

# **SHERIFF'S MEADOW FOUNDATION**

## **FINANCIAL STATEMENTS**

**YEARS ENDED JUNE 30, 2020 AND 2019**

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, 2020 and 2019, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### 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, 2020 and 2019, 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 & Company, PC*

Wakefield, Massachusetts  
January 20, 2021

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**SHERIFF'S MEADOW FOUNDATION**

**STATEMENTS OF FINANCIAL POSITION**

**JUNE 30, 2020 AND 2019**

**ASSETS**

	<b><u>2020</u></b>	<b><u>2019</u></b>
<b>CURRENT ASSETS:</b>		
Cash and cash equivalents	\$ 338,472	\$ 674,861
Promises to give	371,856	338,155
Prepaid expenses and other current assets	88,405	89,375
Total current assets	<u>798,733</u>	<u>1,102,391</u>
 <b>PROPERTY, PLANT AND EQUIPMENT, AT COST:</b>		
Land	59,500,051	59,500,051
Land improvements	77,187	77,187
Buildings and improvements	2,444,217	2,204,244
Equipment	333,149	229,349
	<u>62,354,604</u>	<u>62,010,831</u>
Less accumulated depreciation	<u>(902,147)</u>	<u>(811,077)</u>
Total property, plant and equipment, net	<u>61,452,457</u>	<u>61,199,754</u>
 <b>OTHER ASSETS:</b>		
Promises to give - long-term, net	839,626	853,700
Investments	9,554,058	8,798,363
Website development and mobile application costs, net	15,535	77,010
Total other assets	<u>10,409,219</u>	<u>9,729,073</u>
 <b>TOTAL ASSETS</b>	 <u>\$ 72,660,409</u>	 <u>\$ 72,031,218</u>

**SHERIFF'S MEADOW FOUNDATION**

**STATEMENTS OF FINANCIAL POSITION**

**JUNE 30, 2020 AND 2019**

**LIABILITIES AND NET ASSETS**

	<b><u>2020</u></b>	<b><u>2019</u></b>
<b>CURRENT LIABILITIES:</b>		
Accounts payable	\$ 27,743	\$ 68,166
Deferred revenue	384,797	475,100
Total current liabilities	<u>412,540</u>	<u>543,266</u>
<b>LONG-TERM LIABILITIES:</b>		
Deferred compensation	136,557	108,554
Long-term debt	135,100	-
Total long-term liabilities	<u>271,657</u>	<u>108,554</u>
<b>TOTAL LIABILITIES</b>	<u>684,197</u>	<u>651,820</u>
<b>NET ASSETS:</b>		
Without donor restrictions	63,169,578	62,322,606
With donor restrictions	8,806,634	9,056,792
<b>TOTAL NET ASSETS</b>	<u>71,976,212</u>	<u>71,379,398</u>
 <b>TOTAL LIABILITIES AND NET ASSETS</b>	 \$ <u>72,660,409</u>	 \$ <u>72,031,218</u>

# SHERIFF'S MEADOW FOUNDATION

## STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2020

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<b>SUPPORT AND REVENUE:</b>			
Other donations	\$ 1,516,245	\$ 203,380	\$ 1,719,625
Event revenue	487,107	-	487,107
Interest income	714	-	714
Investment income, net	140,118	145,605	285,723
Donated services, facilities and materials	24,924	-	24,924
Other income	27,226	-	27,226
Net assets released from restrictions	599,143	(599,143)	-
	<u>2,795,477</u>	<u>(250,158)</u>	<u>2,545,319</u>
Total support and revenue			
	<u>2,795,477</u>	<u>(250,158)</u>	<u>2,545,319</u>
<b>EXPENSES:</b>			
Program services:			
Land acquisition	176,363	-	176,363
Land stewardship	858,638	-	858,638
Education and advocacy	45,239	-	45,239
Supporting services:			
General and administrative	608,720	-	608,720
Fundraising	259,545	-	259,545
	<u>1,948,505</u>	<u>-</u>	<u>1,948,505</u>
Total expenses			
	<u>1,948,505</u>	<u>-</u>	<u>1,948,505</u>
<b>INCREASE (DECREASE) IN NET ASSETS</b>	846,972	(250,158)	596,814
<b>NET ASSETS, BEGINNING OF YEAR</b>	<u>62,322,606</u>	<u>9,056,792</u>	<u>71,379,398</u>
<b>NET ASSETS, END OF YEAR</b>	<u>\$ 63,169,578</u>	<u>\$ 8,806,634</u>	<u>\$ 71,976,212</u>

