

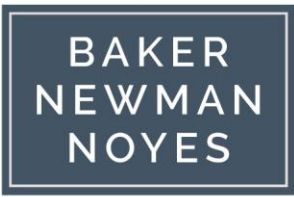
# **Coastal Maine Botanical Gardens, Inc.**

## **Financial Statements**

*For the Years Ended March 31, 2023 and 2022  
With Independent Auditors' Report*

Baker Newman & Noyes LLC  
MAINE | MASSACHUSETTS | NEW HAMPSHIRE  
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## INDEPENDENT AUDITORS' REPORT

Board of Directors  
Coastal Maine Botanical Gardens, Inc.

### Opinion

We have audited the financial statements of Coastal Maine Botanical Gardens, Inc. (the Organization), which comprise the statement of financial position as of March 31, 2023, the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as of March 31, 2023, and the results of its operations, changes in net assets and functional expenses, and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Other Matter – March 31, 2022 Financial Statements

The financial statements of the Organization, as of and for the year ended March 31, 2022, were audited by other auditors, whose report, dated December 15, 2022, expressed an unmodified opinion on those financial statements.

### Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern within one year after the date that the financial statements are issued or available to be issued.

### **Auditors' Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Organization's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

*Baker Newman & Noyes LLC*

Portland, Maine  
September 27, 2023

**COASTAL MAINE BOTANICAL GARDENS, INC.**

STATEMENTS OF FINANCIAL POSITION

March 31, 2023 and 2022

ASSETS

	<u>2023</u>	<u>2022</u>
Current assets:		
Cash and cash equivalents	\$ 7,481,398	\$ 9,468,418
Accounts receivable	2,750	5,250
Short-term investments	3,549,378	-
Grants receivable	106,767	-
Pledges receivable, current portion	6,491,124	7,671,083
Inventories	650,727	616,818
Prepaid expenses and other assets	<u>156,677</u>	<u>127,478</u>
Total current assets	18,438,821	17,889,047
Other assets:		
Investments	10,085	11,337
Pledges receivable, noncurrent portion	6,040,570	838,272
Unemployment trust	61,119	63,575
Other assets	404,959	383,459
Beneficial interest in assets held by Maine Community Foundation	<u>5,494,211</u>	<u>5,775,975</u>
Total other assets	12,010,944	7,072,618
Property and equipment:		
Land, gardens and buildings	40,541,362	40,021,257
Furniture and equipment	5,005,343	4,884,742
Construction in progress	<u>2,774,289</u>	<u>170,590</u>
Total property and equipment	48,320,994	45,076,589
Less accumulated depreciation	<u>(13,548,121)</u>	<u>(11,720,942)</u>
Net property and equipment	<u>34,772,873</u>	<u>33,355,647</u>
Total assets	\$ <u>65,222,638</u>	\$ <u>58,317,312</u>

LIABILITIES AND NET ASSETS

	<u>2023</u>	<u>2022</u>
Current liabilities:		
Construction line of credit, current portion	\$ —	\$ 120,951
Long-term debt, current portion	102,838	—
Accounts payable	580,997	225,150
Accrued expenses	416,706	321,536
Deferred revenue	<u>265,570</u>	<u>239,628</u>
Total current liabilities	1,366,111	907,265
PRI loan payable	8,510,269	8,346,787
Long-term debt, less current portion, net	3,786,220	—
Construction line of credit, less current portion, net	<u>—</u>	<u>6,284,252</u>
Total liabilities	13,662,600	15,538,304
Net assets:		
Without donor restrictions	21,379,350	21,950,173
With donor restrictions	<u>30,180,688</u>	<u>20,828,835</u>
Total net assets	51,560,038	42,779,008
Total liabilities and net assets	<u>\$ 65,222,638</u>	<u>\$ 58,317,312</u>

See accompanying notes.

