

COASTAL MAINE
BOTANICAL
GARDENS 

FINANCIAL STATEMENTS

MARCH 31, 2020 AND 2019

Table of Contents

INDEPENDENT AUDITOR'S REPORT

FINANCIAL STATEMENTS:

Statements of Financial Position	1
Statements of Activities	2
Statements of Functional Expenses	3
Statements of Cash Flows	5
Notes to Financial Statements	6

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Coastal Maine Botanical Gardens, Inc.

We have audited the accompanying financial statements of Coastal Maine Botanical Gardens, Inc. (a nonprofit organization), which comprise the statements of financial position as of March 31, 2020 and 2019, and the related statement of activities, functional expenses, and cash flows for the 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 from 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, 2020 and 2019, 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.

Runyon Kersteen Ouellette

November 23, 2020
South Portland, Maine

COASTAL MAINE BOTANICAL GARDENS, INC.
Statements of Financial Position
March 31, 2020 and 2019

	2020	2019
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 961,750	654,403
Accounts receivable	2,311	1,414
Promises to give, current portion	3,681,428	605,793
Inventory	291,381	265,705
Prepaid expenses and other current assets	54,682	35,606
Total current assets	4,991,552	1,562,921
Non-current assets:		
Investments	10,360	24,880
Promises to give, non-current portion, net	675,580	547,195
Unemployment trust	40,931	41,673
Other assets	365,459	332,619
Beneficial interest in assets held by Maine Community Foundation (MCF)	3,765,629	4,246,291
Total other assets	4,857,959	5,192,658
Property and equipment:		
Land, gardens, and buildings	38,633,759	38,105,342
Furniture and equipment	5,008,553	4,478,557
Construction in progress	33,268	440,766
Total property and equipment	43,675,580	43,024,665
Less accumulated depreciation	(9,107,652)	(7,586,879)
Net property and equipment	34,567,928	35,437,786
Total assets	\$ 44,417,439	42,193,365
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable	\$ 263,318	206,604
Accrued expenses	378,590	302,617
Deferred revenue	174,690	175,293
Long-term debt, current portion	52,513	50,205
Note payable	-	500,000
Total current liabilities	869,111	1,234,719
Non-current liabilities:		
Program related investment	8,031,386	7,830,344
Construction line of credit, long-term portion	6,705,203	7,920,203
Long-term debt, net of current portion	316,889	368,931
Operating line of credit	1,600,280	1,775,000
Total non-current liabilities	16,653,758	17,894,478
Total liabilities	17,522,869	19,129,197
Net assets without donor restrictions:		
Undesignated	(1,691,209)	(706,235)
Board designated	1,266,198	1,401,689
Net investment in property and equipment	17,861,657	17,493,103
Total net assets without donor restrictions	17,436,646	18,188,557
Net assets with donor restrictions	9,457,924	4,875,611
Total net assets	26,894,570	23,064,168
Total liabilities and net assets	\$ 44,417,439	42,193,365

See accompanying notes to financial statements.

COASTAL MAINE BOTANICAL GARDENS, INC.
Statements of Activities
Years Ended March 31, 2020 and 2019