# 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>
<b>SUPPORT AND REVENUE:</b>			
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)	-
Total support and revenue	<u>6,734,308</u>	<u>344,744</u>	<u>7,079,052</u>
<b>EXPENSES:</b>			
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
Total expenses	<u>2,211,508</u>	<u>-</u>	<u>2,211,508</u>
<b>INCREASE IN NET ASSETS</b>	<u>4,522,800</u>	<u>344,744</u>	<u>4,867,544</u>
<b>NET ASSETS, BEGINNING OF YEAR</b>	<u>57,799,806</u>	<u>8,712,048</u>	<u>66,511,854</u>
<b>NET ASSETS, END OF YEAR</b>	<u>\$ 62,322,606</u>	<u>\$ 9,056,792</u>	<u>\$ 71,379,398</u>

## SHERIFF'S MEADOW FOUNDATION

### STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2020

	<u>Program Services</u>				<u>Supporting Services</u>		
	<u>Land Acquisition</u>	<u>Land Stewardship</u>	<u>Education &amp; Advocacy</u>	<u>Total</u>	<u>General &amp; Administrative</u>	<u>Fundraising</u>	<u>Total</u>
Accounting & audit	\$ -	\$ -	\$ -	\$ -	\$ 71,415	\$ -	\$ 71,415
Advertising	-	-	-	-	17,437	-	17,437
Annual report & newsletter	-	-	10,771	10,771	-	10,770	21,541
Automobile expense	663	11,941	-	12,604	664	-	13,268
Bank fees	-	-	-	-	5,195	-	5,195
Conferences and meetings	-	-	-	-	4,706	-	4,706
Depreciation	-	86,080	-	86,080	86,079	-	172,159
Dues and subscriptions	-	2,340	780	3,120	2,341	2,340	7,801
Fundraising events	-	-	-	-	-	117,460	117,460
Health insurance	1,851	55,544	926	58,321	24,996	9,256	92,573
Insurance - other	-	-	-	-	71,409	-	71,409
Investment & other fees	-	-	-	-	1,696	-	1,696
Land acquisition expense	104,487	-	-	104,487	-	-	104,487
Land trust accreditation	-	-	-	-	12,190	-	12,190
Legal fees	43,310	15,010	-	58,320	-	-	58,320
Memberships	-	-	-	-	2,927	2,928	5,855
Office supplies & expense	3,615	25,307	3,615	32,537	25,309	14,461	72,307
Other	-	-	6,102	6,102	30,944	4,068	41,114
Payroll	19,175	338,766	19,175	377,116	185,362	76,703	639,181
Payroll taxes	1,328	23,464	1,328	26,120	12,839	5,312	44,271
Postage	-	-	608	608	3,041	8,511	12,160
Property maintenance & expense	-	269,907	-	269,907	-	-	269,907
Rent	-	-	-	-	27,375	-	27,375
Retirement plan expense	1,649	29,140	1,649	32,438	15,945	6,598	54,981
Telephone	285	1,139	285	1,709	2,849	1,138	5,696
Utilities	-	-	-	-	4,001	-	4,001
<b>Total</b>	<u>\$ 176,363</u>	<u>\$ 858,638</u>	<u>\$ 45,239</u>	<u>\$ 1,080,240</u>	<u>\$ 608,720</u>	<u>\$ 259,545</u>	<u>\$ 1,948,505</u>

See Notes to Financial Statements.



