

COASTAL MAINE BOTANICAL GARDENS, INC.

Financial Statements

December 31, 2013

(with comparative totals for December 31, 2012)

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 December 31, 2013, and the related statements of activities, functional expenses and cash flows for the 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits 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.

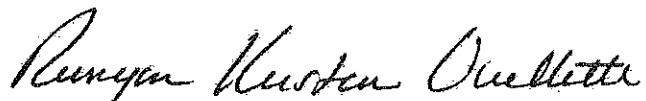
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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 December 31, 2013, 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.

Report on Summarized Comparative Information

We have previously audited Coastal Maine Botanical Gardens, Inc.'s 2012 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated July 19, 2013. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2012, is consistent, in all material respects, with the audited financial statements, as reclassified, from which it has been derived.

A handwritten signature in cursive script, reading "Raymond Newton Ouellette".

June 3, 2014

South Portland, Maine

COASTAL MAINE BOTANICAL GARDENS, INC.

Statements of Financial Position

December 31, 2013 and 2012

	2013	2012
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 392,822	184,281
Accounts receivable	4,655	4,148
Current portion of pledges and grants receivable, net	552,723	602,425
Inventory	60,387	52,632
Prepaid expenses and other current assets	21,658	10,550
Total current assets	1,032,245	854,036
Noncurrent assets:		
Investments	3,910,341	3,139,815
Pledges and grants receivable, net of current portion	562,793	1,224,759
Other assets	198,635	289,020
Total other assets	4,671,769	4,653,594
Property and equipment:		
Land, gardens, and buildings	17,776,030	17,452,235
Furniture and equipment	1,266,751	1,150,082
Total property and equipment	19,042,781	18,602,317
Less accumulated depreciation	(3,412,095)	(2,766,954)
Net property and equipment	15,630,686	15,835,363
Total assets	\$ 21,334,700	21,342,993
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable	93,149	41,600
Accrued expenses	82,987	109,244
Current portion of capital lease	5,100	4,769
Current portion of long-term debt	6,163	-
Deferred revenue	51,419	96,517
Total current liabilities	238,818	252,130
Non-current liabilities:		
Liability for charitable gift annuities	34,264	35,644
Capital lease payable, net of current portion	884	5,984
Line of credit and long-term debt, net of current portion	1,004,734	1,300,000
Total non-current liabilities	1,039,882	1,341,628
Total liabilities	1,278,700	1,593,758
Net assets:		
Undesignated	257,585	(41,573)
Board designated	1,220,330	859,271
Net investment in property and equipment	14,613,805	14,524,610
Total unrestricted net assets	16,091,720	15,342,308
Temporarily restricted	1,468,245	2,005,901
Permanently restricted	2,496,035	2,401,026
Total net assets	20,056,000	19,749,235
Total liabilities and net assets	\$ 21,334,700	21,342,993

See accompanying notes to financial statements

COASTAL MAINE BOTANICAL GARDENS, INC.
Statement of Activities
Year Ended December 31, 2013
(with comparative totals for year ended December 31, 2012)

	Unrestricted	Temporarily restricted	Permanently restricted	2013 Total	2012 Total
Revenue and support:					
Contributions, grants, and other support	\$ 602,766	573,610	95,009	1,271,385	2,143,114
Program revenue	887,622	-	-	887,622	789,157
Special events	-	-	-	-	49,796
Membership dues	413,727	-	-	413,727	347,151
Merchandise sales, net of costs of \$829,382 in 2013 and \$648,251 in 2012	237,061	-	-	237,061	218,743
Investment income	123,253	335,059	-	458,312	314,691
Loss on sale of assets	(24,000)	-	-	(24,000)	-
Rental and other income	44,561	-	-	44,561	57,312
Subtotal revenue and support	2,284,990	908,669	95,009	3,288,668	3,919,964
Net assets released from restrictions and reclassifications	1,446,325	(1,446,325)	-	-	-
Total revenue and support	3,731,315	(537,656)	95,009	3,288,668	3,919,964
Expenses					
Program	2,238,807	-	-	2,238,807	1,924,668
Management and general	509,975	-	-	509,975	362,472
Fundraising	233,121	-	-	233,121	497,055
Total expenses	2,981,903	-	-	2,981,903	2,784,195
Change in net assets	749,412	(537,656)	95,009	306,765	1,135,769
Net assets, beginning of year as previously stated	14,943,906	2,320,512	2,484,817	19,749,235	18,613,466
Reclassification of net assets balances	398,402	(314,611)	(83,791)	-	-
Net assets, beginning of year	15,342,308	2,005,901	2,401,026	19,749,235	18,613,466
Net assets, end of year	\$ 16,091,720	1,468,245	2,496,035	20,056,000	19,749,235