	2020			2019		
	Without donor restrictions	With donor restrictions	Total	Without donor restrictions	With donor restrictions	Total
Revenue and support:						
Contributions, grants, and other support	\$ 506,857	8,383,204	8,890,061	498,735	1,647,835	2,146,570
Program revenue	2,506,626	-	2,506,626	2,393,787	-	2,393,787
Membership dues	570,605	-	570,605	525,254	-	525,254
Merchandise sales (net of costs of \$1,400,034 and \$1,369,612 in 2020 and 2019, respectively)	44,044	-	44,044	23,009	-	23,009
Investment income - MCF	61,890	196,418	258,308	220,375	107,980	328,355
Net investment return	15,347	-	15,347	(3,672)	-	(3,672)
Change in value of assets held by MCF	(135,491)	(345,171)	(480,662)	(175,712)	(26,504)	(202,216)
Rental and other income	40,277	-	40,277	33,122	-	33,122
Loss on disposal of assets	-	-	-	(283,447)	-	(283,447)
Subtotal revenue and support	3,610,155	8,234,451	11,844,606	3,231,451	1,729,311	4,960,762
Net assets released from restrictions and reclassifications	3,652,138	(3,652,138)	-	3,294,344	(3,294,344)	-
Total revenue and support	7,262,293	4,582,313	11,844,606	6,525,795	(1,565,033)	4,960,762
Expenses:						
Program	5,083,761	-	5,083,761	4,719,653	-	4,719,653
Management and general	1,791,222	-	1,791,222	909,726	-	909,726
Fundraising	1,139,221	-	1,139,221	843,422	-	843,422
Total expenses	8,014,204	-	8,014,204	6,472,801	-	6,472,801
Change in net assets	(751,911)	4,582,313	3,830,402	52,994	(1,565,033)	(1,512,039)
Net assets, beginning of year	18,188,557	4,875,611	23,064,168	18,135,563	6,440,644	24,576,207
Net assets, end of year	\$ 17,436,646	9,457,924	26,894,570	18,188,557	4,875,611	23,064,168

See accompanying notes to financial statements.

COASTAL MAINE BOTANICAL GARDENS, INC.
Statement of Functional Expenses
Year Ended March 31, 2020

		Program services	Management and general	Fundraising	Total expenses
Salaries, benefits and payroll taxes	\$	2,334,086	654,792	365,418	3,354,296
Professional services		-	73,188	11,643	84,831
Consultants		20,181	23,599	298,004	341,784
Lecture and speaker fees		41,444	-	-	41,444
Advertising		44,177	-	30	44,207
Materials and supplies		111,986	32,940	11,337	156,263
Postage and printing		180,591	21,923	32,531	235,045
Technology and telephone		26,362	71,888	11,503	109,753
Utilities		134,489	-	-	134,489
Training and conferences		3,491	4,011	1,050	8,552
Travel and vehicle expenses		13,464	9,874	10,432	33,770
Rental, repairs, and maintenance		190,573	-	300,629	491,202
Grounds and gardens		177,357	-	-	177,357
Insurance		62,115	6,789	-	68,904
Licenses and fees		1,275	5,163	19,812	26,250
Dues and publications		10,364	7,358	-	17,722
Bank service fees and interest		101,803	723,668	211	825,682
Miscellaneous		63,580	50,505	26,809	140,894
Catering, meetings and events		16,877	18,133	19,703	54,713
Depreciation		1,430,174	45,163	30,109	1,505,446
Program related		119,372	-	-	119,372
Bad debt		-	42,228	-	42,228
Total expenses	\$	5,083,761	1,791,222	1,139,221	8,014,204

See accompanying notes to financial statements.

COASTAL MAINE BOTANICAL GARDENS, INC.
Statement of Functional Expenses
Year Ended March 31, 2019

		Program services	Management and general	Fundraising	Total expenses
Salaries, benefits and payroll taxes	\$	2,182,745	506,279	454,778	3,143,802
Professional services		1,137	46,522	33,413	81,072
Consultants		1,655	-	166,342	167,997
Lecture and speaker fees		39,601	-	-	39,601
Advertising		57,093	-	5	57,098
Materials and supplies		93,508	45,195	15,608	154,311
Postage and printing		146,273	7,773	62,576	216,622
Technology and telephone		22,251	83,983	766	107,000
Utilities		139,297	-	-	139,297
Training and conferences		3,549	2,000	47	5,596
Travel and vehicle expenses		21,030	17,027	11,157	49,214
Rental, repairs, and maintenance		166,246	253	-	166,499
Grounds and gardens		126,839	-	-	126,839
Insurance		56,321	5,864	534	62,719
Licenses and fees		1,677	958	40	2,675
Dues and publications		13,375	5,895	1,550	20,820
Bank service fees and interest		79,889	102,701	416	183,006
Miscellaneous		19,400	-	59,101	78,501
Catering, meetings and events		13,966	1,840	8,131	23,937
Depreciation		1,375,481	43,436	28,958	1,447,875
Program related		158,320	-	-	158,320
Bad debt		-	40,000	-	40,000
Total expenses	\$	4,719,653	909,726	843,422	6,472,801

See accompanying notes to financial statements.

