



PINE TREE SOCIETY
discovering abilities together

PINE TREE SOCIETY, INC.

FINANCIAL STATEMENTS

With Independent Auditors' Report

DECEMBER 31, 2021 AND 2020



PINE TREE SOCIETY, INC.
FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Pine Tree Society, Inc.:

Opinion

We have audited the accompanying financial statements of the Pine Tree Society, Inc. (the Society), which comprise the statements of financial position as of December 31, 2021 and 2020, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

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, 2021 and 2020, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Pine Tree Society, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management 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, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Pine Tree Society, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with U.S. generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with U.S. generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Pine Tree Society, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Pine Tree Society, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Albin, Randall & Bennett

May 23, 2022

PINE TREE SOCIETY, INC.
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2021 AND 2020

ASSETS	<u>2021</u>	<u>2020</u>
CURRENT ASSETS:		
Cash and cash equivalents	\$ 1,563,534	1,004,460
Accounts receivable, net of allowance for doubtful accounts and contractual allowance of \$75,500 and \$60,000 at December 31, 2021 and 2020, respectively	511,734	696,922
Grants receivable	70,750	-
Contributions receivable, current portion	4,438,681	90,255
Inventory	60,347	37,363
Prepaid expenses	136,917	73,792
Asset held for sale	<u>-</u>	<u>326,948</u>
Total current assets	<u>6,781,963</u>	<u>2,229,740</u>
PROPERTY AND EQUIPMENT:		
Land	206,156	206,156
Buildings	8,614,935	8,484,052
Equipment	2,473,012	2,126,062
Construction in process	<u>167,597</u>	<u>8,912</u>
	11,461,700	10,825,182
Less accumulated depreciation	<u>4,743,112</u>	<u>4,392,362</u>
Net property and equipment	<u>6,718,588</u>	<u>6,432,820</u>
INVESTMENTS:		
Without donor restrictions	12,176,596	11,009,227
With donor restrictions	<u>6,168,175</u>	<u>5,547,447</u>
Total investments	<u>18,344,771</u>	<u>16,556,674</u>
OTHER ASSETS:		
Contributions receivable, net of current portion	40,000	14,000
Beneficial interest in perpetual trusts	5,867,000	5,412,000
Contributions receivable from remainder trusts	<u>1,880,000</u>	<u>1,630,000</u>
Total other assets	<u>7,787,000</u>	<u>7,056,000</u>
	<u>\$ 39,632,322</u>	<u>32,275,234</u>

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

LIABILITIES AND NET ASSETS

	<u>2021</u>	<u>2020</u>
CURRENT LIABILITIES:		
Current portion of long-term debt	\$ -	11,049
Accounts payable	196,138	139,034
Accrued expenses	<u>496,763</u>	<u>533,114</u>
Total current liabilities	<u>692,901</u>	<u>683,197</u>
LONG-TERM DEBT, net of current portion	<u>-</u>	<u>90,052</u>
NET ASSETS:		
Without donor restrictions	20,233,209	18,610,999
With donor restrictions	<u>18,706,212</u>	<u>12,890,986</u>
Total net assets	<u>38,939,421</u>	<u>31,501,985</u>
	<u>\$ 39,632,322</u>	<u>32,275,234</u>

PINE TREE SOCIETY, INC.
STATEMENTS OF ACTIVITIES
YEARS ENDED DECEMBER 31, 2021 AND 2020

	Without donor restrictions	
	2021	2020
PUBLIC SUPPORT, PROGRAM SERVICES, AND REVENUE:		
Public support:		
Bequests	\$ 71,022	170,011
Donations and gifts	-	-
Special events	55,265	53,187
Mail campaigns and other support	446,395	550,056
Donated services	24,138	29,106
Donated equipment and other	11,591	9,059
Total public support	608,411	811,419
Program services:		
Interpreting services	1,695,191	1,484,636
Family and community support services	2,211,761	1,915,058
Pine Tree Camp recreational services, net of financial assistance	96,374	18,357
Speech, hearing, and assistive technology services	421,055	420,269
Early learning center	328,085	193,494
Other	108,388	44,137
Total program services	4,860,854	4,075,951
Revenue:		
Hearing aid and other product sales, net	471,241	518,335
Interest and dividends	429,452	367,134
Net realized and unrealized gain from investments	1,422,212	1,266,607
Change in value of beneficial interest in perpetual trusts and contributions receivable from remainder trusts	-	-
Gain upon debt extinguishment	1,040,138	1,039,232
Other	(2,254)	23,418
Total revenue	3,360,789	3,214,726
Net assets released by satisfaction of donor restrictions	852,667	570,572
Total public support, program services, and revenue	9,682,721	8,672,668
EXPENSES:		
Program services	7,298,537	7,372,617
Support services	761,974	766,841
Total expenses	8,060,511	8,139,458
Change in net assets	1,622,210	533,210
NET ASSETS AT BEGINNING OF YEAR	18,610,999	18,077,789
Net assets at end of year	\$ 20,233,209	18,610,999

