



DISCOVERING
ABILITIES TOGETHER

PINE TREE SOCIETY, INC.

FINANCIAL STATEMENTS

With Independent Auditors' Report

DECEMBER 31, 2017 AND 2016

PINE TREE SOCIETY, INC.
FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

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ALBIN, RANDALL & BENNETT
Certified Public Accountants ▪ Business Consultants

INDEPENDENT AUDITORS' REPORT

The Board of Directors
Pine Tree Society, Inc.:

Report on the Financial Statements

We have audited the accompanying financial statements of the Pine Tree Society, Inc. (the Society) as of December 31, 2017 and 2016, which comprise the statements of financial position, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Pine Tree Society, Inc. as of December 31, 2017 and 2016, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Albin, Randall & Bennett

March 28, 2018

PINE TREE SOCIETY, INC.
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2017 AND 2016

ASSETS	<u>2017</u>	<u>2016</u>
CURRENT ASSETS:		
Cash and cash equivalents	\$ 349,172	528,006
Accounts receivable, net of allowance for doubtful accounts of \$22,000 and \$0 at December 31, 2017 and 2016, respectively	736,490	522,763
Pledges receivable, current portion	28,113	19,716
Inventory	6,656	17,263
Prepaid expenses	<u>34,811</u>	<u>42,373</u>
Total current assets	<u>1,155,242</u>	<u>1,130,121</u>
PROPERTY AND EQUIPMENT:		
Land	301,726	301,726
Buildings	8,264,195	8,255,072
Equipment	1,936,302	1,905,326
Construction in process	<u>17,000</u>	<u>-</u>
	10,519,223	10,462,124
Less accumulated depreciation	<u>3,314,260</u>	<u>2,915,930</u>
Net property and equipment	<u>7,204,963</u>	<u>7,546,194</u>
INVESTMENTS:		
Unrestricted	9,299,325	8,531,208
Temporarily restricted	1,141,202	642,665
Permanently restricted	<u>2,965,532</u>	<u>2,965,032</u>
Total investments	<u>13,406,059</u>	<u>12,138,905</u>
OTHER ASSETS:		
Pledges receivable, net of current portion	5,000	1,717
Beneficial interest in perpetual trusts	4,762,000	4,315,000
Contributions receivable from remainder trusts	<u>386,000</u>	<u>380,000</u>
Total other assets	<u>5,153,000</u>	<u>4,696,717</u>
	<u>\$ 26,919,264</u>	<u>25,511,937</u>

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

LIABILITIES AND NET ASSETS

	<u>2017</u>	<u>2016</u>
CURRENT LIABILITIES:		
Current portion of long-term debt	\$ 3,058	20,070
Accounts payable	114,634	103,068
Accrued expenses	<u>424,658</u>	<u>459,066</u>
Total current liabilities	<u>542,350</u>	<u>582,204</u>
LONG-TERM DEBT, net of current portion	<u>36,712</u>	<u>97,179</u>
NET ASSETS:		
Unrestricted	16,853,043	16,330,226
Temporarily restricted	1,373,627	841,796
Permanently restricted	<u>8,113,532</u>	<u>7,660,532</u>
Total net assets	<u>26,340,202</u>	<u>24,832,554</u>
	<u>\$ 26,919,264</u>	<u>25,511,937</u>

PINE TREE SOCIETY, INC.
STATEMENTS OF ACTIVITIES
YEARS ENDED DECEMBER 31, 2017 AND 2016

	Unrestricted	
	2017	2016
PUBLIC SUPPORT, PROGRAM SERVICES AND REVENUE:		
Public support:		
Bequests	\$ 36,255	584,403
Donations and gifts	13,510	3,350
Special events	57,704	195,712
Mail campaigns and other support	398,933	584,761
Total public support	506,402	1,368,226
Program services:		
Interpreting services	1,262,875	1,041,649
Family and community support services	2,612,859	2,553,787
Pine Tree Camp recreational services	397,844	277,173
Speech, hearing and assistive technology services	503,799	445,271
Career services	57,382	17,679
Early learning center	317,528	315,873
Other	66,038	66,549
Total program services	5,218,325	4,717,981
Revenue:		
Hearing aid sales, net	340,913	429,394
Interest and dividends	380,173	370,811
Net realized and unrealized gains	1,324,269	382,573
Change in value of beneficial interest in perpetual trusts and contributions receivable from remainder trusts	-	-
Donated services	43,616	21,752
Donated equipment and other	6,455	23,620
Excess of assets acquired over liabilities assumed in the acquisition of Pathways, Inc.	-	610,111
Total revenue	2,095,426	1,838,261
Net assets released by satisfaction of program restrictions	554,546	270,872
Total public support, program services and revenue	8,374,699	8,195,340
EXPENSES:		
Program services	7,231,012	7,021,507
Support services	620,870	552,944
Total expenses	7,851,882	7,574,451
Change in net assets	522,817	620,889
NET ASSETS AT BEGINNING OF YEAR	16,330,226	15,709,337
Net assets at end of year	\$ 16,853,043	16,330,226

