

COASTAL MAINE
BOTANICAL
GARDENS 

FINANCIAL STATEMENTS

MARCH 31, 2018 AND 2017

Independent Auditor's Report

Board of Directors and Management
of Coastal Maine Botanical Gardens, Inc.

We have audited the accompanying financial statements of Coastal Maine Botanical Gardens, Inc. (a nonprofit organization) which comprise the statements of financial position as of March 31, 2018 and 2017, and the related statements of activities, functional expenses, and cash flows for years 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 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 accounting 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, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

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

October 19, 2018
South Portland, Maine

COASTAL MAINE BOTANICAL GARDENS, INC.
Statements of Financial Position
March 31, 2018 and 2017

	2018	2017
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 1,096,502	650,890
Accounts receivable	3,479	2,492
Grants receivable	-	20,000
Pledges receivable, current portion	2,662,064	935,685
Inventory	132,582	94,316
Prepaid expenses and other current assets	59,045	20,476
Total current assets	3,953,672	1,723,859
Noncurrent assets:		
Investments	32,572	128,910
Pledges receivable, non-current portion, net	627,846	1,025,191
Unemployment trust	34,705	37,527
Other assets	332,352	331,235
Beneficial interest in assets held by Maine Community Foundation (MCF)	4,417,512	4,308,754
Total other assets	5,444,987	5,831,617
Property and equipment:		
Land, gardens, and buildings	19,188,756	18,750,652
Furniture and equipment	2,142,241	1,819,960
Construction in progress	19,768,441	2,949,969
Total property and equipment	41,099,438	23,520,581
Less accumulated depreciation	(6,509,293)	(5,762,503)
Net property and equipment	34,590,145	17,758,078
Total assets	\$ 43,988,804	25,313,554
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable	1,480,783	1,713,076
Accrued expenses	232,965	186,321
Deferred revenue	155,667	175,599
Operating line of credit	1,865,000	1,261,212
Long-term debt, current portion	50,205	45,889
Total current liabilities	3,784,620	3,382,097
Non-current liabilities:		
Liability for charitable gift annuities	28,140	27,957
Program related investment	7,639,360	-
Construction line of credit, long-term portion	7,544,907	-
Long-term debt, net of current portion	415,570	466,526
Total non-current liabilities	15,627,977	494,483
Total liabilities	19,412,597	3,876,580
Net assets:		
Undesignated	(516,946)	(529,324)
Board designated	1,577,406	1,496,379
Net investment in property and equipment	17,075,103	15,984,451
Total unrestricted net assets	18,135,563	16,951,506
Temporarily restricted	4,056,378	2,118,202
Permanently restricted	2,384,266	2,367,266
Total net assets	24,576,207	21,436,974
Total liabilities and net assets	\$ 43,988,804	25,313,554

See accompanying notes to financial statements.

COASTAL MAINE BOTANICAL GARDENS, INC.
Statements of Activities
Years Ended March 31, 2018 and 2017

	2018				2017			
	Unrestricted	Temporarily restricted	Permanently restricted	Total	Unrestricted	Temporarily restricted	Permanently restricted	Total
Revenue and support:								
Contributions, grants, and other support	\$ 744,356	4,951,874	17,000	5,713,230	512,620	2,910,529	-	3,423,149
Program revenue	1,954,810	-	-	1,954,810	1,775,409	-	-	1,775,409
Membership dues	521,110	-	-	521,110	536,704	-	-	536,704
Merchandise sales (net of costs of \$1,186,363 and \$1,162,746, respectively)	158,866	-	-	158,866	235,967	-	-	235,967
Investment income	50,719	210,250	-	260,969	628	-	-	628
Realized and unrealized (loss) gain on investments, net	(2,823)	-	-	(2,823)	1,308	-	-	1,308
Change in value of assets held by MCF	81,027	25,731	-	106,758	152,289	286,171	-	438,460
Rental and other income	105,967	-	-	105,967	131,455	-	-	131,455
Subtotal revenue and support	3,614,032	5,187,855	17,000	8,818,887	3,346,380	3,196,700	-	6,543,080
Net assets released from restrictions and reclassifications	3,249,679	(3,249,679)	-	-	2,387,670	(2,387,670)	-	-
Total revenue and support	6,863,711	1,938,176	17,000	8,818,887	5,734,050	809,030	-	6,543,080
Expenses:								
Program	3,615,288	-	-	3,615,288	3,075,944	-	-	3,075,944
Management and general	902,732	-	-	902,732	976,158	-	-	976,158
Fundraising	1,161,634	-	-	1,161,634	749,813	-	-	749,813
Total expenses	5,679,654	-	-	5,679,654	4,801,915	-	-	4,801,915
Change in net assets	1,184,057	1,938,176	17,000	3,139,233	932,135	809,030	-	1,741,165
Net assets, beginning of year	16,951,506	2,118,202	2,367,266	21,436,974	16,019,371	1,309,172	2,367,266	19,695,809
Net assets, end of year	\$ 18,135,563	4,056,378	2,384,266	24,576,207	16,951,506	2,118,202	2,367,266	21,436,974

