

COASTAL MAINE
BOTANICAL
GARDENS 

FINANCIAL STATEMENTS

MARCH 31, 2021 AND 2020

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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, 2021 and 2020, 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

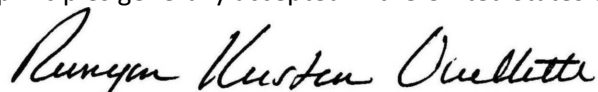
Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about 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, 2021 and 2020, 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.



December 13, 2021
South Portland, Maine

COASTAL MAINE BOTANICAL GARDENS, INC.
Statements of Financial Position
March 31, 2021 and 2020

	2021	2020
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 2,319,492	961,750
Accounts receivable	224,080	2,311
Grants receivable	8,600	-
Pledges receivable, current portion	2,083,055	3,681,428
Inventory	366,834	291,381
Prepaid expenses and other current assets	48,413	54,682
Total current assets	5,050,474	4,991,552
Non-current assets:		
Investments	11,052	10,360
Pledges receivable, non-current portion, net	593,806	675,580
Unemployment trust	42,428	40,931
Other assets	383,459	365,459
Beneficial interest in assets held by Maine Community Foundation (MCF)	4,906,154	3,765,629
Total other assets	5,936,899	4,857,959
Property and equipment:		
Land, gardens, and buildings	38,729,969	38,633,759
Furniture and equipment	4,592,883	5,008,553
Construction in progress	166,782	33,268
Total property and equipment	43,489,634	43,675,580
Less accumulated depreciation	(10,022,809)	(9,107,652)
Net property and equipment	33,466,825	34,567,928
Total assets	\$ 44,454,198	44,417,439
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable	\$ 83,858	263,318
Accrued expenses	374,873	378,590
Deferred revenue	177,049	174,690
Long-term debt, current portion	54,927	52,513
Total current liabilities	690,707	869,111
Non-current liabilities:		
PRI loan payable	8,209,045	8,031,386
Construction line of credit	6,430,203	6,705,203
Operating line of credit	830,280	1,600,280
Long-term debt, net of current portion	262,040	316,889
PPP loan payable	705,551	-
Total non-current liabilities	16,437,119	16,653,758
Total liabilities	17,127,826	17,522,869
Net assets without donor restrictions:		
Undesignated	(357,908)	(1,691,209)
Board designated	1,630,357	1,266,198
Net investment in property and equipment	17,680,330	17,861,657
Total net assets without donor restrictions	18,952,779	17,436,646
Net assets with donor restrictions		
Total net assets	8,373,593	9,457,924
Total net assets	27,326,372	26,894,570
Total liabilities and net assets	\$ 44,454,198	44,417,439

See accompanying notes to financial statements.

COASTAL MAINE BOTANICAL GARDENS, INC.
Statements of Activities
Years Ended March 31, 2021 and 2020

