



## **FRIENDS OF ACADIA**

### **FINANCIAL STATEMENTS**

**December 31, 2015 and 2014**

**With Independent Auditor's Report**





## INDEPENDENT AUDITOR'S REPORT

The Board of Directors  
Friends of Acadia

We have audited the accompanying financial statements of Friends of Acadia (Friends) which comprise the statements of financial position as of December 31, 2015 and 2014, 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, 2015 and 2014, and the changes in its net assets and its cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

*BerryDunn McNeil & Parker, LLC*

Bangor, Maine  
May 5, 2016

**FRIENDS OF ACADIA**  
**Statements of Financial Position**  
**December 31, 2015 and 2014**

**ASSETS**

	<u>2015</u>	<u>2014</u>
Cash	\$ 212,801	\$ 128,467
Contributions receivable, net	12,407,729	1,177,892
Other receivables, prepaid expenses and deposits	221,108	231,163
Land	276,730	276,730
Equipment, net of accumulated depreciation of \$133,271 in 2015 and \$121,504 in 2014	35,032	33,668
Assets whose use is limited	250,714	415,260
Investments	<u>30,929,061</u>	<u>25,630,611</u>
Total assets	<u>\$ 44,333,175</u>	<u>\$ 27,893,791</u>

**LIABILITIES AND NET ASSETS**

Liabilities		
Accrued expenses	\$ 94,675	\$ 36,093
Deferred revenue	<u>16,000</u>	<u>26,000</u>
Total liabilities	<u>110,675</u>	<u>62,093</u>
Net assets		
Unrestricted	2,637,113	2,561,931
Temporarily restricted	26,250,956	14,212,432
Permanently restricted	<u>15,334,431</u>	<u>11,057,335</u>
Total net assets	<u>44,222,500</u>	<u>27,831,698</u>
Total liabilities and net assets	<u>\$ 44,333,175</u>	<u>\$ 27,893,791</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, 2015**

	<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	\$ 1,127,438	\$ 15,054,928	\$ -	\$ 16,182,366
Events, less costs of direct benefit to donors of \$228,875	446,971	221,059	-	668,030
Other revenues	(730)	10,816	-	10,086
Net assets released from restrictions	<u>2,672,719</u>	<u>(2,672,719)</u>	<u>-</u>	<u>-</u>
Total operating revenues, gains and other support	<u>4,246,398</u>	<u>12,614,084</u>	<u>-</u>	<u>16,860,482</u>
Operating expenses				
Program services				
Preservation and protection	2,596,378	-	-	2,596,378
Education and outreach	<u>532,528</u>	<u>-</u>	<u>-</u>	<u>532,528</u>
Total program services	<u>3,128,906</u>	<u>-</u>	<u>-</u>	<u>3,128,906</u>
Supporting services				
Development, fund raising and membership	709,596	-	-	709,596
Management and general	<u>296,084</u>	<u>-</u>	<u>-</u>	<u>296,084</u>
Total supporting services	<u>1,005,680</u>	<u>-</u>	<u>-</u>	<u>1,005,680</u>
Total operating expenses	<u>4,134,586</u>	<u>-</u>	<u>-</u>	<u>4,134,586</u>
Change in net assets from operations	<u>111,812</u>	<u>12,614,084</u>	<u>-</u>	<u>12,725,896</u>
Non-operating gain (loss)				
Contributions	-	-	4,277,096	4,277,096
Net investment loss	<u>(36,630)</u>	<u>(575,560)</u>	<u>-</u>	<u>(612,190)</u>
Net non-operating gain (loss)	<u>(36,630)</u>	<u>(575,560)</u>	<u>4,277,096</u>	<u>3,664,906</u>
Total change in net assets	75,182	12,038,524	4,277,096	16,390,802
Net assets, beginning of year	<u>2,561,931</u>	<u>14,212,432</u>	<u>11,057,335</u>	<u>27,831,698</u>
Net assets, end of year	<u>\$ 2,637,113</u>	<u>\$ 26,250,956</u>	<u>\$ 15,334,431</u>	<u>\$ 44,222,500</u>

