

**COASTAL MAINE
BOTANICAL GARDENS, INC**

FINANCIAL STATEMENTS

December 31, 2010

With Independent Auditors' Report

COASTAL MAINE BOTANICAL GARDENS, INC.

December 31, 2010

TABLE OF CONTENTS

	Page
INDEPENDENT AUDITORS' REPORT	1
Financial Statements	
Statement of Financial Position	2
Statement of Activities	3
Statement of Functional Expenses	4
Statement of Cash Flows	5
Notes to Financial Statements	6-13

Efs Edwards, Faust & Smith

Certified Public Accountants

716 Union Street, Bangor ME 04401-3156

207-947-4575 / FAX 947-7892

www.efscpa.com

INDEPENDENT AUDITORS' REPORT

The Board of Directors
Coastal Maine Botanical Gardens, Inc.

We have audited the accompanying statement of financial position of Coastal Maine Botanical Gardens, Inc. (a non-profit organization) as of December 31, 2010, and the related statements of activities and functional expenses and cash flows for the year then ended. These financial statements are the responsibility of the Coastal Maine Botanical Gardens' management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior-year summarized comparative information has been derived from the Organization's 2009 financial statements, and in our report dated May 5, 2010, we expressed an unqualified opinion on those financial statements.

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 the significant estimates made by management, as well as evaluating the overall financial statement 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 financial position of Coastal Maine Botanical Gardens, Inc. as of December 31, 2010, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Edwards, Faust + Smith

May 5, 2011

Coastal Maine Botanical Gardens, Inc.

Statement of Financial Position

December 31, 2010
(With Comparative Totals for 2009)

	2010	2009
ASSETS		
Cash and cash equivalents		
Operating	\$ 1,334,658	\$ 78,449
Board designated		33,551
Accounts receivable	50,690	13,808
Prepaid expenses and other current assets	11,274	9,050
Inventory	36,417	38,772
Current portion of pledges and grants receivable	1,439,701	1,493,545
Current assets	2,872,740	1,667,175
Investments	1,860,397	1,062,353
Pledges and grants receivable, less current portion	1,535,399	740,893
Property and equipment	13,237,348	11,222,502
Other assets	146,742	139,920
Noncurrent assets	16,779,886	13,165,668
Total assets	\$ 19,652,626	\$ 14,832,843
LIABILITIES		
Accounts payable	\$ 275,587	\$ 112,023
Accrued expenses	93,374	68,193
Deferred revenue	16,000	2,500
Current liabilities	384,961	182,716
Liability for charitable gift annuities	55,714	56,638
Borrowing under line of credit	1,377,306	1,303,010
Long term liabilities	1,433,020	1,359,648
Total liabilities	1,817,981	1,542,364
NET ASSETS		
Unrestricted		
Undesignated	11,859,789	9,472,159
Board designated	75,966	67,060
Total unrestricted net assets	11,935,755	9,539,219
Temporarily restricted net assets	4,184,960	2,250,889
Permanently restricted net assets	1,713,930	1,500,371
Total net assets	17,834,645	13,290,479
Total liabilities and net assets	\$ 19,652,626	\$ 14,832,843

See notes to financial statements

Coastal Maine Botanical Gardens, Inc.

Statement of Activities

Year Ended December 31, 2010
(With Comparative Totals for 2009)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Totals</u>	
				<u>2010</u>	<u>2009</u>
Revenue and other support					
Capital campaign contributions and grants	\$	\$ 4,859,224	\$ 213,559	\$ 5,072,783	\$ 2,170,689
Other contributions and grants	212,021			212,021	219,916
Special events	136,218			136,218	164,176
Program revenue	546,546			546,546	441,644
Membership dues	339,659			339,659	260,811
Merchandise sales, net of costs of \$510,966 in 2010 and \$374,180 in 2009)	149,743			149,743	71,795
Rental and other income	81,408			81,408	40,290
Investment income	18,271	167,001		185,272	166,883
Impairment charge on sculpture	-			-	(28,000)
Net assets released from restrictions	<u>3,092,154</u>	<u>(3,092,154)</u>			
Total revenue and other support	<u>4,576,020</u>	<u>1,934,071</u>	<u>213,559</u>	<u>6,723,650</u>	<u>3,508,204</u>
Expenses					
Program	1,489,712			1,489,712	1,310,901
Management and general	288,818			288,818	323,997
Fundraising	<u>400,954</u>			<u>400,954</u>	<u>314,036</u>
Total expenses	<u>2,179,484</u>	<u>-</u>	<u>-</u>	<u>2,179,484</u>	<u>1,948,934</u>
Changes in net assets	<u>2,396,536</u>	<u>1,934,071</u>	<u>213,559</u>	<u>4,544,166</u>	<u>1,559,270</u>
Net assets, beginning of year	<u>9,539,219</u>	<u>2,250,889</u>	<u>1,500,371</u>	<u>13,290,479</u>	<u>11,731,209</u>
Net assets, end of year	<u>\$ 11,935,755</u>	<u>\$ 4,184,960</u>	<u>\$ 1,713,930</u>	<u>\$ 17,834,645</u>	<u>\$ 13,290,479</u>

