



## **FRIENDS OF ACADIA**

### **FINANCIAL STATEMENTS**

**December 31, 2012 and 2011**

**With Independent Auditor's Report**





## INDEPENDENT AUDITOR'S REPORT

The Board of Directors  
Friends of Acadia

We have audited the accompanying statements of financial position of Friends of Acadia (Friends) as of December 31, 2012 and 2011, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Friends of Acadia as of December 31, 2012 and 2011, and the changes in its net assets and their cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

*BerryDunn McNeil & Parker, LLC*

Bangor, Maine  
July 15, 2013

**FRIENDS OF ACADIA**  
**Statements of Financial Position**  
**December 31, 2012 and 2011**

**ASSETS**

	<u>2012</u>	<u>2011</u>
Cash	\$ 45,367	\$ 148,246
Contributions receivable, net	281,560	304,742
Other receivables, prepaid expenses and deposits	98,618	86,001
Land	526,196	526,196
Equipment, net of accumulated depreciation of \$105,665 in 2012 and \$118,923 in 2011	19,614	28,299
Assets whose use is limited	319,827	235,057
Investments	<u>19,636,341</u>	<u>18,374,798</u>
Total assets	<u>\$ 20,927,523</u>	<u>\$ 19,703,339</u>

**LIABILITIES AND NET ASSETS**

Liabilities		
Grant payable	\$ 170,000	\$ 170,000
Accrued expenses	<u>30,959</u>	<u>39,154</u>
Total liabilities	<u>200,959</u>	<u>209,154</u>
Commitments (Note 13, 15 and 17)		
Net assets		
Unrestricted	1,889,258	1,732,751
Temporarily restricted	8,874,115	7,908,830
Permanently restricted	<u>9,963,191</u>	<u>9,852,604</u>
Total net assets	<u>20,726,564</u>	<u>19,494,185</u>
Total liabilities and net assets	<u>\$ 20,927,523</u>	<u>\$ 19,703,339</u>

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The accompanying notes are an integral part of these financial statements.

# FRIENDS OF ACADIA

## Statement of Activities

Year Ended December 31, 2012

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Operating revenues, gains and other support				
Contributions, grants and memberships received	\$ 791,808	\$ 516,686	\$ -	\$ 1,308,494
Events, less cost of direct benefit to donors of \$219,226	423,735	88,410	-	512,145
Other revenues	1,244	2,862	-	4,106
Net assets released from restrictions	<u>1,553,322</u>	<u>(1,553,322)</u>	-	-
Total operating revenues, gains and other support	<u>2,770,109</u>	<u>(945,364)</u>	-	<u>1,824,745</u>
Operating expenses				
Program services				
Preservation and protection	1,862,914	-	-	1,862,914
Education and outreach	<u>327,237</u>	-	-	<u>327,237</u>
Total program services	<u>2,190,151</u>	-	-	<u>2,190,151</u>
Supporting services				
Development, fund raising and membership	318,231	-	-	318,231
Management and general	<u>219,905</u>	-	-	<u>219,905</u>
Total supporting services	<u>538,136</u>	-	-	<u>538,136</u>
Total operating expenses	<u>2,728,287</u>	-	-	<u>2,728,287</u>
Change in net assets from operations	<u>41,822</u>	<u>(945,364)</u>	-	<u>(903,542)</u>
Non-operating gain				
Contributions	-	-	110,587	110,587
Net investment income	<u>114,685</u>	<u>1,910,649</u>	-	<u>2,025,334</u>
Net non-operating gain	<u>114,685</u>	<u>1,910,649</u>	<u>110,587</u>	<u>2,135,921</u>
Total change in net assets	156,507	965,285	110,587	1,232,379
Net assets, beginning of year	<u>1,732,751</u>	<u>7,908,830</u>	<u>9,852,604</u>	<u>19,494,185</u>
Net assets, end of year	<u>\$ 1,889,258</u>	<u>\$ 8,874,115</u>	<u>\$ 9,963,191</u>	<u>\$ 20,726,564</u>

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The accompanying notes are an integral part of these financial statements.

