



FRIENDS OF ACADIA

FINANCIAL STATEMENTS

December 31, 2018

(With Comparative Totals for 2017)

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 statement of financial position as of December 31, 2018, and the related statements of activities, functional expenses, and cash flows for the year 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 audit. We conducted our audit 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, 2018, and the changes in its net assets and its cash flows for the year then ended in accordance with U.S. generally accepted accounting principles.

The Board of Directors
Friends of Acadia

Other Matters

We have previously audited the financial statements of Friends as of and for the year ended December 31, 2017 and we expressed an unmodified opinion on those audited financial statements in our report dated May 9, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2017 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Berry Dunn McNeil & Parker, LLC

Bangor, Maine
May 23, 2019

FRIENDS OF ACADIA

Statement of Financial Position

**December 31, 2018
(With Comparative Totals for 2017)**

ASSETS

	<u>2018</u>	<u>2017</u>
Cash and cash equivalents	\$ 1,866,935	\$ 648,138
Contributions receivable, net	4,110,383	7,427,252
Other receivables, prepaid expenses and deposits	268,291	353,273
Equipment, net of accumulated depreciation of \$170,186 in 2018 and \$160,354 in 2017	20,618	30,450
Investments	<u>48,427,558</u>	<u>49,643,805</u>
Total assets	<u>\$ 54,693,785</u>	<u>\$ 58,102,918</u>

LIABILITIES AND NET ASSETS

Liabilities		
Accrued expenses	\$ 58,350	\$ 69,242
Deferred revenue	<u>-</u>	<u>6,100</u>
Total liabilities	<u>58,350</u>	<u>75,342</u>
Net assets		
Without donor restrictions	4,026,636	3,341,492
With donor restrictions	<u>50,608,799</u>	<u>54,686,084</u>
Total net assets	<u>54,635,435</u>	<u>58,027,576</u>
Total liabilities and net assets	<u>\$ 54,693,785</u>	<u>\$ 58,102,918</u>

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

FRIENDS OF ACADIA

Statement of Activities

**Year Ended December 31, 2018
(With Comparative Totals for 2017)**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>2018 Total</u>	<u>2017</u>
Operating revenues, gains, and other support				
Contributions, grants, and memberships received	\$ 1,423,061	\$ 603,205	\$ 2,026,266	\$ 4,987,276
Events, less costs of direct benefit to donors of \$117,150 in 2018 and \$268,745 in 2017	801,064	385,453	1,186,517	1,009,580
Net assets released from restrictions	<u>2,433,134</u>	<u>(2,433,134)</u>	<u>-</u>	<u>-</u>
Total operating revenues, gains, and other support	<u>4,657,259</u>	<u>(1,444,476)</u>	<u>3,212,783</u>	<u>5,996,856</u>
Operating expenses				
Program services	<u>2,685,317</u>	<u>-</u>	<u>2,685,317</u>	<u>2,814,276</u>
Supporting services				
Fundraising and membership services	752,453	-	752,453	618,922
Management and general	<u>313,011</u>	<u>-</u>	<u>313,011</u>	<u>302,230</u>
Total supporting services	<u>1,065,464</u>	<u>-</u>	<u>1,065,464</u>	<u>921,152</u>
Total operating expenses	<u>3,750,781</u>	<u>-</u>	<u>3,750,781</u>	<u>3,735,428</u>
Change in net assets from operations	<u>906,478</u>	<u>(1,444,476)</u>	<u>(537,998)</u>	<u>2,261,428</u>
Nonoperating activities				
Contributions	-	922,191	922,191	62,307
Investment (losses) gains, net	<u>(221,334)</u>	<u>(3,555,000)</u>	<u>(3,776,334)</u>	<u>6,211,354</u>
Total nonoperating activities	<u>(221,334)</u>	<u>(2,632,809)</u>	<u>(2,854,143)</u>	<u>6,273,661</u>
Total change in net assets	685,144	(4,077,285)	(3,392,141)	8,535,089
Net assets, beginning of year	<u>3,341,492</u>	<u>54,686,084</u>	<u>58,027,576</u>	<u>49,492,487</u>
Net assets, end of year	<u>\$ 4,026,636</u>	<u>\$ 50,608,799</u>	<u>\$ 54,635,435</u>	<u>\$ 58,027,576</u>