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**FRIENDS OF ACADIA**

**Statement of Activities**

**Year Ended December 31, 2014**

	<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	\$ 1,159,463	\$ 2,366,849	\$ -	\$ 3,526,312
Events, less costs of direct benefit to donors of \$375,951	795,220	140,014	-	935,234
Other revenues	1,868	2,654	-	4,522
Net assets released from restrictions	<u>1,500,593</u>	<u>(1,500,593)</u>	<u>-</u>	<u>-</u>
Total operating revenues, gains and other support	<u>3,457,144</u>	<u>1,008,924</u>	<u>-</u>	<u>4,466,068</u>
Operating expenses				
Program services				
Preservation and protection	1,795,885	-	-	1,795,885
Education and outreach	<u>466,241</u>	<u>-</u>	<u>-</u>	<u>466,241</u>
Total program services	<u>2,262,126</u>	<u>-</u>	<u>-</u>	<u>2,262,126</u>
Supporting services				
Development, fund raising and membership	536,465	-	-	536,465
Management and general	<u>215,334</u>	<u>-</u>	<u>-</u>	<u>215,334</u>
Total supporting services	<u>751,799</u>	<u>-</u>	<u>-</u>	<u>751,799</u>
Total operating expenses	<u>3,013,925</u>	<u>-</u>	<u>-</u>	<u>3,013,925</u>
Change in net assets from operations	<u>443,219</u>	<u>1,008,924</u>	<u>-</u>	<u>1,452,143</u>
Non-operating gain				
Contributions	-	-	17,797	17,797
Net investment income	<u>29,673</u>	<u>826,654</u>	<u>-</u>	<u>856,327</u>
Net non-operating gain	<u>29,673</u>	<u>826,654</u>	<u>17,797</u>	<u>874,124</u>
Total change in net assets	472,892	1,835,578	17,797	2,326,267
Net assets, beginning of year	<u>2,089,039</u>	<u>12,376,854</u>	<u>11,039,538</u>	<u>25,505,431</u>
Net assets, end of year	<u>\$ 2,561,931</u>	<u>\$14,212,432</u>	<u>\$11,057,335</u>	<u>\$27,831,698</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, 2015 and 2014**

	<u><b>2015</b></u>	<u><b>2014</b></u>
Cash flows from operating activities		
Change in net assets	<b>\$ 16,390,802</b>	\$ 2,326,267
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	<b>11,767</b>	8,830
Transfer of conservation easement and land to other organizations	-	119,467
Net realized and unrealized gains on investments	<b>1,140,116</b>	(400,156)
Contributions restricted for long-term investment	<b>(4,277,096)</b>	(17,797)
Decrease (increase) in		
Contributions receivable	<b>(10,004,906)</b>	(992,414)
Other receivables and prepaid expenses	<b>10,055</b>	301,756
Increase (decrease) in		
Deferred revenue	<b>(10,000)</b>	20,000
Accrued expenses	<b>58,582</b>	975
Net cash provided by operating activities	<b><u>3,319,320</u></b>	<u>1,366,928</u>
Cash flows from investing activities		
Purchase of land and equipment	<b>(13,131)</b>	(17,834)
Purchase of investments	<b>(17,762,704)</b>	(10,296,994)
Proceeds from sale of investments	<b>11,324,138</b>	8,491,155
Net (increase) decrease in assets whose use is limited	<b><u>164,546</u></b>	<u>(108,417)</u>
Net cash used by investing activities	<b><u>(6,287,151)</u></b>	<u>(1,932,090)</u>
Cash flows from financing activities		
Contributions received restricted for long-term investment	<b><u>3,052,165</u></b>	<u>529,706</u>
Net increase (decrease) in cash	<b>84,334</b>	(35,456)
Cash, beginning of year	<b><u>128,467</u></b>	<u>163,923</u>
Cash, end of year	<b><u>\$ 212,801</u></b>	<u>\$ 128,467</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, 2015 and 2014

### **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 2015 and 2014, Friends received approximately 17% and 18% of contributions from one donor. Many individuals volunteer their time performing a variety of tasks that assist Friends. During 2015, 260 hours were contributed to trail work on the Village Connector Trails and 1,031 hours were contributed towards office work, the membership table and silent auction monitoring. These contributed services were not recognized in the financial statements as they did not meet the criteria for recognition under U.S. generally accepted accounting principles.

