

COASTAL MAINE BOTANICAL GARDENS, INC.

Financial Statements

March 31, 2015

(with comparative totals for December 31, 2014)

Independent Auditor's Report

Board of Directors
Coastal Maine Botanical Gardens, Inc.

We have audited the accompanying financial statements of Coastal Maine Botanical Gardens, Inc. (a nonprofit organization) (the Organization) which comprise the statement of financial position as of March 31, 2015, and the related statements of activities, functional expenses and cash flows for the three months then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Coastal Maine Botanical Gardens, Inc. as of March 31, 2015, and the changes in its net assets and its cash flows for the three months then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited Coastal Maine Botanical Gardens, Inc.'s 2014 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated August 7, 2015. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2014, is consistent, in all material respects, with the audited financial statements, from which it has been derived.

A handwritten signature in cursive script, reading "Remya Keston Ouellette".

October 3, 2015
South Portland, Maine

COASTAL MAINE BOTANICAL GARDENS, INC.
Statements of Financial Position
March 31, 2015 and December 31, 2014

	March 31, 2015	December 31, 2014
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 177,516	134,989
Accounts receivable	2,992	2,634
Current portion of pledges and grants receivable, net	377,668	459,567
Inventory	105,635	67,281
Prepaid expenses and other current assets	41,356	40,288
Total current assets	705,167	704,759
Noncurrent assets:		
Investments	4,113,296	4,075,242
Pledges and grants receivable, net of current portion	186,384	186,385
Other assets	222,635	222,635
Total other assets	4,522,315	4,484,262
Property and equipment:		
Land, gardens, and buildings	18,445,838	18,444,838
Furniture and equipment	1,542,383	1,490,198
Total property and equipment	19,988,221	19,935,036
Less accumulated depreciation	(4,306,827)	(4,121,909)
Net property and equipment	15,681,394	15,813,127
Total assets	\$ 20,908,876	21,002,148
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable	100,872	56,063
Accrued expenses	89,337	80,976
Current portion of capital lease	443	884
Current portion of long-term debt	2,385	2,385
Deferred revenue	153,974	105,921
Total current liabilities	347,011	246,229
Non-current liabilities:		
Liability for charitable gift annuities	33,348	33,820
Line of credit and long-term debt, net of current portion	1,142,240	797,239
Total non-current liabilities	1,175,588	831,059
Total liabilities	1,522,599	1,077,288
Net assets:		
Undesignated	134,380	129,907
Board designated	1,473,468	1,444,564
Net investment in property and equipment	14,536,326	15,012,619
Total unrestricted net assets	16,144,174	16,587,090
Temporarily restricted	884,187	979,954
Permanently restricted	2,357,916	2,357,816
Total net assets	19,386,277	19,924,860
Total liabilities and net assets	\$ 20,908,876	21,002,148

See accompanying notes to financial statements

COASTAL MAINE BOTANICAL GARDENS, INC.
Statement of Activities
Three Months Ended March 31, 2015
(with comparative totals for year ended December 31, 2014)

	Unrestricted	Temporarily restricted	Permanently restricted	Three Months Ended March 31, 2015 Total	Year Ended December 31, 2014 Total
Revenue and support:					
Contributions, grants, and other support	\$ 48,658	56,606	100	105,364	1,137,870
Program revenue	266	-	-	266	921,587
Membership dues	19,171	-	-	19,171	434,273
Merchandise sales, net of costs of \$44,491 in 2015 and \$883,323 in 2014	(44,491)	-	-	(44,491)	239,311
Net investment income	27,893	33,628	-	61,521	153,378
Gain on sale of assets	-	-	-	-	5,000
Rental and other income	15,147	-	-	15,147	55,150
Subtotal revenue and support	66,644	90,234	100	156,978	2,946,569
Net assets released from restrictions and reclassifications	186,001	(186,001)	-	-	-
Total revenue and support	252,645	(95,767)	100	156,978	2,946,569
Expenses					
Program	513,694	-	-	513,694	2,318,818
Management and general	132,737	-	-	132,737	534,918
Fundraising	49,130	-	-	49,130	223,973
Total expenses	695,561	-	-	695,561	3,077,709
Change in net assets	(442,916)	(95,767)	100	(538,583)	(131,140)
Net assets, beginning of year	16,587,090	979,954	2,357,816	19,924,860	20,056,000
Net assets, end of year	\$ 16,144,174	884,187	2,357,916	19,386,277	19,924,860

