

SHERIFF'S MEADOW FOUNDATION

**FINANCIAL STATEMENTS
AND ACCOMPANYING INFORMATION**

YEARS ENDED JUNE 30, 2019 AND 2018

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, 2019 and 2018, and the related statements of activities for the years ended June 30, 2019 and 2018, statement of functional expenses for the year ended June 30, 2019, and statements of cash flows for the years ended June 30, 2019 and 2018, 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, 2019 and 2018, 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.

tonneson+co

Certified Public Accountants & Consultants

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Report on Summarized Comparative Information

We have previously audited Sheriff's Meadow Foundation's June 30, 2018 financial statements and our report dated November 29, 2018 expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein for the year ended June 30, 2019, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Townson & Company, PC

Wakefield, Massachusetts
December 6, 2019

SHERIFF'S MEADOW FOUNDATION
STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2019 AND 2018

LIABILITIES AND NET ASSETS

	<u>2019</u>	<u>2018</u>
CURRENT LIABILITIES:		
Accounts payable	\$ 68,166	\$ 19,228
Deferred revenue	475,100	457,842
Total current liabilities	543,266	477,070
LONG-TERM LIABILITIES:		
Deferred compensation	108,554	81,965
TOTAL LIABILITIES	651,820	559,035
NET ASSETS:		
Without donor restrictions	62,322,606	57,799,806
With donor restrictions	9,056,792	8,712,048
TOTAL NET ASSETS	71,379,398	66,511,854
 TOTAL LIABILITIES AND NET ASSETS	 \$ 72,031,218	 \$ 67,070,889

SHERIFF'S MEADOW FOUNDATION

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2019

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
SUPPORT AND REVENUE:			
Donations of land and conservation restrictions	\$ 4,119,000	\$ -	\$ 4,119,000
Other donations	938,114	566,626	1,504,740
Event revenue	520,030	-	520,030
Interest income	772	-	772
Investment income, net	196,708	251,992	448,700
Donated services, facilities and materials	22,241	-	22,241
Other income	463,569	-	463,569
Net assets released from restrictions	473,874	(473,874)	-
	<u>6,734,308</u>	<u>344,744</u>	<u>7,079,052</u>
EXPENSES:			
Program services:			
Land acquisition	557,096	-	557,096
Land stewardship	842,793	-	842,793
Education and advocacy	33,836	-	33,836
Supporting services:			
General and administrative	531,517	-	531,517
Fundraising	246,266	-	246,266
	<u>2,211,508</u>	<u>-</u>	<u>2,211,508</u>
INCREASE IN NET ASSETS	4,522,800	344,744	4,867,544
NET ASSETS, BEGINNING OF YEAR	<u>57,799,806</u>	<u>8,712,048</u>	<u>66,511,854</u>
NET ASSETS, END OF YEAR	<u>\$ 62,322,606</u>	<u>\$ 9,056,792</u>	<u>\$ 71,379,398</u>

See Notes to Financial Statements.

SHERIFF'S MEADOW FOUNDATION

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2018

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
SUPPORT AND REVENUE:			
Other donations	\$ 679,410	\$ 831,465	\$ 1,510,875
Event revenue	418,630	-	418,630
Interest income	1,265	-	1,265
Investment income, net	205,047	309,968	515,015
Donated services, facilities and materials	13,518	-	13,518
Other income	28,316	-	28,316
Net assets released from restrictions	292,330	(292,330)	-
	<u>1,638,516</u>	<u>849,103</u>	<u>2,487,619</u>
Total support and revenue			
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	481,121	-	481,121
Fundraising	236,794	-	236,794
	<u>1,488,820</u>	<u>-</u>	<u>1,488,820</u>
Total expenses			
INCREASE IN NET ASSETS	149,696	849,103	998,799
NET ASSETS, BEGINNING OF YEAR	<u>57,650,110</u>	<u>7,862,945</u>	<u>65,513,055</u>
NET ASSETS, END OF YEAR	<u>\$ 57,799,806</u>	<u>\$ 8,712,048</u>	<u>\$ 66,511,854</u>

