

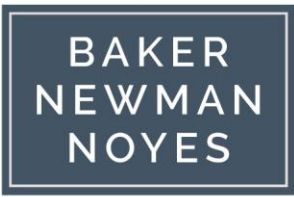
Coastal Maine Botanical Gardens, Inc.

Financial Statements

*For the Years Ended March 31, 2024 and 2023
With Independent Auditors' Report*

Baker Newman & Noyes LLC
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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 statements of financial position as of March 31, 2024 and 2023, the related statements of activities and changes in net assets, functional expenses, and cash flows for the years 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, 2024 and 2023, and the results of its operations, changes in net assets and functional expenses, and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits 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 audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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 25, 2024

COASTAL MAINE BOTANICAL GARDENS, INC.

STATEMENTS OF FINANCIAL POSITION

March 31, 2024 and 2023

ASSETS

	<u>2024</u>	<u>2023</u>
Current assets:		
Cash and cash equivalents	\$ 12,512,129	\$ 7,481,398
Accounts receivable	–	2,750
Short-term investments	–	3,549,378
Grants receivable	1,573,162	106,767
Pledges receivable, current portion	1,355,554	6,491,124
Inventories	827,304	650,727
Prepaid expenses and other assets	<u>94,937</u>	<u>156,677</u>
Total current assets	16,363,086	18,438,821
Other assets:		
Investments	9,969	10,085
Pledges receivable, noncurrent portion	5,529,319	6,040,570
Unemployment trust	87,579	61,119
Other assets	502,459	404,959
Beneficial interest in assets held by Maine Community Foundation	5,946,271	5,494,211
Finance lease, right-of-use assets, net	<u>61,794</u>	<u>–</u>
Total other assets	12,137,391	12,010,944
Property and equipment:		
Land, gardens and buildings	47,315,072	40,541,362
Furniture and equipment	5,197,764	5,005,343
Construction in progress	<u>255,182</u>	<u>2,774,289</u>
Total property and equipment	52,768,018	48,320,994
Less accumulated depreciation	<u>(14,724,583)</u>	<u>(13,548,121)</u>
Net property and equipment	<u>38,043,435</u>	<u>34,772,873</u>
Total assets	<u>\$ 66,543,912</u>	<u>\$ 65,222,638</u>

LIABILITIES AND NET ASSETS

	<u>2024</u>	<u>2023</u>
Current liabilities:		
Long-term debt, current portion	\$ 176,713	\$ 102,838
Finance lease liability, current portion	14,734	—
Accounts payable	244,270	580,997
Accrued expenses	461,015	416,706
Deferred revenue	<u>408,591</u>	<u>265,570</u>
Total current liabilities	1,305,323	1,366,111
PRI loan payable	8,683,311	8,510,269
Long-term debt, less current portion, net	2,757,634	3,786,220
Finance lease liability, less current portion	<u>47,099</u>	<u>—</u>
Total liabilities	12,793,367	13,662,600
Net assets:		
Without donor restrictions	35,082,671	21,379,350
With donor restrictions	<u>18,667,874</u>	<u>30,180,688</u>
Total net assets	53,750,545	51,560,038
	<hr/>	<hr/>
Total liabilities and net assets	<u>\$ 66,543,912</u>	<u>\$ 65,222,638</u>

See accompanying notes.

COASTAL MAINE BOTANICAL GARDENS, INC.