See accompanying notes to financial statements

COASTAL MAINE BOTANICAL GARDENS, INC.
Statement of Functional Expenses
Three Months Ended March 31, 2015
(with comparative totals for year ended December 31, 2014)

	Program services	Management and general	Fundraising	Thee Months Ended March 31, 2015 Total	Year Ended December 31, 2014 Total
Salaries, benefits and payroll taxes	\$ 219,051	78,926	32,374	330,351	1,572,547
Professional services	-	3,609	-	3,609	26,391
Consultants	-	870	-	870	15,588
Contract services	-	-	-	-	17,411
Lecture and speaker fees	688	-	-	688	20,619
Advertising	3,364	1,569	-	4,933	38,774
Materials and supplies	14,267	3,123	576	17,966	125,118
Postage and printing	15,958	5,483	15,660	37,101	117,216
Technology and telephone	19,247	16,186	252	35,685	56,595
Utilities	20,541	-	-	20,541	63,184
Training and conferences	1,554	-	99	1,653	8,943
Travel and vehicle expenses	4,554	5,937	169	10,660	35,716
Repairs and maintenance	10,345	5	-	10,350	48,466
Grounds and gardens	11,424	-	-	11,424	73,497
Insurance	6,283	3,022	-	9,305	32,941
Licenses and fees	1,509	150	-	1,659	731
Dues and publications	-	-	-	-	10,305
Bank service fees and interest	9,740	-	-	9,740	68,331
Miscellaneous	3,471	3,415	-	6,886	4,436
Catering, meetings and events	16	2,312	-	2,328	50,512
Depreciation	171,682	8,130	-	179,812	690,388
Total expenses	\$ 513,694	132,737	49,130	695,561	3,077,709

See accompanying notes to financial statements

COASTAL MAINE BOTANICAL GARDENS, INC.
Statements of Cash Flows
Three Months Ended March 31, 2015 and Year Ended December 31, 2014

	Thee Months Ended March 31, 2015	Year Ended December 31, 2014
Cash flows from operating activities:		
Change in net assets	\$ (538,583)	(131,140)
Adjustments to reconcile change in net assets to net cash and cash equivalents provided by (used in) operating activities:		
Depreciation	184,918	709,814
Realized and unrealized gains on investments	(58,332)	(38,576)
Gain on sale of assets	-	(5,000)
Change in pledge discount and allowance	(2,100)	(44,516)
Permanently restricted contributions	(100)	(3,782)
(Increase) decrease in:		
Accounts receivable	(358)	2,021
Pledges receivable	84,000	514,080
Inventory	(38,354)	(6,894)
Prepaid expenses	(1,068)	(18,630)
Other assets	-	(24,000)
Increase (decrease) in:		
Accounts payable	44,809	(37,086)
Accrued expenses	8,361	(2,011)
Liability for charitable gift annuities	(472)	(444)
Deferred revenues	48,053	54,502
Net cash and cash equivalents provided by (used in) operating activities	(269,226)	968,338
Cash flows from investing activities:		
Sales (purchases) of investments	20,278	(126,325)
Purchases of property and equipment	(53,185)	(887,255)
Net cash and cash equivalents used in investing activities	(32,907)	(1,013,580)
Cash flows from financing activities:		
Payments against capital lease	(441)	(5,100)
Payments against long-term debt	-	(26,273)
Permanently restricted contributions	100	3,782
Net advances from (payments against) line of credit	345,001	(185,000)
Net cash and cash equivalents provided by (used in) financing activities	344,660	(212,591)
Net change in cash and cash equivalents	42,527	(257,833)
Cash and cash equivalents, beginning of year	134,989	392,822
Cash and cash equivalents, end of year	\$ 177,516	134,989
Supplemental cash flow disclosures:		
Cash paid for interest	\$ 9,740	43,055

See accompanying notes to financial statements

COASTAL MAINE BOTANICAL GARDENS, INC.
Notes to Financial Statements

NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of Purpose - Coastal Maine Botanical Gardens, Inc. was incorporated in 1992 as a not-for-profit corporation and 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 270 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.

Basis of Accounting - The financial statements of the Organization have been prepared on the accrual basis of accounting. Accordingly, revenues and gains are reported when earned and expenses and losses are recorded when incurred.

