



FRIENDS OF ACADIA

FINANCIAL STATEMENTS

December 31, 2019

(With Comparative Totals for 2018)

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, 2019, 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, 2019, 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, 2018 and we expressed an unmodified opinion on those audited financial statements in our report dated May 23, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2018 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 11, 2020

FRIENDS OF ACADIA

Statement of Financial Position

**December 31, 2019
(With Comparative Totals for 2018)**

ASSETS

	<u>2019</u>	<u>2018</u>
Cash and cash equivalents	\$ 2,174,889	\$ 1,866,935
Contributions receivable, net	848,548	4,110,383
Other receivables, prepaid expenses and deposits	220,437	268,291
Equipment, net of accumulated depreciation of \$175,167 in 2019 and \$170,186 in 2018	11,013	20,618
Investments	<u>60,688,904</u>	<u>48,427,558</u>
Total assets	<u>\$ 63,943,791</u>	<u>\$ 54,693,785</u>

LIABILITIES AND NET ASSETS

Liabilities		
Accrued expenses	\$ <u>44,550</u>	\$ <u>58,350</u>
Total liabilities	<u>44,550</u>	<u>58,350</u>
Net assets		
Without donor restrictions	6,281,452	4,026,636
With donor restrictions	<u>57,617,789</u>	<u>50,608,799</u>
Total net assets	<u>63,899,241</u>	<u>54,635,435</u>
Total liabilities and net assets	<u>\$ 63,943,791</u>	<u>\$ 54,693,785</u>

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

FRIENDS OF ACADIA

Statement of Activities

**Year Ended December 31, 2019
(With Comparative Totals for 2018)**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>2019 Total</u>	<u>2018</u>
Operating revenues				
Contributions, grants, and memberships	\$ 2,261,523	\$ 970,167	\$ 3,231,690	\$ 2,026,266
Events, less costs of direct benefit to donors of \$120,250 in 2019 and \$117,150 in 2018	844,062	300,420	1,144,482	1,186,517
Net assets released from restrictions	<u>2,889,258</u>	<u>(2,889,258)</u>	<u>-</u>	<u>-</u>
Total operating revenues, gains, and other support	<u>5,994,843</u>	<u>(1,618,671)</u>	<u>4,376,172</u>	<u>3,212,783</u>
Operating expenses				
Program services	<u>3,015,829</u>	<u>-</u>	<u>3,015,829</u>	<u>2,685,317</u>
Supporting services				
Fundraising and membership services	758,720	-	758,720	752,453
Management and general	<u>332,423</u>	<u>-</u>	<u>332,423</u>	<u>313,011</u>
Total supporting services	<u>1,091,143</u>	<u>-</u>	<u>1,091,143</u>	<u>1,065,464</u>
Total operating expenses	<u>4,106,972</u>	<u>-</u>	<u>4,106,972</u>	<u>3,750,781</u>
Change in net assets from operations	<u>1,887,871</u>	<u>(1,618,671)</u>	<u>269,200</u>	<u>(537,998)</u>
Nonoperating activities				
Contributions	-	34,836	34,836	922,191
Investment (losses) gains, net	<u>366,945</u>	<u>8,592,825</u>	<u>8,959,770</u>	<u>(3,776,334)</u>
Total nonoperating activities	<u>366,945</u>	<u>8,627,661</u>	<u>8,994,606</u>	<u>(2,854,143)</u>
Total change in net assets	2,254,816	7,008,990	9,263,806	(3,392,141)
Net assets, beginning of year	<u>4,026,636</u>	<u>50,608,799</u>	<u>54,635,435</u>	<u>58,027,576</u>
Net assets, end of year	<u>\$ 6,281,452</u>	<u>\$ 57,617,789</u>	<u>\$ 63,899,241</u>	<u>\$ 54,635,435</u>