**COASTAL MAINE BOTANICAL GARDENS, INC.**

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS

Years Ended March 31, 2023 and 2022

	2023			2022		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and support:						
Contributions, grants and other support	\$ 1,065,825	\$11,158,505	\$12,224,330	\$ 750,029	\$14,741,548	\$15,491,577
Governmental grants	302,728	–	302,728	13,085	23,285	36,370
Program revenue	4,226,955	–	4,226,955	4,698,703	–	4,698,703
Membership dues	853,838	–	853,838	941,721	–	941,721
Merchandise sales	2,561,148	–	2,561,148	2,584,767	–	2,584,767
Cost of merchandise	(1,297,003)	–	(1,297,003)	(1,324,972)	–	(1,324,972)
Investment income by Maine Community Foundation	–	264,360	264,360	–	124,520	124,520
Net investment return	231,378	–	231,378	6,164	–	6,164
Change in value of assets held by Maine Community Foundation	(207,606)	(309,814)	(517,420)	157,813	192,026	349,839
Contributions of other assets	350,500	–	350,500	630,000	–	630,000
Rental income	10,551	–	10,551	8,930	–	8,930
Other income	41,033	–	41,033	7,635	–	7,635
SBA Paycheck Protection Program loan forgiveness	–	–	–	705,551	–	705,551
Net assets released from restrictions and reclassifications	<u>1,761,198</u>	<u>(1,761,198)</u>	<u>–</u>	<u>2,626,137</u>	<u>(2,626,137)</u>	<u>–</u>
Total revenue and support	9,900,545	9,351,853	19,252,398	11,805,563	12,455,242	24,260,805
Expenses:						
Program	5,758,864	–	5,758,864	4,840,395	–	4,840,395
Management and general	3,072,424	–	3,072,424	2,737,236	–	2,737,236
Fundraising	<u>1,640,080</u>	<u>–</u>	<u>1,640,080</u>	<u>1,230,538</u>	<u>–</u>	<u>1,230,538</u>
Total expenses	<u>10,471,368</u>	<u>–</u>	<u>10,471,368</u>	<u>8,808,169</u>	<u>–</u>	<u>8,808,169</u>
Change in net assets	(570,823)	9,351,853	8,781,030	2,997,394	12,455,242	15,452,636
Net assets, beginning of year	<u>21,950,173</u>	<u>20,828,835</u>	<u>42,779,008</u>	<u>18,952,779</u>	<u>8,373,593</u>	<u>27,326,372</u>
Net assets, end of year	<u>\$21,379,350</u>	<u>\$30,180,688</u>	<u>\$51,560,038</u>	<u>\$21,950,173</u>	<u>\$20,828,835</u>	<u>\$42,779,008</u>

See accompanying notes.

**COASTAL MAINE BOTANICAL GARDENS, INC.**

**STATEMENTS OF FUNCTIONAL EXPENSES**

Years Ended March 31, 2023 and 2022

	2023				2022			
	<u>Program</u>	<u>Management and General</u>	<u>Fund- raising</u>	<u>Total</u>	<u>Program</u>	<u>Management and General</u>	<u>Fund- raising</u>	<u>Total</u>
Salaries, benefits and payroll taxes	\$3,169,067	\$1,530,646	\$1,040,308	\$ 5,740,021	\$2,526,637	\$1,162,791	\$ 767,772	\$4,457,200
Professional services	–	119,143	–	119,143	–	102,939	28,533	131,472
Consultants	24,440	95,346	159,500	279,286	27,243	25,277	228,588	281,108
Lecture and speaker fees	58,831	–	–	58,831	37,605	–	–	37,605
Advertising	83,122	(449)	2,556	85,229	51,951	24,161	–	76,112
Materials and supplies	265,001	62,490	18,412	345,903	216,020	39,893	63,543	319,456
Postage and printing	94,393	13,788	96,676	204,857	126,652	(1,179)	34,496	159,969
Technology and telephone	35,236	98,711	19,433	153,380	17,146	93,934	14,862	125,942
Utilities	–	167,935	–	167,935	–	174,242	–	174,242
Training and conferences	4,963	6,408	1,685	13,056	372	5,260	722	6,354
Travel and vehicle expenses	20,935	8,211	49,733	78,879	12,024	5,145	19,368	36,537
Rental, repairs and maintenance	51,864	312,111	–	363,975	39,507	290,306	4,350	334,163
Grounds and gardens	86,960	31,675	650	119,285	70,178	14,639	682	85,499
Insurance	–	89,659	–	89,659	–	73,614	–	73,614
Licenses and fees	44,097	1,122	20	45,239	31,181	31,269	–	62,450
Dues and publications	10,012	13,853	1,139	25,004	8,326	11,662	525	20,513
Bank service fees	245,305	1,780	27,223	274,308	258,012	623	30,892	289,527
Interest	–	183,665	163,482	347,147	–	366,151	–	366,151
Miscellaneous	(501)	1,313	54,821	55,633	(4,079)	256	31,423	27,600
Catering, meetings and events	3,213	9,890	2,423	15,526	2,992	19,251	1,462	23,705
Depreciation	1,538,000	324,884	2,019	1,864,903	1,400,912	295,912	1,869	1,698,693
Program related	<u>23,926</u>	<u>243</u>	<u>–</u>	<u>24,169</u>	<u>17,716</u>	<u>1,090</u>	<u>1,451</u>	<u>20,257</u>
	<u>\$5,758,864</u>	<u>\$3,072,424</u>	<u>\$1,640,080</u>	<u>\$10,471,368</u>	<u>\$4,840,395</u>	<u>\$2,737,236</u>	<u>\$1,230,538</u>	<u>\$8,808,169</u>