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

With donor restrictions		Totals	
<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
4,394,000	385	4,465,022	170,396
857,911	463,572	857,911	463,572
108,456	107,673	163,721	160,860
-	-	446,395	550,056
-	-	24,138	29,106
-	-	11,591	9,059
<u>5,360,367</u>	<u>571,630</u>	<u>5,968,778</u>	<u>1,383,049</u>
-	-	1,695,191	1,484,636
-	-	2,211,761	1,915,058
-	-	96,374	18,357
-	-	421,055	420,269
-	-	328,085	193,494
-	-	108,388	44,137
-	-	<u>4,860,854</u>	<u>4,075,951</u>
-	-	471,241	518,335
109,159	70,912	538,611	438,046
658,367	624,583	2,080,579	1,891,190
540,000	678,000	540,000	678,000
-	-	1,040,138	1,039,232
-	-	(2,254)	23,418
1,307,526	1,373,495	4,668,315	4,588,221
(852,667)	(570,572)	-	-
<u>5,815,226</u>	<u>1,374,553</u>	<u>15,497,947</u>	<u>10,047,221</u>
-	-	7,298,537	7,372,617
-	-	761,974	766,841
-	-	8,060,511	8,139,458
5,815,226	1,374,553	7,437,436	1,907,763
<u>12,890,986</u>	<u>11,516,433</u>	<u>31,501,985</u>	<u>29,594,222</u>
<u>18,706,212</u>	<u>12,890,986</u>	<u>38,939,421</u>	<u>31,501,985</u>

PINE TREE SOCIETY, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2021

	Program services			<u>Total</u>
	<u>Client services</u>	<u>Public health education</u>	<u>Program enhancement</u>	
Salaries and wages	\$ 3,700,096	16,195	79,359	3,795,650
Benefits	684,730	2,580	8,842	696,152
Payroll taxes	265,450	1,080	5,345	271,875
Workers compensation	23,420	79	547	24,046
Insurance	59,268	62	27	59,357
Professional and contract fees	919,536	14,692	1,624	935,852
Travel	132,320	354	262	132,936
Materials and supplies	245,463	3,104	316	248,883
Telephone and internet	75,733	350	141	76,224
Postage	20,734	12,642	83	33,459
Occupancy	259,655	2,044	550	262,249
Software license fees	117,859	1,342	353	119,554
Printing	5,325	8,114	7	13,446
Advertising	3	419	506	928
Service provider taxes	65,074	-	-	65,074
Training and conferences	16,395	13	20	16,428
Fuel	23,487	30	41	23,558
Interest	8,579	92	126	8,797
Bad debts	70,653	(53)	(73)	70,527
Depreciation	387,954	386	213	388,553
Miscellaneous	46,744	8,041	204	54,989
	<u>\$ 7,128,478</u>	<u>71,566</u>	<u>98,493</u>	<u>7,298,537</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>	2021 Total <u>expenses</u>
251,964	30,879	127,823	410,666	4,206,316
36,029	4,678	15,239	55,946	752,098
16,946	1,949	12,308	31,203	303,078
1,658	181	790	2,629	26,675
356	20	5,638	6,014	65,371
38,537	11,841	51,011	101,389	1,037,241
4,463	964	1,522	6,949	139,885
6,593	2,036	4,487	13,116	261,999
2,936	213	986	4,135	80,359
20,149	2,163	3,816	26,128	59,587
8,975	472	7,737	17,184	279,433
10,561	1,374	570	12,505	132,059
13,798	2,564	4,811	21,173	34,619
2,026	23,211	57	25,294	26,222
-	-	-	-	65,074
109	8	46	163	16,591
175	39	-	214	23,772
544	121	-	665	9,462
11,984	(70)	-	11,914	82,441
1,432	200	158	1,790	390,343
<u>2,638</u>	<u>8,336</u>	<u>1,923</u>	<u>12,897</u>	<u>67,886</u>
<u>431,873</u>	<u>91,179</u>	<u>238,922</u>	<u>761,974</u>	<u>8,060,511</u>