See accompanying notes to financial statements

COASTAL MAINE BOTANICAL GARDENS, INC.
Statement of Functional Expenses
Year Ended December 31, 2013
(with comparative totals for year ended December 31, 2012)

	Program services	Management and general	Fundraising	2013 Total	2012 Total
Salaries, benefits and payroll taxes	\$ 1,056,932	302,355	146,377	1,505,664	1,144,104
Professional services	3,140	39,002	-	42,142	37,560
Consultants	3,600	13,195	1,055	17,850	36,130
Contract services	3,190	-	-	3,190	4,995
Lecture and speaker fees	23,581	-	-	23,581	28,088
Advertising	43,531	7,450	1,000	51,981	55,131
Materials and supplies	82,891	18,822	2,079	103,792	117,501
Postage and printing	54,040	19,202	41,912	115,154	99,488
Technology & telephone	27,861	42,940	8,499	79,300	44,605
Utilities	65,957	-	-	65,957	52,136
Training and conferences	8,150	5,282	1,561	14,993	5,936
Travel and vehicle expenses	31,732	4,962	1,681	38,375	27,017
Repairs and maintenance	36,808	1,011	-	37,819	25,710
Grounds and gardens	65,550	-	-	65,550	65,506
Insurance	19,853	2,451	-	22,304	37,623
Licenses and fees	2,441	235	932	3,608	769
Dues and publications	8,402	2,807	1,121	12,330	11,658
Bank service fees and interest	64,274	6,591	545	71,410	35,035
Miscellaneous	45	(127)	-	(82)	1,744
Catering, meetings & events	5,693	15,220	23,921	44,834	19,106
Capital campaign	-	-	-	-	277,777
Depreciation	631,136	28,577	2,438	662,151	656,576
Total expenses	\$ 2,238,807	509,975	233,121	2,981,903	2,784,195

See accompanying notes to financial statements

COASTAL MAINE BOTANICAL GARDENS, INC.
Statements of Cash Flows
Years Ended December 31, 2013 and 2012

	2013	2012
Cash flows from operating activities:		
Change in net assets	\$ 306,765	1,135,769
Adjustments to reconcile change in net assets to net cash and cash equivalents provided by operating activities:		
Depreciation	680,746	656,576
Realized and unrealized gains on investments	(425,294)	(245,919)
Loss on sale of assets	24,000	-
(Increase) decrease in:		
Accounts receivable	(507)	(880)
Pledges receivable	711,668	(39,269)
Inventory	(7,755)	(3,481)
Prepaid expenses	(11,108)	18,610
Other assets	90,385	(19,200)
Increase (decrease) in:		
Accounts payable	51,549	(80,857)
Accrued expenses	(26,257)	53,653
Liability for charitable gift annuities	(1,380)	(14,994)
Deferred revenues	(45,098)	44,017
Net cash and cash equivalents provided by operating activities	1,347,714	1,504,025
Cash flows from investing activities:		
Purchases of investments, net	(369,232)	(205,274)
Purchases of property and equipment	(441,525)	(275,846)
Net cash and cash equivalents used in investing activities	(810,757)	(481,120)
Cash flows from financing activities:		
Payments against capital lease	(4,769)	(4,460)
Payments against long-term debt	(666)	-
Payments against line of credit, net	(322,981)	(871,787)
Net cash and cash equivalents used in financing activities	(328,416)	(876,247)
Net change in cash and cash equivalents	208,541	146,658
Cash and cash equivalents, beginning of year	184,281	37,623
Cash and cash equivalents, end of year	\$ 392,822	184,281
Supplemental cash flow disclosures:		
Cash paid for interest	\$ 49,132	76,245
Noncash financing and investing activities		
Purchase of vehicle with note payable	\$ 34,554	-

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 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.