SHERIFF'S MEADOW FOUNDATION

STATEMENT OF FUNCTIONAL EXPENSES

**YEAR ENDED JUNE 30, 2019
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2018)**

	Program Services				Supporting Services			Total	
	Land Acquisition	Land Stewardship	Education & Advocacy	Total	General & Administrative	Fundraising	Year Ended June 30		
							2019	2018	
Accounting & audit	\$ -	\$ -	\$ -	\$ -	\$ 46,860	\$ -	\$ 46,860	\$ 46,740	
Advertising	-	-	-	-	20,168	-	20,168	3,013	
Annual report & newsletter	-	-	-	-	-	-	-	-	
Automobile expense	924	16,635	-	17,559	924	-	18,483	10,398	
Bank fees	-	-	-	-	5,746	-	5,746	5,686	
Conferences and meetings	-	-	-	-	4,556	-	4,556	24,156	
Depreciation	-	80,713	-	80,713	80,712	-	161,425	133,898	
Dues and subscriptions	-	1,537	512	2,049	1,536	1,537	5,122	4,752	
Fundraising events	-	-	-	-	-	117,112	117,112	127,656	
Health insurance	1,584	47,513	792	49,889	21,380	7,919	79,188	73,447	
Insurance - other	-	-	-	-	56,995	-	56,995	54,789	
Investment & other fees	-	-	-	-	2,290	-	2,290	1,376	
Land acquisition expense	472,703	-	-	472,703	-	-	472,703	-	
Legal fees	56,788	6,088	-	62,876	-	-	62,876	33,118	
Memberships	-	-	-	-	-	2,611	5,221	2,003	
Office supplies & expense	6,218	43,525	6,218	55,961	43,525	24,872	124,358	57,952	
Other	-	-	6,554	6,554	32,771	4,369	43,694	33,932	
Payroll	16,028	283,161	16,028	315,217	154,937	64,112	534,266	516,664	
Payroll taxes	1,147	20,263	1,147	22,557	11,087	4,588	38,232	36,577	
Postage	-	-	881	881	4,404	12,333	17,618	12,965	
Property maintenance & expense	-	316,909	-	316,909	-	-	316,909	214,255	
Rent	-	-	-	-	21,062	-	21,062	20,963	
Retirement plan expense	1,437	25,383	1,437	28,257	13,889	5,747	47,893	65,679	
Telephone	267	1,066	267	1,600	2,666	1,066	5,332	5,182	
Utilities	-	-	-	-	3,399	-	3,399	3,619	
Total	\$ 557,096	\$ 842,793	\$ 33,836	\$ 1,433,725	\$ 531,517	\$ 246,266	\$ 2,211,508	\$ 1,488,820	

See Notes to Financial Statements.

SHERIFF'S MEADOW FOUNDATION

STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2019 AND 2018

INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS

	<u>2019</u>	<u>2018</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Increase in net assets	\$ 4,867,544	\$ 998,799
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Contributions of land	(3,654,000)	-
Contributions restricted for long-term purposes	(303,775)	(125,000)
Net realized and unrealized gains on investments	(262,840)	(357,708)
Depreciation	161,425	133,898
Discount on promises to give	(42,431)	18,571
Gain on sale of land	(440,000)	-
Change in certain assets and liabilities:		
Promises to give	(203,792)	(136,914)
Prepaid expenses and other current assets	(28,771)	8,578
Accounts payable	48,938	(3,323)
Deferred revenue	17,258	67,668
Deferred compensation	26,589	43,172
	<hr/>	<hr/>
Net cash provided by operating activities	186,145	647,741
	<hr/>	<hr/>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sales of investments	261,286	828,438
Purchase of investments	(901,146)	(1,492,228)
Proceeds from sale of land	465,000	-
Purchase of property and equipment	(8,758)	(94,321)
Website development and mobile application costs paid	-	(43,199)
	<hr/>	<hr/>
Net cash used in investing activities	(183,618)	(801,310)
	<hr/>	<hr/>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from contributions restricted for long-term purposes:		
Capital improvements	-	25,950
Comprehensive campaign	118,000	20,500
	<hr/>	<hr/>
Net cash provided by financing activities	118,000	46,450
	<hr/>	<hr/>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	120,527	(107,119)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<hr/> 554,334	<hr/> 661,453
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ <hr/> <hr/> 674,861	\$ <hr/> <hr/> 554,334