See accompanying notes to financial statements.

COASTAL MAINE BOTANICAL GARDENS, INC.
Statement of Functional Expenses
Year Ended March 31, 2018

	Program services	Management and general	Fundraising	Total expenses
Salaries, benefits and payroll taxes	\$ 1,969,514	546,117	473,300	2,988,931
Professional services	73	76,122	273,896	350,091
Consultants	-	400	222,576	222,976
Lecture and speaker fees	31,366	209	-	31,575
Advertising	37,680	97	156	37,933
Materials and supplies	92,253	37,566	11,751	141,570
Postage and printing	122,652	3,212	47,823	173,687
Technology and telephone	49,832	51,964	12,177	113,973
Utilities	76,122	-	-	76,122
Training and conferences	5,629	3,570	298	9,497
Travel and vehicle expenses	15,516	10,695	11,746	37,957
Repairs and maintenance	161,150	-	-	161,150
Grounds and gardens	211,547	2,567	232	214,346
Insurance	35,158	10,056	-	45,214
Licenses and fees	799	590	64	1,453
Dues and publications	10,134	748	11	10,893
Bank service fees and interest	49,152	116,183	180	165,515
Miscellaneous	30,782	11,623	52,938	95,343
Catering, meetings and events	26,371	9,237	35,969	71,577
Depreciation	689,558	21,776	14,517	725,851
Bad debt	-	-	4,000	4,000
Total expenses	\$ 3,615,288	902,732	1,161,634	5,679,654

See accompanying notes to financial statements.

COASTAL MAINE BOTANICAL GARDENS, INC.
Statement of Functional Expenses
Year Ended March 31, 2017

	Program services	Management and general	Fundraising	Total expenses
Salaries, benefits and payroll taxes	\$ 1,576,117	632,983	304,420	2,513,520
Professional services	-	100,634	69,373	170,007
Consultants	-	32,448	189,733	222,181
Lecture and speaker fees	24,447	170	-	24,617
Advertising	50,919	1,797	48	52,764
Materials and supplies	74,485	46,874	8,795	130,154
Postage and printing	131,453	18,540	62,994	212,987
Technology and telephone	79,400	30,879	17,184	127,463
Utilities	50,670	-	-	50,670
Training and conferences	5,150	766	-	5,916
Travel and vehicle expenses	9,610	11,870	20,523	42,003
Repairs and maintenance	92,480	2	-	92,482
Grounds and gardens	161,275	348	719	162,342
Insurance	35,608	6,618	25	42,251
Licenses and fees	909	1,942	50	2,901
Dues and publications	9,688	7,276	-	16,964
Bank service fees and interest	55,858	29,610	-	85,468
Miscellaneous	20,099	7,069	21,682	48,850
Catering, meetings & events	25,856	25,113	14,292	65,261
Depreciation	671,920	21,219	14,146	707,285
Bad debt	-	-	25,829	25,829
Total expenses	\$ 3,075,944	976,158	749,813	4,801,915

See accompanying notes to financial statements.