Basis of Presentation - The Organization follows the provisions of the *Not-for-Profit Entities: Revenue Recognition* topic and the *Presentation of Financial Statements* topic of the FASB Accounting Standards Codification. Under these provisions, 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. Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified as follows:

Unrestricted net assets - Net assets not subject to donor-imposed stipulations. They are available for support of program or any other purpose at the discretion of the Organization and certain assets may be designated by the Board of Directors for various purposes.

Temporarily restricted net assets - Net assets subject to donor-imposed stipulations that may or will be met either by actions of the Organization and/or the passage of time.

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

Cash and Cash Equivalents - For purposes of the statement of cash flows, management considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents. Cash and cash equivalents consist of checking, savings, and money market accounts held by investment companies and banks, other than such balances classified as investments.

COASTAL MAINE BOTANICAL GARDENS, INC.
Notes to Financial Statements, Continued

NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Inventory - Inventory is valued at the lower of cost (first-in, first-out basis) or market (net realizable value), and consists of the Organization's gift shop and cafe merchandise.

Investments - Investments in equity securities with readily determinable fair values and all investments in debt securities are reported at fair value. Interest, dividends, and realized and unrealized gains and losses on these investments are reported as unrestricted revenues in the statements of activities unless their use is temporarily or permanently restricted by explicit donor stipulations or by law.

Property and Equipment - Property and equipment is carried at cost if purchased or fair value if received by donation. Major additions with expected useful lives of more than one year and initial cost or value exceeding \$2,500 are capitalized as property and equipment, while maintenance and repairs which do not improve or extend the life of the assets are expensed as incurred. Depreciation is calculated using the straight-line method over the estimated useful lives of 5 to 10 years for furniture and equipment, 10 to 39 years for buildings and improvements, and 25 to 39 years for gardens and other land improvements. Land with a carrying value of \$1,456,428 is included within land, gardens, and buildings within the statements of financial position as of March 31, 2015 and December 31, 2014.

Other Assets - Other assets consists of works of art and similar assets, which are stated at cost if purchased, or appraised value if acquired by gift.

Contributed Revenue and Support - Contributions and pledges received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions. Donations of marketable securities or other non-cash assets are recorded at fair value as of the date the item is received. Contributions of cash that must be used to acquire property and equipment and collection items are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the acquired asset is placed in service as instructed by the donor. The Organization reclassifies restricted net assets to unrestricted net assets at that time.

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

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. In 2012 CMBG began offering 2-year memberships and 50% of a 2-year membership is recognized as deferred revenue in the year it is received.

COASTAL MAINE BOTANICAL GARDENS, INC.
Notes to Financial Statements, Continued

NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Functional Expenses - Expenses are classified as program, management and general, or fundraising, depending on the activities supported.

Income Taxes - The Organization is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. In addition, the Organization qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization other than a private foundation under Section 509(a)(1) of the Code.

The Organization follows the provisions of *Accounting for Uncertainty in Income Taxes* as provided for in the *Income Taxes* topic of the FASB Accounting Standards Codification. This statement clarifies the criteria that an individual tax position must satisfy for some or all of the benefits of that position to be recognized in an entity's financial statements. It also prescribes a recognition threshold of more likely-than-not, and a measurement attribute for all tax positions taken or expected to be taken on a tax return, in order for those tax positions to be recognized in the financial statements. There was no cumulative effect on the Organization's financial statements related to following these provisions, and no interest or penalties related to uncertain tax positions were accrued. The Organization is currently open to audit under the statute of limitations by the Internal Revenue Service and state taxing authorities for the years ended December 31, 2012 through 2014 and for the three month period ended March 31, 2015.

Use of Estimates - The presentation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

CONCENTRATIONS OF CREDIT RISK ARISING FROM CASH DEPOSITS IN EXCESS OF INSURED LIMITS

The Organization maintains cash in bank deposit accounts which may exceed federal deposit insurance limits. The Organization has not experienced any losses in such accounts. Management believes the Organization is not exposed to any significant credit risk with respect to these accounts. At March 31, 2015 and December 31, 2014 the Organization's accounts were insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. As of both March 31, 2015 and December 31, 2014, the Organization had no uninsured cash balances.

