

BARNSTABLE LAND TRUST, INC.

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INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Barnstable Land Trust, Inc.
P.O. Box 224
Cotuit, Massachusetts

We have audited the accompanying statement of financial position of Barnstable Land Trust, Inc. (a non-profit organization) as of December 31, 2008 and the related statement of activities and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the statement of financial position of the Barnstable Land Trust, Inc. as of December 31, 2008 and the results of its operations for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was conducted for the purposes of forming an opinion on the financial statements taken as a whole. The schedule of functional expenses included on Page 11 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

DePaola Begg & Assoc. P.C.

Hyannis, Massachusetts
September 18, 2009

BARNSTABLE LAND TRUST, INC.

STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2008

ASSETS

CURRENT ASSETS:

| | |
|---------------------------------|---------------|
| Cash | \$ 611,103 |
| Investments, at market (Note 3) | 460,097 |
| Donations receivable/advances | <u>32,500</u> |

Total Current Assets 1,103,700

FIXED ASSETS: (Note 1)

| | |
|-------------------------------|-----------------|
| Software | 977 |
| Equipment | 17,355 |
| Less accumulated depreciation | <u>(14,835)</u> |

Total Fixed Assets 3,497

OTHER ASSETS:

| | |
|----------------|----------------|
| Land | 21,954,104 |
| Deposit – land | <u>500,000</u> |

Total Other Assets 22,454,104

TOTAL ASSETS \$23,561,301

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES:

| | |
|------------------|----------------|
| Accounts payable | \$ 3,455 |
| Accrued payroll | 1,925 |
| Note payable | <u>100,000</u> |

Total Current Liabilities 105,380

NET ASSETS:

| | |
|-------------------------------|-------------------|
| Unrestricted assets | 912,767 |
| Temporarily restricted assets | 309,050 |
| Permanently restricted assets | <u>22,234,104</u> |

Total Net Assets 23,455,921

TOTAL LIABILITIES AND NET ASSETS \$23,561,301

(The accompanying notes are an integral part of these financial statements)

BARNSTABLE LAND TRUST, INC.

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED DECEMBER 31, 2008

| | <u>Unrestricted</u> | <u>Temporarily Restricted</u> | <u>Permanently Restricted</u> | <u>Total</u> |
|---|---------------------|-----------------------------------|-----------------------------------|---------------------|
| REVENUES, GAIN AND OTHER SUPPORT: | | | | |
| Contributions and grants | \$249,875 | \$ 40,713 | \$973,080 | \$1,263,668 |
| Memberships | 114,446 | - | - | 114,446 |
| Special events | 81,947 | - | - | 81,947 |
| Interest and dividend | 31,248 | - | - | 31,248 |
| Realized gain/losses | (56,225) | - | - | (56,225) |
| Unrealized gain/losses | <u>(42,233)</u> | <u>-</u> | <u>-</u> | <u>(42,233)</u> |
| Total Revenues, Gain and Other Support | <u>379,058</u> | <u>40,713</u> | <u>973,080</u> | <u>1,392,851</u> |
| EXPENSES: | | | | |
| Program | 147,319 | - | - | 147,319 |
| General and administrative | 127,591 | - | - | 127,591 |
| Fundraising | <u>68,266</u> | <u>-</u> | <u>-</u> | <u>68,266</u> |
| Total Expenses | <u>343,176</u> | <u>-</u> | <u>-</u> | <u>343,176</u> |
| CHANGES IN NET ASSETS | 35,882 | 40,713 | 973,080 | 1,049,675 |
| NET ASSETS – BEGINNING OF YEAR (NOTE 11) | <u>876,885</u> | <u>268,337</u> | <u>21,261,024</u> | <u>22,406,246</u> |
| NET ASSETS – END OF YEAR | <u>\$912,767</u> | <u>\$309,050</u> | <u>\$22,234,104</u> | <u>\$23,455,921</u> |

(The accompanying notes are an integral part of these financial statements)

BARNSTABLE LAND TRUST, INC.