COASTAL MAINE BOTANICAL GARDENS, INC.

Statements of Cash Flows

Years Ended March 31, 2020 and 2019

	2020	2019
Cash flows from operating activities:		
Change in net assets	\$ 3,830,402	(1,512,039)
Adjustments to reconcile change in net assets to net cash and cash equivalents used in operating activities:		
Depreciation	1,505,446	1,447,875
Unrealized (gain) loss on investments	(10,598)	8,130
Change in promises to give discount and allowance	77,752	(49,230)
Gifts received with restrictions in perpetuity	-	(16,000)
Change in value of beneficial interest in assets held by Maine Community Foundation (MCF)	480,662	202,216
Gifts received for long-term purposes	(5,740,187)	(1,631,828)
Change in value of unemployment trust	742	(6,968)
Loss on disposal of assets	-	283,447
(Increase) decrease in:		
Accounts receivable	(897)	2,065
Promises to give	(3,281,772)	2,186,152
Inventory	(25,676)	(133,123)
Prepaid expenses	(19,076)	23,439
Other assets	(32,840)	(267)
Increase (decrease) in:		
Accounts payable	56,714	(1,274,179)
Accrued expenses	75,973	66,971
Liability for charitable gift annuities	-	(25,459)
Deferred revenues	(603)	19,626
Net cash and cash equivalents used in operating activities	(3,083,958)	(409,172)
Cash flows from investing activities:		
Transfer of assets to MCF	(225)	(30,995)
Proceeds from sale of investments	29,370	4,458
Purchase of investments	(4,252)	(4,894)
Purchases of property and equipment	(635,363)	(2,670,639)
Net cash and cash equivalents used in investing activities	(610,470)	(2,702,070)
Cash flows from financing activities:		
Gifts received with restrictions in perpetuity	-	16,000
Gifts received for long-term purposes	5,740,187	1,631,828
Borrowings on operating line of credit	-	660,000
Borrowings on construction line of credit	2,250,280	375,296
Interest accrued on program related investment	201,042	190,984
Payments on line of credit	(3,640,000)	(750,000)
Capital lease payments	-	91,674
Borrowings on notes payables	-	500,000
Payments on notes payables	(500,000)	-
Principal payments on long-term debt	(49,734)	(46,639)
Net cash and cash equivalents provided by financing activities	4,001,775	2,669,143
Net change in cash and cash equivalents	307,347	(442,099)
Cash and cash equivalents, beginning of year	654,403	1,096,502
Cash and cash equivalents, end of year	\$ 961,750	654,403
Supplemental cash flow disclosures:		
Interest charged to expense	\$ 722,426	101,118
Interest capitalized	-	593,449
Total interest expense incurred	\$ 722,426	694,567

See accompanying notes to financial statements.

COASTAL MAINE BOTANICAL GARDENS, INC.

Notes to Financial Statements

March 31, 2020 and 2019

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 Organization is to inspire meaningful connections among people, plants and nature 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 reports information regarding its financial position and activities according to two classes of net assets that are based upon the existence or absence of restrictions on use that are placed by its donors: net assets with donor restrictions and net assets without donor restrictions.

Net assets without donor restrictions are resources available to support operations and are not subject to donor imposed restrictions. The only limits on the use of net assets without donor restrictions are the broad limits resulting from the nature of the Organization, the environment in which it operates, the purposes specified in its corporate documents, and its application for tax-exempt status.

Net assets with donor restrictions are subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, such as where the donor stipulates that resources be maintained in perpetuity. The Organization's unspent contributions are reported in net assets with donor contributions if the donor limits their use. Contributions of property and equipment or cash restricted to acquisition of property and equipment are reported as net assets with donor restrictions if the donor has restricted the use of the property or equipment to a particular program. These restrictions expire when the assets are placed in service.

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 revenues without donor restrictions in the statement of activities unless their use is restricted by explicit donor stipulations or by law.