**FRIENDS OF ACADIA**

**Statement of Activities**

**Year Ended December 31, 2011**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Operating revenues, gains and other support				
Contributions, grants and memberships received	\$ 903,155	\$ 592,591	\$ -	\$ 1,495,746
Events, less cost of direct benefit to donors of \$227,391	452,452	193,971	-	646,423
Merchandise and other revenues	3,357	13,143	-	16,500
Net assets released from restrictions	<u>1,504,315</u>	<u>(1,504,315)</u>	<u>-</u>	<u>-</u>
Total operating revenues, gains and other support	<u>2,863,279</u>	<u>(704,610)</u>	<u>-</u>	<u>2,158,669</u>
Operating expenses				
Program services				
Preservation and protection	1,672,312	-	-	1,672,312
Education and outreach	<u>322,194</u>	<u>-</u>	<u>-</u>	<u>322,194</u>
Total program services	<u>1,994,506</u>	<u>-</u>	<u>-</u>	<u>1,994,506</u>
Supporting services				
Development, fund raising and membership	316,960	-	-	316,960
Management and general	<u>209,171</u>	<u>-</u>	<u>-</u>	<u>209,171</u>
Total supporting services	<u>526,131</u>	<u>-</u>	<u>-</u>	<u>526,131</u>
Total operating expenses	<u>2,520,637</u>	<u>-</u>	<u>-</u>	<u>2,520,637</u>
Change in net assets from operations	<u>342,642</u>	<u>(704,610)</u>	<u>-</u>	<u>(361,968)</u>
Non-operating gain (loss)				
Contributions	-	-	43,000	43,000
Net investment loss	<u>(29,082)</u>	<u>(233,321)</u>	<u>-</u>	<u>(262,403)</u>
Net non-operating gain (loss)	<u>(29,082)</u>	<u>(233,321)</u>	<u>43,000</u>	<u>(219,403)</u>
Total change in net assets	313,560	(937,931)	43,000	(581,371)
Net assets, beginning of year	<u>1,419,191</u>	<u>8,846,761</u>	<u>9,809,604</u>	<u>20,075,556</u>
Net assets, end of year	<u>\$ 1,732,751</u>	<u>\$ 7,908,830</u>	<u>\$ 9,852,604</u>	<u>\$ 19,494,185</u>

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The accompanying notes are an integral part of these financial statements.

**FRIENDS OF ACADIA**

**Statements of Cash Flows**

**Years Ended December 31, 2012 and 2011**

	<u><b>2012</b></u>	<u><b>2011</b></u>
Cash flows from operating activities		
Change in net assets	<b>\$ 1,232,379</b>	<b>\$ (581,371)</b>
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities		
Depreciation	<b>13,889</b>	13,332
Gain on sale of equipment	<b>(150)</b>	-
Loss on impairment of land	-	31,245
Net realized and unrealized (gains) losses on investments	<b>(1,647,119)</b>	584,864
Contributions for long-term investment	<b>(110,587)</b>	(43,000)
Decrease (increase) in		
Contributions receivable	<b>64,273</b>	95,910
Other receivables and prepaid expenses	<b>(12,617)</b>	(7,434)
Decrease in		
Accrued expenses	<b><u>(8,195)</u></b>	<u>(36,654)</u>
Net cash provided (used) by operating activities	<b><u>(468,127)</u></b>	<u>56,892</u>
Cash flows from investing activities		
Purchase of land and equipment	<b>(5,204)</b>	(286,752)
Proceeds from sale of land and equipment	<b>150</b>	13,913
Purchase of investments	<b>(11,264,929)</b>	(8,493,983)
Proceeds from sale of investments	<b>11,650,505</b>	8,675,544
Net (increase) decrease in assets whose use is limited	<b><u>(84,770)</u></b>	<u>65,380</u>
Net cash provided (used) by investing activities	<b><u>295,752</u></b>	<u>(25,898)</u>
Cash flows from financing activities		
Contributions received restricted for long-term investment	<b><u>69,496</u></b>	<u>43,000</u>
Net increase (decrease) in cash	<b>(102,879)</b>	73,994
Cash, beginning of year	<b><u>148,246</u></b>	<u>74,252</u>
Cash, end of year	<b><u>\$ 45,367</u></b>	<u>\$ 148,246</u>

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The accompanying notes are an integral part of these financial statements.

# FRIENDS OF ACADIA

## Notes to Financial Statements

December 31, 2012 and 2011

### **Nature of Activities**

The mission of Friends of Acadia (Friends) is to preserve, protect and promote stewardship of the outstanding natural beauty, ecological vitality and distinctive cultural resources of Acadia National Park (ANP) and surrounding communities for the inspiration and enjoyment of current and future generations. To accomplish its mission, Friends raises funds for park and community conservation projects, advocates before Congress, defends ANP against threats, and represents users in the betterment of park operations.

Friends conducted capital campaign drives to establish permanent endowment funds to provide for permanent maintenance of ANP Carriage Roads and Trails. Investment earnings are applied to Carriage Roads and Trails projects according to the guidelines established by an agreement between Friends' Board of Directors and the National Park Service (NPS).

During 2012 and 2011, Friends received approximately 21% and 26% of contributions from two donors, respectively.