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2008

| | |
|--|-------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES: | |
| Excess of revenues over expenses | \$1,049,675 |
| Non-cash expenses – depreciation | 3,508 |
| Decrease in investments | 209,507 |
| (Increase) in other assets – land | (1,352,333) |
| Decrease in donations receivable/advances | 49,618 |
| (Decrease) in accounts payable/accrued payroll | <u>(15,428)</u> |
| Net Cash (Used) by Operating Activities | <u>(55,453)</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES: | |
| Additions to equipment | <u>(4,269)</u> |
| Net Cash (Used) in Investing Activities | <u>(4,269)</u> |
| CASH FLOWS FROM FINANCING ACTIVITIES: | |
| Increase/(decrease) in debt | <u>100,000</u> |
| Net Cash (Used) in Financing Activities | <u>100,000</u> |
| INCREASE IN CASH | 40,278 |
| CASH - BEGINNING OF YEAR | <u>570,825</u> |
| CASH – END OF YEAR | <u>\$ 611,103</u> |

(The accompanying notes are an integral part of these financial statements)

BARNSTABLE LAND TRUST, INC.

NOTES TO FINANCIAL STATEMENT

DECEMBER 31, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities - The Barnstable Land Trust, Inc. has been established to manage and preserve conservation land in the town of Barnstable. The Organization is a non-profit Massachusetts corporation established on September 8, 1983 and is exempt from income tax under Section 501 (c) (3) of the Internal Revenue Code. The Organization conducts its business from an office located in Hyannis, Massachusetts.

Basis of Accounting - The Organization's policy is to prepare its financial statements on the accrual basis of accounting, in accordance with generally accepted accounting principles.

Basis of Presentation - Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, Financial Statements of Not-for-Profit Organizations. Under SFAS No. 117, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets; temporarily restricted net assets; and permanently restricted net assets.

Cash and Cash Equivalents - For the purposes of the statement of cash flows, the Organization considers checking accounts, saving accounts, money market instruments and all highly liquid debt instruments with an original maturity of three months or less to be cash and cash equivalents.

Investments - The Organization adopted the provisions of Statement of Financial Accounting Standards No. 124 "Accounting for Certain Investments Held By Not-For-Profit Organizations" (SFAS No. 124). In accordance with this statement, investments in equity securities with readily determinable fair values and all investments in debt securities be reported at fair value with gains and losses included in a statement of revenues collected, expenses paid and net assets. SFAS No. 124 also establishes standards for reporting losses on investments held because of a donor's stipulation to invest a gift in perpetuity or for a specified term.

This statement enhances comparability by eliminating the inconsistencies for reporting carry amounts of securities and eliminates the subjectivity of accounting based on management's intent.

The value assigned to investments received by gift is the market value at the date of donation.

BARNSTABLE LAND TRUST, INC.

NOTES TO FINANCIAL STATEMENT

DECEMBER 31, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contributions - The Trust also adopted SFAS No. 116, Accounting for Contributions Received and Contributions Made, effective January 1, 1998. In accordance with SFAS No. 116, contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence or nature of any donor restrictions. As permitted by SFAS No. 116, the Trust has applied the provisions of this new statement with no cumulative effect of the change. Under SFAS No. 116, such contributions are required to be reported as temporarily restricted support and are then reclassified to unrestricted net assets upon expiration of the donor restrictions.

Recognition of Donor Restricted Contributions - Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets depending on the nature of the restriction. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

Financial Statement Presentation - As of December 31, 1997, the Trust adopted Statement of Financial Accounting Standards (SFAS) No. 117, Financial Statements of Not-For-Profit Organizations. Under SFAS No. 117, the Trust is required to report information regarding its financial position and activities according to three classes of net assets; unrestricted net assets; temporarily restricted net assets; and permanently restricted net assets. In addition, the Trust is required to present a statement of cash flows. As permitted by this statement, the Trust has discontinued its use of fund accounting and has, accordingly, reclassified its financial statements to present the three classes of net assets required.

Fixed Assets - Fixed assets are recorded at cost. Expenditures for maintenance and repairs are charged against operations. The Organization provides for depreciation by charges to expenses, which are sufficient to write off the cost of assets over their estimated useful lives as follows:

| <u>Classification</u> | <u>Life</u> | <u>Method</u> |
|-----------------------|-------------|---|
| Equipment | 5 years | Modified accelerated cost recovery system |
| Software | 3 years | Straight-line |

Depreciation expense for the year ended December 31, 2008 was \$3,508.