See accompanying notes.

**COASTAL MAINE BOTANICAL GARDENS, INC.**

**STATEMENTS OF CASH FLOWS**

Years Ended March 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Cash flows from operating activities:		
Change in net assets	\$ 8,781,030	\$ 15,452,636
Adjustments to reconcile change in net assets to net cash used by operating activities:		
Depreciation	1,864,903	1,698,694
Net realized and unrealized gain on investments	(50,841)	(285)
SBA Paycheck Protection Program loan forgiveness	—	(705,551)
Loss on disposal of assets	4,285	—
Interest accrued on program related investments	163,482	137,742
Change in value of beneficial interest in assets held by Maine Community Foundation	517,420	(349,839)
Gifts received for long-term purposes	(11,158,505)	(14,741,548)
Change in value of unemployment trust	2,456	(21,147)
Donation of nonfinancial assets	—	(630,000)
(Increase) decrease in:		
Accounts receivable	2,500	218,830
Pledges receivable	(4,022,339)	(5,832,494)
Grants receivable	(106,767)	8,600
Inventory	(33,909)	(249,984)
Prepaid expenses	(29,199)	(79,065)
Other assets	(21,500)	—
Increase (decrease) in:		
Accounts payable	51,501	141,292
Accrued expenses	95,170	(53,337)
Deferred revenues	<u>25,942</u>	<u>62,579</u>
Net cash used by operating activities	<u>(3,914,371)</u>	<u>(4,942,877)</u>
Cash flows from investing activities:		
Transfer of assets to Maine Community Foundation	(235,656)	(519,982)
Purchases of property and equipment	(2,982,068)	(957,516)
Purchases of investments	<u>(3,497,285)</u>	<u>—</u>
Net cash used by investing activities	<u>(6,715,009)</u>	<u>(1,477,498)</u>
Cash flows from financing activities:		
Gifts received for long-term purposes	11,158,505	14,741,548
Payments on operating line of credit	—	(830,280)
Payments on construction line of credit	(2,405,203)	(25,000)
Principal payments on long-term debt	<u>(110,942)</u>	<u>(316,967)</u>
Net cash provided by financing activities	<u>8,642,360</u>	<u>13,569,301</u>
Net (decrease) increase in cash	(1,987,020)	7,148,926
Cash and cash equivalents at beginning of year	<u>9,468,418</u>	<u>2,319,492</u>
Cash and cash equivalents at end of year	<u>\$ 7,481,398</u>	<u>\$ 9,468,418</u>
Supplemental cash flow disclosure:		
Interest charged to expense	<u>\$ 347,147</u>	<u>\$ 364,598</u>
Purchases of property and equipment in accounts payable	<u>\$ 304,346</u>	<u>\$ —</u>
Conversion of line of credit to a term loan	<u>\$ 4,000,000</u>	<u>\$ —</u>

See accompanying notes.



# COASTAL MAINE BOTANICAL GARDENS, INC.

## NOTES TO FINANCIAL STATEMENTS

March 31, 2023 and 2022

### 1. **Summary of Significant Accounting Policies**

#### *Organization and Nature of Activities*

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 Presentation*

The financial statements have been prepared using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP). The accrual basis of accounting recognizes revenues in the accounting period in which revenues are earned regardless of when cash is received, and recognizes expenses in the accounting period in which expenses are incurred regardless of when cash is disbursed.

#### *Net Assets*

In accordance with GAAP, the Organization is required to report information regarding its financial position and activities according to the following classes of net assets:

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.

