

COASTAL MAINE BOTANICAL GARDENS, INC.

Financial Statements

December 31, 2014

(with comparative totals for December 31, 2013)

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, 2014, 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, 2014, 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 2013 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated June 3, 2014. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2013, is consistent, in all material respects, with the audited financial statements from which it has been derived.

A handwritten signature in cursive script that reads "Remya Kristen Ouellette".

August 7, 2015
South Portland, Maine

COASTAL MAINE BOTANICAL GARDENS, INC.

Statements of Financial Position

December 31, 2014 and 2013

	2014	2013
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 134,989	392,822
Accounts receivable	2,634	4,655
Current portion of pledges and grants receivable, net	459,567	552,723
Inventory	67,281	60,387
Prepaid expenses and other current assets	40,288	21,658
Total current assets	704,759	1,032,245
Noncurrent assets:		
Investments	4,075,242	3,910,341
Pledges and grants receivable, net of current portion	186,385	562,793
Other assets	222,635	198,635
Total other assets	4,484,262	4,671,769
Property and equipment:		
Land, gardens, and buildings	18,444,838	17,776,030
Furniture and equipment	1,490,198	1,266,751
Total property and equipment	19,935,036	19,042,781
Less accumulated depreciation	(4,121,909)	(3,412,095)
Net property and equipment	15,813,127	15,630,686
Total assets	\$ 21,002,148	21,334,700
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable	56,063	93,149
Accrued expenses	80,976	82,987
Current portion of capital lease	884	5,100
Current portion of long-term debt	2,385	6,163
Deferred revenue	105,921	51,419
Total current liabilities	246,229	238,818
Non-current liabilities:		
Liability for charitable gift annuities	33,820	34,264
Capital lease payable, net of current portion	-	884
Line of credit and long-term debt, net of current portion	797,239	1,004,734
Total non-current liabilities	831,059	1,039,882
Total liabilities	1,077,288	1,278,700
Net assets:		
Undesignated	129,907	257,585
Board designated	1,444,564	1,220,330
Net investment in property and equipment	15,012,619	14,613,805
Total unrestricted net assets	16,587,090	16,091,720
Temporarily restricted	979,954	1,468,245
Permanently restricted	2,357,816	2,496,035
Total net assets	19,924,860	20,056,000
Total liabilities and net assets	\$ 21,002,148	21,334,700

See accompanying notes to financial statements

COASTAL MAINE BOTANICAL GARDENS, INC.
Statement of Activities
Year Ended December 31, 2014
(with comparative totals for year ended December 31, 2013)

	Unrestricted	Temporarily restricted	Permanently restricted	2014 Total	2013 Total
Revenue and support:					
Contributions, grants, and other support	\$ 446,311	687,777	3,782	1,137,870	1,271,385
Program revenue	921,587	-	-	921,587	887,622
Membership dues	434,273	-	-	434,273	413,727
Merchandise sales, net of costs of \$886,023 in 2014 and \$829,382 in 2013	239,311	-	-	239,311	237,061
Net investment income	44,438	108,940	-	153,378	458,312
Gain (loss) on sale of assets	5,000	-	-	5,000	(24,000)
Rental and other income	55,150	-	-	55,150	44,561
Subtotal revenue and support	2,146,070	796,717	3,782	2,946,569	3,288,668
Net assets released from restrictions and reclassifications	1,427,009	(1,285,008)	(142,001)	-	-
Total revenue and support	3,573,079	(488,291)	(138,219)	2,946,569	3,288,668
Expenses					
Program	2,318,818	-	-	2,318,818	2,238,807
Management and general	534,918	-	-	534,918	509,975
Fundraising	223,973	-	-	223,973	233,121
Total expenses	3,077,709	-	-	3,077,709	2,981,903
Change in net assets	495,370	(488,291)	(138,219)	(131,140)	306,765
Net assets, beginning of year	16,091,720	1,468,245	2,496,035	20,056,000	19,749,235
Net assets, end of year	\$ 16,587,090	979,954	2,357,816	19,924,860	20,056,000

See accompanying notes to financial statements

COASTAL MAINE BOTANICAL GARDENS, INC.
Statement of Functional Expenses
Year Ended December 31, 2014
(with comparative totals for year ended December 31, 2013)