COASTAL MAINE BOTANICAL GARDENS, INC.
Notes to Financial Statements, Continued

PLEDGES AND GRANTS RECEIVABLE

Pledges and grants receivable, net of unamortized discount, assuming a discount rate of 4% and an allowance for uncollectible pledges of 2.5%, are summarized as follows at March 31, 2015 and December 31, 2014:

	<u>2015</u>	<u>2014</u>
Pledges and grants receivable expected to be collected in: _		
Less than one year	\$ 392,520	476,520
<u>One year to five years</u>	<u>201,593</u>	<u>201,593</u>
Total pledges and grants receivable	594,113	678,113
Allowance for uncollectible pledges	(14,852)	(16,953)
<u>Discount to present value</u>	<u>(15,209)</u>	<u>(15,208)</u>
Total pledges and grants receivable, net	564,052	645,952
<u>Less: Current portion</u>	<u>(377,668)</u>	<u>(459,567)</u>
<u>Total Long-term portion</u>	<u>\$ 186,384</u>	<u>186,385</u>

INVESTMENTS

Investments consist of endowment funds held by Maine Community Foundation (MCF), funds held in bank trust departments, and funds held in brokerage accounts. The funds at MCF result from the Organization making non-reciprocal transfers of assets to MCF and specifying itself as the beneficiary. In accordance with the *Fair Value Measurement and Disclosure* topic of the FASB Accounting Standards Codification, the Organization reports its investments at fair value.

Investments at March 31, 2015 and December 31, 2014 were comprised of the following:

	<u>2015</u>	<u>2014</u>
Maine Community Foundation pooled accounts	\$ 4,065,734	4,026,327
Other:		
Bank Trust Department account	42,469	43,900
<u> Other investments</u>	<u>5,093</u>	<u>5,015</u>
<u>Total Investments</u>	<u>\$ 4,133,296</u>	<u>4,075,242</u>

For the three months and year ended March 31, 2015 and December 31, 2014, respectively, total investment return was comprised of interest and dividend income of \$3,189 and \$114,802, respectively, and realized and unrealized gains and losses of \$58,332 and \$38,576 respectively.

ENDOWMENT

At March 31, 2015 and December 31, 2014, the Organization held donor-restricted endowments of \$2,632,358 and \$2,621,777, and Board-designated endowments of \$1,438,648 and \$1,409,564, respectively. The purpose of these endowment funds is to provide investment income and gains to further various activities of the Organization.

COASTAL MAINE BOTANICAL GARDENS, INC.
Notes to Financial Statements, Continued

ENDOWMENT, CONTINUED

The Organization has adopted the provisions of the *Not -for-Profit Entities: Reporting Endowment Funds* topic of the FASB Accounting Standards Codification. Under these provisions, the Organization is required to provide the following disclosures relating to its endowment activities.

Relevant Law - Coastal Maine Botanical Gardens, Inc. conducts its activities in Boothbay, Maine, and accordingly, considers itself bound by the version of the Uniform Prudent Management of Institutional Funds Act ("UPMIFA") adopted by the State of Maine's legislature. In accordance with that statute, Coastal Maine Botanical Gardens, Inc. has interpreted State law to require all realized and unrealized gains and losses on permanently restricted investments to be classified as temporarily restricted net assets until appropriated by the Board of Directors. Accordingly, except for explicit donor stipulations specifying reinvestment of some or all of net appreciation (depreciation), net appreciation (depreciation) on permanent endowment investments is reported as increases (decreases) in temporarily restricted endowment investments until appropriated by the Board, in accordance with the donor's stipulations, if any, concerning the purposes for which ordinary income may be used.

Endowment Spending Policy - Income from the MCF accounts is typically distributed according to a distribution formula approved by the Organization's board - currently 4% of a twelve quarter running average of endowment investments. Additional distributions may be requested by a 2/3 majority of the Board of Directors. Such requests will not be unreasonably withheld by MCF. For the three months and year ended March 31, 2015 and year ended December 31, 2014, endowment distributions amounted to \$23,047 and \$104,460 respectively.

Endowment Investment Policy - Maine Community Foundation accounts spread investments across U.S. and global asset classes and are managed to produce long-term growth while minimizing volatility.