#### *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

March 31, 2023 and 2022

### 1. Summary of Significant Accounting Policies (Continued)

#### Cash and Cash Equivalents

The Organization maintains cash balances with financial institutions that may exceed federal depository insurance limits; however, management believes the credit risk related to these financial institutions is minimal. The Organization has not experienced any such losses in such accounts and management believes the Organization is not exposed to any significant risk at March 31, 2023.

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 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.

#### Property and Equipment

Property and equipment is carried at cost, less accumulated depreciation, 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. Nondepreciable land with a carrying value of \$2,144,705 and \$1,867,506 is included with land, gardens, and buildings within the statements of financial position at March 31, 2023 and 2022, 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.

# COASTAL MAINE BOTANICAL GARDENS, INC.

## NOTES TO FINANCIAL STATEMENTS

March 31, 2023 and 2022

### 1. Summary of Significant Accounting Policies (Continued)

#### 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 noncash 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.

#### Donated Assets

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

#### Functional Expenses

Expenses are classified as program, management and general, or fundraising, depending on the activities supported.

#### Income Taxes

The Organization is exempt from taxation under Section 501(c)(3) of the Internal Revenue Code.

Tax-exempt organizations could be required to record an obligation for income taxes as the result of a tax position they have historically taken on various tax exposure items, including unrelated business income or tax status. Under guidance issued by the Financial Accounting Standards Board (FASB), assets and liabilities are established for uncertain tax positions taken or positions expected to be taken in income tax returns when such positions are judged to not meet the "more-likely-than-not" threshold, based upon the technical merits of the position. Estimated interest and penalties, if applicable, related to uncertain tax positions are included as a component of income tax expense.

Management has evaluated the Organization's tax positions taken on its filed tax returns and concluded that the Organization has maintained its tax-exempt status, does not have any significant unrelated business income and has taken no uncertain tax positions that require adjustment to the financial statements.

# COASTAL MAINE BOTANICAL GARDENS, INC.

## NOTES TO FINANCIAL STATEMENTS

March 31, 2023 and 2022

### 1. Summary of Significant Accounting Policies (Continued)

#### 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. Expenses directly attributable to a specific functional area are reported as expenses of those functional areas, while indirect costs that benefit multiple functional areas have been allocated based on estimates of time and effort and the square footage used by the various functional areas.

#### Reclassifications

Certain 2022 amounts have been reclassified to permit comparison with the 2023 financial statements presentation format.

#### Subsequent Events

Events occurring after the statement of financial position date are evaluated by management to determine whether such events should be recognized or disclosed in the financial statements. Management has evaluated subsequent events through September 27, 2023, the date which the financial statements were available to be issued.

### 2. Pledges Receivable

Pledges receivable, net of unamortized discount and an allowance for uncollectible pledges are summarized as follows at March 31:

	<u>2023</u>	<u>2022</u>
Pledges receivable to be collected in:		
Less than one year	\$ 6,491,124	\$ 7,671,083
One year to five years	<u>6,882,613</u>	<u>929,628</u>
Total pledges receivable	13,373,737	8,600,711
Allowance for uncollectible pledges	(56,809)	(56,809)
Discount to present value	<u>(785,234)</u>	<u>(34,547)</u>
Total pledges receivable, net	12,531,694	8,509,355
Less current portion	<u>(6,491,124)</u>	<u>(7,671,083)</u>
Total noncurrent portion	\$ <u>6,040,570</u>	\$ <u>838,272</u>

# COASTAL MAINE BOTANICAL GARDENS, INC.

## NOTES TO FINANCIAL STATEMENTS

March 31, 2023 and 2022

### 3. Revenue Recognition

The Organization had contract revenue consisting of the following at March 31:

	<u>2023</u>	<u>2022</u>
Membership dues	\$ 853,838	\$ 941,721
Merchandise sales	2,561,148	2,584,767
Program revenue	4,226,955	4,698,703
Rental income	<u>10,551</u>	<u>8,930</u>
	<u>\$7,652,492</u>	<u>\$8,234,121</u>

During the years ended March 31, 2023, 2022 and 2021, the Organization had deferred revenue related to program revenue deposits amounting to \$265,570, \$239,628 and \$177,049, 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 sale for sales of merchandise, the date of occurrence for programs and events, and over the specific term for memberships. All prices are fixed and there are no financing terms available. Other than the 30-day return policy for merchandise sales, there are no other significant warranties of return, refund, or discount obligations related to any contracts with customers.

Membership dues generally allow members to visit the Gardens during the membership year, as well as participate in certain other benefits. Dues are recognized as income evenly over the membership period.