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

#### **Promises to Give**

Contributions are recognized when the donor makes a promise to give to Friends that is, in substance, unconditional. Contributions that are not restricted by the donor are reported as increases in unrestricted net assets. All donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a purpose or time restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets. Promises to give are reported at the present value of the estimated future cash flows using a discount rate commensurate with the risks involved.

Friends uses the allowance method to estimate uncollectible, unconditional promises receivable. The allowance is based on prior years' experience and management's analysis of specific promises made.

#### **Use of Estimates**

The preparation of financial statements in conformity with U.S. generally accepted accounting principles (GAAP) 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. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

# FRIENDS OF ACADIA

## Notes to Financial Statements

December 31, 2012 and 2011

### **Land and Equipment**

Purchased land and equipment is recorded at cost. Donations of equipment are recorded as support at their estimated fair value. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, Friends reports expirations of donor restrictions when the donated or acquired assets are placed in service. Friends reclassifies temporarily restricted net assets to unrestricted net assets at that time. Friends capitalizes equipment with a useful life greater than one year and a cost of \$1,000 or more. Equipment is depreciated using the straight-line method over the estimated useful lives of the respective assets.

### **Impairment of Long-Lived Assets**

In accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 360-10-35-17, *Measurement of an Impairment Loss*, long-lived assets are reviewed for impairment when circumstances indicate the carrying value of an asset may not be recoverable. If impairment exists, an adjustment is made to write the asset down to its fair value, and a loss is recorded as the difference between the carrying value and fair value. Fair values are determined based on quoted market values, discounted cash flows or internal and external appraisals, as applicable. Assets to be disposed of are carried at the lower of carrying value or estimated net realizable value.

During 2011, Friends recorded an impairment loss of \$31,245 due to a conservation easement placed on land owned.

### **Income Taxes**

The Internal Revenue Service has determined that Friends is exempt from taxation under Internal Revenue Code Section 501(c)(3) and, accordingly, no provision for income taxes has been reflected in these financial statements.

### **Basis of Presentation**

Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions as indicated below:

Unrestricted net assets - Net assets that are not subject to donor-imposed stipulations.

Temporarily restricted net assets - Net assets subject to donor-imposed stipulations that may or will be met by actions of Friends and/or the passage of time. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.



# FRIENDS OF ACADIA

## Notes to Financial Statements

December 31, 2012 and 2011

Permanently restricted net assets - Net assets subject to donor-imposed stipulations that contributed resources be maintained permanently but permits Friends to use up or expend part or all of the income or other economic benefits derived from the donated asset.

### **Allocation of Joint Costs**

Friends has adopted ASC Topic 958-720-45, *Other Presentation Matters*, with regard to accounting for costs of activities that include fund raising. Friends conducts a variety of activities that include requests for contributions as well as program and management and general components. Those activities include direct mail campaigns, special events and other activities. Payroll costs, postage, printing, advertising and supplies have been allocated to fund raising based upon timecards, estimated time spent or usage.

### **Operating Income**

The statement of activities includes a measure of change in net assets from operations. Changes in net assets which are excluded from change in net assets from operations include investment income (loss), contributions which are permanently restricted by the donor or which are donor restricted to be used for the purposes of acquiring long-term assets, and the release thereof when Friends has complied with the donative restrictions

### **Investments**

Investment securities are exposed to various risks, such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities and the level of uncertainty related to changes in the value of investment securities, it is at least reasonably possible that changes in value in the near term would materially affect the amounts reported in the statements of financial position and activities.

### **Reclassifications**

Certain amounts in the 2011 financial statements have been reclassified to conform to the 2012 presentation.

### **Subsequent Events**

For purposes of the preparation of these financial statements in conformity with GAAP, Friends has considered transactions or events occurring through July 15, 2013, the date the financial statements were available to be issued.

## **2. Cash on Deposit**

Friends maintains its cash and assets whose use is limited in bank deposit accounts which, for short periods of time, may exceed federally insured limits. Friends has not experienced any losses in such accounts and believes it is not exposed to any significant risk with respect to these accounts.