	2021			2020		
	Without donor restrictions	With donor restrictions	Total	Without donor restrictions	With donor restrictions	Total
Revenue and support:						
Contributions, grants, and other support	\$ 1,487,197	1,548,430	3,035,627	506,857	8,383,204	8,890,061
Governmental grants	534,720	-	534,720	-	-	-
Program revenue	1,494,763	-	1,494,763	2,506,626	-	2,506,626
Membership dues	530,059	-	530,059	570,605	-	570,605
Merchandise sales (net of costs of \$317,305 and \$705,974 in 2021 and 2020, respectively)	294,327	-	294,327	738,455	-	738,455
Investment income - MCF	59,580	114,250	173,830	61,890	196,418	258,308
Net investment return	1,607	-	1,607	15,347	-	15,347
Change in value of assets held by MCF	364,159	723,407	1,087,566	(135,491)	(345,171)	(480,662)
In-kind revenues	18,000	-	18,000	-	-	-
Rental and other income	17,797	-	17,797	40,277	-	40,277
Loss on disposal of assets	(7,912)	-	(7,912)	-	-	-
SBA PPP loan forgiveness	705,500	-	705,500	-	-	-
Subtotal revenue and support	5,499,797	2,386,087	7,885,884	4,304,566	8,234,451	12,539,017
Net assets released from restrictions and reclassifications	3,470,418	(3,470,418)	-	3,652,138	(3,652,138)	-
Total revenue and support	8,970,215	(1,084,331)	7,885,884	7,956,704	4,582,313	12,539,017
Expenses:						
Program	4,511,413	-	4,511,413	5,778,172	-	5,778,172
Management and general	2,129,602	-	2,129,602	1,791,222	-	1,791,222
Fundraising	813,067	-	813,067	1,139,221	-	1,139,221
Total expenses	7,454,082	-	7,454,082	8,708,615	-	8,708,615
Change in net assets	1,516,133	(1,084,331)	431,802	(751,911)	4,582,313	3,830,402
Net assets, beginning of year	17,436,646	9,457,924	26,894,570	18,188,557	4,875,611	23,064,168
Net assets, end of year	\$ 18,952,779	8,373,593	27,326,372	17,436,646	9,457,924	26,894,570

See accompanying notes to financial statements.

COASTAL MAINE BOTANICAL GARDENS, INC.
Statement of Functional Expenses
Year Ended March 31, 2021

		Program services	Management and general	Fundraising	Total expenses
Salaries, benefits and payroll taxes	\$	2,309,378	974,039	441,248	3,724,665
Professional services		-	75,617	11,108	86,725
Consultants		32,888	19,915	220,966	273,769
Lecture and speaker fees		19,701	-	-	19,701
Advertising		14,022	1,500	-	15,522
Materials and supplies		93,735	45,337	7,852	146,924
Postage and printing		73,271	28,889	36,489	138,649
Technology and telephone		32,182	77,478	7,397	117,057
Utilities		79,406	61,191	-	140,597
Training and conferences		279	1,089	-	1,368
Travel and vehicle expenses		7,216	1,062	1,791	10,069
Rental, repairs, and maintenance		20,188	186,037	41,216	247,441
Grounds and gardens		136,181	7,158	-	143,339
Insurance		220	81,695	332	82,247
Licenses and fees		492	8,071	-	8,563
Dues and publications		4,741	11,265	599	16,605
Bank service fees and interest		88,855	457,143	3,696	549,694
Miscellaneous		-	43,259	7,482	50,741
Catering, meetings and events		1,556	1,557	1,358	4,471
Depreciation		1,497,831	47,300	31,533	1,576,664
Program related		99,271	-	-	99,271
Bad debt		-	-	-	-
Total expenses	\$	4,511,413	2,129,602	813,067	7,454,082

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	\$	2,870,456	654,792	365,418	3,890,666
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		162,126	32,940	11,337	206,403
Postage and printing		185,138	21,923	32,531	239,592
Technology and telephone		26,402	71,888	11,503	109,793
Utilities		158,722	-	-	158,722
Training and conferences		3,491	4,011	1,050	8,552
Travel and vehicle expenses		18,133	9,874	10,432	38,439
Rental, repairs, and maintenance		191,872	-	300,629	492,501
Grounds and gardens		177,555	-	-	177,555
Insurance		62,115	6,789	-	68,904
Licenses and fees		3,892	5,163	19,812	28,867
Dues and publications		15,355	7,358	-	22,713
Bank service fees and interest		128,383	723,668	211	852,262
Miscellaneous		70,019	50,505	26,809	147,333
Catering, meetings and events		16,953	18,133	19,703	54,789
Depreciation		1,462,298	45,163	30,109	1,537,570
Program related		119,460	-	-	119,460
Bad debt		-	42,228	-	42,228
Total expenses	\$	5,778,172	1,791,222	1,139,221	8,708,615

See accompanying notes to financial statements.

COASTAL MAINE BOTANICAL GARDENS, INC.