The Organization's endowment balances were comprised of the following as of March 31, 2015:

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Totals</u>
Donor-restricted endowments	\$ -	568,608	2,063,750	2,632,358
Board-designated endowments	1,438,468	-	-	1,438,468
Totals	\$ 1,438,468	568,608	2,063,750	4,070,826

COASTAL MAINE BOTANICAL GARDENS, INC.
Notes to Financial Statements, Continued

ENDOWMENT, CONTINUED

The changes in the Organization's endowment balances for the year ended March 31, 2015 were as follows:

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Totals</u>
Endowment net assets, beginning of year	\$ 1,409,564	558,027	2,063,750	4,031,341
Contributions	-	-	-	-
Investment return:				
Investment income (loss), net of fees	(1,187)	(2,200)	-	(3,387)
Net appreciation	30,091	35,828	-	65,919
Total investment return	28,904	33,628	-	62,532
Reclassifications	-	-	-	-
Amounts appropriated for expenditure	-	(23,047)	-	(23,047)
Endowment net assets, end of year	\$ 1,438,468	568,608	2,063,750	4,070,826

The Organization's endowment balances were comprised of the following as of December 31, 2014:

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Totals</u>
Donor-restricted endowments	\$ -	558,027	2,063,750	2,621,777
Board-designated endowments	1,409,564	-	-	1,409,564
Totals	\$ 1,409,564	558,027	2,063,750	4,031,341

COASTAL MAINE BOTANICAL GARDENS, INC.
Notes to Financial Statements, Continued

ENDOWMENT, CONTINUED

The changes in the Organization's endowment balances for the year ended December 31, 2014 were as follows:

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Totals</u>
Endowment net assets, beginning of year	\$ 1,109,290	559,956	2,188,750	3,857,996
Contributions	118,000	-	-	118,000
Investment return:				
Investment income, net of fees	2,437	4,741	-	7,178
Net appreciation	48,428	104,199	-	152,627
Total investment return	50,865	108,940	-	159,805
Reclassifications	154,359	(29,359)	(125,000)	-
Amounts appropriated for expenditure	(22,950)	(81,510)	-	(104,460)
Endowment net assets, end of year	\$ 1,409,564	558,027	2,063,750	4,031,341

ASSETS MEASURED AT FAIR VALUE ON A RECURRING BASIS

In accordance with the *Fair Value Measurements and Disclosure* topic of the FASB Accounting Standards Codification, the Organization is required to disclose, for its assets and liabilities measured at fair value on a recurring basis, the sources and types of information, known as inputs, used to determine those fair value measurements.

Level 1: Level 1 inputs are quoted prices in active markets for identical assets and liabilities that an entity has the ability to access at a measurement date. *Level 2:* Level 2 inputs are inputs other than quoted prices that are observable for the specific asset or liability, either directly or indirectly. *Level 3:* Level 3 inputs are unobservable inputs for the asset or liability in which little or no market activity is available for the asset or liability at the measurement date.

COASTAL MAINE BOTANICAL GARDENS, INC.
Notes to Financial Statements, Continued

ASSETS MEASURED AT FAIR VALUE ON A RECURRING BASIS, CONTINUED

	Totals <u>03/31/15</u>	<u>Fair value measurements at 03/31/15 using:</u>		
		Quoted prices in active markets for identical assets <u>(Level 1)</u>	Significant other observable inputs <u>(Level 2)</u>	Significant unobservable inputs <u>(Level 3)</u>
Beneficial interest in Maine Community Foundation	\$ 4,065,734	-	4,065,734	-
Other:				
Cash and mutual funds	47,562	47,562	-	-
Totals	\$ 4,113,296	47,562	4,065,734	-

	Totals <u>12/31/14</u>	<u>Fair value measurements at 12/31/14 using:</u>		
		Quoted prices in active markets for identical assets <u>(Level 1)</u>	Significant other observable inputs <u>(Level 2)</u>	Significant unobservable inputs <u>(Level 3)</u>
Beneficial interest in Maine Community Foundation	\$ 4,026,327	-	4,026,327	-
Other:				
Cash and mutual funds	48,915	48,915	-	-
Totals	\$ 4,075,242	48,915	4,026,327	-

Mutual funds are valued using readily-available net asset values as of the measurement date. The beneficial interest in Maine Community Foundation (MCF) represents the Organization's portion of the MCF pooled investment portfolio. The underlying investments of that portfolio are diverse in nature and, given the nature of the pool, cannot be specifically identified to any particular investor. Their fair value has been estimated based on the fair value measurements employed by Maine Community Foundation in valuing its pooled investment portfolio. As a result, they are presented, in their entirety, as level 2 assets.