PINE TREE SOCIETY, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2020

	Program services			
	<u>Client services</u>	<u>Public health education</u>	<u>Program enhancement</u>	<u>Total</u>
Salaries and wages	\$ 3,716,649	20,895	90,528	3,828,072
Benefits	1,010,203	7,945	23,940	1,042,088
Payroll taxes	249,432	1,566	7,356	258,354
Workers compensation	36,397	166	949	37,512
Insurance	72,631	38	35	72,704
Professional and contract fees	758,570	13,635	1,886	774,091
Travel	126,346	609	371	127,326
Materials and supplies	148,998	4,080	366	153,444
Telephone and internet	77,650	198	228	78,076
Postage	16,277	9,826	33	26,136
Occupancy	249,065	2,106	651	251,822
Software license fees	112,077	288	397	112,762
Printing	7,038	12,658	31	19,727
Advertising	2,618	556	1	3,175
Service provider taxes	50,491	-	-	50,491
Training and conferences	15,226	12	44	15,282
Fuel	14,307	12	19	14,338
Interest	11,294	142	214	11,650
Bad debts	76,008	170	257	76,435
Depreciation	385,457	759	796	387,012
Miscellaneous	24,493	7,539	88	32,120
	<u>\$ 7,161,227</u>	<u>83,200</u>	<u>128,190</u>	<u>7,372,617</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 <u>general</u>	<u>Total</u>	2020 Total <u>expenses</u>
212,735	42,148	168,016	422,899	4,250,971
51,357	5,746	31,101	88,204	1,130,292
15,267	1,421	11,211	27,899	286,253
2,125	368	1,807	4,300	41,812
266	26	4,165	4,457	77,161
27,839	29,212	29,576	86,627	860,718
4,202	701	459	5,362	132,688
7,364	4,327	1,522	13,213	166,657
2,279	224	593	3,096	81,172
16,734	2,331	2,289	21,354	47,490
8,454	636	6,734	15,824	267,646
12,432	1,335	325	14,092	126,854
18,982	2,749	1,647	23,378	43,105
1,857	13,244	871	15,972	19,147
-	-	-	-	50,491
132	39	253	424	15,706
55	18	-	73	14,411
624	206	-	830	12,480
750	247	-	997	77,432
2,582	766	59	3,407	390,419
<u>(1,321)</u>	<u>15,383</u>	<u>371</u>	<u>14,433</u>	<u>46,553</u>
<u>384,715</u>	<u>121,127</u>	<u>260,999</u>	<u>766,841</u>	<u>8,139,458</u>

PINE TREE SOCIETY, INC.
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
OPERATING ACTIVITIES:		
Change in net assets	\$ 7,437,436	1,907,763
Adjustments to reconcile change in net assets to net cash used by operating activities:		
Depreciation	390,343	390,419
Change in allowance for doubtful accounts and contractual allowance	15,500	15,000
Donation of equipment	(7,200)	(5,500)
Loss (gain) on disposal of property and equipment	2,255	(15,376)
Net realized and unrealized gain on investments	(2,080,579)	(1,891,190)
Change in value of beneficial interest in perpetual trusts and contributions receivable from remainder trusts	(705,000)	(678,000)
Paycheck Protection Program loan forgiveness income	(1,040,138)	(1,039,232)
Change in operating assets and liabilities:		
Accounts receivable	169,688	(121,367)
Contributions receivable	(4,374,426)	170,395
Grants receivable	(70,750)	-
Inventory	(22,984)	(9,835)
Prepaid expenses	(63,125)	(14,723)
Accounts payable	57,104	26,009
Accrued expenses	<u>(36,351)</u>	<u>(12,178)</u>
Net cash used by operating activities	<u>(328,227)</u>	<u>(1,277,815)</u>
INVESTING ACTIVITIES:		
Purchases of property and equipment	(668,911)	(338,028)
Proceeds from sale of equipment	324,693	18,700
Purchases of investments	(4,288,615)	(3,272,616)
Proceeds from sale of investments	<u>4,581,097</u>	<u>3,959,152</u>
Net cash (used) provided by investing activities	<u>(51,736)</u>	<u>367,208</u>
FINANCING ACTIVITIES:		
Repayments of long-term debt	(101,101)	(10,443)
Proceeds from Paycheck Protection Program loan	<u>1,040,138</u>	<u>1,039,232</u>
Net cash provided by financing activities	<u>939,037</u>	<u>1,028,789</u>
Increase in cash and cash equivalents	559,074	118,182
Cash and cash equivalents at beginning of year	<u>1,004,460</u>	<u>886,278</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 1,563,534</u>	<u>1,004,460</u>