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

FRIENDS OF ACADIA
Statement of Functional Expenses
Year Ended December 31, 2018

		Supporting Services			
	<u>Program Activities</u>	<u>Management & General</u>	<u>Fundraising</u>	<u>Supporting Subtotal</u>	<u>Total Expenses</u>
Salaries & benefits	\$ 986,785	\$ 284,504	\$ 384,080	\$ 668,584	\$ 1,655,369
Grants	1,274,676	-	-	-	1,274,676
Other expenses	<u>423,856</u>	<u>28,507</u>	<u>368,373</u>	<u>396,880</u>	<u>820,736</u>
Total expenses	<u>\$ 2,685,317</u>	<u>\$ 313,011</u>	<u>\$ 752,453</u>	<u>\$ 1,065,464</u>	<u>\$ 3,750,781</u>

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

FRIENDS OF ACADIA

Statement of Cash Flows

**Year Ended December 31, 2018
(With Comparative Totals for 2017)**

	<u>2018</u>	<u>2017</u>
Cash flows from operating activities		
Change in net assets	\$ (3,392,141)	\$ 8,535,089
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	9,832	12,855
Net realized and unrealized loss (gains) on investments	4,697,467	(5,509,111)
Contributions restricted for long-term investment	(922,191)	(62,307)
Interim allocation restricted for long-term investment	-	(1,963,617)
Decrease (increase) in		
Contributions receivable	3,026,040	2,642,057
Other receivables and prepaid expenses	84,982	(96,441)
Increase (decrease) in		
Deferred revenue	(6,100)	-
Accrued expenses	<u>(10,892)</u>	<u>(27,429)</u>
Net cash provided by operating activities	3,486,997	3,531,096
Cash flows from investing activities		
Purchase of equipment	-	(10,867)
Purchase of investments	(22,596,478)	(13,666,010)
Proceeds from sale of investments	<u>19,115,258</u>	<u>7,746,181</u>
Net cash used by investing activities	<u>(3,481,220)</u>	<u>(5,930,696)</u>
Cash flows from financing activities		
Contributions received restricted for long-term investment	1,213,020	464,403
Interim allocation restricted for long-term investment	<u>-</u>	<u>1,963,617</u>
Net cash provided by financing activities	<u>1,213,020</u>	<u>2,428,020</u>
Net increase in cash and cash equivalents	1,218,797	28,402
Cash and cash equivalents, beginning of year	<u>648,138</u>	<u>619,736</u>
Cash and cash equivalents, end of year	<u>\$ 1,866,935</u>	<u>\$ 648,138</u>

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

FRIENDS OF ACADIA

Notes to Financial Statements

December 31, 2018
(With Comparative Totals for 2017)

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, organizes and supports volunteer involvement in the park, 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 2018 and 2017, Friends received approximately 21% and 26% of total operating revenue from one donor.

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 assets without donor restrictions. All donor-restricted contributions are reported as increases in assets with donor restrictions. When a purpose or time restriction expires, assets with donor restrictions are reclassified to assets without donor restrictions. Promises to give are reported at the present value of the estimated future cash flows using a discount rate commensurate with the risks involved. The discount rates used to calculate net present value are based on short to mid-term United States Treasury Bill rates as published on the last business day of the calendar year.

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, 2018
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Equipment

Purchased equipment is recorded at cost. Donations of equipment are recorded as support at their estimated fair value. Such donations are reported as support without donor restrictions 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 donor 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 net assets with donor restrictions to net assets without donor restrictions at that time. Friends capitalizes equipment with a useful life greater than one year and a cost of \$5,000 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

The financial statements of Friends have been prepared in accordance with GAAP, which require Friends to report information regarding its financial position and activities according to the following net asset classifications:

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of Friends. These net assets may be used at the discretion of Friends' management and the Board of Directors.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of Friends or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statement of activities.

FRIENDS OF ACADIA

Notes to Financial Statements

December 31, 2018
(With Comparative Totals for 2017)

Allocation of Joint Costs

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 fundraising 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, contributions which are restricted by the donor in perpetuity 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 23, 2019, the date the financial statements were available to be issued, and determined that no additional adjustments or disclosures are required for the financial statements to be fairly stated.