**SHERIFF'S MEADOW FOUNDATION**

**STATEMENT OF FUNCTIONAL EXPENSES**

**YEAR ENDED JUNE 30, 2019**

	<u>Program Services</u>				<u>Supporting Services</u>		<u>Total</u>
	<u>Land Acquisition</u>	<u>Land Stewardship</u>	<u>Education &amp; Advocacy</u>	<u>Total</u>	<u>General &amp; Administrative</u>	<u>Fundraising</u>	
Accounting & audit	\$ -	\$ -	\$ -	\$ -	\$ 46,860	\$ -	\$ 46,860
Advertising	-	-	-	-	20,168	-	20,168
Automobile expense	924	16,635	-	17,559	924	-	18,483
Bank fees	-	-	-	-	5,746	-	5,746
Conferences and meetings	-	-	-	-	4,556	-	4,556
Depreciation	-	80,713	-	80,713	80,712	-	161,425
Dues and subscriptions	-	1,537	512	2,049	1,536	1,537	5,122
Fundraising events	-	-	-	-	-	117,112	117,112
Health insurance	1,584	47,513	792	49,889	21,380	7,919	79,188
Insurance - other	-	-	-	-	56,995	-	56,995
Investment & other fees	-	-	-	-	2,290	-	2,290
Land acquisition expense	472,703	-	-	472,703	-	-	472,703
Legal fees	56,788	6,088	-	62,876	-	-	62,876
Memberships	-	-	-	-	2,610	2,611	5,221
Office supplies & expense	6,218	43,525	6,218	55,961	43,525	24,872	124,358
Other	-	-	6,554	6,554	32,771	4,369	43,694
Payroll	16,028	283,161	16,028	315,217	154,937	64,112	534,266
Payroll taxes	1,147	20,263	1,147	22,557	11,087	4,588	38,232
Postage	-	-	881	881	4,404	12,333	17,618
Property maintenance & expense	-	316,909	-	316,909	-	-	316,909
Rent	-	-	-	-	21,062	-	21,062
Retirement plan expense	1,437	25,383	1,437	28,257	13,889	5,747	47,893
Telephone	267	1,066	267	1,600	2,666	1,066	5,332
Utilities	-	-	-	-	3,399	-	3,399
<b>Total</b>	<b>\$ 557,096</b>	<b>\$ 842,793</b>	<b>\$ 33,836</b>	<b>\$ 1,433,725</b>	<b>\$ 531,517</b>	<b>\$ 246,266</b>	<b>\$ 2,211,508</b>

See Notes to Financial Statements.

# SHERIFF'S MEADOW FOUNDATION

## STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2020 AND 2019

### INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS

	<u>2020</u>	<u>2019</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Increase in net assets	\$ 596,814	\$ 4,867,544
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	(15,000)	(303,775)
Net realized and unrealized gains on investments	(89,125)	(262,840)
Depreciation	172,159	161,425
Discount on promises to give	(16,081)	(42,431)
Gain on sale of land	-	(440,000)
Gain on sale of property and equipment	(6,238)	-
Change in certain assets and liabilities:		
Promises to give	(70,046)	(203,792)
Prepaid expenses and other current assets	970	(28,771)
Accounts payable	(40,422)	48,938
Deferred revenue	(90,303)	17,258
Deferred compensation	28,003	26,589
	<u>470,731</u>	<u>186,145</u>
Net cash provided by operating activities		
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Proceeds from sales of investments	10,006,234	261,286
Purchase of investments	(10,672,804)	(901,146)
Proceeds from sale of land	-	465,000
Purchase of property and equipment	(363,388)	(8,758)
Proceeds from sale of property and equipment	6,238	-
	<u>(1,023,720)</u>	<u>(183,618)</u>
Net cash used in investing activities		
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Proceeds from contributions restricted for long-term purposes:		
Comprehensive campaign	81,500	118,000
Proceeds from long-term debt	135,100	-
	<u>216,600</u>	<u>118,000</u>
Net cash provided by financing activities		
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	(336,389)	120,527
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<u>674,861</u>	<u>554,334</u>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<u>\$ 338,472</u>	<u>\$ 674,861</u>