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

PINE TREE SOCIETY, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of the Society - Pine Tree Society, Inc. (the Society) is a not-for-profit corporation, which provides services to children and adults with disabilities and to their families in Maine and other New England states. These services include recreational services through Pine Tree Camp, a year round camp and recreation center, audiology, American Sign Language interpreting for Maine's deaf community, Early Learning Center for children with special needs, child and adult case management, speech language services, assistive technology and community based support services for adults living with developmental disabilities. The Society also provides educational and health information regarding disabilities to raise public awareness.

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:

Net assets without donor restrictions - Net assets that are not subject to donor-imposed stipulations.

Net assets with donor restrictions - Some donor-imposed restrictions are temporary in nature and may be fulfilled by actions of the Society or by the passage of time. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. 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.

Grants and accounts receivable - Grants and 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. The Society also records a contractual allowance based on contractual rates with insurance companies. Contractual allowances are recorded as a reduction in revenue in the same period as the related sales. Substantially all trade accounts receivable are related to revenue from contracts with customers. Trade accounts receivable totaled \$590,555 at December 31, 2019.

NOTES TO FINANCIAL STATEMENTS, CONTINUED

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Contributions - Effective January 1, 2020, the Society adopted Accounting Standards Update 2018-08 (ASU 2018-08), *Not-for-Profit Entities* (Topic 958), which clarifies the accounting guidance for contributions. The Society applied Topic 958 using the retrospective approach; however, because adoption of the standard did not change the timing or amount of the Society's recognition of contributions, there was no adjustment required as part of the adoption of the new standard.

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. A discount was not recorded at both December 31, 2021 and 2020, as the amount was not material to the financial statements. 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 both December 31, 2021 and 2020, 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 net assets with donor restrictions class, and a reclassification to net assets without donor restrictions is made to reflect the expiration of such restrictions.

Inventory - Inventory primarily consists of hearing aids and other audiology equipment. 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. Cost is determined on an average cost method.

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 net assets with donor restrictions if the terms of the gift requires that they be added to the principal of a permanent endowment fund; as increases in net assets with donor restrictions 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 net assets without donor restrictions 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.

NOTES TO FINANCIAL STATEMENTS, CONTINUED

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

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.

Paycheck Protection Program loan - Paycheck Protection Program (PPP) loan proceeds are reported as a financial liability based on the terms of the note payable to the bank in accordance with FASB ASC Topic 470, *Debt*. The liability will be reduced, and a gain on extinguishment of the liability recognized, for partial or full forgiveness upon the Society's legal release from any portion of the loan. Any portion not forgiven is payable over two years at an interest rate of 1%, with payments to begin after receiving the Small Business Administration's forgiveness decision. The Society used the proceeds of each draw (PPP and PPP2) for purposes consistent with the CARES Act and recognized the full loan amounts and interest of \$5,832 for the first draw and \$6,738 for the second draw PPP loans during 2020 and 2021, respectively, as gain on debt extinguishment in the accompanying statement of activities. Full forgiveness of the loan and accrued interest of the first draw and second draw PPP loans was received in November 2020 and September 2021, respectively.

Revenue recognition - The Society derives its revenues primarily from providing services to clients and the sale of hearing aids and related accessories. Revenue is recognized at a point in time when services are performed or when control of the products are transferred to the customer, at the amount expected to be collected from the client or from third-party payers (private insurance or Mainecare). Pine Tree Camp fees are recognized when registrations are received. Campership discounts are based on the ability to pay and are recorded as a reduction in Pine Tree Camp revenue. Payment plans allow for the cost to be paid through the remaining calendar year. Any uncollected balance on outstanding amounts is applied to campership discounts at year end. Because Camp transactions occur within the financial statement reporting period, no adjustment is required under generally accepted accounting principles. The Society elected the practical expedient for sales tax collected, which allows the Society to exclude from the transaction price any amounts collected from customers for sales tax and other similar taxes. Incidental items that are immaterial in the context of the contract are recognized as expense. The Society does not have any significant financing components as payment is received at or shortly after the services are performed.