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

Temporarily Restricted		Permanently Restricted		Totals	
<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
-	27,500	-	31,001	36,255	642,904
320,701	245,563	-	83,898	334,211	332,811
147,805	-	-	-	205,509	195,712
-	-	-	-	398,933	584,761
<u>468,506</u>	<u>273,063</u>	<u>-</u>	<u>114,899</u>	<u>974,908</u>	<u>1,756,188</u>
-	-	-	-	1,262,875	1,041,649
-	-	-	-	2,612,859	2,553,787
-	-	-	-	397,844	277,173
-	-	-	-	503,799	445,271
-	-	-	-	57,382	17,679
-	-	-	-	317,528	315,873
-	-	-	-	66,038	66,549
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,218,325</u>	<u>4,717,981</u>
-	-	-	-	340,913	429,394
49,134	37,182	-	-	429,307	407,993
568,737	179,481	-	-	1,893,006	562,054
-	-	453,000	206,000	453,000	206,000
-	-	-	-	43,616	21,752
-	-	-	-	6,455	23,620
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>610,111</u>
617,871	216,663	453,000	206,000	3,166,297	2,260,924
<u>(554,546)</u>	<u>(270,872)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>531,831</u>	<u>218,854</u>	<u>453,000</u>	<u>320,899</u>	<u>9,359,530</u>	<u>8,735,093</u>
-	-	-	-	7,231,012	7,021,507
-	-	-	-	620,870	552,944
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,851,882</u>	<u>7,574,451</u>
531,831	218,854	453,000	320,899	1,507,648	1,160,642
<u>841,796</u>	<u>622,942</u>	<u>7,660,532</u>	<u>7,339,633</u>	<u>24,832,554</u>	<u>23,671,912</u>
<u>1,373,627</u>	<u>841,796</u>	<u>8,113,532</u>	<u>7,660,532</u>	<u>26,340,202</u>	<u>24,832,554</u>

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

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

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

Support Services

Fund Raising - <u>General</u>	Fund Raising - <u>Special Events</u>	Management and General	<u>Total</u>	2017 Total <u>Expenses</u>
67,145	27,392	166,298	260,835	3,918,007
12,192	7,134	41,876	61,202	729,124
5,353	1,291	12,036	18,680	273,967
-	-	-	-	25,260
23,331	5,042	89,245	117,618	907,929
10,278	19,240	2,195	31,713	390,436
298	-	404	702	75,668
21,238	2,533	267	24,038	56,411
8,555	-	-	8,555	271,798
22,685	-	1,739	24,424	52,251
1,901	10,117	-	12,018	33,401
4,399	3,000	5,303	12,702	225,065
15,005	4,400	10,650	30,055	57,085
-	-	2,430	2,430	2,430
-	-	-	-	5,328
-	-	7	7	19,234
6,143	-	-	6,143	6,143
-	57	-	57	25,879
-	-	47	47	407
417	-	1,816	2,233	116,712
-	-	-	-	37,261
-	-	-	-	3,149
-	-	-	-	77,813
-	-	-	-	64,965
-	7,050	-	7,050	15,000
350	-	-	350	412,764
-	-	11	11	7,729
-	-	-	-	29,791
-	-	-	-	1,053
-	-	-	-	1,971
-	-	-	-	1,002
-	-	-	-	6,849
<u>199,290</u>	<u>87,256</u>	<u>334,324</u>	<u>620,870</u>	<u>7,851,882</u>