# **SHERIFF'S MEADOW FOUNDATION**

## **NOTES TO FINANCIAL STATEMENTS**

### **YEARS ENDED JUNE 30, 2020 AND 2019**

#### **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, 2020 and 2019, the Foundation had \$9,554,058 and \$8,798,363, 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, 2020 and 2019, 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, 2020 AND 2019**

#### **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, 2020 and 2019 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.

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, 2020 and 2019, donors have made conditional pledges in the form of bequests to the Foundation totaling \$775,000.

# **SHERIFF'S MEADOW FOUNDATION**

## **NOTES TO FINANCIAL STATEMENTS**

### **YEARS ENDED JUNE 30, 2020 AND 2019**

#### **Note 1 - Summary of Significant Accounting Policies (Continued)**

**Donations (Continued)** - 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, 2020, approximately 30% of total support and revenue was contributed by two donors. At June 30, 2020, approximately 16% of promises to give were from these donors. During the year ended June 30, 2019, approximately 35% of total support and revenue was contributed by one donor. At June 30, 2019 no promises to give were outstanding from this donor.

**Revenue Recognition** - Under FASB ASC Topic 606, *Revenue from Contracts with Customers* (ASC 606), revenue is recognized when a customer obtains control of promised goods or services (the performance obligation) in an amount that reflects the consideration expected to be received in exchange for those goods or services (the transaction price).

Revenue from performance obligations satisfied at a point in time consists of event revenue which is recognized when the event takes place. Amounts received in advance are deferred until earned. All of the Foundation's performance obligations are for durations of one year or less. For the year ended June 30, 2020, revenue from performance obligations satisfied at a point in time amounted to approximately \$487,000. Accounts receivable require payment on a short-term basis and as such the Foundation does not have any significant financing components.

**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 \$21,978 and \$18,855 were received during the years ended June 30, 2020 and 2019, 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, 2020 AND 2019**

#### **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 \$17,437 and \$20,168 for the years ended June 30, 2020 and 2019, 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, 2020 and 2019.

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, 2020 and 2019, 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, 2020 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.

**Recently Adopted Accounting Pronouncements** - In May 2014, the Financial Accounting Standards Board issued ASU 2014-09, *Revenue from Contracts with Customers* (ASC Topic 606) which provides a five-step analysis of contracts to determine when and how revenue is recognized and replaces most existing revenue recognition guidance in U.S. generally accepted accounting principles. The core principle of the new guidance is that an entity should recognize revenue to reflect the transfer of goods and services to customers in an amount equal to the consideration the entity receives or expects to receive. ASC 606 was originally effective for annual reporting periods of nonpublic entities beginning after December 15, 2018 before being delayed until fiscal years beginning after December 15, 2019. The Foundation elected to early adopt ASC 606 effective July 1, 2019.

The Foundation applied ASC 606 using the modified retrospective method, which requires recognizing the cumulative effect of initially applying the new guidance as an adjustment, if any, to the opening balance of net assets at July 1, 2019. Therefore, the comparative information for 2019 has not been adjusted and continues to be reported under prior revenue guidance. The details of the significant changes and quantitative impact of the changes are discussed below.

As part of the adoption of ASC 606, the Foundation elected to use the following transition practical expedients: (1) all contract modifications that occurred prior to the date of initial application when identifying the satisfied and unsatisfied performance obligations, determining the transaction price, and allocating the transaction price have been reflected in the aggregate; and (2) ASC 606 is applied only to contracts that are not completed at the initial date of application. Because contract modifications are minimal, there is not a significant impact as a result of electing these practical expedients.