Statements of Cash Flows

Years Ended March 31, 2021 and 2020

	2021	2020
Cash flows from operating activities:		
Change in net assets	\$ 431,802	3,830,402
Adjustments to reconcile change in net assets to net cash and cash equivalents provided by (used in) operating activities:		
Depreciation	1,576,664	1,537,570
Unrealized (gain) loss on investments	350	(10,598)
Change in pledges receivable discount and allowance	(65,594)	77,752
SBA PPP loan forgiveness	(705,500)	-
Change in value of beneficial interest in assets held by Maine Community Foundation (MCF)	(1,087,566)	480,662
Gifts received for long-term purposes	(1,496,035)	(8,333,102)
Change in value of unemployment trust	(1,497)	742
Loss on disposal of assets	7,912	-
(Increase) decrease in:		
Accounts receivable	(221,769)	(897)
Pledges receivable	1,745,741	(3,281,772)
Grants receivable	(8,600)	-
Inventory	(75,453)	(25,676)
Prepaid expenses	6,269	(19,076)
Other assets	(18,000)	(32,840)
Increase (decrease) in:		
Accounts payable	(179,460)	56,714
Accrued expenses	(3,717)	75,973
Deferred revenues	2,359	(603)
Net cash and cash equivalents provided by (used in) operating activities	(92,094)	(5,644,749)
Cash flows from investing activities:		
Transfer of assets to MCF	(52,959)	(225)
Proceeds from sale of investments	3,210	29,370
Purchase of investments	(4,252)	(4,252)
Purchases of property and equipment	(483,473)	(667,487)
Net cash and cash equivalents used in investing activities	(537,474)	(642,594)
Cash flows from financing activities:		
Gifts received for long-term purposes	1,496,035	8,333,102
Borrowings on operating line of credit	330,000	-
Payments on operating line of credit	(1,100,000)	-
Borrowings on construction line of credit	-	2,250,280
Payments on construction line of credit	(275,000)	(3,640,000)
Interest accrued on program related investment	177,659	201,042
Borrowings on PPP loan	1,411,051	-
Payments on notes payables	-	(500,000)
Principal payments on long-term debt	(52,435)	(49,734)
Net cash and cash equivalents used in (provided by) financing activities	1,987,310	6,594,690
Net change in cash and cash equivalents	1,357,742	307,347
Cash and cash equivalents, beginning of year	961,750	654,403
Cash and cash equivalents, end of year	\$ 2,319,492	961,750
Supplemental cash flow disclosures:		
Interest charged to expense	\$ 456,600	722,426
Total interest expense incurred	\$ 456,600	722,426

See accompanying notes to financial statements.

COASTAL MAINE BOTANICAL GARDENS, INC.

Notes to Financial Statements

March 31, 2021 and 2020

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). The Organization 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 328 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 donor placed restrictions on use: 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.

Accounts Receivable - The Organization uses the direct write off method in accounting for uncollectible accounts receivable. Receivables are written-off when management determines they are not collectible. For the years ended March 31, 2021 and 2020, all outstanding receivable balances were deemed fully collectible.

COASTAL MAINE BOTANICAL GARDENS, INC.
Notes to Financial Statements, Continued
March 31, 2021 and 2020

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, 2021 and 2020, 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.

Donated Assets - Donated marketable securities and other noncash donations are recorded as contributions at their estimated fair values at the date of donation.

COASTAL MAINE BOTANICAL GARDENS, INC.
Notes to Financial Statements, Continued
March 31, 2021 and 2020

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 to fiscal years beginning after December 15, 2021. The Organization is currently evaluating the impact of this ASU on the financial statements.

New Accounting Pronouncements - During the year ended March 31, 2021, the Organization adopted the provisions of ASU 2014-09 *Revenue from Contracts with Customers (Topic 606)*, which establishes the principles to report useful information about the nature, timing, and uncertainty of revenue from contracts with customers.

Reclassifications - During 2021, 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, 2021 and 2020, the Organization had \$1,971,860 and \$499,466 of uninsured cash, respectively.