PINE TREE SOCIETY, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2016

	Program Services			
	<u>Client Services</u>	<u>Public Health Education</u>	<u>Research</u>	<u>Total</u>
Salaries	\$ 3,359,670	17,707	65,745	3,443,122
Benefits	734,527	7,104	21,351	762,982
Payroll taxes	263,536	2,153	4,721	270,410
Payroll fees	23,637	-	-	23,637
Professional fees	676,377	39,587	2,078	718,042
Supplies	370,888	972	1,570	373,430
Telephone	69,842	279	83	70,204
Postage	15,128	12,299	-	27,427
Occupancy	267,419	2,995	-	270,414
Printing	16,495	17,303	87	33,885
Advertising	7,192	353	-	7,545
Travel	199,136	640	2,570	202,346
Training and conferences	35,532	-	-	35,532
Board expense	-	-	-	-
Specific aid	5,146	-	-	5,146
Memberships	17,744	-	-	17,744
Awards and grants	-	-	-	-
Fuel	23,288	-	-	23,288
Miscellaneous	1,321	-	-	1,321
Insurance	115,534	107	-	115,641
Bad debts	9,998	-	-	9,998
Interest	7,814	-	-	7,814
Service provider taxes	90,868	-	-	90,868
Workers compensation	47,669	-	-	47,669
Special events	-	7,950	-	7,950
Depreciation	398,778	-	-	398,778
Staff meetings/events	8,871	-	-	8,871
Vehicle	31,153	-	-	31,153
Wellness program	981	-	-	981
Recruiting	2,177	-	-	2,177
Building maintenance	12,190	48	-	12,238
Tuition reimbursement	894	-	-	894
	<u>\$ 6,813,805</u>	<u>109,497</u>	<u>98,205</u>	<u>7,021,507</u>

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

Support Services

<u>Fund Raising - General</u>	<u>Fund Raising - Special Events</u>	<u>Management and General</u>	<u>Total</u>	<u>2016 Total Expenses</u>
75,712	20,535	126,847	223,094	3,666,216
20,883	3,692	15,745	40,320	803,302
6,161	1,134	8,465	15,760	286,170
-	-	-	-	23,637
39,319	11,915	91,411	142,645	860,687
4,343	10,891	2,521	17,755	391,185
567	-	36	603	70,807
19,804	1,835	2,095	23,734	51,161
6,259	-	-	6,259	276,673
27,073	6,197	2,663	35,933	69,818
1,411	350	528	2,289	9,834
4,199	4,473	6,895	15,567	217,913
20	-	-	20	35,552
-	-	1,059	1,059	1,059
-	-	-	-	5,146
-	-	26	26	17,770
6,143	-	-	6,143	6,143
-	456	-	456	23,744
-	-	-	-	1,321
428	1,329	4,313	6,070	121,711
7,875	-	-	7,875	17,873
-	-	-	-	7,814
-	-	-	-	90,868
-	-	-	-	47,669
-	7,050	-	7,050	15,000
-	-	-	-	398,778
-	-	192	192	9,063
-	-	-	-	31,153
-	-	-	-	981
-	-	-	-	2,177
94	-	-	94	12,332
-	-	-	-	894
<u>220,291</u>	<u>69,857</u>	<u>262,796</u>	<u>552,944</u>	<u>7,574,451</u>

PINE TREE SOCIETY, INC.
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
OPERATING ACTIVITIES:		
Change in net assets	\$ 1,507,648	1,160,642
Adjustments to reconcile change in net assets to net cash (used) provided by operating activities:		
Net assets acquired from Pathways, Inc.	-	(610,111)
Depreciation	412,764	398,778
Change in allowance for doubtful accounts	22,000	-
Donation of property and equipment	(6,455)	(23,620)
Gain on disposal of property and equipment	(2,000)	(680)
Net realized and unrealized gain on investments	(1,892,147)	(559,057)
Change in value of beneficial interest in perpetual trusts and contributions receivable from remainder trusts	(453,000)	(206,000)
Change in operating assets and liabilities:		
Accounts receivable	(235,727)	(11,766)
Bequest receivable	-	114,308
Inventory	10,607	6,962
Prepaid expenses	7,562	(4,774)
Accounts payable	11,566	(40,426)
Accrued expenses	<u>(34,408)</u>	<u>134,212</u>
Net cash (used) provided by operating activities	<u>(651,590)</u>	<u>358,468</u>
INVESTING ACTIVITIES:		
Purchases of property and equipment	(65,078)	(461,688)
Proceeds from sale of property and equipment	2,000	-
Purchases of investments	(2,084,108)	(11,574,800)
Proceeds from sale of investments	2,709,101	11,752,753
Cash acquired in business acquisition	<u>-</u>	<u>16,523</u>
Net cash provided (used) by investing activities	<u>561,915</u>	<u>(267,212)</u>
FINANCING ACTIVITIES:		
Net repayments on line of credit	-	(150,000)
Repayments of long-term debt	(77,479)	(37,837)
Change in contributions restricted for long-lived assets	<u>(11,680)</u>	<u>55,751</u>
Net cash used by financing activities	<u>(89,159)</u>	<u>(132,086)</u>
Decrease in cash and cash equivalents	(178,834)	(40,830)
Cash and cash equivalents at beginning of year	<u>528,006</u>	<u>568,836</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 349,172</u>	<u>528,006</u>

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

PINE TREE SOCIETY, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Basis of accounting - The financial statements have been prepared on the accrual basis of accounting.