COASTAL MAINE BOTANICAL GARDENS, INC.
Statements of Cash Flows
Years Ended March 31, 2018 and 2017

	2018	2017
Cash flows from operating activities:		
Change in net assets	\$ 3,139,233	1,741,165
Adjustments to reconcile change in net assets to net cash and cash equivalents used in operating activities:		
Depreciation	746,790	728,223
Realized and unrealized loss (gain) on investments	2,823	(1,308)
Change in pledge discount and allowance	(73,508)	162,887
Gifts received with permanent restrictions	(17,000)	-
Change in value of beneficial interest in assets held by Maine Community Foundation (MCF)	(106,758)	(438,460)
Gifts received for long-term purposes	(4,951,874)	(2,910,529)
Change in value of unemployment trust	2,822	13,034
(Increase) decrease in:		
Accounts receivable	(987)	385
Pledges receivable	(1,255,526)	(1,033,163)
Grants receivable	20,000	(20,000)
Inventory	(38,266)	9,250
Prepaid expenses	(38,569)	39,705
Other assets	(1,117)	(8,700)
Increase (decrease) in:		
Accounts payable	(232,293)	1,646,335
Accrued expenses	46,644	27,572
Liability for charitable gift annuities	183	(591)
Deferred revenues	(19,932)	30,016
Net cash and cash equivalents used in operating activities	(2,777,335)	(14,179)
Cash flows from investing activities:		
Transfer of assets to MCF	(2,000)	(10,000)
Proceeds from sale of investments	103,515	-
Purchase of investments	(10,000)	(94,840)
Purchases of property and equipment	(17,578,857)	(3,234,371)
Net cash and cash equivalents used in investing activities	(17,487,342)	(3,339,211)
Cash flows from financing activities:		
Gifts received with permanent restrictions	17,000	-
Gifts received for long-term purposes	4,951,874	2,910,529
Borrowings on operating line of credit	703,788	1,568,488
Borrowings on construction line of credit	7,544,907	-
Proceeds from issuance of program related investment	7,639,360	-
Payments on line of credit	(100,000)	(520,000)
Principal payments on long-term debt	(46,640)	(35,251)
Net cash and cash equivalents provided by financing activities	20,710,289	3,923,766
Net change in cash and cash equivalents	445,612	570,376
Cash and cash equivalents, beginning of year	650,890	80,514
Cash and cash equivalents, end of year	\$ 1,096,502	650,890
Supplemental cash flow disclosures:		
Interest charged to expense	\$ 114,234	34,606
Interest capitalized	242,774	5,320
Total cash paid for interest	\$ 357,008	39,926

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. (the Organization) 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 298 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 the 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 \$1,867,506 is included within land, gardens, and buildings within the statements of financial position as of both of the years ended March 31, 2018 and 2017.

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, Support and Expenses - 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. Expenses are reported as decreases in unrestricted net assets. 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 the Gardens 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

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

NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

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, 2015 through March 31, 2018.

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.

New Accounting Pronouncements - During the year, the Organization adopted the provisions of the Financial Accounting Standards Board (FASB) ASU No. 2015-07, *Disclosure for Investments in Certain Entities That Calculate Net Asset Value Per Share (or its equivalent)*. This pronouncement removes the requirements to categorize within the fair value hierarchy all investments for which fair value is measured using the net asset value per share as a practical expedient and certain disclosure requirements. Application of this new standard was applied retrospectively to all periods presented.

In February 2016, the FASB issued ASU No. 2016-02 *Leases (Topic 842)*. Under ASU 2016-02, at the commencement of a long-term lease (greater than 12 months), the lessees will recognize a liability equivalent to the discounted payments due under the lease agreement, as well as an offsetting right-of-use asset. The ASU will be effective for the Organization on April 1, 2020, though early adoption permitted. Application of this standard must be applied using a modified retrospective transition approach for leases existing at the earliest comparative period presented in the financial statements. The Organization is currently evaluating the impact of this pending ASU on the financial statements, but does not expect significant changes as a result of its adoption.