FRIENDS OF ACADIA

Notes to Financial Statements

December 31, 2012 and 2011

3. **Contributions Receivable**

Friends is raising contributions for the purchase and preservation of land around and adjacent to ANP (see Note 15). Contributions receivable, which are restricted toward the land purchase fund, the Wild Gardens of Acadia Endowment and other restricted projects for operating purposes (restricted as to time), consist of the following:

	<u>2012</u>	<u>2011</u>
Amounts due in:		
One year or less	\$ 161,591	\$ 137,000
One to five years	<u>143,167</u>	<u>200,000</u>
Total unconditional promises to give	<b>304,758</b>	337,000
Less discounts to net present value at 0.61% to 2.5%	<b>3,198</b>	7,258
Less allowance for uncollectible promises to give	<u>20,000</u>	<u>25,000</u>
Net unconditional promises to give	<b><u>\$ 281,560</u></b>	<b><u>\$ 304,742</u></b>

4. **Gifts of Future Interests**

Friends holds interests in a few small remainder trusts, or unitrusts and is also the beneficiary of a Maine Community Foundation Fund. The combined value was approximately \$68,500 at December 31, 2012 and \$64,000 at December 31, 2011. These totals are included in other receivables, prepaid expenses and deposits in the statements of financial position.

5. **Assets Whose Use is Limited**

Assets whose use is limited consist of cash and certificates of deposit for the following temporarily restricted purposes:

	<u>2012</u>	<u>2011</u>
<b>Cash</b>		
Island Explorer bus system	\$ -	\$ 5,000
Youth Initiatives	<b>96,469</b>	-
Other temporarily restricted projects	<b>24,874</b>	35,614
<b>Certificates of deposit</b>		
Island Explorer bus system	<u>198,484</u>	<u>194,443</u>
	<b><u>\$ 319,827</u></b>	<b><u>\$ 235,057</u></b>

# FRIENDS OF ACADIA

## Notes to Financial Statements

December 31, 2012 and 2011

### 6. Investments

#### **Return Objectives and Risk Parameters**

Friends has adopted investment and spending policies for all its investments, including endowment assets, that attempt to provide a predictable stream of funding to programs supported by its endowments while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the organization must hold in perpetuity or for a donor-specified period(s) as well any board-designated funds. Under this policy, as approved by the Board of Directors, the funds are managed on a total return basis. Friends' long-term investment goal (net of investment, custody and investment management fees) is to achieve on average an annual return that equals or exceeds the blended index being used at the time. The index is currently defined as 30% of Barclays Capital U.S. Aggregate index and 70% of the S&P 500 Index. Friends' investment time horizon is five to ten years. Decisions regarding manager and individual investment manager evaluation and selection, as well as portfolio asset allocation, will be made with an eye toward moderating investment volatility, especially in down markets.

The investments aim to provide appropriate stewardship of Friends' financial assets and secure long-term financial stability and income to support Friends' commitments to ANP and Friends' operations and programs as budgeted annually by the Investment and Finance Committee and approved by the Friends' Board of Directors.

#### **Strategies Employed for Achieving Objectives**

To satisfy its long-term rate-of-return objectives, Friends relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). Friends targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

**FRIENDS OF ACADIA**

**Notes to Financial Statements**

**December 31, 2012 and 2011**

**Project Funds**

Friends also invests cash received from temporarily restricted contributions for projects that will not be immediately spent. These funds are presented separately from endowment funds in the following schedules of investment activity and investment composition by type of fund.

The investment net asset composition by type of fund as of December 31, 2012 is as follows:

	<u>Unrestricted Endowment Funds</u>	<u>Temporarily Restricted Endowment Funds</u>	<u>Permanently Restricted Endowment Funds</u>	<u>Total Endowment Funds</u>	<u>Project and Unallocated Funds</u>	<u>Total Investments</u>
Donor-restricted endowment funds	\$ -	\$6,248,679	\$9,922,099	\$16,170,778	\$ -	\$16,170,778
Board-designated endowment funds	922,321	-	-	922,321	-	922,321
Project funds	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,543,242</u>	<u>2,543,242</u>
	<u>\$ 922,321</u>	<u>\$6,248,679</u>	<u>\$9,922,099</u>	<u>\$17,093,099</u>	<u>\$2,543,242</u>	<u>\$19,636,341</u>

Changes in investment net assets for the year ended December 31, 2012 are as follows:

	<u>Unrestricted Endowment Funds</u>	<u>Temporarily Restricted Endowment Funds</u>	<u>Permanently Restricted Endowment Funds</u>	<u>Total Endowment Funds</u>	<u>Project and Unallocated Funds</u>	<u>Total Investments</u>
Investment net assets, beginning of year	<u>\$ 980,529</u>	<u>\$4,857,580</u>	<u>\$9,851,604</u>	<u>\$15,689,713</u>	<u>\$2,685,085</u>	<u>\$18,374,798</u>
Investment return						
Investment income	17,158	307,913	-	325,071	49,667	374,738
Realized gain on investments	66,741	984,506	-	1,051,247	162,829	1,214,076
Net appreciation of investments	<u>28,698</u>	<u>346,330</u>	<u>-</u>	<u>375,028</u>	<u>58,015</u>	<u>433,043</u>
Total investment return	<u>112,597</u>	<u>1,638,749</u>	<u>-</u>	<u>1,751,346</u>	<u>270,511</u>	<u>2,021,857</u>
Contributions and other deposits	229,195	-	70,495	299,690	370,996	670,686
Appropriation of investment assets for expenditure	<u>(400,000)</u>	<u>(247,650)</u>	<u>-</u>	<u>(647,650)</u>	<u>(783,350)</u>	<u>(1,431,000)</u>
Investment net assets, end of year	<u>\$ 922,321</u>	<u>\$6,248,679</u>	<u>\$9,922,099</u>	<u>\$17,093,099</u>	<u>\$2,543,242</u>	<u>\$19,636,341</u>

**FRIENDS OF ACADIA**

**Notes to Financial Statements**

**December 31, 2012 and 2011**

The investment net asset composition by type of fund as of December 31, 2011 is as follows:

	Unrestricted Endowment Funds	Temporarily Restricted Endowment Funds	Permanently Restricted Endowment Funds	Total Endowment Funds	Project and Unallocated Funds	Total Investments
Donor-restricted endowment funds	\$ -	\$4,857,580	\$9,851,604	\$14,709,184	\$ -	\$14,709,184
Board-designated endowment funds	980,529	-	-	980,529	-	980,529
Project funds	-	-	-	-	2,685,085	2,685,085
	<u>\$ 980,529</u>	<u>\$4,857,580</u>	<u>\$9,851,604</u>	<u>\$15,689,713</u>	<u>\$2,685,085</u>	<u>\$18,374,798</u>

Changes in investment net assets for the year ended December 31, 2011 are as follows:

	Unrestricted Endowment Funds	Temporarily Restricted Endowment Funds	Permanently Restricted Endowment Funds	Total Endowment Funds	Project and Unallocated Funds	Total Investments
Investment net assets, beginning of year	<u>\$ 978,396</u>	<u>\$5,346,393</u>	<u>\$9,809,604</u>	<u>\$16,134,393</u>	<u>\$3,006,830</u>	<u>\$19,141,223</u>
Investment return						
Investment income	14,899	277,893	-	292,792	29,669	322,461
Realized loss on investments	(14,052)	(121,765)	-	(135,817)	(13,000)	(148,817)
Net depreciation of investments	<u>(29,929)</u>	<u>(366,941)</u>	<u>-</u>	<u>(396,870)</u>	<u>(39,176)</u>	<u>(436,046)</u>
Total investment loss	<u>(29,082)</u>	<u>(210,813)</u>	<u>-</u>	<u>(239,895)</u>	<u>(22,507)</u>	<u>(262,402)</u>
Contributions and other deposits	431,215	-	42,000	473,215	330,762	803,977
Appropriation of investment assets for expenditure	<u>(400,000)</u>	<u>(278,000)</u>	<u>-</u>	<u>(678,000)</u>	<u>(630,000)</u>	<u>(1,308,000)</u>
Investment net assets, end of year	<u>\$ 980,529</u>	<u>\$4,857,580</u>	<u>\$9,851,604</u>	<u>\$15,689,713</u>	<u>\$2,685,085</u>	<u>\$18,374,798</u>

## FRIENDS OF ACADIA

### Notes to Financial Statements

December 31, 2012 and 2011

Investments are recorded at fair value. Fair values are based on quoted market prices, if available, or estimated using quoted market prices for similar securities.

The historical cost and fair value of investments are as follows:

Asset Class	Strategy	Cost		Fair Value	
		2012	2011	2012	2011
Cash	Money Market	\$ 537,787	\$ 584,503	\$ 537,787	\$ 584,503
Non U.S. Equity	International Equity	3,021,548	2,080,347	3,370,631	2,096,808
	EuroStoxx50 Index Fund	836,633	-	940,158	-
U.S. Equity	All Cap Value	1,853,725	1,658,017	2,336,497	2,022,385
	All Cap Growth	1,722,247	1,647,021	2,390,243	2,106,215
	Large Cap Value	-	1,973,533	-	2,287,949
	Large Cap Growth	-	1,944,235	-	2,066,698
	Small Cap Core	719,744	652,047	930,357	843,620
	SPDR S&P 500 Index	3,136,963	-	3,214,811	-
Fixed Income	Govt. & Corp. FI Notes	3,773,879	5,265,367	3,975,791	5,391,159
	High Yield Inst. Mutual Fund	1,186,267	728,126	1,205,717	779,781
	Local Emerging Markets	697,770	203,035	734,349	195,680
Total investments		<u>\$17,486,563</u>	<u>\$16,736,231</u>	<u>\$19,636,341</u>	<u>\$18,374,798</u>

Investment fees are based on the value of the portfolio, and totaled \$161,593 for 2012 and \$154,226 for 2011.