COASTAL MAINE BOTANICAL GARDENS, INC.
Notes to Financial Statements, Continued
March 31, 2020 and 2019

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. Non-depreciable land with a carrying value of \$1,867,506 is included within land, gardens, and buildings within the statements of financial position at both March 31, 2020 and 2019, respectively.

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 revenues with or without donor restrictions depending on the existence and/or nature of any donor restrictions. Expenses are reported as decreases in net assets without 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 revenues with donor restrictions. 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 net assets with donor restrictions to net assets without donor restrictions 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 net assets with donor restrictions class, and a reclassification to net assets without donor restrictions 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 Organization 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.

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.

COASTAL MAINE BOTANICAL GARDENS, INC.
Notes to Financial Statements, Continued
March 31, 2020 and 2019

NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

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.

Accounting principles generally accepted in the United States of America requires management to evaluate tax positions taken by the Organization and recognize a tax liability if the Organization has taken an uncertain tax position that more likely than not would not be sustained upon examination by the Internal Revenue Service and state taxing authorities. The Organization is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress.

Recent Accounting Pronouncements - 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. 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. Recently, the FASB issued a new ASU No. 2020-05, which delays the implementation date of ASU 2016-02; the revised effective date for nonprofit organizations would be for fiscal years beginning after December 15, 2021. The Organization is currently evaluating the impact of this ASU on the financial statements.

Reclassifications - During 2020, certain prior year balances were reclassified to conform to the current year presentation. Such reclassifications had no effect on the results of operations as 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, 2020 and 2019, the Organization had \$499,466 and \$0 of uninsured cash, respectively.

CONDITIONAL GRANTS AND PROMISES TO GIVE

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 promises to give to be received in future years. Additionally, the Organization has secured two promises to give that are conditional and do not yet meet the requirements to be recognized as a valid promise to give. The total amount of conditional promises to give for the years ended March 31, 2020 and 2019 was \$3,398,139 and \$5,724,744, consisting of two donors. Conditions on the promises to give 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 promise to give are met, the Organization will then recognize them as valid promise to give. During fiscal 2018 the Organization was able to recognize \$1,775,256 of one of these conditional promises to give, as the matching requirements of funds raised had been met. In 2019, a payment of \$1,500,000 was received towards this promise to give. During fiscal 2020, the Organization

COASTAL MAINE BOTANICAL GARDENS, INC.
Notes to Financial Statements, Continued
March 31, 2020 and 2019

CONDITIONAL GRANTS AND PROMISES TO GIVE, CONTINUED

raised additional matching funds sufficient to recognize an additional \$2,376,605 of the outstanding conditional promise to give.

PROMISES TO GIVE

Promises to give, net of unamortized discount, assuming a discount rate of 4% and an allowance for uncollectible promises to give based on the estimated collectability of each pledge and an overall allowance percentage of 2.5%, are summarized as follows at March 31:

	<u>2020</u>	<u>2019</u>
Promises to give expected to be collected in:		
Less than one year	\$ 3,681,428	605,793
One year to five years	832,531	626,394
Total promises to give	4,513,959	1,232,187
Allowance for uncollectible promises to give	(65,552)	(21,114)
Discount to present value	(91,399)	(58,085)
Total promises to give, net	4,357,008	1,152,988
Less: Current portion	(3,681,428)	(605,793)
Total long-term portion	\$ 675,580	547,195

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, 2020 and 2019 were \$3,765,629 and \$4,246,291, respectively.

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.

COASTAL MAINE BOTANICAL GARDENS, INC.
Notes to Financial Statements, Continued
March 31, 2020 and 2019

INVESTMENTS, CONTINUED

Investments were comprised of the following at March 31:

	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 5,658	4,430
<u>Mutual funds</u>	<u>4,702</u>	<u>20,450</u>
<u>Total investments</u>	<u>\$ 10,360</u>	<u>24,880</u>

For the years ended March 31, 2020 and 2019, total investment return was comprised of interest and dividend income of \$4,749 and \$4,458, and realized and unrealized gains (losses) of \$10,598 and (\$8,130), respectively.