See notes to financial statements

Coastal Maine Botanical Gardens, Inc.

Statement of Functional Expenses

Year Ended December 31, 2010
(With comparative totals for 2009)

	Programs	General and Administrative	Fundraising	2010	2009
Wages	\$ 574,430	\$ 145,167	\$ 27,081	\$ 746,678	\$ 711,591
Payroll taxes	54,415	13,333	2,441	70,189	58,672
Retirement plan	5,831	1,344	195	7,370	7,430
Fringe benefits	49,193	6,987	2,454	58,634	51,298
Workers compensation	9,745	813	178	10,736	9,879
Hiring expense					1,125
	693,614	167,644	32,349	893,607	839,995
Total wages and overhead					
Professional services		19,388		19,388	19,904
Consultants	3,400	1,200		4,600	75
Contract services	13,545	18,334		31,879	11,872
Lecture and speaker fees	8,553		30,507	39,060	20,833
Advertising	40,541	387	6,993	47,921	64,141
Material and supplies	54,351	9,956	30,459	94,766	89,780
Postage and printing	43,657	14,509	29,315	87,481	90,864
Telephone and internet	2,202	8,355		10,557	10,509
Utilities	33,349			33,349	44,688
Training and conferences	4,330	1,774		6,104	6,406
Travel and vehicle expenses	13,895	1,281	3,300	18,476	16,911
Repairs and maintenance	66,034	27,500		93,534	55,809
Grounds and gardens	65,340			65,340	68,656
Leased equipment rentals			7,103	7,103	5,983
Insurance expense	13,633	3,474		17,107	12,915
Licenses and fees	1,240	98	625	1,963	530
Dues and publications	4,674	925		5,599	4,667
Bank service charges	5,750	2,320	6,222	14,292	10,782
Miscellaneous expense	539	1,148		1,687	1,537
Cost of sales	1,007			1,007	
Catering and decorating	6,592	150	331	7,073	11,712
Capital campaign costs			243,737	243,737	207,396
Depreciation	413,466	10,375	10,013	433,854	352,969
Total expenses	\$ 1,489,712	\$ 288,818	\$ 400,954	\$ 2,179,484	\$ 1,948,934

See notes to financial statements

Coastal Maine Botanical Gardens, Inc.

Statement of Cash Flows

Year Ended December 31, 2010
(With Comparative Totals for 2009)

	<u>2010</u>	<u>2009</u>
Cash flows from operating activities		
Changes in net assets	\$ 4,544,166	\$ 1,559,270
Adjustments to reconcile to changes in net assets to net cash from operating activities		
Depreciation (including amounts classified as cost of goods sold)	448,684	367,641
Investment income retained in endowment and unrealized	(173,857)	(151,883)
Impairment charge on sculpture	-	28,000
Decrease (increase) in		
Accounts receivable	(36,882)	2,460
Pledges and grants receivable	(740,662)	204,773
Inventory	2,355	24,779
Prepaid expenses and other current assets	(2,224)	(3,751)
Increase (decrease) in		
Accounts payable	(36,844)	57,888
Accrued expenses	25,181	2,354
Liability for charitable gift annuities	(924)	(3,137)
Deferred revenues	13,500	2,500
Net cash from operating activities	<u>4,042,493</u>	<u>2,090,894</u>
Cash flows from investing activities		
Additions to other assets	(6,822)	(6,720)
Purchases of investments	(624,187)	(152,600)
Additions to property and equipment	<u>(2,263,122)</u>	<u>(1,689,444)</u>
Net cash from investing activities	<u>(2,894,131)</u>	<u>(1,848,764)</u>
Cash flows from financing activities		
Net change in borrowing under line of credit	<u>74,296</u>	<u>(310,319)</u>
Net cash from financing activities	<u>74,296</u>	<u>(310,319)</u>
Net change in cash	1,222,658	(68,189)
Cash and cash equivalents, beginning of year	<u>112,000</u>	<u>180,189</u>
Cash and cash equivalents, end of year	<u>\$ 1,334,658</u>	<u>\$ 112,000</u>
Cash consists of:		
Operating	\$ 1,334,658	\$ 78,449
Board designated	<u>-</u>	<u>33,551</u>
	<u>\$ 1,334,658</u>	<u>\$ 112,000</u>
Additional disclosure items		
Interest paid in cash and expensed	\$ 50,448	\$ 50,419