See Notes to Financial Statements.

SHERIFF'S MEADOW FOUNDATION
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2019 AND 2018

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 two classes of net assets as follows:

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Foundation. These assets may be used at the discretion of the Foundation's management and Board of Directors.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by action of the Foundation or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

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. At June 30, 2019 and 2018, the Foundation had \$8,798,363 and \$7,895,663, respectively, in brokerage accounts, which were not insured and subject to various risks, such as interest rate, market and credit risks.

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, 2019 and 2018, the Foundation's cash balances were fully insured under these programs.

Cash Equivalents - 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, 2019 AND 2018

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 net assets with donor restrictions and are reclassified to net assets without donor restrictions when the restrictions are met (either a stipulated time period ends, or a purpose restriction is accomplished).

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, 2019 and 2018 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 contributions with donor restrictions that increase that net asset class. Contributions that are restricted by the donor are reclassified to net assets without donor restrictions when the restriction expires (that is when a stipulated time restriction ends, or purpose restriction is accomplished).

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, 2019 AND 2018

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, 2019 and 2018, donors have made conditional pledges in the form of bequests to the Foundation totaling \$775,000.

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 years ended June 30, 2019 and 2018, approximately 35% and 20%, respectively, of total support and revenue was contributed by one donor. At June 30, 2019 no promises to give were outstanding from this donor. At June 30, 2018, approximately 51% 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 \$18,855 and \$13,518 were received during the years ended June 30, 2019 and 2018, 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 and Statement of Functional Expenses. Certain expenses attributed to more than one program or supporting function have been allocated on a reasonable basis that is consistently applied. The expenses that are allocated primarily include payroll and related benefits, occupancy, utilities, and depreciation. These expenses are allocated on the basis of estimates of time and effort.

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, 2019 AND 2018

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 \$20,168 and \$3,013 for the years ended June 30, 2019 and 2018, 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, 2019 and 2018.

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, 2019 and 2018, 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 2018 financial statements have been reclassified to conform to the 2019 presentation format.

Subsequent Events - The date to which events occurring after June 30, 2019 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.

Recent Accounting Pronouncements - In August 2016, the Financial Accounting Standards Board issued ASU 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. The Standard simplifies and improves how not-for-profit entities classify net assets as well as the information presented in the financial statements and notes about liquidity, financial performance, and cash flows. The Standard (1) revises the net asset classification scheme to two classes instead of the previous three, (2) enhances disclosures for self-imposed limits on the use of resources without donor-imposed restrictions and the composition of net assets with donor restrictions, (3) updates the accounting and disclosure requirements for underwater endowment funds, (4) requires the net presentation of investment expenses against investment return on the statement of activities and eliminates the requirement to disclose investment expenses that have been netted, (5) requires the presentation of expenses by nature as well as function, (6) requires qualitative disclosures on how a not-for-profit manages its available liquid resources, (7) requires quantitative disclosures that communicate the availability of financial assets to meet cash needs for general expenditures within one year of the statement of financial position date, and (8) allows for a choice between the direct and indirect method of reporting cash flows. During the year ended June 30, 2019, the Foundation adopted this Standard and has adjusted the presentation of the financial statements accordingly. This Standard has been applied retrospectively to all periods presented with the exception of disclosing expenses by nature and function and disclosures regarding availability and liquidity of resources which are presented prospectively.