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS

Years Ended March 31, 2024 and 2023

	2024			2023		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and support:						
Contributions, grants and other support	\$ 1,264,903	\$ 3,392,133	\$ 4,657,036	\$ 1,065,825	\$11,158,505	\$12,224,330
Governmental grants	193,740	–	193,740	302,728	–	302,728
Program revenue	4,411,955	–	4,411,955	4,226,955	–	4,226,955
Membership dues	719,881	–	719,881	853,838	–	853,838
Merchandise sales	2,711,139	–	2,711,139	2,561,148	–	2,561,148
Cost of merchandise	(1,350,031)	–	(1,350,031)	(1,297,003)	–	(1,297,003)
Investment income by Maine Community Foundation	–	220,600	220,600	–	264,360	264,360
Net investment return	534,019	–	534,019	231,378	–	231,378
Change in value of assets held by Maine Community Foundation	103,119	274,271	377,390	(207,606)	(309,814)	(517,420)
Contributions of other assets	123,789	–	123,789	350,500	–	350,500
Rental income	10,451	–	10,451	10,551	–	10,551
Other income	678,042	–	678,042	41,033	–	41,033
Net assets released from restrictions and reclassifications	<u>15,399,818</u>	<u>(15,399,818)</u>	<u>–</u>	<u>1,761,198</u>	<u>(1,761,198)</u>	<u>–</u>
Total revenue and support	24,800,825	(11,512,814)	13,288,011	9,900,545	9,351,853	19,252,398
Expenses:						
Program	6,125,568	–	6,125,568	5,758,864	–	5,758,864
Management and general	3,482,994	–	3,482,994	3,072,424	–	3,072,424
Fundraising	<u>1,488,942</u>	<u>–</u>	<u>1,488,942</u>	<u>1,640,080</u>	<u>–</u>	<u>1,640,080</u>
Total expenses	<u>11,097,504</u>	<u>–</u>	<u>11,097,504</u>	<u>10,471,368</u>	<u>–</u>	<u>10,471,368</u>
Change in net assets	13,703,321	(11,512,814)	2,190,507	(570,823)	9,351,853	8,781,030
Net assets, beginning 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>
Net assets, end of year	<u>\$35,082,671</u>	<u>\$ 18,667,874</u>	<u>\$53,750,545</u>	<u>\$21,379,350</u>	<u>\$30,180,688</u>	<u>\$51,560,038</u>

See accompanying notes.

COASTAL MAINE BOTANICAL GARDENS, INC.

STATEMENTS OF FUNCTIONAL EXPENSES

Years Ended March 31, 2024 and 2023

	2024				2023			
	Program	Management and General	Fund- raising	Total	Program	Management and General	Fund- raising	Total
Salaries, benefits and payroll taxes	\$3,584,489	\$1,631,475	\$ 891,519	\$ 6,107,483	\$3,169,067	\$1,530,646	\$1,040,308	\$5,740,021
Professional services	–	96,061	–	96,061	–	119,143	–	119,143
Consultants	58,677	107,550	158,000	324,227	24,440	95,346	159,500	279,286
Lecture and speaker fees	75,381	37,912	–	113,293	58,831	–	–	58,831
Advertising	63,174	395	–	63,569	83,122	(449)	2,556	85,229
Materials and supplies	182,785	81,085	17,029	280,899	265,001	62,490	18,412	345,903
Postage and printing	84,340	16,983	88,674	189,997	94,393	13,788	96,676	204,857
Technology and telephone	29,022	129,312	50,723	209,057	35,236	98,711	19,433	153,380
Utilities	–	226,383	–	226,383	–	167,935	–	167,935
Training and conferences	10,970	8,136	750	19,856	4,963	6,408	1,685	13,056
Travel and vehicle expenses	22,221	29,127	39,822	91,170	20,935	8,211	49,733	78,879
Rental, repairs and maintenance	131,014	339,881	4,968	475,863	51,864	312,111	–	363,975
Grounds and gardens	113,768	33,079	864	147,711	86,960	31,675	650	119,285
Insurance	454	100,366	27	100,847	–	89,659	–	89,659
Licenses and fees	53,770	121,778	–	175,548	44,097	1,122	20	45,239
Dues and publications	6,586	41,734	1,633	49,953	10,012	13,853	1,139	25,004
Bank service fees	231,753	8,978	27,115	267,846	245,305	1,780	27,223	274,308
Interest	–	136,159	173,042	309,201	–	183,665	163,482	347,147
Miscellaneous	639	17,048	–	17,687	(501)	1,313	54,821	55,633
Catering, meetings and events	18,456	21,584	17,248	57,288	3,213	9,890	2,423	15,526
Depreciation	1,437,255	297,968	17,528	1,752,751	1,538,000	324,884	2,019	1,864,903
Program related	20,814	–	–	20,814	23,926	243	–	24,169
	<u>\$6,125,568</u>	<u>\$3,482,994</u>	<u>\$1,488,942</u>	<u>\$11,097,504</u>	<u>\$5,758,864</u>	<u>\$3,072,424</u>	<u>\$1,640,080</u>	<u>\$10,471,368</u>

See accompanying notes.

COASTAL MAINE BOTANICAL GARDENS, INC.

