

COASTAL MAINE BOTANICAL GARDENS, INC.

Financial Statements

March 31, 2016

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) which comprise the statement of financial position as of March 31, 2016, and the related Statements of activities, functional expenses and cash flows for year 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, 2016, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of a Matter – Restatement

As discussed in the notes to the financial statements, beginning of year net assets as of April 1, 2015 have been restated to reflect the effect of a prior period adjustment. The effect on total beginning net assets as of April 1, 2015 was an increase of \$15,561. Our opinion is not modified with respect to this matter.

A handwritten signature in black ink that reads "Ryan Kristen Ouellette". The signature is written in a cursive style with a large initial 'R'.

September 28, 2016
South Portland, Maine

COASTAL MAINE BOTANICAL GARDENS, INC.
Statement of Financial Position
March 31, 2016

	2016
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 80,514
Accounts receivable	2,877
Current portion of pledges and grants receivable, net	997,984
Inventory	103,566
Prepaid expenses and other current assets	60,181
Total current assets	1,245,122
Noncurrent assets:	
Investments	3,893,647
Pledges and grants receivable, non-current, net	92,616
Unemployment trust	24,493
Other assets	322,535
Total other assets	4,333,291
Property and equipment:	
Land, gardens, and buildings	18,505,364
Furniture and equipment	1,626,795
Construction in progress	180,724
Total property and equipment	20,312,883
Less accumulated depreciation	(5,035,476)
Net property and equipment	15,277,407
Total assets	\$ 20,855,820
LIABILITIES AND NET ASSETS	
Current liabilities:	
Accounts payable	66,741
Accrued expenses	158,749
Deferred revenue	145,583
Line of credit	212,724
Total current liabilities	583,797
Non-current liabilities:	
Liability for charitable gift annuities	28,548
Long-term debt	547,666
Total non-current liabilities	576,214
Total liabilities	1,160,011
Net assets:	
Undesignated	158,265
Board designated	1,344,089
Net investment in property and equipment	14,517,017
Total unrestricted net assets	16,019,371
Temporarily restricted	1,309,172
Permanently restricted	2,367,266
Total net assets	19,695,809
Total liabilities and net assets	\$ 20,855,820

See accompanying notes to financial Statements

COASTAL MAINE BOTANICAL GARDENS, INC.
Statement of Activities
Year Ended March 31, 2016

	Unrestricted	Temporarily restricted	Permanently restricted	2016 Total
Revenue and support:				
Contributions, grants, and other support	\$ 868,699	1,154,032	9,350	2,032,081
Program revenue	1,388,035	-	-	1,388,035
Membership dues	495,244	-	-	495,244
Merchandise sales, net of costs of \$1,002,951	232,760	-	-	232,760
Investment income	7,118	12,089	-	19,207
Realized and unrealized loss, net	(48,231)	(79,493)	-	(127,724)
Rental and other income	55,727	-	-	55,727
Subtotal revenue and support	2,999,352	1,086,628	9,350	4,095,330
Net assets released from restrictions and reclassifications	661,643	(661,643)	-	-
Total revenue and support	3,660,995	424,985	9,350	4,095,330
Expenses				
Program	2,512,603	-	-	2,512,603
Management and general	838,444	-	-	838,444
Fundraising	450,312	-	-	450,312
Total expenses	3,801,359	-	-	3,801,359
Change in net assets	(140,364)	424,985	9,350	293,971
Net assets, beginning of year, as previously stated	16,144,174	884,187	2,357,916	19,386,277
Prior period adjustment	15,561	-	-	15,561
Net assets, beginning of year, restated	16,159,735	884,187	2,357,916	19,401,838
Net assets, end of year	\$ 16,019,371	1,309,172	2,367,266	19,695,809

See accompanying notes to financial statements

COASTAL MAINE BOTANICAL GARDENS, INC.
Statement of Functional Expenses
Year Ended March 31, 2016