The adoption resulted in no changes in the current year and the Foundation expects the impact of the adoption of the new standard to be immaterial to its changes in net assets on an ongoing basis.

# **SHERIFF'S MEADOW FOUNDATION**

## **NOTES TO FINANCIAL STATEMENTS**

### **YEARS ENDED JUNE 30, 2020 AND 2019**

#### **Note 2 - Availability and Liquidity**

The Foundation strives to maintain liquid financial assets sufficient to cover 90 days of general expenditures, approximately \$500,000. 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 program service expenses, 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.

The table below presents financial assets available for general expenditures within one year at June 30, 2020 and 2019:

	<b><u>2020</u></b>	<b><u>2019</u></b>
Financial assets at year-end:		
Cash and cash equivalents	\$ 338,472	\$ 674,861
Promises to give	1,211,482	1,191,855
Investments	<u>9,554,058</u>	<u>8,798,363</u>
Total financial assets	<u>11,104,012</u>	<u>10,665,079</u>
Less amounts not available to be used within one year:		
Pledges receivable for restricted gifts, net	808,149	890,324
Pledges receivable due after one year, net	241,333	141,231
Investments held to fund deferred compensation	117,537	89,534
Investments held as endowments	1,953,499	1,576,331
Investments held with donor restrictions	<u>3,601,053</u>	<u>4,112,704</u>
Financial assets not available to be used within one year	<u>6,721,571</u>	<u>6,810,124</u>
Financial assets available to meet general expenditures within one year	<u>\$ 4,382,441</u>	<u>\$ 3,854,955</u>

# SHERIFF'S MEADOW FOUNDATION

## NOTES TO FINANCIAL STATEMENTS

### YEARS ENDED JUNE 30, 2020 AND 2019

#### 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, 2020 and 2019, the Foundation held 43 conservation easements, 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. During the year ended June 30, 2020, the Foundation adopted a fossil fuel free investment policy, resulting in a change in the investments of the Foundation. The cost and fair value of these investments at June 30, 2020 and 2019 were as follows:

	June 30, 2020	
	Cost	Value
Mutual funds	\$ 2,791,166	\$ 2,821,595
Exchange traded and closed-end funds	6,426,847	6,722,102
Stocks	8,390	10,361
	<u>\$ 9,226,403</u>	<u>\$ 9,554,058</u>

  

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

For the years ended June 30, 2020 and 2019, investments were segregated into the following categories:

	June 30, 2020		
	Without Donor Restrictions	With Donor Restrictions	Total
Without donor restrictions	\$ 3,999,506	\$ -	\$ 3,999,506
Board designated endowments	388,996	-	388,996
Donor designated endowments	-	1,564,503	1,564,503
With donor restrictions	-	3,601,053	3,601,053
	<u>\$ 4,388,502</u>	<u>\$ 5,165,556</u>	<u>\$ 9,554,058</u>



**SHERIFF'S MEADOW FOUNDATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED JUNE 30, 2020 AND 2019**

**Note 4 - Investments (Continued)**

	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

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.

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.

# SHERIFF'S MEADOW FOUNDATION

## NOTES TO FINANCIAL STATEMENTS

### YEARS ENDED JUNE 30, 2020 AND 2019

#### Note 4 - 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, 2020 and 2019:

	June 30, 2020		June 30, 2019	
	Level 1	Total	Level 1	Total
Investments				
Stocks:				
Financial services	\$ 10,361	\$ 10,361	\$ 10,360	\$ 10,360
Exchange traded and closed-end funds:				
Large blend	3,058,144	3,058,144	3,054,905	3,054,905
Foreign large blend	3,278,447	3,278,447	2,958,499	2,958,499
Small blend	385,511	385,511	-	-
Mutual funds:				
Corporate bond	-	-	342,343	342,343
Short-term bond	1,606,354	1,606,354	513,049	513,049
World bond	-	-	682,821	682,821
Inflation protected bond	227,438	227,438	210,416	210,416
Intermediate-term bond	771,850	771,850	1,025,970	1,025,970
Long-term bond	215,953	215,953	-	-
Total investments	\$ <u>9,554,058</u>	\$ <u>9,554,058</u>	\$ <u>8,798,363</u>	\$ <u>8,798,363</u>