The Financial Accounting Standards Board has issued ASU 2014-09, *Revenue from Contracts with Customers*. The Standard's core principle is that a company will recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which the company expects to be entitled in exchange for the goods or services. This Standard also includes expanded disclosure requirements that result in an entity providing users of financial statements with comprehensive information about the nature, amount, timing, and uncertainty of revenue and cash flows arising from the entity's contracts with customers. This Standard will be effective for the fiscal year ending June 30, 2020. The Foundation is currently in the process of evaluating the impact of this ASU on the financial statements.

SHERIFF'S MEADOW FOUNDATION
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2019 AND 2018

Note 1 - Summary of Significant Accounting Policies (Continued)

Recent Accounting Pronouncements (Continued) - The Financial Accounting Standards Board has issued ASU 2016-02, *Leases*. The Standard requires all leases with the lease terms over 12 months to be capitalized as a right-of-use asset and lease liability on the Statement of Financial Position at the date of lease commencement. Leases will be classified as either financing or operating. This distinction will be relevant for the pattern of expense recognition in the Statement of Activities. This Standard will be effective for the fiscal year ending June 30, 2022. The Foundation is currently in the process of evaluating the impact of the adoption of this ASU on the financial statements.

Note 2 - Availability and Liquidity

The Foundation strives to maintain liquid financial assets sufficient to cover 90 days of general expenditures, approximately \$437,000. Financial assets in excess of daily cash requirements are invested in certificates of deposit, money market funds and other short-term investments.

In addition, the Foundation receives contributions with donor restrictions to be used in accordance with the associated purpose restrictions. It also receives gifts to establish endowments that will exist in perpetuity; the income generated from such endowments is used to fund programs. The Foundation also receives support without donor restrictions.

The Foundation considers investment income without donor restrictions, appropriated earnings from donor-restricted endowments, contributions without donor restrictions, and contributions with donor restrictions for use in current programs which are ongoing, major, and central to its annual operations to be available to meet cash needs for general expenditures. General expenditures include administrative and general expenses and fundraising expenses expected to be paid in the subsequent year. Annual operations are defined as activities occurring during the Foundation's fiscal year.

The Foundation manages its cash available to meet general expenditures following three guiding principles:

- Operating within a prudent range of financial soundness and stability,
- Maintaining adequate liquid assets, and
- Maintaining sufficient reserves to provide reasonable assurance that long term grant commitments and obligations under endowments with donor restrictions and quasi-endowments that support mission fulfillment will continue to be met, ensuring the sustainability of the Foundation.

SHERIFF'S MEADOW FOUNDATION
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2019 AND 2018

Note 2 - Availability and Liquidity (Continued)

The table below presents financial assets available for general expenditures within one year at June 30, 2019:

Financial assets at year-end:	
Cash and cash equivalents	\$ 674,861
Promises to give	1,191,855
Investments	<u>8,798,363</u>
 Total financial assets	 <u>10,665,079</u>
 Less amounts not available to be used within one year:	
Pledges receivable for restricted gifts, net	890,324
Pledges receivable due after one year, net	141,231
Investments held as endowments	1,576,331
Investments held with donor restrictions	<u>4,112,704</u>
 Financial assets not available to be used within one year	 <u>6,720,590</u>
 Financial assets available to meet general expenditures within one year	 \$ <u><u>3,944,489</u></u>

Note 3 - Conservation Easements

The Foundation has acquired and holds a number of conservation easements, each representing a legal interest in land owned by another person or entity. The easements grant the Foundation the right to use, control, and / or protect the land for conservation purposes. Because of the unique nature of these assets, the impracticality of obtaining consistent and reliable estimates of the values ascribed to these interests, and consistent with the practice followed by many environmental land trusts, the accompanying financial statements do not include any amounts for these property interests. At June 30, 2019 and 2018, the Foundation held 43 and 42 conservation easements, respectively, on approximately 825 acres of land.