	Program services	Management and general	Fundraising	2016 Total
Salaries, benefits and payroll taxes	\$ 1,216,510	514,879	148,240	1,879,629
Professional services	-	33,408	-	33,408
Consultants	1,000	2,095	146,900	149,995
Lecture and speaker fees	19,859	-	-	19,859
Advertising	56,631	6,308	2,704	65,643
Materials and supplies	63,832	28,755	6,254	98,841
Postage and printing	72,344	18,949	59,555	150,848
Technology and telephone	13,212	67,353	2,413	82,978
Utilities	52,860	296	-	53,156
Training and conferences	6,110	1,085	1,700	8,895
Travel and vehicle expenses	9,167	6,495	21,271	36,933
Repairs and maintenance	79,887	189	-	80,076
Grounds and gardens	162,597	298	-	162,895
Insurance	32,759	5,454	-	38,213
Licenses and fees	70	395	13	478
Dues and publications	6,562	4,033	542	11,137
Bank service fees and interest	1,957	94,343	27	96,327
Miscellaneous	6,251	4,466	20,633	31,350
Catering, meetings and events	36,459	24,917	28,979	90,355
Depreciation	674,536	24,726	11,081	710,343
Total expenses	\$ 2,512,603	838,444	450,312	3,801,359

See accompanying notes to financial Statements

COASTAL MAINE BOTANICAL GARDENS, INC.

Statement of Cash Flows

Year Ended March 31, 2016

	2016	
Cash flows from operating activities:		
Change in net assets	\$	293,971
Adjustments to reconcile change in net assets to net cash and cash equivalents used in operating activities:		
Depreciation		728,798
Realized and unrealized loss on investments		127,724
Change in pledge discount and allowance		8,987
Gifts received with permanent restrictions		(9,350)
Gifts received with temporary restrictions		(1,154,032)
Change in value of unemployment trust		24,493
(Increase) decrease in:		
Accounts receivable		115
Pledges receivable		(535,535)
Inventory		2,069
Prepaid expenses		(18,825)
Other assets		(99,900)
Increase (decrease) in:		
Accounts payable		(34,131)
Accrued expenses		48,657
Liability for charitable gift annuities		(3,755)
Deferred revenues		11,319
Net cash and cash equivalents used in operating activities		(609,395)
Cash flows from investing activities:		
Net sales of investments		91,724
Purchases of property and equipment		(358,035)
Net cash and cash equivalents used in investing activities		(266,311)
Cash flows from financing activities:		
Payments against lease		(443)
Payments against loan payable		(2,385)
Gifts received with permanent restrictions		9,350
Gifts received with temporary restrictions		1,154,032
Net payments against line of credit		(381,850)
Net cash and cash equivalents provided by financing activities		778,704
Net change in cash and cash equivalents		(97,002)
Cash and cash equivalents, beginning of year		177,516
Cash and cash equivalents, end of year	\$	80,514
Supplemental cash flow disclosures:		
Cash paid for interest	\$	36,108

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 FASB ASC 958-605 *Revenue Recognition-Contributions* and FASB ASC 958-205 *Presentation of Financial Statements*. 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. 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.

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 statement of activities unless their use is temporarily or permanently restricted by explicit donor stipulations or by law.

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

NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

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 an 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 \$1,667,506 is included within land, gardens, and buildings within the statement of financial position as of March 31, 2016.

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.

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 FASB ASC 740-10 *Income Taxes*, which 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 March 31, 2013 through 2016.

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

NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

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, 2016 the Organization's accounts were insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000, and the Organization had no uninsured cash balances.

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, 2016:

Pledges and grants receivable expected to be collected in:	
Less than one year	\$ 997,984
<u>One year to five years</u>	<u>131,665</u>
Total pledges and grants receivable	1,129,649
Allowance for uncollectible pledges	(29,116)
<u>Discount to present value</u>	<u>(9,933)</u>
Total pledges and grants receivable, net	1,090,600
<u>Less: Current portion</u>	<u>(997,984)</u>
<u>Total long-term portion</u>	<u>\$ 92,616</u>

TRANSFERS OF ASSETS TO A RECIPIENT ORGANIZATION

The Organization transfers assets to the Maine Community Foundation (recipient organization), specifying itself as the sole beneficiary. The purpose of these asset transfers is for the Maine Community Foundation to invest the assets and generate income to be distributed to the Organization under the guidelines of the agreement. Variance power was granted to the Maine Community Foundation. The Board of Directors of Maine Community Foundation shall have the power to modify, consistent with State law, including seeking approval of the appropriate court or Attorney General, where applicable, any restriction or condition on the distribution of funds for any specified organization if, in the sole judgement of the Board, (without the necessity of the approval of any participating trustee, custodian, or agent), such restrictions or condition becomes, in effect, unnecessary, incapable of fulfillment, or inconsistent with the charitable needs of the community.