PINE TREE SOCIETY, INC.

NOTES TO FINANCIAL STATEMENTS, CONTINUED

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

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. Expenses related to facilities, such as depreciation, occupancy, as well as property and general liability insurance are allocated based on the square footage attributed to the program or support function. Information technology related expenses, including salaries are allocated based on the number of devices that are used by a program or support function. The Society allocates the expenses of the Human Resources administrative function, including salaries, based on the amount of direct salaries incurred by program and support function. The operating expenses incurred by a program or support function are the basis for allocating other general and administrative expenses.

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.

Reclassifications - The financial statement presentation for 2020 has been changed to conform with the 2021 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, 2021, through May 23, 2022, 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. LIQUIDITY AND AVAILABILITY

The Society's financial assets available within one year of the balance sheet date for general expenditure are as follows:

	<u>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ 1,563,534	1,004,460
Accounts receivable, net	511,734	696,922
Grants receivable	70,750	-
Current portion of pledges receivable	4,438,681	90,255
Less amounts restricted by donors for specific purposes	(467,037)	(301,539)
Endowment appropriation for current use	<u>1,068,303</u>	<u>781,853</u>
Financial assets available within one year of balance sheet date for general expenditures	<u>\$ 7,185,965</u>	<u>2,271,951</u>

NOTES TO FINANCIAL STATEMENTS, CONTINUED

2. LIQUIDITY AND AVAILABILITY, CONTINUED

The Society's endowment funds consist of donor-restricted endowments and a quasi-endowment. As more fully described in Note 13, the endowment has a total spending rate of 5%. Amounts appropriated from either the donor-restricted endowment or quasi-endowment for general expenditures with one year of the balance sheet date have been included as available.

As part of the Society's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. To help managed unanticipated liquidity needs, the Society has a committed line of credit in the amount of \$400,000, as more fully described in Note 10, which the Society could draw upon in the event of an unanticipated liquidity need. Although the Society does not intend to spend from its quasi-endowment other than amounts appropriated for general expenditures as part of its annual budget approval and appropriation process, amounts from its quasi-endowment could be made available, if necessary.

3. CONTRIBUTIONS RECEIVABLE

Contributions receivable consist of the following:

	<u>2021</u>	<u>2020</u>
Receivable in less than one year (current)	\$ 4,438,681	90,255
Receivable in one to five years (long-term)	<u>40,000</u>	<u>14,000</u>
Total contributions receivable	<u>\$ 4,478,681</u>	<u>104,255</u>

4. 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.

5. ASSET HELD FOR SALE

During 2020, the Society listed for sale an underutilized building and related land located at 368 Minot Ave, in Auburn, ME. On April 2, 2021, the Society sold the property. Proceeds, net of selling expenses, were \$324,693. The book value of the property at the time of sale was \$326,948, resulting in a loss on disposition of \$2,255. In 2021, a portion of the proceeds were used to pay off a mortgage loan held by Bath Savings Institution on the Society's property at 589 Minot Ave in Auburn, ME. The remaining proceeds were reinvested in property and equipment.

PINE TREE SOCIETY, INC.

NOTES TO FINANCIAL STATEMENTS, CONTINUED

6. INVESTMENTS

The composition of investments is as follows:

	<u>2021</u>		<u>2020</u>	
	<u>Cost</u>	<u>Fair value</u>	<u>Cost</u>	<u>Fair value</u>
Cash and cash equivalents	\$ 716,934	716,934	981,132	981,132
Equities funds	7,725,211	13,714,492	7,966,597	12,699,479
Bond funds	2,702,487	2,733,215	1,888,138	1,988,411
Alternative funds	194,855	167,290	191,755	152,672
Fixed income	<u>1,016,484</u>	<u>1,012,840</u>	<u>712,863</u>	<u>734,980</u>
	<u>\$ 12,355,971</u>	<u>18,344,771</u>	<u>11,740,485</u>	<u>16,556,674</u>

The change in fair value consists of the following:

	<u>2021</u>	<u>2020</u>
Fair value, beginning of year	\$ <u>16,556,674</u>	<u>15,352,020</u>
Contributions	22,973	38,529
Transfers in	170,437	40,000
Interest and dividends	370,193	248,893
Custodial fees	(50,150)	(36,740)
Net realized and unrealized gains	2,080,579	1,891,190
Withdrawals	<u>(805,935)</u>	<u>(977,218)</u>
	<u>1,788,097</u>	<u>1,204,654</u>
Fair value, end of year	\$ <u>18,344,771</u>	<u>16,556,674</u>

7. 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 net assets with donor restrictions based on stipulations in the gift instruments. The fair value of the beneficial interest in perpetual trusts was approximately \$5,867,000 and \$5,412,000 at December 31, 2021 and 2020, respectively.

NOTES TO FINANCIAL STATEMENTS, CONTINUED

8. 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 net assets with donor restrictions based on stipulations in the gift instruments. The approximate present value of the future payments is calculated using discount rates from 1.26% to 1.90% and applicable mortality tables, which was approximately \$1,880,000 and \$1,630,000 as of December 31, 2021 and 2020, respectively.

9. 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 five to twenty years, based on life expectancy of the income beneficiary, discounted at the applicable federal rate for the periods ended December 31, 2021 and 2020.

PINE TREE SOCIETY, INC.

NOTES TO FINANCIAL STATEMENTS, CONTINUED

9. FAIR VALUE MEASUREMENTS, CONTINUED

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, 2021 and 2020, 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, 2021 and 2020, is based on the Society's capital account balance adjusted for performance allocation.

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

	<u>Totals</u>	Fair value measurements at reporting date using:		
		Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
December 31, 2021:				
Investments	\$ 18,344,771	18,177,481	-	167,290
Beneficial interest in perpetual trusts	5,867,000	-	-	5,867,000
Contributions receivable from remainder trusts	<u>1,880,000</u>	<u>-</u>	<u>-</u>	<u>1,880,000</u>
	<u>\$ 26,091,771</u>	<u>18,177,481</u>	<u>-</u>	<u>7,914,290</u>
December 31, 2020:				
Investments	\$ 16,556,674	16,404,002	-	152,672
Beneficial interest in perpetual trusts	5,412,000	-	-	5,412,000
Contributions receivable from remainder trusts	<u>1,630,000</u>	<u>-</u>	<u>-</u>	<u>1,630,000</u>
	<u>\$ 23,598,674</u>	<u>16,404,002</u>	<u>-</u>	<u>7,194,672</u>

PINE TREE SOCIETY, INC.

NOTES TO FINANCIAL STATEMENTS, CONTINUED

9. FAIR VALUE MEASUREMENTS, CONTINUED

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, 2021:				
Balance at beginning of year	\$ 152,672	5,412,000	1,630,000	7,194,672
Contributions received	-	-	165,000	165,000
Net realized and unrealized gain, interest and dividends, net	20,080	-	-	20,080
Change in value of beneficial interests in perpetual trusts and contributions receivable from remainder trusts	-	455,000	85,000	540,000
Distributions	<u>(5,462)</u>	<u>-</u>	<u>-</u>	<u>(5,462)</u>
Balance at end of year	<u>\$ 167,290</u>	<u>5,867,000</u>	<u>1,880,000</u>	<u>7,914,290</u>
December 31, 2020:				
Balance at beginning of year	\$ 166,086	5,006,000	1,358,000	6,530,086
Net realized and unrealized gain, interest and dividends, net	(10,993)	-	-	(10,993)
Change in value of beneficial interests in perpetual trusts and contributions receivable from remainder trusts	-	406,000	272,000	678,000
Distributions	<u>(2,421)</u>	<u>-</u>	<u>-</u>	<u>(2,421)</u>
Balance at end of year	<u>\$ 152,672</u>	<u>5,412,000</u>	<u>1,630,000</u>	<u>7,194,672</u>

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

PINE TREE SOCIETY, INC.

NOTES TO FINANCIAL STATEMENTS, CONTINUED

10. 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 *Wall Street Journal* prime rate, 3.25% at December 31, 2021. The line is secured by all business assets of the Society with a carrying value of \$39,632,322 at December 31, 2021. No amounts were outstanding on the line at both December 31, 2021 and 2020.