### **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, 2015 and 2014

### **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.

### **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.

Permanently restricted net assets - Net assets subject to a donor-imposed stipulation 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 Financial Accounting Standards Board Accounting Standards Codification (ASC) Topic 958-720-45, *Other Presentation Matters*, with regard to accounting for costs of activities that included 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.



# FRIENDS OF ACADIA

## Notes to Financial Statements

December 31, 2015 and 2014

### **Operating Income**

The statements of activities include 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, 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.

### **Subsequent Events**

Management has considered subsequent events occurring through May 5, 2016, the date the financial statements were available to be issued, and determined that, other than as disclosed in Note 18, no additional adjustments or disclosures are required for the financial statements to be fairly stated.

### **Compensated Absences**

The costs of compensated absences have been accrued at December 31, 2015 and 2014. The amount of vacation pay that has been earned and will be paid in the future totaled \$9,821 at December 31, 2015 and \$10,963 at December 31, 2014.

## **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, 2015 and 2014**

**3. Contributions Receivable**

Friends is raising contributions for a number of programmatic priorities at ANP and surrounding communities as part of the early stages of a capital campaign meant to coincide with the Park Centennial in 2016. Focus areas include: natural resource protection, transportation enhancements, youth in parks, and trails and carriage roads restoration. Contributions receivable, which are restricted toward the above priorities and other restricted projects for operating purposes (restricted as to time), consist of the following:

	<u>2015</u>	<u>2014</u>
Amounts due in:		
One year or less	\$ 4,071,530	\$ 444,978
One to five years	<u>8,760,130</u>	<u>778,310</u>
Total unconditional promises to give	<b>12,831,660</b>	1,223,288
Less discounts to net present value at 0.61% to 0.74%	<b>167,298</b>	13,930
Less allowance for uncollectible promises to give	<u>256,633</u>	<u>31,466</u>
Net unconditional promises to give	<b><u>\$12,407,729</u></b>	<b><u>\$ 1,177,892</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 \$77,788 at December 31, 2015 and \$76,500 at December 31, 2014. 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 consists of cash and certificates of deposit for the following temporarily restricted purposes:

	<u>2015</u>	<u>2014</u>
<b>Cash</b>		
Night Sky Initiatives	\$ -	\$ 3,176
Youth Initiatives	-	13,048
2016 Centennial Projects	-	149,801
Other temporarily restricted projects	-	51,966
<b>Certificates of deposit</b>		
Island Explorer bus system	<b>197,427</b>	197,269
Other projects	<u>53,287</u>	<u>-</u>
	<b><u>\$ 250,714</u></b>	<b><u>\$ 415,260</u></b>

# FRIENDS OF ACADIA

## Notes to Financial Statements

December 31, 2015 and 2014

### 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 Friends 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 70% MSCI World NRT Daily Rebalance Index in USD and 30% Barclays Capital US Aggregate TR. 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 Finance Committee and Investment Subcommittee and approved by 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.

#### **Funds with Deficiencies**

From time to time, the fair value of assets associated with individual donor-restricted endowments funds may fall below the level that the donor or the Uniform Prudent Management of Institutional Funds Act (UPMIFA) requires Friends to retain as a fund of perpetual duration. In accordance with GAAP, a deficiency of this nature is reported in unrestricted net assets and was \$9,706 as of December 31, 2015. This deficiency resulted from unfavorable market fluctuations that occurred shortly after the investment of one new permanently restricted contribution. No appropriations were made from the fund.