BARNSTABLE LAND TRUST, INC.

NOTES TO FINANCIAL STATEMENT

DECEMBER 31, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Land - Donated land is recorded at appraised value if an appraisal has been done on the property. The town's assessed value is used if an appraisal is not available. Purchased land is recorded at cost of purchase. Donated conservation easement rights are recorded at zero since they are merely rights versus ownership and any related costs are expensed as incurred.

Conservation Easements - The Organization expenses conservation restrictions when purchased. Donated conservation restrictions are recorded at zero because rights have no development or investment value.

Income Taxes - Barnstable Land Trust, Inc. is a not-for-profit organization exempt from income taxes under title provision of Internal Revenue Code, Section 501 (c) (3).

Uses of Estimates - The preparation of financial statements in conformity with the accrual basis of accounting requires the use of estimates based on management's knowledge and experience. Actual results could vary from those estimates.

NOTE 2 - DESIGNATED FUNDS AND NET ASSETS

Permanently Restricted Net Assets - The \$22,234,104 of permanently restricted net assets consists of (a) \$21,954,104 of land that was either donated to or purchased by the Organization and was either permanently restricted at the donors' request or purchased with funds raised from donors' who designated funds to be used for land purchases, and (b) \$280,000 of permanently restricted funds put in escrow before December 31, 2008 to purchase a parcel of land.

Temporarily Restricted Net Assets - The Land Management Fund is a temporarily restricted fund that was established through gifts from land donors. The Land Management Fund may only be used all or in part to (a) defend a conservation restriction, (b) manage and maintain land entrusted to Barnstable Land Trust's care. Earnings from this fund are unrestricted and may be utilized by the Board at its discretion. The fund is principally invested in mutual funds, money market funds, and certificates of deposits.

Unrestricted Net Assets - Included in unrestricted net assets are the following funds:

(a) The Green Fund is an unrestricted fund for land purchase and preservation. It was established through Board designated funds and donations to provide funds to be used at the Board's discretion. The fund balance and earnings from this fund are unrestricted and may be utilized by the Board at its discretion. This fund is principally invested in money market and certificates of deposit.

BARNSTABLE LAND TRUST, INC.

NOTES TO FINANCIAL STATEMENT

DECEMBER 31, 2008

NOTE 2 - DESIGNATED FUNDS AND NET ASSETS (CONTINUED)

(b) The Endowment Fund is an unrestricted fund for operations, land preservation, and land management. It was established through Board designated funds and donations to provide funds to be used at the Board's discretion. Earnings from this fund are considered unrestricted and may be utilized by the Board at its discretion. The fund is principally invested in mutual funds, money market funds, and certificates of deposits.

NOTE 3 - INVESTMENTS

The Organization has invested donations of cash into various investment accounts at Banknorth Investment Group. The investments are composed of marketable securities and Mutual Funds. The investments are carried at fair market value and consist of the following as of December 31, 2008:

| | <u>Cost</u> | <u>Fair Market Value</u> |
|------------------------|-------------------|--------------------------|
| Certificate of Deposit | \$ 200,000 | \$ 200,000 |
| Equity Securities | <u>294,026</u> | <u>260,097</u> |
| TOTAL | <u>\$ 494,026</u> | <u>\$460,097</u> |

NOTE 4 - RENT

The Trust leases office space in Hyannis, Massachusetts. The term of the lease is 3 years with two options to renew the lease for an additional 3 years each. Rent paid for the years ended December 31, 2008 was \$13,930. The Trust lease expired in 2005 and no formal agreement was obtained to extend. In the interim, the Trust continues to pay according to the terms of the expired lease agreement. The Trust is actively working to obtain a new written lease.

NOTE 5 - OFF BALANCE-SHEET RISK AND CONCENTRATIONS CREDIT RISK

In March 1990, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No.105, Disclosure of Information about Financial Instruments with Off Balance-Sheet Risk and Financials with Concentrations of Credit Risk. The pronouncement requires disclosure of information about financial instruments for which risk could exceed amounts reflected in the financial statements and information about significant geographic, industry, or other concentrations of credit risk for all financial instruments.

BARNSTABLE LAND TRUST, INC.