11. LONG-TERM DEBT

Long-term debt consists of the following:

	<u>2021</u>	<u>2020</u>
Note payable to Bath Savings Institution due in monthly installments of \$1,341, including interest at 5.25%. Note was paid in full in 2021.	\$ -	101,101
	-	101,101
Less current portion	-	11,049
Net long-term debt	<u>\$ -</u>	<u>90,052</u>

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

12. RESTRICTIONS ON USE OF NET ASSETS

Net assets with donor restrictions are for the following purposes:

	<u>Temporarily restricted</u>	<u>Investment in perpetuity - only income expendable</u>	<u>Beneficial interest in perpetual trusts and contributions receivable from remainder trusts - only receipts expendable</u>	<u>Total net assets with donor restrictions</u>
December 31, 2021:				
Net assets subject to purpose restriction:				
Any activities of the Society	\$ 1,919,715	1,807,180	7,441,000	11,167,895
Program services	94,056	-	-	94,056
Pine Tree Camp operations	524,255	1,251,954	190,000	1,966,209
Pine Tree Camp capital expenditures	345,910	-	-	345,910
Scholarships	<u>553,744</u>	<u>138,398</u>	<u>116,000</u>	<u>808,142</u>
	<u>3,437,680</u>	<u>3,197,532</u>	<u>7,747,000</u>	<u>14,382,212</u>
Net assets subject to time restriction:				
Contributions receivable	<u>4,324,000</u>	<u>-</u>	<u>-</u>	<u>4,324,000</u>
	<u>\$ 7,761,680</u>	<u>3,197,532</u>	<u>7,747,000</u>	<u>18,706,212</u>
December 30, 2020:				
Net assets subject to purpose restriction:				
Any activities of the Society	\$ 1,524,028	1,807,180	6,758,000	10,089,208
Program services	110,489	-	-	110,489
Pine Tree Camp operations	414,239	1,251,954	177,000	1,843,193
Pine Tree Camp capital expenditures	169,783	-	-	169,783
Scholarships	<u>432,915</u>	<u>138,398</u>	<u>107,000</u>	<u>678,313</u>
	<u>\$ 2,651,454</u>	<u>3,197,532</u>	<u>7,042,000</u>	<u>12,890,986</u>

NOTES TO FINANCIAL STATEMENTS, CONTINUED

13. ENDOWMENT FUNDS

The Society is subject to the Maine Uniform Prudent Management of Institutional Funds Act (UPMIFA) and, thus classified amounts in its donor-restricted endowment funds as net assets with donor restrictions because those net assets are time restricted until the Board of Directors appropriates such amounts for expenditure. Most of those net assets also are subject to purpose restrictions that must be met before reclassifying those net assets to net assets without donor restrictions.

The Board of Directors of the Society has interpreted UPMIFA as not requiring the maintenance of purchasing power of the original gift amount contributed to an endowment fund, unless a donor stipulates the contrary. As a result of this interpretation, when reviewing its donor-restricted endowment funds, the Society considers a fund to be underwater if the fair value of the fund is less than the sum of (a) the original value of initial and subsequent gifts amounts donated to the fund and (b) any accumulations to the fund that are required to be maintained in perpetuity in accordance with the direction of the applicable donor gift instrument. The Society has interpreted UPMIFA to permit spending from underwater funds in accordance with the prudent measures required under the law. No funds were underwater at December 31, 2021 and 2020.

Additionally, 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 funds; the purposes of the Society and the 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.

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 discretionary purposes, subject to annual appropriation. Any changes made to the spending policy are subject to approval by the Board of Directors. The Board approved investment spending of 5% in 2021.

PINE TREE SOCIETY, INC.

NOTES TO FINANCIAL STATEMENTS, CONTINUED

13. ENDOWMENT FUNDS, CONTINUED

Spending Policy, continued - In 2020, the Board of Directors approved a total withdrawal from investments of 7% to ensure sufficient liquidity during the COVID-19 pandemic. 4% was appropriated from the Society's temporarily restricted endowment excluding endowment for scholarships. No withdrawal was taken for scholarships as Pine Tree Camp did not operate as a summer overnight camp due to the pandemic. The remaining funds in excess of the 4% withdrawal were taken from board designated endowment which is unrestricted as to use.