#### 7. Spending Policy

##### Unrestricted Investment Income

Friends' published investment income policy is to appropriate investment income up to 5% of unrestricted and temporarily restricted invested funds; 1% is designated for operational purposes and up to 4% for board-designated purposes (which is generally the same as the intended purpose for the temporarily restricted funds).

##### Temporarily Restricted Investment Income

Friends' published investment spending policy appropriates investment income up to 5% of permanently restricted invested funds annually; 1% for operational purposes and up to 4% for the funds intended purpose. All investment income earned on the permanently restricted funds in excess of 5% is reinvested to maintain the purchasing power of the corpus.

Maine legislation requires that appreciation on investments of permanently restricted net assets be considered a donor-restricted asset until appropriated pursuant to proper governing Board action. The appreciation on the permanently restricted investments is released from restrictions upon appropriation by the Board of Directors in accordance with the spending policy as described above.

# FRIENDS OF ACADIA

## Notes to Financial Statements

December 31, 2012 and 2011

### Interpretation of Relevant Law

The Board of Directors of Friends has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the contribution value of the donor restricted endowment fund absent explicit donor stipulations to the contrary. As a result of this interpretation, Friends classifies as permanently restricted net assets the original value of gifts donated to the permanent endowment, and the original value of subsequent gifts to the permanent endowment. In accordance with UPMIFA, Friends considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (1) The duration and preservation of the fund
- (2) The purposes of the organization and the donor-restricted endowment fund
- (3) General economic conditions
- (4) The possible effect of inflation and deflation
- (5) The expected total return from income and the appreciation of investments
- (6) Other resources of the organization
- (7) The investment policies of the organization

Friends uses the average investments for the most recent 12 quarter-end balances for this calculation.

Total investment income (loss) is reflected in the statement of activities as follows:

	<u>2012</u>	<u>2011</u>
Unrestricted		
Interest and dividend income, net of expense	\$ 18,085	\$ 14,899
Realized gain (loss) on long-term investments	67,056	(14,052)
Unrealized gain (loss) on long-term investments	<u>29,544</u>	<u>(29,929)</u>
Total unrestricted	<u>114,685</u>	<u>(29,082)</u>
Temporarily restricted		
Interest and dividend income, net of expense	360,130	307,562
Realized gain (loss) on long-term investments	1,147,020	(134,766)
Unrealized gain (loss) on long-term investments	<u>403,499</u>	<u>(406,117)</u>
Total temporarily restricted	<u>1,910,649</u>	<u>(233,321)</u>
Investment income (loss)	<u>\$ 2,025,334</u>	<u>\$ (262,403)</u>

**FRIENDS OF ACADIA**

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**8. Restricted Net Assets**

Temporarily restricted net assets are available for the following purposes:

	<u>2012</u>	<u>2011</u>
ANP Carriage Road Maintenance Fund	\$ 1,419,073	\$ 1,147,319
Other temporarily restricted projects	97,957	116,754
Acadia Youth Technology Team	96,469	-
Wild Gardens of Acadia Founders' Fund	6,630	-
Invasive Plant Eradication – Great Meadow	-	3,155
Invasive Plant Eradication – Tarn/Beaver Pond	113,781	158,797
Operations – restricted as to time	97,983	102,510
Wheelchair Accessible Carriage Maintenance Fund	90,795	72,921
Island Explorer Bus System	198,435	199,443
Lower Hadlock Pond	10,636	24,679
Ridge Runner Program Fund	215,128	173,022
Acadia Winter Trails	73,656	54,259
Land Bank – Unrestricted	534,966	567,875
Acadia Trails Forever Capital Projects	4,847,336	4,364,209
Acadia Trails Forever Abandoned Trails Reconstruction Projects	593,102	557,450
Acadia Youth Conservation Corps	409,144	308,672
J. Peter Grace Trails Maintenance Fund in Memory of the Long Walk	<u>69,024</u>	<u>57,765</u>
	<u>\$ 8,874,115</u>	<u>\$ 7,908,830</u>

Permanently restricted net assets are restricted to investments in perpetuity. The income from the investments is reported as temporarily restricted and is expendable to support the following at December 31:

	<u>2012</u>	<u>2011</u>
Elizabeth R. Bright Endowment – Acadia Winter Trails	\$ 200,000	\$ 200,000
ANP Carriage Road Endowment	3,481,933	3,481,933
Wheelchair Accessible Carriages Endowment	100,000	100,000
Acadian Ridge Trail Endowment	29,699	29,699
J. Peter Grace Trails Maintenance Fund in Memory of the Long Walk	100,000	100,000
Acadia Trails Forever Endowments	5,897,972	5,897,972
Wild Gardens of Acadia Founders' Fund	<u>153,587</u>	<u>43,000</u>
	<u>\$ 9,963,191</u>	<u>\$ 9,852,604</u>



**FRIENDS OF ACADIA**

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**9. Net Assets Released From Restrictions**

Net assets were released from donor or grantor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors or grantors as follows in 2012 and 2011:

	<u>2012</u>	<u>2011</u>
ANP Carriage Road Maintenance Fund	\$ 212,750	\$ 169,400
Other temporarily restricted projects	77,593	74,331
Operations – restricted as to time	36,950	10,000
Island Explorer Bus System	212,446	256,001
Ridge Runner Program Fund	27,631	20,011
Acadia Winter Trails	2,335	5,413
Land Bank	229,050	278,150
Lower Hadlock Pond	13,743	200,000
Acadia Trails Forever	70,800	-
Acadia Trails Forever Capital Projects	490,806	398,599
Acadia Youth Conservation Corps	56,710	39,676
Vascular Plant Guide	3,027	2,734
Evasive Plant Eradication Projects	61,300	50,000
L.L. Bean Kids In Acadia	25,000	-
Acadia Youth Technology Team	<u>33,181</u>	<u>-</u>
	<u>\$ 1,553,322</u>	<u>\$ 1,504,315</u>

**10. Allocation of Expenses**

The costs of providing program services and supporting services have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the program and supporting activities. Salaries and benefits are allocated as follows:

	<u>2012</u>	<u>2011</u>
Programs	57%	56%
Management and general	20	20
Development, fund raising and membership	23	24

**11. Retirement Plan**

Friends has a defined contribution plan available to any employee who meets certain eligibility requirements. The plan contains a salary reduction feature through which participants may elect to defer a percentage of their annual compensation. Friends' contributions to the plan consist of a matching contribution of up to 5% of compensation. Contributions to the plan were \$25,910 in 2012 and \$25,718 in 2011.

## FRIENDS OF ACADIA

### Notes to Financial Statements

December 31, 2012 and 2011

#### 12. Non-Cash Transactions

Friends received non-cash gifts from donors valued at \$328,612 in 2012 and \$342,324 in 2011, primarily from auction items and professional services, which are included in operating revenues in the statement of activities. Events revenue includes the total auction proceeds received for the sale of non-cash gifts donated for the auction as well as proceeds received for the sale of items purchased by Friends for sale at the auction.

#### 13. Commitments

During 2011, Friends entered into a renewed qualified sponsorship agreement with L.L. Bean whereby L.L. Bean indicated its intent to contribute \$1 million to Friends in support of the Island Explorer propane-powered shuttle bus system, in yearly installments of \$200,000 over five years. In acknowledgement of its qualified sponsorship contribution, L.L. Bean is to receive sponsorship logo identification inside and outside of the buses as well as in other designated areas. Through a stipulation in the agreement with L.L. Bean, Friends entered into an agreement with the National Park Service (NPS) whereby Friends, on the written request of ANP, will grant funds from the L.L. Bean sponsorship payments to support the Island Explorer bus system. Friends is to receive 1% of the contributions as a management fee. The remaining funds, including earnings on the funds, are to be used in support of the Island Explorer bus system. Grants made to Downeast Transportation, Inc. per approval of the NPS to support the Island Explorer bus system totaled \$223,946 in 2012 and \$254,001 in 2011.

#### 14. Related Party Transactions

Friends provides donor-restricted grant support to Acadia Partners for Science and Learning, a non-profit organization that employs a member of Friends' Board of Directors. Grants paid to Acadia Partners for Science and Learning which are included in preservation and protection expense in the statement of activities were \$24,500 for 2012. There were no grants paid to Acadia Partners for Science and Learning in 2011.

Friends maintains investments with Bar Harbor Bankshares whose parent company is Bar Harbor Bank and Trust (BHBT). The President of BHBT is a member of Friends' Investment & Finance Committee. Investments maintained at BHBT were approximately 1.3% and 2.6% of total investments at December 31, 2012 and 2011, respectively.

#### 15. Agreement with Maine Coast Heritage Trust

During 2005, Friends entered into an agreement to work jointly with MCHT and ANP to establish a Fund whose proceeds will be used to acquire ownership and/or conservation easements on land adjacent to, or within the boundaries of, ANP for the benefit of ANP, as mutually agreed upon by all three parties.