See notes to financial statements

Coastal Maine Botanical Gardens, Inc

Notes to Financial Statements

December 31, 2010

1. Summary of Significant Accounting Policies

Nature of the Business

Coastal Maine Botanical Gardens, Inc., founded in 1991, is a not-for-profit corporation organized as a publicly-supported organization under Internal Revenue Code Section 509(a)(1). Officially opened to the public in 2007 as Maine's first major botanical garden, it is the largest public garden in Northern New England with 248 acres, including one mile of tidal shorefront. The mission of the Gardens is to protect, preserve, and enhance the botanical heritage and natural landscapes of coastal Maine for people of all ages through horticulture, education and research.

Financial Statement Presentation

The Organization follows the financial statement presentation proscribed in professional accounting standards. Accordingly, information regarding its financial position and activities is reported under three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. Information regarding these net asset classes follows:

- Unrestricted net assets – These assets are not subject to donor imposed stipulations. They may be used at the discretion of the organization, and certain assets may be designated by the board for various purposes.
- Temporarily restricted net assets – These assets are subject to donor stipulations that will either be met by the passage of time or use of funds for donor designated purposes.
- Permanently restricted net assets – These assets must be permanently maintained.

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the organization's financial statements for the year ended December 31, 2009, from which the summarized information was derived. Certain reclassifications have been made to prior year amounts to permit comparison. Assets and liabilities are recorded and revenues and expenses are recognized by the accrual method of accounting.

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenues and expenses. Actual results could differ from those estimates.

Cash Flow Information

Cash equivalents include checking and savings accounts as well as money market mutual funds and certificates of deposit with short term maturities.

The Organization is conducting a major fund raising campaign that is expected to continue through 2012. Funds raised are to develop the botanical gardens, build the endowment, and to help cover operating costs.

Coastal Maine Botanical Gardens, Inc

Notes to Financial Statements

December 31, 2010

1. Summary of Significant Accounting Policies

Cash Flow Information

Because funds are available for both purposes, all funds raised are currently being reported as operating cash flows in the financial statements.

Contributions

Unconditional promises to give cash and other assets are reported at fair value at the date the promise is received which is then treated as the asset's cost basis. The gifts are reported as either temporarily or permanently restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified as unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Permanently restricted net assets have been restricted by donors to be maintained by the Organization in perpetuity.

The organization uses the allowance method to determine uncollectible unconditional pledges receivable. The allowance is based on prior years' experience and management's analysis of specific promises made. Pledges are written-off when management determines they are not collectible. Management has set a 2.5% allowance reserve for uncollectible pledges.

Inventory

Inventory consists of gift shop and café merchandise for sale. It is carried at the lower of cost, determined on the first-in, first-out basis, or market.

Property and Equipment

Property and equipment are stated at cost or, if acquired by gift, at appraised value at date of gift. Contributions of long-lived assets with no donor-imposed time restrictions are recognized as unrestricted support. Proceeds from the sale of assets, if unrestricted, are reported as an increase in unrestricted net assets or, if restricted, as an increase in temporarily or permanently restricted net assets, as appropriate. Depreciation is provided over the estimated useful lives of the respective assets on a straight line basis. Furniture and equipment are depreciated generally over 5 – 10 years, buildings are depreciated over 10 – 39 years, and gardens and other land improvements are depreciated over 25 – 39 years. The Organization capitalizes equipment costing over \$2,500 with estimated useful lives exceeding one year.

Other Assets

Other assets consist primarily of works of art and similar assets, which are stated at cost or, if acquired by gift, at the appraised value at the date of the gift. In 2009 the organization decided to offer a sculpture for sale and recorded a \$28,000 loss to adjust the sculpture to its estimated fair market value of \$10,000. The sculpture was sold for that amount in March 2011.