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

FRIENDS OF ACADIA

Statement of Functional Expenses

**Year Ended December 31, 2019
(With Comparative Totals for 2018)**

Supporting Services

	<u>Program Activities</u>	<u>Management & General</u>	<u>Fundraising</u>	<u>Supporting Subtotal</u>	<u>2019 Total Expenses</u>	<u>2018</u>
Salaries & benefits	\$ 1,036,312	\$ 345,437	\$ 436,342	\$ 781,779	\$ 1,818,091	\$ 1,655,369
Grants	1,457,396	-	-	-	1,457,396	1,274,676
Other expenses	<u>522,121</u>	<u>(13,014)</u>	<u>322,378</u>	<u>309,364</u>	<u>831,485</u>	<u>820,736</u>
Total expenses	<u>\$ 3,015,829</u>	<u>\$ 332,423</u>	<u>\$ 758,720</u>	<u>\$1,091,143</u>	<u>\$ 4,106,972</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, 2019
(With Comparative Totals for 2018)**

	<u>2019</u>	<u>2018</u>
Cash flows from operating activities		
Change in net assets	\$ 9,263,806	\$ (3,392,141)
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	5,840	9,832
Net realized and unrealized loss (gains) on investments	(8,065,214)	4,697,467
Contributions restricted for long-term investment	(34,836)	(922,191)
Decrease (increase) in		
Contributions receivable	2,225,887	3,026,040
Other receivables and prepaid expenses	47,854	84,982
Increase (decrease) in		
Deferred revenue	-	(6,100)
Accrued expenses	(13,800)	<u>(10,892)</u>
Net cash provided by operating activities	3,429,537	3,486,997
Cash flows from investing activities		
Purchase of investments	(29,765,305)	(22,596,478)
Proceeds from sale of investments	25,572,938	<u>19,115,258</u>
Net cash used by investing activities	(4,192,367)	<u>(3,481,220)</u>
Cash flows from financing activities		
Contributions received restricted for long-term investment	1,070,784	<u>1,213,020</u>
Net cash provided by financing activities	1,070,784	<u>1,213,020</u>
Net increase in cash and cash equivalents	307,954	1,218,797
Cash and cash equivalents, beginning of year	1,866,935	<u>648,138</u>
Cash and cash equivalents, end of year	\$ 2,174,889	<u>\$ 1,866,935</u>

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

FRIENDS OF ACADIA

Notes to Financial Statements

December 31, 2019
(With Comparative Totals for 2018)

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).

In 2019, two donors were each independently responsible for approximately 24% of total operating revenue. During 2018, Friends received approximately 21% of total operating revenue a single 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 net assets without donor restrictions. All donor-restricted contributions are reported as increases in net assets with donor restrictions. When a purpose or time restriction expires, net assets with donor restrictions are reclassified to net 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

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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.

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.

FRIENDS OF ACADIA

Notes to Financial Statements

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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 11, 2020, 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.

Subsequent to December 31, 2019, local, U.S., and world governments have encouraged self-isolation to curtail the spread of the global pandemic, coronavirus disease (COVID-19), by mandating the temporary shut-down of business in many sectors and imposing limitations on travel and the size and duration of group meetings. Most sectors are experiencing disruption to business operations and may feel further impacts related to delayed government reimbursement, volatility in investment returns, and reduced philanthropic support. There is unprecedented uncertainty surrounding the duration of the pandemic, its potential economic ramifications, and any government actions to mitigate them. Accordingly, while management cannot quantify the financial and other impacts to Friends as of May 11, 2020, management believes that a material impact on the Friends' financial position and results of future operations is reasonably possible.

Accounting Standards Adoption

On January 1, 2019, Friends adopted Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) No. 2014-09 (Topic 606), *Revenue from Contracts with Customers*, which provides guidance for revenue recognition that superseded the revenue recognition requirements of FASB Accounting Standards Codification (ASC) 605, *Revenue Recognition*, and most industry specific guidance. Friends' adoption of FASB ASU No. 2014-09 did not have an impact on Friends' revenue recognition policies or application thereof.