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. There were no such variable considerations in determining contract transaction prices.

### 4. Beneficial Interest in Assets Held by Maine Community Foundation

The Organization transfers assets to the Maine Community Foundation (MCF) (recipient organization), specifying itself as the sole beneficiary. The purpose of these asset transfers is for MCF to invest the assets and generate income to be distributed to the Organization under the guidelines of the agreement. Variance power was granted to MCF; however, GAAP provides for these amounts to be carried on the accompanying statement of financial position of the Organization as the funds were transferred to MCF by the Organization. The Board of Directors of MCF 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 judgment 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, 2023 and 2022 were \$5,494,211 and \$5,775,975, respectively.

# COASTAL MAINE BOTANICAL GARDENS, INC.

## NOTES TO FINANCIAL STATEMENTS

March 31, 2023 and 2022

### 5. 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>2023</u>	<u>2022</u>
Cash and cash equivalents	\$ 5,922	\$ 4,331
Mutual funds	20,532	7,006
U.S. Treasury securities	<u>3,533,009</u>	<u>—</u>
Total investments	<u>\$3,559,463</u>	<u>\$11,337</u>

For the years ended March 31, 2023 and 2022, total investment return was comprised of interest and dividend income of \$180,537 and \$5,879, and realized and unrealized gains of \$50,841 and \$285, respectively.

### 6. Endowment

At March 31, 2023 and 2022, the Organization held donor-restricted endowments of \$3,913,647 and \$3,987,805, and Board-designated endowments of \$1,580,564 and \$1,788,170, 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.

# COASTAL MAINE BOTANICAL GARDENS, INC.

## NOTES TO FINANCIAL STATEMENTS

March 31, 2023 and 2022

### 6. Endowment (Continued)

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 is 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 of whether 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, and (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 the MCF. The Organization took endowment draws of \$264,360 and \$124,520 during the years ended March 31, 2023 and 2022, respectively.

Endowment Investment Policy - MCF 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, 2023:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Board-designated endowments	\$1,580,564	\$ -	\$1,580,564
Donor-restricted endowments:			
Original donor-restricted gift and amounts required to be maintained in perpetuity	-	2,959,345	2,959,345
Accumulated investment gains	<u>-</u>	<u>954,302</u>	<u>954,302</u>
Endowment net assets, end of year	<u>\$1,580,564</u>	<u>\$3,913,647</u>	<u>\$5,494,211</u>

**COASTAL MAINE BOTANICAL GARDENS, INC.**

NOTES TO FINANCIAL STATEMENTS

March 31, 2023 and 2022

**6. Endowment (Continued)**

Changes in the Organization's endowment balances for the year ended March 31, 2023 were as follows:

	Without Donor <u>Restrictions</u>	With Donor <u>Restrictions</u>	<u>Total</u>
Endowment net assets, beginning of year	\$1,788,170	\$3,987,805	\$5,775,975
Contributions	–	235,656	235,656
Investment loss	(81,506)	(171,554)	(253,060)
Amounts appropriated for expenditure	<u>(126,100)</u>	<u>(138,260)</u>	<u>(264,360)</u>
Endowment net assets, end of year	<u>\$1,580,564</u>	<u>\$3,913,647</u>	<u>\$5,494,211</u>

The Organization's endowment balances were comprised of the following as of March 31, 2022:

	Without Donor <u>Restrictions</u>	With Donor <u>Restrictions</u>	<u>Total</u>
Board-designated endowments	\$1,788,170	\$ –	\$1,788,170
Donor-restricted endowments:			
Original donor-restricted gift and amounts required to be maintained in perpetuity	–	2,723,691	2,723,691
Accumulated investment gains	<u>–</u>	<u>1,264,114</u>	<u>1,264,114</u>
Endowment net assets, end of year	<u>\$1,788,170</u>	<u>\$3,987,805</u>	<u>\$5,775,975</u>

Changes in the Organization's endowment balances for the year ended March 31, 2022 were as follows:

	Without Donor <u>Restrictions</u>	With Donor <u>Restrictions</u>	<u>Total</u>
Endowment net assets, beginning of year	\$1,630,357	\$3,275,797	\$4,906,154
Contributions	–	519,982	519,982
Investment return	157,813	316,546	474,359
Amounts appropriated for expenditure	<u>–</u>	<u>(124,520)</u>	<u>(124,520)</u>
Endowment net assets, end of year	<u>\$1,788,170</u>	<u>\$3,987,805</u>	<u>\$5,775,975</u>



# COASTAL MAINE BOTANICAL GARDENS, INC.

## NOTES TO FINANCIAL STATEMENTS

March 31, 2023 and 2022

### 7. Fair Value Measurements

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 MCF represents assets transferred to the MCF. Upon transfer of the assets to MCF, variance power over the assets is granted with no opportunity for redemption, and the Organization is designated the sole beneficiary.