	Program services	Management and general	Fundraising	2014 Total	2013 Total
Salaries, benefits and payroll taxes	\$ 1,071,830	361,959	138,758	1,572,547	1,505,664
Professional services	-	26,391	-	26,391	42,142
Consultants	10,472	5,116	-	15,588	17,850
Contract services	17,181	160	70	17,411	3,190
Lecture and speaker fees	20,619	-	-	20,619	23,581
Advertising	29,907	5,167	3,700	38,774	51,981
Materials and supplies	91,924	21,243	11,951	125,118	103,792
Postage and printing	52,918	16,219	48,079	117,216	115,154
Technology and telephone	25,004	22,838	8,753	56,595	79,300
Utilities	63,032	-	152	63,184	65,957
Training and conferences	7,086	657	1,200	8,943	14,993
Travel and vehicle expenses	24,521	10,433	762	35,716	38,375
Repairs and maintenance	48,219	247	-	48,466	37,819
Grounds and gardens	73,497	-	-	73,497	65,550
Insurance	25,130	7,811	-	32,941	22,304
Licenses and fees	501	230	-	731	3,608
Dues and publications	5,325	4,145	835	10,305	12,330
Bank service fees and interest	68,127	102	102	68,331	71,410
Miscellaneous	418	4,018	-	4,436	(82)
Catering, meetings and events	22,156	18,745	9,611	50,512	44,834
Depreciation	660,951	29,437	-	690,388	662,151
Total expenses	\$ 2,318,818	534,918	223,973	3,077,709	2,981,903

See accompanying notes to financial statements

COASTAL MAINE BOTANICAL GARDENS, INC.
Statements of Cash Flows
Years Ended December 31, 2014 and 2013

	2014	2013
Cash flows from operating activities:		
Change in net assets	\$ (131,140)	306,765
Adjustments to reconcile change in net assets to net cash and cash equivalents provided by operating activities:		
Depreciation	709,814	680,746
Change in pledges receivable discount	(31,663)	(116,597)
Change in pledges receivable allowance	(12,852)	(21,492)
Realized and unrealized gains on investments	(38,576)	(425,294)
(Gain) loss on sale of assets	(5,000)	24,000
(Increase) decrease in:		
Accounts receivable	2,021	(507)
Pledges receivable	514,079	849,757
Inventory	(6,894)	(7,755)
Prepaid expenses	(18,630)	(11,108)
Other assets	(24,000)	90,385
Increase (decrease) in:		
Accounts payable	(37,086)	51,549
Accrued expenses	(2,011)	(26,257)
Liability for charitable gift annuities	(444)	(1,380)
Deferred revenues	54,502	(45,098)
Net cash and cash equivalents provided by operating activities	972,120	1,347,714
Cash flows from investing activities:		
Purchases of investments, net	(126,325)	(369,232)
Purchases of property and equipment	(887,255)	(441,525)
Net cash and cash equivalents used in investing activities	(1,013,580)	(810,757)
Cash flows from financing activities:		
Payments against capital lease	(5,100)	(4,769)
Payments against long-term debt, net	(26,273)	(666)
Payments against line of credit, net	(185,000)	(322,981)
Net cash and cash equivalents used in financing activities	(216,373)	(328,416)
Net change in cash and cash equivalents	(257,833)	208,541
Cash and cash equivalents, beginning of year	392,822	184,281
Cash and cash equivalents, end of year	\$ 134,989	392,822
Supplemental cash flow disclosures:		
Cash paid for interest	\$ 43,055	49,132
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 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 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), 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.

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 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 December 31, 2014 and 2013.

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, and are not subject to depreciation.

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.

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.

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

NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

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, 2011 through 2014.

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 reclassified from permanently restricted net assets to unrestricted board designated net assets upon redirection by donors. 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, 2014 and December 31, 2013 the Organization's accounts were insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. As of December 31, 2014 and 2013, the Organization had uninsured cash balances of \$0 and \$55,924, 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 2014 and 2013, are summarized as follows at December 31:

	<u>2014</u>	<u>2013</u>
Pledges and grants receivable expected to be collected in:		
Less than one year	\$ 476,520	582,528
One year to five years	201,593	609,665
Total pledges and grants receivable	678,113	1,192,193
Allowance for uncollectible pledges	(16,953)	(29,805)
<u>Discount to present value</u>	<u>(15,208)</u>	<u>(46,872)</u>
Total pledges and grants receivable, net	645,952	1,115,516
Less: Current portion	(459,567)	(552,723)
<u>Total Long-term portion</u>	<u>\$ 186,385</u>	<u>562,793</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>2014</u>	<u>2013</u>
Maine Community Foundation pooled accounts	\$ 4,026,327	3,857,996
Other:		
Bank Trust Department account	43,900	50,000
<u>Other investments</u>	<u>5,015</u>	<u>2,345</u>
<u>Total investments</u>	<u>\$ 4,075,242</u>	<u>3,910,341</u>

For the years ended December 31, 2014 and 2013, respectively, total investment return was comprised of interest and dividend income of \$114,802 and \$92,277, respectively, and realized and unrealized gains and losses of \$38,576 and \$360,035, respectively.