On January 1, 2019, Friends adopted FASB ASU No. 2018-08 (Topic 958), *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, which provides guidance for determining when transactions should be accounted for as contributions (nonreciprocal

FRIENDS OF ACADIA

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December 31, 2019
(With Comparative Totals for 2018)

transactions) or as exchange (reciprocal) transactions and whether a contribution is conditional. Friends' adoption of FASB ASU No. 2018-08 did not have an impact on Friends' financial position or results of operations.

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, 2018 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 raises contributions for a number of programmatic priorities at ANP and surrounding communities. A capital campaign that coincided with the Park Centennial in 2016 resulted in dozens of multi-year pledges. As of 12/31/2019, Friends believes all remaining pledges are collectible within one year so a present value factor is not used for 2019 figures. Contributions receivable consist of the following:

	<u>2019</u>	<u>2018</u>
Amounts due in:		
One year or less	\$ 865,824	\$ 3,243,496
One to five years	<u>-</u>	<u>982,175</u>
Total unconditional promises to give	865,824	4,225,671
Less discounts to net present value at 1.9% to 2.63%	-	36,718
Less allowance for uncollectible promises to give	<u>17,276</u>	<u>78,570</u>
Net unconditional promises to give	<u>\$ 848,548</u>	<u>\$ 4,110,383</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 \$90,954 at December 31, 2019 and \$88,410 at December 31, 2018. 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, 2019
(With Comparative Totals for 2018)

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 2019 or 2018.

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 spending restrictions on funds, which are otherwise without donor restrictions, in an effort to replenish the underwater portion of any funds of perpetual duration, but are not obligated to do so.

FRIENDS OF ACADIA

Notes to Financial Statements

**December 31, 2019
(With Comparative Totals for 2018)**

Invested Funds

The investment net asset composition by type of fund as of December 31, 2019 is as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Invested Project Funds</u>	<u>2019 Total</u>	<u>2018</u>
Investment net assets, beginning of year	\$ 2,044,430	\$ 31,880,907	\$ 14,502,221	\$ 48,427,558	\$49,643,805
Investment return (loss), net	353,339	5,896,602	2,696,224	8,946,165	(3,768,631)
Contributions	2,889,258	1,194,504	3,472,763	7,556,525	2,865,284
Appropriation of invested assets for expenditure	<u>(1,352,087)</u>	<u>(1,315,856)</u>	<u>(1,573,401)</u>	<u>(4,241,344)</u>	<u>(312,900)</u>
Investment net assets, end of year	<u>\$ 3,934,940</u>	<u>\$ 37,656,157</u>	<u>\$ 19,097,807</u>	<u>\$ 60,688,904</u>	<u>\$48,427,558</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>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Cash and cash equivalents	\$ 5,497,903	\$ 2,092,692	\$ 5,497,903	\$ 2,092,692
Non U.S. equity	12,444,448	12,336,519	13,498,940	11,176,438
U.S. equity	20,116,497	17,447,389	23,231,101	17,285,349
Fixed income	11,574,527	13,313,936	11,855,267	13,044,574
Other investments	-	2,462,644	-	2,248,222
Alternative investments	<u>6,137,240</u>	<u>2,368,525</u>	<u>6,605,693</u>	<u>2,580,283</u>
Total investments	<u>\$ 55,770,615</u>	<u>\$50,021,705</u>	<u>\$ 60,688,904</u>	<u>\$ 48,427,558</u>

Investment fees are based on the value of the portfolio, and totaled \$286,938 for 2019 and \$254,099 for 2018.

FRIENDS OF ACADIA

Notes to Financial Statements

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(With Comparative Totals for 2018)

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.