**FRIENDS OF ACADIA**

**Notes to Financial Statements**

**December 31, 2015 and 2014**

**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, 2015 is as follows:

	<b>Temporarily Restricted Endowment Funds</b>	<b>Permanently Restricted Endowment Funds</b>	<b>Total Endowment Funds</b>	<b>Unrestricted Invested Funds</b>	<b>Project and Unallocated Funds</b>	<b>Total Investments</b>
Donor-restricted endowment funds	\$ 9,667,243	\$13,103,320	\$22,770,563	\$ -	\$ -	\$22,770,563
Board-directed invested funds	-	-	-	2,072,333	-	2,072,333
Project funds	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,086,165</u>	<u>6,086,165</u>
	<u>\$ 9,667,243</u>	<u>\$13,103,320</u>	<u>\$22,770,563</u>	<u>\$ 2,072,333</u>	<u>\$ 6,086,165</u>	<u>\$30,929,061</u>

Changes in investment net assets for the year ended December 31, 2015 are as follows:

	<b>Temporarily Restricted Endowment Funds</b>	<b>Permanently Restricted Endowment Funds</b>	<b>Total Endowment Funds</b>	<b>Unrestricted Invested Funds</b>	<b>Project and Unallocated Funds</b>	<b>Total Investments</b>
Investment net assets, beginning of year	<u>\$ 10,544,174</u>	<u>\$11,038,395</u>	<u>\$21,582,569</u>	<u>\$ 1,354,536</u>	<u>\$ 2,693,506</u>	<u>\$25,630,611</u>
Investment return						
Investment income	442,966	-	442,966	19,555	71,594	534,115
Realized gain on investments	1,166,271	-	1,166,271	51,486	188,498	1,406,255
Net depreciation of investments	<u>(2,111,820)</u>	<u>-</u>	<u>(2,111,820)</u>	<u>(93,229)</u>	<u>(341,321)</u>	<u>(2,546,371)</u>
Total investment return	<u>(502,583)</u>	<u>-</u>	<u>(502,583)</u>	<u>(22,188)</u>	<u>(81,230)</u>	<u>(606,001)</u>
Contributions and other deposits	-	2,064,925	2,064,925	905,561	4,578,007	7,548,493
Appropriation of investment assets for expenditure	<u>(374,348)</u>	<u>-</u>	<u>(374,348)</u>	<u>(165,576)</u>	<u>(1,104,118)</u>	<u>(1,644,042)</u>
Investment net assets, end of year	<u>\$ 9,667,243</u>	<u>\$13,103,320</u>	<u>\$22,770,563</u>	<u>\$ 2,072,333</u>	<u>\$ 6,086,165</u>	<u>\$30,929,061</u>

**FRIENDS OF ACADIA**

**Notes to Financial Statements**

**December 31, 2015 and 2014**

The investment net asset composition by type of fund as of December 31, 2014 is as follows:

	Temporarily Restricted Endowment Funds	Permanently Restricted Endowment Funds	Total Endowment Funds	Unrestricted Invested Funds	Project and Unallocated Funds	Total Investments
Donor-restricted endowment funds	\$10,544,174	\$11,038,395	\$21,582,569	\$ -	\$ -	\$21,582,569
Board-directed invested funds	-	-	-	1,354,536	-	1,354,536
Project funds	-	-	-	-	2,693,506	2,693,506
	<u>\$10,544,174</u>	<u>\$11,038,395</u>	<u>\$21,582,569</u>	<u>\$ 1,354,536</u>	<u>\$ 2,693,506</u>	<u>\$25,630,611</u>

Changes in investment net assets for the year ended December 31, 2014 are as follows:

	Temporarily Restricted Endowment Funds	Permanently Restricted Endowment Funds	Total Endowment Funds	Unrestricted Invested Funds	Project and Unallocated Funds	Total Investments
Investment net assets, beginning of year	<u>\$ 10,221,259</u>	<u>\$10,508,961</u>	<u>\$20,730,220</u>	<u>\$ 730,284</u>	<u>\$ 1,964,111</u>	<u>\$23,424,615</u>
Investment return						
Investment income	395,217	-	395,217	19,712	39,546	454,475
Realized gain on investments	950,872	-	950,872	46,306	95,145	1,092,323
Net depreciation of investments	<u>(595,658)</u>	<u>-</u>	<u>(595,658)</u>	<u>(36,906)</u>	<u>(59,603)</u>	<u>(692,167)</u>
Total investment return	<u>750,431</u>	<u>-</u>	<u>750,431</u>	<u>29,112</u>	<u>75,088</u>	<u>854,631</u>
Contributions and other deposits	-	529,434	529,434	838,977	1,208,051	2,576,462
Appropriation of investment assets for expenditure	<u>(427,516)</u>	<u>-</u>	<u>(427,516)</u>	<u>(243,837)</u>	<u>(553,744)</u>	<u>(1,225,097)</u>
Investment net assets, end of year	<u>\$ 10,544,174</u>	<u>\$11,038,395</u>	<u>\$21,582,569</u>	<u>\$ 1,354,536</u>	<u>\$ 2,693,506</u>	<u>\$25,630,611</u>