Accounting Standards Adoption

Certain amounts in the 2017 financial statements have been reclassified to conform with Accounting Standards Update (ASU) No. 2016-14, *Not-for-Profit Entities*, effective for fiscal years beginning after December 15, 2017. The adoption of ASU 2016-14 did not impact Friends' financial position or changes in net assets.

FRIENDS OF ACADIA

Notes to Financial Statements

December 31, 2018
(With Comparative Totals for 2017)

Comparative Financial Statements

These financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with GAAP. Accordingly, such information should be read in conjunction with the Friends' December 31, 2017 financial statements, from which the summarized information was derived.

2. Cash and Cash Equivalents

Friends maintains its cash in bank deposit accounts with balances which often 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 considers short-term CDs purchased and held to be cash equivalents.

3. Contributions Receivable

Friends is raising contributions for a number of programmatic priorities at ANP and surrounding communities as part of a capital campaign that coincided 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>2018</u>	<u>2017</u>
Amounts due in:		
One year or less	\$ 3,243,496	\$ 3,797,566
One to five years	<u>982,175</u>	<u>3,880,223</u>
Total unconditional promises to give	4,225,671	7,677,789
Less discounts to net present value at 1.9% to 2.63%	36,718	96,981
Less allowance for uncollectible promises to give	<u>78,570</u>	<u>153,556</u>
Net unconditional promises to give	\$ <u>4,110,383</u>	\$ <u>7,427,252</u>

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 \$88,410 at December 31, 2018 and \$87,161 at December 31, 2017. These totals are included in other receivables, prepaid expenses, and deposits in the statements of financial position.

FRIENDS OF ACADIA

Notes to Financial Statements

December 31, 2018
(With Comparative Totals for 2017)

5. 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 85% MSCI World NRT Daily Rebalance Index in USD and 15% 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 Sub-committee 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 funds of perpetual duration 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. There were no such deficiencies in 2018 or 2017.

If funds of perpetual duration are underwater, Friends may take a defensive approach and limit spending so as to preserve as much of the corpus as possible. Friends' Board of Directors reserves the right to place restrictions on funds, which are otherwise unrestricted, in an effort to replenish the underwater portion of any permanently restricted funds, but are not obligated to do so.

FRIENDS OF ACADIA

Notes to Financial Statements

December 31, 2018
(With Comparative Totals for 2017)

Invested Funds

The investment net asset composition by type of fund as of December 31, 2018 is as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Invested Project Funds</u>	<u>2018 Total</u>	<u>2017</u>
Investment net assets, beginning of year	\$ 3,770,992	\$ 34,663,601	\$11,209,212	\$49,643,805	\$38,214,865
Investment (loss) return, net	(216,981)	(2,298,821)	(1,252,829)	(3,768,631)	6,232,305
Contributions	-	1,213,020	1,652,264	2,865,284	6,625,646
Appropriation of endowment assets for expenditure	<u>(20,360)</u>	<u>(292,540)</u>	<u>-</u>	<u>(312,900)</u>	<u>(1,429,011)</u>
Investment net assets, end of year	<u>\$ 3,533,651</u>	<u>\$ 33,285,260</u>	<u>\$11,608,647</u>	<u>\$ 48,427,558</u>	<u>\$49,643,805</u>

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:

<u>Asset Class</u>	<u>Cost</u>		<u>Fair Value</u>	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Cash and cash equivalents	\$ 2,092,692	\$ 5,488,049	\$ 2,092,692	\$ 5,488,049
Non U.S. equity	12,336,519	10,420,494	11,176,438	12,114,672
U.S. equity	17,447,389	16,384,068	17,285,349	22,044,316
Fixed income	13,313,936	7,252,405	13,044,574	7,095,593
Other investments	2,462,644	2,448,549	2,248,222	2,347,427
Alternative investments	<u>2,368,525</u>	<u>542,794</u>	<u>2,580,283</u>	<u>553,748</u>
Total investments	<u>\$ 50,021,705</u>	<u>\$42,536,359</u>	<u>\$ 48,427,558</u>	<u>\$ 49,643,805</u>

Investment fees are based on the value of the portfolio, and totaled \$254,099 for 2018 and \$196,466 for 2017.