Coastal Maine Botanical Gardens, Inc

Notes to Financial Statements

December 31, 2010

1. Summary of Significant Accounting Policies

Charitable Gift Annuities

The Organization is party to various charitable gift annuities. Assets received from these arrangements are included in investments at the fair market value of the underlying assets. The present value of estimated future payments to beneficiaries is reported as a liability in the statement of financial position. The discount rate used to calculate the present value of estimated future payments to the beneficiaries is 5.00% for 2010 and 2009. Donor contributions to these agreements are recorded as contribution revenue in the year the gift is made. Subsequent changes in value are included in the Change of Net Assets.

Membership Dues

Membership dues generally allow members to visit the gardens during the membership year as well as to participate in certain other benefits. Dues are recorded as income during the year received since no significant future costs related to memberships are anticipated to be incurred.

Classification of Expenses

Expenses are classified as program, general and administrative, or fundraising, depending on the activities supported. Certain costs have been allocated among the programs and supporting services benefited.

Program services are the activities that fulfill the mission for which the organization exists.

General and administrative activities include oversight, business management, general record-keeping, budgeting, financing and related administrative activities, and all management and administration except for direct conduct of program services or fundraising activities.

Fundraising activities include publicizing and conducting fundraising campaigns, maintaining donor mailing lists, conducting special fundraising events, preparing and distributing fundraising materials, and conducting other activities involved with soliciting contributions from individuals, foundations, government agencies and others.

Income Taxes

Coastal Maine Botanical Gardens, Inc. is exempt from federal income taxes under Section 501(a) of the Internal Revenue Code as an organization described in Section 501(c)(3) and is also exempt from Maine income taxes. In addition, it has been determined by the Internal Revenue Service not to be a "private foundation" within the meaning of Section 509(a) of the Code. The Organization's federal Return of Organization Exempt from Income Tax for 2010, 2009, and 2008 are subject to examination by the IRS, generally for three years after they were filed.

Coastal Maine Botanical Gardens, Inc

Notes to Financial Statements

December 31, 2010

2. Investments

Investments in marketable securities are valued at their fair values based on closing market prices. Unrealized gains and losses are included in the Change of Net Assets. Fair values of marketable securities are as follows:

	2010	2009
Maine Community Foundation pooled accounts	\$ 1,739,433	\$ 967,750
Various mutual funds	67,892	71,969
Various equity securities	47,804	18,815
Cash and equivalents	5,268	3,819
Total	\$ 1,860,397	\$ 1,062,353

The Maine Community Foundation (MCF) accounts are diversified investments that fund the Organization's endowment funds, both board designated and permanently restricted. The MCF accounts spread investments across US and global asset classes and are managed to produce long-term growth while minimizing volatility. The mutual funds, other equity securities and cash primarily fund the charitable gift annuity liability. These funds are managed by a bank trust department and are invested in global equities, bonds and cash. Approximately 70% are invested in equities and 30% are invested in bonds and cash. Certain other investments are from contributors and are held awaiting sale as soon as practicable.

It is the Organization's long term plan to grow its endowment fund to approximately five times annual cash operating costs. Distributions from the endowment to be used in operations are calculated at approximately 4% of a twelve quarter running average of endowment investments.

In July 2009 Maine adopted the Uniform Prudent Management of Institutional Funds Act, which requires that appreciation of original permanent endowment funds be considered temporarily restricted until appropriated. Previously, such appreciation had been considered to be unrestricted by the Board of Directors. Restrictions related to endowment investments (including board designated amounts) are as follows:

	2010	2009
Endowment fund principal – permanent	\$ 1,504,049	\$ 934,241
Endowment fund appreciation – temporarily restricted	159,417	-
Board designated for future operations	75,967	33,509
Total endowment investments	1,739,433	967,750
Investments to fund annuity	98,217	93,573
Other investments	22,747	1,030
	\$ 1,860,397	\$ 1,062,353

Coastal Maine Botanical Gardens, Inc

Notes to Financial Statements

December 31, 2010

2. Investments

Changes in endowment investments were as follows for the years ended December 31, 2010 and 2009:

	<u>Board Designated</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Investments at beginning of 2009	\$ 22,426	\$ -	\$ 651,501	\$ 673,927
Contributions	6,005		146,073	152,078
Income received	344		8,946	9,290
Gains (losses)	5,677		142,387	148,064
Fees	(223)		(5,776)	(5,999)
Appropriations – regular	<u>(720)</u>		<u>(8,890)</u>	<u>(9,610)</u>
Investments at end of 2009	33,509	-	934,241	967,750
Contributions	35,731		568,950	604,681
Income received	730	12,657	858	14,245
Gains (losses)	6,818	170,395		177,213
Fees	(476)	(9,116)		(9,592)
Appropriations – regular	<u>(345)</u>	<u>(14,520)</u>		<u>(14,865)</u>
Investments at end of 2010	\$ <u>75,967</u>	\$ <u>159,416</u>	\$ <u>1,504,049</u>	\$ <u>1,739,432</u>

3. Property and Equipment

Property and equipment consists of the following:

	<u>2010</u>	<u>2009</u>
Land held for conservation	\$ 1,456,428	\$ 1,456,428
Land improvements	2,373,490	2,370,178
Gardens	5,554,530	4,522,050
Furniture and equipment	754,241	673,323
Buildings	<u>4,590,500</u>	<u>3,243,681</u>
	14,729,189	12,265,660
Less: Accumulated depreciation	<u>(1,491,841)</u>	<u>(1,043,158)</u>
	\$ <u>13,237,348</u>	\$ <u>11,222,502</u>

Depreciation expense totaled \$448,684 for 2010 and \$367,641 in 2009. Of the 2010 total, \$10,013 represented depreciation on database software utilized for the capital campaign.

Coastal Maine Botanical Gardens, Inc

Notes to Financial Statements

December 31, 2010

4. Promises to Give and Grants

The Organization is currently conducting a major capital campaign, Planting a Living Legacy, which has a current campaign goal of \$24.5 million through 2012 with campaign goals as follows: Complete Phase 1 Master Plan, build endowment to \$5 million, retire all debt, and build an education center for an approximate cost of \$4.2 million. Major contributors to the campaign have been as follows:

- In 2007, a group of three donors made a \$1,000,000 challenge pledge based on overall receipts, of which \$600,000 was earned in 2007 and the balance was earned during 2008.
- In 2008, a foundation made a \$1,500,000 challenge pledge, of which \$780,000 was earned in 2008 and \$720,000 was earned during 2009 (\$500,000 of which went to the endowment fund).
- In 2009, a challenge pledge of \$1,000,000 was received to be used to develop and construct an education building that will meet the LEED platinum criteria for energy efficiency. The Organization had until December 31, 2012 to raise sufficient additional funds to sign a contract for the building, except that the first \$200,000 of the pledge was to be provided for design and preliminary work in connection with the building. Accordingly, \$200,000 was recorded in 2009 as a restricted contribution. During 2010, the Organization met the terms of the challenge and the remaining \$800,000 of the pledge was recorded. The education center is expected to cost approximately \$4.2 million, including costs for design and landscaping, of which approximately \$1,087,000 has been expended through December 31, 2010.
- In 2010, a pledge of \$2,000,000 was received to be used for the education building. Of the total, \$500,000 was unconditional and \$1,500,000 was conditioned on the Organization raising \$1,500,000. The challenge was met in 2010.

Pledges and grants receivable consist of the following:

	<u>2010</u>	<u>2009</u>
Current	\$ 1,476,616	\$ 1,216,446
Government grants		333,203
1-5 years	<u>1,758,448</u>	<u>826,556</u>
	3,235,064	2,376,205
Less: Discount to present value at 5%	(175,781)	(90,692)
Allowance for uncollectible pledges at 2.5%	<u>(84,183)</u>	<u>(51,075)</u>
	2,975,100	2,234,438
Less: Current portion	<u>(1,439,701)</u>	<u>(1,493,545)</u>
Long-term portion	\$ <u>1,535,399</u>	\$ <u>740,893</u>

Pledges and grants receivable are restricted as follows:

	<u>2010</u>	<u>2009</u>
Timing	\$ 2,765,248	\$ 1,643,471
Permanent endowment	209,881	565,272
Unrestricted	<u>(29)</u>	<u>25,695</u>
	\$ <u>2,975,100</u>	\$ <u>2,234,438</u>

Coastal Maine Botanical Gardens, Inc

Notes to Financial Statements

December 31, 2010

5. Borrowing

Debt consists of the following:

	<u>2010</u>	<u>2009</u>
Prime rate note payable to bank, credit line to be converted to term loan	\$ <u>1,377,306</u>	\$ <u>1,303,010</u>

The Organization has a construction line of credit of \$4,000,000. The construction phase runs until February 2015, at which time the balance will be amortized over 15 years with interest equal to the Federal Home Loan Bank (FHLB) rate plus 3%, fixed for the initial five years then readjusted. The loan is secured by a first mortgage and assignment of leases on property owned by the Organization and by outstanding pledges.