#### 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.

# **SHERIFF'S MEADOW FOUNDATION**

## **NOTES TO FINANCIAL STATEMENTS**

### **YEARS ENDED JUNE 30, 2020 AND 2019**

#### **Note 5 - Endowment (Continued)**

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. During the year ended June 30, 2020, the Foundation adopted a fossil fuel free investment policy, resulting in a change in the endowment investments of the Foundation. 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.

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, 2020 and 2019.

**SHERIFF'S MEADOW FOUNDATION**

**NOTES TO FINANCIAL STATEMENTS**

**YEARS ENDED JUNE 30, 2020 AND 2019**

**Note 5 - Endowment (Continued)**

Endowment net asset composition by type of fund as of June 30, 2020 and 2019 is as follows:

	June 30, 2020		
	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds	\$ -	\$ 2,298,939	\$ 2,298,939
Board-designated endowment funds	388,996	-	388,996
	<u>\$ 388,996</u>	<u>\$ 2,298,939</u>	<u>\$ 2,687,935</u>

  

	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>

Changes in endowment net assets for the years ended June 30, 2020 and 2019 are as follows:

	June 30, 2020		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ 385,850	\$ 2,060,822	\$ 2,446,672
Reclassification	-	144,161	144,161
Contributions	-	69,987	69,987
Investment return, net	11,054	40,779	51,833
Appropriation of endowment assets for expenditure	<u>(7,908)</u>	<u>(16,810)</u>	<u>(24,718)</u>
Endowment net assets, end of year	<u>\$ 388,996</u>	<u>\$ 2,298,939</u>	<u>\$ 2,687,935</u>

  

	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>

**SHERIFF'S MEADOW FOUNDATION**

**NOTES TO FINANCIAL STATEMENTS**

**YEARS ENDED JUNE 30, 2020 AND 2019**

**Note 6 - Promises to Give**

The Foundation had promises to give as follows at June 30, 2020 and 2019:

	June 30, 2020		
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Promises to give expected to be collected in:			
Less than one year	\$ 162,000	\$ 209,856	\$ 371,856
One to five years	259,301	559,520	818,821
Greater than five years	-	100,000	100,000
	<u>421,301</u>	<u>869,376</u>	<u>1,290,677</u>
Discount on promises to give	<u>(17,968)</u>	<u>(61,227)</u>	<u>(79,195)</u>
	<u>\$ 403,333</u>	<u>\$ 808,149</u>	<u>\$ 1,211,482</u>
	June 30, 2019		
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
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>

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, 2020 and 2019.

**Note 7 - Long-Term Debt**

During April 2020, the Foundation was granted a loan from a bank in the amount of \$135,100, pursuant to the Paycheck Protection Program ("PPP") as provided for in the Federal CARES Act. The loan, which was in the form of a note payable, bears interest at a rate of 1% and matures on April 21, 2022. The CARES Act allows for the loan to be forgiven if certain conditions are met.

The note may be prepaid by the Foundation at any time prior to maturity with no prepayment penalties. In order to qualify for forgiveness, funds from the loan may only be used for payroll costs, employee benefits, rent and utilities, and certain wage and employment levels need to be maintained. The Foundation intends to use the entire loan amount for qualifying expenses.