STATEMENTS OF CASH FLOWS

Years Ended March 31, 2024 and 2023

	<u>2024</u>	<u>2023</u>
Cash flows from operating activities:		
Change in net assets	\$ 2,190,507	\$ 8,781,030
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	1,752,751	1,864,903
Net realized and unrealized loss (gain) on investments	116	(50,841)
Loss on disposal of assets	41,731	4,285
Noncash lease expense	39	-
Interest accrued on program related investment loan	173,042	163,482
Change in value of beneficial interest in assets held by Maine Community Foundation	(377,391)	517,420
Gifts received for long-term purposes	(3,392,133)	(11,158,505)
Change in value of unemployment trust	(26,460)	2,456
(Increase) decrease in:		
Accounts receivable	2,750	2,500
Pledges receivable	5,646,821	(4,022,339)
Grants receivable	(1,466,395)	(106,767)
Inventory	(176,577)	(33,909)
Prepaid expenses	61,740	(29,199)
Other assets	(97,500)	(21,500)
Increase (decrease) in:		
Accounts payable	(336,727)	51,501
Accrued expenses	44,309	95,170
Deferred revenues	<u>143,021</u>	<u>25,942</u>
Net cash provided (used) by operating activities	<u>4,183,644</u>	<u>(3,914,371)</u>
Cash flows from investing activities:		
Transfer of assets to Maine Community Foundation	(74,669)	(235,656)
Net change in short-term investments	3,549,378	-
Purchases of property and equipment	(5,065,044)	(2,982,068)
Purchases of investments	<u>-</u>	<u>(3,497,285)</u>
Net cash used by investing activities	<u>(1,590,335)</u>	<u>(6,715,009)</u>
Cash flows from financing activities:		
Gifts received for long-term purposes	3,392,133	11,158,505
Payments on construction line of credit	-	(2,405,203)
Principal payments on long-term debt	<u>(954,711)</u>	<u>(110,942)</u>
Net cash provided by financing activities	<u>2,437,422</u>	<u>8,642,360</u>
Net increase (decrease) in cash	5,030,731	(1,987,020)
Cash and cash equivalents at beginning of year	<u>7,481,398</u>	<u>9,468,418</u>
Cash and cash equivalents at end of year	<u>\$ 12,512,129</u>	<u>\$ 7,481,398</u>
Supplemental cash flow disclosure:		
Interest paid	<u>\$ 309,201</u>	<u>\$ 347,147</u>
Purchases of property and equipment in accounts payable	<u>\$ -</u>	<u>\$ 304,346</u>
Conversion of line of credit to a term loan	<u>\$ -</u>	<u>\$ 4,000,000</u>

See note 14 for noncash activity related to the Organization's finance lease.

See accompanying notes.

COASTAL MAINE BOTANICAL GARDENS, INC.

NOTES TO FINANCIAL STATEMENTS

March 31, 2024 and 2023

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, 2024 and 2023

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, 2024.

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 is included with land, gardens, and buildings within the statements of financial position at March 31, 2024 and 2023.

Leases

At inception of a contract, the Organization determines if a contract meets the definition of a lease. A lease is a contract, or part of a contract, that conveys the right to control the use of identified property or equipment (an identified asset) for a period of time in exchange for consideration. The Organization determines if the contract conveys the right to control the use of an identified asset for a period of time. The Organization assesses throughout the period of use whether the Organization has both of the following: (1) the right to obtain substantially all of the economic benefits from use of the identified asset, and (2) the right to direct the use of the identified asset. This determination is reassessed if the terms of the contract are changed.

COASTAL MAINE BOTANICAL GARDENS, INC.

NOTES TO FINANCIAL STATEMENTS

March 31, 2024 and 2023

1. Summary of Significant Accounting Policies (Continued)

Leases are classified as operating or finance leases based on the terms of the lease agreement and certain characteristics of the identified asset. Right-of-use assets and lease liabilities are recognized at the lease commencement date based on the present value of the minimum future lease payments. Leases with a term greater than one year are recognized on the statements of financial position as right-of-use assets and lease liabilities, as applicable.

The Organization's policy is to not record leases with an original term of twelve months or less on the statements of financial position. The Organization recognizes lease expense for these short-term leases on a straight-line basis over the lease term.

The Organization has also elected to use a risk-free rate for all classes of underlying assets based on the information available at the lease commencement date in determining the present value of future payments because the implicit rate of the lease is generally not known.

The expected lease term includes noncancelable lease periods and, when applicable, periods covered by an option to extend the lease if the Organization is reasonably certain to exercise that option, as well as periods covered by an option to terminate the lease if the Organization is reasonably certain not to exercise that option. Payments to be made in option periods are recognized as part of the right-of-use lease assets and lease liabilities when it is reasonably certain that the option to extend the lease will be exercised or the option to terminate the lease will not be exercised, or such election is not at the Organization's option. The Organization determines whether the reasonably certain threshold is met by considering contract-, asset-, market-, and entity-based factors.