NOTES TO FINANCIAL STATEMENT

DECEMBER 31, 2008

NOTE 5 - OFF BALANCE-SHEET RISK AND CONCENTRATIONS CREDIT RISK
(CONTINUED)

The Organization maintains bank accounts at three financial institutions. Accounts at all institutions are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. Accounts at one institution are additionally insured without limit by the Depositors Insurance Fund as well as the FDIC. Cash on deposit at the institutions exceeded the federally insured limits at certain times during the year. At December 31, 2008, there were accounts with \$180,792 in excess of insured limits.

NOTE 6 - RELATED PARTY TRANSACTIONS

The Trust engages a law firm for certain legal consultation and representation and a former board member is a partner of the firm. No fees were expended for any legal services in the year ended December 31, 2008.

NOTE 7 - DONATED SERVICES AND MATERIALS

The Trust receives donated services from a variety of volunteers assisting the Trust. The value of these donated services is not reflected in the accompanying financial statements since the volunteer's time does not meet the criteria for accounting recognition.

NOTE 8 - FUND AGREEMENT

During the fiscal year ended December 31, 2003, the Trust entered into an organizational agreement with the Community Foundation of Cape Cod (Foundation) creating an agency fund with the Foundation in the name of the Trust. The Foundation acts as an agent and is responsible for the oversight of the fund for which it receives a fee for administrative expenses. The Trust can accumulate or distribute income earned annually and may withdraw any or all of the funds upon written notification to the Foundation. The Fund was started with an initial contribution by the Trust in the amount of \$10,000 and has a market value of \$9,024 as of December 31, 2008. The purpose of the Fund is to provide annual support to the Trust to further its charitable endeavors.

BARNSTABLE LAND TRUST, INC.

NOTES TO FINANCIAL STATEMENT

DECEMBER 31, 2008

NOTE 9 - DEPRECIATION METHOD

The Trust depreciates fixed assets using accelerated methods. Generally accepted accounting principles require fixed assets to be depreciated over their useful life. The effect of this departure as of December 31, 2008, is not material to the financial statements taken as a whole.

NOTE 10 - ADVERTISING

The Trust charges recurring advertising charges to current expenses. Expenditures for advertising costs which benefit future periods are amortized in the future periods.

NOTE 11 - NET ASSETS – RESTATEMENT

Net assets at the beginning of the year have been restated to correct a prior period error. A prior year land acquisition consisted of a purchase and a donation and the latter portion was not properly recorded as a land asset and as additional permanently restricted net assets so this has been corrected.

BARNSTABLE LAND TRUST, INC.

SCHEDULE OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED DECEMBER 31, 2008

| | <u>Program Service</u> | <u>Management & General</u> | <u>Fund Raising</u> | <u>Total</u> |
|------------------------------|----------------------------|-------------------------------------|-------------------------|------------------|
| FUNCTIONAL EXPENSES: | | | | |
| Salaries | \$ 62,162 | \$ 62,162 | \$ 53,281 | \$177,605 |
| Payroll taxes | 5,450 | 5,450 | 4,672 | 15,572 |
| Accounting & consulting fees | - | 22,805 | - | 22,805 |
| Bad debt expense | - | 4,275 | - | 4,275 |
| Supplies | 2,701 | 2,701 | 1,351 | 6,753 |
| Telephone | 1,434 | 1,434 | 717 | 3,585 |
| Postage and shipping | 332 | 332 | 166 | 830 |
| Rent | - | 13,930 | - | 13,930 |
| Printing and publications | 588 | 588 | 294 | 1,470 |
| Membership | 6,690 | - | 6,690 | 13,380 |
| Depreciation | - | 3,508 | - | 3,508 |
| Operating expenses | 2,190 | 2,190 | 1,095 | 5,475 |
| Land acquisition costs | 16,308 | - | - | 16,308 |
| Insurance | - | 6,977 | - | 6,977 |
| Investment management fees | - | 1,239 | - | 1,239 |
| Special projects and events | 27,787 | - | - | 27,787 |
| Conservation restrictions | 17,390 | - | - | 17,390 |
| Land management costs | <u>4,287</u> | <u>-</u> | <u>-</u> | <u>4,287</u> |
| TOTAL | <u>\$147,319</u> | <u>\$127,591</u> | <u>\$68,266</u> | <u>\$343,176</u> |