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Notes to Financial Statements

**December 31, 2019
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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>2019</u>	<u>2018</u>
ANP Carriage Road Maintenance Fund	\$ 3,362,157	\$ 2,301,573
Dorrence B. Tibbetts Carriage Roads & Bridges Fund	-	76,296
Bass Harbor Head Light	322,172	385,453
Carriage Road Bridge Restoration	809,343	-
Carriage Road – Vista Clearing	41,429	39,165
Acadia Teacher Fellows	93,906	95,187
Diana Davis Spencer Youth Endowment	234,830	29,639
Diana Davis Spencer Youth Expendable Fund	5,293	45,399
Wild Gardens of Acadia Founders' Fund	82,023	42,901
Invasive Plant Eradication & Water Quality	-	52,120
Operations – restricted as to time	-	81,905
Wheelchair Accessible Carriage Maintenance Fund	205,907	158,842
2016 Centennial	53,787	45,512
Every Kid in the Park and School Engagement	-	40,666
Second Century Campaign - Unallocated	9,974,868	8,693,251
Second Century Campaign - The Acadia Experience	2,513,743	2,164,404
Second Century Campaign - Youth Expendable Funds	1,805,921	1,703,898
Second Century Campaign - Youth Endowment	402,683	130,464
Second Century Campaign - Trails and Carriage Roads	643,471	690,756
Second Century Campaign - Friends of Acadia Operations	543,451	114,870
Second Century Campaign - Wild Acadia	1,229,175	1,351,417
Island Explorer Bus System	34,694	93,409
Schoodic Woods Endowment	847,867	317,530
Lower Hadlock Pond	11,724	9,920
Historic Structures Restoration	201,285	223,766
Summit Stewards Program Funds	336,101	377,559
Acadia Winter Trails	159,337	143,378
Acadia Land Legacy	711,959	602,421
Acadia Trails Forever	8,074,583	6,134,542
Seal Harbor Seaside Path Restoration	148,649	162,259
Acadia Trails Forever - Abandoned Trails	820,941	694,636
Acadia Youth Conservation Corps	872,513	775,610
J. Peter Grace Trails Fund in Memory of the Long Walk	115,766	91,031
Other temporarily restricted projects	<u>300,904</u>	<u>116,549</u>
	<u>\$ 34,960,482</u>	<u>\$ 27,986,328</u>

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(With Comparative Totals for 2018)**

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

	<u>2019</u>	<u>2018</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	6,297,366	6,295,366
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	2,652,688	2,632,688
Wild Gardens of Acadia Founders' Fund	<u>333,626</u>	<u>320,790</u>
	<u>22,657,307</u>	<u>22,622,471</u>
Total net assets with donor restrictions	<u>\$57,617,789</u>	<u>\$50,608,799</u>

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

	<u>2019</u>	<u>2018</u>
ANP Carriage Road Maintenance Fund	\$ 244,113	\$ -
Dorrence B. Tibbetts Carriage Roads & Bridges Fund	90,169	311,624
Bass Harbor Head Light	134,368	-
Carriage Road - Vista Clearing	4,857	158,884
Acadia Teacher Fellows	25,478	25,629
Diana Davis Spencer Youth Expendable Fund	48,361	347,340
Wild Gardens of Acadia Founders' Fund	27,730	7,609
Every Kid in the Park & School Engagement	48,495	53,066
Second Century Campaign - The Acadia Experience	44,214	58,333
Second Century Campaign - Youth Expendable Funds	196,305	-
Second Century Campaign - Trails & Carriage Roads	150,000	-
Second Century Campaign - Operational Endowment	10,000	4,000
Second Century Campaign - Wild Acadia	578,865	236,461
Island Explorer Bus System	288,637	287,631
Schoodic Woods Project Funds	-	13,807
Schoodic Woods Endowment Earnings	72,888	41,229
Historic Structures Restoration	63,168	-
Summit Stewards Program Funds	110,109	-
Acadia Winter Trails	46,659	1,565
Acadia Trails Forever	325,603	325,443
Peter Grace Trail Fund	10,000	-
Seal Harbor Seaside Path Restoration	43,113	114,830
Acadia Youth Conservation Corps	47,848	67,957
Invasive Plant Eradication & Water Quality Projects	72,050	137,774
2016 Centennial Funds	-	76
Schoodic Education Adventure	26,498	50,000
Other temporarily restricted projects	<u>179,730</u>	<u>189,876</u>
	<u>\$ 2,889,258</u>	<u>\$ 2,433,134</u>

FRIENDS OF ACADIA

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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. In 2019, staff were asked to review their allocations and suggest revisions if their roles had shifted. This exercise resulted in some small changes. Salaries and administrative expenses have been allocated using the percentages shown below:

	<u>2019</u>	<u>2018</u>
Programs	57%	53%
Management and general	19	20
Development, fundraising, and membership	24	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 \$44,716 in 2019 and \$40,671 in 2018.