COASTAL MAINE BOTANICAL GARDENS, INC.
Notes to Financial Statements, Continued
March 31, 2021 and 2020

CONDITIONAL GRANTS AND PLEDGES

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 receivable to be received in future years. Additionally, the Organization has secured two pledges that are conditional in nature and do not yet meet the requirements to be recognized as a valid pledge receivable. Total conditional pledges for each of the years ended March 31, 2021 and 2020 amounted to \$3,398,139. Conditions on the pledges 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 pledge are met, the Organization will then recognize them as valid pledges receivable.

During fiscal 2018, the Organization was able to recognize \$1,775,256 of one of these conditional pledges, as the matching requirements of funds raised had been met. In 2019, a payment of \$1,500,000 was received towards this pledge receivable.

During fiscal 2020, the Organization raised additional matching funds sufficient to recognize an additional \$2,376,605 of the outstanding conditional pledges. During fiscal 2021, a payment of \$1,500,000 was received towards this pledge receivable.

PLEDGES RECEIVABLE

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

	<u>2021</u>	<u>2020</u>
Pledges receivable expected to be collected in:		
Less than one year	\$ 2,083,055	3,681,428
<u>One year to five years</u>	<u>685,162</u>	<u>832,531</u>
Total pledges receivable	2,768,217	4,513,959
Allowance for uncollectible pledges	(56,809)	(65,552)
<u>Discount to present value</u>	<u>(34,547)</u>	<u>(91,399)</u>
Total pledges receivable, net	2,676,861	4,357,008
<u>Less: Current portion</u>	<u>(2,083,055)</u>	<u>(3,681,428)</u>
<u>Total long-term portion</u>	<u>\$ 593,806</u>	<u>675,580</u>

COASTAL MAINE BOTANICAL GARDENS, INC.
Notes to Financial Statements, Continued
March 31, 2021 and 2020

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, 2021 and 2020 were \$4,906,154 and \$3,765,629, 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.

Investments were comprised of the following at March 31:

	<u>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ 3,902	5,658
Mutual funds	7,150	4,702
Total investments	\$ 11,052	10,360

For the years ended March 31, 2021 and 2020, total investment return was comprised of interest and dividend income of \$1,957 and \$4,749, and realized and unrealized (losses) gains of \$(350) and \$10,598, respectively.

ENDOWMENT

At March 31, 2021 and 2020, the Organization held donor-restricted endowments of \$3,275,797 and \$2,499,431, and Board-designated endowments of \$1,630,357 and \$1,266,198, 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

COASTAL MAINE BOTANICAL GARDENS, INC.
Notes to Financial Statements, Continued
March 31, 2021 and 2020

ENDOWMENT, CONTINUED

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.

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 \$173,830 and \$258,308 during the years ended March 31, 2021 and 2020, 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 has interpreted UPMIFA to permit spending from underwater funds in accordance with prudent measures required under the law.

The Organization's endowment balances were comprised of the following as of March 31, 2021:

	Without donor <u>restrictions</u>	With donor <u>restrictions</u>	<u>Totals</u>
Board-designated endowments	\$ 1,630,357	-	1,630,357
Donor-restricted endowments:			
Original donor-restricted gift and amounts required to be maintained in perpetuity	-	2,203,709	2,203,709
Accumulated investment gains	-	1,072,088	1,072,088
Totals	\$ 1,630,357	3,275,797	4,906,154

COASTAL MAINE BOTANICAL GARDENS, INC.
Notes to Financial Statements, Continued
March 31, 2021 and 2020

ENDOWMENT, CONTINUED

Changes in the Organization's endowment balances for the year ended March 31, 2021 were as follows:

	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>Totals</u>
Endowment net assets, beginning of year	\$ 1,266,198	2,499,431	3,765,629
Contributions	-	52,959	52,959
Investment return	423,739	837,657	1,261,396
Amounts appropriated for expenditure	(59,580)	(114,250)	(173,830)
Endowment net assets, end of year	\$ 1,630,357	3,275,797	4,906,154

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

The 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, 2021 and 2020

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.