FRIENDS OF ACADIA

Notes to Financial Statements

**December 31, 2018
(With Comparative Totals for 2017)**

6. Spending Policy

With Donor Restrictions

Friends' investment spending policy allows spending up to 4% of the value of funds with donor restrictions intended to be held in perpetuity and accumulated earnings of funds with donor restrictions intended to be held in perpetuity annually; 1% may be used for operational purposes.

Maine legislation requires that appreciation on investments of net assets with donor restrictions be considered donor-restricted assets until appropriated pursuant to proper governing board action. The appreciation on the 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 net assets with donor restrictions 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' policy is to use the average value of donor restricted funds held in perpetuity and the value of the earnings on donor restricted funds held in perpetuity for the most recent 12 quarter-end balances for this calculation.

FRIENDS OF ACADIA

Notes to Financial Statements

**December 31, 2018
(With Comparative Totals for 2017)**

7. Net Assets

Net assets with donor restrictions temporary in nature and subject to expenditures for specified purposes were as follows for the years ended December 31:

	<u>2018</u>	<u>2017</u>
ANP Carriage Road Maintenance Fund	\$ 2,301,573	\$ 2,799,867
The Dorrence B. Tibbetts Fund for Carriage Roads & Bridges	76,296	413,738
Bass Harbor Lighthouse Fund	385,453	-
Carriage Road – Vista Clearing	39,165	211,466
Other temporarily restricted projects	116,549	354,232
Acadia Teacher Fellows	95,187	118,511
Diana Davis Spencer Youth Endowment	29,639	118,503
Diana Davis Spencer Youth Expendable Fund	45,399	420,012
Wild Gardens of Acadia Founders' Fund	42,901	75,104
Invasive Plant Eradication & Water Quality Operations – restricted as to time	52,120	94,921
	81,905	87,593
Wheelchair Accessible Carriage Maintenance Fund	158,842	176,817
Wild Acadia, Stream Restoration & Endowment	1,351,417	1,761,439
2016 Centennial	45,512	48,754
Every Kid in the Park and School Engagement	40,666	100,000
Second Century Campaign – Unallocated	8,693,251	9,235,729
Second Century Campaign – The Acadia Experience	2,164,404	2,350,358
Second Century Campaign – Youth Expendable Fund	1,703,898	1,816,878
Second Century Campaign – Youth Endowment	130,464	234,431
Second Century Campaign – Trails and Carriage Roads	690,756	714,005
Second Century Campaign – Friends of Acadia Oper. Endowment	114,870	247,761
Island Explorer Bus System	93,409	193,077
Schoodic Woods Project Funds	-	14,766
Schoodic Woods Endowment	317,530	592,008
Lower Hadlock Pond	9,920	10,609
Historic Structures Rehabilitation	223,766	238,236
Ridge Runner Program Fund	377,559	403,779
Acadia Winter Trails	143,378	168,968
Acadia Land Legacy – unrestricted	602,421	644,256
Acadia Trails Forever & Capital Projects	6,134,542	7,297,010
Seal Harbor Seaside Path Restoration	162,259	296,331
Acadia Trails Forever Abandoned Trails Reconstruction Projects	694,636	742,875
Acadia Youth Conservation Corps	775,610	899,474
J. Peter Grace Trails Fund in Memory of the Long Walk	91,031	104,297
	<u>27,986,328</u>	<u>32,985,805</u>

FRIENDS OF ACADIA

Notes to Financial Statements

**December 31, 2018
(With Comparative Totals for 2017)**

Net assets with donor restrictions intended to be held in perpetuity were as follows for the years ended December 31:

	<u>2018</u>	<u>2017</u>
Elizabeth R. Bright Endowment - Acadia Winter Trails	\$ 201,000	\$ 201,000
ANP Carriage Road Endowment	4,873,814	4,873,814
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	6,295,366	6,294,866
Jerome Levy Endowment for Acadia Resource Protection	1,000,000	1,000,000
Schoodic Woods Endowment	3,000,000	3,000,000
Diana Davis Spencer Youth Endowment	1,250,000	1,250,000
Youth Endowment	1,366,645	1,366,645
Wild Acadia Endowment	1,452,469	1,452,469
Operational Endowment	2,632,688	1,736,834
Wild Gardens of Acadia Founders' Fund	<u>320,790</u>	<u>294,952</u>
	<u>22,622,471</u>	<u>21,700,279</u>
 Total net assets with donor restrictions	 <u>\$50,608,799</u>	 <u>\$54,686,084</u>

Net assets released from net assets with donor restrictions are as follows:

	<u>2018</u>	<u>2017</u>
ANP Carriage Road Maintenance Fund	\$ -	\$ 251,131
Wild Gardens of Acadia Founders' Fund	7,609	-
Vista Clearing Fund	158,884	85
Other temporarily restricted projects	189,876	221,673
Operations restricted as to time	-	5,000
Acadia Teacher Fellows	25,629	2,790
Island Explorer Bus System	287,631	211,131
Ridge Runner Program Fund	-	37,351
Acadia Winter Trails	1,565	8,089
Acadia Land Legacy Land Bank	-	2,185
Every Kid in the Park & School Engagement	53,066	-
Second Century Campaign - Wild Acadia & Stream Restoration	236,461	119,914
Trenton Community Trail	-	62
Acadia Trails Forever	325,443	346,310
Acadia Trails Forever Capital Projects	-	16,315
Acadia Trails Forever – Seaside Path	114,830	73,360
Acadia Youth Conservation Corps	67,957	67,768
Dorrence B. Tibbetts Carriage Roads & Bridges Fund	311,624	635
Invasive Plant Eradication & Water Quality Projects	137,774	116,688
2016 Centennial Funds	76	4,762

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Schoodic Education Adventure	50,000	26,636
Second Century Campaign – Unallocated	-	16,343
Second Century Campaign – The Acadia Experience	58,333	64,338
Second Century Campaign – Operational Endowment	4,000	-
Schoodic Woods Project Funds	13,807	182,945
Schoodic Woods Endowment Earnings	41,229	-
Diana Davis Spencer Youth Expendable Fund	347,340	<u>237,802</u>
	<u>\$ 2,433,134</u>	<u>\$ 2,013,313</u>

8. Allocation of Expenses

The costs of providing program services and supporting services have been summarized on a functional basis in the statements of activities. The staff at Friends participated in several years of data collection focused on the amount of time spent on various projects. The data showed very little change from year to year, so the average was taken and used as a basis for the allocation of salaries and administrative expenses to programs, management, and development. Salaries and administrative expenses have been allocated using the percentages shown below:

	<u>2018</u>	<u>2017</u>
Programs	53%	53%
Management and general	20	20
Development, fundraising, and membership	27	27

9. 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 \$40,671 in 2018 and \$42,041 in 2017.

10. Non-Cash Transactions

Friends received non-cash gifts from donors valued at \$311,775 in 2018 and \$296,932 in 2017, primarily from auction items. Revenue from the sale of these items is recorded 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 tickets for admission to the auction.

FRIENDS OF ACADIA

Notes to Financial Statements

December 31, 2018
(With Comparative Totals for 2017)

11. Commitments

During 2016, 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 will enter 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 \$199,136 in 2018 and \$209,131 in 2017.

12. 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 \$48,759 for 2018 and \$51,136 for 2017.

13. 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.

FRIENDS OF ACADIA

Notes to Financial Statements

**December 31, 2018
(With Comparative Totals for 2017)**

Fair Value Measurements at December 31, 2018

	<u>Total</u>	<u>Level 1</u>
Investments		
Cash and cash equivalents	\$ 2,092,692	\$ 2,092,693
Non U.S. equity	11,176,438	11,176,438
U.S. equity	17,285,349	17,285,349
Fixed income	13,044,574	13,044,574
Other investments (GS Tactical)	<u>2,248,222</u>	<u>2,248,222</u>
	45,847,275	\$45,847,275
Assets measured at net asset value	<u>2,580,283</u>	
Total investments	<u>\$ 48,427,558</u>	
	<u>Total</u>	<u>Level 2</u>
Contributions receivable, net	<u>\$ 4,110,383</u>	<u>\$ 4,110,383</u>