10. Non-Cash Transactions

Friends received non-cash gifts from donors valued at \$326,260 in 2019 and \$311,775 in 2018, 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.

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 \$198,000 in 2019 and \$199,136 in 2018.

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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 \$ 49,159 for 2019 and \$48,759 for 2018.

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.

Fair Value Measurements at December 31, 2019

	<u>Total</u>	<u>Level 1</u>
Investments		
Cash and cash equivalents	\$ 5,497,903	\$ 5,497,903
Non U.S. equity	13,498,940	13,498,940
U.S. equity	23,231,101	23,231,101
Fixed income	<u>11,855,267</u>	<u>11,855,267</u>
	54,083,211	<u>\$54,083,211</u>
Assets measured at net asset value	<u>6,605,693</u>	
	<u>\$ 60,688,904</u>	
	<u>Total</u>	<u>Level 2</u>
Contributions receivable, net	<u>\$ 848,548</u>	<u>\$ 848,548</u>

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Fair Value Measurements at December 31, 2018

	<u>Total</u>	<u>Level 1</u>
Investments		
Cash and cash equivalents	\$ 2,092,692	\$ 2,092,692
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	<u>\$45,847,275</u>
Assets measured at net asset value	<u>2,580,283</u>	
	<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>

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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. 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, 2019 and 2018:

	<u>2019</u>		<u>2018</u>	
	<u>NAV</u>	<u>Unfunded Commitments</u>	<u>NAV</u>	<u>Unfunded Commitments</u>
Limited partnership	\$ 748,382	\$ 398,641	\$ 536,368	\$ 485,134
Limited partnership	201,849	796,850	46,624	952,500
Limited partnership	705,340	367,278	303,567	735,555
Limited partnership	212,187	278,207	89,869	404,415
Limited partnership	692,132	482,371	603,855	510,745
*Limited partnership	1,022,935	-	1,000,000	-
Limited partnership	62,940	934,108	-	-
Limited partnership	25,183	975,000	-	-
Hedge fund	2,500,000	-	-	-
Limited partnership	<u>434,746</u>	<u>1,057,811</u>	<u>-</u>	<u>1,500,000</u>
Total	<u>\$ 6,605,694</u>	<u>\$ 5,290,266</u>	<u>\$ 2,580,283</u>	<u>\$ 4,588,349</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:

2020	\$ 77,109
2021	<u>19,370</u>
	<u>\$ 96,479</u>

Total rent expense under the current lease and other immaterial operating lease agreements total approximately \$81,781 for 2019 and \$76,475 for 2018.

FRIENDS OF ACADIA

Notes to Financial Statements

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15. Available Resources and Liquidity

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.

	<u>2019</u>	<u>2018</u>
Financial assets at year end:		
Cash	\$ 2,174,889	\$ 1,866,935
Other receivables, prepaids, and deposits	220,437	268,291
Contributions receivable, net	848,548	4,110,383
Investments	<u>60,688,904</u>	<u>48,427,558</u>
Total financial assets at December 31	<u>\$ 63,932,778</u>	<u>\$ 54,673,167</u>
Financial assets available to meet general expenditures over the next 12 months:		
Cash	\$ 2,174,889	\$ 1,866,935
Other receivables, prepaids, and deposits	220,437	268,291
Investments which can be used for general expenditures	543,451	114,870
Investments without donor restrictions	<u>3,934,940</u>	<u>3,533,651</u>
Total assets available over the next 12 months	<u>\$ 6,873,717</u>	<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.