ENDOWMENT

At March 31, 2020 and 2019, the Organization held donor-restricted endowments of \$2,499,431 and \$2,844,602, and Board-designated endowments of \$1,266,198 and \$1,401,689, 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.

Interpretation of Relevant Law - The Organization 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, the Organization has interpreted State law to require all realized and unrealized gains and losses on investments with donor-imposed restrictions that are perpetual in nature to be restricted until appropriated by the Board of Trustees. Accordingly, except for explicit donor stipulations specifying reinvestment of some or all investment return, net return on investment of endowment funds with donor-imposed restrictions that are perpetual in nature is available for appropriation and is reported as increases (decreases) in net assets with donor restrictions, in accordance with the donor's stipulations, if any, concerning the purposes for which ordinary income may be used.

Absent explicit donor stipulations to the contrary, the Organization has interpreted UPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds. As a result of this interpretation, the Organization retains in perpetuity and classifies as net assets with donor restrictions (1) the original value of gifts donated to the perpetual endowment, (2) the original value of subsequent gifts to the perpetual endowment, and (3) accumulations to the perpetual endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not retained in perpetuity are subject to appropriation for expenditure by the Organization in a manner consistent with the standard of prudence by UPMIFA. In accordance with UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the fund, (2) purposes of the Organization and the donor-restricted endowment fund, (3) general economic conditions, (4) possible effects of inflation and deflation, (5) expected total return from income and the appreciation of investments, (6) other resources of the Organization, (7) the Organization's investment policies.

COASTAL MAINE BOTANICAL GARDENS, INC.
Notes to Financial Statements, Continued
March 31, 2020 and 2019

ENDOWMENT, CONTINUED

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 \$258,308 and \$328,355 during the years ended March 31, 2020 and 2019, respectively.

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

The Organization's endowment balances were comprised of the following as of March 31, 2020:

	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>Totals</u>
Board-designated endowments	\$ 1,266,198	-	1,266,198
Donor-restricted endowments:			
Original donor-restricted gift and amounts required to be maintained in perpetuity	-	2,150,750	2,150,750
Accumulated investment gains	-	348,681	348,681
Totals	\$ 1,266,198	2,499,431	3,765,629

Changes in the Organization's endowment balances for the year ended March 31, 2020 were as follows:

	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>Totals</u>
Endowment net assets, beginning of year	\$ 1,401,689	2,844,602	4,246,291
Contributions	-	-	-
Investment return	(73,601)	(148,753)	(222,354)
Amounts appropriated for expenditure	(61,890)	(196,418)	(258,308)
Endowment net assets, end of year	\$ 1,266,198	2,499,431	3,765,629

COASTAL MAINE BOTANICAL GARDENS, INC.
Notes to Financial Statements, Continued
March 31, 2020 and 2019

ENDOWMENT, CONTINUED

The Organization's endowment balances were comprised of the following as of March 31, 2019:

	Without donor <u>restrictions</u>	With donor <u>restrictions</u>	<u>Totals</u>
Board-designated endowments	\$ 1,401,689	-	1,401,689
Donor-restricted endowments:			
Original donor-restricted gift and amounts required to be maintained in perpetuity	-	2,150,750	2,150,750
Accumulated investment gains	-	693,852	693,852
Totals	\$ 1,401,689	2,844,602	4,246,291

The changes in the Organization's endowment balances for the year ended March 31, 2019 were as follows:

	Without donor <u>restrictions</u>	With donor <u>restrictions</u>	<u>Totals</u>
Endowment net assets, beginning of year	\$ 1,577,406	2,840,106	4,417,512
Contributions	-	31,000	31,000
Investment return	44,658	81,476	126,134
Amounts appropriated for expenditure	(220,375)	(107,980)	(328,355)
Endowment net assets, end of year	\$ 1,401,689	2,844,602	4,246,291

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.

COASTAL MAINE BOTANICAL GARDENS, INC.
Notes to Financial Statements, Continued
March 31, 2020 and 2019

ASSETS MEASURED AT FAIR VALUE ON A RECURRING BASIS, CONTINUED

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.