Basis of presentation - The Society's net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Society and changes therein are classified and reported as follows:

Unrestricted net assets - Net assets that are not subject to donor-imposed stipulations.

Temporarily restricted net assets - Net assets subject to donor-imposed stipulations that can be fulfilled by actions of the Society or by the passage of time.

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

Use of estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP) requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Cash and cash equivalents - The Society considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

Accounts receivable - Accounts receivable are reported at the amount management expects to collect on balances outstanding at year-end. The Society determines its past due receivables based on contractual terms. The Society uses the reserve method of accounting for doubtful accounts. Losses are charged to the allowance when the account is considered uncollectible.

Contributions - Contributions, including unconditional promises to give, are recognized as revenues in the period received. Conditional promises to give are not recognized until they become unconditional, that is, at the time when the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value. Contributions to be received after one year are discounted at an appropriate discount rate commensurate with the risks involved. Accretion of the discount is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the contributions. An allowance for uncollectible contributions is provided based upon management's judgment of potential defaults, based upon such factors as prior collection history, type of contribution, and nature of fundraising activity. The Society considers all contributions receivable at December 31, 2017, to be fully collectible; accordingly, no allowance for uncollectible contributions has been recognized.

Contributions received with donor-imposed restrictions that are met in the same year as received are reported as revenues of the temporarily restricted net asset class, and a reclassification to unrestricted net assets is made to reflect the expiration of such restrictions.

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Investments - Investments in equity securities with readily determinable fair values and all investments in debt securities and alternative investments are measured at fair value in the statement of financial position.

Income and net realized and unrealized gains and losses on investments of endowment and similar funds are reported as increases in permanently restricted net assets if the terms of the gift requires that they be added to the principal of a permanent endowment fund; as increases in temporarily restricted net assets if the terms of the gift or the Society's interpretation of relevant state law impose restrictions on the use of the income; or as increases in unrestricted net assets in all other cases.

Investments are exposed to various risks such as significant world events, interest rate, credit, and overall market volatility risks. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the fair value of investments will occur in the near term and that such changes could materially affect the amounts reported in the statement of financial position.

Inventory - Inventory primarily consists of hearing aids and other audiology equipment. Beginning in 2017, the Society adopted Accounting Standards Update (ASU) 2015-11, Inventory (Topic 330)-Simplifying the Measurement of Inventory, which requires inventory value to be measured at the lower of cost and net realizable value. For the year ended December 31, 2017, inventories are valued at the lower of cost and net realizable value, determined on a first-in, first-out (FIFO) basis. Net realizable value is defined as the estimated selling prices of the inventory in the ordinary course of business, less reasonably predictable costs of disposal and transportation. For the year ended December 31, 2016, inventories are valued at the lower of cost or market, determined on a first-in, first-out (FIFO) basis. Cost for both years is determined on an average cost method.

Donated assets - Donated marketable securities and other non-cash donations are recorded as contributions at their estimated fair values at the date of donation.

In-kind contributions - In-kind contributions represent donated services and facilities and have been recorded at fair value.

Property and equipment - Donated property is recorded at its fair value on the date received and all other property and equipment are recorded at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the assets.

Tax exempt status - The Society is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. The Society received a favorable tax determination letter in 1946.

Uncertain tax positions - U.S. GAAP prescribes a comprehensive model for how an organization should measure, recognize, present, and disclose in its financial statements uncertain tax positions that the organization has taken or expects to take on a tax return. Accordingly, the Society recognizes the tax benefits from uncertain tax positions if it is more likely than not that the tax position will be sustained on examination by the taxing authorities, based on the technical merits of the position.

Functional allocation of expenses - The costs of providing the various program services have been summarized on a functional basis in the statement of functional expenses. Accordingly, certain costs have been allocated among the program and support services.

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Reclassifications - The financial statement presentation for 2016 has been changed to conform with the 2017 presentation. Total net assets are unchanged as a result of the reclassifications.

Subsequent events - The Society has evaluated events, if any, that have occurred subsequent to December 31, 2017 through March 28, 2018, the date the financial statements were available to be issued, and included information in the notes to the financial statements related to any identifiable events, if necessary.

2. CONCENTRATIONS OF CREDIT RISK

The Society's financial instruments exposed to concentrations of credit risk consist primarily of cash and cash equivalents, and accounts receivable. At times, the Society maintains cash balances with financial institutions in excess of amounts federally insured. Accounts receivable are primarily attributable to services rendered to the Society's broad client base, which limits exposure to concentrations of credit risk.