In August 2016, the FASB issued ASU No. 2016-14, *Presentation of Financial Statements for Not-for-Profit Entities (Topic 958)*. Under ASU 2016-14, the existing three categories of net assets (unrestricted, temporarily restricted, and permanently restricted) will be replaced with a simplified model that combines the temporarily and permanently restricted categories into a single category entitled “net assets with donor restrictions”, similarly the current category of unrestricted net assets will be entitled “net assets without donor restrictions”. This ASU also requires certain new disclosures pertaining to board designated net assets, and qualitative information regarding the organization’s liquid resources. In addition, expenses will be required to be reported by both functional category and their natural classification. ASU 2016-14 will be effective for the Organization beginning on April 1, 2018, with early adoption permitted. The Organization is currently evaluating the impact of this ASU on the financial statements.

Reclassifications – During 2018, certain prior year balances were reclassified to conform to the current year presentation. Such reclassifications had no effect on the results of operations previously reported.

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. The Organization’s accounts are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. At March 31, 2018 and 2017, the Organization had \$703,873 and \$282,253, respectively, of uninsured cash.

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

PLEDGES RECEIVABLE

Pledges receivable, net of unamortized discount, assuming a discount rate of 4% and an allowance for uncollectible pledges based on the estimated collectability of each pledge, are summarized as follows at March 31:

	<u>2018</u>	<u>2017</u>
Pledges receivable expected to be collected in:		
Less than one year	\$ 2,662,064	935,685
<u>One year to five years</u>	<u>756,275</u>	<u>1,227,128</u>
Total pledges receivable	3,418,339	2,162,813
Allowance for uncollectible pledges	(41,077)	(54,945)
<u>Discount to present value</u>	<u>(87,352)</u>	<u>(146,992)</u>
Total pledges receivable, net	3,289,910	1,960,876
<u>Less: Current portion</u>	<u>(2,662,064)</u>	<u>(935,685)</u>
<u>Total Long-term portion</u>	<u>\$ 627,846</u>	<u>1,025,191</u>

CONDITIONAL GRANTS AND PROMISES TO GIVE

Beginning in fiscal year 2016, the Organization commenced a capital campaign to raise funds for a large scale capital project, which began in fiscal 2017. As part of that campaign, the Organization has successfully secured a number of valid pledges to be received in future years. Additionally, the Organization has secured two pledges and grants that are conditional and do not yet meet the requirements to be recognized as a valid pledge or grant receivable. The total amount of conditional pledges and grants at March 31, 2018 and 2017 were \$6,050,000 and \$7,550,000, respectively, consisting of two donors. Conditions on the pledges and grants range from matching requirements to raise additional funds, meeting certain performance benchmarks, and payments eligible upon the death of the donor. When the conditions of each gift have been met, the Organization will then recognize them as valid receivables. The Organization was able to recognize \$1,500,000 of one of these conditional grants during 2018 as they met the matching requirements necessary to become eligible to receive the first installment of the grant. This \$1,500,000 is included as an outstanding pledges receivable at March 31, 2018.

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 the 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, 2018 and 2017 were \$4,417,512 and \$4,308,754, respectively.

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

INVESTMENTS

Investments consist of 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, 2018 and 2017 were comprised of the following:

	<u>2018</u>	<u>2017</u>
Cash and cash equivalents	\$ 10,850	9,392
Mutual funds	21,722	18,373
Common stock	-	101,145
Total Investments	\$ 32,572	128,910

For the years ended March 31, 2018 and 2017, total investment return was comprised of interest and dividend income of \$2,021 and \$628, and realized and unrealized (losses) gains of (\$2,823) and \$1,308, respectively. Investment management fees for the years ended March 31, 2018 and 2017 amounted to \$6,649 and \$6,659, respectively, and are included in realized and unrealized gains (losses), net.

ENDOWMENT

At March 31, 2018 and 2017, the Organization held donor-restricted endowments of \$2,840,106 and \$2,812,375, and Board-designated endowments of \$1,577,406 and \$1,496,379, respectively. 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 permanently restricted 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. The Organization took endowment draws of \$258,952 and \$0 during the years ended March 31, 2018 and 2017, 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 March 31, 2018:

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Totals</u>
Donor-restricted endowments	\$ -	720,356	2,119,750	2,840,106
Board-designated endowments	1,577,406	-	-	1,577,406
Totals	\$ 1,577,406	720,356	2,119,750	4,417,512

Changes in the Organization's endowment balances for the year ended March 31, 2018 were as follows:

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Totals</u>
Endowment net assets, beginning of year	\$ 1,496,379	694,625	2,117,750	4,308,754
Contributions	-	-	2,000	2,000
Investment return:				
Investment income	48,702	210,250	-	258,952
Change in value of trusts	81,027	25,731	-	106,758
Total investment return	129,729	235,981	-	365,710
Amounts appropriated for expenditure	(48,702)	(210,250)	-	(258,952)
Endowment net assets, end of year	\$ 1,577,406	720,356	2,119,750	4,417,512

The Organization's endowment balances were comprised of the following as of March 31, 2017:

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Totals</u>
Donor-restricted endowments	\$ -	694,625	2,117,750	2,812,375
Board-designated endowments	1,496,379	-	-	1,496,379
Totals	\$ 1,496,379	694,625	2,117,750	4,308,754

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

ENDOWMENT, CONTINUED

The changes in the Organization's endowment balances for the year ended March 31, 2017 were as follows:

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Totals</u>
Endowment net assets, beginning of year	\$ 1,344,090	408,454	2,107,750	3,860,294
Contributions	-	-	10,000	10,000
Investment return:				
Investment income	-	-	-	-
Change in value of trusts	152,289	286,171	-	438,460
Total investment return	152,289	286,171	-	438,460
Amounts appropriated for expenditure	-	-	-	-
Endowment net assets, end of year	\$ 1,496,379	694,625	2,117,750	4,308,754

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).

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 years ended March 31, 2018 and 2017, respectively.

- Mutual funds/common stock: Valued at the closing price as reported on the active market on which the individual securities are traded.

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

ASSETS MEASURED AT FAIR VALUE ON A RECURRING BASIS, CONTINUED

- Unemployment trust: Assets held in the unemployment trust are valued based on net realizable value, which approximated fair value.

As discussed previously in the note “Transfers of assets to a recipient organization”, beneficial interest in assets held by Maine Community Foundation represents assets transferred to the Maine Community Foundation (the Foundation). Upon transfer of the assets to the Foundation, variance power over the assets is granted with no opportunity for redemption, and the Organization is designated the sole beneficiary.

Interests in assets held by Maine Community Foundation and are valued using the net asset value per share as a practical expedient. As such, assets held by the Maine Community Foundation are not assigned a level within the fair value hierarchy.

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 years ended March 31, 2018 and 2017, respectively.

A summary of assets measured at fair value on a recurring basis for the year ended March 31, 2018 is as follows:

		<u>Fair value measurements at 03/31/18 using:</u>		
	Totals	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
	<u>03/31/18</u>	<u>(Level 1)</u>	<u>(Level 2)</u>	<u>(Level 3)</u>
Cash and cash equivalents	\$ 10,850	10,850	-	-
Mutual funds – private equity	21,722	21,722	-	-
Unemployment trust	34,705	-	34,705	-
Total	67,277	32,572	34,705	-

Beneficial interest in assets held by
Maine Community Foundation 4,417,512

Totals **\$ 4,484,789**

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, 2017 is as follows:

	Totals <u>03/31/17</u>	Fair value measurements at 03/31/17 using:		
		Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Cash and cash equivalents	\$ 9,392	9,392	-	-
Mutual funds – private equity	18,373	18,373	-	-
Common stock:				
Energy	32,451	32,451	-	-
Technology	17,124	17,124	-	-
Financial	51,570	51,570	-	-
Unemployment trust	37,527	-	37,527	-
Total	166,437	128,910	37,527	-

Beneficial interest in assets held by
Maine Community Foundation 4,308,754

Totals \$ 4,475,191

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 \$32,575 and \$27,760, at March 31, 2018 and 2017, respectively. The present value of estimated future payments to beneficiaries is reported as a liability in the statements of financial position. The discount rate used to calculate the present value of estimated future payments was 5% at March 31, 2018 and 2017, respectively. 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.

LINE OF CREDIT

During 2018, the Organization obtained two separate unsecured lines of credit from a local bank. One is a construction line of credit, to borrow funds of up to \$8,000,000, for purposes of supporting the capital campaign construction phase. The term of the note is for five years, with interest adjusting daily based on the Wall Street Journal Prime rate. Interest payments are due monthly based on the outstanding amount, and all unpaid principal and interest shall be due at maturity. The total amount outstanding on this construction line of credit at March 31, 2018 was \$7,544,907.