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, 2021 and 2020, respectively.

COASTAL MAINE BOTANICAL GARDENS, INC.
Notes to Financial Statements, Continued
March 31, 2021 and 2020

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, 2021 is as follows:

Fair value measurements using:

	<u>Totals</u>	<u>Level 1</u>
Cash and cash equivalents	\$ 3,902	3,902
Mutual funds – private equity	7,150	7,150
<u>Total</u>	<u>11,052</u>	<u>11,052</u>

Beneficial interest in assets held by
Maine Community Foundation 4,906,154

Totals **\$ 4,917,206**

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, 2021 and 2020

LINES OF CREDIT

During 2018, the Organization obtained two separate unsecured lines of credit from a local bank. The first 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 this line of credit is for five years, with interest adjusting daily based on the Wall Street Journal Prime rate (3.25% and 3.25% at March 31, 2021 and 2020, respectively). Interest payments are due monthly based on the outstanding amount, with all unpaid principal and interest due at the maturity date of August 11, 2022. The balance remaining at maturity is convertible to a four-year term loan with equal quarterly amortization of principal. The total amount outstanding on this construction line of credit at March 31, 2021 and 2020 was \$6,430,203 and \$6,705,203, respectively.

The second is an operating line of credit for available draws up to \$2,000,000. The term of this line of credit is for five years, with an option to renew annually for up to an additional five years. Interest payments are due monthly based on the outstanding amount, with interest adjusting daily based on the Wall Street Journal Prime rate (3.25% and 3.25% at March 31, 2021 and 2020 respectively). The operating line of credit matured on October 31, 2020 and was renewed through October 31, 2021. At maturity, up to \$1,000,000 of the remaining balance outstanding is convertible to a ten-year term loan with quarterly amortization of principal. The total amount outstanding on this operating line of credit at March 31, 2021 and 2020 was \$830,280 and \$1,600,280, respectively.

LONG-TERM DEBT

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

	<u>2021</u>	<u>2020</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.	\$ 316,967	369,402
	316,967	369,402
Less: Current portion	(54,927)	(52,513)
Total long-term debt, net of current portion	\$ 262,040	316,889

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

2022	\$ 54,927
2023	57,452
2024	60,093
2025	62,855
2026	65,744
Thereafter	15,896
Total	\$ 316,967

COASTAL MAINE BOTANICAL GARDENS, INC.
Notes to Financial Statements, Continued
March 31, 2021 and 2020

PAYCHECK PROTECTION PROGRAM (PPP)

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, was scheduled to mature on April 10, 2022 and bore 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. 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. On November 2, 2020, the Organization received notice that the entire loan balance of \$705,500, had been forgiven in full by the Small Business Administration (SBA). This amount is presented as "SBA PPP loan forgiveness" on the statements of activities.

On February 17, 2021, the Organization applied for and was granted a second loan pursuant to the PPP in the amount of \$750,551. Dated on February 17, 2021, this loan matures on February 17, 2026, and bears interest at a rate of 1.00% per annum, payable monthly commencing 10 months after the covered period ends. Consistent with the first PPP loan, this note may be prepaid by the Organization at any time prior to maturity with no prepayment penalties and 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. Certain amounts of the loan may also be forgiven if they are used for qualifying expenses as described in the CARES Act. The Organization intends to use the entire loan amount for qualifying expenses.

While the Organization currently believes that its use of the loan proceeds will meet the conditions of 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. As a result, until such forgiveness is granted and the loan is legally released, the full balance of the loan is presented as a PPP loan payable in the accompanying statement of financial position.

PRI LOAN PAYABLE

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 loan amount to \$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. Initial terms of the PRI loan called for no payments on outstanding balances 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 was 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.