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

ENDOWMENT

At December 31, 2014 and 2013, the Organization held donor-restricted endowments of \$2,744,260 and \$2,748,706, and Board-designated endowments of \$1,287,081 and \$1,109,290, 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.

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. For the years ended December 31, 2014 and 2013 endowment distributions amounted to \$104,460 and \$69,074 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.

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

ENDOWMENT, CONTINUED

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

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

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

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>12/31/14</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	-

	Totals <u>12/31/13</u>	<u>Fair value measurements at 12/31/13 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	\$ 3,857,996	-	3,857,996	-
Other:				
Cash and mutual funds	52,345	52,345	-	-
Totals	\$ 3,910,341	52,345	3,857,996	-

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 \$43,900 and \$50,000, respectively, at December 31, 2014 and 2013. 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, 2014 and 2013. The donor's contribution to this agreement was recorded as contribution revenue in the year of receipt. Subsequent changes in value are included with net investment income (loss).

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 September, 2015 with interest at prime, currently at 3.25%. In the event there is a balance on the line of credit as of September 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, 2014 and 2013, the Organization had an outstanding balance on this line of credit of \$792,010 and \$977,010, 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, 2014.

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 years ended December 31, 2014 and 2013, the Organization incurred rental costs in relation to this lease amounting to \$1,260 and \$1,260, respectively. Estimated future minimum payments under this lease are as follows:

<u>Year ending</u>	<u>Amount</u>
2015	\$ 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, 2014 and 2013. Accumulated depreciation on this equipment totaled \$23,429 at December 31, 2014 and \$18,683 at December 31, 2013. Future minimum required payments under this agreement are as follows at December 31:

<u>2015</u>	<u>\$ 891</u>
Total minimum payments	891
Less amounts representing interest	(7)
<u>Less current portion</u>	<u>(884)</u>
<u>Total minimum payments, less interest and current portion</u>	<u>\$ -</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. During 2014, the Organization paid off the note payable in full and received title of the vehicle.

LOAN PAYABLE

During 2014 the Organization was loaned \$10,000 from an unrelated business to finance certain property improvements necessary 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.

BOARD-DESIGNATED NET ASSETS

The Organization has designated certain investment assets and pledges receivable to be held at the board's discretion for various board designated purposes. At December 31, 2014 and 2013, such board designated net asset balances consisted of the following:

	<u>2014</u>	<u>2013</u>
Capital maintenance reserve fund	\$ 1,280,675	1,110,416
Education reserve fund	163,889	109,914
<u>Total board-designated net assets</u>	<u>\$ 1,444,564</u>	<u>1,220,330</u>

TEMPORARILY RESTRICTED NET ASSETS

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

	<u>2014</u>	<u>2013</u>
Restricted for program purposes	\$ 105,041	207,066
Restricted for timing of pledge payment	316,886	701,223
Endowment fund appreciation	558,027	559,956
<u>Total temporarily restricted net assets</u>	<u>\$ 979,954</u>	<u>1,468,245</u>

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

PERMANENTLY RESTRICTED NET ASSETS

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

	<u>2014</u>	<u>2013</u>
Cash and equivalents	\$ -	15,000
Pledges receivable, net of allowance and discount	294,066	292,285
<u>Investments</u>	<u>2,063,750</u>	<u>2,188,750</u>
<u>Total permanently restricted net assets</u>	<u>\$ 2,357,816</u>	<u>2,496,035</u>

PENSION BENEFIT PLAN

The Organization has established a 403(b) deferred compensation 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 years ended December 31, 2014 and 2013 contributions to the plan amounted to \$26,129 and \$17,745, 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 August 7, 2015, which is the date these financial statements were available to be issued.

Subsequent to December 31, 2014 the Organization changed its fiscal year end so as to fall on March 31 of each year.