The second note is an operating line of credit for available draws up to \$2,000,000. Interest payments are due monthly based on the outstanding amount, interest adjusts daily and is based on the Wall Street Journal Prime rate.

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

LINE OF CREDIT, CONTINUED

The operating line of credit matures on October 31, 2018 and will be eligible for renewal annually thereafter. This line of credit replaces the line of credit that existed as of March 31, 2017. As of March 31, 2018 and 2017, balances for these lines of credits were \$1,865,000 and \$1,261,212, respectively.

LONG-TERM DEBT

Following is a summary of long-term debt at March 31:

	<u>2018</u>	<u>2017</u>
Loan payable to bank, amortized over 10 years, with monthly principal and interest payments of \$5,677, with interest fixed at 4.50%, secured by a collateral assignment of pledges and a mortgage, security agreement, lease assignment and finance statement of real property, and matures June 2026.	\$ 465,775	512,415
	465,775	512,415
Less: current portion	(50,205)	(45,889)
Total long-term debt, net of current portion	\$ 415,570	466,526

The following summarizes the Organization's debt maturity for the years ending March 31:

2019	\$ 50,205
2020	52,513
2021	54,927
2022	57,452
2023	60,093
Thereafter	190,585
Total	\$ 465,775

PROGRAM RELATED INVESTMENT

During fiscal 2018, the Organization signed a loan agreement with a private foundation, known as a program-related investment (PRI). Proceeds from the loan are to be used for specific purposes related to the capital projects that commenced in fiscal 2017. Total available proceeds from the PRI are \$7,500,000, and can be drawn upon at the request of the Organization. Funds borrowed have an initial interest rate of 2.50% and accrue interest on the unpaid principal balance, and will increase to 4.00% after maturity or such earlier date on which an event of default exists. No payments on outstanding balances are required to be made until June 30, 2021. On June 30, 2017, and annually thereafter on each June 30, through June 30 2020, all accrued and unpaid interest shall be capitalized and added to the principal balance. On June 30, 2021, and annually thereafter on each June 30, through June 30, 2024, the Organization is required to make principal payments of \$2,000,000 and a payment of accrued interest on the outstanding balance of the loan through June 30 of the year of the payment. The PRI also carries certain performance benchmarks, which if met, reduce the overall interest rate to a floor of 1.00%. Total borrowed funds related to this agreement, plus accrued interest, amounted to \$7,639,360 during the year ended March 31, 2018.

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

TEMPORARILY RESTRICTED NET ASSETS

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

	<u>2018</u>	<u>2017</u>
Capital Campaign pledges, net	\$ 3,292,487	1,310,055
Unexpended restricted contributions	5,035	5,022
Unrestricted pledges and grants, restricted by time	38,500	108,500
Endowment fund appreciation	720,356	694,625
Total temporarily restricted net assets	\$ 4,056,378	2,118,202

PERMANENTLY RESTRICTED NET ASSETS

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

	<u>2018</u>	<u>2017</u>
Due to endowment	\$ 259,516	244,516
Pledges receivable	5,000	5,000
Investments	2,119,750	2,117,750
Total permanently restricted net assets	\$ 2,384,266	2,367,266

BOARD DESIGNATED NET ASSETS

The Organization has designated certain investment assets to be held at the board's discretion for various Board-designated purposes. Such Board-designated net asset balances consisted of the following at March 31:

	<u>2018</u>	<u>2017</u>
Capital maintenance reserve fund	\$ 1,376,876	1,308,241
Education reserve fund	200,530	188,138
Total Board-designated net assets	\$ 1,577,406	1,496,379

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 2015 this matching rate was increased to 4%. For the years ended March 31, 2018 and 2017, contributions to the plan totaled \$85,971 and \$53,866, respectively.

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

SUBSEQUENT EVENTS

In accordance with FASB ASC 855-10 *Subsequent Events*, management has evaluated subsequent events for possible recognition or disclosure through October 19, 2018, which is the date these financial statements were available to be issued.