3. PLEDGES RECEIVABLE

Pledges receivable consist of the following:

	<u>2017</u>	<u>2016</u>
Receivable in less than one year	\$ 28,113	19,716
Receivable in one to five years	<u>5,000</u>	<u>1,717</u>
	33,113	21,433
Less current portion	<u>28,113</u>	<u>19,716</u>
Long-term pledges receivable, net of current portion	<u>\$ 5,000</u>	<u>1,717</u>

4. INVESTMENTS

The composition of investments is as follows:

	<u>2017</u>		<u>2016</u>	
	<u>Cost</u>	<u>Fair value</u>	<u>Cost</u>	<u>Fair value</u>
Cash and cash equivalents	\$ 475,566	475,566	1,064,799	1,064,799
Equities funds	7,234,208	9,568,246	7,166,445	7,816,816
Bond funds	2,254,642	2,237,016	1,876,903	1,862,235
Alternative funds	368,746	315,280	581,543	385,667
Fixed income	<u>814,494</u>	<u>809,951</u>	<u>1,013,943</u>	<u>1,009,388</u>
	<u>\$ 11,147,656</u>	<u>13,406,059</u>	<u>11,703,633</u>	<u>12,138,905</u>

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

4. INVESTMENTS, CONTINUED

The change in fair value consists of the following:

	<u>2017</u>	<u>2016</u>
Fair value, beginning of year	\$ <u>12,138,905</u>	<u>11,757,801</u>
Contributions	500	114,399
Transfers in	-	-
Interest and dividends	210,077	225,423
Custodial fees	(42,778)	(41,823)
Net realized and unrealized gains	1,892,147	559,057
Withdrawals	<u>(792,792)</u>	<u>(475,952)</u>
	<u>1,267,154</u>	<u>381,104</u>
Fair value, end of year	<u>\$ 13,406,059</u>	<u>12,138,905</u>

5. BENEFICIAL INTEREST IN PERPETUAL TRUSTS

The Society is the beneficiary of various trusts created by donors, the assets of which are not in the possession of the Society. The Society has legally enforceable rights and claims to such assets, including the sole or stated share of the income from each trust as applicable. Changes in value of the beneficial interest in perpetual trusts are reported as changes in permanently restricted net assets based on stipulations in the gift instruments. The fair value of the beneficial interest in perpetual trusts was approximately \$4,762,000 and \$4,315,000 at December 31, 2017 and 2016, respectively.

6. CONTRIBUTIONS RECEIVABLE FROM REMAINDER TRUST

The Society is the beneficiary of various charitable remainder trusts. A charitable remainder trust provides for the payment of distributions to the grantor and other beneficiaries over the trust's term (usually the beneficiary's lifetime). At the end of the trust's term, the remaining assets are available for the Society's use. At the time the Society is named beneficiary, it records contribution revenue equal to the present value of the estimated future benefits to be received. Future changes in value of the charitable remainder trusts are reported as changes in permanently restricted net assets based on stipulations in the gift instruments. The approximate present value of the future payments is calculated using discount rates from 1.47% to 2.64% and applicable mortality tables, which was approximately \$386,000 and \$380,000 as of December 31, 2017 and 2016, respectively.

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

7. FAIR VALUE MEASUREMENTS

Fair value is defined as the price at which an asset could be exchanged or a liability transferred (an exit price) in an orderly transaction between knowledgeable, willing parties in the principal or most advantageous market for the asset or liability. Where available, fair value is based on observable market prices or parameters or derived from such prices or parameters. Where observable prices or inputs are not available, valuation models are applied.

Financial assets recorded at fair value in the accompanying financial statements are categorized based upon the level of judgment associated with the inputs used to measure their fair value. Hierarchical levels, defined by U.S. GAAP, and directly related to the amount of subjectivity associated with the inputs to fair valuation of these assets and liabilities, are as follows:

Level 1 - Inputs are unadjusted, quoted prices in active markets for identical assets at the reporting date. Active markets are those in which transactions for the asset or liability occur in sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2 - Inputs are other than quoted prices included in Level 1, which are either directly or indirectly observable for the asset or liability through correlation with market data at the reporting date and for the duration of the instrument's anticipated life.

Level 3 - Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities and which reflect management's best estimate of what market participants would use in pricing the asset or liability at the reporting date. Consideration is given to the risk inherent in the valuation technique and the risk inherent in the inputs to the model.

Management is responsible for valuation policies and procedures and determining fair value of investments. The valuation process is completed on an annual basis for Level 3 assets.