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, 2020 and 2019, respectively.

A summary of assets measured at fair value on a recurring basis for the year ended March 31, 2020 is as follows:

Fair value measurements using:

	<u>Totals</u>	<u>Level 1</u>
Cash and cash equivalents	\$ 5,658	5,658
Mutual funds – private equity	4,702	4,702
<u>Total</u>	<u>10,360</u>	<u>10,360</u>

Beneficial interest in assets held by
Maine Community Foundation 3,765,629

Totals **\$ 3,775,989**

COASTAL MAINE BOTANICAL GARDENS, INC.
Notes to Financial Statements, Continued
March 31, 2020 and 2019

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, 2019 is as follows:

Fair value measurements using:

	<u>Totals</u>	<u>Level 1</u>
Cash and cash equivalents	\$ 4,430	4,430
Mutual funds – private equity	20,450	20,450
Total	24,880	24,880

Beneficial interest in assets held by
Maine Community Foundation 4,246,291

Totals \$ 4,271,171

LINES 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 (3.25% and 5.50% at March 31, 2020 and 2019, respectively). Interest payments are due monthly based on the outstanding amount, and all unpaid principal and interest shall be due at maturity, August 11, 2022. The total amount outstanding on this construction line of credit at March 31, 2020 and 2019 was \$6,705,203 and \$7,920,203, respectively.

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 (3.25% and 5.50% at March 31, 2020 and 2019 respectively). The operating line of credit matures on October 31, 2020 and will be eligible for renewal annually thereafter. As of March 31, 2020 and 2019, outstanding balances for this line of credit amounted to \$1,600,280 and \$1,775,000, respectively.

COASTAL MAINE BOTANICAL GARDENS, INC.
Notes to Financial Statements, Continued
March 31, 2020 and 2019

LONG-TERM DEBT

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

	<u>2020</u>	<u>2019</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, lease assignment; matures June 2026.	\$ 369,402	419,136
	369,402	419,136
Less: current portion	(52,513)	(50,205)
Total long-term debt, net of current portion	\$ 316,889	368,931

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

2021	\$ 52,513
2022	54,927
2023	57,452
2024	60,093
2025	62,855
Thereafter	81,562
Total	\$ 369,402

NOTE PAYABLE TO RELATED PARTY

During fiscal 2019, the Organization signed a short-term note payable agreement with a member of the board which is considered a related party, for \$500,000. The entire outstanding principal balance and accrued interest was paid off in July 2019.

COASTAL MAINE BOTANICAL GARDENS, INC.
Notes to Financial Statements, Continued
March 31, 2020 and 2019

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 \$8,031,386 and \$7,830,344 during the year ended March 31, 2020 and 2019, respectively.

RESTRICTIONS AND LIMITATIONS OF NET ASSET BALANCES

Net assets with donor restrictions consisted of the following at March 31:

	<u>2020</u>	<u>2019</u>
To be held in perpetuity:		
Endowment funds held in perpetuity with income restricted	\$ 244,516	244,516
Pledges receivable	5,000	5,000
<u>Investments</u>	<u>2,150,750</u>	<u>2,150,750</u>
Totals	\$ 2,400,266	2,400,266

Accumulated gains on endowment funds held in perpetuity:

Endowment funds held in perpetuity with income restricted to other programs	\$ 348,681	693,852
Totals	\$ 348,681	693,852

Subject to appropriation and expenditure when a specified event or time occurs:

Capital Campaign pledges, net	\$ 4,416,146	1,166,601
Unexpended restricted contributions	2,285,331	607,392
<u>Pledges and grants, restricted by time</u>	<u>7,500</u>	<u>7,500</u>
Totals	\$ 6,708,977	1,781,493
Total net assets with donor restrictions	\$ 9,457,924	4,875,611

COASTAL MAINE BOTANICAL GARDENS, INC.
Notes to Financial Statements, Continued
March 31, 2020 and 2019

PENSION BENEFIT PLAN

The Organization has established a 401(k) deferred compensation plan (the Plan). The Plan became effective on April 1, 2017, and replaced an existing 403(b) plan. Under the terms of the Plan, the Organization matches employee salary deferrals to the Plan up to 4% of total compensation. For the years ended March 31, 2020 and 2019, contributions to the plan totaled \$77,175 and \$78,475, respectively.