The lease right-of-use asset is based on the lease liability, adjusted for certain items such as lease prepayments or lease incentives received. Finance lease assets are amortized on a straight-line basis, with interest costs reported separately, over the lesser of the useful life of the leased asset or lease term. Operating lease expense is recognized on a straight-line basis. Variable lease payments are expensed as incurred.

The Organization's lease agreements do not contain any significant residual value guarantees or material restrictive covenants imposed by the leases.

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 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.

COASTAL MAINE BOTANICAL GARDENS, INC.

NOTES TO FINANCIAL STATEMENTS

March 31, 2024 and 2023

1. Summary of Significant Accounting Policies (Continued)

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.

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.

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.

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 25, 2024, the date which the financial statements were available to be issued.

COASTAL MAINE BOTANICAL GARDENS, INC.

NOTES TO FINANCIAL STATEMENTS

March 31, 2024 and 2023

2. Pledges Receivable

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

	<u>2024</u>	<u>2023</u>
Pledges receivable to be collected in:		
Less than one year	\$ 1,355,554	\$ 6,491,124
One year to five years	<u>6,174,498</u>	<u>6,882,613</u>
Total pledges receivable	7,530,052	13,373,737
Allowance for uncollectible pledges	(56,809)	(56,809)
Discount to present value	<u>(588,370)</u>	<u>(785,234)</u>
Total pledges receivable, net	6,884,873	12,531,694
Less current portion	<u>(1,355,554)</u>	<u>(6,491,124)</u>
Total noncurrent portion	<u>\$ 5,529,319</u>	<u>\$ 6,040,570</u>

3. Revenue Recognition

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

	<u>2024</u>	<u>2023</u>
Membership dues	\$ 719,881	\$ 853,838
Merchandise sales	2,711,139	2,561,148
Program revenue	4,411,955	4,226,955
Rental income	<u>10,451</u>	<u>10,551</u>
	<u>\$7,853,426</u>	<u>\$7,652,492</u>

During the years ended March 31, 2024, 2023 and 2022, the Organization had deferred revenue related to program revenue deposits amounting to \$408,591, \$265,570 and \$239,628, 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.

COASTAL MAINE BOTANICAL GARDENS, INC.

NOTES TO FINANCIAL STATEMENTS

March 31, 2024 and 2023

3. **Revenue Recognition (Continued)**

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, 2024 and 2023 were \$5,946,271 and \$5,494,211, respectively.

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>2024</u>	<u>2023</u>
Cash and cash equivalents	\$ 3,652	\$ 5,922
Mutual funds	–	20,532
Equity exchange-traded funds	4,519	–
Fixed income exchange-traded funds	1,798	–
U.S. Treasury securities	–	<u>3,533,009</u>
Total investments	<u>\$ 9,969</u>	<u>\$ 3,559,463</u>

For the years ended March 31, 2024 and 2023, total investment return was comprised of interest and dividend income of \$533,903 and \$180,537, and realized and unrealized gains of \$116 and \$50,841, respectively.

COASTAL MAINE BOTANICAL GARDENS, INC.

NOTES TO FINANCIAL STATEMENTS

March 31, 2024 and 2023

6. Endowment

At March 31, 2024 and 2023, the Organization held donor-restricted endowments of \$4,262,587 and \$3,913,647, and Board-designated endowments of \$1,683,684 and \$1,580,564, respectively. The purpose of these endowment funds is to provide investment income and gains to further various activities of the Organization. The Organization follows the provisions of FASB ASC 958-205-50-1A *Reporting Endowment Funds*. Under these provisions, the Organization is required to provide the following disclosures relating to its endowment activities:

Interpretation of Relevant Law - The Organization conducts its activities in Boothbay, Maine, and accordingly considers itself bound by the version of the Uniform Prudent Management of Institutional Funds Act (UPMIFA) adopted by the State of Maine's legislature. In accordance with that statute, the Organization has interpreted State law to require all realized and unrealized gains and losses on investments with donor-imposed restrictions that are perpetual in nature to be restricted until appropriated by the Board of Trustees. Accordingly, except for explicit donor stipulations specifying reinvestment of some or all investment return, net return on investment of endowment funds with donor-imposed restrictions that are perpetual in nature is available for appropriation and is reported as increases (decreases) in net assets with donor restrictions, in accordance with the donor's stipulations, if any, concerning the purposes for which ordinary income may be used.