The aggregate amount of cumulative transfers plus related earnings recognized in the statements of financial position as investments at March 31, 2016 was \$3,860,294.

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

INVESTMENTS

Investments consist of endowment funds held by Maine Community Foundation (MCF), funds held in bank trust departments, and funds held in brokerage accounts. In accordance with FASB ASC 820-10 *Fair Value Measurement and Disclosure*, the Organization reports its investments at fair value.

Investments at March 31, 2016 were comprised of the following:

Maine Community Foundation pooled accounts	\$ 3,860,294
Cash and cash equivalents	26,843
Mutual funds	6,510
Total investments	\$ 3,893,647

For the year ended March 31, 2016, total investment return was comprised of interest and dividend income of \$19,207, and realized and unrealized gains and losses of \$81,113. Investment management fees of \$46,611 are included in realized and unrealized losses.

ENDOWMENT

At March 31, 2016, the Organization held donor-restricted endowments of \$2,516,204, and Board-designated endowments of \$1,344,089. The purpose of these endowment funds is to provide investment income and gains to further various activities of the Organization. The Organization follows the provisions of FASB ASC 958-205-50-1A *Reporting Endowment Funds*. 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 year ended March 31, 2016, endowment distributions amounted to \$112,637.

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.

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

ENDOWMENT, CONTINUED

The Organization's endowment balances were comprised of the following as of March 31, 2016:

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Totals</u>
Donor-restricted endowments	\$ -	408,454	2,107,750	2,516,204
Board-designated endowments	1,344,089	-	-	1,344,089
Totals	\$ 1,344,089	408,454	2,107,750	3,860,293

The changes in the Organization's endowment balances for the year ended March 31, 2016 were as follows:

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Totals</u>
Endowment net assets, beginning of year	\$ 1,438,468	568,608	2,063,750	4,070,826
Contributions	2,000	-	4,000	6,000
Investment return:				
Investment income	6,503	12,089	-	18,592
Appreciation (depreciation), net	(42,995)	(79,493)	-	(122,488)
Total investment return	(36,492)	(67,404)	-	(103,896)
Reclassifications*	(41,887)	1,887	40,000	-
Amounts appropriated for expenditure	(18,000)	(94,637)	-	(112,637)
Endowment net assets, end of year	\$ 1,344,089	408,454	2,107,750	3,860,293

* A permanently restricted gift of \$40,000 was received in 2013, and incorrectly deposited into the Board-designated endowment account in the same year. In 2016 management transferred the principal and earnings into the permanently restricted endowment account to correct the 2013 deposit.

ASSETS MEASURED AT FAIR VALUE ON A RECURRING BASIS

In accordance with FASB ASC 820-10 Fair Value Measurement and Disclosure, the Organization is required to disclose, for its assets and liabilities measured at fair value on a recurring basis, the inputs used to determine those fair value measurements. The guidance provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets and liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3).

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

ASSETS MEASURED AT FAIR VALUE ON A RECURRING BASIS, CONTINUED

The three levels of the fair value hierarchy are as follows:

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.

The following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used during the year ended March 31, 2016.

- Mutual funds: Valued at the closing price as reported on the active market on which the individual securities are traded.
- Beneficial interest in Maine Community Foundation: Assets held in the Maine Community Foundation are categorized within level 3 of the fair value hierarchy based upon the length of time that would be required for the Organization's investments to become redeemable.
- Unemployment trust: Assets held in the unemployment trust are valued based net realizable value, which approximated fair value.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although Organization management believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

Transfers between input levels are recognized on the actual date of the event, or change in circumstance that caused the transfer. There were no transfers between input levels during the year ended March 31, 2016.