LIQUIDITY AND AVAILABILITY OF RESOURCES

The Organization has the following financial assets available within one year of the balance sheet date to meet cash needs for general expenditure:

Cash and cash equivalents	\$ 961,750
<u>Accounts receivable, net</u>	<u>2,311</u>
 Total	 <u>\$ 964,061</u>

None of the financial assets are subject to donor or other contractual restrictions that make them unavailable for general expenditure within one year of the balance sheet date.

The Organization's endowment funds consist of donor-restricted endowments and board-designated quasi-endowment. As described in the "Endowment" footnote, the Organization's Board has adopted an endowment spending policy under which, an amount equal to 4% of the market value of the fund, based on a rolling twelve-quarter average of the fund's calendar year-end market value, shall be available to the Organization each year.

The Organization has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. As more fully described in the "Lines of Credit" note, the Organization has two committed lines of credit in the amount of \$8,000,000 and \$2,000,000 which it could draw upon in the event of an unanticipated liquidity need. The balances of these lines of credit at March 31, 2020 and 2019 were \$6,705,203 and \$1,600,280, respectively. Additionally, although the Organization does not intend to spend from its board designated endowment fund other than amounts appropriated for general expenditure as part of its annual distribution, amounts from its board designated endowment funds could be made available if such a request was granted by the Board of Directors of the Maine Community Foundation.

COASTAL MAINE BOTANICAL GARDENS, INC.
Notes to Financial Statements, Continued
March 31, 2020 and 2019

LEASE OBLIGATIONS

The Organization holds a number of non-cancelable operating leases. The leases are for the use of certain office equipment, property, and passenger vehicles. The agreements call for monthly rental payments ranging from \$119 to \$1,620. Terms for these leases range from 4 – 5 years. Future minimum operating lease payments amounted to the following at March 31:

2021	\$ 45,856
2022	31,461
2023	19,464
2024	16,556
Total	\$ 113,337

METHOD USED FOR ALLOCATION OF EXPENSES

The financial statements report certain categories of expenses that are attributable to one or more program or supporting functions of the Organization. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. Those expenses include depreciation and were allocated based on a percentage of 95% to program services, 3% to management and general and 2% to fundraising.

SUBSEQUENT EVENTS

In accordance with FASB ASC 855-10 *Subsequent Events*, management has evaluated subsequent events for possible recognition or disclosure through November 23, 2020, which is the date these financial statements were available to be issued.

Subsequent to year-end, due to the COVID-19 pandemic, the Organization had to cancel events scheduled to take place in early fiscal 2021, as well as delay the opening of the Organization. In addition, the Organization has had to modify its operations to meet guidelines established by the State of Maine.

On April 10, 2020, as a result of the negative financial impact of COVID-19, the Organization applied for and was granted a loan (the Loan) from Bath Savings Institution in the aggregate amount of \$705,500, pursuant to the Paycheck Protection Program (the "PPP") under division A, Title I of the Coronavirus Aid, Relief and Economy Security Act (CARES Act), which was enacted in March, 2020. The Loan, which was in the form of a Note dated April 10, 2020, matures on April 10, 2022 and bears interest at a rate of 1.00% per annum, payable monthly commencing 10 months after the covered period ends. The Note may be prepaid by the Organization at any time prior to maturity with no prepayment penalties. Funds from the Loan may only be used for payroll costs, costs used to continue group health care benefits, mortgage payments, rent, utilities, and interest on other debt obligations incurred before February 15, 2020. The Organization intends to use the entire Loan amount for qualifying expenses. Under the terms of the PPP, certain amounts of the Loan may be forgiven if they are used for qualifying expenses as described in the CARES Act. While the Organization currently believes that its use of the loan proceeds will meet the conditions for forgiveness of the loan, it is uncertain whether events will take place that could cause the Organization to be ineligible for forgiveness of the loan, in whole or in part.