CHARITABLE GIFT ANNUITY

The Organization is party to a charitable gift annuity. Assets received from this arrangement are included in investments at fair value of the underlying assets and amounted to \$42,469 and \$43,900, respectively, at March 31, 2015 and December 31, 2014. 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 is 5% at March 31, 2015 and December 31, 2014. The donor's contribution to this agreement was recorded as contribution revenue in the year of receipt. Subsequent changes in value are included with investment income.

COASTAL MAINE BOTANICAL GARDENS, INC.
Notes to Financial Statements, Continued

LINES OF CREDIT

The Organization has a construction line of credit of \$4,000,000. This line of credit is available for draws until March, 2016 with interest at prime, currently at 3.25%. In the event there is a balance on the line of credit as of March 12, 2016, the bank has agreed to amortize it 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. On March 31, 2015 and December 31, 2015, the Organization had an outstanding balance on this line of credit of \$1,137,010 and \$792,010, respectively.

The Organization has a second, unsecured line of credit with a local bank. This credit line carries a limit of \$250,000 and bears interest on outstanding balances of Libor plus .25%, currently at 3.75%. There was no balance outstanding on this line of credit at March 31, 2015.

LOAN PAYABLE

During 2014 the Organization was loaned \$10,000 from an unrelated business to finance certain property improvements necessary in order for that business to operate a waterfront tour service at the Gardens. This loan bears no interest and is repayable from the Gardens' share of the revenues generated from this activity, which in 2014 amounted to \$2,385.

OBLIGATIONS UNDER CAPITAL LEASES

Coastal Maine Botanical Gardens, Inc. has obtained the use of certain equipment under a capital lease. Accordingly, the Organization has capitalized equipment in the amount of \$23,730 at both March 31, 2015 and December 31, 2014. Accumulated depreciation on this equipment totaled \$23,825 at March 31, 2015 and \$23,429 at December 31, 2014. Future minimum required payments under this agreement are as follows at March 31:

<u>2016</u>	<u>\$ 445</u>
Total minimum payments	445
Less amounts representing interest	(2)
<u>Less current portion</u>	<u>(443)</u>
<u>Total minimum payments, less interest and current portion</u>	<u>\$ -</u>

COASTAL MAINE BOTANICAL GARDENS, INC.
Notes to Financial Statements, Continued

TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consisted of the following at March 31, 2015 and December 31, 2014:

	<u>2015</u>	<u>2014</u>
Unexpended restricted contributions	\$ 76,693	105,041
Restricted pledges	238,886	316,886
Endowment fund appreciation	568,608	558,027
Total temporarily restricted net assets	\$ 884,187	979,954

PERMANENTLY RESTRICTED NET ASSETS

Permanently restricted net assets consisted of the following at March 31, 2015 and December 31, 2014:

	<u>2015</u>	<u>2014</u>
Pledges receivable, net of allowance and discount	\$ 294,166	294,066
Investments	2,063,750	2,063,750
Total permanently restricted net assets	\$ 2,357,916	2,357,816

BOARD-DESIGNATED NET ASSETS

The Organization has designated certain investment assets to be held at the board's discretion for various board designated purposes. At March 31, 2015 and December 31, 2014, such board designated net asset balances consisted of the following:

	<u>2015</u>	<u>2014</u>
Capital maintenance reserve fund	\$ 1,300,228	1,280,675
Education reserve fund	173,240	163,889
Total board-designated net assets	\$ 1,473,468	1,444,564

PENSION BENEFIT PLAN

The Organization has established 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, and during 2013 this matching rate was increased to 3%. For the three months ended March 31, 2015 and year ended December 31, 2014 contributions to the plan totaled \$6,005 and \$26,129, respectively.

COASTAL MAINE BOTANICAL GARDENS, INC.
Notes to Financial Statements, Continued

CHANGE IN FISCAL YEAR-END

Effective March 31, 2015 the Organization changed its fiscal year-end from December 31 of each year to March 31 of each year.

SUBSEQUENT EVENTS

In accordance with the *Subsequent Events* topic of the FASB Accounting Standards Codification, management has evaluated subsequent events for possible recognition or disclosure through October 3, 2015, which is the date these financial statements were available to be issued.