## FRIENDS OF ACADIA

### Notes to Financial Statements

December 31, 2015 and 2014

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	
		2015	2014	2015	2014
Cash	Money Market	\$ 3,537,533	\$ 2,359,872	\$ 3,538,591	\$ 2,359,872
Non U.S. Equity	International Equity	8,991,992	6,008,766	8,426,758	5,969,153
U.S. Equity	All Cap Value	1,623,437	1,342,280	1,857,373	1,957,702
	All Cap Growth	-	1,277,863	-	1,844,541
	SPDR S&P Bank Sector	-	158,570	-	189,222
	Dynamic Equity	5,348,553	2,315,866	4,974,175	2,579,683
	Small Cap Core	840,882	882,386	843,004	1,034,311
	SPDR S&P 500 Index	3,812,427	3,080,903	5,144,972	4,448,678
Fixed Income	Govt. & Corp. FI Notes	3,082,867	2,592,709	3,063,461	2,605,685
	Strategic Income Fund	1,141,679	1,040,619	1,047,781	1,013,667
	High Yield Inst. Mutual Fund	1,154,071	849,744	1,008,226	800,951
	High Yield Floating Rate	1,085,058	845,223	1,024,720	827,146
	Total investments	<u>\$30,618,499</u>	<u>\$22,754,801</u>	<u>\$30,929,061</u>	<u>\$25,630,611</u>

Investment fees are based on the value of the portfolio, and totaled \$156,499 for 2015 and \$150,659 for 2014.

#### 7. Spending Policy

##### Unrestricted Investment Income

Friends' published investment income policy is to appropriate investment income up to 4½% of unrestricted and temporarily restricted invested funds; ½% is designated for operational purposes and 4% for board-designated purposes (which is generally the same as the intended purpose for the temporarily restricted funds). The amount allocated for operations is included in change in net assets from operations.

##### Temporarily Restricted Investment Income

The published investment spending policy appropriates investment income up to 4½% of permanently restricted invested funds annually; ½% for operational purposes. All investment income earned on the permanently restricted funds in excess of 4½% is reinvested to maintain the purchasing power of the corpus.

# FRIENDS OF ACADIA

## Notes to Financial Statements

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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.

### Interpretation of Relevant Law

The Board of Directors of Friends has interpreted UPMIFA as requiring the preservation of the contributed value of the donor-restricted endowment funds 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.

The investment income is reflected in the statements of activities as follows:

	<u>2015</u>	<u>2014</u>
Unrestricted		
Interest and dividend income, net of expense	\$ 15,356	\$ 20,273
Realized gains on long-term investments	67,441	46,306
Unrealized loss on long-term investments	<u>(119,427)</u>	<u>(36,906)</u>
Total unrestricted	<u>(36,630)</u>	<u>29,673</u>
Temporarily restricted		
Interest and dividend income, net of expense	512,570	435,898
Realized gains on long-term investments	1,338,814	1,046,017
Unrealized loss on long-term investments	<u>(2,426,944)</u>	<u>(655,261)</u>
Total temporarily restricted	<u>(575,560)</u>	<u>826,654</u>
Investment (loss) income	<u>\$ (612,190)</u>	<u>\$ 856,327</u>

**FRIENDS OF ACADIA**

**Notes to Financial Statements**

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**8. Restricted Net Assets**

Temporarily restricted net assets are available for the following purposes:

	<u>2015</u>	<u>2014</u>
ANP Carriage Road Maintenance Fund	\$ 1,802,374	\$ 2,205,071
The Dorrence B. Tibbetts Fund for Carriage Roads & Bridges	343,672	355,971
Carriage Road – Vista Clearing	225,714	-
Other temporarily restricted projects	306,631	257,479
Acadia Teacher Fellows	91,682	111,362
Acadia Youth Technology Team	3,835	28,915
Diana Davis Spencer Youth Programs	743,154	-
Wild Gardens of Acadia Founders' Fund	26,237	43,744
Invasive Plant Eradication & Water Quality	121,639	114,771
Operations – restricted as to time	78,160	81,824
Wheelchair Accessible Carriage Maintenance Fund	128,424	135,431
Wild Acadia – Cromwell Brook Restoration	269,603	38,936
Cadillac Mountain Restoration	-	125,627
2016 Centennial	82,517	31,839
Second Century Campaign - Unallocated	11,820,480	1,522,529
Second Century Campaign – The Acadia Experience	50,077	-
Second Century Campaign – Tomorrow's Stewards	1,494,054	12,262
Second Century Campaign – Trails and Carriage Roads	12,262	12,262
Island Explorer Bus System	197,423	197,269
Schoodic Woods Project Funds	257,901	-
Lower Hadlock Pond	10,609	10,609
Isle au Haut Ferry Service	51,450	-
Ridge Runner Program Fund	294,225	340,457
Acadia Winter Trails	109,995	133,495
Acadia Land Legacy – Unrestricted	583,383	597,255
Acadia Trails Forever & Capital Projects	5,764,286	6,379,335
Acadia Trails Forever Abandoned Trails Reconstruction Projects	672,867	693,227
Acadia Youth Conservation Corps	626,430	688,219
J. Peter Grace Trails Fund in Memory of the Long Walk	<u>81,512</u>	<u>94,543</u>
	<b><u>\$ 26,250,596</u></b>	<b><u>\$ 14,212,432</u></b>

Permanently restricted net assets are restricted to investments in perpetuity. The income from the investments is expendable to support maintenance of ANP Carriage Roads, Wheelchair Accessible Carriages, Winter Trails, Acadian Ridge Trail, Wild Gardens of Acadia and ANP Trails and is reported as temporarily restricted.



**FRIENDS OF ACADIA**

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Permanently restricted net assets consist of the following at December 31:

	<u>2015</u>	<u>2014</u>
Elizabeth R. Bright Endowment - Acadia Winter Trails	\$ 200,000	\$ 200,000
ANP Carriage Road Endowment	4,487,433	4,486,933
Wheelchair Accessible Carriages Endowment	100,000	100,000
Acadian Ridge Trail Endowment	29,699	29,699
J. Peter Grace Trails Fund in Memory of the Long Walk	100,000	100,000
Acadia Trails Forever Endowments	5,898,472	5,897,972
Jerome Levy Endowment for Acadia Resource Protection	1,000,000	-
Schoodic Woods Endowment	1,500,000	-
Youth Endowment	1,238,590	-
Operational Endowment	516,536	-
Wild Gardens of Acadia Founders' Fund	<u>263,701</u>	<u>242,731</u>
	<u>\$15,334,431</u>	<u>\$11,057,335</u>

**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 2015 and 2014:

	<u>2015</u>	<u>2014</u>
ANP Carriage Road Maintenance Fund	\$ 243,800	\$ 243,918
Other temporarily restricted projects	210,928	198,829
Operations restricted as to time	5,000	20,161
Acadia Teacher Fellows	16,944	28,372
Island Explorer Bus System	201,172	211,239
Ridge Runner Program Fund	25,841	26,725
Acadia Winter Trails	29,982	8,074
Acadia Land Legacy Land Bank	1,800	41,085
Cadillac Mountain Restoration Project	133,312	16,621
Isle au Haut Ferry Service	131,800	-
Wild Acadia & Cromwell Brook Restoration	134,543	11,064
Trenton Community Trail	184	5,609
Acadia Trails Forever	47,000	84,878
Acadia Trails Forever Capital Projects	402,619	335,976
Acadia Youth Conservation Corps	19,556	62,917
Dorrence B. Tibbetts Carriage Roads & Bridges Fund	29,475	-
Vascular Plant Guide	-	1,902
Invasive Plant Eradication & Water Quality Projects	112,774	141,598
2016 Centennial Funds	38,141	-
L.L. Bean Kids In Acadia	25,000	25,000
Second Century Campaign - Unallocated	489,522	-
Schoodic Woods Project Funds	334,569	-
Acadia Youth Technology Team	<u>38,757</u>	<u>36,625</u>
	<u>\$ 2,672,719</u>	<u>\$ 1,500,593</u>