Note 4 - 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, 2019 and 2018 were as follows:

	<u>June 30, 2019</u>	
	<u>Cost</u>	<u>Value</u>
Mutual funds	\$ 2,754,661	\$ 2,774,599
Exchange traded and closed-end funds	5,007,592	6,013,404
Stocks	<u>12,597</u>	<u>10,360</u>
	<u>\$ 7,774,850</u>	<u>\$ 8,798,363</u>

SHERIFF'S MEADOW FOUNDATION
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2019 AND 2018

Note 4 - Investments (Continued)

	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
	\$ 7,145,149	\$ 7,895,663

For the years ended June 30, 2019 and 2018, investments were segregated into the following categories:

	June 30, 2019		
	Without Donor Restrictions	With Donor Restrictions	Total
Without donor restrictions	\$ 3,109,328	\$ -	\$ 3,109,328
Board designated endowments	385,850	-	385,850
Donor designated endowments	-	1,190,481	1,190,481
With donor restrictions	-	4,112,704	4,112,704
	\$ 3,495,178	\$ 5,303,185	\$ 8,798,363

	June 30, 2018		
	Without Donor Restrictions	With Donor Restrictions	Total
Without donor restrictions	\$ 2,400,570	\$ -	\$ 2,400,570
Board designated endowments	373,430	-	373,430
Donor designated endowments	-	1,011,940	1,011,940
With donor restrictions	-	4,109,723	4,109,723
	\$ 2,774,000	\$ 5,121,663	\$ 7,895,663

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, 2019 AND 2018

Note 4 - 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 assets 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, 2019 and 2018:

	June 30, 2019		June 30, 2018	
	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	3,054,905	3,054,905	2,785,728	2,785,728
Foreign large blend	2,958,499	2,958,499	2,556,533	2,556,533
Mutual funds:				
Corporate bond	342,343	342,343	312,069	312,069
Short-term bond	513,049	513,049	465,417	465,417
World bond	682,821	682,821	623,131	623,131
Inflation protected bond	210,416	210,416	205,847	205,847
Intermediate-term bond	1,025,970	1,025,970	936,578	936,578
Total investments	\$ 8,798,363	\$ 8,798,363	\$ 7,895,663	\$ 7,895,663

SHERIFF'S MEADOW FOUNDATION

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2019 AND 2018

Note 5 - Endowment

The Foundation's endowment consists of eleven individual funds established for a variety of purposes. The endowment also 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 net assets with donor restrictions (a) the original value of gifts donated to the endowment, (b) the original value of subsequent gifts to the endowment, and (c) accumulations to the 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 is classified as net assets with donor restrictions 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 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, 2019 AND 2018

Note 5 - 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 net asset with donor restrictions. There were no deficiencies of this nature as of June 30, 2019 and 2018.

Endowment net asset composition by type of fund as of June 30, 2019 and 2018 is as follows:

	June 30, 2019		
	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds	\$ -	\$ 2,060,822	\$ 2,060,822
Board-designated endowment funds	385,850	-	385,850
	<u>\$ 385,850</u>	<u>\$ 2,060,822</u>	<u>\$ 2,446,672</u>

	June 30, 2018		
	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds	\$ -	\$ 1,636,511	\$ 1,636,511
Board-designated endowment funds	373,430	-	373,430
	<u>\$ 373,430</u>	<u>\$ 1,636,511</u>	<u>\$ 2,009,941</u>

SHERIFF'S MEADOW FOUNDATION

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2019 AND 2018

Note 5 - Endowment (Continued)

Changes in endowment net assets for the years ended June 30, 2019 and 2018 are as follows:

	June 30, 2019		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ 373,430	\$ 1,636,511	\$ 2,009,941
Contributions	-	387,593	387,593
Investment return, net	19,866	53,543	73,409
Appropriation of endowment assets for expenditure	<u>(7,446)</u>	<u>(16,825)</u>	<u>(24,271)</u>
Endowment net assets, end of year	<u>\$ 385,850</u>	<u>\$ 2,060,822</u>	<u>\$ 2,446,672</u>