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

	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>Total</u>
December 31, 2021:			
Board designated endowment funds	\$ 12,176,596	-	12,176,596
Donor restricted endowment funds:			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	-	3,197,532	3,197,532
Accumulated investment gains	<u>-</u>	<u>2,970,643</u>	<u>2,970,643</u>
Total endowment funds	<u>\$ 12,176,596</u>	<u>6,168,175</u>	<u>18,344,771</u>
	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>Total</u>
December 30, 2020:			
Board designated endowment funds	\$ 11,009,227	-	11,009,227
Donor restricted endowment funds:			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	-	3,197,532	3,197,532
Accumulated investment gains	<u>-</u>	<u>2,349,915</u>	<u>2,349,915</u>
Total endowment funds	<u>\$ 11,009,227</u>	<u>5,547,447</u>	<u>16,556,674</u>

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

13. ENDOWMENT FUNDS, CONTINUED

Changes in endowment net assets are as follows:

December 31, 2021:

Endowment net assets, beginning of year	\$ 11,009,227	5,547,447	16,556,674
Investment return, net	1,638,875	761,747	2,400,622
Contributions	22,973	-	22,973
Transfers to endowment	170,437	-	170,437
Appropriation of endowment assets for expenditure	<u>(664,916)</u>	<u>(141,019)</u>	<u>(805,935)</u>
Endowment net assets, end of year	<u>\$ 12,176,596</u>	<u>6,168,175</u>	<u>18,344,771</u>

December 30, 2020:

Endowment net assets, beginning of year	\$ 10,403,467	4,948,553	15,352,020
Investment return, net	1,413,372	689,971	2,103,343
Contributions	38,529	40,000	78,529
Appropriation of endowment assets for expenditure	<u>(846,141)</u>	<u>(131,077)</u>	<u>(977,218)</u>
Endowment net assets, end of year	<u>\$ 11,009,227</u>	<u>5,547,447</u>	<u>16,556,674</u>

Description of amounts classified as net assets with donor restrictions (endowment only) are as follows:

	<u>2021</u>	<u>2020</u>
Net assets with donor restrictions:		
Original donor-restricted endowment gift amount and amounts required to be retained by donor	<u>\$ 3,197,532</u>	<u>3,197,532</u>
Accumulated investment gains on endowment funds:		
Without purpose restrictions	1,902,853	1,545,890
With purpose restrictions	<u>1,067,790</u>	<u>804,025</u>
Total endowment funds classified as net assets with donor restrictions	<u>\$ 6,168,175</u>	<u>5,547,447</u>

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

14. HEARING AID AND OTHER PRODUCT SALES

The components of hearing aid and other product sales are as follows:

	<u>2021</u>	<u>2020</u>
Hearing aid & other products revenue	\$ 888,965	816,896
Less: cost of goods sold	<u>(417,724)</u>	<u>(298,561)</u>
Hearing aid and other product sales, net	<u>\$ 471,241</u>	<u>518,335</u>

15. LEASES

The Society leases property under operating leases expiring in November 2022 and September 2023. Monthly lease payments total \$11,913 with various provisions for increases. Rental expense was \$182,638 and \$179,670 for the years ended December 31, 2021 and 2020, respectively. The Society is responsible for insurance, repairs, and taxes on the property. Minimum rental commitments are as follows:

	<u>Location</u>		
	<u>Bath</u>	<u>Scarborough</u>	<u>Total</u>
December 31, 2022	\$ 46,559	92,852	139,411
December 31, 2023	<u>-</u>	<u>71,194</u>	<u>71,194</u>
	<u>\$ 46,559</u>	<u>164,046</u>	<u>210,605</u>

16. 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 \$53,308 and \$55,905 for the years ended December 31, 2021 and 2020, respectively. Discretionary employer contributions totaled \$105,357 and \$97,567 for the years ended December 31, 2021 and 2020, respectively.

PINE TREE SOCIETY, INC.

NOTES TO FINANCIAL STATEMENTS, CONTINUED

17. 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>2021</u>	<u>2020</u>
Fundraising	\$ 67,752	66,004
Public health education	<u>47,069</u>	<u>47,503</u>
Total joint costs	<u>\$ 114,821</u>	<u>113,507</u>

18. UNCERTAIN BUSINESS CONDITIONS

The coronavirus pandemic and efforts to mitigate the disease's effects continue to disrupt the global economy. The future effects on the financial position, results of operations, and cash flows of the Society are indeterminable; however, management continues to monitor developments.

19. SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

	<u>2021</u>	<u>2020</u>
Cash paid for interest	<u>\$ 2,723</u>	<u>6,647</u>