Terms of the agreement hold Friends responsible to solicit contributions for, and establish, the Fund whose proceeds will be used for this purpose. Under the agreement, Friends will conduct a capital campaign in an amount to be determined by the involved parties and will use its administrative resources to conduct the campaign and identify donors. Friends is required to make

## FRIENDS OF ACADIA

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Fund money available to ANP, MCHT or other qualified conservation entities for such acquisitions pursuant to this agreement. MCHT or other qualified conservation entities are responsible for facilitating and providing administrative support for such acquisitions. MCHT will assume a greater than one-half ownership in land purchased by the two organizations through the Fund and all rights of ownership and sole holdership of conservation easements. Friends will assume a less than one-half ownership in land purchased by the two organizations through the Fund.

Both Friends and MCHT are required to return to the Fund proceeds resulting from the sale of land or easements acquired by the Fund, net of reasonable costs of the sale.

The agreement term is for five years with five year automatic renewals until the three parties agree that all target properties identified in their land acquisition plan have been acquired and transferred to ANP. At the end of the agreement, the monies remaining in the Fund will belong solely to Friends for reuse for a purpose determined by the Board of Directors. Any remaining interests in land held by Friends and refused or not acquired by ANP will be released to MCHT for disposition as determined by its Board of Directors and without further contribution to the Fund. The agreement can be terminated by either Friends or MCHT at any time, for any reason, subject to certain conditions contained within the agreement.

In 2009, Friends and MCHT purchased approximately thirty-five acres of marsh land on Northeast Creek for the sum of \$28,406. MCHT held 51% ownership and Friends held 49% ownership. In 2011, the partners sold this property to the NPS with \$28,393 revolving back into Friends' land conservation fund. Friends also granted \$21,730 to MCHT to purchase five acres of wetlands on Bass Harbor Marsh. This property was sold to the NPS, with \$19,951 revolving back into Friends' land conservation fund.

In 2009, Friends donated \$50,000 to MCHT to purchase an option on thirty-nine acres on Lower Hadlock Pond. The closing on this property occurred in two stages; in 2010 MCHT and Friends acquired a portion of the land with Friends contributing \$150,711. In 2011, the partners sold a conservation easement on the acquired parcel to the NPS, and Friends was reimbursed \$200,711 that revolved back into Friends' land conservation fund. In 2011, Friends raised funds for the purchase of the second half of the Lower Hadlock Pond property through its benefit auction and other conservation-minded donors. The funds were sent to the Pew Charitable Trusts in support of the Northeast Land Trust Consortium, which is able to provide up to a 50% match on grants made for this initiative. The Consortium supports the MDI Conservation Opportunities Initiative II, an effort to support the acquisition and protection of substantially undeveloped parcels on, or in the proximity of, Mount Desert Island in Maine.

Also in 2011, Friends and MCHT purchased 5 acres on Round Pond (Round Pond II). Friends paid \$276,730 for 49% ownership, with the intent that the land be sold to ANP when funding becomes available. Finally, Friends pledged a \$170,000 grant toward the purchase of approximately twenty-three additional acres on Round Pond (Round Pond I) to be paid in 2013. This property will be donated to ANP in 2016 to celebrate its centennial.

In 2012, Friends and MCHT raised funds to purchase a conservation easement on 3,200 acres adjacent to the Schoodic section of ANP. The funds were donated to the Pew Charitable Trusts who provided a match for this project.

**FRIENDS OF ACADIA**

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**16. Assets at Fair Value**

ASC Topic 820, *Fair Value Measurements*, defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principle or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. ASC Topic 820 also establishes a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value:

Level 1: Quoted prices (unadjusted) for identical assets or liabilities in active markets that the entity has the ability to access as of the measurement date.

Level 2: Significant observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, and other inputs that are observable or can be corroborated by observable market data.

Level 3: Significant unobservable inputs that reflect an entity's own assumptions about the assumptions that market participants would use in pricing an asset or liability.

All Friends' investments, as disclosed in Note 6 on page 13, are Level 1 assets and are measured at fair value on a recurring basis.

Impairment of land in 2011, measured at fair value, using significant other observable inputs using the market approach totaled \$31,245.

**17. Leasing Arrangements**

Friends leases office space in Bar Harbor under an operating lease expiring in 2015. The following is a schedule of future minimum lease payments required under the lease:

2013	\$43,600
2014	45,000
2015	<u>11,300</u>
	<u>\$99,900</u>

Total rent expense under this lease and other immaterial operating lease agreements totaled approximately \$44,742 for 2012 and \$43,312 for 2011.