COASTAL MAINE BOTANICAL GARDENS, INC.
Notes to Financial Statements, Continued
March 31, 2021 and 2020

PRI LOAN PAYABLE, CONTINUED

On September 18, 2020, the loan maturity date and repayment schedule were extended by three years. Per the amended terms the PRI loan maturity date is now June 30, 2028 with the first principal payment of \$2,000,000 due on June 30, 2024. Annual payments will follow thereafter on each June 30 through June 30, 2028. All other terms and conditions of the PRI loan agreement remain unchanged.

The PRI also carries certain performance benchmarks, which if met, reduce the overall interest rate to a floor of 1.00%. In recognition of the Organization meeting one of these benchmarks in fiscal 2020, on September 18, 2020, the effective interest rate was reduced to 2.25%. Total borrowed funds related to this agreement, plus accrued interest, amounted to \$8,209,045 and \$8,031,386 during the years ended March 31, 2021 and 2020, respectively.

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, 2021 and 2020, contributions to the plan totaled \$79,538 and \$77,175, respectively.

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 \$98 to \$1,620. Terms for these leases range from 4 – 5 years. Total expenses incurred during the years ended March 31, 2021 and 2020 on these leases were \$47,031 and \$69,785, respectively. Future minimum operating lease payments amounted to the following at March 31:

2022	\$ 29,077
2023	20,541
2024	16,556
Total	\$ 66,174

RESTRICTIONS AND LIMITATIONS OF NET ASSET BALANCES

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

	<u>2021</u>	<u>2020</u>
To be held in perpetuity:		
Endowment funds held in perpetuity with income restricted	\$ 244,516	244,516
Pledges receivable	5,000	5,000
Investments	2,203,709	2,150,750
Totals	\$ 2,453,225	2,400,266

COASTAL MAINE BOTANICAL GARDENS, INC.
Notes to Financial Statements, Continued
March 31, 2021 and 2020

RESTRICTIONS AND LIMITATIONS OF NET ASSET BALANCES, CONTINUED

Accumulated gains on endowment funds held in perpetuity:

Endowment funds held in perpetuity with income restricted to other programs	\$ 1,072,088	348,681
Totals	\$ 1,072,088	348,681

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

Capital Campaign pledges, net	\$ 2,740,522	4,416,146
Unexpended restricted contributions	2,099,158	2,285,331
Pledges and grants, restricted by time	8,600	7,500
Totals	\$ 4,848,280	6,708,977
Total net assets with donor restrictions	\$ 8,373,593	9,457,924

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	\$ 2,319,492
Accounts receivable	224,080
Grants receivable	8,600
Total	\$ 2,552,172

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, 2021 were \$6,430,203 and \$830,280, respectively. The balances of these lines of credit at March 31, 2020 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, 2021 and 2020

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.

REVENUE RECOGNITION

During the years ended March 31, 2021 and 2020, the Organization had contract revenue totaling \$842,183 and \$1,349,337, respectively. Of those totals, \$530,059 and \$570,605 came from admissions and memberships, \$294,327 and \$738,455 came from net sale of merchandise, and \$17,797 and \$40,277 came from the rental income, respectively. To best match the timing of the transfer of goods or services, the Organization recognizes revenue from contracts with customers at the time tickets are purchased for daily admissions, point of shipping for sales of merchandise, the date of occurrence for programs and events, and over the specific term for memberships. There are no discount obligations related to any contracts with customers. The sale of merchandise has a 30 day return policy. For each of the years ended March 31, 2021 and 2020, the greatest economic factor effecting contract revenue has been the COVID-19 pandemic.

Contract transaction prices, include management's judgment of variable consideration, which includes incentives, and rebates. Based on available information, management must include an estimate of any variable consideration, if applicable, when determining the contract transaction price.

SUBSEQUENT EVENTS

In accordance with FASB ASC 855-10 *Subsequent Events*, management has evaluated subsequent events for possible recognition or disclosure through December 13, 2021, which is the date these financial statements were available to be issued.

In October, 2021, the Organization received noticed that their SBA PPP loan was forgiven in full.