	June 30, 2018		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ 354,795	\$ 1,078,329	\$ 1,433,124
Contributions	-	509,344	509,344
Investment return, net	25,982	48,838	74,820
Appropriation of endowment assets for expenditure	<u>(7,347)</u>	<u>-</u>	<u>(7,347)</u>
Endowment net assets, end of year	<u>\$ 373,430</u>	<u>\$ 1,636,511</u>	<u>\$ 2,009,941</u>

Note 6 - Promises to Give

The Foundation had promises to give as follows at June 30, 2019 and 2018:

	June 30, 2019		
	Without Donor Restrictions	With Donor Restrictions	Total
Promises to give expected to be collected in:			
Less than one year	\$ 160,300	\$ 177,855	\$ 338,155
One to five years	150,956	598,020	748,976
Greater than five years	-	200,000	200,000
	<u>311,256</u>	<u>975,875</u>	<u>1,287,131</u>
Discount on promises to give	<u>(9,725)</u>	<u>(85,551)</u>	<u>(95,276)</u>
	<u>\$ 301,531</u>	<u>\$ 890,324</u>	<u>\$ 1,191,855</u>

SHERIFF'S MEADOW FOUNDATION
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2019 AND 2018

Note 6 - Promises to Give (Continued)

	June 30, 2018		
	Without Donor Restrictions	With Donor Restrictions	Total
Promises to give expected to be collected in:			
Less than one year	\$ 66,100	\$ 88,500	\$ 154,600
One to five years	70,464	372,500	442,964
Greater than five years	-	300,000	300,000
	<u>136,564</u>	<u>761,000</u>	<u>897,564</u>
Discount on promises to give	(8,492)	(129,215)	(137,707)
	<u>\$ 128,072</u>	<u>\$ 631,785</u>	<u>\$ 759,857</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, 2019 and 2018.

Note 7 - Net Assets

Net assets with donor restrictions consist of the following at June 30, 2019 and 2018:

	2019	2018
Land preservation and property management	\$ 4,240,489	\$ 4,279,813
Land (use restricted in perpetuity)	2,694,811	2,694,811
Donor-designated endowment (including amounts above original gift amounts of \$1,863,510 and \$1,475,917, respectively)	2,060,822	1,636,511
Other	45,260	82,933
Education	15,410	17,980
	<u>\$ 9,056,792</u>	<u>\$ 8,712,048</u>

SHERIFF'S MEADOW FOUNDATION

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2019 AND 2018

Note 7 - Net Assets (Continued)

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, 2019 and 2018 as follows:

	<u>2019</u>	<u>2018</u>
Land preservation and property management	\$ 381,992	\$ 235,603
Appropriations from donor-designated endowment	16,825	-
Other	72,487	53,750
Education	<u>2,570</u>	<u>2,977</u>
	<u>\$ 473,874</u>	<u>\$ 292,330</u>

Net assets without donor restrictions consisted of the following at June 30, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Undesignated	\$ 61,936,756	\$ 57,426,375
Board designated		
Working reserve	51,936	49,248
Conservation easement stewardship	180,558	178,766
Conservation easement defense fund	<u>153,356</u>	<u>145,417</u>
	<u>\$ 62,322,606</u>	<u>\$ 57,799,806</u>

Note 8 - 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 \$29,162 and \$28,928, respectively for the years ended June 30, 2019 and 2018. 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.

Note 9 - 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 \$18,731 and \$17,731, respectively for the years ended June 30, 2019 and 2018. The Foundation holds the deferred compensation plan funds in an investment account. At June 30, 2019 and 2018 the investment account totaled \$89,534 and \$62,945, respectively.

Note 10 - Operating Lease

The Foundation is a tenant at will for the Foundation's office space. Office rental expense totaled \$21,062 and \$20,963 for the years ended June 30, 2019 and 2018, respectively.