Fair Value Measurements at December 31, 2017

	<u>Total</u>	<u>Level 1</u>
Investments		
Cash and cash equivalents	\$5,488,049	\$ 5,488,049
Non U.S. equity	12,114,672	12,114,672
U.S. equity	22,044,316	22,044,316
Fixed income	7,095,593	7,095,593
Other investments (GS Tactical)	<u>2,347,427</u>	<u>2,347,427</u>
	49,090,057	<u>\$49,090,057</u>
Assets measured at net asset value	<u>553,748</u>	
Total investments	<u>\$ 49,643,805</u>	
	<u>Total</u>	<u>Level 2</u>
Contributions receivable, net	<u>\$ 7,427,252</u>	<u>\$ 7,427,252</u>

Level 2 investments are measured at the present value of estimated future cash flows using a discount rate commensurate with the risk involved. The discount rates used are based on short to mid-term United States Treasury Bill rates as published on the last business day of the calendar year.

FRIENDS OF ACADIA

Notes to Financial Statements

December 31, 2018
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The following includes a summary of fair values and redemption features related to investments for which assets are measured at net asset value (NAV) as of December 31, 2018 and 2017:

	<u>2018</u>		<u>2017</u>	
	<u>NAV</u>	<u>Unfunded Commitments</u>	<u>NAV</u>	<u>Unfunded Commitments</u>
Limited partnership	\$ 536,368	\$ 485,134	\$ 264,606	\$ 715,327
Limited partnership	46,624	952,500	-	-
Limited partnership	303,567	735,555	239,954	724,544
Limited partnership	89,869	404,415	49,188	943,615
Limited partnership	603,855	510,745	-	-
*Limited partnership	1,000,000	-	-	-
Limited partnership	<u>-</u>	<u>1,500,000</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 2,580,283</u>	<u>\$ 4,588,349</u>	<u>\$ 553,748</u>	<u>\$ 2,383,486</u>

Generally, investments in these limited partnerships will be held until the partnership terminates, unless at the general partners discretion, written consent is given to allow an investor to withdraw.

*The partnership can be terminated on a quarterly basis, with request made in the previous quarter.

14. Leasing Arrangements

Friends leases office space in Bar Harbor under an operating lease expiring in 2021. The following is a schedule of future minimum lease payments required under the lease:

2019	\$ 75,493
2020	77,109
2021	<u>19,370</u>
	<u>\$ 171,972</u>

Total rent expense under the current lease and other immaterial operating lease agreements total approximately \$76,475 for 2018 and \$74,826 for 2017.

FRIENDS OF ACADIA

Notes to Financial Statements

**December 31, 2018
(With Comparative Totals for 2017)**

15. Available Resources and Liquidity

As of December 31, 2018, the following tables show the total financial assets held by Friends and the amounts of those assets which could readily be made available within one year of the balance sheet date to meet general expenditures.

Financial assets at year end:

Cash	\$ 1,866,935
Other receivables, prepaids, and deposits	268,291
Contributions receivable, net	4,110,383
Investments	<u>48,427,558</u>
Total financial assets at December 31, 2018	<u>\$ 54,673,167</u>

Financial assets available to meet general expenditures over the next 12 months:

Cash	\$ 1,866,935
Other receivables, prepaids, and deposits	268,291
Investments which can be used for general expenditures	114,870
Investments without donor restrictions	<u>3,533,651</u>
Total assets available over the next 12 months	<u>\$ 5,783,747</u>

Friends has self-imposed restrictions on the use of funds. While these are not formalized in the Friends' Bylaws or internal policies, longstanding practice has been to limit spending to only those funds which have been approved during the annual budget process. When an expense is proposed during a budget year that will have a material impact and was not part of the annual budget, the Executive Committee of the Board of Directors is made aware of the request, and has the ability to approve or deny the request.

Cash and investments include checking accounts, a savings account, a brokerage account, and two certificates of deposit. These are held at four separate financial institutions. This separation helps to ensure that the failure of any one financial institution will not cause Friends to immediately cease operations.