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 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), 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 statement of financial position as of December 31, 2013 and 2012.

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.

Measure of Operations - For internal reporting purposes, the Organization includes in its definition of operations all revenues and expenses that are an integral part of its programs and supporting services. Investment income, including net realized and unrealized gains and losses, and contributions to temporarily and permanently restricted net assets, is recognized as non-operating support, revenues, gains, and losses.

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, 2010 through 2013.

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.

Reclassifications - Certain accounts in the prior-year financial statements have been reclassified for comparative purposes to conform to the presentation in the current-year financial statements. Additionally, during the current year, certain net asset balances were determined to have been incorrectly classified within the prior year's financial statements, and have been properly classified within the current year's financial statements. These reclassifications had no net impact on the Organization's total net assets or total changes in net assets.

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 December 31, 2013 the Organization's accounts were insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. At December 31, 2012, interest bearing accounts were insured by the FDIC up to \$250,000, with non-interest bearing accounts having unlimited coverage. As of December 31, 2013 and 2012, the Organization had uninsured cash balances of \$55,924 and \$0, respectively.

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% for 2013 and 2012, are summarized as follows at December 31:

	<u>2013</u>	<u>2012</u>
Pledges and grants receivable expected to be collected in:		
Less than one year	\$ 582,528	653,722
<u>One year to five years</u>	<u>609,665</u>	<u>1,388,227</u>
Total pledges and grants receivable	1,192,193	2,041,949
Allowance for uncollectible pledges	(29,805)	(51,297)
<u>Discount to present value</u>	<u>(46,872)</u>	<u>(163,468)</u>
Total pledges and grants receivable, net	1,115,516	1,827,184
Less: Current portion	(552,723)	(602,425)
<u>Total Long-term portion</u>	<u>\$ 562,793</u>	<u>1,224,759</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 December 31 were comprised of the following:

	<u>2013</u>	<u>2012</u>
Maine Community Foundation pooled accounts	\$ 3,857,996	3,074,191
Other:		
Bank Trust Department account	50,000	55,514
Other investments	2,345	10,110
<u>Total investments</u>	<u>\$ 3,910,341</u>	<u>3,139,815</u>

ENDOWMENT

At December 31, 2013 and 2012, the Organization held donor-restricted endowments of \$2,748,706 and \$2,329,521, and Board-designated endowments of \$1,109,290 and \$754,779, respectively. The purpose of these endowment funds is to provide investment income and gains to further various activities of the Organization.

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.

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

ENDOWMENT, CONTINUED

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 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.

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 December 31, 2013:

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Totals</u>
Donor-restricted endowments	\$ -	559,956	2,188,750	2,748,706
Board-designated endowments	1,109,290	-	-	1,109,290
Totals	\$ 1,109,290	559,956	2,188,750	3,857,996

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, 2013 were as follows:

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Totals</u>
Endowment net assets, beginning of year	\$ 754,779	290,771	2,038,750	3,084,300
Contributions	229,914	-	150,000	379,914
Investment return:				
Investment income, net of fees	2,565	5,949	-	8,514
Net appreciation	125,232	329,110	-	454,342
Total investment return	127,797	335,059	-	462,856
Amounts appropriated for expenditure	(3,200)	(65,874)	-	(69,074)
Endowment net assets, end of year	\$ 1,109,290	559,956	2,188,750	3,857,996

The Organization's endowment balances were comprised of the following as of December 31, 2012:

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Totals</u>
Donor-restricted endowments	\$ -	290,771	2,038,750	2,329,521
Board-designated endowments	754,779	-	-	754,779
Totals	\$ 754,779	290,771	2,038,750	3,084,300

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, 2012 were as follows:

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Totals</u>
Endowment net assets, beginning of year	\$ 628,740	99,947	1,863,194	2,591,881
Contributions	49,825	-	175,556	225,381
Investment return:				
Investment income (loss), net of fees	(1,224)	(1,343)	-	(2,567)
Net appreciation (depreciation)	77,438	239,692	-	317,130
Total investment return	76,214	238,349	-	314,563
Amounts appropriated for expenditure	-	(47,525)	-	(47,525)
Endowment net assets, end of year	\$ 754,779	290,771	2,038,750	3,084,300

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>12/31/13</u>	Fair value measurements at 12/31/13 using:		
		Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Beneficial interest in Maine Community Foundation	\$ 3,857,996	-	3,857,996	-
Other:				
Cash and mutual funds	52,345	52,345	-	-
Totals	\$ 3,910,341	52,345	3,857,996	-

	Totals <u>12/31/12</u>	Fair value measurements at 12/31/12 using:		
		Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Beneficial interest in Maine Community Foundation	\$ 3,074,191	-	3,074,191	-
Other:				
Cash and mutual funds	65,624	65,624	-	-
Totals	\$ 3,139,815	65,624	3,074,191	-

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 \$50,000 and \$55,514, respectively, at December 31, 2013 and 2012. 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 December 31, 2013 and 2012. 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 February 2015 with interest at prime, currently at 3.25%. In the event there is a balance on the line of credit as of February 15, 2015, 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 December 31, 2013 and 2012, the Organization had an outstanding balance on this line of credit of \$977,009 and \$1,300,000, respectively.

During 2013 the Organization obtained another 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 December 31, 2013.

OPERATING LEASE OBLIGATIONS

The Organization holds a lease that meets the requirements of an operating lease. This lease is renewable on a year-to-year basis and calls for a monthly payment of \$105 per month. During the year ended December 31, 2013, the Organization incurred rental costs in relation to this lease amounting to \$1,260. Estimated future minimum payments under this lease are as follows:

<u>Year ending</u>	<u>Amount</u>
2014	\$ 315

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 December 31, 2013 and 2012. Accumulated depreciation on this equipment totaled \$18,683 at December 31, 2013 and \$13,937 at December 31, 2012. Future minimum required payments under this agreement are as follows at December 31:

2014	\$ 5,347
2015	<u>891</u>
Total minimum payments	6,238
Less amounts representing interest	(254)
Less current portion	<u>(5,100)</u>
<u>Total minimum payments, less interest and current portion</u>	<u>\$ 884</u>

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

NOTE PAYABLE

During 2013 the Organization acquired a vehicle through the acceptance of a promissory note payable to the seller. This note is repayable in 60 equal payments of principal and interest at 5.9% in the amount of \$666, and is secured by the vehicle thus acquired. Future maturities of this note are as follows:

2014 (Current portion)	\$ 6,163
2015	6,536
2016	6,932
2017	7,353
2018	6,904
Total	\$ 33,888

TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consisted of the following at December 31:

	<u>2013</u>	<u>2012</u>
Restricted for program purposes	\$ 207,066	254,714
Restricted for timing of pledge payment	701,223	1,460,416
Endowment fund appreciation	559,956	290,771
Total temporarily restricted net assets	\$ 1,468,245	2,005,901

PERMANENTLY RESTRICTED NET ASSETS

Permanently restricted net assets consisted of the following at December 31:

	<u>2013</u>	<u>2012</u>
Cash and equivalents	\$ 15,000	-
Pledges receivable, net of allowance and discount	292,285	362,276
Investments	2,188,750	2,038,750
Total permanently restricted net assets	\$ 2,496,035	2,401,026

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

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 December 31, 2013 and 2012, such board designated net asset balances consisted of the following:

	<u>2013</u>	<u>2012</u>
Capital maintenance reserve fund	\$ 1,110,416	759,271
Education reserve fund	109,914	100,000
Total board-designated net assets	\$ 1,220,330	859,271

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 December 31, 2013 and 2012 contributions to the plan were \$17,745 and \$8,427, respectively.

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 June 3, 2014, which is the date these financial statements were available to be issued.

Subsequent to December 31, 2013, the Organization purchased certain real estate located in Boothbay and Boothbay Harbor, Maine, for a purchase price of \$200,000.