Absent explicit donor stipulations to the contrary, the Organization has interpreted UPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds. As a result of this interpretation, the Organization retains in perpetuity and classifies as net assets with donor restrictions (1) the original value of gifts donated to the perpetual endowment, (2) the original value of subsequent gifts to the perpetual endowment, and (3) accumulations to the perpetual endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not retained in perpetuity 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 \$220,600 and \$264,360 during the years ended March 31, 2024 and 2023, 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.

COASTAL MAINE BOTANICAL GARDENS, INC.

NOTES TO FINANCIAL STATEMENTS

March 31, 2024 and 2023

6. Endowment (Continued)

The Organization's endowment balances were comprised of the following as of March 31, 2024:

	Without Donor <u>Restrictions</u>	With Donor <u>Restrictions</u>	<u>Total</u>
Board-designated endowments	\$1,683,684	\$ –	\$1,683,684
Donor-restricted endowments:			
Original donor-restricted gift and amounts required to be maintained in perpetuity	–	3,034,014	3,034,014
Accumulated investment gains	<u>–</u>	<u>1,228,573</u>	<u>1,228,573</u>
Endowment net assets, end of year	<u>\$1,683,684</u>	<u>\$4,262,587</u>	<u>\$5,946,271</u>

Changes in the Organization's endowment balances for the year ended March 31, 2024 were as follows:

	Without Donor <u>Restrictions</u>	With Donor <u>Restrictions</u>	<u>Total</u>
Endowment net assets, beginning of year	\$1,580,564	\$3,913,647	\$5,494,211
Contributions	–	74,669	74,669
Investment income	170,730	427,261	597,991
Amounts appropriated for expenditure	<u>(67,610)</u>	<u>(152,990)</u>	<u>(220,600)</u>
Endowment net assets, end of year	<u>\$1,683,684</u>	<u>\$4,262,587</u>	<u>\$5,946,271</u>

The Organization's endowment balances were comprised of the following as of March 31, 2023:

	Without Donor <u>Restrictions</u>	With Donor <u>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, 2024 and 2023

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>

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.

COASTAL MAINE BOTANICAL GARDENS, INC.

NOTES TO FINANCIAL STATEMENTS

March 31, 2024 and 2023

7. Fair Value Measurements (Continued)

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, 2024 and 2023, respectively.

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>2024</u>				
Cash and cash equivalents	\$ 3,652	\$ –	\$ –	\$ 3,652
Equity exchange-traded funds	4,519	–	–	4,519
Fixed income exchange-traded funds	1,798	–	–	1,798
Beneficial interest in assets held by MCF	<u>–</u>	<u>–</u>	<u>5,946,271</u>	<u>5,946,271</u>
	<u>\$ 9,969</u>	<u>\$ –</u>	<u>\$5,946,271</u>	<u>\$5,956,240</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>

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, 2024:

Beginning balance	\$5,494,211
Contributions	74,669
Change in value	597,991
Released for operations	<u>(220,600)</u>
	<u>\$5,946,271</u>

COASTAL MAINE BOTANICAL GARDENS, INC.

NOTES TO FINANCIAL STATEMENTS

March 31, 2024 and 2023

8. Lines of Credit

The Organization has an operating line of credit for available draws up to \$2,000,000. Interest payments are due monthly based on the outstanding amount, with interest adjusting daily based on the Wall Street Journal Prime rate (8.5% at March 31, 2024). The operating line of credit matures October 31, 2024. There was no amount outstanding on this operating line of credit at March 31, 2024 and 2023, respectively.

9. Long-Term Debt

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

	<u>2024</u>	<u>2023</u>
Term loan totaling \$4,000,000, due in monthly principal installments ranging from \$14,458 to \$1,221,767 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	\$2,934,347	\$3,889,058
Less current portion	<u>(176,713)</u>	<u>(102,838)</u>
Long-term debt, less current portion	<u>\$2,757,634</u>	<u>\$3,786,220</u>

The maturities of long-term debt by year are as follows as of March 31, 2024:

2025	\$ 176,713
2026	183,912
2027	191,405
2028	199,204
2029	207,319
Thereafter	<u>1,975,794</u>
	<u>\$2,934,347</u>

10. Contributed Assets

Contributed other assets recognized within the statements of activities amounted to \$123,789 and \$350,500 for the years ended March 31, 2024 and 2023, respectively, and consisted of art, supplies and accommodations in fiscal year 2024, and architectural services, clothing and art in fiscal year 2023. 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, and customary rates for services.