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

ASSETS MEASURED AT FAIR VALUE ON A RECURRING BASIS, CONTINUED

A summary of assets measured at fair value on a recurring basis for the year ended March 31, 2016 is as follows:

	<u>Fair value measurements at 03/31/16 using:</u>			
	<u>Totals</u> <u>03/31/16</u>	<u>Quoted prices in</u> <u>active markets for</u> <u>identical assets</u> <u>(Level 1)</u>	<u>Significant other</u> <u>observable</u> <u>inputs</u> <u>(Level 2)</u>	<u>Significant</u> <u>unobservable</u> <u>inputs</u> <u>(Level 3)</u>
Cash and cash equivalents	\$ 26,843	26,843	-	-
Mutual funds	6,510	6,510	-	-
Unemployment trust	24,493	-	24,493	-
Beneficial interest in Maine Community Foundation	3,860,294	-	-	3,860,294
Totals	\$ 3,918,140	33,353	24,493	3,860,294

Fair value measurements using significant unobservable inputs (Level 3):
Beneficial interest in Maine Community Foundation:

Opening balance	\$ 4,070,827
Total realized and unrealized gains	(75,951)
Interest and dividends	18,594
Purchases, issuances, settlements	6,000
Fees	(46,611)
Distributions	(112,565)
Ending balance	\$ 3,860,294

Change in realized and unrealized gains or losses for the period included in changes in <u>net assets</u>	\$ (75,951)
---	--------------------

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 \$33,353, at March 31, 2016. 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, 2016. 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

During the year the Organization held a construction line of credit for available draws up to \$4,000,000. This line of credit was available for draws until March, 2016 with interest at prime, currently at 3.50%. The total amount outstanding on the line of credit at March 31, 2016 was \$760,390 and was due in May 2016.

Subsequent to year-end, the Organization refinanced \$547,666 of the line of credit into a 10 year term note, with principal and interest payments to be made each month, maturing in June 2026. The note is secured by a collateral assignment of pledges and a mortgage, security agreement, lease assignment and finance statement from the Organization of real property. The remaining \$212,724 of the line of credit was extended and is due on November 11, 2016, with total available borrowings being reduced to \$3,400,000.

TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consisted of the following at March 31, 2016:

Capital campaign	\$ 677,277
Unexpended restricted contributions	13,328
Restricted pledges	210,113
Endowment fund appreciation	408,454
<u>Total temporarily restricted net assets</u>	<u>\$ 1,309,172</u>

PERMANENTLY RESTRICTED NET ASSETS

Permanently restricted net assets consisted of the following at March 31, 2016:

Due to endowment	\$ 254,516
Pledges receivable	5,000
Investments	2,107,750
<u>Total permanently restricted net assets</u>	<u>\$ 2,367,266</u>

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, 2016, such board designated net asset balances consisted of the following:

Capital maintenance reserve fund	\$ 1,175,097
Education reserve fund	168,992
<u>Total board-designated net assets</u>	<u>\$ 1,344,089</u>

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

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 year ended March 31, 2016, contributions to the plan totaled \$39,021.

PRIOR PERIOD ADJUSTMENT

The Organization participates in the Unemployment Services Trust (UST) which is an alternative to paying state unemployment taxes for nonprofits, as allowed by federal law. Through this program, rather than remit to the State of Maine a percentage of reportable taxable wages for unemployment obligations, the Organization remits to UST a pre-determined amount based on actual unemployment activity. UST manages and invests amounts remitted by the Organization and reimburses the State of Maine dollar-for-dollar when former employees collect unemployment benefits. Remittances to the Trust are assets of participating members and upon withdrawal from UST, any remaining funds on reserve are refunded to the member.

During the current year, the Organization changed the way in which it accounts for its UST remittances based on clearer information provided regarding ownership of reserves held by UST on members' behalf. The net effect of this change was the establishment of an unemployment trust asset in the amount of \$24,493. A prior period adjustment was reflected on the statement of activities in the amount of \$15,561, with the remaining \$8,932 being adjusted in the current year.

SUBSEQUENT EVENTS

In accordance with FASB ASC 855-10 *Subsequent Events*, management has evaluated subsequent events for possible recognition or disclosure through September 28, 2016, which is the date these financial statements were available to be issued.