The Organization incurred total interest costs of \$50,448 in 2010 and \$50,419 in 2009, which is included in capital campaign costs since the borrowing is necessary to fund construction until campaign pledges are paid.

6. Net Assets

Temporarily restricted net assets are as follows at December 31:

	<u>2010</u>	<u>2009</u>
Restricted for purpose		
Garden Exhibits	\$ 55,194	\$ 439,661
Educational Materials	12,710	49,559
Education building	1,119,378	
Other	<u>73,013</u>	<u>118,198</u>
Total restricted for purpose	1,260,295	607,418
Restricted for timing of pledge payments	2,765,248	1,643,471
Endowment fund appreciation	<u>159,417</u>	
	\$ <u>4,184,960</u>	\$ <u>2,250,889</u>

Temporarily restricted net assets – timing consists of unconditional promises to give that management expects to collect in 2011 and beyond which were not explicitly intended by the donor to be used in the current period or a past period.

Permanently restricted net assets consist of the following:

	<u>2010</u>	<u>2009</u>
Pledges receivable, net of allowance and discount	\$ 209,881	\$ 565,272
Investments	1,504,049	934,241
Other – cash and market losses expected to be recovered	<u>-</u>	<u>858</u>
	\$ <u>1,713,930</u>	\$ <u>1,500,371</u>

Board designated net assets consist of certificates of deposit and investments designated for future projects.

Coastal Maine Botanical Gardens, Inc

Notes to Financial Statements

December 31, 2010

7. Retirement plan

The Organization has a 403(b) deferred salary plan. Effective January 1, 2008, the Organization began making discretionary matching contributions up to 1.5% of an employee's gross compensation. The matching rate is determined annually. Retirement expense was \$8,267 (including \$897 charged to capital campaign) and \$7,662 (including \$232 charged to capital campaign) for 2010 and 2009.

8. Commitments

The Organization has certain operating leases for equipment. Lease expense of \$5,347 and \$2,836 was incurred for 2010 and 2009, respectively.

Scheduled payments on operating lease obligations for the next five years are as follows:

2011	\$	5,347
2012		5,347
2013		5,347
2014		5,347
2015		891
Thereafter		-

9. Fair Values

Certain assets are recorded at fair value to provide additional insight into the Organization's financial position. Some of these assets are measured on a recurring basis while others are measured on a nonrecurring basis (the sculpture discussed in Note 1). Assets are grouped in three levels, based on the markets in which the assets are traded and the reliability of the assumptions used to determine value. A brief description of each follows:

- Level 1 – Valuation is based on quoted prices for identical instruments in active markets.
- Level 2 – Valuation is based on quoted prices for similar instruments or on prices determined from inactive markets or on model-based techniques.
- Level 3 – Valuation is generated from model-based techniques that use at least one significant assumption not observable in the market. See Note 4 for information on pledges receivable.

Fair values of assets measured on a recurring basis as of December 31, 2010 are as follows:

	Fair Value	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Capital campaign pledges receivable	\$ 2,975,100	\$ -	\$ -	\$ 2,975,100
Investments	1,860,397	1,840,890	19,507	
Total	\$ 4,835,497	\$ 1,840,890	\$ 19,507	\$ 2,975,100

Coastal Maine Botanical Gardens, Inc

Notes to Financial Statements

December 31, 2010

9. Fair Values

Fair values of assets measured on a recurring basis as of December 31, 2009 are as follows:

	<u>Fair Value</u>	<u>Quoted Prices in Active Markets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
Capital campaign pledges receivable	\$ 2,234,438	\$	\$	\$ 2,234,438
Investments	<u>1,062,353</u>	<u>1,062,353</u>		
Total	<u>\$ 3,296,791</u>	<u>\$ 1,062,353</u>	<u>\$ -</u>	<u>\$ 2,234,438</u>

Fair value of capital campaign pledges receivable is based on a discount to present value at approximately 5%. In addition, an allowance for uncollectible pledges is reflected based on historical results and analysis of individual pledges. Fair value of investments is determined based on market values of the securities as of the close of business at the end of the year.

10. Subsequent Events

Subsequent events have been evaluated through May 5, 2011, which is the date the financial statements were available to be issued, and no additional matters were determined to require adjustment or disclosure.