COASTAL MAINE BOTANICAL GARDENS, INC.

NOTES TO FINANCIAL STATEMENTS

March 31, 2024 and 2023

11. 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 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%. 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 \$8,683,311 and \$8,510,269 during the years ended March 31, 2024 and 2023, respectively. Interest expense during the years ended March 31, 2024 and 2023 were \$130,665 and \$127,602, respectively.

12. 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, 2024 and 2023, contributions to the plan totaled \$135,635 and \$105,820, respectively.

13. 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 2026, the second has monthly payments of \$98 and terminated in March 2024, and the third has monthly payments of \$106 and terminates in March 2027. The property lease has monthly payments of \$1,538 and terminates in January 2029. ASU 2016-02, *Leases (Topic 842)*, which was effective for the Organization April 1, 2022, did not have a material impact on the financial statements with respect to operating leases. Total expenses incurred during the years ended March 31, 2024 and 2023 related to these leases amounted to \$24,716 and \$21,347, respectively.

COASTAL MAINE BOTANICAL GARDENS, INC.

NOTES TO FINANCIAL STATEMENTS

March 31, 2024 and 2023

13. Operating Leases (Continued)

Lease payments for each of the next five years ended March 31 are as follows:

2025	\$ 24,704
2026	24,704
2027	23,026
2028	21,719
2029	<u>18,099</u>
	<u>\$112,252</u>

14. Finance Lease

In 2024, the Organization entered into a lease for gas utility vehicles that is classified as a finance lease. The vehicles are leased under a 52-month term with an expiration date of October 1, 2027. Under the agreement, payments for \$2,804 per month are due monthly for six months each year from July to November, and there are no payments required from December to April.

Right-of-use assets and the lease liability are reported in the Organization's 2024 statement of financial position as follows:

Finance lease:	
Finance lease, right-of-use assets, net	<u>\$61,794</u>
Finance lease liability, current portion	\$ 14,734
Finance lease liability, long-term	<u>47,099</u>
Total finance lease liability	<u>\$61,833</u>

Finance lease costs included in the Organization's statement of activities and changes in net assets for the year ended March 31, 2024 are as follows:

Amortization of right-of-use assets	\$ 12,934
Interest on lease liability	1,925

Lease cash flow and supplemental noncash information for the year ended March 31, 2024 follows:

Finance cash flow for finance lease (liability reduction)	\$ 12,894
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Noncash lease activity:

Right-of-use lease assets and finance lease liability recorded in accordance with ASC 842	\$ 74,728
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COASTAL MAINE BOTANICAL GARDENS, INC.

NOTES TO FINANCIAL STATEMENTS

March 31, 2024 and 2023

14. Finance Lease (Continued)

Lease Terms and Discount Rate

Lease terms and discount rate information are as follows for the fiscal year ended March 31, 2024:

Weighted-average remaining lease term (in years):	
Finance lease	3.58
Weighted average discount rate:	
Finance lease	3.88%

The following table presents information about the amount and timing of the Organization's finance lease as of March 31, 2024:

2025	\$ 16,823
2026	16,823
2027	16,823
2028	<u>16,823</u>
Total minimum future lease payments	67,292
Less imputed interest	<u>(5,459)</u>
Total finance lease liability	<u>\$ 61,833</u>

15. Net Assets

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

	<u>2024</u>	<u>2023</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>3,034,014</u>	<u>2,959,345</u>
	3,283,530	3,208,861
Accumulated gains on endowment funds held in perpetuity:		
Endowment funds held in perpetuity with income restricted	1,228,573	954,302
Subject to appropriation and expenditure when a specified event or time occurs:		
Capital campaign pledges, net	6,884,873	12,531,694
Unexpended restricted contributions	<u>7,270,898</u>	<u>13,485,831</u>
	<u>14,155,771</u>	<u>26,017,525</u>
Total net assets with donor restrictions	<u>\$18,667,874</u>	<u>\$30,180,688</u>

COASTAL MAINE BOTANICAL GARDENS, INC.

NOTES TO FINANCIAL STATEMENTS

March 31, 2024 and 2023

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	<u>\$12,512,129</u>
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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 statement of financial position 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, 2024. 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.