Valuation techniques of the Society's beneficial interest in charitable remainder trusts with Level 3 inputs include a net present value calculation using factors of four to twenty-three years, based on life expectancy of the income beneficiary, discounted at the applicable federal rate for the periods ended December 31, 2017 and 2016.

Fair value of the Society's beneficial interest in perpetual trusts is based on the market value of assets held by the trust at December 31, 2017 and 2016, factored by the beneficiary percentage to which the Society is entitled.

Alternative investments consist of ownership interests in investment partnerships. The Society values these investments at the entity level, rather than at the individual levels of underlying assets held by the partnership. The fair value at December 31, 2017 and 2016, is based on the Society's capital account balance adjusted for performance allocation.

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

7. FAIR VALUE MEASUREMENTS, CONTINUED

Assets and liabilities measured at fair value on a recurring basis are summarized below:

	<u>Totals</u>	<u>Fair value measurements at reporting date using:</u>		
		Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
December 31, 2017:				
Investments	\$ 13,406,059	13,090,779	-	315,280
Beneficial interest in perpetual trusts	4,762,000	-	-	4,762,000
Contributions receivable from remainder trusts	386,000	-	-	386,000
	<u>\$ 18,554,059</u>	<u>13,090,779</u>	<u>-</u>	<u>5,463,280</u>
December 31, 2016:				
Investments	\$ 12,138,905	11,753,238	-	385,667
Beneficial interest in perpetual trusts	4,315,000	-	-	4,315,000
Contributions receivable from remainder trusts	380,000	-	-	380,000
	<u>\$ 16,833,905</u>	<u>11,753,238</u>	<u>-</u>	<u>5,080,667</u>

A reconciliation of assets measured at fair value on a recurring basis with the use of significant unobservable inputs (Level 3) is as follows:

	<u>Alternative investments</u>	<u>Beneficial interest in perpetual trusts</u>	<u>Contributions receivable from remainder trusts</u>	<u>Total</u>
December 31, 2017:				
Balance at beginning of year	\$ 385,667	4,315,000	380,000	5,080,667
Investment purchases	48,272	-	-	48,272
Net realized and unrealized gains	2,235	-	-	2,235
Distributions	(120,894)	-	-	(120,894)
Change in value of beneficial interests in perpetual trusts and contributions receivable from remainder trusts	<u>-</u>	<u>447,000</u>	<u>6,000</u>	<u>453,000</u>
Balance at end of year	<u>\$ 315,280</u>	<u>4,762,000</u>	<u>386,000</u>	<u>5,463,280</u>

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

7. FAIR VALUE MEASUREMENTS, CONTINUED

	<u>Alternative investments</u>	<u>Beneficial interest in perpetual trusts</u>	<u>Contributions receivable from remainder trusts</u>	<u>Total</u>
December 31, 2016:				
Balance at beginning of year	\$ 806,067	4,141,000	348,000	5,295,067
Investment purchases	33,572	-	-	33,572
Net realized and unrealized losses	(4,845)	-	-	(4,845)
Distributions	(449,127)	-	-	(449,127)
Change in value of beneficial interests in perpetual trusts and contributions receivable from remainder trusts	<u>-</u>	<u>174,000</u>	<u>32,000</u>	<u>206,000</u>
Balance at end of year	<u>\$ 385,667</u>	<u>4,315,000</u>	<u>380,000</u>	<u>5,080,667</u>

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

8. LINE OF CREDIT

The Society maintains a line of credit which allows for maximum borrowings of \$400,000 and any balance outstanding accrues interest at the Bank's float prime rate plus 0.75% (4.50% at December 31, 2017). The line is secured by all business assets of the Society with a carrying value of \$26,919,264 at December 31, 2017. No amounts were outstanding on the line at both December 31, 2017 and 2016.

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

9. RESTRICTIONS ON USE OF NET ASSETS

Temporarily and permanently restricted net assets are available for the following purposes:

	<u>Temporarily restricted</u>	<u>Permanently restricted</u>			<u>Total restricted net assets</u>
		Investment in perpetuity - only income <u>expendable</u>	Beneficial interest in perpetual trusts and contributions receivable from remainder trusts - only receipts <u>expendable</u>	Total permanently <u>restricted</u>	
December 31, 2017:					
Any activities of the Society	\$ 804,613	1,807,180	4,818,300	6,625,480	7,430,093
Program services	46,419	-	-	-	46,419
Pine Tree Camp operations	322,164	1,074,954	242,700	1,317,654	1,639,818
Pine Tree Camp capital expenditures	160,262	-	-	-	160,262
Scholarships	40,169	83,398	87,000	170,398	210,567
	<u>\$ 1,373,627</u>	<u>2,965,532</u>	<u>5,148,000</u>	<u>8,113,532</u>	<u>9,487,159</u>
December 31, 2016:					
Any activities of the Society	\$ 480,541	1,807,180	4,387,300	6,194,480	6,675,021
Program services	158,454	-	-	-	158,454
Pine Tree Camp operations	162,124	1,074,954	225,700	1,300,654	1,462,778
Pine Tree Camp capital expenditures	12,434	-	-	-	12,434
Scholarships	28,243	83,398	82,000	165,398	193,641
	<u>\$ 841,796</u>	<u>2,965,532</u>	<u>4,695,000</u>	<u>7,660,532</u>	<u>8,502,328</u>

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

10. LONG-TERM DEBT

Long-term debt consists of the following:

	<u>2017</u>	<u>2016</u>
Note payable to Mechanic Savings Bank due in monthly installments of \$433, including interest at 5.50%, through December 2027. Secured by substantially all assets of the Society.	\$ 39,770	100,177
Notes payable to Chrysler Capital due in monthly installments of \$1,007, with no interest, through 2018. Secured by two vehicles as collateral. Note was paid in full in 2017.	<u>-</u>	<u>17,072</u>
	<u>39,770</u>	<u>117,249</u>
Less current portion	<u>3,058</u>	<u>20,070</u>
Net long-term debt	<u>\$ 36,712</u>	<u>97,179</u>

Future maturities of long-term debt are as follows:

2018	\$ 3,058
2019	3,233
2020	3,413
2021	3,613
2022	3,820
Thereafter	<u>22,633</u>
	<u>\$ 39,770</u>

11. ENDOWMENT FUNDS

The Society has interpreted the Maine Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Society classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Society in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Society considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: the duration and preservation of the fund; the purposes of the Society and donor-restricted endowment fund; general economic conditions; the possible effect of inflation and deflation; the expected total return from income and the appreciation of investments; other resources of the Society; and the investment policies of the Society.

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

11. ENDOWMENT FUNDS, CONTINUED

Endowment Investment - The Society has adopted investment and spending policies, approved by the Board of Directors, for endowment assets that attempt to provide a substantial and reasonably stable stream of income to support the operating budget of the Society and to achieve this result in perpetuity while preserving and enhancing the total value of the endowment. In order to achieve the Society's investment objectives, it is necessary to realize long-term investment returns in excess of their spending policy rate plus the inflation rate. The Society believes that a portfolio of mostly equity based investments is the best opportunity to achieve this objective. The Society's portfolio also maintains 10 - 30% of fixed income securities in order to realize some short term liquidity and to remain diversified.

Spending Policy - The Society maintains a spending policy to annually distribute 4% of the total market value of the endowment, calculated as the average of the prior 12 quarters' ending market values of the endowment funds net of all fees and administrative expenses paid by the endowment. Additionally, the Board of Directors may also appropriate an additional 1% for research and development purposes, subject to annual appropriation. Any changes made to the spending policy are subject to approval by the Board of Directors.

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

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
December 31, 2017:				
Donor restricted endowment funds	\$ -	1,141,202	2,965,532	4,106,734
Board designated endowment funds	<u>9,299,325</u>	<u>-</u>	<u>-</u>	<u>9,299,325</u>
	<u>\$ 9,299,325</u>	<u>1,141,202</u>	<u>2,965,532</u>	<u>13,406,059</u>
December 31, 2016:				
Donor restricted endowment funds	\$ -	642,665	2,965,032	3,607,697
Board designated endowment funds	<u>8,531,208</u>	<u>-</u>	<u>-</u>	<u>8,531,208</u>
	<u>\$ 8,531,208</u>	<u>642,665</u>	<u>2,965,032</u>	<u>12,138,905</u>