#### Beneficial Interest

The Organization's legal interest is in its pro rata portion of the trust and not the trust's underlying assets. The Organization's interest is valued based upon its pro rata ownership of the total trust. As the actual assets are not readily available to the Organization, the asset is considered to be level 3.

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.

There were no transfers between input levels during the years ended March 31, 2023 and 2022, respectively.

**COASTAL MAINE BOTANICAL GARDENS, INC.**

NOTES TO FINANCIAL STATEMENTS

March 31, 2023 and 2022

**7. Fair Value Measurements (Continued)**

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

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>2023</u>				
Cash and cash equivalents	\$ 5,922	\$ –	\$ –	\$ 5,922
Mutual funds	20,532	–	–	20,532
U.S. Treasury securities	3,533,009	–	–	3,533,009
Beneficial interest in assets held by MCF	<u>–</u>	<u>–</u>	<u>5,494,211</u>	<u>5,494,211</u>
	<u>\$3,559,463</u>	<u>\$ –</u>	<u>\$5,494,211</u>	<u>\$9,053,674</u>
<u>2022</u>				
Cash and cash equivalents	\$ 4,331	\$ –	\$ –	\$ 4,331
Mutual funds	7,006	–	–	7,006
Beneficial interest in assets held by MCF	<u>–</u>	<u>–</u>	<u>5,775,975</u>	<u>5,775,975</u>
	<u>\$ 11,337</u>	<u>\$ –</u>	<u>\$5,775,975</u>	<u>\$5,787,312</u>

**Beneficial Interest in Assets Held by Others**

Fair value for the beneficial interest in assets held by others is determined from information obtained from the MCF based on their value of the underlying investments.

The table below presents information about the changes in the beneficial interest in assets held by others investments for the year ended March 31, 2023:

Beginning balance	\$5,775,975
Contributions	235,655
Change in value	(253,059)
Released for operations	<u>(264,360)</u>
	<u>\$5,494,211</u>

**8. Lines of Credit**

The Organization had 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. 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 total amount outstanding on this construction line of credit at March 31, 2022 was \$6,405,203. On May 31, 2022, the Organization paid \$2,405,203 toward this line of credit, leaving a remaining outstanding balance of \$4,000,000. On August 29, 2022, the Organization converted the line of credit into a \$4,000,000 term loan, with principal and interest due monthly over a term of ten years and an amortization based on twenty years, which is more fully described in Note 9.

COASTAL MAINE BOTANICAL GARDENS, INC.

NOTES TO FINANCIAL STATEMENTS

March 31, 2023 and 2022

8. **Lines of Credit (Continued)**

The Organization also has 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 (8.0% and 3.50% at March 31, 2023 and 2022 respectively). The operating line of credit matured on October 31, 2021 and was renewed through October 31, 2023. There was no amount outstanding on this operating line of credit at March 31, 2023 and 2022, respectively.

9. **Long-Term Debt**

Long-term debt consists of the following at March 31, 2023:

Term loan totaling \$4,000,000, due in monthly principal installments ranging from \$11,275 to \$2,410,317 through August 2032, interest is payable monthly at a fixed rate of 4.00% for the first five years, then shall adjust to the then current FHLBB 5-year CDA Extra Classic Advance Rate plus 1.00%. The term loan is secured by a first priority interest in the Organization's real estate	\$3,889,058
Less current portion	<u>(102,838)</u>
Long-term debt, less current portion	<u>\$3,786,220</u>

The maturities of long-term debt by year are as follows as of March 31, 2023:

2024	\$ 102,838
2025	141,997
2026	147,782
2027	153,803
2028	160,069
Thereafter	<u>3,182,569</u>
	<u>\$3,889,058</u>

10. **Contributed Assets**

Contributed other assets recognized within the statements of activities amounted to \$350,500 and \$630,000 for the years ended March 31, 2023 and 2022, respectively, and consisted of architectural services, clothing and art in fiscal year 2023 and donated land and building in fiscal year 2022. Unless otherwise noted, all contributed nonfinancial assets are not subject to any donor restrictions.