**SHERIFF'S MEADOW FOUNDATION**

**NOTES TO FINANCIAL STATEMENTS**

**YEARS ENDED JUNE 30, 2020 AND 2019**

**Note 7 - Long-Term Debt (Continued)**

The PPP note is unsecured and guaranteed by the United States Small Business Administration. The Foundation intends to apply for forgiveness of the PPP note, with the amount which may be forgiven equal to the sum of payroll costs, covered rent, and covered utility payments incurred by the Foundation during the twenty-four week period beginning upon receipt of PPP term note funds, calculated in accordance with the terms of the CARES Act. The Foundation has elected to account for this note under FASB ASC Topic 470, *Debt* (ASC 470). Under ASC 470, the proceeds from the note will remain as a liability in the accompanying statements of financial position until either the loan is in part or wholly forgiven, or repayment is made. If the loan is forgiven, the Foundation will recognize a gain on the extinguishment of debt.

**Note 8 - Net Assets**

Net assets with donor restrictions consist of the following at June 30, 2020 and 2019:

	<u>2020</u>		<u>2019</u>
Land preservation and property management	\$ 3,767,427	\$	4,240,489
Land (use restricted in perpetuity)	2,694,811		2,694,811
Donor-designated endowment (including amounts above original gift amounts of \$2,076,657 and \$1,863,510, respectively)	2,298,939		2,060,822
Other	29,592		45,260
Education	<u>15,865</u>		<u>15,410</u>
	\$ <u>8,806,634</u>	\$	<u>9,056,792</u>

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, 2020 and 2019 as follows:

	<u>2020</u>		<u>2019</u>
Land preservation and property management	\$ 571,180	\$	381,992
Appropriations from donor-designated endowment	16,810		16,825
Other	7,794		72,487
Education	<u>3,359</u>		<u>2,570</u>
	\$ <u>599,143</u>	\$	<u>473,874</u>

# **SHERIFF'S MEADOW FOUNDATION**

## **NOTES TO FINANCIAL STATEMENTS**

### **YEARS ENDED JUNE 30, 2020 AND 2019**

#### **Note 8 - Net Assets (Continued)**

Net assets without donor restrictions consists of the following at June 30, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Undesignated	\$ 62,779,388	\$ 61,936,756
Board designated		
Working reserve	53,649	51,936
Conservation easement stewardship	178,125	180,558
Conservation easement defense fund	<u>158,416</u>	<u>153,356</u>
	<u>\$ 63,169,578</u>	<u>\$ 62,322,606</u>

#### **Note 9 - 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 \$35,750 and \$29,162, respectively for the years ended June 30, 2020 and 2019. 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 10 - 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, 2020 and 2019. The Foundation holds the deferred compensation plan funds in an investment account. At June 30, 2020 and 2019 the investment account totaled \$117,537 and \$89,534, respectively.

#### **Note 11 - Operating Lease**

The Foundation is a tenant at will for the Foundation's office space. Office rental expense totaled \$27,375 and \$21,062 for the years ended June 30, 2020 and 2019, respectively.

#### **Note 12 - COVID-19 Disruption**

The COVID-19 outbreak in the United States, which began affecting the operations of the Foundation in March 2020, continues to cause business disruption throughout the United States. While the disruption is currently expected to be temporary, there is considerable uncertainty around the duration of the disruption. Economic uncertainties have also arisen which are likely to impact the valuation of investments and investment income. The Foundation expects that this matter will negatively impact its operating results; however, the financial impact and duration cannot be reasonably estimated at this time.

**SHERIFF'S MEADOW FOUNDATION**

**NOTES TO FINANCIAL STATEMENTS**

**YEARS ENDED JUNE 30, 2020 AND 2019**

**Note 13 - Subsequent Events**

Subsequent to year end on August 2020 the Foundation entered into an agreement to jointly purchase 304 acres of land in Aquinnah from Red Gate Farm, LLC for a total purchase price of \$27,000,000. The Foundation is paying \$12 million of the purchase price, with the Martha's Vineyard Land Bank paying \$15 million. The Foundation intends to raise the funds necessary to pay for their portion through a capital campaign. Subsequent to year end the Foundation has received approximately \$11,500,000 in cash and commitments for this purchase.

Subsequent to year end the Paycheck Protection Program loan was forgiven by the SBA in the amount of \$135,100.