# FRIENDS OF ACADIA

## Notes to Financial Statements

December 31, 2015 and 2014

### 10. Allocation of Expenses

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

	<u>2015</u>	<u>2014</u>
Programs	54%	60%
Management and general	19	18
Development, fund raising and membership	27	22

### 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 \$33,441 in 2015 and \$29,079 in 2014.

### 12. Non-Cash Transactions

Friends received non-cash gifts from donors valued at \$264,043 in 2015 and \$488,539 in 2014, primarily from auction items and professional services, which are included in operating revenues in the statements 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 received 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 NPS whereby Friends, on the written request of ANP, granted funds from the L.L. Bean sponsorship payments to support the Island Explorer bus system. Friends received 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 NPS to support the Island Explorer bus system totaled \$199,172 in 2015 and \$209,239 in 2014.

# FRIENDS OF ACADIA

## Notes to Financial Statements

December 31, 2015 and 2014

### **14. Related Party Transactions**

Friends provides donor restricted grant support to Schoodic Institute, a nonprofit organization that employs a member of Friends' Board of Directors. Grants paid to Schoodic Institute which are included in preservation and protection expense in the statements of activities were \$42,050 for 2015 and \$24,750 for 2014.

### **15. Agreement with Maine Coast Heritage Trust (MCHT)**

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 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 such acquisitions 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 marshland 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.

## FRIENDS OF ACADIA

### Notes to Financial Statements

December 31, 2015 and 2014

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. In April 2014, MCHT and Friends donated the remaining parcels on Lower Hadlock Pond to ANP.

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) which was paid in 2013. This property will be donated to ANP in 2016 to celebrate the park's 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.

In 2014, Friends donated \$37,500 to MCHT to purchase 9.27 acres of the old Gilbert Farm in Bar Harbor. MCHT intends to hold the land until it is sold to ANP and the Friends' Land Bank will be reimbursed.

Friends did not initiate or participate in any new land projects with MCHT or other partners in 2015.

#### **16. Other Disclosures**

In December 2013, Friends donated a conservation easement to MCHT on 152 acres Friends owned in Trenton. Immediately afterward, Friends donated the underlying fee title to the same acreage to the Town of Trenton. These conveyances represent the last steps in Friends' planned divestiture of all land in Trenton that was originally part of a larger tract purchased for the adjacent Acadia Gateway Center project. As referenced above, in 2014, MCHT and Friends donated the remaining parcels on Lower Hadlock Pond to ANP. The 2014 conveyance is reflected on the statement of cash flows and represents the value of \$119,467 as stated therein.

**FRIENDS OF ACADIA**

**Notes to Financial Statements**

**December 31, 2015 and 2014**

**17. Assets at Fair Value**

ASC Topic 820, *Fair Value Measurement*, 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 principal 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, are Level 1 assets and are measured at fair value on a recurring basis.

**18. Leasing Arrangements**

Friends leases office space in Bar Harbor under an operating lease expiring in 2018. However, more space has become available and Friends has signed a new 5-year lease to replace the current lease commencing in April 2016. The following is a schedule of future minimum lease payments required under the lease, including the lease of the additional space:

2016	\$ 65,374
2017	72,681
2018	74,135
2019	75,493
2020	77,109
Thereafter	<u>19,370</u>
	<u>\$384,162</u>

Total rent expense under the previous lease and other immaterial operating lease agreements totaled approximately \$48,674 for 2015 and \$47,324 for 2014.