All contributed goods and services were utilized to further the mission of the Organization. In valuing and reporting these items, the Organization estimated fair value in the financial statements based on current rates for similar artwork, as well as appraisals for land and buildings donated.

# COASTAL MAINE BOTANICAL GARDENS, INC.

## NOTES TO FINANCIAL STATEMENTS

March 31, 2023 and 2022

### 11. Paycheck Protection Program

On February 17, 2021, as a result of the negative financial impact of COVID-19, the Organization applied for and was granted a loan from Bath Savings Institution in the aggregate amount of \$705,551, 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 February 17, 2021, was scheduled to mature on February 17, 2026 and bore interest at a rate of 1.00% per annum, payable monthly commencing 10 months after the covered period ends. The note could be prepaid by the Organization at any time prior to maturity with no prepayment penalties. Funds from the loan could 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 September 9, 2021, the Organization received notice that the entire loan balance of the PPP loan in the amount of \$705,551 had been forgiven in full by the Small Business Administration (SBA). This amount was presented as "SBA PPP loan forgiveness" on the statement of activities for the year ended March 31, 2022.

### 12. 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.

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 remained unchanged.

On April 11, 2022, the loan maturity date and repayment schedule were extended by four years. Per the amended terms, the PRI loan maturity date is now June 30, 2032 with the first principal payment of \$2,000,000 due on June 30, 2028. Annual payments will follow thereafter on each June 30 through June 30, 2032. 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%. As a part of the April 11, 2022 amendment, the effective interest rate was reduced to 2% effective January 1, 2022 and will carry forward to the loan's maturity date. Total borrowed funds related to this agreement, plus accrued interest, amounted to \$8,510,269 and \$8,346,787 during the years ended March 31, 2023 and 2022, respectively.

**COASTAL MAINE BOTANICAL GARDENS, INC.**

NOTES TO FINANCIAL STATEMENTS

March 31, 2023 and 2022

**13. Employee 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, 2023 and 2022, contributions to the plan totaled \$105,820 and \$84,332, respectively.

**14. Operating Leases**

The Organization holds three noncancelable operating leases. The leases are for the use of certain office equipment and property. One office equipment lease has monthly payments of \$143 and terminates in April of 2026, the second has monthly payments of \$98 and terminates in June of 2023. The property lease has monthly payments of \$1,538 and terminates in January of 2024. ASU 2016-02, Lease (Topic 842), which was effective for the Organization April 1, 2022, did not have a material impact on the financial statements. Total expenses incurred during the years ended March 31, 2023 and 2022 related to these leases amounted to \$21,347 and \$29,077, respectively.

Expenses for each of the next four years ended March 31 are as follows:

2024	\$ 18,271
2025	2,891
2026	1,318
2027	<u>294</u>
	<u>\$22,774</u>

**15. Net Assets**

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

	<u>2023</u>	<u>2022</u>
To be held in perpetuity:		
Funds received and to be transferred to endowment in perpetuity	\$ 244,516	\$ 244,516
Pledges receivable	5,000	5,000
Endowment funds held in perpetuity with income restricted	<u>2,959,345</u>	<u>2,723,691</u>
	3,208,861	2,973,207
Accumulated gains on endowment funds held in perpetuity:		
Endowment funds held in perpetuity with income restricted	954,302	1,264,114
Subject to appropriation and expenditure when a specified event or time occurs:		
Capital campaign pledges, net	12,531,694	8,509,355
Unexpended restricted contributions	<u>13,485,831</u>	<u>8,082,159</u>
	<u>26,017,525</u>	<u>16,591,514</u>
Total net assets with donor restrictions	<u>\$30,180,688</u>	<u>\$20,828,835</u>

COASTAL MAINE BOTANICAL GARDENS, INC.

NOTES TO FINANCIAL STATEMENTS

March 31, 2023 and 2022

16. **Liquidity and Availability of Resources**

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

Cash and cash equivalents	\$ 7,481,398
Short-term investments	3,549,378
Accounts receivable	2,750
Grants receivable	<u>106,767</u>
	<u>\$11,140,293</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 a committed line of credit in the amount of \$2,000,000, which it could draw upon in the event of an unanticipated liquidity need. There was no amount outstanding on this operating line of credit at March 31, 2023. 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 MCF.