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

11. ENDOWMENT FUNDS, CONTINUED

Changes in endowment net assets are as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
December 31, 2017:				
Endowment net assets, beginning of year	\$ 8,531,208	642,665	2,965,032	12,138,905
Investment return:				
Investment income, net of fees	118,165	49,134	-	167,299
Net appreciation	<u>1,323,410</u>	<u>568,737</u>	<u>-</u>	<u>1,892,147</u>
Total investment return	1,441,575	617,871	-	2,059,446
Contributions	-	-	500	500
Appropriation of endowment assets for expenditure	<u>(673,458)</u>	<u>(119,334)</u>	<u>-</u>	<u>(792,792)</u>
Change in endowment net assets	<u>768,117</u>	<u>498,537</u>	<u>500</u>	<u>1,267,154</u>
Endowment net assets, end of year	<u>\$ 9,299,325</u>	<u>1,141,202</u>	<u>2,965,532</u>	<u>13,406,059</u>
December 31, 2016:				
Endowment net assets, beginning of year	\$ 8,376,897	530,271	2,850,633	11,757,801
Investment return:				
Investment income, net of fees	146,418	37,182	-	183,600
Net appreciation	<u>379,576</u>	<u>179,481</u>	<u>-</u>	<u>559,057</u>
Total investment return	525,994	216,663	-	742,657
Contributions	-	-	114,399	114,399
Appropriation of endowment assets for expenditure	<u>(371,683)</u>	<u>(104,269)</u>	<u>-</u>	<u>(475,952)</u>
Change in endowment net assets	<u>154,311</u>	<u>112,394</u>	<u>114,399</u>	<u>381,104</u>
Endowment net assets, end of year	<u>\$ 8,531,208</u>	<u>642,665</u>	<u>2,965,032</u>	<u>12,138,905</u>

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

11. ENDOWMENT FUNDS, CONTINUED

Description of amounts classified as permanently restricted net assets and temporarily restricted net assets (endowment only).

	<u>2017</u>	<u>2016</u>
Permanently restricted net assets		
The portion of perpetual endowment funds that is required to be retained permanently either by explicit donor stipulation or by UPMIFA	<u>\$ 2,965,532</u>	<u>2,965,032</u>
Temporarily restricted net assets		
The portion of perpetual endowment funds subject to a time restriction under UPMIFA, with purpose restrictions	<u>\$ 1,141,202</u>	<u>642,665</u>

12. LEASES

The Society leases property under operating leases expiring in 2019 and 2020. Monthly lease payments total \$11,261 with various provisions for increases. Rental expense was \$173,021 and \$169,506 for the years ended December 31, 2017 and 2016, respectively. The Society is responsible for insurance, repairs and taxes on the property. Minimum rental commitments are as follows:

	Location		
	<u>Bath</u>	<u>Scarborough</u>	<u>Total</u>
December 31, 2018	\$ 50,792	87,087	137,879
December 31, 2019	46,559	89,699	136,258
December 31, 2020	-	69,120	69,120
	<u>\$ 97,351</u>	<u>245,906</u>	<u>343,257</u>

13. RETIREMENT PLAN

The Society sponsors a 403(b) retirement savings plan covering employees after certain eligibility requirements are met. The Plan provides for employer matching contributions equal to 100% of the first 2% of compensation that a participant elects to contribute as a deferred cash contribution. The Plan provides for discretionary employer contributions. Matching contributions totaled \$50,737 and \$47,388 for the years ended December 31, 2017 and 2016, respectively. Discretionary employer contributions totaled \$103,635 and \$94,449 for the years ended December 31, 2017 and 2016, respectively.

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

14. JOINT COSTS OF MULTI-PURPOSE FUNDRAISING MATERIALS

The Society incurred joint costs for informational materials and activities that include fundraising appeals. The costs were allocated to fundraising expense and public health education as follows:

	<u>2017</u>	<u>2016</u>
Fundraising	\$ 124,128	129,781
Public health education	<u>95,351</u>	<u>95,368</u>
Total joint costs	<u>\$ 219,479</u>	<u>225,149</u>

15. BUSINESS ACQUISITION

Effective January 4, 2016, the Society acquired Pathways, Inc. (Pathways). Pathways was a non-profit organization located in Auburn, Maine that provided programming to enrich the lives of children and adults with disabilities. The Society's Strategic Plan identified the opportunity for expanding its impact through the addition of satellite sites. The acquisition of Pathways allows the Society to provide an impact in an under-served area in accordance with this plan. The Society obtained full possession of the operating assets as of January 4, 2016.

No consideration was transferred for the acquisition. The transaction resulted in a contribution received in the acquisition of Pathways of \$610,111 as the fair value of the assets acquired exceeded the liabilities assumed. The following table summarizes the amounts of assets acquired and liabilities assumed at the acquisition date.

Recognized amounts of identifiable assets acquired:

Cash	\$ 16,523
Accounts receivable	143,264
Building and equipment	<u>832,807</u>
	<u>\$ 992,594</u>

Recognized amounts of identifiable liabilities acquired:

Line of credit	\$ 150,000
Accrued expenses	77,397
Long-term debt	<u>155,086</u>
	<u>\$ 382,483</u>

16. SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

	<u>2017</u>	<u>2016</u>
Cash paid for interest	<u>\$ 3,149</u>	<u>7,814</u>