1,144
Annual report & newsletter	-	-	-	-	-	-	-	-	437
Automobile expense	520	9,358	-	9,878	520	-	-	10,398	11,993
Bank fees	-	-	-	-	5,686	-	-	5,686	6,151
Conferences and meetings	-	-	-	-	24,156	-	-	24,156	12,317
Depreciation	-	66,949	-	66,949	66,949	-	-	133,898	45,691
Dues and subscriptions	-	1,426	475	1,901	1,425	1,426	-	4,752	4,781
Fundraising events	-	-	-	-	-	127,656	-	127,656	79,877
Health insurance	1,469	44,068	734	46,271	19,831	7,345	-	73,447	72,351
Insurance - other	-	-	-	-	54,789	-	-	54,789	57,946
Investment & other fees	-	-	-	-	22,234	-	-	22,234	16,640
Land acquisition expense	-	-	-	-	-	-	-	-	55,000
Legal fees	-	33,118	-	33,118	-	-	-	33,118	10,899
Memberships	-	-	-	-	1,001	1,002	-	2,003	2,355
Office supplies & expense	2,898	20,283	2,898	26,079	20,283	11,590	-	57,952	52,324
Other	-	-	5,090	5,090	25,449	3,393	-	33,932	38,797
Payroll	15,500	273,832	15,500	304,832	149,832	62,000	-	516,664	446,421
Payroll taxes	1,097	19,386	1,097	21,580	10,608	4,389	-	36,577	33,346
Postage	-	-	648	648	3,241	9,076	-	12,965	17,217
Property maintenance & expense	-	214,255	-	214,255	-	-	-	214,255	97,160
Rent	-	-	-	-	20,963	-	-	20,963	20,573
Retirement plan expense	1,970	34,810	1,970	38,750	19,048	7,881	-	65,679	41,746
Telephone	259	1,036	259	1,554	2,592	1,036	-	5,182	5,083
Utilities	-	-	-	-	3,619	-	-	3,619	3,293
Total	\$ 23,713	\$ 718,521	\$ 28,671	\$ 770,905	\$ 501,979	\$ 236,794	\$ -	\$ 1,509,678	\$ 1,194,162

See Independent Auditor's Report on Supplementary Information.